

Pricing as a value creation lever

PEI Operating Partners Forum

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Who are we?

Specialists in top line growth:
Pricing, marketing and sales

World's #1 in pricing

1,300 people, 38 offices, 24 countries



Who do we work with?

All major industries

B2B and B2C

Deep experience with PE backed businesses

- 800+ portfolio engagements
- 100+ due diligence



We work across the PE landscape



Global mega funds

- Advent International
- Apollo Group
- Bain Capital
- Bridgepoint
- Blackstone Group
- Carlyle
- CVC Advisers
- Cinven
- EQT
- TPG Capital
- Permira Advisers
- Warburg Pincus



UK Mid-Market

- ECI Partners
- Endless
- Exponent
- Five Arrows
- Hg Capital
- Highland Europe
- Inflexion
- LDC
- Livingbridge
- Lyceum
- Mayfair Equity Partners
- Phoenix Equity Partners
- Vitruvian



Venture Capital

- Accel
- Andreessen Horowitz
- Atomico
- Bain Capital Ventures
- Battery Ventures
- Benchmark
- General Catalyst
- Greylock Partners
- Index Ventures
- Insight Venture Partners
- Sequoia
- Softbank
- TPG Growth

The What



Volume

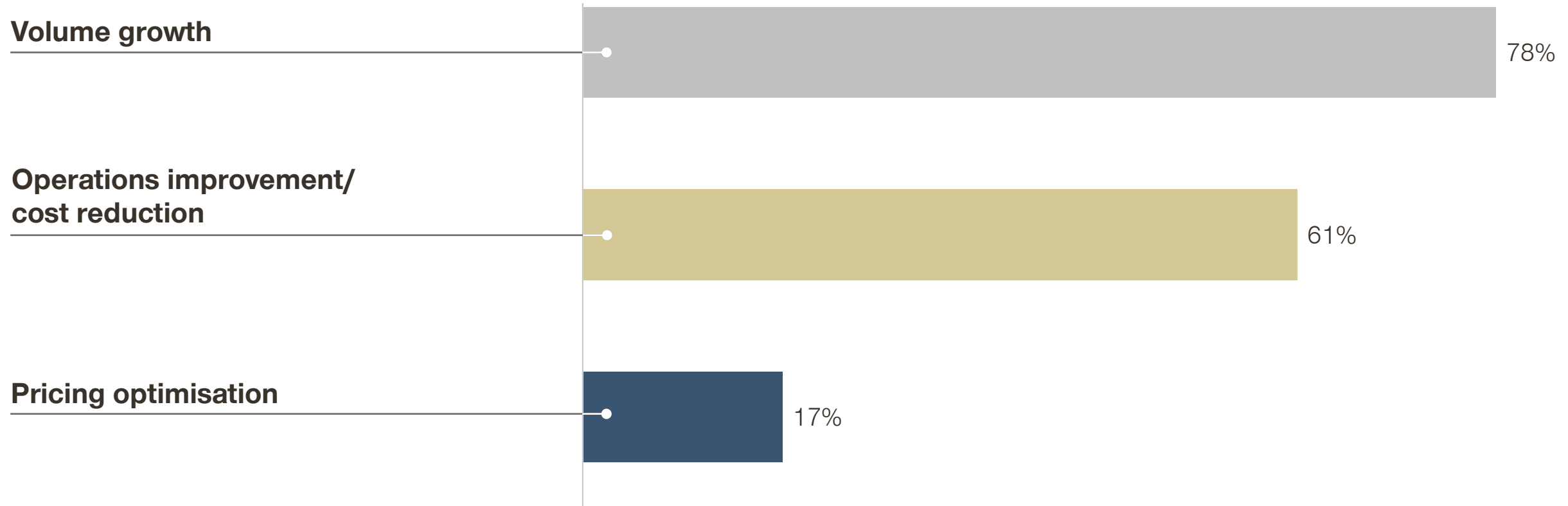
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Price

-

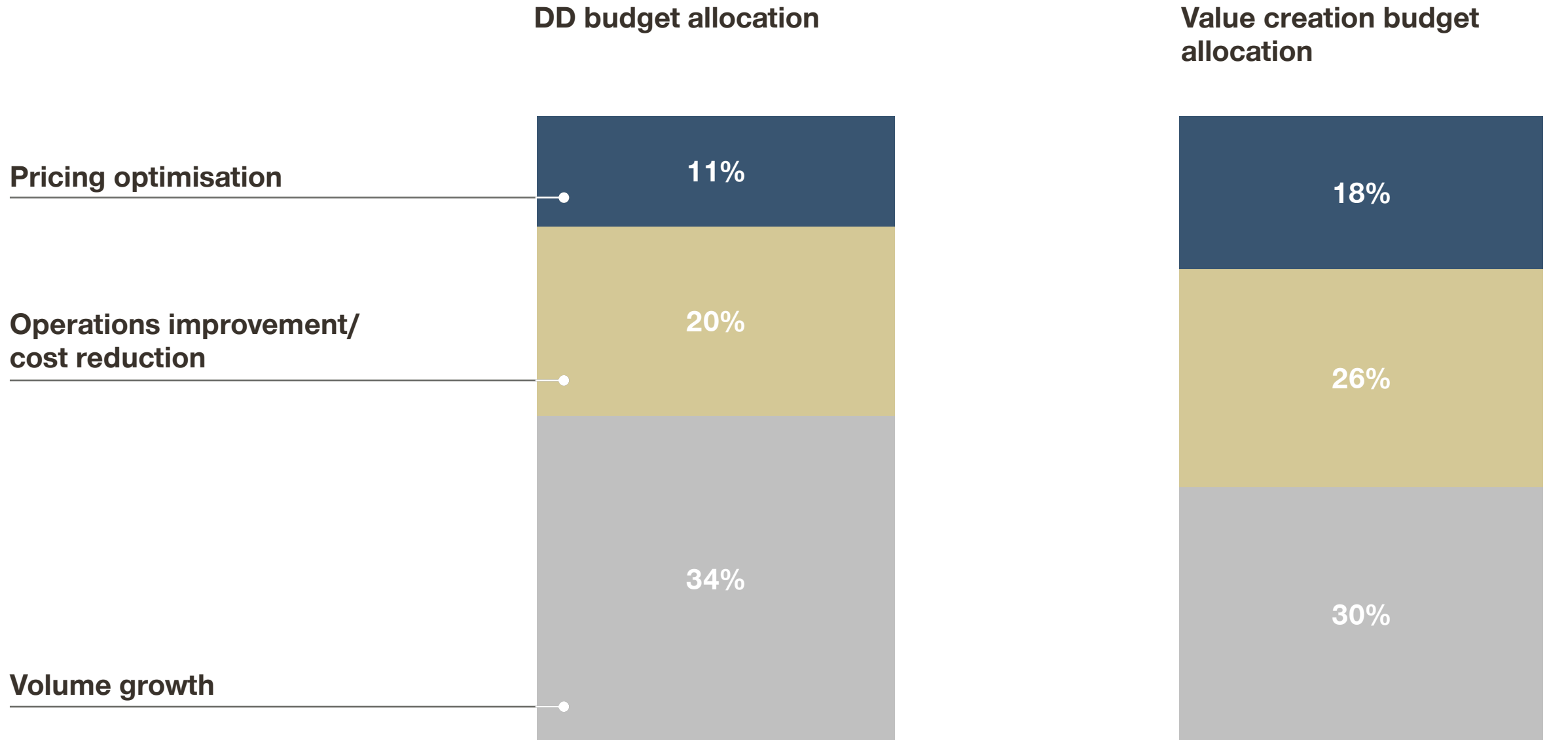
Cost

Typical value creation focus



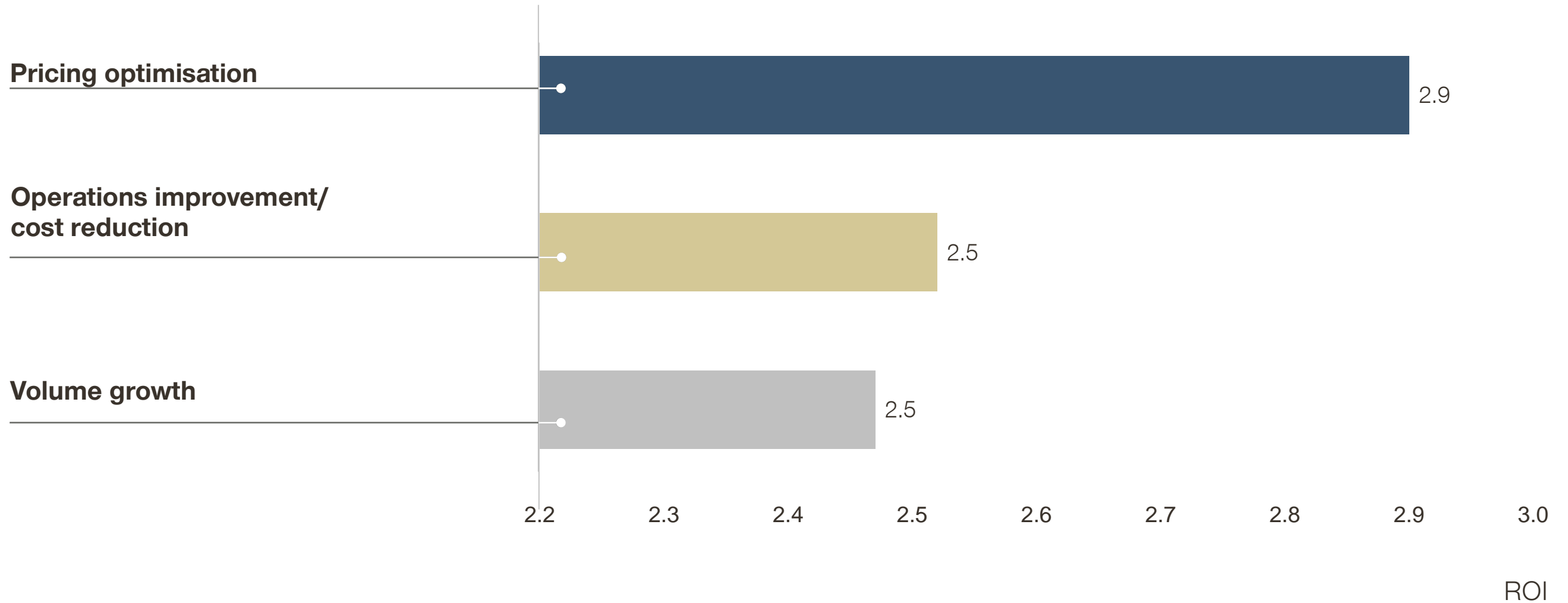
% ranked 1st, 2nd most important value creation levers

Typical value creation investment



Source: Simon-Kucher & Partners, PE Value Creation Survey 2019; n=48 (budget allocation), n=88 (pricing assessment)

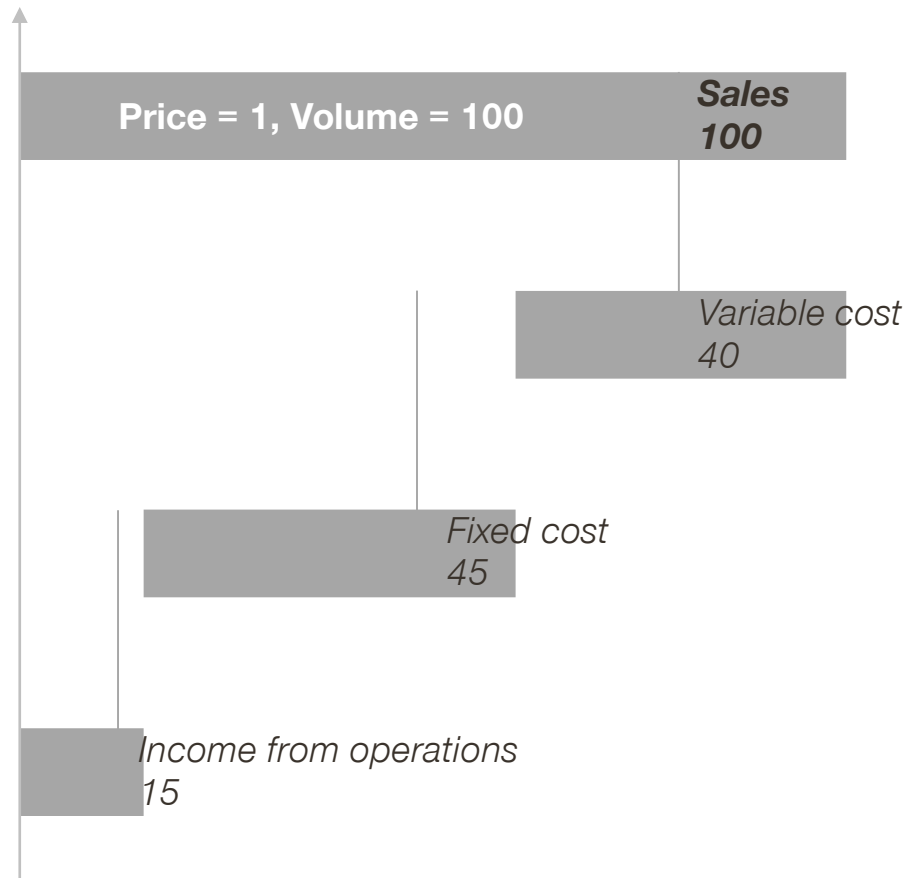
But here's the thing....



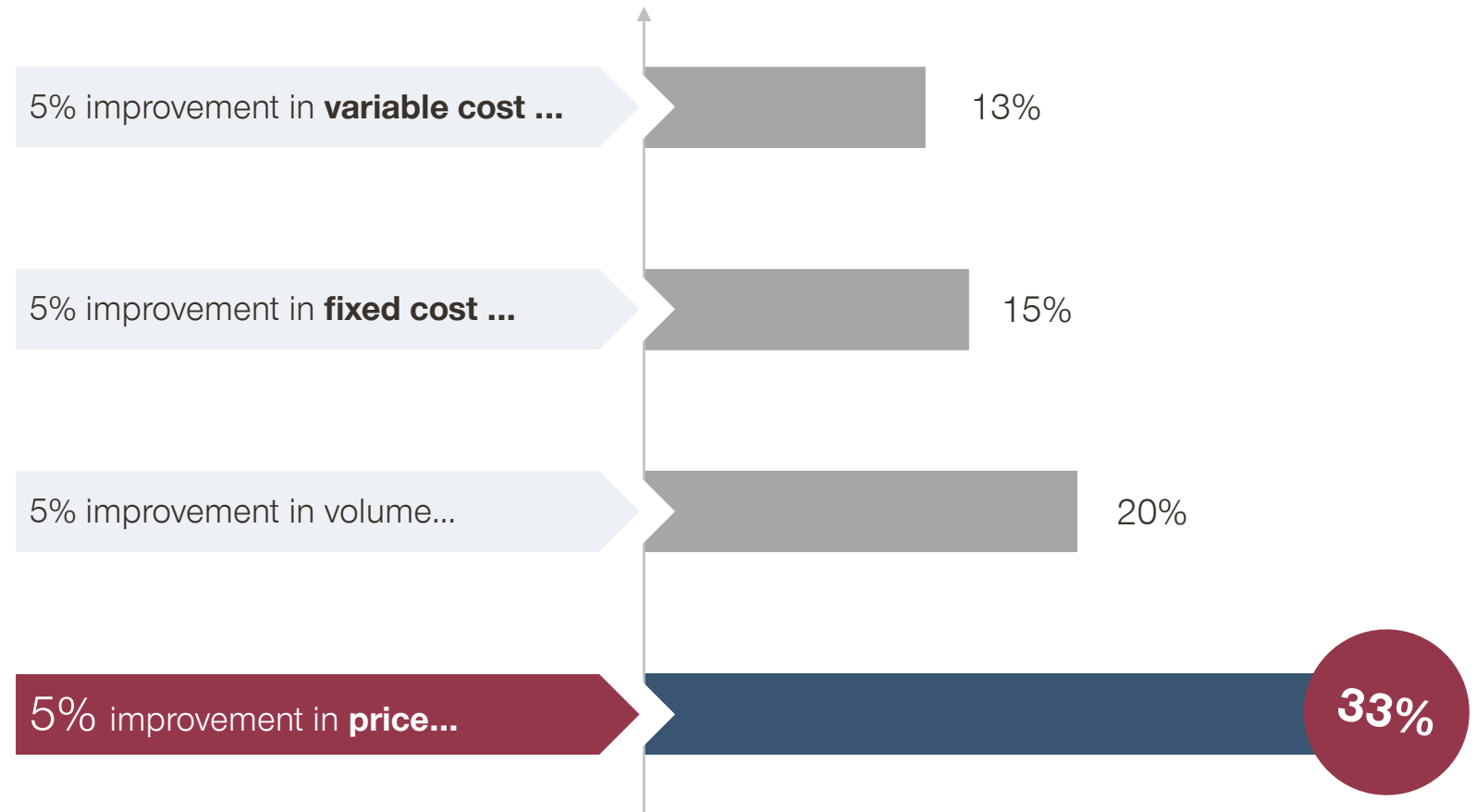
Source: Simon-Kucher & Partners, PE Value Creation Survey 2019, n=48; Q: What do you think is the typical ROI achieved by initiatives in the following areas?

This is because the economics of price are so compelling...

Typical Profit & Loss Structure



Resulting Improvement of Operating Income*



Source: Simon-Kucher & Partners; * Assuming all other variables are constant

Easy conclusion: Pricing power is the single most important value creation lever

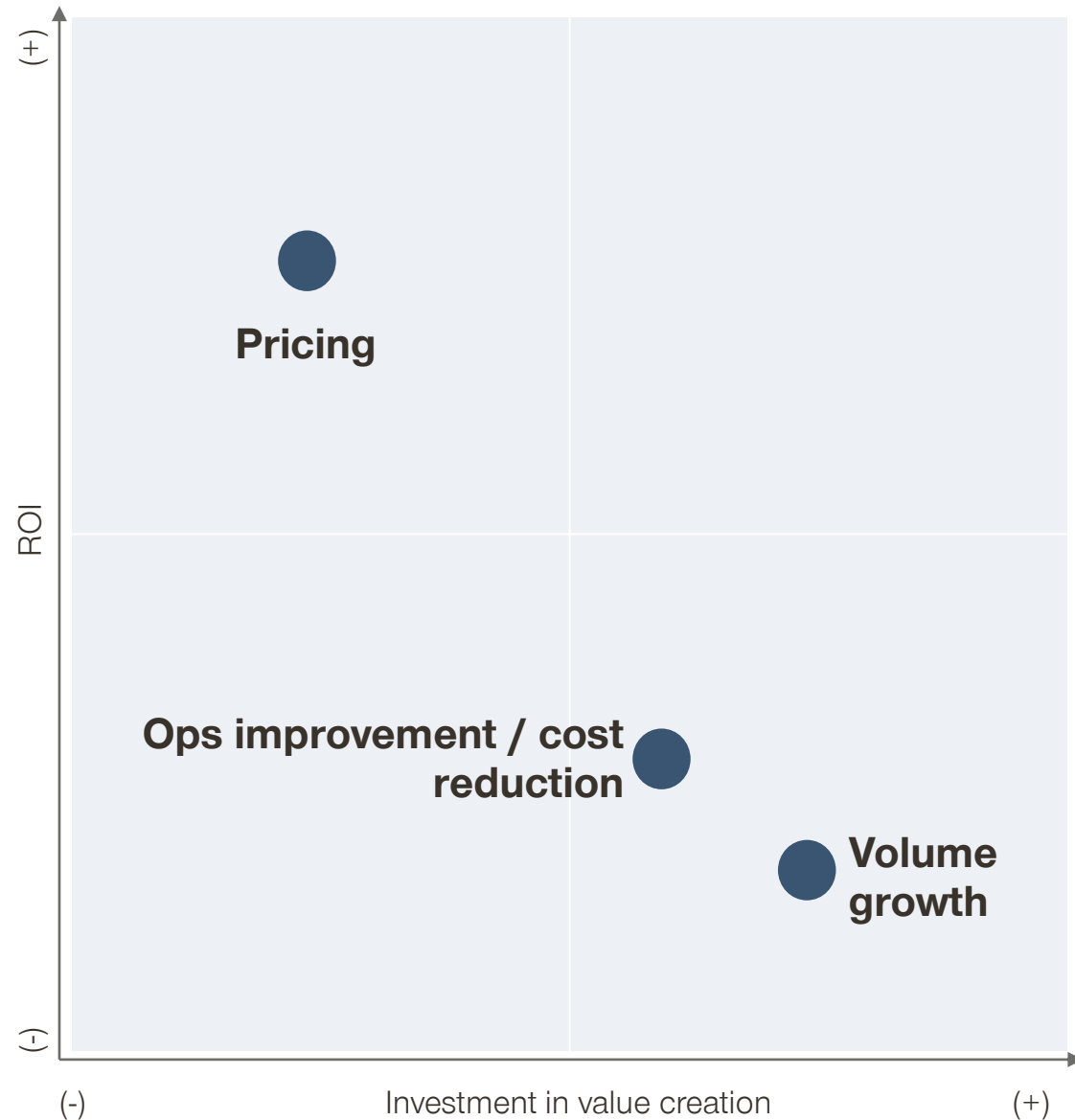
The single most important decision in evaluating a business is pricing power.

Warren Buffet

The #1 thing we get our companies to do is to raise prices.

Marc Andreessen

Hard reality: It is underinvested in generally (and specifically as a value creation lever)



This thing called 'price' is really, really important. I still think that a lot of people under-think it... You have a lot of companies that start and the only difference between the ones that succeed and fail is that one figured out how to make money, because they were **deep-in thinking through the revenue, price, and business model**. I think that's under-attended to generally.

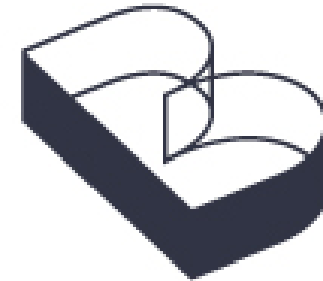


The Why

If its that obvious, then why aren't we all doing it?!



The experience from



LIVINGBRIDGE

Questions