On February 13, we attended ACG New York's monthly event, which discussed various means to add value to the Private Equity firm's portfolio. Here are five of our top takeaways from the panel, which focused on Value Addition in Private Equity Firms.
Prepared by TresVista Financial Services

5 THINGS YOU MISSED LAST WEEK –

1 **Traditional and Non-Traditional Revenue Growth Strategies:** Growth in revenue is achieved by numerous strategies such as implementing better technology, increasing the scope of the products and services offered, adding geographical expansion, etc. Achieving a meaningful, positive revenue growth is difficult, particularly in a flat GDP economy. It is very crucial to select the right business so as to achieve growth. Companies must build a good sales team to augment sales. A few non-traditional strategies involves the use of E-Commerce and digital marketing. Some companies even go to the extent of building a technology team within the company. Achieving revenue growth in a company where it did not exist initially is the main challenge, but this revenue growth is sustainable.

2 **Operational Strategies at the Portfolio Level:** Looking at the portfolio level, it is crucial to adopt operational strategies to add value to the company. Hiring better talent to better the aim and the outlook of the company is one of the main strategies. Supply chain, another very important factor, also influences the company's success. E-Commerce is a relatively new strategy to better the operations of the company. As the company depends on the Management to run the businesses, the alignment between the Management and the Board is also extremely important.

3 **Having Operating Partners for Value Addition:** Operating Partners contributes value to the firm if there is a proper alignment between the firm and the Operating Partners. The Operating Partners should also possess relevant industry experience to add value to the company. The Board and Management should work very closely with the Operating Partners so as to understand what they expect from the firm and set common goals to achieve.

4 **Role of Outside Board Members:** Unlike Publicly Listed Companies, which have a fiduciary obligation for having outside Board Members, Private Equity firms do not have any such obligations. Yet some Private Equity firms have outside Board Members, as they bring perspective to the firms and help sequence the firm's processes. They prioritize a sense of reality and reasonableness in the company. At times they even help facilitating better relations between the Board and the Management.

5 **Improvement of Performance Plan with the Management:**
There are three core elements:

- Transparency on the numbers
- Realistic expectation from the Management
- Incentives aligned with the performance

Cutting costs is one of the strategies used to jumpstart the EBITDA. Other than that, sometimes it is important to take a step back, to resize or shrink down, to increase the EBITDA, and to improve the Performance Plan.