



## Capital Raising – Placement Agents

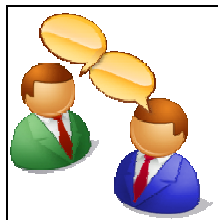
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### **Definition:**

**Placement Agent:** A company that specializes in finding institutional investors that are willing and able to invest in a private equity fund or company issuing securities. Sometimes the "issuer" will hire a placement agent so the fund partners can focus on management issues rather than on raising capital. In the U.S., these companies are regulated by the NASD and SEC.

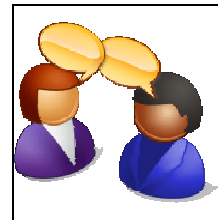
Typical breakdown of the placement business:



**Getting Hired by GPs**



**Project Management**



**Market GPs to LPs**

### **Their Value-Add to GPs**

Placement Agents are well aware that the market is competitive, as almost every investment bank has a placement group and there are even more independent advisors with significant track records. These agents also realize they can have their mandates to run the entire fund raising process cut down, or “carved out” for other placement agents. Therefore, these advisors are constantly trying to satisfy the GPs with advice, a smooth running of the fundraising process, but most importantly closings for their funds. The ultimate goal is to be hired again by a fund looking at its next fundraise.

But the placement business has changed over the past few years. Previously, these advisors were both hired and congratulated for a job well done by simply introducing private equity funds to Limited Partners (the investors). That model just does not work any longer. Today, Placement Agents are highly valued advisors who both understand and know their LPs and the market’s appetite for different strategies. They will advise and assist fund managers with their marketing materials, presentation, scale back fund

sizes (if too large) and develop a strategy for going to market (U.S. vs. foreign investors, Pension Funds vs. Family Offices etc).

### **Their Value-Add to LPs**

For Placement Agents, they have the tricky responsibility of constantly trying to satisfy their LPs with good product and winning new business from desirable GPs. PA's want their LPs to value their judgment in order to establish long term, deep relationships. Not all Placement Agents see their role as a trusted advisor to limited partners, but instead as simple sales people. One endowment recently commented to YVCS for PAs, "not to call with "Product" but instead to understand why the LP should look at the strategy, and potentially invest in the fund.

### **Independent Placement Agents vs. Investment Banks?**

With a greater platform to work off of, multiple contact points with Limited Partners through other fund's capital raising efforts, as well as financial sponsor coverage in the investment banking division, it seems likely that they have an edge. However, some of the most money raised in the past few years for funds has been by the independents:

- Mvision (<http://www.mvision.com/>)
- Monument Group (<http://www.probitaspartners.com/>)
- Probitas Partners (<http://www.probitaspartners.com/>)
- Park Hill (<http://www.parkhillgroup.com/index.html>), a former independent placement agent, is currently a subsidiary of the Blackstone Group

On the investment banking side, Credit-Suisse is extremely powerful and considered the most dominant of all players (investment banking or independent agents). Operating on both private equity and real estate funds, CS, advises some of the most successful GPs in the market today. Additionally, Merrill Lynch, Lehman Brothers and Lazard all operate successfully in the marketplace. Lastly, Bear Stearns' recent acquisition of Crane Capital, a European focused placement agent, has strengthened their capabilities by offering GPs a differentiated investor base.

### **Fees and Terms**

Some of the key terms to work out are length of time to execute the fund raise, lead vs. carve out and the ever important fee, usually between 1 and 2% of funds raised. A separate article dissecting a term sheet and its fees and terms of placement agents will be disseminated soon.

### **Comments or Feed back**

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