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Juicy buyout breaks the ice

Jus-Made deal marks first U.S. investment for firm active in Eastern Europe

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For the past 15 years, Michael Bleyzer has been wheeling and dealing in Eastern Europe.

The Ukrainian-born CEO of Houston private equity firm SigmaBleyzer has orchestrated buyouts across multiple industry sectors.

Dysfunctional companies ripe for plucking, rejuvenation and eventual sale have been plentiful in a part of the world still adjusting to a free-market economy.

Bleyzer's latest turnaround candidate is similar to his previous targets. The 54-year-old beverage manufacturer is a cash-strapped, family owned company with antiquated accounting methods, few long-range plans and agitated shareholders.

Unlike earlier buyouts, the business isn't based overseas in the former Communist Bloc, but right up the road from Houston in the Metroplex.

The investment in Dallas-based Jus-Made LP marks the first U.S.-based private equity transaction for SigmaBleyzer, which has more than \$1 billion in corporate assets under management.

Bleyzer says wrapping up the Jus-Made investment in July fulfilled his hope to one day find the same type of distressed deal closer to home that he has worked on more than 100 times overseas. The recession gave him that chance.

"The global financial crisis really changed where these opportunities were available. For years, you could only find this kind of deal in emerging markets, but now they're suddenly available in the U.S.," says Bleyzer, on the phone from Kiev, at one of his firm's two offices in the Ukraine.

ORANGE JULIUS AND SLURPEE

Jus-Made was founded in 1955 by Lamar Dial, the innovative beverage industry pioneer who also helped create the Orange Julius drink sensation and later was part of the development team that gave the world the 7-Eleven Slurpee.

The multigenerational family business — with products found in grocery and convenience stores, bars, restaurants and fast-food outlets such as Long John Silver's Inc. or A&W Restaurants Inc. — lost focus following the death in 2006 of CEO Gene Barfield, Dial's grandson, who ran the company for the previous 16 years.

John Hampton, a hands-on management consultant who had worked on and off with the firm for some 20 years, joined Jus-Made as president in March 2008 to try and squeeze new life into the 65-employee company.

He concedes making Jus-Made more solvent was a difficult task, to say the least.

"(Barfield) ran the business from top to bottom with no policy procedures to get things done unless he responded to it. They had gone through three presidents in two years, with me being the third," Hampton says. "They had financial problems, staff problems, stacks of legal procedures to be cleared up. You name it, we had it."

In January, Hampton set the wheels in motion by retaining a Dallas firm to help identify potential buyers. The Dallas recruit's connection to a Houston investment bank, Abshier Webb Donnelly & Baker Inc., led to SigmaBleyzer.

Hampton says the company's offer was the most appealing of six bids on the table, but not strictly from a dollar amount. Financial details were not disclosed, but SigmaBleyzer typically makes investments between \$20 million



Michael Bleyzer: Finding a bargain close to home after 15 years of cutting deals in overseas markets.

SIGMABLEYZER

HEADQUARTERS: Houston

KEY EXECUTIVE: Michael Bleyzer, president and CEO.

BUSINESS: Private equity firm with \$1 billion assets under management. Founded 1994.

OTHER OFFICES: Ukraine (two), Romania, Bulgaria, Kazakhstan.

RECENT INVESTMENTS:

- Voila Cable, Ukraine's largest cable television provider.
- Asem-Ai, Kazakhstan bottled mineral water company.
- Covalact, Romanian dairy product processor and distributor.
- Kosmo, Ukraine pharmacy chain.

LATEST DEAL: Acquiring controlling interest in Dallas-based beverage maker Jus-Made LP.

JUS-MADE LP

HEADQUARTERS: Dallas

KEY EXECUTIVE: John Hampton, president.

BUSINESS: Family owned beverage manufacturer and supplier of bottled and packaged products to restaurants, grocery stores and fast-food industry. Founded in 1955 by Lamar Dial, the beverage industry pioneer who helped create the Orange Julius drink and later played a part in developing the 7-Eleven Slurpee.

EMPLOYEES: 65

and \$50 million in target companies.

"They were committed to keeping the family ownership intact and they understood that a turnaround like Jus-Made didn't necessarily lend itself to a typical restructuring," Hampton says. "They knew we needed extra resources and accounting talent to help us. The fact they were so used to working in Eastern Europe where those companies often have terrible record-keeping allowed them to see through our problems."

While his firm has controlling interest in Jus-Made and will take one or two seats on the board of directors, Bleyzer says he intends to add management strength, rather than clean house.

"I really like the business but it just didn't have the same degree of attention the last few years (after the CEO's death) and no one in the family with the right skill set to take control," Bleyzer says. "They don't need a new direction because they're in a sweet spot in the beverage industry. It's one of these companies with a history of decades-long relationships with customers."

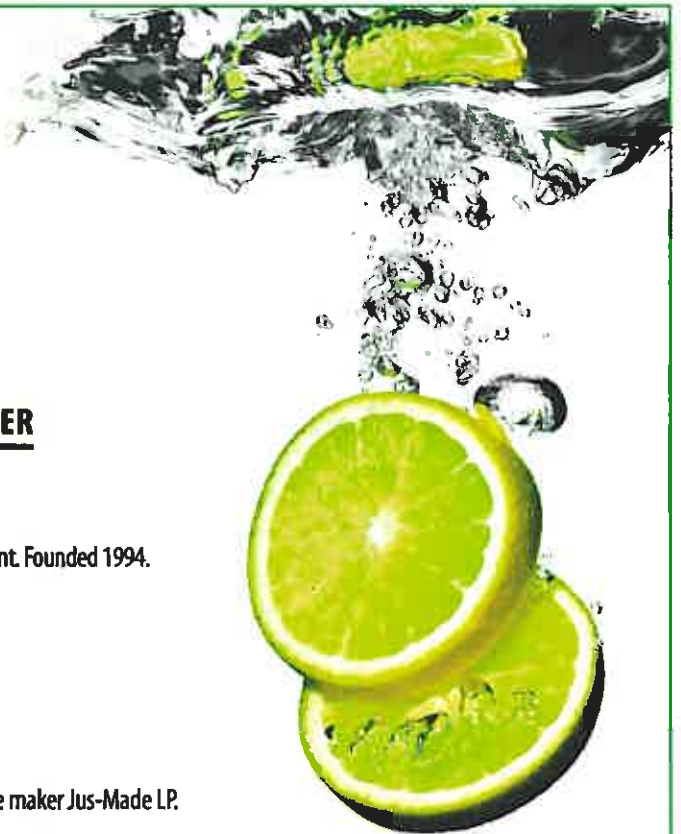
Hampton says the company is focusing initially on putting more efficiencies in place, from front-office software systems to streamlined processing operations in Jus-Made's 80,000-square-foot facility. The goal is to revive some product recipes that have languished on the shelf for years and move into more private-label beverage deals.

A new "hot fill" processing capacity will allow the company to add products such as a Bloody Mary cocktail mix that requires a fine-tuned bottling process to retard spoiling, while building on Jus-Made's traditional expertise in "cold fill" beverages, such as margarita cocktail mixes or beverage syrups.

Hampton says the company is also experimenting with new energy drinks using a base of fruit and vegetable juices with added supplements.

Finding the right ingredients for future growth was a matter of time, he says.

Says Hampton: "I was able to bring in a few key people



who are aware it's a turnaround and were willing to put their talents toward finding the right solutions. Believe me, we had a whole lot of people here who were tired of sailing one way into hurricane winds. We're interested in regenerating some prosperity, instead of just focusing on survival."

EQUITY COMPETITION

Bleyzer says doing the first transaction on his company's home turf is part of a longer-term strategy to do other deals in Texas.

He concedes the biggest difference is that there is much more private equity competition in the United States than he sees in Eastern Europe.

Operating out of the Houston headquarters, SigmaBleyzer has offices in Ukraine, Romania, Bulgaria and Kazakhstan. Investments in East European companies range from mineral water bottling plants to cable television and shipping companies.

SigmaBleyzer investors are mainly in Europe and the Northeastern United States. The firm draws capital from two active private equity funds, SigmaBleyzer Southeast European Fund IV and V, which closed in 2006 and 2007, respectively. The two funds raised a total of 400 million euros, or about \$576 million based on current rates.

Bleyzer says the firm slowed down deal-making over the past year while the financial crisis unfolded, and has plenty of dry powder ready to invest in other deals that could close by the end of the year.

"We're strictly opportunity driven and have a number of other deals in the pipeline. Texas is big enough for us to find other possibilities," says Bleyzer.

Now that Jus-Made has broken the ice, more of the buyouts he's looking for won't be as far away.

Says Bleyzer: "I'm 57 and spent 31 years in Houston so I'm more Texan than anything else. I've always wanted to bring the business back home." ■

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