

PE Firm Evaluates the Mezzanine Market Case Study



Channel dynamics evaluation to support potential mezzanine and platform provider acquisition strategy

Background and Objectives

A private equity firm and the management team of a doors, locks and building systems portfolio company engaged BCE to evaluate the market for mezzanines and platforms for eCommerce and distribution center use cases as a part of ongoing diligence on potential market-entry acquisition. Prior to the engagement, the client identified a shift in customer decision making. The client asked BCE to validate the identified shift from system integrators to general contractors as the dominant channel to market and to assess the acquisition targets' ability to capitalize on the market shift. Given tight acquisition process deadlines, the client requested BCE complete this rapid evaluation within one-week.

Approach

BCE began the engagement by conducting primary research with a range of supply chain participants including mezzanine and platform manufacturers, general contractors, system integrators, sub-contractors, and end customers, to analyze the client's market shift hypothesis. The shift from system integrators to general contractors as the primary channel for mezzanine and platform providers to access the market was confirmed after discussions with market participants. BCE concluded that the shift in channel dynamics was a recent trend, led in large by the increased complexity of automated facilities and construction of large lift-and-shift facilities. BCE validated the hypotheses through expanded primary research outreach with end customer contacts responsible for facility design and contracting.

BCE then developed a preliminary market size with segmentation by channel to pressure test with additional primary research conversations. Through multiple conversations with industry participants BCE triangulated and developed historical, current, and projected market segmentations highlighting the overall growth of the market and shifts in channel to market.

Finally, BCE assessed the target's ability to leverage its market leading position with system integrators to establish a robust general contractor channel.

Recommendations

BCE's comprehensive analysis of the changing channel dynamics in the mezzanine and platform market complemented the clients' ongoing diligence efforts and validated the shift towards general contractors as the primary channel to market. BCE identified market segments most susceptible to channel shifts and developed a set of recommended tactics for the target to capitalize these changing channel dynamics.

