

PRIVATE BRIEFING CLEARVIEW STICKS TO GENERALIST ROOTS

James Andersen, founder of Clearview Capital, said the firm sees itself as a lower middle market investor that helps teenage companies become adults but that industry-wise, the firm still considers itself a generalist.

BY STEVE GELSI

Clearview Capital LP grew its AUM considerably in 2018 by quickly raising a new \$550 million flagship fund, Clearview Capital Fund IV LP, not to mention its first debt pool, the \$108 million Clearview Capital Mezzanine Fund I LP. The total of \$658 million in commitments for the two funds more than doubled the \$325 million it raised in 2014 for Clearview Capital Fund III LP.

The influx of capital illustrates the firm's appeal as it separates itself from the herd of middle market generalist private equity firms. In a world when GPs and their investors focus on specific market niches more than ever, Clearview considers itself an opportunistic and generalist firm, which has developed some expertise in health care services and other businesses.

Today Clearview Capital has been going through particularly active stretch of deals while tapping its deep experience dating from the firm's earliest days in 1999.

James Andersen, managing partner and founder of Clearview Capital, told *The Deal* the firm sees itself as a lower middle market investor that helps teenage companies become adults. The firm often turns out to be the first institutional capital for its target companies.

"We've seen everything that can happen at a small company," Andersen said. "The firm researches niches but doesn't consider itself locked into sectors. We think of ourselves as experts in building good small, entrepreneurial companies into larger, professionally managed growth businesses."

Clearview Capital's run of fresh deal-making includes its exit of Advanced Medical Personnel Services Inc. in a sale to AMN Healthcare Services Inc. in May. The firm declined to provide a return multiple on the deal, but Andersen said Clearview was pleased with the performance of the company, which tripled Ebitda during its four-year hold period.

In December, it combined portfolio company Wilson Orchard & Vineyard Supply LLC with Oregon Vineyard Supply LLC to create Orchard and Vineyard Supply LLC (OVS).



James Andersen, managing partner and founder of Clearview Capital.

In November, its platform company, Community Medical Services LLC, acquired Premier Care LLC and Maintenance and Recovery Services LLC, both of which treat patients suffering with opioid use disorder.

Avoiding Operating Partners

While other firms deploy operating partners to work with portfolio companies and help source deals, Clearview takes a different approach. It may consult with an industry executive to learn about a sector, but it mostly avoids operating partners because they tend to come from larger companies, and aren't as good at bonding with business owners accustomed to more entrepreneurial environments.

Andersen and Matt Blevins, partner at Clearview Capital, said the firm's generalist opportunistic approach avoids the pitfalls of sector specialists tied to a specific type of business, which could shift and see its fortunes fall over time. This is a contrarian move as other firms hire high-profile executives as operating partners.

One deal that helped increase LP interest in Clearview's 2018 fundraising was its sale of Senior Care/Active Day Inc., to Audax Group LP in 2015. Clearview Capital grew Ebitda at the company by about six times under its 10-year ownership period, which included 15 add-on deals.

Clearview Capital has managed to make successful investments in the furniture business despite heavy disruption in the sector. The firm acquired Via Inc. in 2000 and sold it in 2005. It bought American Furniture Manufacturing Inc. in 2001 and sold it in 2004. It also acquired Hillsdale Furniture LLC in 2003 and sold it in 2012. Loeb & Loeb LLP worked as legal adviser for Clearview Capital on these deals.

Ample Deal Sourcing Resources

Clearview Capital seeks out deals with successful companies that have owners and management interested in retaining a stake in the company. It's not a turnaround specialist.

The firm looks for prospective portfolio companies that have the potential to at least double in size during the firm's typical hold period. Rather than focusing on taking out costs, it instead invests in businesses to grow them further.

It offers portfolio company owners tools to improve their business, but keeps enough distance to allow entrepreneurs to thrive in their own sandbox. This approach helps the firm achieve successful investments regardless of the industry.

With a wide deal funnel, Clearview employs a full-time staff of four focused solely on sourcing -- allocating more resources than other firms of comparable size for this function, Andersen said. The team sifts through 1,900 deals a year.

"We use every source we can find to look for deals," Andersen said. "There's never a dull day in the Clearview office when we're talking about deals."

The firm's mezzanine fund was set up as a way to grow the company's capital base without upping the size of its main fund too much. The firm is a minority lender on deals, in order to avoid conflicts of providing equity and the majority of debt in a deal.

"It's a way to put more capital to work," Andersen said. "It's captive-only mezzanine debt for our deals."

Looking ahead, Clearview remains interested in more health care transactions because of the U.S.'s aging population and other demographic trends fueling the industry; also technology-enabled services businesses, distribution and manufacturing. The firm may also consider growth equity investments in the future, although it's currently just doing buyouts.

In the face of steep competition for deals nowadays, Clearview Capital is willing to aggressively bid in formal sales processes. It'll use "market rate" amounts of debt in deals while remaining wary of frothy prices.

"One thing you can't fix is overpaying of a company," Andersen said. "But it's worth paying up for good deals."