Restructured Beyonics seeking investment opportunities

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THREE years after loss-making local contract manufacturer Beyonics Technology was acquired by private equity firm Shaw Kwei & Partners, it is now profitable for its financial year ended Dec 31, 2014, has no debt, and is looking for investment opportunities.

In the restructuring process, Beyonics notably ended in 2014 a long-standing relationship with hard disk drive firm Seagate to make components for it.

"There was huge volume but we made no money. It tied up a lot of time and working capital," Shaw Kwei's managing director Kyle Shaw told *The Business Times* in an interview at Beyonics' headquarters in Marsiling.

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The Seagate business was so big it contributed over half of Beyonics' revenues through the years, but operating profit margins were just at one to 2 per cent, he said.

"Had you been publicly listed, it might have been shocking that you're getting rid of all this revenue," Mr Shaw said. He noted that the firm now has more leeway to buy new equipment, reward staff, invest in research and development, and pay higher returns to shareholders.

Beyonics is also consolidating its 12 manufacturing sites across the region to just four, which it is upgrading. Other than Singapore, the sites comprise two in Johor and one in Changshu city in China.

After the Seagate exit, Beyonics has 25 Fortune 500 customers, which are the largest US companies by revenue. The largest customer contributes less than 9 per cent of sales, and the remainder contribute one to 5 per cent, Mr Shaw said.

With cash in the bank, Beyonics is also looking at other investment opportunities in the precision engineering sector, he said.

Beyonics was acquired by Shaw Kwei's special purpose vehicle Channelview Investments at the end of 2011 for around S$140 million. At that time, Beyonics reported a S$17.5 million loss on S$1.3 billion of revenue for its financial year ended July 31, 2011.

Mr Shaw said it could be three to five years from now before he exits the Beyonics investment. While a relisting is possible, markets are volatile, he said.

Mr Shaw, 54, was born in North Carolina in the US. He lived in Singapore in the 1970s as his father worked in the US Coast Guard.

He began his Asia private equity career in 1989 and was involved in a management-led buyout of contract manufacturer Flextronics International. He set up Shaw Kwei in 1999, and roped in former Flextronics International CEO S L Tsui.

Today, Shaw Kwei has US$450 million in assets under management, with half the money invested. It plays in the mid-market space, targeting manufacturing companies.

It is currently looking to make four to six investments, especially in precision engineering manufacturers targeting auto and medical customers, he said. The firm, which has a team of 16 in Hong Kong and Singapore, looks at around 300 deals a year. A typical investment size is between US$20 million and US$100 million.

Recent investments are Singapore shipping service provider Amos International, German capital goods equipment maker Schmid, and former Singapore-listed adhesive tape maker CHT.

The pipeline of companies is looking good, Mr Shaw said. "A lot of companies realise they need to improve, upgrade, scale up."

The days of low-margin businesses are over. Singapore's future will be in making higher-value products, he said. "What Singapore has is education, a world-class infrastructure, a pretty stable government and rule of law."