

PE Firm Applies Unique Model as Its First Fund Closes



By Cardiff de Alejo Garcia

04/07/09 Pine Brook Road Partners has announced the final closing of its first fund with \$1.43bn (€1.08bn) raised, though the private equity firm via its unique business model plans to use the new money to infuse its portfolio companies rather than make new investments.

Pine Brook Road, based in New York, has already invested in nine portfolio companies—five in energy and four in financial services, two sectors where private equity activity is expected to be relatively more active.

Chief executive Howard Newman told Financial News that the firm will focus more on supporting these existing portfolio companies than on new investments, though he does see attractive opportunities looming.

The firm's business model differs from other private equity firms in that it does not use leverage and invests only in early stage companies and start-up businesses.

Newman said that Pine Brook Road differs from venture investing in that it only backs companies whose lines of businesses are well understood rather than on new ideas or new business models.

“We don't do science experiments,” said Newman.

Venture capital firms, Newman said, are different from Pine Brook Road in that they invest in new ideas that carry product risk and market risk: “Market risk asks, ‘If you plug it in, does it work?’ and product risk means, ‘If it works, does anybody care?’ ”

Newman added: “We don't invest in these kinds of companies. We only invest in companies who have execution risk.”

In addition, Pine Brook Road stages its investments, meaning that it invests gradually in its portfolio companies.

For instance, although it targets investments of \$100m to \$150m, it may begin with an initial \$5m to \$10m injection of equity, said Newman.

The fund has closed several times since its inception in 2006, but this is the final close, Newman said. According to a statement, Lazard acted as placement agent for the fundraising.