



Kotkamills

Manufacturer of high-quality specialty papers and wood-based products.

- Kotkamills was established in 1872 as a Norwegian sawmill and grew to become a producer of sawmill by-products, laminate papers, and specialty papers for the publication industry
- Headquartered in Kotka, Finland
- 500 employees



Acquired: July 10, 2010	Transaction Type: Corporate Carve-out	Industry: Packaging, Paper, & Specialty Materials	Headquarters: Kotka, Finland
Source: Competitive Auction Process	Buyer: MB Funds	Status: Exited	Realized: March 24, 2019

TRANSACTION HIGHLIGHTS

OpenGate sourced the deal in February 2019 through its technology-focused business development efforts and its long-term relationship with Lincoln International in New York.



Investment Merits

- Corporate carve-out of non-core asset from seller
- Motivated seller under pressure to divest assets as part of a larger strategic directive
- Strong brand name in the European and global markets
- Opportunity to improve operational efficiencies and increase profitability by centralizing the laminate, wood, magazine paper and timber businesses
- One of the largest global producers of laminates and plywood, a global market leader in laminating papers
- Niche positioning within the magazine paper business
- Long-standing customer base includes the largest publishing companies in Europe and North America (Roularta, Conde Nast, Lagardere, Axel Springer)
- Fully integrated business converting raw materials into lumber, pulp, laminates and specialty papers
- Experienced but inefficient organization and management team
- Well-maintained/adequately funded asset base with the opportunity to reorganize manufacturing processes to achieve higher margins
- Potential to increase volume in all business lines by implementing a dedicated sales force

Value Creation

- Formed a new management team and standalone organization
- Appointed key senior managers, including President, VP of Operations, Director of New Business Development and Sales and Technical personnel
- Implemented a new IT ERP system
- Diversified raw material and service supplier base and renegotiated supply agreement with former owner
- Implemented a cost optimization program through a planned workforce reduction
- Oversaw rationalization of product portfolio and implemented a factory improvement plan, which increased machine efficiency and energy savings
- Struck agreement with Powerflute to acquire a 10% shareholder position within Kotkamills, which provided cash for growth
- Developed new environmentally friendly products to serve as alternatives to existing, highly regulated products
- Grew EBITDA from — €2.5 million to €16.0 million through high-margin laminating papers that experienced a 17% increase in volume