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Up Front

NEWS, INSIGHT AND PEOPLE

Capital H Group attracts \$25 million private equity

Infusion will finance 'organic growth'

BY RICH ROVITO

rrovito@bizjournals.com

Capital H Group, a human resource consulting firm founded in Milwaukee two years ago, has received an infusion of \$25 million in equity capital that will allow it to expand nationwide.

The deal with PPM America Capital Partners, a Chicago-based private equity fund with more than \$800 million in assets, became final earlier this month.

"This is more than sufficient capital to grow into all major markets in the U.S. and to pursue selected acquisitions," said Dan Weinfurter, the firm's chief executive officer.

"We think the human capital market has tremendous opportunity"

David Brett
PPM America
Capital Partners

Greg Silich, Capital H's chief operating officer, said he and Weinfurter spoke with several private equity firms in Chicago and New York before landing the deal with PPM America.

"We were pleased at how quickly this came together," he said.

Weinfurter and Silich acquired Capital H Inc. in May from a group led by Michael Harris, and changed the name of the firm to Capital H Group. Terms of the deal weren't disclosed.

The firm was founded in 2001 in Milwaukee by Harris, whose other startups include Milwaukee-based Jefferson Wells International and SilverTrain Inc.

Since changing ownership, Capital H has more than doubled its work force, recruiting practice leaders, consultants and business development professionals, Weinfurter said.

Capital H has 30 permanent employees and four independent contractors, split about evenly between offices in Milwaukee and Chicago. Much of the hiring that has taken place since the ownership change has been for positions in the Chicago office, Silich said.

The Milwaukee office is located at 250 E. Wisconsin Ave. The firm has been operating from temporary quarters in Chicago, but recently signed a lease for space at an office building in the Chicago Loop.

HEADQUARTERS SPLIT

For the remainder of the year, Weinfurter and Silich say they will focus on continuing to build up the Milwaukee and Chicago offices, which will serve as co-headquarters for the firm. Finance, accounting and human resources functions are in Milwaukee, while information technology and marketing functions are situated in Chicago.

Weinfurter and Silich both reside in north suburban Chicago, and are splitting time between both offices.

Plans call for two or three new offices to open elsewhere in the United States in 2004.

"Where we open offices depends on where we can find very capable people," Weinfurter said.

Many private equity firms tend to favor business plans that call for growth via acquisition, as opposed to Capital H's proposal for primarily organic growth, Weinfurter said. Weinfurter and Silich believe there are risks inherent in acquisitions that make them favor organic growth — building and expanding their own business — for Capital H.

"Even under the best of circumstances, acquisitions can be very difficult," Weinfurter said.

Silich, who oversaw more than 40 acquisitions during his tenure as chief financial officer at Leo Burnett Worldwide Inc., Chicago, agreed.

"There's always integration risks and culture clashes," he said.

'PHILOSOPHICALLY ALIGNED'

Weinfurter and Silich believe their plan will work, not only in Milwaukee and Chicago, but in other areas of the country.

"Based both on tangible statistics as well as my direct experience in growing businesses, there is a direct positive correlation with the adoption and execution of human capital practices and improved bottom line performance of the business," said Weinfurter.

"This is more than sufficient capital to grow into all major markets in the U.S."

Dan Weinfurter
Capital H Group

Silich offered a similar view.

PPM America is "philosophically aligned" with Capital H's plans for growth, Weinfurter said.

"We think the human capital market has tremendous opportunity, and we are confident that the Capital H management team of Dan Weinfurter and Greg Silich is

exceptionally qualified to lead this organization," said David Brett, a partner at PPM America.

Prior to investing in Capital H, Weinfurter, a Wauwatosa native and graduate of Marquette University, founded and served as CEO of Parson Consulting, a Chicago-based firm serving the finance, accounting and business systems areas of large companies.

In 2000, Inc. Magazine named Parson the fastest-growing private company in the United States.

Weinfurter also previously served as executive vice president at Alternative Resources Corp., Barrington, Ill.

Silich, a Chicago native and DePaul University graduate, spent 14 years at Leo Burnett Worldwide, including two years as chief financial officer for the advertising agency's global operations.

Silich left Leo Burnett in 2001.

"I decided I wanted to do something more entrepreneurial," he said.