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## Private equity in August

August has always been the time of year for private equity to take a breather and indulge in rosé and deckchairs. But in an industry becoming more competitive by the day, can dealmakers still afford to sign off for summer?

By *Nicholas Neveling*

Trying to reach a European private equity dealmaker during August can be a frustrating exercise.

"I am afraid I was told that they are all on holiday," said one contact attempting to arrange a call for *Real Deals* with a French firm. "As it is August – the proverbial August in Paris. No French people are around, only tourists – they won't have anybody available until the end of the month, they said. Sorry!" Said another: "All partners are away on vacation so it will be difficult for us to get back to you."

The August exodus is, it seems, alive and well. But as the buyout market matures and becomes more competitive, can firms and their portfolio companies afford to kick back for a summer holiday? Although out-of-office email replies are still piling up at the moment, there is increasing evidence that the industry is getting busier in August than it once was.

"August is different to what it used to be," says Bowmark

Capital founder Charles Ind. "The market is more competitive and the brutal truth is that we don't do anything that differently in August. There are deals going on and you have to keep things ticking over. You cannot afford not to."

UK deal data compiled and analysed by Drax, an executive search firm that specialises in filling senior roles at private equity-backed companies, shows that over recent years August has in fact generated more deal activity than September.

Drax found that in three of the past four years (2013-16) there were more private equity exits in August in the UK than in September. Buyout volumes, meanwhile, also held up over the summer. Over the four-year period tracked by Drax, private equity investment in August was only marginally lower than in September, and in 2016 it was actually higher in August than in the following month.

"A private equity deal has got a natural life cycle to it and

## PRIVATE EQUITY UNPLUGGED

It is very difficult, says one private equity investor, to disappear on holiday for three weeks without checking in with the office while away. "Technology has pretty much put an end to the concept of the long holiday. No matter where you are in the world you will be connected. You just kind of keep going," the dealmaker says.

It can be tempting to whistle through emails from the beach, whether for peace of mind or to avoid a backlog of tasks building up. But there is increasing evidence that working incessantly makes you less productive over time.

Research from Kansas University found that stress levels increase and psychological and physical resources are depleted when people fail to switch off and continue to field calls and emails outside work hours.

"There have been a number of studies showing that people are at their most creative when they are put in a different environment. You are more likely to make important connections and generate new ideas when you break out of your usual routine," says Andros Payne, the founder of Humatica, a specialist consultancy focusing on organisational performance. "It is understandable that people passionate about their businesses find it difficult to step away, but there is value in doing so."

Regulators have taken note. Germany's employment ministry has banned its managers from emailing staff out of hours and in France moves are afoot to oblige businesses employing 50 people or more to draw up charters outlining times of the day – usually after work or on the weekend – when employees should not send or answer emails.

Some companies, however, are not waiting for governments to step in. They have proactively recognised

that allowing workers some "dark time," when email is switched off, generally delivers better performance.

Leading corporates like Volkswagen, BMW and Puma all have measures in place to restrict email usage outside hours. VW has gone so far as to stop email forwards to staff from its servers 30 minutes after the end of the working day. Another automotive manufacturer, Daimler, has email software that automatically deletes incoming emails while staff are away on holiday.

Leaving the cut and thrust of the workplace may be difficult for driven private equity people, but completely stepping back for a few weeks a year can deliver better performance across the rest of it.



those cycles are whatever they have to be. When a business is going through an exit process there is a natural window for that to happen and so it doesn't matter where you are from a holiday perspective, that exit will get done," Drax managing partner Graham Roadnight says.

In addition to rising competition, younger dealmakers are increasingly happy to work through August and go on holiday when prices are lower and resorts less crowded. So while executives with families continue to take leave during the school holidays, there are still plenty of people around to keep on doing business back in the office.

### Have a break

There are, however, variations between different regions. In the UK and Germany August is less disruptive, but in the Nordics and France a big block of holiday is still the norm. And although it can feel disruptive, a quiet month during the year when everyone is away does offer some upsides for business. There is little value, for example, in keeping an office full of staff coming in to twiddle their thumbs when there is little going on. They might as well take their break at the same time as everyone else.

"The summer vacation is still very important in France. I have been in this business for a long time now and there has only been a single occasion when we have done a deal in August. If there is a time of year to take holiday, then it has to be August," says Charles Diehl, managing partner of French mid-market firm Activa Capital.

Andros Payne, the founder of



## “““ ONE OF THE MOST EFFICIENT APPROACHES IS TO AGREE A BLOCK OF TIME WHEN EVERYONE WILL TAKE HOLIDAY

organisational performance consultancy Humatica, says that if managed well, disruption during August can be minimised.

"The worst thing that can happen for a business during the summer is a prolonged period when no decisions are made. That is one of the biggest productivity hits," Payne says. "If a group of senior people are required to make decisions, for example, but one or more are missing over the summer, dead time in August can easily bleed into July or September," he adds.

Setting aside a time when a company shuts down and everyone takes holiday at the same time can actually deliver better outcomes than the scenario above.

"From what we have observed one of the most efficient approaches is to agree a block of time when the company will shut and everyone will take holiday. Everybody knows when they will be away and you avoid a lingering decision-vacuum," Payne says.

The August period also continues to dictate the deal cycle to some extent, even though its impact in some regions is less pronounced. "It is still very unusual to see an IM launched in August, but there will be certain situations where you have been warming up potential buyers through June and July and it might be appropriate if you are looking for indicative offers to start coming in during September," Silver says. "We can never afford to stop altogether. There is always something happening."

August may slowly be becoming a month like any other, but for dealmakers (even those in the UK) there is no need to take the summer rosé off ice just yet. ●

## Business vacations *How the industry holidays*

### THE NORDICS DECKCHAIR RATING



"It is impossible to get anything done during the summer," laments one Nordic private equiteer. "Whole cities head off to their lake houses and don't come back until September." Norway even has a special word for the August exodus: "Fellesferie", which roughly translates into English as vacation. Swedes and Danes are similarly committed to taking a break.

### FRANCE DECKCHAIR RATING



"Les grandes vacances" is entrenched in the French calendar, often to the amusement of the US and UK, and it is not unusual for whole teams of partners to abandon La Défense for a month in the summer house on the Côte d'Azur. But there is a recognition that French dealmakers are generally fresher and sharper after some downtime. "You have to wonder who has got it right," a London-based private equity lawyer, frantically working during August, told *Real Deals*.

### THE NETHERLANDS DECKCHAIR RATING



Even the famously hardworking Dutch like to take a bit of time off come August. "Bouwwak", which used to be a period in the summer when the construction industry would collectively down tools, is how the wider holiday slowdown is now referred to. Although still a popular holiday time, there is anecdotal evidence to suggest that Dutch professionals are increasingly taking shorter holidays at different times of the year.

### GERMANY DECKCHAIR RATING



The Germans (as usual) appear to have struck the perfect balance between giving staff time to rest while avoiding an August lull of inefficiency that all too often extends into July and September if not managed carefully. German companies, in agreement with staff, will typically set aside a mandatory period in August when factories and offices will shut altogether and employees will be obliged to take vacation. The best of both worlds, perhaps.

### THE UNITED KINGDOM DECKCHAIR RATING



UK execs used to take the whole of August off, but over the years the "summer slowdown" has become less pronounced. Dealmakers with families still head for the hills, but younger ones tend to stay busy. "We see little impact on our volume of activity in August. In fact, in the past couple of years there was no slowdown for us at all, and last August was one of the busiest months of the year," says one private equity adviser. So long summer.

