

Thompson Street raises \$145 million, buys 4 firms

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More than a year after quietly launching a private equity fund, James Cooper and Peter Finley, managing principals at Thompson Street Capital Partners, and their partners have raised \$145 million and bought an ownership stake in four companies.

Thompson Street's fund, which closed Sept. 30, is one of the largest raised by a private St. Louis-based group. It tops the \$120 million private equity fund raised by Westgate Group, launched by William Stiritz in 1998, and the \$89 million raised last year by RiverVest Venture Partners, a venture capital firm led by bankers Andy Craig and Tom Melzer.

Capital Z Investments, a New York-based fund, is the largest investor in the fund assembled by Thompson Street Capital, which takes its name from the Manhattan street on which Capital Z is headquartered. A smaller stake is held by Private Advisors LLC, a Richmond, Va.-based alternative asset specialist firm that manages money for high net worth individuals and institutions.

Cooper declined to identify additional investors, other than to say they are local and national individuals and institutions, many of whom he and Finley have worked with in the past.

Cooper and Finley are no strangers to the private equity business, having honed their skills at Harbour Group, the \$1.5 billion conglomerate led by Sam Fox with a portfolio of more than 125 companies in a variety of industries. While their time at Harbour Group overlapped, between the two they

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Peter Finley and James Cooper found investors locally and nationally.

worked on more than four dozen deals for Harbour Group.

At Thompson Street, they've put together a team of principals that includes Kevin Sullivan, who cut his teeth at Mark Twain Bank before opening a St. Louis office for Fleet Capital, where he was senior vice president; Thomas D'Ovidio, who previously was a vice president with Philadelphia-based Berwind Financial Group's LBO Fund; and Peter Villhard, a dealmaker involved in 19 acquisitions after cofounding Stonegate Resources, a portfolio business of Joseph, Littlejohn & Levy, a private equity firm in New York.

In addition to the deal team, Tim Spencer was hired in mid-October as chief financial officer. Spencer's resume includes stints at Emerson, General Electric and McKensey, a Cleveland-based consulting firm.

Harry Holiday III, who also worked at Emerson, GE and Philadelphia-based Owosso Corp., is chief operating officer at Thompson Street. "He brings big company discipline to smaller firms," Finley said.

Thompson Street is putting its money into middle-market manufacturing, service

and distribution companies with sales ranging from \$30 million to \$200 million, "healthy companies where we can help accelerate growth," Finley said.

"We'll help them grow to the \$300 million to \$500 million range, through organic growth or acquisitions. Then they will be large enough to require a different set of disciplines."

The four companies now in Thompson Street's portfolio are Waddington North America, a Cincinnati-based manufacturer of high-end disposable tableware for the catering and banquet markets; Avon Plastics in Brooklyn, N.Y., also a disposable tableware maker; Packaging Logistics Inc., a Los Angeles-based packaging company serving warehouse clubs and "big-box" retailers; and the Alan White Co., a Memphis, Tenn.-based furniture manufacturer. Combined, the companies have \$400 million in revenue.

Waddington was the earliest investment in 2000, before the fund officially launched, when Thompson Street had a chance to join forces on the deal with Code Hennessy & Simmons, the Chicago-based

firm that is majority owner of Kranson Industries, a packaging firm based in Creve Coeur. Waddington acquired Avon Plastics in the spring of 2001 and Avon's operations were combined with Waddington's, creating a single "platform business."

Finley said Thompson Street will look for other add-ons, similar to the Avon deal, to add to the packaging and furniture platform companies. He said the firm has raised enough money to acquire three or four more platform businesses.

"We're pleased with the pace of our investments," Cooper said. "For the past one or two years, it's been a down market in the

acquisition world. We feel we're finding good companies at a good pace."

Thompson Street's fund-raising efforts have come amid the weakest markets since 1996, according to a report issued this summer by Callan Associates in San Francisco. In the first half of 2002, 74 funds raised \$18.6 billion, down 60 percent from the same period a year earlier, the report said.

Short-term private equity fund performance also is down, according to an Oct. 14 report from Thomson Venture Economics and the National Venture Capital Association. For the period ending June 30, one-year returns for private equity funds were a negative 16.5 percent.

Generally, private equity firms strive to provide a 30 percent annualized rate of return to their investors, Finley said.

Robert Voeks, a partner at Private Advisors, said he views his firm's investment in Thompson Street as "a more conservative investment" than an investment in a venture capital fund.

"The return generating process is different," Voeks said. "We're looking for them to identify a good opportunity, purchase it at a fair price, build value in the companies, and have the ability to exit the company, mostly through a strategic sale to another investment partnership."

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