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Successful "Main Street" business owners appear to be insulated from the sturm and drang on Wall Street. Private equity funds that never touched derivatives or sub-prime mortgages have \$1 trillion to invest.

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The sub-prime mortgage melt-down and the collapse of blue chip firms on Wall Street may have sent stock-market investors into a blind panic, but the shock waves have not yet reached Main Street. Solid, mid-cap companies in the heartland still have plenty of financial options, agreed four panelists earlier today at a luncheon discussion hosted by the Venture Forum.

That's not to say that financial markets are static. They're not. Private equity firms are looking for different kinds of investments than they were four or five years ago. But there is a record amount of private equity capital -- about \$1 trillion -- available nationally for investing in mid-market companies, said **William L. Tyson**, senior managing director with **BB&T Capital Markets**, based here in Richmond.

Michael J. Cromwell III, a partner in the Reston-based **WWC Capital Group** worried that the financial turmoil in Manhattan will spread beyond the nation's money centers. "When you have the DOW off 500 points two days in a row, people feel less wealthy," he said, "they're less likely to write a check."

But he was the only panelist to express such a fear. **Jeffrey G. Moore**, president of Richmond-based **Matrix Capital Markets** had a different take. "It astounds me what we read every single day about Morgan Stanley and Goldman Sachs.... Negativity is driving what's going on. But it's not happening yet in the private equity market."

For business owners, a more relevant shift in investor sentiment is a preference for larger deals. Equity investors are less interested these days in start-up situations and more eager to invest in growth-stage companies.

Venture capitalists have discovered that early-stage deals are producing an internal rate of return of 12 percent, said Cromwell. They're souring on the idea of "investing in the early-stage company and swinging for the fence." Instead, they're funneling money into growth-stage companies in rounds of \$10 million and up. "Today, you can't get a first-tier underwriter for less than \$200 million to \$300 million in market cap."

Steve B. Dye, director of Atlanta-based **Croft & Bender**, concurs. "There's a lot of money out there, but mainly for good, growth-equity opportunities," he said. "That's created a void in the early-stage venture side."

Other trends affecting financing for successful entrepreneurs:

- Venture capitalists are funding very few companies with the idea of taking them to an Initial Public Offering. The more common exit strategy is to sell the company to a strategic buyer.
- Private equity funds are financing a lot of recapitalizations, in which the business owner cashes out some of his equity in order to diversify his wealth. Tyson calls these "private IPOs." Equity investors no longer feel they have to end up with total control of a company. They're more willing to take a minority share, if the investment offers the prospect of a good return.
- The hot sector right now isn't software and microchip technology. Instead, investors are salivating over any deal that can be characterized as "green." In the past five years, said Cromwell, there's been a hundred billion dollars in enterprise valuation created just in the solar energy industry.

When asked for advice to entrepreneurs, the panelists recommended that business owners start building relationships with potential investors before they need the money. "Work very diligently to find the right partner from a chemistry standpoint," said BB&T's Tyson. "When you find the right partner, everything else comes together."

"We encourage someone to start the interview process two or three years in advance of pulling the trigger," said Moore at Matrix Capital. "Get to know your advisors." They'll provide invaluable advice on how to resolve issues -- legal problems, environmental liabilities, personal estate planning -- so they don't "become a last-minute fire drill if it's not well thought out."

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