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Theodore L. Koenig is well-known in Chicago's finance circles but has kept a low profile, largely by design.
Erik Unger

Newly public Monroe Capital a singular sensation

By Steve Daniels October 29, 2012

Theodore L. Koenig has done something no one else in Chicago has been able to do so far this year: He has taken a company public.

Maybe more improbably, the $75 million **initial public offering completed Oct. 24** by Monroe Capital Corp. is in the battered financial services industry rather than faster-growing fields like technology or energy.

The new company is an offshoot of Mr. Koenig's privately held Monroe Capital LLC. It was seeded with $67 million from the private company and will share deals with its sibling.

Mr. Koenig, 54, grew up in north suburban Skokie and put himself through college selling shoes before going to law school. His eight-year-old firm found a niche—lending to family-owned, midsized companies too small to attract bank financing for their deals—and persevered through the financial crisis.

Chicago traditionally has been home to plenty of nonbank business lenders like Monroe. Many flourished in the 2000s, launched by refugees from old Chicago-based commercial finance giant Heller Financial Inc., which GE Capital Corp. acquired in 2001. But the financial crisis and resulting recession forced most of them either to close their doors or sell.

“In '07-'08 the crisis hit, and one by one everyone in the business around me was wiped out or went away,” Mr. Koenig says.

Monroe Capital held on, supported by steadfast institutional investors that provided funding to the firm to acquire loans from hedge funds and other lenders whose investors were clamoring for their money back, he says.

Of the nearly $1 billion in loans on the books, Mr. Koenig estimates about $200 million stems from those opportunistic deals.

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LBC Credit Partners Inc.

Firms like Monroe don't lend to companies using assets like real estate or receivables as collateral. Rather, they lend to companies based on their cash flow, usually at significantly higher rates than banks charge for a loan collateralized by assets. Commercial finance firms like Monroe allow smaller, privately held companies to take on more debt than their assets would support when, for instance, they want to buy another company or make a big dividend payment.

Today, the landscape for such lending has improved. Industry observers say hedge funds and other nonbank lenders are trolling for deals again, but competition isn't as keen as it was in the mid-2000s.

“There's a good, active market here,” says Allan Allweiss, managing director in Chicago for LBC Credit Partners Inc., a competitor of Monroe's. “There's room in the market to grow.”

Mr. Koenig started his career as a lawyer catering to financial services clients before becoming a lender in 1998. He is well-known in Chicago's finance circles but has kept a low profile, largely by design. The decision to go public, he says, was because his firm needed the capital to take advantage of the growth opportunities it sees.

“No. 1, it's permanent capital for the company,” he says. “We need to do it to satisfy the demands of our clients.”

He attributes the success of the IPO, which rose slightly to $15.25 in its first day of trading from its initial price of $15 per share, in part to the minimum 9 percent dividend the company is paying. In an environment in which fixed-income investments are yielding historically low returns, “investors are seeking current return,” he says.

Does Mr. Koenig hope eventually to create another Heller, which employed about 1,000 and sold to GE for more than $5 billion? Not likely. But he notes there is $200 billion in middle-market business loans like those his firm targets coming due in the next five years.

“We've taken the business from nothing and now we're almost at $1 billion,” he says. “I will be focused on growing the public company in a similar fashion. . . . I'm just getting started.”