

Finance

M&A Awards

Tenacious at the table but mellow in manner, Anderson Group co-founder Barry Shapiro puts his skills to good use as a self-described 'deal junkie'

A talent for value



**LIFETIME
ACHIEVEMENT
WINNER
BARRY
SHAPIRO**

BY TOM HENDERSON
Crain's Detroit Business

Cory Gaffney, a partner in Bloomfield Hills-based private equity firm **The Anderson Group LLC**, says an unusual combination of skills has driven the success of company co-founder Barry Shapiro.

"Barry is a combination Bob Marley and pit bull. He's absolutely tenacious when negotiating deal points, but at the same time, he's super relaxed, as mellow as it gets, never flustered," Gaffney said.

The Rastafarian/pit bull model is one that has served Shapiro well since he turned the family business into a private equity company in the mid-1980s.



"I can't picture myself retiring," says Barry Shapiro, who has worked for nearly 30 years in M&A.

NATHAN SKID/CRAIN'S DETROIT BUSINESS

Shapiro, 71, will receive the lifetime achievement award at the April 16 M&A Awards program of *Crain's Detroit Business* and the Detroit chapter of the **Association for Corporate Growth**.

His most recent deal, closed on March 14, was an acquisition of a Springfield-Mo.-based company, **Red Monkey Foods**, a manufacturer and distributor of organic spices to supermarkets across the nation.

Perhaps the best deal Shapiro has done in nearly 30 years of M&A was the

M&A Awards

Crain's Detroit Business, in partnership with the **Association for Corporate Growth-Detroit Chapter**, holds its seventh annual **M&A Awards 5-9 p.m. April 16** at the **Troy Marriott**, Troy. Tickets are \$75 for ACG members or nonmembers in groups of 10 or more, or \$80 for individual sales to nonmembers.

2005 acquisition of Hastings-based **Hastings Manufacturing Co.**, a public company on the **American Stock Exchange**, out of bankruptcy. Hastings was a well-known manufacturer of automobile parts that began making oil pumps and piston rings in 1915 but had fallen on hard times.

It showcased Shapiro's dogged determination to negotiate the best deal possible, but in such a way as to make friends, not enemies, said Charles Moore, a senior managing di-

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Shapiro: Self-described 'deal junkie' has a talent for value

rector of Birmingham-based turnaround firm **Conway MacKenzie Inc.**, which led Hastings through its bankruptcy.

"It was a difficult deal with a lot of complex issues, but he put a plan together and he stuck with it," said Moore. "Barry is very relationship-oriented, which is very helpful with the kinds of troubled deals he gets involved with, creating value with struggling companies."

Not only did the Anderson Group save Hastings and its 250 jobs, but it ended up being the M&A equivalent of a bases-loaded home run.

Last May, Hastings was sold to **RFE Investment Partners**, a Connecticut-based private equity firm. The sale price wasn't disclosed, but Shapiro said it was his firm's best exit ever, bringing more than a 40 times return on investment.

Although the payoff was dramatic, a successful turnaround at Hastings was anything but a given, except to Shapiro.

"Conway MacKenzie had been shopping Hastings for a long time, and no one saw much value in the company," said Tom Gaffney, Cory's father, who co-founded the Anderson Group.

"A lot of people had looked at this company and had taken a pass. Everyone else was saying, 'There are too many issues, I'm not getting involved,'" said Gaffney.

After being approached by Conway MacKenzie, Shapiro toured the Hastings plant. As soon as he left, he called Gaffney and said, "Tom, this is a really good opportunity. We have to get it," recalled Gaffney.

"I was totally smitten with this disgusting, dirty plant that had so many issues," said Shapiro. "It was horribly managed, but it had a great name. It was a great brand. If you had a 1932 Buick and needed a piston ring, they had it."

A week before the Anderson Group's stalking-horse bid prevailed at the bankruptcy auction, Shapiro took another tour of the plant, this time with Fred Cook, the CEO recruited to run it. Cook had been running a die-casting company in New York.

"In 45 minutes of walking the floor of a 150,000-square-foot plant, he saw tens of thousands of dollars of opportunity at

every stop," said Cook. "He could see past the asbestos and the clutter and unmotivated employees."

Cook is now CEO of another Anderson Group turnaround portfolio company, Las Vegas-based **Cole Kepro International LLC**, a maker of slot machines.

A family business

Shapiro got his start in his father's business.

In 1950, Shapiro's father, William, was shopping for a large metal fuel tank. Like many homeowners then, he was converting his home from coal heat to oil, and stopped by a company called **Anderson Tank** in Flint.

There were people waiting in line and production was back-ordered. Shapiro said his father thought if there was that much demand, he wanted to get into the business as an owner, not consumer.

"He bought half the business from Johnny Anderson for \$6,000 and later bought Johnny out for another \$6,000," said Shapiro.

Barry joined the company in 1964 after graduating as a finance major from **Babson College** in Boston. "I thought I was a hot shot, but I started out licking postage stamps in the mailroom."

By the time Barry joined the business, the company's name had been changed to **Anderson Safeway Guard Rail Corp.**, diversifying away from fuel tanks to making guardrails for the fast-growing national highway system.

Shapiro soon graduated to hitting the road as a salesman, then into operations as manager of a plant in Evansville, Ind., that made bolts and galvanized parts for highway bridges.

"I loved the plant floor," said Shapiro. "I'd go in there at 2 in the morning and watch the night shift work. I couldn't get enough of it."

"My dad was a man without ego. He'd thrust me into positions of responsibility I wasn't ready for," said Shapiro. "I'd say, 'Dad, I'm gonna screw this up,' and he'd say, 'Don't worry about it. You don't learn from the things you do right. You learn from what you don't do right.'"

By 1985, the interstate highway system

ANDERSON GROUP'S PORTFOLIO

- **Aerial Wireless Services LLC**, Mansfield, Mass.; provides infrastructure and maintenance services for the wireless communication industry
- **Alliance Food Equipment Holdings LLC**, Northvale, N.J.; makes equipment for making, packaging and storing ice cream
- **Cole Kepro International LLC**, Las Vegas; makes slot machines
- **Latina Boulevard LLC**, Tonawanda, N.Y.; distributor of specialty foods to retail markets, pizzerias and restaurants
- **Michigan Wheel Marine**, Grand Rapids; makes marine propulsion systems
- **Oberfields LLC**, Columbus, Ohio; makes concrete blocks and other masonry and landscape products
- **Perfect Fit Industries LLC**, Charlotte, N.C.; makes bed pillows, mattress pads and electric blankets
- **Quality Logging Inc.**, Midland, Texas; provides exploration services to the oil and gas industry
- **Red Monkey Foods**, Springfield, Mo.; distributes organic spices to supermarkets
- **TecArt Inc.**, Farmington Hills; makes point-of-purchase and backlit signs
- **Thayer Power and Communication Line Construction Co. Inc.**, Fairview, Pa.; provides utility line engineering, wiring and construction services for the power and communication industries
- **Valley International Cold Storage LLC**, Harlingen, Texas; provides cold-storage, packaging and logistics services

was built, and Anderson's sales had leveled off at \$30 million. The Shapiros sold the company to Dallas-based **Trinity Industries Inc.**

Shapiro's dad died last June at age 97 and wasn't formally involved in the Anderson Group, but was active until the end.

"A few hours before he died, he was on the phone quizzing me about one of my investments," Shapiro said. "He'd call me from the bathtub at 6 in the morning: 'I'm reading the *Wall Street Journal*, and there's an article on one of your companies you need to read.'"

In 1987, Shapiro met Tom Gaffney, who had been doing acquisitions for Bill Davidson's **Guardian Industries** as an executive vice president. Gaffney helped Shapiro and some other investors put a deal together to buy **WWJ-AM**, now owned by **CBS Radio** from **The Gannett Co.**

Gaffney and Shapiro did more deals on

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an ad hoc basis well before the Anderson Group was formally created. The first was in 1986 to buy **Theodore Bargman Co.**, a Coldwater-based maker of RV parts.

"We grew the hell out of it and sold it six years later. It did really well," Shapiro said. "Before you knew it, we were doing some more stuff."

In 1990, the partnership hit a hiatus when Tom moved to Florida.

In 2001, Tom Gaffney and Shapiro were skiing out West. "I said, 'We gotta get back into it, again,'" said Shapiro. "And we did."

The Anderson Group was created. By 2006, business was heating up.

"The recession was an opportunity for us. We do much better in a poor economy than a good one," Shapiro said.

Avoiding limited partners

Shapiro and Gaffney put in their own money or money from friends and family. Not having limited partners frees the firm from the time restraints a limited-partner fund has for returning money to investors.

The company uses a national network of bankruptcy specialists, turnaround specialists, brokers and investment bankers to source deals.

"Five deals a day come through here. We look at 200 deals to do one. We're very content to say 'no,'" said Shapiro.

Half the acquisitions require immediate or eventual change in management. The others involve creating better processes or

adding management help.

A recent divestiture was an example of the latter.

Eight years ago, after an introduction by an investment banker, the Anderson Group bought a majority stake in **La Bella Sausage LLC**, a company founded in Brooksville, Fla., in 1992 by a retired New York sanitation worker, George Kurppe. Kurppe needed financing to fund growth and help to manage it.

"I can't say enough good about them," said Kurppe. "I couldn't have had a better partner over the years. At the time, I was a one-man band and I needed help. They sat me down and explained to me what I needed to do and how I needed to add to the management team."

In October, La Bella was sold, at a substantial profit, to **Premio Foods Inc.** of Rochelle Park, N.J.

If Hastings was their grand slam, Shapiro and Gaffney have had a few strikeouts, too. In 1989, they bought Traverse City-based **Burwood Industries**, a maker of clocks and wall decor, out of bankruptcy. But they couldn't save it. Shapiro said the company couldn't compete with cheaper overseas manufacturers and eventually was liquidated.

Another strikeout? **Horton Manufacturing** of Akron, Ohio, a maker of high-end crossbows for hunters. Anderson Group bought the company just before the recession hit and the market for high-end equipment

evaporated. It too was liquidated.

Either way, it's part of the fun. Shapiro is a self-described deal junkie.

"I can't picture myself retiring. I don't know what I'd do with myself," he said. "I haven't seen anyone in retirement that gets the stimulation I get doing deals."

Which isn't to say Shapiro is a workaholic. He's happy to get away from the office, and when he's away, he's *away*. He's not responding to emails 24/7. He is an avid golfer, horseman and back-country skier, with a second home in Aspen, Colo., that puts him on the mountain slopes frequently.

But when he's in town, the office is where you're most likely to find him. Photos of him in cowboy gear or skiing down deep powder after getting helicoptered in are prominent in his office, as are photos of one of his heroes, Muhammad Ali, in the midst of pulverizing George Foreman in the 1974 "Rumble in the Jungle" heavyweight title fight.

"Barry's an incredibly hard worker. He'll put in 18-hour days if a deal is going on," said Cory Gaffney. "I hate to use the phrase, but Barry will probably die at his desk. He loves his job."

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