



Maximizing Exit Value:

Sell-Side Operational Due Diligence

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TRIVISTA.COM

Intro to TriVista



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- The leading operations advisor to PE
- Founded 2006 to provide Buy-Side Ops Diligence
- 500+ Ops Due Diligence projects
- 1500+ mid market PE engagements
- 150+ PE clients
- Wrote the playbook on "Quality of Operations[®]"

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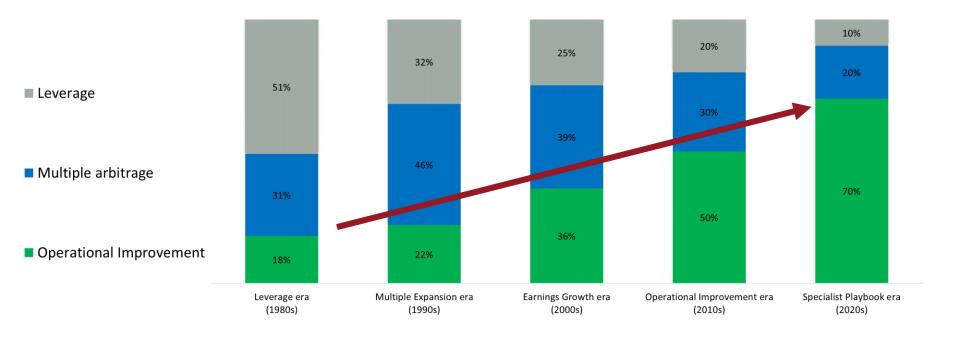
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- What is Sell-Side Operations Due Diligence (SSODD)
- Typical focus areas
- Good candidates / company types
- ROI > 20 to 30x
- Key benefits
 - Enterprise value
 - Risk reduction
 - Transaction velocity



Value Creation in Private Equity 1980 - today



Source: TriVista analysis & Brigl, Herrera, Meerkatt, Licitenstein, Prats & Rose 2008

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What is Sell-Side Ops Diligence?

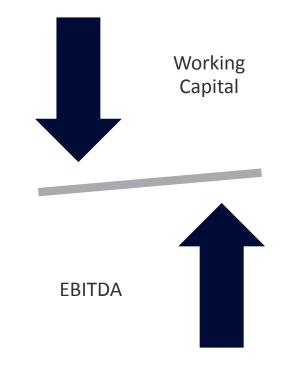


- Commissioned by sellers
- Compliments CIM Provides overview of target
- Covers financials, market/customers, operations improvements, environmental
- Intends to facilitate, not replace buyer diligence
- Particularly useful for complex targets and structures
- Provides lenders a helpful picture
- Common in Europe "Vendor Due Diligence (VDD)"



What are the typical focus areas?

- Consolidation/Integration status
- Validation of current performance
- In-flight and planned improvements
- Under-Recognized and Under-Quantified opportunities
- EBITDA, Working Capital and CapEx Levers
 - Sourcing, Procurement and Supply Chain
 - Sales, Inventory & Operations Planning
 - Manufacturing Productivity





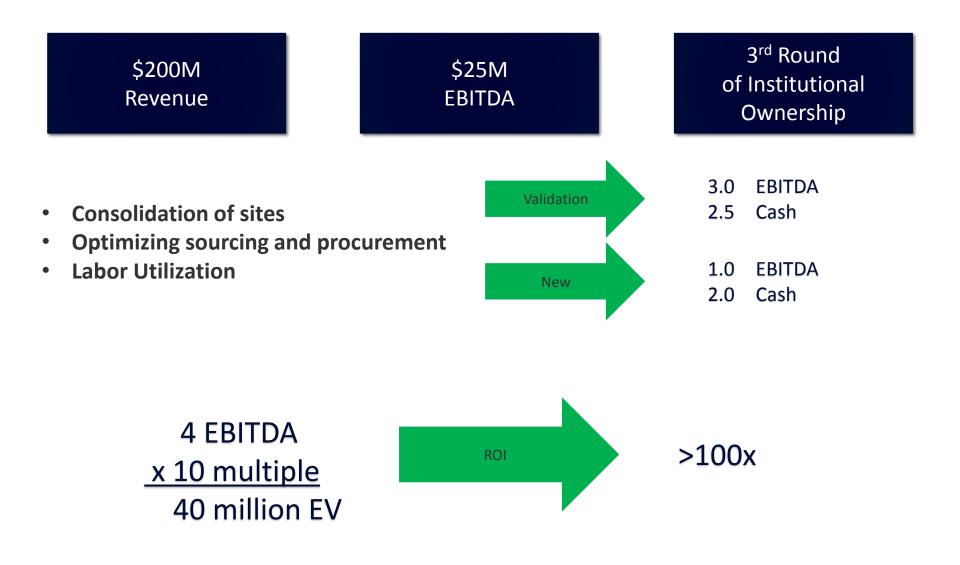
- Entrepreneurial companies
- Buy and builds
 - Complex footprint
 - Integration still needed/underway
- Business still undergoing transformation
 - Supply chain initiatives underway
 - Productivity opportunities
 - Underperforming to benchmarks
- Stagnant, "plateaued" or unrecognized

Well PLANNED is half DONE

Typically see 20-30x ROI on these projects

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Case Study - \$200M Revenue Equipment Mfg.



Key Benefits & Outcomes



- Boosts Enterprise Value
- Reduces Deal Risk
- Increases Transaction Velocity

- Higher "pro-forma" EBITDA driving multiple expansion
- 3rd party validation adds credibility to projections
- Demonstrates management is focused on the right priorities
- More buyers to the table, longer





Risk Reduction



- Identify red flags early
- Increase transparency
- Align transaction narrative
- Reduce competitors touring your facilities



Increased Velocity

- Reduce management time supporting buyer diligence
- Data room organized
- No surprises
- More "exciting" / better story
- Shortened buy side diligence windows
- Faster close / faster diligence timeline







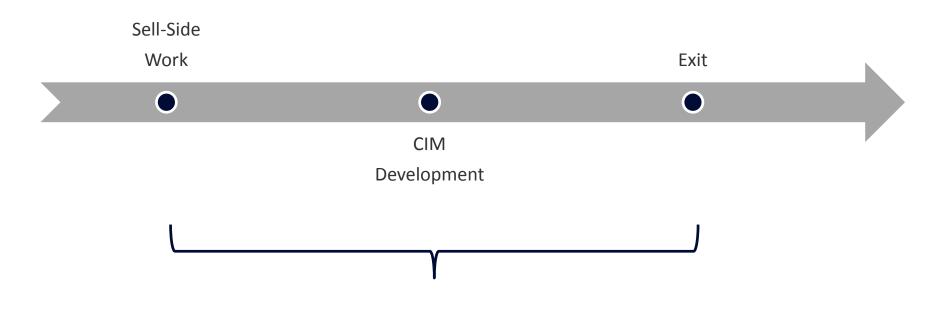
- Expand outsourcing
- Improve factory productivity
- Consolidate production sites
- Establish a factory in Central America
- Centralize sourcing and procurement





Timing

4 to 8-week process



Ideally 6 to 9 months pre sale

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- Start early
- Allow time for stakeholder input
- Hire an expert team
- Be open-minded to unexpected/uncommon opportunities
- Obtain management participation and alignment



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Operating Partners Forum: New York 2018 October 17-18 | Convene Conference Center - Midtown West

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