



TriVista

**Maximizing Exit
Value:**

**Sell-Side Operational
Due Diligence**

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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®”

(949) 218-4830

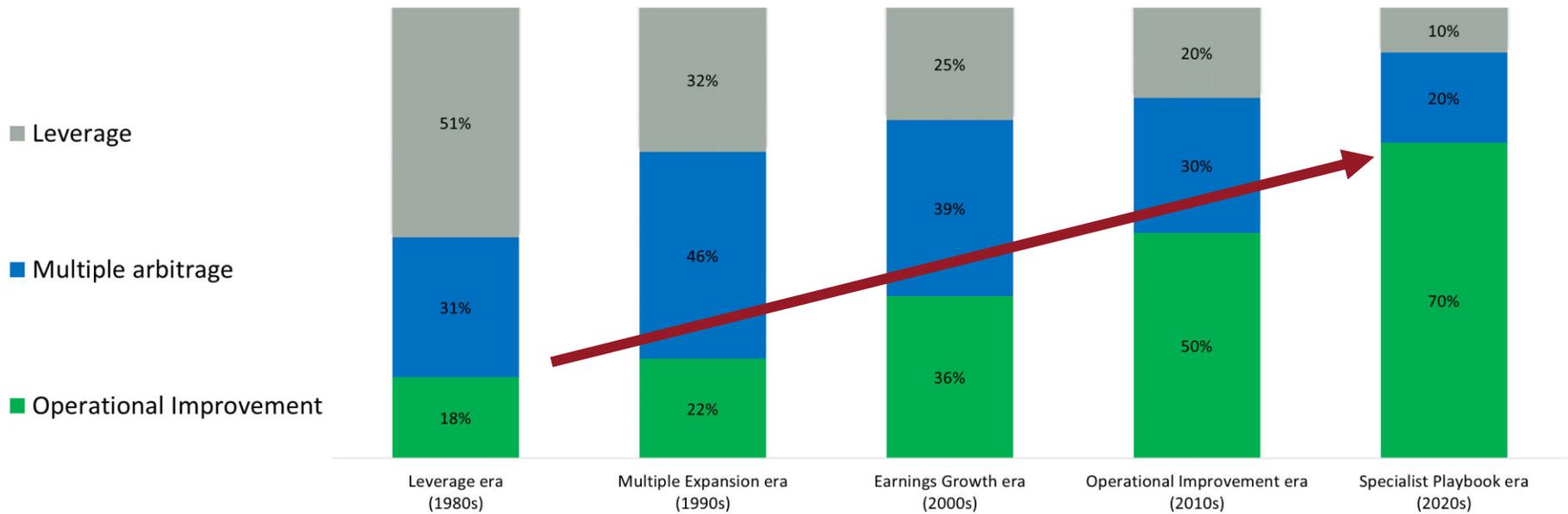
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- What is Sell-Side Operations Due Diligence (SSODD)
- Typical focus areas
- Good candidates / company types
- ROI > 20 to 30x
- Key benefits
 - Enterprise value
 - Risk reduction
 - Transaction velocity



Value Creation in Private Equity 1980 - today



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



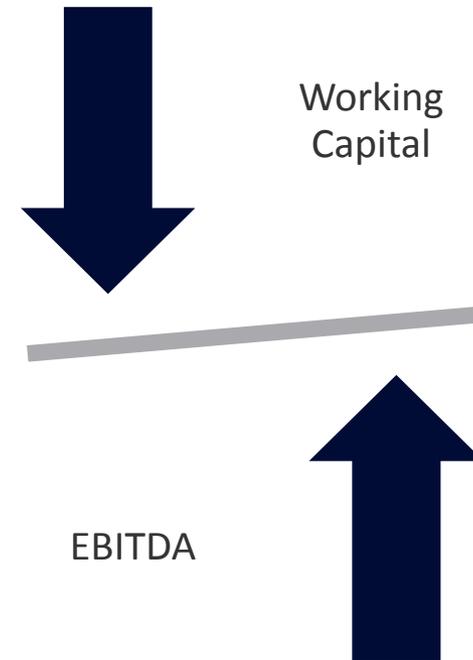
What is Sell-Side Ops Diligence?



- 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



What makes a good Sell-Side candidate?

- 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



Case Study - \$200M Revenue Equipment Mfg.

\$200M
Revenue

\$25M
EBITDA

3rd Round
of Institutional
Ownership

- Consolidation of sites
- Optimizing sourcing and procurement
- Labor Utilization

Validation

New

3.0 EBITDA
2.5 Cash

1.0 EBITDA
2.0 Cash

4 EBITDA
x 10 multiple
40 million EV

ROI

>100x



Key Benefits & Outcomes



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



Enterprise Value Increase

- 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





- 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



Case Study - \$350M Consumer Products Provider

\$350M
Revenue

\$70M
EBITDA

Stagnated
Performance

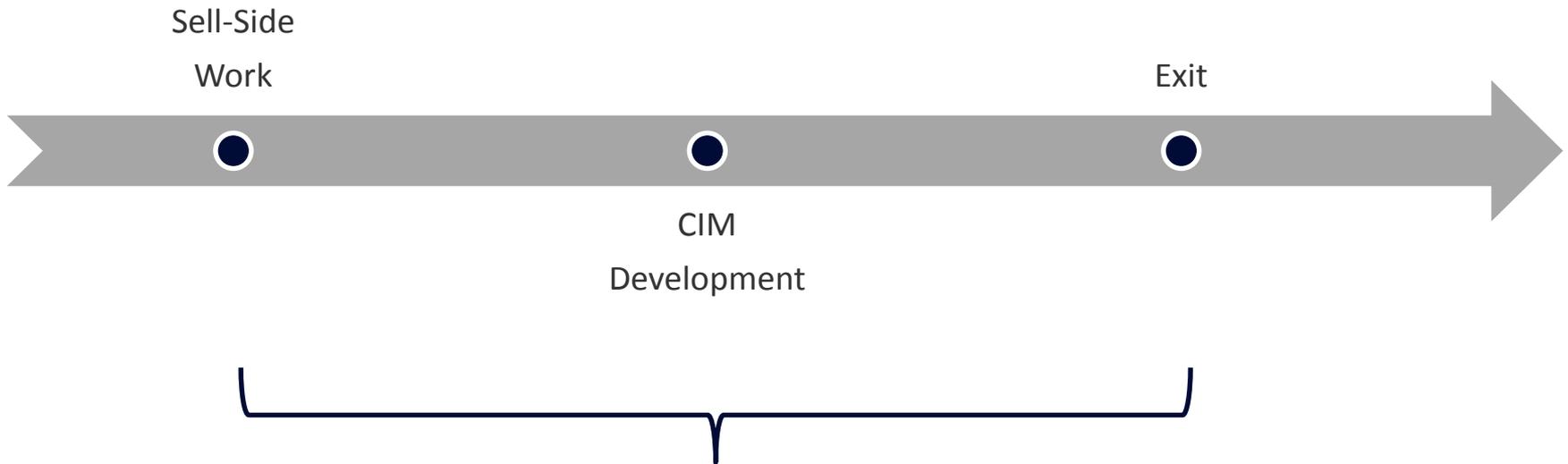
- **Expand outsourcing**
- **Improve factory productivity**
- **Consolidate production sites**
- **Establish a factory in Central America**
- **Centralize sourcing and procurement**

Identified Savings

~ 17M to 25M EBITDA



4 to 8-week process



Ideally 6 to 9 months pre sale

Key Considerations

- 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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