

INDY CFO SPOTLIGHT | JANUARY 2020




KEVIN THIMJON
CFO/COO @ LIDS

KEVIN THIMJON IS HAVING FUN. HE'S IN THE PRIME OF HIS CAREER, FINALIZING A SUCCESSFUL EXIT FROM LIDS, AND CONTEMPLATING HIS NEXT MOVE. IT'S CHILLY OUTSIDE, BUT IT'S WARM INSIDE AT ROSIE'S IN ZIONSVILLE.


 KB Kevin, great to see you.

 KT Good to be here.


 KB You are just exiting Lids. Tell me about that.

 KT I'm in the process of exiting over the course of the next month. Genesco was the public company parent that owned Lids during the first four of my five years there. They bought Hat World in 2004 and sold it in January 2019. I stayed with the business post-transaction as COO/CFO and worked with the buyer - a PE firm - to transition the business out from Genesco.

 KB Walk me through the Lids experience.

 KT When I joined in early 2015, we were seeing a real change in the retail landscape...for example, Amazon Prime was changing how people shopped, rents were going up and sales were going down. Results at Lids were declining, and the company was looking for a finance person with strong operations experience.

 KB What were the challenges?

 KT We needed to build a web presence...to become omnichannel; meaning you can buy products anywhere (online or in store) and have them shipped anywhere (to store or home) with simplified returns. At the same time, we were trying to maximize inventory productivity (both in store and in the warehouse) by rationalizing SKUs and getting the entire inventory visible on the web. We went from minimal sales online to approaching 20%, which at the time was a magic number in the industry.

Next, we attacked the real estate. We had to shorten up leases...10 years was the norm - we tried to cut them to 3-5. After that, it was overhead. We had to become leaner, including being smarter about store staffing. We invested in a tool called ShopperTrak, which measured how many people went in the stores. Once we got store traffic data, we married it to the sales data and payroll data by hour and created metrics. From that, we came up with our "Power Hours". Took out a lot of labor costs with that.



That's great stuff. But still not enough?



In spite of all that, profits were still declining. Genesco's other businesses were in footwear. So, they decided to explore a sale at the beginning of 2018. The Lids CEO and I worked closely with Genesco to drive the sale process. We created the book to market the business, hired the investment bankers and signed a deal with a PE buyer in December 2018.



Private equity investment has exploded.



It has. Private equity encompasses such a broad spectrum of options. Institutional money is driving a lot of it – pension funds, endowments. Let's say I'm managing a college endowment and I've got \$10 billion to manage. As such, I'm willing to put "X" of this \$10 billion in "alternate investments", one of which may be a group of private equity funds. It's about asset allocation – just like with your 401k.

Private equity funds come in all sizes. For example: You and I raise a \$300 million fund. Our strategy is to make investments between \$25 million – \$75 million. So, we'll have a portfolio of 6-10 companies. Guess what happens next? We will hit some singles, some doubles, a home run or two and strike out a couple of times. If the fund does well, we will want to do another fund. And because fund #1 did well, investors will want to jump into fund #2. The good PE firms are always in motion: I'm raising capital, I'm deploying capital, I'm returning capital. Then I need to raise again. Most firms come up with a specialty or niche that is highly relevant to the team who starts the fund.



I'm positive some of our readers are fascinated by PE and interested in that path. How did you get here?



I started with PW in Minneapolis; one of my clients was US Office Products. It was a fascinating experience – a blank check IPO. In other words, an entrepreneur said, "I don't have a business, but I am going to create one." Keep in mind it was 1995. It would be much more difficult to pull this off today. The entrepreneur was buying six businesses, one of which was our client in Minneapolis. I did all the S-1 work and eventually left PW to become the Controller. We did over 200 acquisitions and the company went from \$100MM to \$2.8B in revenues. On that journey, I found a mentor in one of the investment bankers at The Carlyle Group. In 2001, US Office Products filed for bankruptcy. When I asked that mentor to be a reference for me, Carlyle offered me a job as CFO for one of their portfolio companies in the Northern Virginia – Washington DC area.



Holy smokes. How old were you?



It was 2002, and I was 36. But I was 50 in experience [laughs].



This was the role that eventually landed you in Indianapolis, right?



Yes, it was a great business. We were in the aftermath of 9/11 and this company was an integrator of sophisticated physical security solutions. It was eventually sold by Carlyle to Stanley Security Solutions and that led me to Indianapolis.




So, you're a corporate guy again.




For a couple of years. Eventually, I got an opportunity to join Bell Industries, which was a public company controlled by Newcastle Partners, a VC firm in Dallas. I joined as CFO and eventually became President there. After three years, my friends at The Carlyle Group called again, and this time the company was right here.


 **This was JMI?**

 Yes. Carlyle was in a deal with Spire Capital, who had invested in JMI. JMI was a motor sports marketing business that was founded and run by Zak Brown. Zak was brilliant at delivering a return to sponsors but needed a partner to make sure all the other parts of the business ran properly and smoothly. The goal was to “turn this into a real business” and one that we could ultimately monetize.


 **You had a successful exit there as well.**

 Yes. I was there almost five years and we did everything we set out to do. We sold to a sports marketing firm in London – Chime Sports Marketing. Zak moved to London with Chime and now runs the McLaren Formula 1 team over there.


 **You've had amazing experiences. What are some of the lessons you've learned from all this?**

 You gotta take some chances. I grew up in a small farming community on the Minnesota/North Dakota border; about 10,000 people. There were 120 kids in my high school graduating class. I once said I would never leave there. But I took a chance. My wife and I left Minneapolis for Washington DC with a four-year-old and a three-year-old. We just did it. That was a big step; it was a springboard.


 **What else?**

 Early in my career, someone told me, “You learn in your 20s; you start earning in your 30s.” Paying your dues is a cliché, but it's true. When you start your career, you're buying experience...during the first 5-10 years you are building the foundation for the rest of your career. You're outfitting a tool belt. How many tools are you going to add? Eventually, you turn from someone who is buying experience to someone who is selling experience. And, you gotta work hard. Good things happen to people who work hard.


 **You're on a roll...anything else?**

 The way people leave another job is the way they are going to leave you. I've seen people who were highly regarded make some foolish mistakes on the way out the door that tarnishes what would have otherwise been a positive contribution to the business.


 **What's next for you?**

 Making something bigger and better. Leading a business. I'm always looking for ways to deploy all I've learned. And I love coaching. One of the favorite parts of my job is mentoring others.

 **If you weren't a CFO/COO/President, what would you be doing?**

 I might have been a teacher and coach. My Dad was a high school math teacher and a basketball coach. We talked about math story problems and basketball plays at the dinner table. Both my sisters are teachers.

 **What's your favorite quote?**

 My Dad used to say, “Not even a mosquito gets a slap on the back until they start working.” He also used to tell me, “No one ever drowned in their own sweat.”



What's your favorite movie?



The first Rocky. And Top Gun.



Kevin this has been great. I can't wait to see what you'll be doing next.



Thank you.

About the Author

Kent Burns is President of Simply Driven Executive Search, whose mission is improving the lives of both the clients and candidates they represent. A search industry veteran since 1999, Burns is a CPA with prior experience at PwC and KPMG. He also served as a Corporate Controller and Chief Financial Officer in both public and private companies.

Kent Burns

