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BEYOND LOCAL

ONCE, MIDDLE MARKET MEANT ONE THING: local, perhaps regional, companies that rarely looked farther afield unless they were acquired. That's no longer the case. Middle-market companies now operate in national, even global, markets. And as companies go, so go their advisers. With roots deeply planted in robust regional markets, so-called midmarket nationals like William Blair & Co. LLC, KeyBanc Capital Markets Inc., ABS Capital Partners, GulfStar Group or Farlie Turner & Co. LLC have followed their clients out of Chicago, Cleveland, Baltimore, Houston or Florida and gone hunting for new clients in new places. In this Middle-Market Special Report, we look at the five, each based in a different region of the U.S., each a special case, but each possessing ambitions that transcend the local.

THE SENIOR TOUCH

FLORIDA'S FARLIE TURNER MAY BE SMALL, BUT IT HAS DEVELOPED EXPERTISE ON BOTH ENDS OF THE ADVISORY GAME

BY JOHN BLAKELEY

DURING AN AGGRESSIVE four-year buying spree, armor maker Protective Products of America Inc. overleveraged its balance sheet and, like many companies, was exposed as the recession began to bite.

From 2004 to 2008, the Sunrise, Fla., company had expanded from a small supplier of ballistic protection materials to a maker of armament including vests, shields and helmets for the military and police, generating sales of more than \$97 million.

Unable to service the debt it took on to fund the expansion—including \$11.1 million in notes issued in 2007 and 2008—Protective tapped Farlie Turner & Co. LLC in 2009

to raise capital or find buyers. Two months earlier, the Fort Lauderdale, Fla., firm accepted a similar assignment from another distressed Florida business, hot tub maker DM Industries Ltd.

Attempting to fill what its founders saw as a void in Florida's merger advisory market, Farlie Turner opened shop as an M&A adviser in 2004. Then came the recession. "As we built upon our vision of launching an M&A practice, we wanted to do it differently. We wanted to build a balance between traditional M&A advisory and a distressed advisory," says Michael Turner, who co-founded the firm with Craig Farlie.

To that end, Farlie Turner brought in Steve Zuckerman from Florida-based Berger Singerman PA's bankruptcy practice in 2007 to head the firm's special situations group.

"We now sit with sort of two arms to our business; one is pursuing merger opportunities with companies that are healthy in the middle market, the other is using those same sets of skills with distressed companies," Turner says.

Farlie Turner lined up six interested buyers for Protective and two lenders willing to provide unsecured debt. Ultimately, Protective accepted a \$15 million bid, including more than \$10 million in cash, from a Sun Capital Partners Inc. affiliate. Meanwhile, Maax Spas Industries Corp., a portfolio company of Brookfield Asset Management Inc., acquired DM Industries for \$2.4 million cash, plus debt, bringing the deal's total valuation to just under \$15 million.

Both deals, which were completed through 363 bankruptcy auctions, fall on the low end of a typical Farlie Turner engagement in terms of valuation. The firm normally advises clients with an enterprise value of \$25 million to \$300 million.

Though it lacks the army of bankers of Wall Street firms—Farlie Turner has nine—the firm relies heavily on senior talent working directly with clients. "We tend to staff our transactions more heavily with senior bankers, and we're able to do that because we tend to be pretty selective in the types of engagements we take on," says Turner.

Turner, a managing director, worked

as a principal investor at middle-market-focused private equity firm Brockway Moran & Partners Inc. before co-founding Farlie Turner. Farlie started his career as a financial analyst at Paine-Webber Inc. before joining a holding company run by Wayne Huizenga, the rollup king behind Waste Management Inc., Blockbuster Inc. and AutoNation Inc. From there, Farlie served in executive positions at AutoNation and Republic Industries Inc., now Republic Services Inc.

Despite the reputation it has earned as a restructuring adviser, Farlie Turner still hangs its hat on sell-side advisory, which Turner says currently represents the bulk of its transaction work.

Since June, Farlie Turner has lined up buyers for five clients, according to Turner. Last month, the bank served as exclusive financial adviser to Palm Beach Capital portfolio company TMS Health LLC in its sale to Xerox Co.'s Affiliated Computer Services Inc. In September, Farlie Turner sold Florida wine importer and distributor Stacole Co. to Country Vintner Inc., a portfolio company of PNC Equity Partners.

Currently, Farlie Turner is engaged in nine advisory assignments—seven of which are "healthy" M&A transactions, the other two being handled by its special situations group, according to Turner.

Though it has established itself as one of the leading local middle-market investment banks, Farlie Turner has not confined itself to pursuing opportunities in the Sunshine State. Last month, it advised Lynwood, Ill.-based waste transportation company KRD Trucking Inc. on a recapitalization. Indianapolis private equity firm Hammond Kennedy Whitney & Co. invested an undisclosed amount of equity into KRD from a \$202 million fund it closed in December 2007.

In August, Farlie Turner advised Abbeville, La.-based Offshore Cleaning Systems LLC in a recapitalization led by Denver PE firm RedCloud Capital LLC.

"We're not interested in remaining static," Turner says. "We like our business model, but as we expand our brand name, we're looking to take advantage of opportunities wherever they present themselves." ■



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