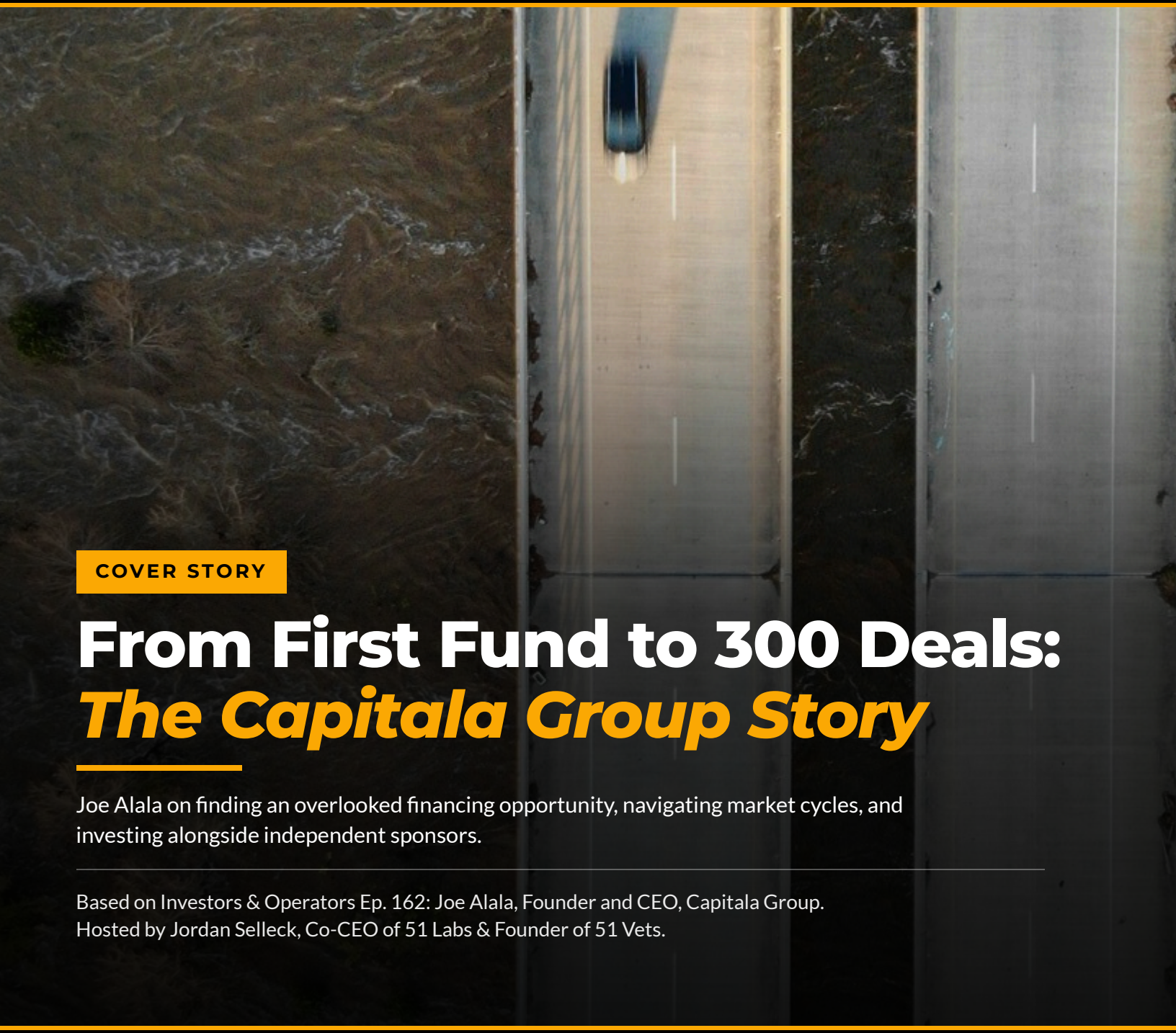
INVESTORS & OPERATORS

A **51 Labs** Podcast
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COVER STORY

From First Fund to 300 Deals: *The Capitala Group Story*

Joe Alala on finding an overlooked financing opportunity, navigating market cycles, and investing alongside independent sponsors.

Based on Investors & Operators Ep. 162: Joe Alala, Founder and CEO, Capitala Group.
Hosted by Jordan Selleck, Co-CEO of 51 Labs & Founder of 51 Vets.



Jordan Selleck
Co-CEO, 51 Labs · Founder, 51 Vets

51 LABS

Finding the Gap in the Capital Structure

In the late 1990s, Joe Alala was working on acquisitions with investors we'd now call independent sponsors. They could secure bank financing and had equity available, but often struggled to source the mezzanine capital needed to complete a deal.

Joe saw an opportunity. At the time, that layer of financing could carry interest rates around 14%, plus warrants representing a 10–15% equity interest. The potential returns were attractive, and the financing need kept coming up.

In 1998, at 28, he founded Capitala and became the youngest person at the time to receive an SBIC license. The firm started with a small team and capital raised largely through Joe's professional and alumni networks.

Capitala spent its early years making smaller investments, building relationships with banks, and establishing a track record before raising larger funds. As the firm grew, its strategy evolved with it. Today, Capitala is a flexible capital solutions provider, offering both private credit and equity.

HOW CAPITALA INVESTS TODAY

Solutions tailored to the needs of each small business, from growth capital to long-term investment partnerships.

PRIVATE CREDIT

- Unitranche credit facilities
- Senior secured credit facilities

PRIVATE EQUITY

- Minority equity structures

CREDIT + EQUITY

Paired for a flexible, customized capital structure.

YEAR ONE

Two breakfasts. Two lunches. Almost two dinners.

Raising a first fund at 28 meant meeting everyone. Joe gained 30 pounds that year, while SBA regulators questioned whether someone so young could handle the money.

THE QUESTION FOR EMERGING MANAGERS

Capitala's original strategy came from a financing need Joe encountered repeatedly while working on deals.

What recurring gap in your market could support a repeatable investment strategy?

What Makes an Independent Sponsor Worth Backing?

The independent sponsor market has changed considerably since Joe Alala started Capitala. Today, he's seeing more experienced private equity professionals launching their own firms, often with deep industry knowledge and established relationships with operators.

30%+

OF LMM M&A DEALS

Share of lower middle market deals done by independent sponsors, last 12 months. *Source: Joe Alala, citing Independent Sponsor Network data.*

> *"I'm an expert in landscaping roll-ups. I did two at the firm, and we made three times our money. Why don't I assemble a team and go pursue that?"*
>
> JOE ALALA, ON THE SPONSOR SPINNING OUT TODAY

But having an investment thesis isn't enough. Joe's advice to sponsors looking for capital is to come prepared with a clear strategy, the right people, and a pipeline of actionable opportunities.

BEFORE YOU APPROACH CAPITAL PARTNERS

01 Know your sector

Have a focused investment thesis and be able to explain why your experience and relationships give you an advantage in that market.

02 Build your team

Identify the operators and advisors who can help execute your strategy. Show investors who's involved beyond the person sourcing the deal.

03 Bring a real pipeline

Joe recommends identifying 10–15 acquisition targets, ideally with one or two deals already under LOI, before approaching capital providers.

04 Know your capital needs

Be ready to discuss how you plan to finance acquisitions. Capitala, for example, can provide debt and equity, including unitranche structures.

What Nearly 30 Years in Investing Taught Joe Alala

Building an investment firm takes more than a good strategy. It means raising capital when markets are uncertain, making difficult decisions about people, and learning how to lead a business that looks very different from the one you started.

THREE LESSONS FROM BUILDING CAPITALA

1 **A strategy gets tested when markets turn**

Capitala entered the 2008 financial crisis with 36 leveraged small businesses in its portfolio. Capitala survived the downturn and went on to raise additional capital. For Joe, resilience and staying committed to the firm's mission were essential.

2 **The skills that get you started won't necessarily help you scale**

Capitala began with a handful of people and eventually grew to a team of around 30. That brought new responsibilities, from managing employees to building an organization that didn't depend on Joe for every decision.

Joe learned the importance of bringing in partners with complementary strengths rather than trying to do everything himself.

3 **Stay committed to the mission, flexible on the path**

The route to the goal rarely matches the original plan. Joe's advice is to expect that. Success comes from adjusting when things go wrong, making calls with incomplete information, and continuing to execute through setbacks.

> *"You have this beautiful business plan that you spent hours creating. Nothing will go as planned. But what do you do? You stick to the mission, right? You have discipline. You're resilient."*
>
> JOE ALALA

THE THESIS

Resilience Is Part of the Investment Strategy

Most strategies look good on paper. The real test comes when the market turns. Capitala entered the Great Recession with 36 leveraged small businesses in its portfolio, at a time when many lenders were pulling back.

The firm kept that portfolio alive. "You'd never have thought it at the time, but it became a very successful, performing fund," Joe says.

Capitala also raised its next fund in the middle of the downturn, closing in the 2009–2010 timeframe. As the market recovered, it had capital ready for a wave of small-business opportunities.

For Joe, resilience isn't only a trait he looks for in founders and sponsors. It's what kept his own firm investing through the cycle.

THE PRESSURE ON PRIVATE EQUITY

Source: Bain & Company, Global Private Equity Report 2026.

16%
Decline in global buyout fundraising in 2025, to $395 billion.

23%
Decline in the number of buyout funds reaching a final close in 2025.

4 Years
Consecutive years of declining buyout fund closes.

BUILDING FOR THE NEXT MARKET CYCLE

For emerging managers, resilience needs to be reflected in how the firm operates, not just how its founders respond to setbacks.

Fundraising
Are you building investor relationships before you need to raise your next fund?

Portfolio management
Do you have the resources and processes to support portfolio companies when growth slows or financing becomes more expensive?

Firm operations
Can your team continue sourcing, managing investments, and serving LPs when fundraising demands more of your time?

Hear the Full Conversation

Joe Alala joins Jordan Selleck to discuss the early days of raising capital, the challenges of growing an investment team, Capitala's work with veteran entrepreneurs, and how the independent sponsor market has evolved.

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