KPS Picks Up Speedline

From high growth, to free fall, and on to stabilization, Speedline Technologies is finally starting to get its feet after taking a wild ride with the tech explosion and implosion in the late nineties. And with the company’s stabilization, KPS Special Situations Fund II acquired the business with a roughly $10 million investment.

“In the late ’90s and 2000s, Speedline was built up to do a half billion a year in revenue,” KPS Founder and Managing Principal David Shapiro said. “But when the bottom fell out, the demand shrunk up dramatically and they weren’t able to work quick enough to bring the fixed cost basis down.”

Speedline, headquartered in Franklin, Mass., provides equipment and services for the printed circuit board and semiconductor packaging industries. And while the company’s end market is clearly prone to the peaks and valleys of the tech industry, Shapiro noted that it should not be considered among the customers it serves. “We tend not to think of [Speedline] as a tech company, but rather as a capital equipment supplier. It designs and manufactures equipment that is driven somewhat by tech demand.”

KPS acquired Speedline from Cookson plc, an elder statesman in the British materials industry with roots dating back to 1704. The firm paid $10 million for the business, which according to Shapiro had been built up over the past 10 years by Cookson at a cost of several hundred million dollars. The financing will take the form of cash and a seller note, and of the total purchase price, the majority will go towards working capital for Speedline. Also, Cookson could receive future cash considerations if certain performance targets are met.

Speedline’s product lines include MPM, Camalot, Electrovert and Accel, and the company operates two U.S. manufacturing facilities, while maintaining a presence in Europe and Asia. For the full-year 2002, the unit generated revenue of £66.9 million with a loss of £25.3 million, and so far this year has not seen too much of an improvement with an aggregate of £45.6 million in sales and a loss of £14.1 million in the first three quarters.

However, Shapiro is not daunted by the company’s past performance and believes it will not be long before Speedline reemerges into the black. “The company is unprofitable, but this is a problem that we think we can fix. This is a cost based turnaround that primarily involves stripping fixed costs out of the business. Plus, the electronics industry is finally showing signs of life after an unbelievable amount of erosion the past few years. We plan to take the fixed costs down, while riding the demand wave right back up.”

And despite the company’s dramatic plunge, Shapiro feels confident in the company’s products and its place in its industry, which he describes as narrow. “Speedline is a strong franchise, and it has been able to maintain its status as a leader in tech innovation and product quality,” he added.

KPS used its $285 million KPS Special Situations Fund II for the transaction. The New York-based turnaround specialist earlier this year acquired Wire Rope Corp. of America for $54.5 million. —K.M.

Snap Shot
KPS’ Lawyer: Paul, Weiss, Rifkin, Wharton & Garrison LLP
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