



Sterling Investment Partners Has Sold Its Portfolio Company Kenan Advantage Group

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Sterling Investment Partners and RFE Investment Partners have sold fuel transporter Kenan Advantage Group to Littlejohn & Co. LLC in a secondary buyout that a well-placed source said was valued at more than \$300 million.

Canton, Ohio-based Kenan is the largest independent fuel carrier in North America, delivering such refined petroleum products as gasoline, diesel and aviation fuels.

It logs roughly \$50 million of Ebitda, the source said.

Westport, Conn.-based Sterling and New Canaan, Conn.-based RFE originally invested in the company in December 1998.

Sterling led the deal, in which the sponsors acquired a combined interest of more than 80% in what was then a regional transporter, said Sterling managing partner Douglas Newhouse.

The company expanded through acquisitions and organic growth to become the only independent, nationwide carrier of fuel, he said. It is 6 times the size of its closest competitor in the petroleum distribution market, he added.

Kenan now generates more than \$500 million of revenue. It has delivered more than 22 billion gallons of petroleum products in the continental U.S. and Canada.

The firms' initial investment was in a company called Advantage Management, the largest fuel carrier in the Midwest, which the sponsors took private.

Within two years, the company's revenue grew to \$100 million, from \$45 million, through acquiring regional carriers, said Newhouse.

In April 2001, Kenan Advantage Group was formed when Advantage bought Chapel Hill, N.C.-based Kenan Transport Co., the largest fuel transporter in the Southeast.

The merged company became national in May 2004 with the purchase of West Coast petroleum carrier Beneto Bulk Transport, based in West Sacramento, Calif.

In July 2004, Kenan filed with the Securities and Exchange Commission for an initial public offering, but the sponsors scrapped the plans because the public markets had weakened, Newhouse said.

The sale to Greenwich, Conn.-based Littlejohn closed in December.

Michael Klein, president of Littlejohn, in a statement issued at that time called Kenan "a critical link in the nation's energy distribution network" and said Littlejohn would support the company's efforts to expand and to make strategic acquisitions.

"It was really one of our best portfolio companies," Newhouse said, and after seven years it was time for a liquidity event.

He would not reveal financial details of the return on the deal.

Goldman, Sachs & Co.'s Lisa Schwarzberg handled the transaction for the sellers, which relied on Roy Goldman of Fulbright & Jaworski LLP for legal advice.