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Value Through the Continuum: Exit Readiness and Value Realisation

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OC&C Strategy Consultants and Actum explore the need for storytelling when planning for exit, and the key value creation levers driving value for portfolio companies amid continued market uncertainty.

While value creation has always been a vital factor for private equity firms, the elongated hold periods are further propelling its importance. In today's environment, where organic growth is relatively muted and financial engineering offers smaller returns, it is increasingly clear that well-executed value creation is key to outperforming the market.

Carl Evander, Partner & Global Head of Private Equity at OC&C Strategy Consultants, notes that as capital becomes smarter, simply buying well is no longer enough. The ability to differentially change the trajectory of a business is setting great firms apart from the herd, he adds.

The shift has been amplified by the evolution of the exit market in recent years. A challenging market has led to longer hold periods and sponsors requiring extra levels of conviction in order to pull the deal trigger.

Sponsors must decide what story they to tell at exit? And therefore, what are the gaps between where you are today and the point of exit? Early clarity around the desired exit story allows investors the ability to identify gaps in plenty of time to make the required changes. It requires both speed and precision – deliberate choice, bold early action, and a focus on high-impact initiatives that can compound over time.

"Over time funds have adapted," Evander says. "The growth of the Operating Partner role and the continued experimentation with the right structure and skillsets has continued to move the needle on value creation capabilities and the ability of funds to drive significant upside by pulling multiple value creation levers."

Below, experts examine the driving forces behind five key value creation levers: revenue growth, finance, tech, talent, and sustainability.

REVENUE GROWTH

Revenue growth is the single most important lever driving exit valuation today in a world where multiples are generally in retreat, Ben Gregrory, Partner at OC&C Strategy Consultants says. It is also becoming increasingly more challenging for assets on their second or third PE cycle, while geopolitical and tariff uncertainty cause customers to tighten spending.

There are still ways to win but firms must steer a narrow course to find them, Gregory says. He notes that pricing headroom is about value exchange, adding that extractive price uplifts are largely a thing of the past and businesses now look to repackage existing customer contracts. Product roadmap clarity is critical to turn AI from a threat to an opportunity, Gregeory says, adding that AI is also causing disruption to seat-based price models.

Owen Cartier, Partner & Head of Value Creation at Searchlight Capital says that the go-to-market dynamics are changing across industries, with the way customers discover businesses and themselves are targeted being transformed by AI.

It makes it more important than ever for companies to review how their sales funnel is set-up and especially how lead sources are evolving and how the process to conversion needs to change, Cartier says. A lot can then be done to improve salesforce efficiency and effectiveness – whether it is using AI to improve the sales conversation or using AI to better inform pricing algorithms, he adds.

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FINANCE

CFOs remain at the forefront of the value creation drive and are seeing their remit change as technology provides a greater number of insights into the business.

Chessy Whalen, Partner at OC&C Strategy Consultants notes that the increasing volumes of codified and accessible data allows CFOs and the wider finance function to understand and react to business performance changes in real time. This moves finance teams beyond reporting and controls into being a real-time insight-led drivers of value creation, Whalen adds.

"This changes the skill sets required in finance teams and pulls the finance function into a much broader set of business decisions," Whalen says.

Harry Haslem, Director and Head of Portfolio Finance Effectiveness at BC Partners notes that CFOs have long battled inconsistencies in real-time data. AI can help create a single source of truth, spotting duplicates and flagging anomalies, Haslem says. It also has the ability to improve efficiencies in financial close and predictive cash flow modelling.

Adoption ultimately depends on the appetite of the CFO and the maturity of the wider finance function, Haslem says. He encourages CFOs to immerse themselves in learning what is possible.

TECH AND GENAI

The ability to utilise technology to your advantage is key to portfolio companies being able to leap ahead of competitors today.

Fred Ward, Partner at OC&C Strategy Consultants, states that although there remains a gap between the hype-cycle and on the ground reality, AI is having a genuine quantifiable impact in business settings.

Yet, challenges remain for medium to long-term business planning, Ward says. These include getting the underlying tech and data stack “AI ready”, building out change management capabilities, and building flexibility into the AI and broader value creation roadmap.

Successful plans will build in the ability to spot new opportunities, rapidly test and embed new use cases as well as the flexibility to move away from any single provider that falls behind, Ward adds.

Jamaria Kong, Managing Director at TowerBrook assess AI through a simple economic lens: can it improve a business outcome while lowering the cost-to-serve?

It is then about assessing potential deflationary effects, the competitive response, cost and execution risk, Kong adds. If AI cannot be embedded cleanly into the operating model, or if it introduces friction that erodes any surplus created, it adds complexity rather than value, Kong says.

TALENT

The ability to tell a story at exit is only possible with the right individuals at the helm. Keith Beattie, Partner and Head of Operations at Astorg says that Astorg has always believed that talent is the single most important driver of value creation. “When you get leadership right, businesses can outperform even in challenging environments; when you don’t, value creation slows and hold periods extend,” he says.

This has resulted in Astorg prioritising executives with strong operational credentials and a successful track record. “As value creation has become more execution-driven, we are placing greater emphasis on leaders with proven transformation experience, individuals who bring pattern recognition, resilience, and the agility to pivot quickly,” Beattie says.

SUSTAINABILITY

Sustainability remains a key driver for portfolio companies, and is likely to be seem more widely through the implementation of AI.

Henri-Thierry Toutoutnji, Partner & Global ESG Leader at OC&C Strategy Consultants believes that AI will put sustainability at the heart of decision making in the short term. “With AI giving us low-friction, high-clarity insight into risk, externalities and long-term exposure, leaders will be empowered to resolve trade-offs with greater conviction,” he says.

The bigger story, however, is innovation. “We are on the brink of a redesign of how businesses meet human needs — powered not just by AI, but by advances in hardware, materials and entirely new operating models,” Toutounji says.

With AI, Sophie Walker, Senior Advisor, Sustainability & Responsible AI at EQT says, there is the opportunity to build new industries and reimagine existing industries with positive impact embedded. Walker adds that it is not just about the investable seatbelts of AI safety, but about rethinking business models, reenvisioning the technology stack, designing out harms and ensuring that fair, sustainable societal outcomes prevail.

THE STRENGTH OF THE STORY

As the competitive pressure intensifies and hold periods lengthen, it is value creation that has become a defining differentiator. The ability for funds to present a coherent strategic direction for their portfolio companies will prove to be a real advantage.

While individual levers are receiving more attention, funds can still fall when they miss the wood for the trees. The holistic “shape” of the business at exit is being considered equally as important as the operational and tactical improvements, Evander says.

He notes that long before considering a sale, funds are asking themselves, “what is the business that will resonate most with buyers?”, adding that there is a recognition that sponsors are operating with a limited time frame for value creation.

“The strength of the story is as important as the reality and actions that create value that you won’t “get credit” for won’t be as value-creating for the deal as those that inflect the perception of value/confidence in the value story,” Evander says.

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