

MIDDLE MARKET SUCCESS

Private Equity Central.NET

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With all of the talk of super-sized deals and funds, it is refreshing to hear from someone thriving on the opposite end of the investment spectrum. Willie Woods, president of ICV Capital Partners, talked with PrivateEquityCentral.net about how his firm has grown three-fold in the last few years and the benefits of focusing on the smaller end of the middle market.

PrivateEquityCentral.net: Your firm recently closed a new fund on \$313 million, more than twice as much as your previous fund. To what do you attribute that increase?

Willie Woods: We attribute it to several factors. First is Fund I's performance. Second is peoples' beliefs in the investment strategy. Third is we have built up the team quite a bit since our first fund. Therefore we have many more capabilities now than we used to have. Fourth is the recognition of the opportunities that exist in the small end of the middle market. We have the opportunities to do a lot more transactions now than we had in the first fund.

PEC: How much has your firm grown in the last few years?

WW: It has grown a lot. It started out as two investment professionals and an assistant. Then we hired two more investment professional. Fund I was primarily five employees whereas today there are 15.

PEC: With the rise in the number of mega-funds and mega-deals, does that leave more opportunities for funds such as yours that focus on the smaller end of the middle market?

WW: I think so. I think there is a natural proclivity for funds to outgrow the smaller end of the middle market. The more capital under management you raise, the more you start to outgrow a market where there's real expertise required. The only way you get expertise is by doing it.

PEC: One of your recent deals was to acquire Spirit Cruises. What was the attraction to that company?

WW: We bought both Premiere Yachts and Spirit Cruises [and combined them to form Entertainment Cruises]. They are market leaders. Spirit is the largest dining cruise business in the country. It operates 12 vessels in six markets. It met our market leadership definition. It is highly profitable, so it hit our need for high profit margin as well. The

management team is excellent. They have been doing this for a long time, they are very familiar with the business as it has grown substantially.

PEC: What kinds of plans do you have to improve the business?

WW: We bought Premiere Yacht first. Premiere is a dinner cruise business in Chicago. Then we bought Spirit. Combined, we've got 20 vessels in six markets. There is a large opportunity to make, what were two fierce competitors in three markets of Boston, Chicago and Washington, D.C., into efficient and focused companies. We can now do a better job of focusing on their brands, we can go after customers a lot more strategically without having to worry about what the competition is doing. There are a number of opportunities to make their businesses more efficient.

PEC: What are the sectors that your firm continues to focus on?

WW: We are really more opportunistic than we are sector-specific. We like companies, in general, no matter which sector they operate in, provided they have market leadership, are in some sort of niche and has great margins. That means the customer views the business as doing something special and is paying them a premium price for what they are doing and that usually shows up in the margins. We are not the kind of firm that goes out, buys companies and then forces a manager onto them. The existing management team has to be one that is back-able and is one that we can support. Our senior debt and equity structure also has to work in terms of returns.

PEC: It may jumping the gun a bit, but does your firm have plans for a third fund?

WW: It may be a bit early right now, but there are always plans for a new fund, of course. It is just a matter of when and how much.

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