

## Podcast Precis

**Abi:** Henry, you have been a business builder for a very long time, and you have also built a winery?

**Henry:** *When I moved back to the States, after being in Asia for 12 years, I thought that the idea of owning a vineyard would be fun and bought a chunk of land and started from scratch. Even though I have a lot of patience from being in Private Equity for a long time, when you make a decision in the wine business, you would not know whether your decision is right or wrong for five years.*

**Abi:** It would be great to hear about your experiences over the last 30+ years in Private Equity. How have you seen PE evolve as an industry? Also, globally, as it is a much more connected world today than it was 30 years ago, how has that impacted the industry?

**Henry:** *We take communication for granted today as it is very instantaneous. When I was in Tokyo in 1988, the cutting-edge technology back then was the fax machine and you had to wait to get the documents. Instantaneous communication has brought us closer together. Back then, Japan was going to own the world. The Nikkei got to 39,000 and the price of a hamburger in Tokyo was equal to the price of a steak in New York. Things gradually changed and I witnessed this historical transformation where special economic zones were created and the Chinese people, in a miraculously short period, went from Mao suits to blue suits, from bicycles to cars, and being a witness to this changed my life for the better.*

**Abi:** Maybe you can talk about Cornell Capital specifically. What were you thinking when you launched the business? What was the strategy that you were going to implement to differentiate the business in a crowded marketplace?

**Henry:** *When I started in the business 30+ years ago, there were around 25 firms, and now there are 25,000. Experience counts if you are going to be in this industry as an understanding of what you can do with your assets is critical, and that comes with experience. The senior people in our firm have experience and have a deep interconnectedness. From my previous experience at Goldman for 30 years, I learned what the issues were in my investments that required extra help. We thought that a focused portfolio that we could build and develop, would give us the best chance at profitability and being successful in our business plan. We employ low leverage as we do not want to worry about our capital structure in times like these. In our portfolio, we do not have any subordinated or mezzanine debt, but only term loans.*

**Abi:** What are some of the biggest differences that you have seen in doing business in China versus the U.S.?

**Henry:** *Back in the nineties, there was a need to build trust and spend time in old school type relationships. Having documents and lawyers in the room was unnecessary as you were never going to sue anybody, and you just had to have an understanding of what was good for them and what was good for you. In the nineties, when I was looking to make investments in certain countries, a handshake was a handshake and issues were resolved without getting legal into play. I think the change today is the level of sophistication, discipline, and the institutionalization of the marketplace has changed. Now, when you have a trade problem between China and the states, having those old-school relationships where somebody can vouch for you in a country means a lot.*

**Abi:** How has your team been able to be responsive first with the issues with trade between the two countries and now more so with the pandemic?

**Henry:** *We are using this opportunity to preserve liquidity to stay alive, because when you have a situation like this, you are always playing for time as every downturn has an upturn. Compared to the previous crises, if you can figure out a way to last, you will probably recover and do well. We did a thorough factory by factory and line by line re-underwriting to understand how will we be exposed once the market reopens and how to squeeze on the margins to improve the balance sheet, service customers, and still recover capital. In my career, I have never had a team work harder, longer, and deeper as I witnessed in that re-underwriting.*

**Abi:** How have you approached building the business of Private Equity in this decade?

**Henry:** *By design, our organizational structure is an upside-down pyramid, as I have many more senior vs. junior people as compared to other organizations. I wanted more hands-on ownership and responsibility for relationships in the market, and that comes from seasoned and experienced people. We are one of the most diverse firms in the industry where more than half of the partners are women, and this diversity helps bring different thoughts and opinions on the table. You would not find many firms with two operating offices on two continents and 30 people out of which 20 are senior professionals.*

**Abi:** As you think about the future, what industries do you think are going to be the best opportunities for you to focus on?

**Henry:** *I have set out to do what I and my partners know. As can be seen from our portfolio, we are focusing on consumer industrial space and the insurance industry. We have picked our spots and we are disciplined as we have a track record and are trying to do right by our investors and that price and capital structure discipline really pays over the long haul.*