Bridge Industries takes a measured approach to growth in the energy sector.

Bridge Work

BY JERRY SOVERINSKY

Jeff Berlin, founder of Bridge Industries.

Photos by Billy Delfs
Bridge Industries is a classic middle-market PE investor. Rather than focus on maximizing profits via an exit strategy—stripping pensions, exporting jobs, slashing salaries and trimming the workforce in an effort to make a quick profit—the Chagrin Falls, Ohio, holding company stays true to its respectful approach to the companies it acquires. While generating profit and growth are central to the company’s business model, those goals are achieved in a measured way that preserves the entrepreneurial spirit and corporate cultures of the companies it acquires.

“Entrepreneurial family businesses have a tremendous value linked to their owner-operator history,” says Jeff Berlin, who founded Bridge Industries in 2003 and is a member of ACG Cleveland. He says one of his company’s core beliefs is that it bears a responsibility not just to its internal stakeholders, but to the businesses it pursues.

With that philosophy in place, Berlin has carved out an impressive track record of success over the past decade in the energy sector, no small feat considering the industry’s inherent volatility and a sustained recession that hit oil and gas companies especially hard.
Berlin founded his company after overseeing 11 major acquisitions in his 12 years at Cleveland-based Hawk Corp., a manufacturer of friction products and precision components used in industrial and aerospace industries. He was president and COO for four years—growing the company from $20 million in revenue and just more than 100 employees to $220 million and 1,600 employees in 16 plants around the world. During that span, Hawk purchased its direct competitors as well as those that offered complementary manufacturing services, all in an effort to expand market coverage and diversify its revenue base while driving growth.

Berlin also successfully guided the company through a very turbulent post-9/11 period, when aerospace and industrial companies struggled heavily. Implementing tight cost-cutting measures and working capital controls while investing in long-term strategic programs that included expanding to China and Mexico, the company recovered in 2002 and posted record sales. Shortly thereafter, the then-40-year-old left to launch Bridge.

“Bridge was an opportunity for me to step back from Hawk and really do it on my own,” Berlin told Smart Business shortly after creating Bridge. He also conceded that despite a track record of success, he was essentially starting over.
“The deals don’t just come to you, you have to really go out and search for them,” he said. “I felt the first thing was to establish a business model similar to Hawk, but different. It’s different in that I started with nothing. If you don’t have a patent or something to start with, you have to go buy something.”

DEAL NO. 1: MULTI PRODUCTS

It didn’t take Berlin long to make his first purchase. In 2004, less than a year after Bridge’s founding, he acquired Multi Products Co. of Millersburg, Ohio, a manufacturer of oil and gas equipment primarily used to increase well efficiency.

Multi’s proprietary products, capable management team and global sales opportunities were alluring to Berlin, who also was impressed by the company’s technology. But with Multi representing his first major exposure to the oil and gas industry, Berlin says he “understood the engineering component, but I was unfamiliar with the customer base.”

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Joel Falck
CFO of Bridge Industries
Bridge purchased Multi from its owner/president with an equity investment, seller note and bank financing, before implementing a growth program that placed a dual focus on operations and efficiency. A deeper management team was recruited and the company’s manufacturing capabilities and product line were enhanced, all of which helped grow sales among its existing customer base.

At the same time, it expanded distribution for Multi, adding service centers in the Western United States and forming strategic partnerships with distributors in other key territories. Finally, it forged relationships with the pioneers of U.S. shale exploration, developing a new product line for horizontal well designs and plunger lift products that optimize oil and gas production.

Since the acquisition, Multi has grown dramatically, realizing 25 percent annual growth while adding distribution points throughout North America and initiating export relationships in South America, Mexico, Canada, India and China.

“We helped grow the business, taking wells and making them more efficient,” Berlin says. “And we like that side of the industry.” It’s a hands-on approach that calls back to Berlin’s operations experience. “I’ve always been biased toward the operations side of things—getting involved with a business,” he continues. “Not to see how many transactions or how much money I can raise, but to focus on each opportunity and try to grow the business and do the right thing.”

DEAL NO. 2: CIMARRON GAS PROCESSING

The next year, building on its experience with Multi, Bridge developed a relationship with Cimarron Gas Processing, a designer and marketer of separation and dehydration equipment for the oil and gas industry.

“When Jeff showed me (what he did with Multi), we hit a chord in the beginning,” recalls John Moore, former CEO of Cimarron.

Cimarron had worked for many years with Central Tank of Oklahoma Inc., a manufacturer of separation and dehydration equipment, and reached out to Bridge for assistance in buying it. “When the opportunity arose to acquire Central, I reached out to Jeff for his help,” Moore says. “I had the operational experience, but he had the financial experience.”
Berlin assessed the deal and the opportunities appeared strong. Moore “felt that if we could buy (Central), it would allow Cimarron more control of capacity in a growing market,” Berlin says.

After acquiring an equity interest in Cimarron, the company quickly acquired and integrated Central into Cimarron. The timing was perfect. At a time when aggressive oil and gas development in the Rockies sent customer demand surging, Cimarron’s capacity was up to the challenge.

“We went from about $35 million in sales to $135 million,” Moore says, “diversifying from a regional player into a national player. We probably increased our customer base 10 times, in fact.”

With an eye toward future growth, Cimarron and Bridge brought on an outside equity partner, Lynx Partners, which purchased control of Cimarron in 2007 (Bridge retained a minority stake in the company).

“Cimarron had a very technical product that had a critical importance to major E and P (exploration and production) companies,” says Peter Hicks, managing director of Lynx Partners. “Bridge had served a strategic role in regards to merging two companies...and when we got involved in August 2007, a clear institutional game plan
was put into place...what I would call the institutionalization of the family company.”

Those initiatives included implementing lean manufacturing into the company’s Norman, Okla., facility and increasing its sales and marketing efforts. “Those complemented what Bridge had done,” Hicks says.

After enduring the rough downturn in 2008-2009 (“We lost two-thirds of our business as energy prices dropped,” Berlin says), Cimarron expanded into the major new shale developments, becoming a major player in the Bakken, Eagle Ford and Permian Basins while attaining a leading market position in the Marcellus and Utica Shale Plays in Ohio.

“With Bridge’s involvement and under Lynx, we effectively transformed the company from a regional Colorado Basin-oriented energy products company into a national company,” Hicks says. Its staff grew from about 75 employees in 2004 to nearly 500 in 2012.

“Jeff recognizes his strengths and how he can complement a company. He doesn’t try to dictate and change a corporate culture, he tries to add to it,” Moore says. “That’s very important, to try to maintain the corporate culture and not try to remake it just because you become financially involved.”

In 2012, Curtis Wright purchased Cimarron for $135 million. Bridge Industries’ initial investment: $10 million.

**DEAL NO. 3: TRANSTECH ENERGY**

In October 2013, Bridge acquired a controlling interest in Rocky Mount, N.C.-based TransTech Energy, which designs, builds, installs and services specialized storage systems for liquefied petroleum gas (LPG) and natural gas liquids (NGL).

With the continuing development of shale gas and oil wells, TransTech’s ability to liquefy and store NGLs presented sizable growth opportunities. Bridge’s investment is supporting TransTech’s next phase of growth, a planned expansion in North America, Central America and South America.

As part of the acquisition, TransTech’s management team remained intact, with the owner retaining a minority stake in the business and the management team becoming equity owners. As with Bridge’s prior two energy deals, this was the preferred arrangement.
“The companies we acquire must have good cultures and management teams in place,” says Bridge CFO Joel Falck. “We don’t change those; we provide support.”

Berlin agreed, calling out the strong foundation that TransTech team had already built as a critical selling point for Bridge’s involvement. “The team at TransTech has done an amazing job building their business in the last couple of years, positioning the company for another growth phase that we intend to support.”

ENERGY OUTLOOK
While Bridge is not limiting itself to energy deals, it recognizes the sector’s vast opportunities and continues to look for growth opportunities within. “The two areas that we like the most are storage and infrastructure,” Berlin says. “There’s so much going on as far as new pipelines, new processing facilities and changing pipelines to deal with new energy flow.”

“The second is the ability to make existing wells more efficient. It costs a lot of money to drill wells, and they deplete rapidly,” he continues. “So we think that, eventually, people will come back to their existing wells and work to make them more efficient. And we continue to look for products and acquisitions that can help us in that area.”
It’s not for the faint of heart, Falck says, knowing the challenges that Bridge and other energy sector firms face. “The real difference between energy and other industries that I’ve been involved with is the volatility... Things are not always predictable, and you have to be very responsive and entrepreneurial in your thought process, willing to work with the management team in any environment.”

Despite those uncertainties, the prospects for Bridge continue to look bright, and Berlin remains bullish on America’s role in energy exploration. “We’re big believers that the energy trends in North America are long term and there’s a need to continue building the infrastructure to support getting more oil and gas in North America,” he says.

“We think that through export of natural gas and its usage in vehicles along with its continued use in power generation that the demand will continue to increase enough to support the industry’s future growth.”

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