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New firm focus: Queen's Park Equity

by Sam Birchall 11 February 2021



When deciding to launch a new private equity firm, most would advise against doing so in the middle of a global pandemic. Nonetheless, three former Sovereign Capital executives; **Jose Rodriguez**, **Jonny Kay** and **Ed Goddard**, [right to left] established **Queen's Park Equity (QPE)** in May 2020, at the height of the Covid-19 crisis.

The group admits this came with its fair share of challenges (like recruiting largely over Zoom), however, starting from scratch also gave them ample opportunity to be bold and innovate. Most importantly, QPE may be a first-time fund, but they are not, as the group explained, a first-time team. The trio have been working together for over a decade, a key draw for LPs backing a first-time fund strategy, and a crucial underlying factor in their success so far.

With aspirations of running their own business for some time, the opportunity to launch QPE came about as many private equity firms increased their fund size and vacated the lower mid-market. ***"We looked at our experience and we realised we really enjoyed helping smaller businesses to become market leaders. It was an opportunity too big to be missed. We also believed the model could be enhanced,"*** Rodriguez said.

Making an entrance

QPE's debut fund reached its **£185m hard-cap** in December 2020, becoming the only UK first-time fund to have raised entirely during Covid, and after just six months on the road. No small feat considering the circumstances. At the time, equity markets dropped by as much as 40 per cent leaving many LPs significantly overweight to private equity and, therefore, unable to make new commitments. Equally, with an anticipation of additional capital calls by their existing GP managers to support portfolio companies during exceptionally challenging trading periods, many LPs, again, scaled back their new allocation programmes.

QPE explained that that they were able to attract investors who recognised the opportunity of committing to a first-time fund, without the potential distractions of a legacy portfolio, and 100 per cent focused on new investment strategies. And, much like QPE themselves, their LPs were able to adapt to fully-remote diligence processes, without the often mandatory on-site meetings. ***"We were delighted to be a number of LPs' first ever fully-remote commitment – in fact, five of our institutional investors made commitments following fully-remote diligence,"*** Goddard said.

The team elected to run an extremely bespoke and targeted fundraising process, which is now reflected in QPE's blue-chip investor base of endowments, foundations, FoF and family offices, from the UK, US, Europe and Australia.

"Clearly having to rely entirely on our personal reputations and relationships across the market in order to raise the capital was a big challenge, but one we're even more proud of given where we ended up," Kay said.

"An absolute conviction in what we were doing from the very beginning has been instrumental to our journey," Rodriguez said. A sentiment reflected in the fact that all three founders resisted the temptation to de-risk and accept not owning 100 per cent of the business, instead choosing to build the QPE team with formal hires and rent their Knightsbridge office entirely from their own pockets, all in advance of receiving any committed capital.

"We were already seven people before we raised any money – we saw no point in waiting if we could find the talent. For us it was key to bring in people who are not just exceptional in what they do, but also have the entrepreneurial and cultural fit with QPE," Kay said. The firm has now **grown its headcount to 13**. And, while the team have only ever been in a same room together twice, this is something the partners are working on. ***"We're currently in the market for some bigger offices,"*** they joked.

Investment thesis

With a newly established fund firmly under their belts, QPE has been eager to put it to work. The firm has a distinct sector focus across the **Education, Health & Pharma** and **Tech Services** sectors, typically targeting businesses with Ebitda of up to £5m. Between each of the founders, these are the areas in which they have built significant experience and where they

have established strong networks. The group has a **dedicated research capability** made up of three people and led by Goddard.

Additionally, working in perfect synchrony with the research team is QPE's unique "**Ambassador Network**", consisting of 25 sector-relevant, industry heavyweights who support the firm's entire investment thesis evaluation; from market mapping to the winning of hearts and minds of future management teams.

Lastly, the firm utilises its **QPE value creation playbook** in order to support businesses on their next phase of growth – a model perfected over years of use, the founders noted.

The three E's

Linked inextricably to the firm's investment strategy, and at the heart of QPE's culture, are its' core values, the first of which is **Empathy**. It is this that sets the firm apart. ***"We coined the term 'entrepreneurial empathy' and this means the ability to put yourself in the shoes of your stakeholders whilst being fair, transparent and treating everybody with respect. We truly believe that empathy is an underutilised skill in private equity, but it is core to our model given we are looking to build long term relationships with our management teams, investors and advisors,"*** Kay said.

QPE's other core values are **Energy** and **Excel**. ***"They best describe what we seek to bring to investee companies by way of accelerating their growth and also our dedication to deliver 'hall of fame' returns on behalf of our investors,"*** Kay explained.

"Ultimately we seek to apply a one-team culture and partnership approach to everything that we do," Goddard concluded.

Future ambitions

QPE is raring to go, having already closed its second investment, in DCSL Software, and with a strong pipeline of deals on the horizon thanks to the thesis-led approach the firm has in its chosen sectors. ***"The plan is to continue to build on our already strong relationships with advisors who cover our target markets. In addition, we have a number of deals in exclusivity, so key for us is to complete these acquisitions and continue to support our platform investments,"*** Rodriguez said.

Now, more than ever, businesses are looking for financial partners to help them navigate the challenging times ahead. The trio said this has created an interesting dynamic for QPE. ***"We are seeing opportunities right now that were originally planned for a few years out,"*** Goddard added.

Among QPE's list of ambitions for 2021, aside from the requirement for a larger office, is the chance to celebrate their success so far. ***"We've raised our first oversubscribed fund, hired a whole team from scratch, completed our first few deals, but still haven't properly celebrated. We look forward to the opportunity to do that in 2021."***