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Q&A: SierraConstellation Partners' Larry Perkins

Nick Brown

(Reuters) - Middle-market turnaround adviser Larry Perkins, founder and CEO of SierraConstellation Partners, is a 15-year veteran of the restructuring industry and self-described "hipster consultant," complete with skinny tie and a plaid shirt. He has helped turn around companies like Fuller Brush Co, Bethel Healthcare Inc and Corinthian Gardens Healthcare Center.

Perkins founded El Molino Advisors in 2007, merged it with big-name middle market turnaround consultant Conway MacKenzie in 2010, then last year founded Sierra, which does financial advisory work, provides interim chief executives for companies in need of workouts and sometimes invests in the companies it advises.

Questions and answers have been edited for brevity and clarity.

Reuters: You've described your business as a tight-knit team. What holds it together and sets your firm apart?

Perkins: We have a different compensation structure than traditional firms that divide the pie between the firm, the people working on the case, and the person who originated the business. We add a fourth layer, which comes out of the corporate slice, and goes to the person who manages the operation of the case. So, if someone brings in a client, but someone else is a better fit to manage it, we can compensate both of those people in not an insignificant way.

Reuters: You've been an entrepreneur since childhood?

Perkins: Why get a real job when you can work for yourself? I grew up in Southern California, and it's hot there in the summer, and I lived on a corner that was safe enough for a 12-year-old kid to go out with his friends and sell lemonade. We'd do it every couple weeks through junior high. We'd offer homemade cookies too. We'd use the cookies as the teaser and make the margin on the lemonade.

Reuters: What's this about founding a car wash business with a friend after you graduated high school?

Perkins: We were scrambling looking for jobs, so we started a car detailing business. It was a good gig -- we charged $30 to wash a car really well. After my freshman year of college, we institutionalized it a bit, signing contracts with a couple buildings.

Reuters: What's the most unique challenge you've faced in restructuring?

Perkins: Around 9/11, I worked on a case of Condor Systems, a defense contractor that sold brand new high-tech radar devices to the U.S. government, and sold older models to foreign governments. With 9/11, all of a sudden, half their customer base was not allowed to be sold to. You don't have a lot of leverage to pull there. It wasn't like getting beaten by a competitor, it was that the business they set up suddenly didn't exist. But it ended up being a big win. The company was broken into two pieces with two separate buyers. They both ended up thriving.

Reuters: When you step in as interim CEO of a mid-market client, unlike in mega-restructurings, you're face-to-face with family businesses and scared employees. Is that a tough job?

Perkins: I wish we had Skype so you could see that I'm sitting right now in the administrative office of a nursing home. Outside my door there are 128 beds with people of varying degrees of wellness, walking around or being pushed around. We're always on site. And yes, it's a tough job, and that's compounded by the fact that I'm 36 years old, so I'm often one of the younger people in the office. But I try to engage with people on a human level. I know what it's like to face payroll challenges. I sold my business, and I know what that's like. I think that comes across earnestly to the clients I work with.

Reuters: Restructuring has changed in the past decade from operational turnaround work to a focus on selling businesses. What's struck you about that evolution?

Perkins: In the last 10 years, we've seen changes in the sophistication of the credit markets. There didn't used to be this robust second market for debt. You now have a tranche of loan debt that's held by Bank of America and Wells Fargo on the one hand, and the most aggressive hedge fund on earth on the other. That changes the dynamic. Recovery at 80 percent of par could be a home run for one holder and a disaster for another.

Reuters: The economy is recovering slowly and companies have the profits to limp along for years. What does that mean for restructuring advisers?

Perkins: I think it's going to be less financial and more operational. The financial piece of running a business is almost a commodity. Everyone is smart and went to great schools and can read spreadsheets. The hard part is the operating talent, and I'm trying to corner the market on that. That's the way you differentiate yourself in this business over the next 20 years.

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