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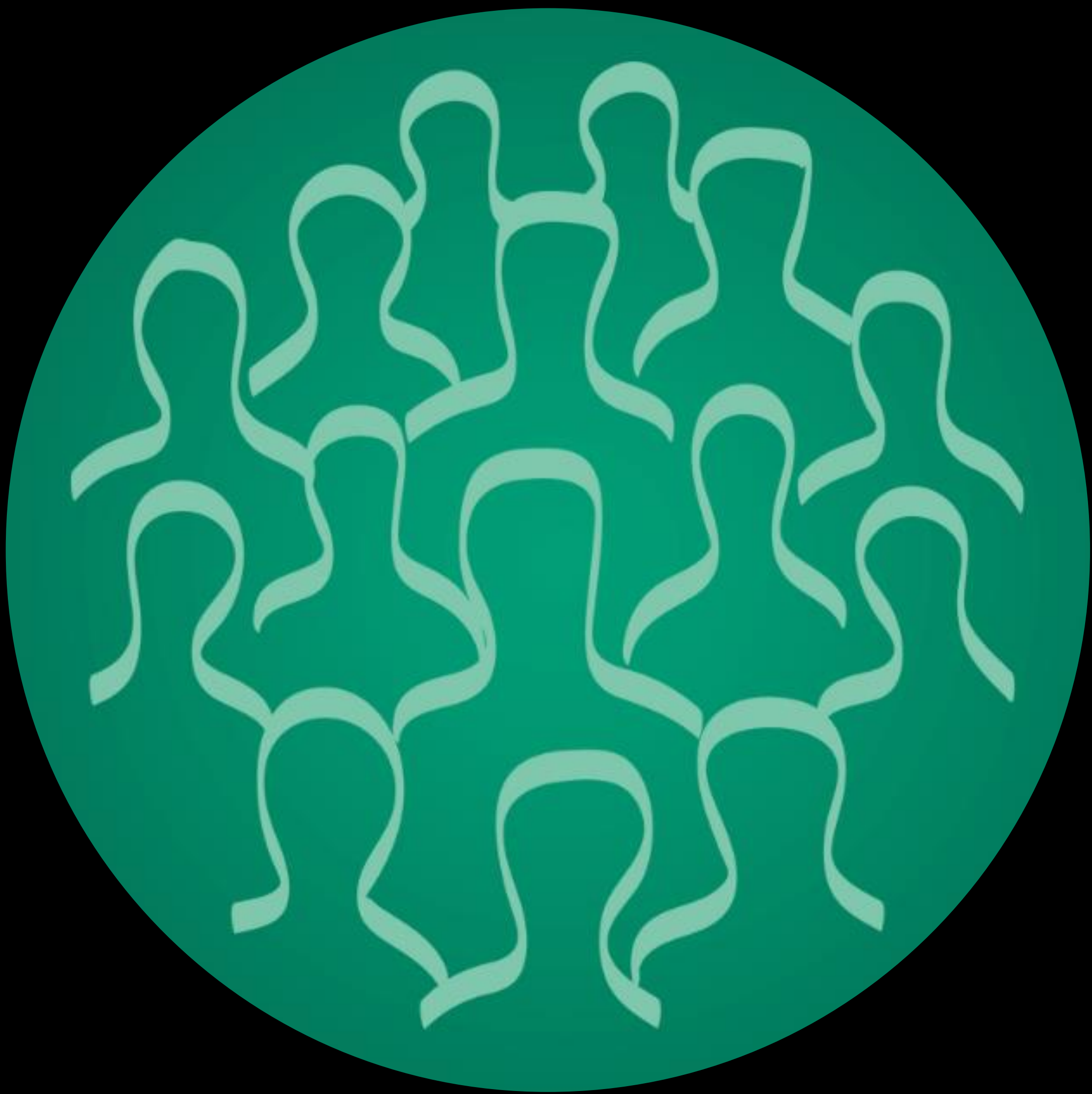


Private Equity Lifecycle

Episode 3: Set up a five-year plan and get everyone onboard

During this strategic phase of the business lifecycle, management teams face the challenge of handling immediate actions while ensuring smooth business operations and planning for the future. Collaboration with PE investors is crucial as they work together to create a 5-year plan. This publication sets out essential considerations and impactful strategies that drive success during this critical phase of the business lifecycle.

Deloitte's private equity specialists provide advice throughout the PE lifecycle and beyond. This series of publications highlights the key points to be considered at each stage of the lifecycle, paying particular attention to how to effectively manage assets, with the goal of adding value on exit.

After the first 100 days: what is next?

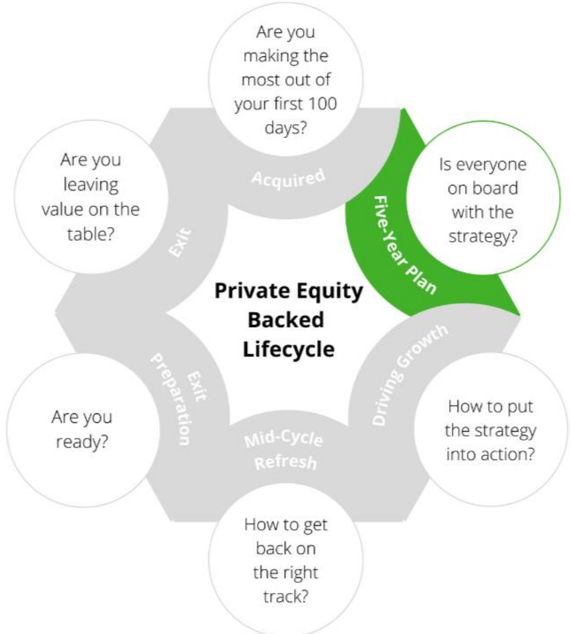
During the first 100 days post completion, management deal with the immediate actions that arose as a result of the transaction, whilst also keeping the business operating efficiently and looking forward to the future. During this phase of the lifecycle, it is important for management teams to work alongside the PE investors to understand the strategy for the business and to start developing a 5-year plan. Below are some of the key points that should be considered during this strategic phase for the business:

- Often as part of the transaction, a financial model will have been prepared for creditor banks and investor relations. It is important that the **assumptions in this model are aligned with the growth strategy of the business**, and are fully understood by the key individuals within the PE-backed business. The model should be expanded to consider the expected **group cash tax position** and align with cash flow management. This can also help highlight any inefficiencies within the group structure and/or operating model, and can help establish the group's (tax) management strategy.
- **Look at the group corporate structure**– consider the necessary attributes to drive forward the strategy and who within the organisation is responsible. This may include recruiting new expertise and/or redefining roles within the business. In addition to the operational aspects, this could also include a review of the legal structure – is it fit for purpose? Would it be preferable to restructure and potentially eliminate some legal entities?
- **Review the treatment of certain items for accounts purposes.** The finance team should consider the appropriate accounting standards and document the position prior to an audit of the financial statements. The adopted accounting policy can impact the overall tax position – for example, the depreciation policy on capital expenditure will help determine taxable profits.
- Understand and **manage any existing risks** within the business, or any potential risks that might arise as you establish the 5-year plan and strategy. Communicate these risks internally and develop a plan to eliminate them where possible. This could include ensuring existing transfer pricing agreements align with the current commercial fact pattern, or identifying changes required for compliance.
- **Build a relationship with key stakeholders**, including internal stakeholders, such as the PE house and those on the board of the business, as well as external stakeholders, such as the group auditors and the tax authorities in the key jurisdictions in which the business operates.
- **Undertake a review to ensure all tax assets are effectively managed.** This includes advise on understanding of the available tax reliefs and that the resulting benefit is appropriately documented and known. This often includes evaluating Innovation Box and R&D claims.
- **Monitor and mitigate the impact of external changes**, such as new accounting standards and tax laws, on the structure, cash tax position and transfer pricing strategy of the business.

Our specialist team provided advice to PE-backed companies, assisting management in its consideration of the financial and tax impacts of the 5-year plan, with a focus on effectively managing assets and reducing risk, as the business moves forward into… **Driving growth**.

We understand this can be a new challenge for many businesses, especially after the intensity of a transaction. We offer our expertise and guidance to support businesses as they begin their journey on the Private Equity Lifecycle.

Discover all phases of the 'Private Equity Lifecycle' or get in contact with Dirk Baken or Sjoerd Hasselmann.



Contact

Dirk Baken
Partner
M +31 (0)88 2888 626
E dbaken@deloitte.nl

Sjoerd Hasselman
Director
M +31 (0)88 2888 067
E shasselmann@deloitte.nl

www.Deloitte.nl