

Buyouts

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September 5, 2011

DEALS

EXITS

Turnaround Shop To Net 15x On Attends Deal

By Bernard Vaughan

SNAPSHOT

Target: Attends Healthcare Inc.

Price: \$315 million

Sponsor: Domtar Corp.

Seller: KPS Capital Partners LP

Legal Adviser: Seller: Paul Weiss Rifkind Wharton & Garrison LLP

KPS Capital Partners LP expects to return about 15x its investment in Attends Healthcare Inc. when it closes its sale of the company, slated for the third quarter, according to a source.

The New York-based firm, known for buying manufacturing companies about to flatline, announced Aug. 15 an agreement to sell the maker of incontinence briefs, pads and other products to Domtar Corp. for \$315 million.

The deal demonstrates that sponsors

are still able to sell companies despite turmoil in global markets, at least given the right situation. Strong performance throughout the Great Recession and the fact that Domtar has a lot of cash on hand enabled the Attends deal to go through, **Raquel Palmer**, a partner with KPS Capital, told *Buyouts*.

"We were not concerned with the turmoil in the market," Palmer said.

The company, then known as PaperPak Products Inc., was losing money when KPS Capital bought it 2007, investing \$20 million of equity. The firm re-branded it; upgraded its manufacturing equipment; cut unprofitable products and expanded into new lines; cut freight costs by bringing its freight management in-house; and closed a manufacturing plant in California that saved \$5 million. The company also benefited from an aging U.S. population whose health is deteriorating, she said.

"Our CEO **Mike Fagan** was fond of saying that every day he woke up he had 10,000 new customers," Palmer said.

Today Attends generates annual sales of approximately \$200 million and an estimated run-rate EBITDA of \$39 million,

according to a Domtar press release. The Greenville, N.C.-based company employs 330, which Palmer estimated was about the same or a bit fewer than the number of people the company employed when KPS Capital bought it.

KPS Capital also sponsored two recapitalizations of the company, which included cash distributions of \$35 million and \$60 million.

Since early 2010, KPS Capital has taken full advantage of the revived capital markets, completing an aggregate of \$1.6 billion of recapitalizations which included more than \$640 million in cash distributions to KPS Capital. Another notable example was its \$465 million recap of copper manufacturer Global Brass & Copper in August 2010, which included a \$164.8 million distribution.

When asked if KPS Capital is readying any other companies for sale, Palmer said the firm is instead in full-on buying mode.

"We're the busiest I've ever been in my career," said Palmer, who has been working with the KPS Capital founders since 1994. "Whatever is happening in the market right now is very good for KPS."



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