



PRIVATE EQUITY
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awards 2016



WINNER – UPPER MID-MARKET, AMERICAS
KPS CAPITAL PARTNERS –
MOTOR COACH INDUSTRIES INTERNATIONAL



WINNER – UPPER MID-MARKET

KPS Capital Partners: Motor Coach Industries

KPS Capital Partners’ work with Motor Coach Industries International is a great example of turning around a company by focusing on improving its operations rather than financial engineering.

When the New York-based private equity firm acquired the specialty vehicle company in August 2010, MCI was emerging from bankruptcy, operating in default of its credit agreement and under severe liquidity constraints. KPS purchased MCI for an undisclosed sum using no third-party leverage, a rare move in the industry.

Five years later, the firm had sold the company to New Flyer for \$479 million. By then, MCI had increased revenue by 50 percent to \$647 million and EBITDA shot up from a negative \$12 million to a

(\$12m)
EBITDA on entry (loss)

\$76m
EBITDA on exit

MCI: won the industry's largest single coach order for 12 years

\$76 million gain. KPS and investors realised a 2.9x cash on cash multiple and a 27 percent gross internal rate of return on total capital invested.

“We are very proud of MCI’s incredible turnaround, executed at the low point of the North America motor coach industry cycle and at the height of the financial crisis,” said Jay Bernstein, a partner at KPS.

“The success of our investment in MCI demonstrates KPS’s ability to see value where others do not, to buy right and to make businesses better. In 2010, we acquired a failing, deeply under-managed business and transformed it into a thriving, highly profitable, and growing business.”

To achieve such a result, KPS rolled up its sleeves, hired a new chief executive and a new senior management team whom they

worked with closely, implementing a new organisational structure, transforming the company’s manufacturing operations and focusing on quality and customer services among other improvements.

“During a five-year holding period, the turnaround encompassed every aspect of MCI’s business from sales to manufacturing and after-market services,” said judge Paul Fuhrman.

A key turning point for MCI was the equity-based strategic partnership with Daimler AG. As part of the partnership, which began in 2012, MCI acquired exclusive rights for high-end Setra motor coaches and after-market parts in the US and Canada. In return, Daimler received a minority interest in the company.

A transformational 1,104-unit 45-foot coach order from the NJ Transit, the single largest order in the coach industry in the past 12 years, was also no small feat for MCI.

As a result, KPS saved more than 1,500 premium industrial jobs. Meanwhile, the sale to New Flyer created one of the largest, most diverse bus companies in the world.

“Motor Coach Industries International is the best example of pure operating improvement,” said judge Michael McKenna. “KPS acquired a distressed asset in restructuring and without relying on acquisitions to ‘buy EBITDA’ or realise synergies, they transformed a cash negative business into a profitable business.” ■

