PE Hub

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PE DEALS

'Valuation is a view of the future,' says William Blair CEO Brent Gledhill

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PE Hub's Q&A series with high-profile private equity professionals continues today with insights from Brent Gledhill, who last month was named CEO of William Blair. Gledhill joined the Chicago-based boutique firm as an investment banker in 1997.

How have private equity and investment banking changed over the last 25 years?
Two primary factors that have changed over the last 25 years are the speed and accessibility of sophisticated information, which has led to a larger global arena for the investment business than before. With greater information, speed and access has come a convergence of the public and private markets, with private equity experiencing tremendous growth. As asset classes have evolved, especially private equity, we have grown to meet our clients' needs, building stronger relationships with PE and expanding our equity teams globally. William Blair anchors on an investment-minded culture. A key reason we connect well with entrepreneurs is our investment-ownership mindset. It allows us to connect with clients on their investment thesis, risks, opportunities, business models. For us, it is and always has been about taking our lead from clients, creating deep relationships, across both public and private markets. We have never changed the focus of serving the high-growth client, disruptors, leaders and premier businesses.

What is your perspective on the overall economy and market conditions for financial services in general and private equity-led investments in particular?
We are always managing uncertainty and change – needing to consider any variable that can play into someone's perspective or confidence, thus impacting their decisions about the future. Of course, the past several years have been an easier time for investors given the low-volatility, low-rate markets. But it's also been an unnatural time. I expect the markets to reset around a less-than-accommodating Fed and a global investor base flush with liquidity. I do not see a major change in funding availability for growth companies or liquidity options for investors. I remain optimistic and expect substantial private capital to flow into entrepreneurship and innovation, especially if we see more in-person events in 2022.

How will rising interest rates affect William Blair's business areas?
We compete on intellectual capital, thought leadership, so interest rate movements are secondary variables for us. Our teams collaborate to develop great ideas that are always influenced by market dynamics, whatever the level of volatility. Of course, rising interest rates could create headwinds for long-term growth stories and raise the costs of capital to more historically normal levels. Higher rates naturally create a greater discount rate to future cash flows and pressure valuations. However, growth stories will continue to earn a premium and be attractive to capital sources, even if different and slightly harder to access. Well-respected and trusted partners like William Blair will continue to connect high-quality companies and strong management teams with deep relationships for liquidity and growth financing.

What about high valuations in M&A?
I think valuations are a sector-by-sector story. There are always sectors that feel as though they have reached higher valuations than historical levels. Less of the story to me is of the overall economy being high. Valuation is a view of the future and growth is always the primary impact on valuations. Many sectors – consumer services, logistics, distribution, for example – are terrific sectors with higher valuations today that align with long-term trends. For instance, the growth rates and industry dynamics underpinning those sectors are yielding much greater efficiency and productivity, while demand is also growing.

How is the ongoing pandemic affecting William Blair's business activities in 2022?
While the pandemic created pronounced uncertainties, it also bred an incredible amount of innovation. We find ourselves

spending most of our day meeting virtually, giving us more time to discover new ways to collaborate, strategize and find the best solutions for clients. I've been surprised how much we can accomplish without flying or jumping in taxis to meet clients in-person for every interaction. It's also opened up a new capacity for companies trying to fund themselves. Pre-pandemic, public company management teams would spend two weeks traveling across the country visiting investors. Now they cover more ground in three days virtually, meeting more investors. On the other side, our global client base sees us starting each day earlier and ending later. As the world adds in-person interactions with more people back in offices, we will seek a balance so as not to lose the flexibility of working remotely. I see that as a big asset for our teams going forward.

How is your role at William Blair changed now that you have been elected CEO?

Transitioning into my new role has given me a wider aperture to experience the creative and dedicated experts we have in all our business units and just how consistently client-led William Blair is across all teams. I'm blessed with the opportunity to take the CEO role at a time when all the businesses are setting records; we're growing in every business line and market. Our debates today center on where to invest and how to grow our impact. That said, I am always watching the horizon for what's coming as a way to innovate, question, and prepare. I feel a responsibility to do that for all of our nearly 2,000 colleagues, all the families, all the clients – to make sure we're delivering our mission of empowering each other, delivering for clients and engaging in our communities.

What's in store for William Blair in 2022?

Given the expectations for some transition in the markets and an uptick in volatility, I see 2022 to be steady for William Blair with an expanded focus on client communications and relationship building. We have a number of management transitions happening at the firm as part of our succession planning and our increasing scale. In addition to my becoming CEO this year, we have a new head of equities, have expanded our partnership, and recently announced a new global COO. Plus, we have hired more colleagues in the US and overseas, growing our expertise and knowledge base globally. Our goal is to continue building our relationships and networks, expanding our impact, and remaining client-focused.

What role does ESG play at William Blair and in the business areas the company operates in?

As a firm competing on intellectual capital and ideas, William Blair will best succeed by embracing a wide breadth of perspectives. Teams comprising people with different backgrounds and experiences, who come together to think, talk, and collaborate, lead to better results for our clients and colleagues. The same applies to any company delivering intellectual services. Our research teams on both the equity and asset management sides evaluate companies through many diverse perspectives as they discover viable investment opportunities. Understanding how companies integrate environmental, social, and governance criteria in their businesses is becoming more and more important for long-term success. This sector of investing and analysis with an ESG eye is only going to expand.

How have William Blair's philanthropic endeavors evolved over the years?

Being civic leaders, investing in the communities where we live and work has always been part of William Blair's culture, a tradition passed down from our leadership since the firm was founded nearly 90 years ago. When we re-evaluated our most recent mission statement, there was never a debate that being engaged in our communities would remain key. We live in communities and want to make sure they thrive. We do this by solving problems and getting involved where we can. We support over 1,000 charities, and hundreds of William Blair employees serve on nonprofit boards. In recent years, colleagues have been able to expand their philanthropic efforts through our global community partnership program. By 2022, the program has grown to 22 nonprofits in 17 countries, with millions of dollars in annual funding, and employees volunteering thousands of hours to strengthen their communities.