

FROM THE FOUNDER'S HUB

Questions to Ask a Private Equity Investor



Your business is taking off, and now your voicemail and email inbox are full of messages from growth equity investors taking an interest in your company. You've ignored those messages for a long time because you've been focused on building the business. But lately, bringing on outside investment has become intriguing.

While this phase of entrepreneurship can be immensely exciting, it can also be daunting. The number of private equity investors seems endless, and you've heard the horror stories of the ones who want too much control or end up being a nightmare to work with down the road.

How do you find not only a trustworthy investor but also a partner who has your best interests in mind? **Start by asking the right questions.**

Why should I select you?

Although this question seems broad, it should help you understand the **investor's unique vision** and give you an initial impression of whether or not the relationship would be a good fit. Most may offer a somewhat generic answer about services and experience but look for synergies in terms of relevant investment experience, understanding of your particular market and sector, and overall goals.

The best investor for you is likely someone who can point to experience and great results with companies similar to yours, whether that means in your market directly or with a similar business model and challenges.

Can I speak to a few references?

It's easy for any private equity investor to provide a list of happy clients to help sell their services, but you'll want to talk with some not-so-happy ones as well.

Scaling for growth or creating an exit strategy can be an emotional and challenging period for entrepreneurs, and bumps along the road should be expected. You'll want to understand how your private equity partner will weather the storms with you. Make these phone calls at some point in the selection process, and try to get feedback on the bad points as well as the good.

What do you offer besides just capital?

Most entrepreneurs are looking for more from their investor than just money when they reach this stage of growth. Find out what each private equity investor can offer in terms of things like strategic planning, relationships with potential acquirers, business development, and management team recruiting.

Remember, you're looking for a well-rounded partner that understands the position you're in and wants to help you take the next steps in the direction you want to go.

Who will be on the Board? Will they be my day-to-day contact?

The relationship between a founder and a private equity investor needs to be a personal one. It's one that is ultimately built on a great deal of trust, and trust doesn't grow between entities—it grows between people.

Be sure you get to meet the individuals you'll be working with on a day-to-day basis. It's important that you feel comfortable with the individual's expertise and ability to deliver what you need. For example, private equity investors who have successfully sold their own companies can more easily relate to the position you're in and might be particularly valuable in helping you create a strong exit strategy.

What does the communication and workflow process look like, during the deal process and after?

Setting expectations of how you will work with your private equity investor is also useful upfront. It can help you understand how frequently you will meet to discuss steps, questions, and concerns as well as the overall timeline of the process. It can open the door to the background, data, and other information you may need to gather as well as the reports and feedback you can expect to receive moving forward.

What will be my role post-deal?

Growth equity investments can range from a relatively passive minority position to a controlling, majority interest. In addition, your role as founder post-investment could be unchanged from before, or could involve you transitioning out of the company completely. Talking with investors about what kind of role you would like to have in the future, what decisions would be important for you to help make, and what their vision is for the direction and management of the company will help you mutually align on the best fit and strategy.

These are just a few of the many important points to consider when you're considering bringing a new investor into your business. ScaleView guides tech founders to raise growth capital or achieve an exceptional exit. Our team has decades of combined experience in investment banking, private equity, and strategic M&A plus the unique perspective of having been tech founders ourselves. **Reach out to connect with us today.**



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