SABANA FAMILY

FAMILY INVESTMENT & ASSET MANAGEMENT

Private Equity Best Practice Guide & Strategic Ideas

A strategic framework for a private investment firm, family office and acquisition platform

BUILD • GROW • PRESERVE

Version 1.1 · October 2026 · Internal & Partner Use · Companion to the M&A Workbook and the DEALFORGE system

EXECUTIVE SUMMARY

An investment business, not a share-buying company

Private equity should be built as an institutional investment business — not simply as a company that buys shares in other companies. The objective is to acquire attractive businesses, improve their performance, protect capital, and realise value through a disciplined exit strategy.

THE FOUR JOBS OF A PRIVATE EQUITY PLATFORM

1 · Acquire well

A clear strategy, proprietary deal flow and disciplined underwriting. Most returns are decided by what you buy and what you pay.

2 · Improve performance

A written value creation plan for every company, an operating team to deliver it, and a board that holds management to it.

3 · Protect capital

Downside-first underwriting, prudent leverage, concentration limits, strong governance and early-warning monitoring.

4 · Realise value

An exit thesis at entry, exit readiness from Day 1, and the discipline to sell — or to hold deliberately as permanent capital.

Twelve principles

1. Strategy before deals: say no to anything outside the written policy.
2. Underwrite the downside first; the upside takes care of itself.
3. Pay for what the business is, not for what you will make it.
4. Every acquisition has a value creation plan before signing.
5. Management is the investment: back, build or replace — decide early.
6. Cash is the only real KPI over the long run.
7. Leverage is a tool, never a strategy.
8. Governance protects capital better than legal clauses do.
9. Diversify by sector, size and vintage; concentrate by conviction.
10. Know the exit before you enter.
11. Measure honestly: realised cash (DPI) beats paper returns.
12. Build the institution: process, people and data outlast any single deal.

PRINCIPAL'S VIEW

The family's competitive advantages are patience, reputation and network. An institutional process turns those into repeatable results — and protects them from a single bad decision.

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HOW THIS GUIDE FITS WITH THE OTHER TOOLS

- **This guide** — how to build and run the investment business: strategy, capital, organisation, value creation, risk and exits.
- **Investment, Merger & Acquisition Workbook** — how to execute one transaction: screening, valuation, due diligence, IC, SPA, closing and the 100-day plan.
- **DEALFORGE** — the integrated operating system in four layers: *Research* (07 theses and research notes), *M&A deals* (01–06: pipeline, valuation, due diligence, transactions, IC), *Portfolio* (05 integration, 08 vehicles, capital, NAV and returns) and *Governance* (09 IPS limits, risk register, watch list, delegation of authority, valuation cycle). Chapters 1, 4, 6 and 7 of this guide are implemented there.

Important. This guide sets out practices and ideas; it is not legal, tax, regulatory or investment advice. Fund structures, fundraising from third parties, cross-border vehicles and tax positions require specialist advice in each jurisdiction. Market practices cited (fees, carry, hurdles, valuation and reporting standards) are typical ranges and change over time.

PART A · CHAPTER 1

The operating model of a private investment firm

An investment firm is a business with its own customers (capital providers), products (investment strategies), production process (origination to exit) and people. Designing it deliberately — rather than letting it grow around deals — is the first best practice.

1.0 What "institutional" means in practice

Dimension	Informal investor	Institutional platform
Strategy	Opportunistic; deals come from relationships	Written investment policy, target sectors, theses and limits
Process	Decisions by one person on instinct	Stage gates, standard analysis, Investment Committee with recorded votes
People	Family members and friends of the founder	Professional deal, operating and finance teams with aligned incentives
Ownership	Passive shareholder; waits for dividends	Active owner with a value creation plan, board seats and KPIs
Risk	Concentrated, leveraged, undocumented	Portfolio limits, leverage policy, covenants, monitoring and stress tests
Reporting	Annual accounts, if any	Quarterly valuation and performance reporting to recognised standards
Exit	"We will see"	Exit routes defined at entry; readiness tracked from Day 1
Data	Spreadsheets in email	One operating system for research, deals, portfolio and governance (DEALFORGE) with an audit trail

1.1 The six building blocks

1

Strategy

Where we invest, how we win, what we will not do. Written in an Investment Policy Statement.

2

Capital

Whose money, on what terms, for how long, in which vehicles, with what liquidity reserve.

3

People

Deal, operating, finance and governance roles; incentives aligned with long-term returns.

4

Process

Origination, underwriting, IC, execution, ownership, exit — with gates and standards.

5

Governance

Decision rights, IC charter, conflicts policy, board practice in portfolio companies.

6

Data & technology

One record of deals, models, risks and portfolio KPIs; reporting to standards.

1.2 The investment value chain

Stage	Best practice	Output
Origination	Thesis-led sector mapping; proprietary relationships with founders, advisors and banks; watchlist with signals	Qualified pipeline 10–20× the deals you will close
Underwriting	Quality of earnings, three-scenario valuation, downside case, walk-away price, value creation plan draft	IC memo with recommendation
Decision	IC with charter, conflict declarations, recorded votes and conditions	Approved price authority
Execution	Structure, SPA protections, financing, approvals, closing checklist	Closed deal; Day-1 ready
Ownership	100-day plan, value creation plan, board cadence, KPI and covenant monitoring	EBITDA and cash growth
Exit	Exit readiness, timing discipline, competitive process, vendor due diligence	Realised cash (DPI)

1.3 The Investment Policy Statement (IPS)

The IPS is the constitution of the investment business. It is approved by the family council or board and reviewed annually. Without it, every deal becomes a new debate about strategy.

Section	Content
Objectives	Return target (e.g. net IRR, cash yield), capital preservation goals, time horizon, liquidity needs of the family
Strategy & scope	Strategies allowed (buyout, growth, buy-and-build, minority), sectors, geographies, ticket sizes
Risk limits	Single-deal, sector and vintage concentration; leverage; liquidity reserve; FX policy; minimum governance rights (in DEALFORGE 09 these five limits are measured live against holdings and pipeline)
Asset allocation	Private equity as a share of total family wealth; pacing of commitments per year; liquidity reserve
Governance	IC composition, quorum, voting, conflicts, delegation of authority
Responsible investment	Exclusions, ESG expectations, integrity standards
Reporting	Valuation policy, reporting frequency, performance measures
Review	Annual review and process for amending the policy

THE VALUE CHAIN IN DEALFORGE

Origination and underwriting start from a sector thesis in **07 Investment Research**; the deal then runs through modules 01–06 (pipeline, valuation, due diligence, transaction, IC). At closing the company becomes a holding in **08 Portfolio Management**, where capital, fair value and returns are tracked, and **09 Risk & Governance** sits across the whole chain: it approves the LOI, tests every deal against the IPS limits before the IC votes, carries accepted due-diligence findings into the risk register, and runs the quarterly valuation cycle through to exit. The *Command Center* home page shows all four layers on one screen.

PART A · CHAPTER 2

Investment strategy and positioning

A strategy is a set of choices that tells the team which deals to chase and which to ignore. The best firms are known for something specific — a sector, a type of situation, a way of creating value — and their deal flow follows that reputation.

2.1 The strategy menu

Strategy	What it is	Return drivers	Key risks
Control buyout	Acquire majority or full ownership of a mature, cash-generating business	Operational improvement, moderate leverage, multiple discipline	Overpaying; leverage; management gaps
Buy-and-build (platform)	Buy a strong "platform" company, then add smaller "bolt-ons" in a fragmented sector	Multiple arbitrage (small deals bought cheaper than the platform is worth), synergies, scale	Integration overload; paying up for bolt-ons
Growth equity	Minority or majority stake to fund expansion of a growing company	Revenue growth; professionalisation	Execution; minority protections
Succession capital	Buy from founders without successors; often staged with the founder retaining a stake	Entry price, governance upgrade, professional management	Key-person dependence; informal practices
Corporate carve-out	Buy a non-core division from a conglomerate	Focus, standalone improvement, motivated seller	Separation complexity; shared services
Special situations	Stressed or complex situations: refinancing, restructuring, disputes	Buying complexity at a discount	Legal and turnaround risk
Structured / private credit	Preferred equity, convertible or senior/mezzanine loans to mid-market companies	Contractual yield plus upside; downside protection	Credit losses; enforcement
Co-investment	Invest alongside a lead sponsor or other family offices	Access to larger deals at lower fees	Dependence on the lead's judgement

2.2 Three operating models compared

	Family office (direct investing)	Private equity fund	Acquisition platform / holding
Capital	Family's own, patient	Third-party LPs, committed for ~10 years	Holding company equity, retained earnings, debt
Horizon	Flexible to permanent	Fixed: invest ~5 yrs, exit within fund life	Permanent; exits optional

	Family office (direct investing)	Private equity fund	Acquisition platform / holding
Return focus	Wealth preservation + growth; cash yield	Net IRR and multiple to LPs	Compounding earnings and dividends; group synergies
Governance	Family council, IC	GP/LP structure, LPAC, fund documents	Group board, operating committee
Advantage	Speed, discretion, long horizon, reputation with founders	Scale, professional discipline, fee income	Synergies, shared services, integration capability
Watch-out	Informality; concentration; family conflicts	Exit pressure; regulation; fundraising effort	Complexity; capital allocation across the group

RECOMMENDED POSITIONING FOR A FAMILY INVESTMENT PLATFORM

Combine the three: invest the family's **patient capital** with **fund-grade discipline**, organised around **sector platforms** that compound through bolt-ons and shared capabilities. Open selected deals to **co-investors** to increase deal size without losing control. Decide case by case whether to hold permanently or exit.

2.3 Choosing sectors and themes

Score each candidate sector on attractiveness and on your right to win; invest where both are high.

Attractiveness (market)	Right to win (us)	Typical evidence
Structural growth above GDP	Existing companies, customers or know-how in the sector	Market data, customer interviews
Fragmentation — many small owners	Network to reach founders directly	Company mapping; number of targets
Resilient margins and cash conversion	Operating partners with sector experience	Peer benchmarks
Clear exit buyers (strategics, PE, IPO)	Ability to integrate and build platforms	Precedent transactions
Manageable regulatory and ESG risk	Reputation and relationships	Regulatory review

Themes worth testing in Indonesia (ideas, to be validated)

- **Founder succession** — first-generation owners of mid-sized firms seeking an exit or partner.
- **Consolidation of fragmented services** — logistics and cold chain, clinics and diagnostics, education, facility services.
- **Downstream processing** — adding value to commodities closer to the end customer.
- **Digitisation of traditional businesses** — B2B software, payments, data and cybersecurity for SMEs.
- **Healthy consumption** — healthcare access, wellness, branded food.
- **Energy efficiency and transition services** for industrial customers.

Themes are starting hypotheses. Each must be validated with market data, mapped targets and a written thesis before capital is committed.

WORKSHEET A

Sector thesis on one page

Sector / sub-sector

Why now (structural change)

Why us (right to win)

Number of mapped targets

Value creation levers

Platform candidates

Likely exit buyers

Typical entry multiple

Key risks / kill criteria

PART A · CHAPTER 3

Capital, vehicles and economics

Capital is the raw material of the business. Where it comes from, how long it stays, what it costs and how it is shared decide which strategies are possible — and how resilient the firm is when markets turn.

3.1 Sources of capital

Source	Use	Considerations
Family equity	Core of every deal; long-term and flexible	Pacing; liquidity needs of family members; succession
Co-investors (other families, institutions)	Larger deals without over-concentration	Shareholder agreement, information rights, exit alignment
Management rollover	Founder or managers reinvest part of proceeds	Alignment; protect minority fairly
Bank debt (acquisition and operating)	Improve equity returns at prudent levels	Covenants, security, refinancing risk, rupiah vs USD
Vendor financing / earn-out	Bridge valuation gaps	Seller credit risk; dispute risk on earn-out metrics
Third-party fund (later stage)	Scale the platform; fee income	Regulation, track record, reporting, fiduciary duties

3.2 Pacing and liquidity

- **Pacing plan**: commit a steady amount per year across vintages rather than all capital in one market cycle.
- **Liquidity reserve**: hold 15–25% of the private equity allocation for follow-on investments, bolt-ons, earn-outs and covenant cures.
- **Cash yield**: for a family, dividends from mature holdings can fund living needs and new deals — model cash distributions, not only IRR.

3.3 Leverage policy

Rule	Typical prudent level
Senior debt / EBITDA at entry	2.0–3.5x for stable businesses; lower for cyclical or early-stage
Interest cover (EBITDA / interest)	Above 3.0x in the base case; above 2.0x in the downside case
Covenant headroom	At least 25–30% headroom in the base case
Currency	Borrow in the currency of the cash flows (rupiah for domestic businesses)
Maturity	No major maturity in the first three years; refinancing plan for the rest
Recourse	Debt at the company or deal SPV — never cross-guaranteed by the family holding

3.4 Vehicle options

Vehicle	When to use	Watch-outs
Investment holding company	Permanent capital; group synergies; reinvest dividends	Tax on dividends and gains; governance of a growing group
Deal SPV per acquisition	Ring-fence risk and debt; admit co-investors deal by deal	Administration cost; shareholder agreements per SPV
Sector platform company	Buy-and-build in one sector; bolt-ons merge into it	Integration capacity; management bandwidth
Co-investment SPV	Bring in partners on a single deal	Decision rights, drag/tag, exit timing
Closed-end fund (GP/LP)	Raising third-party capital at scale	Licensing and fund regulation; fiduciary duties; reporting to LPs

Onshore and offshore structures have very different tax, regulatory and foreign-ownership consequences. Structure each vehicle with tax and legal advisors; consider treaty access, withholding taxes, foreign-ownership limits per KBLI and substance requirements.

3.5 Economics and alignment

Even when investing only family money, use fund-style economics internally: they make performance measurable and keep the team aligned with the owners.

Term	Typical market practice (third-party funds)	Family-office adaptation
Management fee	~1.5–2.0% of commitments during the investment period, lower afterwards	Annual operating budget for the investment team
Carried interest	~20% of profits	Profit-share pool for the team, 10–20% of gains above hurdle
Preferred return (hurdle)	~8% per year to investors before carry	Hurdle linked to the family's cost of capital
Catch-up	GP catches up to its full share after the hurdle	Optional; simpler to pay only above the hurdle
GP commitment	~1–3% of the fund	Team co-invests personal money in each deal
Waterfall	Whole-fund ("European") or deal-by-deal ("American")	Whole-portfolio basis with vesting and clawback is safer

Worked waterfall (whole-fund, 8% hurdle, 20% carry, full catch-up)

Investors commit and invest 100; total distributions of 180 after five years. Illustrative.

Step	To investors	To GP / team	Remaining
1. Return of capital	100.0	–	80.0
2. Preferred return (8% compounded, 5 yrs)	46.9	–	33.1
3. Catch-up (until GP has 20% of profit)	–	11.7	21.4
4. Split 80 / 20	17.1	4.3	0.0
Total	**164.0**	**16.0**	

The team earns 16 of the 80 of profit (20%) only because the investors first received their capital plus 8% per year. If the portfolio had returned only 140, the team would receive nothing.

ALIGNMENT CHECKLIST

- Team incentives paid on **realised** gains, with vesting over 4–5 years and clawback.
- Team members invest their own money in deals.
- No fees charged by the team to portfolio companies without IC approval and disclosure.
- Related-party transactions with family businesses at arm's length and approved by independent members.

PART A · CHAPTER 4

Organisation, people, governance and decision rights

Private equity is a people business on both sides of the table: the team that invests and the managers who run the companies. The structure, incentives and governance must make good decisions likely and bad decisions visible.

4.1 Core roles

Role	Responsibilities	When needed
Chief Investment Officer / Managing Partner	Strategy, IC chair or member, pipeline priorities, key relationships, team leadership	From day one
Deal team (principal, VP, associates, analysts)	Origination, modelling, due diligence, negotiation, board seats	One team per 2–3 active deals
Operating partners	Sector or functional experts (operations, commercial, finance, digital, HR) who lead value creation	From the first acquisition
CFO / finance & reporting	Valuation, portfolio reporting, treasury, tax coordination, audit	From the first acquisition
Legal & compliance	Structuring, documents, KYC/AML, conflicts, regulatory filings	Shared or external at first
Investor relations	Co-investors and future LPs; reporting and communication	When outside capital joins
Data & technology	Deal and portfolio system, data room, analytics	Part-time early; grows with portfolio
Independent IC members / advisors	Challenge, sector depth, governance credibility	From the first IC

4.2 Investment Committee charter — essentials

- **Members**: principal (chair), CIO, one or two senior deal professionals, at least one independent member.
- **Quorum**: majority including the chair and one independent.
- **Decisions**: approve / approve with conditions / decline; written reasons.
- **Authority**: price range, walk-away, structure, financing, conditions.
- **Conflicts**: declared at each meeting; conflicted members do not vote.
- **Materials**: memo and model version three working days in advance.
- **Records**: minutes, votes and conditions in the deal record.
- **Escalation**: any price above walk-away returns to the IC.

4.3 Delegation of authority

Decision	Deal lead	CIO	IC	Family council / board
Sign NDA, first meetings	**Approve**	Inform	–	–
Spend on external due diligence	Propose	**Approve** (within budget)	Above budget	–
Indicative offer / LOI	Propose	**Approve**	Inform	–
Final investment decision	Propose	Recommend	**Approve** (vote)	Inform
Exception to an IPS limit (pro forma breach)	Propose	Recommend	Recommend	**Approve**
Follow-on or bolt-on within plan	Propose	**Approve** (small)	Above threshold	Large tickets
Exit / sale of a holding	Propose	Recommend	**Approve**	Large exits
Quarterly fair value of a holding	Prepare	**Approve** (not the preparer)	–	Inform
Change to IPS or allocation	–	Propose	Recommend	**Approve**

Thresholds are set by amount in DEALFORGE 09. Nobody approves their own request; IC-level approvals need two signatures. DD cannot start before the LOI is approved; an IC approval that breaches an IPS limit waits for the council's exception.

4.4 Governing portfolio companies

Practice	Standard
Board composition	Investor majority in control deals; CEO; at least one independent with sector or finance expertise
Committees	Audit & risk; remuneration; for larger companies, an integration or strategy committee
Cadence	Monthly flash report; board meeting quarterly (monthly in the first 6–12 months)
Reserved matters & controls	Budget, capex above threshold, debt, M&A, key hires, related-party transactions, dividends; dual signatures, external audit, whistleblowing line
Reporting pack	KPIs vs plan, cash and covenants, value creation plan status, risks, people

4.5 Management incentives in portfolio companies

- **Management equity plan**: typically 5–15% of equity for the top team, bought or granted, vesting over the holding period.
- **Performance ratchets**: extra equity if returns exceed thresholds (e.g. 2.5x and 3.0x money multiple).
- **Leaver provisions**: good leaver / bad leaver terms protect the company and reward loyalty.
- **Annual bonus**: tied to the value creation plan — EBITDA, cash conversion and two or three strategic milestones.
- **Family-business sensitivity**: when buying from founders, honour commitments to long-serving staff, give the founder a meaningful transition role and communicate changes personally — governance can be firm without being cold.

PART B · CHAPTER 5

Value creation — the ownership playbook

Buying cheaply and adding leverage are no longer enough. Durable returns come from making the company better: growing revenue, improving margins, converting more profit into cash, and building a business that the next owner will pay more for.

5.1 Where returns come from — the value bridge

Decompose every investment's equity value creation into four drivers. Plan it at entry, measure it at exit.

Driver	How it creates value	Quality of the driver
Revenue growth	Higher volumes, prices, new products, new regions, bolt-ons	Best repeatable, valued by buyers
Margin expansion	Procurement, pricing, productivity, overhead, digitisation	Strong if sustainable
Multiple expansion	Bigger, cleaner, better-governed company sells at a higher multiple; buy-and-build arbitrage	Partly market-driven do not underwrite on it
Cash generation & deleveraging	Free cash flow repays debt or is distributed	Solid depends on conversion

Worked value bridge (illustrative, Rp bn)

Item	Entry	Exit (year 5)	Equity value created
Revenue	480	810	
EBITDA (margin)	72 (15%)	146 (18%)	
EV / EBITDA multiple	10.0x	8.5x	
Enterprise value	720	1,241	
Net debt	170	40	
Equity value	**550**	**1,201**	**+651**
from revenue growth (at entry margin and multiple)			+495
from margin expansion (at entry multiple)			+245
from multiple change (10.0x → 8.5x)			−219
from cash generation (net debt 170 → 40)			+130

This example deliberately assumes a *lower* exit multiple than entry. Conservative underwriting means the deal works on operational improvement alone; multiple expansion is upside, never the plan. Money multiple ≈ 2.2x.

5.2 The value creation plan (VCP)

Drafted in due diligence, approved by the IC, owned by the CEO, monitored by the board.

- Three to six **initiatives**, each with an owner, budget, milestones and EBITDA or cash impact.
- The **100-day plan**: governance, quick wins, people decisions, reporting.
- A **KPI dashboard** with monthly plan vs actual.
- A **capital plan**: capex, bolt-ons, debt, dividends.
- An **exit thesis**: who will buy it, why, and what they will need to see.
- A **risk register** carried over from due diligence.

5.3 Operational levers — the playbook

Lever	Typical initiatives	Measure
Commercial excellence	Key-account management, sales incentives, pipeline discipline, customer retention programme, cross-selling across portfolio companies	Revenue growth, churn, win rate
Pricing	Price-to-value analysis, discount control, contract indexation, mix management	Gross margin, price realisation
Procurement	Joint purchasing across the portfolio (fuel, insurance, IT, packaging), supplier consolidation, tender discipline	Cost of goods, savings run-rate
Operations	Lean processes, capacity utilisation, maintenance planning, network and footprint optimisation	Unit cost, utilisation, OTIF
Working capital	Collection discipline, payment terms, inventory reduction, cash pooling	Cash conversion, days of NWC
Digital & data	ERP and reporting, e-commerce or digital channels, analytics, cybersecurity baseline	Reporting speed, digital revenue
People & organisation	Right leaders in key roles, succession plans, incentives, training academy	Key-role fill, attrition, engagement
Governance & compliance	Audit-grade accounts, tax compliance, licences in order, ESG baseline — makes the company "investable" for the next buyer	Clean audit, open issues

5.4 Buy-and-build — executing a platform strategy

1. **Choose the platform**: strong management, scalable systems, clear brand — pay a fair price for quality.
2. **Map bolt-ons**: build a target list of 20–50 smaller companies; approach owners before they run a sale process.
3. **Industrialise integration**: a standard playbook (finance, IT, HR, procurement) and an integration team that does it repeatedly.
4. **Price discipline**: bolt-ons typically trade at lower multiples than the combined platform — the arbitrage only works if you do not overpay and integration succeeds.
5. **Pace**: no more acquisitions than the organisation can integrate; pause when KPIs slip.

5.5 Shared services across the portfolio

A family investment platform can create value that a single owner cannot: group procurement, shared finance and IT services, a talent pool and leadership academy, common cybersecurity standards, and introductions between

portfolio companies as customers and suppliers. Offer services on arm's-length terms; never force them on a company against its interest.

WORKSHEET B

Value creation plan — one page

Initiative	Lever	Owner	EBITDA impact	Cost	By when	Status

Exit thesis (who buys, why) _____

PART B · CHAPTER 6

Capital protection and risk management

The first rule of compounding is to avoid permanent loss. Protecting capital is not the same as avoiding risk; it means knowing which risks you take, sizing them, and having a plan before something goes wrong.

6.1 Downside-first underwriting

- **Model the bad case first**: revenue down 15–25%, margin down 3–5 points, exit multiple two turns lower. Does the company still pay its debt? Do we get our money back?
- **Margin of safety**: the entry price should leave room for the downside case to return at least the capital invested.
- **Walk-away price**: standalone value plus only a share of synergies — decided before negotiation.
- **Kill criteria**: written before due diligence (e.g. tax irregularities above a threshold, nominee ownership, core licence at risk).

6.2 Portfolio limits

Limit	Example policy
Single investment	No more than 15–20% of the private equity allocation at cost
Single sector	No more than 35–40% of invested capital
Vintage	No more than 40% of the allocation committed in any single year
Leverage	Portfolio-weighted net debt / EBITDA below 3.0x
Currency	Foreign-currency debt only against foreign-currency revenue
Minority positions	Only with board seat, information rights and vetoes on reserved matters

6.3 The risk map

Risk	Examples	Mitigation
Valuation	Overpaying in a hot market; optimistic plans	Three-scenario models, walk-away, independent IC challenge
Financial	Over-leverage, refinancing, covenant breach	Leverage policy, headroom, maturity planning
Operational	Loss of key customer or supplier; execution failure	Diligence, earn-outs, operating partners, monitoring
People	Weak or departing management; founder dependence	Management assessment, retention, succession plans
Legal & regulatory	Licences, land, tax, competition filings, foreign-ownership limits	Specialist diligence, CPs, indemnities, compliance calendar

Risk	Examples	Mitigation
Integrity	Fraud, bribery, related-party abuse	Background checks, controls, audit, whistleblowing, zero tolerance
Cyber & data	Ransomware, data breaches, personal-data violations	Cyber baseline in 100 days, backups, incident plan, insurance
Macro & FX	Rate shocks, rupiah depreciation, commodity prices	Stress tests, natural hedges, conservative debt
ESG & reputation	Environmental incidents, labour issues, community conflict	ESG diligence, action plans, board oversight
Concentration	Too much capital in one deal, sector or year	Portfolio limits and pacing plan

6.4 Early-warning system

Watch indicators (monthly)

- EBITDA two months below plan or 10% below in one month
- Cash conversion below 60%
- Covenant headroom below 15%
- Top customer at risk; key leader resigns
- Late monthly reporting — often the first sign

Response ladder

1. **Watch**: deeper monthly review with the CEO
2. **Action plan**: board-approved recovery plan, weekly cash forecast
3. **Intervention**: operating partner on site, management change, lender dialogue
4. **Restructuring**: capital injection, refinancing, sale or controlled wind-down

DEALFORGE 09 scores the triggers for every holding each time its KPIs and covenants are updated — KPI behind plan 1 point, covenant headroom below 15% 1 point, covenant breached 3 points, value below 0.8× cost 1 point — and suggests the rung of the ladder (1–2 watch, 3–4 action plan, 5–6 intervention, above 6 restructuring). The board representative sets the actual level and records the reason; the watch list appears on the Command Center and in the quarterly report.

6.5 Responsible investment and integrity

Treat ESG as risk management and value creation, not marketing. Screen exclusions at origination, include ESG and integrity in due diligence, set a baseline action plan in the first 100 days, and report progress to the board. Buyers increasingly pay more for — and lenders lend more readily to — companies with clean governance and documented environmental and labour practices.

PART B · CHAPTER 7

Exit strategy and performance measurement

A return is not earned until it is realised in cash. A disciplined exit strategy starts at entry, shapes the value creation plan, and is reviewed every year — including the deliberate decision to keep a great business for the long term.

7.1 Exit routes

Route	When it fits	Considerations
Trade sale to a strategic buyer	Clear synergies for a larger player; often the highest price	Competition clearance; confidentiality with competitors
Secondary sale to another PE firm	Company has a further growth plan another sponsor can fund	Buyer will seek full warranties; vendor due diligence helps
IPO (e.g. IDX)	Large, growing, well-governed company with a strong equity story	Market windows; lock-ups; partial liquidity; listing obligations
Partial sale / minority stake	Bring in a partner while keeping control or upside	Shareholder agreement; valuation reference
Dividend recapitalisation	Strong cash flows; return capital without selling	Leverage discipline; covenant headroom
Management buyout	Management can finance a purchase	Price fairness; financing certainty
Permanent hold	Exceptional business; cash yield above alternative uses	Decide explicitly each year — hold is a decision too

7.2 Exit readiness — start on Day 1

- [ ] Audited accounts by a reputable firm for at least three years
- [ ] Clean tax position; no open disputes without provisions
- [ ] Licences, land and key contracts documented and transferable
- [ ] Management that runs the business without the investor; incentives aligned with a sale
- [ ] Corporate structure simplified; related-party dealings documented
- [ ] ESG baseline and policies in place
- [ ] IT systems and data that a buyer can rely on
- [ ] Vendor due diligence and a data room prepared before marketing

7.3 The hold-or-sell review (annual, per company)

Question	Signals to sell
Is the remaining value creation plan still large?	Main initiatives delivered; next phase needs a different owner
Forward return from today's value?	Forward IRR on current value below the hurdle
Is the market paying well?	Sector multiples at the top of their range; strong buyer interest
Does the company fit the portfolio and limits?	Concentration too high; capital needed for better opportunities
Is management ready for a new owner?	Team stable, incentives aligned, story credible

7.4 Measuring performance honestly

Measure	Definition	Use
IRR	Annualised return accounting for the timing of cash flows	Speed of returns; sensitive to timing and early exits
MOIC / TVPI	Total value (realised + unrealised) ÷ invested capital	Absolute value creation
DPI	Distributions (cash returned) ÷ paid-in capital	The cash truth — the measure that matters most to owners
RVPI	Remaining (unrealised) value ÷ paid-in capital	How much is still on paper
PME	Public market equivalent: compares returns with investing the same cash flows in a listed index	Did private equity beat simply buying the market?

7.5 Valuation and reporting standards

- **Fair value each quarter** under the IPEV Valuation Guidelines (multiples, DCF, recent transactions), applied consistently; increases need evidence, decreases are recognised promptly.
- **Four-eyes review every quarter**: the analyst prepares the mark with written evidence; someone else with CIO-level authority approves it (DEALFORGE 09). NAV, TVPI, DPI and IRR use only approved marks; a new holding is carried at cost until its first mark. External review at least annually.
- **Reporting**: quarterly report to the family council and co-investors — per vehicle: paid-in, distributions, NAV, DPI, TVPI, net IRR after accrued carry; holdings and fair values, capital flows, IPS limit status, key risks, watch list (DEALFORGE prints it and exports a CSV). ILPA templates are the reference if third-party capital is raised.

WORKSHEET C

Quarterly portfolio report — one line per company

Company	Cost	Fair value	MOIC	IRR	EBITDA vs plan	Covenants	Status
Portfolio					DPI _____	TVPI _____	net IRR _____

PART C · CHAPTER 8

Strategic ideas for a family office and acquisition platform

Twelve ideas to differentiate a family investment platform. Not all should be pursued at once; choose three or four that fit the family's strengths, and test each with a one-page thesis and a pilot deal.

IDEA 1 · STRUCTURE

Permanent-capital holding with fund discipline

Hold great businesses for the long term, but measure them as a fund would — hurdle, value bridge, annual hold-or-sell review. Combines patience with accountability.

First step: adopt the IPS and quarterly valuation policy.

IDEA 2 · SOURCING

Succession capital programme

Position the family as the preferred buyer for founders without successors: continuity of name and staff, staged exits, founder stays on the board. Reputation wins deals that auctions don't.

First step: map 100 founder-owned companies in target sectors.

IDEA 3 · STRATEGY

Two or three sector platforms

Build depth instead of breadth: one platform per chosen sector (e.g. logistics & cold chain, healthcare services), each growing through bolt-ons with a shared integration playbook.

First step: sector thesis and platform shortlist per sector.

IDEA 4 · CAPITAL

Family co-investment club

Invite a small group of like-minded families to co-invest deal by deal. Larger tickets, shared diligence costs, more deal flow — while the family keeps the lead and governance.

First step: standard co-investment terms and a first pilot deal.

IDEA 5 · VALUE CREATION

Operating partner bench

Retain five to eight experienced executives (operations, finance, commercial, digital, HR) as operating partners, paid partly in equity, deployed into portfolio companies.

First step: recruit two operating partners aligned to the first platforms.

IDEA 6 · VALUE CREATION

Group shared services and procurement

Joint purchasing (fuel, insurance, IT, telecoms), shared finance and IT services, and a common cybersecurity baseline — offered at arm's length to portfolio companies.

First step: spend analysis across current holdings.

IDEA 7 · SOURCING

Corporate carve-out desk

Approach conglomerates about non-core units. Carve-outs are complex — which keeps prices reasonable for buyers who can manage separation well.

First step: separation playbook and a transitional-services template.

IDEA 8 · PRODUCT

Structured equity and private credit sleeve

Preferred equity or secured loans for good mid-market companies that do not want to sell control. Yield with downside protection, plus a pipeline of future buyouts.

First step: credit policy and a small pilot allocation.

IDEA 9 · PEOPLE

Leadership academy and talent pool

Train high-potential managers across the portfolio; rotate talent between companies; build a bench of future CEOs and CFOs — often the binding constraint on growth.

First step: identify the top 20 managers in the portfolio.

IDEA 10 · TECHNOLOGY

Data-driven deal and portfolio platform

Run research, origination, underwriting, IC, transactions, portfolio management and governance on one system with AI-assisted document review — DEALFORGE already covers all four layers. Faster decisions, better memory, auditability.

First step: every live deal, holding, fair value and approval recorded in DEALFORGE — no parallel spreadsheets.

IDEA 11 · VALUE CREATION

Digital and AI enablement of traditional businesses

Many mid-sized Indonesian companies run on manual processes. Standard ERP, reporting, pricing analytics and selective AI use can lift margins and make the business more valuable at exit.

First step: digital maturity assessment in each company.

IDEA 12 · REPUTATION

Governance and ESG as a brand

Be known as the owner that leaves companies better governed, safer and cleaner. It attracts founders, lenders, co-investors and future buyers — and protects the family name.

First step: responsible investment policy and a 100-day ESG baseline.

Prioritising the ideas

Idea	Impact	Effort	Fit with family strengths	Priority
1 · Permanent capital with fund discipline	High	Low	High	Now
2 · Succession capital programme	High	Medium	High	Now
3 · Sector platforms	High	High	Medium–High	Now
10 · Data-driven platform (DEALFORGE)	Medium	Low	High	Now
5 · Operating partner bench	High	Medium	Medium	Next
4 · Co-investment club	Medium	Medium	Medium	Next
6, 9, 11, 12 · Shared services, academy, digital, ESG brand	Medium	Medium	Medium	Next
7, 8 · Carve-outs, structured credit	Medium	High	Depends on team	Later

The ratings are a starting proposal for discussion with the principal and family council.

PART C · CHAPTER 9

Implementation roadmap and firm-level KPIs

9.1 Three-phase roadmap

Phase	Strategy & capital	People & governance	Process & technology
Foundation Months 0–6	IPS approved; target sectors and theses; pacing plan and liquidity reserve	CIO and core deal team; IC charter with an independent member; conflicts policy	DEALFORGE live across all four layers: theses in 07, IPS limits and authority matrix in 09, vehicles and the capital ledger in 08; valuation policy; standard templates
Build Months 6–18	First platform acquisitions; co-investment terms; debt relationships	Two operating partners; CFO and reporting; management incentive plan template	100-day and value creation playbooks; quarterly valuation cycle and portfolio report from 08/09; shared procurement pilot
Scale Months 18–36	Bolt-on programme; co-investment club; consider structured credit or a third-party vehicle	Leadership academy; succession plans for the investment team	Portfolio data warehouse; first exits or hold decisions; independent valuation review

9.2 KPIs for the investment firm itself

Area	KPI
Origination	Qualified opportunities per quarter; % proprietary
Conversion	Screened → NDA → LOI → closed ratios
Speed	Days from LOI to IC; LOI to closing
Discipline	% of deals closed at or below IC price; walk-aways
Cost	Dead-deal costs as % of capital deployed

Area	KPI
Value creation	EBITDA growth vs plan; VCP initiatives on track
Risk	Companies on watch list; covenant headroom
Returns	Gross and net IRR, TVPI, DPI, PME vs index
Governance	IC records complete; audit findings closed
People	Key-role fill in portfolio; team retention

9.3 Annual strategy review — agenda

1. Performance of the portfolio and of the firm against KPIs.
2. Market and sector outlook; update of sector theses.
3. Capital plan: commitments, pacing, liquidity reserve, leverage.
4. Hold-or-sell review of every portfolio company.
5. Team, incentives and succession.
6. Changes to the IPS for family council approval.

Templates and checklists

CHECKLIST 1

Investment Policy Statement

- [ ] Return and cash-yield objectives
- [ ] Allowed strategies, sectors, geographies
- [ ] Ticket sizes and pacing per year
- [ ] Concentration and leverage limits
- [ ] Liquidity reserve
- [ ] Governance, IC and delegation of authority
- [ ] Responsible investment and exclusions
- [ ] Valuation and reporting policy
- [ ] Annual review process

CHECKLIST 2

Before every investment decision

- [ ] Fits the IPS and portfolio limits
- [ ] Thesis and kill criteria written
- [ ] Normalised earnings and cash conversion verified
- [ ] Downside case returns the capital
- [ ] Walk-away price set
- [ ] Value creation plan drafted with owners
- [ ] Management assessed: back, build or replace
- [ ] Exit routes and likely buyers identified
- [ ] Integrity and ESG diligence complete

CHECKLIST 3

First 100 days of ownership

- [ ] Board, committees and reserved matters in place
- [ ] Delegation of authority and bank controls
- [ ] Monthly reporting pack live
- [ ] Management incentive plan agreed
- [ ] Quick wins delivered (procurement, cash)
- [ ] Cybersecurity and compliance baseline
- [ ] Value creation plan approved by the board
- [ ] First quarterly review against the IC case

CHECKLIST 4

Quarterly portfolio review

- [ ] Valuations updated with evidence
- [ ] KPIs and covenants vs plan
- [ ] Watch-list companies and actions
- [ ] Value creation initiatives status
- [ ] Capital calls, distributions, liquidity
- [ ] Pipeline vs budget and limits
- [ ] ESG and integrity issues
- [ ] Decisions and owners recorded

WORKSHEET D

Management assessment — back, build or replace

Role	Name	Capability (1–5)	Integrity / fit	Retention risk	Decision	Action / by when
CEO						
CFO						
COO / operations						
Sales / commercial						
HR / people						

Glossary

Bolt-on	Smaller acquisition merged into a platform company
Carried interest (carry)	Share of profits paid to the investment team after investors receive capital plus the hurdle
Catch-up	Waterfall step letting the manager reach its full profit share after the hurdle
Co-investment	Investing alongside a lead investor in a specific deal
DPI / TVPI / RVPI	Distributed, total and remaining value as multiples of paid-in capital
GP / LP	General partner (manager) / limited partner (investor) in a fund
Hurdle (preferred return)	Minimum return to investors before carry is paid
ILPA	Institutional Limited Partners Association — principles and reporting templates for funds
IPEV	International Private Equity and Venture Capital Valuation Guidelines for fair value
IPS	Investment Policy Statement — the written strategy, limits and governance
Multiple arbitrage	Buying small companies at lower multiples than the larger combined business is worth
Pacing	Spreading commitments across years to diversify by vintage
PME	Public market equivalent — compares private returns with a listed index
Platform	First, larger acquisition in a sector, used as the base for bolt-ons
Value creation plan (VCP)	Owned, budgeted initiatives to increase EBITDA and cash during the holding period
Waterfall	Order in which distributions are split between investors and the manager

References

- International Private Equity and Venture Capital Valuation (IPEV) Guidelines — fair value principles for private investments (current edition, privateequityvaluation.com)
- ILPA Principles and ILPA Reporting Template — alignment, governance and transparency standards for private funds (ilpa.org)
- Sabana Family — Investment, Merger & Acquisition Workbook v1.1 (companion document) for transaction execution and Indonesian regulatory steps
- Sabana Family Brand & Logo Guide v1.1 — visual identity of this guide

SABANA FAMILY

FAMILY INVESTMENT & ASSET MANAGEMENT

Jl. Hang Lekiu I No. 7, Jakarta 12120, Indonesia

family@sabana.me · www.sabana.me

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