

PE DEALS: POWER FOR THRIVING BUSINESSES

Despite recent global events, local private equity (PE) remains a positive strategy to boost any business. The way organisations operate has undergone significant change with a new generation of owners emerging in the market. Private equity is a stable and supportive option to increase the liquidity of established entrepreneurial companies.

“South Africa’s PE investors continue to demonstrate they have both the appetite and funds available to do deals. We’re also seeing many companies using equity as a means of generating much needed liquidity, particularly now” says Liz Kolobe, principal dealmaker: Agile Capital.

Selling a portion of equity to a PE investor creates the requisite liquidity for an entrepreneur who has given their all to building a business, but it is also the opportunity to find the right business partner. Selecting the right PE partner is crucial to enable the realisation of a company’s long-term vision and add value from a business perspective. Ensuring a cultural fit is also an imperative as executive teams need to work closely together with their partners over the long term for success. Culture often proves to be the intangible asset that helps a business to succeed.

When executed effectively private equity partnerships are able to impact the business in additional and alternative ways – not just funding. Being able to make recommendations regarding optimal funding structures, future funding requirements and corporate governance for example. Additionally PE partners are ideal to use as a sounding board, discuss new business strategies or any operational concerns with; also individuals come with a wealth of knowledge along with networks, which is something any business should exploit. Businesses should view the new partnership as adding significant value both to the business and its long-term growth strategy.

“We believe that it’s important to know what type of equity will be provided and there are a number of options available”, notes Kolobe. “While PE requires investments to be made with an exit in mind, Agile offers more flexibility as regards the exit of our investments in that we can continue to partner and develop a business until the time is right to sell.” Ensuring the business is supported over the long term, allowing for sustainable organic growth.

When businesses partner with private equity it can mean a management buyout. Once it becomes an owner-managed business, changes in style and behaviour translate to a more entrepreneurial spirit. Having a strong and driven management team means that they look for new gaps in the market, improve efficiencies and the business grows organically while maintaining good governance practices. When considering inorganic growth, businesses need to do their homework, understand the sector and market before making a decision. By doing this, they will be properly equipped to chase the right deals – and ensure they are only adding strategic assets. Again, this is an area where PE partners are able to assist and add value. Agile Capital is 100% black-owned and so any investment also additionally augments the empowerment credentials of any business.

It’s important to keep looking to continue building our portfolios and making use of local expertise to develop and build the businesses we invest in. “In the long-term, investing successfully will prove to be about perseverance, market knowledge and partnering with the right people,” concludes Kolobe.