

BG CAPITAL
GROUP

The 30-Year Playbook

Bobby Genovese's 5 Principles for
Backing the Right Business

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BOBBY'S FOREWORD

I've been asked to write this a dozen times and said no to eleven of them.

Not because I wanted to keep it private, but because I wasn't sure any framework worth having could be written down without becoming a checklist. Checklists aren't how deals get made. Pattern recognition is.

After thirty years of backing businesses — some that became remarkable, some that didn't, and a handful that taught me more than I would have chosen to learn — I know what the patterns look like. I know what a good founding team sounds like in a first conversation. I know what a badly structured entry looks like before the term sheet is signed. I know what happens to a business that raises too much before it can use it, and to one that runs out of runway six months before the market turns its way.

These five principles are the ones I return to every time, regardless of sector, stage or cycle. They don't predict outcomes — nothing does. But they tell me quickly whether I'm looking at something worth my time and capital. Over thirty years, that has been enough.

This is not investment advice. It isn't a course or a system designed to be sold. It's thirty years of pattern recognition, written down because enough people I respect asked for it.

Use it however it serves you.

— *Bobby Genovese*

Founder, BG Capital Group · Since 1996

HOW TO USE THIS PLAYBOOK

The five principles here are lenses, not checklists.

A checklist implies that if you tick enough boxes, you have done the analysis correctly. Experience doesn't work that way. The best deals I have seen would have failed a standard due diligence checklist. Some of the worst were textbook-perfect on paper. What separates them is judgment, and judgment is built through pattern recognition rather than process.

Read each principle once for the concept. Then read it again with a specific deal in mind — something you are evaluating now, or something you backed in the past that surprised you. They work better as diagnostics than as filters: they tell you where to look more carefully, not what to conclude.

The application questions at the end of each section are the questions I actually ask, in the meetings I take, before deciding whether to go further. They are useful because they are specific, and specificity is where evasion becomes visible.

ABOUT BG CAPITAL GROUP

Founded in 1996. Fourteen sectors across thirty years, including hospitality, real estate, financial services, energy, agribusiness, technology and health. Businesses backed and built across North America, the Caribbean and Europe.

Bobby Genovese serves as Principal. BG Capital deploys its own capital alongside co-investors rather than managing third-party funds — which means the firm's interests are aligned with those of the businesses it backs.

PRINCIPLE 1 OF 5

MANAGEMENT OVER MARKET

*"The market doesn't make the business.
The people do."*

THE PRINCIPLE

The first question most investors ask about a business is about the market. How large is it, how fast is it growing, who else is in it. Sensible questions — and, in my experience, the wrong ones to lead with.

I have watched businesses fail in enormous, growing markets because the people running them couldn't make decisions clearly under pressure. I have watched businesses thrive in sectors that were, by any objective measure, difficult. The market sets the ceiling. The management determines whether you get anywhere near it.

What I look for in a founding team is not credentials, though those matter. It is how they think when something goes wrong. The way a founder describes a past failure tells you more about their character and capability than any success story they can offer. Success obscures the decisions that produced it. Failure is usually transparent.

I also look for what they have built without being asked to. The side project, the thing they couldn't stop working on before it had any economic logic. That compulsion — the inability not to build — is one of the few genuine predictors I trust, and it cannot be faked across a long conversation.

WHERE I FIRST NOTICED THIS

I became certain of this after watching a business in a declining sector significantly outperform everything around it, on the strength of the founder. We stayed in longer than the sector warranted, and it was the right call. The inverse — backing a mediocre team in a hot sector — is a mistake I have made once, and only once.

PRINCIPLE 1 · HOW TO APPLY IT

These are the questions I actually ask before committing capital. The order matters — each one builds on the answer to the last.

1

Tell me about a moment when this business was genuinely close to failing. What did you do, specifically?

2

What have you built that nobody paid you to build before this business existed?

3

Who has equity in this company, and what did each of them do to earn it?

4

What is the most important thing you have changed your mind about in the last eighteen months?

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PRINCIPLE 2 OF 5

THE EXIT STARTS AT ENTRY

*"If you don't know how you're leaving, you
don't know what you're buying."*

THE PRINCIPLE

This principle generates the most resistance, usually from founders who are understandably focused on building rather than leaving. The resistance softens once I explain what I am actually asking for.

I am not asking for a fixed exit date or a committed acquirer. I am asking whether the person across the table has thought seriously about what they are building toward and whether the structure of the deal they are proposing is compatible with getting there.

The capital structure at entry determines almost everything that happens at exit. Who has preference. Who has pro-rata rights. What the waterfall looks like if the outcome is modest rather than spectacular. I have seen businesses sell for impressive numbers and return badly to early investors because the entry terms were wrong, and modest exits return multiples because the structure was clean.

Before committing capital, I identify the three most likely acquirers in a realistic exit scenario, and what specifically they would be buying. That analysis shapes what to build toward and which metrics matter. It does not constrain the vision. It clarifies it.

WHERE I FIRST NOTICED THIS

Early in my investing career, I backed a business that was growing well and attracting acquisition interest. When the offers came, the cap table turned out to be too complicated — too many rounds, too many preference classes — for a clean exit. We left significant money on the table. Not because the business failed, but because we had not built the exit into the entry.

PRINCIPLE 2 · HOW TO APPLY IT

These are the questions I actually ask before committing capital. The order matters — each one builds on the answer to the last.

5

Who are the three most likely acquirers of this business in five years, and what specifically would they be buying?

6

What does the cap table need to look like at exit for the transaction to work for everyone currently in it?

7

If the best realistic outcome is 3x rather than 10x, does this structure still make sense for all parties?

8

What would make this business un-acquirable, and how are you making sure that does not happen?

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PRINCIPLE 3 OF 5

THE CAPITAL TRAP

*"More money is not the answer. It's often
the question that kills the business."*

THE PRINCIPLE

The capital trap has two forms. Most investors know the first — under-capitalization, the business that runs out of runway six months before the inflection point that would have justified the whole investment. That failure mode is visible and well documented.

The second is quieter and, in my experience, more common among businesses that attract sophisticated investors. They raise too much, too early, at a valuation that presupposes a trajectory the team is not yet capable of executing. The capital arrives before the discipline to deploy it. Headcount grows because it can. Process doesn't develop because it doesn't have to. The urgency that drove the early work disappears, and when the next round approaches, the metrics don't support the story.

The right amount of capital at any stage is the amount that solves a specific, defined problem, and no more. I ask founders to be precise about this. Not "runway." Not "scale." What does this money solve? What decision does it enable? What does the business look like twelve months after it lands?

The businesses I have backed that handled capital best treated every dollar as though it were the last one — not from scarcity, several were well funded, but because the discipline was cultural. It came from the founder. That is very hard to install from outside and very easy to destroy with a large round.

WHERE I FIRST NOTICED THIS

Two businesses I backed raised significant rounds immediately before a market correction. One survived, because the founder cut costs aggressively within thirty days of seeing the numbers move, before anyone told him to. The other kept spending at the same rate for three months before reality intervened. The difference was not the amount raised. It was the founder's relationship with it.

PRINCIPLE 3 · HOW TO APPLY IT

These are the questions I actually ask before committing capital. The order matters — each one builds on the answer to the last.

9

What specific problem does this capital solve? Describe the outcome, not the activity.

10

What happens to the business if you raise 40% less than you are asking for?

11

Where will this capital be deployed in the first ninety days? Walk me through the actual spend.

12

What is the burn rate at month twelve if this round closes, and what does that number tell us about your assumptions?

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SECTOR PATIENCE

*"The best time to enter a market is when
everyone else is leaving it."*

THE PRINCIPLE

Contrarian investing is easy to describe and very difficult to execute. Everyone understands the logic of buying low. Almost nobody is psychologically comfortable doing it because the moment a sector is genuinely cheap is also the moment the evidence most strongly suggests it will continue to decline.

Sector patience is not contrarianism for its own sake. It is the discipline of understanding where a sector sits in its cycle, identifying what would need to happen for it to recover, and then waiting — sometimes for years — for evidence that the catalyst is approaching. The entry is not at the bottom. It is when the bottom is clearly past and recovery is beginning to show up in the operating metrics of the businesses that survived the trough.

I have entered sectors my peer group considered finished. In each case the thesis was specific: the distress is cyclical rather than structural, and the businesses that survive will emerge with significantly less competition than they faced at the peak.

What I am not willing to do is chase consensus. When everyone in a room agrees a sector is exciting, the excitement has already been priced. The question that matters is not "is this sector growing?" but "is it growing faster than the market currently believes?" That is a much harder question, and a much more valuable one.

WHERE I FIRST NOTICED THIS

The most instructive case I have had with sector patience was entering a real-estate-adjacent sector about eighteen months after a significant correction, when most capital had moved elsewhere and the operators who remained were there from necessity rather than optimism. The businesses we backed had survived the worst of the cycle. Their competitors had not. The recovery arrived later than we expected.

PRINCIPLE 4 · HOW TO APPLY IT

These are the questions I actually ask before committing capital. The order matters — each one builds on the answer to the last.

13

Where is this sector in its cycle right now? Not where you think it is going — where it actually is.

14

Who left this sector in the last eighteen months, and why? What does that tell us about who remains?

15

What would need to happen, specifically, for the thesis on this sector to be wrong?

16

Is the opportunity structural or cyclical? How long have you believed that, and what would change your view?

BCG

THE NETWORK MULTIPLIER

*"The co-investors you bring into a deal
change what the deal becomes."*

THE PRINCIPLE

Capital is not interchangeable. A dollar from a financial investor with no operating experience or relationships in the relevant sector is worth exactly one dollar. A dollar from an investor who brings meaningful access to customers, talent, acquirers or strategic partners is worth considerably more — and that premium is often what determines whether a business reaches the outcome the model projected.

So I am not only asking whether the business is sound and the team capable. I am asking who else is in this round, and what they unlock that money alone cannot. The answer is usually one of three things: access to customers, access to talent, or access to an acquirer who would otherwise be unreachable.

The inverse is also true, and I have experienced it. A cap table dominated by purely financial investors creates a particular kind of pressure at critical moments. When a decision involves trading short-term financial metrics against long-term strategic position, a financially oriented cap table will typically favor the metric. That pressure is not always wrong. But it is often premature.

The multiplier works most powerfully in the early rounds, when the business has the most to gain from relationship capital. By the time a business is raising a Series C, most of that value has been captured or missed. The time to think carefully about who is around the table is while the table is still being set.

WHERE I FIRST NOTICED THIS

A business in our portfolio was struggling to reach a specific category of corporate client — the kind of decision-maker who doesn't respond to cold outreach. A co-investor we brought in later had direct relationships with three of the ten companies on that target list. Two converted to paying clients within six months. The capital they contributed was, by that point, almost incidental.

PRINCIPLE 4 · HOW TO APPLY IT

These are the questions I actually ask before committing capital. The order matters — each one builds on the answer to the last.

17

Who would make this business twice as valuable simply by being on the cap table? Have you asked them?

18

What does this round's investor composition unlock that money alone cannot?

19

Which of your current investors has generated the most non-financial value so far, and how?

20

If you could add one organization for strategic reasons alone, who would it be, and why are they not in?

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Tell me about a business you almost backed — and didn't.

I have asked this in every substantive investment conversation for the last fifteen years.

The near-miss reveals more about how someone thinks than any success story. Success is already filtered through hindsight. The near-miss is raw — it shows the criteria they used at the moment of decision, the risk they were willing to tolerate, and the thing that finally gave them pause.

The answers sort into three. First: a specific, considered account — what they saw, what they could not get comfortable with, how they weighed it. That is someone with a real process. Second: a vague answer, usually that the timing was not right. That is someone still uncomfortable with the outcome, or without a process to begin with. Third: they pivot to telling me about a great investment they did make. That one tells me the most.

I do not say which answer keeps the conversation going. If you have read this far, you can probably guess.

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The BG Capital newsletter continues this conversation.

Subscribers receive ongoing intelligence from Bobby's desk — sector observations, deal reflections, and perspectives on where smart capital is moving next.

The Playbook is the beginning. The newsletter is the conversation that follows.

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Since 1996, BG Capital Group has been the investment company behind the ventures, properties, and businesses that have shaped Bobby's world. It's the business side of what he's built over the years. If you're interested in seeing the lifestyle and experiences behind it, take a look at BGSignature.com.

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