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Lead Left Interview – Brett Hickey

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This week we chat with Brett Hickey, chief executive officer, Star Mountain Capital. Based in New York with regional offices and a network covering over 25 U.S. cities, Star Mountain provides strategic partner capital for private equity, mezzanine and other private capital funds as well as growth debt and equity financing for small and medium-sized businesses (typically companies with under $15mm of annual EBITDA).

The Lead Left: *Brett, we've been reading more about your firm recently. What's your focus?*

Brett Hickey: Randy, we focus on the less competitive lower end of the middle market. Our strategy is to be a value-added partner to companies and to fund managers including working as a partner with our fund managers to provide a "one-stop shop" capital solution for high quality growing businesses that, generally have less than $15 million in EBITDA. Across our portfolio, which on a look-through basis consists of approximately 150 businesses, the average EBITDA is just over $6mm. These are smaller, but established and high quality businesses that don't have as efficient of access to capital and appreciate investment partners who can bring more than just capital to help with their growth.

TLL: Smaller companies are in a less competitive space, for sure.

BH: We believe that the risk-reward of the lower end of the market where we play, provides a superior risk-reward; however, it is a challenging market to operate in a scalable, efficient manner as these smaller businesses often take longer to analyze and invest in than larger companies do…and of course for a much smaller average check size! Having invested exclusively in this market for over a decade, we have built a relatively efficient way of investing in this space, providing us with competitive advantages and a differentiated value proposition for certain investors.

TLL: What's your marketing strategy?

BH: We have partners in 8 locations across the U.S. as well as approximately 20 additional local offices through funds where we are often the largest limited partner and sit on the board as an active and value-added partner to them. This, along with our events and other constant engagement in the marketplace helps us cover a lot of ground within this fragmented marketplace consisting of approximately 200,000 businesses in the U.S. alone.

TLL: And what do you offer investors?

BH: The opportunity to gain access to this tiny asset class in a scalable and superior risk-reward manner. As mentioned earlier, there are probably 200,000 companies with revenues between $10 and 150 million. It's hard to find, analyze and manage these small company investments in a prudent way, but when done well, it can be a very rewarding investment. It's much easier for a small company to double or triple in value which allows us to create attractive returns for our investors in an asset class that has low correlation to the larger markets which investors often like as a stable portfolio diversifier.

TLL: Let's back up, Brett. How did you get started in the business?

BH: It's a random path, but as you'll see, I'm an entrepreneur at heart. I was raised in a small town in western Canada where we were used to sharing resources and working as a team with our neighbors, which is part of Star Mountain's core culture of a "Collaborative Ecosystem" – working with versus competing with others. I started a clothing store in high school using free office space I found and getting clothing on consignment. That was my first business foray. I then paid for college by working on the oil drilling rigs for a year in Northern Canada. Post the oil rigs, I was on the national speed skating team in Canada while attending college. During this time, in the late 90's, I started my second small business, a work placement agency in the health care industry. I sold my stake in that business to pursue a finance degree at McGill University in Montreal. I moved to New York to work for, at the time, the investment banking division of the largest financial institutional in the world, Salomon Smith Barney / Citigroup. After the typical analyst program I again came up with an idea to focus on combining my love for small businesses and structured finance, and launched a small business focused investment fund….11 years later, I'm still basically doing the same thing, and always focusing on improving the mouse trap and increasing the value we add to our investors and business owners.

TLL: That's pretty cool.

BH: Though I didn't see a lot of correlation early on in my career, the focus and discipline from speed skating and hard labor have been large contributors to my success I believe.

To be continued the week of June 8

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