

GEMCITY BUYS PENNSYLVANIA FIRM

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A veteran Dayton manufacturing firm has made its first acquisition since taking on a private equity partner and looks to boost its presence in the U.S. medical manufacturing market.

Dayton-based GemCity Engineering and Manufacturing acquired Vistek Medical on May 14, said Jim Whalen, chief executive officer for Gem. The 33-employee Vistek is a contract manufacturer of medical implants and specialized components.

Whalen said the Pennsylvania company's specialty is making small bone implants, which might be used in hand and spine applications, as well as medical instruments.

Terms of the deal were not disclosed.

Whalen said the acquisition made sense because the medical implant market continues to grow – driven by active, aging baby boomers. Plus, Vistek compliments Gem's existing products, equipment and customers, which already include some medical companies.

As part of the deal, Vistek founder Vince Visco will continue to run the Pennsylvania facility. Whalen said the companies share similar values, so the acquisition was a good fit.

"(Vistek) will add capabilities to what we have, we feel that's another leg on the stool, in a sense, of what we can offer out in the marketplace," he said.

Gem provides electrical, mechanical and software engineering and operates a full-scale machining shop. Among its work, Gem builds reconnaissance robots used by the military and equipment that coats eyeglass lenses.

"A lot of what we do can save people's lives or make people's lives better," Whalen said.

Medical manufacturing is a booming multi-billion dollar industry. So selling product and service to medical manufactures, who make items such as orthopedic implants and surgical instruments, has become an attractive alternative to traditional production work.

Riverside Partners, a Boston-based private equity and majority owner of Gem, provided financing to complete the deal. Riverside focuses on growing, middle-market technology and medical companies.

Gem has about 120 employees in Dayton and 110 in Thailand, where it has a manufacturing facility.

Since Riverside became a partner in Gem in October 2007, Whalen said its plan has been to grow Gem organically and through acquisitions.

Riverside and Gem spent two years looking at other businesses before finding Vistek. The acquisition took six months to put together.

Gem, which opened in Dayton in 1936, does contract manufacturing of specialized equipment and products for the defense, technology and medical industries. Its medical work includes building the electromechanical portion – essentially the guts – of radiation equipment, as well as medical test equipment.

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IN THE NEWS

Whalen said Gem makes some medical instruments, but Vistek will provide a big boost in that segment.

Jim Sachs, president of Battelle Capital Advisors LLC, said despite some uncertainty in the medical industry as a result of the new federal statutes, there continues to be strong demand for medical manufacturing companies. This is driven by an aging population, opportunities that spring from new technology and strict product standards, which offers some protection from lower cost, foreign suppliers.

For example, he said Battelle Capital Advisors recently listed six businesses for sale, including a medical equipment manufacturer.

"We received close to a dozen inquiries for the medical company, and only a few for all the others," Sachs said.

Numerous private equity groups have targeted the medical industry in their acquisition criteria.

Author/From the desk of Joe Cogliano DBJ Staff Reporter