



Navigating an HVAC Division Carve-Out for a Large Publicly Traded Company



EXECUTIVE SUMMARY

Columbia Advisory Group (CAG) successfully facilitated the carve-out of a HVAC division from a large publicly traded manufacturing entity, transforming it into an independent operation. This was accomplished by executing our comprehensive IT due diligence and advisory services. This carve-out was not without its complexities, owing to the unique automation capabilities intrinsic to the manufacturing process of the target entity, a fireplace manufacturer.

PROJECT BACKGROUND

The division was initially a component of an established HVAC company with a value of \$150 million. The entity had advanced factories and distribution facilities in the Mid-Atlantic region that relied heavily on automation, a system refined over the past decade. The primary challenge was transitioning the IT system to a new management structure while maintaining operational continuity, speed, and cost efficiency.

KEY CONSIDERATIONS:

- The current production and distribution capacity and growth plans.
- The transition from a services agreement to a standalone licensing model with a fully operational IT department.
- The cost implications of the transition.
- A technology roadmap post-transition, including long-term cost and staffing levels.
- Identification and mitigation of potential risks





OUR APPROACH

CAG utilized a multi-pronged approach to navigate the complexity of the carve-out. Firstly, we deliberated on the optimal IT platform that would align with the company's value proposition and the investor's aspirations. We factored in the scalability of the platform to support organic growth and future acquisitions.

Secondly, we addressed the task of building a new IT team, as no personnel were transitioning from the parent company.

Lastly, we assessed the advantages and drawbacks of maintaining the legacy software versus implementing a new platform. CAG designed multiple alternatives, considering various automation platforms, and developed respective cost and operational models. These were exhaustively analyzed by the investors and the senior management of the target entity.

To achieve our goals, CAG initiated the following activities:

- Formulated an IT Transition Services Agreement with all involved parties.
- Assigned interim IT leadership from CAG to oversee immediate implementation of the Transition Services Agreement.
- Established a Technology Selection Committee to evaluate and choose from the technology options presented by CAG.

Simultaneously, CAG assumed control of IT operations, managing ERP and CIO roles, and began outlining a long-term IT strategy for scalability.

RESULTS & CONCLUSION

Within three months, and with no capital expenditures beyond the investment thesis, CAG successfully established the new company's IT operations. The final IT platform chosen was a blend of adapted technology from the former parent company and newly selected technology suited to the standalone entity. CAG installed a senior technology team to oversee IT operations, ensuring effective support with minimal disruptions.

Following the carve-out, the new company's financial performance saw a significant upturn, bolstered by a resurgence in the housing market. After stabilizing the system operations and reaching a "steady state", CAG recruited and trained a new internal IT organization, transitioning to an IT advisory role. The new standalone company continues to thrive under its new operational structure.

