

PLANTE MORAN

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# Private Equity

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## Driving Growth and Liquidity Middle-market companies are turning to private equity to fuel long-term growth.

### Over the past

several years, private equity group (PEG) investments, especially in the middle market, have made profound contributions to U.S. economic growth. According to GrowthEconomy.org, PEG investments are leading the way in key economic metrics:

**Job creation:** From 1995–2013, private equity capital-backed companies grew jobs by 83.7% on average, compared to 27% for all other U.S. companies.

**Sales:** From 1995–2013, private equity-backed companies increased their sales by 134% on average, compared to 31% for other U.S. firms.

The numbers speak to investment and growth, bottom-line results that underscore the value that PEGs play in stimulating economic activity. It's not a "get in, cut costs, get out" strategy; rather, private equity is a valuable resource that creates long-term value for businesses, investors, and communities.

Consider the following as you evaluate whether a PEG investment is right for your firm:

#### 1. What's the biggest misconception about PEGs?

Contrary to Gordon Gecko-like Hollywood portrayals in the 1980s and 1990s, PEGs in the 21st century are growth- and building-oriented. Investments aren't "cut and run"; rather, the majority of investments last five-to-seven years.

**2. What's the role of a PEG?** A PEG's primary function is to raise funds from investors, a majority of which consist of large pension funds, insurance companies, and university endowments. They invest their money, generating returns and profits into those same funds, insurance companies, and endowments.

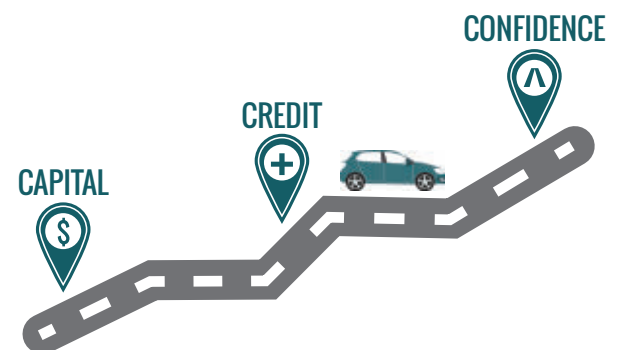
**3. Why are a lot of companies in the middle market turning to PEGs?** Companies look to investments from PEGs for three primary reasons:

- a. Liquidity:** PEGs provide liquidity for privately held companies that are otherwise mired in illiquidity.
- b. Growth capital:** PEGs provide growth capital for middle-market businesses beyond what banks or lenders are willing to provide.
- c. Guidance:** PEGs provide strategic and operational expertise to help grow companies, a deliberate process that may include hands-on management assistance.

As you assess your company's goals and objectives, you may want to consider investment from a PEG as a valuable resource for maximizing existing and emerging growth opportunities.

### What's driving the growth of today's M&A activity?

**We call it the three C's:**



- Ⓢ PEGs have large reserves of money to invest.
- ⊕ Banks are lending again at pre-recession levels.
- Ⓜ There's a strong return of confidence in the middle market and the economy as a whole.

*Dennis Graham was named the "Dealmaker of the Year — Advisor" winner by Crain's Detroit Business earlier this year in recognition of his work with more than 200 private equity clients nationwide. In 2014, Plante Moran performed due diligence on more than 150 private equity deals.*