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On the Prowl for Stalled Startups

on 13 April 2009, 14:33

by Ken Schachter



A new entrant seeking to breathe life into stalled startups has entered the secondaries market.

Boston-based ConJoin Group officially opened its doors earlier this month, striding into a market staked out by firms like San Francisco's Saints Capital and New York's W Capital Partners.

But ConJoin Managing Director Richard Garnick said the firm plans to bring more than a capital infusion to its portfolio of venture- and private equity-backed companies. He said that ConJoin would target companies likely to benefit from cost cutting as well as from the services of ConJoin's roughly 200-employee back office, IT and business process outsourcing arm in Mumbai, India.

Mr. Garnick, a former executive of technology outsourcing firm Bangalore, India-based Wipro Technologies, said that ConJoin plans to make six to 12 deals this year with investments ranging from \$10 million to \$20 million per company.

"Our thesis is we're more apt to find later-stage companies," he said.

The prototypical company, he said, would have "predictable" revenue of \$50 million to \$200 million per year, but be "struggling" for a liquidity event like an initial public offering or a corporate buyout.

Mr. Garnick formed ConJoin with David Folk, managing general partner of Toronto-based private equity firm Jefferson Partners, which has committed up to \$9.5 million of capital to the venture. Mr. Garnick said he and an unnamed secondaries firm also are providing capital for ConJoin.

Mssrs. Garnick and Folk already have teamed up to revamp Avotus, one of Jefferson Partners' portfolio companies. Mr. Garnick is serving as interim chairman and chief executive of the telecom management company, which books about \$30 million in annual revenue. Mr. Garnick said he shaved \$10 million in costs from Avotus within six months.

Mr. Garnick said ConJoin may buy companies outright or simply invest alongside current venture capitalist or private equity owners. The appeal for them, he said, would be ConJoin's outsourcing services, which would "lower breakeven points and drive for profitability earlier in the life cycle."

Topics: Wipro, Richard Garnick, Ken Schachter, Saints Capital, Conjoin, David Folk, Jefferson Partners, Avotus

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