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Private Equity MVP: Fried Frank's Robert Schwenkel

By **Liz Hoffman**

Law360, New York (December 03, 2012, 7:05 PM ET) -- With a 2012 resume that includes two take-private deals valued over $1 billion, a delicate cross-border corporate carveout, and the year's biggest secondary transaction, Fried Frank Harris Shriver & Jacobson LLP's Robert Schwenkel is one of four dealmakers recognized as a Law360 Private Equity MVP.

Schwenkel, who chairs Fried Frank's global corporate group, kicked off 2012 by closing Permira's $1.5 billion acquisition of Genesys, the U.S.-based call center business of French telecommunications giant Alcatel-Lucent SA.

The carveout, which was announced in November 2011 and closed in January, was Permira's biggest buy in two years, with an equity tranche about twice the size of the London-based firm's average in recent years and $800 million in debt. It came amid rising tensions about job losses in France ahead of national elections and included various intellectual property and technology assets in the U.S. and Europe.

"He understands the whole spectrum of a deal," said Tom Lister, a managing partner at Permira's New York office. "The Genesys deal was extremely complicated and he was able to handle all the pieces — the financing, the intellectual property, the structuring, the contract. He's just an incredibly capable lawyer."

Colleagues describe Schwenkel as even-keeled and thoughtful, a calming presence in tight spots with a sharp eye for which negotiating points actually matter to clients and, in the words of one fellow attorney, "which ones are just noise."

"He sees the whole board, and can zoom in very quickly on the things that matter," said David Shaw, a corporate partner. "Clients come in with an issue and the question is often, 'What does Bob think?'"

That laser focus was on display when Schwenkel helped Goldman Sachs Group Inc.'s buyout arm, GS Capital Partners LP buy industrial parts maker Interline Brands Inc. for $1.1 billion this summer. Interline was returning to private hands after eight years on the New York Stock Exchange, with management joining Goldman and another co-investor, P2 Capital Partners.

Goldman wanted to keep some of Interline's bonds outstanding, rather than replace them with new debt, and put some of the company's free cash toward the acquisition. The structure required financing from several sources — including $250 million in new asset-secured debt and $678 million in two separate bridge loans — to be available at close, or the deal wouldn't close. On the Monday of Memorial Day weekend, the day before the deal was set to sign up, Schwenkel was still tweaking the documents at 2:00 a.m. to strengthen Goldman's reverse termination fee and other protections, Shaw said.

“My clients will tell you I don’t fool around,” Schwenkel said. “Some might throw out 20 issues, hoping to get five of them. I make a list of what I want, and I make sure everyone knows why it’s important. I think clients and opposing counsel appreciate it.”

Interline signed up over Memorial Day and closed over Labor Day. In between, Schwenkel sealed his biggest deal of the year, representing GS Capital Partners as part of an investment group selling Suddenlink, the seventh-biggest cable operator in the U.S., to a new private funds group led by BC Partners Ltd. At $6.6 billion, it is currently the year’s biggest secondary deal of the year.

The fall saw Permira chasing Ancestry.com, an online family tree website heavy on intellectual property and brand recognition but light on operating revenue. The company had raised $100 million in an initial public offering in 2009, but its coming-out party was spoiled when NBC canceled “Who Do You Think You Are?” a reality TV show in which celebrities explored their roots using Ancestry.com research.

The company put itself up for sale and Permira, guided by a Schwenkel-led team from Fried Frank and a London-based group form Clifford Chance LLP, emerged in October as the winner from a robust auction sale. The deal, which is expected to close by early 2013, includes significant rollover from Ancestry.com's management and an existing investor, Spectrum Equity, which will exchange $100 million worth of Ancestry.com shares for equity in the new buying group.

Schwenkel, who tends toward large-cap firms, said this year has been one of the busiest of his career, bucking an international trend that has seen M&A activity in general, and high-end buyouts in particular, continue to struggle to shake off the recession.

“It's really a testament to his relationship with clients,” said Valerie Jacob, Fried Frank's chairperson and head of the firm’s capital markets group, and a colleague of Schwenkel’s since the late 1970s, when they started at the firm as associates. “He is, in the classic sense, a trusted counselor. That the market as a whole was as quiet as it was and Bob had the year he did, says a lot.”

It helps having clients like GS Capital Partners, which is currently investing from its mammoth $20 billion buyout fund, and Permira, which has been particularly focused on U.S. acquisitions in recent years. Schwenkel’s relationship with Goldman’s buyout arm goes back to the mid-1980s, when he was still an associate at Fried Frank helping the bank’s merchant banking unit close proprietary deals.

And Fried Frank has picked up much of Permira’s U.S. M&A mandates thanks to a friendship between Schwenkel and Lister dating back to the mid-1990s, when Lister was a partner at Forstmann Little & Co. and Schwenkel did the buyout firm’s corporate work.

"We've been lucky that our clients happen to be very active,” Schwenkel said. “When the markets have a year like this one, you hope your clients have things on their plate."

--Editing by John Quinn.
