

Private Equity Spotlight: Flacks Group expands investment scope amid COVID-19 crisis

19:27 CET, 1 May 2020

[The 21st paragraph has been amended to clarify that Flacks was looking to acquire Poundworld in 2018.]

- Pandemic opens up new distressed opportunities in consumer and retail
- Targeting listed companies' disposals with liquidity and reputational risks
- EUR 100m dry powder to deploy in ten companies

Special situations investor Flacks Group is seizing on the opportunities created by the coronavirus crisis to engage in talks with cash strapped publicly listed companies seeking to dispose non-core subsidiaries, founder Michael Flacks said

Having personally doubled up on the group's war chest to EUR 100m together with managing partner Michel Rybkin just before the pandemic, the self-styled "bottom feeder" investor is hoping to move quickly for any upcoming deals, Flacks said.

The dry powder addition enables the Florida-headquartered group to target larger companies with revenues from USD 100m to USD 750m, expanding on the USD 500m previous upper limit.

This will allow the firm to be more active in its US dealmaking efforts, where mid-market companies – Flacks Group's forte – are generally larger than in Europe. New hires have already been made to support the deal origination front, which will allow it to scan through more deals at any one time.

The firm plans to make ten acquisitions globally over the next five years using the new capital, with a focus on the US, German and UK market.

With businesses across the world facing potential liquidity issues, corporates could be spurred to quicken non-core disposal plans as they look to tidy up their balance sheets, the founder said.

"We see a lot of opportunity where companies with heritage brands in the industrial spaces, especially in Germany and in the US, have been an afterthought to the multinationals that own them," said Flacks.

"Private equity don't want them because they don't see any growth and strategics don't want them because they're not really big enough," he said. "We've been acquiring them and we've turned some of them around."

"We will only talk to the seller when everyone has left the table," he said. "We are the last port of call for them."

Reputational issues are another contributing factor to push "desperate" corporates to sell non-core divisions, according to Anton Schneerson, a Hamburg-based senior associate at the firm.

This is especially true for Flacks Group's traditional hunting ground of industrial companies, whose share price drop could be worsened by their exposure to sensitive areas such as oil and gas and whose management is seeking a quick solution, Schneerson said.

Highlighting this trend is its 2018 acquisition of Pleuger Industries, a pump manufacturer serving the water, oil and gas and mining industries, from Flowserve [NYSE:FLS], a US supplier of industrial and environmental machinery, as [reported](#).

Industrials will continue to be a core focus for the group, which looks at various sub-sectors such as manufacturing of equipment, drilling equipment, automotive and pump manufacturers for different purposes such as oil and gas exploration. Companies with patents and other intellectual property, as well as those that serve an aftermarket, will be particularly attractive.

The coronavirus pandemic has also taken its toll on the firm's deal activity. Flacks Group was close to cut a deal to acquire a subsidiary of a UK-listed company, when the deal was put on ice by the vendor.

"Unfortunately, the UK public company decided that due to the virus, they are putting everything on hold," Flacks said. "The deal was ready to be signed and the money is already in an escrow account. I'm sure other situations are going to be like that as well."

Flacks is in the midst of negotiating with another disposal from a North American listed company, and is among the several other public and private situations that that it is now exploring.

Beyond industrials

Flacks, who learnt the tricks of the retail trade by selling clothes as a street market vendor in his teenage years, is now looking to make use of his eye for consumer businesses once again – a strategic move triggered by the pandemic, he said.

The group has previously invested in A Wear, an Irish women's clothing chain that a consortium led by Flacks Group bought out of [administration](#) in February 2012. Flacks sold its stake a few months later and the brand subsequently fell back into [administration](#).

"We feel that there are still a lot of opportunities in the market in retail and consumer and we would like to use our background and experience, particularly in the current market situation, to be opportunistic in those fields," Schneerson said.

Early last year, the firm offered GBP 20m to British fashion retailer Laura Ashley with the hopes of reviving the brand through expansion in Asia and America, but the proposal was eventually rebuffed, Flacks said. Laura Ashley eventually fell into administration in March 2020.

In 2018, it was competing with Apollo-backed turnaround retail fund Alteri in a bid to snap up discount retailer Poundworld, as [reported](#).

Flacks Group has ten portfolio companies of which three are in full ownership. It generally holds companies for around five years.

[Flacks Group](#) - Selection of Portfolio Companies

Pleuger Industries	100%	Jul-18	Industrials & Chemicals	Michael Flacks Anton Schneerson	LA: Baker McKenzie
OGRO Beschlagtechnik	100%	Jul-17	Construction	Michael Flacks	LA: DLA Piper
Furstenberg-THP	100%	Jan-17	Construction	Michael Flacks	FA: Livingstone Partners LA: DLA Piper

Data correct as of 03 April 2020

Source: Mergermarket, an Acuris company

- [_____](#) 

- [_____](#) 
- [_____](#) 
- [_____](#) 
- [_____](#)
- [_____](#) 
- [_____](#)

[▼ Show more](#) [▼ Show less](#)

- Cross Border
- Private equity related
- Private Equity Spotlight
- Proprietary Research
- Takeover situations

Germany
USA
United Kingdom

Automotive
Consumer: Retail
Industrial products and services
Manufacturing (other)
Medical: Pharmaceuticals
Real Estate

Apparel
Automotive components
Department stores
Furniture
Hardware and plumbing supplies
Industrial Services
Industrial equipment and machinery
Office and household furniture
Pulp and paper
Pumps and compressors
Real estate

Intelligence ID: 3013650

Grade
Confirmed

Charge Code
Not set

© 2021 MERGERMARKET LIMITED. ALL RIGHTS RESERVED

To be used for the internal business of the assigned users only. Sharing, distributing or forwarding the entirety or any part of this article in any form to anyone that does not have access under your agreement is strictly prohibited and doing so violates your contract and is considered a breach of copyright. Any unauthorised recipient or distributor of this article is liable to Mergermarket for unauthorised use and copyright breach.