**Contribution to Value Creation in PE deals**

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<tbody>
<tr>
<td>Contribution</td>
<td>51.0%</td>
<td>46.0%</td>
<td>36.0%</td>
<td>48.0%</td>
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Source: Brigl, Herrera, Meerkatt, Liechtenstein, Prats, & Rose, 2008

**Sales growth is the main source of value creation**

- **23%** Net Debt and Leverage Effect
- **21%** Improvement of EBIT multiple
- **10%** Improvement of EBIT margin

Source: Brigl, Herrera, Meerkatt, Liechtenstein, Prats, & Rose, 2008

**Levels of Operational influence that PE firms can exert**

- **Limited PEI influence**
  - Silent Partner
  - Passive Monitor
  - Active Monitor
  - Owner / Operator

  **Style**
  - PEI acts as investor only
  - Operating decisions left to existing management team
  - PE firm exits investment at opportune time

  **Description**
  - PEI establishes key performance indicators (KPIs)
  - Installs asset managers to liaise between management and PE investors
  - Monitors KPIs and tracks financial progress to plan (EBITDA)
  - Installs new leadership team
  - Installs asset managers
  - Takes very active board position(s)
  - Becomes highly involved in budgeting and strategy decisions

  **PEI capabilities required**
  - Provide capital
  - Maintain asset management liaison and monitoring

  **Owner / Operator**
  - Installs new leadership team, asset managers
  - Takes highly active board position(s)
  - Provides operational partners or contracted strategic advisory services
  - Architects and drives large-scale transformation projects

  **Level of PEI influence**

Source: Campbell, Lopez, Ooi, & Spaan, 2009

**Variations on the operating resource model**

- **Retired CEO**
  - Peer-level resource
  - Junior analyst

- **Advisor Partner**
  - "Arms and legs"

- **Generalists**
  - Industry professionals
  - Functional professionals

- **Operator Consultant**

- **Mentor / Doer**

- **Strategic Tactical**

  **Purpose**
  - Early involvement allows the operating partners to begin building relationships with management teams and get a head start on the planning process.

  **Background**
  - Many firms are moving away from keeping operating resources on staff as they move towards a contract-based model.

  **Working Style**
  - Many firms are looking to their more senior operating partners to help uncover new opportunities.

  **Type of**
  - Firms are increasingly using specialized operating resources to add increased value across the portfolio in a range of functional areas.

  **Skillset**
  - CEOs of portfolio companies value generation for their add to think holistically about the business.

  **Level**
  - Many firms are looking to their more senior operating partners to help uncover new opportunities.

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