

# Emerging Manager *Monthly*

Jeff Magny has followed the path to proof of concept with lower middle market private equity firm Lincoln Road Global Management.

The firm's buy-and-build model for consolidating fragmented industries has already resulted in the addition of four companies to its Republic Fire Protection platform, a full-service provider of a complete range of fire safety and fire protection needs.

"From an LP standpoint, there is proof of concept," said Magny, who launched the firm in 2015 after previously serving as a senior v.p. at Sun Capital Partners. "After establishing the platform, identifying a tangible pipeline, making multiple accretive acquisitions, and improving operations, we are creating an example of what we will do with future investment opportunities. We are actively bringing multiple such opportunities to LPs in the near future."

Magny said the firm focuses on family-owned and operated businesses, entrepreneur-founded companies and corporate carve-outs in fragmented industries where Lincoln Road can achieve a return through operational improvement and scaling businesses through a buy-and-build model.

"If you find a good company with a recurring revenue stream in a fragmented industry that is growing, there is opportunity for a buy-and-build," he said.

The fire safety platform has shown the firm's ability to bring a highly fragmented space driven by fire safety codes and create a full service company that includes the installation, testing, maintenance and inspection of fire extinguishers, alarms, sprinkler systems, exit signs, kitchen and industrial fire suppression systems and monitoring services.

"These businesses aren't capital intensive, so as you amalgamate these companies in a certain geography, you can create critical mass and an attractive cash flow profile," he said.

The businesses that often times come across Lincoln Road's path may be facing issues that make it difficult to get to the



**Jeff Magny**

next level organically, could lack the capital needed to take advantage of add-on opportunities or situations where a founder is passing down the business to the next generation that wants to take the business to the next level, Magny said.

"Generally speaking, these are good businesses not distressed opportunities. These companies are stable, have been around for many years, have a track record of success and are looking for a partner that can take them to the next level," he said.

The firm looks to take a control posi-

tion in the companies it invests in, with the existing management teams staying on and reinvesting in the opportunity.

Magny said that the lower middle market is the area where private equity can find the most alpha, however, it requires more attention from investors than many large firms are willing to take on.

While many firms are looking to execute buy-and-build strategies with platform companies in the \$10 million to \$30

million EBITDA range, Lincoln Road has focused on platform opportunities in the \$3 million to \$10 million EBITDA range.

"We are able to find opportunity with businesses where EBITDA is a little lower," he explained.

The team's expertise in operations plays a key role in its strengths.

"We have full-time operators on our team that spend their time focused on improving the operations of the businesses we invest in. With scale one can improve performance by pulling multiple levers. For example, through bulk purchases companies can obtain better pricing; combining insurance, benefits and payroll plans also leads to savings. Additionally, our operators ensure that these businesses are professionalized and reporting in a manner that is consistent with a larger organization," Magny said.

Magny said that success in building the platform leads to additional opportunities.

"Especially when you gain critical mass within a specific geography, what you find are a lot of owners who want to be part of something bigger," he said.

Magny said that as investment opportunities arise, the firm is proactive in ensuring there are tangible opportunities that can be pursued in building out the platform.

"There needs to be a tangible pipeline that allows you to gain critical mass. Moreover, we need to know how we are going to

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get out before we get in to ensure strong exits and to avail of multiple arbitrage."

Armed with a track record and an active platform, the firm is now in discussions with investors about direct co-investment opportunities and plans to go to market with a fund in the future.

"As momentum builds, we are seeing more opportunities," Magny said.