



## From Snooki To LBOs

As a pair of guys from New Jersey trying to enjoy the last of their summer, we can empathize with Snooki after the last couple of tumultuous years in private equity—we know what it's like to take a punch!

Even now that the metaphoric ice is melting and the deals are coming in over the transom hot and heavy, we still sometimes wish we were selling T-shirts in Seaside Heights alongside the cast of "Jersey Shore." Don't get us wrong—we're pleased that the spring thaw became a summer melt, and we're anticipating the fall avalanche to add to our 13 acquisitions made year-to-date. But we keep getting outbid!

The companies that made it through the downturn in great shape are routinely commanding 8x, 9x or even 10x. Even more surprisingly, the ones that didn't are getting 7x recent peak earnings! As the T-Shirt dealers of Seaside Heights would say, "What the \*#%@\* is up with that?" This was supposed to be a the mother of all buyer's markets!

We suppose a lot of it is due to expectations of increasing earnings making forward multiples look reasonable. And those who bought like drunken Asbury Park Springsteen fans during previous recoveries were, in fact, rewarded. But this recovery feels so unsatisfying and un-recovering. Heck, given the "death of the American dream" revealed in the July housing numbers, we may need to go into recovery soon ourselves.

So what's a red-blooded private equity firm to do except sell? We've already sold five companies this year and expect to sell about five more. You worry about selling too soon but we gotta make up for lost time during the Global Financial Crisis, when our exits slowed to a trickle.

Of course, the looming changes in both capital gains tax rates and carried interest taxation have zero effect on our decisions to sell now!!! As we wrap up these final few days of summer and prepare for the holiday weekend, we're awaiting the results of the mid-term elections to see how eager policymakers are to enact any changes.

The vitriol coming at private equity from some lawmakers can make it feel like Washington (and even more so Brussels) hates us—like Kelly LeBrock—just for being beautiful. Indeed, when we're successful, we make money and look good. What Washington seems not to notice is that we lose a ton of our own money when we screw up.

Other legislative and regulatory changes are putting home care and post-secondary education deals on hold or in question. Between the unreasonable multiples and the legislative and regulatory yield signs, we've had to do a bit more exploring for deals. That means that we can't hang out just on the Jersey Shore. In fact, we're really benefitting from the global nature of Riverside these days. This year has found us buying a dog food manufacturer in Turkey and smoothie bar franchisor in Australia (we have a broad palate).

But hey, the choppy waters and riptides just make it all the more exciting to buy and build great middle market companies on shores across the globe—even if they don't all have boardwalks and Jell-o shots.

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