

Helping our clients address today's challenges

Five business fundamentals every middle-market company needs to convert investment thesis opportunities to the bottom-line

Context

Operational due diligence activities typically focus on stress-testing key value creating assumptions that underpin the investment thesis. The team will use interviews, desktop analyses and benchmarks to form a view on the numbers and expected timing. However, typically overlooked are the **fundamental business enablers** that determine the company's ability to deliver and sustain the identified value within the investment thesis.

Today's challenges

Investment decisions are increasingly becoming heavily reliant on value creating activities post acquisition, typically with aggressive timelines. Though initiatives can be daunting to management teams, particularly founder led and family-owned businesses, they move forward with changes but can't deliver the value on-time as result of inadequate fundamentals. Addressing these deficiencies during diligence increases overall value and enables teams to achieve milestones.

Fundamental Business Enablers

Though each company has specific strategies, systems and processes relevant to their market., there are **5 fundamental business enablers** that build the solid foundation for a middle-market company. Our teams assess these fundamentals as a part of our Transaction and Performance Improvement services.

1



Business Plan

- Clearly defined & understood **vision & mission statement**
- Documented **strategic plan** with a 3 to 5-year horizon
- Governance and **progress reporting** system

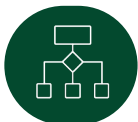
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Financial Controls

- **Annual budgeting** cycle with quarterly forecasts
- **Monthly financial reporting** with key operational metrics
- **13-week cash flow** to manage working capital

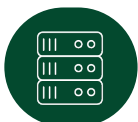
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Operating Model

- Cascading **performance management system**
- Simple **business processes** with supporting software tools
- **Organizational chart** with defined roles & accountabilities

4



Data Infrastructure

- **Consolidated data system** that leverages existing inputs
- **Automated reporting** and production of KPIs
- **Proper governance** (single source of truth)

5



Employee Engagement

- **Communication** strategy and plan
- **Incentive program** for all employees
- Defined **career path** with professional development offerings

Building the foundations from scratch

Context



A PE sponsor formed a new platform by purchasing complementary brands as part of a corporate carveout and combining it with an underperforming portfolio company. The carveout only included the brands and manufacturing capability.

Challenges

- No processes or systems were included as part of the carveout, and the portfolio company did not have these effectively in place (e.g., no business plan, processes not documented)
- Multiple functional leadership positions were unfilled
- Data infrastructure was missing at portfolio company and accessibility to acquisition's data was difficult as it remained on seller's system through a Transition Services Agreement
- Both businesses lacked actionable operational reporting

Our support

- Provided interim Executive Leadership throughout the transition, including development of key processes and systems
- Facilitated workshops with management to develop short term strategy to integrate brands and streamline processes
- Established and maintained operational reporting and analyses for both businesses using SaaS technology

Establishing the platform for M&A activity

Context



An institutional investor purchased multiple family owned and operated waste management companies to form a \$300M+ platform company. The objective was to realize synergies and establish the foundation for M&A activity in the years ahead.

Challenges

- Family ownership and high profit margins resulted in minimal internal pressure to improve the operations (why fix something that is not broken?)
- High employee retention (most employees began their careers with the company) limited the team's exposure to best practices
- All companies operated with their own strategies, processes, systems and cultural norms

Our support

- Facilitated workshops with leadership to define the benefits, roadmap and key enablers to operate as one company
- Held multiple deep-diving workshops across the organization to catalogue processes and identify best practices
- Designed Modern Data Stack architecture
- Recommended operating model and financial control changes