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EXITS

Quicker Flip: KPS Sells Ashcroft In Four Months

SNAPSHOT:

Buyer: Nagano Keiki Co., Ltd.
Seller: KPS Special Situations Funds
Target: Ashcroft Holdings
Price: $55 million
Financial Advisor: Seller: UBS
Legal Advisor: Buyer: Paul Weiss; Seller: Morrison & Foerster

KPS Special Situations Funds has agreed to sell maker of pressure measuring instruments **Ashcroft Holdings** after the near minimum of holding periods, just four months.

Ashcroft makes pressure gauges, transmitters and temperature switches along with a host of other devices. Asked why he didn't hold the company longer and wait for a bigger return, KPS managing principal **Michael Psaros** said, "If we held it longer, we could have substantially improved cash flow. However, I don't know many GPs in the private equity business who'd turn away from an opportunity to double their investment."

KPS originally bought the company for $34 million from Dresser Inc. Selling for $55 million and keeping retained cash, the firm actually doubled its money. Numbers from Ashcroft haven't been disclosed.

Psaros said the turnaround was done so quickly in part because KPS had been preparing to take over the company for the six months leading up to the deal being closed in late November. Upon closing the deal, KPS "hit the ground running."

UBS ran the auction process and Psaros said that within three weeks of closing on Dresser, KPS was approached by representatives of **Mizuho Securities** and its U.S. arm, the **Bridgeford Group**.

KPS implemented its turnaround plan and within 60 days Psaros said KPS had doubled the firm's run rate. KPS met with Mizuho and representatives of Nagano Keiki Co. Ltd. in late January. At that meeting Nagano issued its letter of intent to buy Ashcroft for $55 million, with KPS keeping retained cash. The offer does not include Ashcroft's smaller EBRO business in Germany. EBRO is also a measurement business, but with different end users and is now a stand alone business.

KPS has now sold two companies to Japanese strategic buyers in the last six months. The other Japanese transaction was the sale of GFG, a maker of roll coating equipment, to Mitsubishi-Hitachi Metals Machinery, last year. Psaros, who describes himself as something of a Japanophile, minored in Japanese at Georgetown as an undergrad and also attended a summer program there.

"In order to sell to a Japanese strategic buyer, everything has to be perfect. You need to wrap it up in a beautiful package as if you bought the company at [Japanese department store] Mitsukoshi," said Psaros. "Everything has to be perfectly functioning. It took a lot of work to extract this business from Dresser."

The deal is KPS's sixth investment out of its second fund, which by the end of this year will be more than 50% invested, said Psaros. So far KPS has returned its invested capital on four of the fund's six investments, "basically within a year," he said.

Psaros said he was restricted by the purchase agreement to talk about how exactly KPS turned the business around, but he said that after the close, the company was no longer burdened with the reporting requirements of the larger enterprise and KPS increased revenues. —*M.C.*