



Sterling Investment Pushed 'The Money Button' for Valve Co.

By Shasha Dai

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"In August, the firm began its overture 'in earnest' for FCX Performance Inc., a designer and distributor of valves," said Sterling managing partner Charles W. Santoro. "Then the financial market was engulfed in the worst crisis seen in decades."

"When the money button was pushed, the Dow [Jones Industrial Average] was down 800 points in interday trading," according to Santoro.

"Nonetheless, the deal closed last week, without any change to terms agreed upon. Nor were the terms much different from those of the Westport, Connecticut-based firm's deals over the last few years, regardless of the credit market conditions," Santoro said.

While exact financial details weren't disclosed, Santoro said the deal was valued at about eight times earnings before interest, depreciation and amortization, including 4.5 times of leverage. The debt is structured as two-thirds senior debt and one-third mezzanine.

FCX said on its Web site that it has about \$150 million in annual revenue and about 185 employees.

Sterling attributed the swift closing largely to its relationships with the lenders, including senior lenders GE Antares Capital and Madison Capital Funding LLC, and mezzanine lenders Babson Capital Management LLC and National City Equity Partners.

"There was not a time when they [the lenders] came back and second-guessed us," Santoro said.

GE Antares and National City Corp. are both limited partners of Sterling's most recent fund, a \$545 million pool of capital raised in 2005. The LPs' commitment to the transaction wasn't affected by the financial market turmoil that has seen many banks and insurance companies running into trouble. GE Antares said recently that it will be much more selective in backing new deals for the rest of the year.

"There wasn't one commitment that came in late," Santoro said.

GE Antares also invested equity alongside Sterling. FCX's management, including company founder Charles Simon, participated in the investment as well.

FCX, of Columbus, was founded in 1984 to provide valves, pumps and other flow-control devices for a wide range of industries such as chemicals, food, pharmaceuticals, power generation, paper and steel. The company also designs such products for its over 50,000 customers.

Sterling believes FCX has a reliable revenue stream since the company's products are critical to the functioning of equipment. The firm also likes FCX's internal and acquisitive growth prospects.

Robert W. Baird & Co. handled the sale process for FCX.

This is Sterling's second investment so far in 2008, after acquiring Miller Heiman Inc., a provider of training programs for sales people, in July. The firm sat on the sidelines for the whole year of 2007, deeming that "valuation had run away."

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<http://www.fcxperformance.com>

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