



# LEVERAGING ECONOMIC ANALYSIS: *Private Equity Firm Case Study*

## **Executive Summary**

*Due to the competitive nature of the PE space, the client has asked to remain anonymous.*

“We are a private investment firm that has subscribed to the ITR Trends Report™ since 2014. We find that the content and the cadence of the monthly report keeps us abreast of the key macroeconomic issues that need to be on our radar for managing our portfolio and for identifying new investment opportunities.”

The client was looking at a potential acquisition that participated in the commercial construction industry:

- They wanted to determine how tethered the potential acquisition’s revenue was to the health of the end market.
- They sought to independently validate the revenue forecast that they had received from the company.

Given their relationship with ITR, and as they prepared to decide whether to acquire the business, the client noted a potential opportunity to leverage the types of analysis that ITR Economics regularly employs on a custom basis.

- ITR Trends Report™ subscriber
- Client of ITR Economics’ Company Forecasting Services
- Advised via ITR Economics Expert Economists regarding the target company’s revenue trajectory
- Reviewed economic drivers to the target company’s revenue

## Challenges

One of the client's key functions is to consume and shepherd market/economic research internally to make sure that it's top-of-mind for their investment team.

During that process, it can be difficult to identify a reliable source for economic outlooks on many industries and maintain the data in a meaningful way.

Additionally, it can be challenging to accurately identify how a target acquisition is tied to its end-use markets, and to fully understand the direction and cyclicity of the company's revenue.

## How Product Helped

Serving this type of client for this specific purpose was a new endeavor for ITR Economics.

"They delivered at a high level of service. Our point analyst was keen to better understand as much about the business as he could before diving into the analysis, and we appreciated his curiosity and interest in the details. His report was delivered to us in a matter of weeks, and he paired it with a phone consultation to ensure we understood the key takeaways and to answer open questions. He acted less like a third-party advisor and more like an extension of our own team."



## Results, Return on Investment, and Future Plans

ITR's forecast for the business lined up well with the management team's outlook, which provided comfort in the numbers as well as in the management's thoughtfulness around their forecasting capabilities.

Had the forecasts meaningfully diverged, it would have given the client an independent view to bring back to the target's management. This would have helped demonstrate to the management team that the client was spending time and effort on getting to know them better.

"[This] likely would have further underscored our authentic interest in partnering with them going forward."

*"Unfortunately, we did not win the opportunity to acquire the business. That said, it cemented the addition of ITR into our stable of diligence providers. Their quick, relatively low-cost solution helps us to get comfortable with the cyclicity of the target company's business, and to pivot our focus towards other key issues in the deal process."*