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EXPERIENCED TEAMS EQUAL SMOOTH ACQUISITIONS

EDP's M&A strategy involves having the right team in place to support an expanded operation

There is no question that today's propane industry is experiencing consolidation. If propane business owners don't have a natural successor on their team as they near retirement age, they then begin to consider various options for an exit strategy. Of course, selling the business to a larger operation is a natural choice.

AN ONGOING HISTORY OF CONSOLIDATION

Although it may seem like there is more active consolidation taking place across the propane industry today, in reality, consolidation has been taking place for many years. In fact, there is approximately the same number of independent propane marketers in the United States today as there were 20 years ago. There has historically been about an equal number of entrepreneurs starting up propane companies to counter those exiting, especially with refined product marketers expanding into the propane space.

Because the Energy Distribution Partners (EDP) team has a number of long-time propane industry veterans on staff, we have been active in mergers and acquisitions (M&A) in the industry for many years. In fact, as industry veterans,

both our CEO, Tom Knauff, and myself have each been involved with more than 100 acquisition transactions.

As a result, we've learned a thing or two about growing through acquisitions. So, for propane marketers considering the acquisition of a smaller operation — perhaps a nearby competitor — we strongly suggest you assess the capability of your team to support that acquisition.

ENSURE YOU CAN SUPPORT AN ADDITIONAL OPERATION

We have recognized since the company's inception that the team supporting our acquisition efforts must be talented, experienced and committed to our external growth objectives. You, too, will need a strong, seasoned team to make your acquisition a success. To ensure

that is the case for us, over the past few years EDP has added a number of new positions, increasing our bench strength for our field operations in addition to providing support to our corporate development efforts. These positions include the following:

- *Field leadership team* — We've added regional vice president positions with an average of 25-plus years of industry experience. Even if the companies who join EDP have experienced team members remaining in place, they will likely need guidance during the integration process. These regional vice presidents make sure someone is there to help every step of the way.
- *Human resources* — The "people" part of a transaction is crucial, and we work hard to maintain the local culture of

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the acquired company. A seasoned human resource (HR) team plays an important role in that process. With our expanded HR team, led by an experienced vice president of HR, we do our best to help new employees acclimate to our insurance plans, employee benefit programs, payroll procedures and more.

- *Safety and training* — Safety must absolutely remain a top priority and cannot be overlooked during the transaction process. Accordingly, we added a director of safety and training to oversee these vitally important functions. Do not short-change the importance of having an experienced safety expert on your company's team. Having this person involved in the due diligence process (to ensure the company you plan to acquire is operating safely and has the necessary documentation in place), as well as the ongoing training of your expanded team, will be critical.
- *Supply and transportation* — Make sure you have a team member who truly understands supply and transportation and can ensure you have the propane you need, when you need it. We added a director of supply and logistics, and — given the

volatility of these past three years — this position has been instrumental in making sure we have adequate supply and that it is in the right locations to best serve our customers.

- *Sustainability and marketing* — Given the growing importance of renewable fuels, the push for “electrifying everything” in California (including the proposed banning of propane forklifts and gas appliances) and similar initiatives starting in other states, as well as an increasing emphasis on environmental, social and governance (ESG) issues, we have recently added a vice president of sustainability strategies to our team. If you don't have someone on your team paying attention to these important industry issues, you could find yourself left behind and your business will suffer.
- *Corporate development* — Over the past three years, we've added two people to our corporate development team to ensure we can adequately address the industry's ongoing consolidation. One is a 25-year industry veteran who's been involved with more than 60 transactions. A second individual has 10 years of M&A experience. As a result, our team knows what is

important for both the buyer and seller and understands the process.

Although we've added a number of professionals with important “day jobs” to our EDP team over the past few years, they have all become unofficial members of our corporate development team and play an integral role in our acquisitions efforts from beginning to end. We have developed a true working partnership between corporate development and our field/administration departments.

The bottom line? Before you decide to make an acquisition, make sure you have the capabilities to handle all facets of the transaction (pre-transaction, during and post-transaction) in addition to taking into account the impact on your core business.

It takes an experienced team to help a fellow propane marketer be confident that, should they be acquired, their legacy will live on, their employees will be well cared for, and their customers will receive the same commitment to safety and quality of service that the marketer personally delivered over the years.

Don't jump into an acquisition until you are confident you have a talented, experienced team in place to support both you and the expanded operation. 📌