Spotlight

The SECA Spotlight this month is on casparis gloor lanz & co CGS Management a private equity advisor managing a SFr 60 million fund specialized in industrial & technology buyouts. SECA news talked to Lars Niggeman about adding value and performance.

After the Electronicparc Holding exit, where you had a double digit IRR (below 20 percent) on the sale to public company Cicorel (new entity now called CICOR Technologies), you have had a second exit this quarter with Bourdon-Haenni being acquired by Baumer Group. Can you talk about fund performance and your plans for the future?

We are in the European Top Quartile for vintage year 1999 in European Buyouts, which we are happy about. 1999 was a though year to launch a fund considering we started investing during a peak valuation period for the technology sector. Nevertheless, we are able to pay attractive distributions to our LPs these days. An investment in CGS Private Equity Partnership I would have beaten a comparable investment into the SMI by more than 10% (IRR net to investor).

For our new fund we have a target of SFr 150 mln and plan to develop three to five anchor companies. Currently the investors are 92 percent institutional and 8 percent private investors (high net worth individuals including the partners). We may take some new investors on board for the next fund.

Can you tell us a bit what you did to create Bourdon Sedeme?

In 1999, CGS acquired Haenni Instruments AG, a Swiss manufacturer of process instruments. Then we acquired Bourdon-Sedeme in France, a well known brand in the industry. We completed a couple of add-on investments, including Kamstrup A/S, for a total of four acquisitions. CGS Management undertook restructuring and management actions including a board and various operational roles. We kept leverage levels moderate and maintained majority share in the company.

What are the challenges of a buy and build strategy for a Swiss mid-sized firm?

CGS is the only Swiss Buyout fund pursuing a Buy & Build strategy. This strategy benefits from economies of scale, stronger visibility on the market, increased purchasing power, synergy effects etc. In addition to all this, it is quite "low-risk", as the built industry-clusters are diversified in terms of customers basis and target markets.

In order to implement this attractive strategy successfully, there are indeed some major challenges, namely cultural and operational integration of the companies into industry-clusters; selection and building of the group management; and the "Design for Exit". In order to overcome these challenges, it is crucial to have an in depth know-how and a strong network in the targeted industries. This is why CGS only invests in industries it understands. The Buy & Build strategy also requires high operational involvement in order to successfully merge and build up the different companies and their management. CGS is operationally very active and involved, and is following every development closely. As for the third point, all CGS' portfolio companies are designed for exit right from the beginning. By that I mean, they are built and formed to become lean, profitable businesses that are attractive acquisition targets to strategic investors.