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GHX Industrial branches out with acquisitions

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Energy industry component company GHX Industrial LLC has acquired two out-of-state hose-and-fitting distributors in the past three months in a bid to lengthen its Gulf Coast footprint and make fresh tracks into a Pennsylvania hot spot for natural-gas drilling.

The acquisitions are part of a five-year plan to broaden GHX's turf, its customer base and its ability to serve new markets, says Dan Ahuero, president and CEO of the Houston-based company.

GHX, which sells hoses and gaskets to energy clients, began implementing the plan in 2007, the same year it became a portfolio company of [The CapStreet Group](#), a private equity firm in Houston.

This month GHX acquired [Trident Supply Co.](#), based in Jacksonville, Fla., and is already loading its coffers with new investor financing for more acquisitions.

"We've got the entire Gulf Coast of the U.S. covered," Ahuero says, noting that GHX already had branch offices in other parts of Texas, Alabama and Louisiana prior to the Trident deal. Trident also has an office in Georgia.

"What Jacksonville gave us, in addition to the geographic coverage, was the marine industry and the government shipping industry — primarily Navy and Coast Guard," he says. "Now we're able to expand the markets that we're servicing."

retain employees

In June, GHX acquired [Hose Line Industrial](#) in South Williamsport, Pa., strategically positioned amid the Marcellus Shale, a sprawling rock formation beneath Pennsylvania and other states in the Appalachian basin. The shale has experienced a surge in natural gas drilling in recent years.

"It's probably one of the highest growth areas for oil and natural gas in the United States," says Mike Young, board chairman of GHX Holdings and managing partner at CapStreet. He says the company will also open a separate office in Pennsylvania.

In fact, Ahuero says GHX is currently hiring staff for the new Uniontown, Pa., office, scheduled to open Dec. 1. A Trident employee was recruited to oversee the office.

Don Presley, vice president of Trident, has known Ahuero for years through the Association for Hose and Accessories Distribution. He says he trusted Ahuero to protect Trident's employees and its reputation.

"I felt comfortable that he'd do what he said he was going to do and my people would be safe," Presley says.

GHX has fabricated and distributed industrial hoses, gaskets and other accessories since 1937, selling primarily to downstream customers such as refineries and petrochemical plants. Major clients include [Shell Oil Co.](#) and [Marathon Oil Co.](#)

But Ahuero saw growing opportunities on the upstream drilling and production end, at a time when some of those distributors were looking for a way out of a tough economy.

To load up its war chest, in 2007 GHX sought the financial support of CapStreet, which now owns more than half of the company. Their first acquisitions were Louisiana's [All Hose & Specialty LLC](#) and [Sykes Supply Co.](#), with offices in Pensacola and Mobile. In 2008 GHX acquired Robsco Inc., an oilfield hose and belting distributor in Houston.

Young declined to disclose the purchase price of the two recent acquisitions, although he says it's less than the \$20 million for the 2007 acquisitions of All Hose and Sykes.

BRANDING STRATEGY

Ahuero says the acquisitions initially retain their business names but are gradually merged completely into GHX.

"We have a strategy of how to transition these businesses into our company and our brand image," he says. "But we don't do that on day one because a lot of these have well-known names in their geographic market."

Ahuero says his company was eager to track the energy trail leading to the Marcellus Shale, a sought-after area of natural gas production. The BP Plc oil spill — and the subsequent moratorium on deepwater offshore drilling — helped accelerate those ventures, Ahuero says.

"We've been trying to follow that business, figure out a way to do that for well over a year," Ahuero says. "This would have happened regardless of the spill. It's just that, with the spill, some of our customers have deployed resources into these areas (sooner)."

The BP spill actually boosted sales for GHX, albeit briefly, he adds.

"At the time of the spill we had an uptick in business, because if you think about it, it took hydraulic pressure to try to close this well and stop the leak," he says. "We had a three-week surge of business on high-pressure hoses. And then a little bit later we had an uptick in business from some of the cleanup activity."

But then the halt on deepwater drilling affected GHX branches in Louisiana, particularly Houma and Hahnville, which sell directly to offshore oil companies and their service providers, forcing the company to think about diversification.

"The strategy going forward is to look for good companies that fit our geography but also give us expanded markets," Ahuero says, adding that those markets could include the mining, agriculture and paper-mill industries.

GHX Holdings recently reported the \$20.8 million sale of securities to unnamed investors in a U.S. Securities and Exchange Commission filing, which Capstreet's Young says paves the way for other deals.

"Basically what that does is it kind of reloads the company to give them the capability to make further acquisitions," Young says. "We have a number of (other companies) we are talking to and that we hope to add to the GHX family over the next year or so."