

## Private Equity Value Creation: The Drivers That Separate Top Quartile Deals



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Top private equity / independent sponsor value drivers:

- EBITDA entry multiple remains the dominant return driver with 2.5x times higher exit proceeds for top quartile vs lowest quartile deals (measured by the ratio of Enterprise Value / EBITDA).
- Build through operational value creation (operating partners driving professionalization, enhancing the management team, detailed value creation plans, etc)
- Multiple liquidity strategies are essential (dividend recap, sale-leaseback, minority equity sales, full sale, etc.)
- Systematic searching for proprietary / semi-proprietary deals, carve-outs, busted processes, etc.
- Use creative deal structure / deferred consideration to win the deal, bridge valuation gaps, and create alignment of interest (hint: yours truly may be speaking on this topic in Miami very soon)

Lesson: don't be the independent sponsor who signs up a deal at too high a price, without the proper deal structure (i.e., lack of / insufficient deferred consideration), and/or without an executable playbook for growth.

John Koeppel's commentary on "[Apollo Says PE's Easy Money Era Is Over](#)" article for Private Markets Insights.

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