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Private Equity Firm of the Year

Grinding Out the Wins

It was far from easy, but Riverside Co. managed to find new deals, exits and continued backing from institutional investors

By Jonathan Marino

The middle market was supposed to be shielded from the credit woes facing the larger private equity firms. The deal activity that percolated in 2009, however, tells a much different story, as small and middle-market private equity firms retrenched to the sidelines awaiting a certain level of clarity. Even **The Riverside Co.** saw it's deal flow chopped in half. But what is a slow year for the New York- and Cleveland-based buyout shop, would qualify as a phenomenal year for nearly any other sponsor.

"Nothing was easy in this environment," **Stewart Kohl**, co-CEO of Riverside, attests.

In 2008, Riverside completed more than 30 deals across four funds. Last year, however, Riverside's origination team had to start from scratch, after its pipeline of potential transactions that had been built up over many years, was crushed under the weight of old projections.

Riverside's 20-person team, led by partner **Robert Landis** for North America and director **Juan Barnechea Aldatz** in Spain, was tasked with re-evaluating all Riverside's possible deals.

The effort, however, allowed Riverside to put money to work at a time most others were hoarding capital. The firm completed six new platform acquisitions, and executed nine add-ons for existing investments.

The acquisition of Germany-based Kaul GmbH, a manufacturer of anti-sticking agents serving the pharmaceutical and agricultural spaces, was three years in the making, as Riverside first initiated talks with the company in 2006.

The investments also reflect efforts in the past to add expertise in new areas. In 2008, for instance, Riverside moved to bolster its exposure to healthcare by bringing in former MultiPlan president and co-CEO Harvey Sigelbaum and MBF Healthcare Partners vet Joseph Ibrahim. The effort paid dividends last year, as all but one of its six new platforms could qualify as healthcare deals.

In addition to Kaul, Portugal-based Crioestaminal focuses on umbilical-cord blood-preservation services; FairPay is an auditor of workers' compensation bills; Precision Wire Components manufactures medical guidewires; and PharmMD Solutions is a medication therapy management business.

Perhaps more notable than Riverside's new investments, the firm managed to secure four realizations last year that together generated $305 million of proceeds. Riverside exited its investments in railway maintenance company Nordco, IT outfit AIS Group, career-training company ATI Enterprises, and Hudson-Sharp, a manufacturer of the machinery that manufactures plastic bags. The sale of Nordco to Omers Private Equity, for instance, generated a gross IRR of 31% for Riverside and produced a gross cash-on-cash return of 5.1x the firm's invested equity. ATI Enterprises represented the largest ever equity gain in Riverside's history after the firm oversaw revenue and Ebitda growth of 300% and 450%, respectively, during a six-year holding period.

As of September, 2009, meanwhile, Riverside had actually increased the value of its portfolio by 6.5%, signaling that more exits should be forthcoming once the market improves.

For all of its hard work, Riverside's achievements did not go unnoticed. The firm raised its fifth fund, closing on $1.17 billion for Riverside Capital Appreciation Fund V. During perhaps the worst market for fundraising since 2002, Riverside easily topped its initial target of $900 million. The nod from limited partners is no doubt reflective of the firm's ability to put money to work and return it in good times and bad.

"Riverside has been one of the proven market leaders in getting money out the door," noted **Andrew T. Greenberg,** chief executive of industry data provider **GF Data Resources**.

As Riverside begins to re-evaluate past investment opportunities and consider new ones, Kohl said his team will be growing and looking at new locations as well. He projected that hiring will pick up for the firm, which already has plans in 2010 to open an office in Melbourne, Australia.

In the meantime, Riverside finds itself in the enviable position of having a fresh fund to work with as the economy begins what is sure to be a slow rebuilding process. Kohl, however, preaches composure. "Everything," he says, "takes more patience now." M&A

Riverside