

COVER STORY

Personnel push: GPs beef up deal-sourcing and operating teams

By David M. Toll

Sourcing and operations staffers are in particular demand since firms need to find proprietary deals and move quickly to improve the companies they acquire.



Heather Hammond, partner, Russell Reynolds Associates. Photo courtesy of the firm.

Buyout and growth-equity firms continue to hire talent at a rapid pace this year, driven in part by strength in fundraising and by the growing need to extract bargains from a white-hot market for deals.

The sale of minority stakes by firms, often a precursor to diversification, has also fueled hiring.

"I would say it's been one of the more aggressive hiring phases I've seen, and we've been an independent company for 17 years," said **Solveigh Marcks**, founder and managing director of executive search firm **Denali Group**.

Marcks said her business of hiring VP-through-partner-level positions for mid-market and large-cap buyout shops has risen 20 percent relative to an average year, as measured by number of placements. "That's a pretty good jump," she said.

Heather Hammond, who recruits for mid-market and large-cap firms as a partner in the financial-services practice at **Russell Reyn-**

olds Associates, described as "fairly robust" her firm's business of hiring principal-to-managing-director professionals this year.

Executives with expertise in deal sourcing and operating businesses are particularly sought-after, she said, given that firms need to find proprietary transactions and make rapid improvements in portfolio companies once they are acquired.

"My sense is that we're obviously at the end of a cycle," Hammond said. "Firms have raised a decent amount of money. They want to be able to put that capital to work sooner rather than later."

Marcks and Hammond both said that a desire to diversify into complementary businesses such as credits and special situations has also contributed to the crush for talent.

Such hiring often comes in the wake of selling a minority-stake investment to an outside firm, which can produce capital needed for the expansion. Diversification can also come in anticipation of such a sale, to make the firm more attractive to investors.

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The “higher quality, bigger franchises” are able to raise money for other investment strategies, said Marcks. “They can expand the investor base a little bit. They can also improve the overall value of the general partner.”

Among the firms that have been especially busy on the hiring front this year include the following, according to a review of recent *Buyouts* stories:

- **Providence Equity Partners**, the media-focused firm that has sold minority stakes in a pair of transactions over the past six years to help fuel expansion, added two managing directors, **Bill Aliber** and **Brian Shin**, to the team of its strategic growth capital affiliate. The affiliate invests in lower-mid-market tech-enabled service companies. It lists six managing directors on its website (not counting the CEO).

- **Atlantic Street Capital**, which buys companies in the lower end of the middle market, earlier this year added seven operating advisers: **Pat Jones**, **Rizwan Khan**, **Roy Serpa**, **Katie Sick** (operating associate), **Susan Stautberg**, **Tim Sutton** and **Tamie Valentini**.

- **Blue Wolf Capital Partners** has hired at least four new operating partners this year: **Alice Mann**, **Richard Kobor**, **Don Armstrong** and **Tom Tomlinson**. The firm gravitates toward more complex situations, such as companies with a heavy union presence.

- **BlueMountain Capital Management** recently hired two new senior professionals, **Ameya Agge** and **Matt Jameson**, to source, evaluate and execute healthcare deals. Agge previously worked at **Apax Partners** while Jameson had worked at **Highland Capital Management**.

Survey Results

All told, more than a quarter (26 percent) of North American buyout and growth-equity firms had planned to add partner-level investment professionals this year, according to a survey conducted this spring and summer for the 2018-2019 edition of the *Holt-MM&K-Buyouts Insider PE/VC Compensation Report*, published by **Buyouts Insider**. That was down somewhat from the roughly third of firms that actually did add partners last year.

Below the partner level, 71 percent had planned to hire investment professionals this year. That was way up from the 43 percent that actually did so last year.

Altogether 23 North American buyout

Staffing Changes in 2017 and projected in 2018 - Investment Professionals (Partner/M.D.)

Firm Classification	Increase				Decrease				No Change	
	2017		2018		2017		2018		2017	2018
	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)		
LBO/VC/Mezz	32%	25%	31%	25%	9%	18%	12%	20%	59%	57%
LBO / Growth Equity	33%	38%	26%	21%	4%	20%	9%	18%	63%	65%
Venture Capital	30%	33%	50%	25%	8%	17%	10%	17%	63%	40%
Mezzanine	9%	33%	0%	0%	18%	17%	33%	20%	73%	67%
Fund of Funds	7%	33%	18%	28%	21%	14%	45%	100%	71%	36%
Real Estate/Corp Venture/Debt	38%	25%	33%	21%	25%	14%	50%	8%	38%	17%
Secondary/Co-Investment	13%	20%	17%	16%	25%	14%	42%	13%	63%	42%
Institutional	35%	33%	19%	22%	0%	0%	38%	100%	65%	44%
All Firms	13%	20%	28%	16%	25%	14%	25%	13%	63%	47%

Source: 2018-2019 Holt-MM&K-Buyouts Insider PE/VC Compensation Report

Staffing Changes in 2017 and projected in 2018 - Investment Professionals (Non-Partner/Non-M.D.)

Firm Classification	Increase				Decrease				No Change	
	2017		2018		2017		2018		2017	2018
	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)		
LBO/VC/Mezz	31%	26%	56%	40%	21%	27%	21%	40%	48%	23%
LBO / Growth Equity	43%	21%	71%	33%	18%	21%	13%	100%	39%	17%
Venture Capital	39%	20%	53%	36%	17%	14%	27%	70%	44%	20%
Mezzanine	30%	33%	56%	50%	10%	14%	22%	57%	60%	22%
Fund of Funds	64%	20%	55%	29%	0%	0%	27%	100%	36%	18%
Real Estate/Corp Venture/Debt	29%	33%	50%	14%	14%	14%	17%	100%	57%	33%
Secondary/Co-Investment	50%	23%	67%	29%	0%	0%	17%	100%	50%	17%
Institutional	67%	18%	50%	29%	6%	3%	33%	100%	28%	17%
All Firms	41%	22%	67%	29%	14%	0%	17%	100%	45%	17%

Source: 2018-2019 Holt-MM&K-Buyouts Insider PE/VC Compensation Report

and growth-equity firms filled out detailed surveys on their compensation practices for the 2018-2019 edition of the report. Participating firms have average committed capital of \$1.7 billion to all active funds.

Hiring has also been strong on the administrative side of buyout and growth-equity firms, according to the report.

Some 22 percent of North American firms had planned to add partner-level administrative staff this year, up from the 17 percent that actually did so in 2017.

Below the partner level, half of all firms had planned to add administrative and support staff this year. That would mark a big

rise from the 31 percent that actually added staff at this level last year.

Wondering whether your firm has some hiring to do to keep pace with your peers when it comes to such ratios as committed capital, management fees and portfolio companies per investment professional?

According to the study, the median assets under management per investment professional at North American buyout and growth-equity firms is \$100.2 million; the median management fee income per investment professional is \$900,000; and the median number of portfolio companies per investment professional is 1.2.