

## FINANCE

# Investing pros scout D.C. for potential buyout deals

By Ben Hammer  
Staff Reporter

Two local finance vets have raised money for an investment fund that will be combined with debt financing to provide \$150 million they can spend on management-led buyouts.

Rick Rickertsen and George McCabe, who formed a firm called Pine Creek Partners, finished raising \$53 million in September and plan to leverage that money with debt to make about 10 acquisitions, as many as possible in the Washington area.

Pine Creek would like to buy companies with \$10 million to \$75 million in revenue, substantial cash flow and pretax profit margins of 10 to 20 percent in stable industries that have consistently performed well. The firm will back executive teams that use their own cash to take a 10 to 20 percent stake.

"It really creates an entrepreneurial environment in the management team that's very exciting," says Rickertsen, a co-managing partner.

He co-founded Pine Creek in late 2004 after leaving D.C. buyout firm Thayer Capital Partners as chief operating officer and linking up with McCabe, who left Arlington investment bank Friedman, Billings, Ramsey in 2004 as managing partner in charge of private equity.

Pine Creek will steer clear of technology investments and concentrate on sectors such as financial services, consulting, manufacturing, logistics and Defense Department



MATTHEW HOUSTON

**MONEY MEN:** Pine Creek Partners co-managing partners Rick Rickertsen, left, and George McCabe have raised \$53 million and have access to \$150 million to buy 10 companies.

contracts, including those involving training, base support and guard services.

"We are laying in our own bath water, I suppose," Rickertsen says. "We put a lot of our own money in this thing, and there's just too much risk in technology."

He says maybe four out of 10 technology deals would generate zero return, two

might return 10 times the investment and two would be "limpers" — companies that grow but not rapidly enough to justify the investment.

Rickertsen and McCabe expect to deliver a return that's two to three times the investment in each company.

It's not as though both men haven't had

success in tech deals.

Rickertsen led Thayer Capital's \$30 million buyout of Reston-based Saga Software, generating a return 11 times his investment after Saga went public in 1997 and held a secondary offering in 1998.

McCabe led FBR's \$10 million buyout of California-based Sysdome, a software-based service used to detect mortgage-application fraud. The company was sold to Insurance Services Office in 2005, delivering a return three times the investment.

But the kinds of companies Rickertsen and McCabe are interested in now are ones like Orlando, Fla.-based Engineering Support Services (ESS).

Pine Creek closed its first deal last month with the \$12.2 million acquisition of ESS, a 300-person company that has about \$30 million in annual revenue and is growing 20 percent annually.

McCabe and Rickertsen say the Washington area is a great place to do the kinds of deals they're pursuing.

"It is a very underserved market from a private equity perspective," Rickertsen says. "There are very few firms that do it."

That's a sentiment shared by Marshall Graham, chairman of D.C. middle-market investment bank Focus Enterprises.

"Pine Creek really fills a void," Graham says. "As they get bigger and raise a second and third fund, Rick and George can probably do the Washington area a great service."

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