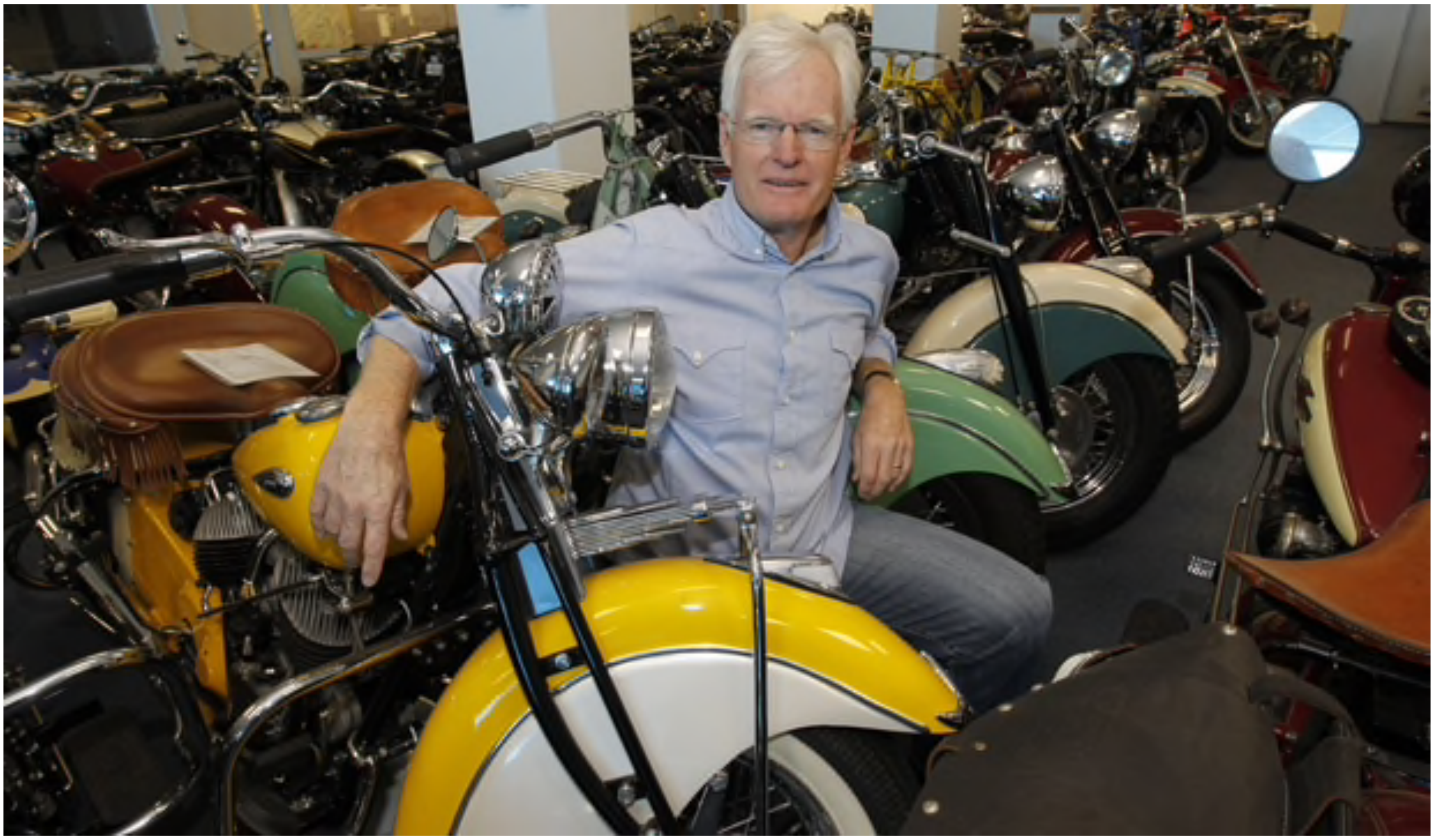
Ex-marine keeps firms afloat

Rob O'Neill • 05:00, Apr 14 2013



JOHN SELKIRK/FAIRFAX NZ

Over-riding passion: While Tom Sturgess loves heritage companies, he is crazy about classic motorcycles.

In 15 years in New Zealand business, Tom Sturgess has seen the New Zealand dollar valued at US39 cents and at US83c.

"It's a monstrous difference," he said, more by way of observation than complaint.

The owner of export businesses Masport, A&G Price and Temuka-based New Zealand Insulators, described today's historically high exchange rate of around US83c as "challenging".

"What can we do about it? The best we can," he said.

Sturgess's investment vehicle, Tiri Group, specialises in picking up what he describes as "terrific legacy companies".

"There's a lot around and they've survived through grit, determination and tenacity," says the former US marine, who emigrated to New Zealand in 1996.

More recently, he has become a central figure in the reshaping of New Zealand's printing industry after the collapse of industry giants Blue Star and then Geon.

Effective as of January this year and in partnership with Mercury Capital No 1 Fund, he acquired Blue Star's print brands including Webstar, McCollams, Nicholson Print, Format, Printlink, Spectrum and Panprint.

By luck or good management, Blue Star's major rival, Geon, then promptly fell over, sunk beneath the weight of private-equity debt. A fire sale ensued after suppliers refused to keep the company running in receivership.

The ides of March saw Sturgess's Blue Star announcing a mammoth industry consolidation: it had picked up all of Geon's fixed assets and more than 50 of its staff, "effective immediately".

Sturgess alludes to the long hours now being spent bringing those companies together, and the burden of saving jobs. In total, he said, 700 families depended on the success of his various businesses.

The 62-year-old, though, has been in and around Blue Star for years. He was two years into a stint as the company's New Zealand chief executive in 2001 when owner US Office Products filed for bankruptcy.

A $165 million management buyout ensued, funded in part by corporate bonds, and the print brands were successfully peeled out of Eric Watson's Blue Star Group conglomerate.

Five years later, just before the global financial crisis, Sturgess was the company's 84 per cent controlling shareholder when he brokered a deal to sell the printer to Champ Private Equity for a whopping $385 million, funded in large part by bonds and bank debt.

That's when the global economy, and Blue Star, began to turn to custard.

In the year to June 30, 2012, Blue Star wrote off $173m of goodwill while interest-bearing liabilities, including bank loans and NZX-traded bonds, totalled $280m. Banking covenants were breached and the businesses that made up Blue Star across Australia and New Zealand had to be sold.

Exactly what those businesses realised was not disclosed at the time. But Sturgess and private equity partner Mercury Capital No 1 Fund picked up the New Zealand bits for what now seems a song.

First Sturgess's Tiri Group bought the $23m-turnover Rapid Labels in July 2012. Accounts filed with the Companies Office in January show the net proceeds from that deal, brokered by Goldman Sachs, were $21m. The full price paid is not known.

Sturgess then teamed with Mercury Capital No 1 Fund to buy the rest of Blue Star's New Zealand printing business. Net sale proceeds from that deal were $18m. Meanwhile, the Australian business were sold elsewhere, netting $17.6m, subject to a final working-capital washup.

Holders of Blue Star's retail bonds, who were once owed $137.3m in principal and interest, lost their investments entirely, while the company's banking consortium appears to have taken a big haircut as well.

Sturgess also had "skin in the game". As a then minority shareholder he took what is estimated to be a $15m hit.

But that pales in comparison to the profit he made in 2006 - and he now owns more of the company than he did this time last year. But wait, there's more: Blue Star also now owns the assets of its major rival, Geon.

"It was us or receivership," said Sturgess who, before emigrating, worked for a decade as co-founding general partner of US private equity company Wingate Partners. He described the buy as a "good deal in a declining market".

By "us", Sturgess means himself, Sky TV founder Craig Heatley and Mercury Capital's Clark Perkins.

Arguably the new, recapitalised Blue Star has a more sustainable financial structure. It will need it. Sturgess said in a January interview that the economic environment had had an "almost toxic effect" on the print industry.

"We have the hangover from the GFC and we have the fact that there is a long-term irreversible demand for ink on paper. In certain applications, that will continue to decline. At the same time, there is a core demand for print that will be with us for a long time."

Sturgess has always been an entrepreneur. As a child, he said, he took his school lunch money, bought and sold cards, looked for collectible coins, then bought his lunch and went home with a profit.

Then there was the marines and the Vietnam War.

"In boot camp a couple of us learned if they used their brains they could spend less time doing pushups on their knuckles on the asphalt."

On his 20th birthday, Sturgess found himself as acting platoon leader in charge of 48 guys. The platoon should have been run by a lieutenant, but there were no officers or NCOs left.

"It worked. Nobody got killed," he said.

Back in the US, Sturgess went to graduate school at Harvard and drove fire trucks in California.

" I learnt more in the marines and driving fire trucks. Harvard was good, but I was not a good student."

A series of top-flight corporate and private-equity jobs ensued before Sturgess was diagnosed with cancer, survived and emigrated to New Zealand. Fist he bought a lifestyle block, but got bored quickly and began to build the sheep and cattle holdings now called Lone Star Farms.

"New Zealand has been incredibly nice to me, both the people and economically."

It's a very good place to do business, he said. The only thing that drives him crazy is when he has to compete against the New Zealand government.

What doesn't work here, he said, is coming with a formula that works in larger markets.

"New Zealanders are appropriately parsimonious."

While Sturgess's Blue Star deals do arguably conform to a global private-equity formula, the same certainly can't be said of the companies rolled up into Tiri Group.

Masport turned 100 in 2009 and A&G Price and New Zealand Insulators are not far behind. When talking about them and the other companies in Tiri Group, Sturgess talks of the "burden of history" he is taking on.

"This is my life. I don't tend to sell stuff," he said. "These are buy-and-hold companies."

Sturgess said private equity would not be interested in most of the companies he buys.

"If it's glamorous or sexy I have nothing to do with it. I like making stuff and distributing stuff."

History is something Sturgess appears to take very seriously. He famously donated $100,000 to assist the Waiouru Army Museum regain 96 medals after they were stolen in 2008.

"All New Zealanders have a sense of connection to the armed services, that's part of the history of this country, part of the soul of this country," he told NZPA after the medals' return

"I'm very pleased, very, very happy. It's just wonderful."

More lightheartedly, Sturgess is crazy about classic motorcycles, specifically bikes made between 1902 and 1968.

He first bought a motorbike when he was a kid because, he said, he couldn't afford a car. Collecting, however, is a more recent passion.

After five years of it, he is now fitting out a building in Nelson to house 250 bikes, from which experienced riders, or "aficionados", can go for a spin.

"They're meant to be ridden," Sturgess said. "You've got to be an old fart who can run a foot clutch and manage a left-hand throttle on an Indian."

Meanwhile, the 12-hour days continue.

"This is my life," he said.

Sunday Star Times

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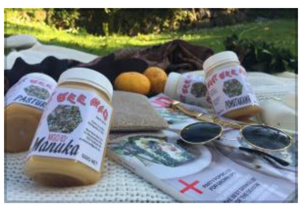

Helping out my aunt and uncle who have lovingly harvested four types of honey this year from across the Bay of Plenty and neighbouring regions. 500g: Pasture $10, Clover $10, Pohutukawa $10, and Manuka MGO83+ $25.

Witnesses urgently needed for the murder of my cat

Hi everyone I desperately need your help. If you, or someone you know, was present on my property (22 Edmonton Avenue) on Friday 2nd November around 7/8pm and helped in trying

Children on cycles onthe Footpath. Cars beware reversing.

Hello Neighborhood. My daughter just got knocked off her bike by a car reversing out of a driveway near Grey Lynn park. Her fault for riding on the pavement. Drivers fault not looking

Help to identify ginger cat with dark collar

Hi neighbours Has anyone lost or know of anyone who may have a family pet missing?? We have noticed a ginger cat who is obviously someone’s pet and has a dark , maybe blue, collar

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