



## Three Hills hits €540m hard cap for third fund

**Three Hills Capital Partners** has closed its third fund with €540m of commitments. The firm has significantly surpassed its original €400m target.

The new fund marks the first time that Three Hills has offered access to institutional investors. The firm has previously been supported by European family offices and high-net worth individuals, who will continue to be critical to its network-driven origination strategy.

Three Hills invests in entrepreneur-owned mid-market businesses, providing minority equity and debt securities, with the entrepreneur retaining majority ownership.

The firm held a first close in September last year and the fund is already 20 per cent invested in UK-based Recycling Lives, a tech-enabled international waste and recycling management business and ACT, a Netherlands-based global intermediary in niche energy commodities markets.

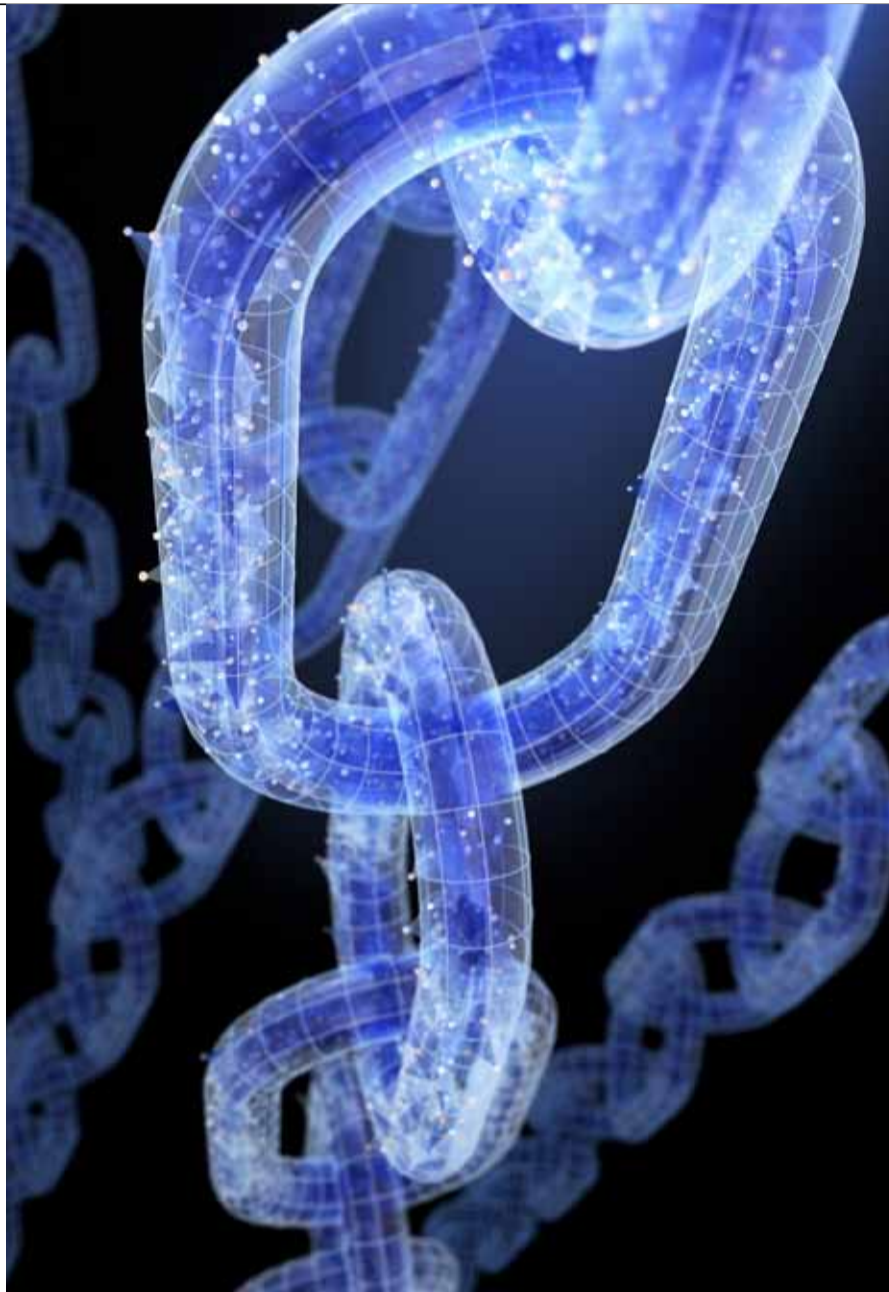
“Attracting many new international LPs from beyond our original loyal investor base is a sign of our successful strategy of approaching the private equity industry in a differentiated way,” said Mauro Moretti, founder and managing partner at Three Hills.

“We have found there are many entrepreneurial management teams from across Europe that are in need of supportive capital to grow their businesses, but want to retain control of their companies.

“We have devised a flexible way of investing capital into businesses without also being a pervasive presence,” Moretti added.

Recent exits for Three Hills include the sale of Genius Sports Group to Apax and the IPO of Aquafil.

Rede Partners advised on the fundraise.



## AI to disrupt private equity in the next five years

### Buyout managers brace for shake-up

By Amy Carroll

**More than 90 per cent of private equity investors believe artificial intelligence will transform the asset class within the next five years.**

This compares to 77 per cent of industry participants who believe blockchain is poised to disrupt the sector, according to a survey conducted by Intertrust.

Over a third of respondents said that blockchain, AI and robotics are already being adopted in the industry and will become more widespread in the near future.

Digital innovation is having the biggest impact on the back office, by generating greater operational efficiencies, the survey found.

A little over half (56 per cent) of respondents cited back office innovation as the dominant theme compared to 37 per cent who said technology is being deployed to speed up the due diligence process.

“The findings of our survey reflect growing levels of interest in using AI for handling large volumes of investor queries more efficiently by recognising questions being asked and recommending responses,” said Michael Johnson, director of fund services at Intertrust.

“This will also introduce more standardised responses, further reducing risk. Additionally, there is likely to be an emerging desire for firms to favour the use of blockchain for KYC-related activities.”

## HumaticaCorner



### What's keeping you awake at night? Managing the next downturn.

Can your management team react fast enough to the next slow-down? That is the question bothering sponsors right now.

Half the battle of making good money is not losing it. Management teams and organisations that react first, gain share when the markets tank. They win when others lose.

A case in point is PE-backed Uster Technologies. As a capital equipment supplier in the cyclical textile industry, their sales dropped 50% during the GFC. However, already in 2008, before the Lehman Brothers collapse, CEO Geoff Scott initiated a painful downsizing and cost reduction.

At the time, he got criticism in the press and had to push things through his own management team before dark clouds were visible in the market. Uster's competitors didn't anticipate and suffered the consequences as the firm took their cheese. But after 10 years of alpha-growth and a go-go PE market, are management teams and organisations agile enough to react quickly? Here, the answer is “no”.

There are three self-reinforcing reasons why portfolio companies are unprepared: growth of PE funding, top-line growth driving valuations and inexperienced management teams. The explosive growth in PE funding since the GFC and QE have driven capital into “B” assets. At the same time, price inflation has put a premium on top-line driven bottom-line growth to justify investment cases. Finally, these two factors have conditioned a cohort of buyout managers who only know growth, and lack the skills needed to manage through a downturn.

Mastering a shift from growth to consolidation requires a complex mix of organisational skills and processes. To begin with, a culture of openness and fact-based decisions is needed. The requirement is for management teams that look at things as they are, and not just as they would like them to be. This is often difficult for growth managers.

Next, a management system that enables early detection of market shifts is needed to provide a warning light before problems are obvious to everyone. For example, a set of early warning KPIs that monitor your customer's customers and their sentiment. Recognising these small signals a few steps forward in the value chain can give you a few months lead on what will happen in your business.

Early planning is also important. The worst time to make tough decisions is when you are in the middle of the storm, under time pressure and emotional duress. Although it's unpleasant for management teams, it's far better to develop concrete plans on where and how to cut cost far ahead of the time when they are needed: projects to cut, investments NOT to make, markets NOT to pursue and employees to let go. Doing so in quiet times enables much better decisions than when the storm is raging.

Humatica has helped countless firms to stress-test their organisations and prepare for the inevitable downturn to grow value even in the face of market adversity. Given current market uncertainties, these may be useful sooner rather than later.

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Hard Facts for the Soft Factors