



GUIDE

HOW PRIVATE EQUITY (P.E) WORKS

FOCUS AREA

**MASTERING THE STRUCTURE AND
ACTIVITIES OF A PRIVATE EQUITY FUND**

LEVEL

BEGINNER - INTERMEDIATE



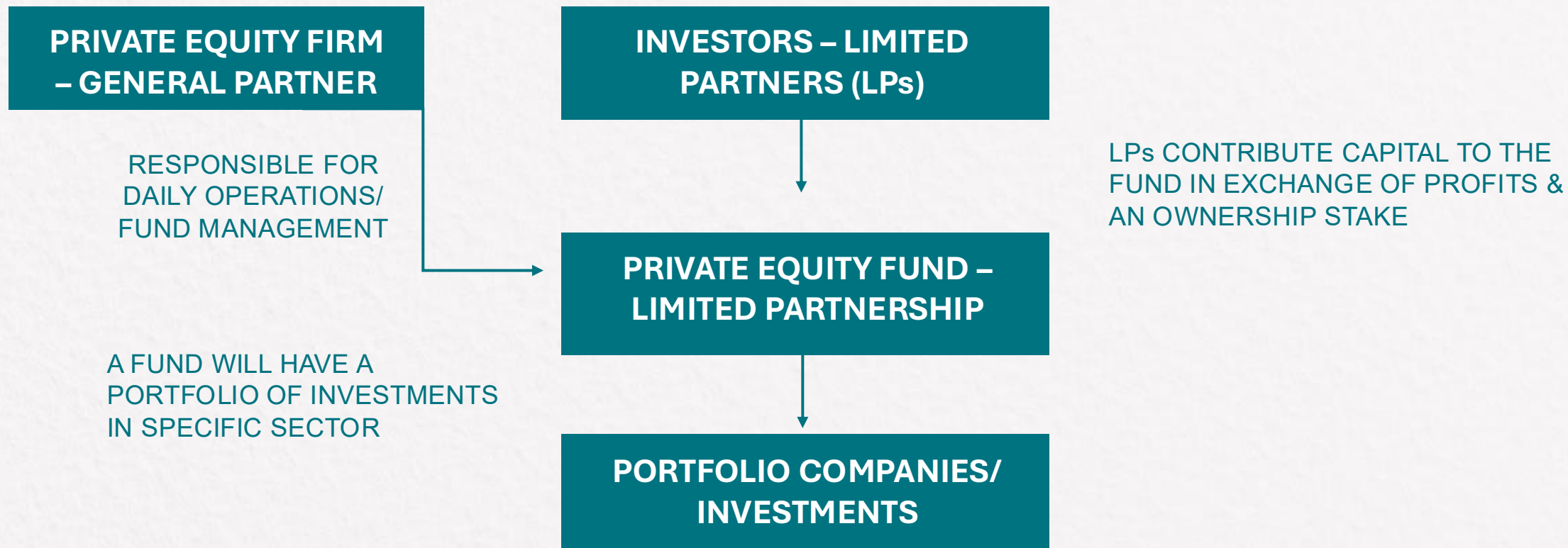
INTRO

STRUCTURE

**UNDERSTANDING PRIVATE
EQUITY STRUCTURE**

PE FUND STRUCTURE

A PRIVATE EQUITY STRUCTURE IS A SETUP WHERE INVESTORS POOL THEIR MONEY INTO A FUND MANAGED BY A FIRM THAT ACQUIRES, IMPROVES, AND EVENTUALLY SELLS COMPANIES TO GENERATE HIGH RETURNS.





KEY PLAYERS

GENERAL PARTNER

WHAT IS THE ROLE OF A GENERAL PARTNER?

GENERAL PARTNERS (GPs)

A GENERAL PARTNER (GP) IS A MEMBER OF A LIMITED PARTNERSHIP WHO PLAYS AN ACTIVE ROLE IN DAY-TO-DAY OPERATIONS AND ASSUMES UNLIMITED PERSONAL LIABILITY FOR ANY BUSINESS DEBTS. A GENERAL PARTNER IN A LIMITED PARTNERSHIP IS USUALLY NOT A PERSON BUT AN ENTITY

KEY FOCUS

DAILY OPERATIONS OF THE FUND AND INVESTMENT MANAGEMENT INCLUDING CAPITAL RAISING & ALLOCATION

SHARE OF PROFITS

USUALLY AROUND 20% - GPs ASSUME HIGHER RISK FOR THE FUND PERFORMANCE

COMPENSATION STRUCTURE

MANAGEMENT FEES AND CARRIED INTEREST.



KEY PLAYERS

LIMITED PARTNER

WHAT IS THE ROLE OF A LIMITED PARTNER?

LIMITED PARTNERS (LPs)

A LIMITED PARTNER (LP) IS AN INVESTOR WHO CONTRIBUTES CAPITAL TO BUSINESS PARTNERSHIP IN EXCHANGE FOR A PROPORTIONATE SHARE OF THE PROFITS. LIMITED PARTNERS ARE NOT INVOLVED IN THE DAY-TO-DAY OPERATIONS OR DECISION-MAKING PROCESSES

KEY FOCUS

PROVIDING CAPITAL TO THE INVESTMENT FUND AND APPROVING MAJOR DECISIONS

SHARE OF PROFITS

USUALLY AROUND 80% - LPs ASSUME HIGHER RISK ON CAPITAL PROVIDED/COMMITMENTS

COMPENSATION STRUCTURE

DEPENDS ON FUND PERFORMANCE



ACTIVITY

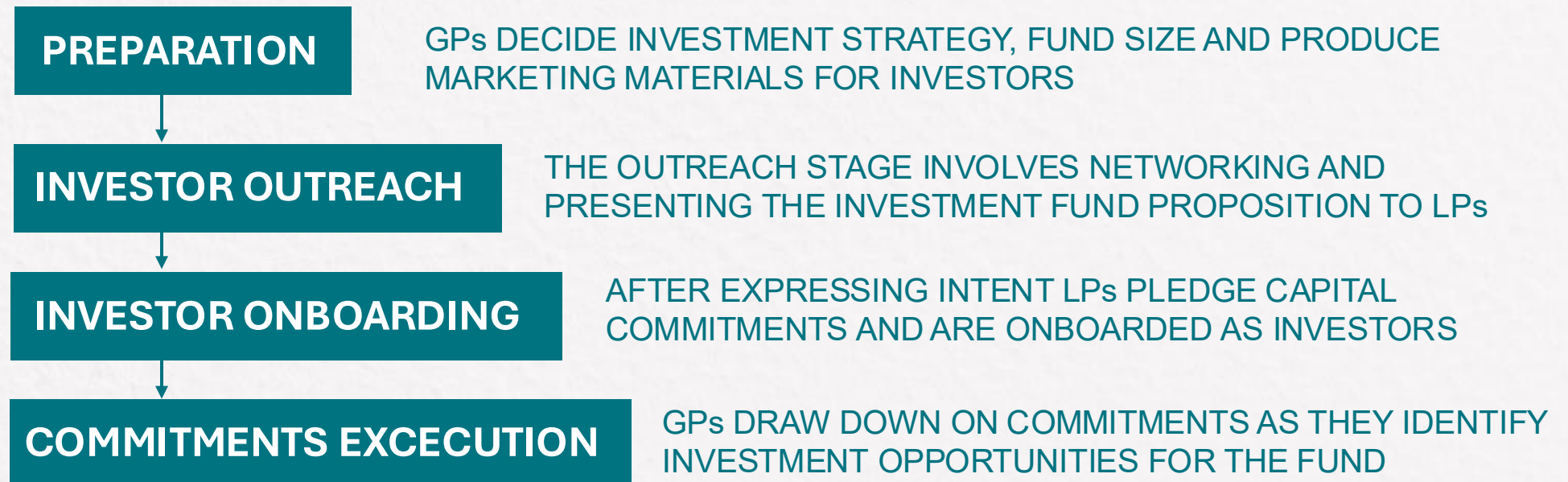
FUNDRAISING

**HOW DOES FUNDRAISING
WORK IN PRIVATE EQUITY?**

FUNDRAISING EXPLAINED

FUNDRAISING INVOLVES RAISING CAPITAL FROM LIMITED PARTNERS. SOME EXAMPLES OF LPS ARE PENSION FUNDS, ENDOWMENTS, FAMILY OFFICES, SOVEREIGN FUNDS, MULTIFAMILY FUNDS, AND WEALTHY INDIVIDUALS

STAGES OF FUNDRAISING





ACTIVITY

DEAL SOURCING

HOW DOES DEAL SOURCING WORKS IN PRIVATE EQUITY?

DEAL SOURCING

DEAL SOURCING INVOLVES FINDING AND INVESTING IN PROMISING OPPORTUNITIES. THIS FIRST STEP IN THIS PROCESS, KNOWN AS DEAL SOURCING.

STAGES OF DEAL SOURCING

PREPARATION

BEFORE LOOKING FOR DEALS, THE GPs DECIDE WHAT TYPE OF DEALS THEY WANT TO CLOSE AND PREPARE PITCH MATERIALS

SOURCING FIRMS

THE GPs WILL SOURCE & SCREEN POTENTIAL INVESTMENTS FOR RISK PROFILE & THESIS MATCH BEFORE REACHING OUT

OUTREACH STRATEGY

THE GPs WILL ARRANGE MEETINGS WITH TARGET FIRMS TO UNDERSTAND THE BUSINESS, MANAGEMENT AND ASSESS THE POTENTIAL FOR A GOOD RETURN FOR LPs

INVESTMENT COMMITTEE (IC)

AN INVESTMENT MEMO WILL BE CIRCULATED TO THE IC, HIGHLIGHTING THE POTENTIAL AND RISKS OF THE INVESTMENT OPPORTUNITY



ACTIVITY

DUE DILIGENCE

**HOW DUE DILIGENCE WORKS
IN PRIVATE EQUITY?**

DUE DILLIGENCE

FOR THE SHORTLISTED DEALS, THE GP PERFORMS EXTENSIVE DUE DILIGENCE, WHICH MAY INCLUDE FINANCIAL, LEGAL, AND OPERATIONAL ASSESSMENTS.

STAGES OF DUE DILIGENCE

COMMERCIAL

AN EVALUATION OF THE GROWTH AND PROFITABILITY OF A POTENTIAL TARGET ACQUISITION, WHICH INCLUDES EVALUATING THE MARKET POSITION & COMPETITIVENESS OF THE TARGET FIRM

FINANCIAL ANALYSIS

FINANCIAL DUE DILIGENCE/ ANALYSIS HELPS THE FIRM DETERMINE THE APPROPRIATE VALUATION FOR THE TARGET COMPANY.

MANAGEMENT QUALITY

GPs WILL ASSESS HOW LEADERSHIP IS PERFORMING, AND WHERE THERE MIGHT BE OPPORTUNITIES TO IMPROVE OPERATIONS.

LEGAL & VALUE CREATION

BEFORE DOING THE DEAL, GPs WILL WANT TO UNCOVER ANY LEGAL ISSUES OR RISKS ASSOCIATED WITH THE TRANSACTION, AS WELL AS OPPORTUNITIES FOR FUTURE VALUE CREATING



ACTIVITY

DEAL EXECUTION

HOW DEAL EXECUTION WORKS IN PRIVATE EQUITY?

DEAL EXECUTION

DEAL EXECUTION INVOLVES NEGOTIATING THE DEAL TERMS, STRUCTURING THE TRANSACTION, AND ARRANGE FINANCING. THIS MAY INVOLVE WORKING WITH BANKS, OTHER FINANCIAL INSTITUTIONS

STAGES OF DEAL EXECUTION

LETTER OF INTENT

AN LOI IS A LETTER FROM THE BUYER THAT STATES THE BROAD TERMS OF WHAT THE DEAL TERMS MIGHT LOOK LIKE, INCLUDING THE PURCHASE PRICE AND VALUE CREATION STRATEGY

FURTHER DUE DILIGENCE

THE PRIVATE EQUITY DUE DILIGENCE FRAMEWORK GETS BACK TO WORK AGAIN MAKING SURE NOTHING WAS MISSED IN THE INITIAL DUE DILIGENCE

INVESTMENT COMMITTEE APPROVAL

A FINAL INVESTMENT MEMORANDUM IS CREATED HIGHLIGHTING TERMS AND APPROVED VALUATION TO EXECUTE THE DEAL

FINAL BID AND DEAL COMPLETION

ONCE THE SELLER PICKS A WINNING BID, THEY WILL WORK EXCLUSIVELY WITH THAT PREFERRED PARTY TO CLOSE THE DEAL AND PROCEED WITH THE STRATEGY



FINAL STAGE

EXIT

**UNDERSTANDING THE EXIT
STAGE**

INVESTMENT EXIT

THE EXIT STRATEGY IS CRUCIAL, AS IT IS THE POINT AT WHICH THE FIRM RECEIVES THE GAINS GENERATED FROM ITS VALUE-CREATION EFFORTS

EXIT TIMELINE

A PRIVATE EQUITY FUND WILL

RESPONSIVENESS

**HIGHLY RESPONSIVE TO CANDIDATE
ENQUIRIES**

PLACEMENT SUCCESS RATE

**HIGH DUE TO EXPERT ROLE
MATCHING**



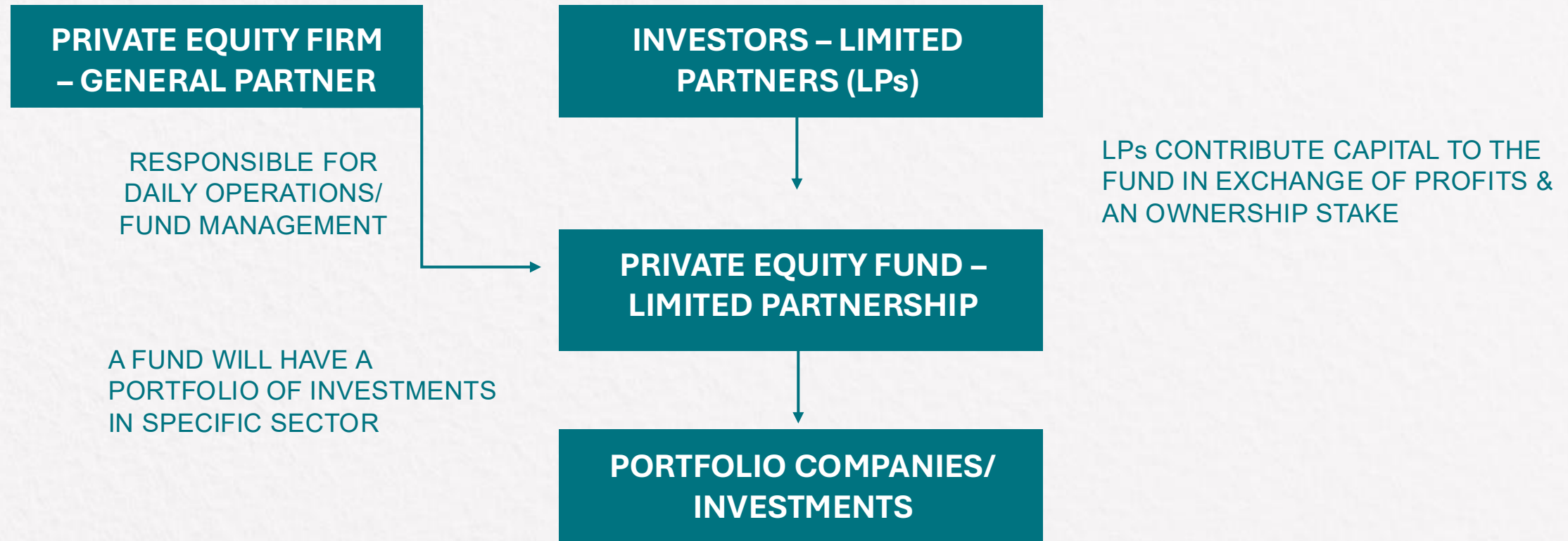
KEY PLAYERS

GENERAL PARTNER

WHAT IS THE ROLE OF A GENERAL PARTNER

GENERAL PARTNER

A general partner (GP) is a member of a limited partnership who plays an active role in day-to-day operations and assumes unlimited personal liability for any business debts.



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