

Good afternoon and I hope you have enjoyed today's sessions.

Before I get started, I just want to point out a correction to my bio, we manage approximately €750m of equity not €600m and assets of over €4 billion not €400 billion.

I have been asked to give the closing remarks today with the focus on two topics:

**The Ten Commandments with respect to Private Equity Real Estate Investing** and

the **Definition of Success.**

## **LESSON FOR PRIVATE EQUITY REAL ESTATE INVESTING**

### **THE TEN COMMANDMENTS**

#### **1) Define your strategy**

- i) Who are you, what is your business
- ii) Why you and not the others – your “competitors” are all good guys and great professionals – in Patron’s size there are great managers like Orion, Carlyle, Europa, each of us have different core strategies
- iii) Stay focused on your strategy, as the platform builds, plenty of amazing opportunities will come – we have

#### **2) Know your team**

- i) What is your style – squad vs. platoon vs. battalion. We run like a squad in the field
- ii) Back office internal or external – at Patron we have 9 people in legal, tax and accounting.
- iii) Interpersonal relationships – With stress is tension and with tension are the fights!
- iv) Don't underestimate the burn on your resources

### 3) Be smart

- i) Be aware of what you know and what you don't
- ii) There is a great expression "Sit in the dust of wiser and more experienced people", or literally surround yourself with experts

At Patron we have 5 key seniors who are on our advisory board, and one included on individual investments with bi weekly reviews

- iii) Remember, history is a great teacher
- iv) Most importantly, self reflect and be willing to change

### 4) Stay aligned

- i) everybody has to have complete alignment
- ii) give team equity – down to secretaries and assistants, they catch the mistakes, this is key in our business – after 6 months at Patron you get equity and you have to buy
- iii) make sure your local partner or team actually invests money – don't buy into the "sweet equity" story unless its really "sweat equity"
- iv) make sure CEO doesn't hog equity from operating team – middle management usually the key to pulling off any plan

### 5) Pick your partner and team carefully

Think about their:

- i) Experience
- ii) Resources
- iii) Other activities
- iv) Know they will have issues – corporate vs. private equity, cultural, age
- v) I can virtually guarantee that you and your team will have to step in to help at some point

**6) “Feel” the investment**

- i) see all the properties
- ii) determine key issues of each asset
- iii) spend time with the local partner and team (know their families)
- iv) What makes it work

**7) Know the Plan**

- i) Forget the modelling – get the basics right first
- ii) Communicate the value drivers / sensitivities to your support team
- iii) Get comfortable with all key assumptions and compare to on the ground experience
- iv) Determine the inflection point for each key objective of the business plan
- v) Determine your exit – must have 2 alternatives and preferably 3
- vi) Know all business plans will first fail and then will change

**8) Don’t forget about the people**

- i) Private equity means people! Office buildings are easy, private equity means people issues
- ii) Private equity deals always seem to have more volatility people wise
- iii) Don’t underestimate shutdown costs – in Europe it’s always longer, harder and more expensive than you can imagine

**9) Stay calm**

- i) Be wary of the amazing deal that needs to be done tomorrow
- ii) Be prepared to walk away from a negotiation – you can usually go back
- iii) Remember the pipeline – deals in Europe have nine lives with many children

In the past 5 ½ years we have spent time on 646 opportunities, closed or about to close 34 investments, and have probably 20-30 opportunities that will come back after the seller recovers from throwing us out of the office!

#### **10) Work hard**

- i) Do your homework
- ii) Read everything
- iii) Write key points down
- iv) Don't be embarrassed to ask questions
- v) Drive yourself – the envelope can be stretched very far
- vi) Keep working harder

#### **So to review:**

- 1) Define your strategy**
- 2) Know your team**
- 3) Be smart**
- 4) Stay aligned**
- 5) Pick your partner and team carefully**
- 6) “Feel” the investment**
- 7) Know the plan**
- 8) Don't forget about the people**
- 9) Stay calm**
- 10) Work hard**

## DEFINITION OF SUCCESS

- Clean investment
- 1.7 – 2.2 multiple
- No people issues
- No lawsuits
- Management, post deal, invests the money made on the deal into your other investments
- Investors think the deal they hated the most, is actually your best ever
- When you go home, you don't look at your kids and don't understand how they have grown several inches without you realising it

Thank you again for today and I believe we now have cocktails sponsored by Clifford Chance.