



Skin in the Game

Boxwood Partners is more than an investment bank. The business model: Buy profitable, growing businesses, move their headquarters to Richmond and build executive teams that can add more value.

by James A. Bacon

It was big news in more ways than one when Boxwood Capital Partners announced earlier this month that it had acquired Coffee Wholesale USA, a Texas-based Internet distributor of coffee, teas and other drinks.

The transaction was Boxwood's first merchant banking deal. Richmond is loaded with investment bankers who make money from fees, but very few sink their own money into a venture, much less help run the company afterwards. By putting skin in the game, Boxwood brings a new dimension to the region's financial marketplace.

The deal was notable also for bringing new economic activity to Richmond. Although Coffee Wholesale's warehouse and fulfillment operations will remain in Round Rock, Tex., the executive functions of finance, marketing, law and business development will move to Richmond, drawing upon the wealth of talent that comes from being a corporate headquarters town.

"Our goal is to become an old-school merchant bank" that both provides investment banking services and makes private-equity investments, says Pat Galleher, a managing director of

Boxwood Partners and its affiliate Boxwood Capital Partners. His aspiration, he says, is "to grow the firm into a mini-Goldman [Sachs] or a mini-Greenhill here in Richmond."

The idea of moving headquarters functions to Richmond works, says Galleher, because Boxwood can tap a pool of creative and managerial talent fed by excellent business, law and marketing schools locally and in nearby cities like Charlottesville and Wil-



Patrick Galleher

liamsburg. It's not hard assembling a strong executive team for a fast-growth business, he says. "There are a lot of highly intellectual, talented people in the Richmond community."

Boxwood Partners was formed in 2006 by Bobby Morris, an experienced investment banker and entrepreneur. He had been working in the Cobblestone Advisors group of Richmond-based Harris Williams, one of the leading mid-cap investment banking firms in the country.

"There was a huge opportunity in the lower-middle market to provide the same services that

Harris Williams was providing but with a higher level of service by taking on fewer clients and showering them with senior-level attention," recounts Morris. The initial concept was to focus on mergers, acquisitions and transactions, the bread and butter of the investment banking business.

Galleher, the recently retired CEO of WILink, was one of Morris' clients. Galleher had moved the publicly traded company, which provides video-conferencing services for investor relations, from London to Richmond and then took it private. After staying on a year and handing off WILink to a new CEO, he was pondering what to do next.

"I spent '07 swimming and playing golf and looking for an opportunity to buy in to," Galleher says. "I started throwing some things by Bobby, asking him to do some analysis."

The banker-client relationship morphed into a full-fledged partnership in the stands of Fenway Park. Big fans of the Boston Red Sox, Morris and Galleher flew up to Boston last fall to root for their team during the World Series.

"We started talking about a deal at the World Series," Morris recalls. "We were talking about some of the businesses we were looking at. It just became apparent that we ought to work together rather than work separately."

The two men's strengths compli-

mented one another. Morris had years of experience as an investment banker specializing in mid-market deals and as the CFO of a private equity-backed business. Galleher had been CEO of a mid-market company, had a BlackBerry full of international contacts from his work at WILink, and was looking for companies to invest in and add value to.

Galleher formally joined Morris in March as a partner and managing director of Boxwood Partners. The shared vision was to graft merchant bank capabilities onto the investment bank. Not only would the company advise small- to mid-cap companies in financial transactions but, when the right opportunity came along, the partners would invest in them and manage them.

"We hit the ground running," says Morris. Just this month, the company announced two deals. In one, a conventional investment banking transaction, Boxwood acted as financial advisor to the owners of two Mobile, Ala., companies in a sale to an investment group. In the other, Boxwood Capital Partners, an affiliated private equity group, acquired Coffee Wholesale.

Boxwood has so many deals in the pipeline now that it is adding to its investment-banking team and is thinking of moving out of its current office in downtown Richmond into a bigger space.

According to the Capital IQ database, Richmond had only two private equity groups last year, compared to 25 in Charlotte, more than 50 in Atlanta and more than 500 in New York. The paucity of private equity is a significant hole in Richmond's capital markets and is a major reason, in Galleher's estimation, why the region has relatively few middle-tier companies. For a

city its size, Richmond has loads of Fortune 1000 companies. It also has plenty of small, entrepreneurial firms and professional firms -- but few "gazelles," the fast-growth, mid-market firms that contribute disproportionately to job creation and economic growth.

Galleher had been instrumental in building one such firm, WILink, and bringing it to Richmond. WILink started as a London-based company that specialized in annual report fulfillment for publicly traded companies. The firm branched into webcasting investor-relations conferences and other corporate events. The company set up its North American operations in Richmond, and among the employees it first hired here was a young, ambitious Galleher.

"We hired him as a sales person at WILink and helped him grow to the chief executive of the company," says the previous WILink CEO, Peter Wakeham, who is now retired and living in Switzerland. "He's a very ambitious guy, very straight, a good thinker and a hard worker. He has the brains, the heart and the integrity" to succeed.

As CEO, Galleher jetted back and forth between his home in Richmond and the corporate headquarters in London. He accelerated the transformation of the company through the acquisition of Vcall, a provider of webcasts and webinars, and Informed Investors, a virtual conference provider, giving him experience in the M&A arena. In London, he made numerous contacts in the investor and financial communities that he hopes to tap for Boxwood Partners.

WILink was publicly traded, but Galleher felt that London investors were less receptive to its

webcasting ambitions than Americans would be, so he engineered the transfer of the corporate headquarters to Richmond. Then he found investors to take the \$50 million company private. He stayed on as CEO for one more year, then stepped down in 2007. (The company has since re-branded itself as PrecisionIR.)

In reinventing his career, Galleher considered moving to New York or Boston, but he decided to stay in Richmond. He likes it here, he says, and he wants to stay. "Richmond's a great place to live. I've got four young kids. If we can grow something unique and special here in Richmond, let's do it!"

The Coffee Wholesale transaction provides a glimpse into how Boxwood Partners will do business. The Texas company meets the ideal portfolio company in three ways. It's an established business that's profitable and growing. It has an Internet-based business model. But it's not so awesomely great that Boxwood can't add value.

Coffee Wholesale sells 2,000 beverage-related products over the Internet, including national brands such as Starbucks, Bunn, Crystal Light and Gatorade as well as the company's own All Day Gourmet brand. The company has a solid track record, growing revenues 10 percent to 15 percent annually. Competing in a large, fragmented industry, the Internet wholesaler has ample room for growth.

Boxwood Capital Partners plans to introduce e-mail specials, customer loyalty programs, expanded product selections and focused, office-coffee service solutions.

"It is not often you find a business so well positioned to adopt

and capitalize on both main-stream and leading edge technologies," says Chris Deel, former CTO at WILink and now a managing director of Boxwood Capital Partners. Deel will lead the upgrade of the company's technology infrastructure to achieve distribution efficiencies, improve the customer experience and position the company for growth internationally.

Coffee Wholesale will call upon the advice of investors who include, among others, Peter Wakeham, Galleher's old boss at WILink. Among his other career incarnations, Wakeham had worked in marketing and management for Pepsico's soft drink business, which gives him insight into beverage marketing. Although he won't take an active role in the company, he expects to act as a sounding board for the management team. The company, he says, has a "massive opportunity" to grow its customer base.

Greg Wingfield, president of the Greater Richmond Partnership, counts WILink as one of his economic development successes when he recruited the company to Richmond some 15 years ago, and he has high hopes for Boxwood Partners as well. "Pat's grown a business from a handful of people to about 150 people when it was sold. He knows the day-to-day of running a business in Richmond."

Galleher has been very generous with his time, sharing his knowledge and contacts in the United Kingdom, which is a priority market for the Partnership right now, Wingfield says.

"We had him meet a prospect last week from the UK," Wingfield says. "This guy knew a number of people who'd invested in WILink. It got more interesting because the same

investors were investors in a rugby team the prospect had played for professionally. Pat knew all the players and the teams. It was like old home week after that."

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