

Why One CEO Put His Faith in Private Equity

By **Kari Lukovics** (<http://www.axial.net/author/karilukovics/>), *Axial*
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As a CEO, approaching potential buyers or capital providers is a big step. Finding the right firm to work with is even more difficult.

When Jeff Forbus, the CEO and owner of **Circuitronics** (<http://www.circuitronics.com/>), a 37-year-old electronic manufacturing services company, decided his business was ready for outside capital, he wasn't sure that private equity was the right fit. But after meeting with two young investors, he put his uncertainty aside and decided to take a big leap.



Jeff Forbus, former
CEO of Circuitronics



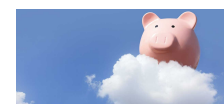
Jordan Bastable,
LongWater
Opportunities



Brooks Burgum,
LongWater
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Overcoming Preconceived Notions

Jordan Bastable and Brooks Burgum, founders of private equity firm **LongWater Opportunities** (<https://network.axial.net/a/company/longwater-opportunities/>), first met at a crawfish boil in Dallas in their 20s and quickly bonded over sports and business.

Jordan had experience in manufacturing operations and consulting,

while Brooks had experience in a family business. They both had a desire to put their entrepreneurial spirits to work, so in the summer of 2009, they founded **LongWater** (<https://network.axial.net/a/company/longwater-opportunities/>). After several months of building relationships and looking at companies, they saw an opportunity to partner with a family-owned business looking to grow to a new level.

When Brooks and Jordan met **Circuitronics** (<http://www.circuitronics.com/>) CEO Jeff Forbus, they knew they wanted to fight for the deal. “Jeff struck us an extremely honest and trustworthy business owner, which was incredibly important to us, particularly since it was our first deal,” says Jordan.

Like many business owners entertaining the idea of a transaction, Jeff wasn’t sure who to trust or what to expect. “Previously, my impression of private equity had been negative,” said Jeff. “I thought the idea was to strip the company down, slash jobs, and flip it as quickly as they possibly could, while destroying the company in the process.”

It took four months of meetings for Jordan and Brooks to convince Jeff that they had the vision and skills to help his company succeed. “We were able to show him that we were focused and hard-working, and would treat the business with the same care that he did,” says Jordan.

“Ultimately, I saw an opportunity for **Circuitronics** (<http://www.circuitronics.com/>) to go through its next stage of evolution,” says Jeff. “It’s like handing it off to the next steward, and I thought they would be good stewards of the business. Every company has to transform itself at least once every decade.”

At just 27 and 25, Brooks and Jordan had struggled to gain traction with other business owners early on. “I think most business owners looked at us and figured we were coming in to apply for internships, not buy their company,” says Brooks.

But Brooks’ and Jordan’s ages weren’t concerns to Jeff. “I saw their youth as an asset,” says Jeff. “They had vigor and excitement. I understood that maybe they didn’t have the experience yet but saw that they had potential. I thought that they had the best vision and drive to make it a successful run.”

Proving Value

Together with Jeff, the firm aimed to build on the progress the business had already made by putting capital to work and leveraging operational expertise.

Prior to **LongWater (<https://network.axial.net/a/company/longwater-opportunities/>)**'s involvement, the budget existed in one place — Jeff's head. "When we met, there were no monthly financial statements, and they never knew the results of the business or what impacted the bottom line until the end of the year," says Jordan. The sales and marketing efforts were also scant — the business was focused on taking orders rather than making them."

In the five years that followed, the **LongWater (https://network.axial.net/a/company/longwater-opportunities)** team worked with **Circuitronics (<http://www.circuitronics.com/>)**' management to make some big improvements, including:

- Building internal reporting capabilities
- Establishing an incentive plan for all employees
- Removing inefficiencies in the manufacturing process
- Implementing a new ERP system
- Hiring a dedicated sales force
- Investing in new machinery
- Mobilizing the workforce
- Rehabbing the office, which hadn't been updated since the 1970s

"Jeff really cared about his employees, and I'm really proud that by the time we exited the business, we had more than quadrupled the workforce. We were also able to increase salaries and establish bonuses and other incentives for the entire workforce," says Jordan. "Our goal was to create a fun place to work and develop a culture of accountability and I believe we were able to achieve both." The cultural and operational changes implemented by **LongWater (<https://network.axial.net/a/company/longwater-opportunities/>)** translated into a remarkable improvement in the performance of the business.

In only five years, revenue and EBITDA grew by 355% and 740%,

respectively.

Finding the Right Partner

While some business owners describe a private equity partnership as a marriage, **Circuitronics (<http://www.circuitronics.com/>)** CEO Jeff viewed it like having a roommate. “Oftentimes, having a roommate sounds good on the surface but you don’t like it once they move in,” says Jeff. For him, the key to success is to find partners “who are interested in seeing your organization continue to thrive, grow and flourish. You have to share common goals.”

Jeff appreciated that Brooks and Jordan continued to welcome his input on the company’s trajectory. “Even after it transitioned over to them, they still came to me for my opinions. As a business owner, that makes you feel good,” says Jeff.

Moving Forward

Working with **Circuitronics (<http://www.circuitronics.com/>)** helped Jordan and Brooks clarify their own aim as a firm. They quickly realized that LongWater wouldn’t be about raising the biggest fund possible and collecting fees. Instead, they decided to double down on their original purpose to build and grow successful and sustainable American businesses.

Today, **LongWater (<https://network.axial.net/a/company/longwater-opportunities/>)** is investing its second fund, which it closed in April 2016 after being oversubscribed. It is proud to have received investments from 100% of its founding investors as well as several new investors, “most of whom have either owned their own businesses or are tied to manufacturing in one way or another,” says Jordan. The firm is now up to eight employees across two offices and is continuing to look for talented individuals to add to its growing organization. The combination of fund size and headcount allows **LongWater (<https://network.axial.net/a/company/longwater-opportunities/>)** to commit meaningful time and energy to each of its portfolio companies, a strategy that is strongly supported by its investors.

“If I had to do it over again, I would,” says Jeff in looking back at the story of **Circuitronics (<http://www.circuitronics.com/>)**

partnership with **LongWater** (<https://network.axial.net/a/company/longwater-opportunities/?source=typeahead>).

“My initial assessment was that they were going to be honest, have integrity, and that the company was going to be in good hands. In the years that we ended up working together, that ended up being true.”

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By Karen Sibayan | January 13, 2016 



(<http://www.axial.net/forum/what-is-ebitda-and-why-do-investors-care-about-it/>)

During negotiations in an M&A deal, buyers and sellers look closely at several factors in order to agree on a price that properly captures a company’s value. One of the closely examined metrics in this process is EBITDA, which stands for earnings before interest, taxes, depreciation, and amortization. EBITDA is used as a way...

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