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Hospital Linen Companies Fight Germs And Laundry Thieves

Thompson Street Capital Partners is now part of the proud tradition of private equity investment in the hospital linen sector. The firm has invested in Logan's Linens, a Shelbyville, Ky., company with a health-care division serving hospitals and other facilities. Another segment rents uniforms and various supplies like mats and dust mops for several industries.

Terms of the deal weren't disclosed, but St. Louis-based Thompson Street generally targets companies with Ebitda of \$5 million to \$10 million.

These companies help hospitals save money and focus on more important things than doing laundry. Possibly the biggest recent deal in the sector was the \$203 million purchase of Angelica Corp. in 2008, by Lehman Brothers Merchant Banking Partners. The company posted 2007 revenue of \$430 million. Providing scrubs, blankets and such isn't the only part of the business; Angelica offers additional items like the "Angel Kit" cleaning system that fights infections.



Reuters

Late last year, Blue Wolf Capital Management LLC launched the Healthcare Laundry System platform by acquiring assets from two non-profit hospital groups. A key component of that deal was cooperation with labor unions. When HLS debuted, Blue Wolf said it would be the largest hospital laundry provider in the U.S., serving "more than fifty million pounds of clean linen annually."

Chicago investment bank Dresner Partners, which assisted Logan's adviser Falls River Group, was also involved with the Blue Wolf deal. Dresner President Steven M. Dresner says the hospital linen sector is an "attractive space," thanks to its steady revenue growth and long-term contracts. Also, there are consolidation opportunities through acquisitions of regional players.

Every now and then, venture investors show up too. Westport Linen Services raised \$6.7 million in venture debt earlier this year. Advantage Capital Partners provided \$4 million of the round, while IberiaBank provided \$2.7 million.

At least one company in the sector has found opportunities through some unfortunate societal trends. Riverside Partners bought Innovative Product Achievements in 2008. The company makes scrub and linen vending machines designed to help hospitals curb theft and misuse. According to the company's Web site, the emergency department usually suffers the biggest loss of linens at hospitals, due to "close proximity to the exit" and access by many non-hospital employees.

In a description of the company's ScrubEx machines and aIEx machines, [the site illustrates some of the archetypes](#) that emerge when scrubs and linens are simply left out on open carts – there's "The Hoarder," "The Yanker," "The Misuser" (depicted mopping up a spill), "Messy Marvin" and most disturbingly, "The Vendor."

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