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Stroup reboots Belden with latest deal

Premium content from **St. Louis Business Journal** by **Greg Edwards, Reporter**

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[John Stroup](#)'s march to transform 110-year-old **Belden Inc.** from a cable maker to a networking powerhouse in broadcast, data centers, automation and oil and gas picked up speed this week with a \$516 million acquisition of PPC, which makes connectors used in broadband and wireless services.

Stroup, 46, became Belden's president and chief executive in 2005 and since then has been adding and subtracting business lines — \$1.2 billion in acquisitions and divestitures this year alone — in an effort to realign its operations. The company, which is based in Clayton and has \$1.9 billion in annual revenue, has expanded not only products and services but also geography, with moves into China, India and Brazil. Those countries accounted for \$18 million of Belden's revenue in 2005 and now account for \$287 million.

Think of how your own family's need to stay wirelessly connected has increased. Imagine what it's like for the complex systems at Anheuser-Busch InBev, Emerson, Ford, GM, Rockwell Automation and Siemens — just a few of Belden's customers. Belden's goal is to be their guide through rapidly changing technology and signal transmission while providing all of their connectivity needs, not just cable.

"We evolved from cable offerings to a provider of complete signal transmission solutions and application expertise," Stroup said at the company's annual analyst and investor meeting Tuesday in Boston.

The PPC deal follows Belden's announcement in August that it had raised \$700 million in a private offering of 5.5 percent senior notes due 2022, up from its original offering of \$550 million to meet investor demand, the company said.

"It appears they made a strategic plan to take their cash-cow cable business and redirect cash flow to faster-growing, more-profitable sectors," said [Gerry Sparrow](#) of Sparrow Capital Management in St. Louis.

Cable is still the biggest chunk of Belden's revenue, at \$1.39 billion in 2011. But its two newer business lines are growing. Networking accounted for \$307 million in 2011, up from zero in 2005, and connectivity revenue was \$289 million, up from \$46 million in 2005.

[Joe Mardini](#), a vice president of Bell Canada, said at the meeting Tuesday that Belden has helped his company progress from voice to data to video. "When we go to market to sell Bell, Belden is with us," he said.

Just this year, Belden's sales and purchases have included:

- Selling its Thermax and Raydex cable businesses to Carlisle Cos. Inc. for \$265 million, which Stroup said at the time that the deal furthered his portfolio realignment.
- Selling its consumer electronics assets in China to Shenzhen Woer Heat-Shrinkable Material Co. Ltd. for \$43 million because its end markets did not match up with Belden's, Stroup said. He said he does not foresee "any significant divestitures remaining in the portfolio."
- Buying Miranda Technologies, which makes hardware and software for broadcast infrastructure, for \$375 million.

In addition, Belden said it would integrate the technology of its Miranda Technologies and Telecast Fiber Systems brands, providing better efficiency and flexibility for broadcasters and other content creators. Telecast was a 2009 acquisition.

In 2011, Belden bought Poliron Cabos Elétricos Especiais Ltda, a Brazilian cable company, for \$30 million, ICM Corp. for \$22 million, and Byres Security Inc. and its Tofino Security brand, for more than \$7 million.

In 2010, it bought **Thomas & Betts Corp.'s** communications products business for \$78 million and GarrettCom, an industrial networking and smart grid company, for \$52 million. It sold Trapeze Networks, a wireless local area network systems and management software provider, to Juniper Networks, for \$152 million.

"Anyone who has followed us the last five years knows we have a disciplined approach to acquisitions," Stroup said. They must further Belden's strategic goals and be able to get to its goal of 13 to 15 percent for return on invested capital, he said.

Belden's competitors include **Alcatel-Lucent**, **General Cable Corp.** and Sumitomo Electric Industries Ltd.

In announcing the PPC deal, Belden also reiterated its current guidance for the fourth quarter and full year ending Dec. 31. The company said it expects revenue to be \$500-\$510 million for the fourth quarter, \$1.94 to \$1.95 billion for the year ending Dec. 31, and \$2.07 billion to \$2.12 billion in 2013.

Standard & Poor's Ratings Services said Tuesday it is maintaining Belden's "BB" corporate credit rating and stable outlook. "We do not foresee any major integration risks," S&P said in a report. "The company has an established track record of successfully integrating acquisitions of similar size and scope."

Still, Stroup said, Belden is preparing for a low-growth environment. "Discretionary projects have been delayed till the fiscal cliff is resolved," he said. "I

think the first six months of next year will be more difficult to predict," requiring tight cost controls.

Stroup's executive team includes [Steve Biegacki](#), senior vice president of sales and marketing; [Henk Derksen](#), senior vice president and chief financial officer; Christoph Gusenleiter and [Denis Suggs](#), both executive vice presidents; [Dhrupad Trivedi](#), vice president of strategy and corporate development; and [Strath Goodship](#), chief executive of the broadcast division.

Shares of Belden, ticker symbol BDC, closed at \$42.27 a share, up \$2.57 or 6.5 percent after the PPC deal was announced Tuesday. Belden was represented in that deal by the law firm of Lewis, Rice & Fingersh.

Belden reported a third-quarter loss of \$38.8 million on revenue of \$490.4 million. The company has about 7,400 employees, including 40 in St. Louis, and reported 2011 revenue of \$1.98 billion.

The company has designed and manufactured insulated wire, cable and related products since its founding by Joseph Belden in 1902. In 2004, it merged with Cable Design Technologies Corp., which began its transformation to a signal transmission solutions provider with a complete product portfolio, including cable, connectivity and networking products.

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