

An aerial photograph of a two-lane asphalt road that curves through a landscape of dry, sandy soil and sparse green vegetation. A bright red car is driving on the road, positioned in the left lane. The road is marked with white dashed lines. The overall scene is captured from a high angle, looking down at the car and the road.

PRIVATE EQUITY

# SUPPORTING THE PRIVATE EQUITY JOURNEY

A COMPANION GUIDE FOR MANAGEMENT TEAMS

IDEAS | PEOPLE | TRUST





# WELCOME

- ▶ BDO's collective experience enables us to offer support across the various stages of the Private Equity lifecycle
- ▶ This Companion Guide outlines matters to address as well as potential BDO services and solutions throughout this journey

The Private Equity ("PE") environment has proven very resilient. PE firms have both the funds and the appetite to invest where they believe that there is a supportable growth story.

Private Equity investment can support you in developing your business over a relatively short time period and, whilst each situation is unique, there is a well-trodden path.

Selecting the right Private Equity investor is one of the most important decisions you will take. Do they have expertise in your sector, a shared vision for your business and are your objectives aligned? Is there a good cultural fit?

This document outlines many of the matters to address throughout the Private Equity journey, summarised opposite across four stages.

As will become apparent, there are numerous factors to consider and decisions to make. You will navigate those key moments confidently with our advice and support.

- 1 DEMYSTIFY**
- ▶ Is Private Equity right for you and your business?
  - ▶ What's the ideal outcome long term, both for you and your business?

- 2 NAVIGATE**
- ▶ Which Private Equity partner is right for you?
  - ▶ Navigating the investment process through to completion.

- 3 ACCELERATE**
- ▶ Supporting you and your team to deliver growth under PE investment.
  - ▶ Ensuring agenda alignment across stakeholders.

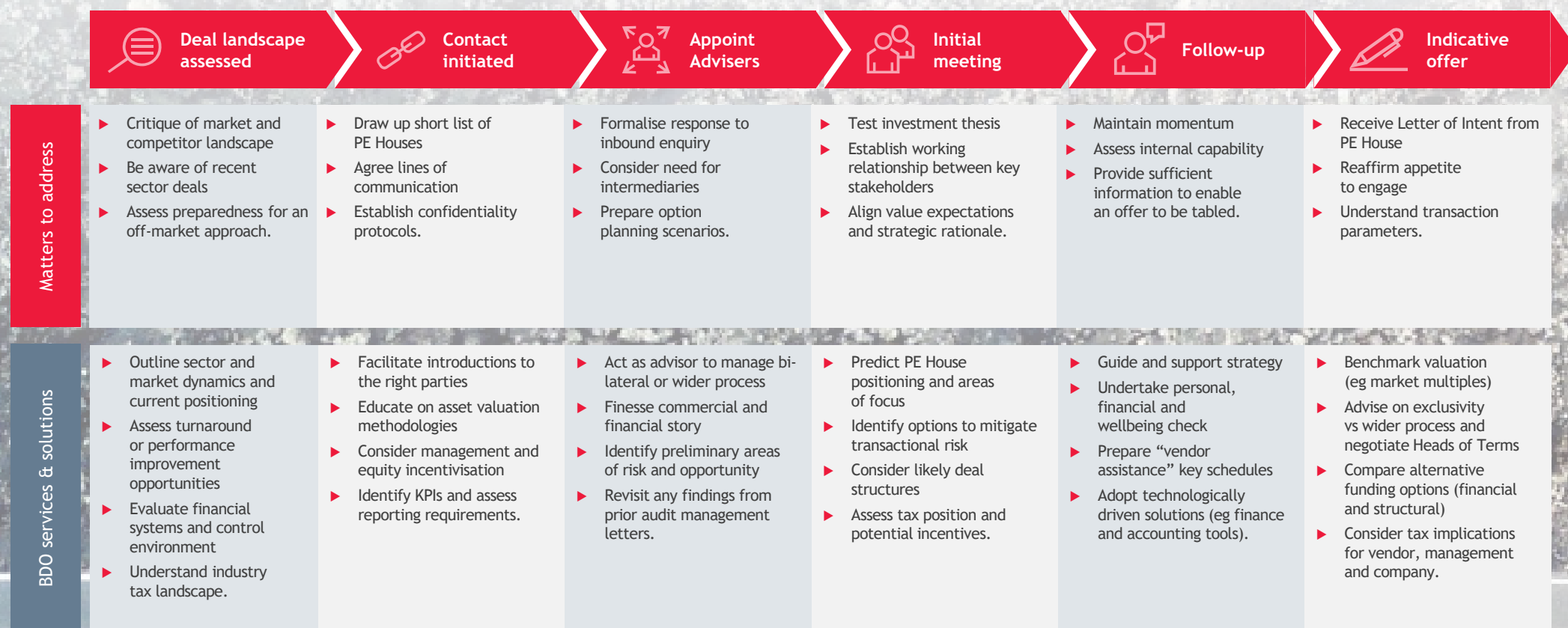
- 4 REALISE**
- ▶ Proactive preparation in advance of the next capital event.
  - ▶ Managing the timing of the deal process.

## SUGGESTED FURTHER READINGS

- ▶ For more context around How to make Private Equity work for you - [Click here.](#)
- ▶ For hints & tips around succeeding in a post COVID-19 world - [Click here.](#)

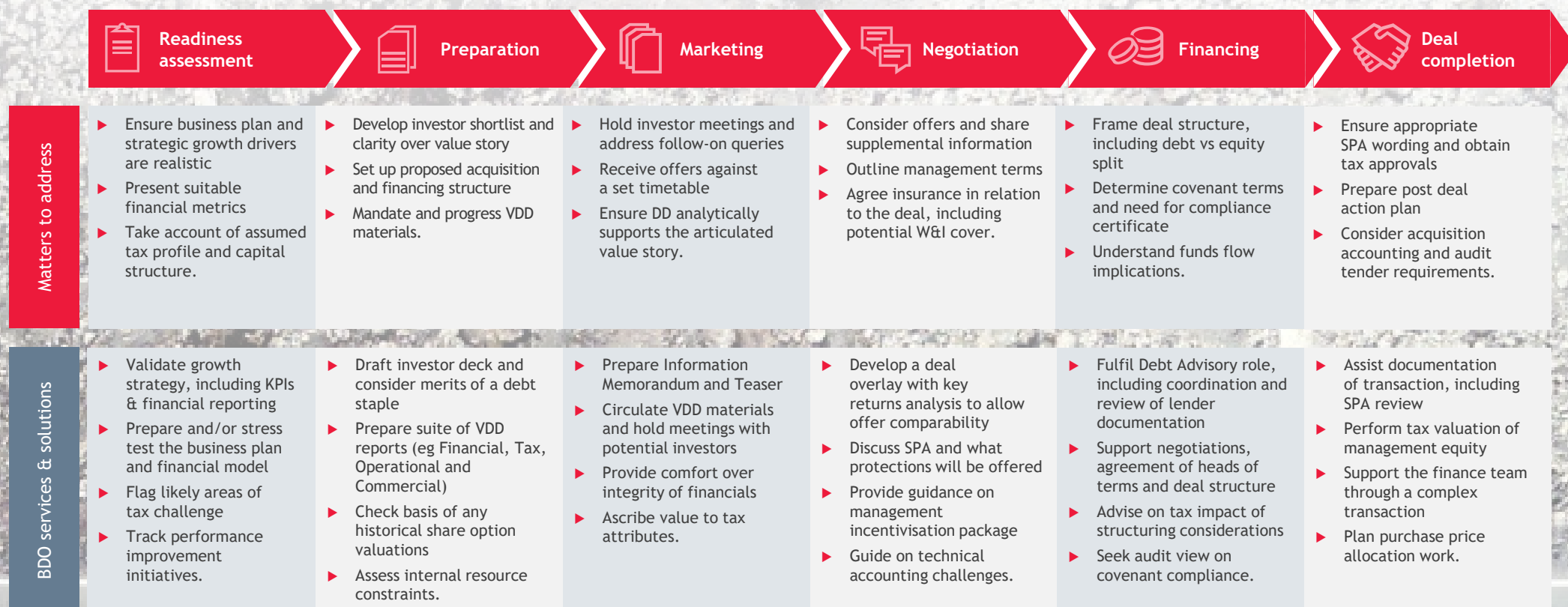
## PHASE 1 - ORIGINATING THE DEAL ('DEMYSTIFY')

- Are you:**
- ▶ Considering how to free wealth tied up in your business (de-risk)?
  - ▶ Looking for funding or expertise to help grow your business?
  - ▶ Seeking to incentivise existing or new management?
  - ▶ Trying to sell your business or raise money?









## PHASE 2 - PLOTTING THE DEAL PROCESS ('NAVIGATE')

- Are you:**
- ▶ Assessing an approach from Private Equity?
  - ▶ Considering what financial information you need to provide?
  - ▶ Requiring guidance in managing the transaction process?
  - ▶ Considering appropriate sources of finance?



## PHASE 3 - DELIVERING POST DEAL GROWTH ('ACCELERATE')

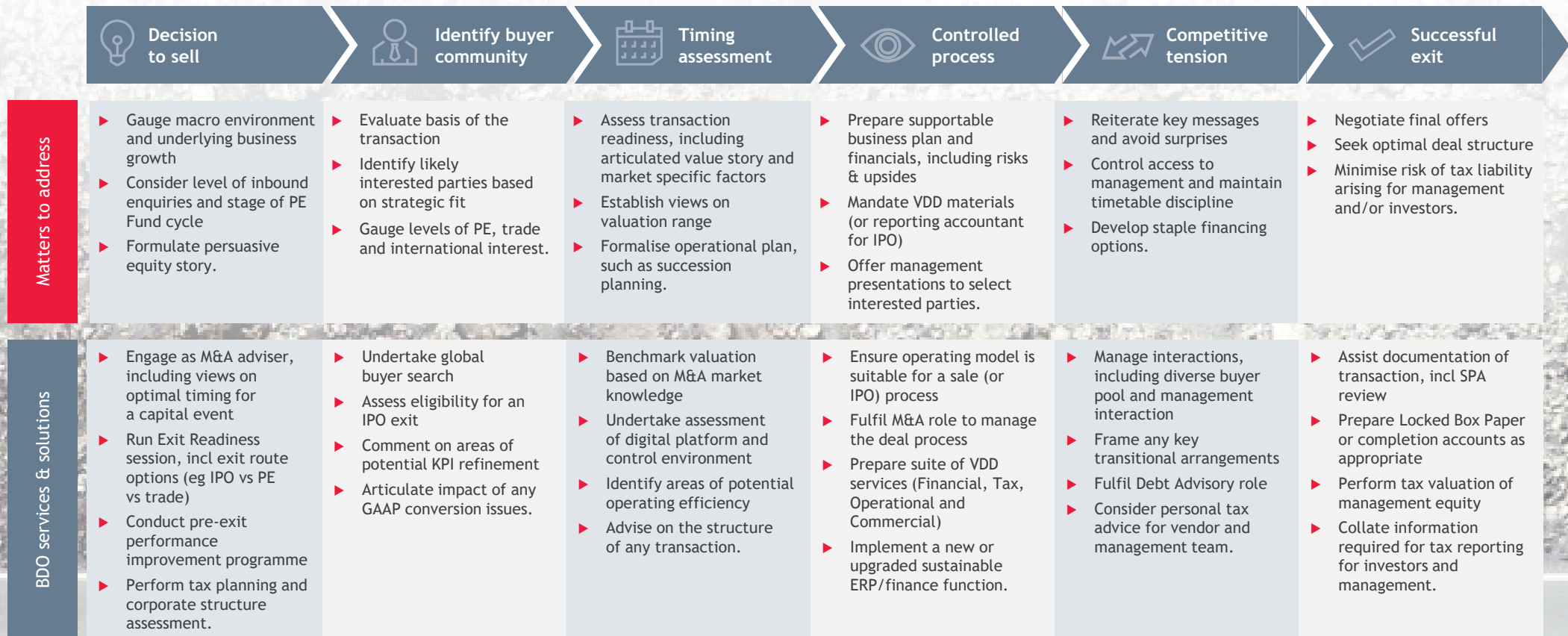
- Are you:**
- ▶ Working with a new Private Equity investor?
  - ▶ Aiming to ensure agenda alignment across stakeholders?
  - ▶ Driving value into the business (organic and M&A)?
  - ▶ Seeking to improve risk management and financial reporting processes?

	 <b>Agenda alignment</b>	 <b>Financial environment</b>	 <b>Platform</b>	 <b>Team dynamics</b>	 <b>Strategy roll-out</b>	 <b>M&amp;A potential</b>
Matters to address	<ul style="list-style-type: none"> <li>▶ Align views on purpose &amp; intent and 100 Day Plan</li> <li>▶ Establish protocol around communication and roles of various stakeholders</li> <li>▶ Make a decision on audit firm and GAAP adoption.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consider post-completion issues, including refinement of financial information</li> <li>▶ Adapt budgeting and forecasting approach</li> <li>▶ Finalise governance and risk management protocols.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review IT systems and infrastructure</li> <li>▶ Strengthen finance team and organisation structure</li> <li>▶ Report on compliance with regulatory and accounting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consider leadership gaps and areas of board development</li> <li>▶ Review share option schemes</li> <li>▶ Develop recruitment and retention processes, including talent pipeline.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Articulate organic growth drivers, including new market entry and proposition development</li> <li>▶ Improve operational and working capital approach</li> <li>▶ Consider accounting implications.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Agree buy &amp; build strategy and identify opportunities</li> <li>▶ Assess potential for any non-core divestments</li> <li>▶ Formalise post merger integration, including audit alignment.</li> </ul>
BDO services & solutions	<ul style="list-style-type: none"> <li>▶ Identify opportunities and support implementation of performance improvement initiatives</li> <li>▶ Programme manage delivery of the 100 Day Plan</li> <li>▶ Share views on pros and cons of different GAAPs</li> <li>▶ Modify outsourcing needs and financial reporting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Lead a financial health-check and operations assessment</li> <li>▶ Undertake PAYE &amp; VAT reviews for areas of opportunity</li> <li>▶ Identify areas of control environment improvement</li> <li>▶ Provide internal audit support.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Identify financial restructuring opportunities</li> <li>▶ Assess potential for tax incentives (eg R&amp;D tax credits)</li> <li>▶ Perform IT assessment on systems, including cyber security</li> <li>▶ Identify potential corporate structure matters which may impact value extraction.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Create bespoke strategies to ensure management/ shareholder alignment</li> <li>▶ Benchmark existing remuneration model</li> <li>▶ Provide view of productivity measures and optimisation of back office functions</li> <li>▶ Guide over accounting for share options.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provide operational, liquidity (working capital) and value creation services</li> <li>▶ Conduct Rethink review to stress test existing strategy</li> <li>▶ Frame tax implications of any strategic shift (eg move to new territories)</li> <li>▶ Offer views on accounting impact of any financial restructuring or new market entry.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Introduce potential M&amp;A targets</li> <li>▶ Provide bolt-on DD and tax structuring support</li> <li>▶ Support identification and delivery of post merger integration synergies</li> <li>▶ Provide accounting guidance for bolt on acquisitions &amp; any hive up of trade/assets.</li> </ul>



## PHASE 4 - MANAGING THE EXIT PROCESS ('REALISE')

- Are you:**
- ▶ Likely to go through a capital event over next two years?
  - ▶ Formalising an exit preparation approach?
  - ▶ Looking for opportunities to enhance operational effectiveness?
  - ▶ Refining your value story and strategic approach?



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