

The first step

ACQ's Charlotte Abbott talks with Mark H. DeBlois and Robert (Rufus) L. Clark, both Managing Partners at Bunker Hill Capital, L.P., about the firm's first acquisition in its new consolidation strategy.

Bunker Hill Capital is a private equity firm that makes investments in lower middle market companies with enterprise values up to \$150m. The principals of Bunker Hill Capital have invested over \$400m in 29 transactions and target opportunities across four industry sectors, including *industrial products, business services, consumer products and specialty retail*.

Bunker Hill's strategy is to acquire lower middle market companies that will benefit significantly from the application of the team's strategic, financial and operational resources. They characterize themselves as value investors who originate over 50% of their deals directly at attractive valuations relative to the general market.

Bunker Hill Capital's other current portfolio company investments include California Family Fitness, the leading owner and operator of fitness centers in the greater Sacramento, CA area; Papa Gino's/D'Angelo, a dominant quick-service restaurant operator in New England; and Smith & Wollensky, a premier steakhouse concept in the U.S. In addition, Bunker Hill successfully exited its investment in Specialty Coating Systems in June 2008 (this portfolio company was featured in ACQ, Volume 5, Issue 11).

/n Spro Inc acquisition

/n Spro Inc, headquartered in Montreal, Quebec, is a provider of functional consulting services focused on SAP solution architecture and configuration. Within the Canadian market, the Company provides services relating to various SAP applications, with a primary focus on the HCM, Payroll, and CRM applications.

"/n Spro will be the first acquisition in a research based origination and consolidation strategy that will focus on acquiring complementary, specialty consulting services in differing SAP software applications and modules throughout North America," stated Mr. Clark.

Founded in 2003, /n Spro has achieved over five years of robust revenue and earnings growth while expanding services to two offices in two provinces. As of July 2009, the Company employed a fulltime staff of 17 consultants augmented by six branded contractors and a pool of independent contractors.

Mr. Clark indicated, "/n Spro utilizes a pyramid consulting organization to support its service offerings. The senior consultants are supported by intermediate and junior consultants, who in turn receive mentoring and training from the senior consultants."

The Company's staff of experts and impressive case resume have allowed /n Spro to establish a unique culture and business model.

Mr. DeBlois added, "The Company's strong client relationships provide a high level of repeat and referral

business, and projects that average four to eighteen months in duration provide strong revenue and earnings visibility. /n Spro's projects typically range from \$25,000 to \$2.0 million with an average size of \$500,000. The Company has experienced strong demand for its services and has effectively increased professional headcount and billing rates to drive historical revenue growth."

Bunker Hill Capital found the /n Spro opportunity compelling due to the compelling industry dynamics, the leading HCM expertise within Canada, the company's strong financial model coupled with a committed management team with significant industry experience and multiple avenues for growth.

As described by Mr. DeBlois, "Bunker Hill Capital's investment thesis for this transaction is that: (i) the highly fragmented SAP consulting industry is well positioned to continue experiencing strong growth; (ii) a consolidation in the SAP software consulting services industry is viable, highly attractive and capable of delivering significant shareholder value; (iii) the Company represents an excellent initial acquisition for a consolidation strategy due to its highly specialized service offerings and strong brand recognition in the Canadian marketplace; and (iv) there are significant growth opportunities from organic initiatives and additional acquisition opportunities."

Moving forward, Bunker Hill Capital will work with the /n Spro team to continue building out the Company's brand and market position in the Canadian market in addition to acquiring complementary companies throughout North America.

Mr. Clark added, "The consolidation strategy will broaden the Company's geographic footprint, deepen its product expertise, and enhance cross selling and project management capabilities."

2008/ 2009

One of Bunker Hill's portfolio companies, Specialty Coating Systems, was sold in June 2008 and returned 6.1x invested capital in 2 ½ years, generating an IRR in excess of 100%.

The transaction was awarded Small Market Deal of the Year by Buyouts Magazine. In addition, the firm is in the process of raising its second fund and had a first closing in 2008. The firm will complete its fundraising efforts for its second fund of \$250 million by year-end.

Mr. Clark concluded by saying, "Bunker Hill Capital believes the next 18 to 24 months will represent one of the best times in history to invest in lower middle market companies. We feel fortunate to have a solid portfolio of outstanding companies as well as available capital to invest into new opportunities." **ACQ**

DETAILS

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