

Morgenthaler Suits Up Uniform Platform

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By Beina Xu

The firm and former Lesco Inc. CEO Michael DiMino launch Affinity Specialty Apparel, a platform that will focus on uniforms for hotels and police departments, as well as school and spirit wear. The investors have committed \$25 million in equity and hope to build ASA to a \$100 million-\$200 million business.

1/30/2009 Cleveland -- Private equity is all about relationships. Case in point: The partnership that launched Morgenthaler Partners' latest platform, Affinity Specialty Apparel LLC, began years ago when Morgenthaler's Al Stanley first moved to Cleveland.

"Golf always helps," said Michael DiMino, chief executive of ASA, which was formed last year.

DiMino was the chief executive of Lesco Inc. before its acquisition by tractor maker Deere & Co., and helped Stanley get acquainted with Cleveland's business community. He joined the board of Morgenthaler portfolio company Ryan Herco Products Corp., and began developing ideas with the firm last summer to create a platform targeting direct sale uniform companies.

Many companies rent their specialty apparel - a business that can be asset-heavy, considering the laundry machines and facilities needed, said DiMino. Customer bases for rental versus direct sale also differ. Industries such as car repair typically source rental companies while hotels, hospitals and small businesses turn to direct sales.

"The rental market is much more consolidated - you can name the top three, four guys," said Partner Peter Taft. "Direct sales is far more fragmented, and that's where we see the opportunity."

Morgenthaler and DiMino have committed \$25 million in equity. The firm plans to build the platform to a \$100 million to \$200 million business, said Taft, who added Morgenthaler is in "serious conversations" with potential target companies. The firm will pursue uniform companies for hotels, police and fire departments, as well as makers of school and spirit wear, which has been an expanding niche, according to DiMino.

DiMino, who will serve as entrepreneur-in-residence at the firm, has operational experience from his former job as president and chief operating officer of Chicago-based Uniforms to You.

Taft said the firm has a group of "stable lenders," and plans to deploy "reasonable" leverage.