Deloitte.



Private Equity Lifecycle

Episode 6: Exit preparation – Are you ready?

Continuing our series through the PE lifecycle, with a focus on driving growth and turning the strategy into action – leading up to an exit event. This episode sets out the key points to be considered when an inevitable exit event is expected – How can a Private Equity Business prepare?

Deloitte's private equity specialists work with businesses 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 and add value ahead of an exit.

Preparing for an exit - are you ready?

In Episode 5, we looked at how to get back on track when the strategy for the business needs to be revisited and refreshed. Having reset, a PE-backed company may establish a new 5-year plan to drive growth in the face of new challenges, such as a different economic climate, with a new financing package, or through pivoting into new markets and opportunities. This all leads to the exit stage of the PE lifecycle. As the exit of investors is an inevitable part of a successful PE-backed business lifecycle, it should be front of mind. You need to prepare, both to ensure an efficient process and to add value on exit.

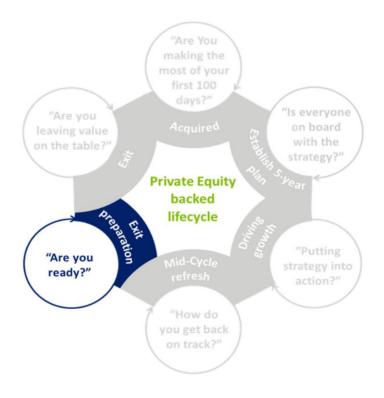
There are various ways in which an exit event may occur, but the most common are; secondary PE buy-out, corporate deal, or IPO. The route taken by PE investors may impact the exit process, however. Below are some of the key points that should be considered as a business prepares for an exit event:

 Understand the likely exit route and the flexibility of the current structure. Will the business need to undertake any pre-exit restructuring? What are the tax and accounting implications of doing so, how far in advance should this be done, and how will the business' systems and workforce deal with any changes?

- Complete an exit readiness review this should cover financial, tax and legal aspects. This can be completed prior to a vendor or formal due diligence process. An exit readiness review seeks to identify assets within the business and highlight any exposures. We recommend any tax assets or exposures are documented, supported or addressed in advance of a formal process. This exit readiness exercise will enable the PE-backed business to understand where there is scope to add value, and address any issues that might otherwise disrupt the formal process.
- Seek to understand any vendor/management tax issues on exit, in order to ensure they are effectively managed and/or communicated throughout the process, and built into any pricing mechanisms.
- Consider whether a change of accounting standards will be required – for example, a transition to IFRS. Factor this into the timeline of the exit process.
- Articulate a robust business growth story, supported by evidence - this is a critical part of the exit process.
 Analyze where the risks are and where the opportunities lie to ensure that this narrative is as solid as possible.
- Plan resources ahead of time. It is easy to underestimate the burden that an exit process places on the finance team, and having strong and robust financial data is key to highlighting the strength of the business. At the same time, you need to ensure that the business can keep operating that may require hiring additional resources to focus on an exit.

We offer our expertise and guidance to support businesses as they begin their journey on the PE Backed lifecycle. Our specialist team works with PE-backed companies, supporting management to consider the financial and tax impact of the final pivotal stage of the lifecycle – the exit event.

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

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's more than 345,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte organization shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

 $\hbox{@\,$2024$.}$ For information, contact Deloitte Netherlands.