

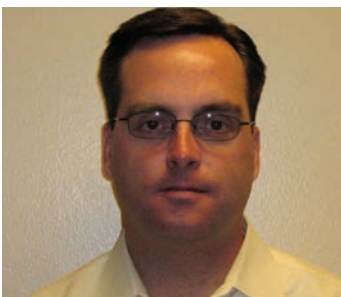
# Buyouts

www.buyoutsnews.com

YOUR SOURCE FOR LEVERAGED AND MANAGEMENT BUYOUTS

## BUYOUTS BEAT

### FIVE QUESTIONS WITH...



**BOWEN DIEHL**  
MANAGING  
DIRECTOR,  
AMERICAN CAPITAL  
STRATEGIES

**1 Bowen, you're in charge of sponsor finance in the western U.S. for American Capital. Why did you recently hire Joseph Romic and Bradley Nii to lead the firm's Chicago and West Coast sponsor finance practices?**

The purpose of hiring them was to hire people who had existing relationships and track records in those markets and could help us complement the relationships that we had, and bring local leadership. And, as you probably know, we shut down our San Francisco office. We're not moving out of the San Francisco market by any stretch of the imagination; in fact, one of our principals, Natasha Volyanskya, is going to work out of our Palo Alto office.

**2 Why did the firm close that office?**

We have five different American Capital groups represented in Los Angeles. For facilities, there's a lot of infrastructure in Los Angeles. In San Francisco, it was a small office—not an unimportant office—but a small office

in a pretty high-rent district. It just didn't make any sense. Since we had the infrastructure in L.A. it made sense to get rid of the rent expense in San Francisco. Natasha was willing to work out of Palo Alto where our tech group is, and the rest of her team are all in Los Angeles.

**3 What kinds of deals are you doing today?**

We're looking at deals the same way we've always approached the market. We'll look at the senior end of subordinated debt. We would look to fund the senior only to syndicate it all out, so our ultimate hold is sub debt. We in the sponsor finance group are ultimately junior debt holders. We have the ability to provide a one-stop solution for a sponsor, to facilitate the transaction closing, but our ultimate hold is going to be the junior debt. And we also invest equity from time to time.

**4 How is deal-making these days in the Midwest and**

**West Coast?**

There's plenty for us to work on, but generally deal flow is down. I'd say deal quality is down. But some of the marquee firms, especially in the Midwest, are active. There's a constant flow of deals from those guys.

**5 Are you passing on more deals? What do you still like?**

We're passing on a number of deals. Anything economically sensitive, consumer products, anything building materials, those kinds of things that tend to be sensitive with the economy we've shied away from. We want to see your typical bullet point list, which is sustainable profitability; high free cash flow conversion—in other words EBITDA that's not also burdened with high cap ex and extended working capital as well as companies in industries that arguably aren't cyclical with the economy such as consumer staples. ❖

*Edited for Clarity*