



## When is a Family Office the Right Buyer?

In the last decade, the number of family offices has grown dramatically. For many business owners, family offices are a bit of a mystery. We provide some answers in the article below

According to EY (Ernst & Young), in 2018 there were an estimated 10,000 single-family offices, a ten-fold increase since 2008. Given the increasing number of family offices purchasing companies, we thought it would be helpful to provide some insight into them.

### Family Offices versus Private Equity

Often controlled by business owners who have successfully grown and sold their company, family offices tend to invest in industries where they have expertise and relationships that can help the business they are buying. PE funds, on the other hand, are typically led by finance executives who have targeted three or four industries with exceptional growth opportunities. Once a PE fund buys a business, they will involve one of their operating partners with industry expertise to coach the management team and serve on the company's Board.

The biggest differentiator between PE funds and Family Offices is their holding period. This often factors strongly into our clients' decision as to who will be the best steward of their business and their company culture going forward.

### But first, what is "a holding period?"

It is the length of time a buyer will own the company before selling it again. Private equity firms typically aim for a return on their investment in three to five years because the dollars they are investing come from institutional investors who expect investment returns in a specified time frame. For PE funds, this creates a cycle of investing and divesting. A private equity firm's ability to raise future funds depends on the timeliness and performance of their current investments, so there is often little flexibility in their hold period.

A family office, on the other hand, usually has capital that has been provided by one individual, or family, hence the family office moniker. This capital does not need to be returned to the family at any set point in time, nor does the family office have to raise future funds. Because of this, it is rare for family offices to have a defined hold period. They are usually more patient with their capital and are willing to hold good companies for ten to twenty years.

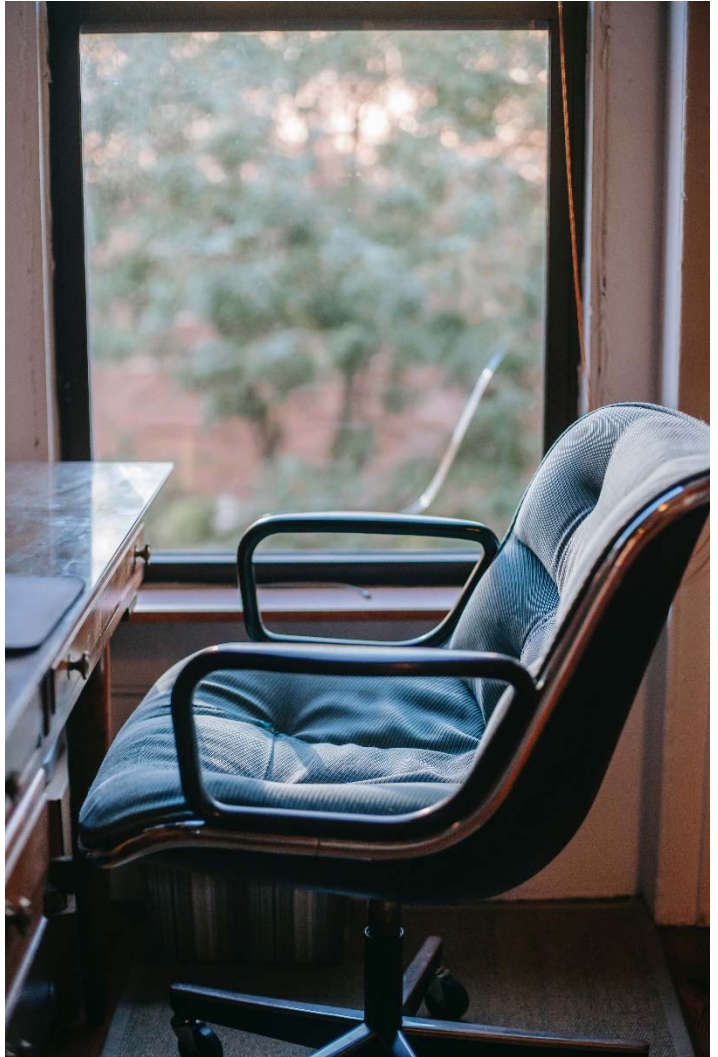
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### How does this relate to your decision to sell?

If your company's culture is like some of our recent clients who value making consistent investments to grow their companies steadily over the long-term, a family office could be a great fit with your employees. Alternatively, if your company thrives on change and fast-paced environment, a private equity buyer could be highly appealing, particularly if you have rolled over some of your equity to receive a "second bite of the apple" and more money when the PE sells your company in three to five years.

At the end of the day, the buyer you choose might be based on who is willing to pay the highest price for your business, but if there is a cluster of bids, knowing this key difference between private equity buyers and family office buyers, could help you pick the right one for your employees and your company.



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Aethlon Capital is a boutique investment bank with decades of experience assisting business owners in raising capital and/or selling their business. We help owners strategize the necessary steps to facilitate corporate growth and align with strategic partners. Aethlon has completed mergers and acquisitions ("M&A") in numerous industries – from consumer products to construction, and from luxury goods to high technology.

Our professionals would enjoy the opportunity to discuss your company's growth plan. To find out how Aethlon's investment banking services can help you, call Sima Griffith at 612.338.6065 or email [sgriffith@aethlon.com](mailto:sgriffith@aethlon.com).