Creating value in Private Equity

KPMG’s Target Value Platform

May 2018

kpmg.com/uk
Introduction

In today’s highly competitive market, spotting value creation opportunities as well as understanding pre-acquisition risk is key to driving value on completion and under ownership.

KPMG’s Target Value Platform can offer support across the whole deal lifecycle which can provide our PE clients with a competitive edge in the market: from helping to shape the value creation plan during due diligence to supporting the implementation and realisation of the benefits post-deal.

This brings together functional experts and hands-on practitioners from across our global network, who combine subject matter expertise with forward-looking technologies, platforms and tools to facilitate.
How does it work? - Identifying value creation opportunities over 3 days

Our innovative, technology led approach to the diligence of prospects utilises the power of proprietary benchmarks and functional expertise to rapidly provide a view on Operational Improvements and the actions required to deliver them.

1. Discover and quantify key areas of opportunity in one place

Our data visualisation platform displays key value opportunities across key value enhancement areas to drive cash and EBITDA improvements (e.g. pricing strategy, network operations, working capital). Opportunities are identified and quantified at an early stage of the deal by experienced KPMG advisors using our subject matter and sector experience supported by relevant data inputs. A mix of qualitative and quantitative analysis provides a quick directional view on the relative size of opportunities and on the complexity of their implementation.

2. Adjust assumptions and perform sensitivity analysis in real time

During a 1-2 hour facilitated discussion, adjustments can be made interactively with the impact on the improvement opportunity calculated in real time. The user interface is designed with executive users in mind; changing proposed targets or selecting different peers to include in a benchmarking analysis is all done at the click of a button. The simplicity of the interface and analysis supports rapid prioritisation of opportunity areas and informs subsequent detailed due diligence.

3. Early view on key “hot spot” areas worthy of further detailed investigation

To explore underlying operational challenges and specific levers for unlocking value. The tool summarises the customised opportunity areas taking into consideration the risk of delivery, estimated cost of making the necessary changes and the level of potential EV improvement.
Going beyond financial performance from the onset:

KPMG’s 9 Levers of Value framework helps provide greater clarity into a company’s ability to generate revenue and impact costs.

**Adopting a holistic approach to due diligence**

Bringing a holistic view on deals, our operational, commercial and financial due diligence help you gain a clearer picture of where you are, where you need to be and how to get there.

**Using platforms and data that lead to action**

Turning concepts into action requires a purpose-built framework that delivers insights driven by data. KPMG’s Target Value Platform let you see beyond short-term issues for a clearer view of a deal’s potential future value.

**Identifying value creation opportunities**

Our innovative approach to the diligence of prospects utilises the power of proprietary benchmarks and functional expertise to rapidly provide a point of view on operational improvements and the actions required to deliver them.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.
What next? - Evidencing the value case across the next 3 weeks

Our “hot spot” analysis triggers a subsequent detailed operational investigation (3 weeks) of key identified areas to further refine the opportunity.
Providing expert support to Management for implementation

Our dedicated teams of hands-on practitioners can help Management accelerate efficiencies, allowing a bigger proportion of £/$/€ of sales to flow to the bottom line earlier and quicker.

**Procurement**
Our dedicated team of 450 procurement specialists deliver rapid value improvement. We have analysed over £300bn of spend globally, helping clients deliver over £20bn of savings initiatives.

**Back office**
We help clients improve the performance of their back office functions including Finance, HR and IT. We help ensure business support needs are efficiently and effectively delivered from a lean, agile and responsive team.

**Working capital**
KPMG’s working capital team designs and implements cash and working capital optimisation projects. Our 100+ dedicated specialists typically identify opportunities in excess of 10-15% of opening working capital.

**Pricing**
We deploy tried-and-tested frameworks, leverage advanced analytical tools to create implementable pricing strategies delivering customer level improvement plans – an average of 10-20% EBITDA improvement over two years.

**Operations and supply chain**
From supply chain optimisation to front office operations, we have identified, designed and implemented in excess of 75,000 savings initiatives generating $26bn benefits with a typical ROI of less than 6 months.

Case study: £6m savings in overheads
Reduced overhead costs for a PE portfolio company by £6m (> 20% reduction). Simultaneously unlocked the underperforming B2B channel and designed a new agile global operating model, with minimal disruption to the business.

Case study: €25m EBITDA increase
Stabilised a suffering portfolio company, first delivering immediate turnaround, and then a 3 year strategy to increase adjusted EBITDA by €25m. Supported leadership team transition, enacted €100m stock reduction and improved core retail operations.