

# Legal Entity Rationalization for Private Equity Firms

Simplifying your portfolio companies and their operations to increase valuations

## Legal entity rationalization: Simplification and cost reduction

Nothing kills profitability like needless complexity. One of the surest ways to increase the valuation of your portfolio companies is to conduct legal entity rationalizations. This review process can build more efficient operating structures, improve operational transparency and most importantly reduce costs.

The costs of maintaining a single entity are considerable and rising. Expenses include those related to corporate governance, direct and indirect taxes, accounting, payroll, local service providers and more. It's critical to review each portfolio company's entities to ensure they're necessary. In many cases — particularly when a company has grown through acquisition — entities can be consolidated or wound down, resulting in a leaner, more valuable organization.

## Start early to attract buyers and maximize return on investment

You'll want to conduct legal entity rationalizations as early as possible in your companies' respective lifecycles to maximize the value of the process. Not only will potential buyers be attracted to lean portfolio companies, you'll be able to provide evidence of stable, efficient corporate structures with no messes to clean up or unpleasant surprises lying in wait.

## Substantial value-creation on exit

The rewards of early rationalization can be substantial on exit. After Vistra conducted a rationalization for a portfolio company of a large firm, the company was able to make an informed decision to wind down nearly 20 of its legal entities. These entities averaged US\$50,000 a year in tax compliance-related costs alone, leading to nearly \$1 million in combined annual savings. Given the exit-value multiplier for EBITDA in the company's industry, that single legal entity rationalization could create \$10 million in value on exit.

Legal Entities by Region				Legal Entities Wound Down after Rationalization	Average Annual Compliance Costs per Entity*	Total Annual Compliance Savings after Rationalization	Value on Exit as a Result of Legal Entity Rationalization**
Europe	Asia	Americas	Amesa				
○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	20	\$50,000	\$1,000,000	\$10,000,000
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\* Costs related to preparing and filing corporate tax returns.

\*\* Based on exit-value multiplier for EBITDA of 10X.

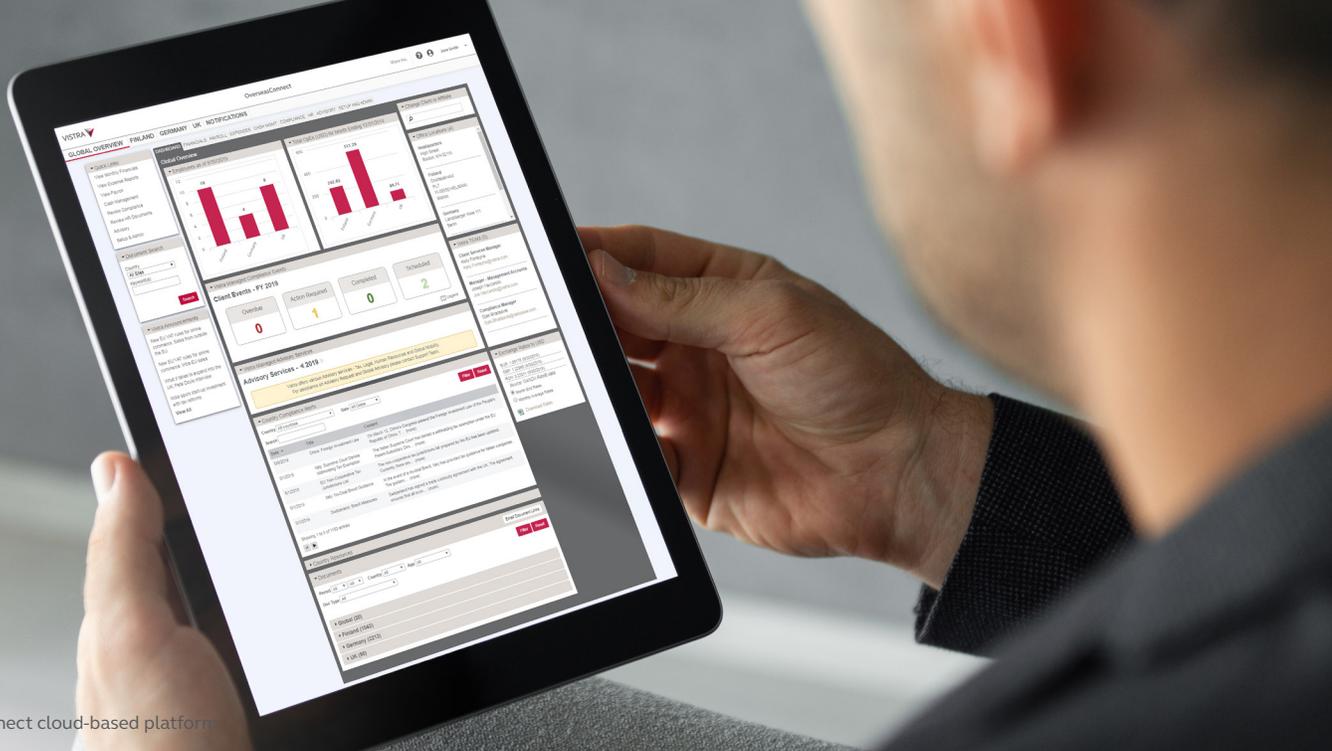


Image: OverseasConnect cloud-based platform

## Streamlining your operations after rationalization

Just as we can simplify your portfolio companies' corporate structures, we can simplify their business operations. When a portfolio company partners with us, there's no need to hire additional in-house accountants, manage multiple payroll providers, or hire law firms to ensure you fulfil your tax, HR and other regulatory obligations. We take care of everything.

In short, when you consolidate your portfolio companies' services with Vistra, you create economies of scale from which each company benefits. Company leadership can leave their international expansion and operations services to us, so they can concentrate on growing their businesses. Finally, because we won't act as an auditor, there'll be no conflict of interest when we provide services.

## OverseasConnect: One secure platform for insight, control and compliance

Vistra's OverseasConnect allows your portfolio companies to manage their international operations using one web address, one login and one user-friendly platform. The cloud-based platform also gives you insight into each portfolio company's operations, including their legal entities, payrolls, tax filings and more.

OverseasConnect's Global Compliance application in particular allows CFOs, general counsel and other leaders to rest easy. The application collects information about every compliance obligation a company has and shows what needs to be done, by when and by whom. There's no easier way to stay compliant in each country of operation.

## About Vistra

Vistra is here to help our clients seize a world of opportunity. Our 4,500 professionals working across 46 jurisdictions throughout the Americas, Asia Pacific, Europe and the Middle East maximize the global potential of businesses, funds and portfolios, providing the confidence and clarity they need. We consistently deliver solutions with unrivalled speed and accuracy, which allows our clients to stay ahead of the game, always.

[Contact us](#) to find out how we can help you.