

| EXECUTIVE PROFILE |

Kevin Landry

Brand equity

TA's Landry has created a company that will survive him

BY EDWARD MASON
JOURNAL STAFF

On a late October morning, TA Associates buzzed with energy. At its High Street office, the trailblazing private equity firm was interviewing 100 wannabe deal makers and aspiring MBAs for as few as seven highly coveted entry-level positions that, for the successful job seekers, could be a ticket to a bright future. Meanwhile, the firm was wrapping up fund-raising of an \$800 million fund. The fund, which was oversubscribed, will be invested in mature, profitable finance and software investments — for which the firm has become well known.

Kevin Landry, the firm's managing director and CEO, has been a key reason that jobs at TA Associates and limited partnerships in its funds are so prized. Landry has kept the firm focused and has steered it clear of investing fads.

Now, the man who has come to personify TA Associates is in the process of gradually stepping into the background, with a goal of retiring in 2006.

While succession is a hot topic in the private equity industry, TA Associates' Landry, experts said, has built something rare in this business: A firm with a brand that will last long after he departs. Landry, a gregarious, plainspoken man who punctuates nearly every point with a grin, didn't hesitate when asked why TA Associates has been so successful.

"It goes back to the beginning of the firm," Landry said. "We've always been forward looking."

The first and most critical innovation, Landry said, was one he inherited but has since been refined by TA Associates: the cold call.

Over the years, TA Associates has compiled a database of 280,000 companies, and its associates add about 8,000 a year through cold calls. Of those, the firm annually will visit as many as 800, though investing in only a few — in 2004, TA Associates will invest in about 12 companies, Landry said.

"(Landry) has established a practice of investing copied by a few others who have left TA," said Brooks Zug, senior managing director of HarbourVest Partners LLC in Boston, a fund-of-funds manager and private equity investor. Stephen Woodsum, founding partner of



FROM THE FILE

Age: 60

Position: Managing director and chief executive officer, TA Associates

Education: Bachelor of arts, Harvard University, 1966; MBA, University of Pennsylvania Wharton School of Finance, 1968

Quote: "We sell money to companies that don't need it."

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LANDRY: Succession strategy could be next offering for TA chief

Boston's Summit Partners, learned his trade at Landry's side. When he and Roe Stamps left TA Associates in 1984 to form Summit, they became one of many private equity firms to borrow TA Associates' formula for locating investment opportunities.

"TA's strategy was similar to the one we adopted, focusing on cold calling to find entrepreneur-driven companies in the health care and high-tech space," Woodsum said.

But the work, which over the years has resulted in 350 investments at TA Associates worth approximately \$3.5 billion, is labor intensive.

"It's a needle in a haystack," Landry said.

The haystack is large not just because TA Associates calls on so many firms but because it includes good, profitable companies — the ones TA Associates likes — that don't want the firm's money. "We sell money to companies that don't need it," Landry said.

Anyone can offer money, but TA Associates closes deals by offering industry expertise, Landry said. TA Associates, for instance, has made a name investing in and advising money managers such as Affiliated Managers Group Inc. (NYSE: AMG) and Numeric Investors LLC. Landry also sits on the board of Ameritrade Holding Corp. (Nasdaq: AMTD), formerly Datek, a one-time portfolio company. "We see them as a critical shareholder in the company," said Ameritrade CEO Joe Moglia. "Kevin understands how to operate a business. And (as a director) asks provocative questions and gives good insight."

TA Associates also has benefited from Landry's insight on more than one occasion.

TA Associates, founded in 1968 as part of the Tucker Anthony investment bank and spun off in 1978, spent much of its early years making both early-stage venture capital investments and later-stage leveraged buyouts. By 1990, Landry and TA Associates took a hard look at venture and decided to leave it behind.

"We had about 85 companies in our portfolio; some were losing money, and

they were taking all of our time," Landry recalled. "We were in the business of free consulting to struggling companies, and that's probably not a very good business."

But would there be reward without risk? Yes, Landry said. "We found there was a correlation between risk and reward — but the correlation was that the less risk we took, the greater the reward. They don't teach you that in business school!"

Landry's strategy has paid off. Over the past 20 years, TA Associates posted a 20.7 percent net annual return to limited partners, according to the firm. Private equity and buyout funds returned 13.7 percent and 12.7 percent, respectively, during that same time, according to Thomson Venture Economics.

Landry, though, has not entirely resisted risk's temptation. When the Internet boom started in the late 1990s, younger associates and partners pleaded for TA Associates to get into the game, and Landry gave in.

"What surprised me was how quickly the firm moved in that direction," Landry said. "We had young associates making cold calls who really wanted to get a deal on their résumé before they went back to business school."

Internet companies, where revenue was uncertain and business models were not always obvious, defied TA Associates' longtime target profile. TA Associates made its first Internet investments in late 1999, and Landry pulled the plug in March 2000, just as the bubble burst. Landry humbly dismisses any prescience about the collapse, but will say he's been thanked for reining in TA Associates when he did.

"The compliment I got was from people who said, 'Well, Kevin, at least you kept us from totally blowing our brains out.'"

Landry nearly wasn't there to rescue TA Associates. He stumbled into private equity in 1968. While attending business school at Wharton, Landry met about a job with Peter Brooke — the legendary founder of TA Associates and Advent International. "He said, 'I'm in the venture capital business.' I said, 'I love that business.' I wasn't going to say I didn't know what it was."

He quickly moved up the ladder, from head of investments in 1972, to managing partner in 1982 and CEO in 1984. Landry was driven by the excitement of the deal.

"The results are dramatic, the successes are dramatic, the failures are dramatic," Landry said. "In this business, every few years you have to raise a new fund. None of your past success matters. You've got to prove you can still do it."

By all accounts, Landry can still do it. "He's a classic 'work hard, play hard' guy," said Woodsum.

Although he no longer searches out deals, Landry is still around to close them, and he continues to jet across country on business in a single-engine jet he flies himself.

But he's also looking forward to a time when he can slow down. Landry has said publicly that he expects to reduce his role in the firm in early 2006, when TA Associates finishes raising its 10th fund, and have a less active role in the daily running of the firm.

Many private equity firms are strongly identified with one or more senior partners. Although Landry over the years has become the recognized face of TA Associates, he has built a business that many believe will thrive beyond his retirement.

"Along the way, he has trained and retained a group of general partners who are among the best in the business," Zug said. "There's such great bench strength in the TA Associates organization that any number of partners could take over."

Landry himself recognizes that over the years he's become the face of TA Associates, but points out that it's the people he's surrounded himself with who make TA Associates what it is today.

"I am perhaps the personification of TA," Landry said. "But the guys doing the deals are where the rubber meets the road. You gotta get up everyday and look for a new deal. And we're working harder than ever before."

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