

'It Is Up to Assembléon to Write Its Next Chapter'

Written by Mike Buetow

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VELDHOVEN, NETHERLANDS -- Last month, **H2 Equity Partners** [announced a deal to acquire](#) [Assembléon](#), putting to rest the lingering speculation over where the placement OEM would end up after longtime parent **Philips** put the company on the block.

H2 is buying a company that has rebounded strongly -- revenue was up 90% in 2010 -- from the last recession, and comes with its channel and equipment partners (namely, **Yamaha**) intact. CIRCUITS ASSEMBLY Editor in Chief Mike Buetow spoke this week with Assembléon CEO Andre Papoular about the pending deal and what it means for the company going forward.

Q: When will the deal close?

AP: We don't know yet. We are working on many things and plan for the closing during the first quarter. The Dutch Works Council has to give its advice and we need to get regulatory approvals.

Q: H2 Equity Partners has quite a variety of holdings, from staffing to potato breeding. What makes Assembléon a good fit?

AP: The size, the shape and potential of the business are the characteristics H2 has looked at. They focus on mid-sized companies – we are on the high side of that – with headquarters in Germany, the Netherlands or the UK. They look at businesses that have gone through a certain cycle, have started to turn around and have a strong growth potential.

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Q: In terms of size, how large is Assembléon relative to its other holdings?

AP: We are north of the bandwidth.

Q: How many years does H2 typically hold an investment?

AP: They present themselves as long term investors and have kept many of their businesses for 5 to 7 years. We are operating in a cyclical industry. The duration of the cycles and their impacts on the business performances, including growth opportunities are influencing quite a bit the time to invest and moment to divest

Q: Has H2 given you any insight to any changes it has planned for the company?

AP: No. They looked at the strategy and footprint we have, the size of the organization, and our core competencies. They have no plans for major changes as long as Assembléon delivers according to the plans. They will bring experience in accelerating turnarounds. They have knowledge of efficient supply-chain practices I hope we can benefit and learn from. They want to build on what we have started, as long as Assembléon delivers on its commitments.

Q: What metrics does H2 use for measuring success?

AP: General business performance ratio's such as EBIT, cash, sales and of market share development. It is difficult for them to set any targets yet. What is clear is that moving away from Philips to being owned by H2, we will really need to behave as a standalone company. We start with our own clean balance sheet and financing. This will gives us some constraints on one side and allow us to take faster decisions and execution on the other.

Q. Has H2 asked for or planned any specific management changes?

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AP: Not that I'm aware of. They have asked for continuation of the management team. We need to make sure the transition is seamless. For our suppliers, customers and people we are in business with, continuity is important. [H2] may decide on some changes later but nothing is planned upfront. The business needs and performance will define the necessary changes and their timing,

Q: Will Assembléon make any changes to its regional offices or channel partners?

AP: There will be no change in footprint, no change in strategy, no change in management team. We are continuing with the support and expertise of H2 to help Assembléon accelerate its' turnaround.

Q: What about the deal with Yamaha?

AP: It will not be impacted by the deal with H2. It has been known for many years by Yamaha that Philips was working on the divestment. We went for a neutral partner and with H2 – there is no competition between Yamaha and H2 – there is no reason for Yamaha to look at Assembléon in different ways. From our side, we clearly value the continuation of our partnership with Yamaha.

Q: Will H2 support the R&D work on the “A” lines?

AP: Yes. What I can say is we have within Philips an Annual Operational Plan. We have agreed with H2 that in case the transaction takes place, our current plan will be maintained as is.

Q: How have your revenues been year over year?

AP: They have increased 90% from 2009 to 2010.

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Q: Several placement OEMs have been for sale for some time. Did the [recent sale of Siemens](#) help push this deal along?

AP: Not really. H2 has been looking at Assembléon for a while. Our performance last year confirmed that we achieved what we committed to and created the right attractiveness and conditions for a deal.

Q: Why do you think placement equipment OEMs continue to find a home within the Japanese parent companies, while the European and North American-based placement OEMs are not seen as a good fit?

AP: I am convinced that the Japanese culture and values related to engineering, manufacturing and industry play a very strong part here. Japan has a strong base and history in industrial precision equipment. Look at how proud Yamaha is of being in this industry. They are extremely strong in vertical integration with all the necessary competencies which create good conditions for success. To compete efficiently, we need to apply a different business model, building on our core competencies and teaming up with the right partners to provide the rest. Next to this, we have to create an agile “end to end” value chain (from customers to raw material suppliers) that will act fast, sharing knowledge, innovation and capabilities to respond to dynamic market demands.

Last but not least, I don't forget that we are moving away from a very well-known company and I want to highlight that Philips has clearly started the process of identifying its core and no-core businesses years ago, Since then Philips lived up to its commitment of properly divesting its non-core businesses. Philips did everything it should to lead to the right moment and conditions for the divestment. Now it is up to Assembléon to write its next chapter.