# Tech Air

## A Leading East Coast Distributor with a Big Goal

By Myles Dempsey

Tech Air provides turnkey cryogenic storage facilities to major hospitals.


Tech Air serves a broad array of customers. Growth is focused on specialty, medical, and cryogenic gases in research, healthcare, bio-pharmaceuticals sectors, high tech, aerospace, and leisure sectors.

County Welding Products, founded in 1935, was purchased from its original owners in 1977 by Myles Dempsey, Sr., a former employee of the Linde Division of Union Carbide (now Praxair). At the time of purchase, County Welding Products operated from a single location in White Plains, NY. After a period of expansion into upstate New York and Connecticut, the company changed its name to Tech Air (*techair.com*) in 1995. In 2007, Mr. Dempsey, Sr. sold his remaining 50 percent share of Tech Air to the employees of the company in a leveraged Employee Stock Ownership Plan transaction, and Myles Dempsey, Jr. was named CEO. Following this transaction, Tech Air considered various strategic options that ultimately resulted in the acquisition by CI Capital Partners of a majority equity stake in the company in December 2010.

In 2011 Tech Air embarked on a disciplined program of growth by acquisition and has since purchased Corp Brothers, based in Providence, RI and Dressel Welding Supply, based in York, PA. Under CI Capital's sponsorship, Tech Air has grown to 150 employees with 17 locations and five filling plants, serving customers in eight states from Massachusetts to Virginia. The company is organized into four geographic regions (RI/MA, CT, NY, and PA/MD).

Tech Air serves a broad array of customers in numerous end-user markets. The company services many large educational and institutional customers using specialty, medical, and cryogenic gases and provides engineered supply systems for diverse applications such as robotic welding, laser cutting, and gas and cryogenic liquid distribution systems.

The economies of New England and the mid-Atlantic states are large and diverse and include all of the major business sectors that use industrial gases and welding supplies. Core welding supply markets, like heavy construction and metal fabrication, have been shrinking, a condition exacerbated by the recent recession. Today, growth at Tech Air is primarily driven by the other sectors such as research, healthcare, bio-pharmaceuticals, high tech, aerospace, and leisure services. The Tech Air companies focus sales efforts on customers in the highest growth sectors. Private-sector investment, especially in the New England and New York markets, is very limited, so growth is primarily driven by publicly-funded research and development. Growth in "same-store" sales is generally forecast in single-digits with notable exceptions in some specific geographies, such as Central PA.

Growth prospects over the next two to five years will most likely be somewhat limited in New England and New York as these states have become prohibitively expensive, over-regulated, and even hostile toward free enterprise. Most new investment in that region is publicly funded. The mid-Atlantic, especially Pennsylvania, is far more business-friendly and this, coupled with the stimulus to economic development provided by the rapidly developing shale gas industry in Western and Central PA, could lead to much higher growth rates in the core welding markets.

The optimistic scenario for the region is that the exploration and development of low-cost natural gas resources in Pennsylvania will lead to increased economic development and even re-industrialization in the mid-Atlantic states and Western New York state. The New England states have largely become "post-industrial" so it is unclear how much impact low-cost energy will have in these areas. One potential growth area is the increased deployment of natural gas (CNG and LNG) as a fleet fuel and as a potential substitute for propane (LPG, which is primarily derived from oil) in many applications including forklift motor fuels.

Since the financial crisis that started in 2008, the gas and welding industry growth rate has slowed significantly along with the overall economy. Increased regulatory burdens and government intervention in markets, rising personal income tax rates, artificially induced negative real interest rates, and potential Eurozone contagion are all worrisome trends for the continued health and vitality of independent gas and welding distributors and the private sector in general. In this turbulent, high-risk, low-growth environment, a well-financed and disciplined acquisition strategy has an excellent chance of success.

Tech Air has a simple goal: to become the largest independent, privately-owned gases and welding distributor in the US. To that end, CI Capital has allocated a large amount of equity capital to support Tech Air's acquisition strategy going forward. For many potential sellers Tech Air is the preferred buyer because of its relatively small size, entrepreneurial organization, and flexibility to structure a transaction that meets both financial and non-financial objectives of the owner.

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