ankura
OFFICE OF THE CFO

WHERE'S MY MOIC?

Strategic Preparation for Maximum Value in PE Portfolio Exits

The Strategic Imperative of Early Exit Planning

In the high-stakes world of private equity, the difference between a good and great multiple on invested capital (MOIC) often hinges on meticulous preparation long before a formal exit process begins. As we move toward the second half of 2025, a window of opportunity is emerging for PE firms seeking optimal exits. With tariff uncertainties expected to settle and liquidity returning to the market, forward-thinking sponsors are already positioning their portfolio companies for this anticipated transaction boom.

Unfortunately, many portfolio companies find themselves scrambling in the final months before a transaction, addressing fundamental finance and operational issues that could have been resolved years earlier. These managerial oversights result in reduced investor conviction, which not only leaves significant value on the table but also puts a transaction in jeopardy.

The work of creating value and building investor confidence starts well before the transaction process gets kicked off. By showing well in diligence, management will instill confidence with investors, significantly increasing the chances of a successful outcome. Getting started now is imperative if a higher MOIC is the end goal.

Market Outlook: Positioning for 2H 2025

While 2023-2024 presented periodic challenges for exits, the second half of 2025 is poised for a robust M&A environment. As global markets adjust to new economic realities, the pent-up exit pressure will likely drive increased transaction activity. PE firms holding aging portfolio companies will be seeking liquidity, and strategic buyers with strong balance sheets will return to the market. This anticipated surge makes the first half of 2025 the critical preparation period for maximizing exit values.

TAILWINDS FOR INCREASED PE TRANSACTIONS IN 2025

5 years[1] Number of years more than half of the companies in mature buyout funds have been held. Firms are increasingly looking to transact to free up distributable capital.

75 bps[1] Expected Fed Funds rate cuts in 2025. Lower rates will bring new capital to private equity funds and make debt financing more accessible.

$2 trillion[2] Amount of private equity dry powder available to be deployed at the end of 2024. Lengthy hold periods and lower cost of capital (driven by lower risk-free rates) should be the impetus that unlocks pent up dry powder.

1 StepStone Private Equity Outlook 2025
2 Pitchbook; Preqin

The Finance Function: Your Exit Value Driver

A sophisticated finance function is no longer just a support operation—it's a strategic asset that directly impacts a company's enterprise value. Modern finance teams must transition from merely "reporting the numbers" to storytellers serving as strategic partners who drive value creation and translate data and metrics into a financial roadmap.

Investing in the finance function is essential for several reasons:

Building Credibility with Potential Buyers: A robust finance function that provides accurate and timely financial information builds credibility with potential buyers. It shows that the company is well-managed and that the financial data can be trusted, which is crucial during due diligence.

Enhancing Operational Efficiency: By investing in advanced financial systems and processes, companies can drive efficiency, enhance controls, and reduce operational risks. This not only improves the bottom line but also makes the company more attractive to buyers looking for streamlined operations.

Driving Strategic Decision-Making: A sophisticated finance function provides the insights needed for strategic decision-making. By analyzing financial data, the finance team can identify opportunities for growth, cost savings, and value creation, which are critical for maximizing exit value.

Supporting Future Growth: Potential buyers are not just interested in the company's current performance; they are also looking at future growth prospects. A finance function that can scale with the business, support future growth initiatives, and translate business inputs into achievable long-range financial forecasts helps buyers understand their realizable MOIC and provides transparency to the transaction.

Investing for Outcomes: Key Focus Areas

Given the critical role of the finance function, companies must take a deliberate approach when anticipating an exit. The first step should be a focus on people and leadership. Start with the CFO to set the strategy, build a strong finance team, and enable executive decision-making. Having an experienced leader who can drive the process is key to minimizing "surprises" and roadblocks. Furthermore, a strong presenter will provide confidence in potential investors during roadshows.

Once the team is in place, investment should be made in vital areas to grow EBITDA, generate cash flow, and achieve multiple expansion.

Ankura's Top 10 Pre-Exit Finance Readiness Checklist

CATEGORY	VALUE PROPOSITION	KEY ACTIONS
Optimize Financial Close Process	EBITDA growth through cost efficiencies; lower risk	• Streamline monthly closing to under 10 days • Eliminate manual adjustments and reconciliations • Implement robust audit trails and documentation
Enhance Financial Planning & Analysis	Multiple expansion through increased earnings credibility	• Develop dynamic, scenario-enabled financial models • Build three-statement forecasting capabilities • Establish track record of forecast accuracy
Implement Working Capital Optimization	Cash flow generation	• Analyze accounts receivable aging and customer base • Evaluate accounts payable, suppliers, and contracts • Assess inventory levels and turnover by SKU
Strengthen Management Reporting	Multiple expansion through compelling storytelling	• Identify the "Metrics that Matter" • Develop executive dashboards with drill-down capabilities • Establish "single source of truth" for financial data
Tighten Cash Management	Cash flow generation	• Implement 13-week cash flow forecasting • Rationalize bank accounts and relationships • Optimize debt structures and covenant compliance
Streamline Finance Technology	EBITDA growth through cost efficiencies; lower risk	• Consolidate disparate systems • Automate routine reporting • Implement advanced data analytics capabilities
Prepare Compelling Transaction Narrative	Multiple expansion through compelling storytelling	• Develop clear articulation of investment thesis • Quantify growth potential and cost-saving initiatives • Prepare supporting analyses for key value drivers
Establish Transaction Management Office	Fundamental for an exit	• Create centralized coordination function • Develop detailed transaction timeline and responsibilities • Prepare for multiple transaction scenarios
Right-Size Finance Organization	EBITDA growth through cost efficiencies	• Assess roles and responsibilities • Fill critical talent gaps • Train team on new processes and technologies
Conduct Salability Assessment	Fundamental for an exit	• Identify potential diligence issues before buyers do • Assess readiness across key transaction areas • Create remediation plan for identified gaps

Before the Quality of Earnings: Where to Start

While Quality of Earnings (QoE) assessments have become standard in PE transactions, they only examine historical performance. The often-overlooked "Quality of Finance" assessment evaluates how effectively the finance function supports the business, delivers insights, and operates efficiently.

The Ankura Quality of Finance® (QoF) assessment provides a comprehensive Prep for Exit Playbook that goes beyond traditional diligence. This structured assessment examines maturity, criticality, and level of effort across six key focus areas:

- Accounting and Financial Reporting
- Finance Organization
- Financial Planning & Analysis
- Finance IT
- Order-to-Cash and Procure-to-Pay
- Treasury and Capital Management

When managers adopt the QoF early on, the benefits of better insights and performance accumulate, not only through direct outcomes but also by equipping management teams with superior information.

The Ankura Office of the CFO® Approach: Hands-On Value Creation

The most successful transactions begin with preparation 6-24 months before formal processes launch. Ankura Office of the CFO® provides the expertise and execution support to maximize transaction value through a hands-on, action-oriented methodology. Rather than simply identifying issues, Ankura OCFO® works alongside management teams to implement practical solutions that drive measurable value with an approach that includes:

- **Establishing the Foundation**: Understand the business through an Ankura Quality of Finance® (QoF) rapid diagnostic. From there, Ankura OCFO® will ensure basic financial needs are met including forecasting, business plan assessment, and scenario development.
- **Engaging in Financial Optimization**: Analyze debt capacity, evaluate covenants, and refine capital structure. Explore strategies to de-lever an investment and increase MOIC.
- **Preparing for Exit**: Centralize coordination, develop roadmaps, and address critical gaps.

Ankura OCFO® doesn't just plug holes; the mandate is to deliver rapid, sustainable, and repeatable improvements to support long-term growth. This collaboration model employs a "flex-to-fit" approach, deploying resources where they create maximum impact—whether through interim roles, defined projects, ecosystem support, or board-level guidance.

The Call to Action

As the M&A market positions for a robust recovery in the second half of 2025, the window for preparation is now. PE firms and portfolio companies that invest in financial readiness today will capture premium valuations tomorrow.

The choice is clear: address financial fundamentals proactively to maximize exit value, or react to buyer concerns during diligence and accept valuation discounts. The most successful PE firms are already making this investment—working with experienced partners like the Ankura OCFO® to transform their portfolio companies' finance functions into strategic assets that drive MOIC.

Don't wait until the CIM is being drafted to enhance your financial foundation. The time to start is now.

To discuss how the Ankura Office of the CFO® can help prepare your portfolio companies for maximum exit value, contact our team.

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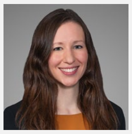

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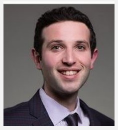

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