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CI CAPITAL MAKES QUICK EXIT OF OHIO INDUSTRIAL GASES CO.

By Bernard Vaughan

CI Capital Partners is poised to cash in on its investment in **Valley National Gases**, a distributor of industrial and medical gases and welding supplies, after owning the company for only two years.

The exit is an unusually quick one for CI Capital, which traditionally holds companies for five to ten years. The firm was tempted to hold on to the company because its professionals believe it still has ample room to grow, but ultimately chose to exit after being offered a good price. "We are selling earlier than we expected to, with somewhat mixed feelings," **Joost Thesseling**, principal, told *Buyouts*. "On the other hand, we're getting a great price for the business and we're very happy with the outcome."

The exit should boost CI Capital's fundraising efforts. The firm is currently raising CI Capital Investors II LP, with a target of \$750 million, according to *Buyouts* data. Thesseling declined to comment about the fundraising effort.

The New York-based buyout firm agreed to sell Valley National Gases, based in Independence, Ohio, on March 30. The buyer is Matheson Tri-Gas Inc., a Basking Ridge, N.J.-based subsidiary of Taiyo Nippon Sanso

Corp., a Japanese producer of industrial, medical, electronics and specialty gases. The deal is expected to close in the second quarter.

Terms of the deal were not released. A published news report put value of the sale to Matheson Tri-Gas at ¥50 billion (\$514 million), though a source close to the deal said that number is low. CI Capital, known then as Caxton-Iseman Capital, bought Valley National Gases in February 2007 in a deal valued at \$326.74 million, according to Capital IQ.

The buyout firm, which changed its name in December 2007, purchased the company because it saw an opportunity for rapid expansion through add-on deals, Thesseling said. The U.S. propane and industrial gas distribution market was generating about \$30 billion in annual revenue, and there were about 5,000 independent distributors in both markets, he said, which meant it was a fragmented market ripe for consolidation.

However, CI Capital determined Valley National Gases did not have the personnel infrastructure to begin a roll-up campaign. So during the first six months of the investment, Thesseling and his team hired a new

SNAPSHOT:

Target: Valley National Gases

Price: Undisclosed

Sponsor: Matheson Tri-Gas Inc.

Seller: CI Capital

Financial Adviser: Buyer: The Bridgeford Group Inc.;

Seller: Berenson & Co., Credit Suisse

Legal Adviser: Buyer: Kelley Drye & Warren LLP;

Seller: Paul Weiss Rifkind Wharton & Garrison LLP

CEO (the previous one retired, but remains on the board of directors), a COO and a head of acquisitions with a seven-person team to find and execute deals.

Once this infrastructure was in place, Valley National Gases went on a buying spree, completing eight add-on acquisitions in 15 months. The company increased its pro-forma EBITDA by about 50 percent under CI Capital through the acquisitions and a number of cost-savings initiatives. During the firm's ownership, it increased the number of Valley National's branches from 75 in 14 states to 95 in 18 states, while streamlining regional branch infrastructure used to manage the branches from 17 to seven regions.

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