

## VENTURE CAPITAL & PRIVATE EQUITY

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- **Event Title:** Venture Capital & Private Equity: Powering Innovation, Scaling Potential
- **Date:** November 18th, 2024, at 8:00 pm
- Co-hosted by: **The Mainstay Foundation** and **UMMA**
- **Duration:** 1 Hour
- Platform: Zoom

# In This Report

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An Overview .....	3
Speakers .....	4
Session Highlights .....	5
Overview: Exploring Funding Opportunities for Entrepreneurs .....	5
Introduction to Private Equity and Venture Capital.....	5
Key Differences Between P/E and VC .....	5
Essential Qualities for Securing Funding.....	6
Navigating Investor Relationships and Agreements .....	6
Understanding Valuation and Multiples .....	6
Market Trends and Sector Highlights .....	7
Alternative Financing Options for Entrepreneurs.....	7
Sharia-Compliant Investments and Ethical Portfolios.....	7
Networking Strategies for Breaking into the VC/P/E Ecosystem.....	7
Audience Q&A: Addressing Concerns and Opportunities.....	8
Looking Ahead: Upcoming Events and Networking Opportunities .....	8
Conclusion: Empowering Entrepreneurs to Achieve Financial Success.....	8
Key Takeaways .....	10

## An Overview

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The **Mainstay Foundation** and **UMMA** co-hosted this highly informative webinar, **Venture Capital & Private Equity: Powering Innovation, Scaling Potential**, as part of their Entrepreneurship Network initiative. The session was coordinated and facilitated by **Sayyid Abathar Tajaldeen**, a director of **The Mainstay Foundation** and **Dr. Azmat Hussain**, President of **UMMA**.

The event on venture capital (VC) and private equity (P/E) provided a comprehensive exploration of these funding mechanisms, offering valuable insights for entrepreneurs, small business owners, and investors. Panelists highlighted the differences between VC and P/E, emphasizing how VC supports early-stage businesses with growth potential while P/E focuses on scaling profitable companies. They discussed key qualities investors seek, including clear vision, scalability, and strong leadership, while stressing the importance of preparing concise financial models and pitches. Attendees learned about valuation methods, market trends such as the dominance of AI, and alternative financing options like SBA loans. The session also addressed navigating investor relationships, avoiding hostile agreements, and building connections in the VC and P/E space. With an emphasis on breaking barriers to wealth generation and leveraging professional networks, the event empowered participants to use these funding opportunities for significant business growth and long-term success.

# Speakers

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- **Syed Mesum Ali**

## **General Partner at EAI Investments**

Syed Mesum Ali is a General Partner at EAI Investments, where he leads investments in high-growth technology companies and provides access to alternative assets beyond traditional venture, such as private credit.

Over the past eight years, Syed Mesum has overseen investments in more than 20 top-tier, venture-backed companies, including industry leaders like Lyft, SpaceX, Anthropic, Perplexity, and Stripe. His expertise in venture capital and alternative assets drives EAI's mission to support the next generation of transformative companies.

- **Fahad Hashmi**

## **Managing Partner at Personic Management Company**

Fahad is an experienced professional in private equity and entrepreneurship, with a proven track record in managing and scaling profitable businesses. With expertise in deal structuring, valuation methodologies, and navigating private equity transactions, Fahad has overseen substantial revenue-generating operations and advised numerous companies on growth strategies. He also brings the unique perspective of being both an investor and a founder, offering insights into raising funds and executing successful exit strategies.

# Session Highlights

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## **Overview: Exploring Funding Opportunities for Entrepreneurs**

The session, designed for entrepreneurs, small business owners, and investors, focused on the intricacies of venture capital (VC) and private equity (P/E) as funding mechanisms. Panelists Fahad and Mesum shared their extensive insights, providing an in-depth exploration of funding strategies, market trends, and actionable advice for those looking to grow or fund businesses. The event served as a practical guide for individuals navigating the VC and P/E landscape while offering inspiration for entrepreneurial success.

## **Introduction to Private Equity and Venture Capital**

The session began with an introduction to private equity and venture capital. Private equity was described as institutionalized private funding that enables businesses with positive revenue or profitability to scale their operations. In contrast, venture capital targets early-stage businesses with significant growth potential, focusing primarily on tech-driven sectors. The panelists outlined the key differences between the two funding mechanisms, emphasizing how P/E supports scaling profitable businesses, while VC invests in unproven but high-potential ideas. The historical context revealed that the formal institutionalization of private equity began approximately 15 years ago, a relatively recent development.

## **Key Differences Between P/E and VC**

Private equity and venture capital differ primarily in the stages of business they target and their funding goals. P/E focuses on scaling businesses with positive revenue or profitability (measured by EBITDA), while VC invests in

early-stage businesses that may not yet be profitable but have strong growth potential. Additionally, P/E is more diverse in its industry focus, while VC often concentrates on technology and innovative sectors.

## **Essential Qualities for Securing Funding**

Entrepreneurs were advised on the essential qualities and business criteria necessary for securing funding. Founders need a clear vision, strong determination, and the ability to execute their plans effectively. From a business perspective, simplicity in operations, scalability, and a competitive edge are critical for attracting investors. The panelists highlighted the importance of a concise and compelling pitch that clearly demonstrates the business's growth potential and financial viability. Entrepreneurs must also illustrate how their personal background and insights uniquely position them to succeed in their market.

## **Navigating Investor Relationships and Agreements**

A significant part of the discussion addressed the challenges entrepreneurs face when dealing with investors, especially in evaluating term sheets and avoiding unfavorable agreements. The panelists emphasized the importance of thoroughly vetting potential investors, including examining their past investments and speaking with other founders they have funded. Legal and professional support was deemed essential for first-time fundraisers to safeguard their interests and ensure agreements align with their long-term goals. Both panelists stressed the importance of assessing whether an investor's vision and expertise align with the entrepreneur's goals.

## **Understanding Valuation and Multiples**

The topic of valuation was a central focus, particularly the methodologies used to determine a business's worth. Private equity valuations rely heavily on measurable financial metrics, such as EBITDA, and projections of future performance. VC valuations, on the other hand, often consider potential market size and growth opportunities, leading to higher multiples in high-growth sectors like artificial intelligence (AI). Examples shared during the session included *Perplexity*, an AI-driven company that achieved significant valuation growth despite lacking profitability, and *Cart.com*, a profitable yet

undervalued e-commerce company. These examples highlighted the stark differences in valuation approaches and demonstrated the opportunities available in undervalued sectors.

## **Market Trends and Sector Highlights**

Market trends were also explored, with a focus on the post-2020 slowdown in VC and P/E activity due to high interest rates and liquidity challenges. However, the panelists noted that recent interest rate reductions are expected to reignite deal volume in 2024. AI has emerged as the dominant sector for capital allocation, although other undervalued industries, such as e-commerce, still offer promising opportunities for strategic investments.

## **Alternative Financing Options for Entrepreneurs**

Alternative financing options were discussed as viable paths for entrepreneurs seeking funding. SBA loans were highly recommended for small-scale acquisitions due to their favorable terms and accessibility. Debt-equity splits of 70%-30% or 80%-20% were suggested as suitable ratios for smaller transactions. Other funding sources, such as angel investors and friends-and-family investments, were also mentioned as practical alternatives for early-stage entrepreneurs.

## **Sharia-Compliant Investments and Ethical Portfolios**

The discussion on Sharia-compliant investments underscored the growing interest in halal investments within the VC and P/E spaces. The panelists shared their cautious approach to investment, ensuring that their portfolios align with ethical and Islamic principles. They encouraged participants to research firms with a proven track record of compliance and leverage tools like Zoya for guidance on public investments.

## **Networking Strategies for Breaking into the VC/P/E Ecosystem**

For those new to the VC and P/E ecosystems, networking was emphasized as a crucial step. LinkedIn and direct outreach were recommended for connecting with investors. Entrepreneurs were advised to approach pitching as a learning

opportunity, using each interaction to refine their strategies and build resilience.

### **Audience Q&A: Addressing Concerns and Opportunities**

The session concluded with a robust Q&A, during which audience questions were addressed. Topics included mitigating the risk of hostile takeovers, leveraging alternative financing options, and breaking into the VC and P/E world. The panelists emphasized the importance of preparation, professional advice, and leveraging resources to maximize opportunities.

### **Looking Ahead: Upcoming Events and Networking Opportunities**

In closing, attendees were invited to the upcoming *Faith and Fortune* event, which will focus on strategies for success in business, government, and corporate sectors. Scheduled for December 7th at Idara, the event promises to provide further networking opportunities and actionable insights for attendees.

### **Conclusion: Empowering Entrepreneurs to Achieve Financial Success**

This session served as a valuable resource for participants, offering practical guidance and actionable strategies for leveraging venture capital and private equity. By breaking down barriers to entry and providing clear steps for success, the event inspired attendees to harness these funding mechanisms to achieve their entrepreneurial and financial goals.





# Key Takeaways

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## *Understanding Private Equity (P/E) and Venture Capital (VC):*

- **Private Equity** focuses on scaling profitable businesses with institutionalized private funding.
- **Venture Capital** invests in early-stage businesses with high growth potential, often tech-focused.

## *Differences Between P/E and VC:*

- P/E requires businesses to have positive revenue or profitability (measured by EBITDA).
- VC supports earlier stages of business development, sometimes even pre-revenue.

## *What Investors Look For:*

- Clear vision, strong determination, and execution ability in founders.
- Simple, scalable business models with competitive advantages.
- A concise and compelling pitch demonstrating market potential and financial viability.

## *Valuation Approaches:*

- P/E valuations rely on past performance (e.g., EBITDA) and future growth projections.
- VC valuations prioritize market size and potential, often resulting in higher multiples for emerging sectors like AI.

## *Avoiding Pitfalls with Investors:*

- Thoroughly vet potential investors and assess alignment in vision and expertise.

- Engage experienced legal advisors to protect against unfavorable terms.
- Avoid rushing into agreements; ensure the right fit with investors.

*Market Trends:*

- Post-2020 slowdowns in P/E and VC due to high interest rates are expected to recover in 2024.
- AI dominates capital allocation, though undervalued sectors like e-commerce also present opportunities.

*Alternative Financing Options:*

- SBA loans offer accessible funding for small-scale acquisitions with favorable terms.
- Debt-equity splits of 70%-30% or 80%-20% are typical for smaller transactions.
- Angel investors and friends-and-family funding are viable alternatives for early-stage businesses.

*Sharia-Compliant Investments:*

- There is growing interest in halal investment opportunities within VC and P/E spaces.
- Entrepreneurs should research firms aligned with Islamic principles and use tools like Zoya for guidance.

*Networking and Breaking Into VC/P/E:*

- Use LinkedIn and direct outreach to connect with investors.
- Treat each pitch as a learning experience and refine strategies through feedback.
- Research firms focused on specific sectors to ensure alignment.

*Leveraging Funding Beyond Capital:*

- P/E and VC firms often provide expertise and networks, accelerating growth
- Founders can benefit from investors' prior experiences in scaling businesses and achieving profitability.