NACD New York Chapter Meeting
Tuesday, December 12, 2017

"Unlocking Corporate Value – Lessons from Private Equity"

Panelists:

Larry Benjamin, Senior Advisor, New Mountain Capital
Adam Suttin, Managing Partner, J.W. Childs Associates, LP

Moderator:

Richard De Rose, Managing Director, Houlihan Lokey Inc.

The program addressed the strategic, operating and governance factors that drive success at private equity-owned companies and how those factors differentiate PE-owned companies from their public company counterparts. The discussion focused on private equity's clarity on strategy and value creation, the greater engagement of portfolio company directors and the more continuous and rigorous interaction between management and the board.

Key Takeaways from the Views Expressed

- PE directors are often involved very early, even before joining a board. They often help select acquisition candidates, participate in due diligence, and help formulate the strategic plan for the first 100 days.  As a result, they 'hit the ground running.'

- PE directors bring a sense of 'urgency'  and rarely are 'passive"

- PE directors will give current management 2-3 months to prove themselves; and if found deficient are removed.

- PE CEOs are replaced at a rate of 65% over a two year period

- PE directors join the board with a 3-5 year horizon to create value through a sale or IPO ofl the company vs. public directors who often are focused quarter to quarter

- PE directors have 'skin the game' through stock ownership and therefore have a much greater stake in the outcome

- PE directors spend 3x the amount of time on board matters vs. their public company counterparts

- PE involves the full board much more across all business activities vs. the committee approach utilized by most public company boards.

- PE boards are learning to adjust to issues that public boards grapple with, including diversity, outside constituencies, ESG and ‘soft’ issues

Contributed by NACD member, Allan Grafman