

>: 3 Questions to Ask Before Investing in a Private Company...

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1.) I would like the owner to explain what the "thesis" is of the business. In other words, what is the product or service being offered, what is the market it is being offered too, AND what makes his or her product or service "different" from the competition. This helps me to understand the niche that the owner is attempting to fill, how they perceive their's is differentiated from the competition, etc. I would also like to understand the "Barriers" to entry and what the competitive environment might look like 5 years, 10 years down the road, etc.

2.) I would like to understand the financials of the business. How does the Balance Sheet and Income Statement look? What does the strategic plan look like? What assumptions have been made about price competitiveness in the market? Have there been some assumptions about cost savings initiatives, etc., and how to they see the competitive landscape changing over the next 5 years, 10 years, etc.

3.) With the understanding that a companies "People" are it's single most important asset. What is the company doing to retain top talent and keep it there within the organization? Is the current management team up to the task of bringing the company to a IPO, running the organization on a day to day basis, but also to "grow it" and hit the targets outline in the various plans, etc.

I actually have more than just these questions, but since I was limited to just 3, I will stop here for now. I look forward to reading the newsletter that discusses this topic next.

Kind Regards,

Rick

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