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HGGC Fund III reaches \$1.84 bln as Steve Young celebrates 16 yrs in PE

December 15, 2016 By [Luisa Beltran](#)

- HGGC Fund III's target was \$1.5 bln
- HGGC Fund II collected \$1.33 bln in 2015
- About \$500 mln of Fund III came from new LPs



HGGC's third fund needed less than 100 days to blow past its \$1.5 billion target and close at its \$1.75 billion hard cap. Just in time for **Steve Young's** holiday party.

Including about \$80 million in GP commitments, HGGC Fund III weighed in at \$1.84 billion, said **Rich Lawson**, co-founder and CEO.

"We couldn't be more delighted with the outcome of our very short fundraiser," Lawson said.

About \$500 million of Fund III came from new LPs in Asia and the Middle East, he said. Fund III investors include public and private pension funds, sovereign-wealth funds, insurance companies, family offices and other institutional investors in North America, Europe as well as Asia and the Middle East.

Evercore was global placement agent, while **Kirkland & Ellis** was the attorney, a statement said.

The strategy

At \$1.84 billion, HGGC Fund III is bigger — nearly 28 percent bigger — than the firm's second pool, [which collected \\$1.33 billion in 2015](#). Other firms may opt to double the size of their funds or launch multiple strategies but HGGC is committed to investing one fund at a time. The firm had \$3 billion of demand for Fund III, Lawson said. "We didn't do it. We said no," he said. HGGC remains focused on its strategy, which he called "old-school private equity."

Another reason HGGC is successful? The Palo Alto, California, middle-market firm never buys stakes less than 51 percent. It also treats all sellers, whether they are large sponsors like **Vista Equity Partners**, or a founder or a management team, the same. "We make all the sellers reinvest," Lawson said. "When they [do,] they are less focused on the highest price because they're not leaving."

It is this requirement that has helped HGGC pay lower deal multiples than other firms, he said. HGGC's second fund completed 26 acquisitions at median purchase-price multiples of under 8x. "We bought **Serena Software** from **Silver Lake** for 5.4x EBITDA," he said.

High prices forced many PE firms to sit out the 2015 M&A market, *Buyouts* has reported. Firms have returned as buyers this year and are paying prices that Lawson called "staggering." The need to invest coupled with the low-interest-rate environment and the proliferation of non-bank lenders enabling GPs to borrow more is causing the high prices, he said. Some software companies are fetching 14x, he said.

"There's too much dry powder and too many people chasing too few deals," he said. "This is not going to end well for some folks."

The completion of fundraising also coincided with a meaningful anniversary for another HGGC executive. Young, co-founder and managing director, clinched 16 years in PE this year. Young is a former quarterback for the **San Francisco 49ers**. He retired in 1999 after spending more than 15 years in the NFL, his biography said. "He's been my partner since he got out of football," Lawson said.

Every year, Young hosts the firm's annual holiday party. "We got the fund done before [his] holiday party, which is tonight," Lawson said.

Action Item: To contact Rich Lawson email rlawson@hggc.com