

Partners' cash fueling buyout group

New firm will target mid-sized, private companies

BY JEFF BOUNDS | STAFF WRITER

Three former partners of a Dallas buyout shop have teamed with the co-founder of a Colorado investment concern to form a new private-equity firm.

Progress Equity Partners Ltd. aims to buy controlling stakes in middle-market companies.

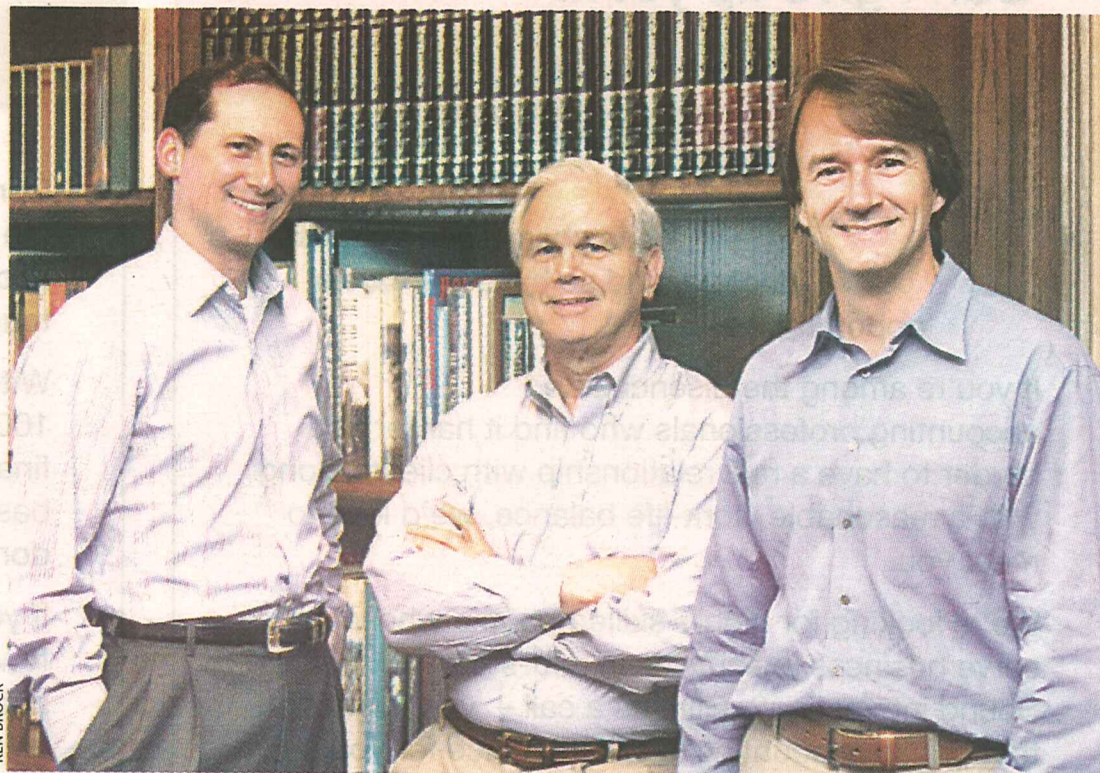
The four partners of the new Dallas-based firm will invest their own money as equity in deals, along with using as much debt in the transactions as they can to boost their returns. Progress Equity (www.progressequity.com) is still searching for its first buy.

One of the partners, Ralph Manning, says Progress is looking to buy well-run businesses that generate \$2 million to \$5 million more in cash than they consume. The purchase price will be a multiple of the business' cash flow, and will depend on a variety of factors broadly related to the company's health.

"For the types of businesses we buy, multiples north of six (times cash flow) tend to be premium prices," he says. "We're more of a value buyer."

Generally speaking, Progress Equity is looking to buy 70% to 90% of a business run by an entrepreneur who has too much of his or her wealth tied up in the enterprise or who is simply tired of working 18-hour days. In many of those cases, the entrepreneur isn't good at delegating, and thus hasn't invested in people or technology systems that could boost growth, according to Manning.

After buying a majority stake, Progress will spend about 18 to 24 months trying to build up the business by bringing in professional managers and installing



A STEP UP: Progress Equity partners, from left, Mike Bailey, Paul Yeoham, Ralph Manning and Steve Sangalis, not shown, will use their own money to buy businesses with \$2 million to \$5 million in cash flow.

tech systems, financial controls and related fare. The goal is to boost cash flow two- or three-fold or more, and eventually sell the business. At that point, the entrepreneur cashes in a second time, when his or her remaining stake is acquired, according to Manning.

Own money

Since Progress Equity's partners are using their own money, rather than investing somebody else's, they are free to do as many deals as they want, or as few. Manning expects two deals per year to be about average.

In addition, the partners can hold onto their portfolio companies as long as they like, rather than having to cash them in on a given timeline. Though Progress plans to eventually sell most of its portfolio companies, Manning leaves the door open to hanging onto those that can supply a good stream of income

from their profits.

Progress Equity's team has expertise in health care services and branded food products, though its partners have done enough in other areas that "we can do anything that makes good business sense," Manning says.

Manning and Progress Equity partners Mike Bailey and Paul Yeoham are veterans of another Dallas buyout concern, Transition Capital Partners (www.transitioncapitalpartners.com). Progress Equity's fourth partner, Steve Sangalis, was a co-founder of Denver-based Rocky Mountain Capital Partners, and will remain based in that city.

Both Progress Equity and Transition Capital officials characterize the split as amicable and expect that they will be doing deals together going forward.

"The partners at Progress

LOOKING FOR SELLERS

NAME: Progress Equity Partners Ltd.
BUSINESS: Buyouts of private companies

ADDRESS: 2200 Ross Ave., Suite 3838, Dallas 75201

TOP EXECUTIVES: Mike Bailey, Ralph Manning, Steve Sangalis, Paul Yeoham: Partners

OWNERSHIP: Private

REVENUE: N/A

EMPLOYEES: 6

OTHER LOCATIONS: Office in Denver, and a presence in Fort Worth

PHONE: 214-978-3838

WEB: www.progressequity.com

Equity decided they were better suited to break off on their own," says Dan Patterson, president of Transition Capital. "I'm optimistic they'll do well."

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