Firms & Funds

'Good guy' investor HGGC wraps up fourth flagship vehicle at $2.5bn-plus

Fund IV provides 'fresh capital to invest' as economic uncertainty and volatility begin to ripple through the deal market, creating an 'opportunity of a lifetime,' CEO Lawson said.

By **Kirk Falconer** - 2 hours ago

Rich Lawson, HGGC

HGGC is entering a rich deal environment with "plenty of dry powder" after closing a fourth flagship mid-market offering at $2.54 billion, CEO Rich Lawson told *Buyouts*.

HGGC Fund IV was wrapped up this month ahead of a target of $2.25 billion. It is the largest fund to date for the Palo Alto private equity firm, almost 38 percent larger than its predecessor, which secured $1.85 billion in 2016.

In keeping with past practice, the GP was a top investor, Lawson said, committing "well above 3 percent." This supported alignment with more than 170 LPs across 25 countries, including existing LPs making "significant re-ups" and new LPs, many of them in Asia and the Middle East.

HGGC was fortunate to close its latest flagship prior to the recent slowdown in fundraising, Lawson said. He is also pleased to have "fresh capital to invest" as economic uncertainty and volatility begin to ripple through the deal market, creating an "opportunity of a lifetime."

"Fortunes are made in these situations," he said, "especially if you have the capital and deploy it in a flexible way."

HGGC specializes in making control, shared-control and minority investments in mid-market companies operating in business and tech-enabled services, consumer, financial services, and software and technology sectors. It typically writes checks of $50 million to $500 million for businesses with EBITDA of $20 million to $200 million.

In a deal environment facing headwinds, HGGC's focus on buy-and-build, business transformation and organic growth strategies will take on a "different complexion," Lawson said. "There will be a different patina on the deal."

For example, while the firm did relatively few public-to-private deals in the high-valuation markets of 2020 and 2021, it expects to see a "huge opportunity on the take-private side," he said. HGGC also anticipates playing an investor role in growth companies "when sellers' expectations finally moderate."

'Good guy capital'

A differentiator of HGGC's strategy is its so-called "advantaged investing" approach. This helps it source and invest in businesses with strong positions in defensible niches through close partnerships with founders and management teams, LP co-investors and co-sponsors.

"Our goal is to create a better company under our ownership," Lawson said. "We do that by trying to be a flexible, creative problem-solver."

The approach has contributed to HGGC's market reputation as a source of "good guy capital," he said. "We're not masters of the universe looking to effectively beat up on other financial sponsors or competitors. We're very collaborative."

One measure of this is the PE firms "we tend to go back to," he said. Examples include Harvest Partners, which in 2019 partnered with HGGC to recapitalize Integrity Marketing Group, a provider of life, health and wealth solutions. In December, Silver Lake led a $1.2 billion investment in Integrity, with Harvest and HGGC retaining stakes.

Another illustration is seen in FullScript, an integrative medicine tech platform, which last year received a $240 million investment from HGGC and Snapdragon Capital Partners. In March, FullScript bought Emerson Ecologics, nearly doubling annual revenue and doubling the number of practitioners and patients it supports, *PE Hub* **reported**.

'A few more deals'

Fund IV will maintain HGGC's longstanding strategy, making use of the deeper capital pool to "do a few more deals," Lawson said.

Targeting a dozen to 14 platform companies in all, the fund has already backed several. Along with FullScript, they include Aspire Holdings, a vehicle set up to hold the firm's investments, such as WA Asset Management, in the "highly fragmented" registered investment adviser space, Lawson said. HGGC plans to invest up to $300 million.

Fund IV also completed its first exit: PCF Insurance Services, a player in the national commercial brokerage market. Acquired in 2020, PCF completed roughly 100 acquisitions before being sold last year in a management and partner-led buyout that valued it at more than $2.2 billion. HGGC retained a minority interest.

Founded in 2007, HGGC is led by Lawson and chairman Steve Young, a former Pro Football Hall of Fame quarterback who played for the San Francisco 49ers. An investment team of just under 40 professionals include partners Harv Barenz, Les Brown, David Chung, Bill Conrad, Steven Leistner, Lance Taylor and Neil White.

Dyal Capital, the GP stakes arm of Blue Owl Capital, made a minority investment in HGGC in 2019, in part to facilitate GP commitments to new offerings.