



Bunker Hill Capital

This private equity firm's proven track record speaks for itself, but Mark DeBlois and Rufus Clark explain how the firm is planning for the future.

Setting Records for Growth

For Boston-based Bunker Hill Capital, investing is simple: develop a strategy that works, and adhere to it constantly. Managing partners and co-founders Rufus Clark and Mark DeBlois, along with their other partners Theresa Nibi, Brian Kinsman, and Jason Hurd, have been investing in lower middle-market companies for more than 20 years now. So far, their investment approach has not steered them wrong.

The principals of Bunker Hill Capital have invested more than \$400 million in 29 transactions and target opportunities across four industry sectors: industrial products, business services, consumer products, and specialty retail.

In 2008, Bunker Hill Capital earned *Buyout Magazine's* Small Deal of the Year award for the sale of one of its portfolio companies, Specialty Coating Systems, Inc. (SCS). The sale of SCS returned over six times Bunker Hill's original investment and approximately 115% of all capital drawn to date from its fund. During the two and a half years that Bunker

Hill owned SCS, its sales and EBITDA grew by more than 50% and 80% respectively.

"This success clearly demonstrates the effectiveness of our highly involved, hands-on approach to investing," said DeBlois, who explained the company only makes control investments and invests a great deal of time and energy to develop just the right strategic plan for each business.

Clark explained how Bunker Hill doubled SCS's salesforce and developed a more narrowly focused group of industry verticals to target, which allowed the company to pursue opportunities with a higher likelihood of success and therefore increase its growth rate and marketshare.

Also crucial in this and every investment the firm makes is expense management, which DeBlois said can be especially important in a recession. Bunker Hill teams perform line-by-line expense analysis to develop a sound, efficient platform for future growth at the outset of an investment and double those efforts in a recessionary cycle. More importantly, however, Bunker Hill emphasizes the opportunities for growth that exist in every down economy to optimize growth coming out of a recession.

"Some of our businesses have already come out of the cycle and are swinging back upward, while others are just bottoming out," said DeBlois. "It's all about doing the right thing for each unique situation."

In addition to its disciplined investment process, Bunker Hill avoids strategy drift and does not pursue fad-type investment trends. DeBlois added that SCS, headquartered in Indianapolis, Ind. with nine facilities around the world, was very representative of the type of core investment that Bunker Hill is attracted to. SCS had been part of a large, publicly owned, UK-based company called Cookson and was what is known



as an orphan business, with little attention or resources allocated from its parent company. It is in those situations, DeBlois said, that Bunker Hill can find the most upside in a company's performance.

Terry Bush, president and CEO of SCS, said in a press release, "Bunker Hill provided the type of strategic leadership that has been critical to our success since being divested by Cookson. Bunker Hill's proactive approach and financial commitment to growing our business model has been a key success factor."

Investing in experience

Another key factor of Bunker Hill's success and growth is its executive network, which consists of approximately 70 professionals the firm has worked with over the years.

Clark explained, "These are executives of companies we've bought and sold or currently own and veterans in various industries who can add value from the due diligence standpoint in developing strategic plans or sitting on a board for a new investment. They are the intellectual differentiator that often gives us an edge in managing our investments."

This group of executives also works with Bunker Hill to identify attractive growth sectors for potential investments. Most recently, experts in that executive network have enabled the firm to launch consolidation projects in two industries: water and wastewater treatment and IT consulting.

In October, Bunker Hill announced its partnership with a member of its executive network, Donald Borden Jr., who previously served as president of Crane Environmental, to pursue an acquisition strategy in the water/wastewater industry. In a press release, DeBlois explained how Bunker Hill frequently looks for fragmented industry sectors that forecast exceptional growth.

"After nearly a year of due diligence and research, we decided to branch into this sector," he said. "Our collaboration with an exceptional Cleveland executive like Don Borden, including his strong network of contacts, makes for a compelling consolidation strategy."

Clark added, "We are very pleased to have Don on board and believe his deep industry experience will greatly assist us in our proactive investment approach within this sector. We believe that sub-sector fragmentation, the product replacement cycle, government support for improved infrastructure, and long-term demand for increased efficiencies will continue to create exceptional investment opportunities in this industry."



The second consolidation project in the IT consulting industry is already well under way. Bunker Hill acquired Nspro, a leading Canadian provider of functional consulting services focused on SAP software solution architecture and configuration, in July of this year. DeBlois explained that the company focuses on SAP's Human Capital Management, Customer Relationship Management, and Portal applications, so future acquisitions will augment that expertise. "There were two people in our executive network familiar with the IT consulting industry and in particular with SAP," said DeBlois. "We spent a great deal of time learning from them and looking for the right company with which to start this consolidation project."

"Our ultimate goal," Clark added, "is to develop a company that can provide SAP solutions to many different companies throughout North America."

Both partners added that these consolidation strategies are good examples of how the firm capitalizes successfully on its experienced and knowledgeable network of operating executives in acquiring businesses outside the auction market.

"The many partnerships we've cultivated over the years provide a lot of flexible options for growth and differentiate us among other private equity firms of our size," Clark continued. "Our breadth of experience has provided the insight to make us good investors and partners." ■

—Meghan Flynn