



REPORTING

DESCRIPTION

- Refers to the accuracy, consistency, and timeliness of a company’s financial and operational reporting.
- Strong reporting systems provide reliable, actionable insights that help drive decision-making, and enable quick identification of issues.
- Weak reporting leads to poor decision-making, missed opportunities, and a lack of transparency, which can raise concerns during due diligence.

WHY PRIVATE EQUITY CARES

- PE firms value businesses with robust reporting systems because it provides clarity and transparency in financial performance, operations, and key business metrics.
- High-quality reporting reduces operational risk, improves forecasting, and instills buyer confidence.

IMPACTS ON SELLER

- **Strong Reporting:** Higher valuation due to confidence in accurate data, effective decision-making, and transparent financials.
- **Weak Reporting:** Lower valuation due to the perceived risk from unreliable or inconsistent data, potential for hidden problems, and delays in addressing them.
- **Reporting Improvements:** A potential buyer may see opportunities for improving reporting, but a business with weak reporting will face initial valuation discounts.

EXAMPLE

| Factors | Weak | Medium | Strong |
|--------------------------------|------------------|-------------------------------|--------------------------------------------|
| Data Accuracy | Unreliable Data | Some delays & inconsistencies | Highly accurate data that drives decisions |
| Valuation Impact | -15-30% discount | -10-15% discount | +0-10% premium |
| Buyer’s Risk Perception | High | Moderate | Low |

