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Stacked Up:
Lyndon Faulkner
with cases at
Pelican Products
in Torrance.

CASES FOR GROWTH

Pelican Products boxes up new business with acquisitions.

By SHWANIKA NARAYAN *Staff Reporter*

PELICAN Products Inc. focused on making protective cases and lighting products for most of its 41 years. That began to change over the past decade after the Torrance company was acquired by New York private equity firm Behrman Capital for \$200 million in 2004.

Lyndon Faulkner signed on as chief executive two years later, and the company has gone on to make a half-dozen

acquisitions, diversifying its products beyond the government and industrial sectors and into consumer and pharmaceutical markets.

Another way of explaining the strategic shift: It went from primarily making cases and flashlights for scuba divers and law enforcement clients to manufacturing a broad range of coolers, cellphone cases, mugs and temperature-controlled

containers for transporting vaccines for health care providers.

That helped Pelican boost its revenue four-fold from about \$100 million at the onset of the Great Recession to almost \$400 million last year, according to the company. That includes a 6.8 percent year-to-year increase in 2016.

Faulkner declined to give details on profits, but said the manufacturer is doing well

even with the aggressive push to invest in new lines of business.

“There is growth there, but it hasn’t matched the speed revenue has seen, which is a direct result of our investments in six strategic companies,” he said. The growth has not gone unnoticed. “Pelican is crushing it,” said Mary Josephs, chief executive of Chicago-based investment firm Verit Advisors, which invests in and advises a range of middle-market companies, but doesn’t have a stake in Pelican.

The company’s current competitive advantage is “anchored in their industry specialization across their legacy products and their newer products, which they’ve come to somewhat dominate in the last 10 years,” Josephs said.

More products

Faulkner was brought on to replace Pelican’s founder, Dave Parker, who would go on to retire from the company he had started with his wife, Arline, in a garage in 1976.

Faulkner had previously led another Behrman-backed company – Nimbus CD International Inc., which made compact and digital video discs.

Parker, an avid scuba diver, founded Pelican after recognizing in the dive market a need for flashlights and cases that wouldn’t leak or fail, according to the company’s website.

His first product was the Pelican Float, a subsurface



Putting It Together: Employees work on cases at Pelican Products in Torrance. The company has diversified its items and expanded into new sectors through a series of acquisitions since 2006.

marker or buoy that divers use to signal their location. Next came protective cases for gear and flashlights, and an expansion in the market that eventually included customers such as the military and law enforcement.

Pelican now manufactures and sells products including its heavy-duty cases and flashlights to first-responders and law enforcement, including the Los Angeles Police Department, as well as the U.S. military, which stores some of its weapons in Pelican cases.

Its offerings for the consumer market include cellphone cases, coolers and mugs. In



addition, Pelican makes and sells temperature-controlled cases that are used to transport and store vaccines and other materials for the pharmaceutical market.

“Our cases are designed to be safe under water, to be dropped on a hard surface from a helicopter,” Faulkner said. “First-responders use them, the military, and when you go and

buy your \$2,000 dollar Nikon or Canon camera, you want to protect it. It's probable that you want a protective case and we are the protective-case brand."

New strategies

Faulkner said he doesn't consider the company dependent on acquisitions, despite the recent run of deals.

"We don't have an acquisition strategy, we have a strategy of growing the business by developing products we think will fit our DNA," he said.

A willingness to consider progress by picking up competitors led to Pelican's first acquisition in 2008, when it acquired Stamford, England's Blue I UK.

"We were in research and development mode for powerful lights, similar to field lights but ones that would run off battery power instead of generators. And there were these four guys who had made exactly what we were trying to make but they had no distribution model, so we bought them" Faulkner said. Terms of that deal were undisclosed. Pelican bought Pelican Australia, which had been its distributor in Australia, the following year. It picked up another Australian case manufacturer, Trimcast, in 2011. The two deals gave Pelican a distribution and manufacturing base that now caters to the needs of the company's Asian market as well as Australia.

Another deal in 2009 put what had been Pelican's biggest case competitor – Deerfield, Mass.-based Hardigg Industries – in its fold for \$200 million. Faulkner said the acquisition created one of the premier suppliers of protective weapon cases to the U.S. military.

Moves by the United States to scale back its military commitments in Afghanistan and Iraq from 2010 to 2014 hit Pelican's revenue nonetheless, prompting the company in 2013 to acquire Minnesota Thermal Science, makers of temperature-controlled products. Terms of that deal were not disclosed. The acquisition also included Cool Logistics, a distributor for Minnesota Thermal.

All of the acquired companies now operate under the Pelican name.

Pelican has a 200,000-square-foot corporate headquarters and manufacturing facility in Torrance, where it's been since 1989. It has nearly 1,600 employees – about 600 locally – with 22 international sales offices as well as a total of six manufacturing facilities.

Its parent, Behrman, has raised five funds with a combined capital base of \$3 billion, according to its website.

High-value firm?

Faulkner said his main focus going forward will be efforts to bring more products to

existing markets, where the company competes with some big names in certain niches.

Pelican's iPhone cases go up against offerings from Otterbox, for example, while its coolers compete with products from Yeti.

"We've made massive investments in infrastructure and acquisition, and all of that is for our future," he said.

Lloyd Greif, chief executive of downtown investment firm Greif & Co., estimates that Pelican is worth at least "a couple billion dollars."

"It's a long-standing legacy business that has morphed so much since it started, with its recent acquisitions adding single-use and reusable thermal packaging products to its core line of durable goods. With this new recurring revenue stream, Pelican's become quite the cash cow," he said. "It's no wonder the private equity firm that bought it has hung on to it for 13 years."

Greif said most private equity portfolios change hands every three to seven years.

"There is nothing that compels Behrman to sell Pelican," he said, "but when they do, I'd imagine they'll make a killing."