

# Floral Plant Growers: Making a Move

Wondering what kind of investor buys into our industry? We've got the answers.

**By Bridget White**

**J**ust before the first of the year, a much-anticipated press release reached our office. Denmark, Wis.-based Floral Plant Growers (FPG), one of the only successful investor-owned companies in the industry, had been sold. We had been hearing rumors of an impending sale for several months, but when the press release arrived, it created more questions than answers. What did this new investor group have in mind for FPG? Would the compa-

ny change? Go on a buying spree? Would it go the way of other investor-owned companies? Given our recent article about Floral Plant Growers (see the May 2004 issue of *GPN*), we thought others might have the same questions and were pleased when Dean Chaloupka, president of FPG, and Sean Ward, of new owner group Blue Point Capital, agreed to an interview.

**Bridget: Dean, what was your reaction when Sentinel Capital**

**Partners told you they were putting the company up for sale?**

**Dean:** There was not a specific time in which Sentinel told us they wanted to sell, as much as it was an ongoing discussion between Sentinel and the management team as to what was the best thing for the company to do to meet the needs of all involved. That would include not only Sentinel, which surely wanted to provide a return to themselves and their investors, but also the management team, the employees

of the company and our customers. The discussions and ultimate decision evolved over a period of 12-18 months.

**Bridget: Was there always an understanding that their ownership was for a limited time?**

**Dean:** I will say that their involvement, or the length of it, was always determined by company performance, the evolution of the company over time and industry or market factors. Sentinel was involved for eight years, which may be considered limited as compared to the management team, many of which have over 20 years with the company and expect to continue with FPG for 20 more.

**Bridget: Sean, can you give us a little background on Blue Point?**

**Sean:** Blue Point Capital is a middle market equity firm with offices in Cleveland, Charlotte, Seattle and Shanghai. What we look to do is find attractive niche companies with good management teams to pair our capital and investment background with to grow that business in a particular niche.

**Bridget: What are some of the markets you are invested in?**

**Sean:** It's a broad range, from heavily industrial to automotive or industrial parts supply businesses to services related to construction and engineering. We try and look for niche companies in attractive marketplaces with good management teams that we can get excited about. So it's really more the niche, ♦



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the market and the management team as opposed to specifically looking for certain deals.

**Bridget: What kind of niche would you be interested in?**

**Sean:** We look to companies that are doing something a little bit different, that are offering goods or services that are outside the norm, that differentiate themselves in some way. So really it's a smaller company with maybe a little different way of looking at the world that will differentiate how it goes to market and allow it to be a long-term winner. We like to marry those companies with our capital so we can more aggressively pursue what has proven to be our winning strategy.

**Bridget: So you weren't sitting around thinking, "We'd like to get into the green industry."**

**Sean:** No. On January 1st of '04 we would not have had on our list of things to do for the year "getting into the green industry." We would have definitely had on that list "partner with management teams that have differentiated their business in a market that has good underlying demographics."

**Bridget: So what makes you think the green industry is a good investment for your company?**

**Sean:** I think the demographics are clearly in favor of the industry. More people are gardening. It's a larger and more important segment. There are a lot of retailers out there, so it's a good underlying demographic.

**Bridget: How do you feel about coming into an industry that does not have a lot of investor-owned companies?**

**Sean:** If you look back at a number of the investments we've done, you would probably see that half of them were family-owned or recapitalization scenarios. We're comfortable coming into a business that has been corporate-owned, and we're also comfortable coming into businesses of the nature of Floral Plant. I think the major positive in our way of looking at this business is that Dean and his guys have not only proven to be good growers but good business people. Whether it's the green business or any other type of business, you don't always find that, and that's one of the things that really attracts us to a company.

**Bridget: What are some of the things Blue Point will be bringing to Floral Plant Growers from your other industries?**

**Sean:** We find that from a strategic standpoint we can bring in processes that will allow the company to take a fresh look at what they want to do, to get to an agreed upon plan and then move forward, so I think part of it is discipline — not from a derogatory standpoint but from the fact that we are looking at five- and seven-year plans and reaffirming them on a regular basis. Plus, being a portfolio holder of a bunch of different companies, there are best practices that can be shared, there are abilities to leverage purchasing or risk management. Those things should accrue to the benefit of the individual portfolio companies.

**Dean:** If I can jump in...there are some things, some planning processes that we're already undertaking that are definitely different than what we were doing even with Sentinel. It's something that I'm very excited about. It's ▶

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something that Sean and the people at Blue Point have brought to us. It's about how we think about our company and our markets, serving our customers, competition, lots of things. It's really making us think...I don't want to use

the term outside the box because that's been so over used...but really making us think about our business and prioritizing those things that are going to have the greatest impact on serving our customers, our markets and in

running this company. And that's within the first 30 days.

**Bridget:** Dean, can you elaborate some? Are you talking about new sales tactics, new computer systems...

**Dean:** Nothing like that. It's really a planning process that is different from what we have gone through in the past; I think it is going to make us an even sharper company. It has to do with the way we prepare to meet the needs of our customers and in the way that we prioritize everything we do toward some very specific, targeted goals. Also, some of the things in risk management, in purchasing, in other areas...we are a small company in the grand scheme of things, not necessarily in our industry, but overall, we are a relatively small organization. If we can work through Blue Point and their other portfolio companies, even though they are not in our industry, I think that will benefit us and hopefully our ability to serve our customers as we go forward.

**Bridget:** Sean, are you looking to make any changes at Floral Plant Growers?

**Sean:** No. We teamed with the management team that's there. We will, in all likelihood, add capacity through internal growth, like the addition we're putting on the Iowa greenhouse. We will also look at making appropriate strategic acquisitions, but Dean and his team will continue to run the business.

**Bridget:** What do you see as possible growth strategies for Floral Plant Growers?

**Sean:** We will continue to focus on their reputation for quality products and value-added services, and we are going to increase our capacity through acquisitions and growing the current sights. We hope to expand the number of customers we serve and the footprint we serve, but we are going to do it in a very strategic and measured way, and we're going to do it so that we don't put in jeopardy the quality and the value-added services that have been the hallmark of the company.

**Bridget:** So we shouldn't expect to see a huge growth surge like some other investor-owned companies have done, namely ColorSpot?

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**Sean:** I can't comment on what other folks have done, but I've been with Blue Point since 1990, and we've never been involved in what could be called a roll-up. The acquisitions have to fit within the tapestry that we're creating with our management team. Those core elements are quality and value-added services, and the day we get away from that is the day we get into a lot of trouble. So will there be acquisitions? We're definitely going to look at them. Will there be internal growth? We're doing that now, and we'll also look at it in the future, but it will all be based on serving our customer with quality and service.

**Dean:** You touched on a very key point, and that is focusing on our customers and meeting their needs. Our goal is to meet them so well that our customers continue to want more from us, which will continue to drive growth. Bridget, you've heard me say this before, being big for the sake of being big is not what we're all about. I've made that clear since day one when I met Sean and others in his organization. There are opportunities, but big just for the sake of big won't help us serve our customers and won't help us to be even better as an organization. As Sean said, it needs to be strategic and within our plan, and if that means internal growth or adding to existing facilities we will do that. The only reasons we would be interested in acquisitions are to expand our footprint in contiguous markets, to take on a specific product line that we're currently not doing or to take advantage of geographic diversity and mitigate weather risk or some costs associated with being a very Northern grower.

**Bridget:** Sean, you have mentioned team several times, and the press release mentioned that there are internal investors. It sounds like a partnership.

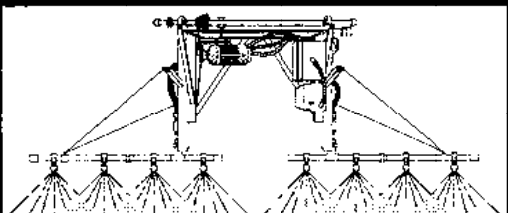
**Sean:** That's true of all our investments at Blue Point. It's really important to us that the management teams get rewarded when we have success, and one of the ways we do that is to make sure that we are all owners. It

should create long-term value for us and long-term value for them. So yes, every one of our companies has some level of management investment. It's the way we do things at Blue Point 

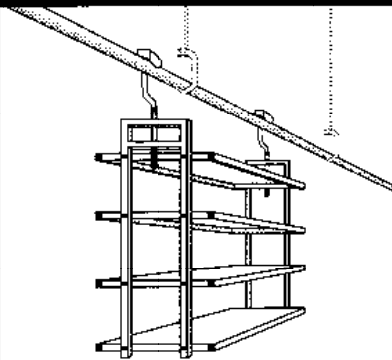
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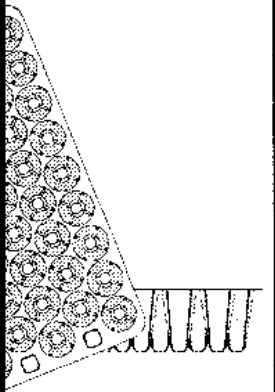
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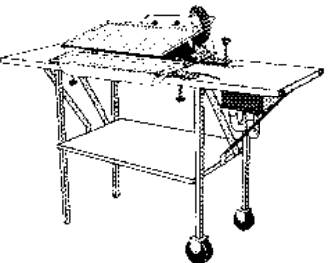
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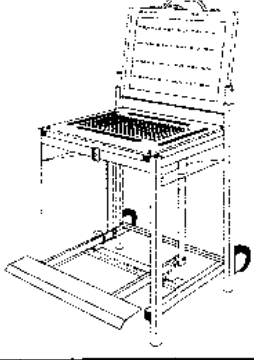
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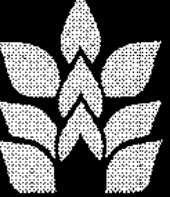
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