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Private Market Talks: Investing in an Uncertain Market with CVC’s Lorne Somerville

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How do you invest with conviction in an uncertain market?

In this episode of *Private Market Talks*, Lorne Somerville, Managing Partner at CVC Capital Partners and co-head of North American Private Equity, joins partner Howard Beber to share how CVC is approaching today’s environment.

Lorne explains how instability is shaping investment strategy, with a more selective approach in the U.S. and a focus on businesses with consistent cash flow and clear growth potential. He also discusses how CVC leverages its global network and founder partnerships to compete in a highly developed market.

The conversation explores how valuation gaps and slower deal activity are influencing deployment, where the firm is finding opportunity, and how AI can support diligence while requiring careful oversight.

Lorne also shares his outlook for the next 12 to 24 months and what it will take for deal activity to accelerate.

Howard Beber: Welcome back to Private Market Talks, a Proskauer podcast where we explore the world of Private Markets and speak with the people shaping the future of alternative investments. I’m your host, Howard Beber. Today I’m joined by Lorne Somerville, Managing Partner at CVC Capital Partners, where he serves as co-head of North American Private Equity and co-head of the firm’s Strategic Opportunities Platform.

Lorne joined CVC in 2008, bringing a combination of investment banking and operating experience. Prior to CVC, Lorne worked for UBS, where he was joint Global Head of Telecommunications and Head of the European Communications Group. Earlier in his career, Lorne also held a senior role at Swisscom International, giving him direct operating exposure in the telecom sector. Lorne holds an MA in Computer Science from the University of Cambridge and an MBA from IMD, Lausanne.

For additional background, CVC Capital Partners itself is one of the largest global private market managers. Founded in 1981 as a spin-out from Citicorp's Venture Capital arm, the firm has grown into a multi-strategy platform with approximately €205 billion in assets under management. It operates a broad global network of 29 offices with seven investment strategies across a range of asset classes, including private equity, credit, infrastructure, and secondaries. CVC's private equity platform manages €114 billion in assets and comprises four strategies: Europe and the Americas, Asia, Strategic Opportunities, and their Catalyst strategy.

As with all our episodes, you can find a full transcript and additional resources at privatemarkettalks.com. And if you enjoyed the episode, drop us a line, we'd love to hear from you. And now my conversation with Lorne Somerville.

Lorne, welcome to Private Market Talks. It's great to have you on the show.

Lorne Somerville: Thank you, Howard, it's very nice to be here.

Howard Beber: So let's start with some evolution of CVC and the US strategy. CVC has historically been, obviously, a very strong firm and brand in Europe and you stepped into the role of co-head of North America Private Equity in early 2025. So how are you thinking about the opportunity set in the North American region?

Lorne Somerville: Well, it's a fascinating opportunity here because what we're looking for in private equity, first and foremost, is change. We look for volatility, in fact; that's where we can make our mark. And the US, whilst having underlying growth, is faced with quite a lot of challenges, both on the up and the down. So if you combine that with the sheer size and uniformity of the market, I think it's a magnificent opportunity for a private equity fund like ours.

Howard Beber: And what would you say the ambition is for the North American strategy over the next few years?

Lorne Somerville: Well, North America is different for us than our traditional base in Europe. In Europe, we are top five in every market that we compete in. And we've got 29 offices around the world — we've got a very distinctive local approach where all of our offices are staffed by people who are local to that country, and we think that gives us a particular edge.

Now, you may have picked up from my accent that I may not be local to this country, similar to my co-head, Catherin Petty. What we are trying to do here is bring our is bring our US business a little bit closer to our overall global CVC approach. Now, underneath us, of course, are solely Americans with all sorts of variance and varieties across the United States, so we kept that kind of local component. But when you are not top five by the amount of capital that you want to allocate, you need a different approach and one of the things that we were discussing is that, in Europe, we're really the guerilla in every market we compete in or we're one of the few guerillas.

In the U.S., our approach is more of a rifle shot and buy the type of companies which are distinctive to the CVC way, something with a very clear business idea, backing great managers, and usually off-market and proprietary.

Howard Beber: Thank you for that. That leads me to my next question; I think you probably answered it, but just in case for the benefit of our audience, a question I think a lot of people have is "how does a firm like CVC compete in the US against mega funds that have long-standing local relationships?"

Lorne Somerville: Yeah, that's a great question, and it's one that, you know, if we didn't think we'd compete, we wouldn't be here. I mean, you mentioned a little bit of our history. When we bought ourselves out of Citicorp, there were actually exclusivity arrangements. We had exclusive domain in Europe, the Citicorp Venture Capital, as it was then, was exclusive in the US, and we shared Asia. So, we had very long, deep-standing relationships in Asia. And then in 2007, those exclusivities lapsed and we each entered each other's markets. We entered the US, they came into Europe and renamed themselves Court Square, and at that point we really have only been here since 2007. We've grown our base substantially since then.

Now, what do we bring?

First of all, we do invest, actually, we are a large fund. Our fund is €26 billion, so today just shy of about $30 billion. So, it's one of the largest, if not the largest private equity fund in the world. So, we obviously can bring massive resources to any particular deal that we think is one we should invest in. However, because we like to keep the European waiting to what we do, we don't want to allocate all of that into the US, and hence, as I said, this kind of guerrilla-like approach to what we do.

But if there were three areas I'd bring out which are very distinctive to what that CVC way is, in a deal is first of all, we are bringing a deep global network to everything that we do. You know, we've got teams that collaborate across 150 portfolio companies worldwide. We make a big point of sharing insights, best practices, across all the markets in the US, Europe, and Asia, including India. That gives us an edge, particularly for any of the companies that we invest in here that have an ambition to grow outside the US. We can support them pretty much anywhere they want to be with people who are deeply local. That obviously isn't much help to a company that wants to stay purely domestic. But very many of the companies we look at — at the size we want to look at — have an ambition beyond that.

The second, I would say, we have a very founder-focused mentality. We like to build better businesses together with those founders. We're still a founder-led company ourselves. Our original founders, several of them, are still actively involved in the business, including our chairman, who was one of the original founders and loves to sit with us getting a deal done and helping people, particularly the younger people, think inside the mindset of a founder.

We see investing as partnership deals, both with our founders and our families. And I think we're very good at creating a win-win with those founders. If I just take one example, we just closed an investment a few months ago in a very specialist insurance business called Bamboo in California, which really illustrates our founder-first mindset. We saw a great leader; he had a great idea of what he wanted to do. It was a business idea that we could get ourselves around, and from that investment idea, we think in terms of the strategy for those businesses, the talent that they're bringing and the pipeline. Again, not individually distinct from many other private equity firms, but together with the network and our overall mindset, we really do think that there's something quite distinctive there that we can bring.

Howard Beber: So, Lorne, where is CVC most bullish in North America today from a sector standpoint?

Lorne Somerville: Our big sectors are healthcare, financial services, business services, tech, and industrials. And of course, globally, we're very well known for our sports franchise. We take, though, a real bottom-up approach; we don't pick a sector that we want to be in, we don't invest heavily behind themes. We're very microeconomic. We look at companies with good business ideas in an environment where we see real potential, and then if we marry that with great management and a strong investment idea, we will invest. So that's our general approach.

The one sector I would actually pick out that has real potential in the US versus the rest of the world, I think, is the industrials. The bringing industry back to America, I think has really taken grip and will survive whatever happens politically. As long as taxation doesn't kill it, I think we're going to see a movement here that has years to run and is just starting to pick up. We're already making some good investments, actually, that support this here domestically, and I think that's a theme that we want to look into in some more detail.

Howard Beber: And how about the opposite? Are there any sectors that you're purposely avoiding?

Lorne Somerville: Well, not really. I mean, I think, I don't think I'm going to invest in print newspapers, but no, I think the other thing is that we are slightly contrarian as a company. We have always tended to do better when there is some kind of adversity. When I look at the funds that have been great, and my first deal was done at the back end of 2009, my first kind of real sole-lead deal, and that was when nobody wanted to give money to anything. The trauma post the global financial crisis made it very difficult for people to do things — I think the most active private equity firm in the world coming out of the financial crisis. We're not in that sort of crisis now. We're in something that I would say is far more multi-layered and more complex.

You may be hoping that I'm going to say something about the tech sector here, but I think this is a, I've got to say, I think this is a great time to find those particular companies where if you keep a cool head, their business model is not going to be disrupted by AI, or at least where their benefits may outweigh the disruption. So we're seeing real, I mean, few, but real possibilities, and we're seeing, actually talent, looking for a home to manage those possibilities too. So we're not avoiding that, but also we're not running into it thinking that we found the golden key when there is so much fear.

I would say in this environment of instability, it does rather play to CVC's history, we have always tended to lean in when people want to run out. We were the largest investor, I think, globally in private equity following the global financial crisis. Towards the back end of 2009 into 2010, we did some of the largest deals that were around and deals that delivered over the next five to eight years. Whilst this is certainly difficult and nobody wants to be on the bleeding edge, we do see possibilities in the middle of this instability, and also to be a truly supportive investor, which is what people remember when things do start to recover.

Howard Beber: Yeah. That makes sense. One of the sectors you manage is the strategic opportunities platform. Can you tell our listeners exactly how you define that and how that differs from your buyout sector?

Lorne Somerville: The strategic opportunities – it's not a sector actually, it's a fund. And it's a fund that actually is in its third generation. Some people call them core funds but each of the funds in these areas has got different, I suppose, slightly different flavors to this. This is a fund where we are looking for the best companies in a particular sector. They may be companies that have been slightly neglected in the rush for growth. In my opinion, growth has been overvalued, probably for the past 10 years. People have paid super premium values for growth, when in fact, they probably only commanded a certain sort of premium. And that has left the, often mid- to high-single digit, high cash yield growers, maybe the leaders in their sectors, quite neglected. And these are often fantastic businesses.

So StratOps, as we call strategic opportunities, is the fund that we use to invest in these businesses. So, it's really a lower risk private equity fund. We use lower leverage as well to kind of reduce, if you like, the kind of outcomes. And the other feature about it is, we love partnering in these. We're very comfortable to take significant minorities, as long as we've got a good shareholder agreement in place. I would say to keep our hand on the handbrake rather than the steering wheel and a voice in the ear, perhaps, of the founder who's running his or her business in the third or fourth generation of the family. So, we've found some very, very nice companies that I think anybody would be proud to own for a generation through our StratOps fund.

Howard Beber: Why don't we focus a little bit over just into the market and the North American private equity market and the environment for investing. You touched a little bit on it earlier, but how would you characterize where we are right now in the market? Are we in a reset phase? Are we entering a new normal? What's your view on the market in general?

Lorne Somerville: I'm not sure I'm going to win a huge number of popularity points in this area. But first of all, I think this is a massively unstable market. To me, it's like it's skating on a pond, sort of a bit like the winter we've had here in New York, but just as it's kind of thawing out and you don't quite know where you could sink through it or when you're going to sink through it. And you see it very clearly in the VIX. The VIX is about, I assume all your listeners know what that is, the kind of instability or as Harris once called it, the Fear Index, and the higher it is, the more frightened people are, the more volatile stocks are. It's just shy of 19, which is really nothing. And that suggests that people are going, "Ah, you know, it's, this is all fine."

There is nothing fine around the world right now. Really nothing at all. We've got — there are actually, you know, there's the big wars that everybody knows about, but today, and I'm not sure what it'll be like when this gets broadcast, but you know, the Straits of Hormuz are closed, not by one actor, but by two. This is creating massive shortages that are starting to take impact. I mean, you're seeing in Africa, airports running out of fuel, in Asia, not far behind. We've got the four big hubs in Europe, Amsterdam, Frankfurt, Charles de Gaulle, and Heathrow have got about, they think around, together with the strategic reserves, about four to five weeks of aviation fuel. And that aviation fuel is something that even if the straits were to open again, you're not going to see all this fuel suddenly getting refined in and shipped to these places. So, we're facing, I would say, quite some trauma ahead, and the markets are completely ignoring it. And if you overlay that geopolitical instability, it's extremely hard for importers into the US to actually know predictably what tariffs they're going to bear or who is going to bear them.

At the end of the day, most businesses hate volatility more than anything. They can deal with consistent misery, they can deal, obviously, with growth and optimism, but they can't deal with instability. So, it's very hard for flows to work like the global system has been accustomed to for the last 30 years. And that leads to – particularly in the US – there are real questions about where multiples should be. And of course, I have to mention the impact of AI. Where we've seen businesses fall four to five times multiples. Many businesses that we look at say it doesn't apply to them. They haven't adjusted the value despite what's going on in the public markets. I fear some of our peer group in our industry haven't adjusted their valuations either quite as much as their public comms would suggest because they believe it won't apply to them, except it probably will when they come to sell their businesses. But what that means is that we don't want to sell very much. So you're seeing in the place that we focus, which is in the kind of one to five billion dollar area, I would say that the amount of buying and selling has really slowed down because sellers don't want to sell and buyers don't know what world they're buying into, which results in quite some massive price mismatch and overall limited activity, because nobody wants to look foolish when things do normalize.

So, I think the investment environment needs volatility to come down, predictably to go up. Now, we're seeing some immunity, as I said, to this instability. People kind of grow a sort of thick carapace and they go, "Ah you know, I've got to get up, I've got to keep calm and carry on." And that basically is what we have to do and keep ferreting out those kind of unique opportunities, but it's definitely harder than it was, Howard, it's fair to say.

Howard Beber: You want to shift over a little bit to the exit environment and how you're navigating the exit environment at CVC?

Lorne Somerville: Well, I would say: tenderly. We have returned a tremendous amount of capital across both our flagship funds and StratOps in the past 18 months. I think that, in fact, for StratOps, it was a record. That might point to the fact that, at the end of the day, there's always a market for high-quality businesses. And actually, I do believe that there is always a market for high-quality businesses. And maybe in this more difficult environment, there should be a strong market because people need to trade. Why not trade and acquire a strong cash flow generator? So, my suspicion, just looking at our own exits and our own exit pipeline, is that there is increasing appetite for cash generating and cash issuing businesses with moderate leverage versus the high growth Rule of 50, Rule of 60 businesses that were all the rage a couple of years ago. So, I think that's a way of saying, actually, there are exits, but it's very differentiated and it's very quality oriented.

The one question is to what extent are the IPO markets going to provide exit? And that is a very interesting point. And volumes are very suppressed for private equity exits into the public markets, as they have been for some years. I think there is a backlog developing both of supply but also of demand. Markets need good things. Pension funds need great companies in the public market, and we as an industry will be set up to deliver those. It just looks like it's taking some time.

Howard Beber: If you look ahead in your crystal ball, what do you see in the next 12 to 24 months, which I know is a horribly unfair question with all the instability going on in the world, but let's — nobody said I had to ask fair questions.

Lorne Somerville: You haven't asked a fair question. Well, I think — so my crystal ball is a little bit foggy at the moment, so it needs a bit of a polish. I fear we are in for – if we're lucky, we're in for some continued instability, certainly for the next 12 months. And the reason I say, if we're lucky, is we are quite close to the edge of some of the big global conflicts escalating into something more serious. As long as they don't, the economies will get more used to instability, I believe. That means people will gingerly start to trade with each other more in an unstable environment. In the US, there's clearly a lot of political pressure to cut interest rates, even if there are several macro indicators that would tell you you might not want to do that. I suspect that will fuel inflation in the longer term, but I'm not in the Fed, so I don't think I should give any more forecasts in that regard.

Now, that, I think, is a little bit like throwing sugar into the system. And if any of your listeners have young children, you'll know what happens when you give them what they want, and it's sweet, it's quite exciting for a while. But the aftermath is quite horrible. And I do believe actually cutting — personally, it's not our corporate view — cutting interest rates now is akin to sugaring up something that shouldn't be given that much more sugar. However, that will create another boost, probably, to the markets. And that might give people an opportunity to test markets with more supply.

So, we just have to be on top of those things. We can't control these big macro trends. And we have responsibilities to our investors, too, if there's a chance to create a good exit for them. And it's a sustainable exit, because if you list a company, it needs to be sustainable. You're not going to sell the whole thing in one go. So, you have to take an 18-month view at least. We will be there to deal with what we have to deal with.

Howard Beber: I guess, what triggers were you thinking to accelerate deal activity? Lower interest rates, I guess, would be one. Somehow, stabilizing the environment, which who the heck knows how that's going to happen because you pull one string and another string comes. Anything else you think might jumpstart?

Lorne Somerville: I do think people — as long as instability can stay at a constant level so that you have just a reasonable constant barrage of randomness — people will actually get used to it, build their contingencies, and go back into the market to achieve liquidity, for their own investors and to match the investor appetite that they have. I do think there is still a great appetite for capital. I think there's good pockets where capital can be deployed. So, I think that will help.

But that is quite a domestic outlook. I think that Europe is actually, the mainland of Europe is picking itself up slowly because things tend to happen slowly in the big economies in Europe. But we're seeing people saying, you know, I want to invest, I want to go forward. People do need to get their head around AI friend or foe. And in that regard, I am very worried about shift in employment patterns that could develop, particularly amongst 22 to 30-year-olds, but not exclusive to them. And, you know, there could be quite some disruption that I think people are just assuming will right itself. I just don't know how. And so, in that regard, as an investor, as a parent, I am concerned about the world that we're treading into, and that concern does increase over time.

Howard Beber: So, speaking of AI, I guess we can't get through one episode without diving into AI a little bit. How are you using AI at CVC from a diligence process and even an operating process?

Lorne Somerville: Well, as with everything in CVC, we're cautious about embracing it. And I think we're trying to keep two things in step with each other. One is an embrace of the tools. They are fantastic and can save people a great deal of time but also can actually improve the product. By which I mean you use AI to help you in a data room, you're going to see more things and draw more inferences than a few humans rummaging around in a virtual data room. You can just be more comprehensive, so not only faster, you are wider, you're looking at stuff. So, we are encouraging people to use it, to synthesize information, to also capture things that they were not seeing before. However, what we're really taking care to do is to keep that in lockstep with individual investment officers' sense of integrity. They have to use this powerful tool not just to go to bed earlier, but to make sure that the stuff that's coming out is actually a fair reflection of their understanding of what that business is. They cannot take it today at face value. You know, we've been — I was looking at a case last week where we used one of the big models to actually compare three businesses, and the stuff that came out was directionally correct. But it was making shocking statements about one of these businesses that, fortunately, the investment executive who was running this did go back and examine the original sources and found, in fact, these very broad statements of supposed fact, which the tool had turned into a fact and had drawn inferences from that. We are not ready, I believe, to have these tools just unleash their conclusions into investment decisions.

Howard Beber: Is that the same advice when you're talking to your portfolio companies that you are giving them?

Lorne Somerville: Absolutely. Absolutely. And look, we're helping them embrace the tools. Most of them, I would say, are desperately keen to find a way to harness the power and make it their friend. That's what we call kind of tactical AI. There's also strategic AI where, yes, they're improving themselves, but meanwhile, are they aware that something else could be disrupting them completely? That's the kind of the Eye of Sauron that I mentioned earlier. And that is much harder to get on top of. Could somebody do this better with AI? Not just you improving the way you're doing things, but could someone do it in an entirely different way? And, you know, we have 150 portfolio companies. Every single one is keen to know, could they do better? Every single one comes to us pretty much and says, listen, what have you got? What have you seen? And it's where we need to use our scale to make their lives better and to allay the fear a little bit whilst stimulating the development.

Howard Beber: Yeah, that's very well said. I think we all have those same questions. So, let's shift now to the closing, as my listeners know I like to ask a few similar questions in closing. So, the first one I'll ask you is the skill set for a young professional who's joining your team. And don't say they should learn how to use all the AI tools because that's obvious.

Lorne Somerville: Yeah, that's an interesting one. This is a very topical thing. We see potential joiners all the time and you have to assume they're smart. We're wary of these human resource bots that screen out everyone and are attempting to enforce homogeneity, which means a few people get 50 invites to interviews and 50 people get no invites when they may be incredibly talented or good at this job. So, I'm just going to assume that everybody we see is smart. I value, I think the things that I look for is, first of all, I have to feel integrity. Are they honest in everything they do? Are they honest to themselves? And do they question themselves? We see very polished people who may come from banks or consultancies or top tier organizations. And the challenge for us as interviewers or potential employers is, how do you get through the polish to find the real person? Do they have true integrity or are they just brilliant spinners? Are they curious? I'm assuming they're smart, have they integrity as the second, are they curious is the third. Do they question things around them? Do they question the AI models or are they just optimizers, getting the result, moving on, going back onto the hockey field or whatever it is they do? I certainly look for that. And then I suppose the other two things, it's almost like, I don't know whether these are skills or a vice, probably they're a vice, now I come to think of it. If I have a kind of curious, high integrity, intelligent person, they need to also, in our business, if they're going to get anywhere, they need to engage the room. Now, charisma, I think, is one of the most dangerous characteristics that you see in a person in that it allows them to be highly convincing, often without the case to support it. And so, I'm very nervous of high charismatics and try to not be fooled by the, you know, what Malcolm Gladwell referred to as the blink moment, you know, where you instantly decide, I like this person, you spend the next hour post rationalizing your decision. I'm constantly checking myself on that. They do need to hold the room, but I don't want them to just charm everybody and then just be sold a pup at the end of the day. That's how terrible investments are made, and probably the worst investors of the world are a group of intelligent charismatics that happen to be lazy with low integrity. We really try and avoid that. And yet, the personality type, I would say, needs to be there that fundamentally is not boring. I think this word boring has a lot in it because what it means is – my advice is to someone here, as well as a skill they need to have is don't be boring. And that means not thinking what you want to transmit, but thinking really what the person on the other side of the table needs to know, needs to understand. Why is he or she asking this question? What is their true concern? And if you are facing a CEO or an owner on the other side and they're asking you certain questions, don't just bombard

them with all the stuff –I mean, by the way, in private equity, the worst thing, how great you are, all the great deals you've done. I mean, we're an industry that can really suffer from this.

There is a great Instagram meme guy called, I think, the PE guy. And if you haven't seen it — he's addictive because he just keeps talking about himself and how great he is. And it would be funny if it wasn't so uneasy because we're an industry that's prone to that. However, it would be incredibly boring to be in a dinner party with this guy. And so, I'm looking for someone who is not boring. And the way he's not boring is that he's got to think about the other person, the reception, not the transmission.

So, I suppose the last thought is don't be boring and try and help the person on the other side of the table with whatever their problem is.

Howard Beber: No, that's great advice, for anything. Lorne, thank you for joining me on the pod. This was a wonderful conversation. Do you have any final thoughts or pieces of advice you would like to leave our listeners?

Lorne Somerville: Just one, Howard. We must keep calm and carry on.

Howard Beber: I'd like to thank our listeners for tuning in. And again, if you've enjoyed the episode, drop us a note at privatemarkettalks.com, and keep an eye out for our next episode coming your way next month. Thank you, and thank you again, Lorne.

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