

Ouch! Nortek Files for Bankruptcy Protection

Written by Bob Snyder
08. 11. 2009



In USA, Nortek (NTK Holdings Inc.) has filed for Chapter 11 bankruptcy protection after agreeing the restructure plan with \$2.78 billion of creditors.

By filing for Chapter 11, Nortek hopes to restructure to eliminate \$1.3 billion in debt. Thirty-seven affiliates, including Nortek Inc., also sought protection.

Nortek owns many prominent AV companies including **SpeakerCraft, OmniMount, Elan, Magenta Research, Niles, Panamax, Gefen, Xantech, Panamax** and others.

Nortek released a statement on Sept. 3 that says, "...the company's operating subsidiaries remain well supported with cash on hand in excess of \$170 million as of August 31, 2009." Nortek secured a commitment for a \$250 million asset-based revolving line of credit earlier in October as part of its pre-packaged reorganization plan.

So it seems the subsidiaries are less affected at this point, despite the vulnerability of the parent

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corporation. Bankruptcy in this case end with a come-back or the group could see a new owner step in, or watch a sell-off of subsidiaries piece-by-piece, including-- one supposes—some management buyouts.

Typically in this situation, if some subsidiaries are bleeding much more than others, the parent has to abandon these ships to save the fleet. Any subsidiaries that are cash-positive will become the lead ships.

Key financial highlights for Q2 2009 include: Net sales of \$488 million compared to \$647 million recorded in 2008 and an operating loss of \$216 million compared to earnings of \$46.9 million in Q2 2008. Clearly Nortek is another victim of the global recession as its Home Technology Products suffered a 23.9% decline in sales in Q2 when it had probably been accustomed to double-digit sales growth.

Nortek chairman and CEO Richard L. Bready says: "We continue to believe that Nortek has fundamentally sound businesses operating in established markets that are poised for growth as economic conditions improve. The Chapter 11 process will enable Nortek to emerge as an even stronger company with substantially less debt. Going forward, we anticipate no disruption in product availability or delivery of products and remain focused on meeting customer needs worldwide."

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