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EQT smashes target with €10.75bn fund close

The fund was twice-oversubscribed and took just five months to raise.

EQT Partners has closed its eighth flagship fund at its €10.75bn hard cap after five months on the road.

Returning investors from EQT VIII's predecessor fund committed approximately 70 per cent of the capital. The fund is some 59 per cent larger than EQT VII, which closed at its €6.75bn hard cap in 2015.

Real Deals understands demand for the new fund was more than double the target fund size. The raise was led by EQT's in-house investor relations team.

EQT VIII will continue the same strategy as the firm's previous equity funds. The firm focuses on three core sectors: healthcare, TMT and services, and seeks out selective investments in industrial technology and consumer goods. EQT primarily looks for deals in Northern Europe.

"EQT VIII marks yet another milestone in our long-term strategy, manifesting EQT's position as a leading global investment firm," EQT's CEO and managing partner Thomas von Koch said. "With EQT's vision of becoming the most reputable investor and owner, our strategy is to make EQT VIII the best possible home for companies poised for growth, as well as be a responsible corporate citizen in the societies where we operate."

LPs in the fund include AP2, AP6, Ardian, GIC, HarbourVest Partners, Partners Group, Signal Iduna, Teacher Retirement System of Texas and USS.

LPs expect market deterioration in 2018

Investors in private equity funds are bearish on 2018, with half of global LPs expecting the market to worsen this year, a new report reveals.

The finding, published in Augentius' 2018 annual industry survey of over 100 GPs and investors, is in contrast to the views of managers across the globe. European GPs remain somewhat cautious while their Asian and American counterparts are more bullish.

Over two-thirds of European GPs expect market conditions to remain the same this year while 22 per cent predict it will worsen. Eleven per cent expect market conditions to improve.

This compares to 55 per cent of Asian GPs and 40 per cent of American GPs who anticipate market improvements. Just ten per cent of LPs expect conditions to improve.

Aurelius closes cut-price Connect Books deal

Aurelius has completed its purchase of UK book vendor Connect Books at a reduced price.

Aurelius agreed an £11.6m (€13.1m) deal on 21 December to acquire Connect Books from its parent Connect Group. However, shortly after signing the deal "severe underperformance" that meant Aurelius' banking partners could no longer support the transaction was revealed for the month of December.

Connect Group subsequently stated that it had "reserved its right to pursue legal redress" should Aurelius pull out. The firm has now confirmed that it has reached a deal "that is mutually beneficial to all parties" and will pay a total cash consideration of £6m.

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Digital is easy – organisation is difficult

The invention of the transistor in the early 1960s was the starting gun for what is now the nearly complete collapse of the cost of collecting, storing and processing information. The cost of any exchange – within companies, and with suppliers and customers – has also gone. No wonder that digital is a hot topic in private equity.

The implications for business are transformational. Not only do we have new digital behemoths like Apple, Google and Amazon, but the operating models of firms in every sector are being shaken to their core by the fundamental shift in the economics of information.

It's easy to focus on the headline-grabbing technologies like AI and robotics. However, more important is the impact these technologies will have on people, organisations and how they are managed.

There is cause for concern. A mid-market sponsor recently asked: "What will all these people do who will be replaced by AI and robotics?" and then answered "Virtual reality, I guess".

One thing is certain: new technologies like IBM's Watson will put more pressure on rules-based white-collar work like law, medicine and many forms of consulting, which had previously been immune to automation. What is becoming increasingly valuable is the non-automatable interpretation of complex situations and interpersonal relations to draw valuable conclusions – areas like sales, marketing, and innovation. We need fewer people who operate "by the book" and more who can "write the book" – employees with the curiosity and cognitive capacity to learn new things and apply their knowledge in new ways.

But these assets have legs, and their priorities have shifted to "work-life-balance" and "self-actualisation". The money "carrot" or firing "stick" don't work. No surprise, then, that leadership coaching has exploded – we are grasping for new answers. Some can be found in old truths and new start-ups. They have flat hierarchies, both formal in terms of their organisational structures, but also informal in terms of the outward signalling of rank. Casual wear and no-tie at the top are the norm.

Selection is critical. Getting compatible, intelligent people to work well together is not easy. They have to share some basic values and characteristics. That's why firms like Apple and Google have extreme vetting, not just with managers but with peers and employees.

Finally, an inspiring and challenging goal is essential. Motivation theory tells us that a sense of personal accomplishment is by far the most powerful and long-lasting motivator. The most talented people are in the company to solve new challenges and problems. Witness the success of disrupters including SpaceX, Tesla and Apple.

To get the benefits of digital, leaders need to take a hard look in the mirror. What are they doing to ignite the potential of their talented employees?

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Hard Facts for the Soft Factors