

Roger Royse Q&A: ESG, PE and IPO Prospects for Agtech in 2023

December 28, 2022 Roger Royse

PRACTICES Corporate, Fund Formation and Management, Capital Markets and Securities, Emerging Companies and Venture Capital, Mergers and Acquisitions

Haynes Boone Partner [Roger Royse](#) was featured in an *AgFunderNews* Q&A about environmental, social & governance (ESG), private equity, and initial public offering prospects for agtech in 2023. Below is an excerpt:

AFN: Tell us a few really noteworthy investment trends you saw in 2022.

RR: One was the dominance of ESG [environmental, social & governance] in agtech. Back when we had our conference a month or two ago, every single panel came around to ESG. It's top of mind for every investor; it's top of mind for companies.

I could theorize all day as to why that is. With investment funds, and venture funds in particular, their investors are very interested in ESG. Potential acquirers or even the regulators for companies going public, are putting a big emphasis on ESG disclosures. Companies that have an ESG sensitivity are in a better market position.

I do not see that going away in 2023.

AFN: How does the industry keep “ESG” from becoming just another buzzword?

RR: “ESG in agtech means transparency. If you can find companies that actually deliver a solution that says “we really can do what we say we can do,” that’s pretty powerful.

It’s also about reducing inputs as well as decarbonization and better tech.

AFN: What other trends stood out from 2022?

RR: This one kind of surprised me: “farm management” is no longer a dirty phrase.

When I started doing agtech 10 years ago, one VC [venture capital] told me directly not to send him any more farm management companies.

[Farm management] tech has come a long way. The market acceptance has gotten to a point where this can be a real business and a real profitable business.

Another trend is that investors have finally gotten smarter about what they’re getting into, and they’re starting to understand that agtech investments are a little different. Agriculture itself is different: highly regulated, heavily subsidized. That translates into a longer exit path for agtech.

Finally, the industry has matured enough now that private equity has gotten into the mix.

As the industry has matured (we started our Silicon Valley agtech group more than 10 years ago), more companies now have private equity metrics in terms of revenue and profitability. This gives private equity the opportunity to apply strategies that have been successful in other industries such as roll-ups, integration, and efficiencies from combining agtech businesses. I am seeing that trend now and it can only increase.

Excerpted from *AgFunderNews*. To read the full article, [click here](#).