



## HumaticaCorner



### Post deal on-boarding

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If you've been "merged" yourself, then you know how management underestimates the challenge of getting knowledgeable employees from different cultures to work together. Private equity sponsors are familiar with post-merger integration from bolt-on acquisitions. However, there is a more fundamental integration under their nose that GPs often overlook – that is, with every new company acquired.

Clearly, investors and management need to collaborate effectively to maximise value growth. However, the financial world of the PE sponsor is very different to that of the buyout management team. One thinks "transaction", the other "process". Trust must be built nevertheless. So, how best to facilitate post-deal integration?

Strangely, we find no established best practices. As a deal-maker recently commented: "Interaction with management depends on so many factors related to the type of deal and the personalities involved, that each post-deal process is unique." Despite this view, our experience indicates some best practices.

A structured on-boarding process is helpful. Establishing a pre-defined set of meetings between sponsor and management allows efficient discussion on critical topics for collaboration. These include a deep-dive into who the sponsor is, the portfolio company, strategy, operating model, organisation and talent. And, it's not just the hard factors which are critical. Understanding each other's culture with on-site visits and "day on the job" experiences are great ways to understand the other party's values and motivations. In the extreme, a joint sponsor-management team psychometric audit helps to understand team dynamics and the best ways to communicate. Finally, like post-merger integration, it is often helpful to have qualified third party facilitation for post-deal on-boarding to structure discussions on the important but sensitive topics, and accelerate trust-building.

You only get one opportunity to leave a first impression. Done well, post-deal on-boarding can form the foundation for maximising value creation in the holding period. However, like a bad first impression, done poorly it can impair a good relationship and value growth for years. The choice is yours.

## HgCapital hits double fund close at total of £3.1bn

The firm raised £2.5bn for its eighth flagship fund and £575m for Mercury 2.

**HgCapital has reached a final close on two of its funds at their respective hard caps, securing a total of £3.1bn (€3.7bn).**

The firm's main buyout fund, HgCapital 8, raised £2.5bn while its lower mid-market Mercury 2 vehicle closed at £575m. The buyout fund reached a first close at £1.9bn in December and exceeds its predecessor's total of £2bn.

According to the firm, both funds were more than three times oversubscribed versus the target.

The largest commitment to both funds came from the firm's listed investment vehicle HgCapital Trust.

Last year, HgCapital completed ten new investments, seven

realisations and three refinancings across the large buyout and Mercury funds.

This represented a total investment activity of circa £950m and returned around £1bn of investment proceeds to investors, according to the firm.

Mercury 2, which started raising in November 2016, closed in record time for an HgCapital fund after just three months on the road. It further exceeded its target of £450m.

The first Mercury fund closed in March 2013 at £380m. Its successor will continue to back buyouts of European TMT businesses with an enterprise value of up to £100m.

## Better Capital secures fund extension



Better Capital, the listed turnaround firm founded by Jon Moulton, has extended its 2009 fund by a further year.

The firm now has until 17 December 2018 to realise the portfolio. It stated that the extension would help provide "an appropriate timeframe in which the general partner of the 2009 fund can maximise returns". Companies in Better Capital's 2009 portfolio include m-Hance, Omnico and Spot.