


# POWER HOUSES

## IN PRIVATE EQUITY:

### Stewart Kohl

*Insights from the world's leading investors and dealmakers*

 Click to watch this video at [privcap.com](http://privcap.com)

RSM office managing partner and national private equity leader Don Lipari interviews The Riverside Company Co-CEO Stewart Kohl about the appeal of the lower-middle market

**Don Lipari, RSM:** In '95, you closed your first fund [at] \$34M, with a thesis of the lower-middle market. And that is the investment strategy to this day. What about the lower-middle market does Riverside finds so appealing?

**Stewart Kohl, Riverside:** So, what's wonderful about where we play—these businesses that have less than \$35M or \$40M of EBITDA and, in most cases, much less—is that, number one, there are so many ways to make them more valuable. We're not buying flawed companies. We're not doing true turnarounds, but in fact we're buying what I would describe as "beautiful little businesses." But there are so many ways that we can add value to these companies.

We can professionalize the business by improving the management team, the management information systems, [by] writing the first written strategic plan, [by] creating the first real board of directors with outside experts, [by] using our toolkit to improve things like pricing at the business—[there are] all these ways to create value. So, that's one of the reasons we feel like the opportunities for an outsized outcome are better when you start where we do. ■

**Stewart Kohl**  
Co-CEO,  
The Riverside Company



**Don Lipari**  
Office Managing Partner,  
National Private Equity Leader,  
RSM US LLP

