



Team PE

Finding a Private Equity Partner that Fits

By MILTON REEDER

You own a company on the brink of exponential growth. They invest with the money and savvy to make it happen. A match made in heaven? Not so fast. Private equity requires building a relationship that will last in the long run.

Receiving funding from a private equity firm requires creating a business relationship that has the ability to stand the test of time. While a commercial loan officer may look at your books from time to time, a private equity (PE) investor will be actively involved in your business. Your PE partner can best be thought of as a mentor or advisor: someone with the financing ability and business savvy to support you and your company through a period of rapid change or growth.

There are three ways you can find a PE firm: go direct, hire an investment banker, or rely on referrals from other professionals such as your lawyer or accountant. Regardless of how you go about finding the PE firm, there are some important factors to consider:

- **Industry expertise.** Most PE firms specialize in a specific range of industries, ones in which they have industry knowledge, contacts and interest. If you are in, say, the restaurant industry, know that some firms will not be a good match because they either don't know the industry or are not comfortable with its investment outlook.
- **Stage of business.** Some PE firms focus on companies in early stages of growth, while others seek more established firms. Often the preference is simply about the nature of the deals. Some investors choose to specialize in firms facing early expansion, others prefer the challenge of helping larger businesses prepare for going public in a few years.
- **Size of firms.** Whether your company is worth \$5 million or \$500 million, there are PE firms that may be interested in investing. Most firms specialize in deals of certain sizes, some focusing on deals in the \$2m to \$10m range, others not considering anything below \$50 million. The deal size PE firms choose is related to the stage of business preference as well as the amount a firm has available to invest.

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.

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- **Geography.** Look locally when first seeking PE. Geography is relevant, particularly for companies under \$50 million in value. In the early stages of the relationship, expect the PE firm to be involved on a weekly or monthly basis: it's simply easier and less expensive if they are based nearby.

Once you have found firms that fit your company's needs and you are in the process of presenting your proposal, you need to screen each other for a good fit as business partners. Ultimately, you should screen for competence, but do the deal for chemistry. Ideally, your PE partner should be your business mentor/advisor, so you should seek someone who you respect, enjoy working with and can learn from. Most importantly, your PE firm needs to 'get' your vision for your company, and stretch you to an even larger vision. At the same time, the PE firm is screening not only for good business opportunities, but also for good managers who are deeply committed to the future of their company and willing to learn as they grow with it.