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## Powerhouses in PE: Howard Morgan of Argand Partners

**Don Lipari, RSM:**

Hello, this is Don Lipari, national head of private equity with RSM, with another segment of Powerhouses in Private Equity. Today we're with Howard Morgan, senior managing director and co-founder of the Argand Partners fund. Welcome Howard.

**Lipari:**

When I look back at your career, it started at Allen & Company. Talk a little bit about your Allen & Company experience.

**Howard Morgan, Argand Partners:**

I came to it at a point where they didn't have a lot of junior talent and I was able to work with quite a few partners within the firm — learning the skills of providing corporate finance services, capital raising, M&A, but then also noticing how much of their activity and how much of their success had been driven by investing their own capital and the capital of their partners and really that's where the first notion of private investing came to me. It really became my passion.

I wanted to be a private principle investor and found the Ropart Group in Greenwich Connecticut. The lead partner had run the Sprout Group at DLJ,

I was introduced to John Castle on the back of the common DLJ Heritage. Their approach to investing at Castle Harlan was very similar to my prior experience, and I joined them continuing to look for transactions and follow a very similar approach to value identification, and I think a very rigorous analytical approach.

**Lipari:**

So you're not a gut investor — you let facts speak for themselves?

**Morgan:**

Facts should absolutely dominate the analysis. I do think that sometimes you get inspiration, but then you have to follow that up with absolutely rigorous analysis, which is what we do.

**Lipari:** Castle Harlan. It was a 20 year run. Talk a little bit about that Castle culture. What attracted you to Castle for you to stay there for 20 years?

**Morgan:** Well, it was a culture with a great deal of empowerment on a day to day basis of the investment team to go out and identify transactions at every level within the firm, we encouraged people to find good ideas and to have the resources to pursue those ideas. We were very collegial, I think in our discussion of everything we did, able to tap into the combined intellect of the firm. We had a great brand that certainly assisted opening doors.

In the late '90s, it was a time when many industrial companies were looking to Asia. I was tasked with, or gladly accepted that challenge, and we looked throughout Asia but including Australia and in the Fall of 1998, found an existing but small team in Australia that was excited to partner with a firm in the U.S., and out of that became CHAMP private equity, which included me moving my very young family to Australia for three years, which was probably a highlight of my family life. Very memorable.

**Lipari:** Did CHAMP have its own fund or was it leveraging Castle flow?

**Morgan:** Yes, we raised a combined fund of about \$500 million Australian dollars, which was about 10 times the size of the previous independent fund, and I give kudos to the local partners in Australia who truly believed the adage that it's better to have half of something 10 times big than all of something much smaller.

**Lipari:** Alright summer of 2015, yourself Heather Faust and Tariq Osman discover Argand partners, and you launch and you raise your first fund. Talk a little bit about that, and what are you setting out to create?

**Morgan:** Well, it's been very exciting to create a firm from scratch but based on a really solid heritage. Tariq, Heather and I had worked for over a decade together. I now have to add three years to that, so time is flying by. But we tried to capture the best of what we'd done in the past with some new things that we had started to do with very good results and also some of the state of the art of how one constructs a firm, how one manages a firm.

**Lipari:** Talk about raising Argand's first fund. Talk a little bit about shaking hands, kissing babies, you're out on the street raising money in excess of \$500 million. What's that experience like?

**Morgan:** I think it's never easy and I think those who say it's easy and done in a day, there's something more to the story.

It's never easy, but I think we had developed some very solid relationships, groups that were willing to take the first step with us, and in any situation I think so much is about the early groups that back you. I think that in private equity in general, there's a recognition of next generation professionals and firms, and that new manager mandates were helpful but then there was a lot of proof of concept, including doing our first deal in the midst of fund raising, which is performing very well.

**Lipari:** Your first three investments I think demonstrate a tremendous amount of courageousness. India, U.K., Germany; Argand does not have a beach head in Europe or in Asia and your first three investments are all outside of the U.S. Talk a little bit about how it is you discover these investments and then how do you go about managing them from a remote office?

**Morgan:** Yeah, I think that the international aspect of what we do is one of what we would describe as sort of five elements of complexity and it happens to have resonated very loudly in the first two years. We are a North American group with our strongest resources in North America. Sigma Electric does manufacture all its product in India, but all of its product is sold in the United States. Brintons, the carpet business, historically was a U.K. business but actually the largest single market for its product is the United States.

Oase is a global leader in fountain and related products. It's historically a German business, it's next largest market is the U.S. All three of those businesses I would describe as global, doing business in many jurisdictions, and I think there is a complexity or a difficulty factor in executing those transactions.

**Lipari:** Howard, when you think about your 30 plus year career thus far, what brings a smile to your face?

**Morgan:**

Well, it's probably the 30 year career, and frankly the portfolio of probably about a dozen really great investments, ranging from 3 to 4x to 7x, ranging from several million dollars of profits early in my career to almost – I had a half billion dollars in profits. I like to think that the story is just still getting started and the next best deal does still bring a smile to my face.



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