

Building Great Investment Outcomes: Conviction Meets Discipline



A great investment outcome blends **deep conviction** with **disciplined execution** across the full deal lifecycle - from sector selection to exit. While luck can tilt outcomes at the margin, repeatable success is built on four pillars: **research depth, founder selection, operational value creation, and valuation discipline.**

Recent studies highlight that **revenue growth and business improvement now account for nearly half of private equity value creation.** In this environment, **sectoral tailwinds, leadership quality, and hands-on value creation** have become central to driving returns.

Deep Industry Knowledge

Selecting verticals with **secular growth and attractive industry structure** improves the odds of revenue and profit expansion. Analysis of more than 10,000 PE investments shows:

- **54% of value creation comes from revenue growth.**
- Companies with faster revenue growth command **30–50% higher exit multiples.**

The implication is clear: returns compound when investors pick growth pools early, enter at the right moment, and actively **build ecosystems that accelerate sector-wide growth.**

Finding the Leaders

Market leadership is a durable driver of excess returns—through economies of scale, pricing power, and slower competitive fade. But leadership is not only about market share: **profitable execution with a defensible niche** can be equally powerful.

Evidence shows cohorts of firms consistently improving ROE significantly outperform peers, reinforcing how capital efficiency and competitive advantage translate into returns.



Founders and Culture

Founder quality is often the decisive factor. Integrity, resilience, and cultural fit influence fundraising success, scaling pace, and exit probability.

- A strong founder can deliver an exceptional outcome from an average business.
- Conversely, weak leadership can erode value in an otherwise attractive asset.

Effective founder diligence relies on **long-term engagement, peer references, and pattern recognition**—an art honed through experience and networks.

Entry at the Right Valuation

Valuation discipline remains non-negotiable. While **multiple expansion historically accounts for ~32% of value creation**, it is an unreliable base-case assumption.

Returns are maximized by **paying a fair price aligned to market conditions, founder quality, and competitive positioning**, while underwriting value creation primarily through operating levers.

Value Add Post-Investment

Operational value creation drives **~46% of returns in current markets**, with **two-thirds attributable to revenue growth**. The modern playbook centers on:

- **Sales effectiveness** and pricing discipline.
- **Product expansion** and adjacencies.
- **Buy-and-build strategies** that accelerate revenue, margin, and multiple uplift.
- **Turnarounds**, especially where entry EBITDA margins are low.



Building the Right Team and Capital Stack

Leadership quality materially shifts outcomes—studies link top-quartile engagement to **18% higher productivity** and **23% greater profitability**. Yet many portfolio companies lack robust succession planning, creating key-person risk at exit.

Mitigation requires **leadership assessments, succession planning, and deliberate team design**.

On the balance sheet, **capital stack optimization** ensures capital efficiency without sacrificing resilience—demanding constant calibration across debt and equity layers.

Expanding Adjacencies and Geographies

Growth levers extend beyond the core:

- **Adjacency moves** expand product breadth.
- **Geographic expansion** unlocks cross-border demand when paired with replicable commercial models.

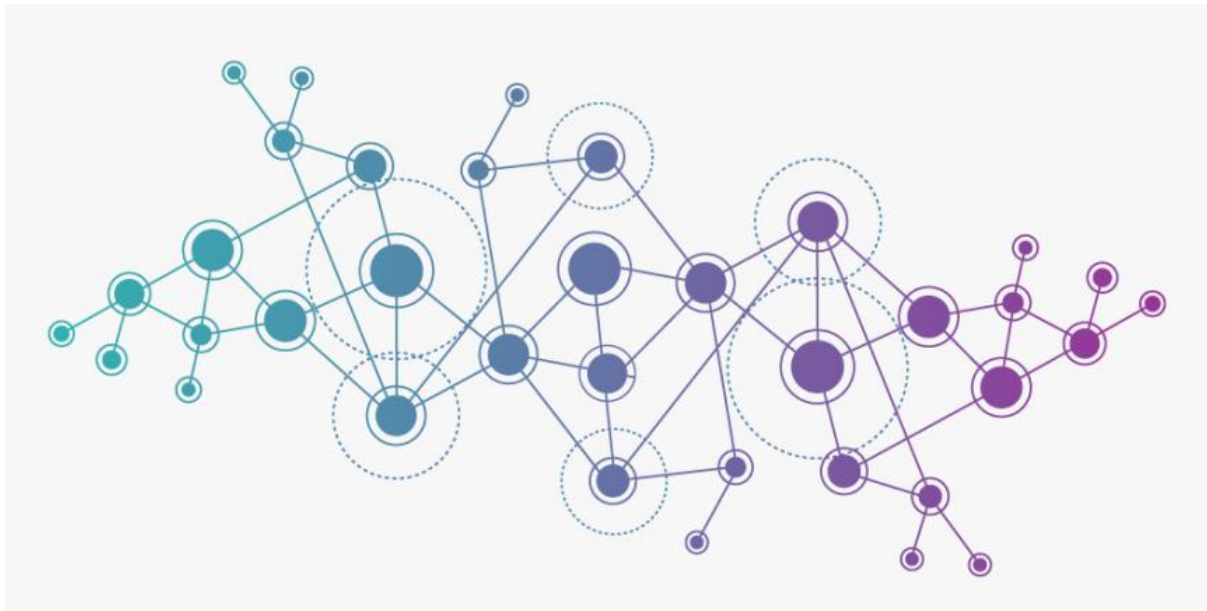
These strategies work best when backed by strong pricing, sales force effectiveness, and operational discipline to capture profitable share.

Exit with the Right Partners

Exit is where value is realized. Faster growers not only command **30–50% higher multiples** but also attract stronger counterparties—whether strategic acquirers seeking scale or sponsors looking for growth momentum.

Successful exits require:

- Aligned timing with liquidity cycles.
- Stress-testing for long-term droughts.
- Storytelling and KPI alignment with buyer priorities.



Pattern Recognition and Networks

Ultimately, superior outcomes depend on **recognizing repeatable patterns**—how growth, margins, and multiples interact by sector and size—and on **leveraging networks** to source proprietary or advantaged deals.

Networks compound at both sponsor and company levels: better access, stronger founder diligence, and more effective scaling. This **ecosystem advantage** differentiates investors who consistently outperform.

Putting It All Together

Great investment outcomes remain probabilistic, but the odds improve dramatically when conviction is combined with discipline:

- **Focus** on secular growers in attractive industries.
- **Prioritize** leaders with proven or potential category dominance.
- **Underwrite** founders and teams with evidence-based judgment.
- **Maintain** valuation discipline, assuming returns come from operational work.
- **Execute** rigorously across sales, pricing, adjacencies, buy-and-build, leadership, and capital stack.
- **Engineer** exits aligned with growth momentum and market cycles.

When sector expertise, leadership quality, operational excellence, and valuation discipline are compounded through **network-enabled sourcing and execution**, the result is not just strong returns—but repeatable, sustainable value creation.