



Urban
Manufacturing
Alliance

**T.E.A.M.
CASE STUDY**

Manufacturing Business Transition


**Bob Petrini
CEO of Chick Machine**



About of Chick Machine

Chick Machine is a single source supplier of precision products with complete in-house machining, prototyping, and an ISO certified quality management system. With decades of experience working within highly-specialized markets and a commitment to continuous improvement, our custom solutions help turn concepts into manufacturable products.

 chickmachine.com

 118 Chick Ln, Butler, PA 16002

About Bob Petrini, CEO

Bob is a CPA with a background in banking and corporate finance. Before acquiring Chick Machine he was the CFO for two other manufacturing companies.



About T.E.A.M.

T.E.A.M.—Tools for Equitable Acquisitions in Manufacturing is a project of the **Urban Manufacturing Alliance**, **Concerned Capital**, and **Common Future** to develop the capacity of community-based lenders to support the transitions of manufacturing businesses to new ownership, including to employees, with the goal of increasing racial equity and economic mobility within the manufacturing sector.

Case studies are an important part of this project as they share the personal journey of the buyer of a manufacturing company and include the trials and celebrations that come with acquiring a business. This case study is of a business acquisition which occurred prior to the T.E.A.M. project but is nonetheless illustrative.

This project was made possible via funding from **JP Morgan Chase** and with support from **Prosperity Now**. To learn more: www.teambusinessstransitions.org.



Business Acquisition Overview

Type/location	Precision machining, turning, inspection, and finishing equipment, including CNC lathes and mills, vacuum and annealing furnaces, and surface grinding machines. A 35,000sf facility located in Butler, PA, a hub for machining with multiple generations of machinists and companies located in the area. Workforce is well trained.
Seller/buyer dynamic	No previous relationship pre-purchase but both knew the broker. Both seller and buyer are from rural PA and have similar values.
Financing	SBA 504 loan for initial purchase and refinance to buy out partner.
Timing	Purchased in late 2017.
Key Takeaway	Vet partners thoroughly. Don't do it all yourself - identify needs and find excellent people to lead with you.
Post-Acquisition Vision/ Plan	Used the COVID downturn to create new company culture, build a sales arm and prepare to attract a new market (aerospace), completed aerospace certification (AS9100).
Point of Inspiration	Building a company with the right partners and with a growth mindset is fulfilling and creates more wealth for all involved. Also if possible, build a business where there is an existing cluster of talent and a culture of respect for the trades.
How T.E.A.M. Could Have Helped	Bob could have been advised to push back on the in-line experience requirement of the SBA by a local lender.



Bob's Journey

Bob Petrini is the owner of Chick Machine, a precision machining shop in Butler, PA. He purchased the company from the founder Jim Chick, who continues to own land around the shop and can be seen regularly riding his ATV on the property. Bob is not a machinist but a CPA with a banking and corporate finance background, but also with a deep connection to Pennsylvania and manufacturing. He gained his knowledge of business transitions by living through more than one as an employee, giving him knowledge of how it worked financially and operationally. He also knew the Butler area, a hub for precision machining and a community with generational knowledge and respect for the trades.

This environment encouraged Bob to buy Chick Machine, which was overlooked by other prospective buyers due to heavy customer concentration (90% of sales was with one customer). But Bob knew that the cash flow was solid and believed he could add new customers over time. Also, Jim Chick had a lot of equipment so the SBA 504 loan product was an excellent financial fit. There were some hiccups - COVID

forced Bob to reduce the workforce from 46 to a low of 30 in early 2021.

But Bob used this major inflection point to bring on two key employees and realign company culture. He brought on his son, who had Deloitte Consulting and aerospace experience to lead sales, and his longtime friend and engineer to run engineering. With a new culture, new people, and new processes, Bob and team rebuilt the company and the workforce. At the time of the interview Chick Machine had 54 highly skilled employees.

Bob also weathered this financial crisis by refinancing the 504 loan. Doing so enabled him to buy out Chick's minority ownership. He gives credit to his banker's expertise who really understood his business and the SBA 504 product to allow him to make this structural and financial reorganization.

Chick Machine now makes over 800 unique parts and has a sales strategy aligned with highly skilled and committed employees. As for his succession plan, his son plans to take over the leadership of the business in due time. Bob believes that 'not going it alone' is essential for a business to thrive and create wealth for its ownership and employees.



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Interview

(lightly edited for clarity)



Audra: Thank you for spending time with us today. Please tell us about yourself and how you came to be the owner of Chick Machine.

Bob: I am one of nine kids so I grew up with a lot of family and not a lot of financial resources. That drove me to go into finance for my undergraduate degree and then I went back to college at night and got my accounting hours and CPA. My career started in banking, went into corporate audit, and then corporate treasury. My employer's move to Dallas, Texas in 1995 prompted me to move to Pittsburgh.

There, I became a CFO of a wholesale packaging company and annual sales grew from \$50m to \$150m during my tenure. That's when I first experienced the sale of a company at a large scale. The company was sold to a private equity group funded by investors from the United Arab Emirates. I then went to a fastener distribution company and helped them get ready for sale applying the knowledge just gained from the earlier sale. I stayed with the fastener company

after the first sale to private equity and then left when it sold again thirteen months later. As a part of three different exits I started to understand a lot more about mergers and acquisitions: about what's required, how it's all structured, what can be accomplished, and the potential for wealth creation.

But you know, as you go through life and start watching and observing and paying attention, you start to realize it's time to make your own move. After that third exit in about 2015, I had a little jingle in my pocket and I also didn't want to be in a supporting role where I wasn't in control. I'm much more of an operator than I am an investor, because I like to see the fruits of my labor and feel the sense of accomplishment that comes from building. If you build a company and then just sell it off to the highest bidder; there's a very hollow feeling about that. Instead, I decided to search for a company to buy myself.

It ended up taking quite a while to search for a company. We probably looked at 30 companies over a two and a half year timeframe. Before meeting Jim Chick, we got to the closing table with one seller who realized how much tax he was going to have to pay so he bailed on us. But in Fall 2017, we closed on Chick Machine. The founder, Jim, who was at the time 68 years old, and is now 74, is still our landlord. He still owns 300 acres here. This is beautiful country. We see Jim scooting around in his All Terrain Vehicle on the property multiple times a week.



Audra: Can you tell us more about Chick Machine?

Bob: Chick Machine is six miles south of Butler, Pennsylvania, which is about 30 to 40 miles north of Pittsburgh. Chick Machine provides precision machining, turning, inspection, and finishing equipment, including CNC lathes and mills, vacuum and annealing furnaces, and surface grinding machines. The facility here is about 35,000 square feet and we have over 90 CNC machine tools. The business sits on part of a 300-acre property. The workforce is made up of salt of the earth people. That's what is really cool about this area, it's been a machining hub for at least 50 years. Penn United Technologies and Oberg Industries, which are very large machine shops, probably several 100 people working there have also been doing CNC machining for years. So we're on the third generation of people in this region that know and understand the work.

I live 50 miles away from here in the South Hills of Pittsburgh, but I would never move the company because all the skills are here. You see these specialized areas all over the country like optics in Rochester, New York because of Kodak and Xerox. The schools feed into it; you just end up with this pocket of skills that people come to; they call this area the Alle-Kiski Valley. So it has been here a long time, it's still here, and I would never move it.

Jim Chick, the founder, grew up on this property and his mother lived here for 97 years. Hopefully, he'll sell the portion of land where the machine

shop sits to me. My business transition plan would be for my son (who works for the company) to own and continue to expand the business.

Audra: Now we can transition into what this company does and how did you finance it?

And why did this company appeal to you?

Bob: It appealed to me because it had a strong base of sales. Even though there was high customer concentration, there was a long sales history across a diverse product portfolio. That was a good starting point. Also there were about 46 employees and so I'm thinking I'm just going to not upset the applecart. I'll buy this business and run it and incrementally grow over time by just making some tweaks. That was definitely not what happened.

First, let's talk about financing. I started with the SBA. This purchase was tailor-made for the SBA, because their 504 loan is geared towards equipment and equipment is what this place had in spades. We actually ended up doing 90% financing with the 504. Because I was from outside the industry the bank/SBA said that I'd need a partner from inside the industry. Had I known I could push back, I would have. In February 2022, I bought out the minority partners.

Then, two other things happened to challenge our survival. One was COVID. That caused a big dip in our revenues and profits and had it not been for PPP I'm not sure we'd have another source of financing to bridge pre- and



post-COVID. On top of that, one of our major customers also does manufacturing in Malaysia, Singapore, and China. They're always looking to squeeze more value capture. But it is a zero sum game – we're losing and they're winning. They moved some production away from us, which probably made total sense from a broad macroeconomic perspective, but it was challenging to lose that steady business.

This double whammy caused us to go from 46 to 30 people to just keep our heads above water. The trough in the dip was early 2021. But by fall of 2021 there was this inflection point where orders started coming in at nearly double the trend. Also during the COVID slowdown, we got our aerospace certification and decided to attack that market.

The good news is that downsizing allowed us to build a new culture and upgrade skills. Today we're at 54 people and now dealing a lot more with aerospace. In late 2021 we picked up the pace and started to be able to handle the increased backlog, and we had more customers. Today we are making about 800 distinct part numbers in a given year; which is a lot of product diversity. We also rebuilt the quality department to better match our customer requirements. This is a labor and capital intensive business. We did buy machines, but we made sure new machines were highly automated, capable of running through the night. We did that so we could fill orders and stay productive even after normal work hours.

Audra: So the SBA also kind of forced you into a partnership that you had to undo. How were you able to buy them out especially during COVID and associated customer challenges?

Bob: Good question. I ended up doing a 504 refinance, which a lot of banks don't even know can happen. Enterprise Bank in Pittsburgh is solely a commercial bank with no retail presence and only one office location. One of their lenders used to work for the SBA, so he knows their programs inside out. He was way beyond most of the bankers with respect to SBA expertise. The SBA route usually takes longer than conventional bank financing. I was able to draw on the company line of credit to bridge the gap and get the minority partners paid out before the SBA process was completed and the loan closed.

Audra: You mentioned earlier on your son taking over the business - was this always the plan? Did you bring on any other key employees to help with the turnaround?

Bob: I asked the question - what do we need that we don't have? Sales and engineering were two big things. I hired my high school friend who's a Penn State mechanical engineering grad whom I have known since we were 14 years old. Bobby, my son, worked at Deloitte Consulting, has his master's from CMU, and has a lot of good connections. Bobby's work in aerospace and defense manufacturing made him a natural fit to come in here and expand our base.

Audra: You had hired nearly double your



low-point workforce while still coming out of COVID. How in the world did you do that?

Bob: I give all the credit to the management team. They have been diligent and creative in how they go about selecting and attracting top talent. Bobby is a natural networker and his hiring activities remind me of the sage advice, “Dig the well before you get thirsty.” Bobby is cultivating relationships well before the hiring process begins.

Audra: You had M&A and transition experience coming into this, not to mention you are a CPA and had been a banker. Were there any surprises or learnings for you?

Bob: One of the keys to making this acquisition possible was the ability to finance so much with the SBA. That was just huge.

Also, one of the biggest mistakes you can make is to try and do it all yourself. No one person has that kind of knowledge, especially with a big company. It really takes a team effort to get all the skills necessary to run a business properly. It’s figuring out what those are, and then making sure you’ve got that covered. I have seen owners all along the spectrum from doing everything alone to total delegation. There is wisdom and tremendous scalability when you share the load and make sure all the necessary skills are covered.

One of my bosses used to say, “Hire good people and get out of their way.” You grow way much faster when you’ve got a whole team doing their thing. At Chick, we have leads in sales,

engineering, production, quality, technology, and finance. We meet every Thursday to go over what needs to be worked on and then I get out of the way.

Audra: Thank you Bob for sharing your story. I just really appreciate you giving us the time but also doing what you did, you know, stepping in and taking over a company that’s now growing and doing your part and making sure that US manufacturing is alive and well.

Bob: Yes. It feels good to share too. Thank you for asking.



About the Urban Manufacturing Alliance

UMA works to transform and reshape manufacturing ecosystems into drivers of just and equitable development that puts communities first. We partner with and convene a diverse network of partners to learn, share, co-design, and scale solutions in which people, places, businesses, and the planet can heal and thrive.

Our partners include: manufacturing support organizations, community-based organizations, educational institutions, business owners, workers, and the public sector.

About Audra

Audra is a Co-Director of the Urban Manufacturing Alliance and leads UMA's Catalytic Capital Pillar.

