



RIPPE & KINGSTON CASE STUDY

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AFTER FORTY YEARS SPENT BUILDING A BOOT-STRAPPED SOFTWARE COMPANY, THE FOUNDER AND HIS PARTNERS ARE READY TO SELL. **THEIR CHALLENGE: FINDING AN INVESTOR THAT'S A TRUE PARTNER.**

Since 1980, law firms of all sizes throughout North America have relied on Rippe & Kingston's legal management software system and suite of financial tools to manage their practices. By 2017, the Cincinnati-based company, led by founder George Kingston with nearly 100 employees, was trusted by hundreds of practices and experiencing double-digit annual growth.

The time had come. George was looking to spend more time with family and ready to move on from the stress of day-to-day tactical execution. After nearly four decades of building and growing the company – from the earliest days running sales, support and implementation, to present, as an executive leader – Mr. Kingston was ready to explore exit options. A sale would provide him with personal liquidity while also offering him the opportunity to reinvest back into the company with a new partner.

To this point, suitors had not been shy about expressing interest in Rippe. The company fielded regular calls from investors and brokers gauging interest in a sale – and Mr. Kingston continued to decline.

GEORGE WAS NOT JUST LOOKING FOR AN ACQUIRER. HE INSISTED THAT THE NEXT OWNER OF RIPPE & KINGSTON BE A TRUE PARTNER, A LIKE-MINDED BUYER WHO UNDERSTOOD THE NUANCE OF TRANSITIONING A BUSINESS FROM FOUNDER-OWNERSHIP TO PRIVATE EQUITY OWNERSHIP.

Essential to Mr. Kingston was a partner that recognized his company's value, offered a vision; prioritized employee well-being and client experiences; and had a proven ability to implement systems, upgrade platforms, and improve operations and execution capabilities of technology companies.

NOT JUST A BUYER, BUT THE RIGHT BUYER. A TRUE PARTNER.

Kristina Heinze, ParkerGale partner and lead on the deal recalls the sincerity of the team's initial approach of Mr. Kingston and his senior team.

*"Our approach is different than some other firms because we have a partner-led sourcing model. We don't just send associates on a mission to scour the earth. Right out of the gate our whole team – two partners, a principal and an associate – got on a plane and showed up for dinner. George is sitting there and realizes, **'Whoa, we've got half the investment committee sitting right here. These guys don't have to go back and talk to their boss, they are the boss.'**"*

While the genuine and differentiated approach resonated, Mr. Kingston, as founders understandably would, needed convincing that ParkerGale would be a caretaker of the vision, people, and business he had built. Over a couple months and many more conversations, the conclusion was made.

The ParkerGale team emphasized their focus in taking bootstrapped, founder-owned technology businesses and scaling them. The team's down-to-earth Midwest approach didn't hurt either. Ms. Heinze acknowledges how the familial culture of ParkerGale made a difference in the deal too:

"Many of our competitors buy from other private equity firms. Their focus in sale processes is just the highest dollar. They don't care about culture, or any of the 'touchy-feely' stuff that matters to founders. Not us. We don't pretend to know everything, but we do know this – we are focused on investing in technology companies with products that matter and cultures that last."

"WE DON'T PRETEND TO KNOW EVERYTHING, BUT WE DO KNOW THIS – WE ARE FOCUSED ON INVESTING IN TECHNOLOGY COMPANIES WITH PRODUCTS THAT MATTER AND CULTURES THAT LAST."

The ParkerGale team offered a compelling story of liquidity for the founder, while proposing ideas for scale that they had applied in similar founder-owned software businesses over the last twenty years. Other potential investors came calling on Mr. Kingston, but none with the level of experience in technology investing that ParkerGale had.

ParkerGale's distinct software expertise ultimately won-over the Rippe team and materialized into a plan for expanding the product, automating the installation process, and upgrading the platform and internal architecture. As well, it allowed the company to source high-quality enterprise software leaders to round out the executive team.

TAKING RIPPE TO THE NEXT LEVEL

Of foremost concern to the Rippe & Kingston management team was avoiding a long, drawn-out deal process that would distract the team from their priority of running the business. Visions of a swarm of consultants delivering intrusive technology due diligence and making expensive, sometimes unrealistic recommendations back to ParkerGale was unnerving. At one point during deal negotiations, Mr. Kingston remarked:

“Ok, but you’re not going to engage a bunch of third-party consultants that will cost me hundreds of thousands of dollars are you?”

ParkerGale offered a differentiated and reassuring approach with its in-house team of systems and operational expertise. The team “got the software business”; they understood Rippe’s context, could prioritize infrastructure improvements and manage legacy tech issues while defining what were mission critical versus nice-to-have improvements.

BY REMOVING THE THIRD-PARTY DILIGENCE BLOAT, RIPPE AND PARKERGALE WERE ABLE TO EXPEDITE THE DILIGENCE PHASE WITHOUT CONTENTION AND UNNECESSARY COST.

Further, ParkerGale was able to come to the table with a holistic plan for everything from marketing and lead generation to system integrations, hiring, and process improvements. Clearly, this was an operating team. Not just an investment team that would swoop in and then offload tactical next-steps to outside vendors.

OUTCOMES

Rippe had a backlog of new client implementations stretching nearly ten months out, and ParkerGale knew they could help accelerate this backlog. At the time, clients would sign their contracts and wait up to ten months before onboarding. While the platform was a marketplace leader, R&D investments had slowed and feature releases lagged. The company struggled to keep pace with hiring and was experiencing some of the functional pains of scale.

In May of 2018, it was announced that ParkerGale would acquire Rippe & Kingston. The teams quickly set to work, and new improvements and efficiencies have been pronounced:

- The onboarding process was redesigned, thereby reducing implementation times.

- The company has doubled its onboarding capabilities through new hires and process automation improvements.
- Acceleration of revenue growth led by both a build out of an enterprise software sales team as well as the company's first ever marketing programs.
- A CEO, COO, CTO, CFO and Head of Sales were sourced from the ranks of enterprise technology leaders. As these were new roles for the company, the leaders immediately created value, rolling out process improvements to reduce manual, human-capital demanding tasks positively impacting revenue, product, and client success.
- A richer product roadmap has been defined, high-caliber engineers hired and improved rigor and velocity around product enhancements and security are underway.

Today, Mr. Kingston serves on the Board of Directors and maintains a minority equity stake in Rippe & Kingston. Armed with a fresh strategic vision and momentum from early successes, ParkerGale and the Rippe & Kingston teams are setting their sights on even higher growth with an emphasis on acceleration of sales and marketing, product development, and client success.



ABOUT RIPPE & KINGSTON

Rippe & Kingston is recognized as the industry leader in providing Tier 1 financial management software to any size law firm. With nearly 40 years of law firm specialization, leveraging our roots grounded in the largest CPA and technology consulting firm in the Greater Cincinnati area, the Legal Management System provides law firms with the necessary technology to make firms more efficient and profitable. **For more information, please visit www.rippe.com.**



ABOUT PARKERGALE

ParkerGale Capital is a private equity fund based in Chicago that buys profitable, founder-owned technology companies and corporate carve-outs where the firm's operating resources can have a meaningful impact on the outcome. ParkerGale also hosts the private equity industry's only podcast, the PEFunCast on iTunes and Google Play. **For more information, please visit www.parkergale.com**