ACG Minnesota
Association for Corporate Growth

ACG Minnesota's Monthly Luncheon was held on November 19, 2019 at Windows on Minnesota in the IDS Center, Minneapolis, featuring the program The Evolution of Private Capital.

The Evolution of Private Capital

ACG Minnesota's monthly luncheon on November 19 featured a panel of presenters in private investment firms including Andy Cantwell, Managing Partner at Carlson Private Capital (CPC); Anna Sabiston, Vice President in Corporate Finance, Prudential Private Capital; and Mike McHugh, Managing Partner, GMB Mezzanine Capital; and moderator Gary O'Brien, Managing Partner, Hennepin Partners.

The Warm Up

After a personal intro and college alma matter football team shoutouts – Andy to University of Wisconsin – Madison, Anna to the University of Minnesota; and Mike to the University of Nebraska (noting the "N" on the helmet stands for knowledge) – we were ready to dig into the subject matter of the day: private capital.

Mike, an investor in the mezzanine space over the past 24 years, says if there's any gap (as in a gap between debt and equity financing), people come to GMB Mezz. Anna noted Prudential Private Capital's focus on providing long-term, patient capital as they invest globally from Minneapolis and twelve other offices with a combined portfolio of more than $90 billion. And Andy touched on CPC's focus on private equity and family capital investing that gives business owners an alternative third option.

In describing this option, Andy cited CPC as an example of a single-family private investment firm. These firms are especially viable as a partner for companies that are concerned with legacy and have historically longer timelines. The connection of investment to community impact is vital. This longer horizon and more holistic investment strategy is often a good fit for family businesses.

The Evolution

With that background, Gary turned the floor over to seasoned investor and recent empty-nester Mike to jump into the program topic: evolution of private capital. Mike brought us back two decades to the late nineties when ten-year treasury rates were at 16%, noting our recent rate range of 1-2%. This rate reduction in the industry helped raise private capital and grow it into the significant asset class it is today.

The discussion then moved to the past 15 years. Andy, a 24-year private equity veteran with experience in a middle market private equity firm and now a family private capital investment firm, cited the changes he has noticed. They include the increasing knowledge sellers have about traditional private equity, the heightened speed and compression around how businesses are sold (60-90 days, versus one year plus), and the idea that business is more transactional than relationship-driven. Not to say that relationships aren't critical and important, he noted. It's more about finding opportunity at a grassroots level and uncovering bigger opportunities earlier, then having the conversation.

Anna shared some insights on owner capital raising behavior as potentially based on event-drivers like liquidity needs and business transitions.

The Wrap Up
Gary guided the conversation into other observations from the panelists including commercial banks' ownership of a smaller piece of the pie while the private equity slice is larger (the late eighties places private equity at 20% while today it is at 40%), and the reality that options exist now to support businesses across different time horizons.

With the well-rounded background and industry expertise of the panelists, it turns out all anyone really wanted to know was what industry should they avoid investing in. All joking aside, Mike offered the idea that the timing of an upcoming recession can't be predicted, but it's key to diversify accordingly and to have liquidity – essential to surviving any downturn. Anna touched on the concept of staying disciplined over time, exercising patience and aspiring to the idea that recessions do create opportunities. Andy echoed these points, citing the investment advantages of finding a promising company that may be under current stressors, but not beholden to the short term performance. In this way, companies can actively play offense in a downturn.

Thank you to all of our sponsors who make it possible to bring in speakers like Mike McHugh, Anna Sabiston and Andy Cantwell. ACG Minnesota ***Platinum Sponsors*** *Associated, Avisen, Allied Executives, Bremer Bank, BDO, Chartwell, CIBC, DFIN, Lurie LLP, Quazar, Gray Plant Mooty, Carlson School, Redpath and Company, Twin Cities Business and Winthrop & Weinstine; and ACG Minnesota* ***Gold Sponsors*** *Baker Tilly, Ballard Spahr, Bank of America Merrill Lynch, CLA, Dorsey, Fredrikson & Byron P.A., Faegre Baker Daniels, Growth Operators, Insperity, Merrill Corporation, Passkey, Riveron, RSM, Stinson, Wilkerson Guthmann and WCF.*