



SERW, spol. s r.o., located in Starý Plzenec (Czech Republic), develops and manufactures high-quality HV and EHV circuit breakers.



Dear Reader,

CGS can look back on a successful 2015. Our existing portfolio companies performed well in a demanding environment, the R&S Group expanded the scope of its operations by acquiring ZREW Transformatory S.A. in Poland, and CGS won gold at the Private Equity Exchange & Awards in December as the "Best German, Austrian & Swiss LBO Fund".

Having now embarked on a new year, the economic challenges we face are no less demanding than they were in 2015. Falling commodity prices (especially oil prices), slower growth in China and the political situation in Europe (including a possible Brexit) are all giving rise to uncertainty.

Nevertheless, CGS has got off to a good start. We have a very promising deal pipeline and have also strengthened our existing team. We are thus well prepared to face the new challenges 2016 will bring.

I hope you enjoy reading our April issue and look forward to exchanging ideas with you.

Dr Rolf Lanz
Managing Partner

>>> SERW, SPOL. S R.O. AND ZREW TRANSFORMATORY S.A. COMPLEMENT R&S GROUP

EXPANDING THE R&S GROUP

Through its acquisitions of SERW, spol. s r.o. (SERW) in the Czech Republic in December 2014 and ZREW Transformatory S.A. (ZREW Transformatory) in Poland in December 2015, CGS has successfully expanded the scope of the R&S Group. The two new affiliates ideally complement the portfolio of Rauscher & Stoecklin AG (Rauscher & Stoecklin), headquartered in Sissach. They also represent another important milestone for the company in its endeavors to establish itself as a leading European group in the niche market for components used in power distribution and electrical infrastructure.

Successfully capitalizing on synergies

SERW, which now manufactures high-quality circuit breakers and earthing switches, came into being in 1975 on the premises of a former Škoda factory in Pilsen. Over the years, SERW has extended the scope of its activities, which today encompass the manufacture of products used in medium to high voltage applications (1 kV to 420 kV) and the development and production of motor drives for various types of circuit breakers. With more than 180 qualified technicians at its Starý Plzenec plant, SERW's manufacturing capabilities have achieved a high degree of vertical integration, thus enabling the company to respond quickly to specific customer requirements. In addition to its domestic market in the Czech Republic, the company principally serves customers in Germany, Slovakia and Hungary.

SERW's comprehensive expertise in developing circuit breakers and their motor drives ideally complements Rauscher & Stoecklin's railway circuit breaker business. A number of synergies have already been exploited, as evidenced by SERW's successful development of a new, cost-efficient motor drive for Rauscher & Stoecklin's railway operations. These new products also helped the company to secure its first contract for a major railway project in North Africa. The integration of SERW into the R&S Group also means that its products can now be offered through the group's joint sales channel, thus reaching additional new markets.

**Marc Aeschlimann,
CEO R&S Group:**

"With these three companies, the group has not only built up substantial know-how in the field of transformers and circuit breakers but also has established brands in these areas. This provides us with the ideal conditions for making the most of the market synergies between the companies and taking the expansion of the R&S Group forward."

Broader industry focus

ZREW Transformatory, located in Łódź (Poland), was established in 1956. The company produces oil-immersed power transformers in the mid to high voltage range, with power ratings up to 120 MVA and voltages up to 145 kV. The company is the market leader in Poland. Its power transformers, developed by the company itself, are used in power distribution (distribution grids and generator transformers for power plants), railway infrastructure and wind power applications. With some 200 employees, ZREW Transformatory complements the R&S Group's product portfolio in the area of high voltage power transformers, thus enabling the group to meet a wider range of customer requirements. The ZREW Transformatory products used in wind power applications have also broadened the group's industry focus.

From specialized manufacturer to full-range supplier

Thanks to these acquisitions, and its existing Rauscher & Stoecklin operations, the R&S Group's product portfolio now covers the entire range of oil-immersed distributors and power transformers in the mid to high voltage range and the full spectrum of high voltage circuit breakers.

In its chosen niche market, the group is increasingly assuming the role of a full-range supplier and will thus be able to meet its customer requirements more com-

prehensively. In the months ahead, the R&S Group management will work with CGS to accelerate the integration of these companies, so that the full potential of the synergies within the group can be realized. In addition to establishing an overarching international sales organization, collaborations in product development and product optimization are also planned.

Investing in energy infrastructure

Looking to the future, the R&S Group is focusing on the current retrofit trend, which involves upgrading the existing energy infrastructure, most of which is now reaching the end of its life cycle. These investments in updating outdated plants will also help the group to continue to perform well. Furthermore, with energy consumption growing, investments in additional infrastructure can also be expected.

With the acquisition of SERW and ZREW Transformatory, CGS has reached another important milestone in the Buy & Build process which is establishing a significant industrial cluster for the R&S Group. CGS has also identified another target company, specializing in the production of cast resin transformers, which matches its strategic requirements for the R&S Group. Should this new company be successfully acquired, this transaction could complete the R&S Group portfolio by mid 2016. ■

**PRIVATE EQUITY
EXCHANGE
AWARDS**

2015 WINNER

>>> CGS RECOGNIZED AS "BEST GERMAN, AUSTRIAN & SWISS LBO FUND"

GOLD FOR CGS AT THE PRIVATE EQUITY EXCHANGE & AWARDS 2015

In 2014, CGS won silver at the Private Equity Exchange & Awards for "Best German, Austrian & Swiss LBO Fund". Last year, it topped that performance by winning gold. The Private Equity Exchange & Awards ceremony was held in Paris on December 3, 2015. This new award is a major success for the CGS team.

Every year, the Private Equity Exchange & Awards recognize the best limited partnerships, funds and management teams in 25 different categories. More than 80 prominent experts from the private equity scene rate the nominees on the basis of the firms' performance, management skills and growth strategies. ■



Dr Rolf Lanz accepts the 2015 Gold Award for CGS.

>>> INTEGRATING SERW, SPOL. S R.O. AND ZREW TRANSFORMATORY S.A.

MANAGING INTEGRATION WITHIN THE R&S GROUP

With the acquisition of SERW, spol. s r.o. (SERW) and ZREW Transformatory S.A. (ZREW Transformatory), the R&S Group has successfully continued its Buy & Build strategy. With 465 employees, three international production facilities and a turnover of CHF 70 million, the R&S Group now has the critical size it needs to cut costs and boost turnover by capitalizing on the synergies within the group.

Importance of the integration phase

The integration phase is widely recognized as being crucial to any acquisition, as it is at this stage that either most of the projected added value is created or value is destroyed. Consequently, it is essential for the R&S Group to progress with its integration of SERW and ZREW Transformatory with the necessary sense of proportion. In order to achieve this goal, dedicated integration management teams have been established for both acquisitions.

Acceptance through teamwork

After twelve months of work, the integration of SERW was successfully completed in late 2015. During the summer, the R&S Group management team worked with local managers to revise the international sales strategy and define the national markets on which the company would focus. A team approach was taken to developing the new sales strategy in order to ensure it met with widespread acceptance.

Another important step in the SERW integration process was the implementation of a lean management concept for electronics manufacturing. The goal was to ensure that the production flow becomes more productive and efficient. Since the employees concerned had never been confronted with such a concept before, their initial acceptance and understanding of this approach was somewhat limited. Over time, however, the employees realized that this project would have a positive influence on their immediate working environment. Other departments also noticed these improvements and asked for the concept to be extended to them. This example clearly shows how vitally important it is that international integration projects take proper account of local employees' skills and the local circumstances under which they are working. It also demonstrates that moving forward at the right pace is critical to the ultimate success of such projects.



The integration of ZREW Transformatory S.A. started in January 2016.

Focusing on operational goals

Following the successful completion of the ZREW Transformatory acquisition in December 2015, the integration process began in January 2016. The goal of the first meeting was for the R&S Group team to become more familiar with ZREW Transformatory's managers, its products and the Polish market. The R&S Group management then worked with their ZREW Transformatory counterparts to determine key priorities and responsibilities and to define a project timeline.

As was the case at SERW, it will be critical to ensure that the ZREW Transformatory integration does not overburden the local management team with tasks which will distract them from their operational duties. As mentioned above, successful acquisitions require operational goals to be achieved so that as little value as possible is destroyed during the integration phase. ■

Marc Aeschlimann, CEO R&S Group:

"For an integration to be successful, it is essential that group standards are implemented rapidly and systematically and that the management is involved in defining the strategy. Cultural issues also need to be handled with great care, because every company has its own culture, and it is to that culture that the company owes its prior success."

>>> CGS TEAM NEWS I

CONSULTING EXPERTISE THAT IDEALLY COMPLEMENTS EXISTING CGS TEAM SKILLS

Sandro Wiesendanger has been working for CGS since January 2015. His prior experience as a consultant, which he accumulated as a Project Manager in numerous industrial projects and transactions, makes him an ideal addition to the CGS team.

After gaining initial experience in investment banking and completing a master's degree at the University of St. Gallen (HSG), Sandro Wiesendanger began his management consultancy career at Zetra International AG. There, he worked on a total of 17 M&A and strategy projects, most recently as a Project Manager. At CGS, he is responsible for the strategic development of the Schaufler Group, as well as working on deal sourcing and the divestment of existing portfolio companies. ■



Sandro Wiesendanger
Associate

>>> CGS TEAM NEWS II

STRENGTHENING CGS'S REGULATORY REQUIREMENT CAPABILITIES

On October 1, 2015, Heinz Saurenmann took over responsibility for investment services at CGS. His vast experience in governance and compliance issues will be extremely valuable to the company.

Heinz Saurenmann started his career in banking, before working as an auditor for a number of international audit and management consultancy firms. He went on to specialize in governance, compliance and internal auditing in the industrial environment, managing the internal audit unit of a technology group for more than ten years. He is a Swiss Certified Public Accountant, a Certified Audit Expert and a Certified Internal Auditor. ■



Heinz Saurenmann
Head of Investment Services



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