
No Sympathy For Dick Smith Investors

Matt's great post yesterday on [Dick Smith being the greatest private equity heist of all time](#) has been Bristlemouth's most popular ever. It deserved to be - it was a great piece of forensic accounting and even I was surprised at the scale of it. Turning \$100m into \$500m in a few years is one thing. Turning \$10m to \$500m? Now that's taking the mickey.

I find it quite amusing the lengths the private equity industry goes to to defend itself, though. They even have their own spin association, the Australian Private Equity and Venture Capital Association (AVCAL). At last year's AVCAL industry awards, Anchorage Capital's Dick Smith deal picked up the gong for "best management buyout under \$75m". No argument there. It deserves an entry in the hall of fame.

But the lads do seem a bit worried about the impact on their reputation. CHAMP private equity Chairman Bill Ferris [told the AFR](#):

"People think private equity is in there for a three to five-year time frame, to rip and tear, make a quick buck and sell out," Mr Ferris said.

Yes, that is exactly what we think.

"Which is just crap, because [when] building a better business, you have to think for at least a decade ahead in terms of business modelling. While you can make great improvements in three to five years, you also have to sell to an owner who can also see a three to five-year investment horizon."

Mmmm, the evidence would seem to suggest something different, Mr Ferris. But I wouldn't panic too much. Firstly, everyone does it. I mean private equity is pretty good at it. But everyone that floats a business dresses it up to get the best price possible. And the punters have unbelievably short memories. You guys have pulled this off dozens of times and they keep coming back. What makes you think next time will be any different?

Personally, I don't even feel sorry for the people who lose their money any more. How many times do they have to get whacked on the head before they realise the cheese is a trap? Don't buy IPOs is a pretty good general rule. And don't buy private equity ones is a very good specific one.

Want to know more about the style of investing we practice at Forager? Check out our page [what is value investing](#)
