ACG® New York TresVista

We attended ACG New York's Family Office Luncheon Meeting. Here are five of our top takeaways from the panel discussion **'New Modes of Collaboration: *How Family Offices are Partnering with Independent Sponsors and PE Firms to Create Value*'** *Prepared by TresVista*

5 THINGS YOU MISSED –

1

Robust Venture Capital and Evolving Strategies: Doing business as a venture capitalist might sound easy, but often, stories of failure point out that lack of experience in a sector makes this business much more challenging. It is important that venture capital doesn't remain as just dumb money; instead, venture investors should ensure that they also add value to the business. This explains why venture capitalists often look to partner with those that can scale the business to another level. Also, a misconception that startups only pop-out of Silicon Valley was brushed away by the panelists, who advised investors to broaden their horizons beyond the region. The panelists noted that potential investees have become sophisticated as they already understand what they are signing up for, and the wide availability of capital has made them more selective.

2

Collaboration Through Co-Investments: Amidst the intense competition to invest in/acquire the best assets, family offices have increasingly looked to co-investments. This strategy involves pairing up with independent sponsors, PE firms, and other family offices in order to leverage their skills and expertise. Collaboration also often involves one family office introducing a portfolio company to another family office, thereby reducing transaction time and costs. Despite PE funds and family offices sharing common interests, ticket sizes and holding periods varied significantly. However, family offices now seem to be more interested in collaborating with PE funds due to the possibility of bigger cheques, and the opportunity to leverage PE firms' expertise across sectors.

3

Must-Haves for Effective Collaboration: Family offices often look to take a majority stake in their investments and therefore, would expect similar control of the board. The panel had argued that this is a must-have among any other requirements. While family offices usually stay in their lane in terms of operations, bringing in a PE fund can change this dynamic. It is vital to identify a co-investor who can add value to the investment—both at the board and operating levels. In-depth conversations with the independent sponsor or PE firm, therefore, become important.

4

Aligning Expectations: Setting and aligning expectations among co-investors is crucial, and a code of conduct agreed to before closing is one way to achieve this. Background checks; personality-workstyle mapping; and misaligned economic interests in the term sheet are all typical disruptors to effective collaboration.

5

Critical Lessons Learned: The panel highlighted that there were many lessons learned in the process of doing business, and a key area where missteps happen is in terms of not assessing the background and expertise of the sponsor in the deal. The panel explained, with real-life examples, why and how meeting each sponsor in-person is important in order to avoid surprises. On the other hand, the panel highlighted that the deal team mustn't just believe in any idea they come across, but rather should prototype the business, and abandon it if not convinced. The most important aspect, according to the panelists, is human capital (both pre- and post-close); the ability to make the right changes is critical to the success of a deal.

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