*** PORTFOLIO: Copywriting ***

Blog / LinkedIn Article for Client's CEO

By Bob Hebeisen, March 2024

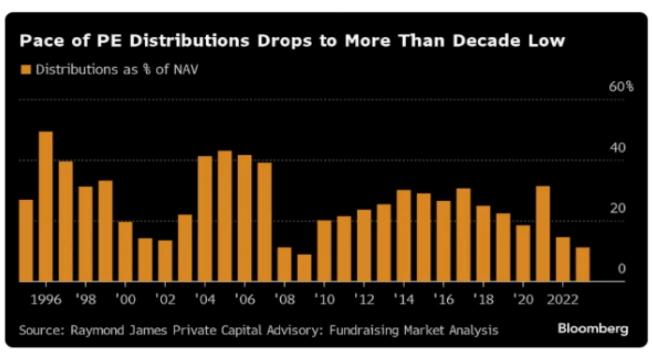
About the project: I researched and wrote this thought leadership LinkedIn Article for the client's CEO to represent the company's go-to-market strategy for selling into Private Equity and their portfolio companies.

[Boosting Enterprise Value Can Fix Both of PE's Biggest Problems]

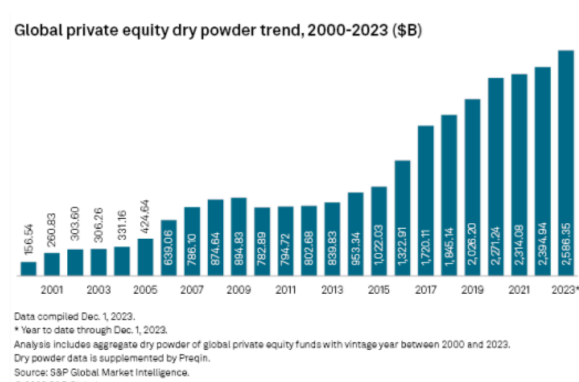
By Blake Wetzel

Chief Executive Officer at AuctionIQ

February 28, 2024



Private Equity Returns Plunge to Global Financial Crisis Levels - Bloomberg



Private Equity has had a rocky road in the past 12 to 18 months. In 2023, the number, value, and pace of PE exits fell to record lows not seen since the financial crisis 15 years prior[1]. Simultaneously, dry powder hit a record high, with $2.59 trillion earmarked for PE investment left sitting on the sideline[2].

Higher enterprise value is the answer to both problems logjamming PE

Both problems are a factor of investor dissatisfaction with valuations. Exits are stalled because investors are not satisfied with the payout they will get when they sell. And powder remains dry because the return predicted for investment is not high enough.

Boosting enterprise value is the foundation for achieving this. But how do you do this in today's business climate when growth has flattened, obtaining financing is no longer fast and cheap, and companies have already used (and over-used) their favorite cost-cutting tricks like layoffs and budget cuts?

Grow enterprise value by harvesting enterprise technology expense reductions

When we look at the expense reduction side of the profitability equation, the most common tactic is to cut departmental budgets and headcount. But these draconian methods have nasty side effects like reducing operational capacity, snuffing out investment in growth initiatives, and inflicting lasting damage to company culture.

A less frequently used tool in the expense reduction toolbox is optimization of the enterprise technology budget. The average company spends a lot of money on enterprise technology – around 15 percent of a company's revenue is a good ballpark. Our analysis shows companies are paying nearly 80 percent more for enterprise technology than market factors dictate[3]. AIQ's patented, data-driven techniques for enterprise technology expense optimization enable clients to reduce expenses by 40 percent or more. This amounts to serious savings that can be harvested and used to maintain projects, avoid layoffs, fund projects, improve EBITDA, and boost enterprise value.

Spotting quick turn-around opportunities for investing dry powder

PEs aiming to put dry powder to use are looking for good turn-around potential. How can PEs performing due diligence identify opportunities for quick fixes that are bogging down the prospect's valuation? The AIQ High Level Assessment is an analysis that does just that. Under nondisclosure, AIQ ingests high level ERP data from the prospect and within two weeks delivers a report identifying with 95 percent accuracy the technology categories that can be most effectively optimized and the predicted savings. AIQ's High Level Assessment helps you spot the diamonds in the rough and plot your improvement plan.

Boosting exit value of a portfolio company

PEs looking to maximize exit value might be interested in adding tens or hundreds of millions of dollars per year to their portfolio company's bottom line. AIQ routinely delivers this level of technology expense reduction. It can translate to 10 percent increased EBITDA and exponential boost to enterprise value.

How does AIQ boost enterprise value?

Just about every business leader believes they have negotiated good contracts and are paying fair market rates for enterprise technology, but our clients are almost always surprised by how much money we can save them.

AIQ has over 20 years of experience re-bidding and renegotiating technology contracts in dozens of technology categories including software, hardware, SaaS, BPO, telecom, technical services, cloud and data services, and information services. Our proprietary data from two decades of procurement consulting experience reflects real world pricing and vendors' discounting track record. We have extensive experience running procurement auctions, which are proven to be more than twice as effective at reducing costs than traditional RFPs or direct negotiation. Our turnkey service, which offloads work from busy finance and procurement staff, includes the initial analysis of expenses, prioritizing and planning the sequence of auctions, spec'ing company requirements, pre-screening suitable vendors, running the auctions, and delivering executable contracts to the client.

Sources:

[1]Bloomberg: Private Equity Returns Plunge to Global Financial Crisis Levels

[2]S&P Global: Private equity dry powder swells to record high amid sluggish dealmaking

[3]AIQ: Study Finds Enterprises Pay 79 Percent Higher Technology Costs Than Necessary

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