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# **Principal Investing -**

## **The Inner Workings of a Private Equity Firm**



**WACHOVIA  
CAPITAL PARTNERS**

# Agenda

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- Introduction to the Speaker
- An Overview of Wachovia and its Principal Investing Unit
- Investing Capital – What’s Involved?
- The Deal Team, et. al.
- Top 10 Things Graduates Should Know Before Pursuing a Private Equity Career

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# Introduction

## **The Speaker – Who Am I Listening To For Two Hours???**

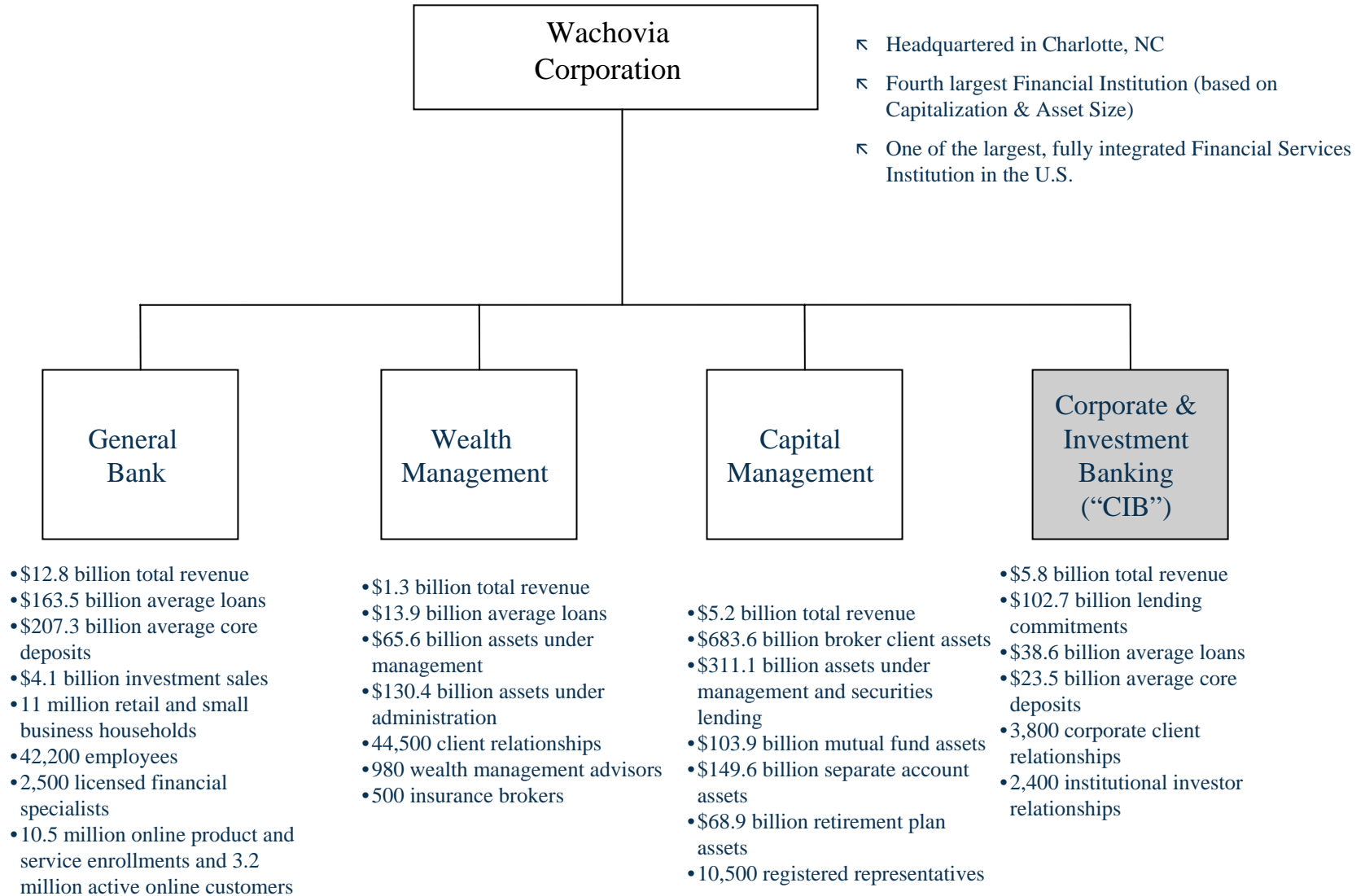
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- Academic Background
- Career Background
- Current Role at Wachovia Capital Partners

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# An Overview of Wachovia and its Principal Investing Unit

# Wachovia Corporation's Organizational Structure



# Wachovia Corporation's Organizational Structure (Continued)

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## **General Bank**

Wachovia's General Bank provides a broad range of banking products and services to individuals, small businesses, commercial enterprises and governmental institutions in 15 states and Washington, D.C. Wachovia focuses on small business customers with annual revenues up to \$3 million; business banking customers with annual revenues between \$3 million and \$15 million; and commercial customers with revenues between \$15 million and \$250 million.

## **Wealth Management**

With nearly 200 years of experience in managing wealth, Wealth Management provides a comprehensive suite of private banking, trust and investment management and financial planning services to high net worth individuals, their families and businesses. More than 50 teams of relationship managers and specialty advisors focus on serving clients with \$2 million or more in investable assets, while four family offices focus on families with \$25 million or more in investable assets. Wachovia Insurance Services provides commercial insurance brokerage and risk management services, employee benefits, life insurance, executive benefits and personal insurance services to business and individuals.

## **Capital Management**

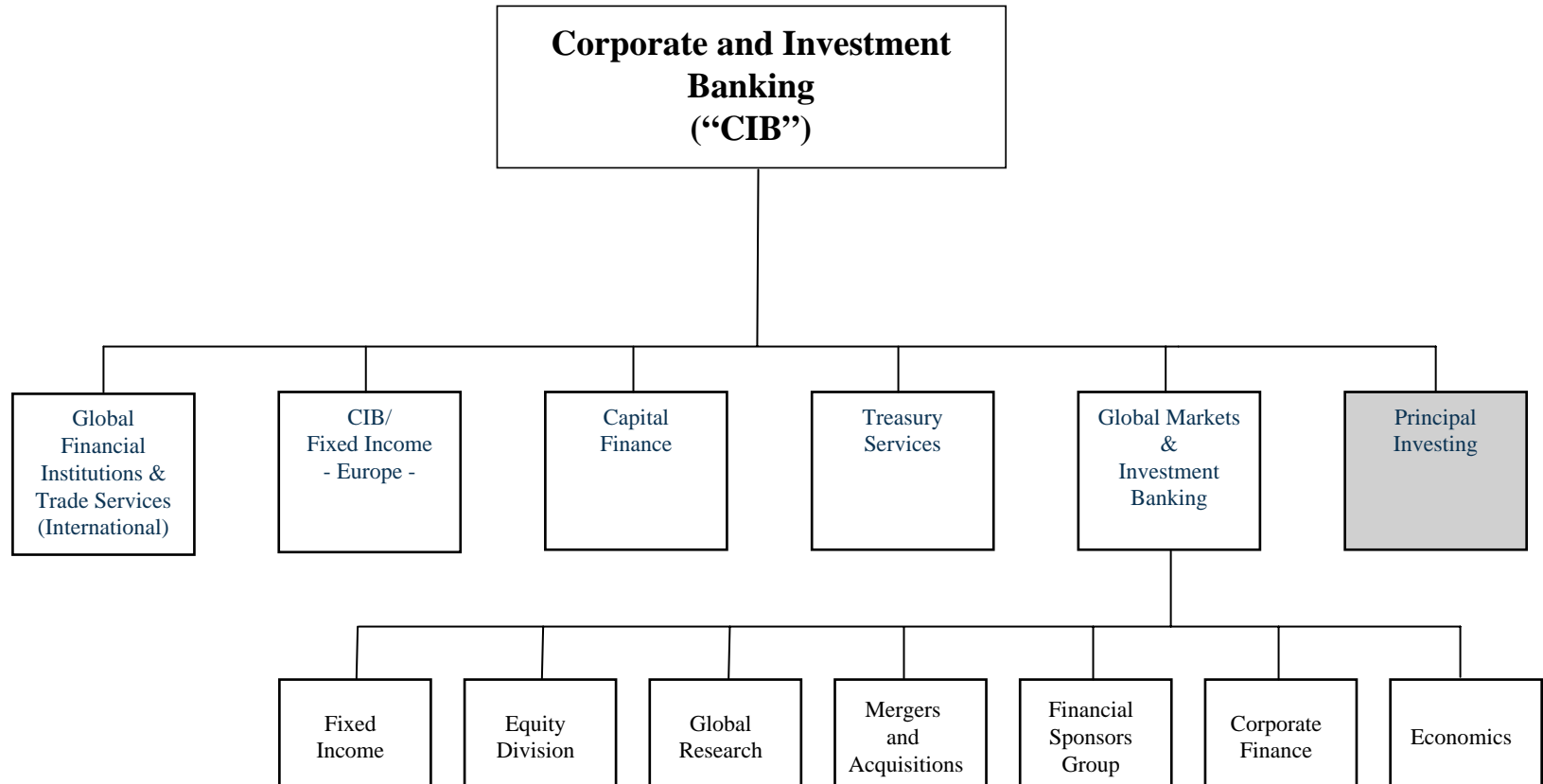
Capital Management leverages its multi-channel distribution to provide a full line of proprietary and non-proprietary investment and retirement products and services to retail and institutional clients. Retail brokerage services are offered through the 2,700 offices of Wachovia Securities in 49 states and Washington, D.C., and in Latin America. Evergreen Investments, a large and diversified asset management company, manages investments for a broad range of retail and institutional investors.

## **Corporate and Investment Bank**

Wachovia's Corporate and Investment Bank serves domestic and global corporate and institutional clients typically with revenues in excess of \$250 million, and primarily in these key industry sectors: healthcare; media and communications; technology and services; financial institutions; real estate; consumer and retail; industrial growth; defense and aerospace; and energy and power. The Corporate and Investment Bank includes Corporate Lending, Investment Banking, and Treasury and International Trade Finance lines of business. The Corporate and Investment Bank also serves an institutional client base of money managers, hedge funds, insurance companies, pension funds, bank and broker dealers.

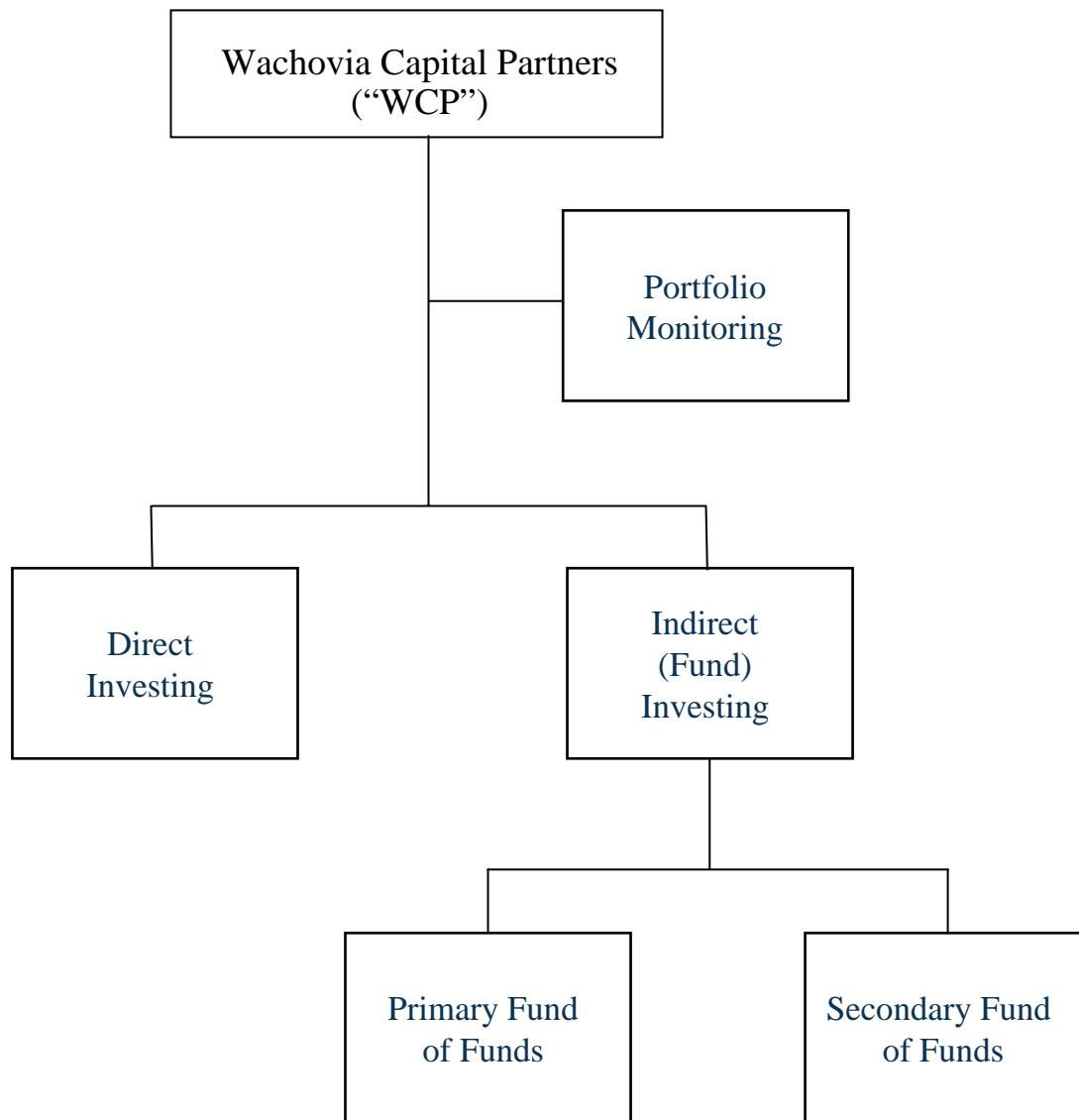
# Wachovia's CIB Organizational Structure

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# Wachovia's Principal Investing Unit - Organizational Structure

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## What Is Principal Investing?

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- Wachovia Capital Partners (“WCP”) is the equity and mezzanine capital investment group of Wachovia Corporation
  
- WCP has two “lines of business”
  - *Direct Investing* - when WCP makes a direct capital investment into a portfolio company in the form of subordinated debt or equity
  
  - *Indirect (“Fund”) Investing* – when WCP makes a capital commitment to a third party private equity fund who then invests its collective committed capital into individual portfolio companies

## **Wachovia's Principal Investing Unit – Background**

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- Founded in 1988 as First Union Capital Partners
- Headquartered in Charlotte, North Carolina
- Responsible for Wachovia's Direct Equity, Direct Mezzanine and Third Party Fund Investing
- Over \$3.2 Billion of Direct Investments in Over 250 Portfolio Companies Since Inception → Cumulative IRR of Approximately 25%
- Current Direct Portfolio of Approximately \$900 Million in 50 Companies with an Additional \$180 Million Unfunded
- Current Fund Portfolio of \$900 Million in 250 funds; Approximately \$300 Million of Unfunded Commitments
- Targeting \$250 to \$350 Million of Direct Capital Investing Per Year
- Targeting \$100 - \$200 Million of Fund Commitments Per Year
- Solely Funded by Wachovia Corporation
- 21 Investment Professionals; Captive Staff of 5 Portfolio Monitoring Professionals

# The Role of Principal Investing at Wachovia

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- Part of “One Stop Shopping” Concept
  
- To Create Synergies with Other Product Groups
  - Mergers & Acquisitions
  
  - Corporate Finance
  
  - CMG/Wealth Management/GBG
  
- Serving Clients
  - Advisors
  
  - Board Members
  
  - Management

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# Investing Capital - What's Involved?

# Determine the Firm's Strategy

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- Raising Capital
  - Institutional vs. Stand-Alone Firm
- Investment Pipeline – Where are Deals Sourced?
  - Internally
  - Other Private Equity Firms
  - Personal Marketing
- Determining Investment Profile
  - International vs. Domestic Focus
  - Investment Size
  - Transaction Types
    - Leveraged Buyouts
    - Recapitalizations
    - Corporate Divestitures
    - Acquisition Capital
    - Growth Capital for Established Businesses
    - Special Situations
  - Role of Capital Provider
    - Control/Lead Investor
    - Minority Investor
    - Co-Investor
  - Security Types
    - Subordinated Debt
    - Redeemable Preferred
    - Convertible Preferred
    - Common Stock

# Doing the Deal

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- “White Boards”
  - Deal Worth Pursuing?
  - Where is the Capital Coming From?
- Due Diligence
  - Management Team
  - Industry Research
  - Growth Prospects
  - Cash Flow Analysis/Modeling
  - Prospects for Exit
- Closing
  - Pre-Approval
  - Legal Documents
  - Funding
- Portfolio Management
  - Compliance/Regulation
  - Accounting
  - Reporting
  - Industry Diversification
- Relationship Management
- Realization/Exit Analysis

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The Deal Team, et. al.

# The Deal Team and Each Member's Role

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## ➤ Front Line

- Partners
- Principals
- Vice Presidents
- Associates

## ➤ Middle Office

- CFO/COO/CAO
- Portfolio Managers

## ➤ Back-Office

- Finance/Accounting
- Marketing
- HR
- Legal
- Compliance
- Other

# Private Equity Careers – How Do You Find One?

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- Accounting vs. Finance
  - Importance of CPA or MBA Designation
  - Importance of Prior Experience
  - Pros and Cons of Each Track
- Barriers/Avenues to Entry
- Working for Portfolio Companies

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Top 10 Things Graduates  
Should Know Before  
Pursuing a  
Private Equity Career

