CASE STUDY

Commercial due diligence

Industrial services

An industrial services company had suffered from slow growth and low profitability but had begun a recovery

Our client, a New York based Private Equity fund, wanted to acquire a stake in the business

SATOV had a mandate to evaluate the stability of the current business and identify near-term growth potential

The customer base was heavily concentrated with large upcoming contract renewals; we conducted deep primary research to validate stickiness

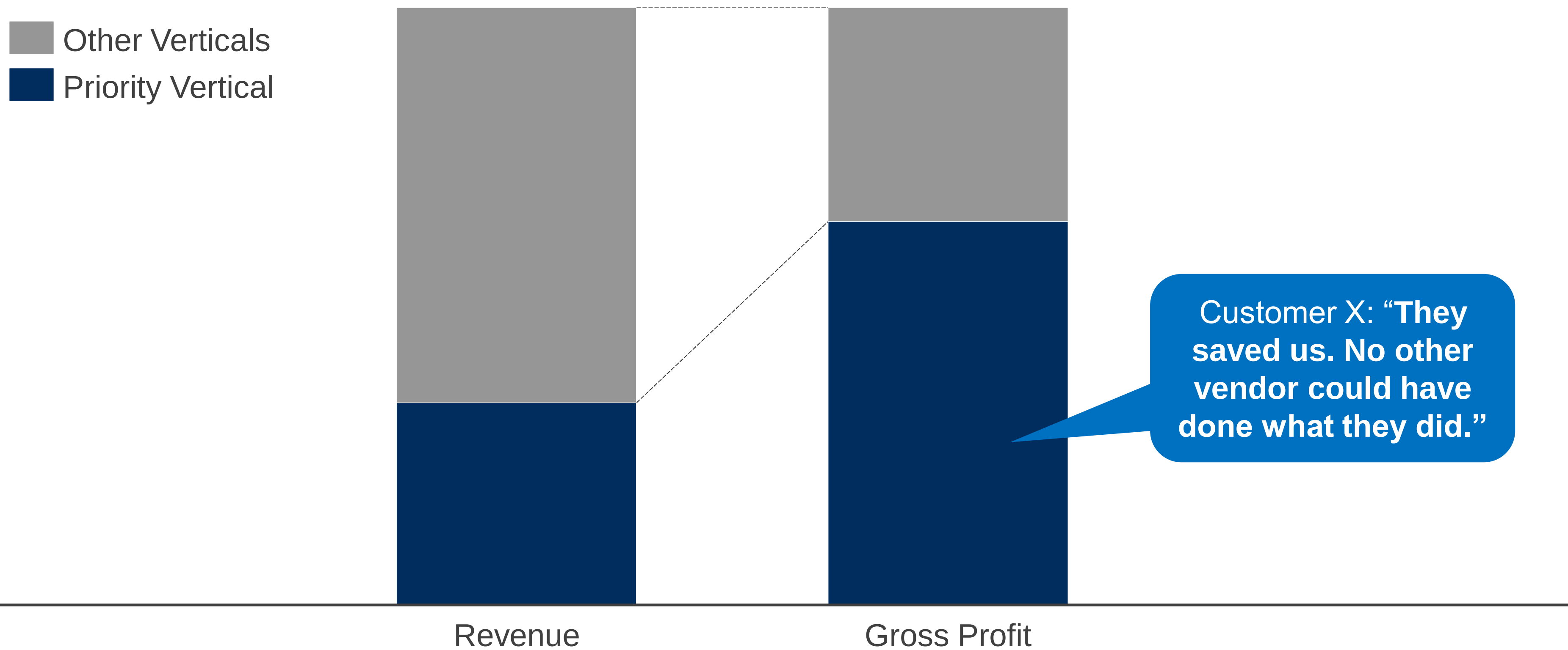
We also articulated an opportunity for further growth in select verticals

Our client acquired the asset and early growth indicators are positive!

The target performed well in their niche

Revenue and gross profit
by client vertical

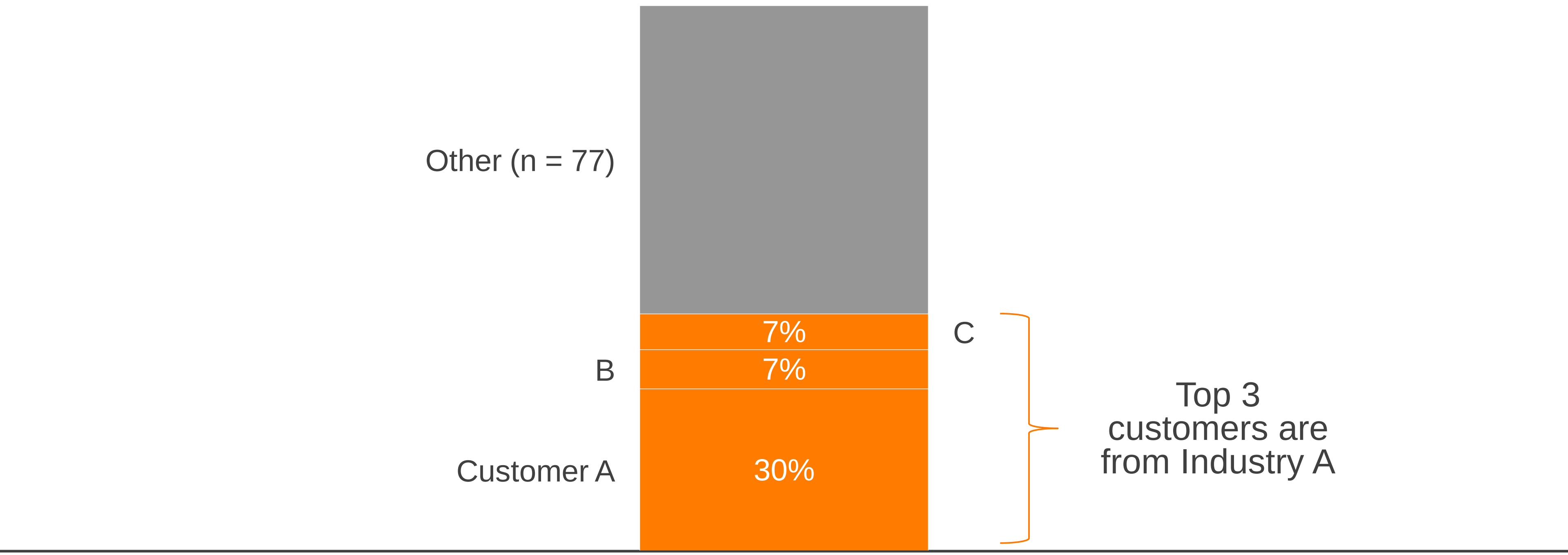
$M, Year X



There was concentration risk

Gross profit by customer

$M, Year X



The most important customers appeared sticky

“**We have never considered switching.** Not now and not in the future. **They are a top-tier supplier. They are a 10/10**”

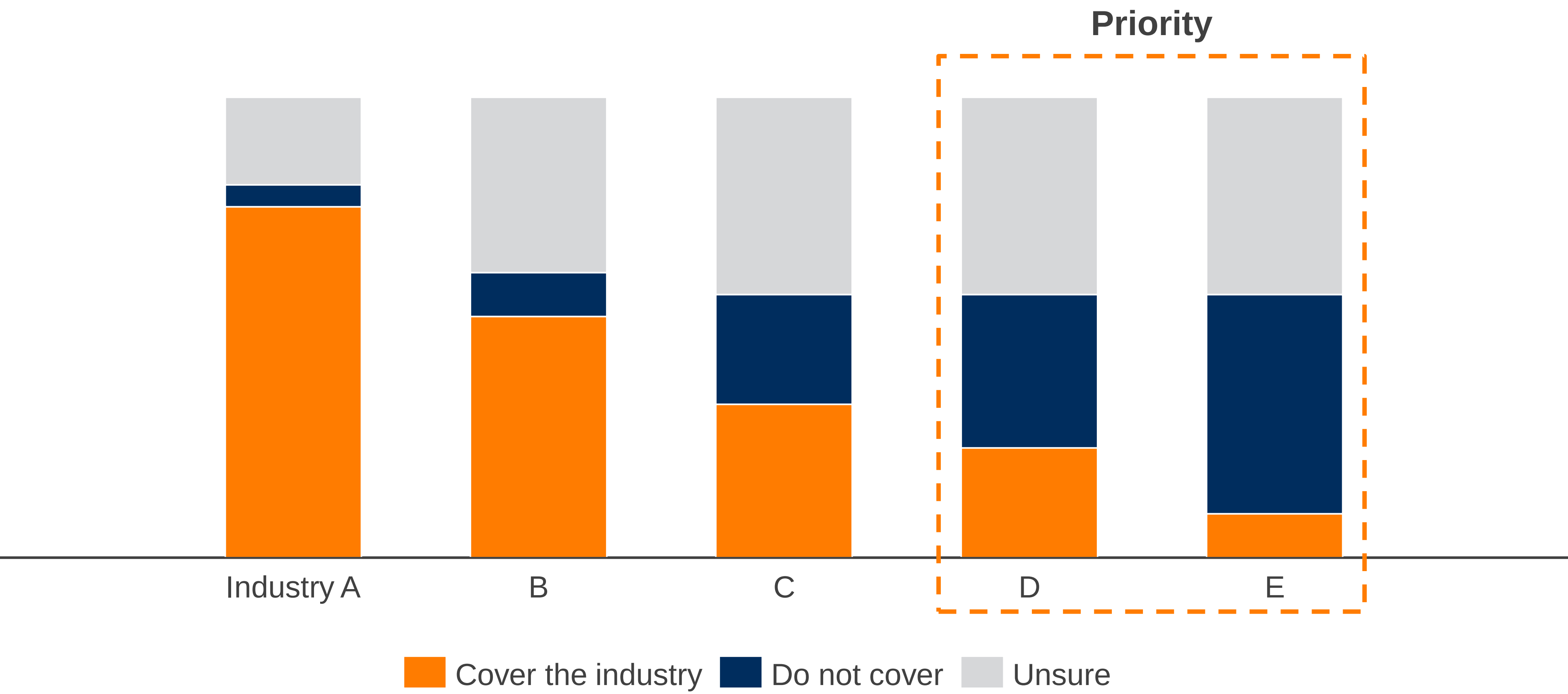
“We could certainly get better pricing, but **we are loyal and wouldn’t switch solely on price**. **We expect to stay with them**”

“We haven’t experienced any issues so far. I’d **recommend them to anyone who is looking**”

We found opportunities our competitors missed

Competitors by covered industry

#, Year X



We projected the financial impact of a recession

Recession impact on customers' sales	×	Target's revenue sensitivity to changes in customers' sales	×	Year X gross profit
Weighted average growth in Target customers' revenue between 2008 and 2009		Ratio of change in Target's revenue to change in customer sales in 2009		Actual financial results

We left our client with a quantified priority list

	EBITDA Impact Range
Manage the current pipeline	\$3M – \$5M
Complete penetration in existing verticals	\$5M – \$8M
Expand to new verticals	\$5M – \$9M

	EBITDA Impact Range
Manage upcoming renewals	(\$5M)
Ride through the recession	(\$2M) – (\$4M)