



# Tangent Rail Corporation



## Company Profile

**HEADQUARTERS:**

Pittsburgh, PA

**INDUSTRY:**

Specialized Light Manufacturing

**TRANSACTION TYPE:**

Corporate Divestiture

**INVESTMENT DATE:**

October 2005

**EXIT DATE:**

April 2010

**FUND:**

I

*This portfolio company case study offers summary information, is provided as an example that clarifies and typifies Incline's investment approach, and may not be representative of Incline's investments. Past results are no guarantee of future results and no representation is made that an investor or portfolio company will or is likely to achieve results that are similar to those of the company described. This investment was not chosen for its returns on investment.*

## Overview

Tangent Rail is a manufacturer and provider of maintenance-of-way products and services to Class I railroads, shortline railroads, and owners of industrial track. The company also provides treated consumer lumber products to lumber retailers and wholesalers.

## Transaction Dynamics

A partnership with management to acquire a corporate divestiture from RailWorks Corporation.

## Investment Thesis

- ▶ Attractive market competitive dynamic with no clear secondary supplier for major customers
- ▶ Well defined "micro market" with opportunity to build market share
- ▶ Significant barriers to entry, including supply chain relationships, strategically located plants, and creosote licenses
- ▶ Long-term contracts and strong relationships with major customers lend stability to business model
- ▶ Experienced management team dedicated to partnering for local growth
- ▶ Strong outlook for industry driving organic future growth

## Incline Value Enhancement

- ▶ Refocused the company by divesting a non-core, capital intensive division
- ▶ Actively evaluated six acquisition candidates
- ▶ Recruited new CFO in 2008 to strengthen financial controls and reporting capabilities
- ▶ Grew EBITDA from \$10 million to \$28 million
- ▶ Completed three dividend recapitalizations during ownership
- ▶ Sold to strategic acquirer for \$165 million in 2010