

Insights from the Spanish Private Equity Breakfast

Cheap money, high liquidity, a good economic cycle and strong competition: these talking points were identified during the [Private Equity Breakfast in Barcelona](#) co-hosted this October by the international law firm CMS and international Executive Search firm Pedersen & Partners, in which representatives from well-known Spanish private equity and venture capital firms discussed how to deal with current conditions while preparing for possible future economic downturns. Panellists discussed the economic cycle, deal generation and exit strategies in a lively and agile atmosphere.

How do private equity investment strategies change during times of high macroeconomic uncertainty? What are the best risk protection strategies for portfolio companies? What can private equity investors learn from venture capital investors? How to deal with high valuations and high leverage? Where are the opportunities for successful deals?

These were just some of the questions discussed at the high calibre Private Equity Breakfast, which gathered more than 70 professionals to ensure a range of perspectives, among which: Santiago Gómez, Founding Partner of Proa Capital, and Juan Leach, Managing Partner of Miura Private Equity. The panel discussion was co-chaired by José Maria Rojí from CMS and Poul Pedersen from Pedersen & Partners. Carlos Peña gave a welcome message from CMS, together with Alvaro Arias, co-head of the global [Private Equity Practice](#) at Pedersen & Partners.

Economic cycle

There was a consensus that Private Equity is undergoing a good period in terms of deal generation, exits and fundraising in an environment of high liquidity. Nevertheless, there is high uncertainty with regard to the economic cycle. It seems, that we are reaching a peak, so investments should be cautious, limiting the amount of leverage in transactions as a protective strategy for downturns in the economic cycle.

Fund raising and exits

Fund raising has never been so easy. Exits are also less troublesome than before, due to high liquidity, the readiness of banks to give credit and availability of funds with a strong appetite for investing (more than 50% of the exits in Europe have been secondary for three quarters in a row). Nowadays the problem is in valuation, as multiples are inflating up to 10 times and above.

Deal generation

The race for deals has already started and promises to be very competitive in an environment of cheap money, high liquidity, good economic cycle and high competition. One trend we see growing is that fund managers are migrating toward bigger deals fuelled by their LPs keen to invest direct avoiding management fees.

Others are seeking deals in the range of €2-5 million euros, formulating creative buy & build strategies.

Meanwhile, in the mid-market, high inflated multiples and trade buyers make it very difficult to close deals without risking returns. Partnering with owners and co-investment seems to be a wise strategy in this environment; there is something to be learned from venture capital firms.

Managing the portfolio

More than ever, it is an increasing challenge to manage portfolio companies in order to maintain high returns. Managers should be focused on their business, not on how to repay debt.

Finally, fund managers have many options for increasing value through internationalisation, professionalisation, increasing the product range, integrating new companies, implementing new information systems, improving the organization structure, implementing a better governance model and making the decision process more agile.



[Alvaro Arias Echeverria](#) is the Partner in charge of Iberia and Latin America at Pedersen & Partners. Mr. Arias Echeverria brings over 15 years of Executive Search experience, having successfully completed Executive Search assignments across Europe and Latin America with a particular focus on Retail, FMCG, Financial Services, Health, and IT. Prior to joining the firm, Mr. Arias Echeverria held senior positions as a Partner and member of the International Executive Committee of an international Executive Search firm based in Austria. Earlier in his career, he was a Principal with a world-leading Executive Search firm based in Switzerland and Senior Manager at AT Kearney. He was also Professor at IESE Business School where he founded and led its International Finance Research Centre in Barcelona and Madrid. Mr. Arias Echeverria graduated as an Engineer from the Polytechnic University of Madrid. He holds an MBA from IESE Business School and has completed the Doctoral Program in Corporate Governance from the City University Business School in London. He speaks native Spanish, fluent English and conversational Portuguese.

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Anastasia Alpatcova, Marketing and Communications Manager at: anastasia.alpatcova@pedersenandpartners.com