

For Rustbelt MBO Advisor, It's the Late 80s All Over Again

August 1, 2001

Rustbelt management buyout specialist Renaissance Partners is positioning itself to lead and advise on a string of acquisitions in the steel industry, a sector mired in bankruptcy and primed for turnaround deals, according to partners at firm.

Renaissance, affiliated with middle-market law firm Doepken Keevican & Weiss, is in the process of securing as much as \$50 million from an unnamed, major buyout firm for the acquisition of CSC, a Warren, Ohio-based steel bar producer, which declared bankruptcy in January and ceased operations in April.

The approximately \$50 million equity investment is contingent upon Renaissance presenting to the buyout firm a satisfactory proposal for cost-cutting at the steel company, according to Leo Keevican, a managing director at Renaissance and a founding partner of Doepken Keevican.

CSC, located near Youngstown, Ohio, supplies steel bars and parts to the automotive industry and other heavy manufacturers. The company had revenue of approximately \$230 million in 2000. At its peak, CSC employed roughly 1,100 people, most of them affiliated with the United Steelworkers of America union. Renaissance and its partners, including CSC management, are formulating a plan to inject fresh capital into the company and restart operations with a scaled-down workforce. "We are trying to reduce the cost of producing the product; it's that simple," Keevican said. "The goal here is to build a company that will not hire as many people, but will provide very good employment to a large number of people."

Renaissance and Doepken Keevican will work closely with the steel union to resolve issues related to downsizing at CSC, Keevican said.

The State of Ohio considers the steel industry of vital importance to the state economy, and as such the CSC buyout may qualify for a federally guaranteed, low-interest loan, Keevican said, adding his firm will go ahead with the deal with or without the loan.

Renaissance's partners include DKW Value Recovery, a turnaround advisor affiliated with Doepken Keevican, and steel industry consulting firm Hatch Beddows. Keevican said the alliance will provide advisory work on labor issues through the law firm, steel industry expertise through Hatch Beddows, and turnaround advice through Value Recovery. Renaissance and its partners will maintain a minority equity position in the recapitalized CSC.

Keevican said Renaissance has not seen deal flow like this since the late 1980s – the last time his firm did deals. "Things were pretty quite during the dotcom boom," he said. In the late 1980s and early 1990s, heavy industry was undergoing gut-wrenching change, much as it is today. Renaissance worked with Citicorp Venture Capital on the spin-out of Rouge Steel from Ford Motor in 1989, and with Chase Capital Partners on the spin-out of Standard Steel from Allegheny International in the same year, Keevican said.

Renaissance and its partners are actively considering two similar acquisitions, Keevican said. The firm is working with several "major" private equity firms with capital earmarked for distressed steel asset buyouts. Keevican said there are currently approximately 20 steel companies in bankruptcy, providing a once-in-a-decade opportunity to acquire assets on the cheap. In addition, Renaissance experiences little competition from other buyers because it "picks deals after everybody else has passed on them," Keevican said.

Renaissance has offices in Cleveland, Detroit and Pittsburgh.

Value Recovery is headed by George Patenko, a turnaround veteran who is also a partner at

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