

Daniel Hausmann

September 10, 2009, 3:52 PM ET

Returns At The End Of The PIPE

Not everyone loves PIPE deals - a category that has recently featured big-name transactions from Leonard Green & Partners LP (for Whole Foods Market Inc.) and BC Partners Ltd. (in Office Depot Inc.) These investments have been one way to put money to work in the absence of mega-deals, but some limited partners have expressed concerns about returns and style drift.

Thoma Bravo has now proven that you don't even need to be a PIPE specialist to do well on a PIPE deal.

The firm exited its investment in JDA Software Group Inc., which repurchased \$30.1 million of stock from the firm. All told, the firm made \$75 million on its \$50 million 2006 investment in the supply chain software company, a 15% internal rate of return, according to Thoma Bravo Managing Partner Orlando Bravo.

In 2006, in the firm's only PIPE transaction, it invested \$50 million for Series B convertible preferred stock to help JDA acquire Manugistics Group Inc. It had been selling down its stake before last week, when management approached Thoma Bravo about buying back the remaining stock.

"When we reached the rate of return we desired we decided to sell the shares; most were sold through the public market," Bravo said.

The deal is another win for Thoma Cressey Fund VII LP - a fund raised by predecessor firm Thoma Cressey Equity Partners - which closed in 2001 at \$554 million. That fund has generated a two-times multiple and internal rate of return of 48%, according to Bravo.

Thoma Bravo originally approached by Manugistics about a deal in 2006, but thought the restructuring work needed made it a less-than-ideal fit for a stand-alone deal. Instead, the firm teamed up with JDA, which it had talked about doing such a deal with before, and together acquired Manugistics for \$211 million.

Thoma Bravo invests in the software, financial services and education sectors.