Private Equity Lifecycle

Episode 4: Driving growth – Putting strategy into action

Continuing our series through the PE lifecycle, with a focus on driving growth and putting the strategy into action. This episode sets out some of the key points to be considered during this growth phase.

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.

The plan has been set. What's next?

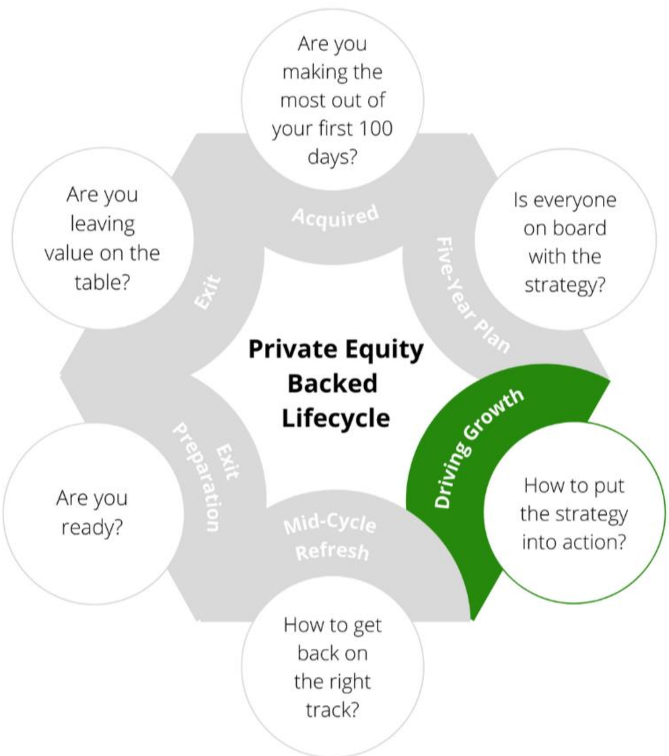
In Episode 3, we looked at establishing a 5-year plan, and the related financial and tax points – now it's time to put the plan into action.
During this phase of the lifecycle, the business needs to evolve to meet the objectives set by the PE investor and management. This may involve some M&A activity, overseas expansion, or developing new commercial offerings. Below are some of the key points that should be considered during this growth phase for the business:

- Work with our advisers to assist on **bolt-on M&A transactions**. Strategic M&A transactions are often complex, and will require legal, financial and tax advice. It is important to consider any regulatory or banking restrictions, as well as aligning the acquisition strategy with the overall strategy of the business. Bolt-on transactions need to be achieved in a tax efficient manner.
- The strategy may call for organic growth by entering new markets, crossing international borders, rolling out new product offerings or identifying new routes to market. **Operating across borders will bring some complexity**. When establishing a presence in a new country, align it with your long-term strategy, whilst not impacting the commercial objectives. Setting up a new operation for the long-term will create a platform for future growth.
- During this phase, we recommend the business **conducts an in-depth review from a financial and tax perspective**. This can include a review of direct and indirect taxes, employment and wage taxes as well as transfer pricing. This should be completed to review the risks and/or points of attention on a future due diligence, but also to identify opportunities.
- Prior to offering options and/or shares to key employees, the business should consider the consequences from a wage tax perspective. This is also a good time to consider if the assumptions on acquisition are still relevant and appropriate.
- **Cash repatriation**: Review the structure to ensure there is a tax-efficient cash repatriation strategy to service debt and fund acquisitions. This review will likely include the distributable reserves position and company law, as well as tax considerations.
- During this phase, PE-backed businesses should understand the **reporting requirements of their investor**, and have established a format and approach to deliver information in an efficient way.
- As the business grows, it may **consider appointing new auditors**, potentially with specific (industry, IPO listing or other) expertise with a focus on adding value upon a future exit or with a presence in the jurisdictions in which the business intends to operate.

Our specialist team provides advice to PE-backed companies, assisting the management having regard to the financial and tax impacts during the growth stage, and how to move forward onto certain challenges that are presented during the… **Mid-cycle refresh**.

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 PE Backed lifecycle

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



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