

GP Profile: Sun European Partners



Mark Corbidge, Sun European Partners

Katharine Hidalgo

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As Sun European Partners deploys its seventh-generation fund, Mark Corbidge, a managing director for the firm, speaks with Unquote reporter Katharine Hidalgo about its investment strategy and portfolio management techniques, and how it managed through the coronavirus crisis

[Sun European Partners](#) made three investments in Europe in 2020: [CNC Holding](#), a producer of substrate for mushroom cultivation; glass bottles and containers manufacturer [Allied Glass Containers](#); and visual signalling and safety products manufacturer [WesCom Signal](#).

[Sun Capital Partners VII](#) is now 50% deployed, following its final close on \$2.3bn in July 2019. Co-investment is a standard feature, says managing director Mark Corbidge, with the fund offering typical equity tickets of \$50-300m.

When discussing the increase in valuations seen throughout the pandemic, Corbidge says: "We look at the whole range of EBITDA multiples when it comes to investing. Historically, we may have only looked at companies with EBITDA multiples of 5-7x, but now we are looking at relative value. If we believe we can create better returns, even if paying mid-teens, that is sufficient. In healthcare we have done a number of transactions in the mid-teens, while in the technology space multiples are clearly far beyond the old range."

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While its deal team has been active, the firm has also been engaged in portfolio management, firstly by tackling the difficulties caused by the pandemic. "It is a source of pride to see how the team has responded," says Corbidge. "Given our heritage in distressed assets, we have always done 13-week cashflow forecasting, and when the first lockdown started we had those early warning signals. That made life easier."

The firm's [sixth-generation fund](#) is in its realisation phase, but holds a diverse range of assets that were all impacted differently by the coronavirus pandemic. Sun Capital Partners VI closed on \$2.1bn in July 2014 and its current investments include Flabeg, which produces glass and mirrors for the automotive industry; apparel retailer BTX Group; and mattresses retailer Dreams.

Lessons learned

Corbidge says the firm had to tackle a variety of pandemic-related obstacles, not least with portfolio company Dreams. "With a two-metre social distancing rule, there is only one type of bed that you can deliver, otherwise the delivery men are too close," he says. "You have to think about introducing plastic separators into the vehicles too. Nobody had learnt any of this previously and it brings to the forefront the relationships between the management team, the deal team and the operations team. If you can do this successfully you can respond more quickly."

The firm also looked in some detail at the support being offered by the various European governments, with Corbidge noting the

Dutch scheme of government support was rolled out quickly. In addition to CNC, the firm owns Scotch & Soda, another business based in the Netherlands. He said: "People talk about sharing best practice across the portfolio, but the pandemic has brought about the importance of being able to compare notes geographically too."

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Sun European Partners is affiliated with its US-based counterpart, which has offices in New York, Los Angeles and Boca Raton.

Corbidge says: "Private equity firms can tend to be quite siloed and territorial in defending their area, but at Sun European Partners there are very good people on both sides of the Atlantic and we share all our best practices."

He also notes the importance of the firm's operational partners: "The colleagues that deal with the operational side of the business are the best I have come across. We haven't sought to internalise a bunch of consultants. We hired people who used to run businesses themselves and the empathy they can generate with management is substantial."

Operating partners include Sergei Spiridonov – who, prior to joining the firm in 2015, led the strategic transformation team at Tesco – and Tim Stubbs, previously the CEO of aluminium products company Sapa.

Like some other GPs, the firm has also made attempts to help portfolio assets take advantage of the opportunities that may have arisen during the pandemic, such as taking market share or making acquisitions. The firm has a handful of bolt-on acquisitions under letters of intent across the portfolio, says Corbidge.

"We have been supporting management teams to take advantage of the situations around them," he says. "We have tried to help them acquire new businesses and find the funding to do so. There are other things you can do. For example, if you change trade terms, then a lot of tradesmen might come to you and leave the competition behind. We have been taking those decisions quickly and implementing them quickly also."

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