

Private equity gets a lifeline for research

Martin Arnold

London Business School has become the beneficiary of a philanthropist's wish to help understanding of the sector, writes Martin Arnold

Many private equity executives grumble about their poor public image, but most do little to fix it. Jeremy Coller, head of one of the UK's biggest private equity groups, is putting his money where his mouth is with a multimillion-pound donation to London Business School to bolster public understanding of his industry.

The credit crunch has made life much tougher for private equity. But Mr Coller of Coller Capital says the industry is here to stay. He argues that academic research into private equity - still a nascent field - has a big role to play in the growth and evolution of his profession.

Mr Coller's £3m-£8m (\$5m-\$14m) donation - from his family foundation - is designed to cement the place of London Business School's private equity institute as the world's pre-eminent centre for teaching and research in its field.

"We want to learn more about ourselves in the industry and to have more case studies," says Mr Coller.

Created four years ago with financial support from Coller Capital, Barclays Wealth, and the law firm Kirkland & Ellis, London Business School's Private Equity Institute is one of the biggest in its field, with 340 students signed up to join the course this year. It will be renamed the Coller Institute of Private Equity.

"To make a more sophisticated market, there needs to be more academic research," says Mr Coller, who last year raised \$4.8bn for the world's biggest secondaries buy-out fund, purchasing second-hand private equity interests from other investors.

The Coller Capital boss dismisses the idea that the credit crunch has sounded the death knell for private equity. "It is foolish to say this is the beginning of the end. We are right at the beginning of private equity," he says.

He believes private equity - the use of long-term capital from investors and loans from banks to buy companies with the aim of selling them a few years later for a higher price - would be more popular with the public if it were better understood.

By investing money for pension funds, insurers and asset managers, Mr Coller says, private equity is "democratising wealth" by allowing millions of pensioners and savers to replace the church and aristocracy as the biggest owners of private assets.

"[It's] moving from ownership by the few to ownership by the many," he says. "What the man in the street needs to realise is that they can take ownership of their pension fund."

Eli Talmor, the professor chairing the Coller Institute of Private Equity, says the donation secures its long-term future and will allow it to be more ambitious in its research projects and in developing case studies.

"We have been working on a shoestring and this money will give us the stability to ensure we are around for ever," says Prof Talmor. "This will allow us to do more ground-breaking research and to organise further events around private equity."

Demand from students to study private equity is still high, says Prof Talmor, who gained first-hand experience of venture capital as a board member of a Nasdaq-listed software company while teaching finance at the University of California, Irvine, during the 1990s. He says 16 per cent of students applying to London Business School want to join private equity. "I don't think

the party is over," he says. "This is an asset class that is here to stay. I cannot imagine it fading away."

The private equity club is the biggest of London Business School's professional clubs, with 2,000 members who attend workshops and speeches by industry figures and even do due diligence on entries for the annual BVCA/Real Deals private equity awards.

Prof Talmor says a "significant number" of students go directly into private equity, even though the industry tends to prefer more experienced recruits from investment banks, accountancy firms, management consultancies and corporate boardrooms.

Dismissing the idea that Mr Collier's donation could encourage a sycophantic view of his industry in its research, Prof Tal-mor - who appeared at last year's parliamentary inquiry into private equity - says it will not shirk from criticising buy-out groups when needed. "We like to have things in the open, it is more fun that way," he says.

LBS has few rivals for the title of the world's leading private equity school. It claims to be bigger than its US competitors - the Hicks, Muse, Tate & Furst Center for Private Equity Finance at the University of Texas at Austin and the Tuck School of Business at Dartmouth.

Elsewhere, Josh Lerner at Harvard Business School has become a leading authority on private equity and teaches an elective on the subject as part of its MBA course.

In the UK, Cass Business School has established a private equity research centre, while Oxford University's Said Business School offers a private equity course with the Chartered Financial Analyst institute.

Mr Collier says London is well placed to catch the next wave of private equity growth in emerging markets. "All emerging markets are suffering from skills shortages in private equity and that is a great opportunity for London Business School," he says.

As well as redressing private equity's poor public image, Mr Collier says, his donation is aimed at helping his industry to learn from its mistakes. "It is a growing industry. We are just at the beginning and there is overpayment in our industry, as anyone working in private equity so far has been a pioneer."

Mr Collier has invested heavily in venture capital, the smaller end of private equity that invests in early-stage start-up companies, both through his fund and personally. But he admits the VC industry is struggling in Europe. "Clearly there needs to be work done on venture capital in Europe: it is just not working."

But overall he is confident that as academic research helps to better the public's understanding of private equity, its image will improve. "It is inevitable that this debate will be won," he says, "because it is the truth."

Fonte: Financial Times, London, October 13 2008, Primeiro Caderno, p. 14.