

WINNER - TMT

The Gores Group: Lineage



Lineage: amplified by Gores

Gores Group, well-known for its work in turnaround investments, saw an exciting opportunity in a “corporate orphan” of global giant Tyco Electronics that was generating substantial losses and in major need of a restructuring.

Assuming control of the business through a complicated carve-out process, Gores was able to effect operational changes that boosted gross margins from 15 percent in 2007 to 33 percent in 2010, equating to an \$84 million improvement in earnings before interest, taxation, depreciation and amortisation.

Those improvements led to two successful exits, one of which – telecommunication services company Lineage – has now earned Gores our Operational Excellence award.

“[Gores] built a tremendous portfolio of new product offerings, and achieved 14 percent sourcing savings while increasing productivity. We were impressed also by how involved [Gores] was on an operating basis, with two managing directors fully

dedicated for the first couple months. They moved the gross margins very impressively,” said judge Justin Abelow.

In 2007, Gores acquired 100 percent of Tyco Electronic’s Power Systems, which comprised two entities: Lineage Power and Vincotech. Lineage provided power supply products to communications service providers and telecom businesses, while Vincotech supplied power modules used in industrial applications, GPS products and electronic manufacturing services. It then separated Lineage from Vincotech in a process that involved 43 locations around the world.

For Lineage, Gores formed a new management team that included chief executive, chief financial and chief operating officers as well as other senior positions. Gores’ operating professionals Tim Meyer and Andy Freedman also worked in interim management roles for nine months. The team executed various initiatives, including shutting down unprofitable operations in Europe,

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Gross margin
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restructuring the organisation to eliminate about \$60 million in cost, moving global sourcing to Asia, implementing a more cost-effective manufacturing system, expanding energy efficiency methods and harvesting balance sheet assets.

“Gores is very thorough and they have a juggernaut of an organisation from which they bring in resources when they need them,” said North American judge David Turner, head of private equity at Guardian Life Insurance Company of America.

In 2008 Lineage acquired Cherokee International to broaden its product offering and expand globally. The Cherokee add-on created more than \$15 million in synergies and doubled the addressable market for Lineage. Gores completed another add-on in 2010.

Meanwhile, Gores also grew the Germany-based Vincotech division as an independent business by shifting its focus to small and medium-sized enterprise customers in the industrial drives and solar power market.

Gores exited Vincotech in 2010, and sold Lineage to General Electric in March 2011. “Lineage Power, formerly suffering from an uncompetitive structure and other operational deficiencies, now stands as an independent extension of GE, supplying the world with intelligent power conversion solutions,” Gores said. ■

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