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Plastics company sees strong growth in airline sector

BY MARGARET ALLEN | STAFF WRITER

The ownership of rapidly growing K&D Plastics LP has changed hands between Dallas-based private companies.

Two private equity funds, Lone Star New Markets LP and Lone Star Growth Capital LP, acquired K&D from Dallas-based Arcady Capital Inc., a private company that acquires and manages small to mid-size companies.

The Lone Star funds are managed by established middle-market investment banker Arthur Hollingsworth and his business partners Keith Camp and Jack Riggs.

The manufacturer has undergone a slight name change, to K&D Plastics Inc. It has 122 employees at a 58,000-square-foot plant on 15 acres in Gainesville. Financial terms of the sale were not disclosed.

A custom plastic-injection molder, K&D largely supplies the commercial aircraft industry. The company's revenue, projected at \$10 million in 2006, is up 50% from 2005, driven largely by new plane purchases from non-U.S. airlines, according to Hollingsworth. That growth likely will continue, he said, particularly as components migrate from aluminum to plastic and as U.S. airlines replace aging fleets.

"Boeing and Airbus have very robust production schedules," Hollingsworth said. "The world's commercial aircraft fleet is projected to double by 2030."

About 80% of K&D's business is aircraft components, like seats, tray tables and knobs, arm caps and rests, beverage cart bumper rails, door latches, exit lighting and back-of-the-seat video shrouds, he said. Customers include the two major players in aircraft cabins, French-owned Weber Aircraft LP, whose plant sits across the street from K&D, and Florida-based B/E Aerospace Inc.

Good fit

Charles Lemmon, principal at Dallas-based private investment banker C.V. Lemmon & Co. Inc. approached Lone Star New Markets about K&D. The manufacturer was a good fit because Lone Star buys only Texas companies and takes advantage of tax credits from the U.S. Treasury Department in return for investing in low-income communities. K&D met the criteria.

"When we hear about a Texas deal, we go

CUSTOM COMPONENTS

NAME: K&D Plastics Inc.
BUSINESS: Custom injection molding
HEADQUARTERS: Gainesville
OWNERSHIP: Private
TOP EXECUTIVE: Russell Fomby, CEO
EMPLOYEES: 122
FACILITIES: One
ANNUAL REVENUE: \$10 million (2005)
PHONE: 940-668-7015
WEB: www.kdplastics.com

after it aggressively," Hollingsworth said. "K&D's in a qualifying area, so we don't have to move the plant. And it's a highly specialized niche, so there are some natural barriers to entry."

The deal closed Oct. 1, and K&D has since added eight new injection molding machines and will hire at least three additional employees for each one.

Hollingsworth praised K&D CEO Russell Fomby, son of the founder and a longtime K&D executive. Fomby, a K&D shareholder, will continue as president.

Arcady Capital purchased K&D in 1999 from the founding family, according to Arcady President Langhorne Reid III. Founded in 1994, Arcady typically acquires companies with a competitive edge, usually manufacturers in Central Texas, in deals up to \$25 million.

K&D's business in the past 12 months had strengthened, Reid said. Arcady decided to sell at a time when the market for companies is very strong, he said.

"It had reached a point where I owed my investor group a return on their investment," Reid said.

Lone Star New Markets' lead investor is Dallas-based Town North Bank N.A. Other investors include Legacy Texas Bank, Plano; Regions Bank (NYSE: RF), Birmingham, Ala.; Dallas-based Bank of Texas N.A., (NYSE: BOKF); Inwood National Bank, Dallas; Amegy Bank N.A., Houston; and West Texas National Bank of Midland.

Lone Star New Markets was certified in 2004 as a community development entity as part of the Treasury Department's new markets tax credit program.

The program aims to generate new, private-sector, equity investments in low-income rural and urban communities. Investors receive a tax credit spread over seven years and equal to 39% of their investment, according to the National Community Capital Association.

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NEWS



MOLDING THE FUTURE: K&D Plastics Inc. operates from a manufacturing plant in Gainesville, supplying components to the commercial aircraft industry.

Lone Star invests in Gainesville's K&D