



# MANAGEMENT EXPERIENCE & STRENGTH

## DESCRIPTION

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- Refers to the leadership team's expertise, depth, track record, and ability to drive the company's strategy and operations.
- Strong management ensures growth and operational efficiency, while weak or inexperienced leadership increases risk and potential instability.
- Leadership residing solely with the owner also increases the risk profile of the business.

## WHY PRIVATE EQUITY CARES

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- PE firms prioritize capable leadership to manage growth, mitigate risks, and ensure long-term success.
- Experienced management teams reduce perceived risk, increasing buyer confidence.

## IMPACTS ON SELLER

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- **Strong Leadership:** Higher valuation due to confidence in execution.
- **Weak Leadership:** Lower valuation due to concerns over future performance and management instability.
- **Leadership Gaps:** Possible discount due to perceived risks of leadership transition.

## EXAMPLE

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Factors	Weak	Medium	Strong
<b>Experience</b>	<5 years average tenure	5-10 years average tenure	10+ years average tenure
<b>Valuation Impact</b>	-20-40% discount to EV	-10-20% discount to EV	+0-10% of EV
<b>Buyer's Risk Perception</b>	High	Moderate	Low

