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In Their Own Words: HGGC's Rich Lawson

Courtesy of HGGC

As the New Year approaches, Private Equity Beat reached out to various members of the private equity community to hear their thoughts on the year that passed and the challenges that lie ahead. Today, we caught up with Rich Lawson, co-founder and chief executive of HGGC.

What surprised you the most about 2013?

A much slower pace of deal making than expected, in part driven by record level of investment at the end of 2012. With increased competition, aging dry powder and constructive debt markets, quality companies garnered record valuations in compressed timelines. Exit activity was also slower than expected. Given these conditions, firms who succeeded were those who broke from highly competitive sale processes and distinguished themselves as operationally supportive, relationship-focused firms.

What do you think will be the biggest challenge the buyout industry will face in 2014?

There continues to be record levels of capital flowing into private equity and there is a growing need to do deals. Large cap firms continue to enter the middle market, which has increased competition and driven valuations. Given these dynamics, it will remain imperative for firms to be selective in their investments and measured in their valuations to provide the returns expected by LPs.

What do you think will be the most attractive opportunity in your segment of the market in 2014?

We invest across sectors, particularly in the information services, consumer, and industrial verticals, and we expect to continue to invest behind the thesis of partnering with technology companies that influence traditional vertical markets, be it in retail, health care or media, to name a few. The change in consumer behavior driven by mobile commerce will continue to disrupt traditional software providers, and these challengers will turn to experienced firms that can add value beyond capital to drive growth.