

Key mistakes in Private Equity interviews

Private Equity › Interview Preparation



Investment Banking, Private Equity
& Venture Capital Articles, Guides & Jobs

Private equity interviews are notoriously difficult and competitive, with 1000s of CVs and often 100s of candidates being interviewed for a single position. Therefore, private equity firms can afford to be very demanding and small mistakes can prove to be fatal in private equity interviews.

1. You didn't research the private equity fund deals

Although this may sound basic, a very common mistake of private equity interview candidates is to forget to do proper research on the fund they are interviewing with. At minimum, one should have read the website, read the recent news, and memorised 2 or 3 investments that the fund has made. Fair questions may include "which deal do you like most and why", "which deal do you like the least", "why do you think we invested in XXX", and "have you read about our latest deals". Make sure you understand the investment thesis for at least 3 of them, read press articles and any other source of information you can find. Even better, if you get the chance to have informal conversations with other members of the team, do ask them about their deals. Similarly, if you know a banker or consultant that worked on the deal, try to gather some information. Well informed and prepared candidate always impress, and unprepared candidates will seem not motivated.

2. You didn't prepare investment ideas

Another fair question in private equity interviews is "do you have any investment ideas for us?". This is a very standard questions and I would recommend to prepare at least 2 ideas (ideally 3) that are well developed and thought out. Those should be real companies and investment opportunities. You will not be expected to know all the details, however you will be expected to know the investment rationale, some key financials, some industry trends and why you think it would be a good fit for the fund. Typical mistake include having too broad ideas (i.e. I think a bank would be a good investment), or something inappropriate for the fund (because of size, geography or sector, for example).

3. You don't know your deals

Anything on your CV is fair game. If you are a banker or consultant, you will be expected to know about any transaction you worked on in great detail (especially for the recent ones). Rationale, financials, deal specifics, structure, process, pricing of debt instruments, your exact role in the deal, etc. Anything that is not confidential could potentially be asked. Typical mistakes and red flags are vague answers or lack of understanding of the deals you worked on. After all, as an investor, you should demonstrate great attention to detail and curiosity, as well as an ability to think like an investor.

4. Not getting the culture fit

Culture fit is always a tough one. However, reading up on firms history, the team member profiles, a bit of social networking stalking (i.e. linkedin) combined with help from the headhunter if you are using one, should help you understand the "culture fit". To illustrate, a fund may be looking for highly technical, hard driving people. This may be obvious from the team members backgrounds (i.e. bulge brackets, technical degrees, etc.). In this case you should emphasise this skillset. Some other funds may look for more "humble" attitudes especially as you decrease in investment size, and again this may be evidenced by the dress code, more diverse backgrounds (i.e. accountants vs bankers, less elitist schools, etc.) and you should therefore adjust your interview style accordingly.

5. Not being prepared for the obvious interview questions

The reality is that you are able to predict with a great degree of certainty at least 80% of the interview questions. Therefore, failing to give a clear and straight answer to questions about your deals, your CV, why private equity, why this particular fund, etc. is usually not well received. Most of the unknowns are around the case studies, modelling tests and some fit questions - the rest is fairly standard.

6. Lacking number skills

Many funds like to put candidates under pressure, and testing numerical skills are a good way to do this. Arithmetic questions, brainteasers, doing simple LBO modelling in your head and converting Cash on Cash returns to IRRs should be something you are very comfortable with. If not - do practice! Also, when asked technical questions or numerical questions, it is absolutely fine to take a bit of time to answer. The key here is to control your stress and getting it right.

7. Being overly confident

While all of the above mistakes involve some lack of preparation, another red flag in private equity interviews is overconfidence and arrogance, which can actually be fairly common in interviews. Make sure that you are not leaning back on your chair, or not be overfriendly with the senior members of the team, and, at all times, make sure that you demonstrate that you are very keen to get the job.

Download More Free Articles & Guides at AskIvy.Net