

Ideal Backgrounds for Private Equity

Private Equity › Interview Preparation



There is no standard way of entering the Private Equity industry, but this article aims at illuminate the typical characteristics that private equity firms are looking for in a candidate.

What age or level of experience do private equity firms want?

- The large majority of people joining private equity firms do so after two to five years' work experience in a relevant field such as investment banking, strategy consulting, corporate development, or restructuring.
- It is very unusual for people to join a private equity firm right after graduation from university with an undergraduate degree. The main reason is that most private equity firms are small and do not have the ability to train people within the firm. Notable exceptions include the very big private equity firms such as Blackstone, who sometime hire from straight from undergraduate degrees - but note that the students being considered have typically worked through several internships in banking, strategy consulting, restructuring, or at other private equity firms.
- A common route to enter private equity is right after an MBA (more common in the US). Similarly, this implies two to five years' prior experience in relevant fields.
- Age is always a sensitive topic, but most private equity firms like to hire people below 30 for an entry position.

What are the typical educational backgrounds?

- Private equity is notoriously picky about educational backgrounds, are will usually target graduates from top universities. In Europe, there is a strong representation from schools such as Oxford/Cambridge in the UK, HEC/Essec in France, etc. The reasons are that they have a large choice of applicants so the school is an easy first screening ground, and also because the networking aspect of private equity is quite important (who you know matters). Note that the name of a good school is not enough and is often just a pre-requisite. If you are not from one of those top schools, however, it is still possible to break in if you have outstanding work experience, skills, or achievements.

- For MBA degree earners, Private Equity is also very picky, even more than for undergraduate degrees. The very large majority of MBAs in private equity in Europe come from three schools: Harvard, Wharton, and Insead (also Stanford in the U.S.).

- While you don't need to be a finance major, your degree should demonstrate strong analytical ability. Science and finance degrees tend to be popular.

What are the typical professional backgrounds?

On top of a great education (ideally with top grades and lots of extracurricular activities), Private Equity firms like to see prestigious company names and impressive transactions in your background. The most common backgrounds are these:

- Investment bankers: usually from second-year analyst to first-year associate levels. Why? Because of the excellent modelling training, transaction management skills, ability to work extremely hard, and sometimes sector knowledge. The rule of thumb is that the larger the Private Equity firm is, the more demanding they will be in terms of investment bank "prestige". The large majority of ex-bankers in private equity come from Goldman Sachs, Morgan Stanley, ex-Lehman Brothers, ex-Merrill Lynch, Rothschild and Lazard. Some private equity firms will ask for your analyst or Associate ranking; the more deals you have done, the better. You can still break in from smaller banks but you will need some really impressive transactions or other specific skills.

- Junior Strategy consultants. Why? For the strategic thinking ability, ability to work very hard, and sector knowledge. Consultants are a bit less prevalent than bankers in private equity because they usually lack a bit in modelling skills, but people working at firms such as McKinsey, Bain & Co and BCG will have a good shot at private equity jobs, especially if they have worked on private equity due diligence assignments. Some PE firms (like Bain Capital) focus on hiring strategy consultants as opposed to bankers.

- "Others": depending on the firm, private equity companies may hire qualified accountants from the Big 4 (if they worked on private equity deals with a very UK-specific background), talent from restructuring, and sometimes people with a bit more unconventional backgrounds (i.e. equity research, ECM, corporate strategy).

What other characteristics are private equity firms looking for?

On top of a great education and a great work experience at a top firm, private equity firms would really like to see these characteristics:

- Languages: The more you speak fluently, the better. You can significantly increase your chances if you speak two or three European languages fluently, and in most cases English + another European language is required. 'Hot' languages include Nordic and Eastern European languages. German, French, Italian, Spanish and Dutch are also very useful.

- Extracurriculars: To make you stand out from the rest, extracurriculars (such as athletics or art) are very useful, especially if they are impressive. Anything that shows that you are a well-rounded person is often required!

- Entrepreneurial drive and leadership: Anything that shows that you are a driven person who likes to show initiative can apply, such as the position of a club president, organising charities, etc.

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