



CASE STUDY: PRE-DEAL DILIGENCE

How Hilco Performance Solutions' Financial Modeling and Pre-Deal Diligence Helped Drive a Successful Transaction for a Truck Leasing and Sales Business

BACKGROUND

19th Capital Group was a provider of asset financing and fleet management solutions for operators of Class 8 fleets across North America. The company operated as a wholly owned subsidiary of Element Fleet Management, a global fleet management company. 19th Capital's success was dependent on maintaining a high percentage of its portfolio on active leases.

PROBLEM STATEMENT

In 2019, an over-supply of Class 8 trucks flooded the market resulting in a significant downturn in the freight industry. 19th Capital's active lease percentage dropped drastically, and profitability plummeted. The issue was magnified by the fact that the company had been bought and sold many times in recent years. Its legacy owners included Celedon and Quality Companies. These rapid management changes left 19th Capital without strategic direction and efficient processes.

After exhausting a sale process that drove in no qualified bids, the company notified employees that it would begin to shut down in late March of 2020, laying off the remaining 200+ employees. A Hilco Global representative was made aware of the pending business closure



which prompted an evaluation to purchase the assets.

SOLUTION & IMPACT

Hilco Performance Solutions (HPS) created the financial models and conducted the deal negotiations that resulted in the purchase of the assets of 19th Capital Group. The team developed detailed P&L forecast models including assumptions around idle truck sales revenue, lease collections revenue, and all costs associated with operating the company. HPS then supported multiple model iterations as lender negotiations were conducted and capital financing was secured with the private equity sponsor partner.

Hilco purchased the assets of 19th Capital Group from Element Fleet Management which included ~1,700 idle trucks and ~2,050 trucks on active leases at the time of purchase. The HPS financial model was the basis for negotiation of

the asset purchase agreement. Once an agreement was reached with 19th Capital, the HPS team led the accelerated 2-week due diligence process through to deal close.

The successful acquisition of the assets of 19th Capital demonstrates the capability of Hilco Performance Solutions to lead pre-deal modeling, negotiations, and final diligence for clients.

"Hilco's recent involvement in high profile fleet deals of a similar nature, as well as their flexibility and resilience in working with us through the many challenges of the pandemic period, were instrumental in our decision and the successful execution of the transaction."



Heather Tulk
**Former President
19th Capital Group**

DEAL DETAILS

Diligence to Close

Under 90 Days
During the early months
of COVID-19

Deal Type

Acquisition of Assets

Industry

Transportation and
Truck Leasing

Funding

Self-Financed / Joint Venture

Overview

Acquisition at speed leveraging the expertise of
Hilco Performance Solutions

What We Did

Through precise financial modeling and expedited
due diligence, HPS created a timely and practical
monetization solution, empowering Hilco's
acquisition of the assets of 19th Capital Group.

AMOUNT

\$45-60 Million

Related Services

Asset Valuation
Lease Receivables
Restructuring Plan & New Opco
Management

Hilco Taskforce

Hilco Valuation Services
Hilco Receivables
Hilco Performance Solutions

"The accuracy of the financial models we developed, which enabled us to ultimately present a compelling and winning offer to 19th Capital Group for the purchase of the company, were directly attributable to the thoroughness of the diligence conducted by Hilco's Valuation Services and Receivables Teams and our collaboration with them through the process."



Steven Tanzi
**Sr. Managing Director & President,
Hilco Performance Solutions**

MEET OUR TEAM

Hilco Performance Solutions specializes in providing financial modeling, operational due diligence, and a host of other supply chain, commercial, operations, people and project management solutions. We specialize in asset intensive businesses and have vast experience assisting middle market companies with revenues ranging from \$20 Million to > \$1 Billion.



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