

ON THE RECORD



PRIVATE EQUITY INTERNATIONAL

Bunker mentality

Boston-based firm Bunker Hill Capital has been fishing for deals in the US lower mid-market since 2003. PEI speaks to the firm's co-founder and managing partner, Mark DeBlois, about finding opportunities under the radar of the larger US buyout shops.

You closed your second fund in January but haven't made any investments from it yet. Why is that?

We haven't found the right deals. We don't tend to participate in very broad auctions, so most of the auctions we do participate in are limited auctions where there may be three to five people visiting a company, as opposed to eight to 12, and so we usually have a pretty good chance. We tend to draw our price thresholds pretty early, and if it goes above that, we just move on to other things. We've got two things under letter of intent right now that we're in due diligence on, and then another two that may or may not get signed.

\$200m

the size of its second fund, which closed in January

Which of the sectors you favour do you think will offer the most attractive opportunities in 2011?

Our focus is going to be a little bit more on the business services and industrial side. We'll probably do less specialist retail over the next 12-14 months, because we still have some specialist retail deals in our Fund I portfolio and we just think there are some great opportunities on the business services and industrial side.

\$425m

the amount invested by Bunker Hill to date, across 30 deals

Has the recent volatility in the public markets had any impact on your opportunity set?

Only to the extent that public markets make the debt markets on the private side jittery, in terms of what lenders are willing to lend. That can make it tougher to get deals financed. On the other hand, the good effect is that it tends to keep prices down, so it's kind of a mixed blessing. We've never had an issue getting a deal done that we've wanted to get done, but there has certainly been an improvement since the first four months of the year in the credit markets. Lenders have come back fairly aggressively. Now, they're really focused on the top 20 percent quality in terms of deal flow. So there's been a real flight to quality.

You recently added a second investment professional in your San Diego office. What are your plans for growing Bunker Hill's West Coast operations?

The San Diego office is never going to be the size of the Boston office. Most of the resources are here. We could conceivably have a third investment professional out there, which we'd like to at some point.



DeBlois: his glass is half full

Whether it's going to be six, 12 or 18 months, we just need to wait and see how deal flow progresses.

How do you see the last couple of months of 2011 and 2012?

I'm pleased with the progression of the deal flow throughout the year. The bankers still seem to be busy. I think the credit markets aren't panicking about anything. The talk of a double dip seems to be waning. Some people think there'll be another significant pick-up in the first quarter of next year because of the perceived [capital gains] tax change. Either way, I'm a 'glass half full' kind of guy: I think the economy will get better and deal flow will pick up. But we're happy with where we are right now. ■