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Raising Capital

Snapshot of Private Equity and Venture Capital Funding

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How To Get Funding For Your Business?

1. Traditional financing

Example: small business loans and peer-to-peer lending

2. Initial Public Offering (IPO)

Offering shares of a private corporation to the public in a new stock issuance

3. Issuing bonds

The institutional will give the company a certain amount of money for a specific period of time and in return, the investor receives periodic interest payments

4. Private equity

Fund comes from high-net-worth individuals and firms that purchase stakes in private companies

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Now, we are going to focus on Private Equity. What is Private Equity?

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What Is Private Equity

- Private Equity is ownership or interest in an entity that is not publicly listed or traded. The Private Equity industry is comprised of institutional investors such as pension funds, and large Private Equity firms funded by accredited investors.
- Sometimes, people might confuse Private Equity with Venture Capital. Check the next slide to find out what is Venture Capital

What Is Venture Capital

- **Venture Capital** is a **subcategory of Private Equity**.

- It is given to start up companies and small businesses that are seen as having potential to breakout-when the price of the asset moves above a resistance area or below a support area. The investment does not have to be financial, but can also be offered via technical or managerial expertise

- It is a **very specific case of private equity**. It is called venture capital funding when the private equity investor invests in a company staying in a very **early phase of development, or in a start up.**

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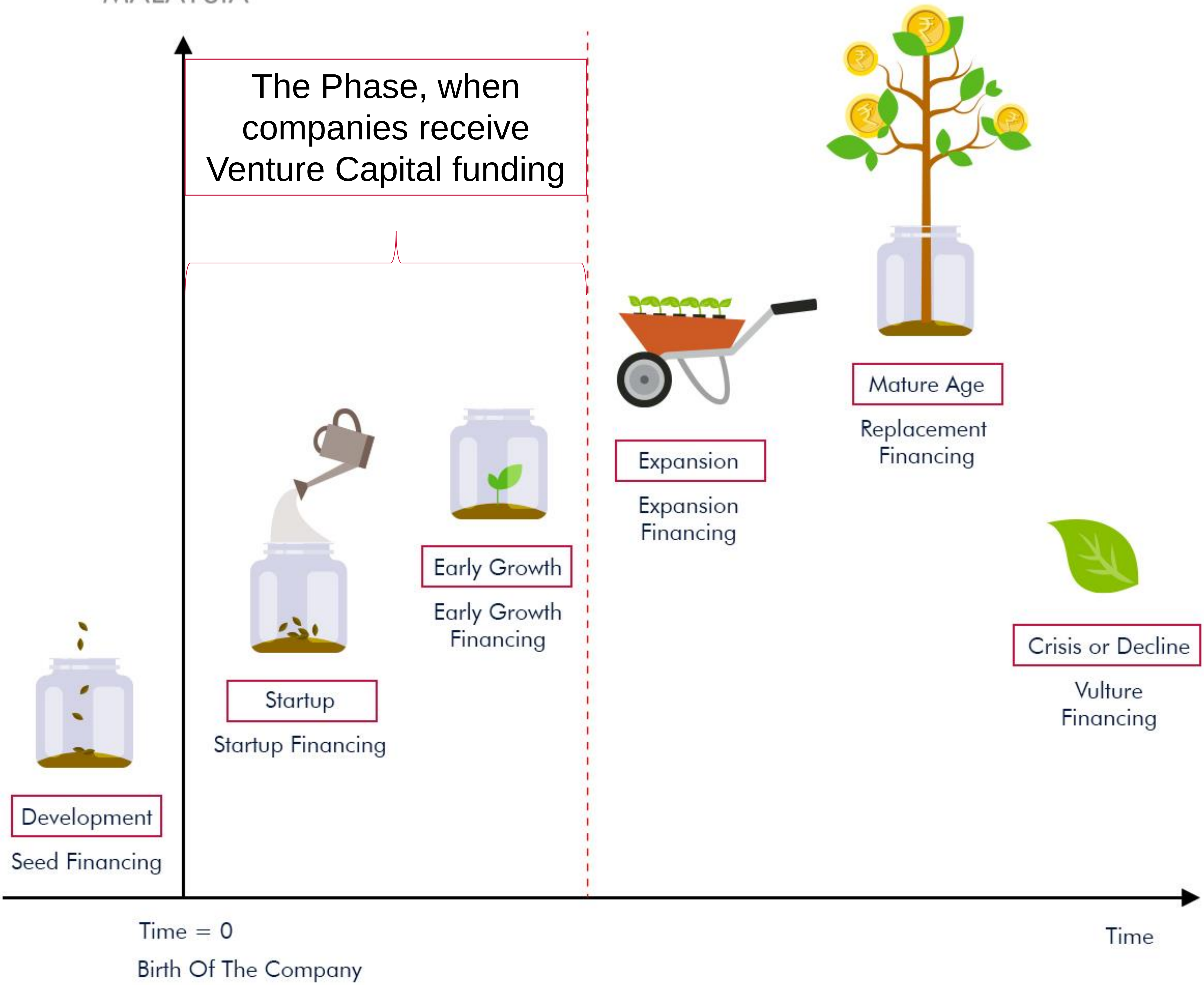

The Consequence of Having Private Equity Funding

In order to raise the company's capital by using Private Equity investment, **The company will issue new shares to be bought by the private equity investor**. However, there are few consequences, the company should be aware and prepared;

1. The **private equity investor is not just a financier** but the private equity investor is **also a shareholder**, which allow them to be **involved in the decision making**

2. **The company and the Private Equity investor really need to work closely together** to ensure the company able to grow and the injected investment will generate good returns.

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Why Companies Need Private Equity and Venture Capital?

Why should a company let an external investor sit on its board of directors and make managerial decisions?

1. Enhance Company’s Reputation

Prior investing to the company, the Private Equity Investor will conduct a thorough screening process Therefore, in a way it confirms a sign of great health of the company and this will directly enhance the company’s reputation.

2. Networking

The Company can leverage on The Private Equity Investor’s strong network e.g. suppliers, customers, banks, human capital and etc.

3. Knowledge Transfer

As Private Equity Investor also can act as mentor and advisor, the company can learn from the Private Equity Investor on how to manage the company and other specific-field knowledge of a business e.g. technology, branding, public relation, etc.

4. Financial

Large sum of equity finance can be provided and the company does not stand the obligation to repay the money but the commitments is the pursuit of achieving a positive return on investment (ROI)