AN EXECUTIVE BRIEF · PRIVATE EQUITY

From Investment Thesis to Verified Value

Why Portfolio Value Creation Breaks Down — and How Operating Intelligence Helps Restore It

For Private Equity Operating Partners, Investment Teams and Portfolio Leadership

EXECUTIVE SUMMARY

Private equity has entered a new era of value creation.

Operational improvement has become a larger contributor to investment returns as financing costs have increased, holding periods have lengthened and multiple expansion has become less predictable. Portfolio companies are investing heavily in artificial intelligence, analytics platforms and digital transformation initiatives, yet many firms continue to experience the same challenge: measurable value creation often stalls between strategic intent and operational execution.

The issue is rarely a lack of technology.

It is a lack of Operating Intelligence.

Financial, operational and commercial information is generated continuously across portfolio companies, but these signals are often analysed independently. Leadership teams receive reports from different systems, functions and advisors without a unified understanding of how those signals interact or which intervention will have the greatest impact.

ValueFabric was developed to address this gap.

Rather than adding another reporting layer, ValueFabric connects investment intent with Business Signals, Operating Intelligence, Decisions Architecture and Execution Support. The objective is straightforward: enable leadership teams to intervene earlier, execute with greater confidence and verify that actions translate into measurable EBITDA, cash and working-capital improvements.

This Executive Brief introduces that operating model and explains why the ValueFabric Executive Working Session has been designed for Operating Partners and portfolio leadership teams.

CHAPTER 1

Private Equity Has Entered an Operational Era

Creating value has become more demanding.

The traditional levers of financial engineering and multiple expansion remain important, but they are no longer sufficient on their own. Increasingly, sustainable returns depend on improving the operational performance of portfolio companies.

Operating Partners are therefore expected to identify performance risks earlier, support management teams more effectively and demonstrate that operational interventions create measurable business outcomes.

At the same time, portfolio companies have become more complex.

Most organisations now operate across multiple systems, geographies and functions. ERP platforms manage financial information. CRM systems monitor commercial activity. Operational platforms measure productivity, service delivery and execution. Artificial intelligence is increasingly being deployed across each of these environments.

Yet despite unprecedented access to information, many leadership teams still struggle to answer the questions that matter most.

- Where is enterprise value beginning to weaken?
- Which operational, commercial and financial signals are connected?
- Which intervention should be prioritised?
- Who owns the decision?
- How do we measure whether value has actually been created?

These are not technology questions.

They are operating questions.

CHAPTER 2

The AI Value Gap

Artificial intelligence has rapidly become a strategic priority across private equity portfolios.

Most organisations are already investing in AI, analytics and automation initiatives. However, widespread adoption has not consistently translated into measurable enterprise value. The regional ValueFabric Executive Working Session editions reference independent industry research that points to this same conclusion: organisations are deploying AI, but relatively few are achieving consistent enterprise-level financial impact.

This suggests that the limiting factor is not access to technology.

The differentiator lies in how organisations convert intelligence into operational execution.

Technology can identify patterns.

Leadership teams still need to determine what those patterns mean, which decisions should be taken, who is accountable for execution and whether those actions improve performance.

Without that connection, AI remains another source of information rather than a driver of measurable value creation.

CHAPTER 3

The Missing Layer Between Data and Decisions

Most portfolio companies already possess the systems needed to operate the business.

What is often missing is the intelligence layer that connects them.

ValueFabric introduces a structured progression:

Investment Thesis → Business Signals → Operating Intelligence → Decisions Architecture → Execution Support → Performance Outcomes

Each stage plays a distinct role.

The investment thesis defines the strategic ambition for the portfolio company.

Business Signals reveal how the organisation is actually evolving.

Operating Intelligence explains why those signals matter.

Decisions Architecture establishes priorities, ownership and governance.

Execution Support translates decisions into operational activity.

Performance Outcomes verify whether the intervention has generated measurable improvement.

When these stages are connected, leadership teams gain a clearer understanding of what is changing, why it is happening and where to intervene.

CHAPTER 4

From KPIs to Business Signals

Most organisations monitor hundreds of key performance indicators.

Only a small number of those indicators function as early Business Signals.

A KPI describes performance.

A Business Signal indicates where performance is heading.

Examples include:

- gradual deterioration in gross margin;
- increasing discounting behaviour;
- changes in inventory dynamics;
- slowing receivables;
- declining forecast accuracy;
- operational bottlenecks;
- changing customer-acquisition economics.

Viewed independently, these developments may appear insignificant.

Analysed together, they often reveal emerging risks to EBITDA, cash generation and enterprise value long before those risks appear in financial reporting.

Operating Intelligence focuses on understanding these relationships rather than reviewing isolated metrics.

CHAPTER 5

Verified Value

One of the greatest challenges in portfolio management is distinguishing activity from value creation.

> **A completed project is not automatically value creation.**
> **A KPI movement is not yet verified value.**

Verified value requires:

- a defined baseline;
- a clear intervention;
- accountable ownership;
- measurable operational execution;
- and evidence demonstrating that financial performance has improved because of that intervention.

This distinction becomes increasingly important during board reporting, lender discussions, refinancing, quality-of-earnings reviews and exit preparation, where leadership teams must explain not only what changed, but why it changed and whether those improvements are sustainable. This emphasis on verification is a recurring theme across the regional Executive Working Session materials.

CHAPTER 6

The Executive Working Session

The ValueFabric Executive Working Session is designed for Operating Partners, Investment Professionals and portfolio leadership teams.

Using a realistic private-equity-backed portfolio company, participants work through how relatively small movements in operational, commercial and financial performance combine to influence enterprise value.

Together, participants examine how to:

— detect emerging performance risks earlier;
— connect operational, commercial and financial signals;
— distinguish isolated KPI movements from developing business trajectories;
— prioritise interventions based on impact and execution feasibility;
— establish clear decision ownership;
— connect actions to expected EBITDA, cash and working-capital outcomes;
— compare expected and actual Performance Outcomes;
— strengthen evidence for boards, lenders, refinancing and exit.

Rather than presenting another AI framework, the session demonstrates how Operating Intelligence supports more consistent operational execution.

CHAPTER 7

One Methodology. Four Regional Editions.

The ValueFabric methodology remains consistent globally. The operating realities do not.

Each regional Executive Working Session applies the same underlying methodology while recognising different market conditions, ownership structures, governance models and execution challenges.

United States

Focused on execution speed, accountability, quality-of-earnings evidence, refinancing and exit readiness.

Europe

Focused on productivity improvement, margin resilience, working-capital discipline, cross-border operations and governed AI adoption.

Middle East

Focused on governance, professionalisation, rapid growth, founder-led businesses, capital discipline and regional expansion.

Asia-Pacific

Focused on founder and management alignment, minority ownership, supply-chain resilience, cross-border complexity and varying levels of organisational maturity.

This regional perspective ensures that discussions reflect the operating realities faced by participants while maintaining one consistent ValueFabric methodology.

WHAT PARTICIPANTS LEAVE WITH

Participants leave with a practical understanding of how to connect:

- the investment thesis to the Business Signals requiring management attention;
- Business Signals to Operating Intelligence;
- Operating Intelligence to Decisions Architecture;
- decisions to accountable Execution Support;
- execution to measurable Performance Outcomes;
- and verified Performance Outcomes to stronger EBITDA, cash generation and enterprise value.

The outcome is not another presentation or framework. It is a clearer operating model for translating strategic intent into measurable business performance.

REQUEST AN INVITATION

The ValueFabric Executive Working Session is delivered by arrangement in cooperation with Tier 1 Operating Partners.

Sessions are limited to senior investment professionals, Operating Partners and portfolio leadership teams to encourage practical discussion and peer exchange.

Following the session, selected participants may nominate a portfolio company for a private discussion on value-creation priorities, execution risks and opportunities for Operating Intelligence deployment.

REQUEST AN INVITATION

Request an invitation or discuss a regional edition with the ValueFabric team.

Contact: contact@value-fabric.com