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Fremont Gets Closure On Kerr

In today's hot sponsor-to-sponsor market, one firm's platform can easily be another firm's add-on. And such was the case earlier this month when **Fremont Partners** sold control of **Kerr Group Inc.** to Berry Plastics Corp., a portfolio company of private equity firms **GS Capital Partners** and **JPMorgan Partners**. The enterprise value of the transaction, which included the repayment of debt, was \$445 million.

The Kerr Group was Fremont's entryway to the plastic closure and container markets. The San Francisco-based private equity firm acquired Kerr in a public-to-private transaction in August 1997, taking the troubled company off the New York Stock Exchange for a little less than \$100 million. At the time, Kerr was focused solely on manufacturing plastic child-safety and tamper-evident closures for the pharmaceutical and liquor industries.

Prior to Fremont's acquisition of Kerr, the company was in the red for almost two years—slowly drowning under a debt load equal to almost half its annual revenues. In 1996 Kerr reportedly suspended its dividend after losing \$12.8 million during the first quarter. In an effort to cut costs and recoup some losses, the company sold off its home-canning-supply operations, laid off some of its upper management, shut down a California-based manufacturing plant and moved its headquarters from California to Lancaster, Pa. By the time Fremont entered the picture, Kerr had debt of \$50.1 million compared to \$107 million in sales.

"[Kerr] had a strong market position

but it was underperforming on the operational side due to its incumbent management," said Fremont Managing Director **David Lorsch**. To turn things around, Fremont brought in **Richard Hofmann** to replace **Gordon Strickland** as president and CEO and **Lawrence Caldwell** to replace **Geoffrey Whynot** as vice president and CFO.

With the management situation stabilized, Fremont quickly shifted its focus to tightening Kerr's cost structure and expanding the company's product offerings. On the organic side, Lorsch said, Fremont exited product lines that were flat on earnings, invested in the company's manufacturing base and consolidated much of the company's operations to a single, central base of operations.

On the acquisition front, Fremont expanded Kerr's product line through two add-ons. In 1998, Kerr entered the hot-fill food and beverage space through the acquisition of Sun Coast Industries Inc., a Dallas, Texas-based maker of foil or foamed-lined and tamper-evident plastic closures and lids. Then in 2003, Fremont acquired Setco Inc. and Tubed Products Inc. from spice giant McCormick & Co., thus expanding Kerr's product line from closures-only into bottles and containers used for pharmaceuticals, personal care products, spices and vitamins.

For Berry Plastics, Kerr's products fill the gaps in its closure product line, while adding breadth to its line of bottles, tubes and vials, the company said in a statement. Berry's main operations include the manufacturing of open-top containers, closures, drink cups and house-ware through its 17 plants in North America, Mexico, Italy and England.

Throughout its investment, Fremont injected a total of \$96 million of equity from two of its funds into Kerr. Fremont Partners II LP, which raised a total of \$605 million and closed in 1996 was the lead fund throughout the investment, contributing about \$72 million, Lorsch said. The remainder came from Fund III, which closed on about \$919 million in 2001.

Kerr has customers across the industry spectrum, including Wyeth Consumer Healthcare, maker of Advil and other over-the-counter drugs; liquor marketer Diageo, which counts Tanqueray, Jose Cuervo and Johnnie Walker among its product line; CVS Corp., the national pharmacy and drugstore chain; Procter & Gamble; Pepsi Co. Inc.; and McCormick & Co. Inc.

"Basically, we have really transformed the scale and scope of the company, and built a lot of value. And with a lot of interest in the market from both financial and corporate buyers, we felt it was a good time to realize it," Lorsch said. —A.N.

SNAPSHOT

TARGET: Kerr Group Inc.

PRICE: \$445M

SELLER: Fremont Partners

SPONSORS Goldman Sachs Capital Partners; JPMorgan Partners

FINANCIAL ADVISORS: Fremont: Deutsche Bank; Sagent Advisors Inc.

LEGAL COUNSEL: Fremont: Skadden, Arps, Slate, Meagher & Flom LLP; Sponsors: Fried, Frank, Harris, Shriver & Jacobson