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SMALL BUSINESS MONEY MATTERS



STEVE WILSON

James A. "Tripper" Holmes is the third generation of his line to found a company in a niche he found to be lucrative. Tripper, as his associates call him, advises on mergers and acquisitions.

LIKE HIS FATHERS BEFORE HIM

Raleigh business owner follows familiar footsteps in starting successful company

BY LEE WEISBECKER

RALEIGH — James A. "Tripper" Holmes III was born into an eastern North Carolina family that has always been animated, it seems, by an entrepreneurial zeal.

The Holmeses of Fayetteville, grandpa Azor followed by James A. Jr., early on developed a talent for spotting and latching on to the next "hot thing" — be it the cattle and mule business, buggies or brokering real estate.

The third in the line — Trip Holmes,

SABRE CAPITAL INC.

Founded: 1984

Owners: Trip Holmes III and Vernon Powell

Employees: Three

Business: Mergers and acquisitions

Deal range: \$500,000 to \$5 million plus

"Tripper" to associates — graduated from East Carolina University in the

late 1970s, seemingly on the pathway to becoming a bank executive. Wachovia hired him fresh out of college and made him a lender in Fayetteville and Greenville.

After five years, as Holmes explains it, the family entrepreneurial bug bit. The time had come for a course correction and, as he figured it, his talent set and disposition matched up well with the somewhat obscure, but exciting, field of mergers and acquisitions.

After a brief stint in an eastern North

SABRE: Average deal finishes in six months

Carolina M&A startup and a course in the subject at the Wharton School at the University of Pennsylvania, he launched Sabre Capital Inc., a company that has handled some 250 transactions as it enters its third decade in business.

It's not a big firm - three people, in fact — and it doesn't seek headlines, advancing rather by word of mouth and by carefully cultivating a target clientele: family-owned businesses whose owners are looking to retire.

Holmes starts by looking at the balance sheet.

"Numbers are straightforward," he says, explaining that it's the "off balance sheet considerations" that drive the deals that Sabre engineers.

"You have to really understand what drives the management of these businesses and who is going to replace the owners," Holmes says. "These are things you don't get by looking at numbers. You have to spend time with the people you are working with, and you have to get to know them."

Sabre's small office off Six Forks Road houses Holmes and an associate, Dave Erickson. Vernon Powell, a longtime partner, works out of a Greensboro office.

The company's geographic focus is statewide but in recent years has grown to include surrounding states.

M&A players on the local and regional level perform specific functions. They arrive at a valuation of their clients' companies, qualify potential buyers, assist in deal negotiations and, if need be, bring in lenders to make transactions happen.

Length of time for an average deal from initial conversations to closing? About six months.

Sabre receives a fee for its services, usually a percentage of the sale price, and charges a retainer up front. Asked the size of the fee, Holmes responds: "They are negotiated."

The general range in terms of deal value is from \$500,000 to \$5 million. "We work the niche just above business brokers and just below the larger investment banks," Holmes says.

M&A firms and business brokerages perform many of the same functions. Brokers fix a value on a business concern, qualify buyers, assist in negotiations and occasionally bring in a small business lender or two. In M&A transactions, by contrast, explains Jeff Snell, founder of the Raleigh brokerage Enlign, the deals

are bigger, the buyers generally "strategic" and the lenders hefty.

Sabre, Snell says, has a reputation as an established player. "I think they have worked with every significant law firm, accountant and bank in the state," he says.

Holmes attributes Sabre's longevity in the market, in part, to his and his partners' ability to anticipate trends. And as the market has moved, so has shifted the makeup of his client base.

In the early 1980s, most of the people who found their way to his door were working in traditional manufacturing, furniture and textiles, and related industries — metal fabricators, packaging companies and label makers. Over time, companies in the service sector came to dominate, followed more recently by health care, individual physician practices, imaging centers and home health care concerns.

"We've always had a feel for the way things are going," says Holmes, who says his plans for the firm are to keep doing what he has been doing — ear to the ground.

"I'm 50, but I don't feel 50," he says. "I enjoy helping the families who approach me, and I enjoy building relationships."

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