

## Biz as usual: Private-equity firm seeks to add value to entrepreneurs

By Mike Taylor

Ryan Heckman's career as a private-equity investor began to take shape when he was 15, en route to a ski meet in Zurich, Switzerland. Sitting next to him on the plane was George Gillett, and for the entire eight-hour flight, young Heckman soaked up tales from the legendary Vail businessman.

"When he told me the stories of the things his companies had accomplished, it just seemed like I'd pay money to do that job," says Heckman, 38, who grew up in Steamboat Springs and competed as a cross-country skier in the 1992 and 1994 Winter Olympics. "Even compared to skiing it seemed pretty fun. So I just asked him when we got off the airplane that if I got a college degree, if I could give him a call."

Fast-forward six years, to 1997. Heckman was about to graduate from CU-Boulder with a business degree. He called Gillett.

"He asked me to meet him in the parking lot of a Raiders-Broncos game, Monday Night Football," says Heckman, who was promptly hired and spent five years with Gillett's Booth Creek Management at the firm's Atlanta office, gaining a foundation for much of what he does today at Denver-based private-equity firm Excellere Partners, which he formed in 2006 along with fellow managing

partners David Kessenich and Robert Martin.

All three came from KRG Capital Partners, another Denver-based private-equity firm.

"We were all three very entrepreneurial and had a real drive to create our own business like the entrepreneurs that we partner with," says Kessenich, 45. "With KRG's success, they were raising more and more money and had a real desire to move kind of up-market, investing in larger companies. We wanted to stay focused investing in smaller and mid-size companies."

Excellere Partners now has \$730 million of capital under management, with a buy-and-build strategy that focuses on a number of industries including health care, specialty foods, business services, and education and training.

One of Excellere's big successes to date was its investment in MedExpress, at the time a small urgent care concept based in Morgantown, W. Va., launched by four emergency-room doctors.

During Excellere's three-year investment period, MedExpress grew from six urgent-care centers to 50 centers and hired 1,200 people. Depending on whether the growth

is measured by patient volume, revenue or number of centers, MedExpress grew seven- to ninefold before Excellere's exit in 2010.

"One of the things we always talk about is building enterprise value," says Martin, 64. "We want them to have some exponential value when we sell the companies so we get good returns both for our partners as well as our limited partners, our investors."

But don't most of these companies just want capital? "Well, that's what they think when they go into a transaction with a firm like ours," Heckman says. "It's our job as investors at Excellere to show them that they deserve the capital ... and more. And it's the 'and more' that we've tried to build our firm around providing."

Given that Excellere typically assumes a 70 percent stake in the companies in which it invests, it would seem to follow that the private-equity firm would want to exert considerable control over how the business is run.

"Not really," Kessenich says. "The partnership approach we have with entrepreneurs, if we were to get sideways with an entrepreneur and lose them, we lose that vision, which is a real value."

"It's a little bit like if you win an argument with your spouse," Heckman adds. "At the end of the day we always say the entrepreneur is investing in our firm as much as we're investing in theirs."

Of course, the private-equity industry has been the source of politically motivated

barbs of late – specifically Mitt Romney's former firm Bain Capital.

But, says Kessenich, "The reality is, the vast majority of private-equity firms are facilitating growth, they're creating employment. Quite frankly, our government, whether it's Republican or Democrat, should be focused on 'how can we do a lot more of that?'"

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