

Finance Extra

Winner: Dealmaker Buyer/Seller

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Running a private equity firm that targets turnarounds will by its nature mean extra attention to due diligence. How much good can you find in bad numbers to make an investment in a distressed company worth the risk?

Doing that during a bad economy? Not for the faint of heart.

Just from the number of deals done in 2010 — seven acquisitions with a total deal value of more than \$70 million and total revenue of more than \$200 million — **BlackEagle Partners LLC**, a Bloomfield Hills-based turnaround private equity firm with a \$175 million fund, had a very busy year.

But it's another number that tells just how busy it was and helps explain why the company is the dealmaker buyer/seller winner for 2010. It's the number 400. That's the number of potential deals BlackEagle looked at to buy one platform company.

BlackEagle targets underperforming or distressed companies,



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or companies in out-of-favor industries that can be helped by bringing in operational experience. The strategy involves first establishing well-run companies that serve as operating platforms into which BlackEagle can then roll those underperforming companies.

BlackEagle looked at 400 potential platform companies before buying one last year, **Waste Associates LLC**, a vertically integrated regional waste management company based in Richmond, Va.

For each of its other six acquisitions, it looked at an average of perhaps 20 companies, according to Vice President Michael Monroe.

"It really is a much more difficult process to go through due diligence in a bad economy," said Monroe. "It just requires a much deeper dive."

That strategy of adding on to platform companies was at the heart of 2010's efforts.

For example, four acquisitions were rolled into **US LBM Holdings LLC**, a platform company headquartered in Green Bay, Wis., and the national's 10th-largest distributor of lumber and building supplies.

Two acquisitions were for **InStar Services Group LP**, a leading national provider of disaster response and insurance restoration services — **B. Poole Restoration LLC** of New York and **Horizon Restoration Inc.** of Denver. The platform company itself was moved last year from Texas to Troy, where it employs about 30.

Another platform company is **Federal Broach & Machine**, a Harrison-based firm that is one of the world's leading manufacturers of specialized broach machines and broach tools. It has facilities in Auburn Hills, South Carolina and Florida.

Advisers on BlackEagle deals included Detroit-based **Honigman Miller Schwartz and Cohn LLP**; the Southfield-based accounting firm of **Plante & Moran PLLC**; **PM Environmental Inc.** of Berkley on environmental issues; and **Wolf Hulbert Co. LLC** of Birmingham for risk management.

— Tom Henderson