

By: Craig McGlashan
PUBLISHED: January 19, 2023

FEATURED

Advent's James Brocklebank: Inflation to be stickier than many forecast

Investment in green 'can become the legacy of the energy crisis, after the short-term negative impact', said Brocklebank.

Advent International managing partner James Brocklebank becomes the latest private equity dealmaker to answer PE Hub Europe's questions on the year ahead and the year just gone.

The firm is involved in one of the biggest deals of the year so far, with its portfolio company IRCA in talks to acquire Kerry Group's Sweet Ingredients Portfolio for €500 million.

Advent is a Boston-headquartered investor that has made investments across 41 countries. It managed €90 billion in assets as of 30 September.

Q What were the highlights of your dealmaking in 2022?

Despite challenging conditions, Advent invested \$7.7 billion in 18 new portfolio companies and 17 follow-on investments in 2022.

A highlight, that illustrates the kind of creativity we are known for within our subsectors, was Caldic (pending completion) – a life sciences and specialty chemicals distribution solutions business focused on Europe and North America, that we merged with GTM, an existing Advent portfolio company, to bring market leading scale in Latin America. We then announced the merger of GTM/Caldic with Connell in November, a business that has a strong Asia presence, creating a market leader with a truly global footprint.



James Brocklebank, Advent International

Q What was the biggest challenge to completing deals in 2022?

The biggest challenge was undoubtedly the rising rate environment which led to tough financing conditions, with CLO issuance, leveraged loans and high yield and equity fund flows well down on previous years and a spike in hung debt on banks' balance sheets.

Q How do you expect the first six months of PE dealmaking in 2023 to compare with the last six months of dealmaking in 2022?

We are probably nearing the peak of the interest rate cycle and inflation will start to moderate. However, I personally think inflation will be stickier than many

forecast and the real question is what happens to corporate earnings in the face of recessionary pressures in the Western world. No one really knows whether we will have a soft or hard landing, but what we do know is that the combination of inflation, rising interest rates and recession is unprecedented since the 1970s.

Q What will be the most important trends affecting your dealmaking in 2023?

2022 was a challenging year for markets, and I believe that we will see further volatility in 2023 due to weakening consumer demand, particularly in the UK and Europe.

While I would expect inflation to moderate if central banks remain hawkish, the pressure that both businesses and households face will likely remain for some time.

The fall-out of reducing energy reliance on Russia has highlighted the fragility of European energy security, and has created added incentive for investment into alternative energy sources. This long-term catalyst to invest in green technologies can become the legacy of the energy crisis, after the short-term negative impact.

The private equity industry will have to assure investors in 2023 that we are still the industry to deliver value, especially as returns start to fall in difficult market conditions.

LPs will also have to decide which GPs can actually deliver value in the face

of macroeconomic uncertainty, and we at Advent need to make sure that we continue to inspire the confidence that saw us raise \$25 billion for our flagship Global Private Equity fund, at the hard-cap, in 2022.

Q What's keeping you up at night?

I sleep pretty well since we made a conscious decision to realise as much as possible of our portfolio in 2021, and today have a relatively young portfolio

which is in good financial health. We also completed fundraising for our Global Private Equity Fund, so we are not worried about having the capital we need to deploy at a time of more attractive prices.

Q What are you looking forward to most in 2023?

The current market environment will present excellent opportunities for the kind of operationally intensive, sector-driven

international investing that is Advent's hallmark.

We have an amazing team and plenty of capital, and we are excited to back management teams to help them fulfil their business' full potential. ■

.....
Editor's note: PE Hub Europe's Q&As with private equity industry leaders will continue to appear throughout January. Check out our interview with Blackstone's Juergen Pinker [here](#).