

The Private Equity Prom

How to land the PE firm of your dreams.



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Are you looking for someone to invest in your new company or help expand your business? Landing private equity (PE) financing can be like preparing for your high school prom. To impress that special someone you have admired, you must be organized, confident and forward-thinking. Remember, as Mitt Romney said: “Corporations are people, too.” Getting PE financing is going to take all your best moves and more than a little luck.

When choosing potential partners, it helps to know your type. Just as you’d select a date for the prom, you need to know your ideal investor. Are you looking for an athlete who will help you sprint to a finish? Maybe you would rather spend time with a bookish straight-A student who can help you improve your own study habits. Focusing only on the person with the finest physique or the firm with the largest bankroll, may *not* be the best option. You want a complete package: someone who understands your business,

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with meaningful industry contacts and a skill set to maximize the likelihood of everyone’s success.

Once you have identified your desired PE partner, now comes the tricky bit: creating interest. For this to work, you need to present your business in the best light. And just like preparing for prom, pursuing PE is easier if you remember three simple rules.

1. Hygiene is Important

Did you shower today? Have you had a haircut recently? What about your business? Are its financial records up to date? How about its minute book and stock ledger? Is the business in compliance with applicable laws? When it comes to corporate hygiene, keeping presentable requires diligence. If these or other items are left unattended for too long, your chances of getting a date with the PE firm of your dreams will suffer. With this in mind, take a look at your company’s records. Ask yourself if you would want to be seen at the prom with your business; chances are good that your prospective PE “date” may feel similarly.

2. Remember Your Supporting Players

The pressure of prom can be eased if you organize and attend as part of a group. The same is true when pursuing PE. Now is the time to evaluate your professional team. Is your legal counsel experienced with PE transactions? Does your accountant have the expertise to explain the various implications of potential transaction structures? Do these advisors have contacts or relationships with potential PE sponsors that might facilitate a meaningful introduction? Having a qualified wingman (or several) can be invaluable.

3. Accentuate the Positive

Most of us have physical attributes we might like to change. Some of us may be out of shape, some may wish to be taller and some may look older than our actual age. Businesses face similar challenges. Yours may be inherently dangerous, have a significant dependence on a small number of customers, face a particularly challenging industry or market, or have other areas of concern. These factors can make it more difficult to attract PE if not dealt with ahead of time in a thoughtful manner. Just as you’d prepare for prom, take steps to accentuate your business’s positive features. By all means, if you can eliminate potential concerns you should do so. But if time does not permit or if your business has an inherent challenge, then give some thought to how you plan to address any shortcomings. Take this moment to step back and get a fresh look at your business. You may find that there are opportunities previously overlooked.

Far from underhanded, these types of efforts are expected. Preparing now will not only help your business present well to a potential PE partner, but will also increase the odds that this “date” will say yes.

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