



Meet The Manager

It's the Structure, Stupid

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Sometimes knowing which sectors not to get into is more important than focusing on a specific area. That's part of the approach that Andre Peschong takes with Bridgewater Capital, a boutique investment banking firm. He talked with *PrivateEquityCentral.net* about the areas Bridgewater avoids and what his firm concentrates on for each deal.

As partner with Bridgewater, Peschong abides by the firm's focus on the structure of the deal being the most important factor to any transaction.

"There's an old saying in the business – 'You make your money going in; not coming out,'" says Peschong.

PrivateEquityCentral.net: Can you please tell us a little bit about what Bridgewater Capital does?

Andre Peschong: Our firm is multifaceted and has been around since 1995. It is a boutique investment banking firm, but it has also run a number of different funds throughout the years in different strategies and different markets. We've done traditional investment banking, we've done fund management and merchant banking.

PEC: Is there a particular sector in which you focus?

AP: We like to think of ourselves as industry agnostic because the structure is where the rubber meets the road as far as we are concerned. There are, however, a few sectors in which we won't invest. For instance, we do not do resource deals because you really have to have on-staff people that understand the nomenclature and really understand the metrics of the business, be it oil, diamonds, coal, etc. You really need to be a specialist in that area in order to invest in it.

We have also steered away from Hollywood deals, such as movie distribution and music. Unless you've got some expertise in that area and truly understand how the math works, generally speaking, you are going to get your head handed to you.

Those are the two areas we don't invest in. Everything else – no problem. Manufacturing, countries...it doesn't make a difference.

PEC: With the economy being the way it is, which areas do you find being particularly strong in the near future for private equity?

AP: I think everyone would concur that China is driving the U.S. market currently. If you look just this year, I would say without question 50% of the transactions you see coming out and doing very well are China-based companies. We've seen a number of reverse mergers, or what some people call alternative public offerings, but we've also got a larger portion of the SPAC market concentrated on China as well. This year, I would say there has probably been 40 substantive China deals. We have done a few ourselves.

As far as an industry goes in China, it is pretty agnostic. We have seen mining deals, telecommunications deals and water deals. It is a little bit of everything.

I still think biotech, medical-tech and to some extent, high-tech are going to be the favored places for money for private

equity and/or venture capital.

PEC: Why is that?

AP: From the high-tech point of view, you've got the whole Facebook, MySpace business that has really changed the landscape of people. Now a platform has been created for all of these service providers spawning a whole new level of reality with this avatar world. Virtual meeting rooms are gaining in popularity specifically because of the cost of travel. You rent the space, you get the broadband and it is like a conference call, but you get to see little people in the room. It is almost like the Sims meets the businessworld.

PEC: Which sides are not looking as positive as the ones you just mentioned?

AP: I don't see a lot of consumer products companies. As far as raising new, fresh capital for consumer products investing, that has definitely suffered. Having said that, I think there is a pickup in the M&A activity in that area. With the recent buzz about Budweiser being bought – that is an enormous consumer products company. I think that is going to start a wave of consolidation, acquisition and a lot of M&A activity.

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