TIKEHAU TRIPLES FUND SIZE WITH 2.1BN DIRECT LENDING VEHICLE

By *Amy Carroll*

Tikehau IM has held a final close on its latest direct lending private debt fund with €2.1bn of commitments. The new fund is more than three times the size of its predecessor.

More than 70 per cent of investors in the fund comes from outside of France, where Tikehau is based. More than 30 per cent of investors come from outside Europe.

Tikehau Direct Lending IV will provide stretched senior, unitranche, mezzanine financing and PIK notes to SMEs. More than E700m has already been invested from the fund, supporting 20 businesses in France, Spain, Germany, Denmark, Luxembourg, Norway and the UK.

"We remain committed to providing continued support, financing SMEs which stand out for their operational and strategic excellence," said Cécile Mayer-Levi, head of Tikehau IM's private debt practice.

News of Tikhau's fourth debt fund close comes as Preqin reveals that institutional investors are showing a strong preference for successor private debt vehicles over first time funds.

The average fund size for first-time funds in 2018 was $194m compared to $814m for non-first-time funds. This is despite the fact that debut offerings have consistently outperformed successor funds for the vintage years 2010 to 2015.

UK pension schemes raise private equity fund to save on costs

By *Amy Carroll*

A number of local government pension schemes in the UK have closed their first private equity fund, six months after initial launch.

LGPS Central, the asset manager behind the fund, is owned by nine schemes from the Midlands including the Cheshire Pension Fund, Leicestershire County Council Pension Fund, Nottinghamshire County Council, Staffordshire Pension Fund and the West Midlands Pension Fund.

"Given that we started with a blank sheet of paper, and brought together the various parts of the organisation – investments, finance, legal, operations and compliance – to structure and launch this fund, I'm immensely proud we were able to conclude this process in such a short time frame," said Omar Ghafur private equity investment director at LGPS Central.

The private equity fund will consist of "annual vintages" investing in a mix of fund and direct private equity investments with a view to reducing the external costs associated with th asset class and therefore enhancing risk-adjusted returns, Ghafur added. LGPS Central expects to deploy in excess of £2bn (€2.3bn) in private equity "over the coming years".

The nine funds supporting LCPS Central have approximately £44bn in collective assets under management while LGPS Central manages or advises on £14bn of assets that the funds have pooled together in order to diversify investments and make cumulative costs savings.

The most recent survey results are "encouraging" and point towards "increasing maturity" in the development of ESG policies, said Will Jackson-Moore, global private equity and fund leader at PwC. However, this area is very much still at "the young stage" he added.

LPs "are playing a vital role in applying pressure to act on key areas of ESG concerns and in influencing board agendas" Jackson-Moore added.

However, he thinks pressure from LPs is no longer the greatest driving force behind ESG practice in private equity.

The fact that responsible investing "can potentially enhance multiples" and "genuinely drive returns" means that prioritising it "may well be the next big value lever".

HumaticaCorner

Getting the organisational benefits of digitalisation

Despite the hype, "digitalisation" is not new. It is part of a process that started over 20 years ago with the internet. However, the impact of technology has become more tangible with the proliferation of simple end-user devices: smartphones.

They put the power of digitalisation in everyone's hands to dramatically effect the way work is being done. The impact of digitalisation on organisations is therefore profound and is only just now beginning to be felt. Implementing digital technology is done quickly today. However, getting the benefits means organisational and behaviour change that takes time. So, what are the lessons learnt and how can sponsors reap the rewards faster?

The value growth benefits of digitalisation are divided into two fundamentally different categories that are often confused.

On the one hand, digitalisation offers new front-end opportunities for the business – in the value proposition and go-to-market. That is, they can be used to cost-effectively understand specific customer-segment needs through big-data analytics, developed more tailored product/service bundles (solutions) for micro-segments and bring these to market more efficiently than with a traditional field sales force.

"Front-end" digitalisation has its biggest impact on sales organisations. Fewer sales people are needed. However, the qualifications and competencies of the few that are needed are very different than their pre-digital cousins. The digital sales rep is a solution architect and consultant, capable of understanding the customer's unique needs and organising the right solution. The required curiosity and intellectual capabilities of modern sales reps are higher than in the past. Its therefore no wonder that nearly every buy-out today includes sales effectiveness as a key value creation lever.

The other side of digitalisation's impact is its capacity to dramatically increase process efficiency and productivity. By making information readily available when and where its needed, low value add tasks can be either eliminated or their cost significantly reduced. However, to realise the benefits, processes must be redesigned and people re-trained. Like for sales, fewer but more competent people are needed.

For leaders, the impact of digitalisation is also massive. They will be leading fewer, more qualified specialist "knowledge workers" in the future. Lower spans-of-control, less top-down directive communications and a more collaborative "coaching" approach are needed in the digital organisation.

HR processes will also need to adapt. Recruiting a digital worker is more rigorous and time consuming to assess cognitive skills and ensure that a new employee fits in the team. Also, performance and talent management must be upgraded to objectively assess competence on an on-going basis. Talented millennials demand constructive feedback and development. If you want a glimpse of this future, check out digital leaders like google and Amazon. Freedom to act in these organisations should not be confused with a lax performance culture.

To get the benefits of digitalisation, sponsors and portfolio management teams need to anticipate the multi-faceted impact on their organisations. Humatica has helped over 150 private equity backed firms master the challenge.