

What do Private Equity professionals do?

Private Equity › Interview Preparation



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Private Equity is essentially about buying and selling companies. But what do private equity professionals really do on a day-to-day basis? The time of private equity professionals is divided between four main categories:

Raising money

This task is mostly performed by the senior partners in a private equity fund, but sometimes a dedicated fundraising team will work within some of the larger funds. Essentially, every four to five years or so, the senior management will go knock at the door of international investors such as pension funds, banks, insurance companies and high net worth individuals to raise money for their next fund. This goes in cycle: when the current fund is close to being fully spent (i.e. ~70-80% of the money has been invested in companies), the senior management will go on the road and ask for fresh money. Fundraising involves presenting the past performance of the fund, its strategy, and the individuals working in the firm who will be in charge of making investments. All of this is needed to convince those institutions to invest money with the firm.

Sourcing and making investments

The "sourcing" (i.e. finding investments) part is largely done by mid-to senior management, and involves looking for potential targets and reaching out to the management of those companies, either directly or via a middleman such as an investment bank. Many private equity funds will specialise in sectors and/or regions; their dedicated teams will have very strong knowledge of all the attractive companies in a specific sector and will also know potential targets' management teams well. The "making" part, which represents the process of acquiring a company, is the responsibility of the junior team, under the seniors' supervision. This involves drilling into the financial performance of the company, analysing the trends in the industry, negotiating with the target, and coordinating the work of advisors: investment banks, accountants, strategy consultants, lawyers, technical experts, etc. Once they have analysed sufficient information, the team will present an "investment paper" to the senior partners to propose the investment. The senior partners will then vote to accept or reject the investment.

Managing investments

Once a company has been acquired, it needs to be managed for a couple of years until it is sold off. While private equity professionals are not involved in the day-to-day running of the companies they buy, they will monitor performance and be involved in important strategic decisions. While some

firms have specialist teams that manage investments ("operations teams"), most of the time the team that worked on the transaction will be in charge of monitoring the company.

Selling off companies

Returns are only really generated when companies are sold (at a profit). Investments are typically kept for three to five years, and will be sold after that time period. This process is also usually managed by the more junior team under senior management supervision. Companies can be sold through a sale to another company, a sale to another private equity firm, or via an IPO on the stock market.

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