

\$78 million sale gives new life to El Paso auto-parts manufacturer MSD Performance Group

By Vic Kolenc / El Paso Times

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Juan Gonzalez loads a box onto a pallet at the MSD manufacturing plant Wednesday. Alex Acosta is in the background. (VICTOR CALZADA / EL PASO TIMES)

MSD Performance Group, a large El Paso automotive-parts manufacturer, is back in growth mode after being sold last month for \$78 million to a Chicago investment firm. An affiliate of Z Capital Partners was the highest bidder for the company in a federal bankruptcy-court sanctioned auction. The sale resulted in a financial restructuring that got rid of a big chunk of an almost \$92 million debt which bogged the company down for several years. Its management and operations are unchanged, company officials said.

The 43-year-old company, with about 450 employees, including about 300 in El Paso, dominates the market for ignition systems and related parts used in classic street cars, muscle cars, hot rods and race cars.

It has annual sales of more than \$82 million, the company reported in bankruptcy court documents.

"We are excited to add MSDP to the Z Capital portfolio of companies and believe it to be a terrific growth platform," James Zenni, Z Capital chief executive officer, said in a statement released when the sale was completed Dec. 16. "MSDP represents substantial brands within the performance (car) segment and we look forward to further solidifying and growing that brand recognition."

Ron Turcotte, MSDP chief executive officer, said in a phone interview last week, "The company didn't get into trouble because it could not run the business, but prior owners over spent" on buying three companies in 2005 and 2006. "Our balance sheet is now more reflective of a company our size. We can fund future growth and expansion."

This is good news for El Paso, where the company is a big part of the economy, he added.

Turcotte, 60, who calls Florida home, also is managing partner of Aurora Management Partners, an Atlanta consulting firm specializing in company turnarounds. Aurora was hired in 2009 to help restructure MSD, and Turcotte became CEO of MSD in August 2009.

Russell Stephens, 51, who has worked at MSD for more than 35 years and for several years has overseen its core manufacturing and product-development operations in East El Paso, echoed Turcotte's sentiments as he gave a tour last week of MSD's massive, two-building campus on Henry Brennan and Pullman streets.

"We were not a distressed company," said Stephens, president of MSD LLC, the largest of two companies under the MSD Performance Group umbrella. The other is Powerteq. "It was a restructuring of our balance sheet."

There's no changes in operations, he said.

Besides its El Paso operations, MSD LLC also includes Racepak, a California-based brand of data-acquisition systems, including drag-racing data loggers. Racepak products are made in El Paso and California.

Powerteq includes Superchips, a Florida-based brand of tuning devices for late model cars and trucks, and Edge Products, a Utah-based brand of performance-enhancing modules and programmers for vehicles 1996 and newer. Those products are made in Florida and Utah.

MSDP was controlled since 2009 by a group of lenders with a \$92 million loan left over from the acquisitions in 2005 and 2006.

"The debt could not be refinanced, so the lenders agreed that it was in everyone's interest to sell the company to the highest bidder," Turcotte said. The company filed for Chapter 11 bankruptcy in September so the company could be sold through an auction, he said.



Russell Stephens is president of MSD. He is shown with a trailer used by the company. (VICTOR CALZADA / EL PASO TIMES)

The lenders did not get back their entire \$91.9 million loan, but "they realized the company's value was less than the (total) debt," Turcotte said.

Z Capital's purchase of the company was supported with a \$50 million loan from Monroe Capital, the Chicago lender reported. The \$50 million loan, and another \$4.8 million in pre-sale debt are on the company's restructured balance sheet.



Bertha Correa, left and Irma De Avila, center, and other employees work to assemble parts at the MSD manufacturing plant Wednesday. (VICTOR CALZADA / EL PASO TIMES).

Almost 70 percent of MSD Performance Group's sales come from MSD LLC's products, according to bankruptcy-court documents. MSD bills itself as the largest manufacturer of ignition parts in the specialty-equipment market for performance vehicles -- a market with annual sales of about \$8 billion, according to data from the Specialty Equipment Market Association.

Half of MSD LLC's sales are through wholesale distributors, and the rest are through catalog mail orders and at retail auto-parts stores, Stephens said. About two-thirds of its sales are to the street performance-car market, and about a third to the racing market, he said.

About 200 of the El Paso employees work in a 102,000-square-foot manufacturing plant where plastic-injection molding, metal machining and product testing and assembly are done.

A lot of manufacturing left El Paso in recent years. But having products made in the United States is important to many of MSD's customers, Stephens said.

Besides ignition-control systems, which sell for \$200 to \$300 each, the El Paso plant also makes distributors, timing controls, starters, alternators and high-end spark plug wires for the performance-car market. In 2012, it also began making fuel-injection systems, which sell for \$2,000 to \$2,500 each.

The products are developed in MSD's tech center, which covers about half of the company's 60,000-square-foot administration building at 1490 Henry Brennan. The tech center employs about 30 people, including 18 engineers. Classic street cars and high-tech equipment are used to test products there. Another 70 people work in sales, marketing, and administrative jobs in the building.

The El Paso work force has little turnover with the average length of employment about 15 years, Stephens said.

"A lot of car enthusiasts work here," including Stephens, he said.

"I raced go-karts, stock cars. I was a car guy since I was born. My dad loved cars and racing."

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