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Vector Capital seeks complex tech deals. 'We'll leave safe, secured debt to banks.'

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In Silicon Valley, Vector Capital is an anomaly: Instead of chasing the next Uber or Snapchat, the private-equity firm is looking at troubled spots for hidden value.

The San Francisco-based private-equity and debt investor seeks to participate across a company's capital structure. Opportunities abound: Large corporations are shedding noncore units. Public companies are frustrated with the burden of being listed and are looking to go private. Tech outfits that adopted aggressive accounting practices have found themselves in trouble and in need of help.

That is where Vector comes in, armed with a newly closed \$1.4bn fund and total available capital of some \$1.7bn.

Do not expect Vector to pay up – bidding up asset prices in auctions is not its game. "We are a value-oriented tech investor," said Alex Slusky, founder and chief investment officer at Vector.

Take Cambium Networks for example. The wireless internet service company traces its roots to two business units of Motorola Solutions that Vector acquired in 2011. For Cambium's CEO spot, the sponsor recruited industry veteran Atul Bhatnagar, who built the company "brick by brick," said Mr. Slusky.

The same value-oriented approach led Vector to take Corel private twice. The software company known for such offering as WinZip, PaintShop Pro and WordPerfect first came up as a turnaround opportunity for Vector after the dot-com bust. After taking it back public in 2006, Corel's share prices again came under pressure after the financial crisis, leading to a second buyout by Vector in 2010. Over the years, Corel has returned more than \$300m dividends to Vector.

Vector's investors rewarded the firm, oversubscribing to its fifth private-equity fund by \$200m. Vector Capital V LP closed recently at \$1.4bn.

In addition, the firm has a private credit business that invests in distressed debt or lends directly to healthier companies. Consisting of special vehicles and hedge funds, the credit business has about \$400m of assets under management.

Vector tends to focus on more junior tranches of debt such as second-lien and unsecured debt. "We'll leave safe, secured debt to banks," said Mr. Slusky.

Earlier this month, Vector teamed with Silicon Valley Bank to provide a \$60m debt funding round to Meltwater, an internet advertising tech outfit.

Vector's credit investments range from \$50m to \$100m per deal, while its equity investments range from \$75m to \$150m each.

Mr. Slusky said the firm is seeing new opportunity in software, internet services, digital media, communications and industrial technology sectors.

"We focus on complex situations," he said.

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