Plantronics goes public once again

By GUY LASNIER
Sentinel business editor

SANTA CRUZ — Plantronics has its name back and more than $120 million in cash.

The Santa Cruz telephone headset maker went public again Wednesday, raising money to pay off massive debt that had dragged the company down since a leveraged buyout in 1988.

Plantronics was acquired by management-led and Wall Street-financed PI Holdings Inc. for $25 a share five years ago. With the new stock offering Wednesday the 33-year-old company is Plantronics Inc. again and now traded on the New York Stock Exchange.

Plantronics, headquartered in Harvey West Park, makes lightweight telephone headsets used by phone company operators and telemarketing companies. It is the world's largest company in the field with about 60 percent of the market.

Please see PLANTRONICS — A4

Plantronics

Continued from Page A1

Plantronics sold 3.8 million shares at $12.50 each and sold another $85 million in bonds Wednesday. The proceeds will be used to repay all outstanding debt that once totaled nearly $150 million.

The net proceeds from the stock and new debt offering are estimated to be $120 million to $125 million after commissions and selling expenses.

The company is selling 212,000 shares directly to "certain employees of Citicorp Venture Capital Ltd., certain employees of Citibank N.A. and a nominee to the company's board of directors," according to a statement Plantronics released Wednesday afternoon.

Citicorp Venture Capital Ltd. is the largest shareholder with 36 percent of outstanding common stock.

Plantronics executives were not immediately available for comment. "The only ones who can say anything are not here," one company official said. Plantronics has kept the financial transaction quiet, issuing no formal announcements until Wednesday.

The multimillion-dollar deal is similar to refinancing a home mortgage, only the stakes are higher and it is a good deal more complex. Plantronics is taking advantage of low interest rates to pay off high-interest loans with other loans at a lower rate.

Without the refinance, Plantronics risked going bankrupt. It consistently posted multimillion-dollar losses because of the debt load despite strong earnings from operations.

"They are drowning in interest," said bond analyst Bruce Hyman with Standard and Poors.

Plantronics spent $11.8 million on interest alone during the six-month period ending Sept. 25, 1993, according to documents filed with the Securities and Exchange Commission. The company had $53.4 million in sales during the same period. It lost $43.3 million in the same six months, but much of the loss was the write-off of excess and out-of-date inventory and equipment taken in the April-June quarter.

Even with the refinance, Plantronics is paying a relatively high rate for its money. The $85 million in new debt is at 10 percent interest and is due in 2001. The high rate is because the bonds were rated "speculative" by the bond rating agency Standard and Poors. The lower the rating the higher interest a company must pay to make its bonds attractive to investors.

The bonds replace junk bonds that were accruing interest at 18½ percent. Deferred interest on the old bonds was being added to the principal where it also accrued 18½ percent interest.

Plantronics faced a $17 million balloon payment next year.

The stock and bond sale will cut Plantronics annual interest payments from about $23 million to $8 million.