Building a Boutique Within a Boutique

Anthony Giorgio is merging his boutique shop with another firm with the hopes of creating a chemicals banking powerhouse.

Longtime specialty chemicals banker Anthony Giorgio has sold his practice to another firm with aims of combining his industry expertise with TM Capital's global network to capture a bigger slice of the white hot chemicals M&A market.

By Tom Terrarosa

April 23, 2021 11:45 AM

For most boutique bankers, the path to specialization includes the traditional check points: Ivy League degree, bulge bracket banking internship, lower level analyst, bank associate and so on. For chemicals banker Anthony Giorgio that path has been anything but traditional.

In March, the specialty chemicals industry-focused investment banker announced he had closed on a transaction to sell his boutique bank, CIM Partners LLC, to another boutique, TM Capital Corp. The sale is the next step in Giorgio's career that started with an internship at a red pigment manufacturing facility in Staten Island, N.Y., and eventually morphed into a successful banking career as one of the most respected in the middle-market specialty chem industry.

“We’re going to create something of a boutique within a boutique, if you will,” Giorgio told The Deal. “The folks at TM have built an exceptional business, and I’m going to sort of sit within that bigger business and do what I have always done.”

What Giorgio has always done is provide sell- and buy-side transaction advice to a select group of companies producing an ever-expanding number of complex products.

Not surprisingly, specialty chemicals and materials companies manufacture and distribute special types of chemicals and chemical-based materials (such as plastics and foams).

The term “specialty” is used to differentiate these companies from chemicals manufacturers whose products have become so widely used and manufactured that they are considered commoditized.

Entire encyclopedia volumes could be dedicated to the laundry list of chemicals and materials that fall into the specialty chemicals group. Companies that make chemicals that go into fragrances, adhesives, paints and pharmaceuticals all qualify.

These industries are always changing. As a result, new chemical companies and chemical processes continuously pop up to address their needs.

And Giorgio knows them all at an intimate level.

Ask the banker about a company generating less than $5 million in Ebitda — in other words, barely profitable — and he'll rattle off the list of complex, difficult-to-spell and -pronounce chemicals that company produces.

He'll tell you the types of reactors those companies need to use to produce those chemicals, and whether the technology is better suited to be within a private equity group's portfolio or if there is a must-have strategic owner that should be waiting in the wings.

And he'll tell you in what cities their manufacturing facilities are located, and whether any of those facilities have ever had any minor inefficiencies or major meltdowns. He'll wax poetic about management's passion for the business or lofty expectations.

He might not offer up the CEO's favorite bottle of red or glass of scotch, but there's a good chance he knows it.

With equivalent fervor, he'll outline things about Fortune 100 chemicals behemoths that you might not glean from public documents.

There's industry banking expertise, and then there's Giorgio, sponsors who he's worked with for years said.

"He has a different perspective on these businesses — why they're good and why their products are good," H.I.G. Capital LLC's North American chemicals head Keval Patel said of why he so often taps Giorgio for advice. "Most bankers are finance guys.

For the most part, they pick up an industry and learn it from reading books. Anthony is not that."

To be sure, Giorgio will be the first to admit that some banks have made a bigger name in the specialty chemicals industry in recent years.

In the middle market, Lazard Ltd., KeyBanc Capital Markets and Lincoln International LLC are among those with the hottest hands. Up the value chain a bit, Houlihan Lokey Inc. and Valence Group LLC, now part of Piper Sandler Cos., have dominated.

But where these banks excel in broad spectrum auctions or connecting the dots between middle market companies and upper market buyers, Giorgio makes up for in an absolute mastery of his industry.

"He knows the personal care and cosmetic ingredients space almost better than anyone," Patel said. "For a portfolio company like Vantage Specialty Chemicals Inc., if we're looking at a company to add on to that business, we'll go to him if we want an intro to them, and nine of ten times he'll know them and make the introduction."

Not to mention, he's a good guy with the right attitude for banking and an unwavering drive, Patel added.

"He's willing to work hard and get on a plane for the sake of the deal and sleep very little hours to get it done," he said. "The first time I ever spoke to him was over 10 years ago. He was selling a company that made additives that go into carpet that had 80% customer concentration. I said no thanks, but sure enough, he sold it."

A Long, Winding Road

Things weren't always so black and white for Giorgio. While he and some of his clients boast about his ability to look at deals from a variety of angles today — from understanding how corporate development executives look at deals to how private equity partners build an investment thesis as they try to convince their fellow partners the investment is sound — he traveled down a long and bumpy path to get here.

Like Giorgio, some chemicals industry bankers can trace their roots back to a dual-degree in finance and chemical engineering at an elite school like Harvard or Penn, but few can say they went the engineering route after college. And even fewer can say that engineering route landed them on the manufacturing floor of a chemicals plant.

While at Wharton, Giorgio captured an internship as a process engineer at Sun Chemical Corp., now a subsidiary of Japan's DIC Corp. He said the thinking behind that internship was following the corporate path the chemicals industry has set up — start on the plant floor, work your way through marketing and into sales and find yourself on the management track, hopefully propelled by your Ivy League finance degree.

But after walking out of the Sun Chem’s hazardous chemicals plant in Staten Island that summer, having his skin died red, Giorgio took a U-turn back toward the finance side of the industry.

"Manufacturing of pigments is hazardous chemistry; it's hot," Giorgio said. "It was a red pigments plant, and it took about three weeks to get all of the red out of my skin and stop coughing it up. So after that I ended doing an about face and thinking, 'Maybe I should try this investment banking thing.' "

Giorgio's delay in heading in that direction led him to miss out on the prestigious bulge bracket banking internships his Wharton classmates had secured the summer he was in Sun Chem's Staten Island pigments plant. He spotted an advertisement in the newspaper for an analyst position at a boutique bank by the name of TM Capital.

From there, the story appeared set to be more traditional — boutique bank analyst to bulge bracket bank associate focused on sponsors.

A financial meltdown at the dawn of the 21st century turned Giorgio's path on its head once again, though.

Bank of America shuttered the sponsors business Giorgio was part of, and he headed back to business school for his MBA, racing through four semesters, and winding up back in the corporate world on the other side.

The detour took him through a corporate development position at International Specialty Products Inc., a personal care chemicals business that was sold to Ashland Global Holdings Inc. (ASH) in 2011, and another corporate role at a chemicals technology company that thought about getting more directly involved in chemicals, but quickly abandoned the idea.

Finally, private equity came knocking in the form of a then-fledgling sponsor, Arsenal Capital Partners LP, which has since become a chemicals industry powerhouse.

At Arsenal, Giorgio got a taste of the adversarial investment lifestyle that is private equity. He helped the firm put together the initial investment in one of its most successful platforms to date, the adhesives supplier Royal Adhesives & Sealants LLC. Arsenal acquired Royal Adhesives from Charlottesville, Va.-based lower-middle-market shop Quad-C Management Inc. in November 2010.

Giorgio left Arsenal a month after the investment closed. Arsenal went on to build Royal Adhesives to a roughly $100 million-in-Ebitda business and sell it to American

Securities LLC for a reported multiple of 8 to 10 times cash flow in 2015. H.B. Fuller Co. (FUL) picked it up for $1.6 billion two years later.

"With all private equity groups, there is always this kind of dynamic in terms of the path within the organization," Giorgio said of his decision to leave the firm despite loving the people he worked with there. "I had built this great network and franchise around M&A in the chemical space, and decided the time was right to do something entrepreneurial in the space with that network."

Arsenal partner John Televantos said when he brought Giorgio on in January 2008, just eight years after the firm's founding, he liked Giorgio's background because he had both investment banking and industry experience.

"Anthony is a very smart guy, and he's fast on his feet," Televantos said. "He's also quite deep. Most people start in investment banking and go on to end their careers in private equity. Anthony did things a bit differently and built a knowledge and understanding of how both corporates and PE work — their respective needs and limitations, as well as the specific strategy crafting that goes into each."

In other words, the years at Arsenal rounded out Giorgio's repertoire, allowing him to take on the daring challenge of launching his own single-industry focused boutique bank, CIM Partners LLC, aimed at middle-market chemicals deals in the U.S. and Europe.

"Anthony is a one-man company," Televantos said. "He is extremely enterprising, very intense and very committed to his work and his clients. It's remarkable to start from nothing the way he did with CIM and build a very good practice for smaller companies globally, from Germany to France to the U.K. to the U.S. and elsewhere."

A Pot of PE Gold at the End of the Rainbow

So Giorgio has now gone full circle through the industry, landing back at the firm that gave him his first job out of college, but this time leading his own platform — a boutique within a boutique.

Already he's been on nonstop daily Zoom calls, working with the firm's generalist sponsor clients who might either be interested in the chemicals space or already have a one-off chemicals platform they will eventually need to sell.

He's gunning to dominate the middle market of specialty chemicals, the sweet spot being deals from $100 million to north of $1 billion in enterprise value on the buy-side and $50 million to $300 million in EV on the sell-side. In that market there appears to be a developing trend that's been exacerbated by the Covid-19 pandemic.

A few years ago, in the market of deals between $50 million and $500 million in enterprise value, 60% or more of the sellers were non-PE fund private owners or corporates, with the balance being sponsors, Giorgio said.

In the past six months, however, the deal flow in that same space has shifted to 60-70% sponsors.

"A lot of private owners are either licking their wounds, or they have so much business coming in thanks to a Covid bump that they don't even want to think about selling the business; they just want to focus on cashing the checks," Giorgio said. "I do expect that is going to moderate a bit as the world normalizes. But it's a trend that's been happening for a while. From here forward, this will always be a sponsor-led sale universe in the middle market for chemicals."

Hence the timing on his move to a larger platform.

Giorgio said the move, which gives him access to 50 deal professionals from three domestic offices and a world-wide network of partner banks, will allow him to maintain the specialization offered by other boutiques targeting the chemicals industry, such as the Valence team Piper Sandler picked up in April 2020 or Grace Matthews Inc., while also competing with the staffing and sophistication of firms such as William Blair & Co. LLC and Robert W. Baird & Co.

"I think he did well, and chose the right partners that will bring his business strength while giving them another way of growing their pie because specialty chemicals is not really a sector they're in," Televantos said of the move to TM Capital. "Anthony will benefit from having a larger brand and the scale in the back office. Because [at CIM], he was doing everything, and when you are are doing everything, you are not doing anything as well — sourcing deals or crafting them. So I think it was time for him to do this, hang his hat with another group and get the framework to be even more successful."

TAGS PRIVATE EQUITY MIDDLE MARKET INVESTMENT BANKING SPECIALTY CHEMICALS $ 50-250 MILLION $ 250-500 MILLION $ 25-50 MILLION EDITOR'S PICK EXCLUSIVE INTERIVEW

COMPANIES MENTIONED

H.I.G. Capital LLC | Bitauto Holdings Ltd. | H.B. Fuller Co. | Cim Financial Services Ltd. | Ashland Global Holdings Inc. | Extreme Adhesives | Lincoln International LLC | Piper Sandler Cos. | Enviro-Chem | Quad-C Management Inc. | KeyBanc Capital Markets | Houlihan Lokey Inc. | Balmoral Advisors LLC | Harvard Management | International Specialty Products Inc. | Teekay Corp. | American Securities LLC | Ivy League Consultants LLC | Lazard Ltd. | Arsenal Capital Partners LP | Valence Group LLC | Arsenal Health | Fullsix SpA | Wharton Ventures | Grace Matthews Inc. | Royal Adhesives & Sealants LLC | Bank Of America Ventures | William Blair & Co. LLC

The Gardens | Vantage Specialty Chemicals Inc. | Nordic M&A | Sun Technology

CIM Partners LLC | TM Capital Corp. | Tryggingamiostooin Hf. | Penn National Gaming Inc.

Robert W. Baird & Co.

PEOPLE MENTIONED

Prakash Patel | David Anthony | John Y. Televantos | Gianfranco Giorgio | Keval Patel

Anthony Paul Giorgio