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AUGUST 2013

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Several of today's PE leaders share a common past

Rich Lawson
HGGC

PUBLISHED IN PARTNERSHIP WITH **ACG**

Draft CLASS

Private equity is no longer just a business to cap off a successful career on Wall Street. PE firms now attract the best and the brightest at the beginning of their careers. And, as the leaders of many of the most powerful PE firms age and retire, succession issues have underscored the importance of nurturing and retaining talent. As a result, PE firms have paid more and more attention to growing their own. But it wasn't always the case. Look at the top ranks of private equity firms today, and you'll find many people who can trace their career roots back to

A professional portrait of Rich Lawson, a man with dark hair, wearing a dark pinstriped suit jacket, a white dress shirt, and a red tie with a white pattern. He is standing with his arms crossed in front of a window with horizontal blinds. The lighting is soft, highlighting his features.

**HGGC's Rich
Lawson and
several other
middle-market
leaders share a
common past**

DANIELLE FUGAZY

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investment bank training programs. The analysts who began their training 20 years ago at Morgan Stanley (NYSE: MS) offer a good case in point. Entering the New York bank's training program in August of 1993 under the tutelage of industry-changing figures, such as tech investors Mary Meeker and Frank Quattrone, some of them are leading PE groups today. Here's a look at what a handful of them are doing today.

Joseph Baratta

Promoted to global head of private equity at the Blackstone Group LP (NYSE: BX) in 2012, Joseph Baratta holds one of the biggest jobs in PE today.

After graduating from Georgetown University, Baratta joined Morgan Stanley in the firm's mergers and acquisitions department almost by chance. "I had an offer from Solomon [Smith Barney] already so I wasn't going to go to the Morgan Stanley interview, but my friend had told them about me and they called to meet with me. It was really fate, because I was surprised to even get the job," says Baratta, who had never even been to New York prior to taking the job.

Baratta started with Blackstone in 1998. Prior to joining the firm, and after leaving Morgan Stanley, Baratta worked at New York-based Tinicum Inc. and Foster City, Calif.-based McCowen De Leeuw & Co. While at Tinicum, Baratta was working on a deal with Blackstone and got a chance to interview at the firm. "Low and behold they gave me the job. I started as a first year associate. I moved around a bit before Blackstone and then decided to put my head down and get to work," he says.

Baratta quickly established himself as a go-to person at Blackstone, after, at the age of 30, he co-launched the firm's European investment arm in



Joseph Baratta

2001. "That was a defining moment in my career. I was part of a small team that started our private equity business in Europe," says Baratta.

Baratta distinguished himself while in Europe by doing a deal that he didn't expect to amount to what it did. In 2005, he bought Merlin Entertainment Group, one of Europe's leading visitor attractions companies, for about £100 million. "It was an odd deal that we turned into an \$8 billion company. It was an opportunity to build something from scratch that didn't exist and I am proud of it," says Baratta, who went on to buy many more theme park operators and attraction companies. Blackstone is now one of the largest holders of theme park operators in the world. After the Merlin acquisition, Baratta oversaw the firm's buyouts of Universal Orlando and SeaWorld Parks & Entertainment (NYSE: SEAS). Today, he's managing the firm's \$16 billion PE fund, which closed in 2012.

Gregory Ernst

As vice president of Elevator Consulting Services Inc., Gregory Ernst may not have a job that's directly tied to M&A, but he certainly has seen his fair share of deals over the years.

However, that's not exactly how he planned it. During his time at the University of Washington in Seattle, Ernst searched out an internship at IBM located in Tarrytown, New York to be close to Wall Street in hopes of landing a job on the Street upon graduating. Ernst was asked to join the analyst program at Morgan Stanley in its M&A department. His career was taking shape.

"Coming from the West Coast and from a school they didn't typically recruit from made it challenging to get the job, but I knew I wanted to work at a top Wall Street firm so I was so happy when Morgan Stanley hired me," says Ernst.

Upon completing the program, Ernst went to work at San Francisco-based TSG Consumer Partners for a short stint. He then found himself as acting CFO of a bio-tech company, Sequus Pharmaceuticals, for six years until it was sold to Alza Corp. (Alza has since been acquired by Johnson & Johnson (NYSE:JNJ)). Ernst stayed on for two additional years to help with integration. Ernst was then hired by the founders of

a startup software company that catered to the biotech industry, Fasttrack Systems, Inc., to raise venture capital money in hopes of taking the company from concept to commercialization. But after the terrorist attacks of September 11, 2001, killed people near and dear to him, he took a break.

Three years later, he found his way back to Seattle and began working as the director of finance at Free & Clear, a startup that helped people quit smoking. In 2009, he sold the business to Alere Group (NYSE: ALR) but stayed on with the company for two years to help with integration.

From these experiences, Ernst learned he likes the process after the sale best.

"I liked my time at Morgan Stanley, but all I was doing was M&A," says Ernst. "You step out when the real work of integrating two companies that are joining forces starts to happen. That's the real challenge. As an adviser, I felt like I was in and out before things really happened."

Today, Ernst seems to have found a job that will keep him busy for a while. While winding down at Alere, he took over his dad's elevator consulting business and is focused on growing it. "I had limited involvement with the company before now, but the time was right and the business is doing really well," says Ernst. And naturally, Ernst is busy looking at acquisition opportunities.



Gregory Ernst

The Menlo Calif. PE firm is as tech-savvy as it gets, touting such deals as the \$8.5 billion exit of Skype Technologies SA to Microsoft Corp. (Nasdaq: MSFT) or the 2011 initial public offering of Groupon Inc. (Nasdaq: GRPN).

Haynes has been a driving force behind some of Silver Lake's most successful middle market investments including the one in Medseek, a Birmingham, Ala.-based health care software company in 2012, and Opera Solutions, a New York-based data analytics software company the firm bought in 2011 for \$84 million. She is also the lead investor in Talend, an Irvine, Calif.-based software company that Sumeru bought in 2010.

"As a member of Silver Lake Sumeru's investment committee since its founding, it has been an incredible experience building the team and establishing it as a strong partner to our companies. We started SLS in 2008 and have had 12 portfolio companies, of which two have been sold to strategic buyers," says Haynes.

Haynes made her way to the top of SLS by getting her start as an investor with Silver Lake and she cut



Hollie Haynes

her teeth on the firm's first big buyout, playing a lead role in the firm's \$2 billion buyout of Seagate Technology's (Nasdaq: STX) hard drive division in 2000.

"The company was purchased in the midst of the dot-com boom through a highly complicated structure that we designed. A year later, after doing nothing but executing this deal, we had completed one of the largest and certainly most complex

tech buyouts ever," says Haynes.

After completing two years in the M&A department of Morgan Stanley, Haynes went on to graduate school at Stanford University Graduate School of Business and then to work at buyout shop Hellman & Friedman prior to joining Silver Lake.

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Hollie Haynes

"The tech boom of the late '90's definitely influenced the Morgan Stanley analyst class of 1993," says Hollie Haynes, a managing director of Silver Lake Sumeru, the unit of PE firm Silver that works on middle-market deals.

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Kenneth Kloner

Today a managing director at UBS, Kenneth Kloner graduated from Brown University and went straight into the Morgan Stanley analyst program, having worked as a summer intern in the bank's clearing and custody group the year before.

He loved the program but, inspired by an older brother who was a lawyer, went to Harvard Law School.

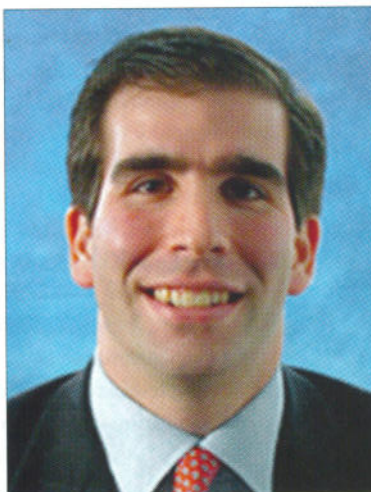
“I joke that it cost me millions. All of my friends ended up joining training programs that were starting to pop up at private equity firms, and all of them are partners now,” says Kloner. “What Harvard Law confirmed for me more than anything was that I wanted to be in banking and finance.”

With that, Kloner headed back to Morgan Stanley and stay with the firm until the end of 2001. He joined UBS in 2002 and has been the head of the firm's automotive investment banking group since 2011.

Kloner also learned that while most of his peers were going gaga over the tech industry, Kloner had more passion around old economy sectors. “During my early years as a banker I learned that I liked things that I could feel, see and touch. I didn't enjoy reading Wired Magazine as much as some of my colleagues,” says Kloner.

Kloner clearly picked the right sector to focus on and has built an impressive career as an automotive banker. In 2009, Kloner was part of the team that negotiated the deal that saw Fiat SpA take a 20 percent in Chrysler Group when Chrysler had gone bankrupt. In 2011, Kloner was part of the team that advised General Motors on its sale of Delphi Automotive for \$3.8 billion.

“I like what I do for many of the same reasons I decided I wanted to be a banker in the first place. Every day is different, you draw on all your different



Kenneth Kloner

experiences, and I like helping clients and solve the challenges they face,” says Kloner.

Rich Lawson

Co-founder of Palo Alto, Calif.-based HGGC (formerly known as Huntsman Gay Global Capital), Rich Lawson is the managing partner overseeing investment activities for the firm's \$1 billion fund. He serves as chairman or vice chairman for every tech company the firm owns.

Lawson was the driving force behind some of HGGC's most recent successful exits, including the firm's \$1 billion plus exit of its Swiss portfolio company Hybris to European software maker SAP AG. The transaction is expected to close in the third quarter. Founded in 1997 and based in Zug, Switzerland, Hybris is focused on e-commerce technology. It generated around \$110 million in revenue in 2012 and has about 500 customers worldwide.

Also in June, Lawson inked a deal to buy out software company MyWebGrocer from three brothers. MyWebGrocer is the fastest growing company in Vermont and is the largest employer in Winooski, VT.

“When you are buying larger assets, your ability to effect change is limited,” says Lawson, who counts former San Francisco 49ers quarterback Steve Young as a partner. “In the middle market you can help companies grow and create billion-dollar outcomes. You're not just buying something. You are helping to build a legacy and taking it to the next level. That's what I have been living for the past 20 years.”

Prior to the inception of HGGC, Lawson was co-founder of Sorenson Capital Partners, a Salt Lake City-based private equity firm focused on small to middle market buyouts.



Rich Lawson

Lawson started as an analyst in Morgan Stanley's mergers and acquisitions department after graduating from Amherst College with a degree in interdisciplinary studies. He stayed for two years before heading to Harvard Business School for his MBA. Lawson landed a job at a portfolio company of Boston-based Bain Capital, where he met Robert Gay, with whom he co-founded HGGC, along with Jon Huntsman (founder of chemical maker Huntsman Corp.).

Lawson's time at Morgan Stanley prepared him well for his next endeavors. Just out of college, he was sent by Morgan Stanley to Tokyo to do tech deals. "It was real on-the-ground training. They had me working on multi-billion dollar assignments in the tech sector. It was a great place to go cut my teeth," says Lawson.

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Todd Sisitsky

As the partner in charge of health care services, pharmaceutical and medical device investing at Fort Worth, Texas-based TPG Capital LP for the past eight years, Todd Sisitsky has no down time.

In fact, he has been part of many of the headline-making deals at TPG, which has put out more than \$6 billion in equity during the last six years. Most recently, Sisitsky oversaw the acquisition of Par Pharmaceuticals, the U.S.-based maker of approximately 55 generic drugs including versions of Paxil and Prozac. TPG paid \$1.9 billion to take the company private, making it one of the largest health care deals since the U.S. Supreme Court upheld the Affordable Care Act.

"At TPG we have been very active investors in health care over the past decade. We are excited about our portfolio and have great opportunities in front of us," says Sisitsky, who graduated from Dartmouth and went on to get his MBA from Stanford University Graduate School of Business with many others from the Morgan Stanley Class of '93, including Silver Lake Sumeru's Hollie Haynes and Peter Chung, head of Morgan Stanley's venture arm, Morgan Stanley Expansion Capital.

Sisitsky joined TPG in 2003 and quickly rose through the ranks at the firm, creating a name for himself by working on impressive deals. For example, Sisitsky was a key member of the team that closed the

mammoth \$5.2 billion deal to take Norwalk, Conn.-based IMS Health private in 2009 for \$4 billion in cash.

When Sisitsky started at Morgan Stanley 20 years ago in the transportation group, he never imagined he would be where he is today. "I was a government major at Dartmouth with no business experience whatsoever. I had heard good things about Morgan Stanley from the people who had joined the analyst class before me. I didn't really know what I was signing up for, but I am glad I did," he says.



Todd Sisitsky

Glad is an understatement. Not only did

Sisitsky launch his career at Morgan Stanley. He also met his wife, Holly Hagens, there. Hagens, who was a real estate analyst who also joined the bank in 1993, went on to become an investor, working at private equity firm Apax Partners and venture capital firm Domain Associates and founding Scout Venture Partners.

Quincy Smith

Today the founding partner of Code Advisors, Quincy Smith has had a career steeped in Internet technology, reflecting the opportunities that were percolating in the early 1990s.

He left the analyst program early to join legendary browser developer Netscape, where he ran investor relations and corporate development. After five years at Netscape, he founded the Barksdale Group, a venture capital firm, joined Allen & Co., served as CEO of CBS Interactive (working on the acquisition of CNET) and then in 2010 returned to investment banking and launched Code. At Code, Smith has advised Comcast, LivingSocial and Spotify. Code also received a \$25 million investment from JPMorgan Chase, which took a minority stake in the Silicon Valley firm. **MA**