Lead Left Interview – George Majoros, Jr. (Part 2)

THE LEAD | July 18, 2017

This week we continue our conversation with George Majoros, Jr., Co-Managing Partner, EagleTree Capital (formerly Wasserstein Partners). Mr. Majoros joined the original predecessor firm Wasserstein Perella in 1993. He currently serves as Chairman of the Boards of Directors for Paris Presents and Jamberry Nails and is a member of EagleTree's Investment Committee.

Since 2001, the team has focused on mid-market buyouts. Currently, the EagleTree Capital team is investing its fourth private equity fund, EagleTree Partners IV, with $790 million of committed capital. Second of two parts – View part one.

The Lead Left: So what's the next yoghurt?

George Majoros: There's a continued focus on what people are putting in or on their bodies. That's not going away. We previously owned New Hope/Expo West through our portfolio company, Penton Media. That provided a great window on developing trends in the natural and organic sectors. There are some new and exciting small companies out there. Five years ago there were ten beef jerky companies. Today there are twenty-five!

There's some phenomenal innovation in categories like kale and quinoa. Some will take hold. "Natural" and "organic" categories will only continue to grow in importance.

TLL: Have you seen a social media shift?

GM: Young buyers don't care about print or TV ads. They care about Instagram, YouTube, and other social media like the PP YouTube tutorial videos. The relationship with bloggers is very important. Ad agencies picked up on this fifteen years ago. So Delicious is about authentic engagement with the consumer. The company has outsized engagement statistics. We responded to every consumer posting. It's engrained in the marketing of our companies. It's all about social media and being part of a brand community.

TLL: How small a company will you invest in?

GM: We have to be mindful of our fund size, which is $790 million. We like to deploy a minimum of $50 million. With LPs we can expand that to $250 million. Our minimum ebitda is probably $10 million.

TLL: What sectors don't you like?

GM: The obvious things. Anything with a retail component or strategy. We've never been comfortable with apparel or fashion. We're very skeptical of that, particularly with millennials. It's different with things you put in your body, versus adorning your body. That's the beauty of Sephora and Alta – you can go to one place and try many different things.

TLL: Other non-starters?

GM: Firearms and other “sin tax” items. We’re not big on microbreweries, for example.

TLL: George, how do you source your deals?

GM: Every possible way. We have over twenty years of relationships in each industry across a variety of CEO networks. We also have great relationships with deal intermediaries and investment banks who think of us when things come to market. We’ve also connected with families and entrepreneurs for many years. Our water team spends countless nights in Fresno covering family businesses in irrigation and related water sectors, for example.

TLL: Speaking of water, what kind of angle do you bring there?

GM: We decided as an adjunct to our business about ten years ago that there were attractive dynamics in water. Not just drinking. There’s too much water in some places, and not enough in others. Waste water, food production – there are a number of family businesses out there in those areas. That includes pipes, pumps, valves, and irrigation equipment. We needed to court those people. In that sense, middle market assets are underserved. We brought in the former CTO of GE’s water division to work with our senior partner, Rob Fogelson. That led to other opportunities, such as pumps and other industrial products for related applications. It’s helped broaden our investable universe. It gives us an ability to pivot where we can find the right situation for us.

TLL: You’ve just successfully raised your fourth fund. What kind of changes are you seeing in LP demand?

GM: It sounds obvious, but transparency and communication. Favorable returns are required but not sufficient. Everything doesn’t always go according to plan. So we make a point of visiting them regularly, and being completely transparent and highly communicative.

TLL: What about co-investing?

GM: We’ve tried to limit the number of investors so we can satisfy everyone, but we’re fortunate to have eight or so co-investors of size. They can put in anywhere from a $5 – 100 million equity check. They also understand that prompt feedback to us is key.

TLL: Any interesting anecdotes about auctions you’ve seen to share?

GM: We try not to spend too much time or money on busted deals. We’re limiting the number of auctions unless we’re only one of a couple buyers. Or if we have a competitive edge.

TLL: How about financing? I’m sure you have plenty of debt providers, including Churchill.

GM: Yes, indeed. And it would be great to do more with you! There are certainly additional sources of capital in the market. Having close relationships is critical. We like working with groups that know how we think, like Churchill. That’s better than shopping for the last dollar on price.

TLL: Finally, George, what’s the biggest surprise you’ve had this year?

GM: I’m surprised that multiples have continued to expand and prices haven’t fallen given the cycle. I don’t think there’s a recession coming in the very near term. There are macro factors that could change that quickly, like Brexit or other exogenous risks. The UK sales in our brush business have been impacted. The lack of tax reform and the possible border tax adjustment could hurt. I worry how these things could impact the performance of our companies. On the other hand, repatriation and other things could be stimulative. So we’ll just have to wait and see.

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