



LAUREL OAK CAPITAL'S NEW STRATEGY FOR OLD ECONOMY COMPANIES

By the National Association of Investment Companies

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Laurel Oak Capital Partners is working to close its first two transactions later this year – controlling interests in a transportation and logistics business, primarily servicing the Great Plains region of the US, and an asset-light and intermodal carrier business in the adjacent Midwest. These are the type of deals Rena Clark and her partner Emanuel Slater like – businesses that generate roughly \$10-50 million in revenue, between \$2-10 million in EBITDA, have long-term diversified customers, recurring revenue, a strong outlook and multiple add-on opportunities.

These first acquisitions will form the foundation of Laurel Oak's transportation and logistics platform, which will benefit from cross-selling opportunities, expand services offered to each company's existing customers and realize economies of scale. "We have an overall strategy of acquiring a number of transportation and logistics companies, and creating a much larger platform," says Clark, Managing Partner of the two-year-old investment firm. "The idea would be to bring together a set of opportunities that potentially grow that business into a \$15-20 million EBITDA platform. Then you're in a different space in terms of what your exits are."

Ultimately, Laurel Oak looks to mirror this strategy across all three platforms it looks to develop – the other two being industrial manufacturing and business services – while taking advantage of revenue-generating or cost-saving opportunities across the board. "We're in the midst of developing relationships in all of those sectors from a sourcing perspective in order to be able to identify acquisition opportunities," says Clark.

The common thread with Laurel Oak's acquisition targets is they are old economy businesses that they believe have growth potential with the addition of new economy or technology-enabled capabilities. For example, industrial manufacturing businesses have gained a number of efficiencies through automation, which led to more attractive margins. Transportation benefits from evolving software tools that create greater efficiencies. "As the industry continues to evolve, technology and software tools will continue to address one of the major issues in the industry, which is driver shortages," says Slater. "I don't think it will ever eliminate the need for drivers, but certainly has the potential to reduce the constraint of driver shortages."

Laurel Oak operates as an independent sponsor, raising funds on a deal-by-deal basis rather than managing a pool of institutional capital. The firm focuses on the lower middle market industrial business products and services companies with multiple add on opportunities. The firm's history is tied to another NAIC member firm – GenNx360 Capital Partners, a private equity industrial middle-market buyout firm. Clark, a former partner with GenNx360, led or co-led transactions across a range of industrial sectors with aggregated company revenues of more than \$1 billion.

During her time at GenNx360, Clark gained valuable experience acquiring businesses in the lower middle market – an area where few of the large private equity shops are interested. "I was there for eight years. Had an opportunity to work on both sides of the table, both as an operating partner, but also as a deal partner," says Clark. "Frankly, I felt like that was a blessing because I'm not sure I could have gotten that opportunity anywhere else."

Clark left GenNx360 in 2015. After a roughly two-year sabbatical, she reconnected with Slater, a fellow Harvard Business School alum who built his career in financial services with Goldman Sachs, Lehman Brothers and Deutsche Bank. Clark and Slater learned over the years that they had a similar mindset when it came to the work environment, partnerships and deals they wanted to put together.

The two believed there was an opportunity to add significant value in the lower middle market by professionalizing small businesses. "You have owners who were able to grow the business to a \$20-30 million topline. But once they got there, didn't have the professional access to move the business to the next level," Clark says. "We felt like there was a real opportunity to acquire those smaller businesses, put them together, leverage them, create some economies of scale and generate real value for investors."

With two acquisitions in the works, leadership looks to grow the young firm's portfolio to seven or eight platform investments within the next 10 years. To that end, Laurel Oak has its sights on a third business in the Chicago area that primarily provides intermodal services. They also plan to raise committed capital in the coming years in the \$100-\$150 million range.

"We're not looking to become a huge firm," asserts Clark. "The larger the firm, typically translates into significant committed capital required and having to do larger deals. We enjoy the lower middle market, it allows us to work shoulder-to-shoulder with the business' C-suite leadership driving growth and profitability. We're not necessarily looking to build a huge firm. Just a really successful one."