The road forward for Arecont Vision after bankruptcy and acquisition

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Arecont Vision is a company in transition to say the least. With its balance sheet burdened with debt, the company is seeking Chapter 11 bankruptcy protection and simultaneously being acquired by a private equity firm.

The 'new' Arecont Vision that will emerge after several months when the process is complete will have a new owner, a clean balance sheet, and be poised to succeed in the competitive world of video surveillance, says Raul Calderon, Arecont Vision CEO and General Manager.

Ensuring business continuity

An asset purchase agreement announced this week with an affiliate of Turnspire Capital Partners LLC involves the private equity firm acquiring Arecont Vision's assets. To eliminate the debt, the company has initiated proceedings under Chapter 11 of the United State Bankruptcy Code in the District of Delaware.

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"We want the industry to know that we are restructuring our business and our financing," says Calderon. "We are not going out of business. It is a financial restructuring more than anything." Business will continue uninterrupted during the bankruptcy, he says, with debtor-in-possession (DIP) financing provided by Arecont Vision's current secured lenders.

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"Good companies go through restructuring, and the company will be better off after doing it," Calderon adds. "We will be able to lead and innovate, to be stronger, better and faster once we finish." For perspective, it is interesting to note that, in the broader business world, some well-known companies have emerged from Chapter 11 even stronger, such as Delta and American Airlines and General Motors.

Investment in product development

Previously Arecont Vision has been burdened by the costs of $80 million in debt the owners took on in 2014. The burden of that debt has limited the company's flexibility to react to the more competitive industry landscape, and to implement strategies to reverse softening sales numbers in the last couple of years.

“We couldn’t use the money in the company because we were servicing the debt,” says Calderon. “In order to be compliant with the enormous debt service, we made decisions to reduce head count and expenses.”

“[The bankruptcy] will free up that money to invest in the organisation,” he adds. “We will be able to make decisions for our future rather than the past, including investments in product development.”

Although there is an asset purchase agreement in place with Turnspire, there will also be an auction that could result in a higher bidder. Turnspire, as the ‘stalking-horse bidder’, sets the low-end bidding bar and guarantees the company will have new ownership at the conclusion of the process, either Turnspire or a company that outbids their offer.

Calderon says Turnspire “shares our vision and will ensure an exciting future for the company.” The transaction is expected to move fast and close within a couple of months.

Maintaining technology differentiation-based competition

> Arecont Vision expects to continue to compete based on technology differentiation in the market, rather than on price

Turnspire Capital Partners is a private equity investor that is a ‘turnaround specialist’. Their website describes their role as targeting “high-quality businesses that have reached strategic, operational or financial inflection points and stand to benefit from [a] hands-on, operationally focused approach." Calderon says Arecont Vision's investment banker, Imperial Capital, was instrumental in bringing Turnspire to the table.

The Turnspire purchase agreement proposes that the new owner retain the majority of employees, and the overall function and motivation of the company will remain. New levels of outsourcing, new software tools, or other strategies may be implemented to increase efficiency of operations. Focus (and investment) are likely to centre on key functions such as engineering, product development and sales.

After the acquisition and bankruptcy are completed – in the next several months – Arecont Vision expects to continue to compete based on technology differentiation in the market, rather than on price, says Calderon.

Business as usual

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Calderon declined to be more specific about future plans for the company under the new ownership, who will ultimately decide what those plans are. He did reiterate Arecont Vision's past successes and expected continuing role in the market. "We are looking to provide the leadership and the type of solution we are known for providing," he says.

"We have come out with some innovative things historically, from megapixel cameras to the first H.264 cameras to the first omni-directional cameras. We have not stopped our innovation, and our intent is to lead the market again with innovative solutions. Another key is to do right by our customers today and in the future, improving customer service, providing better offerings to our customers – that's what we will be looking to do."

"I've had a lot of conversations with customers and partners in the last couple of days," Calderon says. "I can say the conversations have been encouraging. They see it as a positive step, and they understand that getting rid of the debt burden can only be positive. Customers and partners have offered help, and we're still closing deals. It's business as usual."

He noted the company is seeking transparency throughout the process and wants to 'get in front of' the information flow, rather than allowing others to drive the narrative.

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An experienced journalist and long-time presence in the US security industry, Larry is SourceSecurity.com's eyes and ears in the fast-changing security marketplace, attending industry and corporate events, interviewing security leaders and contributing original editorial content to the site. He leads SourceSecurity.com's team of dedicated editorial and content professionals, guiding the "editorial roadmap" to ensure the site provides the most relevant content for security professionals.