



## The Right Source Knowing When to Use Private Equity

By MILTON REEDER

*Your years of working hard are paying off: your company's prospects have never looked better and your management team has the talent to move the business' growth into warp speed. But there's something in the way... something that can be solved by working with a private equity firm.*

Private equity is not just about money. It's about getting all the resources you need to move your company to the next level. Most often, private equity (PE) is sought when significant growth requires extra funding. But at times specific events may trigger a need to look at PE, for example, a founding member of the company may wish to cash out and retire, or a competitor may put his or her business up for sale. In either case, working with a PE firm may open up more opportunities than seeking a commercial loan or eating into your company's or personal reserves.

Some of the reasons to seek PE may be to:

- **Expand your business.** The most common reason for seeking PE is simply to grow your business to the next level by expanding your product line or services, or entering new markets.
- **Acquire a company.** Sometimes the fastest path to success is through acquisition rather than internal growth. Whether you have your eyes set on a direct competitor, a similar company in a different market, or a buyer or supplier ripe for vertical integration, a PE firm can not only fund the acquisition, but also mentor you through the merger process.
- **Restructure a company.** A rapidly growing company can find it has reached a point where it needs to step back and revisit its cost structure and business offerings. PE can offer the funding and executive experience to help your company cut costs, refocus on its core operations and better exploit its strengths.
- **Buy out a business partner.** When one of the principals of a successful business wants to leave, there may be insufficient capital to buy his or her share out while maintaining or growing the business. If your business has both considerable upside potential as well as a senior person seeking to transition out, PE may help you do both.

### About Accent Capital Partners

Accent Capital Partners specializes in growth equity for established small-cap and mid-cap companies (\$5 to \$50 million in value) involved in business services, light manufacturing, and real estate and finance.

We aim for long term relationships with our portfolio companies, so we invest in companies with top quality management that have a drive to succeed coupled with a vision of how to do so.

We are based in the Bay Area and can be reached to discuss your clients' private equity needs at 415.981.7200 or at [www.accentcapitalpartners.com](http://www.accentcapitalpartners.com).

## The Right Source

### Knowing When to Use Private Equity (con't)

- **Realize some gains.** Many owners of growing businesses are equity rich and cash poor—the result of putting heart, soul and wallet into the business for years. An injection of PE can not only provide funds for growth, but also enable the principals of your company to access some of the wealth you have built.
- **Deleverage using equity.** Companies need to keep their debt:equity ratio under control. In turnaround situations, you may find your company has become overleveraged and use PE funding to return to a more balanced financial structure.

Alternately, sometimes PE firms come in search of you. Firms specializing in leveraged buy outs (LBOs) may purchase a number of smaller firms in an industry with the intention of consolidating them into one larger company with a larger market presence.

Regardless of the reason you seek PE, investors will be looking for very strong returns and strong, committed management. If your needs and their criteria mesh, private equity may be the optimal solution.