

Taking the right exit: Private Equity CFOs share their wisdom

Before the pandemic, Egon Zehnder had planned a dinner for private equity CFOs on the topic “How to make a good exit.” Instead, the CFO team, led by Barbara Kroll, hosted a series of virtual interviews with the four prominent executives listed below. Key themes included resilience, the power of ‘storytelling’ and how best to influence investors. They also discussed the differences between a pure IPO journey, a public-to-private transaction, and a private-to-private transaction, sharing their own experiences navigating each of these processes and recommendations for how to make them successful.

Aligning and managing stakeholders

The first key message that emerged from our interviews was that there should be strong chemistry between the PE fund and the CFO. “You want to be able to work with a PE fund that really wants you,” one CFO said. Another CFO emphasized the need to consider how the initial role specification fits with your personality and what you want from a role. Another suggested asking direct questions from the outset such as, “What do you expect from me?” and “How shall we communicate?” to set the tone for a healthy relationship.

It is also crucial to be spending extra time with the senior fund managers. During the pandemic, it has been especially important to use video conferencing in place of physical meetings to ensure watertight relations. In addition, if there's little connection between the CFO and the CEO, there will be a great deal of struggle throughout the process. This should not be neglected.

Identifying a path to value creation

Prior to taking the exit, value identification and creation is crucial. Our CFOs underscored the importance of making the leap from acting as simply a “financial accountant” to becoming “a true business partner.” Spending a great deal of time with the CEO co-running the business and remaining close to the customer were deemed important by one CFO. Another pointed to the motto “done is better than perfect” –, focussing on the prioritisation of three to four topics rather than trying to do everything at once. This framework was then utilised to drive simplicity for investors.

The role of ‘storytelling’

A strong theme throughout all the discussions was the importance of crafting a compelling narrative during an exit process. What proof points does one need to build case studies? Why are margins sustainable? All of the CFOs agreed that one needs to write the story first, then fit the details and numbers back into it, and that often strategy consultants can help identify the building blocks for this. They also recommended anticipating the kinds of questions that you might receive from groups of investors. In one example of an IPO exit, the CFO explained that the fact that “the story vision was presented first and then the financials were slotted into that” led to the success of the process.

Going towards a sale

One CFO reiterated the importance of “not being blinded by a high bid.” He recommended spending time to understand the mechanics of the buyer’s plan with the company, how integration may or may not be happening and the rationale behind the bid. Also, in strategic sales one might need to answer questions around leveraging synergies and long-term value; whereas if selling to another fund or in a public-to-private scenario, the exercise will feel more financial than strategic.

Being prepared for how the different contexts will stretch one's knowledge is vital. In one specific example, a CFO reflected that had he known they were planning on removing the management team, he would have liked to have taken more money out of the deal, but felt too blinded by the number. While chemistry between negotiating parties was an element to some processes considered, the CFOs agreed that price tops this consideration.

Staying energised

All of our guests spoke animatedly about needing a great deal of enthusiasm for these kinds of processes, as they are arduous and long. Energised by the chase, the feeling that they're making a difference and the passion for value creation has enabled all of them to conduct multiple exits throughout their careers.

Personal learnings

Reflecting on the process, one CFO pointed out just how important flexibility has been in terms of getting through the exit scenarios he's led. With this comes the need for a low ego, he said: "It's not about you; you're there to facilitate the transaction and create value for shareholders." Another key characteristic is resilience and staying calm through the inevitable stress, workload and turbulence of the situation. One thing that can arm CFOs and their teams to feel resilient, said one, is "knowing your stuff." Whether standing in front of private equity partners, investors or the management team, one needs to know enough to exude a level of knowledge about the business, but there is no need to fret over not knowing the minutia. A good number two is always recommended as well.

With thanks to:

Phil Marshall

Phil's spent 17 years with GE in both CFO and CEO roles, before moving into PE-backed CFO roles. In 2014, he became the Group CFO for Wood Mackenzie which was bought out pre-IPO. He next joined Exova Group where he coordinated a public-to-private transaction. Since 2018, he has been CFO at Avast which IPO'ed as the largest- ever software listing in the UK in May 2018.

Hilton Hess

Following 19 years at Unilever, Hilton joined Rentokil as a Divisional CFO, going through a significant business restructuring. Hilton next became CFO of PE-backed Allflex (now Antelliq) steering the business through significant acquisitions and refinancing transactions which was successfully exited to Merck. Hilton recently joined PE-backed VISTRA as CFO.

Peter Van Tiggelen

Peter led an international career in various pharmaceutical and medical device companies in the Finance function. He has coordinated 2 exits in his career, with the sale of AMCo in 2015 and more recently, with the sale of CRF Health in 2018. Currently he is the CFO at Itiviti, a PE backed fintech company based in London.

Jonathan Gomer

Jonathan's early career was with The Economist Group and FT Group before his move into Mergermarket/Acuris. He has made 3 successful exits through his career with Mergermarket/Acuris, most recently to ION. Jonathan has recently joined Burwash Investment Group as the Founder.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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