



Created Value Created Value **Created Value Attribution:**

**Do Private Equity GPs Deliver
Value for Fees?**

October 2025



Welcome

Moderator
Robert (Joey) Malagon,
Managing Director,
Alternative Asset
Advisory



Speakers Speakers Speakers

P.J. Viscio, Managing Director, Alternative Asset Advisory

- 38 Years with Kroll/Legacy Firms
- 37 Years of Private Equity Channel Experience
- 33 years of Portfolio Valuation Experience.
- Prior Career as Geoscientist.
- MBA, Finance - Columbia Business School
- MA Earth & Planetary Sciences – Washington University
- BA Geology – Franklin & Marshall College

George Pushner, Ph.D., Director, Alternative Asset Advisory

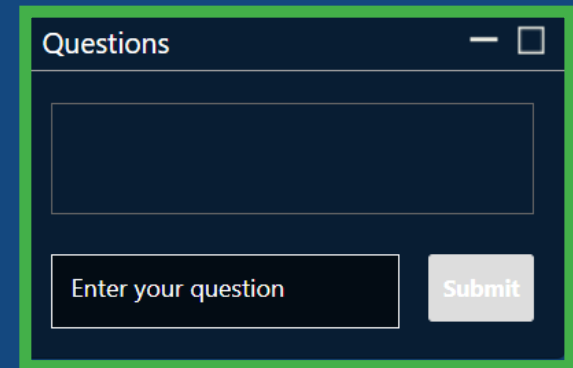
- 21 Years with Kroll/Legacy Firms
- 21 years of Portfolio Valuation Experience.
- Former Asst. Professor of Finance.
- CFO and Co-Founder of Startup Software Company
- PhD, Finance & Economics - Columbia Business School
- MPA, AB – Economics/Public Affairs – Princeton University
- CFA, CIPM



Have a Question? Please ask!

We encourage you to ask our speakers questions at any point during the conversation. Please type your question in the “QUESTIONS” chat box and we will answer as time allows.

If we do not get to your question during our conversation today, we encourage you to reach out to our speakers directly after the webinar.

A screenshot of a web application's 'Questions' chat box. The box has a dark blue header with the title 'Questions' and standard window controls (minimize, maximize, close). Below the header is a large, empty text input area. At the bottom of the box, there is a smaller text input field with the placeholder text 'Enter your question' and a grey 'Submit' button to its right. A green rectangular border highlights the entire chat box interface.

Today's Agenda

1. Overview of Kroll Alternative Asset Advisory
2. Created Value Attribution: What, Why & How (Not)?
3. The Fatal Flaws of the Value Bridge
4. The Fix: Kroll CVA Framework
5. Illustrative Example
6. Observations on Value Creation in Private Equity from 100+ CVA Studies
7. Q&A

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Trusted Brand

Nearly **100-year** history of relentless client focus, innovation and excellence in **risk, governance, transactions and valuation**

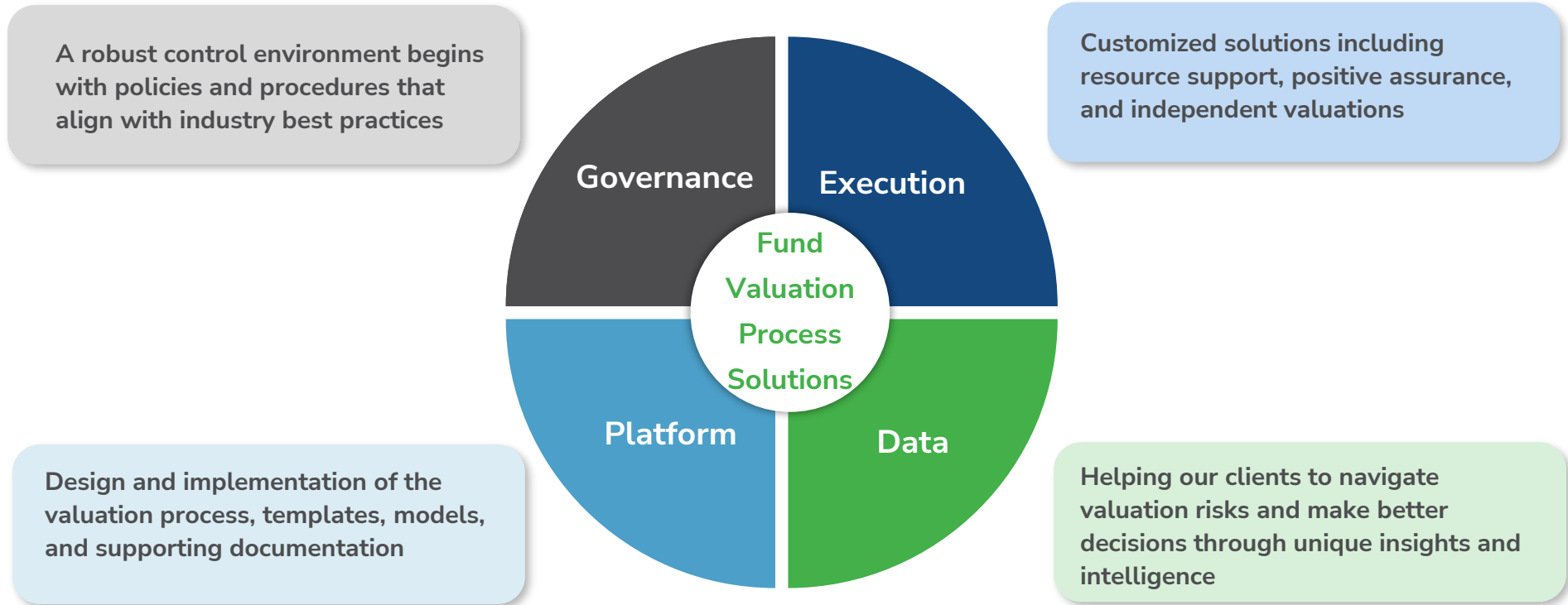


Compelling Breadth of Global Capabilities

Global capabilities, delivered as **integrated, jointly-sold solutions**, driving value creation and protection in the most critical areas of need

Kroll Alternative Asset Advisory:

Thoughtful, bespoke, and comprehensive valuation process solutions for fund managers and investors



What is Attribution?

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What is Attribution?

Definition: Ascribing a quality or occurrence to a source or cause.

**For
Private
Equity**

Identifying value change drivers and quantifying their impact on and contribution to value creation and returns.



Why Attribution?

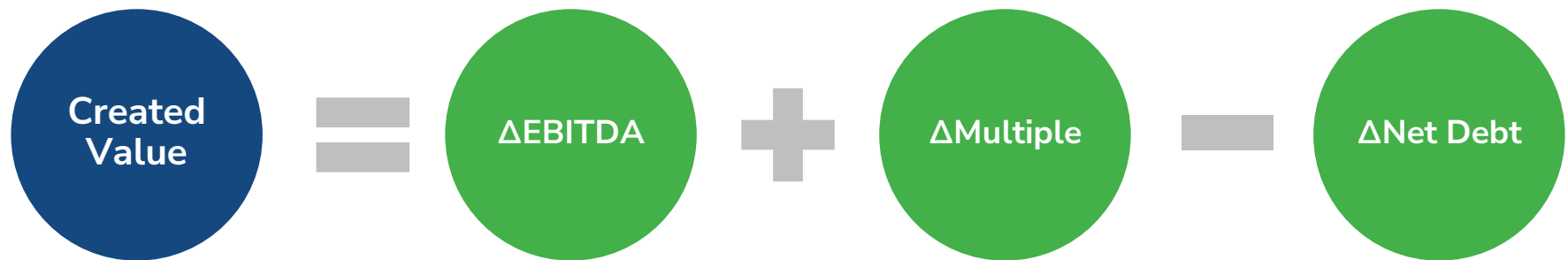
Why Attribution?

Why Attribution?

- **Transparency** into Value Creation
- Better understanding and evaluation of investment performance
- Understanding GP-value-add vs. incidental value creation (i.e., attributable to ‘macro factors’)
 - Programmatic vs. Idiosyncratic
 - Repeatable?
- Assessing **Value for Fees Paid**
- While LP’s expect Private Equity GP’s to be competent at deal sourcing, structuring and execution,
- LP’s focus on value creation driven by
 - **‘BUILDING BETTER BUSINESSES’**
- Through **Operational Value-Add** and/or **Strategic Value-Add**
- Through **Deep Industry Experience** and **Knowledge**, and **Operating Expertise**

How (Not) to Attribute Created Value

The 'Value Bridge'



Conventional Wisdom

Increases in **EBITDA** represent portfolio company operational improvement.
Therefore, indicative of **'Building a Better Business'**.

Multiple expansion is a 'macro' factor. Therefore, not indicative of **'Building a Better Business.'**

The Fatal Flaws

The Conventional Wisdom applied to Value Bridge Does Not Account for



Purchased EBITDA through add-on acquisitions.

- Buying vs. Building Value
- Add-on's set stage for future organic value creation



Portfolio Company Performance Relative to Industry.

- Implicit assumption that EBITDA improvement (or deterioration) is 100% entity/0% sector (or at least weighted toward entity).
- Implicit assumption that multiple expansion (or contraction) is 100% sector/0% entity (or at least weighted toward sector).

The Fix: Kroll CVA Framework

FKA Duff & Phelps CVA Framework; AKA Viscio-Pushner Model

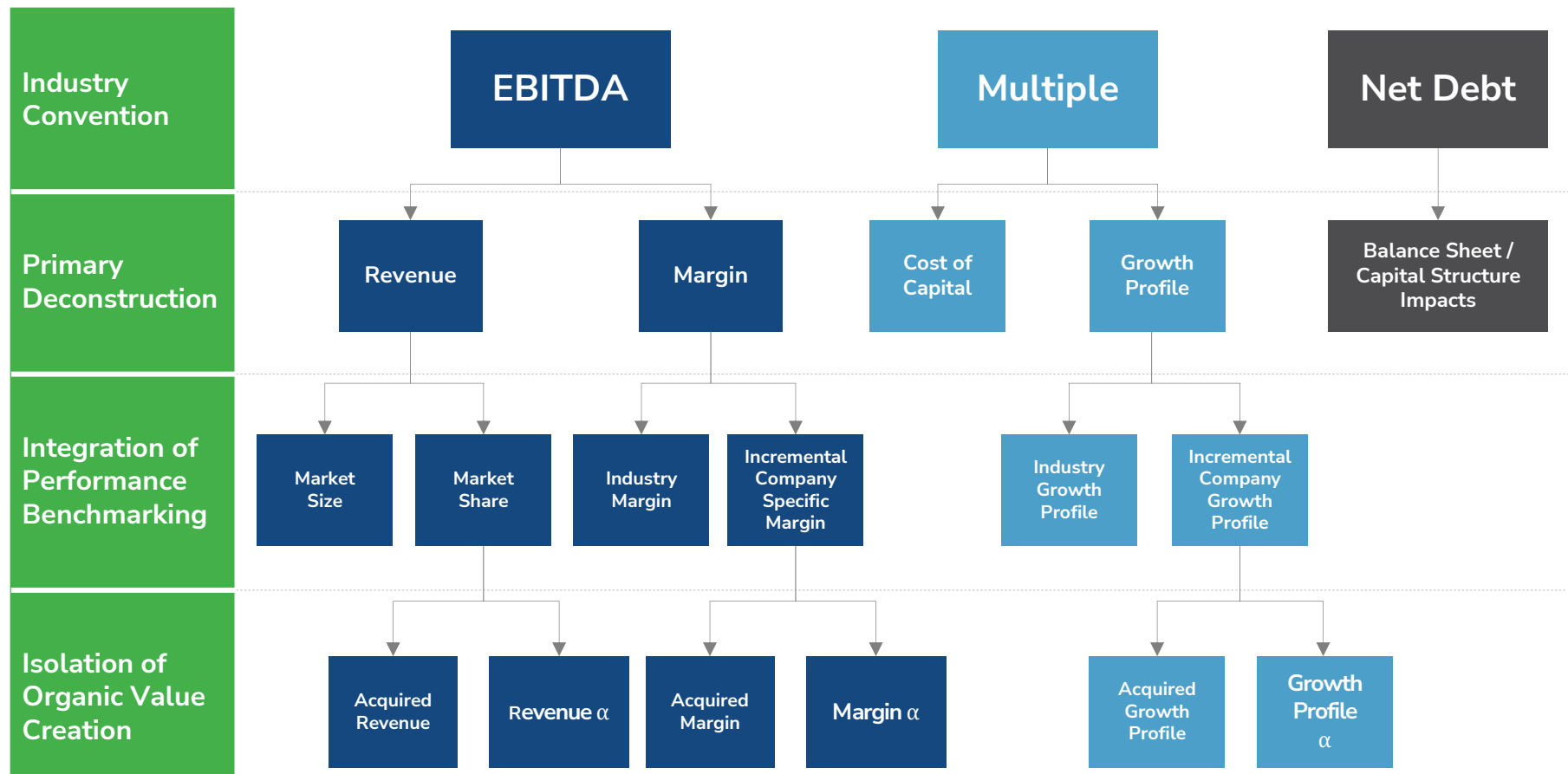
- ✔▶ **Builds on and addresses the fatal flaws of the conventional approach.**
 - Incorporates portfolio-company-level industry benchmarking.
 - Quantifies and segregates transactional impacts of add-on acquisitions.
- ✔▶ **Open, Non-Proprietary Framework**
- ✔▶ **Not a Black Box**
- ✔▶ **Ultimately attributes value to four “Fundamental Sources”**
 - Industry/Sector
 - Beta (Capital Markets)
 - Deleveraging
 - Alpha (superior, i.e., better than industry average) organic business value creation.
- ✔▶ **Alpha indicates building a business with better than average results.**
- ✔▶ **With the exception of the benchmark selection, the Framework is essentially just math.**

Kroll CVA Framework

- ✔▶ Well received by the LP and academic communities
 - INSEAD Whitepaper
 - ILPA Whitepaper/Education Program
- ✔▶ Approximately 12 years of CVA experience
- ✔▶ Performed 105 (full comprehensive entry to exit) CVA studies to date.
- ✔▶ GP clients span from emerging market and lower middle market private equity to large buyout.
 - LP messaging (including at LP and LPAC meetings)
 - Fundraising data room
 - Component of internal GP deal team evaluation
 - GP core competency optimization (i.e., focus on types of deals/initiatives that have resulted in most Alpha)
- ✔▶ Anecdotal evidence of other GP's adopting the framework.
- ✔▶ Detailed CVA whitepaper and whitepaper series have addressed fundamentals of CVA Framework and the application to current issues including Measurement of Alpha, Value Preservation, and Application to ESG Initiatives.
- ✔▶ Definitive Handbook on CVA is forthcoming.

Identifying and Measuring GP – Created Value

Two Critical Components: Benchmarking & Isolation of Organic Value

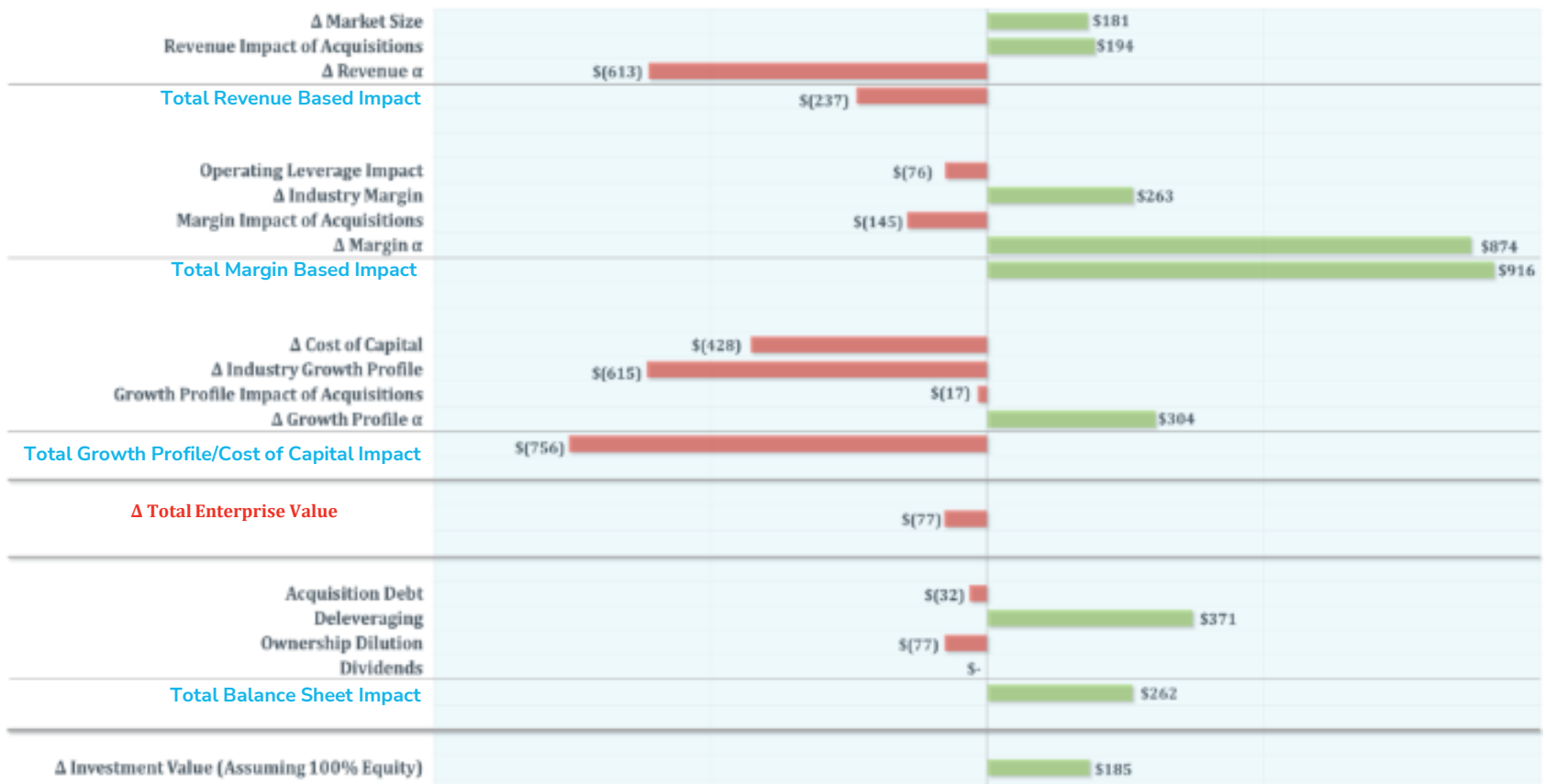


Individual Full Drivers – Full Detail

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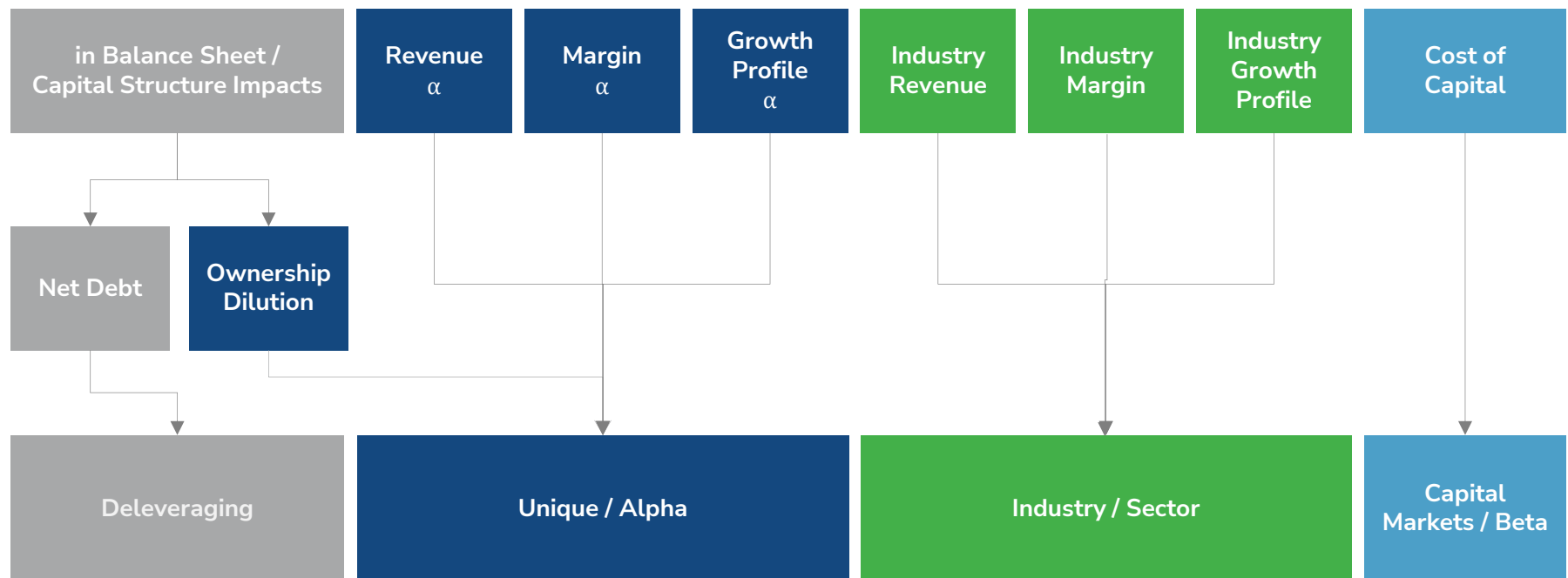
Value Driver (In Millions)



Quantifying Value Creation by Fundamental Sources

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Quantifying Value Creation by Fundamental Sources



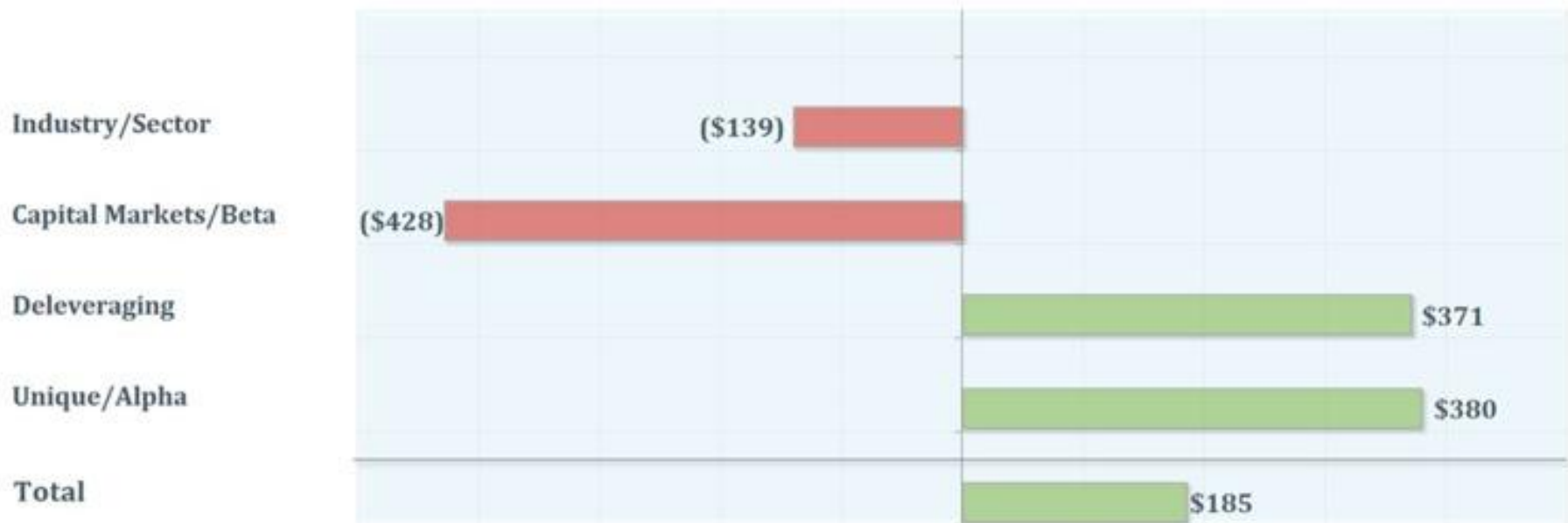
Created Value by Fundamental Sources

Created Value by Fundamental Sources

Created Value by Fundamental Sources

Value Driver
(In Millions)

Created Value from Acquisition Date through June 30, 2022
Fair Value = 1.1x Cost



Kroll Created Value Attribution Framework

Fundamental Value Creation By Investment

	Fastbelt	PT	Sports	\$TAFF	Safety	Medteam	Java	Snacks	Cafeteria	Legal	Total
Industry / Sector	\$289.8	\$94.9	\$(105.4)	\$(34.9)	\$(39.3)	\$33.3	\$41.0	\$385.6	\$38.4	\$10.9	\$714.2
Beta (Capital Markets)	\$5.0	\$19.9	\$19.2	\$16.2	\$6.4	\$20.8	\$(4.5)	-	\$(6.7)	\$(15.3)	\$61.1
Deleveraging	\$49.4	\$1.5	\$(12.7)	\$(1.7)	\$(12.1)	\$(6.6)	\$13.5	\$(45.5)	\$27.6	\$65.7	\$79.0
Alpha (Unique)	\$234.3	\$59.5	\$36.4	\$(79.5)	\$200.0	\$60.4	\$122.4	\$374.8	\$108.1	\$(78.3)	\$1,038.0
Total	\$578.5	\$175.8	\$(62.6)	\$(99.8)	\$154.9	\$107.9	\$172.5	\$714.8	\$167.3	\$(16.9)	\$1,892.3

- 7 of 10 investments had positive total value creation and 3 saw a reduction in value
- Of the three with a reduction in value, one still had positive Alpha (Unique) value creation
- 8 of 10 investments had Alpha (Unique) sources of created value
- For 50% of the investments, Alpha (Unique) value creation was the largest source of value creation
- Industry/Sector Value Creation is consistent with successful industry initiatives and executive alliances

Operational Value Partners | Portfolio Results For Fund III | Last Ten Exits as of March 2020

Flexibility in Segmentation of Analyses

Flexibility in Segmentation of Analyses

Flexibility in Segmentation of Analyses



Flexibility in Segmentation and Application to Specific Initiatives

Can break out revenue and margin impacts of specific initiatives, allowing further evidencing of the results stemming from GP core competencies and/or ESG efforts.

- New Products
- Change in Customer Mix
- Changes in Product Mix
- ESG Initiatives



Analysis Across Time Periods

- Discrete Investment Periods (Before vs After)
- Can represent demarcation of significant events e.g. change in strategy, management team, restructuring, major ESG initiatives, etc.
- Period of Analysis is Flexible
- Can apply to unrealized investments for emerging GPs
- Can apply on periodic basis to allow GPs to better communicate their value add to portfolio company performance on an on-going basis

Observations

Observations

Observations

Our Sample

- Most observations are based on our first 105 studies to date. This is a small sample and the results reflect both positive and negative self selection
- **While sample is small and unrepresentative, it illuminates and provides additional insight into certain value creation in private equity**
- The sample contains a diverse group of investments, representing various time periods, sectors, sizes, and regions



Where does Alpha come from?

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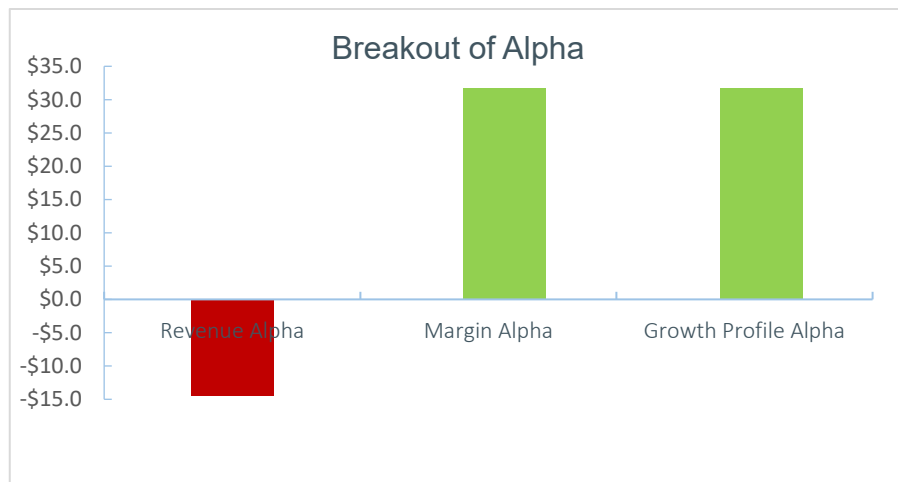
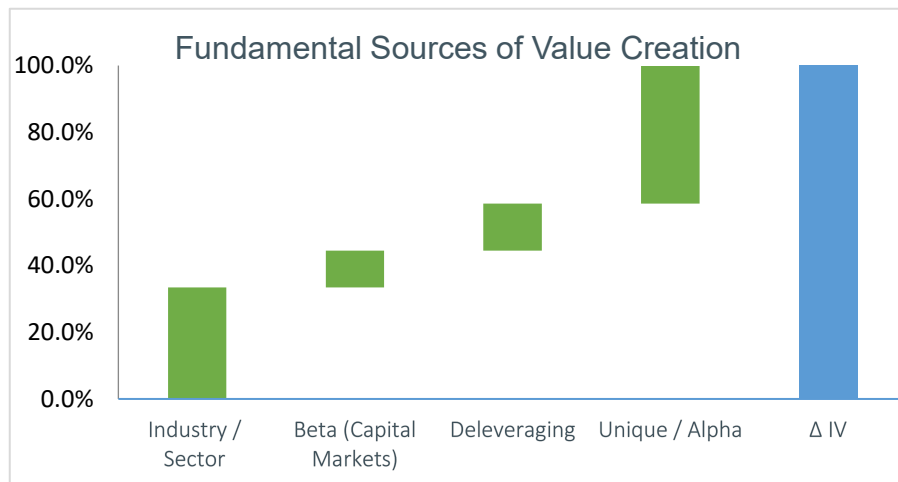
Where does Alpha come from?

Some Descriptive Statistics

- 85 of 105 investments had overall Alpha value creation
 - 95 of 105 investments to date had positive total value creation and ten saw a reduction in value
 - Of the ten with a reduction in value, two still had positive alpha value creation
 - Of the 20 with negative Alpha value creation, 11 occurred in investments with positive total value creation
- 98% of the investments had some type of positive Alpha
 - 25 Investments were “Triples” with Alpha from unique revenue growth, margin improvement, and growth profile
 - 52 Investments were “Doubles” with Alpha from two of these areas
 - 25 Investments were “Singles” with Alpha from one of these areas

Aggregate of Observations

Building Better Businesses



- The largest value drivers are Unique/Alpha and Industry/Sector, and the aggregate magnitudes are similar
- Sample indicates GPs appear, for the most part, focused on building Better businesses rather than building Bigger businesses
- The deals that dominate our sample seem to target the quality of revenue, including the impacts on margins and future growth

Observation Observation Observation

Limitations of IRR?

Created Value Alpha may be independent of IRR



Observation

- % of 'value creation' from EBITDA is uncorrelated with IRRs (**R-squared of 2%**).
- % of value creation from Alpha is mostly uncorrelated with IRRs (**R-squared of 7%**).
- Alpha value creation measures performance on an outperform basis and an investment can have high Alpha with high or low returns.



Implication

EBITDA is not the real driver of IRRs within our sample, and while an important measure of total returns, IRR, in and of itself, is not necessarily indicative of GP value add, which can exist in both up and down markets.

Observation

Observation

Observation

Value Preservation

Industry headwinds often spotlight Alpha value creation



Observation

Investments with the highest percentage of Alpha often show weak industry performance. This often reflects industry headwinds, which is why EBITDA can be a weak indicator of Alpha.



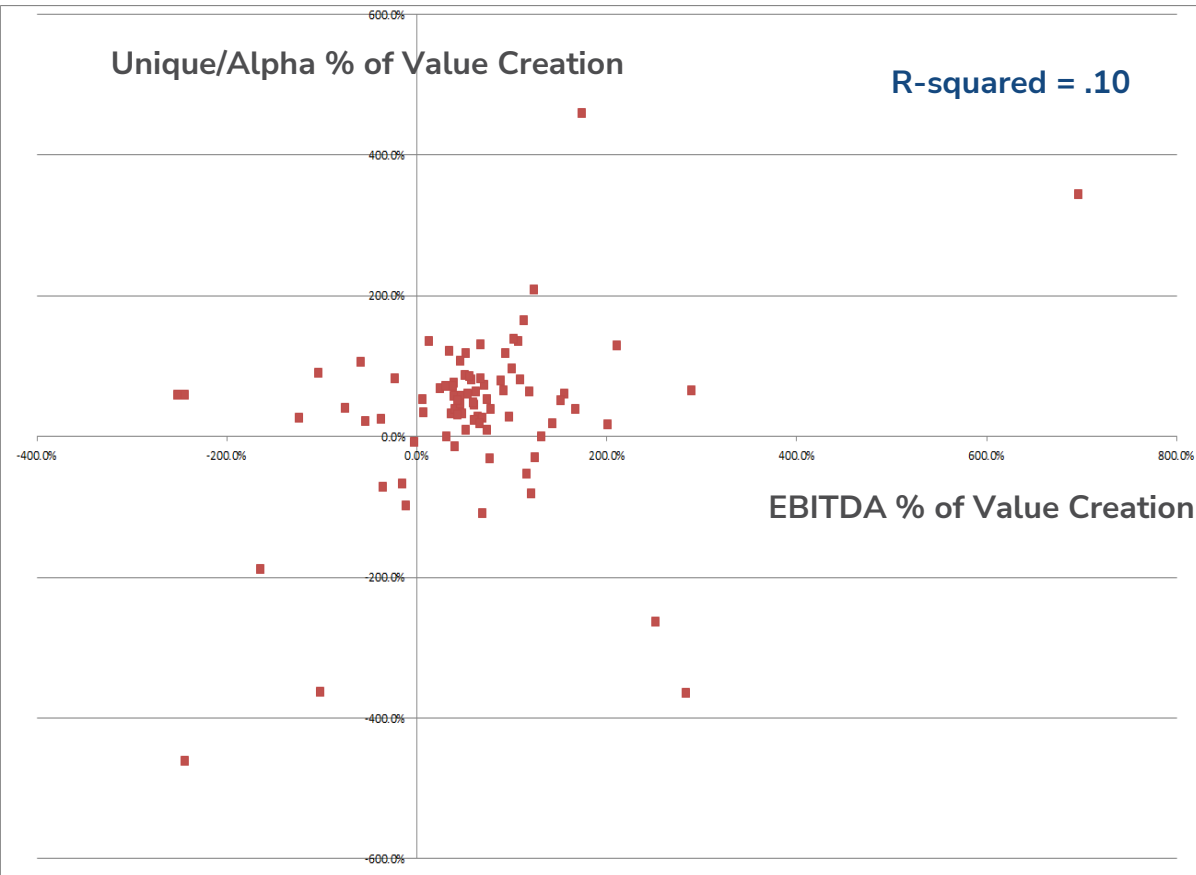
Implication

Created value alpha as percent of total value creation is more prevalent in circumstances of poor industry performance, representing preservation of value.

Limitations of Historical Approach

Historical Approach Appears to Be Misleading 52% Of The Time

(Based on CVA Analysis of 105 Investments)



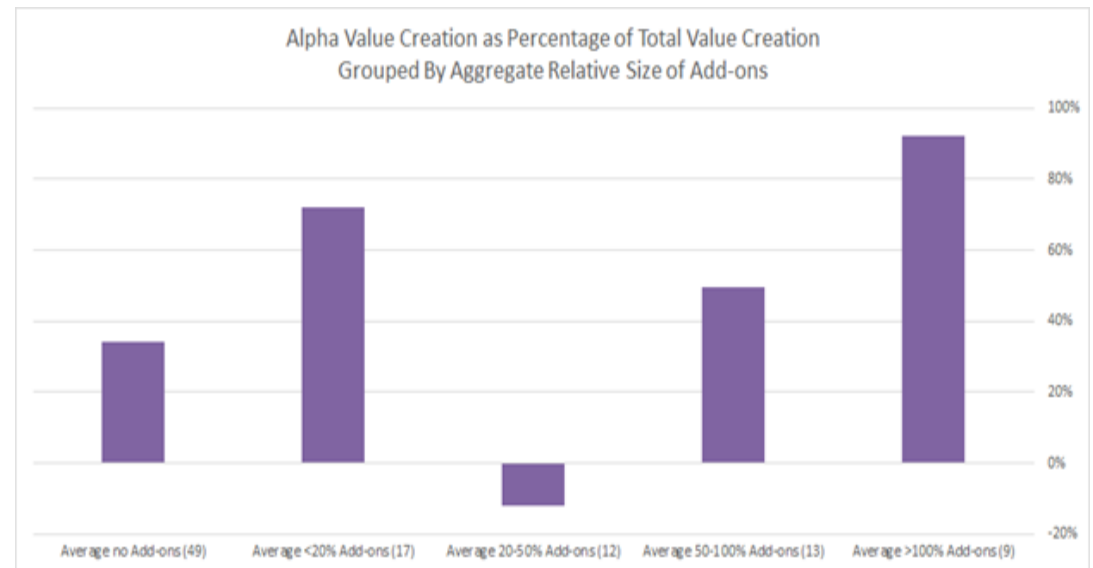
- R-squared value indicates that only 10% of the variation in Created Value Alpha is explained by EBITDA improvement
- EBITDA improvement has a negative correlation with Created Value Alpha for post Financial Crisis investments
- Based on our first 102 CVA analyses, EBITDA improvement gave a misleading view of Unique Value Creation for about 50% of the investments
- Operational/Strategic Value Add as measured by EBITDA improvement may be substantially overstated, with a large portion of value from EBITDA improvement representing industry movement and/or acquisition impacts.

Our Latest Whitepaper

The Add-On Illusion:

Why Traditional Attribution Analysis Can Mislead

- Measuring Alpha requires adjustment for acquired revenue, margin, and growth profile
- Studies to date indicate that investments with add-ons generally showed higher Alpha than the investments without
- Greatest Alpha is for investments with modest levels of add-ons and for investments with high levels of add-ons
- Small bite size add-ons are associated with modest additional Alpha and large bite size add-ons often result in significant outperformance



How Kroll Can Assist in Adoption of Framework

How Kroll can help GP's and LP's

- 1 ▶ Thought leadership through our CVA whitepaper series, downloadable from our website. (This is free)!
- 2 ▶ Guidance Through the CVA Handbook (forthcoming in 2025).
- 3 ▶ In-House Training. (Including CVA Masterclass).
- 4 ▶ Advice and Assistance.
- 5 ▶ Independent Analysis.

Questions



Thank You

Links to More Whitepapers

For a copy of

Updated Whitepaper: Created Value Attribution

Go to:

[Assessing How Value is Created in Private Equity Through a Robust Analytical Framework](#)

Quantifying Value Created From Private Equity
ESG Initiatives

Go to:

[The Kroll Created Value Attribution \(CVA\) Framework
Whitepaper Series | Valuation](#)

Measuring Alpha for Private Equity

Go to:

<https://www.kroll.com/en/insights/publications/alternative-asset-advisory/measuring-alpha-for-private-equity>

Value Preservation in the Age of COVID-19: Assessment
and Conveyance

Go to:

[The Duff & Phelps Created Value Attribution Whitepaper
Series: Value Preservation in the Age of COVID-19:
Assessment and Conveyance \(kroll.com\)](#)

For a copy of INSEAD's paper:

[Value Creation 2.0](#), featuring Kroll's Created Value
Attribution Framework

Go to:

[http://centres.insead.edu/global-private-equity-
initiative/documents/INSEAD-ValueCreation2.0.pdf](http://centres.insead.edu/global-private-equity-initiative/documents/INSEAD-ValueCreation2.0.pdf)

To view an abstract of the Institutional Limited Partners
Association (ILPA) white paper [Limitations of the Value
Bridge and How LPs Can Better Assess Value Creation](#)

Go to:

[https://www.kroll.com/en/insights/publications/alternative-
asset-advisory/ilpa-white-paper](https://www.kroll.com/en/insights/publications/alternative-asset-advisory/ilpa-white-paper)



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Our Evolution

In Operation for
Nearly 100 Years

STORIED BRAND 1932-2004

- Duff & Phelps founded as investment research firm

NEW FIRM, EXPANDING CAPABILITIES 2005-2020

- Started as valuation and corporate finance advisor
- Rapid growth into other governance, risk, compliance and complementary solutions
- Acquired 30+ businesses, including Kroll

ONE TEAM, ONE KROLL 2021-present

- Duff & Phelps rebrands as Kroll and completes brand unification
- Full business life cycle capabilities across risk, governance and growth
- Serving clients in 140 markets across nearly every industry and sector
- Acquired Crisp and Resolver risk companies
- Acquires AVC Ltd. to create dedicated energy team within FAAS practice

Our Values

Our six values are at the core of who we are and how we interact with our people, clients and partners at work and within every community we serve. They describe the expectations our clients should have of us, guide how we work with each other, and hold us accountable to consistently deliver.

Excellence

Excellence is a mindset – we do challenging work and pursue extraordinary results.
We relentlessly focus on excellence – for our clients and colleagues.

Ambition

We are energized to learn, to teach, to grow. We constantly seek to do better – comfort and excellence rarely co-exist.

Courage

We make bold decisions, not just the easy ones. We find, reveal and tell the truth. Integrity is the foundation of everything we do.

Inclusion

We embrace and cultivate diversity – we respect, include and value one another. We support and care about the communities where we live and work.

Innovation

We challenge ourselves to discover new ways to create value. We harness the power of smart data with technology to enable faster decisions and always anticipate what's next for our clients.

One Team, One Kroll

We are stronger together – always focused on solutions, not silos. We collaborate across borders and disciplines in pursuit of excellence.



Our Awards and Rankings

Financial Advisory Recognition



Our Awards and Rankings

Risk Advisory Recognition



Our locations

6,500 professionals worldwide continuing the firm’s nearly 100-year history of trusted expertise.
Across 34 countries and territories worldwide





For more information, please contact:

About Kroll

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PJ Viscio is a managing director in the New York Office of Kroll and part of the Alternative Asset Advisory segment. He has over 25 years of valuation experience and focuses on the private equity industry, providing advice and analysis to general partners and their funds' portfolio companies.

PJ leads a team that has developed, for private equity clients, certain transparency enhancement tools to help assess and evidence operational and strategic value-add in private equity investments. These include the Kroll Created Value Attribution Framework as well as performance benchmarking.

He has valuation experience related to an array of purposes, including transactions, financial reporting and tax. As part of the Portfolio Valuation service line, he assists clients with the valuation of portfolios of private equity and other illiquid investments. He also assists their portfolio companies and their boards with respect to the valuation of their companies' stock related to equity-based management compensation plans.

He was previously a managing director with Standard & Poors Corporate Value Consulting and a director in the valuation practices of PricewaterhouseCoopers and Cooper & Lybrand. PJ has authored articles published in Private Equity Manager, Buyouts and Financier Worldwide. He was also a contributing author to The Definitive Guide to Private Equity Valuation.

PJ received his B.A. from Franklin & Marshall College, his M.A. from Washington University and his M.B.A. in finance from Columbia Business School.

George Pushner



Director

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George Pushner is a director in the New York office and part of the Portfolio Valuation service line. He has demonstrated expertise in the valuation field for more than 25 years and has more than 20 years of specific experience in portfolio valuation.

At Kroll (formerly Duff & Phelps), George has been responsible for quarterly and monthly valuations and reviews of more than 250 portfolio positions. George has valued a wide variety of financial instruments, firms and intangible assets including restricted shares, stock options, putable and callable convertible debt, financial services firms and foreign start-ups and joint ventures. He has served numerous sectors, including financial services, technology, pharmaceutical, telecommunications, retailing, energy and manufacturing and industries, including brokerage, asset management, automotive, aerospace, internet, software, transportation, jewelry, beverages and lumber.

He has also co-developed a framework to attribute created value for private equity investments and has led numerous engagements for this service offering. He has also demonstrated expertise in performance measurement and calculation and directed multiple engagements related to the calculation of alphas, PME analysis, investment performance benchmark evaluation, IRR calculations, and performance reporting.

Prior to joining Standard & Poor's Corporate Value Consulting, which merged with Duff & Phelps in 2005, he was a manager with Analysis Group, where he led litigation consulting engagements for more than 20 cases involving valuations, securities issues and damages calculations. Prior to joining Analysis Group, he was a founder and chief financial officer of a start-up software company. His experience also includes strategic planning and financial analysis for AT&T and transfer pricing analysis for Deloitte & Touche. George was also a professor of finance and has several publications in refereed finance journals relating to performance measurement, corporate governance, capital structure and securities fraud.

George received his Ph.D. in finance and economics from Columbia Business School and his M.P.A. and A.B. degrees from the Woodrow Wilson School of Princeton University. He is also a Chartered Financial Analyst, holds the Certificate in Investment Performance Measurement and passed the Certified Financial Planner Exam.

George has been an instructor since 2010 for the World of Money, whose mission is to empower youth with a sound financial foundation.

Robert Malagon



Managing Director, FA

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BS-Bachelor of Science in Finance

Robert J. (Joey) Malagon is a managing director in the Portfolio Valuation practice and has more than 17 years of experience in serving clients across the alternative asset industry.

Joey specializes in the valuation of illiquid debt and equity securities and assists clients in the design and implementation of valuation policies and procedures based on industry best practices. He works with alternative asset managers and investors across geographies, industries and strategies including private equity, private credit, hedge funds, venture capital and business development companies. Joey also oversees the firm's Portfolio Valuation services in Latin America.

Joey has extensive experience in valuing a broad range of complex debt and equity instruments including senior and subordinated loans, convertible preferred, common equity, warrants and other derivatives, and limited partner and general partner interests under the guidelines of ASC §820 or the equivalent international standard. He has also valued a wide array of businesses and intangible assets for tax, financial reporting or strategic planning purposes.

Joey joined Duff & Phelps in conjunction with the company's merger with Standard & Poor's Corporate Value Consulting ("CVC"). Prior to joining the New York office of CVC, Joey worked as a senior associate in the Atlanta office of CVC.

Joey received his B.S. in finance from the University of Florida.