

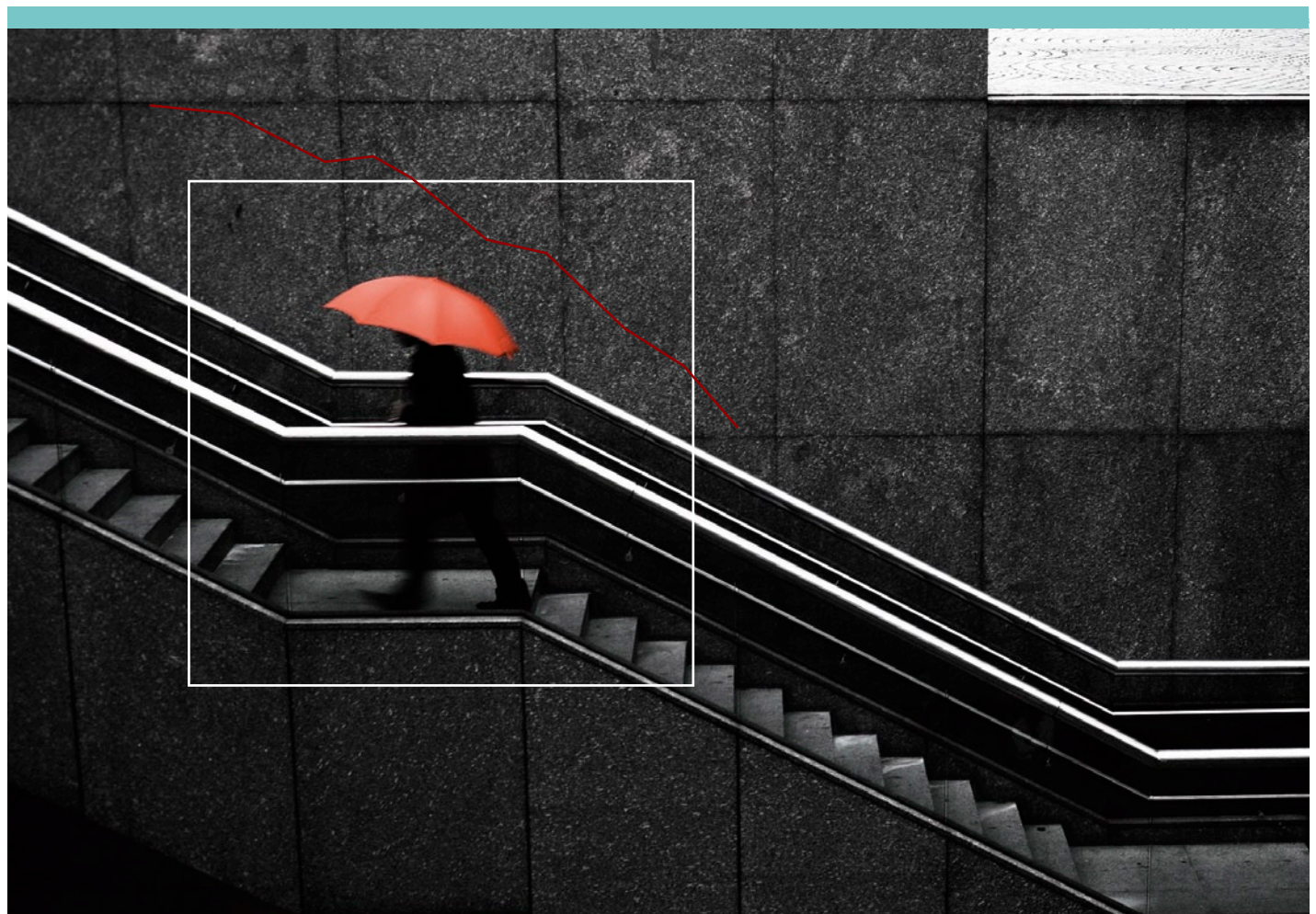
**MIDDLE MARKET BUYOUTS SYMPOSIUM 2008**

January 8, 2008 ■ Grand Hyatt New York

# Middle Market Private Equity Challenge in an Economic Downturn

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*Assessing Investment and Value Creation Strategies*



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# Executive Summary

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*Middle market private equity firms with the right strategy can outperform through a recession.*

The credit crunch of the summer is not abating, and recent economic data indicates that the U.S. economy is very likely heading into a recession in 2008. The Middle Market Buyouts Symposium 2008 in New York on January 8 addressed the question “How can middle market private equity funds survive the economic downturn?” The consensus was that funds with care and patience in managing their investment portfolio and good management teams leading their portfolio companies should continue to do well, despite the difficult environment.

The keynote speaker, Christopher O’Brien, of Investcorp International, described the events leading up to the credit crunch and the potential economic recession, as well as the outlook for middle market funds going forward. Years of aggressive lending to risky commercial borrowers in the form of sub-prime mortgages as well as overly flexible financing packages offered to large private equity firms created a credit bubble which burst in August 2007. As a result, deal flow is slowing across the board. It could take at least 12 to 18 months for the lending environment to recover. However, middle market PE funds are better placed than large cap PE funds because they typically have not relied on high leverage and exotic debt structures in deals. Middle market PE funds that resist the temptation to go off-strategy, stick to sectors they know and concentrate on creating value in their portfolios can continue to realize high returns.

The conference, which brought together nearly 300 principals, limited partners, financing agents, investment bankers, consultants, executive recruiters and media, held one panel discussion on buying mid-market companies in an economic downturn, another on how to operate companies in this environment, and a moderated interview on middle market opportunities for distressed buyouts.

Panelists pointed out that today’s investments need to be longer term and focused on solid management, operational improvement and debt pay-down, not dividend recaps, early exits and multiple expansions. Middle market private equity firms should prioritize acquisitions in recession-resistant sectors, such as energy and health care, with long-term growth prospects. Several panelists, however, pointed out that it is still important to maintain a balanced portfolio; investing in cyclical sectors near the bottom, while risky, may offer great opportunities. Add-on acquisitions are a great strategy for averaging down as acquisition prices become more reasonable. The moderated interview, however, made it clear that investing in distressed businesses, while potentially lucrative, is best left to funds with deep expertise and years of experience in the sector.

## Keynote Address

# Finding opportunities and avoiding mistakes in the current economic crisis

Keynote speaker **Christopher O'Brien** of **Investcorp** urged middle market firms and their advisors to remember that the financing environment of 2007 was an anomaly, that deal flow will eventually return. However, in the meantime they should avoid the temptation to let their investment scope creep in order to get deals done. Mr. O'Brien emphasized that the private equity business had demonstrated its resilience through several market cycles over the past 30 years. The long-term outlook is positive, he said, but he believed that the investment environment for buyouts will be difficult in 2008. Lacking the high leverage and more exotic debt structures of high-profile mega-deals, middle market private equity firms will weather the downturn better than large-cap funds.



*Middle Market Buyouts Symposium Attendees*

### Creating the credit bubble

Several years of aggressive lending by banks to private equity firms is what, Mr. O'Brien said, has given rise to the credit market bubble that eventually burst in August 2007. The banks have been attempting to gain market share from non-bank financial institutions, thereby increasing their substantial lending fee revenues associated with the private equity business. The result was that banks started lending seven to 10 times EBITDA with few restrictive covenants. This created the credit bubble. Then came the collapse in the sub-prime consumer mortgage market that effectively shut off many options for underwriters to syndicate debt.

### Facing the new reality

The bursting of the credit market bubble had, Mr. O'Brien explained, challenged deal financing in a

*“The greatest opportunity for Private Equity today may, in fact, be avoiding mistakes in the current economic crisis... 20 percent of your best performing deals and 20 percent of your worst performing deals... generate 80 percent of your returns. Not making mistakes over the next six to 12 months is going to have a huge impact on your overall portfolio.”*

## Keynote Address cont’d

variety of ways. In particular, lenders were pushing hard to adjust their credit terms to new market levels, including substantially increasing equity requirements. The best strategy for private equity firms for the near future is to maintain focus and resist the temptation to do deals outside their area of expertise simply to close transactions.

### Tracking sources of growth

In order to be resilient in all economic cycles, a private equity firm has to know what is really driving its growth, Mr. O’Brien said. Market arbitrage can be a huge contributor in favorable economic times, but can quickly evaporate in an economic downturn, leaving only the organic growth of the portfolio companies to generate favorable returns.

*“It is very important... to know how much of your returns are due to market arbitrage, otherwise you won’t know how much value you have created in your portfolio.”*

In the economic downturn, the top-quartile funds could still realize 15 percent to 20 percent returns, provided they concentrate on creating value in their portfolios. In general, private equity investments should aim to produce returns of 500-1,000 basis points above those of public equities.

### Short-term outlook

Mr. O’Brien predicted that the current challenging market conditions are likely to continue for the next 12 to 18 months. Middle market private equity firms will weather this downturn better than the large-cap funds.



*Christopher O’Brien of Investcorp predicts a recovery in the lending markets within 12 to 18 months: “The single biggest risk that we have in the private equity industry today is one word: anxiety.... When you see people get anxious, you start to hear this famous phrase: ‘Let’s be creative’.... Don’t be creative. ‘Creative’ is a synonym for ‘off strategy’.”*

*“We [middle market private equity funds] didn’t really get to enjoy those lending incentives, so we don’t quite have the leverage burden large caps have.”*

However, Mr. O’Brien thought that all funds will see less deal flow.

He estimated that the vigor of the lending market is likely to be restored within the next 12 to 18 months, at which point money will start to flow back into this marketplace in a meaningful way.



*2008 Middle Market Buyouts Symposium: Planning for an economic downturn*

## Surviving the recession

A current recession will likely be more difficult than those experienced by the private equity sector in the past. Prices for raw materials have not decreased and private equity firms may be unable to cut the capital expenditures of their portfolio companies due to global competition. Mr. O'Brien has this guidance for private equity firms:

- Look for deals in industries that are at the lowest point in their cycle, buying companies that are either over leveraged or have distressed assets
- Maintain adequate liquidity and allocate 25 percent to 50 percent of a fund for add-on acquisitions
- Invest in companies that have an international focus, limited customer concentration and previous cycle experience
- Look for deals in recession-resistant areas such as energy, healthcare, and the public sector – but only if the firm has previous experience in those industries



*Panel 1 (l-r): Howard Morgan, Alan Wilkinson, Michael Doppelt, David Lobel and Benjamin Hochberg*

## Panel 1

### **Buying a middle market company in an economic downturn**

Panel 1, moderated by Michael Doppelt of **Bear Stearns Merchant Banking**, addressed best practices for sourcing deals through an economic downturn. Mr. Doppelt reviewed the current environment before asking panelists whether they see material changes in the economy, and, if so, how they are adjusting their strategy and the industries that they target. Panelists agreed that a well-bought company is an attractive investment, regardless of economic conditions. The panel discussed key investing sectors at length, including non-cyclical industries. The outlook: as seller expectations have not changed, competition in middle market private equity firms will increase as many firms compete over fewer deals.



Michael Doppelt of Bear Stearns Merchant Banking



Benjamin Hochberg of Lee Equity Partners

### Responding to a changing environment

Benjamin Hochberg of **Lee Equity Partners** believes we have entered an interesting buyer's market. Lee Equity invests in recession-resistant industries and companies with a five to 10 year growth outlook. Adjusting strategies to target industries and companies that are, at least partly, recession resistant will be important in this environment. Lee Equity Partners, for example, has recently invested in a Medicare services company.

*“The economy will force us to make some choices that I would have described differently were I sitting here 18 or 24 months ago.”*

– Benjamin Hochberg, *Lee Equity Partners*

David Lobel of **Sentinel Capital Partners**, a middle market fund investing in businesses with enterprise value under \$150 million, believes that it is easier to acquire funding at the lower end of the market.

Sentinel Capital Partners is very particular about the deals it considers, given concern about the future of the economy. One recent deal, for example, is a play on U.S. correctional services. Sentinel believes that the increasing problems of overcrowding and growing prison populations will drive increased spending on correctional services, which will be relatively resistant to any changes in the broader economic environment.

*“In the private equity world, if you get out on the wrong foot with a business, it is almost impossible to recover. On the other hand, if you get out on the right foot, it sets the stage for everything else.”*

– David Lobel, *Sentinel Capital Partners*

Howard Morgan of **Castle Harlan Inc.**, a \$1.2 billion mid-market fund with an affiliate in Australia, believes in “sticking to the knitting” with themes that are familiar for the fund. Castle Harlan focuses on North America and has also been very active in Europe. The fund focuses on middle market companies with complex operations in multiple regions where Castle Harlan can apply expertise. In 2006, Castle Harlan invested in several malt businesses based in the United States, Canada, United Kingdom and Australia to form United Malt Holdings. Individually, each business earned less than \$5 million in EBITDA, but collectively they formed an attractive middle market company.

Mr. Morgan attributes the increasing multiples paid for target companies over the past few years to increased leverage and says that, for the most part, multiples of equity have remained constant. Therefore, Castle Harlan would seriously consider over-equitizing transactions, or even buying outright, as long as the firm has done the due diligence and is confident of being able to refinance. Mr. Morgan believes there will be great opportunities over the next two years, so he intends to be patient and focus on value-added opportunities and add-on acquisitions.





David Lobel of Sentinel Capital Partners

*“A well-bought company is a well-bought company, irrespective of how much leverage is available.”*

– Howard Morgan, *Castle Harlan Inc*

#### **Assessing the economy**

Mr. Morgan believes that there have been mixed signals in the economy, with some signs of softness and some stronger areas. For example, there has been weakness in the family restaurant sector, but fast-food and high-end restaurants are still doing well. There are signs of serious softness in retail, particularly big-box retail, but retailers are also more able to pass on rising costs now than at any time over the past two to three years.

Mr. Lobel believes that the economic environment will be difficult and that this may soon create buying opportunities. However, investing in a downturn takes a great deal of courage and can be risky, because no one knows where the bottom is. He discussed an investment made by Sentinel in 2002 in a business that had not recovered from the recession at that time. The business was purchased at a good multiple and capitalized to allow it to slide further without breaking covenants.

*“Three to four years later, with the benefit of 20/20 hindsight, those who made investments during the downturn look like heroes because usually these markets come back, but it’s very difficult to do when sitting*

*in the middle of an economy full of fear. It takes a considerable amount of fortitude.”*

– David Lobel, *Sentinel Capital Partners*

#### **Seller expectations**

Focusing on the public-to-private market, Mr. Hochberg believes many boards are not willing to entertain buyout offers at depressed valuations, even though it may be in the interests of shareholders. It is important to have motivated sellers; there have been many cases of bad deal dynamics where interested buyers have spent a long time making the case for a buyout but have been unable to close a transaction. That said, in this economy, private equity funds need to consider a broader range of options for sourcing buyouts.

#### **Deal flow**

Mr. Doppelt discussed today’s slowing deal flow. According to Mr. Morgan, middle market deal flow has remained robust, but the time frame for doing deals has increased. Liquidity is a unique concern in the middle market. Mr. Hochberg thinks that there are still interested sellers since middle market drivers remain the same: families are still looking for buyers and companies are still looking for partners. However, seller expectations in the middle market have not changed much. As a result, the environment is more difficult for buyers, who need to be committed to deals and work hard with the financing sources to make it happen.



*Howard Morgan of Castle Harlan Inc.*



*Alan Wilkinson of AEA Investors*

### **Greater competition**

According to Mr. Lobel, through June 2007, private equity firms were able to sell mediocre businesses for a great price, but now a mediocre business will yield a mediocre price. There have been fewer deals, especially at high multiples, clearing the middle market over the past six months. At the same time, many funds have capital that needs to be put to work, creating greater competition for the reasonably good companies on the market.

Private equity firms also face increasing competition in the middle market from strategic acquirers and non-traditional buyers such as hedge funds and integrated finance companies. Special publicly traded investment vehicles are another potential wild card in the market, where the impact remains to be seen. The panel's outlook for the months ahead is for increased competition as many buyers chase fewer deals.

### **A strategy for recession**

Panelists suggested a strategy of add-on acquisitions and the back-to-basics approach of holding solid industrial companies and adding value through operational improvements. Seller anxiety is high, so buyers are under pressure to provide assurances. The active involvement of buyers in portfolio companies will be critical, often on a daily or weekly basis.

Investments should be underpinned by solid operational improvement and debt pay down, instead of relying on dividend recaps, early exits and multiple expansion.

Panelists believe that there are great opportunities and great challenges in putting money to work. Mr. Lobel prefers limited auctions, where the odds of winning are greater and where it is easier to differentiate. Mr. Hochberg pointed out that selecting the right management team can make a huge difference: the performance of companies with similar assets in similar industries can vary widely depending on management's ability to execute.

### **Further challenges for private equity funds**

Panelists thought that one risk to the private equity industry is the pressure on funds to mark carrying values to market, which will create volatility. Rising input prices due to the Chinese commodities boom and the declining dollar may continue, making this recession very different from past recessions. With U.S. presidential elections looming, there may also be a change in tax treatment of private equity investing.



*Panel 2 (l-r): David Hoffman, Aron Schwartz, Christopher Lacovara, Daniel Collin, and Andrew Strauss*

## Panel 2

# Operating a middle market company in an economic downturn

Moderated by Christopher Lacovara of **Kohlberg & Company**, Panel 2 addressed the question of how to add value to portfolio companies during an economic downturn. Mr. Lacovara said that the risk of recession in the United States has been steadily increasing and that the next recession could be deeper and longer than the last two. Private equity firms need to be consistent in creating and preserving value and actively govern their portfolio companies. The panel identified add-on acquisitions as a great way to take advantage of a recession, allowing firms to pursue a growth strategy for a portfolio company that would not have been possible before the recession.



*Christopher Lacovara of Kohlberg & Company, LLC*



*Andrew Strauss of The Riverside Company*

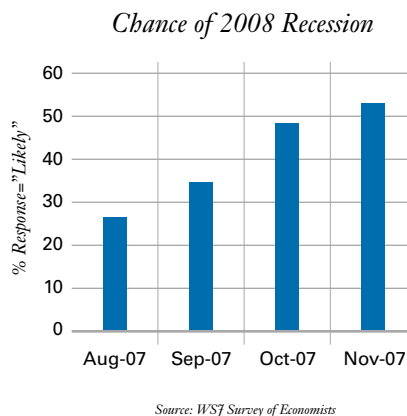
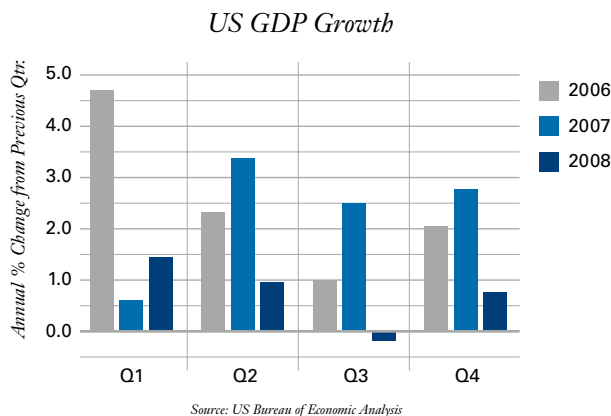
### Impact, sector by sector

Mr. Lacovara showed how recession could impact different sectors of the economy (figures 1 and 2). Mr. Lacovara believes that a middle market private equity firm should aim to construct a balanced portfolio. This can be challenging since some sectors that are relatively resistant to recession, such as food and utilities, typically fetch higher prices because they can support more leverage. Firms should also avoid being overly weighted in deeply cyclical sectors such as capital goods.

Mr. Lacovara showed how the effects of an economic downturn are magnified in the middle market. Typically, middle market companies are more sensitive to economic conditions, since even a modest decline in GDP can have a significant effect on free cash flow (figure 3).

Management resources and infrastructure are often strained in middle market companies, which can face challenges due to lack of product diversification, intense price competition from larger companies and a lack of liquidity.

**FIGURE 1: Growth is slowing while risk of recession is increasing**



- December ISM manufacturing index at 47.7 (contraction < 50).
- Next recession could be longer, deeper than previous two.

*“Management is the first line of defense for performance problems in a recession. This is going to be a big issue in the next recession for PE companies. Lots of management [teams] look very good in a growing market.... A lot of them look much worse when times change.”*

– Christopher Lacovara, **Kohlberg & Company**

### How to create and preserve value

The key to success for a private equity firm is to be consistent in creating and preserving value. David Hoffman of **Charterhouse Group**, which invests mostly in recession-resistant industries, identified eight key strategies for doing this in middle market companies in a recession:

- Maintain conservative capital structure; evaluate opportunities to reduce working capital
- Implement strong measurement tools and metrics
- Re-evaluate the company’s product and service offering constantly
- Enable managers to identify problems and potential challenges as early as possible

- Develop strategies for dealing with various levels of softness as measured by revenue and EBITDA triggers
- Utilize technology to lower cost structure
- Maintain morale; keep management energized with appropriate incentives and coaching
- Maintain a long-term vision

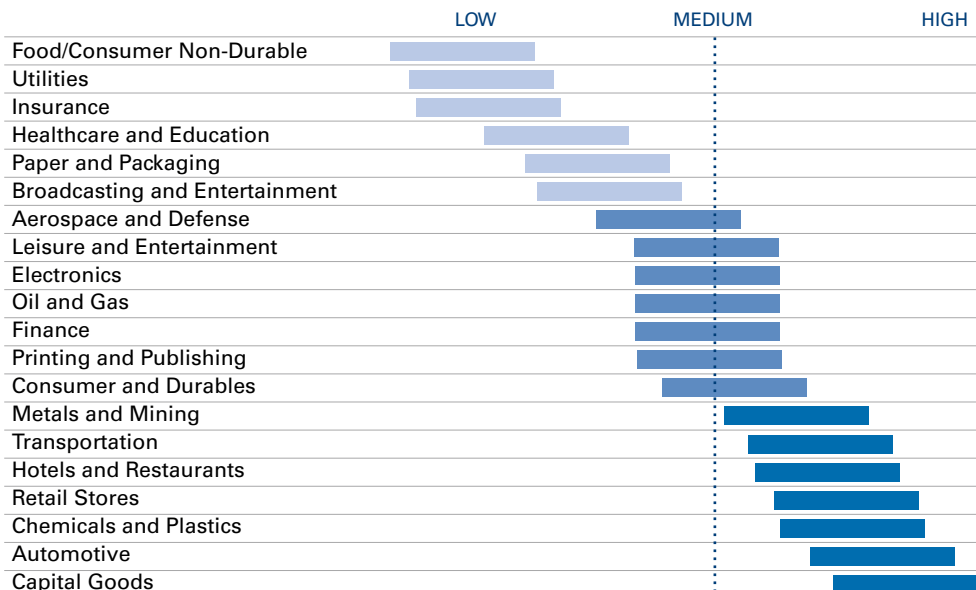
Daniel Collin of **Monomoy Capital Partners** outlined six further value-creation strategies in a downturn:

- Consolidate plants
- Outsource non-core aspects of the business
- Reduce G&A expense
- Reduce working capital
- Invest in growth investments and market share gains
- Seek add-on acquisitions

*“Every dollar you take out of the cost structure is one more dollar you can use to weather the storm in a recession.”*

– Daniel Collin, **Monomoy Capital Partners**

FIGURE 2: Impact of recession varies across industries



Source: Christopher Lacovara of Kohlberg & Company, LLC



*Aron Schwartz of Fenway Partners*



*Daniel Collin of Monomoy Capital Partners*

The panel discussed how outsourcing can potentially reduce costs. It is important to be cautious about outsourcing, particularly for a business that has proprietary processes that put them ahead of the competition. Andrew Strauss of **The Riverside Company** said that if outsourcing is a good option during the recession, it was probably a good option before the recession.

*“A recession gives you the opportunity to get things to happen that you thought should have happened [before a recession].”*

*– Andrew Strauss, The Riverside Company*

### **The importance of good governance**

The panelists agreed that recessions allow private equity firms to implement changes that company managers might not have been willing to consider before. It is also an ideal time to assess the current management team. Replacing a management team is not easy, but it can be important. The panel stressed that proper governance strategies need to be in place to support significant changes. Strategies need to be defined on day one, not introduced in the middle of the investment, which could signal distrust in management. Good governance practices include:

- Upgrading management if needed
- Planning for contingencies for a 180-day period in the budget of each portfolio company

- Increasing board and/or sponsor oversight
- Increasing audit committee oversight of monthly interim results
- Managing lender expectations and keeping lenders apprised of progress

The panelists stressed that it is not good practice to go 11 months without a clear picture of the financial status of the portfolio company. Surprising drops in earnings at the end of the year increase the risk of covenant default and make lenders uneasy. Internal audits with oversight by financial sponsors can address this risk and improve the quality of financials. Many middle market companies do not have the infrastructure to measure their performance actively, so private equity firms need to establish measurement systems within the company.

Even in recessions, exit strategies need to be kept in mind. According to Mr. Collin, the ability to exit in a downturn boils down to two factors: Do you have a good company that’s performing? Did you pay the right price for your investment? Mr. Collin says there is still robust activity in the middle market among companies with \$15 million or more in EBITDA. Mr. Collin also sees strategic buyers and European investors increasing their activities in the middle market. Mr. Lacovara agreed that the market has reached an inflection point that may stop lenders from committing, and that lack of leverage in the coming months will encourage strategic buyers to be more active players.



David Hoffman of Charterhouse Group

*“You can have a healthy portfolio company that comes to the end of its financing term and lenders aren’t there anymore, so suddenly you’re scrambling to find a new lender, even though the company’s financial prospects haven’t changed.”*

– David Hoffman, **Charterhouse Group**

### New opportunities

Lastly, the panel discussed new opportunities in the middle market. Aron Schwartz of **Fenway Partners** believes that in recessions, multiples

and EBITDAs contract, presenting tremendous buying opportunities. Usually, funds have their best performances during or immediately after a recession.

*“One of the nice things that happens in a recession is that leverage gets pulled back. In giddy times it’s possible for giddy bidders to pay high prices that leave everyone scratching their heads, and in that environment it’s tough to put money to work unless you’re willing to be just as optimistic. In a recession you have just the opposite, with EBITDA dollars and multiples coming down, creating great buying opportunities.”*

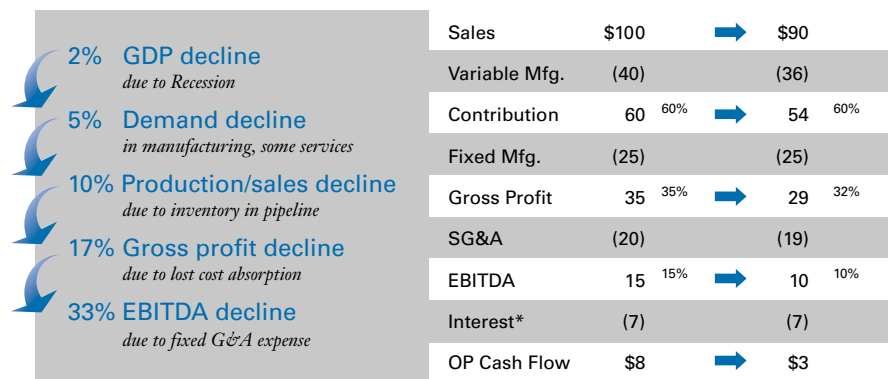
– Aron Schwartz, **Fenway Partners**

Mr. Schwartz listed some of the middle market opportunities that private equity firms should look for:

- Industrials and cyclicals
- Distressed businesses
- Public to private – companies abandoned by the market
- Add-on acquisitions

Panelists agreed that they could pursue growth strategies through add-on acquisitions that may not have been possible before the recession, but that there are significant psychological barriers to investing in a downturn.

FIGURE 3: Impact on a middle market company is magnified



\*Assumes 5x leverage at L + 400

Source: Christopher Lacovara of Koblberg & Company, LLC



Moderated Interview (l-r): Michael Psaros, Laura Resnikoff and Kevin Feinblum

## Moderated Interview

# Middle market opportunities for distressed buyouts

The final panel, moderated by Laura Resnikoff of **Columbia Business School** with Michael Psaros of **KPS Capital Partners**, and Kevin Feinblum of **Sun Capital Partners**, addressed middle market opportunities for distressed buyouts in the current environment. Successful funds will need a consistent strategy based on their risk tolerance and ability to turn around distressed companies. The management team of a portfolio company is one of the most important things to evaluate, even more so than its assets. Successful funds must have the experience and judgment necessary to take quick and decisive action, while new entrants without experience in the sector will ultimately be driven out by poor or negative returns.

### The question of risk

Professor Resnikoff asked the panel how they evaluate risk, both at portfolio companies and at the fund level. Mr. Psaros said it was critical for a fund to have enough dry powder to help a portfolio company when it requires assistance. In a recent turnaround case, Mr. Psaros said that capital had to be injected

into the company five times, but ultimately the investment returned 5.7 times the invested capital in less than two years.

*“There is nothing like a linear turnaround. Turnarounds are like a sine wave. You can make a plan and do a three-year projection for a bank group*



*and it goes out the window the day after you make the investment.”*

– *Michael Psaros, KPS Capital Partners*

Diversification is also a key factor in managing risk. A private equity firm should ensure that its portfolio is adequately diversified by industry. KPS Capital was an early investor in the auto parts sector and had several investments in that space, but within 12 months had very little capital at risk due to dividend recaps and fast turnarounds. Mr. Psaros said that his fund has a greater tolerance for company-level risks such as customer concentration and management underperformance because those problems can be controlled and fixed. However, KPS Capital has very little tolerance for financial leverage risk. In its last three deals, the borrowing base at closing made available by the banks exceeded the cash purchase price.

Mr. Feinblum, on the other hand, has greater tolerance for financial leverage. He believes that as long as a private equity firm realizes that an investment may require additional infusions of capital, it can manage its leverage risk. Sun Capital ensures that its portfolio is not overly exposed to any one sector.

*“In turnarounds of distressed companies things happen, and happen with much greater magnitude and frequency the more distressed a company is. The good news is that it can go both ways. It can happen to the positive, or it can happen to the negative, and you have to deal with it. But we recognize that’s the business we’re in.”*

– *Kevin Feinblum, Sun Capital Partners*

Mr. Psaros pointed out that interim valuations are meaningless in turnaround investing. A company with negative EBITDA is worthless to accountants and that determining an IRR based on improvements to cash flow after six to 12 months is meaningless, too. Ultimately, the investment is judged in terms of how much cash is returned after the company is sold.

### **Successful turnarounds**

Mr. Psaros talked about KPS Capital’s turnaround of Speedline. KPS built a new management team around a new CEO, rationalized fixed costs within

60 days, closed a plant and invested in research and development. Within 12 months, the company had increased EBITDA from (\$23) million to \$12 million, purely through cost reductions.

Professor Resnikoff asked what the right level of cost reduction was and whether it is better to cut costs in small increments. Both Mr. Psaros and Mr. Feinblum agreed that decisive action is essential. Firms need to make the measurements and then cut only once, based on present conditions. According to Mr. Psaros, it is easier to cut and then re-size, rather than cut multiple times.

Answering an audience question on how and when to bring management talent into the company, Mr. Feinblum explained that Sun Capital has an experienced team of operating executives available to work with management teams in executing turnarounds. These same operating executives then assess whether incumbent management is up to the task, and recommend changes.

Professor Resnikoff followed up by asking the panel how important it is for private equity firms to be a good judge of managerial talent. Mr. Psaros said he viewed a good management team as more important than having stellar assets. The ideal situation is to find an existing management team that has not been allowed, for whatever reason, to fulfill its full potential. In other situations, KPS has had to change the entire team.

The audience asked panelists if they believe that competition from new entrants in the distressed investing arena will increase. Mr. Psaros expects new entrants in that arena, but thinks that most will not have the due diligence capability and experience to survive. In the past 24 to 36 months, there have been many Band-Aid bailouts of distressed companies that failed to address flawed strategies or inefficient operations. As the existing bailouts of these companies unwind there will be new opportunities for funds like Sun Capital and KPS Capital.

*“We have not run into a hedge fund in the past two years. When you run into a company with real EBITDA problems, and it’s not a balance sheet issue, there’s not a lot of real competition.”*

– *Michael Psaros, KPS Capital Partners*



*Kevin Feinblum of Sun Capital Partners, Inc.*



*Michael Psaros of KPS Capital Partners*

Professor Resnikoff said the commitment shown by Mr. Psaros and Mr. Feinblum to their portfolio companies supports her own findings that, although distressed investors are perceived as aggressive and impatient, typically they have a high level of patience and willingness to wait out change.

### **Closing remarks**

In closing, Professor Resnikoff thanked the speakers and the audience for their participation and suggested that they should look for the series of academic papers about the private equity industry commissioned by the World Economic Forum, addressing topics such as whether buyouts create value, whether buyouts create employment, capital markets, managerial perspectives and board governance. There has been much attention in the press regarding the first paper from Josh Lerner. Unfortunately, the press got the first message right, but didn't get the second sentence: they said it's not proven that PE funds create jobs. In fact, though the paper does show that in the first two to three years PE investments do not create jobs, the paper goes on to show that in successive periods jobs are created – not just add-ons, but through organic growth. Professor Resnikoff forecasts that the industry will continue to be under the spotlight from regulatory agencies, unions, employees and environmental groups. Therefore it will be important for industry participants to stay informed and pay careful attention to the results of these studies.

Professor Resnikoff observed that the most important comment of the conference related to people and management, when Mr. Strauss added, almost as an afterthought, that their executive committee has a practice of staying behind for 15-30 minutes after each board meeting to review issues. Clearly, many of the issues discussed in these brief sessions are not new, but this practice highlights the importance of informal give-and-take interactions in person for the process of managing private equity investments.

Though many of us do a great deal of our work using technology, there is no way for technology to replace these interactions in person. Bringing people together to discuss and work through issues and learn from each other is very important for success in the private equity industry, a fact well recognized by experienced practitioners but not often highlighted. In the same way, this forum was an opportunity to bring together a broad group of industry participants, including principals, limited partners, financing agents, investment bankers, consultants, executive recruiters and media to share the views of an esteemed group of panelists and network with fellow industry participants.

# Middle Market Buyouts Symposium 2008

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## The Organizers

### **Natan M. Shklyar**

Director and Managing Partner  
Arthur D. Little, Inc.

Natan M. Shklyar leads Arthur D. Little's New York City office and the North American private equity practice, with a focus on middle market funds and their portfolio companies. He is a trusted advisor to some of the leading global and middle market private equity firms and hedge funds, advising clients on due diligence, as well as operational improvement and the strategic repositioning of their portfolio companies.

Previously, Mr. Shklyar was with several other consulting firms, including McKinsey & Company, Booz Allen Hamilton and Droege & Comp. Mr. Shklyar holds an M.B.A. in finance and management, with the highest distinction and Beta Gamma Sigma from Columbia Business School; and a B.A. in diplomacy and foreign affairs, summa cum laude and Phi Beta Kappa, from Miami University of Ohio, where he was a Benjamin Harrison Scholar.

### **Prof. Laura B. Resnikoff**

Director, Private Equity Program  
Columbia Business School

Laura B. Resnikoff, an associate professor, has been a member of the Columbia Business School faculty since 1991, teaching turnaround management as well as a master class in restructuring, one of the school's inaugural master class offerings. In the spring semester of 2008, she is offering the first master class in private equity.

Professor Resnikoff joined the faculty after a robust career with both large-scale corporations and private equity entities. She has extensive global experience with private equity transactions, fund raising and debt placements. During her Columbia Business School tenure, she has consulted with corporations in a variety of industries, as well as selected not-for-profit organizations, on all aspects of organizational, operational and financial restructurings. Professor Resnikoff holds a B.A. from Brandeis University and an M.B.A. from Columbia Business School.



*Conference organizer Natan Shklyar*



*Conference organizer Laura Resnikoff*

## The Keynote Speaker

### **Christopher O'Brien**

Head of Direct Investment – Private Equity  
and Real Estate  
Investcorp International, Inc.

Christopher O'Brien joined Investcorp in 1993. He oversees the firm's private equity, real estate and post acquisition activities in London and New York. He is a member of both Investcorp's Investment Committee, and its Commitment Committee. Before joining Investcorp, Mr. O'Brien was a managing director of Mancuso & Company and was a founding member of the Acquisition Finance Group of Manufacturers Hanover Trust Co. In that capacity, he negotiated and syndicated, as lead agent, transactions providing senior, subordinated and equity financing for leveraged acquisitions. In 1987, he established the Los Angeles office of the Acquisition Finance Group, which financed middle market LBOs. Before establishing this group in 1983, Mr. O'Brien specialized in providing financing for Fortune 500 companies.

Holding a B.Sc. in business administration from Bucknell University, he is the past chairman of the 1846 Associates of the Committee for Leadership in Annual Giving, and a past member of the alumni board of directors of Bucknell. Mr. O'Brien formerly served on the National Champions Leadership Council, as the chairman of the Fairfield County Champions Committee for Save the Children, as well as being a former member of the administrative committee of Fleet Bank. Mr. O'Brien is both the past chairman of the Partnership for the Homeless Charity Gala and co-chair of the Global Leadership Awards Dinner for the School of International and Public affairs at Columbia University. Mr. O'Brien was also the 2006 recipient of the Dinner of Champions Leadership Award by the New York chapter of the Multiple Sclerosis Society.

## The Speakers

### **Alan Wilkinson**

Managing Director  
AEA Investors, LLC

Alan Wilkinson joined AEA in 1989. For 10 years as a managing director, he concentrated his investment activities in industrial and consumer products companies, overseeing many of AEA's successful investments during that period. Mr. Wilkinson left AEA in 1999 and joined the investment banking firm Peter J. Solomon Co. He returned to the private equity business in 2002 and rejoined AEA in 2004. He currently focuses on value-added industrial and service sector investments and is co-head of the AEA Small Business Fund. Mr. Wilkinson co-led the AEA Small Business Fund's investment team in the acquisitions of Plaze (and its acquisition of Claire-Sprayway), In the Swim and PPC Industries. He currently serves as a director of these companies. Mr. Wilkinson also oversaw AEA's successful investments in Kranson Industries and Telephia Inc. in its Middle Market Fund.

Mr. Wilkinson received an M.B.A. from Columbia University in 1984 and a B.S. in mathematics from King's College London in 1977. He became a chartered accountant in England in 1980.

### **Michael Doppelt**

Senior Managing Director  
Bear Stearns Merchant Banking

Michael Doppelt is responsible for marketing and deal sourcing. Prior to joining BSMB, Mr. Doppelt was a managing director in Bear Stearns' Global Industries Investment Banking Group, with a focus on the retail, apparel, restaurant and consumer products industries. Mr. Doppelt holds an M.B.A. from Columbia Business School and a B.A. from Tufts University.

### **Howard D. Morgan**

Senior Managing Director  
Castle Harlan, Inc.

Howard D. Morgan joined Castle Harlan in 1996. From 2000 to 2002, he was executive director of CHAMP Private Equity, an affiliate of Castle Harlan in Sydney, Australia. He has been a director and

## The Speakers cont'd

executive committee member of CHAMP since its inception. Previously, Mr. Morgan was a partner at The Ropart Group, a private equity investment firm, where he was particularly instrumental in the acquisitions and growth of Blyth, Inc., and XTRA Corporation. Mr. Morgan began his career as an associate at Allen & Company, Inc., working in mergers and acquisitions and private equity. He is a board member of CHAMP, AdobeAir, Ciao Bella Gelato Company and AmeriCast Technologies, Inc. He is a former director of over one dozen companies, including U.K.-based Polypipe Global Holdings, Austar United Communications Ltd., Ion Track Instruments, Land 'N' Sea Distributing and Penrice Soda Products. He is a director of the Harvard Business School Alumni Association, the Harvard Business School Club of New York, the Alexander Hamilton Institute, the Parkinson's Disease Foundation and treasurer of the Friends of the Garvan Institute of Medical Research. Mr. Morgan received his B.A. from Hamilton College in mathematics and political science and his M.B.A. from the Harvard Business School.

### **David G. Hoffman**

Partner  
Charterhouse Group

David G. Hoffman is responsible for overseeing the Charterhouse Group's overall business development activities, which includes cultivating relationships with prospective and existing operating partners (known as Charterhouse Entrepreneurs) as well as managing relationships with conventional and alternative deal sources, other service providers and limited partners. Mr. Hoffman is also actively involved with Charterhouse's consumer activities and currently serves on the board of the Charter Baking Company.

Mr. Hoffman started at Charterhouse in 1985 and was involved in sourcing, evaluating and executing platform and add-on investments across various industries. In 1994, he left the firm to start Hoffman & Company, a private equity firm that concentrated its principal activities in the lower end of the middle market within the consumer space. Mr. Hoffman returned to Charterhouse in 2002. Previously, he served as principal and director of business

development of Odyssey Partners, L.P. He holds an M.B.A. from Columbia University and a B.A. from Bucknell University.

### **Aron Schwartz**

Managing Director  
Fenway Partners

Mr. Schwartz joined Fenway Partners in August 1999 from Salomon Smith Barney, where he was an associate in the Financial Entrepreneurs Group. There, he worked on a variety of financings and advisory assignments for companies owned by financial sponsors. Mr. Schwartz is a certified management accountant. He received his J.D. and M.B.A. with honors from U.C.L.A. and his B.A. and B.S.E cum laude from the Wharton School at the University of Pennsylvania.

### **Christopher Lacovara**

Co-Managing Partner  
Kohlberg & Company, LLC

Christopher Lacovara joined Kohlberg & Co. in 1988. Kohlberg & Co. is a leading middle market private equity firm founded in 1987 with approximately \$3 billion in committed capital. During his tenure there, Mr. Lacovara has been responsible for completing more than 25 leveraged buyouts and add-on acquisitions with an aggregate value of \$2.5 billion. Prior to joining Kohlberg & Co., he was an Associate in the Mergers and Acquisitions Department at Lazard Frères & Company and a financial analyst in the corporate finance department of Goldman, Sachs & Co. Mr. Lacovara received an A.B. from Harvard College and an M.S. in civil engineering from Columbia University. Mr. Lacovara serves on the boards of directors of a number of public and private companies and is also the chairman of the board of Kohlberg Capital Corporation (NASDAQ: KCAP), a publicly traded business development company focused on middle market lending with more than \$2.5 billion in assets under management.

## The Speakers cont'd

### **Michael Psaros**

Co-Founder and Managing Partner  
KPS Capital Partners, LP

Michael Psaros is a co-founder and managing partner of KPS Capital Partners, LP, and a member of its investment committee. KPS is the manager of KPS Special Situations Funds, a family of private equity funds with over \$1.8 billion of committed capital focused on constructive investing in restructurings, turnarounds, bankruptcies and other special situations.

KPS creates value for its limited partners by turning around the operations of distressed and underperforming businesses. Operating turnarounds are accompanied by financial restructurings, either in or out of bankruptcy, that result in a material reduction of debt and other liabilities. KPS has created new companies to purchase operating assets out of bankruptcy, established stand-alone entities to operate divested assets and recapitalized highly-leveraged public and private companies.

Mr. Psaros currently serves on the board of directors of the following KPS portfolio companies: Hephaestus Holdings, Inc. (chairman), Blue Water Automotive Systems Inc, Cloyes Gear and Products, Inc., Attends Healthcare Inc. and Bristol Compressors International, Inc.

Mr. Psaros previously served on the board of directors of the following KPS portfolio companies that were successfully sold to a variety of U.S. and international strategic and financial buyers: AmeriCast Technologies, Inc. (chairman), Ashcroft Inc. (chairman), Ebro GmbH (chairman), Genesis Worldwide II, Inc. (chairman), Speedline Technologies, Inc., Blue Heron Paper Company, New Flyer Industries, Ltd., Wire Rope Corporation of America, Inc. and Blue Ridge Paper Products Inc.

Mr. Psaros received a B.S.B.A. from Georgetown University and attended Sofia University in Tokyo, Japan.

### **Benjamin Hochberg**

Partner  
Lee Equity Partners LLC

Prior to joining Lee Equity, Benjamin Hochberg was a principal at Odyssey Investment Partners, LLC, a middle market private equity investment firm, where he led the execution of the firm's investment in Norcross Safety Products, LLC. From 1997 to 2005, Mr. Hochberg worked at Bain Capital, LLC, a global private equity investment firm, where he most recently held the position of principal. At Bain Capital, Mr. Hochberg was involved with several of the firm's largest investments, including Warner Music Group Corp., Loews Cineplex Entertainment, ProSieben Sat.1 Media AG, Warner Chilcott and Toys R Us, Inc. Mr. Hochberg was also the initial analyst for Bain Capital's \$20 billion Sankaty Advisors high-yield asset management business. Mr. Hochberg started his career in 1995 at Bain & Company as a strategy consultant.

A native of Massachusetts, Mr. Hochberg received an M.B.A. from Harvard Business School and an A.B. in chemistry from Harvard College.

### **Daniel Collin**

Partner  
Monomoy Capital Partners

Daniel Collin is a member of the board of directors of Awrey Bakeries, LLC, Barjan LLC, Rossborough Automotive Corporation, Western Recreational Vehicles, Inc. and Kurz-Kasch, Inc. Prior to founding Monomoy, he worked at KPS from 2001 to 2005 and served as a board member for two KPS companies. Mr. Collin is primarily responsible for the Monomoy investments in Awrey Bakery, LLC and Barjan LLC. Prior to joining KPS, Mr. Collin was an investment banker in the mergers and acquisition group at JP Morgan Chase & Co., focusing on industrial companies and restructurings.

Mr. Collin holds a B.S.M. from Tulane University.

## The Speakers cont'd

### **David S. Lobel**

Founder and Managing Partner  
Sentinel Capital Partners

David Lobel founded Sentinel in 1995. He currently is chairman of Interim Healthcare and Spinrite, and a director of Buffets and Strategic Partners. He also served as chairman of Alemite Holdings, Castle Dental Centers, Cottman Transmission Systems, Floral Plant Growers, Growing Family, Met Merchandising Concepts, Spinrite, and Tony Roma's, as well as a director of Border Foods prior to the sale of these businesses.

Previously, Mr. Lobel spent 15 years at First Century Partners, Smith Barney's venture capital affiliate. Mr. Lobel joined First Century in 1981 and served as a general partner of funds managed by First Century from 1983 until his departure in 1995. He has been associated with several successful companies as an investor or director, including Office Depot, Entre Computer Centers, and Rocky Mountain Savings Bank. He also served as a managing director of Smith Barney.

Before joining First Century, Mr. Lobel was a consultant at Bain & Company from 1979 to 1981. He received an M.B.A. and an M.S. with distinction from Stanford University in 1979 and 1978, respectively. Mr. Lobel, who was born in South Africa, received a B.Sc. (Hons), with highest honors, from the University of the Witwatersrand in 1975. He served with distinction in the South African Navy, where he graduated first in his class.

### **Kevin E. Feinblum**

Principal  
Sun Capital Partners, Inc.

Kevin E. Feinblum has had approximately eight years of experience in leveraged buyouts, private equity, and investment banking. At Lehman Brothers Merchant Banking Group in New York, Mr. Feinblum evaluated and executed private equity investments for two years, prior to which he was an Analyst with Solomon Brothers Financial Institutions Group in New York, where he worked on merger and acquisition advisory and underwriting assignments. He joined Sun Capital Partners in 2003. Mr. Feinblum graduated from Yale University with a Bachelor of Arts degree in Economics and earned a J.D. and a Masters of Business Administration in Finance from Columbia University.

### **Andrew W. Strauss**

Partner  
The Riverside Company

Andrew Strauss joined Riverside in 1998 after serving as a general partner of Skinder Strauss Associates, a publisher of legal directories and a legal courier service. Among his accomplishments at Riverside, Mr. Strauss developed RCAF's innovative partner lender program, which established strong bonds with select lending institutions to help ensure funding for acquisitions. He also spearheaded Riverside's industry specialization initiative, capitalizing on the firm's knowledge within certain market segments. Mr. Strauss holds both a B.A. in mathematics (with highest honors), and an M.A. in philosophy from Princeton University, and an M.B.A. in finance from Columbia University. He currently serves on the following Riverside portfolio boards of directors: Experient, Moss, Water-Jel Technologies, WorkPlace Media and Veritext.

# Middle Market Private Equity Challenge in an Economic Downturn

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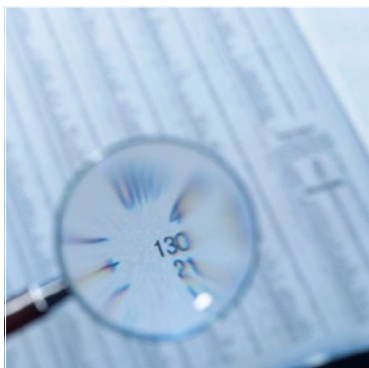
## *Assessing Investment and Value Creation Strategies*

### The Delegates

Access International Capital	Buccino & Associates Inc.	<i>Dow Jones Newsletters</i>
Acorn Capital Partners, LLC	Burson-Marsteller	<i>Dow Jones-VentureWire</i>
Aldus Equity	<i>Buyouts</i> magazine	DZ BANK New York Branch
Alimansky Capital Group Inc.	Camden Partners Holdings LLC	EMC Corp
Allied Capital	Capital Business Credit LLC	Emigrant Capital Corporation
Alternative Investment News	Capital Partners	Empire Valuation Consultants
Altus Capital Partners	Capricorn Management LLC	EPIQ Preference Solutions
Alvarez & Marsal LLC	Carbon Credit Capital	The Fast Track Group LLC
American Appraisal	Carl Marks Capital Advisors LLC	<i>Financial News</i>
American Appraisal Associates	Catterton Partners	<i>Financial Times</i>
Anatomical Travelogue Inc.	CCR Advisory Group	First Industrial Realty Trust Inc.
Andrews Kurth LLP	The CEF Group Inc.	FirstLight Financial Corp.
Angelo Gordon & Co.	Centre Capital Advisors, LLC	<i>Forbes</i>
Apollo Capital Management	Charterhouse Group, Inc.	Forum Capital Partners
Ardshiel Inc.	Charterhouse Inc.	Friedman Billings Ramsey
Argosy Partners	Churchill Financial	Gavin Anderson & Company
Arteaga Capital Management	CIT	GE Asset Management
Astor Group	Citibank, N.A.	GenNx360 Capital Partners
AuSable Capital Partners LLC	Citigroup	Gerson Lehrman Group
Avalon Group Ltd.	CMGI Inc	Getzler Henrich & Associates
Bank of America	Commerce Bank	GFO Consulting
Barclays Capital	Cordova, Smart & Williams, LLC	Gibbons P.C.
Basic Capital Advisors, LLC	Corporate Futures Group	Gibson & Rechan, LLC
Battalia Winston International	Corporate Resolutions Inc	The Gladstone Companies
BDO Seidman	Corporate Revitalization Partners	Global Markets Capital Group
Bessemer Trust	Creative Funding Group LLC	Glocap Search
Blank Rome LLP	Cross Border Enterprises L.L.C.	GoldenTree Asset Management
Blott Asset Management, L.L.C.	Crystal Capital	Goodrich Capital
Bowne	David N. Deutsch & Company	Goulston & Storrs P.C.
Brookside Mezzanine Partners	The Dellacorte Group	Great Circle Capital
Bryan Cave LLP	Delzanno & Co. Inc.	Greenbriar Equity Group
Brynwood Partners	<i>Dow Jones LBO Wire</i>	Greenwich Energy Investments



The Hale Group	Mariner Investment Group, Inc.	RREEF Alternative Investments
Halyard Capital	Marquette Business Credit Inc.	RSM McGladrey
Hilb Rogal & Hobbs Company	McCarter & English, LLP	San Filippo & Associates LLC
Huron Consulting Group	McGuireWoods LLP	Sasco Hill LLC
Icon Capital Corp.	McKinsey & Company	Scherzer International
iEurope Capital LLC	Media Business Advisers, Inc	Scotia Capital
ING Bank	Merrill Corporation	Scott-Macon Ltd.
ING Capital LLC	Merrill DataSite	Seagram Beverage Company
<i>Institutional Investor</i>	Miller Buckfire & Co.	Seaport Capital
Intermediate Capital Group Inc	Morgan Stanley	Sentinel Capital Partners
Invesco Private Capital	Morrill Associates, Inc.	Silver Point Capital
Investcorp International, Inc.	Morris Anderson	SJ Partners LLC
Investment Dealers' Digest	Nautic Partners	Skadden Arps Slate Meagher & Flom LLP
Investor Group Services LLC	NelCap Advisers LLC	Smyth Capital LLC
Ironwood Capital	New York Office of the State Comptroller	Sovereign Bank
ITF Global Partners	Oracle	SPP Mezzanine Partners
J.F. Lehman & Co	The Oster Group Inc.	STAG Capital Partners
J.H. Cohn LLP	Palladium Equity Partners	Stonebridge Partners
Jefferies & Company	Patriot Capital L.P.	Textron Financial
JEN Partners	PEI Funds	Thoma Cressey Bravo
Jesup & Lamont Securities Corporation	PKS Capital International, Ltd.	Tong Yang Investment Bank New York Office
Jon Joslow	Pomona Capital	The TriCycle Group, LLC
JPMorgan Chase	Pouschine Cook Capital Management	U K West Inc
Kestrel Consulting LLC	Prefrontal Capital	UnitedHealth Group
Kirkpatrick & Lockhart	Princeton Advisory Group Inc.	Uni-World Capital, L.P.
Kohlberg Capital	Private Equity Council	Valuation Research Corporation
KPMG LLP	<i>Private Equity International</i>	VCFA Group
KPS Capital Partners, LP	Protiviti	Venable LLP
L.E.K. Consulting	Protostar Partners L.L.C.	Venture Equity Latin America
Landsbanki	Proudfoot Consulting	Wachovia
LBC Credit Partners Inc.	Prudential Private Equity Group	Weiser LLP
Lehman Brothers	Quaker Chemical Corp.	Wells Fargo Business Credit
Lexington Partners	Quarry Capital	Westfair Partners
Lincoln International LLC	RBS Business Capital	The Wicks Group
Lincolnshire Management, Inc.	Reorganization Alternatives Group, Ltd.	Windjammer Capital Investors
Lionheart Ventures	The Riverside Company	Winsby Inc
L'Oreal USA	Rothstein Kass	York Street Capital
Loughlin Meghji + Company		



# Finding the right deals to generate superior returns

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*In today's marketplace, private equity funds are encountering ever-increasing competition for deal opportunities. As the competitive landscape intensifies, investors are demanding higher returns through a more aggressive focus on value creation. For private equity funds to continue their success, excellence in deal sourcing, due diligence and operational improvement of portfolio companies is now more critical than ever before.*

At Arthur D. Little, we help investors achieve superior returns through rigorous due diligence and accelerated operational improvement of portfolio companies. We provide transparency into even the most obscure industries and outline clear value creation opportunities well before deal closing, thus providing our clients with a clear understanding of their options. Immediately after the closing, the Arthur D. Little team goes to work alongside the portfolio company's management team to implement the value creation opportunities already identified during pre-deal due diligence.

In the last three years alone, Arthur D. Little has served more than 100 private equity and hedge fund clients worldwide, from the largest global buyout firms to middle market investment houses. We have helped our clients to not only increase their returns but also decrease their holding periods through proprietary deal flow assistance, transparency-building due diligence and immediate action on value creation opportunities.

## **Returns under pressure**

Record amounts of capital raised by private equity, venture capital and hedge funds have created

an extraordinarily large pool of capital in pursuit of scarce deal opportunities worldwide. With acquisition multiples on the rise, it is increasingly difficult to find deals with the potential to generate superior returns using classic financial engineering (leverage) strategies. Successful investors must focus on operational improvement of their portfolio companies, something we at Arthur D. Little intimately understand.

The *Investment Management Process* on the opposite page highlights those areas where Arthur D. Little provides strong expertise in improving the operations of portfolio companies and complementing the activities of private equity firms.

The *Investment Strategy* stage focuses on the screening criteria for investments and the overall risk and reward that may be associated with the acquisition or existing portfolio company. In this area, Arthur D. Little can help with investment strategy development as well as portfolio optimization to determine which investments provide the best value for the firm.

Arthur D. Little's comprehensive network of experts and project portfolios will help identify and scout out potential investment candidates that

## We have helped our clients to not only increase their returns but also decrease their holding periods through proprietary deal flow assistance, transparency-building due diligence and immediate action on value creation opportunities.

private equity or hedge funds may be interested in pursuing during the *Deal Flow* stage. For well over 120 years, Arthur D. Little has been a catalyst for helping companies re-invent their business models and create new opportunities for success. By having this knowledge, we have helped companies identify the right mix of deals that can optimize their business portfolio.

When the initial audit has been completed and the improvement areas have been identified, it provides a roadmap on what needs to be restructured and what value creation activities need to be implemented. To be successful, a company needs to have a baseline understanding of the current conditions before it can prioritize its next set of actions.

### How Arthur D. Little helps companies enhance business value



In the *Deal Evaluation* stage, firms obtain access to Arthur D. Little's leading industry experts and our rigorous due diligence process. Today, every targeted company's business is affected by a multitude of complex factors. Our due diligence projects answer the following four investment questions:

- How attractive is the company's industry or market?
- Is the company well positioned in its market?
- What are the value creation opportunities available (quantified in terms of EBITDA improvements)?
- What are possible exit strategies for this investment in three to five years?

As our clients like to tell us, the key differentiator for Arthur D. Little is that we give them an actionable business plan for their investment even before they close on the deal.

*Value Creation* is more than just the development of a business plan. It is paying close attention to the right set of business activities that will lead to winning returns for private equity firms. Arthur D. Little begins the process with a strategic audit on how the company operates in its current environment from strategy and sales growth to operational reviews (organizational structures, processes, technologies, etc.) to supply chain assessments.

Arthur D. Little knows how to choose the right *Exit Strategy* for your business. Our industry knowledge coupled with a strong understanding of the market provides firms with distinct advantages when it comes to due diligence, deal valuation, and investor alignment.

### How Arthur D. Little can help you

Our services for **private equity** funds include:

- Proprietary deal flow to avoid traditional auctions, including in-depth industry screenings to identify attractive primary and add-on acquisition targets.
- Due diligence, both initial market-focused studies and in-depth operational assessments, always focused on quantifying potential EBITDA improvements.

Our services for portfolio companies include:

- Strategy formulation
- Sales growth
- Operational improvement
- Organizational design
- Post-merger integration

**If you would like additional information on our services, please contact:**

#### Natan Shklyar

Director & Managing Partner

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Email: [shklyar.natan@adlittle.com](mailto:shklyar.natan@adlittle.com)



## Arthur D. Little

Arthur D. Little, founded in 1886, is a global leader in management consultancy; linking strategy, innovation and technology with deep industry knowledge. We offer our clients sustainable solutions to their most complex business problems. Arthur D. Little has a collaborative client engagement style, exceptional people, and a firm-wide commitment to quality and integrity. The firm has over 30 offices worldwide. With its partners Altran Technologies and Cambridge Consultants Ltd, Arthur D. Little has access to a network of over 16,000 professionals. Arthur D. Little is proud to serve many of the Fortune 100 companies globally, in addition to many other leading firms and public sector organizations. For further information, please visit [www.adl.com](http://www.adl.com).

Our Global Private Equity practice brings world-class consulting services to some of the largest buyout funds and to middle market private equity investors. We serve our private equity clients in all the key areas of their investment process. Fund managers rely on us for strategic and operational due diligence as well as operational value creation at their portfolio companies.

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