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FINANCE

Waste processor goes with the flow with \$25 million recap deal

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Private equity firm Rock Hill Capital Group has acquired a majority stake in Houston-based liquid waste processing company SouthWaste Services Inc.



The deal is valued at more than \$25 million, according to Randall Hale, managing director at Houston-based Rock Hill.

“Rock Hill will recapitalize the company, reducing its debt and providing it with working capital,” says Kent Kahle,



Hale

managing director of Houston-based investment bank Gulf-Star Group Inc., which served as the financial adviser to SouthWaste on the deal.

The recapitalization was financed with equity from Rock Hill and existing SouthWaste shareholders.

With new capital in hand, Kahle says SouthWaste will continue with a regional rollout, expanding its presence where it has footholds in Texas, Florida and Georgia.

“There are some internal corporate development activities that we are pursuing in both the waste processing

and the alternative energy areas, as well as a possible acquisition,” he says.

Kahle would not identify any specific companies that SouthWaste is looking to acquire.

Hale says SouthWaste’s motivation for the deal was to gain capital to expand the company.

“They wanted to position themselves to continue to grow,” he says. “It wasn’t as much selling as raising capital.”

One of SouthWaste’s core businesses is the processing of discarded restaurant grease.

The 120-employee company also processes sludge from municipal wastewater treatment facilities.

As for SouthWaste’s future, Hale predicts there will ultimately be a biodiesel or biocrude project put together using the collected materials.



Kahle

ACTIVE ACQUISITIONS

Original investors in SouthWaste include Boston Projects, Houston development company Interfin Cos., Texas Capital Bank, Pasadena, Calif.-based financial services company LJR Partners LP and three members of SouthWaste’s management team: Leo Ounanian, Cary Juby and Darrell Rogers. Gulfstar’s merchant banking arm and

The 1818 SBIC Fund also invested in the company. Hale says all of the original investors are still on board.

Formed in 2004, SouthWaste was created to consolidate the regional liquid waste market through the acquisition of several Texas providers. With \$19.4 million in original financing, SouthWaste has since acquired eight companies in Texas, Florida and Georgia.

Shortly after its formation, SouthWaste purchased several Houston area liquid waste processing companies. In 2005, it acquired two more businesses in Austin and in Dallas. One year later, the company expanded out of state, purchasing liquid waste treatment businesses in Florida and Georgia.

Hale says there is currently no national leader in the liquid waste processing industry, and doesn’t rule out SouthWaste expanding into farther-flung markets in the future. The plan for the next three to five years, however, is to fortify the company’s position in the South.

SouthWaste’s employees will not be affected by the deal, according to Kahle, who says there are no projected layoffs.

“If anything, there will be more (employees) due to the expansion,” he says.

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