

Profiler Talk: Cross Equity's Markus Reich on exiting Swiss Tools

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On 15 August, Switzerland-based private equity firm Cross Equity agreed to sell Swiss Tools to RBC Bearings [NASDAQ:ROLL], an Oxford, Connecticut-based manufacturer of precision bearings and components.

RBC Bearings paid approximately USD 33.9m (CHF 33m) for the asset, financed via cash and debt.

Markus Reich, managing partner at Cross Equity, explains how the firm increased the portfolio company's profitability, resulting in a 2.5x return on investment and a 55% internal rate of return in its exit.

Reich's full list of deals and relationships can be found on [Profiler – Markus Reich](#). Download the app [here](#) to check profiles of M&A individuals before meeting them.

Cross Equity spotted **Swiss Tool Systems** back in 2016, when the tooling systems specialist was seeking a succession solution for its small but profitable business.

Cross acquired the company from its management, in a deal financed through a combination of equity and debt, with bank financing provided by **Thurgauer Kantonalbank**.

Cross, which targets DACH mid-sized companies operating in fast growing industrial niches, saw Swiss Tools as a good fit, with a potential to grow its revenues and improve profits via the implementation of a more professional structure and setting up a new commercial strategy.

The sponsor agreed with former shareholder and CEO Dr Michael Beck for him to stay at helm of the business during a transition period, while it managed the search for a new chief executive. Having Beck on board offered continuity for the business until his replacement by current chief executive Daniel Martin. Cross also helped Swiss Tools establish a clearer reporting structure with a view to lifting the standard of professionalism across the business.

The sponsor then focused on strategic goals for Swiss Tools including bolstering international presence and sales. The company established itself in new markets, including Japan and Mexico, and deployed more resources in its sales office in China to increase its footprint in Asia.

Swiss Tools kept all its manufacturing at the company's headquarters in Buerglen and focused on developing its product suite further in line with 'Industrie 4.0' technology. Cross helped the company install a process to evaluate R&D investment and approve the allocation of resources. This included initiatives to foster innovation and improvement, leading to new product introductions such as a range of digitally adjustable fine boring modules.

Swiss Tools manufactures modular tooling and boring systems for metal cutting machines, serving mainly the CNC (computer numerical control) machinery segment. Demand for the machine construction market is driven by industrial productivity. The sector can be cyclical, as it is linked to investment in new machinery.

During its tenure, Cross saw Swiss Tools increase revenues year-on-year with 20% growth in earnings. The company has annual revenues of USD 11.3m (CHF 11m), according to a [press release](#), and generates around CHF 4.5m EBITDA, as [reported](#) by *Mergermarket*.

Steps towards sale

Having achieved the milestones of strengthening management and installing a growth strategy, Cross felt it was ready to seek a new owner for the company together with its management. The goal was to find a strategic investor that would lead the firm towards further growth opportunities.

In February, the sponsor launched a process to sell Swiss Tools, with **GCA Altium** mandated as sell side adviser and indicative bids due in March, as [reported](#) by *Mergermarket*.

Cross offered the business to a select group of bidders with worldwide footprints for internationalisation, as well as similar clients and sales networks to Swiss Tools. The sponsor took around five bidding parties into the second round of the process, which were largely trade buyers, with some private equity-backed companies carrying out buy-and-build strategies.

Winning bidder

RBC Bearings acquired Swiss Tools via **Schaublin**, its Switzerland-based subsidiary manufacturing bearings for aerospace, railway and industrial applications. Cross understood the buyer had the necessary structure to offer Swiss Tools opportunities to introduce products to new markets and penetrate existing ones further. It also expects RBC's home market in the US to offer a promising prospect for Swiss Tools, giving it global reach that will allow it to accelerate its growth path, compared to its capabilities as a standalone business.

As stated in RBC's [press release](#), Swiss Tools's products are complementary to its collets business in Europe and the US and to a customer base with which it is familiar. RBC Bearings, which has a USD 4bn market capitalisation, makes precision bearings and components for the industrial, aerospace, and defence markets.

The buyer was advised on the deal by **Raiffeisen Switzerland** (led by [Alexander Cassani](#) and [Niklaus Mueller](#)), while Cross worked with law firm **Wenger & Vieli**, as well as GCA Altium (led by [Alexander Gruenwald](#)).

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by Emma-Victoria Farr in London