# TOP 50 PE 18

## Leaders in the Middle Market™

## Here it is!

**This year's Top 50 PE firms in the middle market, and a whole lot more.**

# 2018 Top 50 PE Award Winners

TOP 50 PE 18
Leaders in the Middle Market™

2x Partners
ABRY Partners, LLC
Advantage Capital
AGI Partners LLC
Akoya Capital Partners
American Industrial Partners
Ares Management
Arlington Capital
AUA Private Equity Partners
Blackford Capital
Blue Sage Capital
Boyne Capital
Bruckmann, Rosser, Sherrill
CAPX Partners
CCMP Capital Advisors
Clarion Capital Partners
Clearview Capital
Frontenac Company
Frontier Capital
Gridiron Capital
HCAP Partners
The Heico Companies
HGGC
Huron Capital
Incline Equity Partners
Industrial Growth Partners
L Catterton
LaSalle Capital
Leonard Green & Partners
McNally Capital
Oaktree Capital Management
Pantheon Ventures
Pfingsten Partners
Platte River Equity
Quad-C Management
Rand Capital Corporation
Resilience Capital Partners
Ridgemont Equity Partners
Seacoast Capital
SJ Partners
Snow Phipps Group
Spell Capital Partners
Sterling Group
Tonka Bay Equity Partners
Transom Capital Group
Trinity Private Equity Group
TSG Consumer Partners
Wafra Partners
White Wolf Capital

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## Introduction

Our 2018 winning PE firms represent a wide range of firms from largest organizations to small boutiques with diversified investment strategies, across the US and London, and were selected based on current and historical achievement, growth, significant events, PE-centric innovation, industry contributions and sector leadership.

This is our second year for the Top 50 Private Equity Firms Awards Program and, once again, we are honored to be working with so many great PE firms through this program. Please join me in celebrating this year's line-up. What a diverse group of firms represented here! From firms with fewer than 10 employees to one with 10,000+ employees; family offices, finance-focused firms, leveraged buy-out, venture capital and private equity firms; US and London; large, well-established firms to new boutiques.

We selected winners based upon the firms' current and historical achievement, growth, significant events, PE-centric innovation, industry contributions and sector leadership and will be promoting the program and the winners to more than 50,000 subscribers in the Grady Campbell and BRMG networks through the balance of 2018. BRMG is our inaugural partner for the Top 50 program and is one of the oldest and largest buyout-centric publishing firms in the US with M&A Chicago, SBIC Weekly and Dealmaker South.

Grady Campbell has been the design and marketing partner with PE leaders in the middle market for more than a decade. We work with them to elevate their brand and the brands of their portfolio companies, drive deal flow, and differentiate client firms in the increasingly competitive market place. We created the Top 50 Middle Market Private Equity Firms awards program to recognize and spotlight some of the best PE firms. Please feel free to reach out to me with any questions you might have about the 2018 program or to ensure you're on our promotional list for the call for nominations for the 2019 program, scheduled for release in 3Q2018.

Susan Tyson

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TOP 50 PE18 Leaders in the Middle Market™

## From the Publisher

When I founded Grady Campbell, almost thirty years ago, my biggest challenge, so I thought at the time, was to define and execute brand and marketing programs for a broad spectrum of clients. Our talent, knowledge and expertise were critical to helping clients succeed. As our reputation grew, so did the private equity market. Like every business, private equity is experiencing change at an accelerating rate. What worked 5, 10 or even 20 years ago, doesn't work today and definitely won't work tomorrow. In order to be successful, we all need to be at the top of our game.

Middle-market PE firms continue to face challenges that result when there's a swell of new competition, when prices are high, and cash supply exceeds asset supply. After a record-setting 2017 in terms of both deal value and transaction volume, the US PE middle-market got off to a mixed start in 2018. In the first quarter, 619 middle-market transactions were completed totaling $53.6 billion in deal value – a 17% increase and a 40% decrease, respectfully from a year ago. After totally at least $20 billion each quarter in recent years, US PE middle-market exit value dropped to $11.9 billion in the first quarter of 2018. Additionally, only 165 exits were completed, resulting in a 26% drop from last year, according to PitchBook analysts.

Generally, cyclical indicators appear favorable in 2018, suggesting that the US economy has room to expand. A recent survey of PE middle market sponsors, borrowers and investors, conducted by Altares Capital, suggests that optimism over the US economy, which has been high, continues to gain steam. PE firms are anticipating strong revenue and EBITDA growth ahead and accelerating their hiring.

Many established PE firms are experiencing transitions in management that add to the pressures of sustaining growth, strong leadership and culture. "A long-term challenge faced by almost every PE firm today is how to attract and retain top talent" says Richard Lawson, CEO and Co-Founder of HGGC. "There is a real generational shift occurring, wherein the people that pioneered and bootstrapped the PE industry are moving on in their careers and are looking for top investment professionals to assume leadership roles. Many of these PE firms have also just raised funds two or three times larger than their predecessors, as well as new auxiliary products, and need to fill seats."

A strong brand provides competitive advantages. Whether you're a large, established PE firm or a small boutique, you need to compete for deals, funding and talent. To win in the US middle-market, PE firms plan and implement strategies that outline specific actions and measures for reaching their goals and out maneuvering their peers. When done correctly, the firm's brand mirrors their strategic plan, and helps promote strategic initiatives that will move the organization forward.

This is the second year of our Top 50 PE Firms in the Middle Market program. We are proud to present the 2018 winners, and grateful for their support.

### Kerry Grady

*Founder and Managing Partner*
Grady Campbell Incorporated

## In Her Own Words

We spoke with leading women executives from 2018 Top 50 PE Firms in the Middle Market to learn what's changed for women in PE, the advantages and/ or disadvantages of being a woman in the industry, and their paths that led to sucessful PE careers.

Included in the interview:

**Megan Horvath,** *Principal,* Resilience Capital Partners

**Gretchen Perkins,** *Partner,* Huron Capital Partners

**Beth Rahn,** *Vice President,* McNally Capital

**Helen Steers,** *Partner,* Pantheon

### Here's what they had to say:

**Susan:** There are more women in PE now than ever before, although the numbers are still low. What has changed that you've seen over the years for women in PE?

**Helen:** Although I think it is generally acknowledged that we have some way yet to go, the fact is that more women are working in financial services than there were when my cohort embarked on our careers. So, young women have more role models they can look to. There are many networks, support groups and opportunities for young women to tap into these days, including Level 20 in the UK.

Clearly the data shows that private equity has much progress to make still, so young women are going to have different experiences depending on which firm they work for. That's inevitable. But the main thing I would single out that has changed is that there is recognition now that diversity and inclusion matter, and that they make good business sense. If you look at the most recent McKinsey report, "Delivering through Diversity", published in January this year, the statistics show this starkly. Factors that affect companies' bottom line tend to gain the attention of Boards of Directors, so studies such as this one are contributing in an important way to progressing from recognition by firms that they need to improve, to actionable initiatives to achieve improvement. But you are right, private equity is on the right track – last year's "Counting Every Woman" study by New Financial showed our industry had doubled female representation on executive committees between 2014 and 2016, albeit to a still unacceptably low 10% compared with 27% for the asset management industry more broadly.

**Megan:** Many things have changed for women since I joined Resilience Capital Partners in 2007. The number of women in the House of Representatives grew to 104 from 85; the number of female U.S. Senators increased to 22 from 16; and a major party nominated a woman as its presidential candidate. The number of women in private equity also has seen growth, with 12.6 percent of women holding senior jobs at private equity firms, according to a Preqin study from 2016.

Women are still far from parity, but the trends have been positive. If these trends are going to remain positive, we – women and men in private equity – are going to have to make a commitment to expand opportunity. There are more ways to do so than ever; while the number of women in private equity may be relatively small, the activities and support for them are increasing rapidly, including the proliferation of women-focused networking groups and conferences for female professionals in private equity.

Among the more prominent groups are the Private Equity Women Investor Network, the Private Equity Women's Initiative and the Women's Association of Venture and Equity. Events gaining visibility include the Women's Private Equity Summit and the Women in Private Equity Forum. I attended the Women of Leadership Summit in New York City in January, hosted by the Association for Corporate Growth's New York chapter. It was a day full of roundtables, panels and an inspiring keynote speaker, and I and every woman I know who attended came away motivated to increase the numbers of women in private equity.

**Beth:** Women in finance generally, and certainly in private equity, have built an incredibly strong community over the years, and the level of collegiality and collaboration amongst women in finance has grown significantly. Because historically, women have represented a lower proportion of the finance community, women have banded together to collaborate and support each other. We're at a tipping point where the finance community and the private equity community are feeling increasingly less male dominated, and women are increasingly moving into private equity and building longer term careers in this industry.

There's also a generational trend at play in that people are getting married later than ever, people are having children later than ever, and that allows for greater flexibility to progress in more demanding career paths, like private equity. That's a very relevant dynamic that will continue to support the increase of women in PE over the next several years, probably several decades.

There is recognition now that diversity and inclusion matter, and that they make good business sense.

Helen Steers

**Gretchen:** Our ranks are still low. I think our numbers are still about 10%. It was 10% when I started my career and I would guess it's still about 10% now. Despite that static percentage, I think there are a couple things that have changed over time for women in PE.

Women entering PE today can see women who hold senior positions in firms, which was quite rare for my generation. There are women they can look up to as examples of career progression and success; folks who can demonstrate that you can have a family and succeed in this industry. I think the perception that doing so is extremely difficult has been a pain point in our industry, and it has kept women from choosing our industry early in their careers or has caused them to drop out after having kids. I'm encouraged to see that there's a number of us in senior management positions that younger women can see, speak with, network with and benchmark, hopefully making our industry seem more approachable for them. I think that's different in a positive way.

Another thing keeping the numbers low in this industry in my opinion, is quite simple. The intelligent, ambitious, aggressive young women that we seek have many more options today. I believe there's a much greater inclination to become entrepreneurs and create their own career path. So many things today enable that, from entrepreneurship and empowerment grants, to crowd funding, and social media enabling market access and customer engagement, just to name a few. In many cases there are far fewer roadblocks to starting a business and creating your own destiny (and maybe sell to a private equity firm down the road!).

**Megan**: There are numerous formal and informal local groups that facilitate collaboration and idea sharing. Women joining the industry today can tap into networks immediately and get up to speed quickly. Personally, I am very active in the Cleveland business community – I am on the board of the local chapter of the Association for Corporate Growth and a member of the executive committee of its Women in Transactions subsidiary. I have been more actively reaching out to my networks and encouraging women to consider new opportunities. These opportunities are available at firms of all sizes. The larger private equity firms have a significant number of jobs at entry, middle and senior levels. In addition, while small and mid-size firms such as mine have fewer opportunities available, they are great places for women to learn and expand their horizons because you get senior level attention more easily and you can gain responsibility much sooner.

**Gretchen**: It is a difficult career path, no doubt. However, it is incredibly rewarding, because it's challenging and you're working with really motivated, energized, and intelligent people and everybody loves working in that sort of environment.

The limited partner industry is helping create change by asking questions about diversity at your firm, diversity throughout the management of your portfolio companies and what sort of programs and policies you have in place to build diversity. When the LP's, who are the source of funding for private equity firms, start asking those questions, private equity firms are paying more attention to it. To my knowledge, LP's rarely, if ever, asked that question ten years ago. It typically came up as part of your ES&G criteria (Environmental, Social and Governance).

**Susan**: What is the ratio of women partners to men in your firm? And then we're also going to explore within the industry as a whole. Are there any initiatives in place to drive change?

**Megan**: Resilience Capital Partners is a mid-sized firm, with $625 million in assets under management. We currently have 24 employees, one-quarter of whom are women. Currently, I am the only female at the level of principal or higher. However, we are ramping up our efforts to identify first-rate female candidates and encourage them to apply for jobs at all levels, including associate positions, internships and other opportunities. These types of positions can serve as a gateway – one of our strongest interns is now pursuing her degree at Wharton, and we hope to continue to attract talented, high-performing young women through these channels.

**Gretchen**: At my firm it's the industry average, one in nine.

**Beth**: A Crain's Chicago article published in 2015 stated that, "At the city's 10 biggest private-equity firms, 69 of the 71 leadership positions, often known as managing directors, are held by men. The same profile is true at most of the 90 or so mid-sized and smaller companies in town. Women have climbed to secondary senior posts at a few firms, and a couple have founded small firms."

> Women entering PE today can see women who hold senior positions in firms, which was quite rare for my generation.
>
> Gretchen Perkins

This dynamic exists across the private equity world, not just in Chicago. Crain's also cited that, "Women hold 14.8 percent of senior roles in venture capital, up from 11.2 percent in 2013, versus 10.5 percent in private equity, up from 8.7 percent," according to London-based data firm Preqin. The numbers are still low, but the presence of female leadership in private equity is growing.

**Helen**: At Pantheon, the ratio of female partners is 27% globally. I can't speak on behalf of what the equivalent ratio is within the private equity industry more broadly, but a study by Preqin published in October 2017 found that senior woman in private equity comprised 9% of the total. There are lots of different initiatives taking place across financial services, and I think in private equity we're generally at a point where we can see which of those might transfer naturally to our industry, and focus on those.

First, it's necessary to encourage women to join the private equity venture capital industry in the first place, and for that to happen we need to expand awareness of the industry across college campuses, we need to promote ourselves and be available to students when they are choosing their careers – we need to develop active outreach initiatives in order to be on their radar.

Second, we need to do a better job of understanding that we need women to be represented at all levels and across all functions, and to do a better job of communicating that no one function is superior to another.

Third, we need to encourage young women to make use of the networking and mentoring opportunities that exist today. At Level 20, which is a non-profit organization in the UK which I co-founded with 11 other senior women in private equity to encourage women to choose and build sustainable careers in private equity, we spent a lot of time analyzing different mentorship programs and then developing our own. There has been an enormous demand for it with 60 mentee/mentor pairs running in our current program.

**Beth**: Within McNally Capital, all three of our partners are men, and half of our Vice Presidents are women. I think that's an important statistic that's very indicative of how diverse our firm is and supports the idea that, while it will take time for women who have entered or are entering private equity to climb to partner level roles, there is an increasing number of women building careers in PE. With regards to driving

change, from a macro perspective, there's an increasing level of attention being paid to greater equality in the workplace, whether it's with regard to gender or otherwise.

Most importantly from a macro standpoint, there's been a big focus over the last several years on encouraging girls and women, whether it's in high school, college or business school, to pursue careers in finance. I'll go back to the point I made earlier - the support network of women in finance is a huge driver to the increasing number of women pursuing careers in private equity.

**Susan:** Are there initiatives within your firm to drive change? Are you aware of anything that's happening?

**Megan:** Proactive policy changes are going to help accommodate the concerns of women. For instance, many private equity firms are following the lead of companies in other industries and adopting policies that provide greater workday flexibility.

> The support network of women in finance is a huge driver to the increasing number of women pursuing careers in private equity.
>
> Beth Rahn

Ours is a competitive and demanding business; women need to meet those job demands, but there is room for more flexible work schedules and greater work-life balance, especially for those women who have young children. My own firm has such policies in place, and it definitely is a differentiator. If I were to cite the top three things that private equity firms can do to increase gender diversity, they would be: (1) Get sustained commitment from senior leadership; (2) Develop a pipeline for hiring that includes internship and entry-level positions, not just midlevel and senior positions; and (3) Provide work-life support and flexibility for women who need it. We have those 3 things at Resilience, and expect that they will pay dividends down the road.

**Gretchen:** For our board members and our management team members, we have an initiative which is part of my performance goals for this year (as it was last year) to build the number of diversity candidates, by ethnicity and gender, whenever we're interviewing for a board member position or a management position at any of the portfolio companies. We are looking for that same diversity here at our firm, but frankly there are just not a lot of women in the applicant pool. We currently have a female Vice President on our execution team, Danielle Lalli, and a female Principal on the Sourcing team, Heather Madland on the execution, the deal team. We look forward to further building our diversity here as we grow.

**Megan:** The private equity firm at which I work has a talented and experienced team that enables me to think of myself as a private equity investment professional first, and not only as a woman. I'm required to manage multiple complexities of deals, earn the trust of the management at our portfolio companies, collaborate and connect with our team and be accountable and take ownership for an entire platform. These are things that are required of a successful private equity investment professional, regardless of gender, and my firm empowers its people to take on responsibilities and make the most of themselves. In a smaller firm, such as Resilience, having fewer staff means that younger people are given greater responsibility – and gain more experience – early on. The sheer volume of work required means that you acquire knowledge and skills very quickly.

For instance, in 2016 we looked at the printing and communications space. By the time we closed the deal to acquire DG3, we immediately were able to launch a 100-day turnaround initiative. In the end, M&A Advisor named our acquisition of DG3 "Industrials Deal of the Year." I'm proud to say that I now serve on DG3's board, and we're continuing to make real progress in the sector. That's the kind of intensive experience you can gain at a smaller firm.

**Susan:** What are the advantages and/or disadvantages of being a woman in PE?

**Beth:** On the advantages side, women tend to bring a strong level of EQ to the table. In private equity in particular, success is driven in large part by the ability to develop relationships and partnerships with CEOs, sellers of businesses, and investors. This dynamic within PE makes EQ particularly important.

**Megan:** Private equity is a fast-paced, competitive industry, and few people outside of it understand it very well. The biggest challenge I and many other young professionals face early on is learning to trust our own intuition and experience when developing and prioritizing new ideas for investments. One of the most effective ways of acquiring the experience you need actually comes through the investment sourcing and due diligence processes. When you are evaluating potential investments, you need to analyze large numbers of companies quickly and accurately.

For example, at Resilience, we reviewed 2,310 possible deals and closed eight in 2017. It's a lot of work, and it's also a great learning experience. Similarly, the due diligence process affords learning opportunities when you interview founders or principals at target companies. This is something that young professionals often are closely involved in alongside seniors, and it provides invaluable insights from people who really know their businesses.

**Beth:** I've spoken to a lot of female executives who have exceptional abilities to connect with CEOs, owners of businesses, and executives. They manage relationships in a different manner than a male colleague might, due to that EQ, and that dynamic can pay dividends.

**Gretchen:** I think it's an advantage. It helps you stand out from the crowd. I don't think it's a disadvantage at all. A significant goal of any sizable private equity firm is branding. You need to brand the firm. What kind of firm are you? Who are you? Where in the market do you play? What is great about you? Do we even know about you? In the trusted advisor network to which we market (in addition to marketing directly to business owners), the answers to these questions are important for them to know before introducing us to their clients.

Women stand out in the crowd because there just aren't that many of us. It's easier for them to remember us, thus remember our messaging/branding. It's that simple. I think it's a real advantage.

## In Her Own Words

**Beth:** From the standpoint of disadvantages, call me an optimist, but I frankly don't think there are many. There's an increasing appreciation for the overall importance of having a balanced workplace. And so, there's this increasing value attributed to having women in the finance and in the private equity communities. Currently there are still far fewer women than men in private equity, so to some extent as a woman, you stand out in this industry whether you like it or not, which I would view as a good thing.

**Susan:** How many of your portfolio companies have women in management? We think that there are probably more women in consumer products, healthcare, food, lifestyle, cosmetics than in manufacturing and technology. Do you feel that is true?

**Gretchen:** If you go down to the add-on companies as well, we currently have fourteen women in leadership positions in our seventeen portfolio companies in a variety of capacities, from CFO to VP of Operations to VP of Design, to name a few. This is in addition to the many more we have had in similar positions in prior portfolio companies.

**Megan:** Currently, women are senior executives in our portfolio companies in relatively limited numbers. However, we have had a number of women in senior roles in the past. For example, Mary Petrovich served as chair and CEO of AxleTech International, which was one of our most successful investments. She's now with the Carlyle Group, which acquired AxleTech, and once again is its chair. In great part, the number of women in senior roles in our portfolio companies reflects the industries in which we most frequently operate, such as manufacturing, mining, industrials and other sectors in which women historically have been under-represented. At Resilience, we look to hire women for senior positions, but to some extent our progress is going to be determined by the numbers of women with significant operating experience in these industries.

**Beth:** Three of our five portfolio companies include women executives, and two of those businesses are manufacturing oriented businesses with a heavy engineering focus. Three of the female executives at these businesses are CFOs.

**Helen:** It's always going to be tough to generalize. Credit Suisse Research Institute produced a report in September 2016 which mapped 27,000 senior managers at over 3,000 largest companies globally. In terms of female CEOs and CFOs, the report suggested that women do indeed gravitate towards consumer discretionary and financials predominantly. But industrials and consumer staples were also strong. Technology and healthcare didn't jump out as having notable representation. It doesn't seem that surprising to also find in that study that certain sectors – chemicals, autos, metals and mining and tech hardware rated low for diversity. But, the Preqin study I referenced earlier, on the other hand showed that across senior, mid-level and junior roles, venture capital (where tech innovation, of course, is generally to be found), female representation was actually higher than in private equity more broadly. So that's encouraging, I think. There are campaigns at a political level now to bolster science, engineering and coding as potential career choices for women.

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Many private equity firms are adopting policies that provide greater workday flexibility.

Megan Horvath

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**Susan:** Why did you choose private equity? What was your career path?

**Beth:** I'd say first and foremost, I believe in the value of private capital. At McNally Capital specifically, we focus on partnering with family office investors, and the value that direct family capital plays to support the growth of businesses over the long-term is immense. There's a very pronounced strategic advantage to partnering with family offices to make investments in private businesses. Family offices offer a very acute level of industry and operational knowledge, given that most family offices created their wealth by owning, operating and building a private business themselves.

In addition, family offices offer a very flexible approach to making investments due to their ability to maintain a longer-term hold period with a private company. The philosophy that we at McNally Capital take to making investments and the ability that we have to drive growth within private businesses is incredibly valuable and is a key driver of my passion for this industry.

Finally, there are very few industries where you can be surrounded on a day to day basis with the level of talent you find in private equity, in terms of intelligence, problem solving, focus on growing successful businesses, and focus on partnerships. The caliber of people in this industry is second to none, and there's no other industry where I would be quite as challenged on a day to day basis. I joined McNally Capital after graduating from the Kellogg School of Management, where I earned my MBA. I had started my private equity career at Sterling Partners here in Chicago, where I held a fundraising role, and that was my introduction into private equity.

**Helen:** My route into investment was rather unusual. After completing an engineering apprenticeship with GEC-Marconi, and then graduating from the University of Cambridge with a degree in Engineering, I worked as a graduate engineer at Esso Petroleum in London, but aspired to a more commercial role. Esso generously allowed me a sabbatical to pursue a master's degree, and I was fortunate enough to win a Commonwealth Scholarship, which enabled me to study in Canada and obtain an MBA.

After graduating, I worked as an internal M&A specialist in Montreal before applying for a job with the Venture Capital Division of the Development Bank of Canada. After spending five years doing direct deals, I was hired by Canada's Caisse de dépôt et placement du Quebec to run its European private equity program. When I joined CDPQ I was six months pregnant having taken a risk by telling my prospective employer about this during interview. They offered me the position, and were extremely supportive from the start.

At CDPQ and the Bank, I was lucky to have great mentors and sponsors, for which I have always been grateful. In 1999 I was approached by Russell Investments to move to Paris and lead its European PE program. After five years, Russell acquired Pantheon, and finally in 2004, I moved back to the UK to lead Pantheon's European Primary investment team.

## In Her Own Words

The final episode of the story is that we completed a buyout of Pantheon in 2010 and are now completely independent. So, I suppose you could say that private equity chose me rather than the other way around, but I am so happy that happened, as I have been very lucky to develop an exceptionally rewarding career in an industry which is challenging, interesting and exciting.

**Gretchen:** I graduated from the University of Michigan. I wasn't comfortable committing to an industry, so my plan was to go into commercial lending, so I could have exposure to different companies, different industries, and different business lines. Then, once I found an industry I liked, I figured I would go be a CFO at one of my borrowers one day. That was my thought as a 22-year-old entering the workforce. Well, +30 years later, I remain in an industry where I get exposure to a wide variety of businesses and industries, which I find fascinating and compelling.

I was in commercial lending for about 15 years, enjoying the variety of all the different companies/industries/management teams. Then, I was recruited by a private equity firm in Detroit – Long Point Capital. Ten years ago, Brian Demkowicz, the Managing Partner of my current firm, Huron Capital Partners, recruited me to lead a dedicated sourcing effort to help deploy its third fund, branding and generating deal flow.

**Megan:** Like many people, I acquired some of the qualities and personal traits early on that would direct my career. In my case, I spent my teenage years working for my mother, a special events and wedding planner. I learned to manage multiple activities that progressed simultaneously but independently, and view them as an integrated whole. That's exactly what you have to do during a deal-making process.

I also benefited from the direction of my grandparents. My grandfather was an engineer who always told me to "pay yourself first," and my grandmother was an executive assistant for Mr. Ernst at Ernst & Ernst, which today is Ernst & Young. She helped nurture a lifelong interest in finance – which is what I majored in at the University of Notre Dame.

After college, I entered a two-year training program at KeyBanc Capital Markets. It was an intensive introduction to financial services, but what really caught my interest was an investment banking rotation I went through that had a strong M&A component. I did a lot of pitches, sell-side engagements and fairness opinions – the basic blocking and tackling of investment banking.

After completing the training program, I worked on M&A at KeyBanc for a couple more years as an investment banking analyst. I worked with private equity executives on transactions, and found it attractive because it combined the excitement of deal-making with the satisfaction of investing in companies and becoming a long-term partner with their leadership to generate value for your shareholders.

By the end of my fourth year at KeyBanc, I knew what I wanted to do: Source, develop and execute deals, and then help implement programs to generate value. Resilience was right in my hometown and that was their wheelhouse: Their investment strategy focused on special situations in a variety of deal contexts, and my background lined up with their focus on manufacturing and industrial companies. I joined them as their first female associate.

I have worked at Resilience for a decade. I've closed 18 deals in a variety of industries. I love the cadence of deal execution, from a deep dive on due diligence, to assembling a team of helpful outside professionals, to negotiating key points, to spearheading bank financing, all the while keeping multiple balls in the air at once and driving everything to come together on a set date.

**About Susan Tyson**

*Susan Tyson is Program Director for the 2018 Top 50 Private Equity Firms Awards program. Her responsibilities include the design and execution of the program, management of the email communications and all inquiries from PE firms and prospective sponsors. The interviews were conducted in the first quarter of 2018; the interviewees were selected based on data included in the firm's Top 50 nomination form.*

**Megan Horvath**
Principal

Megan Horvath is a Principal on the investment team at Resilience Capital Partners, which manages in excess of $600 million for a global base of institutional investors. Her responsibilities include investment thesis creation, acquisition searches, investment evaluation, due diligence, deal execution, financing and oversight of Resilience's portfolio companies.

Megan, who became Resilience's first female professional in 2007, has worked on 18 deals in the capital equipment, aerospace, plastics, consumer goods, building products, minerals, business services and industrial manufacturing industries. She has led such transactions as the acquisitions of Luminance (a top provider of lighting solutions) and Diversified Global Graphics ("DG3," a global print and communications services firm). The DG3 acquisition was named Industrials Deal of the Year at the M&A Advisor Annual Turnaround Awards in 2016.

Although much of her focus is on deal-making, Megan also is involved in the management of Resilience's portfolio companies; she serves on the boards of directors of Luminance, DG3, Ohio Basic Minerals and Thermal Product Solutions.

## In Her Own Words

### Gretchen Perkins

Partner, Business Development

Gretchen Perkins is a Partner, Business Development, at Huron Partners, responsible for managing the firm's business development and investment sourcing activities, including outreach to deal professionals such as business brokers, investment banks, attorneys, accountants and consultants.

Gretchen has over 30 years' experience in the finance and business development sectors serving a variety of capital market participants. Prior to joining Huron, Gretchen led the acquisition sourcing efforts at Long Point Capital, a middle market private equity fund. Gretchen also served as Vice President – Business Development for IRN, Inc., a market research firm, and has held senior business development positions at Fleet Capital Corporation and GE Capital Corporation, where she originated and structured senior debt packages for buyouts of middle-market companies.

Gretchen earned a B.B.A. from the University of Michigan. She is a member of the Association for Corporate Growth, Inc. Global Board of Directors, serves on its Executive Committee and is the Board Secretary, Chairs the ACG's Public Policy Committee, is Treasurer for United Cerebral Palsy of Detroit, and a Mentor for the Women of Tomorrow organization which mentors at-risk high school girls.

### Beth Rahn

Vice President and Head of Family Capital

Beth Rahn is Vice President and Head of Family Capital at McNally Capital. Beth manages the firm's network of over 800 family offices, with a focus on harnessing the financial, intellectual and human capital of the family office ecosystem to support McNally's Direct Investing and Merchant Banking efforts.

Prior to joining McNally Capital, Beth worked at Sterling Partners, a small and middle market private equity firm, in an investor relations role. While there, Beth managed relationships with institutional investors and family offices and executed fundraises for a $250 million small market and $1 billion mid-market fund.

Beth received an MBA from the Kellogg School of Management, as well as a BS in Finance and a BS in Business Administration with a concentration in Marketing (with highest honors) from the University of Illinois.

### Helen Steers

Partner

Helen Steers is a Partner at Pantheon Ventures. She leads Pantheon's European primary investment activity and chairs the European Investment Committee. She is also a member of the International Investment Committee and the Co-investment Committee.

Helen joined Pantheon in 2004 from Russell Investments in Paris where she was Managing Director with overall responsibility for private equity in Europe. Prior to joining Russell in 1999, Helen spent five years as Director, European Private Equity with the Caisse de dépôt et placement du Québec. From 1989 to 1994, Helen was a senior investment manager at the Business Development Bank of Canada in Montréal.

Helen received a BA and an MA in Engineering from the University of Cambridge and an MBA from the University of Western Ontario in Canada. In addition to her responsibilities at Pantheon, Helen is a member of the Council and the current Chair of the British Venture Capital and Private Equity Association. Helen is also a co-founder of Level 20, a non-profit organization that has been set up to encourage women to succeed in the private equity industry. Helen is bilingual in English and French and is based in London.

## PE Marketing Trends: The Shift to Differentiation

As the number of firms in the US PE middle-market continues to swell, the need for market differentiation is more important than ever before. Grady Campbell, a leading private equity branding and marketing agency, recently completed a survey of dozens of PE firms in the middle-market. Following are highlights from their responses.

## Which audiences are most influenced by a PE firm's brand? 1 (least influenced) 8 (most influenced)

| Audiences | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Owners / entrepreneurs of target portfolio companies | - | - | - | 15% | 15% | 13% | **30%** | **28%** |
| Investment bankers | - | - | - | 12% | 12% | **24%** | 17% | **33%** |
| Lenders | 2% | 2% | 5% | 12% | 17% | **22%** | **27%** | 12% |
| Limited Partners | - | - | - | 5% | 17% | 17% | **27%** | **34%** |
| Other PE firms | 7% | 5% | 12% | **20%** | **24%** | 12% | 7% | 12% |
| Current and potential employees | - | - | - | 7% | 20% | **29%** | **27%** | 17% |
| Media | 5% | 8% | 10% | **18%** | **30%** | 8% | 8% | 15% |

## What tactics are most effective to market a PE firm?

| | |
|---|---|
| Personal meetings | 74% |
| Website | 58% |
| Conference speaking | 53% |
| News releases | 49% |
| Presentations / pitch books | 44% |
| Media interviews | 33% |
| Search Engine Optimization (SEO) | 26% |
| Printed brochures | 21% |
| e-brochures | 19% |
| Sponsorships | 16% |
| Corporate videos | 14% |
| Social media (LinkedIn, Twitter) | 14% |
| Advertising in local, regional or national publications | 9% |
| Mobile integration / optimization | 9% |
| Brand assessment tool | 7% |
| Microsite | 7% |
| Current portfolio network | 2% |
| Thought leadership | 2% |

58% of surveyed PE firms believe that their website is the most effective option when marketing their firm.

# 58%

## GCI/PE Brand Survey Results

### What best describes your firm?

| | |
|---|---|
| Private equity firm | 77% |
| Investment bank / intermediary / broker | 12% |
| Corporate professional / entrepreneur | 7% |
| Asset management | 2% |
| Other | 2% |

### Why is it important for PE firms to have a strong brand?

| | |
|---|---|
| Attract deals | 93% |
| Reputation | 88% |
| Visibility | 81% |
| Recruiting and retaining talent | 74% |
| Recognition | 44% |
| Reinforce company culture | 35% |

93% of PE firms surveyed believe that attracting deals is the most important reason for building a strong brand.

93%

### Does your firm have a strong brand?

| | |
|---|---|
| Yes | 42% |
| I don't know | 37% |
| No | 21% |

### What are the best ways that a PE firm can build a strong brand?

| | |
|---|---|
| Consistently strong portfolio/returns | 86% |
| Consistent messaging | 74% |
| Build a cohesive firm culture | 70% |
| Conferences | 42% |
| Investor relations | 42% |
| Strategic marketing | 42% |
| Image management | 34% |
| PR | 28% |
| Sponsorships | 19% |
| Advertise in local, regional or national publications | 12% |
| Speaking on panels | 53% |
| Videos | 12% |
| Other | 9% |

### What is the job title of the person who is responsible for your firm's marketing and/or business development?

| | |
|---|---|
| Managing Partner | 13% |
| Partner | 10% |
| Principal | 10% |
| Managing Director | 10% |
| N/A | 3% |
| Other | 55% |

87% of the PE firms surveyed use their website primarily as a brochure for their firm.

87%

### How do you use your website?

| | |
|---|---|
| As a brochure for our firm | 87% |
| To showcase our team | 77% |
| To reinforce our marketing messages | 72% |
| To reinforce our reputation | 52% |
| As a repository for press releases and news | 50% |
| To generate new business | 35% |
| To supplement our fundraising | 12% |
| Other | 5% |

### What is your best source for new business?

| | |
|---|---|
| Investment bankers | 77% |
| Direct from business owners | 57% |
| Brokers | 47% |
| Other PE firms | 15% |
| Limited partners | 7% |
| Other | 5% |

**Grady Campbell Incorporated**

Building Brands, Driving Growth

# Integrated Branding and Marketing Solutions for Private Equity Businesses

For more than 25 years, Grady Campbell has planned, designed and executed integrated branding and marketing services that help Private Equity companies drive growth and create value.


## Customized Websites

We plan, design, build and support websites that give our private equity clients a competitive edge.

## Microsites / eBrochures

Our customized microsites and eBrochures deliver an improved client experience, and provide user data that can be used for follow-up.

## Brand Accelerate

Our Brand Accelerate helps our PE clients assess the brand strength of companies before and after acquisition.

## Videos

Within five years, video will account for 80% of online traffic. We create videos that help PE firms differentiate themselves in the marketplace.

GC knows Private Equity. To learn the value Grady Campbell can deliver to you, visit pe.gcibrands.com, or e-mail pe@gradycampbell.com

## GCI/PE Brand Survey Results

72% of the PE firms surveyed believe that differentiation is their biggest marketing challenge.

72%

### Do portfolio companies value branding?

| | |
|---|---|
| Some | 54% |
| All | 21% |
| I don't know | 21% |
| None | 2% |
| It doesn't matter | 2% |

### What would lead you to re-examine your brand?

| | |
|---|---|
| Competitive activity | 62% |
| Difficulty fundraising | 54% |
| Firm leadership change | 49% |
| Firm crisis | 46% |
| New fund raised | 46% |
| Market trends | 35% |
| Geographic expansion | 27% |
| Other | 8% |

### What are some of your firm's biggest marketing challenges?

| | |
|---|---|
| Need to differentiate | 72% |
| Increased competition | 57% |
| Low visibility | 45% |
| Budget | 25% |
| Unfavorable market trends | 10% |
| Sluggish economy | 5% |
| Other | 5% |

### How frequently does your firm revisit/update your brand (messaging, website, etc.)?

| | |
|---|---|
| Every few years | 57% |
| We never stop | 15% |
| Never | 15% |
| Once a year | 13% |

### Is it important to differentiate?

| | |
|---|---|
| Yes | 94% |
| No | 3% |
| I don't know | 3% |

94% of the surveyed PE firms believe it is imporant to differentiate their firm and their brand.

94%

79% of the PE firms surveyed believe that recruiting and retaining talent is an important reason to have a strong brand.

79%

### What are the best ways that a PE firm can build a strong brand?

| | |
|---|---|
| Consistently strong portfolio/returns | 86% |
| Consistent messaging | 74% |
| Build a cohesive firm culture | 70% |
| Conferences | 42% |
| Investor relations | 42% |
| Strategic marketing | 42% |
| Image management | 34% |
| PR | 28% |
| Sponsorships | 19% |
| Advertise in local, regional or national publications | 12% |
| Speaking on panels | 53% |
| Videos | 12% |
| Other | 9% |

## GCI/PE Brand Survey Results

48% of the PE firms surveyed are investing in social media for marketing purposes.

# 48%

### Has the emergence of social media platforms (LinkedIn, Twitter, Facebook, YouTube, etc.) changed the way you interact with prospects and clients?

| | |
|---|---|
| No | 60% |
| Yes | 29% |
| I don't know | 10% |

### Which social media outlets does your firm use?

| | |
|---|---|
| LinkedIn | 64% |
| None | 33% |
| Facebook | 14% |
| Twitter | 14% |
| Blog on the firm's website | 11% |
| YouTube | 3% |
| Other | 3% |

### What is your experience with social media?

| | |
|---|---|
| Just getting started | 35% |
| Don't use it but would like to | 22% |
| Don't use it because we don't see the value | 16% |
| Don't use it because it's inconsistent with our culture | 14% |
| Use it regularly with great results | 8% |
| Use it regularly but we don't see the value space yet | 5% |

### How much are you currently spending on advertising?

| | |
|---|---|
| Less than $4,999 | 46% |

### How much are you currently spending on branding and marketing?

| | |
|---|---|
| Less than $4,999 | 67% |

17% of surveyed PE firms are investing more than $20,000 in their website over last year.

# 17%

35% of surveyed PE firms are just getting started with incorporating social media into their business.

# 35%

### How much more are you investing in your website over last year?

| | |
|---|---|
| More than $20,000 | 17% |

### Do you intend to spend more on PR in 2018 than the previous year?

| | |
|---|---|
| Yes | 39% |

# Advantaged Investing

HGGC's *Advantaged Investing* approach stems from superior deal flow, disciplined investment choices and aligned interests, complemented by our operational value-add and global network. We are relationship investors with operating backgrounds who seek to partner with founder-owners, management teams and sponsors to build differentiated middle-market businesses in North America and beyond.

HGGC is a leading middle-market private equity firm based in Palo Alto, California that specializes in traditional leveraged buyouts and high growth investments.

| | | | |
|---|---|---|---|
| $17 Billion<br>TOTAL TRANSACTION VALUE | $4.3 Billion<br>CUMULATIVE COMMITMENTS | 62,000<br>PORTFOLIO COMPANY EMPLOYEES | 80<br>PORTFOLIO INVESTMENTS |

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HGGC

## Key Insights from Leading PE Partners

After a record-setting 2017, in terms of both deal value and number of transactions, the US PE middle market is off to a mixed start this year. We spoke with senior partners from four leading PE companies to gain insight to what they see ahead, and to what they're doing to continue to compete.

Included in the interview:

**Walter Florence,** *Partner,* Frontenac

**Richard Lawson,** *CEO & Co-Founder,* HGGC

**Bill Spell,** *Founder & President,* Spell Capital Partners

**Mark Utay,** *Partner,* Clarion Capital Partners

Here's what they had to say:

**Susan:** Where do you see the opportunities for Private Equity today?

**Marc**: Well, it's a very interesting market to invest in. On one hand, it's a market where technology and the implementation and use of technology is really at a scale that we've seldom seen in our investing history. This creates an ability not to just invest in technology businesses, but to invest in how technology can either empower businesses or fundamentally change the way companies do business. If it's a consumer business for instance, how consumers want to do business with brands is evolving quickly. So on the one hand, it's a time of unbelievable opportunity. As the world changes, the consumer changes, businesses change, and people who can take advantage of that change can create businesses of scale in a time frame that would have been almost unimaginable 50 years ago.

The flip side, though, is that this is also one of the scariest times in which to invest because existing business models can be changed by those very same factors that create the opportunity. Therefore, when you look at the kinds of businesses that historically private equity firms might invest in, they have far more risk embedded in them because the world is changing faster than ever. The business attributes that used to provide a degree of downside risk protection, like a brand name, might no longer do so. This dynamic creates both an opportunity and a challenge.

**Rich:** At HGGC, we continue to find attractive investment opportunities in technology and information services, business services and industrial services. We believe that the majority of traditional end markets are being fundamentally disrupted by emerging technologies, and we look for companies that are using technology to re-define the industries where they operate, such as automotive, grocery, retail, healthcare and insurance. There are tremendous investment opportunities to be had if you can successfully identify these businesses and find unique angles to differentiate your firm in their sale processes, particularly in the middle market where value-add initiatives can really fuel growth.

**Bill:** It's a very competitive marketplace. Our strategy has been to specialize and stake out a niche in the PE marketplace. At Spell Capital, our focus is lower-middle market industrial manufacturing buyouts. For us this has been very beneficial and rewarding. A second opportunity is that as technology has advanced and evolved, it has provided for productivity gains. The consequences of this is enhanced cash flows at our various portfolio companies, so that's good. Thirty years ago, when we started Spell Capital, there was just a handful of financing sources, both senior lenders as well as mezzanine. Today there's a plethora of financing sources to consummate transactions. That's a great development. Finally, I would say that the maturing of the market, in terms of deal-flow sources and financial intermediaries really creates opportunities to see a lot of different deals and situations, which allows to effectively specialize and execute a strategy.

**Walter**: My partners and I believe the opportunities in the lower middle market (LMM), which we define as revenues less than $100m, continue to be an attractive area for investment. The data supports it. LMM funds make up approximately 15% of available U.S. private equity dollars but upwards of 95% of U.S. all companies, and PE ownership is still less than 5% of all LMM companies. We've built our firm not only to access these opportunities but to manage the challenges and risks that come with investing in this segment of the market. Private equity as a macro assets class continues to be the leader relative to delivering consistent returns over time, and I think there's a number of different strategies that work.

**Susan:** What would you say are your greatest challenges, short term, long term?

**Rich:** The biggest short-term challenge is fierce competition for assets driving up purchase prices. The market environment has changed drastically over the last few years, and today there is a proliferation of non-bank lenders that have enabled PE firms to effectively borrow well in excess of traditional debt limits. To get away with it, many private equity firms are becoming very creative with using 'juiced' EBITDA metrics, such as pro-forma EBITDA, run-rate EBITDA, cash EBITDA, or a combination of them. These avenues have allowed GPs to borrow in excess of six times leverage. Combine that leverage with an enormous amount of dry powder that exists today in the private equity asset class and the prices of assets are being pushed toward pre-Global Financial Crisis levels. At some point, industry participants have to take a step back and pressure test how PE firms are going to generate attractive returns in a marketplace where investors are forced into underwriting single digit IRRs to win deals.

"...on the one hand, it's a time of unbelievable opportunity. The flip side, though, is that this is also one of the scariest times in which to invest because existing business models can be changed by those very same factors that create the opportunity."

Mark Utay

A long-term challenge faced by almost every PE firm today is how to attract and retain top talent. There is a real generational shift occurring, wherein the people that pioneered and bootstrapped the PE indus-

## Key Insights from Leading PE Partners

try are moving on in their careers and are looking for top investment professionals to assume leadership roles. Many of these PE firms have also just raised funds two or three times larger than their predecessors, as well as new auxiliary products, and need to fill seats. It will be interesting to see how this generational shift unfolds as new leadership teams form and these new groups begin to think about how to retain key individuals. Retention is something that we talk about on a daily basis, and we constantly ask ourselves, "How do we build a 'firm' and not a 'fund'?" I think we have been very successful in growing our people internally, building a culture of accountability and focusing on partnership investing.

**Walter:** There is no question that competition, higher prices, and shorter time intervals to complete due diligence are real challenges in today's market. Longer term, I see those challenges remaining. There's no question that competition, prices, shorter intervals to do due diligence are the challenges that I think everybody talks about and are front and center on our minds. I've been in the industry for 20-plus years, and there's always been competition, and there's always been too much money chasing too few deals. I don't anticipate that will change, so the question is "how do you build resources and assets to compete in the PE environment?"

As long as I've been in the industry, I think everybody looks at it and says, "There's too much money chasing too few deals." I think there's points of intensity and lack of intensity around that, but I think that's a long-term trend in the industry. And everybody looks back and says, "We had it great 10 years ago. It's harder today." And while that may be true, I think it would be wrong to think it wasn't competitive five or 10 years ago. The firms that are doing well have embraced the challenges and established market differentiation and resources that address those challenges.

**Bill**: I think for the short term, it's a very competitive marketplace for finding good investment opportunities. Valuations are very high. And because of the number of intermediaries who are representing sellers, and the number of PE firms in the market, it's driving valuations to historically high levels. So I think that's a concern. The other short-term issue for us, since we specialize in industrial manufacturing transactions, is the challenge of finding skilled labor at our various portfolio companies. It's a very tight labor market. The lack of dependable skilled blue-collar workers will represent a challenge in the future as the economy grows – especially in the more rural areas of the country.

Long-term, I guess the challenge is that as private equity has become a legitimate alternative asset class – the amount of capital is really almost unlimited. There's a lot of folks getting into private equity and I don't think there's enough really good opportunities at reasonable prices to sustain an acceptable risk adjusted rate of return. So there's going to be some fallout in the future as some firms are unable to deliver the kind of returns required to remain viable.

> "The market environment has changed drastically over the last few years, and today there is a proliferation of non-bank lenders that have enabled PE firms to effectively borrow well in excess of traditional debt limits."
>
> Richard Lawson

**Marc**: So the greatest challenge in the short term is just how expensive the market is. When you look at both the private equity market and the public markets, it's not an insightful observation to say that, "We are at the peak of a bull market". It doesn't mean it can't go higher. It doesn't mean that it's going to correct tomorrow. But it does mean that if you look at investing, as private equity does, over a three to five year time period, you have to take into account the fact that you may be selling in a market that has purchase multiples that are lower than they are today.

So the challenge that you have is a macro challenge. It may not be specific to every deal, but on average, investments made in today's public markets, if you look at a five year forward rate of return, are unlikely to be that attractive. If you look at all of the markets over the last 80 years and rank them by how expensive they are using PE ratios and then take the top (most expensive) 10% and look at what the rate of return has been over the next five years, it's typically been zero. And in two thirds of the outcomes, you actually would have lost money. This analysis should be sobering for anybody investing in the markets today, that there's a two thirds chance that overall the market will be lower five years from now than it is today.

Similarly, in private equity we believe the same dynamic exists. The average deal done in this environment which is sold three to five years from now has a decent chance that it will undergo multiple compression, i.e. it will sell for a lower earnings multiple than the one you bought it at. That's very daunting math. So the challenge, if you think about it, is how do you invest in an environment like this one? For instance, the idea of just finding a very good company, paying a very full price, it performs fine, you pay down debt, and then you sell it at the same multiple, and that creates an okay rate of return. The math will not work, however, if you end up selling at a lower multiple than what you paid on the way in. The challenge is to find true organic growth at a reasonable price because it is the growth in earnings that will allow you to maintain enterprise value, and it's the growth rate that will allow you to maintain multiple. But if you don't have growth, you may not maintain either.

The long term challenge, I think, is no different than it's ever been. Sometimes we're in expensive markets. Sometimes we're in less expensive markets. Every once in a while, we're in a cheap market (but hopefully one that wasn't created by an economic collapse). You just have to be able and willing to invest through all parts of the cycle. Albeit from our standpoint, you're going to be more likely to make more investments in markets you find more reasonable, and less investments in markets that you find more expensive. But I don't think the long term challenge in private equity is really different. There's a lot of competition. Generally the competition is pretty smart and well resourced, so you need to create a competitive advantage for yourself in terms of industry knowledge or strategic vision that allows you to differentiate yourself from the firms around you. But that's really as it's always been.

## Key Insights from Leading PE Partners

**Susan:** How do you think the Tax Cuts and Jobs Act is going to affect mergers and acquisitions for PE firms??

**Bill**: Well clearly we've already seen it. Valuations are going to increase and it's going to accelerate an already frothy market. The Tax Cuts and Jobs Act is going to drive valuations higher in the future because the free cash-flow component of these companies will increase and it's going to allow private equity buyers to pay more. The second effect is that it's going to incent folks who were otherwise not sellers to reconsider exiting their business. You're going to see an increasing number of businesses hit the market in the next couple of years. So, I believe that is a positive consequence. And for existing portfolio companies, the enhanced cash flows are going to be very helpful and allow owners to take those cashflow savings that otherwise would have been paid in taxes and invest that in capital equipment, infrastructure improvements, and to invest in their businesses.

> "The firms that are doing well have embraced the challenges and established market differentiation and resources that address those challenges."
>
> Walter Florence

**Rich**: Historically, strategic / corporate acquirers have not been overly aggressive or nimble when competing for assets in the middle market private equity arena. If you think about how the changes in the Tax Cuts and Jobs Act will impact this dynamic, the reality is that strategics / corporates will have fewer taxes and incrementally more cash. I believe that this will allow these acquirers to be far more competitive for assets that many traditional private equity firms have been winning in recent years.

**Marc**: First, it's a little early to tell. I'm not convinced we understand all the implications yet. Near term, I don't believe that the cut in the tax rate will affect us dramatically. An awful lot of our deals are asset deals where we get a step up in tax basis, and therefore we're not a taxpayer in the short term. And so I think there's a modest benefit from the lower tax rate on corporate income, but not a massive difference for us. I think in the short run, the deductibility of interest will not be an issue. But over the long run, particularly when the rule changes five years from now and the deductibility limit is measured against EBIT rather than EBITDA, I think you could begin to see some interest that people pay be non-deductible, particularly if we're in a higher interest rate environment at that time. That would clearly affect returns and multiples, so that's not a good thing.

The second area where it's clear that it will have a very negative impact where there are companies that aren't doing well at that time. So, they started out with a capital structure that made sense and all the interest was deductible, but their earnings declined and they get themselves into trouble, they are actually going to accelerate the financial problems because they're no longer going to get a tax shield. If interest stays the same and the amount of earnings go down, then you reach that percentage cap much quicker.

**Walter**: The most immediate impact has been a spike in billable hours for lawyers and accountants! I mean, one, they tried to simplify it, and I think it's made things complex as opposed to simpler. And the funny thing is, the immediate reaction is we have 10 meetings and 10 emails, lawyers and accountants who have gone through the legislation and are trying to understand it, and I just find it funny. All kidding aside, I am not sure how it impacts the overall industry, but I can say, it will have very minimal impact on our portfolio and our strategy. In some instances, it appears more favorable to structure new deals as c-corps where previously we might have opted for LLC.

**Susan:** We noticed that there were a number of conferences that were starting to use the tax cuts as the main subjects. So it's been interesting with interviewing so many of the PE principals on where they see it's going, so thank you for that.

**Marc**: You may find that the answer is very different for large funds versus small funds, right? Because we don't use as much leverage. Not nearly the same amount of leverage as the mega funds do. And for the mega funds, they're typically buying C-Corps rather than getting a tax step-up, so they're more likely to be taxpayers day one. So it's more important to them than for us.

**Susan:** What tactics does your firm use for increased visibility and improved deal flow?

**Marc**: First and foremost, we are organized by industry group. What we seek to do is rather than react to deals that we're shown by Wall Street, we create investment theses in our industry verticals where we believe that the macro trends support a terrific organic growth rate. And then the challenge for us is to find the right opportunity with the right company, at the right price, given that we think the macro trends are in our favor. The way that we do that is, having identified the trends within our industries, we then build our network in a particular industry sub vertical.

So we go out into the world. We don't wait for an investment bank to send us the book. We do our industry research. We build our network in our industry vertical. Then we use our network to introduce us to companies in the areas that we're interested in. We meet competitors, we meet customers, and we meet suppliers. We gain a rich and nuanced view of the ecosystem within which all of these companies operate. This allows us to develop strong points of view as to who's likely to win on the ground, not in a Wall Street analyst sense, but commercially, who's winning in the marketplace.

And in the course of building our network, we meet a lot of companies. If you think about it, meeting those companies may not be something that's going to lead immediately to a deal. Just because we have a common friend who thought it would be great if we met each other, it doesn't mean they're ready to sell their company or take in some equity capital. But we get to know them. We refer to this as planting a seed and we start to build the relationship. As we build the relationship, at some point there will be a life event which could be that they're ready to retire and don't have kids in the business, they need to do some estate planning, or maybe it's that their largest competitor is now for sale and they'd love to buy them, but they need a partner to go do it.

## Key Insights from Leading PE Partners

What we hope is, at that point, they have gotten to know us well enough, even if they talk to other people, we are their preferred partner for the transaction that comes out of that life event. And so the intent or the strategy of our business is to plant enough seeds over a long enough period of time that it only takes a couple of them to pop in any one year and to turn into a deal.

We have found that this is the best way for us to not only find deals at prices that we find attractive, but candidly also to get to know our potential partners quite well, and know whether or not it's going to be a good partnership between us and them. And that's an incredibly important distinction because the market for auctioning businesses does not give you enough time to really get to know who you're going into partnership with.

In the average auction you get a book that's modestly informative. Then, you put in a first round bid. They open a data room. You go out to a management presentation. Maybe you have a dinner the night before and then a four-hour management presentation. After that, all your interaction with the company is typically through submitting questions in writing to the investment bank. You never really spend a lot of time with the company again, until you've been awarded the deal.

The challenge is, if you think as we do, that in a business sense you're getting married, you're doing so before you get to know the person very well. So the way that we invest gives us an ability to get to know the people, and know that we and they are well suited to each other. There could be wonderful people who you shouldn't marry, and there can be wonderful management teams that are terrific people, but we shouldn't be in business with them. And our process allows us to separate those two. When it works well, which it has quite often for us, we might do a negotiated deal. Or, more often, there's likely to be a process, but at some point because of the existing relationship, we're effectively given a last look and an ability to do the deal.

**Bill:** As a consequence of Spell Capital being in the business for over 30 years, we have over 5,000 unique deal-flow contacts in our database. We're in regular contact with those sources and many of these sources provide us proprietary deal-flow. Second, based on our track record in certain industries -- plastics, capital equipment, various metal fabricating -- we usually get one of the first calls if there is a seller in those specific industry sectors. And finally, one of our managing directors was the recent president of our local ACG chapter. We also participate in various industry conferences, and with 12 investment professionals at the firm we're networking constantly. The result is we've become a well-known player in private equity buyouts.

**Walter**: This is a timely question for us, but it is important to understand it in the context of our strategy. We go to market with our executive-centric approach called CEO1ST to identify, acquire, and build market leading companies through transformational acquisitions and operational excellence. We look for interesting deals, but people and ideas are just as important to our sourcing process. To help drive that effort on a daily basis, last year we hired a Director of Business Development, Teri Gjestvang. With her help we upgraded our CRM tools and improved our internal processes around recruiting and research, enabling our firm to execute the CEO1ST strategy in a more streamlined and effective way.

> "The Tax Cuts and Jobs Act is going to drive valuations higher in the future because the free cash-flow component of these companies will increase and it's going to allow private equity buyers to pay more."
>
> Bill Spell

I think it's important to look at that in the context of our strategy. We go to market through this Executive Center CEO1ST approach, and that's really a sourcing, an underwriting, and a value creation strategy. And to do that effectively, what we've made the decision on is we need to build more process and more resources in the sourcing arena. And so we've added to our team in the last year a new position, a director of business development. And that has really helped us more than we anticipated by giving us process, discipline, and consistency of looking for people, ideas, and deals, and smoothed out some of the peaks and valleys that are natural in the day-to-day lives of investment professionals. I think it's a strategy and a model that others have pursued. We'd like to think ours is tailored more to the needs of our strategy, but fundamentally I think you see the industry's been investing more in business development over the last couple years because of the importance of competing effectively in today's market and seeing all the opportunities.

**Susan: Many PE firms, of course, have a executive operational teams, but it just seems like your CEO1ST program is more process driven and more structured than most.**

**Walter:** We are process and structure driven, because if you're going invest resources you want to try to build a sustainable advantage that delivers consistent results over time. And we believe that comes from great process and execution, as opposed to one-off opportunities where you can afford to be opportunistic. We're all for being opportunistic and getting lucky, but I think to execute well in this competitive environment, I think you have to have a sustained effort against it.

**Rich:** In just over a decade, we have built an organization that is responsible for employing over 62,000 people across the globe, which is perhaps only possible here in America. I believe a large part of our success can be attributed to our approach of treating everyone in our ecosystem like a client. Our ecosystem includes our Limited Partners, lenders, banks, brokers and intermediaries who provide us with the ability to find and sell companies. As an example, our Investor Relations team held over 200 meetings and phone calls with LPs in 2017, which was a year where we were not fundraising! It is just a fundamentally different approach to how you build your firm and its brand. Because of this, among other practices, many of our LPs have labeled our style as "old-school private equity."

Often we find that private equity firms are loose confederations of independent contractors, where everyone holds their relationships close to the vest and try and claim attribution for deals. Rather than succumb to this model, we decided to

## Key Insights from Leading PE Partners

institutionalize our Business Development function from day one to build a better mouse trap. No one partner at HGGC owns a relationship, whether it is a big bank, a middle market bank or broker. We have a dedicated in-house group that is responsible for all deal flow and has helped us evaluate over 4,000 deals. This practice is something that you cannot just decide to institutionalize one day—you have to do it at the outset of a firm for it have a good chance of success. It makes a big difference when you treat your ecosystem participants as clients by visiting them on a regular basis and holding proactive discussions around potential business opportunities.

**Susan:** You referred to "old school PE." Does this structure that you have, is it unique?

**Rich:** We think it is an ethos that not all firms have at their core today, and the practice is not a secret. Back during private equity's infancy, most control buyout deals were done in partnership with existing sellers, regardless if the sellers were other private equity firms, management teams or founders of the businesses. Nine times out of ten, these selling groups would reinvest a significant amount of money to be a minority investor in the deal going forward. That is simply not the case anymore. Many institutional private equity firms today want to own 100% of a business and bring in their operating teams with strict operating principles. They have their own opinion on how a business should be run, and they are going to push their agendas forward. We have chosen to take the artistic route as opposed to this 'assembly line' approach.

Nearly a third of the invested capital in our deals is reinvestment by the sellers who sold us control of their businesses. When your seller is as much a buyer as a seller because they are reinvesting meaningfully in the deal, that is true partnership investing. We have taken this "old-school private equity" approach to not only partner with management teams and founders, but other sponsors as well.

We just bought IDERA from TA Associates, where they were a significant re-investor in the deal, just like we did seven years ago during a billion-dollar partnership deal with Vista Equity Partners, which was a 51/49% equity split. Think about that, seven years ago we were partnering in doing a billion-dollar "old-school private equity" partnership deal, and here we are today doing the same thing. We are still one of the largest investors in our private equity funds, staying disciplined when evaluating deals and finding unique opportunities to partner with sellers who still see the opportunity for value creation with the right financial partner—like HGGC.

**About Susan Tyson**

*Susan Tyson is Program Director for the 2018 Top 50 Private Equity Firms Awards program. Her responsibilities include the design and execution of the program, management of the email communications and all inquiries from PE firms and prospective sponsors. The interviews were conducted in the first quarter of 2018; the interviewees were selected based on data included in the firm's Top 50 nomination form.*

### Walter Florence

Partner, Frontenac

Walter Florence is a Managing Partner at Frontenac Company in Chicago. He shares responsibility for management of the firm and focuses on investments in the business services, food and consumer sectors.

Frontenac focuses on investing in lower middle market buyout transactions in the food, industrial, and services industries. The firm works in partnership with proven operating leaders through an executive-centric approach called CEO1ST, to identify, acquire, and build market leading companies through transformational acquisitions and operational excellence.

Walter is a director of Colorado Timberline, SalientCRGT, Schlotterbeck & Foss, Spice Chain Corporation, Wenner Bread Products and Whitebridge Pet Products. Walter's prior investments and directorships include Mercer Foods, Sigma Corporation, Alfalfa's, Aspire Media, F+W Media, H-E Parts, Health Valley and SI International. Walter joined Frontenac in 1994 from Bear, Stearns & Co. Inc., where he was an Analyst in the investment banking division, and rejoined Frontenac in 1998 after getting his degree at Kellogg.

A Pittsburgh native, Walter graduated cum laude from Dartmouth College and received an MBA with distinction from the J.L. Kellogg School of Management at Northwestern University.

## Key Insights from Leading PE Partners

**Richard Lawson**

CEO and Co-Founder, HGGC

Rich Lawson is the Chief Executive Officer and Co-Founder of HGGC. Based in Palo Alto, California, HGGC is a leading private equity firm with over $4.3 billion in cumulative capital commitments and oversees portfolio companies that employ more than 61,000 employees globally. Over its history, HGGC has completed platform investments, add-on acquisitions, recapitalizations and liquidity events with an aggregate transaction value of over $17 billion. Rich has been involved in all phases of the firm's development since its inception and directs HGGC's firm governance, investment decisions and investor relations.

Rich currently serves or has served as a director or chairman on the boards of HGGC's portfolio companies, including Nutraceutical International Corporation, Denodo, IDERA, etouches, Davies Group, Integrity, FPX, Selligent, Dealer-FX, Survey Sampling International, Serena Software, AutoAlert, MyWebGrocer, hybris Software, Innovative Interfaces and Sunquest Information Systems.

Rich also serves as a director, chairman emeritus or trustee of several philanthropic and cultural institutions including the Capital Impact Foundation, San Francisco Zoo, Wasatch Adaptive Sports and the Forever Young Foundation, the organization that is a primary benefactor of HGGC's carried interest proceeds used to support extensive philanthropic work in children's causes around the world.

**Bill Spell**

Founder and President

Bill Spell is the founder and President of Spell Capital Partners. The firm is located in Minneapolis, Minnesota and manages private equity and mezzanine capital. He has knowledge, experience and deep expertise in the areas of private equity buyouts, mergers and acquisitions, raising capital, and business management.

Bill has served on the Board of Directors of a number of public and private companies, including non-profit organizations. He has a Bachelors of Science from the University of Minnesota and a Master of Business Administration from Carlson School of Management at the University of Minnesota.

**Mark Utay**

Partner, Clarion Capital Partners

Marc Utay is the Managing Partner of Clarion Capital Partners, LLC, an asset management firm in New York City specializing in growth oriented Private Equity.

Prior to launching Clarion, from 1993 to 1999, Marc was a Managing Director at Wasserstein Perella & Co., where he served as Co-Head of the Media, Telecommunications, Entertainment, and Technology Group, the Leveraged Finance Group, and the Retail Group. He was also a member of the firm's Policy Committee. During this period, he led investments in Imax Corporation and All-Clad Holdings, Inc.

From 1991 until 1993, he was a Managing Director at BT Securities in the firm's High Yield and Mergers and Acquisitions groups. From 1990 to 1991, he was the Managing Partner of Kent Capital Partners, a principal investment firm with limited advisory business. From 1983 to 1990, he was a Partner at Drexel Burnham Lambert Inc., in the firm's Mergers and Acquisitions department. From 1981 to 1983, he was a Financial Associate in the Beverage Division of the General Foods Corporation.

Marc graduated from the Wharton School at the University of Pennsylvania with a BS in 1980 and an MBA in 1981.

Boyne Capital Partners | Advertorial

# Forging Lasting Relationships with Company Founders and Families

Boyne Capital Partners is a Florida-based private equity firm investing in lower middle market companies. Founded over a decade ago, Boyne has invested over $300 million of capital in dozens of companies in this space.

Boyne Capital Partners is a 2018 Top 50 PE Company.

Derek A. McDowell *Managing Partner*

## A Different Approach to Investing

While many private equity firms focus narrowly on the financial aspects of a company, Boyne Capital takes a more human approach to investing. One that forges lasting and collaborative relationships with companies whose founders and families are still deeply involved in growing their businesses. One that doesn't mind seeing things from the ground level. And one that ensures the goals set for growth are realistic and achievable. It is this care and commitment to being hands-on, selective, diligent and patient that has led to Boyne's track record of successfully investing in a broad range of industries.

"We view ourselves as value cultivators," says Boyne Capital's Managing Partner, Derek McDowell. "Value cultivation is not defined by the traditional financial metrics of a leverage buyout or private equity investor. Our success comes from being the team that rolls up its sleeves to work with entrepreneurs to help them build their business. We're not particularly good at leverage buyouts, but we are very, very good at leverage buy-ins. We partner with operators who are running businesses that they currently have little or no ownership, but who have the desire to own a significant percentage. We provide the capital and expertise that helps them realize that goal. We're the folks who enable them to buyout prior owners and to match their leadership position with an ownership position."

Boyne's diverse portfolio includes healthcare, agriculture, consumer products, and financial service businesses. Each company within the firm's portfolio includes a strong business model and/or moat to the business, a formidable market share within its niche, and a significant intellectual property or barriers to entry. Boyne's value cultivation and leverage buy-in approach enables shareholders to lead their business as a result of the firm's transaction.

Boyne Capital's diverse portfolio includes healthcare, agriculture, consumer products, and financial service businesses.

## A Culture of Growth

Boyne was founded with a commitment to building collaborative relationships and driving returns through strategic and operational improvement in Boyne's holdings. The firm's mix of investment know-how and operating capabilities provides a deep understanding of the

Boyne Capital Partners | Advertorial

River Boyne, Ireland

needs of entrepreneurial and mid-sized companies and their owners.

According to McDowell, "Our growth culture is what has made us so successful. We believe in a human approach to investing. Through our commitment to inclusivity, innovation, and above all, trust and respect, we've avoided the stereotypical 'command and control' private equity firm and their relationship approach to portfolio investments. We've built a firm that prizes the intrinsic value of the work and the people who work here over the formalities and pretenses of the corporate world. We're a team eager to foster growth and development to recognize each other's successes and promote from within. We're more than just another stepping stone. As a result, we've created an open and supportive workplace of hard-working, highly qualified professionals who care just as much about each other as they do our clients."

"Our growth culture is what has made us so successful. We believe in a human approach to investing."

Derek A. McDowell

## Investment Criteria

Boyne Capital invests through management buyouts, recapitalizations, corporate divestitures, minority growth equity investments and other special situation opportunities by generational transfer in family businesses. Boyne seeks to invest in healthcare, niche manufacturing and financial services industries, niche manufacturers of consumer and industrial products and unique services, and value-added distribution companies. The firm invests in the United States and Canada and seeks companies with up to $100 million with revenues and EBITDA of $2 million to $15 million. The firm does not invest in retail, software, start-ups, real estate, and biotech industries.

Boyne specializes in providing the capital and care necessary to fund corporate growth and facilitate owners' and shareholders' goals. Approximately 60% of the firm's transactions have been recapitalizations of owner operated businesses, with the remainder being corporate divestitures, restructurings or special situation opportunities. Boyne actively seeks add-on acquisitions, innovative go-to market ideas, operational enhancements, and managerial talent to support pro table growth of its portfolio companies. The firm's value cultivation in its partner companies is realized through its capital investment and strategic acquisitions that help expand products lines, open new market channels and expand geographical reach.

Company size is a critical part of Boyne's investment criteria. "You won't see us drifting to invest in or acquire businesses with $500 mm of enterprise value. We live exclusively in the lower-end of the middle market," says McDowell.

## Boyne Capital Partners | Advertorial

"We attract the right people and then apply our resources to help companies realize their potential. Our investment team, while generalists in nature, have expertise in particular verticals, such as healthcare, agriculture, and government contractors. We've developed a reputation with sellers and their advisors for being a partner who will live up to the commitments we make at the time of letter of intent, who will be incredibly fair to employees and who will support the management team rather than install our own operating partners or executives. We're really enablers of others, which is why transactions come to us. As we develop an investment thesis, we are proactive in collaborating with people in those industries to find opportunities.

"By continuing to invest in smaller deals, sticking to the market where we think we can differentiate ourselves, we believe we can generate above average returns."

Derek A. McDowell

"The term 'partner' is critical for us as we seek investment opportunities," says McDowell. "We find companies with founders and families still deeply involved in the care and handing of their businesses. One of our most successful investments to-date was the creation of KBP Foods. We helped grow the company from a 60-unit operator into the largest KFC franchisee in the United States (currently over 500 locations). KBP Foods is a 'soup to nuts' example on how we invest. We developed a strategy that centered around the attractiveness of investing in Quick Service Restaurants during the last recession.

A culture of value cultivation

We spent about 2 years looking for the right opportunity which provided the right combination of brand and leadership teams. We looked at well over 30 different combinations of brands and management teams. During the search, we found Mike Kulp, a 30-year-old operator of a group of franchisees. He owned a single digit percentage of the company and the company's majority shareholder wanted to retire.

We helped Mike buy out the primary shareholder and then roll his ownership in the business forward to become a sizable shareholder alongside of us. We then worked with him in the course of the next 3 years to grow the business through a series of acquisitions from 60 to over 230 units, and helped it scale from 6 million to close to 20 million EBITDA. That was a great success for our investors. It made a really attractive return (over 100% IRR and about 10 times our money) and also positioned the team to find a new group of investors that allowed them to continue to grow to over 500 units."

### Meeting the Challenge

"The genius of private equity is it enables an investor to participate in a great driver of economic growth, employment, and innovation that one can't access through the New York Stock Exchange or NASDAQ," says McDowell. "I think the challenge that comes with that level of growth has been compression of returns. It's driven down to more of a homogeneous asset class where the return expectation and prices come down which ultimately lowers the return the investors are getting from the asset class. This return compression, however, is also where we see the opportunity for Boyne. By continuing to invest in smaller deals, sticking to the market where we think we can differentiate ourselves, we believe we can generate above average returns. "

Boyne raised its first institutional fund in 2017 after having operated on an independent and deal-by-deal basis for the prior decade, which has enabled the firm to expand our team. Boyne is investing in its internal resources through its VP of Talent and Operations Portfolio Team. However, the firm will continue to do more of the same sized deals as opposed to doing larger deals, sticking to its knitting in this segment of the market.

Boyne Capital Partners
2601 S. Bayshore Dr., Suite 1475
Miami, Florida 33133
305.856.9500 | www.boynecapital.com

## PE Trends in 2018

### PE Professionals Remain Optimistic Despite Slow Start to 2018

After a record-setting 2017 in terms of both deal value and transaction volume, the US PE middle-market got off to a slow start in 2018. In the first quarter, 619 middle-market transactions were completed totaling $53.6 billion in deal value – a 17% increase and a 40% decrease, respectfully from a year ago. After totally at least $20 billion each quarter in 2017, UD PE middle-market exit value dropped to $11.9 billion in the first quarter of 2018, according to PitchBook analysts.

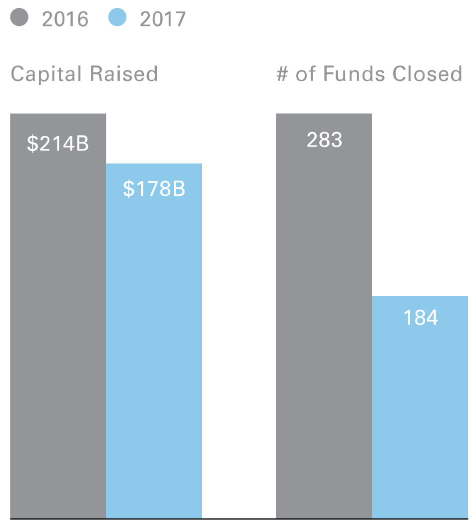
Economic volatility and "dry powder levels" are considered the main factors driving deal flow this year. A heightened focus on improved operations, increased investment of add-on acquisitions, and new deal sourcing are strategies designed to respond to a low-growth, high priced, PE environment.

*Source: PitchBook, US PE Middle Market 2018 First Quarter Report*

### US PE Fundraising

US-based funds raised $62.4 billion in the third quarter of 2017.

$62.4B




Capital commitments continue to flow as private equity firms across the US continue to raise greater amounts of cash across fewer funds. US-based funds raised in the third quarter of 2017 totaled $62.4 billion, the most of any quarter since the second quarter of 2014. However, the number of funds closed in 2017 declined from 283 in 2016, to 184 in 2017.

*Source: PitchBook, October 24, 2017*

### Time To Close

Funds closed in 2017 at a much faster rate than usual.

12.9 Mos.

Average closing time for Buy-Out Funds

11.2 Mos.

Average closing time for all PE Funds

While private equity funds continue to grow in size, PE firms have successfully closed their fundraising at a faster pace than in recent years. In 2017, 921 private equity funds reached a final close, securing just over $453 billion, the largest amount of capital raised in any year. This marks the second consecutive year in which annual fundraising has surpassed $400 billion, a landmark that has only been achieved once previously in 2007/2008. Although 26% fewer funds closed in comparison to 2016, $39 billion more capital was raised by private equity funds closed in 2017.

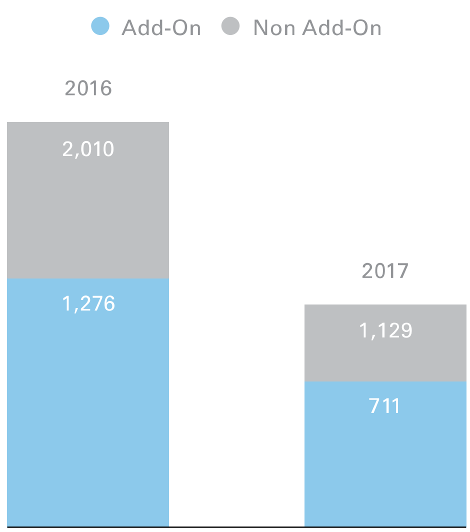
*Source: ValueWalk, February 8, 2018*

## PE Trends in 2018

### Add-on % of US Buyout Activity

Add-ons continue to be the preferred strategy, comprising 64% of all buyout activity in 2017.

64%




Since 2013, the majority of acquisitions in the middle-market have been add-ons to existing companies in PE firms' portfolios. While this proportion reached a peak of 59% in 2015 during the global M&A boom, it has since trended downward to 55% in 2017, but is likely to remain as a dominant strategy in the US. Add-ons provide a way for PE firms to boost revenue and earnings growth in the current environment of low-growth and elevated purchase-prices.

*Source: PitchBook, February 1, 2018*

### Median US PE Fund Size

Through the third quarter of 2017, the median fund size sat at $265 million, higher in any year since 2006.

$265M

The median fund sizes as of March 31 for buyout funds and all private equity funds were $238 million and $252.2 million, respectively. Median fund sizes for buyout funds and all private equity funds at the end of 2017 were $300 million and $275 million, respectively. Those numbers were up from $250 million and $218 million, respectively, at the end of 2016.

*Source: Pensions and Investments, April 8, 2018*

### Deal Sourcing Strategies

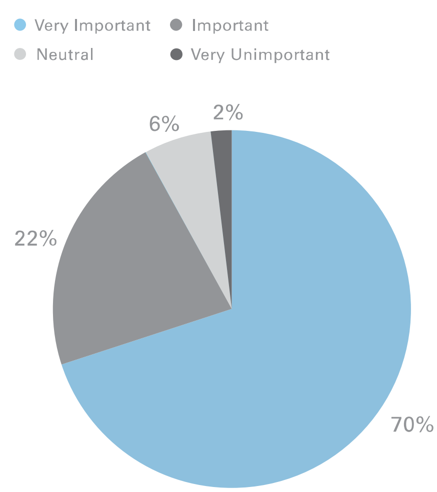
70% of dealmakers surveyed cited their own networks (e.g. personal referrals) as their most important deal sourcing strategy.

70%

Dealmakers cite their own networks as the most important deal sourcing strategy. Industry events and personal research were considered as next in importance. Given that deal sourcing was also cited as one of the greatest obstacles to deal activity in 2018, its safe to say that most mangers will continue to tout their access to proprietary deal flow as being a competitive advantage.

*Source: PitchBook, February 1, 2018*

PE firms weighted the value of personal referrals from "very important" to "very unimportant".



# PE Trends in 2018

## Higher Pricing and Lower Growth

37% of US PE firms are focused on improving operations to compensate for higher pricing and a low-growth market.

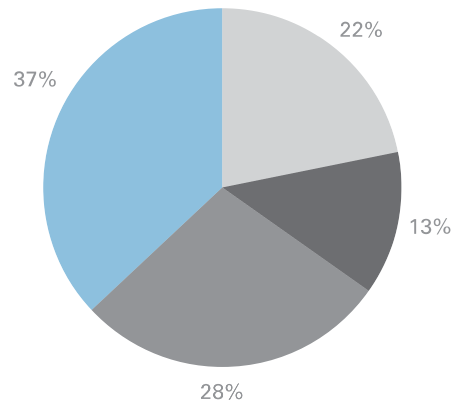
37%

Following a record setting year in terms of lower-middle-market (LMM) activity, this segment is on pace for the slowest year since 2011. With an abundance of dry powder and fierce competition for limited targets, median mid-market M&A EBITDA multiples have risen to their highest level on record, at 10.7x. Rising EV/EBITDA levels and larger deal sizes are contributing to the surge in upper-middle-market (UMM) activity. In fact, 25% of deals and 58% of capital invested in the middle-market comes from the UMM, up from just 14% and 44%, respectively, last year. As the asset class continues to garner significant interest from LPs, successful managers have raised larger pools of capital, enabling them to move up the chain towards larger deals.

*Source: PitchBook, November 14, 2017*

PE firms responded to what their primary focus would be.

- Focus on Operational Improvements
- Focus on New Sectors/Regions
- Increase Use of Add-On Acquisitions
- Developing New Investment Strategies




## Equity Transactions in 2018

69% of PE respondents to a PitchBook survey expect to use more equity in 2018.

69%

PE Dealmakers expect to use more equity in 2018, reflecting ever-increasing valuations and changes in interest deductibility. This trend is specifically significant given the readily available, conversion-light debt financing for most private equity deals. Higher equity contributions could adversely affect PE returns, long-term.

*Source: PitchBook, October 24, 2017*

## Key Drivers of PE Deal Flow

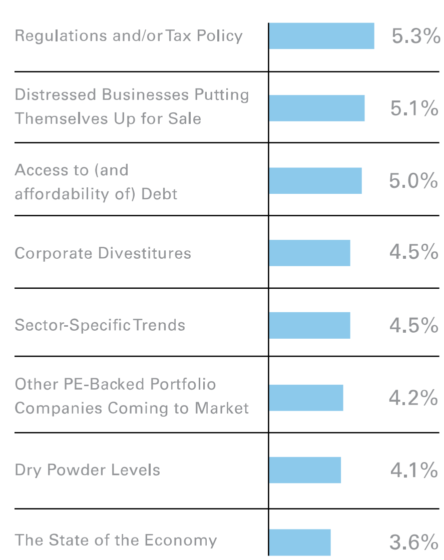
PE managers see changing tax regulations and/or policy as the primary driver of deal flow.

5.3

2017 saw the two strongest quarters for mid-market capital invested since 2015, and activity for the remainder of the year is expected to remain robust. The increase in deal value is primarily a result of a spike in upper-middle-market (UMM) activity (between $500 million and $1 billion in EV), which is driven by the ongoing shift within PE and VC asset classes towards larger deals. Private equity's long-term outperformance of most asset classes is a key driver behind middle-market PE's impressive fundraising.

*Source: PitchBook, November 14, 2017*

Mean of responses by category, ranking in order of importance with "1" as most important, and "9" as least.



# PE Trends in 2018

## Challenges for PE Dealmakers

PE managers ranked "high transaction multiples" and "lack of quality assets in the market" as key challenges in 2018.

4.8

Mean of responses by category, ranking in order of importance with "1" as most important, and "7" as least.

| | |
|---|---|
| Access to Financing | 4.8% |
| Regulatory Environment | 4.1% |
| Political Uncertainty | 4.0% |
| Competition | 3.1% |
| Deal Sourcing/Lack of Quality Assets | 2.9% |
| High Transaction Multiples | 2.3% |

PE respondents to a PitchBook survey ranked "high transaction multiples" and "deal sourcing / lack of quality assets in the market" as the most critical challenges for PE dealmakers in 2018. Not surprisingly, given the prolonged period of low interest rates and continued growth of non-bank lenders in the middle-market, "access to financing" was ranked as the least challenging.

*Source: PitchBook, November 14, 2017*

## US PE-Backed Exits

Corporate acquisitions accounted for only 46% of the exits in 2017, compared to 51% for secondary buyouts.

46%

Corporate Acquisitions

50%.

Secondary Buyouts

While exits via strategic acquisitions declined, secondary buyouts (SBO) constituted 51% of all exit volume— the highest proportion recorded in the dataset. It is likely that PE-to-PE transactions will continue to grow in importance for two reasons: (i) PE firms, flush with capital, are struggling to find deal flow, and (ii) at the opposite end of the investment cycle, PE firms need to find exits as the company inventory continues to age and grow. Despite sliding exit activity, median hold times continued to fall from their post-financial-crisis high of 5.7 years in 2014, when PE firms were forced to hold portfolio companies acquired at elevated multiples until market dynamics recovered.

*Source: PitchBook, October 24, 2017*

Company Profiles

# The Top 50 PE Firms in the Middle Market

Following are company profiles of the 2018 Top 50 Middle Market Private Equity Program winners. These firms were nominated and selected based upon current and historical achievement, growth, significant events, PE-centric innovation, industry contributions and sector leadership.

The Top 50 is comprised of a wide range of firm sizes, from 2-person shops to firms with hundreds of employees; focused on consumer products or industrial; and located across the US and UK.

# 2x Consumer Products Growth Partners

Inception: 2001

Location: Chicago, IL

Focus: Food, beverage, personal care, pet care, home care, and other branded consumer products particularly in the organic/natural, specialty/gourmet, and ethnic sectors

Transaction Types: Growth capital investments

Leadership: Sharon Kieffer (Managing Partner), Andy Whitman (Managing Partner)

Capital: Typical investments per company $2-10 million, although have investments >$20 million

Company Size: 11-50 employees

2x Consumer Products Growth Partners joins with founders and management in building the consumer brands of the future. The firm was founded by industry veterans and former operators and focuses exclusively on emerging consumer brands, not any other industry or stage of business. With more than 400 years of collective experience, 2x Consumer Products Growth Partners provides real operational expertise, valuable contacts and connections, in addition to capital to fuel growth.

The firm typically invests between $2 million and $10 million in rapidly growing companies with revenues between $2 million and $25 million with an expectation of follow-on investments.

HQ: 20 N Upper Wacker Dr, Suite 3120
Chicago, IL 60606

T: 312.357.1800
W: 2xpartners.com

# ABRY Partners

Inception: 1989

Location: Boston, MA

Focus: Fintech, including cloud computing, data center services, satellite communications, communications infrastructure, healthcare technology, consumer and business-to-business publishing, wireless communications, etc.

Leadership: Jay M. Grossman (Managing Partner and Co-Chief Executive Officer), Peggy Koenig (Managing Partner and Co-Chief Executive Officer), Royce G. Yudkoff (President and Co-Founder), Andrew Samuel Banks (Co-Founder and Chairman), Debbie Johnson CPA (Chief Financial Officer and Chief Administrative Officer)

Company Size: 11-50 employees

Founded in 1989, ABRY Partners, LLC, is a Boston based PE firm specializing in late stage; total buy-outs of financial investors, families, publicly-traded or strategic owners; acquisition roll-ups, platform acquisitions; leveraged buyouts; industry consolidations; add-on acquisitions; senior debt, generally first or second-lien bank debt, mezzanine, recapitalizations, turnaround; middle markets, and growth capital investments in the financial technology sector – cloud computing, data center services, satellite communications, communications infrastructure, healthcare technology, consumer and business-to-business publishing and wireless communications to name a few. ABRY investments are primarily in North America and Europe, for a period between three and seven years.

HQ: 888 Boylston St, Suite 1600
Boston, MA 02199

T: 617.859.2959
W: abry.com

## Company Profiles

### Advantage Capital

Inception: 1992

Location: New Orleans, LA

Focus: Low income communities that support state and local economic development efforts; seeks to invest in rural businesses involved in the production, processing and supply of agricultural products

Transaction Types: Senior or mezzanine debt, subordinated loans, government-guaranteed lending, business capital for investments

Leadership: Steven Stull (Founder, President and Chief Executive Officer), M. Scott Murphy CFA (Managing Director and Chief Investment Officer), Michael Johnson J.D. (Managing Director and Chief Compliance Officer) Damon Laird Rawie (Managing Director), Maurice Doyle J.D. (Managing Director)

Company Size: 51-200 employees

Founded in 1992, Advantage Capital Partners is a venture capital firm that focuses on small businesses and specializes in lending, growth equity, and mezzanine debt capital investment for companies at all stages of development. Advantage provides debt capital in the form of senior debt, mezzanine debt, subordinated loans, government-guaranteed lending, business capital for investments and loans in underserved areas, and equity capital to real estate development firms and real estate projects. Advantage is based in New Orleans with additional offices across the United States. The firm has investments throughout the United States.

HQ: 909 Poydras Str, Suite 2230
New Orleans, LA 70112

T: 504.522.4850
W: advantagecap.com

### AGI Partners

Inception: 1996

Location: New York, NY

Focus: Lower middle market; private equity and special opportunities

Transaction Types: Recapitalizations and buyouts, growth equity investments, family and generational transitions, and industry consolidations

Leadership: David Acharya, Shaun Gordon, Robert A. Kennedy, III, Michael O'Sullivan and Matthew Robinson, CFA (Partners)

Company Size: 1-10 employees

AGI Partners has a broad and flexible mandate. It follows a sector-agnostic approach for selecting private equity investments in businesses with revenues ranging from $20M to $50M and also invests in special situation opportunities across the corporate capital structure.

Three main tenets help the firm find opportunities across its private equity universe – collaborative partnerships with management, a focus on businesses with competitive advantage and an emphasis on capital preservation. Guided by this philosophy, the firm further uses a C-Suite Partnership platform to augment its capabilities and work collaboratively with management teams to develop long-term growth strategies and efficient execution capabilities.

HQ: 419 Park Ave S, Suite 704
New York, NY 10016

T: 212.940.6642
W: agi-llc.com

### Akoya Capital Partners

Inception: 2005

Location: Chicago, IL

Focus: US middle market; specialty chemicals, consumer foods, professional information services, consumer products, industrial products and industrial distribution

Leadership: Jim Appleton (Managing Partner) and Max DeZara (Founder and Managing Partner)

Company Size: 11-50 employeess

Named after the lustrous pearl, Akoya Capital creates and nurtures partnerships between management and capital. It does this largely through sector-focused leadership; each industry in which it invests is led by a former operating CEO with deep domain experience. This provides business owners with expert advisors who speak their language.

For platform investments, Akoya seeks companies with the following attributes: $20M to $200M revenue; minimum $3M EBITDA; US headquarters; private (typically family) ownership; additional resources needed to overcome growth-related constraints; and significant earnings growth potential. In addition to its sector leaders, the company relies on investment thesis development as well as transaction and operations expertise to create value for its portfolio companies.

HQ: 625 N Michigan Ave, Suite 2450
Chicago, IL 60611

T: 312.546.8302
W: akoyacapital.com

## Company Profiles

# Alliance Consumer Growth

Inception: 2011

Locations: New York, NY and Los Angeles, CA

Focus: Emerging high-growth consumer companies

Leadership: Josh Goldin, Trevor Nelson and Julian Steinberg (Managing Partners)

Company Size: 1-10 employees

Alliance Consumer Growth's (ACG) founding partners recognized a unique opportunity when they launched the firm. They saw a lack of capital and first-class professional support for emerging consumer products companies and decided to bridge the gap.

Adept at identifying promising brands, ACG accelerates growth at portfolio companies by providing capital, partnership, access to industry advisors, and close relationships with strategic buyers. Its recipe for success involves seeking investments in innovative, high-growth companies with revenues between $5M and $50M+, strong and sustainable gross margins, exceptional entrepreneurs and management teams, differentiated products and brands, passionate consumers, and loyal retail partners.

HQ: 654 Madison Ave, 9th Floor
New York, NY 10065

T: 212.940.9631
W: acginvestors.com

# American Industrial Partners

Inception: 1991

Location: New York, NY

Focus: Middle market; private equity and special situations; manufacturing and industrial services

Transaction Types: Leveraged buyouts, structured preferred equity investments, equity bridging transactions, senior debt, structured transactions debt with warrants, complex carve-outs, public to private, turnarounds and rescue financings

Leadership: John Becker, Dino Cusumano and Kim Marvin (Sr. Managing Partners)

Capital: $4B since inception across six funds

Company Size: 11-50 employeess

American Industrial Partners (AIP) benefits from a long track record investing in operationally-oriented industrial businesses. The firm is over 25 years old, and its team has been investing in private equity since 1989. This tenure has cultivated advanced operating, technical and financial knowledge, which the firm uses to identify opportunities and design operating strategies.

To identify platform investments, the firm looks for the following company characteristics: manufacturing or industrial businesses with B2B sales, $200M+ revenue, global scope with significant US or Canadian operations, and enterprise value of up to $1.5B. Its long tenure in the business has also earned AIP a large and diverse capital base, including many leading, global institutional investors.

HQ: 330 Madison Ave, 28th Floor
New York, NY 10017

T: 212.627.2360
W: americanindustrial.com

# Ares Management

Inception: 1997

Locations: Los Angeles, CA; New York, NY; Chicago, IL; Dallas, TX; Atlanta, GA; San Francisco, CA; Washington D.C.; Boston, MA; London, Paris, Frankfurt, Stockholm, Luxembourg, Hong Kong, Shanghai, Chengdu, Dubai and Sydney

Focus: Global alternative investments; credit, private equity and real estate Private Equity

Leadership: David Kaplan and Bennet Rosenthal (Directors/Co-Founders/Partners/Co-Heads)

Capital: $99B AUM; $25B private equity

Company Size: 501-1000 employees

Ares Management has enjoyed significant expansion and diversification since it was founded in 1997. Founded by a veteran team to invest in leveraged loans, high yield bonds, private debt and equity, and other types of investments, the firm now manages almost $100B, employs over 900 professionals and has offices across the US, Europe and Asia.

Even on its own, Ares private equity business has significant scale, which was further enhanced in 2015 with the acquisition of Energy Investors Funds, a leading US power and energy asset manager. The private equity team also focuses on corporate private equity and special situations and benefits from flexible capital and the broad resources of the Ares Management platform.

HQ: 2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

T: 310.201.4100
W: aresmgmt.com

## Company Profiles

# Arlington Capital

Inception: 1999

Location: Chevy Chase, MD

Focus: Invests in private companies and divisions of larger businesses located in the United States

Transaction Types: Leveraged buyout and recap investments

Leadership: Jeffrey H. Freed (Co-Founder and Managing Partner), Deneshea L. Phelps CPA (CFO & Chief Compliance Officer), Michael H. Lustbader (Managing Partner), Matthew L. Altman (Managing Partner), Peter M. Manos (Managing Partner)

Company Size: 11-50 employees

Arlington Capital Partners specializes on leveraged buyout and recapitalization investments in middle market companies and targeted growth industries. The firm seeks to invest in media and information services, education and training, telecommunication services, business and government services, energy, software and information technology, manufacturing, aerospace and defense, engineering services, and healthcare services.

Arlington Capital Partners prefers to invest in private companies and divisions of larger businesses located in the United States. The firm is looking invest $20M to $80M of equity per company, either at the initial acquisition or over time through add-on investments.

HQ: 5425 Wisconsin Ave, Suite 200
Chevy Chase, MD 20815

T: 202.337.7500
W: arlingtoncap.com

# AUA Private Equity Partners

Inception: 2012

Location: New York, NY

Focus: Lower middle market; consumer, media and business services; family-owned or companies benefiting from growth of US Hispanic population

Transaction Types: Leveraged buyouts / management buyouts, buy-and-build / roll-up strategies, growth equity and recapitalizations

Leadership: David Benyaminy (Partner), Steven Flyer (Partner) and Andy Unanue (Managing Partner)

Capital: $275M current AUM

Company Size: 1-10 employees

Founded by the former COO of Goya Foods, the most successful Hispanic-owned food company in the US, AUA benefits from real-life experience operating family-owned businesses. It also recognizes the tremendous opportunity afforded by US Hispanic population growth.

The firm invests in companies with over $5M EBITDA and between $25M and $250M of enterprise value using the following criteria: stable and recurring cash flows, attractive growth prospects, strong product or service, sustainable competitive advantages or barriers to entry, well-positioned for demographic trends, strong and committed management, and ability to expand or enhance brand or market presence. The firm is also uniquely focused on ESG principles and empowering minority and women business owners.

HQ: 666 Fifth Ave, 27th Floor
New York, NY 10103

T: 212.231.8600
W: auaequity.com

# Blackford Capital

Inception: 2000

Location: Grand Rapids, MI

Focus: US and Canada lower middle market; low-tech manufacturing, distribution and services

Transaction Types: Majority-control equity investments

Leadership: Jeff Johnson (Managing Director) and Martin Stein (Founder and Managing Director)

Capital: $650M since inception

Company Size: 11-50 employees

Led by its clear-cut corporate values, which emphasize execution, relationships, excellence and transparency, Blackford has grown its workforce from four to 16 employees since 2010 and currently owns and oversees nine portfolio companies with combined revenues of approximately $225M.

The firm seeks to distinguish itself from other private equity firms by its extensive deal sourcing process, disciplined investment criteria and rigorous business model reconfiguration. Blackford is also uniquely focused on the Michigan economy. One of its two practice areas, the Michigan Prosperity Fund, invests exclusively in businesses that are either headquartered or have significant operations within the state.

HQ: 190 Monroe Ave NW, Suite 600
Grand Rapids, MI 49503

T: 616.233.3161
W: blackfordcapital.com

## Company Profiles

# Blue Sage Capital

Inception: 2003

Location: Austin, TX

Focus: US lower middle market

Transaction Types: Growth, recapitalization and buyout financings

Leadership: Peter Huff and Jim McBride (Founders/Managing Members)

Capital: $200M current AUM across two funds

Company Size: 1-10 employees

Like its indigenous Texas wildflower namesake, Blue Sage Capital is positioned to succeed even in the toughest conditions. The company invests across a wide range of industries, offers flexible investment structures and takes a long-term approach. Although industry generalists, the investment team looks for companies with several specific criteria, including between $3M and $12M in EBITDA, current or potential market leadership, proven business models, strong reoccurring cash flow, and demonstrated growth potential.

The firm also tends to favor founder-owned businesses. However, regardless of ownership-type, Blue Sage places a strong emphasis on its relationships with management, which it supports through strategic guidance, supplementary analyses, and a network of operating partners and consultants.

HQ: 114 W. 7th St, Suite 820
Austin, TX 78701

T: 512.536.1900
W: bluesage.com

# Boyne Capital Partners

Inception: 2006

Location: Miami, FL

Focus: US and Canada lower middle market

Transaction Types: Management and shareholder buyouts, recapitalizations, corporate divestitures, add-on acquisitions and growth capital

Leadership: Derek A. McDowell (Managing Partner) and Adam Herman (COO)

Company Size: 11-50 employees

Boyne Capital is particularly interested in opportunities that allow it to add strategic value beyond capital. Add-on acquisitions, product line creation, direct cost reduction and offshore sourcing are prime examples. The firm has wide latitude to search for such opportunities, as it considers investments across most industries in companies with revenue of $10M to $100M.

Although an industry generalist, Boyne prioritizes certain investment themes and sectors of interest. Currently, examples include healthcare, water infrastructure, agriculture, energy efficiency, liquid waste/oil processing, government services and niche manufacturing. The firm also specializes in recapitalizations of owner-operated businesses, which have represented over half of its transactions.

HQ: 2601 S. Bayshore Dr, Suite 1475
Miami, FL 33133

T: 305.856.9500
W: boynecapital.com

# Bruckmann, Rosser, Sherrill (BRS)

Inception: 1995

Location: New York, NY

Focus: Mature, middle market, later stage, turnaround, and emerging growth companies

Leadership: Stephen C. Sherrill J.D. (Co-Founder and Managing Director), Bruce C. Bruckmann J.D. (Co-Founder and Managing Director), Duwain Robinson CPA (Chief Financial Officer), Thomas J. Baldwin (Managing Director), Nicholas R. Sheppard (Managing Director)

Capital: $1.2 billion

Company Size: 11-50 employees

Bruckmann, Rosser, Sherrill (BRS) specializes in investments in mature, middle market, later stage, turnaround, and emerging growth companies. The firm invests in consumer products and services, commercial products and services, specialty retail, restaurants, and healthcare sectors. The founding partners had previously worked together as executives of Citicorp Venture Capital since 1983. BRS has raised approximately $1.2 billion since inception across three funds. The firm seeks to exit its investments through a public offering, private sale, or a recapitalization.

In the restaurant sector, BRS's notable investments have included Au Bon Pain, Bravo Cucina Italiana, and California Pizza Kitchen. The consumer products space includes notables such as AMF Bowling, B&G Foods, Remington Arms, and Totes.

HQ: 126 E 56th St, 29th Floor
New York, NY 10022

T: 212.521.3700
W: brs.com

## Operational Expertise
## Global Capabilities
## Conservative Capital Structures

Pfingsten is committed to creating value by implementing operational improvements and sustainable professional management practices, and by providing access to global markets and resources. We invest a minimum of 50% equity in the capital structure of each portfolio company, giving our management teams the flexibility to build better businesses.

PFINGSTEN

Building Better Businesses

## Company Profiles

# CapX Partners

Inception: 1999

Location: Chicago, IL

Focus: Debt financing to growing small and medium sized businesses

Leadership: Angela R. Kuna CPA (Director of Finance), Peter W. Washington (Director), Jeffry S. Pfeffer (Investment Professional), Eric D. Starr (Investment Professional), Richard C. Bollinger CPA (Investment Professional)

Company Size: 11-50 employees

CapX Partners is private equity and venture capital firm that provides debt financing to growing small and medium sized businesses. CapX invests in manufacturing, distribution, energy, healthcare, food and beverages, transportation, service and technology industries. The firm prefers to invest $2M to $20M in its portfolio companies, which are based in the United States. CapX typically exits its investments within five years. In 2017, CapX Partners joined the Accord Financial family of companies as Accord CapX, LLC.

HQ: 155 N Wacker Dr, Suite 1760
Chicago, IL 60606

T: 312.893.7400
W: capxpartners.com

# CCMP Capital Advisors

Inception: 2006

Locations: New York, NY; Houston, TX, and London, UK

Focus: Consumer, retail, and services; media and telecom; industrial; energy; healthcare infrastructure; and financial services sectors

Transaction Types: Leveraged buyout and growth capital transactions in upper middle market and early venture, mid ventures, late ventures companies

Leadership: Timothy J. Walsh (President, CEO and Head of Industrials), Christopher C. Behrens (MD & Head of Investor Relations), Jonathan R. Lynch (Managing Director), Kevin G. O'Brien (Managing Director), Ryan A. Anderson CPA (Managing Director)

Company Size: Less than 50 employees

CCMP Capital Advisors focuses on leveraged buyout and growth capital transactions in upper middle market and early venture, mid ventures, late ventures companies. Formerly known as JP Morgan Partners, Chase Capital Partners, and Chemical Venture Partners, in 2006, 2000, and 1984 respectively. The firm invests in consumer, retail, and services; media and telecom; industrial; energy; healthcare infrastructure; and financial services sectors.

CCMP makes investments in North America, Europe, and Asia, and typically invests $100M to $500M. Aramark, Cabela's, and Pinnacle Foods are among CCMP's investments.

HQ: 277 Park Ave, 27th Floor
New York, NY 10172

T: 212.600.9600
W: ccmpcapital.com

# Clarion Capital Partners

Inception: 1999

Location: New York, NY

Focus: Lower middle market in business services, healthcare services, media and entertainment, specialty financial services, consumer products, and specialty retail

Leadership: Marc A. Utay (Managing Partner), Janice W. Chan CPA (Chief Financial Officer), Douglas K. Mellinger (Managing Director and Head of Marketing), Jonathan M. Haas (Managing Director), Eric D. Kogan (Partner)

Company Size: 11-50 employees

Clarion Capital Partners makes primarily control investments in a diversified portfolio of lower middle market companies.
The firm was purposefully built to seek long-term outperformance for the entrepreneur partners and investors. Clarion focuses on growth companies in industries such as business services, healthcare services, media and entertainment, specialty financial services, consumer products, and specialty retail.

Clarion seeks to invest in lower middle market companies that have long-term growth characteristics but are temporarily undervalued in the range of $15M to $50M, with enterprise values of $50M to $200M.

HQ: 527 Madison Ave, 10th Floor
New York, NY 10022

T: 212.821.0111
W: clarion-capital.com

## Clearview Capital

Inception: 1999

Locations: Stamford, CT; Los Angeles, CA and Chicago, IL

Focus: US and Canada lower middle market; business services, healthcare services, manufacturing and specialized distribution (sectors of interest)

Transaction Types: Ownership transition for closely-held or family-owned companies, recapitalizations and leveraged build-ups, management buyouts and corporate divestitures

Leadership: James G. Andersen and Calvin A. Neider (Managing Partners/Founders)

Capital: $645M since inception across three funds

Company Size: 11-50 employees

Clearview Capital clearly understands its value-add. Rather than involving itself in portfolio companies' day-to-day operations, the firm adds value through financial and human capital. It has experience across a range of industries but is particularly focused on companies with $3M-$15M EBITDA within the business services, healthcare, industrial services, manufacturing and specialized distribution realms.

It further looks for companies with a history of profitable growth, strong sustainable competitive position, management team seeking to remain at the acquired business and favorable growth prospects. Of further note is the company's demonstrated commitment to business partners; it never invests in securities with preference over management's direct investments and commits personal capital alongside that of other investors.

HQ: 1010 Washington Blvd, 11th Floor
Stamford, CT 06901

T: 203.698.2777
W: clearviewcap.com

## Frontenac Company

Inception: 1971

Location: Chicago, IL

Focus: Lower middle market; food, services and industrial

Leadership: Paul D. Carbery and Walter C. Florence (Managing Partners)

Capital: $1.5B since inception across 10 funds

Company Size: 11-50 employees

Frontenac has an impressive tenure and distinctive strategy. The company was founded more than forty-five years ago with the simple but profound premise that people drive business results. It embodies this core philosophy through its CEO1ST Investing platform, which matches operating executives with high-potential companies.

The program was initiated 20 years ago and has resulted in lasting relationships; Frontenac has partnered with several executives multiple times. Leveraging this network, the company seeks to invest in companies with $3M to $20M of EBITDA in the food, services and industrial industries; has made over 200 investments since inception; and benefits from a large investor base of over 60 families and institutions.

HQ: 1 S Wacker, Suite 2980
Chicago, IL 60606

T: 312.368.0044
W: frontenac.com

## Frontier Capital

Inception: 1999

Location: Charlotte, NC

Focus: Lower middle market; high growth software and tech-enabled business services

Transaction Types: Growth capital, acquisitions and shareholder liquidity

Leadership: Andrew Lindner and Richard Maclean (Managing Partners)

Company Size: 11-50 employees

Culture is prioritized at Frontier. Since its founding, the company has sought to create a unique type of firm – one with personality and soul. It has a well-defined set of values, such as humility and open communication, which guide its actions and have helped it earn national recognition as a leader in growth capital for technology companies.

The company looks for B2B software and services companies at an inflection point, where growth capital can produce substantial shareholder value, and has been doing so since the dot-com era when many such firms were neglected. Specifically, it is interested in the following company characteristics: revenue of $10M to $30M, recurring revenue business models, 20%+ annual revenue growth, and middle market or large enterprise customer bases.

HQ: 525 N Tryon St, Suite 1900
Charlotte, NC 28202

T: 704.414.2880
W: frontiercapital.com

## Company Profiles

# Gridiron Capital

Inception: 2006

Location: New Canaan

Focus: Middle market; niche manufacturing, business service and specialty consumer products

Leadership: Thomas A. Burger, Jr. and Eugene P. Conese, Jr. (Managing Partners/Founders)

Company Size: 11-50 employees

With an investment team containing previous family business owners and executives, Gridiron Capital understands firsthand the challenges and opportunities faced by business owners and managers. As such, the company closely collaborates with management teams to establish shared business visions and moves quickly and completely to make investments.

It looks for companies that are also driven to execute mutual business goals and that meet a number of other criteria, including but not limited to the following: historical EBITDA of $8M to $50M; margins in excess of 10%; clear competitive advantage; closely-held ownership seeking transition; and corporate divestitures of orphaned or non-strategic divisions leading to significant management equity ownership.

HQ: 220 Elm St
New Canaan, CT 06840

T: 203.972.1100
W: gridironcapital.com

# HCAP Partners

Inception: 2000

Location: San Diego, CA

Focus: Lower-middle market companies throughout California and the Western United States

Transaction Types: Deal origination, deal structuring and assisting companies to enhance performance in the areas of financial results and work/life quality

Leadership: Morgan L. Miller Jr. (Founder, Managing Partner, and Partner), Kurt D. Noyes CPA (Chief Financial Officer), Tim Bubnack (Managing Partner and Partner), Hope Mago (Principal & Partner), Frank Mora (Partner and Principal)

Company Size: 2-10 employees

HCAP Partners, formerly Huntington Capital, is a provider of growth capital to lower-middle market companies throughout California and the Western United States. Established with a vision to stimulate the economic well-being of communities while seeking to generate above-market rate returns, the firm has been recognized as a leader in the emerging area of debt and equity “impact” funds.

HCAP Partners is known for its expertise in deal origination, deal structuring and assisting companies to enhance performance in the areas of financial results and work/life quality. The firm typically invests between $1M and $9M in its portfolio companies, with enterprise value between $10M and $ 60M.

HQ: 3636 Nobel Dr, Suite 401
San Diego, CA 92122

T: 858.259.7654
W: hcapllc.com

# The Heico Companies

Inception: 1979

Location: Chicago, IL

Focus: Specializes in buying distressed companies and turning them around

Leadership: E. A. Roskovensky (Chief Executive Officer and President), Richard O. Dentner (Executive Vice President of Operations)

Capital: Generates more than $2B in revenues

Company Size: 5,001-10,000 employees

The Heico Companies, formerly known as Heisley Investments, is a venture capital and private equity firm that specializes in buying distressed companies and turning them around. The firm, which typically invests for the long haul, owns interests in over 40 companies in North America, Europe, and Asia. It holds interests in businesses in a variety of industries including aerospace, steel wire products, pre-engineered metal buildings, heavy equipment, telecommunications, plastics, food production, commercial construction and material handling equipment.

The Heico Companies has remained a privately held company since its creation and maintains a majority ownership in each of its operations, which generate more than $2B in revenues.

HQ: 5600 Three First National Plaza
Chicago, IL 60602

T: 312.419.8220
W: heicocompanies.com

# HGGC

Inception: 2007

Locations: Palo Alto, CA; West Palm Beach, FL; Salt Lake City, UT; Foxborough, MA

Focus: Leveraged buyout transactions and growth capital investments in middle-market companies

Leadership: Richard F. Lawson Jr. (Co-Founder, Managing Director, and CEO), Robert C. Gay Ph.D. (Co-Founder, Executive Director & Senior Advisor), Jon Meade Huntsman Sr. (Co-founder), J. Steven Young J.D. (Co-Founder and Managing Director), Gregory M. Benson (Co-Founder and Managing Director)

Company Size: 10,001+ employees

HGGC, originally H&G Capital Partners, is an equity investment firm focusing on leveraged buyout transactions and growth capital investments in middle-market companies. With headquarters in Palo Alto, the firm has offices throughout the United States. HGGC seeks to invest in business services, manufacturing, consumer products, financial services, healthcare, industrial services, chemicals, infrastructure, information services, software, and technology sectors, primarily in North America and select international opportunities. The firm typically invests $25M to $125M in companies with revenues ranging from over $100M to $1B.

HQ: 1950 University Ave, Suite 350
Palo Alto, CA 94303

T: 650.321.4910
W: hggc.com

# Huron Capital Partners

Inception: 1999

Location: Detroit, MI

Focus: US and Canada lower middle market; specialty manufacturing, consumer products and services, and business services

Transaction Types: Management buyouts, corporate carve-outs, recapitalizations, family successions and industry market-entry strategies

Leadership: Michael Beauregard (Senior Partner), Brian Demkowicz (Managing Partner and Co-Founder), John Higgins (Senior Partner) and Pete Mogk (Senior Partner)

Capital: $1.1B since inception

Company Size: 11-50 employees

Whether through its Flex Equity offering, which allows business owners to maintain majority ownership positions, or proprietary ExecFactor® program for its network of operating executives, Huron Capital demonstrates an unwavering commitment to its business partners. This commitment is further demonstrated by a candid, focused and efficient investment process. The company only invests where the fit is right, targeting approximately three to four larger platform investments each year, and dedicates significant resources upfront.

The right fit for Huron includes companies with more than $5M EBITDA, committed and passionate management teams, inherent franchise value, identifiable operating improvements and growth opportunities, solid long-term industry fundamentals, and stable, non-cyclical earnings.

HQ: 500 Griswold St, Suite 2700
Detroit, MI 48226

T: 313.962.5800
W: huroncapital.com

# Incline Equity Partners

Inception: 2011

Location: Pittsburgh, PA

Focus: US and Canada middle market growth; value-added distribution, specialized light manufacturing and business services

Transaction Types: Buyouts, corporate divestitures, minority recapitalizations

Leadership: Wali Bacdayan, Justin Bertram, Jack Glover and Leon Rubinov (Partners)

Capital: $1.4B since inception

Company Size: 11-50 employees

Incline Equity specializes in transformative growth. It looks for entrepreneurial businesses and uses a creative, forward-looking approach to help convert them into sophisticated enterprises. To get there, it focuses on three main strategic areas – operational improvements, M&A strategy, and talent and resource development – which have contributed to its portfolio companies achieving an average 14%+ compound annual EBITDA growth rate.

The team is specifically focused on busnesses with between $50M and $200M in enterprise value, $8M to $35M in EBITDA and a number of other industry-specific characteristics. Incline also emphasizes the use of data and information feeds to help inform its growth process.

HQ: 625 Liberty Ave
Pittsburgh, PA 15222

T: 412.315.7800
W: inclineequity.com

Company Profiles

## Industrial Growth Partners

Inception: 1997

Location: San Francisco,CA

Focus: Middle market; industrial manufacturings with focus on engineered products

Transaction Types: Privately-owned recapitalizations, corporate divestitures, private equity-owned companies, growth financings, and co-operative divestitures

Leadership: Matthew P. Antaya, Robert M. Austin, Michael H. Beaumont, Matthew L. Brennan, Daniel L. Delaney, David M. DiFranco, Mattson Fernandez, Eric D. Heglie, Samuel L. Hurster, John G. Parent, Gottfried P. Tittiger, Vineet P. Varma, Jeffrey M. Webb, Micah K. Wickersheim

Capital: $2.2B since inception

Company Size: 11-50 employees

Industrial Growth Partners has a clear focus and approach. It builds global, market-leading manufacturing companies by partnering with existing management and by leveraing its deep pool of operating and strategic resources. It invests in companies with the following characteristics: niche manufacturing or industrial services businesses, strong market positions, history of profitability, revenue of up to $250M and platforms headquartered in the US or Canada (no geographic limits on add-ons).

The firm enjoys a blue-chip investor base, including many leading foundations, endowments, trusts and pension plans, and believes a more conservative capital structure is a key ingredient to unlocking long-term shareholder value.

HQ: 101 Mission St, Suite 1500
San Francisco, CA 94105

T: 415.882.4550
W: igpequity.com

## L Catterton

Inception: 1989

Locations: Greenwich, CT; New York, NY; Paris and Singapore

Focus: Growing middle market and high-growth emerging; consumer brands

Leadership: J. Michael Chu and Scott A. Dahnke (Global Co-CEOs)

Capital: $14B current AUM across six funds

Company Size: 201-500 employees

Catterton knows consumers. It is the largest consumer-focused private equity group in the world and has developed proprietary research methods to stay current on trends in the space. Examples of such trends, which are currently reflected in Catterton's portfolio, include the importance of brand authenticity, the polarization of US employment and wage growth, and the increasing diversity of households.

Guided by these insights and others, the firm invests in leading consumer businesses across all segments of the industry and helps them achieve their goals by enhancing operational excellence, developing strategic thought partnerships, expanding human capital and fostering future growth.

HQ: 599 W Putnam Ave
Greenwich, CT 06830

T: 203.629.4901
W: lcatterton.com

## LaSalle Capital

Inception: 2004

Location: Chicago, IL

Focus: Lower middle market; food and beverage and outsourced business services

Transaction Types: Leveraged buyouts, management buyouts, recapitalizations, growth equity and generational ownership changes

Leadership: Rocco J. Martino and Jeffrey M. Walters (Co-Founders / Partners)

Capital: $330M current AUM

Company Size: 11-50 employees

LaSalle's co-founders have been investing in the lower middle market since the mid 1980s and have grown their team and portfolio following a strategic and collaborative approach. As a result, they have built a network of employees and business partners highly driven to collaboratively build strong businesses together.

The team has deep expertise in the food and beverage and business services sectors but considers deals regardless of industry. It typically invests in companies with between $20M and $100M in revenue and over $3M in EBITDA based on the following criteria: strong, defensible market position; significant long-term growth potential; stable cash flow; talented management team with personal investments in the business; and diversified customer base.

HQ: 70 W Madison St, Suite 5710
Chicago, IL 60602

T: 312.236.7041
W: lasallecapitalgroup.com

## Company Profiles

# Leonard Green and Partners

Inception: 1989

Location: Los Angeles, CA

Focus: Middle market; retail/consumer, healthcare/wellness, business/consumer services and distribution

Transaction Types: Traditional buyouts, going-private transactions, recapitalizations, growth equity, and selective public equity and debt positions

Leadership: John Danhakl and Jonathan Sokoloff (Managing Partners)

Capital: $15B since inception

Company Size: 11-50 employees

Leonard Green has been investing in private equity for nearly 30 years. Founded in 1989, the firm has made investments in over 80 companies, and its twelve partners have worked together at the company for an average of over 16 years. This exceptional level of experience and continuity has helped earn the company a strong reputation in the marketplace and led to its successful partnerships with the management teams and founders of a wide variety of market-leading companies. While mainly focused on taking private equity positions, the firm also selectively invests in public equity and debt.

HQ: 11111 Santa Monica Blvd, Suite 2000
Los Angeles, CA 90025

T: 310.954.0444
W: leonardgreen.com

# McNally Capital

Location: Chicago, IL

Focus: Family-owned and operated investment firm specializing in direct investing (buyouts, mezzanine, and middle market) and merchant banking (M&A buyside advisory, capital raising and strategic advisory) services to operating companies and family office investors

Leadership: Ward S. McNally (Co-Founder and Managing Partner), John Rompon J.D. (Managing Partner), Adam Lerner (Partner), Frank A. McGrew IV (Managing Partner), Brett Mitchell (Principal)

Company Size: 11-50 employees

McNally Capital, formed by the McNally family (Rand McNally & Company), is a family-owned and operated investment firm specializing in direct investing (buyouts, mezzanine, and middle market) and merchant banking (M&A buyside advisory, capital raising and strategic advisory) services to operating companies and family office investors.

McNally Capital, based in Chicago, is the leader in providing Direct Family Capital. The firm's team has over 150 years of combined operating and investing experience across multiple industries.

HQ: 190 S LaSalle St, Suite 3520
Chicago, IL 60603

T: 312.357.3710
W: mcnallycapital.com

# Oaktree Capital Management

Inception: 1995

Locations: Los Angeles, CA; New York, NY; Stamford, CT; Houston, TX; London, Paris, Frankfurt, Amsterdam, Dublin, Luxembourg, Dubai, Hong Kong, Tokyo, Singapore, Seoul, Beijing, Shanghai and Sydney

Focus: Global alternatives; corporate debt, distressed debt, control investing, real estate, convertible securities and listed equities

Leadership: John Frank (Vice Chairman), Bruce Karsh (Co-Chairman and CIO), David Kircheimer CFO), Howard Marks, CFA (Co-Chairman), Sheldon Stone (Principal and Portfolio Manager) and Jay Wintrob (CEO)

Capital: $101B current AUM

Company Size: 501-1,000 employees

Although it has grown to over 900 employees, $100B in assets and 15 global locations, Oaktree has remained disciplined and focused. As it's expanded, the company has stayed in related strategies, operated through one global platform and shared a unifying investment philosophy. This philosophy consists of six main tenets – risk control, consistency, market efficiency, specialization, bottom-up analysis, and disavowal of market timing.

This approach has helped attract a wide and renowned investor base, including 75 of the 100 largest pension plans and over 400 global corporations. The firm offers four main control investing strategies: Special Situations, European Principal, Power Opportunities and Infrastructure Investing, which invest in private equity as well as other parts of the corporate capital structure.

HQ: 333 S Grand Ave, 28th Floor
Los Angeles, CA 90071

T: 213.830.6300
W: oaktreecapital.com

# Pantheon Ventures

Inception: 1982

Location: London

Transaction Types: Direct and fund of funds investments

Leadership: Rhoderick M. Swire (Senior Partner and Founder), Robin Bailey (Partner, Europe and Chief Financial Officer), Chris Meads (Chief Investment Officer, Asian Investment Partner, Head-Investments and Asian Primary Investment Team), Andrew J. Lebus (Senior Partner, Partner and Director), Elly Livingstone (Partner and Head of the Secondaries Team)

Company Size: 201-500 employees

Pantheon Ventures, headquartered in London, is a global private equity firm specializing in direct and fund of funds investments. The firm's investment solutions include customized separate account programs, regional primary fund programs, secondaries, co-investment, infrastructure and real assets programs. In addition, the firm manages a publicly traded private equity vehicle, Pantheon International.

Pantheon operate six international offices, with representation in several other key markets. The firm has operated as a subsidiary of Affiliated Managers Group Inc. (AMG), since its acquisition in early 2010.

HQ: 10 Finsbury Square, 4th Floor
London, EC2A 1AF

T: 44 20 3356 1800
W: pantheon.com

# Pfingsten

Inception: 1989

Locations: Chicago with representative offices in China and India

Focus: US middle market; manufacturing, distribution and business services

Transaction Types: Private company ownership transition, recapitalization or growth capital; corporate divestitures; strategic ad-on acquisitions for portfolio companies; and select special situations

Leadership: Thomas S. Bagley and John H. Underwood (Sr. Managing Directors)

Company Size: 11-50 employees

Pfinsten's value creation rests on three main strategies – operating improvements, accessing global markets and resources, and maintaining conservative capital structures. Executing on these strategies is made possible by the firm's staff of experienced operators, extensive global sourcing capabilities, minimum 50% equity stake in portfolio companies, and prudent approach to closing transactions and employing debt.

To invest, the company looks for companies within its industry segments with revenue between $20M and $150M and with niche, value-added products and services. More importantly, once it finds opportunities, Pfingsten executes; the team has closed nearly 90% of its signed letters of intent and has never failed to close a transaction due to financing.

HQ: 300 N LaSalle St, Suite 5400
Chicago, IL 60654

T: 312.222.8707
W: pfingsten.com

# Platte River Equity

Inception: 2006

Location: Denver, CO

Focus: North America middle market; aerospace and transportation, energy and power, agriculture and chemicals, and metals and minerals

Transaction Types: Control investments in buyouts and recapitalizations and selective minority investments for growth capital, add-on acquisitions and bridge ownership transitions

Leadership: Mark Brown, Peter Calamari, Edward Hutcheson, Jr., Landis Martin, William Robb, Gregory Sissel and Kristian Whalen

Capital: $700M current AUM

Company Size: 11-50 employees

The principals at Platte River are particularly motivated to achieve favorable returns; they have been the largest collective investor in each of the company's three funds. And having previously been CEOs, presidents, board members and investors in many successful companies, the team has the expertise and network to drive favorable results.

The company's targeted sectors reflect its experience in and preference for businesses with critical products and services driven by similar long-term secular trends. Within target sectors, the team looks for businesses with favorable multi-decade growth trends, owners and managers focused on long-term growth, scalable business models with protected market positions and strong consumer relationships, and leadership positions in niche markets with high barriers to entry.

HQ: 200 Fillmore St, Suite 200
Denver, CO 80206

T: 303.292.7300
W: platteriverequity.com

## Company Profiles

# Quad-C Management

Inception: 1989

Location: Charlottesville, VA

Focus: North America middle market; business services, consumer, general industrial, healthcare, specialty distribution and transportation/logistics

Leadership: Steve Burns (Managing Partner), Terry Daniels (Chairman) and Tony Ignaczak (Managing Partner)

Capital: $2BM since inception

Company Size: 1-10 employees

Quad-C runs its private equity business based on a few simple but important principles – substantial equity for owners and management, management continuity, experience, integrity and rapid closings. The firm has ingrained these tenets into its culture, thereby earning the trust of a reoccurring base of limited partners that includes pension funds, fund of funds, insurance companies, endowments, high net worth individuals and former portfolio company managers.

Focusing on six main industries, the company takes majority positions in firms with between $75M and $400M in revenue, exhibiting the following attributes: experienced management team, established track-record, sustainable competitive advantage and attractive growth opportunities.

HQ: 200 Garrett St, Suite M
Charlottesville, VA 22902

T: 434.979.2070
W: quadcmanagement.com

# Rand Capital

Inception: 1969

Location: Buffalo, NY

Focus: Upstate New York and surrounding areas; small, high growth companies

Transaction Types: Growth capital for early/expansion stage companies and debenture investments for mature companies

Leadership: Margaret Brechtel (VP of Finance), Allan F. Grum (President and CEO) and Daniel P. Penberthy (EVP, Treasurer and CFO)

Company Size: 1-10 employees

Rand Capital is uniquely structured. Organized as a Business Development Company (BDC), it is a publicly traded closed-end fund and also has a Small Business Investment Company (SBIC) license through its subsidiary, Rand Capital SBIC, Inc., giving it access to low-interest, non-callable loans from the US Small Business Administration. Further, the team is unique even within the BDC space due to its primary focus on long-term capital appreciation of equity.

Its primary focus is on businesses in Upstate New York or nearby with an emerging product, service or technology concept. However, the firm also invests in companies headquartered outside of its immediate geographic area through syndicates with other investors.

HQ: 2200 Rand Building
Buffalo, NY 14203

T: 716.853.0802
W: randcapital.com

# Resilience Capital Partners

Inception: 2001

Location: Cleveland, OH

Focus: North America middle market

Leadership: Bassem Mansour and Steve Rosen (Co-CEOs)

Capital: $625M current AUM

Company Size: 11-50 employees

Resilience Capital attributes its philosophy and strategy to its Midwestern roots, which have provided it exposure to a great deal of business and industry adversity. The company looks for businesses that are suffering from a variety of special situations, such as structural and cyclical industry downturn or excessive liabilities, and partners with management to pivot them toward success.

The investment team focuses on companies with between $25M and $250M in revenue and under $20M in EBITDA, covers a wide range of industries, and seeks to instill long-term staying power. This approach has attracted a global investor base, including pensions funds, insurance companies, foundations and other institutions.

HQ: 25101 Chagrin Blvd, Suite 350
Cleveland, OH 44122

T: 216.292.0200
W: resiliencecapital.com

## Ridgemont Equity Partners

Inception: Originated with predecessor firm in 1993, launched as an independent partnership in 2010

Location: Charlotte, NC

Focus: Investments of $25 million to $75 million in industries in which the firm has deep expertise, including basic industries and services, energy, healthcare, and telecommunications/ media/ technology.

Leadership: Rob Edwards, Travis Hain, Donny Harrison, George Morgan, Scott Poole, Walker Poole, Jack Purcell, Trey Sheridan, John Shimp (Partners)

Capital: $3.5 billion since its inception

Company Size: 11-50 employees

The cohesive investment team at Ridgemont takes pride in having a collaborative, long-term, partnership-based approach to its business, striving to forge close relationships with management teams, bankers, limited partners, and other key constituents.

Since its inception in 1993, the principals of Ridgemont have invested over $3 billion and demonstrated a proven, industry-focused model that has yielded consistently attractive returns. With their sector-focused strategy and deep industry expertise, Ridgemont allows their relationships to make more targeted introductions that prove valuable for all parties. The firm has built a positive reputation for doing the right thing for all parties involved, for thinking about others and their priorities and goals.

HQ: 150 N College St, Suite 2500
Charlotte, NC 28202

T: 704.944.0914
W: ridgemontep.com

## Seacoast Capital

Inception: 1994

Locations: Boston, MA and San Francisco, CA

Focus: Lower middle market debt and equity

Transaction Types: Non-control debt and equity for growth financings, acquisition financings, balance sheet recapitalizations, management or shareholder buyouts, independent sponsor financings and dividend recapitalizations

Leadership: Timothy Fay, Thomas Gorman and Jeffrey Holland (Partners)

Capital: $370M invested since inception

Company Size: 1-10 employees

Seacoast Capital does not meet the typical private equity stereotype. It doesn't buy companies; it backs management teams. It takes only non-controlling positions, typically involving some combination of subordinated debt, preferred equity and common equity, and partners with business owners and management teams to facilitate specific objectives.

The firm is industry agnostic, although has historically found itself well-matched with certain sectors, and tends to partner with firms meeting the following criteria: revenue greater than $10M, EBITDA greater than $2M, maximum pro forma leverage through Seacoast's capital of 4.0x, and ability to service a blended current yield on Seacoast's capital of at least 8%. Seacoast is also a member of the Small Business Investment Company (SBIC) program.

HQ: 55 Ferncroft Rd, Suite 110
Danvers, MA 01923

T: 978.750.1300
W: seacoastcapital.com

## SJ Partners

Inception: 2001

Location: New York, NY

Focus: Middle market companies, traditional growth situation, turn around and under-managed or distressed companies

Leadership: Scott S. Johnson (Founder and Chief Executive Officer), Edward C. Merry (Distribution Operating Partner), Robert M. Phillips (Consumer Products Operating Partner), Charles A. Sciandra (Distribution Operating Partner), Marc Bromberg (Operating Partner)

Company Size: Less than 50 employees

SJ Partners LLC, a New York based private equity firm, specializes in the acquisition of middle market companies, traditional growth situation, turn around and under-managed or distressed companies. The firm considers investments in consumer (personal care, food distribution, and sporting goods) and services industry (business, information, aerospace, and government). SJP targets companies with $2M to $10M in EBITDA (and larger on occasion) that either are traditional growth situations or are under-managed companies, and typically holds its investments for a period of five to ten years.

HQ: 250 Park Ave S, 7th Floor
New York, NY 10003

T: 212.362.1530
W: sjpartners.com

## Company Profiles

# Snow Phipps Group

Inception: 2005

Location: New York, NY

Focus: North America middle market; industrials, services and consumer

Transaction Types: Leveraged acquisitions, build-ups, recapitalizations, restructuring and growth equity

Leadership: Ogden Phipps II (Co-Founder/ Partner) and Ian K. Snow (Co-Founder/CEO/ Partner)

Capital: $2.3B since inception

Operating partners are at the core of Snow Phipps investment strategy. The firm works with a large network of expert practitioners, who are not employees of the company, to approach transactions and quickly develop investment theses. This approach allows Snow Phipps to bring deep expertise and sector-specific operational experience to each investment the firm makes, as most of its operating partners have previously served as senior executives within their respective sectors.

Once deployed at portfolio companies, these experts typically serve as non-executive chairman and work closely with management to execute strategic and operational initiatives. The firm's investments typically range from $50M to $150M in size and are in businesses valued between $100M and $500M.

HQ: 667 Madison Ave, 18th Floor
New York, NY 10065

T: 212.508.3300
W: snowphipps.com

# Spell Capital Partners

Inception: 1988

Location: Minneapolis, MN

Focus: Lower middle market private equity and mezzanine capital; industrial manufacturing

Transaction Types: Control private equity growth-related investments and subordnated debt and non-control equity for private equity sponsored buyouts, ownership transitions, acquisitions, recapitalizations and growth capital

Leadership: Andrea Nelson (Managing Director/COO) and William Spell (President)

Company Size: 11-50 employees

Spell Capital benefits from long tenure and wide-ranging expertise in acquisitions and financing. The firm has been around for over 27 years, is currently investing its fifth private equity buyout fund and has transactions experience across both private equity and mezzanine capital.

The length and scope of its business have provided the firm with well-established networks within accounting and law firms as well as accomplished executive advisory boards. The firm's private equity investments are generally $2M to $15M in size in companies with revenue of at least $5M and EBITDA of at least $1M, and its mezzanine investments are generally $3M to $10M in size in companies with EBITDA of at least $2M.

HQ: 222 South 9th St, Suite 2880
Minneapolis, MN 55402

T: 612.371.9650
W: spellcapital.com

# Sterling Group

Inception: 1982

Location: Houston, TX

Focus: US and Canada middle market; manufacturing, distribution and industrial service

Transaction Types: Corporate carve outs, family owned businesses, sponsor-backed businesses and complicated transactions

Leadership: Gregory Elliot, C. Kevin Garland, John Hawkins, Brian Henry, Gary Rosenthal and Kent Wallace (Partners)

Capital: $10B since inception

Company Size: 11-50 employees

The Sterling Group has been operating under a clear mission since 1982. Its goal is to be a top-tier operationally focused firm, deliver superior returns and create long-term value at its firm. To accomplish this, the company follows an investment approach entailing management support, operational focus and discipline. To gain management support, Sterling aligns incentives through compensation.

To maintain operational focus, the firm works closely with management to develop a clear set of initiatives. And to ensure discipline, the firm invests in a limited number of comppanies within its areas of understanding and expertise. Its investments are typically between $40M and $200M in size in companies valued at $100M to $750M with EBITDA of at least $15M.

HQ: 9 Greenway Plaza, Suite 2400
Houston, TX 77046

T: 713.877.8257
W: sterling-group.com

Company Profiles

## Tonka Bay Equity Partners

Inception: 1998

Location: Minneapolis, MN

Focus: Lower middle market growth-oriented companies; highly engineered manufacturing, value-added distribution and business services

Transaction Types: Acquisitions/buyouts, shareholder liquidity events, recapitalizations, and growth and expansion

Leadership: Peter Kooman, Cary Musech, Shane Slominski and Steve Soderling (Partners)

Capital: $350M since inception across three funds

Company Size: 1-10 employees

Tonka Bay Equity Partners is passionate about the companies in which it invests. It believes these businesses have exceptional potential to drive economic and job growth in their communities and enjoys helping them develop game-changing strategies. The firm approaches these opportunities with a people-oriented, collaborative approach and considers itself successful only when its liked for both its work and relationships.

Within its three-sector investment universe, the Tonka Bay team focuses on companies with EBITDA greater than $2M, that are well-established and profitable, and that serve a specific niche. In addition to its internal team, the company also works closely with investor CEOs and a network of operating partners.

HQ: 301 Carlson Pkwy, Suite 325
Minnetonka, MN 55305

T: 952.345.2030
W: tonkabayequity.com

## Transom Capital Group

Inception: 2008

Locations: Los Angeles, CA and Seattle, WA

Focus: Lower middle market

Transaction Types: Buyouts and control investments

Leadership: Ken Firtel and Russ Roenick (Founders/Managing Partners)

Company Size: 1-10 employees

Transom Capital attributes its success to four distinct firm characteristics. First, the investment team consists of former operating practitioners rather than finance professionals and consultants. Second, the firm's investment criteria are a direct extension of its operating experience. Third and fourth, the investment team creates returns through its Alpha Enhanced Portfolio Construction Methodology and follows a proprietary ARMOR℠ Value Creation Process.

The construction methodology is centered around defining value creation potential, and ARMOR℠ is a collection of proven methods at each stage of an investment timeline. Equipped with these strategies, the firm is industry agnostic and focuses on companies with EBITDA ranging from less than $0 (for special situations) to $20M or more.

HQ: 10990 Wilshire Blvd, Suite 440
Los Angeles, CA 90024

T: 424.293.2818
W: transomcap.com

## Trinity Private Equity Group

Inception: 2006

Location: Southlake, TX

Focus: Small and mid-sized, middle market and later stage businesses in consumer products, light manufacturing, distribution, consumer and commercial services, specialty retailing, and strongly branded or patented products

Transaction Types: Ownership transitions, recapitalizations, strategic acquisitions, mezzanine, and growth

Leadership: Daniel S. Meader CFA and CPA (Founder and Managing Partner), William Burke (Principal and Partner), Sanjay Chandra CFA (Principal and Managing Partner) Anita Daniels (Director Investor Relations

Company Size: 11-50 employees

Trinity Private Equity Group (TPEG) is an alternative asset management firm specializing in ownership transitions, recapitalizations, strategic acquisitions, mezzanine, and growth for small and mid-sized, middle market and later stage businesses.
TPEG targets companies with revenues above $10M, EBITDA from $2M to $10M, and valued over $5M million. The firm prefers to make investment between $1M and $5M, with operations in the United States. Trinity's focus industries include: consumer products, light manufacturing, distribution, consumer and commercial services, specialty retailing, and strongly branded or patented products.

HQ: 925 S Kimball Ave, Suite 100
Southlake, TX 76092

T: 817.310.2900
W: trinitypeg.com

## Company Profiles

# TSG Consumer Partners

Inception: 1987

Locations: San Francisco, CA and New York, NY

Focus: Growing middle market; consumer and retail

Leadership: Chuck Esserman (CEO and Founder) and Jamie O'Hara (President)

Capital: $5B current AUM

Company Size: 11-50 employees

As one of the first significant equity funds in established consumer product companies, TSG has built considerable recognition in the space and partnered with a wide variety of well-known brands. The firm operates under four guiding principles – passion, flexibility, integrity and partnership – and focuses on long-term horizons while avoiding financial engineering as a means to returns.

Using its industry expertise, the company has established an ideal operating profile for target investments, which includes differentiated products or services, attractive gross margins and distinctive competitive advantages, to name a few. Its universe is further defined by revenues of $20M to $1.5B or more and EBITDA between $0 to $300M. The firm typically invests anywhere from $15M to over $500M.

HQ: 600 Montgomery St, Suite 2900
San Francisco, CA 94111

T: 415.217.2300
W: tsgconsumer.com

# Wafra Partners

Inception: 1990

Location: New York, NY

Focus: Middle market; consumer products, niche manufacturing and specialty services

Transaction Types: Control transactions, private companies or divestitures, management buyouts and shareholder liquidity events

Leadership: Peter Petrillo (Senior Managing Director)

Company Size: 1-10 employees

Four key objectives drive Wafra Partner's investment approach: growth acceleration, both organically and through acquisition; operating efficiency improvement; cash flow enhancement; and positioning for attractive exit alternatives. This approach has been developed through over 25 years of experience within the middle market private equity space and has guided the company's investments in over 30 platform companies.

The firm's investment strategy typically leads to equity investments of up to $40M in size (or greater when with co-investors) in businesses with revenue of $20M or more and EBITDA of $4M or more. Additionally, Wafra looks for strong and committed management; leadership positions; growth opportunities; and diversity of products/services, customers, markets and suppliers.

HQ: 345 Park Ave, 41st Floor
New York, NY 10154

T: 212.759.3700
W: wafrapartners.com

# White Wolf Capital

Inception: 2011

Location: Miami, FL

Focus: US and Canada middle market; manufacturing, business services, engineering services, information technology, aerospace and defense, and firearms and related

Transaction Types: Leveraged buyouts, management buyouts, recapitalization and refinancing, strategic investments and growth, co-investments, and carve-outs

Leadership: Elie Azar (CEO and Managing Director)

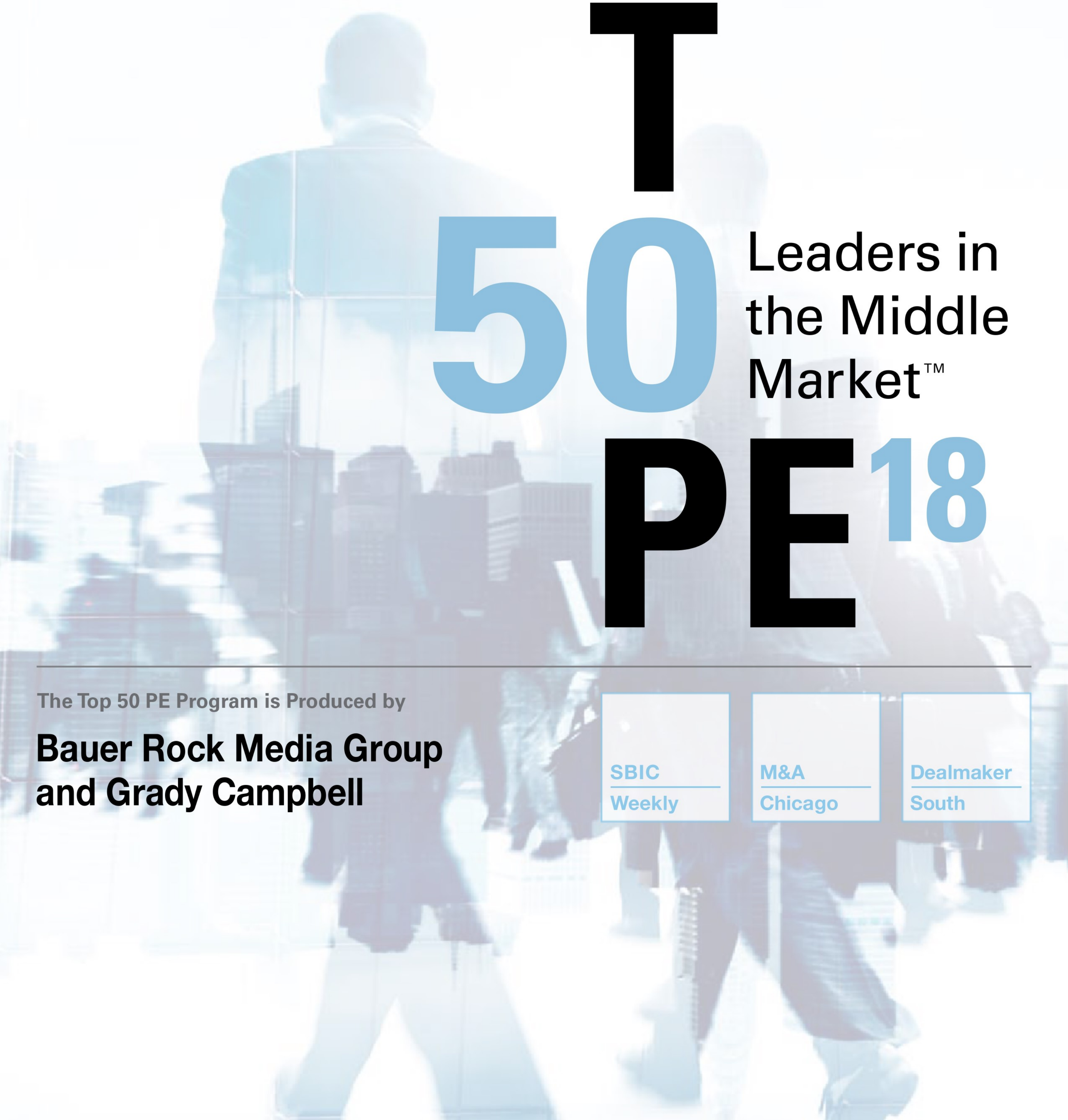
Company Size: 1-10 employees

White Wolf Capital's investment strategy runs on partnerships. This is demonstrated by its collaborative interactions with management teams and operating executives as well as its preference for sellers who are willing to retain significant equity stakes. Guided by this philosophy, the firm typically makes control equity investments while also selectively seeking mezzanine opportunities.

It generally invests $5M to $50M in each transaction and looks for the following financial traits: revenue up to $100M, minimum EBITDA of $1M, stable operating margins, historical and projected growth, consistent cash flows and stable asset bases. In addition, the team looks for proven management, aligned interests, strong and defensible market positions, and solid industry fundamentals.

HQ: 601 Brickell Key Dr, Suite 700
Miami, FL 33131

T: 786.441.8441
W: whitewolfcapital.com



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