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Bow River closes \$80M fund, begins hunt for investments

BY RENEE MCGAW

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Bow River Capital Partners has closed its second private equity fund after raising more money than expected, and now seeks companies in which to invest.

The fund was “nicely oversubscribed” at about \$80 million when it closed last month, said Blair Richardson, managing partner of Denver-based Bow River, a 3-year-old private investment fund. The maximum target had been \$75 million.

Most of the investors are wealthy individuals. About 15 percent of the money came from institutions and 20 percent from Bow River’s principals — Richardson and partners Eddie Black, Bruno Darré, Eric Wolf and Rick Pederson.

The strong performance of Bow River’s first fund, raised in 2003, helped the second fundraising, Richardson said.

“There is huge growth in private equity,” Richardson said. “Twenty years ago, about 6 percent of high-net-worth individuals’ balance sheets was in private equity. Today, it’s 25 percent. People are looking for this type of investment. It’s generally non-correlated to the stock market, but correlated to the economy ... And people like that [we invest] in entities that they are familiar with, such as banks. You’re invested in a bank, and you can see that bank.”

Bow River is looking to invest the money in companies that fit the fund’s target — that is, “old-world economy” companies in business and consumer services, distribution, private aviation, financial services, energy and real estate.

Bow River avoids high-technology, biotech companies and startups. It targets expansion and later-stage companies with proven management, positive retained earnings, annual revenue of \$10 million to \$100 million and positive free cash flow of at least \$500,000.

Principals prefer to invest in companies located in the western United States and western Canada — “we like to be within a two-hour plane ride,” Richardson said — but would bend that rule for the right company. Bow River’s typical investment size is \$2 million to \$7 million, although it has participated in larger deals



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Bow River partners (clockwise from left) Bruno Darré, Rick Pederson, Eddie Black, Eric Wolf and Blair Richardson.

by partnering with other investors. Its investment horizon is three to five years.

An ideal target might be a company whose founder is aging and has no succession strategy, or lacks the money to take the company to the next level.

“We focus on companies that have growth opportunities,” Black said. “Maybe the father has run out of energy, or run out of money. Or there are two or three acquisitions that we could put together to make the company more meaningful in the marketplace.”

Bow River’s first fund totaled about \$30 million. It has invested in more than 20 U.S. and Canadian companies, including Colorado-based Bank of Choice Holding Co., United Western Bancorp and CJS Denver Holdings LLC, which owns the former Embassy Suites Hotel and the Athletic Club at Denver Place.

The second fund will follow an identical investment strategy, but the investment size will be larger, Richardson said. The fund has made one investment so far, in a Canadian energy company called Gryphon Energy, and

has eight potential investments in the pipeline, including a Colorado-based oil and gas company that principals declined to name.

“The country is awash in private equity money,” Darré said. “There is a tremendous amount of capital in the marketplace, and a lot of it is in much larger funds — \$500 million size funds and up. What we’re endeavoring to do, and have done successfully with our first fund, is to carve out a niche where we’re focused on much smaller deals, smaller companies, and therefore it tends to be a little bit less competitive in terms of providing financing for those companies.”

Wolf said, “Most private equity funds are looking for companies that have \$5 million in EBITDA,” or earnings before interest, taxes, depreciation and amortization. “So we are in a much less competitive environment, because we are seeking companies that are smaller. We’re not competing with 10 other PE funds that are bidding on the same company.”

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