

Dial W for liquidity

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A new firm finds deal flow in the more than 1000 corporate venture programmes launched during the boom.

David Wachter, a managing director at New York's W Capital Partners, wants to make one thing very clear – secondary direct private equity transactions are not a blip.

Quite the opposite, Wachter argues: 'The sale of existing interests in private companies is becoming a permanent liquidity feature in a transforming market.'

W Capital seems to have won over a number of investors with this thesis. Last month the firm closed its debut fund on \$250 million (€209 million), having set out on the fundraising trail a year ago with a goal of \$150 million.

It helped matters that the firm was afforded capital to test its strategy prior to holding a first close. W Capital has already completed six acquisitions of direct private equity portfolios with backing from Goldman Sachs, which is funding similar efforts in New York with Protostar Partners and Vision Capital in London. W Capital typically has spent between \$5 million and \$25 million per acquisition, but it will consider deals valued up to \$100 million. Its only announced deal to date was last year's acquisition of the direct venture capital investment portfolio of plastics and aluminum company Tredegar.

Wachter says there are many more deals like Tredegar waiting to happen. He estimates that during the 1990s, no fewer than one thousand corporate venture programs were established. "Only a handful of these have been liquidated," he adds.

Wachter predicts that while many of these corporate programs will close shop, many others will use firms such as W Capital as ways to sell off private equity investments that have proven non-strategic to free up capital for new investments.

W Capital also expects deal flow from rejiggering financial institutions such as banks and insurance companies, and from other GPs, who want to sell off 'orphan' portfolio companies stuck in older funds.

Don't expect to hear much more from W Capital, at least not in a public forum. Wachter says one of the things he hears most frequently from sellers is "they like doing business with us because they don't read about it in the press."

Liquidity for private equity may be here to stay, but we'd like to know if sellers will forever be sheepish about it.

Private Equity International has recently published an extensive examination of liquidity in the private equity asset class titled Routes to Liquidity. This 224-page research guide includes the results of a unique survey into attitudes towards the secondary market amongst secondary buyers, sellers of limited partner interests and GPs. For further details and to order your copy [click here](#) or call the order hotline on +44 (0)20 7906 1181.

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