

Private Equity Investment Process

Initial Contact

Try to build a relationship with potential investors as early as possible. A cold call is a very difficult place from which to begin. When you are ready to raise funds you should introduce the proposal with a short teaser document or an executive summary.

Business Plan

This should detail the team; the market need as explicitly as possible outlining who will pay how much for what product or offering; how the business will deliver the product or service; and what resources will be required. If deemed absolutely essential, the plan may be issued under cover of a BVCA standard [Confidentiality Letter](#).

Exploratory Meetings

These are useful, not only for the prima facie reasons of clarifying issues and colouring in the detail of the business plan, but also in beginning to build the necessary rapport between all parties. Given the need for everyone to get a feel for each other, you should avoid the danger of advisors or consultants over managing this stage of the process.

Agree Terms

The headline terms will concern valuation, amount to be invested and the structure of the investment. However, a number of other issues will be covered in the term sheet such as institutional rights; board structure; the provision of management data; future investment policy; potential exit mechanisms and timescales.

Due Diligence

This will involve a thorough examination of the business and will require a good deal of effort by both the company and the investor. It will last at least four weeks and often more.

Approvals

The investors will consider and document the results of the due diligence, prepare internal investment proposal papers and seek approval from investment committees.

Legal Documentation

Working from the agreed term sheet lawyers draw up new or amended Articles; a shareholders' agreement; warranties, representations and a disclosure letter; service contracts; and the various minutes and board resolutions which are required for the completion meeting.