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DEALS | NORTH AMERICA

Dyal Capital Partners Takes Minority Stake in HGGC

The Silicon Valley firm promoted a slate of new partners after the passive investment



Pro Football Hall of Famer Steve Young is president of HGGC. PHOTO: DON WRIGHT/ASSOCIATED PRESS

By **Chris Cumming**

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Midmarket-focused private-equity firm HGGC has sold a minority stake to Neuberger Berman Group LLC's Dyal Capital Partners.

Dyal took a passive, nonvoting stake, the companies said in a press release Tuesday. Terms weren't disclosed.

HGGC, formerly known as Huntsman Gay Global Capital, is led by Chairman and Chief Executive Rich Lawson and President Steve Young, a Pro Football Hall of Fame quarterback who played for the San Francisco 49ers.

The Palo Alto, Calif., firm was started in 2007 by Jon Huntsman Sr., founder of chemical company Huntsman Corp., and Bob Gay, a former managing director of Bain Capital. It raised a \$1.1 billion debut fund in 2009. In 2012, Mr. Gay stepped down as chief executive to take a position with the Church of Jesus Christ of Latter-day Saints, though he remains an executive director of HGGC. In 2013, the firm rebranded as HGGC and Mr. Lawson took the reins as CEO. Mr. Huntsman died last year.

HGGC didn't immediately provide information on whose ownership stake was reduced through Dyal's investment. Before that investment, Messrs. Lawson and Young each owned between 25% and 50% of the firm, while Chief Operating Officer Les Brown, Chief Legal Officer Kurt Krieger and Chief Financial Officer Lance Taylor each held stakes of less than 5%, according to a September 2018 Securities and Exchange Commission filing.

Dyal's investment won't affect day-to-day management or decision-making, according to the companies. HGGC also announced five promotions to partner following the investment: Messrs. Brown and Taylor, John Block, Steven Leistner and Harv Barenz. In addition, the firm said it made five other promotions and six new hires.

Over the past 12 months, Dyal has announced half a dozen minority investments, including in American Securities LLC, Golub Capital LLC and Clearlake Capital Group. The firm was formed in 2011 by a former Lehman Brothers executive and buys stakes generally between 10% and 20% in private-equity firms and other alternative-investment managers.

Dyal is aiming to raise \$7 billion for its fourth fund, after closing its third at \$5.3 billion in 2016.

HGGC closed its second pool of capital in 2015 at \$1.33 billion and its \$1.84 billion third fund the next year. The firm invests in a range of North American middle-market industries, with an emphasis on technology and information services, and generally invests between \$25 million and \$200 million in companies with up to \$100 million in earnings before interest, taxes, depreciation and amortization, according to an SEC filing.

Evercore provided HGGC with financial advice on the transaction, while Kirkland & Ellis served as its legal adviser.

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