

11 POINTERS FOR COURTING PRIVATE EQUITY INVESTMENT

By Tim Farazmand

- 1. Research potential investment partners** – Are they the right partner both for now and the future?
- 2. Reference potential investment partners** – Ask to speak to the businesses they have backed in the past.
- 3. Prepare an airtight business plan** – Refer to my earlier checklist - 'Writing a business plan for private equity'.
- 4. Prepare for the process** – Be ready for due diligence, including both that undertaken by the investing partner and the due diligence experts that they are likely to involve.
- 5. Contemplate the costs** – Understand what costs are involved both in terms of your own adviser and the costs incurred by the investment partner.
- 6. Consider funding alternatives** – Is private equity right for the business or are there alternative funding sources that might be more appropriate?
- 7. Approach using six degrees of separation** – In other words, use a warm approach to an investment partner, eg, through an adviser.
- 8. Be realistic about timing** – It can take three to six months to raise capital, although investors can work to much tighter timescales.
- 9. Think about current and future board structure** – Is the board fit for purpose today? And is it flexible enough to grow with the company? Think about what an investor might require in terms of non-executive representation.
- 10. Do have an open mind on the deal structure** – But also, know what will work for the business.
- 11. Foster confidence** – Can the business deliver returns in line with the investor's expectations?

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Tim Farazmand
Managing Director - Deal Origination,
Lloyds Development Capital

Tim joined LDC in 2005. He has spent over 20 years in private equity with 3i, Royal Bank of Scotland and Catalyst Fund Management. Prior to joining 3i Tim worked for IBM. In his previous role at LDC Tim was the Managing Director for the London Office completing a number of significant transactions including GVA Grimley, National Accident Helpline and JCC

Contact Tim through www.criticaleye.net