

Baywood International switches gears to focus efforts on tea sales

Phoenix Business Journal - by [Chris Casacchia](#)

Facing investor angst and rising debt, officials at **Baywood International Inc.** had to make a tough decision: sell their high-growth Lifetime vitamin brand, raise capital for that subsidiary, or ride out the recession without invoking major changes to the company's business model.

It's a quandary facing hundreds of companies in Arizona, especially publicly traded firms that have to answer to impatient shareholders.

In February, executives at the Scottsdale nutraceutical and beverage development firm decided to sell **Nutritional Specialties Inc.**, including its Lifetime products, and focus on a single business line: the New Leaf tea brand.

Despite its growth, the subsidiary didn't provide the best value for shareholders, especially as recapitalizing and deleveraging the balance sheet became a top priority in this cash-strapped economy.

Investors today are very particular and want a clear understanding of the business model, said Baywood Chief Operating Officer Neil Reithinger.

"The dilution was a factor," he said. "We need the balance sheet to be attractive to the investment community."

In the first six months of the year, the company lost \$10.6 million.

The tea industry is in growth mode, according to the Tea Association of the USA, which estimated the wholesale value of the industry in 2007 at \$6.9 billion.

Once Baywood executives decided to sell Nutritional Specialties, they turned to Scottsdale investment bank Columbia West Capital LLC, which the company originally hired to raise capital.

By March, the hunt for suitors was on. Baywood and Columbia West tapped their connections on the East Coast and core players on Wall Street.

Columbia West Managing Director Guy Downing knew it was a buyer's market, and Baywood was under some pressure to restructure. Waiting for a better price down the road wasn't an option, he said.

Nutritional Specialties Inc. went on the sales block in April. By May, a list of more than 20 potential buyers had surfaced, including investment bankers, strategic companies and private equity firms.

"We weren't under false expectations," said Reithinger, but "we were optimistic."

By the end of June, a deal was struck. Baywood sold its Lifetime brand for \$8.3 million to Nutra Inc., a subsidiary of **Nutraceutical International Corp.** (Nasdaq: NUTR). The sale is subject to shareholder approval and is expected to close this month.

"It was the best decision in terms of what needed to be done," Reithinger said.