

CEO & NED Private Equity Breakfast

Date: 08 September 2010

Chair: Matthew Blagg, CEO, Criticaleye

Amid two long years of withering multiples and dwindling deals, talk at the recent Criticaleye Private Equity Breakfast turned to the future: will PE houses soon be considering “investing in ugliness”?

Deal flow increasing, but uncertainty remains In 2009 there were a total of just 50-60 buy-outs/buy-ins; by June 2010 there were already 60 deals completed. Will PE houses come under pressure to release funds they are undoubtedly sitting on? One member suggested, “something’s gotta give”.

Multi-exit strategy is best For small-cap businesses, the reality is to build up a track record and demonstrate your next stage of growth; as one member said: “if you’re a £20m turnover company, what is your route to becoming a £100m player?” Will an AIM listing find more favour as an exit route in the next five years? If you’re telling a good story, AIM will buy it – provided you meet the requirements. But an IPO can be an unattractive option due to the onerous levels of disclosure. *For more, read [Private Equity Exit Strategies](#) and [Considerations for Being on AIM](#)*

On exit, continue to execute Selling to PE causes a considerable drain on management time and there’s always a danger of taking your eye off the ball. There’s also the conflict of selling for the best price. Where PE investors say “don’t over sell your business” – as they want the business for less – the previous owners want maximum value. So in tight market conditions, can you deliver against “a promise to fatten”? *For more, read [Executing an MBO - Lessons from those that have done it](#)*

How stretched are PE houses? Some Members revealed the internal dichotomy of PE houses between the operational and investment divisions. But are PE houses now beginning to look at how they can do things differently? Instead of simply ‘reshuffling the pack’, they will increasingly consider innovative uses of intermediate talent, such as interim CEOs.

SPOTLIGHT: Is PE lazy?

“Can you bring us a deal please,” was one Member’s experience of a PE house. The realisation that “they haven’t been tracking anything; I have!” caused them to question the fabled forensic nature of PE scrutiny. Some suggested PE attitude is “we don’t want to get involved with the operational side”; others argued that PE houses are simply so stretched between operations and investments divisions, that they lack time, not effort. But is it simply that the multiples aren’t there? And what level of involvement should PE houses have anyway?

RAISED, BUT NOT DISCUSSED...

Executive due diligence: if you’ve taken up an executive role within a PE house, how much due diligence did you carry out before taking the role, and what did you do?

Enter the dragon: why are there so few UK and European companies and PE firms involved in China – the second largest VC market, and the largest PE market, in the world.

Fanning the flames: how can start-ups and SMEs access the right funding, advice and networks that will enable them to sustain growth? *For more, read [The Critical Role of SMEs](#)*

The above will often be the focus of future Criticaleye subjects. If you’d like to comment on or discuss any of these or other topics please contact your Relationship Manager or email [Jon Barker](#)