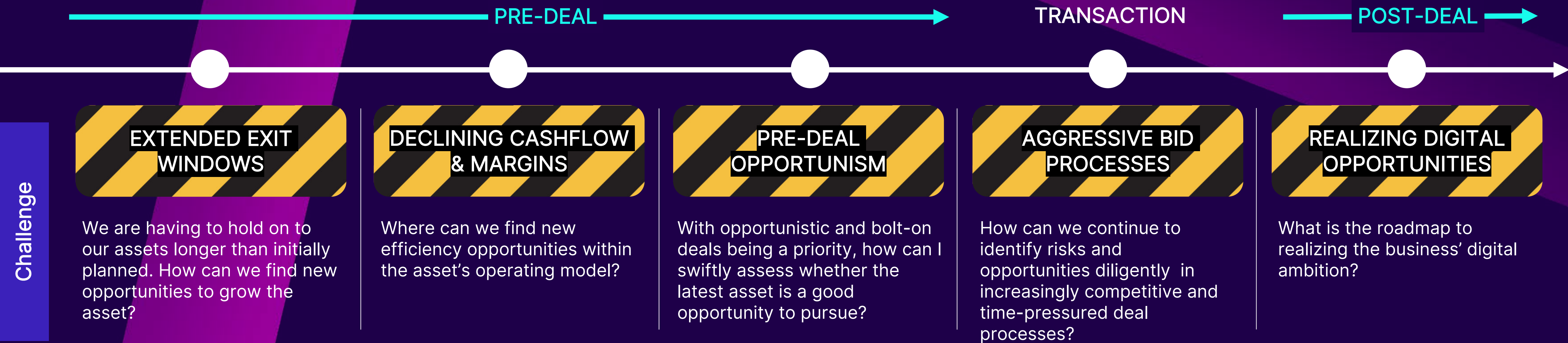


PALLADIUM

Digital advisory for private equity

Addressing your challenges throughout the investment cycle



Digital Transformation: Comes to Focus for US Private Equity

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EXTENDED EXIT WINDOWS

With multiples down and IPO markets closed, many assets now must bide their time waiting for optimal exit periods. Many PE firms have found this bringing a knock-on impact on assets' development roadmaps, leaving original strategies outdated. Furthermore, portfolio companies are exploring new growth activities to ensure that asset value does not stagnate.

While the increased time window is not ideal, it can represent an opportunity to review existing growth activities and initiate projects that might otherwise be out of scope within previous timelines. In such scenarios, we have typically helped PE houses assess prior digital Go-to-Market activity and use the insight as catalysts for new growth initiatives. While quick wins are key to highlight as a momentum builder, longer-term transformational activities (such as data segmentation or ingraining a company-wide data-driven culture through KPI tracking) can suddenly become viable – given timescales – and can greatly strengthen investment stories when exit windows reopen.

WARNING!
HAZARDOUS
DEAL-MAKING
ENVIRONMENT!



DECLINING CASHFLOW & MARGINS

The current economic climate has resulted in both cost inflation and subsequent lower consumer sentiment across a swathe of industries, resulting in a two-way “pincer movement” on gross margins. There is strain as input costs increase, with a natural hesitancy to pass burdens on to customers and retain competitive pricing models. Likewise, on an OPEX and working capital basis, a range of contagious factors, from energy price increases to tightening credit appetite, are implicating operating margins and cash conversion cycles.

The natural instinct at this point is to start talking about cost-cutting, but we are seeing more ambitious approaches taking place. Instead, many PE firms are looking at ways of improving their assets' operating efficiencies using digital initiatives to repel cost squeezes.

Digital efficiencies often exist within Go-to-Market business processes, despite being not obviously apparent. The reason is due to tasks tending to be resource-intensive and/or manual, especially in growing companies where cracks can get papered over. In a growth market, they can be ignored as success still arises due to prevailing market sentiment, but their unsustainability means they are unlikely to scale well.

One area where we have seen sizeable opportunity efficiencies for our clients has been through technological and operational unification. This is a growing digital trend, applicable across the business tech stack, by ensuring technology requirements are understood across various departments, with supporting integrations in place. Additionally, the unification of business operating functions often provides great opportunity; sales and marketing processes typically contain inefficiencies, with common occurrences being poor handling of data between departments, lack of nurturing automation and premature sales representative involvement.

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PRE-DEAL OPPORTUNISM

Deal valuations are falling however opportunistic deals and bolt-ons are increasingly popular. With investors constantly looking for opportunities, there is the need to be able to quickly assess the attractiveness of potential targets before other competitors can pounce, however, without sinking unnecessary expense, especially prior to a formal bid.

Digital data provides strong proxies for key commercial information covering broader industry/sector trends down to customer behavior and intent. Furthermore, 3rd party data sources provide strong insight into company performance especially benchmarked against key competitors, without the friction of waiting on management requests or analyst time. We typically assist PE firms through our proprietary Prism tool, which automates key digital metric pulling and visualization, alongside optional analyst insight overlays. Ultimately the result is cogent industry and company insight, within short timeframes, at competitive prices, enabling the investment team to always be on the lookout for the next opportunity.

AGGRESSIVE BID PROCESSES

Many of our clients have seen bid processes becoming increasingly competitive, with multiple prospective buyers. Target assets are presented with numerous attractive offers, and the pressure is often on the investors to display a deep understanding of both business and industry to create a tempting offer. While unsuccessful bids come with the territory, the desire for insight remains undiminished, and preservation of cost and time helps soften the blow.

External digital data points can easily be acquired with limited manual intervention, which results in quick insights and fewer manual hours. While internal access and management time are important for an in-depth understanding of available opportunities and existing red flags, advisors can look to defer these activities until a successful bid is accepted, resulting in more efficient use of resources.

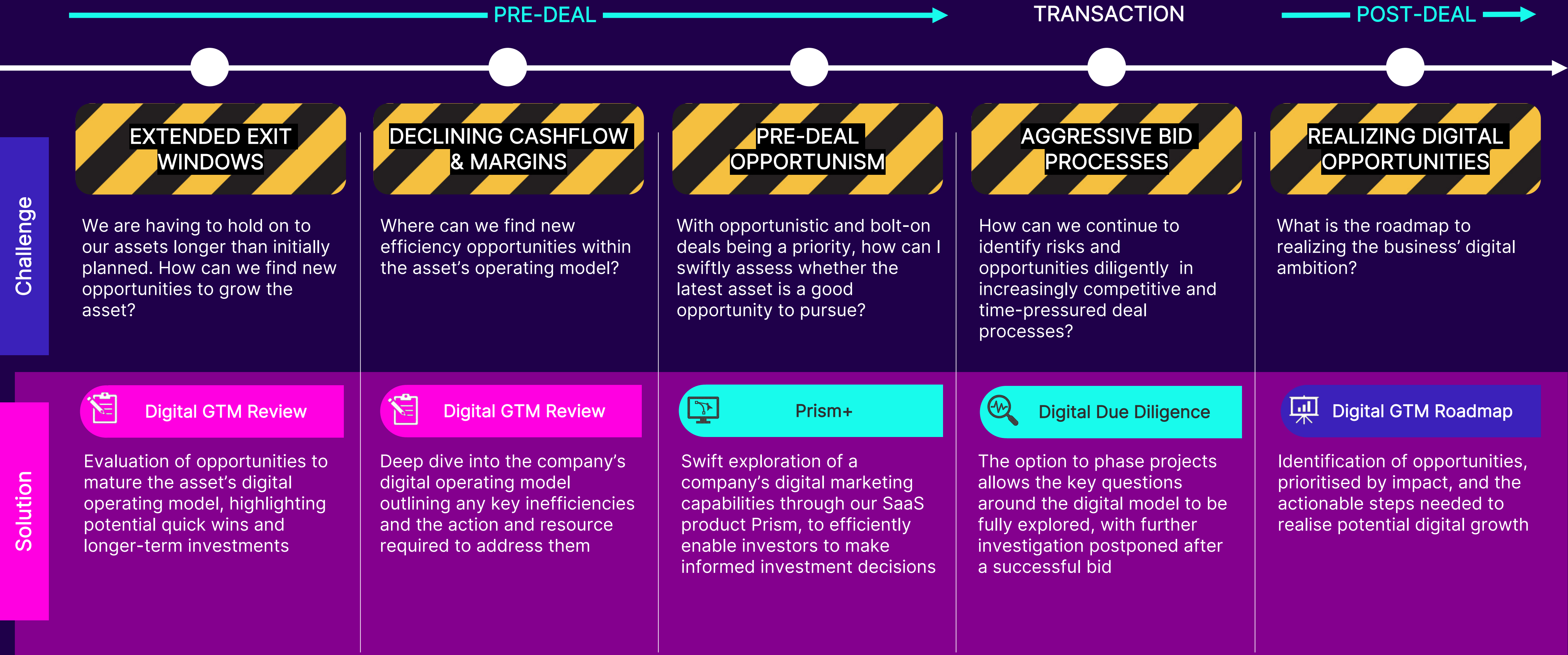
REALIZING DIGITAL OPPORTUNITIES

It's no surprise that the digitization of businesses is recognized by many investors as a key lever to finding alpha. In many cases, originated assets will already be a digital leader, whose strategy is then to be reviewed, improved and reinforced. However, we have seen increasingly frequent instances of businesses looking to leverage the digitization of processes through tools, technology, and/or marketing channels. For such industries that are not fully digitally native, harnessing the opportunity with nascent internal capability, understanding of headroom and what to prioritize, can be difficult.

We recognize the tremendous upside digital investment can have, especially for businesses in their digital infancy; however, the first steps often present hazards. Over the long term, a suitable internal owner of digital initiatives will need to be brought in but bridging this gap can result in well over 100 days' worth of inactivity. In such situations, we have helped formulate the next best actions and helped run digital activity in the interim, along with assisting in the onboarding process of new digital leaders, resulting in less friction as the business changes.



Digital Solutions to Investment Problems



Digital advisory support that spans the investment cycle

PRE-ACQUISITION

Transaction Advisory

Make better investment decisions

DIGITAL DUE DILIGENCE

We uncover key risks and opportunities through in-depth digital assessment. Our services span I.T, Cyber and Technology Product due diligence.

POST-DEAL

Value Creation

Helping portfolio companies realise their full digital potential

DIGITAL TRANSFORMATION

We uncover key risks and opportunities which are used to create a full potential plan and the subsequent design and implementation of digital products and services.

PRE-SALE

Exit Preparation

Telling the future digital story

VENDOR DUE DILIGENCE & FUTURE
DIGITAL ROADMAP

Telling the future digital story to potential investors, articulating the digital evolution of your portfolio companies and identifying the opportunities still to be realised.

Our Clients

We work with a diverse range of private equity businesses & their portfolios across the globe and with a rapidly growing footprint in the US



A Next15 company

We're part of the Next15 family, which is made up of 21 businesses that range from digital insights, data, design and technology to PR and policy communications. We operate across the globe with headquarters in both the US and UK.

Under the Next15 umbrella, Palladium clients benefit from our access to best-in-class talent and businesses with world class research, data, technology, and design capabilities.

PALLADIUM

MIGHTY
SOCIAL

 Conversion Rate Experts

MACH49™

activate

Agent **3**

Archetype

Bynd

Brandwidth

ELVIS



MB00TH

Savanta:

ODD

planning  inc


publitek
MARKETING. ANALYTICS. INSIGHTS.

TheBlueshirtGroup



twogether 

velocity®

Get in touch

Find out how we can support you through the investment cycle.



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