

BUYOUTS' INVESTMENT BANK OF THE YEAR

RELATIONSHIPS UNDERPIN HARRIS WILLIAMS' SUCCESS

By Danielle Fugazy

Everyone knows that building strong relationships is half the battle in the private equity game. This is especially important for investment bankers, who get oodles of repeat customers if they play their cards right, and it helps to explain how in an increasingly competitive middle market, **Harris Williams & Co.** has maintained its ubiquity.

Last year the firm completed 49 transactions, 40 of them on the sell-side, which represented a 44% increase from 2003. Since 2001, the firm has increased its revenue at a compounded annual growth rate in excess of 80% and has grown its staff, which is spread across offices in Richmond, Va.; San Francisco; and Boston.

Many private equity folks said that Harris Williams knows how to make and keep a relationship. Perhaps the best evidence of this is the fact that since its founding 12 years ago the firm has never had a director or managing director leave the firm.

"They have a little bit of a different approach from other investment banks. They're more down to earth and they give you better service," said one private equity pro, who has bought and sold companies with Harris Williams. "You feel important with them. They are here for more than just

the money. They are not urban animals."

That speaks directly to co-founder **Hiter Harris's** view of his firm as "a bunch of scrappy guys still trying to make it happen. We come from very humble beginnings," Harris says. "When we built this firm we made sure we hired quality people, and it's not about the number of deals we do, but the service we can provide on the deals we take. You can work with three separate execution teams here and get the same quality of service. That's what we really strive for."

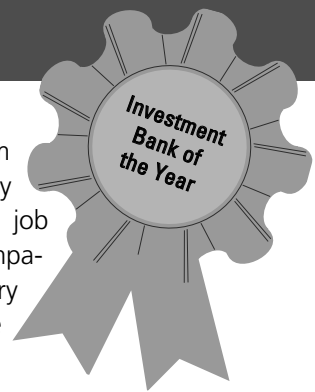
Harris downplays last year's success as just part of the job. "Last year was successful, but in many ways it was a continuation of the last 12 years. We've really been incredibly focused. The private equity customer is a discerning customer base. They are the most demanding clients, and the fact that we have a foothold with them really speaks volumes," he said.

Bruckman, Rosser, Sherrill & Co., bought **Lazydays** from Harris Williams during an auction process last year. **Nick Sheppard**, vice president with Bruckman, Rosser, said it was even pleasant working with the firm on the buy-side, which is unusual today given how competitive—and sometimes ridiculously priced—auctions are these days. "We see a lot of good middle mar-

ket product from those guys. They do a very good job preparing the company; they are very thorough with the diligence. They also anticipate events happening," says Sheppard. "They are also good at stepping aside. For example, once they knew we had become the preferred bidder in the Lazy Days process they knew when to let us get to know each other and get the deal done. They became a great facilitator of information, not a hindrance trying to be involved in every little thing."

The list of testimonials doesn't end there. More than three years ago, Harris Williams sold **Cosmetic Essence**, a provider of outsourced manufacturing services to the cosmetics, health and beauty care industry, to **Brockway Moran & Partners** for under \$70 million. In the fourth quarter of last year, Brockway Moran looked to Harris Williams to help with an exit strategy for Cosmetic, which manufactures fragrances, creams, lotions and color cosmetics and generates revenue in excess of \$200 million.

The company was sold to **Onex Partners** for \$250 million. "Harris



INVESTMENT BANK OF THE YEAR

SELECT 2004 HARRIS WILLIAMS' SALES

SELLER	PORTFOLIO COMPANY	PRICE
Audax Group	nash_elmo Holdings	\$223M
Summer Street/HSBC Capital (Canada)	Latham International	\$162M
Kinsman Capital	(ISI) Interior Specialists	\$71M
Riverside Co.	DHD Healthcare	\$55M
Norwest Equity Partners	Pelican	\$200M
LazyDays		\$207M
Linsalata Capital Partners	FFr	\$231M
Brockway Moran & Partners	Golds Gym	\$158M

Williams did a good job originally and they did a very good job this time," said **Mike Moran**, a founder of Brockway Moran. "It was a pretty easy decision on who to use. They are very thorough and give you senior level attention, which makes a difference. We ended up making 5.5x on Cosmetic, and everyone felt great about the deal."

Some of Harris Williams' other deals included the sale of **nash_elmo Holdings**, a portfolio company of the

Audax Group, to **Gardner Denver**. The deal represented a multiple of approximately 9.6x EBITDA. Harris Williams also sold **Spheris**, the second-largest medical transcription company, to **Warburg Pincus** and **Soros Private Equity**.

A Reasonable Pace

Harris Williams' business model may be a little different than what private equity firms are used to, considering how much the latter group tend to take on.

The firm's managing directors are encouraged *not* to pile up their plates with deal after deal. Williams says the firm could probably do twice as many transactions as it is currently handling, but taking that route would eventually erode its client relationships. "Senior people work on a lot fewer transactions than they do at other firms. To make our strategy work you have to close a high number of deals, so we are very selective of the deals we take on. We have to remain very disciplined," said Williams.

The firm's strict focus has paid off: It boasts a 90% closing ratio and has worked with countless middle market private equity firms, from Charterhouse Group to Texas Pacific Group. "The person you signed on with is always there. There's no bait and switch," says another PE pro. "You want to know who to call when you are ready to sell or looking to buy, and with them there's no confusion. They are responsive, [and] the company has a certain respect for its clients, which is rare." ❖