Lead Left Spotlight - Ilan Nissan

This week we chat with Ilan Nissan. Mr. Nissan is a senior partner in Goodwin's internationally recognized private equity and mergers and acquisitions business. His clients include global alternative asset managers including top tier private equity funds, venture funds, venture capital funds, bank holding companies, hedge funds and family offices. In addition to his work with clients, Mr. Nissan sits on the firm's Executive Committee and leads the practice in New York.

The Lead Left: *Ilan, thanks for joining us. Tell us about Goodwin's practice, and what you focus on.*

Ilan Nissan: We are strongly focused on the middle market business. Our sweet spot are deals with values of less than $1billion. We believe most transactions that happen are in the middle market. Plus there are a lot of law firms chasing large transactions. As a result, many have abandoned the middle market in search of "upstream deals". In the middle market we don't see any other firm that consistently dominates.

TLL: *How broad is your practice?*

IN: Our business includes venture capital, mezzanine financings, late stage growth investments and, of course, leveraged buyouts. Our clients are the typical middle market players, including folks who were once part of larger organizations that leave to start middle sized funds. We believe the middle market requires unique knowledge and skills that we have worked hard to develop.

TLL: *Are you US-focused?*

IN: Our clients historically were mostly U.S.-based, but recently we've expanded substantially our private equity offerings in London, Paris and Hong Kong. This expansion has added significant non-U.S. clients to our roster.

We've also benefited from some industry consolidation. For instance, we've successfully recruited top lawyers in Europe that have flocked to our culture and our focus on an integrated PE business.

TLL: *How would you describe the private equity markets today?*

IN: There's no question that there's too much money chasing too few deals. In the early 2000's, we saw a meltdown in public equities beginning in March 2000. This meltdown also adversely affected the private equity markets. Limited partners went back to the general partners and said, you can't deploy a $1 billion or a $2 billion fund now. GPs cut management fees and released LPs from commitments or reduced them to align with what was going on in the macro markets. Something like this scenario could happen in the near future. It depends on the sector and area.

TLL: *Who's your client base? Is it mostly private equity related?*

IN: The vast majority is on the investor side for private equity. We tend to approach the business through that lens; our clients are in the business of deal-making. They tend to be VC funds, PE funds, family offices, hedge funds and others investing in this asset class.

TLL: *What kind of credit terms are you seeing?*

IN: Lenders are falling over themselves to provide aggressive terms. When I was younger, the banks made the rules and companies considered themselves lucky to get the financing. That's obviously not the case now. It's been interesting to see in the last couple years. Leverage ratios have started to creep up again.

TLL: *How about fundraising. How has that changed?*

IN: If you're a spin-off or a first time fund, it's hard to raise money. There are too many established players with strong track records. It's easier to go with an established platform. But for established funds – sized between $500 million and $2 billion – these are the people who have been flourishing.

TLL: *What kind of things do investors look for in a successful fund?*

IN: The due diligence is becoming more comprehensive. Are they investing in diverse businesses? Are they run by women? By minorities? Also, there is increasing focus on staying away from certain asset classes (notably weapons). We haven't seen that as much before. Returns are still king, of course.

***TLL:** What's your view on the trend of direct lenders holding more and more paper, compared with the syndicators who just want to distribute everything?*

IN: The deal process used to be dominated by the money center banks where there were big syndications. But as the market evolved you started to see many hedge funds and alternative lenders playing in the space. The universe of lenders has expanded greatly, the margins are higher and there isn't as much focus on syndication.

***TLL:** Ilan, do you foresee a change in interest rates?*

IN: You'll see rates go up in the fourth quarter. That'll make the price of transactions more expensive. It will also make it tougher to raise money. There hasn't been a real market adjustment in a while. The deal pipeline may slow down next year, I believe. Dodd-Frank could go away, or be substantially revised.

***TLL:** What's been your biggest surprise this year?*

IN: That we had such a fast recovery in the fourth quarter of last year/first quarter of this year. I didn't think the market would be so resilient. There is a lot of quality out there, but also a lot of cash.

***TLL:** Do you see a correction coming?*

IN: People have short memories. Many people are managing money who weren't around during the Great Recession or the 2000-2001 downturn. They're just not afraid. So is that pushing up valuations? I'm not sure. I do think we are late in the day though. I'm not sure if it's dusk or 11:59. But it's not 9am anymore.

***TLL:** North Korea does seem to be one of the things investors are worried about.*

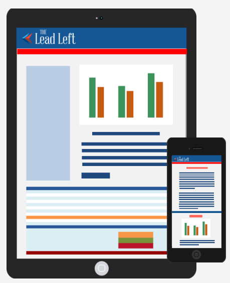
IN: Many people managing money are looking at events in a vacuum. Not many people are analyzing events in a broader context. I think it was Bill Clinton who said everyone now just consumes information in eight second sound bites. North Korea was a big issue a few weeks ago, and it's still a big issue but it comes in and out of the national news depending on what other stories are in competition with it.

***TLL:** So what should we be looking for when things start to turn down?*

IN: You will see investors quickly making tough decisions about their portfolios. Some companies will not make the cut and go away; others will survive and flourish.

About The Lead Left

Churchill Asset Management's exclusive capital market's publication, *The Lead Left* reviews deals and trends with a unique focus on the mid-market space and is read by thousands of influential industry participants.



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