

Profiler Talk: Cross' Markus Reich on exiting Micro-Macinazione

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On 4 August, private equity firm Cross agreed to sell Micro-Macinazione to Lonza [VTX:LONN], a Switzerland-based supplier to the pharmaceutical, biotech and speciality ingredients markets.

Markus Reich, managing partner at Cross, explains how the firm helped the portfolio company enter new business segments and achieve a 5.2x return on investment in its exit.

Reich's full list of deals and relationships can be found on [Profiler - Markus Reich](#) (<http://www.mergermarket.com/profiler/#/individual/227420>). Download the app [here](#) (<http://try.mergermarket.com/profiler/>) to check profiles of M&A individuals before meeting them.

Succession and growth potential

Micro-Macinazione was brought to Cross' attention by sell-side adviser PwC in 2012, as the family-owned business was looking for a succession solution. Micro-Macinazione had developed a good reputation in a very niche market, producing equipment and providing services for the micronisation of active agents, which process is used to improve the solubility and bioavailability of active ingredients used by the pharmaceuticals and fine chemicals industries.

Cross saw potential in applying its industrial and engineering expertise to develop the business further, with a strategy to grow the company internationally and create new business lines.

Small volumes, big businesses

While it looked to improve Micro-Macinazione's existing business, Cross also positioned the company to serve a new market segment – the micronisation of ingredients for early-stage pharmaceutical research and development.

Differently to its traditional markets, supplying R&D-stage development meant that Micro-Macinazione would handle much smaller volumes of ingredients and therefore its model of charging per ton would not be appropriate. This led to Micro-Macinazione creating a daily fee compensation model, in which it charges for the time its resources are engaged in a project; even though it was working with reduced volumes, the company was able to charge the price appropriate to the complexity of the project.

In the process of breaking into this segment, Micro-Macinazione also expanded into the highly potent active pharmaceutical ingredients niche. In recent years, the pharmaceutical industry has seen a shift towards this type of medicines, which require lower doses and lead to fewer side effects, but also require safer manufacturing procedures. Micro-Macinazione was able to tap into this opportunity, and eventually establish the world's largest capacity for micronisation of high-potency ingredients.

New teams and internationalisation

These new initiatives were supported by the creation of new teams, and by a new management team brought in by Cross, which appointed a new CEO, Markus Arigoni, as the previous owner/CEO retired after the sale, and a new CFO, Dan Scesney.

Cross also helped set up a new supervisory board and a R&D team with experienced pharmacists and chemists. The company also gained a corporate development division to service key accounts at the company's headquarters, to help in its internationalisation, and hired agents and distributors in selected geographies, for example in China for engineering and in Japan for contract manufacturing.

Until Cross' investment, Micro-Macinazione primarily served clients in Switzerland, Germany and Italy. It has now a presence in other European countries, the US, China and Japan. Moreover, employee numbers grew to 120 from 90.

Cross also supported the acquisition of domestic peer Neo-Micro's micronisation unit, in 2012, in order to expand Micro-Macinazione's sales volume.

Company's next step

During Cross' ownership, Micro-Macinazione grew c 20% to c CHF 20m (EUR 17.6m) revenues, while profitability almost tripled. At the beginning of this year, the PE firm concluded it had made its

main contribution to the company and that it was time for it to take the next step – potentially expanding further in markets including Japan and the US, with local R&D and industrials capacities.

Cross hired GCA Altium’s Milan-based team, which had advised it in the acquisition of Micro-Macinazione, to run a structured sale process. Around 30 parties were involved in the auction process, predominantly strategic players, many of which had been in contact with Cross to speak about the company over the years.

Cross signed the sale of Micro-Macinazione to Lonza at the end of July. The exit generated a 5.2x return in the investment and an internal rate of return of 53%.

Advisers

The buy side was advised by Baer &Karrer led by [Paolo Bottini](#) (<http://www.mergermarket.com/profiler/#/individual/26954>), and PwC.

Micro-Macinazione was advised by GCA led by [Carlo Dawan](#) (<http://www.mergermarket.com/profiler/#/individual/379904>), [Alessandro Soprano](#) (<http://www.mergermarket.com/profiler/#/individual/327269>), and Wenger & Vieli.

To see full profiles, including deals and relationships for each individual involved in this deal, download the [Profiler app](http://try.mergermarket.com/profiler/) (<http://try.mergermarket.com/profiler/>), available exclusively to Mergermarket subscribers.

Grade: Confirmed

TARGET

[Micro-Macinazione SA](#)

Financial advisor

[GCA Altium](#)

Lawyer

[Wenger & Vieli](#)

BIDDERS

[Lonza Group Limited](#)

Financial advisor

Countries

Switzerland

Sectors

Chemicals and materials

Medical: Pharmaceuticals

Sub-Sectors

Drug development

Fine chemicals- other

Fine chemicals- pharmaceuticals

Topics

Cross Border

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Cross Equity Partners AG

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