



Meet The Manager

A Friend to Firms

June 4, 2004

Debt packages are one of the most important parts of any private equity transaction. New York-based Golub Associates is one of the largest providers of all types of debt in private equity transactions. The firm also invests equity in transactions, sometimes on a standalone basis. PrivateEquityCentral.net recently spoke with Lawrence Golub, the founder and president of Golub Associates, about his firm's business, where they find sponsors to team with and the current trend of outsourcing.

PrivateEquityCentral.net: How does the firm balance the different products it offers? Are there separate teams for the debt and equity transactions the firm does?

Lawrence Golub: Our business is being a very supportive partner to private equity firms. We do that through debt investments – supporting LBOs, refinancings and add-on acquisitions – and through equity co-investments where we have a debt investment and on a stand-alone basis with sponsors. It is the same team of professionals and the same underwriting process in both kinds of transactions. That's a reflection of how we approach every deal from an enterprise value point-of-view. We approach every transaction trying to look at things through the eyes of the private equity sponsor.

PEC: How do the private equity sponsors find you? Is it mainly through the firm's reputation?

LG: We're well-known among many sponsors. We have a direct calling effort, where partners from Golub Associates maintain relationships with deal professionals at most of the middle-market private equity firms. We speak regularly at industry events and we're written up in industry publications. To a large extent, though, we operate on the basis of our reputation for closing deals on time, and on the way we propose them. We have a long track record of satisfying our customers' needs and helping their deals be more successful.

PEC: Is the firm seeing a lot of deal flow now?

LG: We're seeing a tremendous amount of deal flow. Many LBOs are priced at very expensive levels. Any traditionally attractive business for an LBO firm is facing a lot of competition [for] the transaction. We do a lot of investing in consumer products and service businesses, including consumer services and health care services. Those areas are seeing a very good flow of interesting transactions. In the manufacturing area, there's a large quantity of transactions and some of those deals are very interesting and some are less interesting. We're most interested in manufacturing businesses that either have an Asian manufacturing procurement strategy for themselves or that, by the nature of their products, are substantially insulated from Asian competition. Those are important distinctions for us.

PEC: Is outsourcing affecting other industries besides manufacturing?

LG: Absolutely. In fact, we have significant investments in mail order businesses, so we have exposure to call centers. Every element of business from customer support to inbound and outbound calling is affected by the availability of outsourced call centers. I think you see the same thing in document processing and financial services. You see issues here not just on a manufacturing basis but does a U.S. manufacturer have a foreign competitor that produces the same product they produce. Sometimes the issue is that the industrial manufacturing company's customers relocate offshore. They may be able to deliver their product at the best price in the U.S., but if their customer moves to Asia, that doesn't do them any good.

PEC: What sets your firm apart from other lenders?

LG: Our approach as a lender is distinguished by our focus on really trying to maximize the chance that a deal is going to be successful. A successful transaction allows the sponsor to have the flexibility they need to improve their equity value even further. We earn more than our share of business because we're very focused on value creation rather than credit analysis. That may be the most important thing that distinguishes us from most of our competitors.