In June, we attended ACG's 12th Annual Industrial Conference. Here are five of our top takeaways from Andrew Hulsh's presentation on **'Taking your business to the next level with revenue growth and margin expansion'**

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5 THINGS YOU MISSED –

1 **Identify Growth Potential Pre-Close of a Deal:** Private Equity firms are usually known as architects of growth for the business in which they invest, which is done by building out an engine for long-term growth, pre-close of a deal. As part of the process, private equity firms invest time in due diligence like auditing the quality of earnings, quality of marketing, gaps in teams and processes, etc. before moving on to the investment thesis and value creation plan. Additionally, evaluating pricing options, having the best management team and the right operating plan are factors that kick-in post the investment, and set the stage for the operating partners to successfully exit.

2 **Value Creation in Portfolio Companies:** Typically, private equity firms invest in several companies, and might not be fully engaged in the businesses for the entire holding period. Therefore, they look to identify strategic pivots such as leveraging existing offerings to drive business growth; assessing the company's strengths and understand how it fits in the market, etc., that help in unlocking the required potential. Separately, they also look at the business side, particularly the most profitable product lines, discovering the best customers, and further, refine pricing methodologies during the initial years of their hold for the required thrust.

3 **Margin Expansion for Small Cap Firms:** In the small cap market, PE firms can't expect to attain margin expansion by cost cutting. However, investing smartly in technology, people, sales and marketing and prioritizing initiatives can help achieve this goal. Given limited time and capital, small businesses cannot pursue all the available initiatives to drive growth. It is under such cases that PE firms play an important role by providing such companies a clear direction and helping them prioritize initiatives. They do so by following a step-by-step procedure, starting from laying down all alternatives, identifying revenue-maximizing alternatives, weighing them based on preferences and constraints, and allocating funds accordingly.

4 **Creating Effective Sales Force:** Better sales management makes all the required difference for a business to be able to achieve sales force effectiveness and pricing control. This can be done in multiple ways according to private equity experts – most prominently by providing KPIs and sales tools to the sales force. In terms of the former strategy, private equity firms help their portfolio companies define suitable KPIs and enable measurement of sales performances against those KPIs. Such ranking helps in identifying the strong performers in the business who could be given additional responsibilities. Additionally, providing sales tools like CRM platforms helps enable tracking of the sales pipeline, that eventually feeds into the company's forecasts.

5 **Considerations for Growth Initiatives:** Its crucial for private equity firms to make companies understand the importance of chasing sales opportunities that have the potential to perform, in contrast to the already-growing areas. Secondly, it is also important to have a disciplined approach towards revenue growth; market insights of the customers; business differentiators; value proposition, and ways to activate all these using technology.