

Jon Moulton's Diary

Summer is here and dealmaking is taking its annual holiday



Veteran financier Jon Moulton has been involved in buyouts, turnarounds and venture capital since 1979 with firms such as CVC, Permira, Apax, Alchemy. He now has a family office, Percitus.

"Six days shalt thou labour, and do all thy work...." Exodus 20. 9.

Is private equity a pretty soft job? The graph below shows the completion of UK buyouts by month for the seven years to 31 December, 2023.

At first glance, it is quite a shock to see such strong seasonality. March is affected by the end of the UK tax year on 5 April – though the April stub shows little exuberance.

(Value volatility in buyouts are nowadays driven by a few monster transactions so seasonality is less clearly seen.)

The rest is driven by school holidays and leisure!

It seems strange that the ever-extending largely overseas holidays clearly take precedence over the very large amounts of capital being deployed.

There will be some impact from the virtual cessation of corporate and regulatory activity in France throughout August, which will affect French and other European banks and regulators. But for the UK, this will be a minor impact.

In France, they even have a name for the post-August rise in deal-doing – the post-rentreée!

The generous (even after tax) compensation provided by the



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Evidence suggests that deals are not being done from tropical beaches and yachts around the globe

industry is dissipated all around the globe throughout the school holidays, providing the main driver for the seasonality of the private equity industry and its hangers on such as lawyers, accountants, due diligence firms and so on. All of whom spend a lot of time in the sunshine lounging on boats and beaches in assorted exotic locations.

Certainly the chart shows that the "I can work from anywhere" line is pure propaganda.

From my aged viewpoint it

seems the industry effort level has declined. Others may see it as a better work/life balance.

I started in private equity in the US on two-weeks annual holiday, and worked/travelled most weekends.

I'm part proud and part sorry that I have closed two buyouts on Christmas Eve – on one of which I closed the deal in the morning and one of its two factories in the afternoon.

My welcome home at 10pm was not a great end to that day.

One completion I really enjoyed was on a New Year's Eve where we had a Scottish counterparty desperate to complete quickly in order to get back to their spouses in a nearby hotel. No rush on my side...

Nowadays, I have been chastised for calling professionals at home or even on Friday afternoons.

It seems to me that enormous compensation should deserve serious effort and being expected to bite on unattractive trade-offs.

On more of the same theme of less effort, deal timelines have extended over the years. What took weeks now takes months. Some of this is deeper diving into target companies and some is less urgency.

Given the increasing difficulty of making one buyout firm stand out from the multitude of competitors, perhaps adopting a marketing slogan like "We work in August" would succeed?

Completion of UK buyouts by month, seven years to 31 December, 2023

Monthly average scaled to 1.0. Peak month ■ Above average month ■ Below average month ■ Lowest performing month ■

