



# Capstone

## INDUSTRY PROFILE

### Investment Banking

***"A NEW LEADER IS EMERGING IN MIDDLE MARKET INVESTMENT BANKING"***

Over the past several years, the middle market investment banking landscape has changed significantly. In the wake of a lackluster M&A market that ensued in 2002, many of the larger Wall Street firms backed away from representing the smaller, privately-owned business while some other firms found new corporate homes (or in some cases, simply faded away).

During this shakeout, one firm hit the national stage with a vengeance. While the overall industry contracted, Capstone Partners LLC emerged and began to invest heavily in growth, boasting a reported 100% closure rate on its deals during a period that exceeded two years. This momentum quickly began to attract the attention of senior M&A professionals across the industry, allowing Capstone to draw top talent from several of the larger, more established firms.

Today, Capstone's team is representative of prestigious firms such as Lehman Brothers, Morgan Stanley, Montgomery Securities, SG Cowen and Adams Harkness & Hill, to name a few. "Our client-partners deserve the same investment banking support that their larger, publicly traded competitors enjoy. We deliver premium results with an incredible team," commented John Ferrara, the firm's Founder and President.

Thus far, Capstone's performance has earned them a position among an elite group of firms in the annual M&A rankings. During 2004 and 2005, Capstone found itself in the Top 20 national firms and the Top 3 Boston-based firms (source: Boston Business Journal). Most recently, Capstone's transaction volume propelled the firm past a well established competitor that has long held the leading position in Boston. "We enjoy seeing our name with firms such as Goldman Sachs, Lehman Brothers and Morgan Stanley – that's exactly what our brand represents to the middle market shareholder," added Tim Harned, a Managing Director with Capstone.

Having already completed transactions in more than 20 states, Capstone's rapidly growing reputation has extended to several industry leaders globally. In the U.S., Capstone was hired by a Fortune 100 business to assist two divisions with their global acquisition plans. In Europe, Capstone was retained by Homeserve plc (LSE:HSV.L) to help the \$1.7b market cap company implement an aggressive U.S. acquisition strategy. Capstone has also represented some of the country's marquee private equity and venture capital firms in transactions involving their portfolio businesses.

To fully understand Capstone's ascension, you have to read between the lines a bit. Capstone is not a new practice; it is a re-branded practice that resulted from an Arthur Andersen spin-out in 2003. Formally, the founding team is in its 10<sup>th</sup> year of operations, which helps explain the firm's deal pace. "When we left Andersen, the M&A practice ranked 14<sup>th</sup> globally. Our team, now Capstone, ran one of the fastest growing practices in that portfolio. This is not new to us; just to everyone else," noted Jacob Voorhees, a founding member.

Many at the firm attribute Capstone's success to a strong industry focus that is supported by extensive research capabilities. With dedicated industry teams in Technology & Media, Business Services and Branded Products, Capstone has developed a reputation for closing some of the premier transactions in each of its coverage areas. "The market has come to expect that Capstone represents leaders. Our research capabilities ensure that our client-partners get immediate attention from the premier acquirers and private equity firms in the country. We do not engage in guesswork," affirmed Jim Beakey, a director with Capstone.

Capstone continues to differentiate itself in that the firm remains independently owned and every member owns a share of the business. They have also adopted what they refer to as a "put your money where your mouth is" success-only compensation model. "We are engaged to close, not to try our best. If we cannot, we have our own capital at risk. It's a powerful message to the entrepreneurial community – we are confident enough to stand behind our word," added Ferrara.

What is remarkable about Capstone's results is that clients (whom Capstone refers to as "client-partners") stand strongly behind the firm. Across all of Capstone's transactions to date, clients have ranked the firm's performance on 10 categories at an aggregate score of 96%. With regard to Capstone's ability to close transactions as well as their ability to maximize value, clients have rated them 96% and 98%, respectively.

"I have used a number of investment banks over the past 17 years including Merrill, Goldman and DLJ. The Capstone team not only far exceeded my expectations but clearly outperformed any of those firms," adds John Calnan, shareholder of netDecide Corporation, a portfolio company of Dominion Ventures which was acquired by Informa plc (LSE:INF.L.).



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