

DENVER BUSINESS JOURNAL

www.denverbusinessjournal.com

SEPTEMBER 21-27, 2012

THE NATION'S OLDEST WEEKLY BUSINESS JOURNAL

Excellere Partners follows its own private-equity path

BY HEATHER DRAPER
DENVER BUSINESS JOURNAL

The private-equity story that seems to get lost in the bluster of presidential campaign attack ads is the one in which boutique firms actually help entrepreneurs and small-business owners grow their companies.

The founders of Denver-based, middle-market private-equity firm Excellere Partners pride themselves on partnering with the executives of the companies they invest in, and on a business model that stresses innovation and value creation. They leave entrepreneurs with about a 33 percent stake in their companies, on average, and provide incentive stock for other managers and employees.

"We want to be a true partner," said Robert Martin, Excellere managing partner who co-founded the firm with managing partners Ryan Heckman and David Kessenich. "We're not running these companies. We want someone who is truly excited to take that equity they still retain and make it worth more than they got on the first transaction."

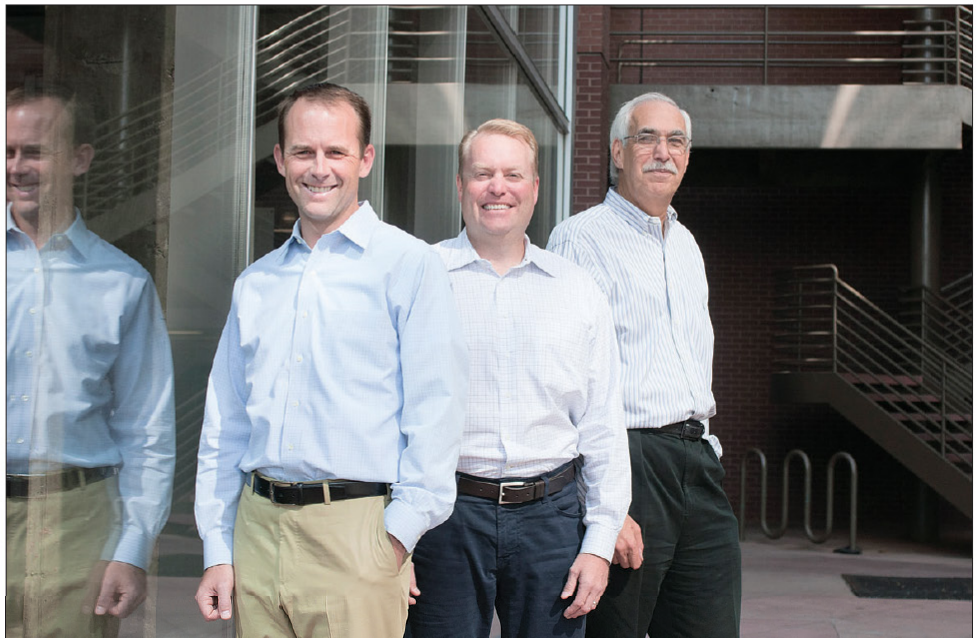
The firm intentionally keeps its funds under \$500 million to be able to focus its investments on smaller, entrepreneurial companies with sales in the \$25 million to \$100 million range.

Excellere raised \$472 million in late 2011 for its second fund, Excellere Fund II, and this summer, the firm made its first three investments from that capital raise.

The firm invested in Lakewood-based Integrated Petroleum Technologies Inc., an oil and gas engineering firm; Yorba Linda, Calif.-based Flavours Inc., a manufacturer of organic beverages and snacks; and Nashville, Tenn.-based Anesthesia Medical Group, a provider of anesthesia services.

"The Excellere Fund II was significantly oversubscribed because of [the firms'] excellent track record, authentic values and differentiated strategy," Martin Voelker, managing director of UBS Investment Bank, said in a news release in December 2011. "Raising Excellere Fund II was one of the fastest fundraising efforts that UBS has ever managed."

Excellere raised \$265 million for its first fund in 2007, which invested in eight



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Ryan Heckman, David Kessenich and Robert Martin are managing partners at Excellere Partners.

companies. It has sold three of those companies, but continues to support the others.

Excellere's investor base includes state and local pension plans, insurance companies and other financial institutions.

"A lot of union members are our bosses and we love to make money for them," Heckman said. "My mom was a school teacher. It's always fulfilling that the money we're making is not only helping entrepreneurs, but also retired teachers with pension benefits."

Excellere pursues investments in five industries: health care, specialty foods, industrial technology and services, business services, and education and training.

They start with those industries because they perform well in good and bad economic times. Next, they look for businesses within those sectors that are outperforming their peers "because there's something distinct about that business," Heckman said.

Finally, they look for entrepreneurs "who are inspiring their fellow employees to take their companies farther than the industry itself would take them," he said.

Todd Siegel was one of the entrepreneurs that Excellere invested in as part of

its first fund. His family had founded MTS Medication Technologies Inc., a medication packaging company, in St. Petersburg, Fla., in 1984. The company went public in 1986.

In late 2007, Siegel was hoping to grow the company by investing in better operating systems. But raising capital as a small public company would have been difficult at that time.

So Siegel sought private-equity funding. Excellere was one of the first firms he met with, and he said he "felt comfortable with them right away." Under Excellere, MTS increased its operating capacity by 35 percent, he said.

Because the market for quality private companies had improved substantially by late 2011, Excellere and Siegel put the company on the market.

In May, MTS was acquired by Mountain View, Calif.-based Omnicell Inc. (Nasdaq: OMCL), a provider of medication and supply management products and services.

"We have done an exceptional job of picking companies that are innovative in their particular industries," Kessenich said. "At the end of the day, we're investing in people. That's ultimately what generates the returns we're looking for."