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THE HUNDRED-MILLION DOLLAR KID?

How he took the helm at Thompson Center Arms, and
sold the company for over \$100,000,000



Gregg Ritz and a trophy rack

Part 1 of my interview with Gregg Ritz:

A familiar face on prominent hunting television series, Gregg Ritz made firearms industry history when he acquired, then sold the venerable Thompson/Center Arms to Smith and Wesson for over \$100,000,000. Now, he's acquiring other companies, building brands, and enjoying the role as a major industry player who spends much of his time "in the field." We were honored to help Gregg secure the key assets of T/C in advance of the monumental sale, and grateful that he sat down with us for a candid chat about his experiences.

BL: Thank you for joining us, Gregg. It would seem that you're living the dream. As far as anyone can tell, you've hit a monster grand slam home run with the Thompson/Center deal. I assume with your equity stake, it's made a big difference in your life. Now, I suspect you could do just about anything you want. What's that like?

GR: I would say, obviously the Thompson/Center sale was bittersweet. We were approached by Smith and Wesson a very short time after we had acquired the company from the original owners, and quite frankly didn't want to sell. But with Smith and Wesson wanting to expand their portfolio into hunting, they put an offer on the table we couldn't refuse. But my passion is still strong and I'm still a young guy, only 40 years old, so retirement isn't on the radar!

BL: As a fellow "babyface" I'm still waiting for you to show a little bit of a 5 o' clock shadow on your hunting TV program now and then!

GR: Actually, when I take my hat off it shows the grey thinning hairline! But, obviously knowing I was still young into my career, when my transition agreement with Smith and Wesson came up for renewal, I decided not to renew my employment agreement. Not because I didn't believe in them, but because I'm an entrepreneur. What they do on the big corporate publicly held side is just not who I am. I wanted to go start something new - so I started WildComm.

BL: Please tell us more about your history at Thompson/Center.

GR: The background is that Smith and Wesson was looking to get into the bolt action hunting marketplace, and needed some top-notch barrels. It doesn't take very much research to find Thompson makes some of the best production barrels in the world and that's what we hung our hat on. We were approached by Smith and Wesson, asking if we had an interest in OEM'ing barrels, which we did.

When we had their senior management into our facility to look at our processing, and to understand our capacity, they realized there were many low-hanging opportunities for improvement in how we were producing products. This was mostly because we were not as well capitalized and modernized as Smith and Wesson was in Springfield. So I think they realized that we were a perfect company to acquire. We were on a huge growth curve, we were a great consumer brand, and with some capital infused into the business, the facility could be modernized. They could then capitalize on the back orders that were going unfulfilled in the marketplace because T/C could only grow so fast given its private ownership.

BL: And the capital they had in mind was well into 9 figures.

GR: Oh, yes.

BL: Was that a surprise?

GR: That's a surprise to someone who was used to using baling wire and bubblegum! But we did whatever it took, and we really watched very carefully. To us, any capital investment in the company is just increasing your mortgage. Because we had to borrow money to finance the capital purchase, we tried to work on the conservative side, and certainly didn't know how to initially react to the huge capital infusion. Fortunately, Smith had an incredible management team and group of operating people. They knew how to

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run the process, where to focus the time, and they helped us hire a plant manager, Tyler Stone. They really gave T/C resources they never had before.

BL: You say "We did this..." when you're referring to the T/C years. It certainly sounds like you have a real soft spot in your heart for the Thompson/Center team. Tell me how you became part of that team.

GR: Great question. I was a manufacture sales representative for an agency called H&G Marketing (Havel & Giarusso), and my territory was the midwest. I was located out of Ohio and there was another sales agency located out of Ohio called Sportco Marketing. Obviously any sales agencies that run the same customer base get to know one another fairly well. There was a gentleman by the name of Ken Burger, who was one of the principles of Sportco Marketing, and they represented Thompson firearms, as well as some other companies. Ken told me T/C was looking for a national manager and would I be interested. I already had a dream job. I was representing Leupold and Nosler, and a lot of other prestigious brands, but I wasn't looking for a job. I was twenty-six years old at the time but he said, "You really need to fly up to meet Bob and the crew in New Hampshire at Thompson/Center."

Now, I had been shooting black powder and guns since I was 16 years old so it's not that I wasn't aware of the brand - I was very much aware of the brand. I mean, I'd been burning black powder for 10 years. After a few months of them continuously nagging me to look into the position, I flew up and met with Bob and toured the company. I realized right off the bat that I could add value to this company. Here was a real opportunity for me to help a great consumer brand, that just could not keep the product line current and could not address the new styles of marketing that were necessary in today's environment.

BL: What types of new marketing did you bring to the T/C team?

GR: Well, they were 100% print focused, so in any real implementation of television or internet-based marketing and viral marketing, they were "old school." That doesn't make "old school" bad, but they didn't do a lot of the event marketing either. So here you have nice rifles out there, but you compare the Jim Shockey's of the world, who were doing more television, more event marketing, more on a website, more consumer direct marketing if you will, and the modern marketers were reaping the benefits.

Also, the product line in the T/C portfolio was very weak. They didn't have any guns with removable breach plugs and they didn't adapt any of the new modern styles. They just believed the traditional Hawken-style muzzle loader was going to be the "end-all and be-all" of the muzzle loader. But, they believed in quality, they believed in craftsmanship, they believed in customer warranty and loyalty, and they absolutely would not budge on any of those. They had a very strong mindset, which created a great platform or opportunity, if they could just refresh the product line and understand some other unique ways to go to market.

BL: So T/C had the fundamentals, and you brought the modern tools to capitalize on their core strengths?

GR: Exactly, it was truly a diamond in the rough, and there was a time when T/C had an 80% market share so everyone was rooting for them. There was no doubt that they just needed a facelift. They had all these great people that worked for the company, but they were missing one link in the chain to bring the whole chain together. I don't know that it was as much me, as it was the position I just happened to be the lucky fellow to fill, but we pulled the chain together. They had the talent in R&D, they had the talent in manufacturing; they had the talent in customer service; they had the talent in the custom shop; they had the talent in the sales department; they had this whole roster of 'A' players in the organization, but they had nobody to take the mound to pitch the ball.

BL: So you started off as the sales manager there. How did your position evolve?

GR: I became the Director of Sales and Marketing two years after I had started to work for T/C, and I had all of sales and all of marketing. I reported to the president and the owner, as they didn't have a lot of management layers and titles. Within two years I had matured and taken on more responsibilities. I also sat on the design committee for the guns. That allowed me to express some ideas from the marketplace on what the consumer was looking for. The design and engineering teams went and executed those ideas flawlessly.

BL: And when did you decide you wanted to be an owner?

GR: I would say... Well, remember we went through the fire in 1997.

That crippled the company - absolutely crippled the company.

BL: What was lost in the fire?

GR: The fire started in the woodshop. We lost the woodshop, repair department, test shooting, custom shop and assembly.

BL: So the company must have shut down for a while?

GR: Correct, we limped along. This really galvanized the team though - kind of like a forest fire. It's horrific when it happens but it galvanized the team. Every member of the team was willing to pull ourselves up by the bootstraps and say okay, if we're going to rebound, what's it going to take? It took that awakening to bring the team together and get us focused on one single mission. That's what really spawned the idea and the focus on the Encore muzzle loader - the Encore 209 x 50. From there the Black Diamond came out and it became just success after success after success.

BL: So in this 'old school' company, effectively, the old school burned down and you helped them build a new school - one that does things in a modern way.

GR: It is, and it allowed us to modernize the facility and increase product flow. We had lost a 30-year old facility in the fire. Once we were able to get funds from the insurance, and started growing our business and had a better cash flow, we no longer looked like an Amish farm village with all these little bolt-on departments. We were able to put ourselves under one roof, and deploy some more modern manufacturing techniques.

To answer your specific question, in early 2002 -- 2003 I could see where the company was going. We had turned the corner, from the loss of market share and the big impact from the fire. We had started that recovery and were launching the Omega in 2002. Right about that time I could see very clearly where the opportunities were for muzzle loading, for Thompson/Center, and the interchangeable Encore system. That started some preliminary conversations with the two owners at the time. They were getting into their late 60's, early 70's and thinking to themselves: "Hey, what's our exit strategy?" I certainly wanted to keep the same team together and just carry the mantle into the next generation.

BL: Now today you're out there building dominant brands. Tell me about WildComm.

GR: I think everything resides in your brand. That's what I took away from my T/C experience. You have corporate brands, you then have personal brands and you have product brands.

BL: Tell me more about the distinction between those.

GR: The corporate brand at Thompson/Center is all about answering the question: "What does Thompson/Center stand for?" The answer is: "America's master gun maker."

You know there's a certain consumer proposition that is presented to the marketplace. If I buy a Thompson/Center gun, I know it comes with an unconditional lifetime warranty. There's a quality standard that comes with that. There's a certain amount of innovation and craftsmanship that comes with it. These are the conditions that Thompson/Center holds in the mind of the consumer.

From there you drop down to your product brands. You have your Encore, Omega, and other product brands that have a position in the marketplace. The Encore created the first interchangeable shooting system. Arguably the Contender was headed in that direction, but the Encore really took it to the marketplace. When you think of interchangeable rifles today, or interchangeable firearms, you think of the Encore. It created that platform and delivered it to the consumer, so it created something the gun industry really never saw popularized in the industry. Then you look at all the innovations on the muzzle-loading side: from magnum capabilities, Speed Breech, remove your breach plug by hand, fiber optic sites on the gun, 209 ignition...all of these technologies were brought to market and then they were independently branded as well. Flex Tech for recoil reduction; Power Rod for easier loading; Speed Breech for breach plugs removed by hand. We started to brand technologies, and all of these products reside under the corporate brand.

BL: We're obviously familiar with that because our firm worked with T/C during your era and we were proud to help you secure all those brands. Part of me hopes that we gave a little bit of an advantage when it came time to field the offer from Smith and Wesson, helping you get your ducks in a row.

GR: Absolutely, we have to give credit where credit is due. Patents, too, which created more value in the marketplace. Other companies are willing to pay a multiple of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to own the company

because of those technologies. Basically, buyers are willing to pay a premium for companies that have patents and trademarks.

BL: What do you suppose that premium range is in a company like T/C, or other firearm companies out there hoping to be acquired someday?

GR: It varies in a marketplace. Valuations could range anywhere from 3 to 10 times earnings. The more dominant your brands are in a marketplace, and the more technologies you have patented and protected, increases the value of your company - period, end of story.

It's tough to give an exact percentage that a solid patent and trademark portfolio adds to value. It all depends on the value of what people are willing to pay and the timing of what's going on in the marketplace. If you think about it, you have the assets of a company and they're easy to evaluate. Anything that is sold above asset value is sold off of the patented technologies and dominance of the secured brands, as well as the growth curve of the company. Otherwise people would just pay for the assets of the company - nothing more than your balance sheet.

BL: Thanks Gregg, for sharing your story. We'll continue the conversation in next month's issue.

Next Month: Gregg Ritz reveals more about the mergers and acquisitions business in the firearms industry, how he sizes up which companies to acquire, and how his current WildComm company "builds better brands."

Contact the Author:

Patent Attorney:

Bennet Langlotz
bennet@langlotz.com
877-230-5950