

Private Equity Interview Process Explained

Private Equity › Interview Preparation



Private Equity recruiting tends to be much more informal than banking or consulting, however there are some very common steps that most Private Equity firms take for interviews. A typical process in the UK (or Europe in general) is described below. For more detail on each step, please check our detailed posts on technical questions, case studies, and psychometric tests.

The early rounds (first one or two interviews): psychometric tests, fit questions, mini-case studies and random technical questions.

- Psychometric tests

These are numerical and verbal tests (most often SHL tests, examples here) designed to complete a first cut in the applicant pool. Anything between 30% and 50% of the applicants can be rejected at this stage, sometimes more, depending on the "pass" threshold. Sometimes, you will also be given a personality test. Make sure to ask if you will need to take these tests, as you will need some preparation.

- Fit and CV questions

These questions involve having to first introduce your background, walking the interviewer through your CV, and answering questions like, "Why private Equity?" and "Why our firm?" Needless to say, you must have rehearsed this extremely well, as this is probably the most important question you will be asked in the interview.

- Mini-case studies and investment cases

Usually, private equity firms like to give small case studies to judge your business sense, gauge your understanding of the way companies operate, and to test your understanding of what drives return in an investment. This may consist of a SWOT analysis on a particular firm (very often one of their portfolio company), an investment rationale analysis, or asking your opinion on specific industries or firms. This could be a simple question, such as "Do you think an airline would be a good investment?" or more detailed questions with supporting data and charts that you will have to analyse. Very often, if you are a banker and have worked on a deal, they will ask you your views on the deal and

whether you think it made sense.

- Technical questions

These accounting or LBO questions are nothing too difficult for a seasoned investment banking analyst, but be ready to discuss how you build an LBO, estimations of IRRs, and various types of debt instruments without hesitation.

Later Rounds (if you passed the early rounds): full-blown LBO Modelling Test or Case Study test

This often involves a full-blown LBO modelling exercise and investment case analysis based on an Information Memorandum or a case study provided by the private equity firm. You will be given a laptop or be in a room with a desktop for a couple of hours (one to four hours depending on the firm) to prepare a model and some slides based on the information provided. You will then need to present your results to senior members of the firm. Again, if you are an experienced analyst and if you get some LBO modelling practice this should not be too difficult.

Before the interview, make sure you practice creating simple LBO models from scratch. You should be able to pull together a simple LBO model in less than one hour, starting from a blank page, by making reasonable assumptions.

Final Round: the likeability test

Most firms will do a dinner or drinks with the most senior partners in the firm in the final stages (with the CEO himself or the company head), so that you can get a final stamp of approval. Anything can be asked; some firms may try to drill down on your perceived weaknesses and ask more fit questions, you may just have a pleasant and simple chat (but don't be fooled, every answer will be scrutinised), or you may be asked a lot of very personal questions. At this point, everything will come down to your personality, your career goals, and how likeable you are as a person.

As a rule of thumb, smaller firms tend to be less technical and the interviews largely based on fit and personality, while larger firms (Blackstone, Apax, etc.) tend to spend much more time testing your technical skills. However, most firms will require you to meet everybody or at least 90% of the people in the fund, so be prepared for a very lengthy process that may last several months -and expect at least three months from start to finish.

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