

INDIANAPOLIS BUSINESS JOURNAL

MAY 16-22, 2005 VOL. 26 NO. 10 © I B J C O R P .

Periculum plans expansion

Investment banking firm to make first move outside Indy with Cincinnati office

By **Scott Olson**
solson@ibj.com

Periculum Capital Co. LLC derives its name from a Latin word meaning risk. But the principals of the downtown investment-banking firm don't think an expansion into Cincinnati is much of a gamble.

Joseph Broecker and Robert Shortle, both veterans of the former Raffensperger Hughes & Co., launched Periculum in April 1998 mainly to arrange financing and negotiate acquisitions for small companies. Now they plan to take their business model to the Queen City within the year.

"We're very excited about the Cincinnati market and the tri-state influence," Broecker said of serving Indiana, Ohio and Kentucky. "We see a lot of opportunity."

The investment-banking veterans have participated in the sale of roughly 100 companies, including more than 40 since founding Periculum. Last fall, for instance, they represented Muncie-based Maxon Corp. during its purchase by Hammond Kennedy Whitney & Co., a local management buyout fund. The combustion equipment-maker had been owned by the Maxon family and its 500 employees for years, but retirements spurred the need for capital restructuring. By brokering a deal with HKW, the current management was kept in place.

The sale to HKW represents a trend that has helped drive Periculum's growth, as private-equity firms increasingly view



IBJ Photo/Robin Jerstad

From left, Bob Shortle, Chris Caniff, Joe Broecker, and Matt Wilson lead Periculum Capital Co.

companies as alternative investments to a stagnant stock market.

Six of the last eight deals Periculum has brokered have involved financial buyers, said Shortle, pointing out the shift from the more traditional transaction activity led by market competitors.

Conversely, many private companies immune from Wall Street are reporting solid earnings growth, making them attractive for an acquisition or expansion. The Periculum partners declined to divulge annual revenue, but said the robust activity led to 40-percent growth in 2004. A 20-percent jump in revenue is projected this year.

Marcus Chandler, co-chairman of Barnes & Thornburg's business and technology group, has provided legal advice to clients who have employed Periculum's services. He holds Broecker and Shortle out as leaders in the local

investment-banking community.

"The Periculum people are the grand masters of [mergers and acquisitions] here in Indianapolis," Chandler said. "In particular I think that group, more than any other group, has led the management buyouts."

Building a niche

While there are other investment-banking firms, Periculum has managed to carve out a niche representing companies with values ranging from \$10 million to \$150 million. The average value of the companies the firm helped sell last year was \$55 million—a deal considered too small by most of their larger rivals, Periculum officials said.

Most of Periculum's competition comes from firms in New York City, Boston, Chicago and San Francisco.

See **PERICULUM** on next page

PERICULUM

Continued from previous page

With no plans to expand to the Windy City to the north, an expansion in Cincinnati to the south seems to make the most sense, the partners said.

The lack of a large locally based competitor works to Periculum's advantage, said Brian Williams, a regional venture partner at Chicago-based Hopewell Ventures who had been involved in several local venture funds.

"The challenge in this market is that we don't have a strong locally based investment bank," Williams said, citing KeyCorp. in Cleveland as an example. "That's why people like Periculum have a great opportunity to serve this market. And I think they do that pretty well."

The pair are exploring other possibilities outside the region, such as forming affiliations with investment-banking firms in Europe and Asia. American companies have become attractive to foreign investors whose currency is stronger than the dollar.

Cast changes

Broeker and Shortle both worked in corporate finance at Raffensperger, the regional brokerage and investment-banking firm that became NatCity Investments Inc. after it was sold in 1994 to Cleveland-based National City Bank.

The original Periculum cast included Mike Hall, a former marketing chief at

Biomet Inc., the maker of orthopedic supplies in Warsaw; and Gene Henderson, founder of the former Henderson Daily Withrow & DeVoe law firm. The two are no longer involved in Periculum. Chris Caniff joined in 2001 and Matt Wilson came aboard last June.

Caniff is a managing director who heads the debt capital market practices. He is a former executive of The Provident Bank and one of four founders of Obsidian Capital Co. LLC. Wilson is an associate who was a financial analyst at Volvo Commercial Finance.

Senior managing directors Broecker and Shortle are considering adding more staff to a team they already think is well-regarded in the field. Caniff helped Bruce Campbell, chief financial officer of locally based Independent Stationers Inc., secure \$70 million from National City Bank, Bank One and Fifth Third Bank.

The locally based office products cooperative embarked on a program last year to open three regional distribution centers—in Indianapolis, California and Pennsylvania—to allow its independent members to better compete against behemoths such as Office Depot and Office Max.

"I wouldn't have been successful without [Periculum's] help," Campbell said. "[It was] instrumental in pulling the bank groups together."

Three banks were needed because local financial institutions normally don't lend more than \$25 million on their own, Shortle said.

Broad scope of experience

Arranging financing for expanding companies accounts for roughly 30 percent of Periculum's revenue.

The majority, about 70 percent, stems from the firm's core business of locating buyers for companies in acquisition mode. Periculum oftentimes will contact 100 potential suitors, and provide advice on value.

Periculum has clients in industries ranging from medical-device products to pet supplies. The first deal the firm brokered involved Chicago-based Harper Leather Goods, the largest dog-bone manufacturer in the world, which was sold to Westar Capital LLC.

Thanks to the experience gained from that deal, Periculum is called on for help in a handful of deals involving the pet industry every year.

The remainder of Periculum's business is derived from its merchant banking service, in which it invests in companies. The firm had \$12 million under management in 2003, according to the latest *IBJ* statistics, and made two investments valued at \$1 million that year. Last year, the division formed a new health care services company.

Periculum was one of four founders of Suros Surgical Systems Inc. and has been involved in various rounds of financing for the locally based developer of a breast biopsy device.

In summarizing its mix of services, Shortle simply said: "No one here has the scope that we have."•