

## NEWS

# Gaining insight while most are pulling back

## Southlake PE firm Insight Equity invests big with new deals

BY CHAD ERIC WATT | STAFF WRITER

Someone forgot to tell the partners at Insight Equity that private equity investment activity came to a halt earlier this year.

The Southlake private equity firm closed its third acquisition of the year in October, could close several others, and is aiming to raise \$500 million for additional investments. In a time when its kindred have hit the brakes on deals due to an utter lack of debt financing, Insight is accelerating.

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**Conner Searcy,**  
Insight Equity partner

"In 2008, we'll close transactions just shy of \$1 billion in revenue," said partner Conner Searcy. "We expect that pace to pick up." Thus far this year, Insight has acquired a firm now called Superior Silica Sands, based in the Central Texas town of Kosse; petroleum distributor AEC Holdings of Birmingham, Ala.; and a bulk tank manufacturing operation in San Jose Iturbide, Mexico, which is being rolled into Insight's portfolio company Walker Holdings LLC.

It also has a \$61.3 million deal to acquire Meadow Valley Corp. (NASDAQ: MVCO), a highway construction firm based in Phoenix.

Insight Equity is a 6-year-old firm that aims to acquire and improve middle-market companies, focusing on operational improvements.



BUD FORCE

**SMOOTH OPERATORS:** Insight Equity, which aims to use operational skills to improve the companies it acquires, is led by, from left, Victor Vescovo, Ted Beneski and Conner Searcy

The firm looks to buy companies delivering a below-average performance and improve revenue by fixing those problems.

"Most other private equity firms' returns have become dependent on leverage," Searcy said. "Fundamentally, our mind-set is we want to generate returns through operational improvement, not through financial gimmickry."

To be sure, Insight still is involved in leveraged buyouts, but its deals average about three times debt to earnings, as opposed to five or six times debt. That much leverage makes it difficult to make improvements to the company, Searcy said.

### Lender appeal

Insight's approach makes it appealing to lenders, even in tough economic times.

Orix USA, the American unit of global financial firm Orix Corp., has closed three deals with Insight, including \$105 million

in financing for Insight portfolio company Vision-Ease, based in Ramsey, Minn.

"They're atypical in the sponsor community," said Kayle Green, a director at Orix's leveraged finance unit. "First, they are hands-on operations guys. Far second, they're financial engineers."

Most private equity buyers (or sponsors) are focused on the financial engineering.

"They're going to claim some operational insight, but that's all a bunch of fluff," Green said.

Warren Bonham, CEO of Direct Fuels, a fuel distributor that is majority-owned by Insight's principals, said operational skills come from the team's days at the Dallas office of Bain & Co., where he got to know them.

"It really does stem from the consulting toolbox," Bonham said. "Depending on what happens to be broken with the company, there's an awful lot you can do."