

Portco Speed Rounds

Technology transformation



The roadmap for technology-driven growth

Portfolio companies pursuing technology transformation face significant challenges - and opportunities. A comprehensive technology strategy that aligns with the overall business strategy is essential for Portcos, and it must involve the entire C-suite to avoid narrow business cases and to confirm a holistic approach. The strategy should be pragmatic, with a focus on cost containment, flexibility to adjust to future company growth and a clear roadmap that can deliver sustainable value within the investment time frame. In private equity, technology strategy must enable growth.

Leadership considerations

- ▶ **Chief technology officer/chief information officer**
Have the existing technology infrastructure and architecture been assessed and upgraded across the entire business? Is the technology strategy aligned to the deal thesis? Are investments in innovation and emerging technologies that offer competitive advantages to the business and support future growth being prioritized? Have robust cybersecurity and risk management measures been implemented?
- ▶ **Chief financial officer**
Are you prioritizing capital efficiency while verifying that technology initiatives are financially viable to contribute to the bottom line? Are you establishing and revisiting business cases and considering self-funding initiatives? Has a comprehensive data strategy been developed that enables the company to leverage data for insights and decision-making?
- ▶ **Technology operating partner**
Are you delivering measurable ROI back to the PE firm on each project? Can you provide clarity on the technology initiatives that will enable growth, optimize costs and accelerate speed to value?

The fund perspective

A sluggish deal market has prompted fund managers to increasingly focus on asset valuations through technology transformation initiatives, with an expectation for increased exit multiples upon sale.

The Portco perspective

Portfolio companies that have executed against a clear technology strategy and roadmap aligned to business goals and the overall investment thesis tend to sell at higher multiples and achieve improved EBITDA.

Takeaway

From the outset, it is critical for portfolio companies to remain laser focused on pursuing technology transformation strategies in the first half of the holding period. However, they must also adopt a continuous improvement mindset that constantly seeks further innovation and optimization of opportunities. This approach should be ingrained in the company culture to differentiate high-performing companies from the rest. Additionally, the end state of transformation may extend beyond the exit horizon, emphasizing the need for a long-term strategic vision.

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