

The Investor: BPEA



Fund Manager: Baring Private Equity Asia (BPEA)

Fund Name: The Baring Asia Private Equity Fund VI

Fund Size: USD3.99 billion

Total AUM: USD21 billion

Established in 1997, Baring Private Equity Asia (BPEA) is an Asia-focused private equity firm with nine regional offices and over 190 employees. As of October 2020, the firm has invested in over 100 companies and realized 53 exits.¹ BPEA typically invests through either a controlling or significant minority stake in companies with enterprise values between USD300 million and USD1.5 billion.

The Company: Interplex



Company: Interplex

Website: www.interplex.com

Industry / Sector: Value-added manufacturing

Location: Global

Interplex provides advanced interconnect and high-precision engineering solutions for the automotive, health care, data communications, and telecommunications industries. With 14,000 employees, the company has operations in 13 countries across Asia (primarily Singapore, China, India, Indonesia, Malaysia, and Vietnam), Europe, and the Americas, including ten product development and 28 manufacturing sites.



Date of Investment:
March 2016

Pre-Privatization Market Capitalization:
USD283 million
(as of December 2015, Singapore Exchange)

Participation / Stake:
100%

Opportunity

Baring Private Equity Asia (BPEA) had been closely following the precision engineering industry—a fast-growing sub-segment of the manufacturing outsourcing sector—since 2005. Singapore-headquartered Amtek Engineering's 2014 acquisition of US-based Interplex Industries had caught the private equity firm's attention—the company's share price on the Singapore Exchange had fallen by more than 30% since its 2010 public listing and the BPEA team believed that the merger was fundamentally misunderstood and undervalued. The merged company, called Interplex, combined Amtek's mechanical precision engineering capabilities in areas such as metal stamping, cold forging, and plastic and rubber molding with Interplex Industries' miniaturized application-specific interconnect expertise, thus offering the potential to provide a comprehensive solution to customers.

Interplex's diversified global client base included some of the world's largest tier 1 car manufacturers, data communications providers, and medical companies. In addition, the company's broad footprint, which spanned China, India, Southeast Asia, Western and Eastern Europe, the United States, and Mexico, created opportunities for localized manufacturing. With the investment thesis that the right management team could leverage these competitive advantages and transform the business, BPEA privatized Interplex in March 2016, acquiring 100% of the company in the process.



Execution

Post-acquisition, BPEA's primary challenge was to fully integrate Amtek and Interplex Industries. The companies were similar in size prior to the merger yet had vastly different cultures as Interplex had been a family-run business before being acquired by the more institutionalized Amtek. In the first few months following its investment, BPEA recruited Alex Perrotta, who had previously run connector solutions manufacturer FCI Electronics, to serve as the Chief Executive Officer and develop a new blueprint for the business. The private equity firm also replaced over ten senior management team members and appointed two independent directors with extensive industry experience to support Perrotta and his growth plan for Interplex.

Under Perrotta's leadership, Interplex narrowed its focus from eight market segments to three high-margin verticals: automotive, medical/life sciences, and data communications. As part of its strategy to refocus on more profitable services, Interplex has been transitioning from a "build-to-print" to "build-to-spec" business, meaning that Interplex can design, engineer, and manufacture a product to solve problems for customers who are increasingly requiring a value-added supplier capable of supporting greater design complexities. BPEA's investments in Interplex's research and development capabilities, including through its three Technology Innovation Centers and nine Product Development locations, have been core to this initiative.

Prior to BPEA's acquisition, Interplex had been largely operating in silos. As a result, customers

were asking the company to simultaneously bid for the same project from both China and Mexico, for example, and receiving two different quotes. BPEA created a new front-end organization, which included investing in Interplex's sales and product development teams. Dedicated account managers were designated for each key global customer—an initiative that has been particularly successful in light of the COVID-19 pandemic as customers have been able to quickly receive updates on orders and shipments, giving them the ability to better manage their supply chains.

As Interplex reconfigures its product mix and value proposition, it has been able to move into environmentally friendly industries such as the growing hybrid and electric vehicle automotive (EV) market. In the last 12 months, the company has secured multimillion-dollar contracts with one of the world's largest EV manufacturers and will be involved in its battery distribution system. In addition, the company has been focused on minimizing the environmental impact of its internal operations. For example, as of October 2020, Interplex has converted 65% of the total lighting in its global manufacturing facilities to LED lighting, has begun to install solar panels, and completely eliminated the use of plastic water bottles in all of its sites, which would have equated to 1.2 tons of waste in fiscal year 2020. It has also planted 9,766 trees and intends to plant an additional 3,000 mature native trees at its properties, as well as one million trees within local communities, by the end of 2021.

Outlook

In partnership with BPEA, Interplex's group revenue has grown to approximately USD1 billion in fiscal year 2020. With the transformation of the sales and product development teams complete, BPEA is currently prioritizing helping Interplex renew and grow programs while continuing to

prune low margin or non-strategic business lines and customers. Looking forward, BPEA is positioning Interplex to capitalize on global trends such as the electronification of cars, advances in healthcare and universal connectivity—all while keeping the focus on customized "build-to-spec" solutions, which

Spotlight: Building a Culture Around Quality Control

During BPEA's initial investment period, Interplex was suffering from quality issues across its factories due to a prior lack of investment. BPEA hired a dedicated Vice President of Quality to develop an action plan and build a company-wide department that included regional quality managers and a quality team at each facility. Adopting a "zero defects" approach throughout its operations, Interplex's facilities are now equipped with state-of-the-art testing equipment, and quality is embedded across the company's value chain from product and tooling design to process controls, as well as reliability testing and failure management. Interplex introduced Interplex Business System (IBS) globally to create awareness and educate the organization on the importance of the lean system and the value of layer process audits, and simultaneously began the company-wide certification of factory lines as Bronze, Silver, or Gold.

The BPEA and Interplex teams recognized that quality was intricately tied to employee involvement. Experienced technicians and engineers are at the heart of Interplex's business model, so BPEA has worked with the company to develop a retention program while also broadening the workforce to include retirees and workers over the age of 60 as consultants and contractors. By bringing in these experts, Interplex gains decades of work experience and an established work ethic with each employee. As keeping its staff safe is also critical to ensuring quality, Interplex has adopted rigorous risk and hazard assessments, the use of stringent safety equipment, and frequent trainings on safety.

represent a large portion of Interplex's pipeline. With an improved sales organization and product solutions team, Interplex achieved more than USD1 billion in new wins across all sectors in fiscal year 2020, representing a significant increase over the previous year.

