# Leveraging differences

**Carey Davidson**, partner and head of capital markets at mid-market lender Monroe Capital, offers her outlook on the debt market and provides tips for women exploring a career in finance

The *New York Times* called 2018 "The Year of the Woman". But while considerable progress was made creating awareness around gender issues last year, this newfound appreciation only helped people recognise all the work that remains to achieve parity.

Monroe Capital partner Carey Davidson, who heads the firm's capital markets team, has spent 19 years in mid-market lending. She is responsible for buy-side club originations, sell-side syndications, lender relationship management, and marketing. As a member of Monroe's investment committee, she also has an understanding of the drivers influencing the mid-market, as well as the risks that factor into underwriting investments.

Carey offers her thoughts around the market as well guidance on how women can break into finance and, ultimately, get ahead.

"ONE POINT THAT TENDS TO GET OVERSHADOWED IS THE BUSINESS CASE BEHIND EMBRACING DIVERSITY, WHICH IS REALLY COMPELLING"
**Carey Davidson**

**Q Throughout your career, you've made it a priority to promote the role of women in financial services, through co-chairing Monroe's Women's Network and your involvement with the Women's Association of Venture & Equity (WAVE), among other things. Can you discuss why diversity is so important?**

Absolutely. Over the past few years, a lot of attention has been paid to issues such as gender equality in the workplace and injustices such as the pay gap. This is long overdue. But one point that tends to get overshadowed is the business case behind embracing diversity, which is really compelling.

As a firm, our philosophy around this is very simple: we have a fundamental belief that cognitive diversity drives better investment decisions. Monroe invests across a broad spectrum of industries and the diverse backgrounds of our investment committee drives more informed decisions. But beyond just building an organisation in which this diversity exists, to ensure it flourishes and to truly leverage it, you need to create an environment that encourages a healthy debate and thoughtful deliberations. This has been a fundamental component in fostering our successful track record.

Monroe has also carved out a dedicated vertical supporting women- and minority-owned business. This has created some unique opportunities to diversify away from the crowded sponsor-backed middle-market segment.

**Q That's a good point and speaks to the business case. As the head of capital markets at Monroe, can you talk a bit about your views, generally, on the market?**

It's competitive, but the liquidity in the market is also fuelling deal activity and capital investment, so success will come down to strong relationships and solid underwriting. But both private equity and private debt have seen unprecedented levels of capital flowing into their respective asset classes, which has created an imbalance. Even against a robust M&A backdrop, fundraising has outpaced deal

# DIVERSITY

activity, creating historic levels of dry powder. So all of this is helping to propel dealflow, amplify purchase-price multiples, and drive an increase in leverage levels.

I expect that mid-market M&A will remain strong in the near-term. I think dealflow will be similar in terms of pace and volume to what we experienced last year. This environment continues to be favourable for sellers, with average deal multiples in the double digits, but sponsors and corporate buyers have to be more discriminating in these markets.

That being said, the capital flowing into private equity means sponsors have to put that money to work. And while "buying right" remains important to their return calculus, more and more firms are premising their investments on their ability to facilitate growth and impart operational improvements in the acquired businesses.

On the strategic side, corporate buyers are enjoying very strong balance sheets and the evolving landscape – thanks to the spread of technology – is forcing many to confront the "buy vs build" question. When you combine these trends with the amount of leverage available, I just don't see the level of activity diminishing just yet, at least not until cracks in the economy are evident.

**Q So where are we in the current economic cycle?**

Well, the recovery following the great financial crisis has been unique and unprecedented. Middle-market companies, for instance, have seen close to 10 years of both top- and bottom-line growth, and given the fiscal stimulus, most projections call for continued growth in the near-term.

Putting this into perspective, last August, the current bull market in public equities became the longest on record since World War II, while the economic expansion in the US is also on pace to become the longest recovery. As it stands today, we're nearing the 10-year mark of sustained economic growth; the average recovery period over the past six decades stands at just five-and-a-half years, according to the National Bureau of Economic Research. In terms of where we are in the current cycle, it may feel like we're in extra innings, but baseball enthusiasts would know that the sport doesn't have a clock.

> "IN EVERY STEP OF MY CAREER, MENTORING HAS PLAYED A MEANINGFUL ROLE AND CONTINUES TO BE VALUABLE TODAY"
> **Carey Davidson**

The high asset prices combined with higher leverage multiples may give the impression the cycle is near its end, especially given the noise around trade and wage increases. At the same time, though, the sustained GDP growth, strong corporate earnings, healthy consumer confidence, and an unemployment rate near historic lows, collectively, provide a considerable tailwind for businesses and investors. With these factors in place, and barring a potential shock event, this should fuel a robust deal environment for the foreseeable future.

**Q It seems like an interesting time to be in the market. To that end, it can be intimidating to try to break into this field today. Do you have any advice for women starting out in their careers?**

First and foremost, you must believe in yourself and trust that if you put in the work you're going to be successful. As a woman, you have a lens that differs from male colleagues; that should be celebrated and embraced. You have to recognise that you're truly an asset. Your perspective provides an element of diversity and differentiated thinking. This is especially valuable in an environment like today, marked by high asset prices, that will punish groupthink. So even though there will be challenges and obstacles along the way, always believe that you will succeed based on merit, ability and hard work.

I would encourage women starting out in their careers to focus on networking and building relationships of substance. The value of a deep, expansive network won't be immediately evident, but growing that network early on and then taking the initiative to "pay it forward" with your time and generosity – without seeking anything in return – will almost certainly expand your opportunity set. Every new contact should be considered a valuable resource.

I would also stress the importance of mentorship. In every step of my career, mentoring has played a meaningful role and continues to be valuable today. My mentors have provided a safe place and a support network and have helped me build my confidence in a high-stakes environment. A mentor doesn't have to be a colleague or even work in the same field, although I have enjoyed mentors both inside and outside the firms where I've worked as well as inside and outside my industry.

It may sound counterintuitive, but a strong mentor will tell you the truth even when you don't want to hear it, and they can help guide you through both large and small decisions. The importance of this can't be overstated in finance, because we're in the business of delivering and acting upon hard truths. ■