

2009 Business Solutions Conference – A Recap

Baird had record attendance in Boston this February for its 16th annual Business Solutions Conference. In addition to money managers and over fifty presenting companies at the three day event, Baird Private Equity brought in dozens of entrepreneurs from private companies and senior executives from across the business services industry to network and share their thoughts about the current challenges facing companies and investors. Here are some of the major themes from our conversations with these executives during the course of the conference:

- **Consumers are trading down.** With reduced home values, lower retirement savings and less availability to credit, consumers are adjusting their spending habits dramatically and returning to levels of personal savings not seen in decades. Short-term impacts will be felt by retailers and restaurants as consumers shift from spending to savings and it will be a while before big ticket items (such as cars, motor homes, recreational vehicles) rebound.
- **Everyone is deleveraging.** Consumers and corporations are entering a long phase of de-leveraging resulting in decreased spending and a lower appetite for incurring similar levels of debt in the future. Financial services companies are obliging by not lending and reducing debt availability to more reasonable levels and with much less credit risk.
- **Regulation meets risk management.** The new administration will take the opportunity to dramatically change the regulatory landscape not just in financial services, but across industries. Risk management will take precedence inside financial firms and new ways of calculating, assessing and profiting from this will emerge.
- **Patience is a virtue.** Over the long-term this will prove to be an excellent time to invest, but be patient. We are in for a protracted recovery, longer than the downturns in recent memory. Asset prices will fall faster than they will rise, so be careful and keep the bar high.
- **Time to trade up.** There has never been so much talent available at reasonable prices. Use the current environment to upgrade management talent across the portfolio and to back experienced executives looking to build market-leading companies while everyone else is distracted.

Across the Baird Private Equity funds, we are committed to our sector-driven investment approach, bringing operational excellence to smaller companies. Across these sectors, we think there are a few ways to evaluate new investment opportunities in the current environment:

- **Play the turn.** Look for sectors stabilizing in the next 12-24 months and enter toward the bottom-taking advantage of low valuations. Operate your way through potential short-term difficulties, but take advantage of growth coming out of the downturn and possible multiple expansions as you reach a more normal environment.
- **Find deep value.** Find strong companies with excellent management teams in our focused industry sectors that can be acquired/invested in at deep discounts to normal valuations.
- **Avoid trouble.** No matter how attractive valuations might be in certain sub-sectors, we are disciplined enough to avoid certain situations at all costs. The bar remains high across BPE for deployment in new investments.