BUYOUTS

Need to Meet: Conner Searcy, Managing Partner, Trive Capital

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Conner Searcy got "the bug" for the turnaround business working at **Bain & Co.** early in his career, experience that comes in handy in today's energy environment. "We were really operational consultants, if you will, and we were working for private equity firms," Searcy said, "and so we got to see the value that could be created when those two things intersected."

Searcy remembers one particular assignment in the maritime industry, a portfolio company of a very large, less-than-hands-on firm. "We took it from EBITDA negative to pretty profitable in less than a year," he recalled. "The PE firm had owned that business for a couple of years and had not extracted that value, and the reason they hadn't is they had hired the wrong management team." Not being onsite, the owners couldn't see that. Once the necessary corrections were made, "we drove a lot of value quickly."

The firm Searcy now leads, **Trive Capital**, buys middle-market companies ripe for operational overhaul. Last month, Trive announced the acquisition of oil-and-gas acreage and facilities in the Southern Appalachian region from **Chesapeake Energy**. "We're standing up a new business, effectively, for the assets we carved out," Searcy said. Trive brought in new executive managers, **Core Appalachia**, "because that business at Chesapeake didn't really have a management team; they reported to corporate."

There are "a lot similarities to corporate carve-outs," Searcy said, lessons that can be applied in concert with the management team's energy experience: "There are just some tried-and-true operational approaches and levers to pull and tools to use that really are applicable across industries." Customer-profitability analysis, for instance, provides insight "whether you're selling widgets or you're selling gas."

The opportunity arose, Searcy said, from Trive's patience and contrarian nature. "We typically invest in energy at times of dislocation. That is an industry that is riddled with optimists, and when times are good, values are inflated, everybody forgets their industry is tied to a very volatile commodity.

"No one ever says, 'Hey, [oil] is at 100, my forecast is this thing is going down to 30.' But that's exactly what happened," Searcy said. "Our philosophy is, when oil goes from 50 to 100, we think the odds increase that it could decrease in value. When it goes to 120, we think the odds increase further. When it goes to 150, we think those odds increase even further."

As for why there's so much irrational optimism, "If your entire career is investing in energy, it's hard to just sit on your hands," Searcy explained. "Investors in general have a very hard time sitting on their hands, and it seems to be even more pronounced at the exact time they should be sitting on their hands."

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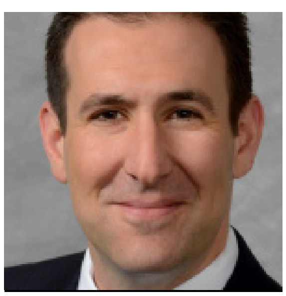

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