

CASO PRÁCTICO

Executive Summary SIMOCO

Diego Abellán

Miguel Ángel Feito

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EXECUTIVE SUMMARY.

Pye was a company with a long history in the telecommunications sector. It began to operate in the market in 1896. Owners sold their shares to Philips in the mid 60s. Pye, under Philips management, became a leader in the mobile radio communications during the 60s and 70s. It operated all over the world. In the 90s, thanks to a technological change due to a new standard, it was positioned as an attractive company with a high growth potential. Ian McKenzie, Pye's former Managing Director, carried out a management buy out (MBO) helped by a venture capitalist, Cinven. They bought this telecommunications division from Philips and changed the name to Simoco. Simoco's success was based on the development of a new standard, TETRA. This new standard would improve the quality of the communications, providing maximum practical benefits to users, utilising highly reliable digital voice and data communications. The technology sector was highly competitive. Simoco's main competitors were Nokia, Motorola, Ericsson, Alcatel and Telendandmark. The main issues in the buyout were the presence of a venture capitalist in the ownership (90%) and the highly leverage financial structure. Projections made by the management and the strategic consultants predicted a more that attractive investment. However, it didn't happen because the technology was not ready yet and there were financial constraints due to the levered financial structure.

The data and the information used in the case study have been obtained from newspapers, articles, meetings with Simoco's former directors and interviews with experts in technology.