



# Portfolio value creation for private equity sponsors

2023

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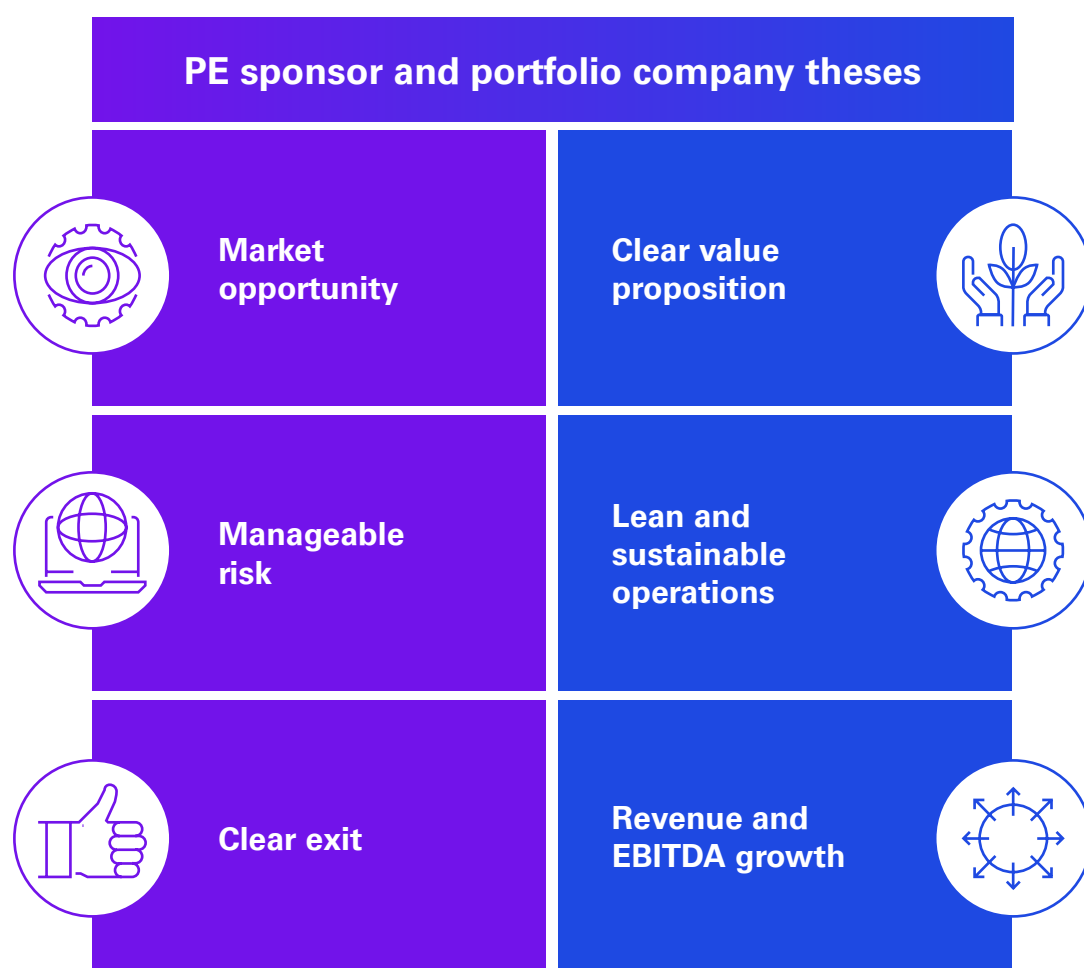
# Pulling the key levers that drive value and improve EBITDA

Private equity (PE) firms have a proven track record of performance in both good and bad markets, consistently outperforming other asset classes over multiple business cycles. With inflation and interest rates rising, along with labor and other resource constraints, PE firms and portfolio company CEOs must continue to prove they can drive growth and increase EBITDA.

# Our strategic intent

The strategic intent of the KPMG Advisory team is to support our clients' success by accelerating sustainable EBITDA value in portfolio companies. Where feasible, we work side by side with a PE firm's deal and operating teams and its portfolio company's management to identify levers that drive value.

Aligning the PE sponsor and the portfolio company around the following critical key objectives is paramount.





# Supporting the deal lifecycle

## We support our PE clients across the full deal lifecycle.

KPMG works closely with the PE firm and management teams to identify critical areas of value creation and risk mitigation throughout the deal lifecycle. KPMG leverages its consulting experience and advanced data analytics to provide a deeper understanding of the levers that PE firms can trust to increase revenue, reduce costs, and manage risk.



### Buy-side due diligence

Acquiring the right asset, with the right bid, in the right timeframe:

- Understand the key performance drivers and industry trends
- Identify, quantify, and prioritize EBITDA and cash release opportunities
- Support lender discussions with evidence-based perspective on asset value, operational improvements, and potential upside



### Postclose holding period

Implement programs that enhance growth, efficiencies, and risk mitigation:

- Identify and execute on levers to enhance EBITDA and release cash, e.g., customer and product profitability, sales and marketing effectiveness, supply chain and procurement, and G&S improvement.
- Accelerate revenue growth by capturing market share, adding new revenue streams, and managing profit levers



### Prepare for sale and exit

Late-stage steps to help maximize asset value and potential market attractiveness:

- Clearly articulate current and future fact-based value story for prospective buyers
- Package asset(s) to support attractive buyer-ready sale process
- Integrate with all stakeholders, e.g., bankers, management team, legal counsel, and PE sponsor, etc.





# Value creation diagnostic overview

KPMG has designed a rapid diagnostic process to help portfolio companies quickly identify potential near-term cash generation, EBITDA, and other performance improvements.

Our approach combines an holistic assessment of a company's financial and operating performance with its processes and systems, combined with proprietary KPMG tools and technologies with deep subsector and functional experience.

## The initial rapid diagnostic phase:

- Demonstrates our industry and subsector depth
- Aligns portfolio company management team with PE sponsor
- Quantifies the business case opportunity
- Prepares a robust change management program.

## Our process helps you quickly identify potential opportunities

We identify opportunities across areas of the company and suggest targeted actions for achieving cash generation, EBITDA, and other performance improvements.

Once we have reviewed these opportunities and gained alignment, we work with you to align your capabilities and availability of resources to develop a roadmap for implementation.





# Supporting our clients' industry subsectors

## Primary areas of focus

While we serve a breadth of industries and subsectors, the following primary areas of focus are based on our deep industry and subsector experience and insights coupled with proprietary data and analytics.

### INDUSTRY AND SUBSECTOR CAPABILITIES



#### Consumer and retail

- Direct to consumer
- Durables
- Education
- Food and beverage
- Health and beauty
- Multiunit retailer
- Specialty retail
- Travel, leisure, and hospitality
- Veterinary



#### Energy and natural resources

- Agriculture
- Chemicals/chemical distribution
- Mining and forestry
- Oil and gas (field services)
- Power and utilities
- Renewables
- Waste management



#### Financial services

- Asset and wealth management
- Banking
- Capital markets
- Insurance
- Mortgage
- Payments
- Specialty/consumer lending



#### Healthcare and life sciences

- Clinical development and manufacturing organization
- CRO/clinical trial
- HC payor/provider
- Healthcare systems
- Hospitalist management groups
- Lab diagnostics
- Multisite provider
- Nurse staffing
- Pharma services
- Specialty pharmaceutical



#### Industrial manufacturing

- Aerospace and defense
- Auto parts and aftermarket services
- Building products
- Contract manufacturing
- Engineering and construction
- HVAC
- Industrial distribution
- Paper, packaging, and labels
- Transportation and logistics



#### Technology, media, and telecommunications





- Cyber
- Digital ads
- Education
- Hardware
- Media
- Semiconductors\* (See sample profit levers on next page)
- Software
- Technology-enabled business services
- Telecom

### BUSINESS SERVICES

Cross-industry, including subsectors



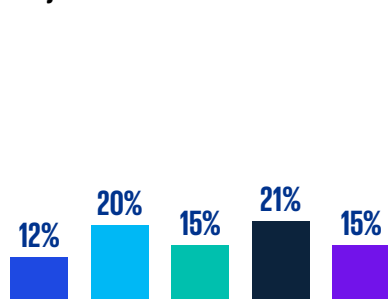
# \*Sample profit levers: Semiconductor subsector

Semiconductor			
Portfolio company strategy			
 Transaction support	 Go to market	 Cost optimization	 Process optimization
Market attractiveness	Go-to-market strategy	Cost improvement	Operating model restructuring
Operational performance assessment	Salesforce effectiveness	Cost transformation	Postintegration performance improvement
Integration and separation	Sales and operation planning	Quick wins implementation	Inventory forecast and planning
Synergy realization	Strategic pricing analysis	Selling, general, and administrative (SG&A) optimization	Capex planning
Package assets for sale	Customer profitability, wins and losses assessment	Financial improvement	Capital planning transformation
Systems and tools			
Performance improvement tracking and governance			

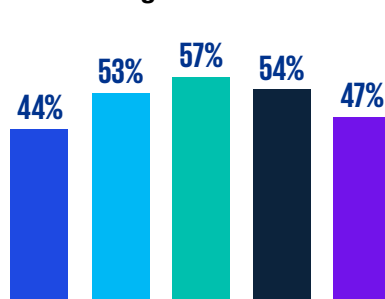


## Proprietary comparative performance analysis

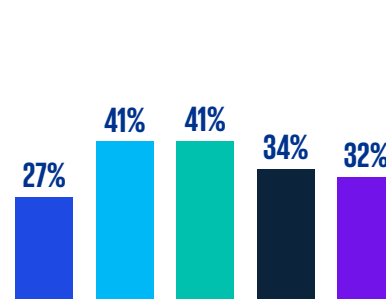
### Adjusted EBITDA



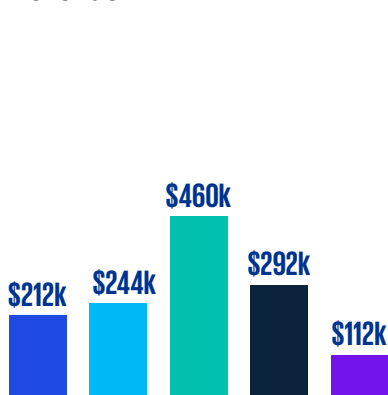
### Gross margin



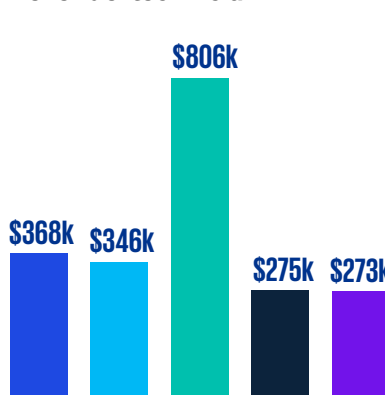
### SG&A



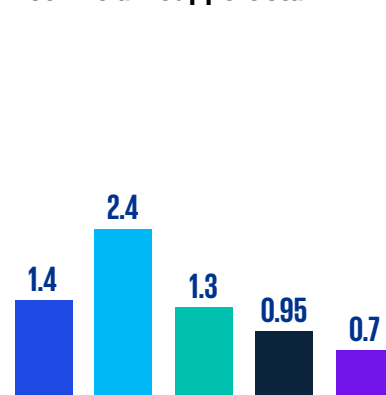
### Revenue/FTE



### Revenue/technician

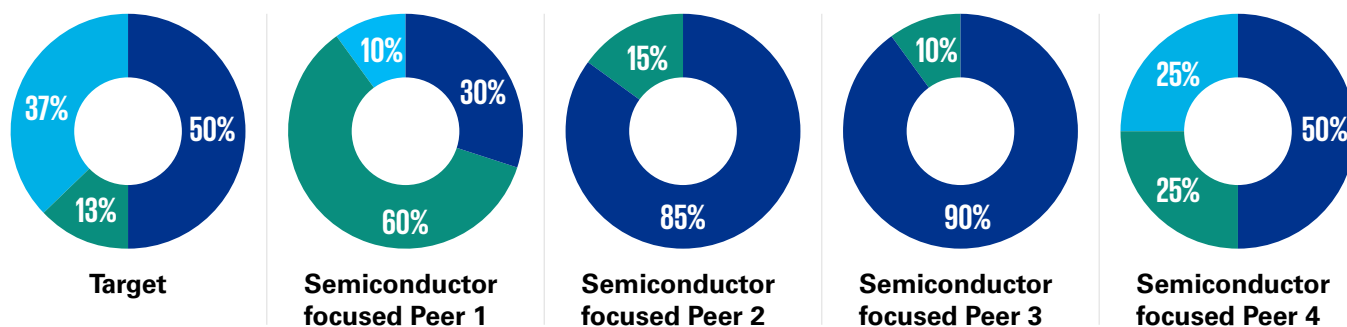


### Technician/support staff



● Target
 ● Semiconductor focused Peer 1
 ● Semiconductor focused Peer 2
 ● Semiconductor focused Peer 3
 ● Semiconductor focused Peer 4

### Revenue split



● Semiconductor
 ● Electronic parts
 ● Others

# Value creation offerings

## Value creation



### Pricing

- Assess pricing opportunities, including quick wins
- Design future-state pricing strategy, structure, organization, and governance
- Optimize price points, price tiers, rebates, promotions, and cost-to-serve



### Operations

- Supply chain
- SG&A
- Sales and marketing effectiveness
- Assortment and SKU rationalization
- Customer and product profitability



### Organizational effectiveness

- Identify organizational inefficiencies
- Design future organization structure
- Optimize personnel cost



### Profitability levers

- Commercial growth
- Operational efficiencies
- Financial risk mitigation

## Value preservation



### Cybersecurity

- Cyber maturity assessment
- Cybersecurity roadmap



### Forensic

- Forensic
- Investigations
- Fraud risk assessment
- Compliance
- Anti-bribery and corruption assessment
- eDiscovery and technology
- Forensic data analysis
- Corporate intelligence



### ESG/Climate

- ESG materiality and maturity assessment
- ESG ratings improvement assessment
- GHG inventory and decarbonization roadmap readiness assessment
- Value-at-risk climate assessment

## Value optimization



### Working capital

- Order to cash (AR) optimization
- Procure to pay (AP) optimization
- Supply chain/inventory optimization



### Tax

- EBITDA planning
- Tax structuring and optimization
- Credits, incentives, and refunds



### Finance effectiveness

- Current-state maturity
- Operational and organizational gaps
- Organizational design
- Roadmap for implementation

## Value realization



### Capital market readiness

- Initial public offering (IPO and SPAC) readiness assessment and roadmap
- Regulatory filings
- SOX compliance
- Executive compensation planning



## Offerings detailed



### Pricing

A sound pricing strategy is an effective profit lever and can propel your company to the next level of performance. Our pricing and commercial excellence team applies deep industry knowledge, leading methodologies, and industry-leading data and analytics capabilities to help you choose the right solution to deliver value for your business and customers. We typically find a 3 percent to 8 percent return on sales in incremental impact driven by type of industry and level of starting pricing maturity.



### Organizational effectiveness

In many companies, implementing an organizational transformation is a key to unlocking value, accelerating growth, and minimizing expenses. Our organizational transformation team leverages leading practices and proprietary technology to help evaluate opportunities and realize value. We refined our approach and methodologies over hundreds of projects, where we built an optimal organizational structure to support strategy, shape a lean cost base, and increase employee effectiveness, helping clients quickly add value to their investments.



### Profitability levers

We identify and analyze growth, efficiencies, and risk mitigation opportunities across multiple areas and recommend targeted actions for EBITDA and cash-generation improvements. This hypothesis-based approach helps identify levers across the value chain, including commercial, operational, SG&A, and financial functions.



### Cybersecurity

The KPMG Cyber Maturity Advisory solution helps organizations remain vigilant to new cyber threats while prioritizing key cyber investments in a cost-effective manner aligned to their investment strategy. We also offer a managed detection and response solution, providing a range of managed services to help organizations address specific business challenges.

### ESG/Climate



Getting serious about ESG has become a top priority for PE as the topic has accelerated from compliance burden to value opportunity. The KPMG approach to ESG at PE portfolio companies leverages a suite of software-enabled services to efficiently support management teams in material ESG topic assessments, emissions baseline measurements, climate risk analyses, and decarbonization-lever identification and quantification.



### Forensic

Enhanced by technology and infused with real-world insight, our forensic process transforms how clients identify, mitigate, and respond to risk, saving time and money. We understand that helping clients meet their business challenges, manage risk, and navigate the dangers of costly and disruptive litigation and investigations begins with an in-depth understanding of their industries. We bring together the right industry experience to better meet this distinct need and deliver real results.



### Working capital

Understanding where the opportunities lie and unlocking that value can bring countless benefits, from better cash flow to more funds for investment or debt reduction. It will also uncover opportunities for capital improvement that can have a tangible impact on profitability.



### Tax

Tax can be an important part of accelerating growth and capturing operational leverage. Our diagnostic approach considers a wide variety of tax topics. At the end of the review, your company receives a summary report of potential opportunities, as well as an assessment of implementation efforts and costs to help you evaluate whether any opportunities are worth pursuing.



### Finance effectiveness

Finance is the critical function for monitoring financial and operational performance, supporting decision-making, and maintaining compliance across portfolio company operations. The KPMG approach evaluates the current state of a portfolio company's finance operations, identifies operational gaps, and determines the distance from current state to ideal state. The assessment results in recommendations for improvement and a future roadmap.



### Capital market readiness

Whether you are raising capital in an IPO or merging with a SPAC, KPMG is ready to help you with the strategy and execution of your capital markets transaction. We bring together an integrated set of multicompetency capabilities along with a digitally enabled approach to help you meet regulatory, tax, and compliance requirements, and can advise on every aspect of a transaction and help build the necessary infrastructure to facilitate the deal.

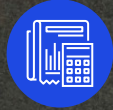
# Value creation roadmap



Articulate  
the vision



Assess capabilities/  
capacity



Build project plans/  
gain alignment

## Success stories

### Profitability levers

#### Challenge

Our client, an approximately \$500 million PE portfolio company, had experienced stagnating EBITDA over the previous three years.

#### Solution

KPMG identified high-impact EBITDA levers and implemented a turnaround plan. Results included improved performance through greater visibility, customer quick wins valued at \$3.2 million EBITDA per year, and pricing optimization opportunities.

### ESG/Climate

#### Challenge

An \$835 million infrastructure organization was at risk of losing a major customer because the company had made minimal progress on decarbonization goals and initiatives.


#### Solution

A KPMG assessment of GHG emissions and available decarbonization levers enabled the business to set achievable, time-bound goals and a Net Zero path that was at a lower cost than the company's current operations.





  
Launch initiative

  
Realize EBITDA  
improvements

## Working capital

### Challenge

Recent market changes resulted in slow growth for our client. In addition, recent misses in cash guidance resulted in increased pressure to refine free cash flow, cash visibility, and planning.

### Solution

A KPMG assessment for all working capital areas of the business helped this client identify \$29 million in improvements and during implementation delivered a \$21 million improvement in working capital within four months.

## Capital market readiness

### Challenge

A client sought assistance navigating an IPO, which entailed planning and implementing procedures from an operational and regulatory standpoint.

### Solution

KPMG converted the company's historical financial reporting to public company standards and assisted with researching and training related to SEC requirements, facilitating the adoption of new accounting standards, and performing valuations. As a result, the company addressed and cleared all SEC comments and prepared for a successful IPO.



# What our clients say

“

The KPMG data analytics approach added depth and speed to our market development process that could not otherwise have been accomplished in the timeframe we had available.”

**PE Investment Professional**

“

The return on investment from the project we just completed could not have been achieved with just our team and exceeded our value creation objectives.”

**Portfolio Company CEO**

“

The team commanded the acquisition and integration with a professionalism and interpersonal skills that kept us involved and satisfied, while making the portfolio company feel comfortable their best interests were at heart.”

**PE Operating Partner**







# Contact us



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