

POWERHOUSES IN PRIVATE EQUITY

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Vancouver Values

Tricor Pacific Capital's Rod Senft discusses the rise of his Vancouver-based multi-strategy firm, how he wants entrepreneurs to view him, his favorite deal, and the "joy" and "thrill" that business builders need to feel to thrive. Interview by RSM Canada's Ben Gibbons.

Ben Gibbons, RSM Canada: When you're talking to an inventor/founder, what's the key message that you want to leave a founder with?

Rod Senft, Tricor Pacific Partners: We want them to understand that money comes with people attached. So, you're not going to have a shortage of capital to take you out. That's what your sale process is going to deliver for you. But if money comes with people attached, what are you additionally trying to achieve? We'll all get into the zip code of what the business is worth. So, if he wants to absolutely just maximize price - price is the only thing - then we're probably not the right buyer for him. We really want to make that clear because we don't want to waste his time and we don't want to waste our time. But if he cares about his legacy and he doesn't want the company back on the market in three years - where they've taken out a bunch of costs, they've maybe built the company up a bit - if he doesn't want that really quick flip and he really cares about his culture and the company that he's built and he wants to hang around the rim for three to five more years, then we're probably a partner of choice.

We should be the partner whose track record you can check. You can check who

we are. Oftentimes our founders say, "I hear you, but I've never worked for anybody before and I am not going to work for you now, so I'm selling 100%." Well, we're okay with that because we have our own leadership teams that are industry experience. So, that's where we differentiate from private equity funds.

Gibbons: You founded Tricor Pacific in 1996. What influenced that decision?

Senft: Prior to forming Tricor, I practiced law for a number of years. But the five years prior to that I'd been the CEO of a company in the US that we bought from Weyerhaeuser called Heinz Nurseries. When we sold it, we had this terrific homerun. We sold it to Madison Dearborn. We learned a lot leading that company and we really enjoyed being partners together. So, when we sold the company, we suddenly had capital to deploy on our own. We didn't really want to raise a fund in those days, but what we did want to do is bring in another significant capital partner. So, we were introduced to BCIMC's Doug Pierce. Our timing was good and we formed Tricor. It sounds sort of corny, but Tricor was three guys who shared the same core values and we found that values-based approach to investing really worked for us.



Rod Senft
Chairman
Tricor Pacific Capital



Ben Gibbons
National Private Equity
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Gibbons: So, fast forward through the years of Tricor. How did your role at Tricor evolve and change as the years have gone on since then?

Senft: Well, it evolved because we grew so much and I went from spending most of my time actively engaged with management teams, because what we were looking for was management teams that we thought were really excellent.

Gibbons: And how did you see the private equity market evolving over that period of time as well?

Senft: More and more capital poured in and as the capital poured in. Particularly with the advent of the big pension funds doing direct investing and with the advent of the lower costs of capital, you started to see IRR compression. That's changed the industry quite a bit because it's changed the economics. For private equity today when you're modeling the IRR, you better have an investment thesis of what you're going to do with this business because the cushion just isn't the same and to achieve superior returns, you better have a highly developed investment thesis that you can execute on.

Gibbons: As we think about where Tricor is today, it is a multi-strategy family office. Is some of that shift driven by some of that IRR compression?

Senft: We're all under more pressure to raise more funds. For us, being in that almost perpetual fundraising mode meant that we were selling our winners quicker to demonstrate that we had achieved superior results and you're in the top quartile and all this stuff. We were selling our winners faster. Our thesis was we wanted to keep our own capital invested longer in companies where we were achieving significantly superior returns. I wanted to invest in a longer term horizon.

Gibbons: Is there a company that stands out?

Senft: So, Premium Brands is my favorite company and we invested in it as a family

in 2005. They were doing \$14 million of EBITDA. Today we're still invested. They're doing about \$3.5 billion, close to \$4 billion in sales. They do about \$25 to \$50 million of EBITDA and our family still owns every share that we ever bought and the stock has gone from \$9 when we bought it to about \$90 today and dividends all the way along. So, that's the poster child.


Gibbons: Talk to me about the thought process behind the different verticals and why some of those verticals and not others?

Senft: We've got capital to deploy. We wanted to deploy that capital not in one stream. We want to have a diversified capital deployment strategy. So, the real estate component makes sense. The food component makes sense. Industrial welding products, intermodal trucking. Building products and the major holdings in Premium Brands and existing companies. The commonality to those verticals generally is great people. If you went through each of the enterprises, you'd see that theme. Real estate is led by Adele Ballamith and Hamida Madien, two exceptionally talented guys. So, when we find exceptional human talent and we have capital to deploy, we look for a vertical that they can lead and sometimes we get lucky.


Gibbons: Do you have a philosophy around how you are assessing human talent at the front end of a transaction? Is there a secret sauce that Tricor uses?

Senft: I don't know that there's a secret sauce. There's no one exact right leadership style. They've got a driving ambition. They've almost got a hole that can't be filled and even when they succeed, they keep wanting to succeed. They keep wanting to build. They get their joy and their thrill out of building. Think of why Navy Seals succeed - because those guys won't quit, right? And when we invest, it's unbelievable how many terrible, horrible, no good things happen on the way to the Forum. Stuff happens and we need people who just stick through it. ■



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Tricor Pacific's Rod Senft



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