

Buyouts

2009
DEAL OF THE YEAR
AWARDS YEARBOOK



REUTERS

THE NOMINEES

Features

BUYOUT FIRM OF THE YEAR

- Advent International
- New Mountain Capital
- Sun Capital Partners
- The Riverside Company

BEST NEW FIRM

- Diamond Castle Holdings
- Huntsman Gay Capital Partners
- Intervale Capital
- KarpReilly LLC

LARGE MARKET DEAL OF THE YEAR

- Apax Partners, Apollo Management, Madison Dearborn Partners, Permira (Intelsat)
- Hellman & Friedman (DoubleClick)
- Odyssey Investment Partners (Norcross Safety Products Corp.)

MIDDLE MARKET DEAL OF THE YEAR

- ABS Capital Partners (American Public Education)
- American Capital (BPWest)
- Castle Harian (AmeriCast)
- Catterton Partners (Wellness Pet Foods)
- Cortec Group (The Cortland Companies)

SMALL MARKET DEAL OF THE YEAR

- Bunker Hill Capital (Specialty Coating Systems)
- ICV Capital Partners (Sterling Foods)
- The Carlyle Group (WCI Cable)

EUROPEAN DEAL OF THE YEAR

- Advent International (Axtone)
- CapVest Ltd. (Foodvest)
- CCMP Capital Advisors (SafetyKleen Europe)
- NGBI Private Equity Ltd. (Hamworthy Heating Ltd)
- Permira (Jet Aviation)

EMERGING MARKETS DEAL OF THE YEAR

- Conduit Capital Partners (Libramiento)
- Emerging Capital Partners (Starcomms)
- Francisco Partners (Ex Libris Group)
- iEurope Capital LLC (Vatera.hu)

TURNAROUND OF THE YEAR

- Acon Investments (Signal international)
- Pegasus Capital Advisors (Cannondale Bicycle Corp)
- Sun Capital Partners (HealthPlan)

MIDDLE MARKET LENDER OF THE YEAR

- Caltius Mezzanine
- CIT Group
- Golub Capital
- Wells Fargo/Wachovia Securities

MIDDLE MARKET INVESTMENT BANK OF THE YEAR

- Baird Investment Banking
- Covington Associates
- Harris Williams
- Houlihan Lokey
- Jefferies & Co.
- Lincoln International

LAW FIRM OF THE YEAR

- Debevoise & Plimpton
- Goodwin Procter
- Jones Day
- Latham & Watkins



THE WINNERS

BUYOUT FIRM OF THE YEAR **Advent International**

DEAL OF THE YEAR **ABS Capital Partners**

BEST NEW FIRM **Intervale Capital**

MEGA MARKET DEAL OF THE YEAR **Hellman & Friedman LLC**

MIDDLE MARKET DEAL OF THE YEAR **ABS Capital Partners**

SMALL MARKET DEAL OF THE YEAR **Bunker Hill Capital LP**

EUROPEAN DEAL OF THE YEAR **Permira**

EMERGING MARKET DEAL OF THE YEAR **Emerging Capital Partners**

TURNAROUND OF THE YEAR **Pegasus Capital Advisors LP**

MIDDLE MARKET LENDER OF THE YEAR **Golub Capital**

MIDDLE MARKET INVESTMENT BANK OF THE YEAR **Lincoln International LLC**

LAW FIRM OF THE YEAR **Goodwin Procter LLP**



MID-MARKET INVESTMENT BANK OF THE YEAR

Lincoln International LLC

While Others Shrunk, Lincoln International Grew

The three-year history of **Lincoln International** reads like a travel brochure for a trip around the world.

Formed in 2006 by the combination of two mid-market investment banks—U.S.-based Lincoln Partners and Germany-based Peters Associates—Lincoln International started off with offices in Chicago, Frankfurt, New York and Paris, then added a Los Angeles office in late 2006, opened a Vienna office in mid-2007 and established London, Madrid and Tokyo offices in 2008.

Two co-chairmen, **Jim Lawson**, formerly a managing director at Chicago-headquartered Lincoln Partners, and **Hans Peter Peters**, former managing director and chief executive of Frankfurt-based Peters Associates, lead the firm.

Lawson explained that when he founded Lincoln Partners in Chicago with four bankers in 1996 his primary goal was to provide outstanding service and outcomes to clients, thus earning repeat business. "At that time, we were too small to have dedicated industry teams," he said.

His second goal was to establish a global firm. In 2004, Lawson traveled to Europe and met with people from mid-market investment banks in the United Kingdom and Germany. After nearly a year of looking, he determined that Peters Associates would be the best match. Before finalizing their union, the two investment banks decided to get to know each other better by teaming up on 15 deals, including **The Riverside Co.'s** sale of American Electronic Components to Siemens AG.

With the formation of Lincoln International in 2006, the goal was to expand into other parts of the world where the firm already had relationships, such as China, India, Italy, Spain and Japan. Lincoln International took a leap toward achieving that this year when it opened its offices in London, Madrid and Tokyo.

"We also have a strategic partner in China, where we have Lincoln personnel based in their Shanghai office, and a strategic partnership with a firm in India," said Lawson. The thinking behind the expansion was that globalization is no longer only the province of the largest companies or the biggest deals, but that businesses in

the middle market are competing and being marketed globally, and even mid-market buyout shops now have offices overseas. "This global footprint is important both for serving the client and in hiring talent," said Lawson. "For example, if we didn't have a London office and a very credible European presence, we could not have hired **Teresa Clegg**, our dedicated aerospace and defense banker in London."

Another of the firm's goals has been to become a market leader in select industries, defined as being one of the top three firms by volume of mid-market transactions. "Having targeted an industry, we strategically and tactically determine what resources are needed to become a market leader," said Lawson. "We then add those resources we lack in-house, creating an industry group with a clear path to becoming a global leader." Lincoln International's areas of expertise include aerospace and defense; automotive and trucking; building and construction; business services; chemicals; consumer; electronics and solar energy; financial institutions; food and beverage; industrials; packaging; technology; and transportation and logistics.

In 2008 the firm strengthened its aerospace and defense practice. **Alyssa Morrisroe** joined the Los Angeles office as a vice president to spearhead M&A transactions and advise clients on strategic initiatives. Brigadier General **Bob Edmonds**, USAF retired, joined as an advisory director to strengthen the firm's knowledge and presence in the industry via his background, contacts and experience. And Clegg joined the London office as a vice president specializing in aerospace and defense. The practice also has experts in France, Germany, Spain and Japan.

The firm is focusing on aerospace and defense for several reasons, explained **Eric Malchow**, managing director. "The A&D market is forecast to continue to grow for many years and thus is attractive to both strategic and financial buyers. It's fragmented, with a lot of mid-market suppliers and will be consolidating for many years, resulting in many mid-market M&A assignments over time. And competitors are downsizing or have issues, particularly in

SNAPSHOT:

Firm: Lincoln International
Headquarters: Chicago, Ill.
Number of M&A and Advisory Transactions In 2008: 59
Disclosed Deal Value: \$4.7 billion (11 transactions)
Representative Deals: ICV Capital's sale of Sterling Foods; Valeo's sale of its truck engine cooling division

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2009

WHY THE FIRM WON

- Evolved from a firm of four investment bankers in Chicago in 1996 to 130 M&A professionals today.
- With the 2008 opening of offices in London, Madrid and Tokyo, the firm now has five offices in Europe, three in the United States and one in Asia.
- Predecessor firm began a concerted effort in 2003 to focus on private equity clients. In 2008, nearly half its M&A deals involved private equity firms.
- Expanded in 2008 by adding 17 investment bankers in the United States, 16 in Europe and four in Asia.
- In a male-dominated field, nearly one in four (23 percent) of its bankers are female.

Europe, providing an opportunity to hire excellent people and compete very effectively against the market leaders."

Despite the expansion activity, Lincoln International has never lost sight of its primary goal: closing deals. In April, the firm closed 11 in 15 days. In August and early September, the firm closed five in eight days. And on the last day of 2008, Lincoln International closed three deals, bringing the total number of transactions for the year to the second highest in firm history.

One of the deals closed on the last day of 2008 was the sale of Sterling Foods, Ltd., a portfolio company of **ICV Capital Partners LLC**, to **TGF Management Corp.** and **Austin Ventures**. Lincoln International served as the exclusive financial advisor to Sterling Foods and ICV Capital. Terms of the transaction were not disclosed, but ICV Capital said it earned a 3x return on the \$15 million it initially invested, having tripled revenue from \$25 million to more than \$80

Online Education Company Becomes Rare Winner In 2008 Equity Markets

(Continued from page 11) →

million shares at \$37.50, earning another 8.4x its money, for a total return of 17.1x, and a gross internal rate of return of 75.6 percent over six years. It is ABS Capital's most successful exit in its 19-year history.

ABS Capital helped transform American Public Education from a marginal online educator for a small segment of the military to a regionally accredited online university for military and civilian students. The school's student enrollment ballooned from 2,000 at the time ABS Capital first invested, to 40,000 by the time of exit. Accordingly, the school's part-time and full-time faculty increased from around 200 to 700.

Clough, as a veteran, considered the investment a labor of love. "You go to graduation and see 35 students with both their parents and their kids, and you realize they've been fighting Iraq and raising families, and finding time to get their degree," Clough said. "It's a very humbling thing."—B.V.

Early Deal Gets Coated In Green

(Continued from page 12) →

in order to implement its more aggressive growth model. It was a deal that Bunker Hill had been negotiating for from the beginning, DeBlois said, noting that Specialty Coating Systems was able to make the acquisition at a multiple well under 5.5x. "Nine months later we sold Specialty Coating Systems, and were able to realize a significant multiple increase in arbitrage on the purchase of the other half of [Parylene Japan] and the EBITDA associated with it."

Unlike the sparsely populated auction Bunker Hill competed in to acquire Specialty Coating Systems, the Stifel Nicolaus & Co.-led process to sell the company in the first half of 2008 was packed with interested parties. Managing Director **Jon Tebol**, who was on the Stifel Nicolaus team representing Specialty Coating Systems, wrote in a note sent to *Buyouts* that he had "never seen such an impressive hit rate from prospective buyers." Approximately 70 percent of the 100-plus parties that were contacted signed a non-disclosure agreement and received an information memorandum. Sixty percent of those buyers submitted initial purchase proposals. In the end, the value of the final proposals received had increased by more than a full turn of EBITDA from the initial bid levels, Tebol wrote.

Specialty Coating Systems was ultimately sold to Berwind Corp, a family-owned

investment company, in a deal that included no debt financing, allowing the deal to close in just 22 days. The sale in June 2008 generated a 6.1x return and a 109 percent IRR.

Specialty Coating Systems was a portfolio company in the \$125 million Bunker Hill Capital LP, vintage 2005. The profits from that single exit were substantial enough to return 115 percent of that fund's invested capital back to limited partners, DeBlois said.—A.N.

Cannondale Bicycles Back On Track

(Continued from page 15) →

Dorel Industries paid between \$190 and \$200 million for Cannondale Bicycle, a value that represents a 10X EBITDA multiple.

Pegasus Capital's investment in Cannondale Bicycle came from its second fund, which closed in 2000. The firm is now investing in distressed companies and other special situations from its third and fourth funds, which have capital commitments of \$316 million and \$750 million, respectively.—E.G.

And Then There Was Golub

(Continued from page 16) →

the year was **Heath Fuller**, an executive who had left Merrill Lynch Capital when it was bought by GE Capital in February 2008. Fuller, who had worked as the number-two man on Merrill Lynch's capital markets desk was brought on as head of Golub Capital's first capital markets desk. Other hires from Merrill Lynch included **Joe Lazewski**, hired as principal and senior underwriter; and **Troy Oder**, recruited to be principal and senior originator.

Career advancement also was a significant factor in the firm's success last year. Early in 2008, Golub Capital promoted **Greg Cashman** and **Andrew Steurman** to senior managing directors. In connection with the promotions, the firm organized two new transaction teams to work under

their leadership and supervision. The benefits, Golub said, were two-fold: The creation of the new deal teams "allows us to maintain a faster and more substantive level of service to our private equity clients, while the more formalized team structure demonstrates promotion opportunities for our other senior deal professionals who will, at future times, be able to demonstrate their interest and aptitude to become team leaders themselves."

Also relevant to Golub Capital's success and uniqueness in today's market is the fact that the firm is the only top-20 lender in its class that is employee-owned. Every senior employee at Golub Capital has about half his or her net worth outside the value of a home committed as a limited partner to the firm's funds. "It keeps you focused and in the game," Golub said, "It's rewarding to the employees when we do well, and it's validation to the outside investors and potential investors." Approximately 30 of Golub Capital's 85 employees are limited partners in the firm's funds.—A.N.

While Others Shrank, Lincoln International Grew

(Continued from page 17) →

million during its ownership and doubled EBITDA. Sterling Foods supplies baked goods to the food service and retail industries. Lincoln International managed the preparatory, marketing, due diligence and negotiation phases of the transaction.

In an example of its cross-border capabilities, in June Lincoln International advised Paris-based Valeo on the sale of its truck engine cooling division to a Swedish private equity firm. Terms of the transaction were not disclosed, but the enterprise value was reported to be about \$157.5 million. Lincoln International worked with Valeo's M&A team to manage the transaction process, targeting potential buyers around the world, producing marketing documents and coaching management on their presentations.—N.G.

2009 Conference Overview

June 16, 2009 BUYOUTS CHICAGO

October 15, 2009 BUYOUTS TEXAS

November 19, 2009 BUYOUTS WEST

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