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Fortissimo Capital bought 39% of Telrad Networks from Koor

Oded Hermoni 29.9.2004 | 10:20

A group of investors headed by Fortissimo Capital is buying 39% of Telrad Networks from [Koor Industries](#) (NYSE:[KOR](#)), the Israeli conglomerate announced Tuesday night.

Koor is selling the shares in its wholly owned subsidiary for \$21 million. the company value of \$54 million postmoney is not great news for Koor, which has it recorded in its books at a valuation of \$68 million.

Fortissimo is a private equity fund with a penchant for public and private technology companies. The fund and Koor will share control over Telrad Networks, with Koor appointing three of the seven board directors and Fortissimo nominating another three. The seventh will be a joint choice. Yuval Cohen, founder and managing partner of Fortissimo, will assume the chairmanship of Telrad.

The transaction is expected to close in two stages with a first closing in the fourth quarter of 2004 and a second in the first half of 2005.

Closing is subject to certain third party approvals. Following the transaction, Koor will extend a \$21 million note to Telrad. As part of the transaction Koor will indemnify Telrad, as is customary in such transactions, against certain events that might occur during the next few years. Certain of these indemnifications have been limited to the amount of the note. Koor says that the transaction itself should not have a material effect on its financial results.

For 2004, Telrad is expected to achieve \$120 million sales, but to lose money, albeit not much. Because of the decline in Telrad's revenues, and its expected loss in the third quarter, Telrad's management is considering an impairment in its deferred tax assets. This impairment charge, together with the expected operating loss for the quarter, will result in Telrad recording a loss of approximately \$14 million in the third quarter of 2004.

Telrad is not a small company. It has 640 employees and holdings in three startups, including Telrad Connegy.

Fortissimo was established in 2004 with \$65 million raised from Israeli institutional investors, including Migdal Insurance (TASE: [MGDL](#)), which put up \$30 million.

