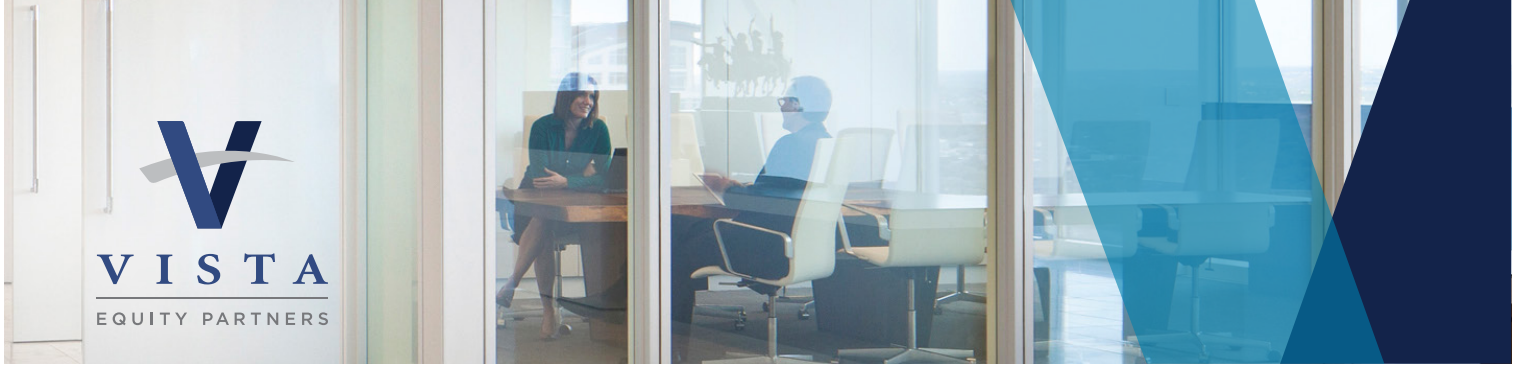

CONSIDERING PRIVATE EQUITY:

WHAT YOU NEED TO KNOW

Fundraising is often a difficult, yet necessary, task for business owners. Raising capital helps position your business to grow and expand, but choosing the right partner for growth can be a lengthy and arduous process. A suitable financial partner can offer opportunities for success and longevity outside of strict monetary factors. On the flipside, an ill-fitting partnership can pose inherent risks to your company.

Many businesses are afraid of financial titans in the private equity sector -- and with good reason. The modus operandi for most private equity firms is to purchase struggling companies and aggressively cut costs until they return to profitability or, in the worst-case scenario, load them up with cheap debt before shutting them down. The process is transactional, number-oriented, and offers limited value to the employees and company leaders who built these businesses from the ground up. It also fails to meet the needs of the customers who have invested in the business product or service.

However, not every private equity firm is created equal. If you find the right partner, private equity has the opportunity to lend both financial and intellectual capital to propel your business to the next level. By looking for a partner who has experience in your industry and has demonstrated success, you can bring lasting value and sustainable growth to your business. Arming yourself with enough information to make a knowledgeable decision is the first step in choosing the right financial partner when you need one.

PRIVATE EQUITY FACTS:

AS OF AUGUST 2015

12,992

U.S. companies backed by private equity

$225B

private equity investment in the U.S. in 2015 to date

11.3M

employees hired by U.S. private equity-backed companies

BENEFITS OF PRIVATE EQUITY

Strengthens organizations: A study from 2009 found that total sales of private equity-backed companies increased at an average annual rate of 10.8% compared to the national rate of 6.1%

Job creation: As of August 2015, 11.3 million employees in the U.S. were hired by private equity-backed companies

Increases competitiveness: Based on analysis of 496 acquisitions between 1980 and 2002, companies that went public after being acquired by private equity firms, and operated by them for more than a year, consistently outperformed the market and other IPOs according to Professor Josh Lerner of Harvard Business School and Professor Jerry Cao of Boston University

Spurs innovation: By evaluating patent citations, which is the most widely used and accepted measure of innovation, a study from 2008 found that private equity-owned companies pursued more economically important innovations than non-private equity-owned companies

Enhances value: A study conducted by Ernst & Young in 2007 found that the average value of U.S. businesses acquired by private equity firms grew 83% over the course of private equity ownership

Source: Private Equity Growth Capital Council
Pegcc.org/private-equity-at-work/education/

"THE BEST PRIVATE EQUITY FIRMS DELIVER DEEP EXPERTISE IN THE SECTOR IN WHICH THE INVESTMENT IS BEING MADE; A PERFORMANCE CULTURE THAT REWARDS ENTREPRENEURIALISM AND RESULTS; MANAGERIAL AND FUNCTIONAL CAPABILITIES; AND AN OWNERSHIP STRUCTURE THAT ENABLES COMPANIES TO COMPETE IN THE TOUGHEST ENVIRONMENTS."

-Private Equity Growth Capital Council

SCENARIOS WHERE PRIVATE EQUITY CAN HELP:

- Expansion into international markets
- Infuse growth strategies
- Expand existing offerings
- Revive or improve existing operations/processes
- Hire and retain qualified talent

READ MORE INSIGHTS FROM TOP VISTA LEADERS

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