

GROWERTALKS

GT in Brief

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Metrolina to Buy Stacy's Out of Chapter 11

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On Friday, June 21, East Coast perennial powerhouse Stacy's Greenhouses of York, South Carolina, filed for Chapter 11 bankruptcy protection. Five days later, Metrolina Greenhouses of Huntersville, North Carolina, announced their intention to purchase Stacy's assets.

The agreement was entered into on June 21 and is subject to approval of the U.S. Bankruptcy Court in South Carolina. Subject to that approval, the parties anticipate the transaction will close in approximately 60 days, according to a Metrolina press release.

Stacy's Inc., which ships to 24 states, listed assets of \$26.4 million and liabilities of \$31.3 million in its filing with the U.S. Bankruptcy Court in South Carolina. According to the filing, Stacy's has \$22.4 million in secured claims, mostly held by Bank of the West. Unsecured creditors include Express Seed (\$1.35 million), Container Centralen (\$1.1 million), Sun Gro Horticulture (\$815,227), Bank of the West (\$547,912) and East Jordan Plastics (\$436,224).

Assets listed in the bankruptcy filing were an inventory of \$11.3 million, farm and office equipment of \$4.1 million and \$10.1 million in accounts receivable.

In the Metrolina press release, co-CEO Abe VanWingerden stated: "As part of Metrolina's continuing expansion, the proposed asset acquisition of Stacy's will improve our business growth as we continue with our 2025 Vision plan. Stacy's perennial business is a natural addition to our current product lineup as we continue to provide new and innovative solutions and concepts for our retail partners.

"Additionally, by making this asset purchase, we will be able to honor and extend the business legacy of [Louis] Stacy, as he and my father, Tom VanWingerden, were both pioneers in this industry who worked together on many projects over the years, as they both started in their businesses in the early 1970s. Combining the work of these two visionary leaders into one company makes logical sense."

GrowerTalks requested more details about the planned purchase. Abe replied with the following:

GrowerTalks: How long has the deal been in the works?

Abe VanWingerden: We have been exploring getting into the perennial business for some time now. The question was more about do we start on our own or make an acquisition. After reviewing both options, we felt a purchase of an existing location was the best route to get into the business.

GT: Stacy's shuts down owing a lot of money. What about those unsecured creditors?

AVW: I'm not sure about the particular rules of Chapter 11 protection in the state of South Carolina and any carve-out provisions for unsecured creditors, so that question really is one for those vendors and for the courts.

GT: Why perennials?

AVW: Perennials continue to be a growing part of the business, and to provide our retail partners with the best solutions for the entire consumer experience, we felt we needed to expand our product mix into perennials.

Many new consumers today want easy-to-use-and-care-for options in their garden, and the perennial options match up well with the current annual options we have today in our portfolio.

GT: How does Metrolina plan to succeed with perennials when Stacy's failed?

AVW: Stacy's business situation tracks more in our areas of expertise: logistics, marketing and shipping efficiencies that were difficult for Stacy's, driven by their inability to invest long-term capital in those areas. We think the combination of our expertise in those areas, and their great product and people, will be a perfect match for our retail partners. And our financial analysis says we can make this a good business proposition. We are very mindful that it will take capital investment, but we're willing to make significant investments in shipping, logistics and operations that Stacy's was unable to make over the last few years. This long-term capital investment will change the model and allow us to make this a viable and profitable business.

GT: Other than a fast track into the perennial business, what else does Metrolina gain?

AVW: Strong synergies with our retail partners; more growing space to allow us to move product lines to the best growing locations; logistics options on the shoulders of the season to combine routes; more access with breeders and suppliers on all sides with more product capability.

Abe added that Metrolina will retain Stacy's quality staff and will continue to provide quality products to all retailers. And he says Metrolina will quickly bring capital investment in the facilities; an increased emphasis on innovation and new items; new consumer insights on perennials through Metrolina's marketing and research department; increased logistics and operations capability; and full ownership involvement in day-to-day operations.

As for the name of the new division, Abe says they own the rights to the Stacy's name, but no word yet on what the perennial business will be called. **GT**