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Vermont Pure sells bottling plant, springs

 By Leslie Wright
 Free Press Staff Writer

Vermont Pure Holdings Ltd. sold its Randolph bottling plant and springs to a Massachusetts company, transforming Vermont Pure into a home and office delivery company.

Micropack Bottled Water of Natick, Mass., bought the operation Monday, said Tim Fallon, Vermont Pure chairman and chief executive officer. Neither Fallon nor Jim Morgan, Micropack president and chief executive officer, would reveal the purchase price.

Micropack will take over Vermont Pure's retail bottled water and private label bottling businesses. Sales for that part of the business were \$22.4 million for retail and \$4 million for gallons last fiscal year, which ended Oct. 31.

About 80 percent of the Randolph plant's retail business was the so-called private label bottling in which the company bottled water on behalf of major retailers such as grocery stores and pharmacies to sell under their own brands, Fallon said. The remaining 20 percent of the company's retail business was in single-serve bottles sold in grocery and convenience stores under the Vermont Pure or Hidden Spring brands.

"For us the private label side of the business is very competitive. The margins were squeezed over the years and we basically felt it would be a better use of our resources to focus on home and office business," Fallon said.

Vermont Pure has been growing the home and office side of the business by buying up small regional companies. Last fiscal year Vermont Pure bought eight home and office companies, Fallon said.

Vermont Pure is the fourth-largest home and office delivery company in the country. The company's revenues for that part of the business were \$49.9 million last fiscal year with an operating profit of \$7 million, compared to an operating loss of \$592,000 in retail sales and a profit of \$212,000 for the gallon segment.

Consumers will still be able to buy Vermont Pure and Hidden Springs water in stores. Micropack bought the Hidden Spring name and has a long-term licensing agreement to use the Vermont Pure name, Fallon said.

Micropack plans to continue to market both brands, Morgan said.

In terms of sales, the deal doubles the size of Micropack, Morgan said. Micropack owns bottled water plants in Florida, Pennsylvania, Texas and Illinois, and private labels water for major regional chains such as Eckerd drug stores and Family Dollar discount stores.

The Randolph plant gives Micropack a New England presence and a spring water plant. The company's other plants use filtered water.

"Our strategy would be to call on retailers whose headquarters are very likely to be outside New England, but who have distribution centers inside New England," Morgan said.

The Randolph operation employs 65 to 68 people depending on the season. Morgan sees no change in that number. A few employees might move with Vermont Pure when the company sets up a 5-gallon bottling plant to serve its home and office market.

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Vermont Pure has 90 days to relocate its 5-gallon operation from Randolph. The company is considering locations near Interstate 91 from Brattleboro to White River Junction, Fallon said.

Water for the home and office operation will come from a spring in Stockbridge.

Vermont Pure's headquarters will move to Williston, where the company has a distribution facility, Fallon said.

A small part of the financing for the deal came from Fresh Tracks Capital, a Middlebury-based venture capital firm. Fresh Tracks' \$750,000 investment represents about 5 percent of the deal, said Cairn Cross, managing director. That would put the value of the deal at about \$15 million.

The deal made sense for both companies, Cross said. Vermont Pure can focus on the most successful part of its business and Micropack can expand in a way that allows it to grow.

"You've got a great source of water, a stable work force and excess capacity now getting married to a company that can really harness that and use it," Cross said.

Contact Leslie Wright at 660-1841 or lwright@bfp.burlingtonfreepress.com

Spring water sale

Monday, Vermont Pure Holdings Ltd. sold its Randolph bottling plant and springs to Micropack Bottled Water.

Here is a profile of the two companies:

-- COMPANY: Vermont Pure Holdings Ltd.

HEADQUARTERS: Randolph, moving to Williston in about a month

FOUNDED: 1990

PRODUCTS: Home and office bottled water delivery through Vermont Pure and Crystal Rock brands.

EMPLOYEES: 320

REVENUES: \$76.2 million in fiscal year 2003, which ended Oct. 31

-- COMPANY: Micropack Bottled Water

HEADQUARTERS: Natick, Mass.

FOUNDED: 1997

PRODUCTS: Private label bottled water for major retail chains distributed from plants in Florida, Pennsylvania, Texas, Illinois and Vermont. Brands include Arctic Mist, Culligan, VIVA, Arctic Blue, Pure Mountain, Vermont Pure and Hidden Spring.

EMPLOYEES: 145

REVENUES: Micropack is privately held and does not report finances. Buying Vermont Pure's Randolph operation approximately doubled sales to \$50 million.

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