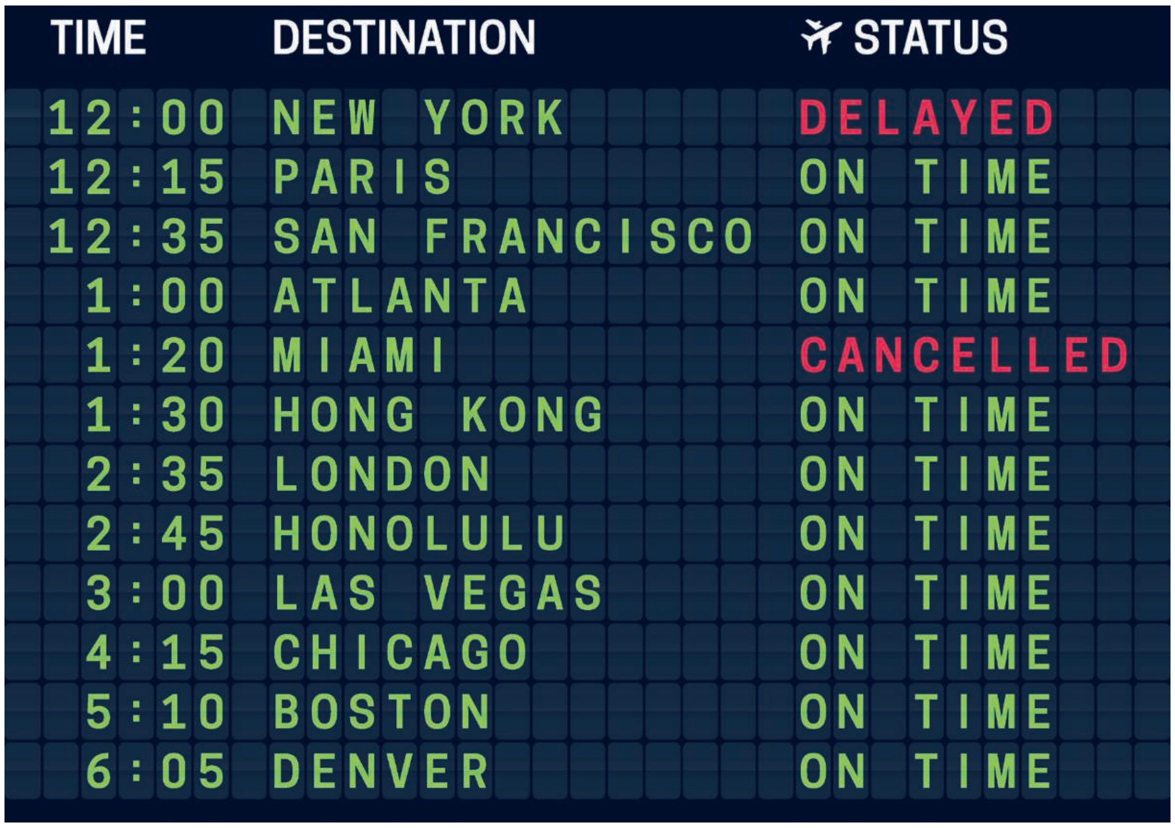

Enterprise Investors' Novaturas exit falls through

Regulatory delays have nixed the trade sale of the Baltic travel operator.

Four months after agreeing a deal with Polish trade buyer Itaka Holdings, Enterprise Investors has terminated the sale of travel operator Novaturas due to delays relating to anti-monopoly approval.

The buyout firm will now consider other options for Novaturas, in particular "a flotation on the Warsaw and Vilnius stock exchanges," according to partner Sebastian Krol.

"We concluded that in view of Novaturas's dynamic growth and excellent financial results, the delay in securing anti-monopoly approval was undesirable for the company and its shareholders. As we could not predict the timing and outcome of the regulatory process we decided to terminate the agreement with Itaka and explore other strategic options available to Novaturas," said Krol.

Enterprise Investors acquired a 71 per cent stake in Novaturas in 2007, paying €40m.

The company's turnover is expected to increase by 25 per cent to €125m this year, with Ebitda of around €10m.

"The company has a sound financial basis and good outlook for the years to come. I truly believe that Novaturas has all it takes to attract financial investors and float successfully," said Novaturas chief executive Linas Aldonis.

Permira buys Duff & Phelps from Carlyle for $1.75bn

Permira has acquired corporate finance adviser Duff & Phelps for $1.75bn from a group of shareholders including The Carlyle Group.

Duff & Phelps advises clients in areas ranging from valuation and corporate finance to disputes and investigations, compliance and regulatory and other governance-related issues. It counts more than 50 per cent of the S&P 500 as clients, with top-tier private equity houses, law firms and hedge funds also turning to the firm for advice.

Carlyle exits alongside Neuberger Berman, the University of California's Office of the Chief Investment Officer of the Regents and Pictet & Cie. Duff & Phelps' management team will maintain a significant equity stake in the firm.

A consortium comprising Carlyle, Stone Point Capital, Pictet & Cie and Edmond de Rothschild picked up the company in a 2013 deal valued at $665.5m.

The transaction is Permira's eighth in the financial services industry, with total equity investment in the sector surpassing $3.8bn. The firm was advised by UBS and Skadden.

SL Capital closes $428m secondary fund

Aberdeen Standard Investments' private markets arm SL Capital has closed its Secondary Opportunities Fund III at $428m.

The fund closed above its initial target of $400m, gaining support from 31 public and corporate pension schemes, multi-family offices and high net-worth individuals. Sixty per cent of investors are from the UK while 40 per cent are based in North America.

The new fund aims to target niche and less competitive areas of the secondary market.

"Clients have been very supportive of the secondaries strategy since it was launched in 2014. To have reached over $900m of capital for the programme demonstrates the strong demand for niche private equity exposure," Aberdeen Standard Investments' head of institutional client solutions Stewart Hay said.

The latest close represents a 47 per cent increase on the fund's predecessor, which closed at $291m in May 2015.

Aberdeen Standard Investment is the investments arm of the newly merged Standard Life Aberdeen.

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The art and science of organisational due diligence

Ask any dealmaker what determined their best and worst deals and they will tell you: it was the management and organisation's ability to execute the value creation plan. Yet, despite this conventional wisdom, organisational due diligence is still a neglected art. Humatica's survey of over 80 dealmakers showed that more than 97 per cent believe that organisational issues are the greatest source of deal risk, yet only five per cent regularly conduct organisational due diligence with a structured approach.

Clearly, the subjective nature of behaviour and culture, coupled with management's asymmetric information advantage, often results in negative surprises post-deal. How can a firm get beyond management's view to really understand the company's capacity to execute a value creation plan?

Moreover, the problem is getting worse. With a growing global glut of over $700bn of dry power, intense deal competition is restricting access to understanding how a target company's management and organisation really work – a true dilemma.

However, there is a way out. With a systematic organisational due diligence approach, information from various sources can be used to connect the dots on the culture and quality of management practices in a target company, and its ability to execute the value creation plan.

In addition to the management presentation, and even with most competitive deals, due diligence has many touch points with management including market, financial and legal, as well as expert sessions. If these are utilised to also collect information on management practices – decision-making, communication and controlling processes – then an accurate picture of organisational effectiveness can be pieced together.

If, in addition, a qualified third party with deep leadership experience, like Humatica, is engaged to interview managers in the target organisation on the quality of leadership processes, a precise assessment of management practice maturity and organisational capacity can be made.

The results of organisational due diligence won't block a deal. Provided the market and model are attractive, organisational issues are actually among the few that *can* be corrected post-deal – if you know. Organisational due diligence can provide un-biased, rigorous estimates of what time and effort are needed to close identified organisational gaps, and be integrated into the value creation plan up-front, enabling dealmakers to accelerate returns and avoid unpleasant justifications for delays.

More than ever, "buyer beware" is today's dealmaker call-to-action and organisational due diligence is a remaining area of critical importance, differentiation and innovation. Sponsors who embrace the art and employ the science will deliver the returns.

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Hard Facts for the Soft Factors