

Will a Family Office Invest In Your Offering?

By Richard C. Wilson

Many times I get phone calls and the callers are asking “Do Family Offices invest in X?” or “What type of investor should I go after for my Bio Tech start-up?” it is very easy to answer this question; the answer is almost always “yes.” What they really should be asking is how likely it is that I could find a family office investor for X, and what type of family office would be most likely to invest and how could I go about most efficiently finding and accessing that type of family office. Like many things, asking the right questions is more important than getting answers to the wrong ones. The real key I’ve found long-term to getting in touch with the right families for the thing you are raising capital for is to show your firm’s DNA, expertise, and intellectual property knowledge in one or a few specific areas, by orchestrating the communication of that positioning you can attract those qualified families who are looking to invest in cosmetic companies, Miami real estate, etc.

To show the variety of deals family offices consider here are a few deal examples from things the single family offices we represent have been looking at this year which are representative of the quality and structure of deals that many single family offices consider (non of which are currently available to outside investors and this is not a solicitation for offers or interest on these – just examples with the industry changed to protect the identification of these deals).

1. A rapidly growing women’s cosmetics line that was started in the basement and grown over three years and now has potential to be a \$10M a year company. This company is interesting to family office because the CEO has never considered taking on an investment and they are not fully formalized as a company yet in terms of professional staff and proper financials in place, yet they are very profitable and fast growing and that is a combination that family offices love to find when possible. Also, importantly a gross revenue royalty is on the table in the structure of this deal so like a debt investment the investor would get income from month one, but unlike a debt note the payments would continue in perpetuity and increase each month as the gross revenue increases as well.
2. A private \$1.5 billion a year company that has a debt note. The debt note pays very little but it’s highly liquid and it’s a triple A rated quality company. We were reached out directly by this private company and have had a few phone calls with them exploring the potential investment, but we will probably turn it down because of the very low yield on it.
3. An investment fund that has only \$100 million under management, but we had a \$10 billion pension fund come into our office who are open to putting \$3-5 million to work into a \$100 million dollar fund and growing that over time. Typically with a \$100 million dollar fund, you’d want to be approaching a family office, wealth management firm, or broker dealer. Some of the larger institutions will make exceptions in allocating fund growth with the fund manager if the timing is right....in our case we may negotiate a performance only fee – measuring them against some benchmark perhaps in their space that is appropriate.
4. A publicly traded company that approached us in Europe. The best partner from them is another publicly traded company to acquire, versus an individual investor though not a family office. They are in a niche industry and we know the CFO of a publicly traded company in that same industry so perhaps that is going to be where the deal gets done rather than by a family office we represent since we don’t have one in that space. In this case we didn’t seek out the relationship but if we can’t help make a positive connection it could get us closer to a regional investment bank we know that has a lot of great deal flow and capital raising abilities in case we would need their help with a project at some point we would value their input and 100+ person team to assist our small 15 person team.

5. A fast growing consumer products company was being considered by one of our single family offices for an investment. They turned it down but we liked the deal so much we closed it and acquired 33% of the company and get a 12.5% monthly gross revenue royalty which helps us get our money back out of the deal while helping them grow their business faster. This now serves as a strategic investment in that we could bolt-on additional investments, we can use this holding to gain credibility in the eyes of other consumer product company owners we talk to about selling, and we can talk to family offices in a more credible and familiar way about deals in this area because of the holding
6. A couple of \$100 million dollar private company roll ups. These are \$10-20 million check size private company type deals. Investors that show interest in these deals are strategic buyers and family offices typically. We have one company in the food space that is being looked at by a single family office we help run, and they may end up taking this deal to add to their already 100+ operating businesses and holdings in place. Right now we are in due initial review of data room materials and going into diligence mode on this opportunity with hopes to have a LOI to them in September. Typically deals of this sort fall apart due to unrealistic valuations by the current CEO or team issues.
7. There is a rapidly growing consumer products company that was considered in Q1 this year, they doubled their business over the past year and are growing quickly. They are looking for a billionaire family which made their money in the same consumer products are and they are willing to sell 5-15% equity to have a “shark” on their advisory board who believes in them and has invested in them to get them to the next level. The most important thing to note on this one is that many CEOs of profitable businesses aren’t looking for investors but if you are a relevant “titan” in your niche or if you bring strategic value to the table as an investor and not just capital which perhaps they could get simply from a bank or family member than you get access to deals nobody else will. If you can provide “titan” value and strategic value and de-risk your valuation, due diligence, and learning curve time spent than a family office has a multiple things going for them in making their investments work out more often than the family who invests all over the place with no platform strategy, industry focus, or strategic value-add investor focus.

There is no one template in finding the best investor for a specific investment offering but a couple of shortcuts are to focus on who is local to the deal, who has invested in similar deals, and who has made their money in that industry. You could search for sector specific family offices, see when a company became publicly traded in that same area if you can get in touch with any of those executives who obviously would know the space – and typically focusing on 20-40 strong relevant potential investors is better than going after 500 when trying to get a deal done.

It’s important to look at each individual strategy you have and mapping it to the top two or number one more likely investor set. Everything has to be customized from the beginning. It’s important to add value to your capital raising strategy and maintain your focus throughout.

We try to use three things in our company to raise capital, and we recommend anyone trying to raise capital for Single Family Offices to do so, as well. These key ingredients include writing, speaking, and proactive selling. You can’t get away from taking proactive actions, setting meetings and reviewing daily Key Performance Indicators (KPIs) to improve engagement. I found that having my videos and writing in place opens doors, gets me access, and for those who are familiar with our company makes my meetings much more powerful with investors while also generating the types of deals that are mentioned above. My hope is that sharing some of these examples of deal flow that have been considered this year and some insights on why the deals may get done and how they are seen or managed deal flow wise in the single family office space would be helpful to those in new or similar positions in the industry.

Richard C. Wilson is CEO of the Family Office Club, a community of over 1,000 registered family offices, he helps \$100M+ families establish their single family offices and invest and he is author of the bestseller [The Single Family Office](#).