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# NYU Stern CSB Valuation Tool Case Study

Engaging with Private Equity GPs

December 2024



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# Kohlberg & Co. Case Study - Due Diligence Assessment

Kohlberg used the Value Creation Tool to help link diligence findings with post-acquisition strategy development, using a recently closed deal in the **Healthcare** sector to evaluate the process.

GP





**HQ: U.S.**



**AuMs ~\$14B**



**Target**

**Sub-Sector: Biotechnology & Pharmaceutical**



**Mid-market buyout**



**26 PCs**

**HQ: U.S.**

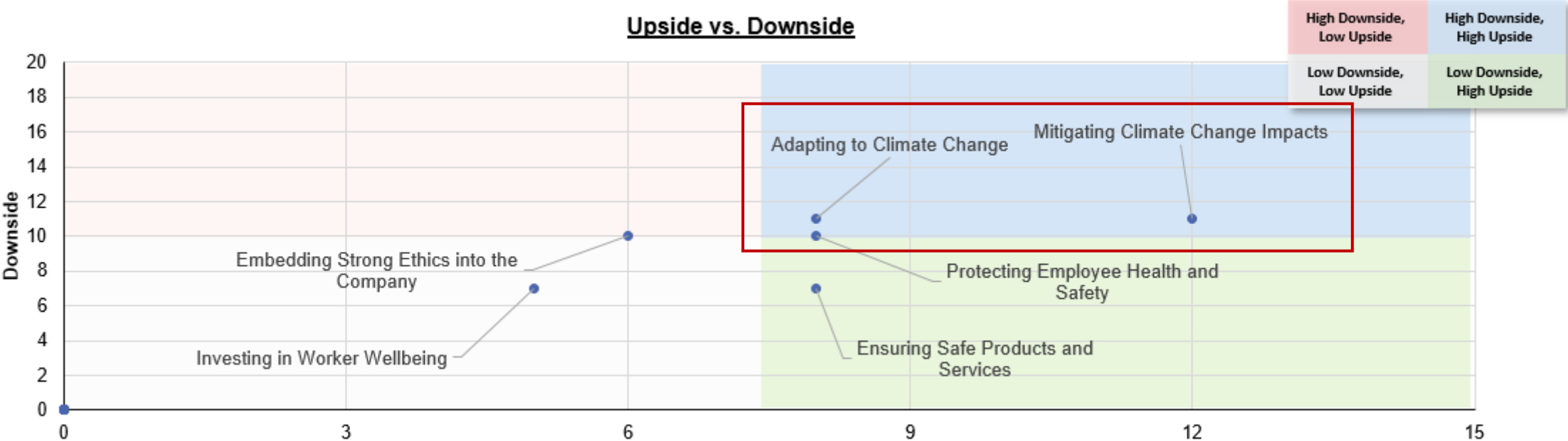
**# of Employees: ~3,500**

**Current Status Score**  
(1 = not well managed, 5 = very well managed)

Material Issues	Value Drivers	Company Practices at Acquisition	
<b>Labor Practices</b>	Improved retention, higher productivity, lower recruitment costs	The company maintains robust engagement initiatives such as exit/stay interviews, engagement surveys, and professional development programs. Benefits and policies are governed by a global employee handbook, which is inclusive of location-specific addendums.	
<b>Business Ethics</b>	Reduced regulatory, reputational or market risk	The company's operations comply with extensive regulations and are subject to regular audits by regulatory bodies and industry organizations. A cross-functional committee oversees the ethics and compliance program, with annual ethics training provided to all employees.	
<b>Product Quality &amp; Safety</b>	Reduced customer loss, improved patient recruitment, and lower risk of lawsuits or regulatory fines	The company has robust management practices including SOPs, personnel trainings, impact assessments, an internal regulatory intelligence newsletter, and an anonymous incident reporting mechanism for patients/participants.	
<b>Employee Health &amp; Safety</b>	Increased productivity and retention, reduced workplace insurance costs and better ability to hire the best talent	The company has a robust health and safety manual, provides extensive training on safety topics and conducts regular safety audits. While it has fewer severe incidents than industry, frequency of minor incidents is higher.	
<b>Physical Impacts of Climate Change</b>	Reduced likelihood of operational disruptions and associated costs	The company maintains site-specific business continuity plans.	
<b>GHG Emissions</b>	Improved operational efficiency, reduced exposure to regulatory fines, lower cost of capital, better customer retention	The company estimates Scope 1 & 2 emissions and has implemented site-level energy efficiency initiatives. However, it lacks short and long-term targets and a corporate climate strategy.	

# Issue Prioritization

Following the diligence assessment, each material issue was assessed for downside risk and upside opportunity. Strategy development was focused on the issues with highest downside risk and highest upside opportunity.



<p><b>Upside Factors (Value Creation)</b></p> <ul style="list-style-type: none"> <li>• Revenue growth potential</li> <li>• Operational efficiency</li> <li>• Reputation</li> </ul>	<p><b>Downside Factors (Value Protection)</b></p> <ul style="list-style-type: none"> <li>• Market risk</li> <li>• Regulatory risk</li> <li>• Environmental risk</li> <li>• Geopolitical risk</li> </ul>
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Based on these findings, Kohlberg developed an ESG strategy focused on mitigating climate-related downside risks and capitalizing on climate-related upside opportunities, following the ROSI framework, on the following page.

# ROSI and ESG Strategy Development

ROSI Steps	Kohlberg Process	What we did	What we found				
1. Assess Opportunity and Risk	Pre-acquisition Diligence	The target company underwent diligence on various material issues, with findings entered into the ROSI diligence tool and scored based on current practices.	<b>GHG emissions</b> and managing <b>climate risks</b> were not on the company's radar or recognized as key focus areas at the time of acquisition.				
2. Identify Associated Strategy(ies)	Baseline Assessment	Conducted an assessment of peer performance, customer and regulatory requirements (e.g., CSRD), mapping them to the upside and downside categories based on the CSB issue prioritization framework.	<ul style="list-style-type: none"> <li><u>Downside Risk</u>: The company was exposed to <b>climate disclosure regulation</b> in the EU</li> <li><u>Upside Opportunity</u>: As part of its growth strategy, the company was focused on winning new contracts with pharma companies with <b>public net zero targets</b></li> </ul>				
3. Determine Expected Benefits		Referenced ROSI Strategy & KPI database to determine key <u>mediating factors</u> and associated benefits.	<ul style="list-style-type: none"> <li>ROSI Mediating Factor 1: <b>Risk Management</b></li> <li>ROSI Mediating Factor 2: <b>Stakeholder Engagement/Customer Loyalty</b></li> </ul>				
4. Quantify Results of Benefits	Strategy Development	<ul style="list-style-type: none"> <li>Developed a business case for formalizing ESG and climate program</li> <li>Created implementation strategy based on findings from baseline assessment</li> <li>Obtained management buy-in</li> <li>Set near term goals</li> </ul>	<ul style="list-style-type: none"> <li>Top pharma customers are prioritizing vendors based on <b>sustainability performance</b> and <b>climate program maturity</b> (impacting the top line), while <b>costs related to regulatory noncompliance</b> affect the bottom line.</li> </ul>				
5. Monetize the Benefits	Strategy Execution	<table border="1"> <thead> <tr> <th>What we plan to do</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Annual Scopes 1, 2 and 3</li> <li>Develop a decarbonization roadmap, focused on initiatives with highest ROI</li> <li>Achieve accreditation for ESG and climate improvements by aligning with customer requirements such as enhancing third-party assessments (e.g., EcoVadis, SBTi)</li> <li>Leverage ESG/ climate program as a competitive advantage</li> </ul> </td> </tr> </tbody> </table>	What we plan to do	<ul style="list-style-type: none"> <li>Annual Scopes 1, 2 and 3</li> <li>Develop a decarbonization roadmap, focused on initiatives with highest ROI</li> <li>Achieve accreditation for ESG and climate improvements by aligning with customer requirements such as enhancing third-party assessments (e.g., EcoVadis, SBTi)</li> <li>Leverage ESG/ climate program as a competitive advantage</li> </ul>	<table border="1"> <thead> <tr> <th>Value creation rationale</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Avoidance of regulatory penalties for non-compliance</li> <li>Identify customers with climate and ESG requirements, then focus on revenue expansion and retention through targeted engagement</li> <li>Track savings from increased efficiency and lower energy costs as the decarbonization plan is implemented</li> <li>Incorporate the above into exit materials</li> </ul> </td> </tr> </tbody> </table>	Value creation rationale	<ul style="list-style-type: none"> <li>Avoidance of regulatory penalties for non-compliance</li> <li>Identify customers with climate and ESG requirements, then focus on revenue expansion and retention through targeted engagement</li> <li>Track savings from increased efficiency and lower energy costs as the decarbonization plan is implemented</li> <li>Incorporate the above into exit materials</li> </ul>
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----- Completed -----

----- Ongoing -----

# Thank You

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