Revenue Growth

and the Strong Correlation with Successful Exits

Blue Ridge Partners, LLC

accelerating
Profitable Revenue Growth

CAIMIN JONES

- Silver Lake Partners Operating Executive (London)
- Both consulting and line management experience
- Extensive cross-European experience

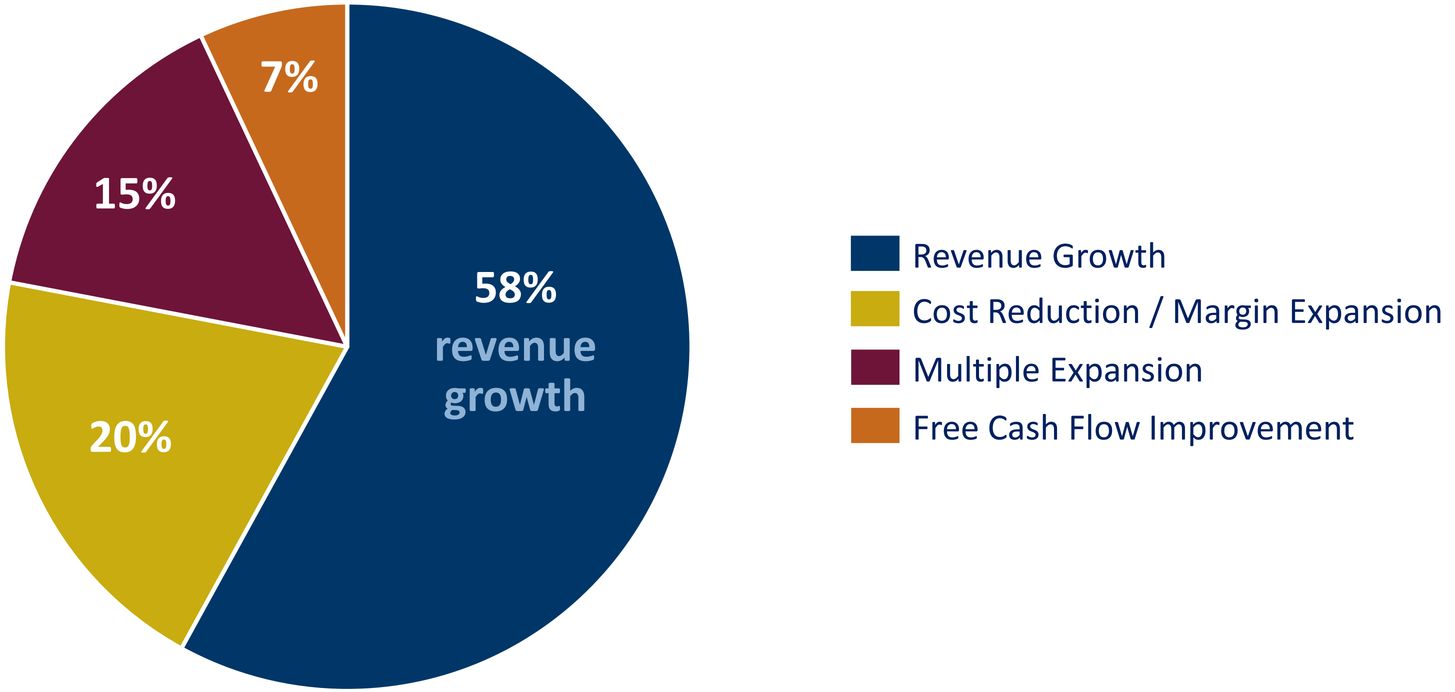
BOB LEMMOND

- Most recently Chief Commercial Officer of Clarivate Analytics (Onex & Baring Asia)
- Former President of Mediant Communications
- Former CEO of division of Wolters Kluwer
- Serves on board of Decision Economics in NY

GREGG MEHERIUK

- Last month became SVP of Strategy and Transformation at 24 Hour Fitness
- Previously was member of Ontario Teachers' Portfolio Management team
- Former Bain & Company consultant

Revenue growth is #1 driver of value creation



BLUE RIDGE PARTNERS MANAGEMENT CONSULTING

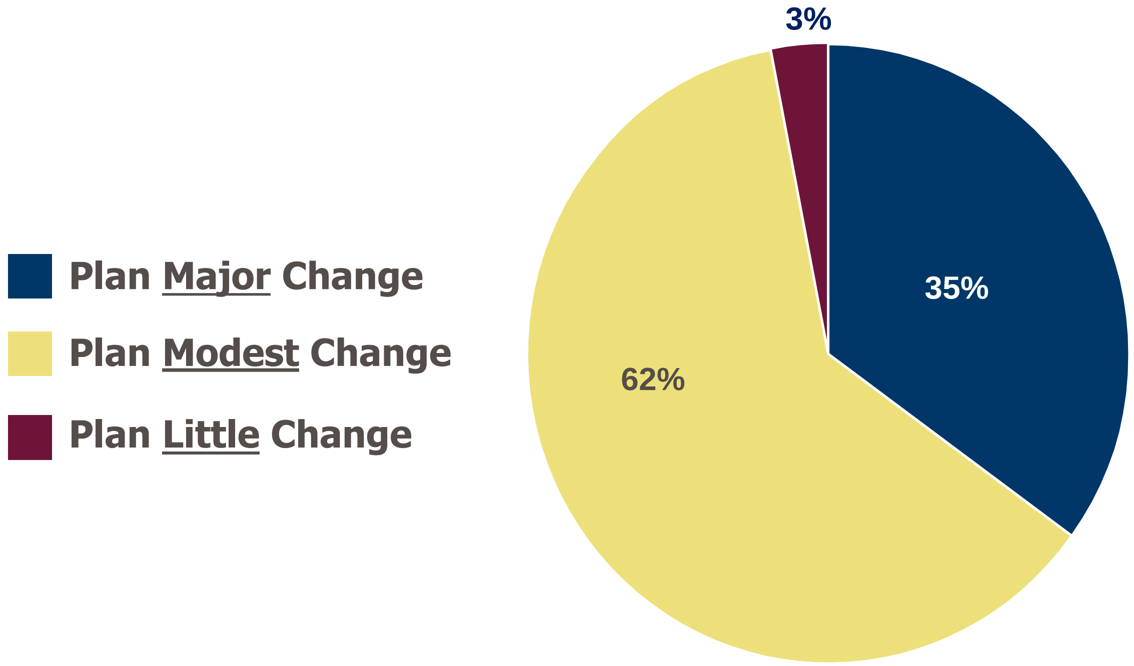
Inside the CEO Mind

Commercial Transformations Expected to Continue Through 2019

Blue Ridge Partners surveyed a panel of 37 CEOs regarding their views on commercial transformations for the remainder of 2019. "Commercial transformation" was defined as implementing material changes in sales strategy, go-to-market model, sales structure and roles, product offering, customer segmentation, digital marketing/ecommerce, sales compensation and other drivers of revenue growth.

This panel consisted of CEOs across North America and Europe, representing a variety of industries including business services, manufacturing/distribution, technology, healthcare, consumer products, energy, and financial services.

How Much Change Do You Anticipate Making in the Commercial Organization During the Rest of 2019?



Better execution (78%)

- Enhancing talent
- Refining existing GTM model, structure and processes
- Improving pricing

Strategic shifts (22%)

- Revising the commercial strategy of the business
- Expanding beyond the core—new geographies, new end customer segments

"Grow Early, Exit Well"

$$R^2 = \ ?$$

"Grow Early, Exit Well"

$$R^2 = .85$$

The Lost Years

accelerating
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Executive Briefing

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BLUE RIDGE PARTNERS
The Revenue Engine

The Lost Years

The Cost of Failing to Assist CEOs with Revenue Growth in Year 1

By James R. Corey, Managing Partner of Blue Ridge Partners

Nearly 60% of all value creation over a five-year holding period comes from revenue growth. Cost reduction only generates about 20% of value creation over the same timeframe[1]. If revenue growth is so important, why do some private equity firms lack a systematic and repeatable approach for pushing management's thinking on growth acceleration in Year 1? In most investment cases, management can't just continue doing what they did before close—they need to do something different to accelerate profitable revenue growth and thereby optimize exit value.

While some aspect of revenue growth is incorporated into the majority of value creation plans, a number of deal teams simply leave it to management to drive growth at the outset of the holding period. It is not until Year 2 or 3, as disappointments emerge on the top line, that these deal teams get serious about helping management with growth issues. The problem then is the remaining runway in the holding period is simply too short to consider growth initiatives that require a multi-year time horizon.

The question isn't whether a company should focus on cost reduction or revenue growth in Year 1; typically, they both need to be done. Over the entire holding period, the best management teams might be getting 80-100% of the cost reductions, 70-80% of the quick wins in revenue growth and 30-50% of the bigger step-out growth initiatives to come through. While there might be a natural instinct to focus early on the cost reductions, the impact of revenue growth is 3x (60% vs. 20%) so it deserves at least equal emphasis in the value creation plan. While the growth initiatives must be skillfully selected, starting aggressively in Year 1 will have the greatest impact on value creation.

The Cost of Waiting

When deal teams postpone thinking about revenue growth until later in the holding period, they significantly narrow their options. By Year 3 or 4, roughly half the levers—and many of the most powerful ones—that could be pulled to drive growth are no longer available as there simply isn't enough lead time to achieve results during the ownership period. For example, when only a year or two remains in the holding period, it's more difficult to consider upgrading sales talent, transforming the go-to-market sales model, or expanding into new geographies. Instead,

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