

# PINOVA CAPITAL

## — Invests in Deconta GmbH

- Joern Pelzer, Partner at PINOVA Capital, gives Acquisition International some insight into the private equity firm's recent investment into deconta GmbH.



PINOVA Capital is an independent private equity firm focusing on high growth Technology, Engineering and Services companies in German speaking Europe. The fund invests equity between €3 million and €15 million taking minority and majority positions in companies within a revenue bracket of €5 million to €100 million.

*"We look at a variety of companies and if we see strong growth potential based on technology or service innovation, we like those companies and try to invest," explained Mr Pelzer. "deconta fits very well into our spectrum of companies."*

deconta was founded in 1998 by Wilhelm Weßling and a partner. As a leading equipment supplier for on-site removal operators, deconta is known for solid and innovative solutions with a focus on asbestos decontamination. In addition to the machine and equipment program, deconta provides special solutions for specific customer needs, even on short notice. Furthermore, deconta owns an extensive range of machines and equipment which it leases to customers in a rental model.

PINOVA bought shares in deconta as part of a succession plan. Managing shareholder Wilhelm Weßling will maintain a majority stake and will continue to manage the company. Mr Pelzer stated that PINOVA will focus on growing the company internationally.

*"From the base in Germany they now have subsidiaries in France, Italy, Switzerland, Spain, and Australia. We want to internationalise this company further because it has very strong market potential."*

Mr Pelzer noted that the deal was completed quite quickly; PINOVA were first approached in April and signed the deal in July. The deal was mainly financed with pure equity from the fund, with a small amount of acquisition finance from WGZ Bank, deconta's home bank. He added that there were no difficulties with the bank financing.

*"We got very good terms and we find if you have a very good business with good relationships to their ecosystem including their banks, and if you don't overdo it in terms of the amount of financing and debt financing you want to raise, I think in our market it's absolutely do-able to have a decent acquisition finance."*

According to Mr Pelzer, the deal is good news for deconta's customers and suppliers as continuity is maintained in the existing markets while the internationalisation is further enhanced: *"Now deconta can grow with more speed and focus further on internationalisation. The business can deliver what they have promised in the past, but can do this even more internationally."*

PINOVA used Ernst & Young in Munich for financial due diligence, Fichtner Engineering for commercial due diligence, and Roos Legal for legal due diligence. Deconta was advised by VR Unternehmerberatung, a mid-cap orientated Mergers & Acquisitions advisor based in Düsseldorf.

Mr Pelzer explained that PINOVA mainly gets its deals from two sources. The first source is the PINOVA's intermediaries such as M&A advisers, lawyers and auditors who present potential deals. The second source is PINOVA's own proactive search for companies.

*"We look into the markets we like and try to find these companies. We approach them and try to convince them whether they would like to sell a stake to us. In the case of deconta it was in the first bracket; an M&A advisor who is well known to us provided us information and an entrance into that company."*

*"In terms of where we can add value, smaller companies often do not have the international network we have. We have a strong expert circle internationally. Quite often we can help professionalise these companies in terms of finance functions, but also bring strategic thinking to the table, which is well received by the entrepreneurs."*

When investing, PINOVA always look for an entrepreneurial management on board owning shares, from just 10% to a majority.

*"They need to have the same understanding where the business should be in five to seven years, and they should have the same incentive," he noted. "If you're a shareholder you have the same incentive, if you're a manager only you might have a conflict of interest with the shareholders."*

Before PINOVA invests in a company it creates a Value Road Map jointly with the management and shareholders. This is a step-by-step plan for the next five years detailing the development of the company. It enables on-going assessment of how the company is progressing.

*"That is the key and there are several parameters," explained Mr Pelzer. "It's a holistic approach; it's not just based on financial figures. Of course those financial figures are relevant in terms of revenues and margins, but there are other things, for example the professionalisation of certain departments and entering additional markets."*

*"The content of the road map is agreed by all parties before we invest and is further developed during our portfolio over the next couple of weeks. It is then updated every year. We have a clear view of where we want to be in a year from now and a clear view of where we want to be in five years from now. That is not just the view from PINOVA, it's also the view by other shareholders and managers, and in this case it's Mr Weßling who is the main shareholder and also the CEO."*

*"Asbestos decontamination is one of the big challenges for the construction industry. Being a leading producer of machines and equipment, deconta is in an excellent position to further grow the business especially internationally," concluded Mr Pelzer.*



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