

What should entrepreneurs know in order to attract private equity or venture capital investments?



On 20 May 2021 Romanian Business Leaders together with the law firm Schoenherr, organised the "M&A | why do it now?" webinar. The event focused on trends in dealmaking in Romania and the region, and targeted entrepreneurs interested in attracting private equity (PE) or venture capital (VC) investments.

The panel discussion was moderated by Claudiu Vrînceanu, Project Manager, Scale Out, and the speakers were: **Markus Piuk**, Partner, Schoenherr; **Madalina Neagu**, Partner, Schoenherr; Bartosz Kwiatkowski, Vice President, Enterprise Investors; Stefan Kalteis, Founder & CEO, Kailuana GmbH; and Iulian Cîrciumaru, Managing Partner, V7 Capital.

The speakers agreed that this is a good moment for founders to attract investments as both the investors' interest and necessary funds are available. "We see an active interest from both strategic investors and from PE and VC investors on the market. And on the other hand, we see more and more entrepreneurs ready to raise funds and to team up with these investors." – said Claudiu Vrînceanu at the opening of the event.

Some markets are more appealing than others for investors, and Bartosz Kwiatkowski mentions e-commerce as a booming sector that his fund is particularly interested in at the moment.

But regardless the sector, PE and VC funds look for particular features in target companies that founders should be aware of when preparing to attract investments. According to Bartosz Kwiatkowski, Enterprise Investors is looking for "companies that can somehow differentiate themselves from others" and he adds that "the management team is also very-very important." And that does not apply only to the current management team, as "founders should be aware that if they plan to sell their business and step down, they need to prepare a second line of managers." – added Bartosz Kwiatkowski.

V7 Capital, says Iulian Cîrciumaru, is ready to deploy capital with "companies whose business models have an element of innovation". He adds that the fund is also interested in companies that look at internationalisation but advises the founders to consider having "a scalable business model in order for their companies to be ready to address international markets."

Talking about the way the pandemic has impacted the current M&A landscape, **Madalina Neagu** said that things are actually very far from the dark scenarios anticipated a year ago. She pointed out that: "we actually see little distressed M&A, but rather consolidation of businesses and new acquisitions."

As the two **Schoenherr** lawyers mentioned, the actual dealmaking has not changed that much in terms of structure, except for more attention being paid to some clauses that are now experiencing a "sudden revival", as Markus Piuk puts it, talking for instance about force majeure provisions. What has changed are the communication channels: "everything is done remotely now, with just about no physical meetings, and entire transactions are run purely remotely. And it works." added **Markus Piuk**.

The speakers also talked about key negotiation points and frequent deal breakers, as well as how entrepreneurs can prepare to attract PE or VC investments. "It all comes down to having the house in order, and this mostly boils down to good corporate governance." – said **Madalina Neagu**, who added that "if you are, for example, in the tech business, you should know that intellectual property rights are something a buyer would look at from all angles."

But the paperwork is not all to consider, and Stefan Kalteis, an experienced investor and entrepreneur, says it is very important for founders to make sure they are well prepared before starting to negotiate with an investor. "The legal due diligence is a good tool for investors to get a confirmation of their investment decision, but this decision is already made before that stage. Founders need to prepare for the commercial discussions with the investor, they need to take the time to understand what the buyer is interested in and to get ready for that."

The speakers also discussed changes in the investors' landscape, and Markus Piuk described what SPACs are and how we might expect them to change M&A deals in the future.

Schoenherr is a leading regional law firm with 15 offices and 4 country desks in Central and Eastern Europe and South-Eastern Europe. The firm has been active in Romania for 25 years, providing full service legal advice to local and multinational companies. The corporate/M&A practice of Schoenherr Romania is ranked in the top tiers of all major international legal directories (Chambers and Partners, Legal500, IFLR1000).

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