Jon Moulton's Diary

Summer brings welcome opportunities for enjoying corporate hospitality and eavesdropping on private equity conversations

Veteran financier Jon Moulton has been involved in buyouts, turnarounds and venture capital since 1979 with firms such as CVC, Permira, Apax, Alchemy and, most recently, Better Capital, where he has been the chair since 2009

I'm writing this immediately after watching the fantastic final match where a startup dramatically defeated a late-stage operation. A great privilege to watch.

I've probably been to most of the Wimbledon tournaments since the 1980s and if you actually want to see private equity CEOs, its one of the most promising venues.

Way back, it was common corporate entertainment to get a dozen private equity heads to join with a bank or accounting firm with a view to watching tennis, quaffing fine food and swilling abundant booze. The cost was high but the marketing fairly precise in its effect. And it was often the way you met your competitors and bankers and lawyers and sometimes you even found a deal.

Over the top

It could get a bit over the top. I have a blurry memory of an event with a Scottish banking host where a couple of people needed assistance to get into a car and another event where tempers exploded into physical aggression.

Anyway, over the years corporate entertainment has been somewhat reduced it seems as regulation and disclosure have diminished the activity. And, of course, private equity bosses can very readily afford to pay for their own days out nowadays!

This year's Wimbledon provided the sight of quite a few senior private equity souls though. I'm sure I missed many others as their profiles are often determinedly low.

Given my advanced years there were a few retiree industry souls who were happy to chat.

Mostly these assorted folk were happy to acknowledge you with a few words. Some clearly could not remember who I was, and doubtless in many cases this was reciprocal. But that's just normal.

There were two cases of interest though. These were both similar in fact in their pattern. Senior males were present with attractive and apparently younger female consorts and were really keen on not saying hello. One was taking evasive action in the debenture lounge worthy of moves in *Strictly Come Dancing* whenever he spotted me. Of course, it could have been his daughter who could just be very shy…

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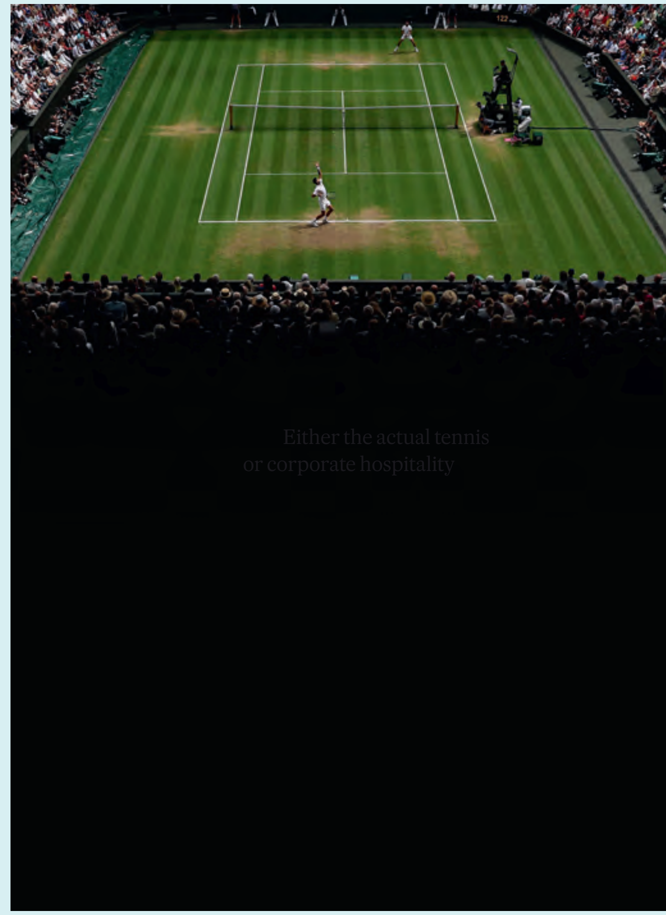

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Wimbledon is always a fun place to see private equity executives – often there enjoying the corporate hospitality

Heard in the queue

However, the most interesting private equity part of my visits to Wimbledon was while trapped in a very long queue waiting to get back in to watch the tennis. Two 30-something-year-olds were chatting immediately behind me. Using my still acute hearing, and helped by their mild inebriation, it was rapidly possible to work-out that one was a mid-ranker from a mid-market buyout firm and the other was a non-private equity lawyer of some sort.

The lawyer was asking how PE works. The PE man then gave a short summary of his firm's approach:

- Get to see everything.
- Bid eight-times some form of Ebitda.
- Get exclusivity and very late drop the price to six-times Ebitda.

The lawyer was surprised that this very simple model worked but the buyout guy was at pains to explain they were very good at manoeuvring sellers and "got away" with this more often than not.

An unexpected lesson in private equity technique!

I was quite upset when the queue moved on. The entertainment exceeded that of some of the matches! Though my wife was definitely unhappy at my focus.

On a related thought it can only be a matter of time that one of the big buyout firms/mega-entrepreneurs decides to try to do a Formula One type of PE takeover of tennis.

I sincerely hope it fails.