

**Hamilton Robinson  
Capital Partners**

**Private Equity Discussion**



**September 2009**



Realizing the promise  
in small companies for decades

**[www.hrco.com](http://www.hrco.com)**

## Discussion Topics

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- Overview of Hamilton Robinson
- Overview of Private Equity Today
- Key Manager Attributes Private Equity Funds Seek
- Key Company Attributes Private Equity funds Seek
- Q&A

# Hamilton Robinson Capital Partners - A Leading Small-Business Investor



HAMILTON  
ROBINSON  
CAPITAL  
PARTNERS

## Who we are:

Experienced and dedicated team

Refined investment program

Specific market focus

## Making investments:

Pay fair prices

Use modest leverage

## Growing businesses:

Culture and partnership

Lean programs

Add-on acquisitions

## An Experienced Investor:

- A 20-year practitioner of the private equity process exclusively focused on the creation of value, in growing smaller businesses.
- An independent private equity firm with highly-experienced partners and strong commitments from some of the largest financial firms in the world including Mass Mutual, General Electric and PPM America among others.
- An organization with deep relationships and excellent references from 20 years of investing over several business cycles and through permanent business and industry changes.



## Hamilton Robison LLC Organization



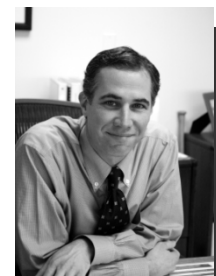
**Scott Oakford**



**Steve Crihfield**



**Chris Lund**



**Phil Cagnassola**



**Mark Riser**

## Key Executive Affiliates



**Charlie Buckley**



**Mark Panozzo**



**Gordon Ettie**



**Brad Goebel**



**Mitch Haber**

Since 1984 Hamilton Robison LLC has been a resource for small enterprises seeking equity capital for ownership transition or growth. We offer management teams a partnership with an investment firm solely committed to the success of its portfolio companies and their employees.

Our mission has remained unchanged for over 20 years: We provide our investors access to high quality middle-market private equity investments through a comprehensive investment program. Our investment activities are based on shared objectives, active collaboration, and open communication between HRCo, our limited partners, and our management partners.

## An Experienced Partner and a Resource for Growth



### Investment Philosophy

- Active investor involvement
- Management independence
- Alignment of interests and sharing of value created

### Partnership Approach

- Common goals and active communication with management partners

### Hamilton Robinson Resources

- Substantial experience in relevant markets
- Executive affiliates and affiliated businesses
- Strong institutional capital base

### Capital Structures

- Conservative financial philosophy
- Capital for growth

### Reputation

- Integrity
- Decisiveness
- Right relationships to support businesses

## Dedicated Market Focus – Industrial and Business Services



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Hamilton Robinson LLC supports companies that manufacture, distribute and service high value-added industrial products and companies that provide technical business services. We do not participate in the technology, fashion, commodity, venture, real estate, or retail business arenas.

HRCO is adept at providing its business partners with guidance and support in the important areas of international expansion, LEAN processes, management and financial organization, and add-on acquisitions.

### Investment Examples – Three Market Leaders



Pawcatuck, CT

**Davis-Standard** is the world leader in equipment to produce aseptic packaging.



Robesonia, PA

**Magnatech** is the world leader in braiding equipment for high pressure hose manufacturing.



Tucker, GA

**GranQuartz** is a world leader in the manufacture and distribution of sanding, grinding and cutting equipment to the stone industry

## Investment Criteria



**Company Size** - Revenues of \$25 million to \$200 million ; EBITDA of at least \$3 million

**Engineered Products and Systems** - Process Equipment, Complex Custom Assemblies, Controls and Solutions Providers or other Highly Engineered Products

**Specialty Business Services** - Value Added Distribution, Facilities and Maintenance, Outsourced Commercial Services, Logistics /Materials Handling

**End Markets** - Industrial, Energy and Utilities, Environmental Controls, Infrastructure, Pharmaceutical and Medical, Plastics and Packaging, Agriculture, Food, Chemicals and Water

**Investment Size** - \$5 - 50 million of equity

**Structure** - Majority or Minority investments for Acquisitions, Recapitalizations, De-leveraging or Joint-Ventures

## Our View of Private Equity



- Private equity is empowerment – the ability to run your own business
- Tools that help create empowerment:
  - Equity ownership (investment + options)
  - Pay-for-performance
  - Board participation by key managers
- Along with empowerment comes:
  - The opportunity to succeed
  - The responsibility to perform
  - The spoils of success
  - The consequences of failure



- Excess leverage of 2006-2008 period will result in funds winding down, but ...
  - ...still a lot of capital on sidelines waiting for valuations to bottom
- Liquidity crunch will scare a lot of hedge funds out of PE (hopefully)
- Fund LPs selling investment interests to meet liquidity needs
- Back to basics lending in vogue (i.e. 1<sup>st</sup> and 2<sup>nd</sup> way out of loans)
- Seller notes common
- Earn-outs common



- Significant equity required to buy businesses today
- Valuations are lower (EBITDA multiples decreasing)
  - Seller expectations starting to match reality
- Investors must demonstrate (to LPs and managers) how they will add value
- Export driven businesses (manufacturing/assembly) still have sustainable advantages
- **GOOD BUSINESS MODELS WITH GOOD MANAGEMENT AND DECENT GROWTH PROSPECTS STILL GET FUNDED!**

## A Few Key Manager Attributes



- Entrepreneurial drive and ability to execute against plan
- Appreciation & understanding of current comp vs. capital appreciation
- Leadership position as GM, CEO, President, CFO, VP of Sales, etc.
- Investment thesis for an industry and/or a particular company

## A Few Key Manager Attributes



- Ability to:
  - make positive changes in company culture that drive earnings growth
  - manage a business in both up & down economies (with leverage)
  - rapidly adjust the business model to positive and negative changes
  - work with BOD members in many capacities
  - integrate acquisitions
  - play nice with the other kids
- PATIENCE – the turtle wins and creates more gains!

## A Few Key Investment Attributes – “The Ideal Investment”



- No “bus” issues – need deep management talent
- No WalMart – need multiple customers (no concentration)
- No Intel – need multiple suppliers (no concentration)
- No Microsoft - Solid market share but not so much for growth
- The Great Wall - Solid, if you will, and defensible barriers to entry
  - Check the China Box – risk or opportunity
- Sales-and-marketing driven culture that
  - Enhances and improves existing products and services
  - Promotes new products and services

## A Few Key Investment Attributes – “The Ideal Investment”



- No WD-40 - Product breadth and diversity = higher enterprise value multiple
- No General Motors - high cost base with more fixed than variable
- No Steel Mill – high maintenance and low growth capex
- No Commodity – high working capital as % of sales or EBITDA
- Good Op. Cashflow – High cash from ops as a % of EBITDA
- Good balance sheet – working capital, fixed assets, intangible assets
- Purchase assets – favorable, accelerated tax treatment
- Good to Great – good ops with potential to be great



- **Minority Interest**
  - Valuation can be deemed irrelevant
  - Minority rights protection critical
- **Recapitalization**
  - Many forms – debt, preferred, common, earnouts
  - Alignment of interests – 2<sup>nd</sup> bite
- **Acquisition**
  - Purchase 100%
- **Joint Venture**
  - Public company contributes assets/PE fund contributes cash
  - Public company takes minority interest
  - PE fund manages investment to create capital appreciation



- Virtual Partner Program (VPP)
  - Ability to partner with a premier independent buy-out firm on a deal-by-deal basis
  - Meaningful participation in transactions that directly involve you:
    - Transaction / closing fees
    - On-going management fees
    - Direct equity investment
    - Carried interest or common equity
    - Board participation
    - A job, where appropriate
- MBO
  - We back you in buying a business to run
  - Significant equity ownership for you and your team

# Hamilton Robinson Capital Partners - A History of Investing in Outstanding Companies



<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Davis-Standard Holdings Inc. October 2006</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Magnatech International Inc. April 2006</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Fitzpatrick Company February 2005</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>GranQuartz January 2004</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Lifestyle Media September 2003</p>
<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>All Island Media September 2003</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Black Clawson Converting Machinery March 2003</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Trillion Digital Communications December 2001</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Petroco International October 2001</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Dexter Magnetic Technologies July 2001</p>
<p><b>Hamilton Robinson Capital Partners</b> has formed</p>  <p>Applied Process Solutions, Inc. October 1998</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Maloney Holding October 1995</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Republic Realty Mortgage Corp. July 1992</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>AGCO Corporation June 1990</p>	<p><b>Hamilton Robinson Capital Partners</b> has purchased</p>  <p>Maginnis &amp; Associates, Inc. August 1989</p>



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