

# Miami Herald

## **Growth in Florida private equity firms creating new opportunities for middle market business owners**

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The recent growth in the number of private equity firms headquartered in Florida and news headlines surrounding ongoing PE activity is piquing the interest of middle-market business owners in selling to or partnering with private equity firms. Further fueling their interest — particularly for those who had envisioned doing this in the coming years — is the awareness that today's healthy valuations might not last. At the same time, many are uncertain how to position their businesses to seize such opportunities. Following is some insight based on our experience.

The number of PE firms is growing nationwide, particularly in Florida. According to our latest Cassel Salpeter & Co. [Private Equity Deal Report](#), the first half of 2018 saw a record high of 12 new Florida-based PE firms since year-end 2017, and a compound annual growth rate of approximately 13.1 percent from 2010 through the first half of 2018.

These firms come in all shapes and sizes. Some specialize in specific industries, such as technology, healthcare or consumer products. Some do large, middle-market or lower middle-market deals. Some, like Trivest, focus on buying founder/family owned businesses, while others, like Sun Capital Partners, specialize in distressed companies with untapped potential. Firms like H.I.G. Capital have a family of funds, including private equity, growth equity, real estate, debt/credit, lending and biohealth.

Generally, PE firms do not want to run companies. They seek majority stakes where they buy control of companies or they seek significant minority stakes in companies. They want to back strong management teams or put in place new management teams that they consider better positioned to grow and run the companies. PE firms can provide middle-market businesses with valuable support in a variety of areas, including process improvement, sourcing and supply chains, recruitment and human resources initiatives, and mergers and acquisitions assistance.

How can you determine whether selling to or partnering with a PE firm is right? First, make sure you understand your motivations and have confirmed this would be right for your business. Next, do not limit your options to PE firms. You might consider selling to strategic buyers or family offices. A lot depends on what you want to accomplish.

If a PE firm is your best route, then you need to find the best fit for you and your business, based on your specific motivations. Are you selling for estate-planning purposes or to retire? Do you want to take some money off the table or rearrange equity with other family or team members? Do you want growth capital to expand or help develop a growth/acquisition strategy, including support with analysis and sourcing? You might want a PE firm to leverage its relationships on your behalf, bring in capital, or help you restructure your debt. Some family-owned businesses might want help attracting different and/or better management teams.

We always recommend middle-market business owners consider an array of candidates and choose the one offering the right cultural fit and valuation. While the ideal target for a PE firm is a proprietary deal with minimal competition, this may not be best for the business owner. Sometimes, it is best to just deal with one PE firm, but this may affect your ability to maximize value. Running a competitive process is best to maximize value and understand all available options.

When conducting due diligence, speak with sellers or management of companies that the PE firms bought or partnered with and see how everything went. Ask lots of questions.

How do you find the right PE firm? Talking to industry experts, doing research and attending conferences and events is a great place to begin. Some PE firms have calling efforts or industry initiatives and attend events where they seek potential opportunities. It always is best to have an experienced investment banker and attorney assist you and serve as your advocates. Finding the right PE firm and protecting your interests in a deal is an art that requires experience and expertise, and it is critical to have the right professionals in your corner.

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