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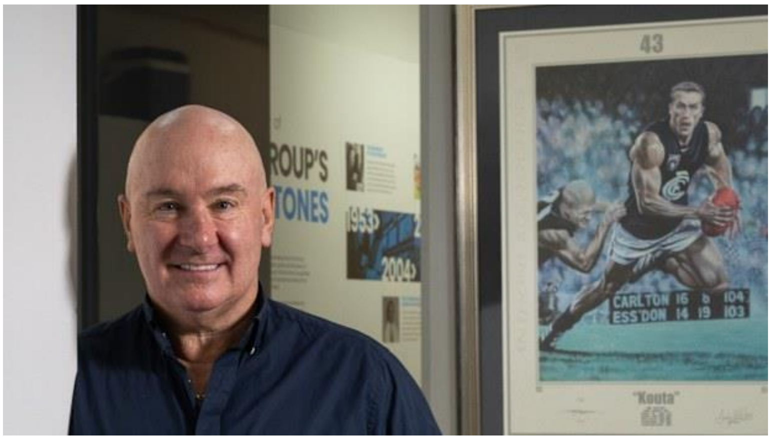
It's funny how life works. Late last month, news broke that Scott Didier, the managing director and talisman of ASX-listed building group Johns Lyng Group, had spent a staggering $140 million to buy one of Australia's most popular pubs, The Beach Hotel in Byron Bay.

Two weeks later, Johns Lyng, in which Didier holds an 18 per cent stake, is in the sights of local private equity giant Pacific Equity Partners, in a deal that could value the business at just over $900 million.



Chief executive Scott Didier clearly has plenty of business interests beyond Johns Lyng. **Penny Stephens**

Are the two events connected? Johns Lyng quickly entered a trading halt on Tuesday morning after news of the approach was broken by *The Australian Financial Review's* Street Talk column, and the company wasn't saying anything.

But given Didier has accumulated quite the portfolio in the region, including the Byron Bay Beach Suites and stakes in the Great Northern Hotel and Hotel Marvell, perhaps the timing of the latest pub deal was simply coincidental.

Either way, there was little surprise in the market on Tuesday morning after Johns Lyng entered a halt. It's a classic private equity target.

Johns Lyng's fall from market darling to market dog has been very painful for investors. The stock, which closed on Friday at $2.54, peaked at $9.23 in August 2022, but that doesn't quite capture the story; for a while, every small-cap manager seemed to love this company, and the share price surged fourfold as they jumped over each other to grab the tightly held shares.

But the love affair ended abruptly. The bad news started in February last year, when the company's disappointing interim results were met with a 13 per cent drop in the share price. On the day the full-year results were announced in August, the stock plunged 32 per cent. The interim results this year were met with more investor horror, with the stock off 24 per cent in a day.

Below market expectations

That last result was emblematic of Johns Lyng's recent problems. Revenue, earnings and guidance for the full year were well below market expectations, which Didier blamed on the group's struggling NSW and US divisions, and benign weather conditions, which means Johns Lyng gets less work from insurance claims.

The company's US expansion has been a particular pain point for investors, who have become all too familiar with ASX companies trying to take their successful Australian business model to America, only to be quickly humbled.

But the low level of insurance work the company reported in February has probably given Pacific Equity Partners' bid extra impetus; the cyclones and floods seen on the eastern seaboard in the last few months will give John Lyng's earnings a boost in the coming year, creating the potential for PEP to secure an early win from a takeover.

The final reason for the lack of surprise at the PEP move was Didier himself. There is a clear sense among investors that he was getting a little tired of life on public markets, following the turmoil of the past 18 months. And clearly, he has plenty of business interests beyond Johns Lyng.

Of course, it is not certain the deal will go ahead, and we should probably expect more than a little resistance from those investors who were paying $6 a share just a year ago.

But if the takeover is completed, it will be PEP's second take-private in six months after it bought ASX-listed novated lease group SG Fleet for $1.2 billion.

That deal has many similar hallmarks: a depressed share price, a leading player in a fragmented industry and the potential to drive industry growth through consolidation.

In other words, both are classic private equity plays.

Against the backdrop of the corporate regulator's examination of the growth of private capital and the health of public markets, should we worry about the potential for another ASX company to disappear into private hands?

Perhaps. But Chanticleer was struck recently by the view of KKR's global chief executive, Scott Nuttall, who says worry isn't the right word and this more reflects how public markets have evolved.

The rise of passive investing, Nuttall says, means more capital flows to the largest companies, which makes it harder for smaller companies to get attention.

That "has created an opportunity to go talk to companies and say, there's another way to do this," Nuttall says. It looks like Johns Lyng and Didier may be listening to a very similar message.