

Buyouts

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DB Capital and Behrman Invest In Kinetics

International private equity firm **DB Capital Partners** along with **Behrman Capital Partners** and management this month invested \$550 million in **Kinetics**, a manufacturer of chemical, slurry, gas and water process utility systems serving the semiconductor, biotechnology and pharmaceutical industries. Senior debt financing in the amount of \$260 million was provided by **Deutsche Bank**. Behrman Capital committed \$75 million in equity from its latest buyout fund, **Behrman Capital Fund III**, which sports a target of \$1 billion.

DB Capital Partners retains a majority stake in the company, while Behrman Capital will have three seats on the company's board of directors.

"Deutsche Bank has been an investor in the company since it was acquired by **U.S. Filter**, the subsidiary of French multinational Vivendi," said **Darryl Behrman**, a co-founder and managing director at Behrman Capital, which is based in New York and San Francisco. "When it became clear that the management team wanted to do a buyout of the company last year, we began working on a deal with Deutsche Bank and management."

Behrman said the firm's attraction to Kinetics dates back to 1989 when his brother, **Grant Behrman**, who was then with **Morgan Stanley Capital Partners** acquired **Sanmina**, a specialty circuit board manufacturer. "He invested \$5 million of equity into the company and that investment today is worth in excess of \$1.5 billion," said Behrman. "What we saw in Sanmina was a company that had started off as a specialty circuit board manufacturer and migrated across the value chain to ultimately a total system build. They did extremely well and made a ton of money for the investors in the process, and we see a similar strategy which we can use with Kinetics going from the construction, through the design phase, into manufacturing and eventually into a total system build."

Kinetics, founded in Santa Clara, Calif., expects revenue to exceed \$1 billion for fiscal year 2000.

Behrman said capital would be used to grow the company "horizontally as well as vertically" and possibly for add-on acquisitions as well, although he declined to comment on possible add-on acquisitions for Kinetics. He also

said the firm wants to hold a final close on its third fund by year-end. "We are confident we will exceed the target," he said. Behrman Capital held a first close of \$905 million in July (*BUYOUTS* July 17, p. 8). Behrman Capital's previous fund, **Behrman Capital II LP**, closed on \$518 million in January 1998 (*BUYOUTS* February 9, 1998, p. 3).

Behrman Capital's Fund II portfolio companies include **Tandem Health Care Inc.**, an operator of nursing facilities; **Executive Greetings Inc.**, a business to business direct marketer of custom imprinted promotional products; **Brooks Equipment Inc.**; a company which outsources logistics for the first-response fire industry, including fire extinguishers and hotel hose racks; **ACS Dataline**, a provider of outsourced communications systems and integration services to the information technology industry; and **The Management Network Group (TMNG)** a consulting firm for the telecommunications industry.

DB Capital is the investment arm of Deutsche Bank and has offices in New York, San Francisco, Baltimore, London, Tokyo, Hong Kong and Sydney. —*H.T.*

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