

Clyde Blowers Capital sells Clyde Union Pumps to SPX, a US Fortune 500 company

Jim McColl sells business where he started as apprentice

Clyde Blowers Capital, the Scottish industrial investor, led by Scottish entrepreneur Jim McColl, today (Thursday August 25) announced that it had reached an agreement to sell its Glasgow-headquartered Clyde Union Pumps ("Clyde Union") business to American Fortune 500 company SPX Corporation ("SPX").

Clyde Union will continue to be run as a standalone business with a head office in Glasgow, under the leadership of the same management team.

The deal, which was announced to the New York Stock Exchange at 12 noon UK time, involves SPX agreeing to acquire Clyde Union for a headline price of £750m (\$1.25bn) - £700m of which will be in cash at completion and £50m subject to an earnout agreement dependant on future performance.

North Carolina-headquartered SPX is a publicly-traded multi-industry global engineering solutions company with annual revenues of \$5.5bn, employing over 15,000 people in 35 countries.

Clyde Union was formed under the direction of Clyde Blowers Capital chairman and chief executive Jim McColl out of two major acquisitions – the £48m purchase of the former Weir Pumps business in Cathcart, Glasgow from the Weir Group in May 2007 and the acquisition of Union Pumps as part of a \$1bn deal with another Fortune 500 company, Textron, the following year. SCF Partners, a US-based private equity firm, has played an integral part in supporting the combined businesses.

The company has grown rapidly, now manufactures in seven countries with 25 service centres worldwide, and only two weeks ago announced what McColl described as "continuing impressive growth" for the year 2010 - with profit increased by 28% and orders up 18%. Employee numbers increased to 2,037 - almost 900 of these at Cathcart.

The results are even more remarkable when compared to the figures at the time of the Weir

Pumps acquisition. The three years to the end of 2010 have seen an almost tenfold increase in profit (EBITDA) from £4.5m to £40.1m, with a rise in turnover from £44.7m to £259.9m for the same period, rising to over £400m in the current year.

Jim McColl, who will play no part in Clyde Union after the sale, today joined his senior management team in holding a series of information meetings with Cathcart employees and other workers around the globe as they arrived for their various shifts.

Commenting on the decision to sell the former Weir Pumps business where his career started as an apprentice at the age of 16, McColl said:

“Our success over the past four years has created a lot of interest in Clyde Union Pumps, and we have had many enquiries about the business. Until now, our response has consistently been that the company was not for sale, because we still saw significant growth opportunities and were firmly focused on delivering the growth strategy which we had put in place.

“However, earlier this year we were approached by SPX, who were very keen to talk to us about acquiring the business.

“Since then we have been in discussions with SPX management and have reached an agreement for them to acquire Clyde Union.

“A very important part of our discussions has centred around us being convinced that SPX would be a good responsible owner of this business and would continue to support its growth. As a very large corporation, we firmly believe SPX can provide that investment and be a safe custodian of our business going forward.

“But this is about more than money. I went to America personally to meet the Chairman and Chief Executive and to satisfy myself that they were committed to growing Clyde Union, and that was a key part of my due diligence.

“I made it clear to them that I had more invested in the company than just money. I told them I had strong emotional investment, and I genuinely wanted to see the business and the employees go on and prosper.

“I would not have sold Clyde Union to anyone who wouldn't take the company to the next level. There had to be a long-term commitment.

“When we bought Weir Pumps from the Weir Group and saved it from almost certain closure, we made certain promises, all of which have been kept. I'm proud of that.

“We promised to retain and grow the workforce – we have increased the staff from 535 to 891 at Cathcart, and to 2,037 globally, all high-level jobs.

“We promised to take on apprentices – we have taken on over 100, including 22 this year.

“We promised to grow the business – we have increased turnover from £44.7m to over £400m in the current year.

“We recently committed to buy the site at Cathcart from Weir Group for £25m, which was important for the long term stability of the company, and we have invested cash in new machines and new test facilities at the site.

“My goal at the start was to take a company that was on the brink of closure when we bought it and rebuild it into the world-class business that it once was and should be.

“We’ve created a world-class business headquartered in Glasgow with a world class facility, and really good people. We’ve also put in place the infrastructure for education and life-long learning – the ability for people to upskill, to better themselves in their earning capacity.

“We also leave Clyde Union with a very healthy order book, and in the ownership of a trusted buyer that will take it to the next level.

“The only regret is that I won’t be part of that journey, and in a personal sense, that is the sad part.”

Clyde Union will be part of SPX’s Flow Technology business, the largest and most profitable part of the corporation, which brings in \$2bn in annual revenue.

Don Canterna, President of SPX Flow Technology said: “Our board of directors and senior management are very committed to the Flow Technology segment and growing it through both organic initiatives and acquisition opportunities.

“SPX has a very strong track record of successful acquisitions and we have demonstrated an ability to repeatedly create value by partnering with high quality companies like Clyde Union Pumps, which will bring Flow Technology critical mass in the power and energy sectors and will serve as a platform for future growth in these markets

“We see tremendous value in Clyde Union’s products, brands, factories, and most importantly, its people. Americans know and respect Glasgow and Scotland’s place in engineering heritage.

“The company under Jim McColl has experienced very impressive growth and SPX is committed to investing in Clyde Union in order to ensure continued growth in the future. We firmly believe in its current, long-term strategic plan and will work together with existing management to continue this plan going forward

“We are confident that SPX’s global footprint, financial wherewithal, and industry relationships will provide additional resources for growth to Clyde Union. We are here for the long-term, and we believe we are the ideal owner for this business.”

ends (25/8/11)

Note: Jim McColl is available for further comment via the numbers below.

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