

## COURT SQUARE CAPITAL PICKS UP MAILSOUTH

BY DAVID CAREY

New Mountain Capital LLC has agreed to sell Helena, Ala.-based direct marketer MailSouth Inc. to rival private equity firm Court Square Capital Partners, the target said Friday.

Court Square beat out other suitors in an auction run by Robert W. Baird & Co.

Representatives of the buyer and seller declined to specify the deal's value. But a person familiar with the deal said New Mountain will make out well on its investment.

MailSouth calls itself the largest provider of shared-mail advertising services in the U.S. In contrast to mailings of single ads — known as solo mail — shared mail bundles materials from several advertisers into thick packets. The ads are geared to special discounts, coupon promotions and the like.

Its biggest customers include Pizza Hut Inc., Doctor's Associates Inc.'s Subway sandwich shops, telecom services provider Verizon Communications Inc., Goodyear Tire & Rubber Co., auto and property insurer Geico Insurance Agency Inc. and Jiffy Lube International Inc.

New York-based New Mountain bought a majority stake from MailSouth founder Bo Howard and other investors in March 2005. It sank \$110 million into a combination of

equity and debt-like securities, the source said. Over time, New Mountain extracted about \$20 million in interest payments.

Last year, New Mountain injected about \$20 million to finance a bolt-on acquisition of Saving Source Direct, a Tarboro, N.C.-based marketer.

Since the 2005 buyout, MailSouth's annual sales have jumped from \$65 million to \$170 million, and Ebitda has tripled, the source said.

Fueling the growth was an expansion of operations to 27 states from 16 and a boost in the frequency of mailings, from once a month to weekly in certain markets. MailSouth reaches 21 million households, up from 10 million when New Mountain bought it.

All the while, MailSouth took on little debt. It currently has no net debt, the source said.

Robert W. Baird bankers Andrew K. Snow and David M. Wierman advised MailSouth, as did Fried, Frank, Harris, Shriver & Jacobson LLP attorney Paul Reinstein. Dechert LLP's Craig L. Godshall, Megan K. Horwitz, Abbi L. Cohen, Richard P. Wild, Sean H. Porter and Scott M. Zimmerman were counsel to Court Square.

AS FEATURED ON

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