

By Investment Strategy

Many types of investment firms and strategies exist that all have different implications for your company. We've already broken down the most common types of investors; below we explain common investment strategies and what they could mean for your company.

Venture Capital

Company Stage: Start-up to early

Investment type: Minority stake

Firms focused on venture capital investments invest in high-growth companies that are typically unproven and have little positive cash flow or even revenue. Because the risk is so high, these companies typically do not have access to other forms of capital, and venture investors invest with hopes of a high return.

Our Strategy

At Montage Partners, our investment approach would fall in between the "growth" and "buyout" strategies. Our priority is investing in proven teams and helping them unlock even greater success by accelerating growth. When we engage in a buyout transaction, we don't rely on excessive leverage to generate our returns; instead, we keep our focus on growth while offering shareholder liquidity.

Growth

Company Stage: Early to mature

Investment type: Minority or majority (up to 100%)

Firms focused on growth equity invest in promising companies that want access to greater working capital, are increasing capital expenditures, seek some form of shareholder or owner liquidity, or need capital to fund an acquisition growth strategy. To generate returns, these firms focus on growing a company's earnings by increasing customers, expanding the number employees or equipment capacity, etc., utilizing their expertise in strategy and operations to help companies realize their full potential in their respective markets.

Buyout

Company Stage: Typically Mature

Investment type: Majority (typically 100%)

Firms focused on buyouts invest in mature companies, often utilizing debt financing to support a transaction. Those with significant levels of debt are often referred to as leveraged buyouts. These firms may rely on "financial engineering" to generate a return on their investment: their companies allocate future cash flows to pay down the debt as quickly as possible, thus increasing the equity value of the private equity firm's investment.

Platform Investment

A platform investment means the private equity firm may not combine the acquired company with any of their existing portfolio companies. Private equity firms view these as stand-alone transactions, and the investment thesis must rely solely on their views on the industry potential and their ability to grow the company. In certain cases, the firm may use a new platform investment as a “starting point” to acquire add-ons at a later time.

Keep in mind: For platform investments, the private equity firm expects the company to grow organically which typically means securing new customers, growing with existing customers, geographic expansions, new product developments, etc.

Add-On Investment

An add-on investment means the private equity firm will seek to combine the acquired company with an existing investment, in hopes of realizing synergies and other strategic benefits. Private equity firms view these transactions in conjunction with their current investments, and the investment thesis relies on the strategic and financial benefits the acquired company may provide an existing portfolio company.

Keep in mind: If your company is being acquired as an add-on, you’ll want to understand what the buyer intends to do. If they combine the company with another business, will they eliminate some of your employees? Will they rationalize locations, or consolidate IT systems or supplier bases? On the flip side, you might find that being acquired by a larger firm means you now have access to more resources to take your company to different levels than as a standalone business.

Founded in 2004 and headquartered in Scottsdale, Arizona, Montage Partners is a people-first private equity firm dedicated to helping established businesses reach transformative growth. Montage Partners invests in companies in diverse industries, including business services, consumer, healthcare, industrial and technology. Above all other investment criteria, Montage Partners invests in exceptional people. Montage Partners is actively seeking new investments in companies in the U.S. with EBITDA between \$1 million and \$5 million.