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Buyouts

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KPS Seen Roping Growth

Everybody knows **KPS Special Situations** can turn around a business, but what about after the 180 degree turn is complete? The New York-based firm, through its investment in **Wire Rope Corp. of America** hopes to prove it can grow a business as well.

In a sign that the turnaround is in fact complete, KPS completed a \$220 million recapitalization of Wire Rope in which it was able to take out a \$25 million dividend. The disbursement comes to roughly 2x KPS's original \$14 million investment. However, instead of just unloading the business, KPS is now moving to spur growth, and alongside the recap, the firm acquired Mexico City-based **Aceros Camesa**.

The actual turnaround for KPS was smoother than usual. "It was clearly on its back and there were a bunch of problems that led the company into Chapter 11," KPS Managing Principal **David Shapiro** said. "We saw an opportunity. The company had been managed into a corner, but it still had a fixed cost structure and a great name."

During the bankruptcy the court installed **Ira Glazer** as the CEO of Wire Rope, and before KPS even acquired the business, the turnaround was set in motion. Glazer cut assets, negotiated new union contracts and put in place a new

cost system. When KPS acquired the business in mid 2003, the firm stuck with Glazer and helped initiate more streamlining. Overall, the company has been able to squeeze out over \$15 million a year in fixed cost savings, according to Shapiro, while earnings have gone from "a significant loss" to "significantly profitable."

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—*DAVID SHAPIRO*

With the turnaround complete, KPS began looking for areas of growth. Shapiro said, "With the cost side fixed, we understood that Wire Rope has a great market presence, good products in the pipeline and a management team with the capabilities to take on a bigger organization."

The firm began looking for potential add-ons and found what Shapiro termed "a fantastic fit." The acquisition was valued at \$100 million, and will almost double Wire Rope's annual sales to \$300 million. Further, the company gives Wire Rope a larger presence in the infrastructure market with

products such as pre-stressed concrete strands, which serve to reinforce concrete products. Both companies already target the mining, construction and transportation sectors.

Camesa has operations in Mexico, Peru and Rosenberg, Texas. The purchase will also give Wire Rope entry into the South American export markets.

Going forward, KPS and company management are maintaining a 100% stake in the business. In the recap, **J.P. Morgan Chase** is leading the debt facility with a term loan, while **HSBC** is providing a revolver. **Jefferies** is taking part in the debt package as well.

KPS has not yet drawn up a plan to exit Wire Rope, and Shapiro kept open the possibility of a public offering. He also said the business could be attractive to potential strategic and financial buyers. —*K.M.*

SNAPSHOT

TARGET: Aceros Camesa

SPONSOR: KPS Special Situations

PURCHASE PRICE: \$100M

ADVISORS: Sponsors: Mesriow Financial

LEGAL COUNSEL: Sponsors: Paul Weiss

ACCOUNTANT: KPMG