

Fund Structure & Investment Lifecycle in Private Equity

Comillas Private Equity & Venture Capital Club

Private Markets 101

Map of the Course

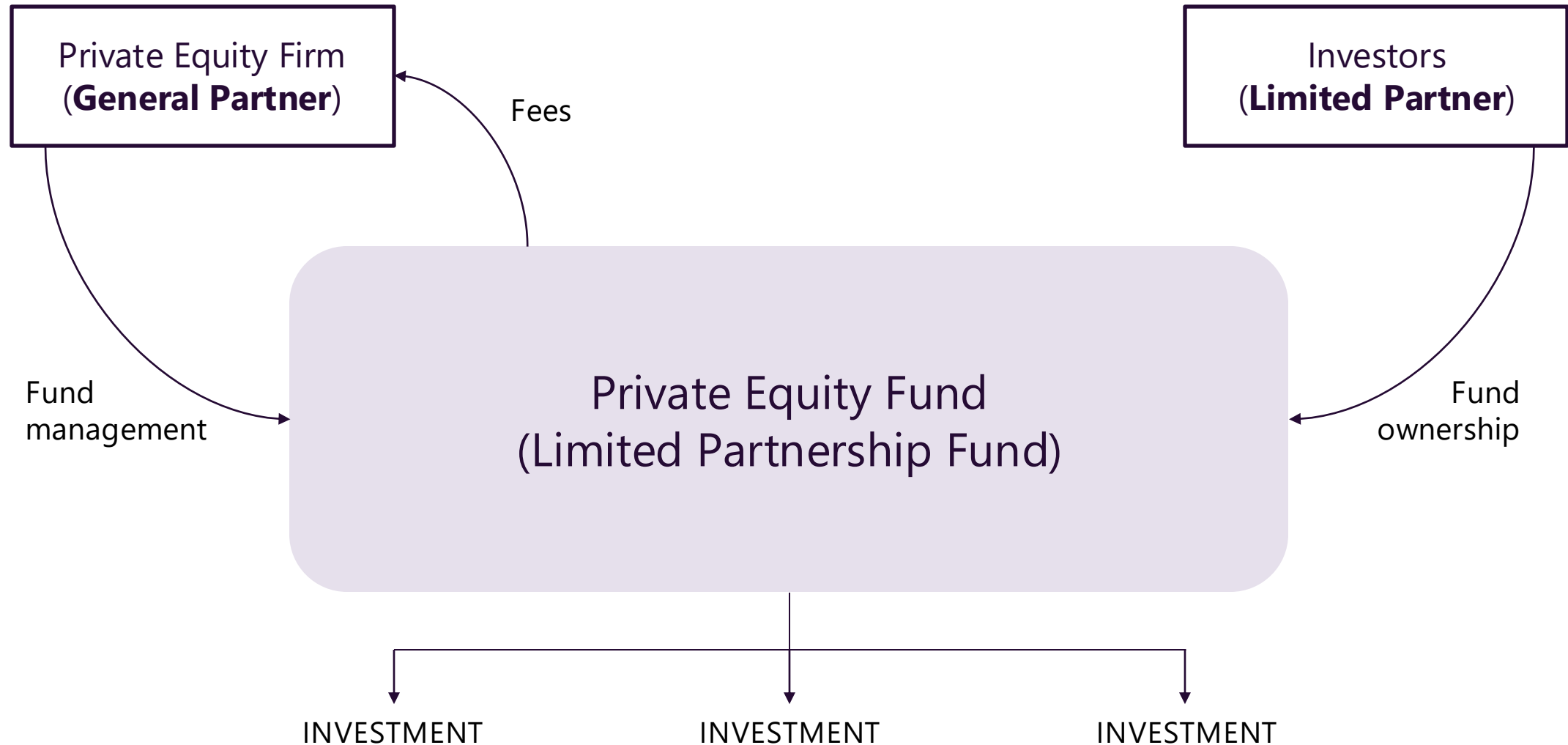
- Understanding Private Markets
- **Private Equity**
- Venture Capital
- Private Credit
- Infrastructure and Real Estate Investments

Private Equity Modules

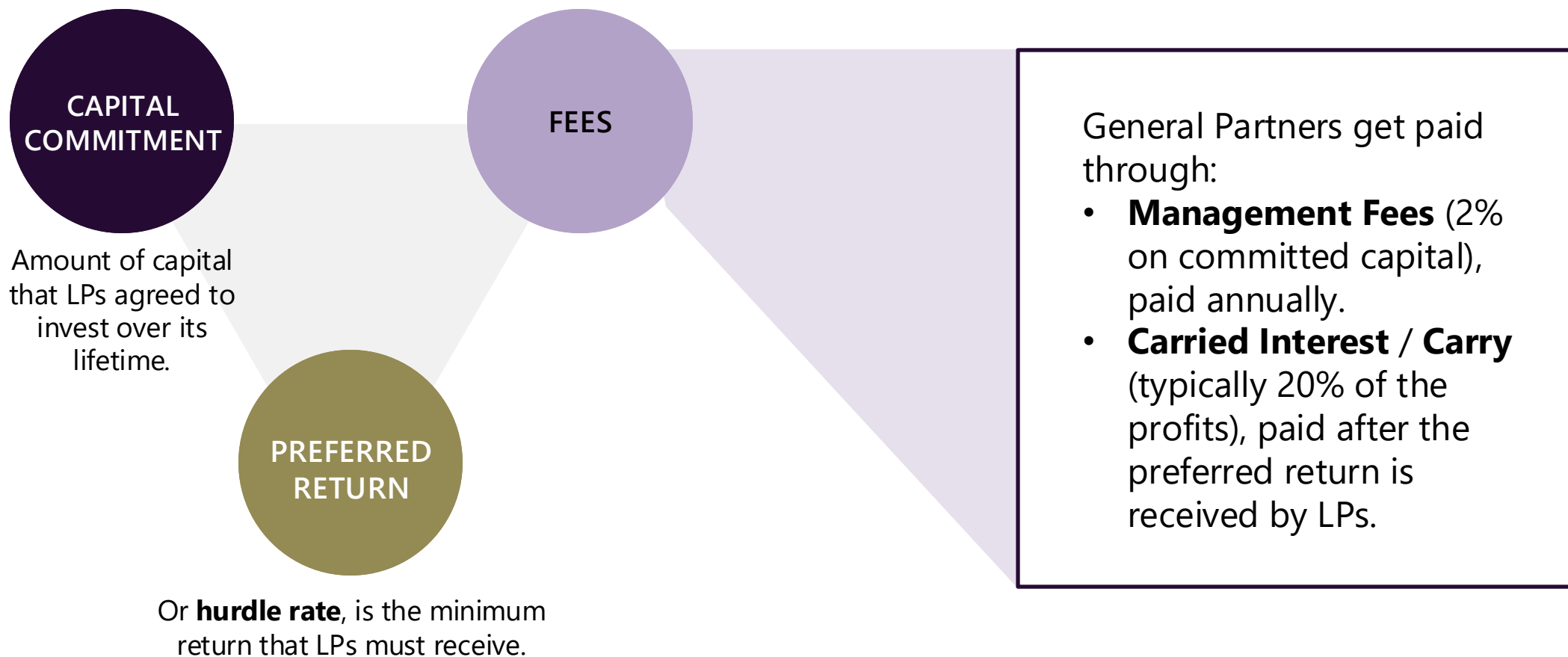
- Introduction to Private Equity
- **Fund Structure & Investment Lifecycle**
- PE Entry & Exit Strategies
- Understanding Legal Structures in PE
- Sustainability in PE
- LBO model

PE Fund Structure

Private Equity Fund Structure



Capital Commitment & Fees



Carried interest aligns the interests of GPs and LPs by rewarding managers only when the fund performs well, acting as a powerful **incentive** for value creation.

Returns Distribution

PAYMENT WATERFALL

(1) LP's Contributed Capital

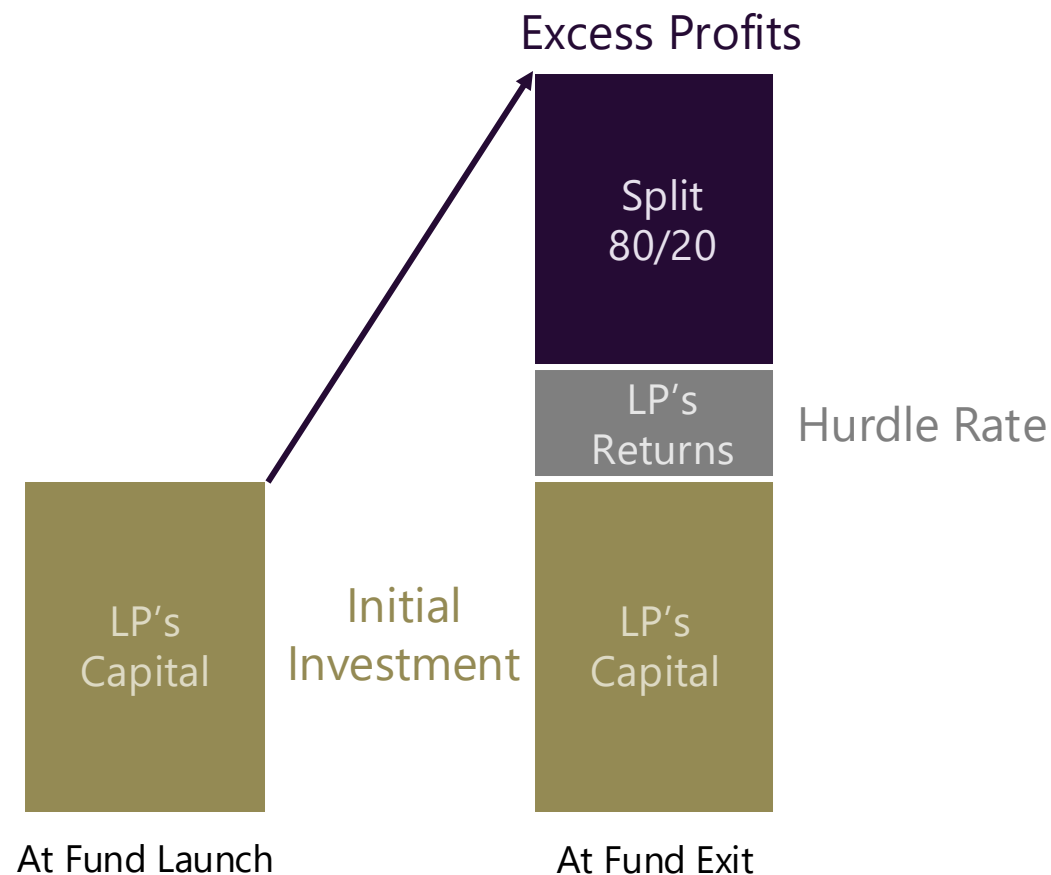
LPs receive back 100% of their initial investment.

(2) Preferred Return / Hurdle Rate

Capital is distributed to each LP until the hurdle rate has been achieved. Typically it is 8% to 10% per year.

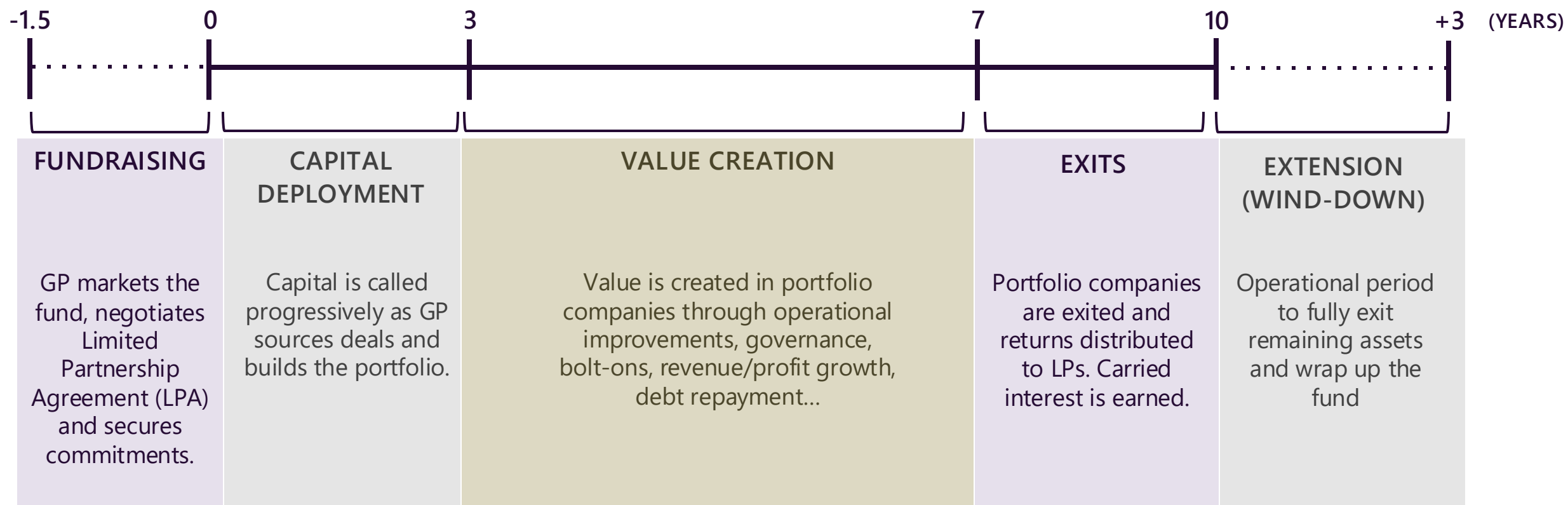
(3) Final Split

The remaining capital is distributed between LPs and GPs according to the carried interest (carry).
If carry is 20%, 80% is perceived by LPs and the remaining 20% by GPs.



PE Fund Lifecycle

A typical PE fund spans 10 years with an additional fundraising and extension time



Investment Process in PE

Investment Process in Private Equity

1

Deal Sourcing – GPs identify potential investment targets.

2

Due Diligence – In-depth analysis (financial, legal, ESG...) of the target company.

3

Deal execution – negotiation and signing of legal documents.¹

4

Post-Investment – active ownership: board seat, value creation

5

Exit – through IPO, trade sale, secondary, etc.²

1. Legal aspects of private equity transactions will be covered in detail in a dedicated module.

2. Exit strategies can be found in the next module, together with entry strategies.

Deal Sourcing

After fundraising is completed and the fund is closed, GPs start looking for ideal companies to acquire that fit their objectives. Criteria followed when deal sourcing includes:

1

SIZE OF THE COMPANY

Growth equity funds target companies with \$5-20M in revenues. Buyout funds target companies with +\$50M in revenues.

2

SECTOR

Certain funds invest in specific sectors such as technology or healthcare. Synergies can be achieved by mergers between portfolio companies.

3

BUSINESS MODEL

Private equity firms look for companies with business models that they are familiar with and can manage effectively.

TWO SOURCES

PROPRIETARY DEAL FLOW

Sourced directly by a PE firm without the assistance of financial advisors.

INTERMEDIATE DEAL FLOW

Sourced by intermediaries: investment banks, M&A boutiques, advisors...

Due Diligence and Deal Execution

DUE DILIGENCE

The Due Diligence¹ is a thorough **investigation** of the target company to assess risks, validate assumptions, and confirm the attractiveness of the investments.

This investigation covers a range of areas including **financials**, **commercial positioning**, **legal risks**, **operational capabilities** and – increasingly- **ESG performance**.

PURPOSE

- ✓ Identify red flags
- ✓ Refine valuation
- ✓ Negotiate deal terms

DEAL EXECUTION

Following due diligence, investment terms are finalized and the transaction is legally formalized.

STEPS

- 1 Final investment committee (IC) approval
- 2 Term sheet / LOI¹ signed
- 3 SPA¹ negotiation and signing
- 4 Financing arrangements (for debt financing)
- 5 Closing and fund flow

1. For a more detailed explanation of Due Diligence, LOI (Letter of Intent) and SPA (Share Purchase Agreement), refer to the presentation "Understanding Legal Structures in PE"

Post-Investment Stage – Holding Period

GPs manage the portfolio company to:

EBITDA expansion

Expand valuation

Improve margins

Pay down debt (DE-leverage)

They create value through:

Strengthening the management team

Developing and launching new products

Acquiring new businesses

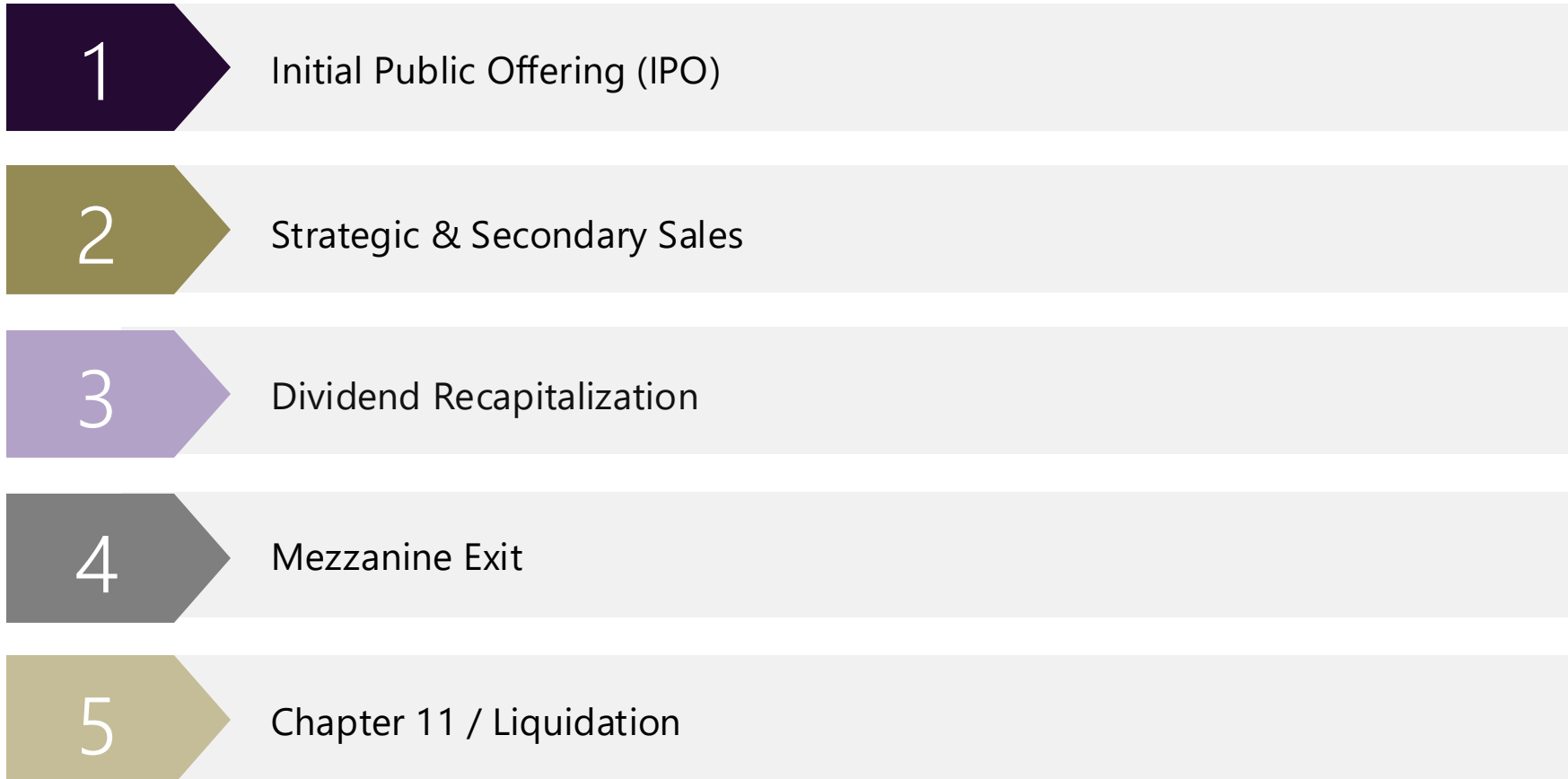
Improving operations

Reshaping business strategy

Optimizing capital structure¹

1. Capital structure refers to the amount of debt and equity a company has.

Exit Strategies¹



1. Exit strategies explained in the next module, together with entry strategies.

Disclaimers

About this course: this course has been developed by the Comillas Private Equity and Venture Capital Club as an independent educational initiative led by students. While it has been developed within the academic environment of Universidad Pontificia Comillas, Madrid, the institution has not participated in the design, supervision or validation of its content. Responsibility of all materials lie solely with the student creators.

Content has been developed using publicly available resources and institutional presentations for academic use. All materials are used with educational intent and without commercial purposes. By using it for educational purposes, Comillas Private Equity and Venture Capital Club does not by any means authorize the use of the content for any commercial purpose.

The content of this course draws upon materials including but not limited to:

- Preqin, Pitchbook and other material research platforms.
- Regulatory frameworks (SFDR, UNPRI, EU ESG Taxonomy).
- *ESG Narrative Course*, Spainsif.
- *Discovering Private Markets*, BlackRock.
- *Alternative Investing Course*, Apollo Academy.
- Blackstone University.

Course content may evolve over time. No guarantee is made that materials will match all descriptions provided informally. The creators are not responsible for potential errors, omissions or outdated information contained in the materials.

Please contact the course organizers if you believe any material should be revised or removed. For further questions, feedback or corrections, please contact:
comillaspevcclub@comillas.edu

It is the sole responsibility of the participant to ensure they meet the knowledge and effort level required to follow the course. Outcomes will vary by individual. No guarantee of effectiveness, improvement or results is provided.

This course is intended for educational purposes only. The information contained in these presentations should not be construed as financial, legal or investment advice. No part of this content constitutes a recommendation to buy, sell, or hold any financial instrument or strategy. The creators disclaim responsibility for any decisions made by users based on course content.