

BENEFITS OF **PRIVATE EQUITY PARTNERSHIPS**

Why Private Equity is becoming more prominent in the Irish Mid-market by Eoin O’Keeffe



The landscape of M&A transactions is complex and fast-paced, with diverse avenues for strategic growth and value creation. One such avenue is through a private equity (PE) transaction. For owners of businesses in the Irish mid-market, engaging with private equity can represent a transformative shift, enabling not only growth but also substantial value creation.

The journey into private equity transactions, while promising, is paved with intricacies and requires a nuanced understanding of the process, sector-specific knowledge, and strategic foresight. At FOCUS Capital Partners, we bring our vast experience in M&A advisory to bear on these challenges. Our established relationships with numerous private equity firms place us in a unique position to facilitate these partnerships, guiding businesses to navigate the PE landscape effectively and confidently. In this report, we explore why PE offers a different type of transaction & why so many Irish companies are choosing this route.

1

Flexible Structure: Majority / Minority Sale

A PE partnership's structure can be tailored to the owners' specific needs, offering the option of both a majority and minority sale. This flexibility can cater to owners who wish to partially monetize their efforts to date, as well as those who desire to maintain a hand in the ongoing operations. Whether owners aspire to retire, start a new venture, or stay engaged with their current business, private equity can accommodate a broad spectrum of post-transaction scenarios.

2

Opportunity for a Second Bite

As an owner, in a PE transaction, you will usually retain a stake in the business during the PE investment period as a result you stand to benefit from the value increase driven by the PE firm's growth strategies - often referred to as a second bite. In essence, this allows owners to retain a stake in the business, allowing them to benefit not just from the initial transaction, but also from potential future exits.

Once a private equity firm has invested in a company, they generally implement strategic plans and operational efficiencies aimed at increasing the company's overall value. This can position you for a subsequent, more profitable sale down the line. This second bite provides an opportunity to benefit from the accelerated growth and increased value of the company, maximising your total return over the long term. At FOCUS Capital Partners, our extensive experience and deep network within the private equity sector enable us to identify and facilitate partnerships with the PE firms best suited to your business. Our goal is to help maximise the value of your business and ensure that, should you decide to retain a stake for the second bite, the potential for growth and value creation is fully realised.

3

Sector Expertise

PE firms bring to the table a wealth of sector-specific expertise, often acquired over years of involvement in diverse transactions. This deep industry knowledge equips them with a unique understanding of market trends, customer behaviour, and competitive dynamics, thereby enabling them to provide insights that can drive growth and profitability.

Further, PE firms often have strategic relationships with experienced industry professionals and may facilitate their introduction into portfolio companies. This inflow of seasoned executives can bring fresh perspectives, enhance leadership capabilities, and infuse new energy into the organisation's vision and strategy.

4

De-Risking for Owners

Owners often find their personal fortunes intertwined with their business's financial health. A PE partnership allows for a significant diversification of personal net worth, reducing exposure to economic shocks & business downturns. It facilitates a safer environment for owners to pursue growth-centric strategies, backed by PE firms' risk-managed and high-growth agendas.

A significant benefit of these growth strategies is that they are often expansive, looking beyond organic growth to embrace mergers, acquisitions, and strategic alliances, fostering a robust and dynamic business environment. The PE transaction allows owners to de-risk and continue running the business.

5

Leadership Continuity

Navigating a change of ownership can be a turbulent period for any business. In many PE transactions, incumbent management teams are encouraged to stay in place, ensuring an uninterrupted flow of organisational knowledge and leadership acumen. By preserving the leadership team and therefore upholding company culture, PE transactions can mitigate potential shocks to the workforce, ensuring the entire organisation remains stable and motivated through the transition. The PE firm will usually wish to add complementary skills to the management team over time rather than disrupt or replace the existing management team.

6

Equity Incentives for Management

Equity partnerships can extend beyond the realm of ownership and into the heart of management. By offering equity stakes to the management team, PE firms can cultivate a sense of shared objectives, aligning the interests of all stakeholders towards the collective success of the business. This alignment tends to promote a more entrepreneurial culture within the organisation, fostering innovation and proactive problem-solving that can propel the business forward.

7

Access to Capital

PE firms are renowned for their ready access to capital. This financial strength can be instrumental in fuelling a company's growth strategy through strategic acquisitions, infrastructure upgrades, or attracting top-tier talent. Moreover, this readily available capital can enhance a company's financial resilience, fortifying its balance sheet, and providing a safety net against unforeseen market events. Many Irish companies wish to accelerate growth and sometimes debt structures can be prohibitive both in terms of cash flows, costs and leverage. Equity raises from PE can inject capital without inhibiting cash flow.

8

Navigating Growth Challenges

As businesses scale, they often grapple with new and complex challenges. Expanded operations often require refined corporate governance structures, while larger enterprises must manage more stringent reporting and compliance requirements. A more diverse and larger customer base may necessitate refined marketing strategies and customer relationship management systems. Experienced PE firms are well-equipped to provide guidance through these complexities. Their extensive background in dealing with large-scale businesses means they understand the challenges associated with growth and can provide practical, tested solutions. As such, a PE partnership can be instrumental in enabling businesses to manage the complexities of scaling, ensuring a smooth transition to becoming a larger enterprise, and unlocking their full growth potential.

Conclusion

The increasing popularity of private equity partnerships in the Irish market can be attributed to the significant benefits they offer businesses. Private equity firms can provide tailored financial structures, access to vast capital reserves, and unparalleled sector-specific expertise. Therefore, they represent a compelling pathway for Irish companies seeking strategic growth, value creation, and enhanced resilience in today's complex business environment. Navigating private equity transactions demands experienced guidance. At FOCUS Capital Partners, our role is to facilitate these transformative relationships, aiding businesses to explore this innovative landscape and maximising opportunities while managing the associated complexities.

If you are considering exploring the potential benefits of private equity partnerships tailored to your specific business needs, please contact us for an initial conversation today.



About FOCUS Capital Partners:

FOCUS Capital Partners offers a broad suite of corporate finance advisory and capital raising services, with a focus on Debt Funding, Equity Fundraising, Mergers & Acquisitions, Renewables & Infrastructure, and Tax. FOCUS has expanded into the United States by combining with Washington D.C.-based FOCUS Investment Banking to form FOCUS International, an international M&A services platform. The transatlantic firm provides sell-side, buy-side, and capital raising services to companies in Ireland, United Kingdom and the United States. We are a highly committed, outcome focused team of professionals who bring to each project a powerful combination of technical and financial expertise, extensive commercial experience, strong networks, and an entrepreneurial mindset. We deliver value by working in partnership with our clients and prioritising their needs. For more information, please visit our website <https://focuscapitalpartners.ie/>.

© 2023 FOCUS Capital Partners



Dublin Office

FOCUS Capital Partners
 Warrington House, Mount Crescent
 Street, Dublin 2
 D02 R256
 +353 (0)1 905 2970
enquire@focuscapital.ie

Limerick Office

FOCUS Capital Partners
 2nd Floor, Carlton House,
 Henry Street, Limerick,
 V94 FD80
 +353 (0)61 214 400
enquire@focuscapital.ie

USA Office

FOCUS Investment Banking
 8065 Leesburg Pike,
 Suite 750, Vienna,
 VA 22182
 +1 (202)785-9404
info@focusbankers.com