

Merchants: Equity financing can help accelerate your suppliers' growth

Equity financing definition

- The sale of an ownership interest to raise funds for business purposes

Equity can help supplier improve and grow

- Equity partners bring new capabilities (e.g., industry connections, content expertise, process help)
- Equity is more flexible than debt enabling companies to invest in growth as they see fit
- Equity can help fund long development time horizon for new products or innovations

Supplier quotes

- *"With private equity investment we gained industry experience, help professionalizing, and a CEO sparring partner to help us grow"*
- *"Non-monetary benefits are greater than capital benefit"*
- *"PE support helped us grow 35% faster than planned through capacity expansion and new customer introductions"*

Investors (in order of relevance for suppliers)

- Private equity, Angel/Individual, Venture capital, Family offices, SBA¹

Common equity myths

Myth

- Equity is only for distressed companies
- PE firms always make controlling interest investments
- Investors just want to cut costs

Reality

- Many companies use equity to grow
- Opportunities exist for minority investment
- Investors balance efficiencies & increases to support ELDC

How suppliers can find an equity partner

- **Ask existing advisors** (e.g., accountants, lawyers, consultants, debt financiers) or peers for recommendations
- **Attend an equity networking event** (e.g., local Association for Corporate Growth (ACG) chapter events)
- **Search online** for investors (findthebest.com search engine helps filter, first search for type of investor e.g., private equity, then site enables filtering for investors based on characteristics including industry and size of investment)
- **Hire an investment banker or intermediary** to help you navigate the process
- **Check out SBA resources** (http://www.sbia.org/?page=sbic_financing) for step by step guidance on securing equity

1. Small Business Administration has a program for Small Business Investment Companies (SBICs)
Source: Boston Consulting Group