

# Cross acquires Schwab Verkehrstechnik AG

Funds advised by Cross Equity, a Swiss private equity firm specializing in lower middle-market buy-outs, have acquired the family business Schwab Verkehrstechnik AG in a leveraged transaction - a rolling stock technology company being the European No. 2 in railway buffers and a respected technology leader in couplers.

Charlotte Abbott talks to Michael Petersen and Markus Reich, Managing Partners at Cross Equity Partners AG, about this vintage 2009 buy-out.

• **Can you explain more about Cross Equity Partners AG?**

The buy-out fund Cross was formed in 2008 with the aim to partnering with "Mittelstand" companies in Switzerland and German-speaking Europe, to settle succession of family businesses and to finance corporate spin-offs. The Cross fund is advised exclusively by Cross Equity Partners AG, Zurich.

The Cross team has several decades of experience in industry and private equity, and to date has successfully invested in 25 companies in German-speaking Europe.

• **What does the firm specialise in, and what distinguishes it from its competition?**

Cross engages in majority takeovers in form of management buy-outs and select minority transactions (growth capital or private placements), and pursues long-term industrial strategies with the aim of generating sustained profitable growth.

Cross invests in industry-leading, profitable companies with an entrepreneurial management in high-growth segments of traditional industries such as engineering, machinery and industrial products and services.

As a regional private equity firm with an extensive and longstanding network in the middle market Cross has access to a superior transaction deal flow.

The absence of any Cross' portfolio companies acquired during the economic upturn, coupled with the continuing correction in company valuations, provides Cross currently with excellent opportunities for acquiring companies at reasonable valuations and building subsequent value.

• **What is Cross' approach to successful investments in the targeted market?**

Cross benefits from the proven deal sourcing capabilities of the investment team and its ability to see the transactions occurring in its targeted market.

Cross focuses on developing transactions through a proprietary source. The main source for the proprietary deal flow is the well-established and extensive personal network of industry contacts of the investment team and the advisory board.

• **How was 2008 for Cross? Were there any particular highlights that you would like to mention?**

Against truly adverse market conditions Cross was established with its initial fund closing in 2008. Cross was able to generate a strong transaction deal flow in the third and fourth quarter and reviewed more than 50 transactions with transaction values in the range of 50-100 mn CHF for which leverage financing can be still available.

The investment in Schwab Verkehrstechnik AG in January 2009 demonstrates Cross' capability to tap a strong and high quality deal flow subsequent to the first phase of its fundraising period and to execute attractive transactions at reasonable valuations in a difficult market environment.

• **Could you explain the background to the acquisition of Schwab Verkehrstechnik?**

The acquisition of Schwab Verkehrstechnik AG (formerly Georg Fischer Verkehrstechnik AG) was structured as a leveraged buy-out. This off-market transaction settles the succession issue for Schwab Verkehrstechnik AG, a family business based in Schaffhausen, Switzerland. With its preemptive bid Cross could convince the family to sell the business. Besides capital Cross will support the company with its industrial expertise and long-term experience and will bring its extensive network in Europe to the table.

• **Were there any difficulties in the acquisition?**

The availability of acquisition debt finance is a true challenge in the current market environment and is only available if the business under consideration proves to be of outstanding quality and if the sponsor has a proven track record and long term relationships with debt providers. This transaction was leveraged by a leading Swiss bank very well known to Cross.

• **How does Schwab Verkehrstechnik see the upcoming market environment?**

With a significant share of the railway buffer market, Schwab Verkehrstechnik AG is Europe's number two and serves customers like rail operators such as Swiss Federal Railways (SBB), Deutsche Bahn AG and ÖBB (Osterreichische Bundesbahnen).

As goods and passenger transport across Europe increasingly shifts from road to rail, we anticipate sustained rates of growth for the rolling stock market and a certain robustness against the current economic downturn.

• **What are Cross' goals for 2009?**

In 2009 Cross plans to leverage further on its strong network and ties to the targeted market and to execute one or two further buy-out investments in sectors with a robustness against the economic downturn. In addition, Cross has already begun to review select add-on acquisition opportunities for Schwab Verkehrstechnik AG to further enhance its excellent market position and to capitalise on the ongoing consolidation of the overall sector.

Also, fundraising will continue through 2009 as the Cross fund will stay open for further limited partners until year end. **ACQ**



## DETAILS

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