

BEYOND THE DEAL – WHY INTEGRATION DETERMINES PRIVATE EQUITY SUCCESS



Carve-outs are once again at the center of private equity (PE) deal flow. In late 2024, 11.8% of U.S. buyouts were carve-outs – the highest share since 2016. By mid-2025, carve-outs still represented 10.6% of PE buyouts, well above the five-year average of 8.7% (CBIZ)^[1].

For PE sponsors – the general partners (GPs) who manage funds on behalf of their investors – these transactions are attractive. They allow firms to acquire non-core divisions at compelling valuations. But they also come with execution risk: reliance on Transitional Services Agreements (TSAs), stranded costs, complex Day 1 transitions, and the need for rapid synergy capture.

For PE firms, the challenge is not sourcing deals – it's ensuring those deals deliver. The difference between a portfolio company that outperforms and one that stalls lies in how integration is managed once the deal closes.

WHY IT MATTERS TO PRIVATE EQUITY SPONSORS

In today's environment, GPs can't afford to miss.

- Deal values are concentrated. Global mergers and acquisitions (M&A) rose 22% year-over-year in H1 2025, but volumes are flat – signaling a market where large deals dominate (McKinsey, BCG)^[2]. The U.S. accounted for over \$700B in H1 transactions, nearly two-thirds of global value (S&P Global)^[3].
- Dry powder is under pressure. For the first time since 2010, PE “dry powder” – uninvested capital committed by limited partners (LPs, the investors in PE funds) – has declined as fundraising slowed and distributions disappointed (PitchBook, McKinsey)^[4]. Investors are demanding discipline, speed, and proof of value creation.
- LP expectations are rising. In a tougher fundraising market, LPs require sponsors to demonstrate operational excellence, not just financial engineering.

In this landscape, integration is not back-office detail – it's a core driver of fund performance.

FIVE INTEGRATION PRACTICES THAT MATTER MOST TO PRIVATE EQUITY

1

INTEGRATION PLANNING MUST START IN DILIGENCE

Sponsors are often focused on valuation, financing, and deal structuring – leaving integration planning until after signing. That's a costly mistake. Harvard Business Review urges dealmakers to 'get a running start before Day 1'^[5].

For PE, this means embedding integration readiness into the investment committee process. Standalone cost models, TSA scoping, and early synergy validation should be part of diligence – not afterthoughts.

2 DAY 1 READINESS PROTECTS ENTERPRISE VALUE

The first 24 hours after close can make or break a deal. If payroll fails, IT systems lock users out, or customers lose service continuity, enterprise value erodes immediately. McKinsey calls Day 1 execution one of the most underestimated risk factors in deal success^[6].

Private equity sponsors cannot afford Day 1 chaos. LPs expect business continuity from the moment ownership transfers.

3 SYNERGIES MUST BE REALISTIC – AND RELENTLESSLY TRACKED

PwC found that only 14% of deals deliver significant success across strategy, financials, and operations^[7]. Inflated or vague synergy assumptions are a prime culprit.

For sponsors, the risk is twofold: overpaying on the front end, then failing to deliver the returns modeled to LPs. The solution is to move from assumptions to accountable targets – with dashboards that track capture in real time.

4 GOVERNANCE CREATES SPEED AND CONTROL

Integrations span dozens of workstreams. Without structure, decisions bog down, efforts duplicate, and momentum stalls. PwC research shows that top-quartile acquirers invest more in integration governance and resource it early^[7].

For PE, governance is more than control – it's a signal to LPs, boards, and lenders that the firm is executing with discipline.

5 CULTURE AND COMMUNICATION SAFEGUARD TALENT AND GROWTH

Financial sponsors sometimes underestimate cultural risk, assuming operational discipline can override people issues. But McKinsey both shows that cultural misalignment contributes to up to 30% of failed integrations^[8]. Employee turnover, morale collapse, or misaligned leadership can stall synergy capture and growth.

Sponsors must ensure cultural alignment and clear communication to protect talent – especially in founder-led businesses or corporate carve-outs.

A CHECKLIST FOR PRIVATE EQUITY DEAL SPONSORS

Before your next deal closes, ask:

- Have we validated synergies with function-by-function plans – not just top-line assumptions?
- Do we have a Day 1 operating model to guarantee business continuity?
- Are TSAs scoped, priced, and governed to avoid unexpected costs and delays?
- Is an IMO in place to provide disciplined governance and transparent reporting?
- Do we have a change management plan to align cultures and retain top talent?

If the answer to any of these is 'no,' the risk of value leakage is real.



CONCLUSION: INTEGRATION IS A PE VALUE LEVER

In today's market, the winners will be those who treat integration as a strategy in its own right – not a back-office task.

Private equity sponsors face heightened LP scrutiny, tighter fundraising conditions, and increasing pressure to prove operational excellence. Deals don't fail for lack of ambition; they fail for lack of execution.

At Tenavra, we help sponsors turn complex transactions into lasting value. Our three-pillar model – Diligence, Transaction Execution, and Transformation & Value Creation – bridges the gap between investment thesis and operational reality, ensuring value capture from Day 1 through exit.

Because in private equity, the deal itself doesn't generate returns – disciplined integration does.

Tenavra's approach to integration success:

- We conduct Standalone Cost Assessments and Operational Due Diligence (ODD) to quantify entanglements, stranded costs, and transition expenses before close. This enables sponsors to underwrite with confidence and avoid post-close surprises.
- We design Day 1 Operating Models that guarantee seamless continuity across HR, Finance, IT, and Supply Chain. Our cutover playbooks, readiness rehearsals, and command-center execution prevent value leakage when it matters most.
- Our Synergy Assessments translate high-level assumptions into actionable initiatives, and our Performance Tracking dashboards ensure synergy capture is measured, visible, and tied to deal value.
- We establish Integration or Separation Management Offices (IMO/SMO) to align cross-functional teams, track milestones, and escalate decisions quickly. This provides transparency and accountability – the currency PE sponsors need with LPs.
- We support leadership alignment, stakeholder messaging, and culture integration, ensuring talent stays engaged and execution stays on track.

EXPLORE TENAVRA'S SERVICES

From validating standalone costs to orchestrating Day 1 execution and tracking synergies, our services are designed to help private equity sponsors protect enterprise value and accelerate returns.

See how we turn complex transactions into lasting value: <https://www.tenavra.com/services>

Contact us at info@tenavra.com

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