MVISION

Q&A

MOUNIR GUEN

Chief executive, MVision

MVision worked with Waterland on its recent €2bn fund close. Mounir Guen discusses the reasons for LP interest in the fund and how a long-term relationship between adviser and GP can expedite the process.

MVision advised Waterland Private Equity on its new €2bn fund, WPEF VII, which has closed less than three years after Waterland's previous fund. Why was demand for the vehicle so strong?

Waterland has an outstanding track record and a differentiated strategy. The firm has a proven ability to identify changes in sectors around Europe where they have a presence, and then turn the platform companies into market leaders. Unlike many other buyout firms in the region, they are not focused on globalising European companies. What they do is form new companies.

LPs value diversification in their portfolios, and one of the key questions they will always ask us is how a manager offers something different to what is in their portfolio already. Waterland's offering is highly differentiated and that appeals to investors in a big way.

It is also worth mentioning that Waterland has deep local teams and opened new offices in Manchester and Copenhagen. The firm is not standing still and LPs notice that.

It took less than two months for WPEF VII to close. To what extent did the way you set up the fundraising process aid the speed of the raise?

This is Waterland's seventh fund and we have been working with the GP from day one. During this time we have been responsible for each investor relationship, so we have a deep understanding of every LP and any changes in personnel, process or policy.

We are also in regular dialogue with the GP about all their investor activity they have. What this means is that we understand their current and potential LP base to the dot. We know exactly what kind of reporting and access they need and what questions they will ask, so we can execute the fundraise according to the specific needs of each investor. The power to understand the audience has a material impact on the speed of a process.

Waterland also was innovative in the process, for example, onsite visits where eight to ten investors came a day to the office to meet the firm's investment professionals and portfolio company chief executives. This used to be all done offsite, but bringing investors to the office was significantly more powerful.

Is tailoring execution according to the needs of various LPs typical of all fundraisings?

In most cases a fundraising will involve preparing the message, carefully assessing regulatory matters, building the book, answering questions and finalising the legals and KYC.

For the Waterland fundraise detailed knowledge of the LP base meant that we could clear legals at the very beginning, so that it came down to a pure investment decision for the LP.

There was not a single name that we were not familiar with so we could move quickly. There was no need for introductory meetings during the fund raise, there was no travel and the GP had all the regulatory structures and passporting in place to enable correct process. The legal counsel and fund administration were fully actively involved in the full fund raise.

Every single processing investor could be contacted within hours of going over topics and we could account for every one efficiently.

Is this the way that fundraising is going? Will more processes involve things like early legals, onsite visits and bespoke execution?

It can be done, but only if GPs maintain an active dialogue with advisers on all aspects of their investors.

If that close dialogue and relationship happens, then when the time comes to fundraise preparation time is significantly truncated.

In the case of Waterland, for example, our relationship with the firm and legal counsel means we know the portfolio, key people, pipeline inside out as well as key regulatory topics.

It enables execution to a high level efficiency and keeps any delay to an absolute minimum. This is something that we keep telling our GPs.

It seems stapled secondary transactions are climbing. What are the implications for how managers secure capital?

This is something that has been in motion for a long time now, but is only becoming more visible now. It does feel like some of our competitors are doing nothing other than these kinds of deals.

I am old school and for me the focus should not be on raising a fund but on funding a business – and providing solutions to move that business forward. Sure, you can ask for a staple, but it is entirely possible to find a solution without the need for one. If a fund has some kind of portfolio impairment and managers are looking at the options, they can jump to the staple too quickly.

Say there is a group of assets in a portfolio that are in their tenth year and barely above water, but there are three companies in the portfolio that could more than triple in value in the next five years. You can take that to a experienced and innovative secondaries firm, who can put together an proposal that generates value for existing investors from a portfolio that they know well. For the GP, they can reset their waterfalls and provide a solution that meets investor long term targets, and also have some new capital for the companies. It makes LPs much more likely to reengage for a fundraising. You can achieve this without having to staple anything.