



Biofuels Consolidation

Mergers and Acquisitions Pace Might Be Increasing



Western Wisconsin Energy, Boyceville, WI, is for sale.

When the board of directors of Western Wisconsin Energy (WWE), Boyceville, WI, announced in July that the 55-million-gallon-a-year (MMGY) ethanol plant was up for sale, it was an indication that the pace of mergers and acquisitions in the ethanol and biodiesel industries might be increasing.

WWE named Ascendant Partners Inc, Greenwood Village, CO (303-221-4700), as its exclusive mergers, acquisitions, and financial advisor for the sale.

Scott McDermott, a partner in Ascendant Partners Inc., said the company's directors put the plant up for sale

because a minority investor wanted to sell his stake in the plant, which began operations in September 2006.

After Ascendant helped WWE's directors assess their options, it was decided to put the plant up for sale.

Not A Distress Sale

McDermott stated that this is not a distress sale, as occurred several years ago when plants ran out of capital.

"WWE has made money every year except one," he said. "This is just a case of maximizing shareholder value."

There will be more sales of ethanol

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and biodiesel plants in the near future, he predicted.

"I think the restructuring of the industry is just starting," McDermott said. "There is going to be a real push for new technologies to be added to plants so there will be a lot more restructuring for strategic positioning than in the past, when there were more distress sales."

Roller Coaster

Dean Edstrom, a partner in the Lindquist and Vennum law firm, Minneapolis, MN (612-371-3955), said the mergers and acquisitions scene has been "a real roller coaster the last few years."

The outlook for the rest of 2011 is that there will be more deals brewing with higher values to sellers, he said.

Buyers will be biofuel producers

of the uncertainty about the biodiesel tax credit, which expires at the end of this year.

"Without the biodiesel tax credit in 2010, a number of companies closed, sold, or scrapped their biodiesel plants," Edstrom explained. "Who knows what Congress will do when the biodiesel tax credit runs out in 2012? Biodiesel needs a tax credit more than ethanol does."

Sellers need to get their financial and organizational houses in order so they can go through the due diligence

process quickly and thoroughly, Edstrom recommended.

"Sellers also should make sure their infrastructure is in good repair so they can attract a purchaser," he said.

For a purchaser, the acquiring company needs to be sure it has enough cash on hand to do the transaction.

Or, if a purchaser wants to use its stock for a purchase, it will want to make sure the stock is favorably priced and attractive to a seller, Edstrom said.

Jerry Perkins, editor

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- Dean Edstrom, Lawyer

interested in expanding by purchasing other plants, oil refiners and blenders moving to gain control of biofuel production, major agribusinesses, and international groups.

Sellers will be the owners of free-standing plants that need to diversify their markets and feedstocks, Edstrom predicted.

"If you are not diversified, you are subject to a lot of volatility in sales of your output and in the purchase of your inputs, so selling might be a good idea," he said.

The biggest challenge facing buyers and sellers of ethanol plants is market uncertainty, Edstrom said, in part because of the uncertain status of the blenders tax credit and the ethanol import tariff.

Uncertainty about government policy makes it difficult to place a value on an ethanol plant's assets, he said.

Future deals involving biodiesel plants face similar challenges because

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