Main reaches first close of mezzanine fund targeting €100m

Main Capital Partners, which specialises in investing in software companies, has reached a first close on its new mezzanine fund. The fund is targeting €100m.

Main Capital's new fund will provide mezzanine loans of between €2m and €8m to Benelux and DACH-based software businesses that are growing, are profitable and have turnover of at least €3m. This will include financing to support buyout investments.

The fund has already made its first investment.

Main closed its fifth buyout fund on €236.5m at the end of last year.

Mid-market prices climb to 9.9x Ebitda

European buyout firms have had to meet ever higher valuations this year as vendors demand more

The prices paid for mid-market businesses have reached their highest level since 2014, climbing to 9.9x Ebitda, according to the latest Argos Mid-Market Index.

The index, produced by research consultancy Epsilon in conjunction with Argos Wityu, is published quarterly and tracks the prices of targets in the eurozone valued in the €15m to €500m range.

Epsilon and Argos found that the rise in multiples was driven by a 4.3 per cent increase in the prices paid for lower mid-market companies, with upper mid-market pricing holding steady at around 10x Ebitda since the first quarter of 2017. Prices paid by both private equity and trade buyers remain at record highs. Activity levels in Q2 2018 matched those in Q1, but half-year figures for this year show a ten per cent drop in volume and a 25 per cent drop in value when compared to figures for H1 2017.

HumaticaCorner

Apple: How to "agile" your organisation

Apple just got the golden ring and became the first trillion-dollar company. A landmark achievement no doubt – especially for a firm in the hyper competitive consumer electronics segment. However, the more interesting question for PE is what drove this sustained value growth over decades, and what can be learnt?

Apple's valuation is driven largely by expectations of its future cash flows. And, to borrow from Peter Drucker, the firm has uniquely proven the ability to predict the future time and again, by creating it. Apple has gone beyond "satisfying customer needs", to having collectively anticipated emerging new needs before consumers could even articulate them, devising attractive solutions in secrecy, and building an installed base and de-facto standard before others could get off the ground. They connect the dots before others and have a well-disciplined machine to spring new products and business models on the market before others can react. The discounted future value of this proven track record, is…well…over $1trn.

The way Apple works, its organisation, management processes, culture, structure and governance underlie its ability to repeatedly anticipate and act before the competition. Collectively, they are agile. However, as anyone knows, this doesn't necessarily mean "no rules" flexibility. The agility comes from a ruthless combination of flexibility on the one hand with ridged, uncompromising rigour on the other.

Tim Cook, like Steve Jobs before him, signals openess, easy-going, youthful rebellion from the top - with what they say, what they do, and even what they wear. Ideas are free, and they are welcome. On the other hand, Job's demanding flip-side is legendary. Performance counts. And, business counts. Anyone who has negotiated with Apple will tell you, check your wallet afterwards. They have uniquely mastered the delicate combination of Google's dynamic developer culture with Amazon's operational rigour.

Once this winning chemistry is understood, how do you replicate it in your company? To begin with, a fact-based understanding of the current organisation – the behaviours, management practices, structures and competencies is needed. In particular, an understanding of how decisions are made, and how they are executed underlies agility. Humatica has catalogued these practices for the past 15 years.

Our work has shown that dramatic changes in culture that drive business results are possible. But, it won't happen overnight, and depends on the size of the organisation for two reasons. First, many of the desired characteristics of the new culture are experiential, tribal knowledge, that is learnt first-hand by doing. Second, in networked, knowledge-based organisations, any signal or indication, either in word or deed, that is contrary to the desired culture, will set the process back. The higher the source of the bad signal, the more corrosive. 99 per cent ain't enough. Having helped countless buyout leaders drive the transformation to a more agile organisation, we note three factors of success:

1) full commitment from the top for the duration 2) avoid cutting corners in the process, which torpedoes progress, and 3) leverage objective outside support to create fact-based transparency, measure progression and accelerate the process.