Preparation for Next Session’s Guest Speaker: John Ruffolo

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Private Equity & Venture Capital

Session 6 | January 8th, 2026

01

PE & VC's Purpose

Capital formation: They provide long-term, risk-tolerant capital to startups and scaling companies.

Innovation: Most breakthrough tech and business models are funded privately before IPOs.

Value Creation: Investors shape strategy, hire leadership, and improve operations.

The Differences

Private equity and **venture capital** are totally different asset investment classes; they each react independently as they involve companies with different maturity, risk, return, and control.

01. **Stage/Maturity:** Venture capital firms fund early-stage startups, while private equity firms acquire established businesses.

02. **Risk & Return:** Venture capital includes more risk with potentially higher return. Private equity is less risky and generates predictable returns.

03. **Control:** Venture capital firms typically receive a smaller stake in exchange for their funding and consequently have less influence. Private equity involves entire acquisitions and full power.

03

The Anatomy of PE

01

Buy entire or majority stakes in companies and specific branches

02

Use leverage (LBOs or Leveraged Buy-Outs) to finance acquisitions

03

Grow profitability and company value by improving operations

04

Exit at a higher valuation

04

The Anatomy of VC

01

Invest in **seed and series A** startups

02

Recieve minority equity stakes

03

Recognize risks and potential outcomes, focus on growth and support

04

Exit via **IPO** or company acquisition

***Seed:** Validating Idea, **Series A:** Product/Market Fit, **IPO:** Initial Public Offering*

Returns & Risks

IRR: Internal Rate of Return (Profitability Metric)

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Private Equity:
- Lower risk, more predictable outcomes
- Returns come from cash flow, leverage, and operational improvements
- Leads to more consistent **IRR**s across deals.
- Downside risk is reduced by tangible assets and profitability

Venture Capital:
- Very high risk
- Most investments yield little returns
- A few winners drive the majority of fund returns
- Outcomes are highly skewed

Examples

Prominent PE & VC deals

Hilton

- Acquired by Blackstone for $26 billion using an LBO
- Exited via IPO in 2013
- Now valued at almost $70 billion

Dell

- Acquired by Silver Lake for $24 billion using an LBO
- Exited via IPO in 2018
- Now valued at over $80 billion

Burger King

- Acquired by TPG & Bain for $3 billion using an LBO
- Exited via IPO in 2012
- Now valued at over $40 billion

Airbnb

- Received $20k in seed funding for a 6% stake from Y Combinator
- IPO'ed in 2020
- Now valued at over $80 billion

Google

- Received $25m in series A funding for an 11% stake from Sequoia
- IPO'ed in 2004
- Now valued at over $3 trillion

Meta

- Received $12.7m in series A funding for a 15% stake from Accel
- IPO'ed in 2012
- Now valued at over $1 trillion

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Key Takeaways

Understanding LBOs

The financing method of using leverage as a way to fund acquisitions is typically through bonds and loans. LBOs allow firms to preserve their capital, relying instead on the expected cash flows of the acquired company to repay the debt.

Risks of PE & VC

Despite widely varying in business stage, a substantial risk is always present; however, private equity poses significantly lower risks and yields more predictable returns.

John Ruffolo

Founder & Managing Partner, Maverix PE

Conduct brief research on the next session’s special guest speaker to familiarize yourself with his extensive experience in private equity, venture capital, and entrepreneurship.

A form will be posted to the Classroom shortly;

Thank You

See you **NEXT THURSDAY** for an exclusive meeting with industry leader John Ruffolo.

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