Privcap/
Context for Private Capital Investment
TRANSCRIPT

**The Rise of "Pre-Due Diligence"**

**Jay Lucas, The Lucas Group:**

Deals are now seeing 12, 13 or maybe even more private equity firms in a process. Once you're in that process, if you're paying top dollar and it's very competitive, you can waste a lot of time and energy if you're not really serious.

What we're seeing is that [with] private equity firms, our clients are engaging us even before that process starts. We call it "pre-due diligence." Where instead of gearing up a whole team for a long exercise, we might field the team for a week.

**Andrew Johnston, The Lucas Group:**

It could be even shorter than one week, of just answering one or two key questions, helping them identify any potential red flags or deal-killing issues that could arise later in the process and ultimately be harmful.

**Lucas:** One of our clients will call us and say, "I'm interested in a particular deal that I know is coming on the market. I think I might like to pursue it, but only if I'm able to get comfortable with these one or two issues." It could be a market-size issue, growth issue. It could be something about the competitive dynamics.

We're able to come back and answer that question. That gives the private equity investor the confidence either to move forward or decide, "I'm going to take a pass on this deal."