

Executive Q&A

with Ryan Peddycord, CEO of Tide Rock Holdings

Those who joined the San Diego Business Journal for its CEO of the Year Awards presentation on Sept. 30 may have had their first introduction to **Ryan Peddycord**, CEO of **Tide Rock Holdings**. Tide Rock Holdings was the Gold Sponsor for the San Diego Business Journal's 12th annual event, and as Tide Rock's CEO, Peddycord welcomed all to the ceremony.

Peddycord recently sat down with the Business Journal to discuss the issues he faces as a CEO, as well as share thoughts from the local founders he's worked with. What follows is a conversation with Peddycord:

Tell us about Tide Rock and why you are passionate about your company.

As an entrepreneur who has sold several companies, I know how challenging it can be to find the right buyer for a business you've built and managed. On one side, it's may not be appealing to sell to a strategic buyer you've competed against for many years. Strategic buyers may lay off a number of your staff and roll your brand into their company while dissolving it over time. On the other side, there can be negative perceptions associated with selling to a Private Equity fund. You assume that a Private Equity firm will finance the sale of your company by putting a lot of debt on it, and when they own your business, they may cut costs and make drastic changes so they can flip it (sell it) quickly to make a profit.

I have had the experience of working with several different types of investors and boards, and have found that interests are often misaligned. I started Tide Rock Holdings because I wanted to solve these challenges — that is, to work with owners and founders of high-quality companies and build upon their legacies.

At Tide Rock, we don't use bank debt to buy companies. We work with teams and help support their efforts to build upon their brands and legacies. And because we don't have a fund structure with a defined termination date, we can hold and grow companies long-term.

What makes Tide Rock unique from other prospective buyers of a business?

To founders and owners looking to retire or sell their business, Tide Rock provides an alternative to strategic and financial investors that takes the best of both worlds. We are set up as a holding company with a cash-heavy balance sheet. And we don't use debt to fund our acquisitions. Our investors receive their returns from distributions generated from the profits of our companies, so we focus on growing businesses versus cutting costs to flip them. We also have the flexibility to work with existing management and/or bring in new CEOs to allow the founders to take a step back or retire.

Tide Rock's leaders all have experience operating businesses, and they take an active role in helping grow our companies. We have a full growth team which works with our companies, as needed, to provide expertise and help to accelerate growth. Sellers have the option to contribute a portion of the sale proceeds as an investment into our holding company, which provides significant tax advantages and access to a diversified portfolio with consistent and high cash returns.

"Tide Rock is a dynamic organization with a winning holding company strategy. Their integration of ISC's existing management team was an important element for a win-win deal. Their strategy to grow ISC and their other portfolio companies is compelling, and I will share in that after becoming a Tide Rock investor through the deal."

Steve Burk – Founder
ISC Engineering

"I was thrilled to partner with the impressive team at Tide Rock Holdings to scale Intensity. Their approach to the deal and vision for the business were more attractive than what corporate buyers brought to the table. The opportunity to become a Tide Rock investor through the deal and defer capital gains taxes was particularly unique. I look forward to participating in the continued success of Intensity and Tide Rock's other companies."

Ryan Sullivan –
Founder
and President
Intensity

Ryan Peddycord



What kinds of businesses do you invest in?

We invest in founder and family-owned B2B companies with essential products and services, recurring revenue, and between \$2 and \$7 million in EBITDA (that is, earnings before interest, taxes, depreciation and amortization). Most of our companies are in manufacturing, business services (including healthcare services), and value-add distribution / logistics. Our team has expertise in these industries so we're able to work well with similar businesses from the initial phone call all the way through day-to-day operational discussions.

How does Tide Rock's deal process compare to alternatives business sellers could experience?

The process to sell your business can be complicated, long and frustrating for all parties. At Tide Rock, we try close deals efficiently and quickly. We have resources to conduct diligence in-house and reduce the involvement of third party providers that slow down the process. Because we use our own cash, instead of bank debt, to finance transactions, our process is quick and simple. We typically close deals in 30-45 days. If a seller works with other investors — strategic or financial — they could expect the deal process to take three to nine months.

"A part of my strategy in finding a buyer for ISC is that I wanted to bring in the management team for ownership. It was reassuring that Tide Rock had the same profit-sharing philosophy."

The other thing Tide Rock did was to move forward in a rapid due diligence process. My confidence in Ryan made the difference, because I felt that he's a guy who's going to follow through on his commitments. Together, we worked through all of the challenges extremely well."

Steve Burk, Founder
ISC

How do you work with founders to realize their growth potential after buying their company?

Tide Rock has a Leadership and a Growth Team that is highly experienced in manufacturing, distribution, and professional/business services. This team has expertise in all aspects of operations, including marketing, finance, organizational development, recruiting, corporate development, and HR. This team is available, as needed, to provide additional resources and best practices to accelerate growth. With this team, Tide Rock has provided its investors with 23 consecutive quarters of equal or larger dividends. This team includes:

Brooks Kincaid, President, is involved in all aspects of Tide Rock's strategy development and operations. Prior to Tide Rock, Brooks founded, ran and invested in venture capital and private equity backed businesses in technology, manufacturing and renewable energy. He began his career in investment banking and in sales finance and strategic partnerships at **Google**. He has an engineering degree from Stanford and an MBA from UC Berkeley Haas School of Business.

Jeff Ackerman, Chief Financial Officer, has 25 years of experience in private equity, growth capital investment banking, as well as mergers and acquisitions. In addition, Jeff was the former CEO of a holding company, where he managed and grew small to mid-sized businesses in the food and retail sector. Jeff received his MBA from the Kellogg School of Management at Northwestern.

Candice Marshall, Chief Marketing Officer, received her degrees from Columbia Business School and Dartmouth College and was a senior executive at Ogilvy. She worked for 25 years in New York doing marketing strategy and operations for businesses in many industries, such as transportation, logistics, distribution, manufacturing, technology, electronics, professional services, health care and education.

John Dahlgren, VP of Leadership, works with our portfolio companies to acquire executive leadership as needed. **Christopher Adams**, Director of Corporate Development, works with potential sellers during the deal process. He is responsible for developing and managing relationships with investment bankers, lawyers, CPAs, financial advisers and other third-party referral sources.

"I think a lot of owners get caught in the trap of selling to a private equity company and then it's now their job to go do what they hadn't done before, which is to make it grow. With Tide Rock, we're buying new machinery. We're developing new products. We're hiring people. And we've actually gone and hired ahead of a business plan. We're more aggressive than what I've been used to seeing in the industry. And we're really able to go out there and take advantage of market opportunities so we can grow the company."

Everything I've asked for in terms of resources has really been there. And we've been able to go forward and get a lot of things off the ground. So we see a really bright future for the company. We're going to grow this thing."

Steve Burk, Founder
ISC

Given what's happening in 2020, do you think it's a good time for business owners or founders to consider working with a firm like yours?

COVID has certainly reminded all of us that no business is bulletproof. Those with the majority of their net worth tied to a business and who see retirement around the corner, could certainly benefit from having a discussion to explore options.

If you're an owner who is thinking about selling in the next couple of years, you should at least talk to someone to understand what your options are before the end of the year because there are proposals on the table that could lead to a significant increase of capital gain tax rates as early as 2021. Tide Rock is very easy to work with, fair in our pricing, and can move quickly since we don't require third party auditors or lenders poring through your business for months.

"From the beginning, Ryan and I had a connection, and that connection enabled us to get through some of the difficult deal points that you often have in a transaction where the parties have different ideas on value or terms. But we had a working relationship and it was good to sit down with him and just grind it out. That was a really positive experience overall."

Also post transaction, Ryan brought in a fresh take on the business and industry. He learned the ins and outs of the business and brought in new thinking. He challenged us to be better and to find more opportunities. At board meetings, we're not just studying the past. The past is our marker of where we've been and what we've done, but our meetings focus on what we can do, what the possibilities are, how high we can raise the roof. He set the tone from the very beginning, and that's been exciting. Overall, it's been a very productive

relationship, and I'm glad that I can be a part of it."

Steve Cade, Founder
Seawind Foods

What's your advice to business owners and founders out there?

If you're a business owner who's looking to retire or sell part or all of your business, here are some things to consider:

1. Think about your goals. This should definitely include purchase price, as well as after-tax proceeds, how you'll invest your money after, what you want to happen to your employees, and what you would like to happen to the legacy you've built in the business.
2. Find a buyer you trust, and try to find a deal structure that achieves both of your goals. Bankers can be valuable, but they are only incentivized on the dollars you receive. For many of us, other factors, beyond price, are just as important.
3. Tell buyers your goals. Don't hide them. The best buyers and partners will also be open and help provide solutions that address both sides' goals. The most successful transactions are when both sides feel like they have gotten what they want, not when one side tries to squeeze a deal for everything they can.

We are local and happy to talk anyone through the selling process and share what we are seeing different companies in different industries sell for. Feel free to email Christopher at christopher@tiderockholdings.com.

About Ryan Peddycord

Ryan Peddycord is a successful investor and operator with deep B2B experience across multiple industries, including data analytics, distribution, business services, manufacturing and digital media. Ryan founded Tide Rock with his own capital and backing from investors who supported him as an operator. Prior to founding Tide Rock, Ryan was the CEO of Business.com, which his company at the time, Resource Nation, acquired from R.H. Donnelley. Prior to Resource Nation and Business.com, Ryan ran ARS, a data analytics and competitive intelligence company. Ryan led the company through a turnaround resulting in industry leading growth and ultimately, a successful sale to Current Analysis (now NPD Group).

Ryan was born and raised in San Diego, where he lives with his wife and three kids. He is a recognized leader in the San Diego business community, is an active member, and former chairman and board member of YPO (Young Presidents Organization). Ryan received his bachelor's degree from UC Santa Barbara, where he played water polo, and attended Harvard Business School's Executive Education Program.

Find Ryan on LinkedIn at www.linkedin.com/in/peddycord/

About Tide Rock Holdings

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Tide Rock is a San Diego-based holding company focused on acquiring and managing family and founder-owned businesses that provide essential products and services. It acquires a majority interest in companies with \$2-to-\$7 million in EBITDA and good cash flow. With a focus on building upon a founders' legacy long into the future, Tide Rock provide consistent yield to its investors.