



WHITE PAPER

Powering Digitally-Led Success Across the Private Equity Landscape



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Abstract

The Private Equity (PE) industry has reached the point of saturation. PE firms are strategizing to stay ahead in today's hyper-competitive marketplace. Although there are significant differences in how they operate, one common key requirement for them is to **focus on and invest in technology, i.e., digital transformation, talent management, and optimization of capital expenses.**

Technology brings in the required efficiency while streamlining processes. This further fuels value creation for portfolio companies, attracting and securing better deals. This whitepaper will explore how a tailored technology transformation approach can deliver increased revenue. We will also discuss how embedding the right framework can support PE firms throughout the different stages of their investment life cycles.

Introduction

Typically, a Private Equity (PE) firm acquires companies experiencing financial stress and lackluster management. The firm then restructures company debt and hires new management to enhance operational procedures. But endless, manually handled spreadsheet databases on different systems can lead to the firms appearing under-prepared to effectively fundraise or manage processes with the necessary sophistication. They face a growing complexity when making capital investments in ISVs that are not publicly traded. Often the expected efficiencies of specific functions are absent, and sometimes they are even reversed. It leads to cost disadvantages when scaling.

The volatility of today's economy has led to age-old bespoke solutions creating more problems than they solve. But investors are getting increasingly sophisticated in infusing growth into their portions and whom they are willing to bet on. This leads to deep expertise, focus, and decisive agility to be more favored in a hypercompetitive market—all of it backed by technology. All of this boils down to the reality that in a high-valuation environment, the firms must identify an innovative and effective 'digitally-led' investment thesis to create value for their company or product. Adapting to **digital technology** and **agility** can disrupt the industry's existing dynamics, bringing in **more revenue** and **EBITA (Earnings Before Interest, Taxes, and Amortization.)**



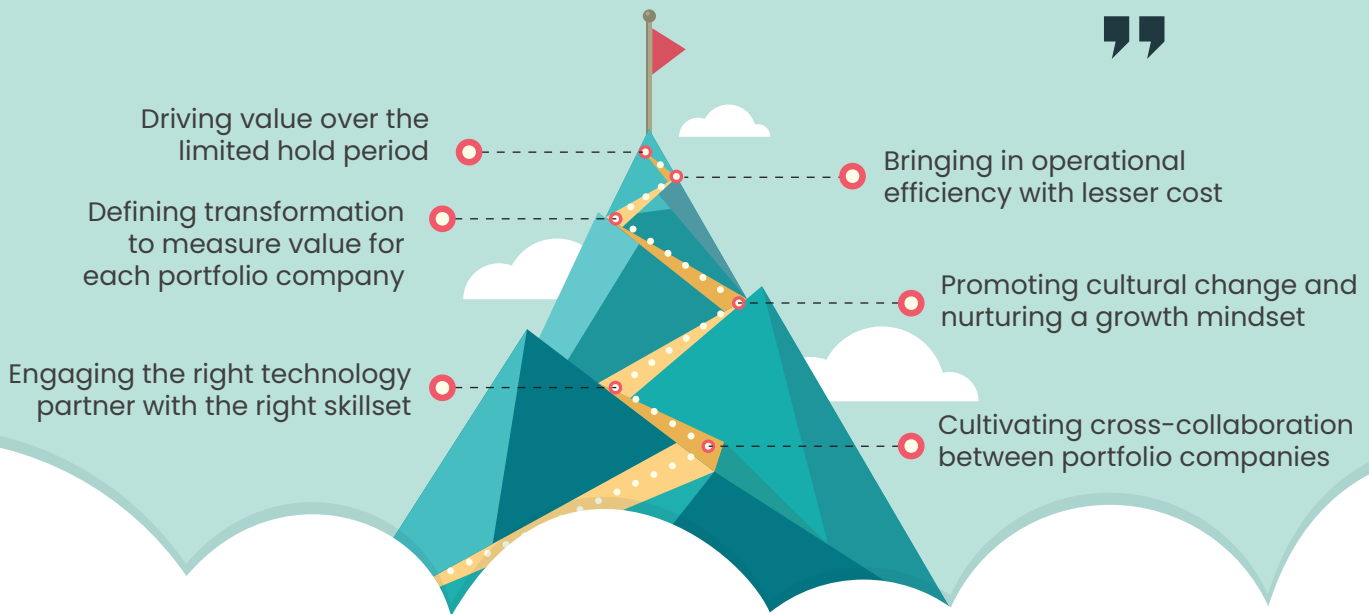
Adapting to Technology-Led Value Creation

PE investments play a distinct but essential role in keeping economies afloat, especially in times of crisis. With digital innovation transforming industry after industry, (a trend accelerated dramatically by the Pandemic) investors are now responding by using the new capital to bolster their portfolio companies' competitiveness. In many cases, the traditional focus on cost and efficiency has given way to a widespread belief that technology-enabled growth and disruption are more potent value drivers.

But while the digital approach is taking over the industries, several obstacles still hamper the adoption of technology.

The Key Challenges Faced in Value Creation

“ Technology transformation, done well, can bring in value to portfolio companies and maximize exit returns. ”



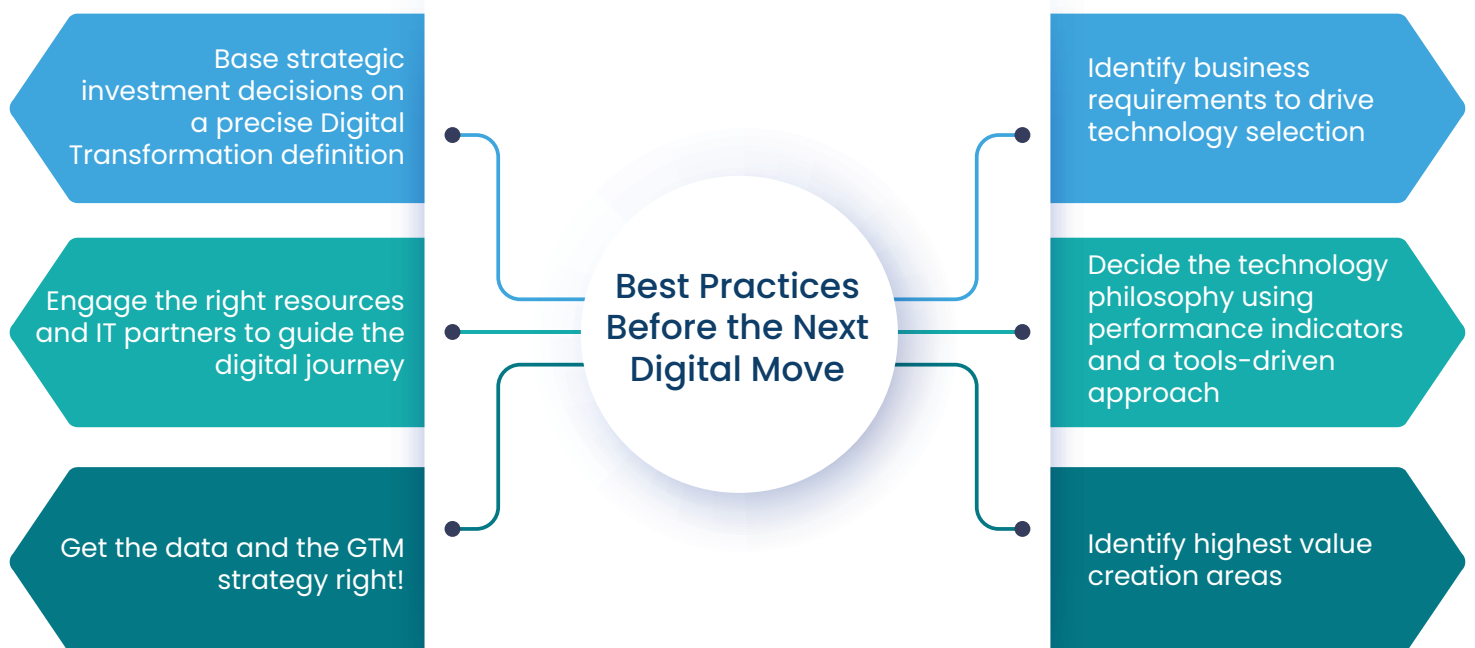
The risks are high, but they can also be mitigated via problem orientation and the implementation of best practices. Incorporating technologies help benchmark portfolio companies according to a customer base, product/brand reviews, and employee sentiments. These practical insights bolster a tailored value-creation plan.

Many PE firms are turning to partnerships for digital transformation that can improve their operational efficiency with analytical capabilities. A third-party partner can empower them to focus on their core value-adding tasks while enabling them to scale efficiently.

Approaching Modernization: Best Practices for Tech Transformation

“ Digital transformation is an integral part of the PE playbook. It can unlock the future potential of portfolio companies. ”

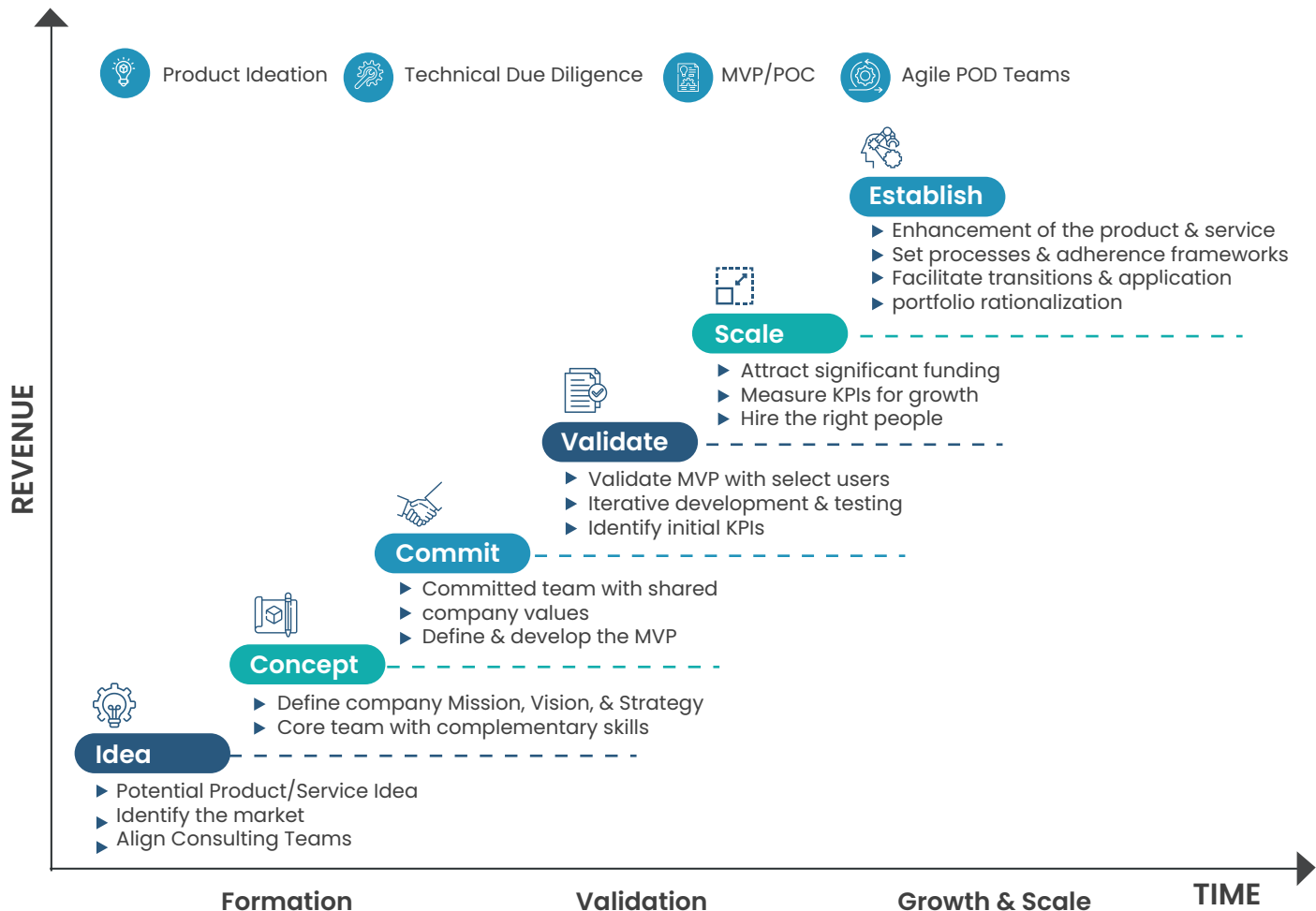
A well-thought-out digital vision enables organizations to better portray strong growth for their companies. Implementing the best practices allows businesses to amplify the potential for success.



Stages of an Investment Life Cycle

By adopting the right strategic direction, the investors can meet the needs of the dynamic PE market. A tailored approach throughout a deal's lifecycle empowers the investors to add crucial value to their portfolio companies' processes. Based on a portfolio company's 'investment lifecycle stage' and 'technology maturity level,' different capital amounts and technology approaches are required to take it to the next phase.

“ It is not about bringing in new technology;
it is about transforming the business. ”



I. Formation: The essential first stage for maximizing the potential of any business. This is where investors define 'what is digital,' pen-down concrete roadmaps, and identify the highest potential digital value creation areas.

At this stage:

1. The firms' digital strategies are formulated & aligned to business vision, conceptualizing the platform/product.
2. Products, competition placement, people, and process insights are evaluated.

II. Validation: The building stage where engineering solutions are conceptualized to deliver what is expected. In this stage, the firm is empowered to build the required products and services as envisioned.

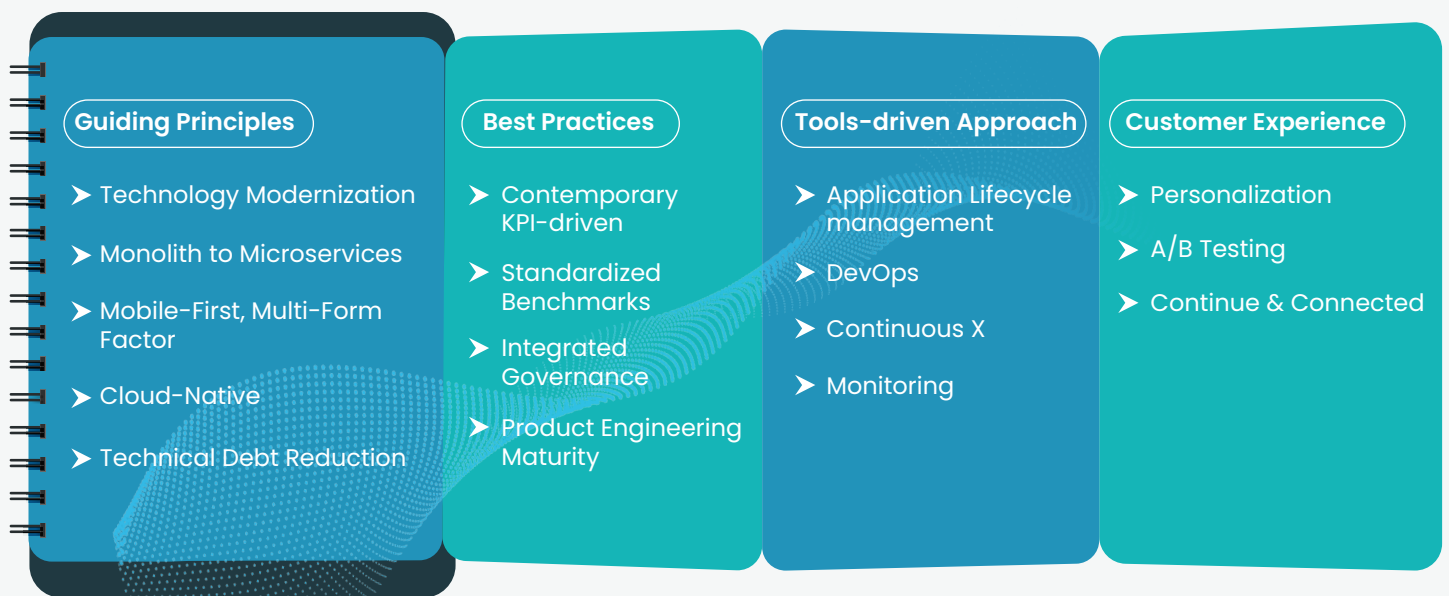
III. Growth: The stage where companies experience exponential growth. A firm's focus here is to boost ROI and capture market segments. More emphasis is placed on modernizing technology, increasing operational efficiencies, and reducing tech debt.

And Cybage enables investors to thread in success throughout the fabric of this transformation!

PE firms have their own priorities and goals when they invest. Our specialized offerings enable them to get the most out of their investments within optimized timeframes. From change in management, business goals, & offerings to the business's localization or globalization, we capture the ISV's change when a PE invests. Leveraging this strategic partnership, firms can introduce transparency into the equation and break the linear relationship between costs and scale.

A Partner at Every Stage – The Cybage Playbook

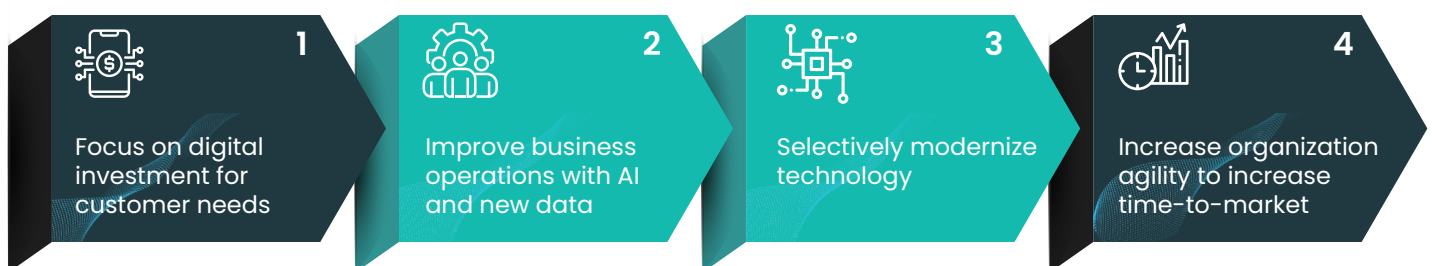
The Cybage approach is to develop a value creation 'Digital Playbook' for each industry and segment. New pages are continuously added to the playbook enabling decision-makers to take advantage of the transformation potential lever. This lays out the foundation for an **already-defined digital objective**.



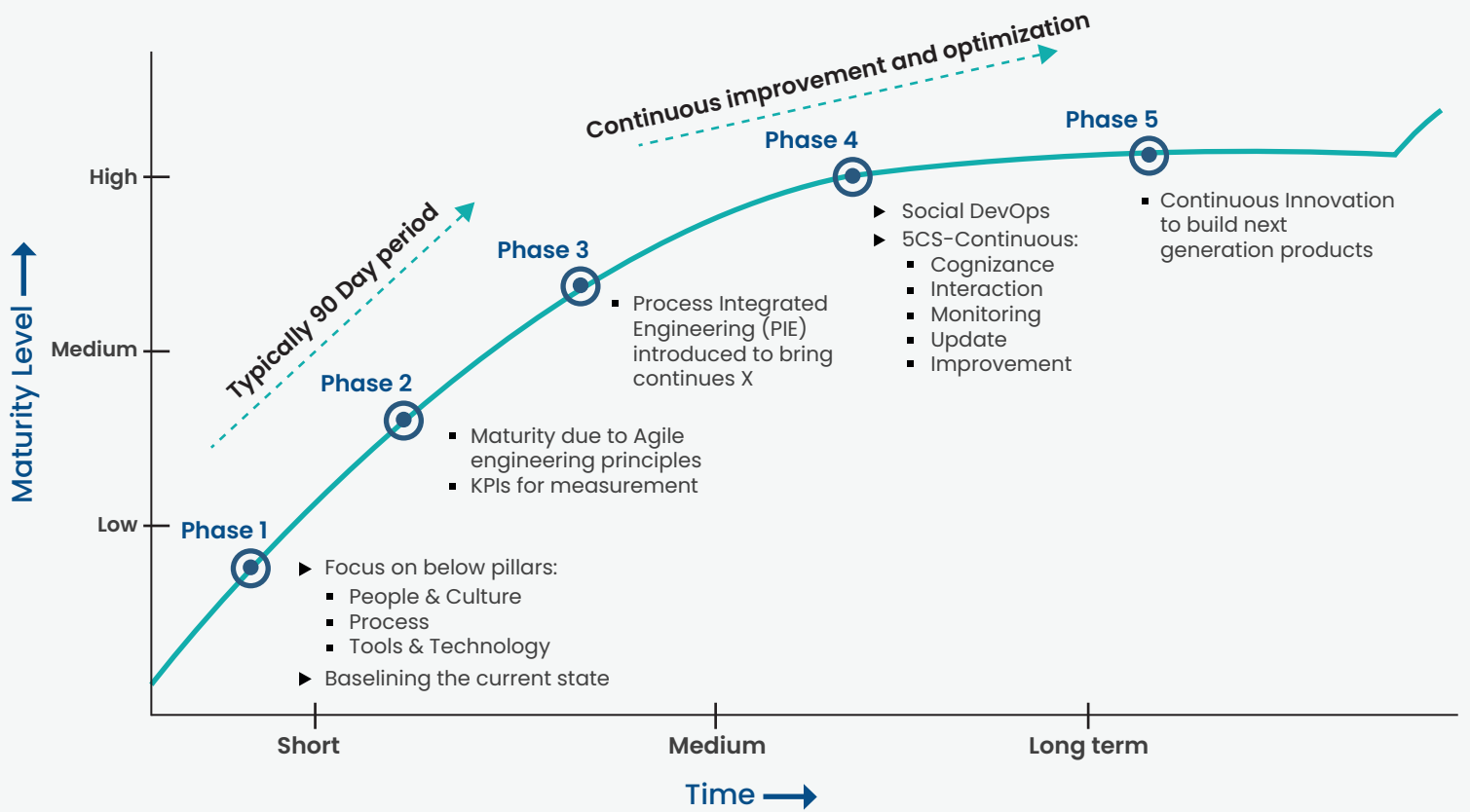
90 Days for Value Creation

In pursuing value creation, one of the biggest challenges for today's firms is executing a program effectively and on time. A practical plan **drives operational change and improves performance**, paving the path for the **defined digital roadmap**. With several years of expertise and acting as strategic partners for PE firms, our experts have conceptualized a **specialized 90-day plan for tailored value creation**.

The four pillars of Value Creation



The approach is divided into **5 phases** to meet the defined agenda. This has inbuilt **continuous innovation steps** to ensure **next-generation products and measurable value outcomes** for companies.



In the initial phase, the aim is to understand and baseline the current state - **People, Processes, Tools & Technology**. This leads to a better understanding of the existing ecosystem and deriving the 'to-be' state for Continuous X (Learning, Innovation, Delivery, etc.) The PIE (Product Intensive Engineering) methodology ensures that tools are introduced right from the SDLC process' beginning. So, the issues are identified earlier, and **Shift-Left Philosophy** can be adopted. DevOps allows for resilience to be integrated into the builds and deployments, enabling quality and faster roll-outs.

Continuous Innovation & Optimization

There has been an upward trend in **AI Ops/enterprise monitoring, digital experience, continuous and connected platforms, automation aggregators, and intelligent feedback/insight-driven tools** being built into and underpinning the entire customer journey.

Measurable Outcomes:

Performance outcomes are calculated based on:



In addition, Cybage's DecisionMines™ de-risks partnerships and enables business transformation for PE, allowing them to manage the new addition in their ecosystem. We present a single supply source for everything investors need as soon as it makes an investment headway.

Summary

In high-valuation environments, both PE firms must outline and follow compelling 'digitally-led' investment visions to create value for the companies within their portfolios. Digital technologies and agility together have the power to disrupt existing dynamics and enable these firms to bring in more revenue.

Our unique 90-day approach and methodology are outlined to keep the ever-changing industry's ever-evolving requirements in mind. The approach enables us to define a suitable digital roadmap and deliver within the stipulated time to differentiate portfolio companies' performance.

