

Private equity deals, PE-backed companies on the rise in Florida, new report says

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By Margie Manning

After a record 2017, private equity deal flow in Florida remained strong in the first half of 2018.

A new report from [Cassel Salpeter](#) & Co. shows there were 118 private equity deals in the Sunshine State from Jan. 1 through June 30. That number may go up, the report said, because data reporting generally lags behind actual activity.

There were 145 private equity deals in the first half of 2017, including deals reported after the six-month period ended, the report said.

About 17.8 percent of the private equity deals in the first half of 2018 were in the Tampa Bay area, the report said. More than a third of the total deals, 36.4 percent, were in Southeast Florida. Central Florida had slightly more deals than Tampa Bay (18.6 percent of the total) while southwest Florida and northeast Florida had slightly fewer than Tampa Bay (15.3 percent and 10.2 percent, respectively).

Private equity is a key factor in business growth, said [James Cassel](#), chairman and co-founder of the Miami-based investment banking firm.

Private equity is different than venture capital, Cassel said. Venture capital provides funding for earlier-stage companies and is usually the first institutional money after a round of funding from friends and families and

angel investors. Private equity is generally more of a buyout and can be growth oriented or used to turn around a distressed company.

A private equity deal provides an exit strategy for owners, including those who still want to remain involved with their companies, or those who want to give their management teams a chance to partner with private equity investors to get an ownership stake. Private equity investors often bring expertise in management, mergers, recruiting and sourcing production material.

“They bring a depth and breadth the company may not have in its present configuration,” Cassel said.

The report shows the number of Florida companies backed by private equity firms has increased six-fold from 2000. There were 73 private equity-backed companies in Florida in 2000, compared to 449 by June 30, 2018.

“Because Florida is the third-largest state, there should be a fair amount of activity here,” he said.

One reason for more private equity activity is the growth of entrepreneurial initiatives in the Interstate 4 corridor, from Tampa to Orlando.

“Florida has companies that are maturing and as companies grow and mature they get to a point where it’s time for an exit or the next opportunity,” Cassel said.

The report tracked private equity exits for Florida firms. There were 32 private equity exits the first half of 2018, 19 of them corporate acquisitions and 13 of them secondary buyouts.

There’s also an increasing number of private equity investors based in the state. There were 27 private equity firms headquartered in Florida in 2010, and 68 PE firms by June 30, 2018.

In the first half of 2018 alone, there were a dozen new private equity firms opening up shop in Florida, the report said.

There are a couple of reasons for that growth, Cassel said.

“We’re a very tax advantageous state. When firms are considering where they want to be based, Florida and Texas have an advantage over New York, New

Jersey, Connecticut and California. It puts 5 percent to 10 percent more in the pocket of principals and general partners,” Cassel said.

In addition, as the market matures, people leave firms to start their own private equity shops, and they don’t need to leave Florida to do that, Cassel said.

That’s what happened when veteran Tampa dealmaker Scott Long left Palm Beach Capital and [founded](#) Canopy Capital Partners, a private equity firm focused on the lower middle market. Additionally, Scott Lee, previously a principal at [HealthEdge Investment Partners](#) in Tampa, [opened a satellite office](#) in Tampa for [BelHealth Investment Partners](#), a New York-based private equity firm.

A strong economy now should keep private equity growth on track, but Cassel said there are a few factors that could derail it: interest rates rising too fast, labor shortages and restrictions on immigration. A smaller pool of potential workers drives up employee pay, he said.

Still, Florida private equity firms are positioned well, he said.

“Florida private equity firms are doing deals all over the country, partnering to make companies better and more efficient, and that gives the companies the ability to grow and survive longer term,” Cassel said.