



IDEAS | PEOPLE | TRUST

OPTIMISING VALUE

THE IMPORTANCE OF PLANNING



OPTIMISING VALUE

Early planning drives demonstrable value, even if the nature and timing of any future capital event is uncertain

In the evolution of any business, the ability to identify and address matters that drive value creation is critical. In our experience, the three areas of focus are:

- Delivering sustainable profit growth
- Maximising cash conversion
- Identifying and mitigating potential risks

BDO has created a programme to support management teams in navigating this journey. Our experience in this regard defines our success, with hands-on support shaped around helping clients achieve their aims.

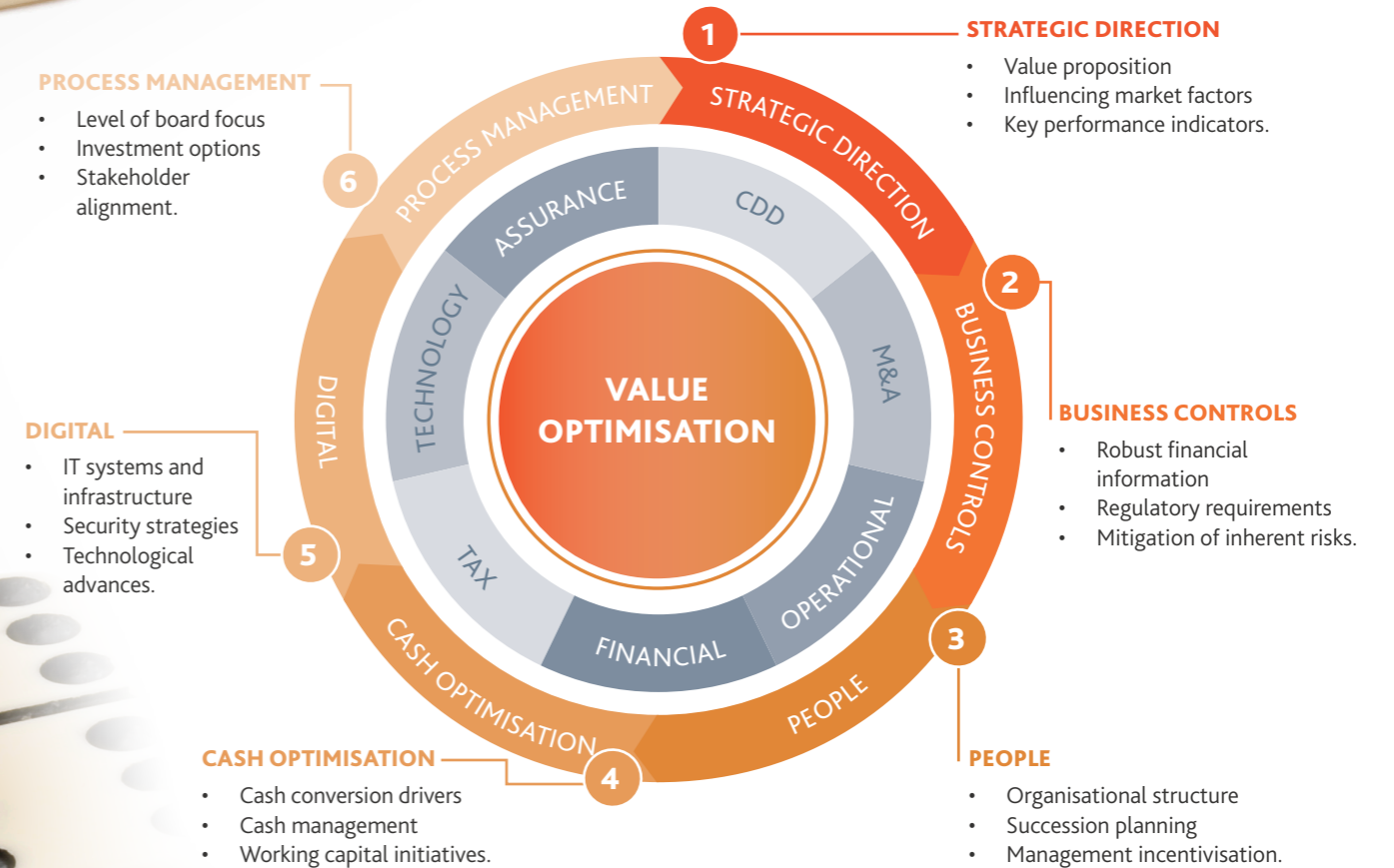
The diagram opposite characterises themes that are considered relevant in both acting as a guideline for good practices around day-to-day business behaviours as well as a readiness assessment in advance of any potential capital event.



We have developed a practical companion guide to provide further context to the themes outlined below. This has been prepared to assess the needs of your business holistically.

Following an initial assessment, we are happy to arrange a workshop session with our team of experts to suit your particular needs and aspirations.

We welcome the opportunity to discuss how we can help you.



STRATEGIC DIRECTION

- Can a clear understanding of the value proposition be conveyed?
- What market factors are likely to be key influencers going forward?
- Are anticipated performance & value drivers supportable by tracked KPIs?

UNDERSTANDING YOUR MARKET

- Well-defined addressable market
- Likely market influencers
- Potential disrupters.

ARTICULATION OF VALUE STORY

- Alignment with strategic plan
- Relevance of tracked KPIs
- Time and resource requirements.

TRADING DRIVERS

- Granular, effective data analysis
- Factors underpinning profit development
- Resilience through a cycle.

OPERATIONAL CONTROL

- Sustainability of operating model
- Level of management focus
- Concise, timely metrics.

CUSTOMER ENGAGEMENT

- Depth of existing relationships
- Recurring / repeat revenue
- New client pipeline.

TAX PLANNING

- Available opportunities
- Awareness of risk areas
- Monetisation of tax assets.

BUSINESS CONTROLS

- How robust is the underlying financial information?
- Are processes in place to support regulatory requirements?
- How are inherent risks in the business managed?

ROBUSTNESS OF FINANCIAL INFORMATION

- Ability to inform decision making
- Comparability across periods
- Clear data trail.

MITIGATION OF INHERENT RISKS

- Identification and resolution
- Scenario planning
- Closure of legacy issues.

SUPPORTING ADVICE / OPINIONS

- Assessment of potential exposures
- Written documentation
- Third party validation.

ACCOUNTING POLICIES AND ESTIMATES

- Judgemental elements
- Impact of different GAAPs
- Recent / upcoming pronouncements.

TREASURY MANAGEMENT

- Level of cross-border transactions
- Cash pooling arrangements
- Constant currency analysis.

CONTROL ENVIRONMENT

- Comparison to peers
- Business risks identified
- Areas of potential improvement.



PEOPLE

- Has succession planning been appropriately considered?
- Is the team's culture embedded across all levels?
- What management incentivisation arrangements are in place?

STAFFING MODEL

- Clarity of organisational structure
- Identifiable talent pipeline
- Documented HR procedures.

SUPPORTING METRICS

- Relevant productivity measures
- Retention rates
- Gender pay reporting.

MANAGEMENT TEAM

- Size and stature
- Reliance on key individuals
- Succession planning.

REMUNERATION POLICIES

- Suitability of arrangements
- Linkage to strategic plan
- Fixed vs variable components.

PENSION ARRANGEMENTS

- Quantifiable obligations
- Dialogue with trustees
- Regulatory environment.

EMPLOYEE TAX

- Efficiency of current set-up
- Communication with authorities
- Use of contractors.

CASH OPTIMISATION

- Does the business have a clear pathway for converting profits to cash?
- Are cash management procedures well established?
- Can any sustainable working capital initiatives be implemented?

KEY CUSTOMER TERMS

- Level of contractual underpinning
- Extent of standardisation
- Recent or envisaged changes.

SUPPLIER ARRANGEMENTS

- Reliance on key providers
- Operational improvement opportunities
- Procurement approach.

CASH FLOW FORECASTING

- Short-term visibility
- Cash conversion levels
- Accuracy of forecasting.

CASH MANAGEMENT

- Procedures in place
- Awareness of pinch points
- Liquidity of funds.

WORKING CAPITAL DRIVERS

- Tracking methodology
- Initiatives offering sustainable benefits
- Seasonality profile.

CAPITAL EXPENDITURE

- Maintenance vs expansionary spend
- Capital appraisal process
- Buy vs lease options.



DIGITAL

- Are the IT systems and infrastructure fit for purpose and scalable?
- What information security strategies are in place?
- Has the impact of technological advances been assessed?

IMPACT OF TECHNOLOGY

- Influence on strategy
- Awareness of tech advances
- Regulatory development.

SERVICE CONTINUITY

- Design and testing of processes
- Evaluation of alternatives
- Disaster scenario planning.

CHANGE MANAGEMENT

- Effective planning
- Ongoing operational efficiency
- Preservation of internal control.

SYSTEM IMPLEMENTATION

- Business case evaluation
- Testing prior to go-live
- Timing and nature of updates.

DATA GOVERNANCE

- Compliance requirements
- Standard operating procedures
- Adoption of best practice.

INFORMATION SECURITY

- Analysis of risk areas
- Mitigation and remediation steps
- Regular system testing.

PROCESS MANAGEMENT

- Is value optimisation (or exit readiness) already a standing board agenda item?
- What are the available capital options, including views on investor community?
- Is there stakeholder alignment on the nature & timing of any capital event?

DEAL RATIONALE AND TIMING

- Likely buyer/investor community
- Pricing expectations
- Market conditions.

EBITDA FOR VALUATION PURPOSES

- Options for how to present
- Forward visibility
- Nature of one-off and non-recurring items.

BUSINESS PLAN PREPARATION

- Robustness of model
- Suitable timeframe covered
- Historical budgeting accuracy.

PRE-DEAL OPPORTUNITIES

- Payback on planned initiatives
- Potential acquisitions or disposals
- Synergy assessment.

STRUCTURE AND INCENTIVISATION

- Clarity of corporate structure
- Stakeholder agreement on approach
- Likely tax clearances.

AUDITORS AND EXTERNAL ASSURANCE

- Value-add from audit
- Appropriateness of accounting framework
- Management letter points.



OUR TEAM



ANDREW HOWSON
PARTNER, CORPORATE FINANCE

+44(0)797 660 2559
andrew.howson@bdo.co.uk



JAMIE AUSTIN
PARTNER, M&A

+44(0)777 192 8208
jamie.austin@bdo.co.uk



JULIAN FROST
PARTNER, AUDIT

+44(0)777 570 5543
julian.frost@bdo.co.uk



BRAD PAYNE
PARTNER, TAX

+44(0)797 659 8087
brad.payne@bdo.co.uk



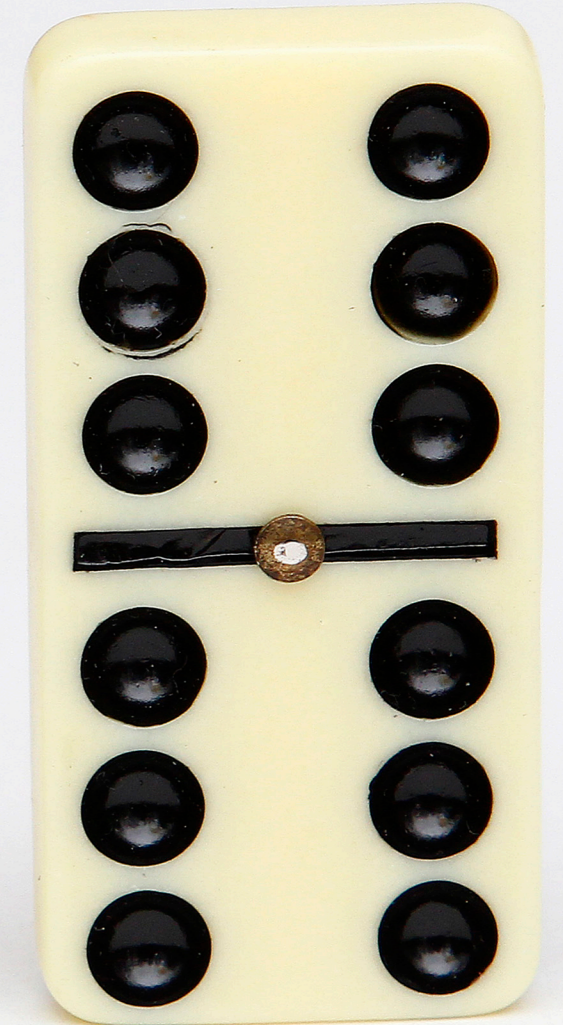
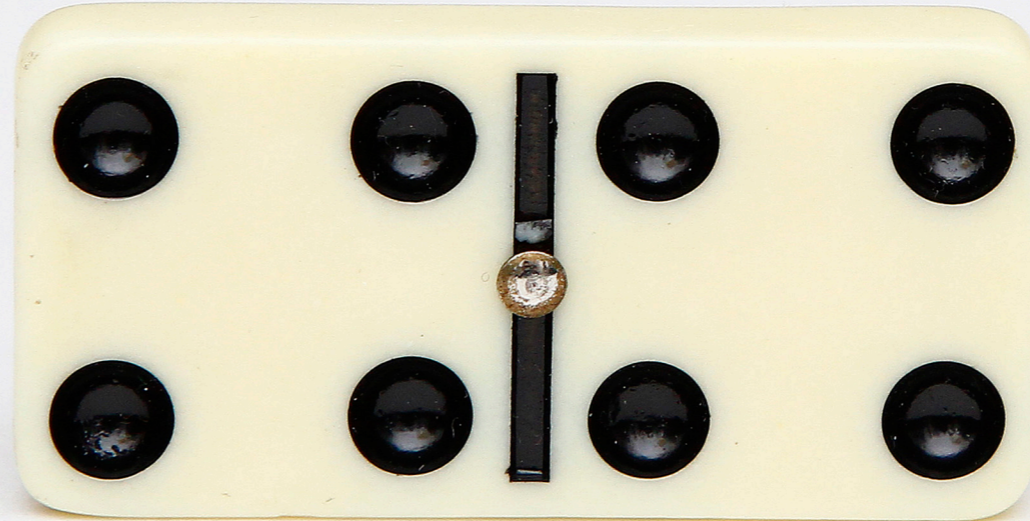
GURPAL AHLUWALIA
PARTNER, CDD

+44(0)758 303 6826
gurpal.ahluwalia@bdo.co.uk



PAUL MORRIS
HEAD OF GROWTH ADVISORY,
CORPORATE FINANCE

+44(0)779 384 9795
paul.morris@bdo.co.uk



FOR MORE INFORMATION:

**[WWW.BDO.CO.UK/
INDUSTRIES/PRIVATE-EQUITY](http://WWW.BDO.CO.UK/INDUSTRIES/PRIVATE-EQUITY)**

The proposals contained in this document are made by BDO LLP and are in all respects subject to the negotiation, agreement and signing of a specific contract. This document contains information that is commercially sensitive to BDO LLP, which is being disclosed to you in confidence to facilitate your consideration of whether or not to engage BDO LLP. It is not to be disclosed to any third party without the written consent of BDO LLP, or without consulting BDO LLP if public freedom of information legislation applies and might compel disclosure. Any client names and statistics quoted in this document include clients of BDO LLP and may include clients of the international BDO network of independent member firms.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms. BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2022 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk