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The Exit Edge – How Pricing Can Unlock 10% or More Valuation Upside

Deal teams are turning to an old friend – pricing – to maximize valuations at exit

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Executive Summary

- Given private equity's **significant backlog of unsold companies** and investor demand for liquidity, **exits will accelerate** when market conditions allow, and deal teams will need to provide potential bidders with clear upside
- According to surveyed deal partners, **pricing is the #2 value creation lever** across the hold period, and 98% used pricing in one or more of their portfolio companies
- **Yet, ~60% of portfolio companies never pursue a strategic pricing initiative** during their hold period
- **56% of deal partners believe management's focus on other priorities or pushback is the #1 barrier** to the use of pricing as a strategic lever
- **For the portcos that do conduct a strategic pricing initiative, there's still significant upside:**
  - 75% of deal partners believe company initiatives were only somewhat effective (or worse) at capturing pricing upside
  - 44% of pricing initiatives occur in the first year of ownership, indicating that pricing should be revisited with updated data and market insights at exit
  - **Only 45% of CIMs explicitly mention pricing as a value creation lever**, and only a small portion make the case strongly enough to be underwritten
- With pressure to exit mounting, many firms may face the prospect of selling below target returns due to market conditions – but strategic pricing can help bridge that valuation gap, **and avoid leaving significant pricing-related upside on the table**
- To help unlock this value, **Blue Ridge Partners offers The Exit Edge – Pricing**: specially tailored, low burden, exit-focused pricing engagements
- We bring the expertise to **differentiate between immediate, low-risk, sustainable pricing** and other changes which become part of **the credible pricing upside story for potential bidders**
- Our pricing engagements have helped clients add **10-20% or more to exit valuation**
- By **leveraging data-driven insights through an efficient, high impact approach**, Blue Ridge Partners ensures that pricing becomes a **key differentiator in the exit process** – **driving stronger returns and sustainable value for the next owner**
- **It's not too late** – initiatives launched within 9 months of exit can still be underwritten and yield outsized returns

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Though important for both buyers and sellers, this briefing primarily focuses on how sellers can use pricing to strengthen their position at exit and drive higher valuations.

Private Equity Exits Are Poised for a Massive Surge Once Conditions Allow

There is a **backlog of 4,000 to 6,500**[1] **private equity exits** that have been delayed for over two years due to a rapid rise in interest rates and inflation. Recent economic uncertainty around tariffs is sure to compound this trend as long as it persists. Some estimates put the backlog of unsold companies at **4x the value**[2] it was during the global financial crisis. And because a lot of these acquisitions took place more than 5 years ago when valuations were higher, private equity firms need to find ways to 'bridge the value gap' for potential bidders.

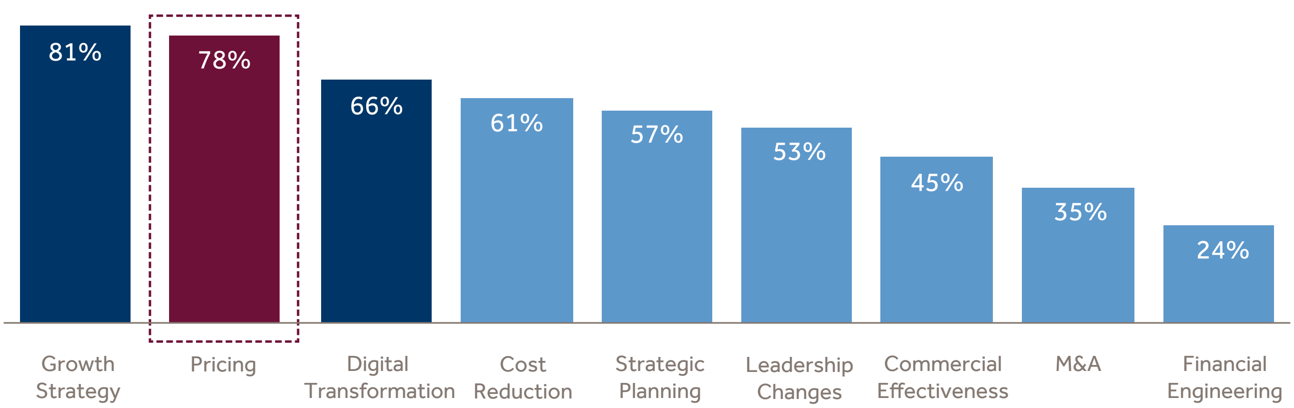
With persistent demands for liquidity from investors, exits will accelerate to address that backlog, once market conditions allow. As exits ramp up, PE firms need a credible growth story for potential bidders, with a balance of near-term value capture and longer-term proof points.

98% of deal partners conduct pricing initiatives

Pricing is a Top Value Creation Lever

Blue Ridge Partners surveyed 100 deal partners[3] and found that **pricing is the 2nd most important value creation lever for PE deal teams**, only behind Growth Strategy (e.g., new markets, new products/services), with 78% ranking pricing in their top 5 levers.

WHAT ARE THE TOP FIVE MOST IMPORTANT VALUE CREATION LEVERS (N=100)?



Source: Blue Ridge Partners survey of deal partners (January 2025)

Confirming its importance, **98% of deal partners** in our survey reported having a strategic pricing initiative at one or more of their portfolio companies.

1. Source: PWC – Capital considerations: End of PE exit drought will put thousands of companies in play
2. Source: Bain – Global Private Equity Report
3. PE deal team survey with 100 respondents including 40 MDs, 35 Principals and 25 VPs, with 60% in the US and 40% in the UK / Europe at firms with AUM from $2B to over $50B

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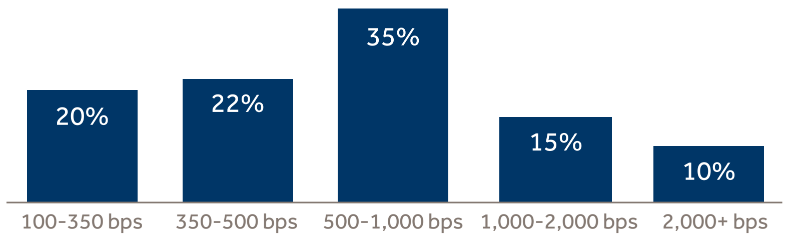
Blue Ridge has found that pricing initiatives have substantial impact – our efforts generate an average of 850bps[4] of incremental EBITDA margin for clients.

~850bps additive EBITDA margin on average

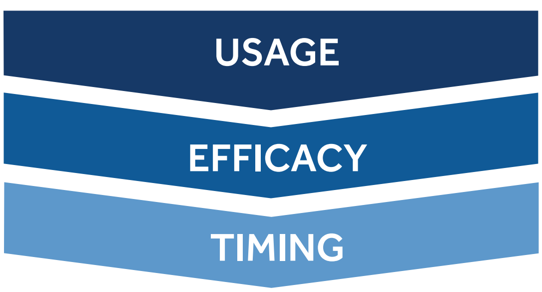
PRICING ENGAGEMENT IMPACT (ADDITIVE EBITDA MARGIN BPS)



Source: Analysis of impact for every Blue Ridge Pricing client from 2017-2024.

Most Portfolio Companies Nearing Exit have Significant Untapped Pricing Upside

Despite being a top value creation lever and its strong potential for impact, pricing is applied inconsistently, with varying effectiveness, and often early in the hold period.



60% of portcos **do not launch** a strategic pricing initiative

75% of deal partners believe companies were **only somewhat effective** (or worse) at capturing pricing upside

44% of pricing initiatives **occur in year 1** of ownership

For the 40% of portcos that DO launch a strategic pricing initiative, only **22% of those occur in the last 18 months** before exit. The 44% of pricing initiatives run in the first year of ownership will likely leave value on the table at exit if pricing is not revisited with fresh market insights and internal data analysis, particularly given extended hold periods.

"Pricing is a crucial lever since it has a direct effect on profitability and boosts the value of portfolio firms."

- Deal Team Partner in Europe, $10-$25B AUM

With the highest inflation in the past 40 years and subsequent ease in capturing price increases, many management teams and PE firms **underestimate the scale of untapped pricing upside remaining**, when done right. This often includes an **empowered pricing leader, capturing willingness to pay by segment** based on a deep customer and competitor fact base, strong visibility and metrics, and an enabled sales team with aligned incentives.

4. Source: Analysis of impact for every Blue Ridge Pricing client from 2017-2024. Additive EBITDA margin varies by industry.

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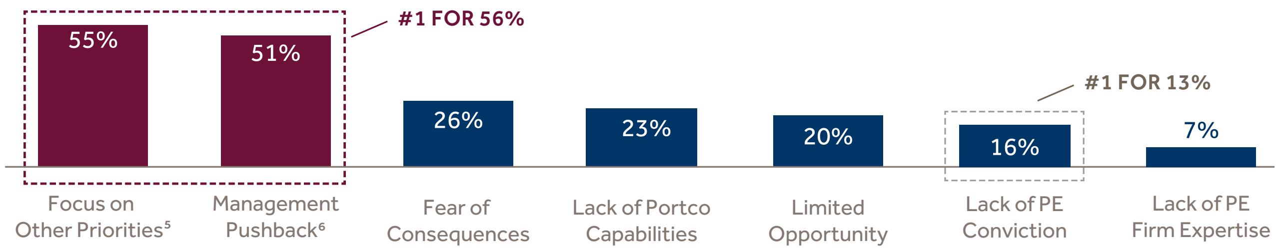
Why Are Pricing Initiatives Not Used More?

The top barriers to pursuing pricing are Focus on Other Priorities[5] and Management Pushback:[6] 56% of deal partners cited one of these as the primary reason for not pursuing pricing as a strategic initiative. PE firm conviction in the opportunity is seldom the barrier. **Just 13% of deal partners rated lack of belief in the pricing opportunity as their number 1 reason** for not using pricing as a value creation lever.

WHAT ARE THE TOP 2 REASONS FOR NOT PURSUING PRICING? (N=100)



Source: Blue Ridge Partners survey of deal partners (January 2025)

Leaving Significant Money on the Table at Exit

PE firms cannot capture all of the potential value if they don't know the "size of the pricing prize" – and have proven results or a credible story that can be validated by potential bidders.

Pricing can add 10-20% or more to exit valuation

CASE EXAMPLE: new owners **paid a 20% higher price for a fact-based, credible story,** even though EBITDA impact had not yet been realized. A B2B software company within a year of exit had experienced stagnant growth, and both the management team and the PE firm suspected its pricing was below the market. We conducted a robust assessment of the company's external market position (customers, competitors, partners, market buyers) and analyzed internal data to identify the drivers of low price realization. Drawing on our experience conducting pricing due diligence for buy-side clients, we made recommendations for pricing actions, established conviction around the opportunity with an initially skeptical leadership and sales team, and provided a clear, fact-based study for potential bidders which enabled the company to capture the 20% higher exit valuation less than 12 months later as confirmed by the new PE owners.

The Path Forward: The Exit Edge – Pricing

Given the need to provide upside, close the value gap between sellers and buyers, and stand out in the crowded field, companies looking to successfully exit need a competitive edge. In our experience, pricing initiatives can increase valuation by 10-20% or more at exit.

Only 45% of CIMs mention pricing as a value creation lever

Pricing, as an exit preparation and value creation lever, is a **high impact, high success, fast-return lever** that has been shown to increase exit valuations significantly. However, our research found that while 76% of CIMs mention pricing, only 45% highlight pricing explicitly as a value creation lever. And of those, only a very small portion make a case strong enough that it can be underwritten by an investment committee.

5. Focus on Other Priorities includes: M&A, new talent, cash, new products / geographies, litigation
6. Management Pushback includes: portco management resistance, lack of belief in ROI / upside

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Highly effective pricing initiatives in preparation for exit have four key success factors:

1. **Credible, quantified, and verifiable pricing upside:** Potential bidders want to see a fact-based, third-party validated pricing story that highlights tangible revenue and margin expansion within sell-side materials
2. **Management team belief:** Leadership must be able to articulate their conviction in the pricing strategy and have compelling proof points that will support underwriting the upside valuation
3. **Thoughtfully managed risk vs. action:** Pricing actions taken prior to the sale must balance value with potential impact on customer satisfaction and churn, potentially resulting in share loss. They should also avoid "flash-in-the-pan" or "blunt instrument" approaches – such as across-the-board increases not backed by data – which can undermine credibility with potential bidders
4. **Efficient use of management capacity:** A high-impact, low burden approach ensures pricing doesn't consume too much attention of the management team during one of their busiest times

Blue Ridge Partners' **The Exit Edge – Pricing** supports these success factors by delivering:

- An accurate and credible **"size of the prize"** – a pricing upside estimate based on **facts from the market and data-driven analytics**
- An **independent pricing study** for potential bidders – grounded in what buyers look for, based on our experience conducting pricing due diligence for buy-side clients – along with pricing insights for the CIM and supporting data for the deal room
- **Initial proof-points** to confirm the scale of the opportunity over the longer-term and to support underwriting the valuation upside – ranging from recommended internal actions to implementation with proven results in the market
- **Coaching for the management team** to effectively communicate the pricing story to potential bidders, with a compelling narrative that demonstrates their belief in the opportunity and maintains their credibility as a strong, capable team
- Differentiation **between immediate, sustainable pricing actions that are low-risk** in the context of the competitive landscape and other changes which become **part of the pricing story for potential bidders**
- A **tailored, exit-focused** approach that allows management to stay focused on what matters most, with limited engagement required for the consulting project and pricing actions

A Tailored Offering for Late-Stage Ownership

In the **very late stages of ownership** (within ~9 months of exit), we tailor a **shorter** project for private equity portfolio companies that is low impact on the organization while still providing what is most important for higher valuation:

- **Size of the prize and a credible, data-driven pricing narrative** with a plan to capture
- Emphasis on external market data and learnings, combined with analysis of internal data
- Fewer internal interviews, workshops, and meetings, as well as less detailed implementation planning
- **Very efficient use of precious management time** close to exit

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To maximize exit value and provide upside for potential bidders, private equity firms must ensure they aren't leaving pricing-related upside on the table. With exit activity expected to accelerate once the current turmoil subsides, deal teams need fact-based, third-party validated pricing upside that enhances their valuation story and resonates with potential bidders. Blue Ridge Partners' **The Exit Edge – Pricing** approach helps PE firms identify and articulate credible pricing upside, integrate it into sell-side materials, and enable management with the confidence to support the valuation.

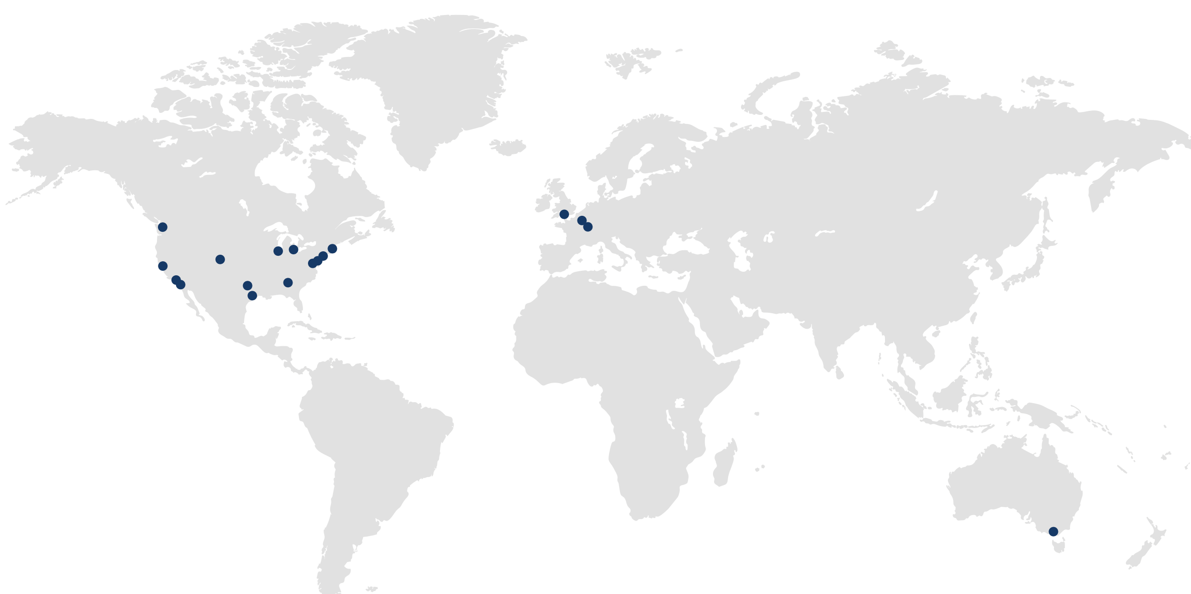
With our experience doing pricing due diligence, we understand what potential bidders care about. **By leveraging data-driven insights through an efficient, high impact engagement, Blue Ridge Partners ensures that pricing becomes a key differentiator in the exit process – driving stronger returns and sustainable value for the next owner.**

Why Blue Ridge Partners?

Blue Ridge Partners is recognized as the most experienced, impactful and respected firm that is exclusively focused on helping companies accelerate profitable revenue growth. We have worked with over 1,300 companies worldwide on commercial model transitions, strategic pricing engagements and due diligence assignments. We are known for rolling up our sleeves, being pragmatic in our analyses and delivering tangible results that focus on the "how" of execution. Based on our significant experience we have amassed extensive knowledge of the issues that affect revenue performance.

For further information please contact us at **info@blueridgepartners.com** or visit us at **www.blueridgepartners.com**.

Our Locations



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