

**SIMON ♦ KUCHER & PARTNERS**

Strategy & Marketing Consultants



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UK's Leading  
**Management  
Consultants**

**2018**

# Simon-Kucher's PE Value Creation Outlook

*Insights from our Private Equity Value Creation Survey 2018*

London, May 2018

**Mark Billige** Managing Partner

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# Value creation via the top line is becoming more and more important

- ✓ **PE firms base almost 70% of investment case upside on top line initiatives**
- ✓ **They identify Pricing and Sales as the initiatives with the highest ROI**
- ✓ **However, almost 40% of top line initiatives fail to meet business case goals**
- ✓ **Despite basing 70% of business case upside on top line initiatives, PE firms say they don't spend enough time on these initiatives...**
- ✓ **... and their portfolio companies lack the capability to execute on several high ROI initiatives (especially Pricing and Sales)**

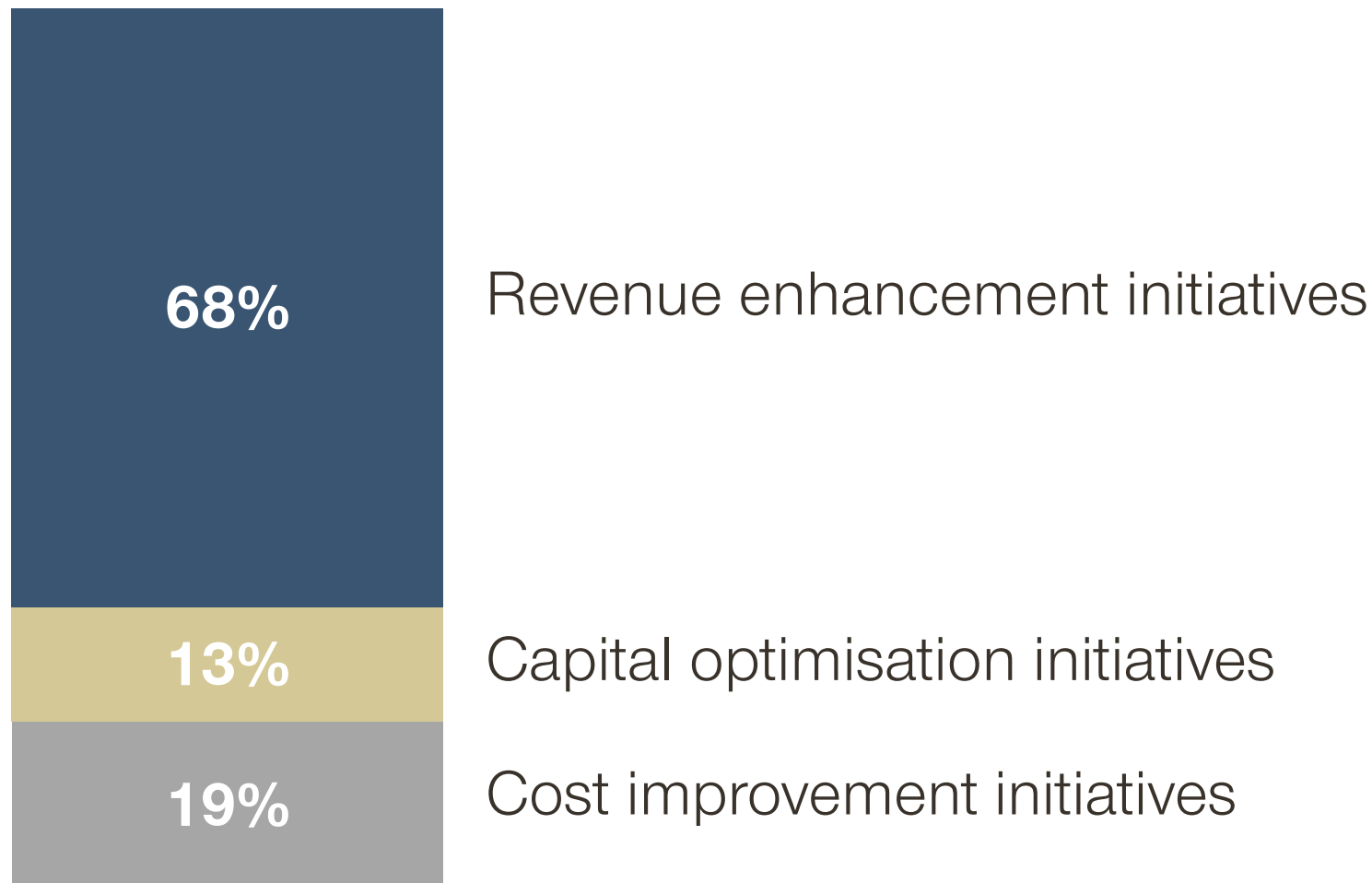




## PE firms base almost 70% of investment case upside on top line initiatives...

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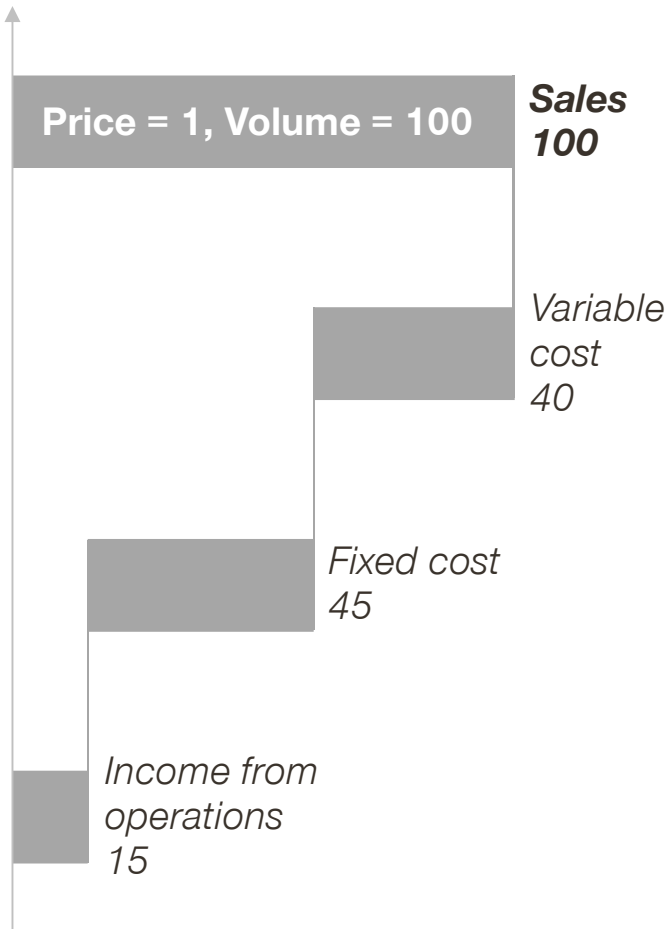
What % of the original investment case upside is typically attached to each of the following areas?



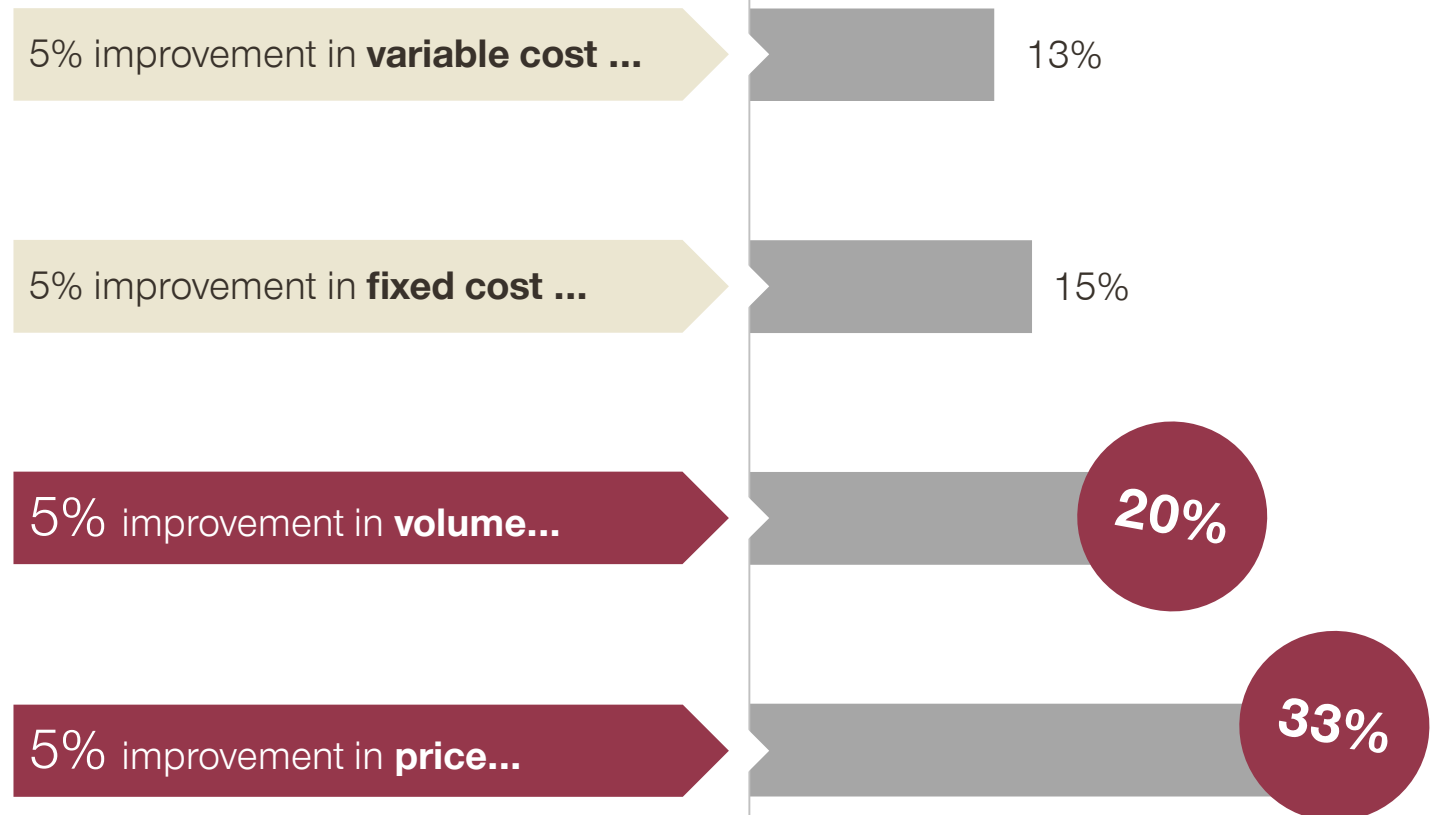


# This makes sense as price and volume are the most powerful profit drivers

## Typical Profit & Loss Structure



## Resulting Improvement of Operating Income \*



**Price and volume can do more for your bottom line than cost control alone**

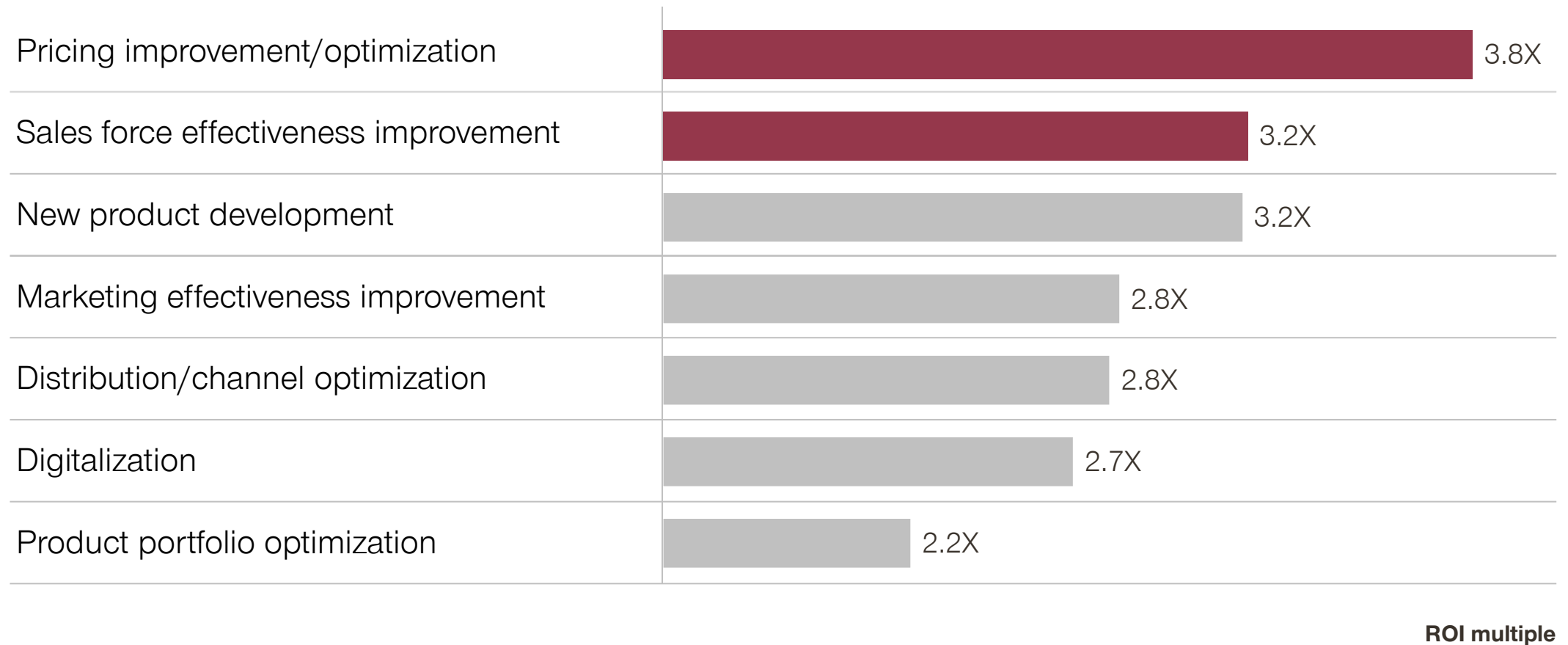


# PE firms say the highest ROI comes from pricing and sales initiatives...

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PE Value Creation Study 2018

**What is the average ROI achieved on the following revenue enhancement initiatives?**

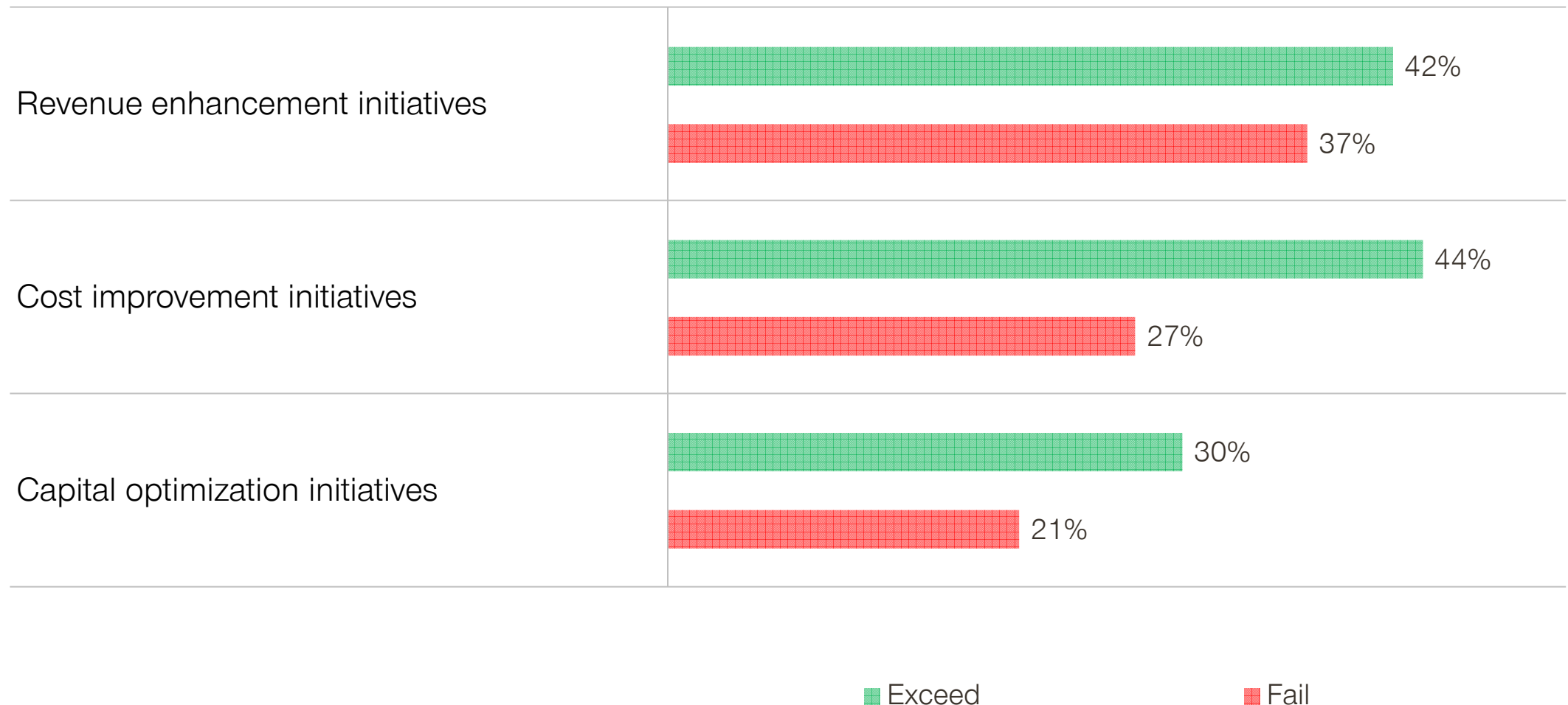




## ...however revenue enhancement initiatives hold more risk

### PE Value Creation Study 2018

What % of value creation initiatives exceed / fail to reach their business case goals?





# Despite basing almost 70% of investment case upside on top line initiatives, PE firms don't give them enough of their focus

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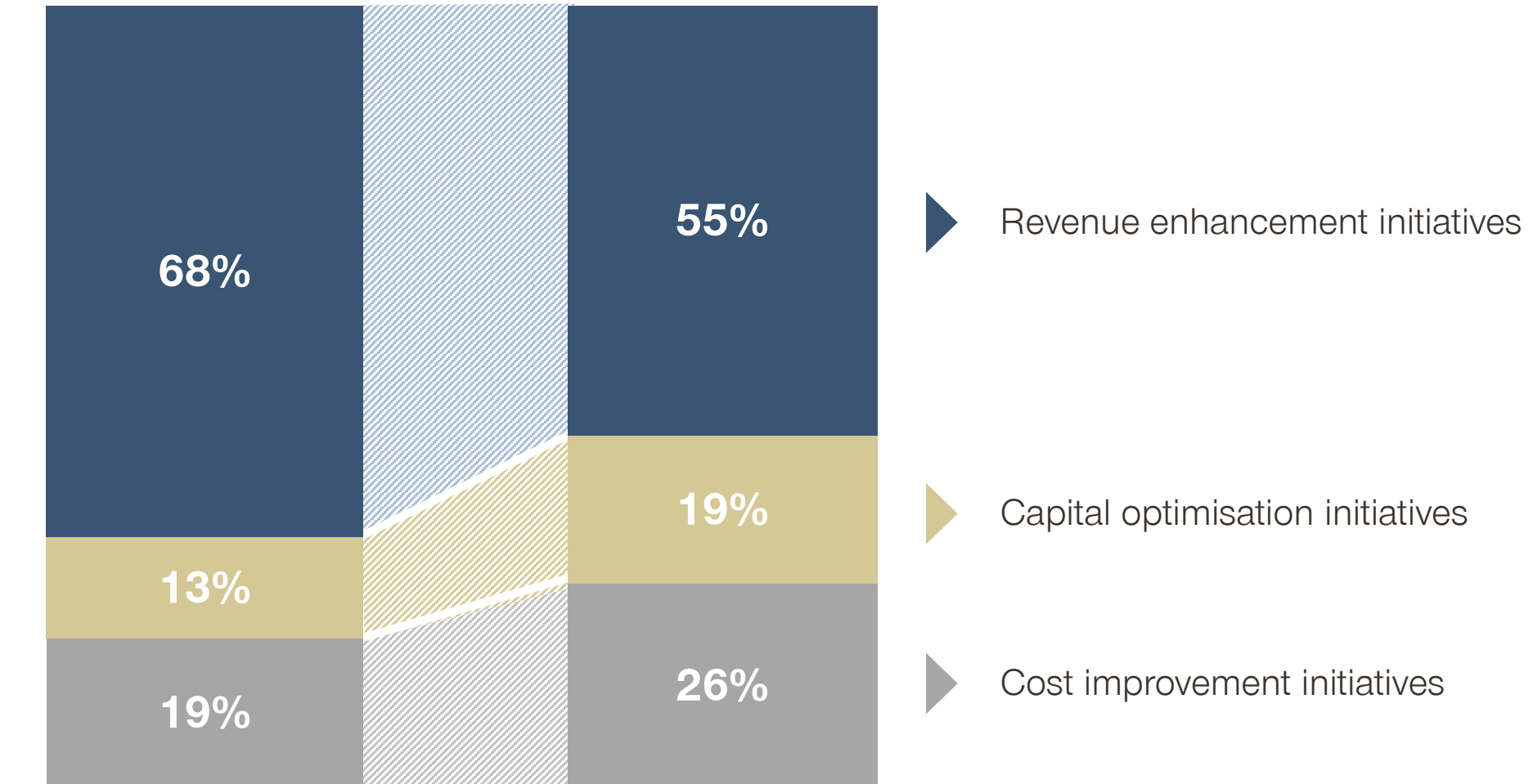
## PE Value Creation Study 2018

### Investment case upside

(What % of the original investment case upside is typically attached to each of the following areas?)

### Share of focus

(In the last 2 years, which value creation initiatives have received the most focus in your portfolio companies?)



Source: Simon-Kucher & Partners PE Value Creation Survey 2018, Investment case upside n = 39, Receive most focus n = 53

Simon Kucher\_PE Value Creation Study 2018\_Results Summary

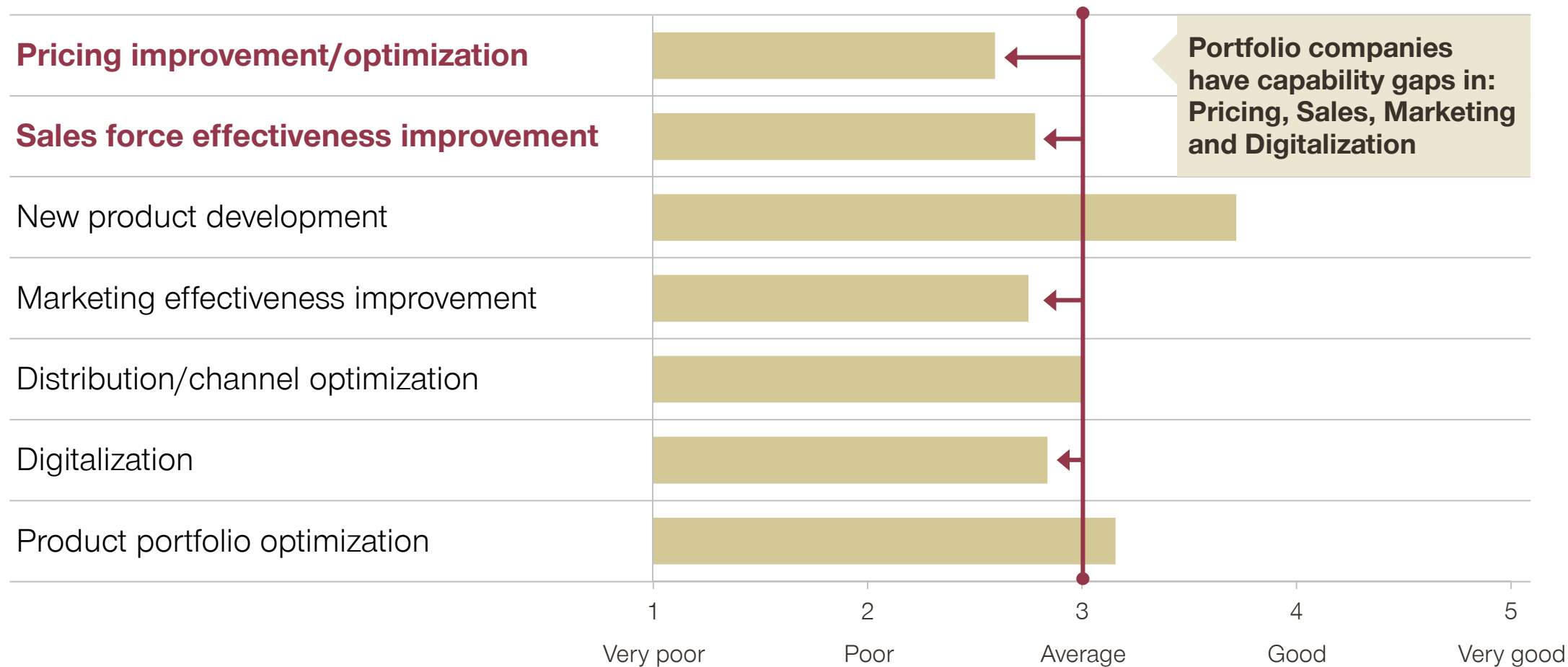


# And PE firms don't believe their portfolio companies have the capabilities to execute high ROI initiatives

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PE Value Creation Study 2018

How would you rate your typical portfolio company's capability to execute the following initiatives?



Source: Simon-Kucher & Partners PE Value Creation Survey 2018, n = 31 (PE own in-house capability), n=32 (Portfolio capability)

Simon Kucher\_PE Value Creation Study 2018\_Results Summary



# Contact us to discuss the top line opportunities across your portfolio

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## What we are hearing from the industry:

- Almost 70% of investment case upside is tied to revenue enhancing initiatives
- Pricing and Sales have the best ROI of all revenue enhancing initiatives
- However, almost 40% of these initiatives fail to deliver
- PE firms say they are not spending enough of their time on top line initiatives and there are clear capability gaps in their portfolio companies to execute high ROI initiatives (e.g. Pricing, Sales)

**This presents a significant opportunity for those who focus on the top line & have the capability to execute**

- **This is our specialty at Simon-Kucher**
- **If you would like to discuss the specific opportunities across your portfolio companies, please suggest a date and time for a 1-hour meeting at your office**



## Who are we?

Specialists in top line growth:  
Pricing, sales and marketing

World's #1 in pricing

1,100 people, 35 offices, 23 countries

3,200+ projects in last 3 years alone



## Who do we work with?

All major industries

B2B and B2C

Deep experience with PE backed businesses  
(100+ PE companies, 500+ portfolio bus.)








# We support Private Equity portfolio companies across the full suite of revenue enhancement initiatives


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## Commercial Strategy/Marketing

 Growth strategy & business area expansion


 Market segmentation & positioning


 Product/portfolio management


 Innovation management


 Customer segmentation


## Sales Effectiveness

 Channel management


 Sales structure & process optimisation


 Value-selling & negotiation


 Customer retention/customer value


 Sales incentive schemes


## Pricing/Margin Management

 Price architecture and willingness-to-pay

 Product bundling/bundle pricing

 Optimisation of pricing processes

 Harmonisation of discount structures

 Price perception



## Digitalisation/Digital Transformation



# Get in touch with our Private Equity experts to find out how we can support

**SIMON ♦ KUCHER & PARTNERS**  
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## Contact our Private Equity leads

Our Private Equity leads will be able to connect you to the right senior members of the Global Simon-Kucher & Partners network



# We have worked with an extensive range of PE firms

## Clients (selection)

- |                           |                           |
|---------------------------|---------------------------|
| ▪ 3i                      | ▪ Hellman & Friedman      |
| ▪ Advent International    | ▪ HgCapital               |
| ▪ Apax                    | ▪ Inflexion               |
| ▪ Bridgepoint             | ▪ Investcorp              |
| ▪ Candover                | ▪ KKR                     |
| ▪ Cerberus                | ▪ LDC                     |
| ▪ Charterhouse            | ▪ Montagu                 |
| ▪ Cinven                  | ▪ Permira                 |
| ▪ Clayton Dubilier & Rice | ▪ Phoenix Equity Partners |
| ▪ CVC                     | ▪ Providence Equity       |
| ▪ Doughty Hanson & Co.    | ▪ Silverlake              |
| ▪ ECI                     | ▪ The Blackstone Group    |
| ▪ EQT                     | ▪ The Carlyle Group       |
| ▪ Exponent                | ▪ TPG                     |
| ▪ General Atlantic        |                           |

## Why PE firms work with Simon-Kucher



We've seen, created & catalogued thousands of creative pricing, sales & marketing solutions. **We know what's worked, where and why**



**We know the right questions to ask** and the realm of possible answers to look for. Hence we find solutions that might otherwise be overlooked



**We extract key insights from large amounts of data** (customer research, transaction or qualitative data) **creating a fact base to enable decision making**



No ivory towers: Our **down-to-earth, collaborative approach** combines the best ideas from your people and ours (gaining organisational buy-in along the way)



Because of this **we find the best solutions faster, allowing clients to realise the financial benefits sooner**



# We focus on providing world-leading consulting on top line initiatives

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## Best consultancy in pricing, sales and marketing



Source: *Financial Times*, list of the UK's Leading Management Consultants, January 2018

Source: *brand eins Thema* special edition: Consulting – industry report from *brand eins Wissen* and Statista, online survey, May 2014, 2015, 2016, 2017

Source: *Capital*, survey of the best consultancies in France, October 2016

Source: *Forbes*, Survey of best management consulting firms in the US, October 2016

## World #1 in pricing

*World leader in giving advice to companies on how to price their products*  
*BusinessWeek*

*The world's leading pricing consultancy*  
*The Economist*

*Pricing strategy specialists*  
*The Wall Street Journal*

*In pricing you offer something nobody else does*  
Professor Peter Drucker

## Global presence and local expertise

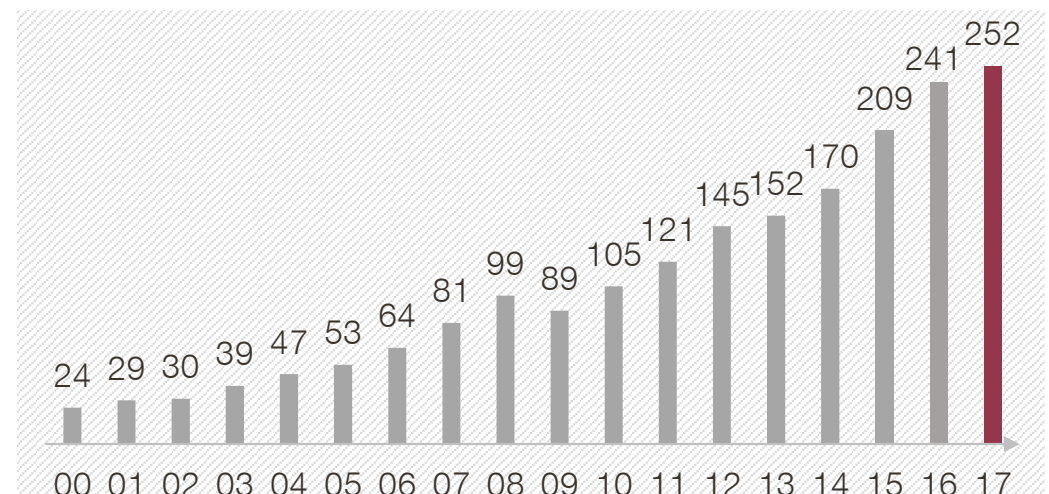
35 offices worldwide, 107 Partners, > 1,200 employees



Source: Simon-Kucher & Partners

Simon Kucher\_PE Value Creation Study 2018\_Results Summary

## Continuous long term revenue growth (€m)





# Overview of 2018 PE Value Creation survey respondents



## Total respondents

**53**

Private Equity  
Professionals

**58%**

Partner-level



## Assets under management

< \$500m

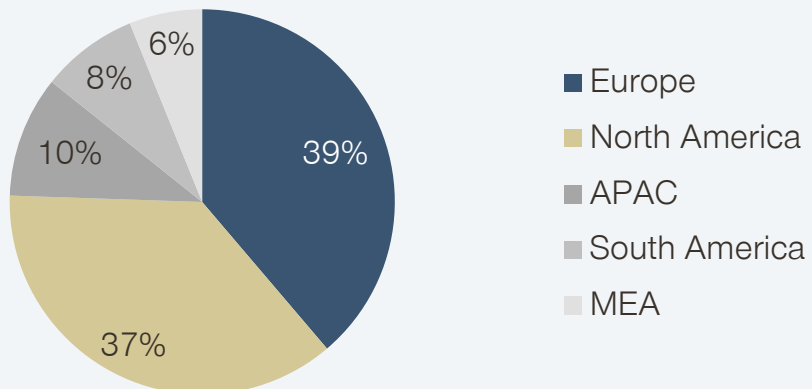
52%

> \$500m

48%



## Regions firms invest in



## Average target EV

< \$50m

34%

\$50m - \$100m

17%

\$100m - \$200m

28%

> \$200m

21%

Source: Simon-Kucher & Partners PE Value Creation Survey 2018, n = 53 (Total), n=30 (Region) n=29 (Assets under management), n=29 (Avg. target EV). Not all questions required a response.





**Thank you!**

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New York, San Francisco,  
Santiago de Chile, São Paulo,  
Toronto

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Dubai, Frankfurt, Geneva,  
Hamburg, Istanbul, London,  
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