Gotham Insights

Proactively Managing Portfolio Company Performance Through Ongoing Uncertainty

Gotham Consulting Partners
Value Creation In Private Equity

JULY 2025

Summary

Amid shifting tariff policies, reductions in federal funding, and looming recessionary pressures, macroeconomic uncertainty is poised to weigh heavily on financial performance across industries, with some effects already being felt in certain industry sectors. To best weather this turbulence, PE portfolio companies should sharpen their focus on commercial and operational effectiveness to ensure that key revenue and cost levers are being fully captured. A proactive value creation framework and prioritization approach can help management teams swiftly chart a beneficial course through the headwinds ahead.

A Convergence Of Disruption

At the outset of 2025, there was cautious optimism about the economic outlook. However, recent developments—including evolving tariff regimes, cuts in government funding, and immigration actions—have introduced considerable uncertainty. While tariff policies remain in flux, the prevailing trend suggests rates will rise above last year's levels. In addition, federal funding reductions are already impacting key sectors such as education, healthcare, research, and green energy. Further, immigration actions have started to affect the labor force and consumer spending.

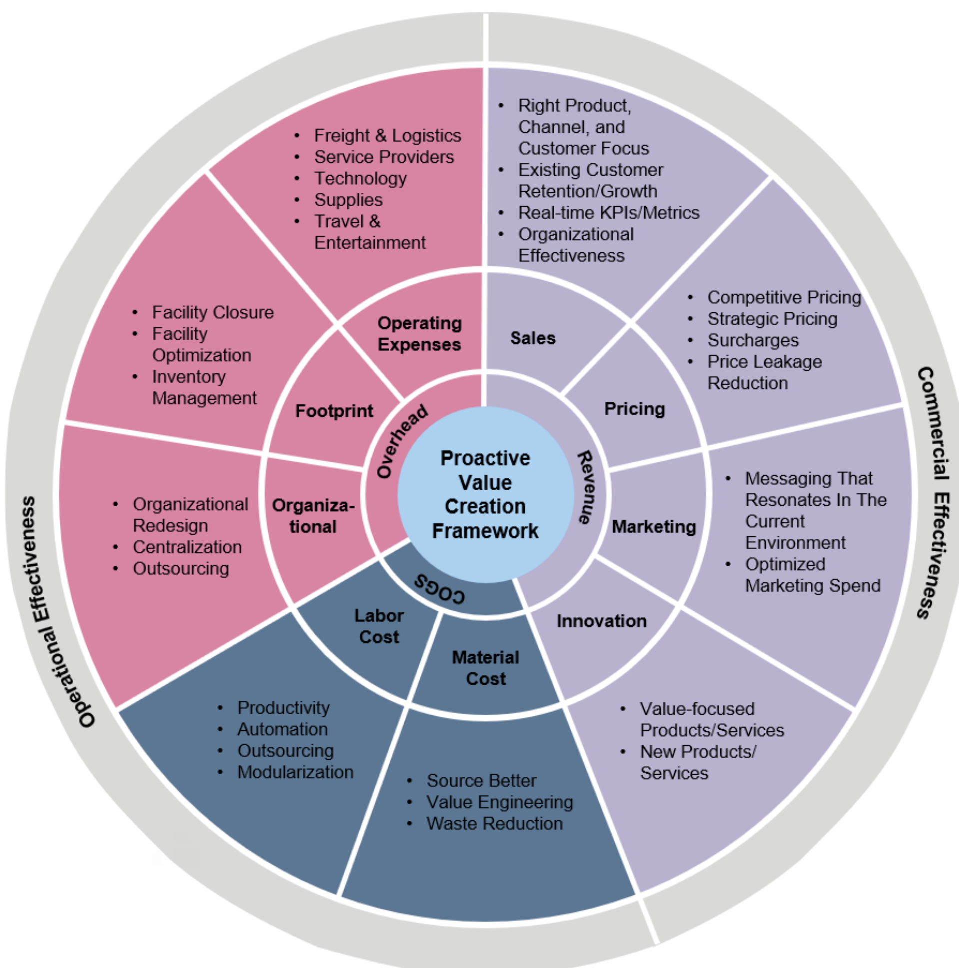
This uncertainty is reverberating across the business landscape. Sales expectations have declined, with many firms scaling back investment and hiring plans—the Economic Policy Uncertainty Index has averaged 447 points for the USA during the first 6 months of 2025, vs a monthly average of 94 points since 1900. The Index of Consumer Sentiment was recorded at 52.2 in May 2025, one of the lowest recorded values since it first started being tracked in 1952 (it slightly rebounded in June). While the impact of uncertainty has been evident in "soft" data (e.g., surveys), impacts are beginning to be visible in hard data too—illustrated by the May 0.9% decline in retail sales from the prior month. Although the financial impact may not yet be fully visible in portfolio revenue or cost figures, many sectors are expected to feel the strain, and some already are. For instance, consumer discretionary businesses are particularly vulnerable to reduced spending and heightened price sensitivity, while industrial companies are already seeing softness in revenue from the slowdown in capital spending.

Proactive Value Creation Framework

To avoid falling short of financial expectations, portfolio companies should adopt a proactive, agile approach to managing the fundamentals of revenue and costs. This is particularly important as multiple PE firms are looking to exit investments in the near term; any missed quarterly performance delays that exit.

From Gotham's 20+ years of experience in creating value for PE portfolio companies, we have detailed a cross-sector value creation framework ahead. This framework will enable management teams to focus on relevant levers, rapidly reassess strategic priorities, identify high-impact opportunities, and implement a focused roadmap for value creation. This approach is designed to help companies not only withstand current disruptions but also strengthen their financial position even should the disruption turn out to be minor or moot in the company's particular sector.

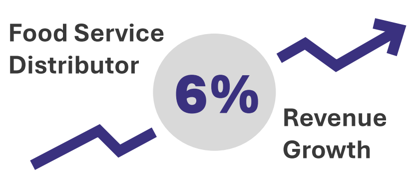
Cross-sector Proactive Value Creation Framework



Commercial Effectiveness

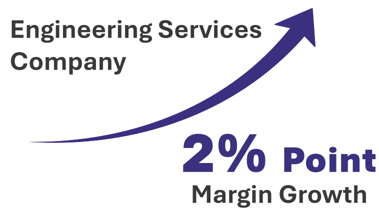
Sales

Companies should align their sales strategies with evolving market dynamics to focus on the **right products, channels, and customer segments**. This entails realigning sales priorities and adjusting compensation and incentive structures to reflect opportunities in the current environment. A strong emphasis should also be placed on **existing customer retention/growth**. Many sales organizations tend to neglect existing customers with a focus instead on new customer acquisition. Companies need to ensure adequate focus on existing customers to minimize customer attrition and drive continuing growth through cross-selling, upselling, and increasing wallet share. To support these strategies, organizations should implement **real-time KPIs/metrics** to monitor new sales, customer growth, and attrition at a granular level. Finally, enhancing sales **organizational effectiveness** is essential for capturing growth opportunities and maintaining agility. To this end, companies should optimize the sales structure in alignment with sales priorities, create a robust inside sales function to support and complement the outside salesforce, and implement digital engagement tools for the salesforce and customers.



Pricing

Companies should take a disciplined and strategic approach to pricing. This starts with ensuring **competitive pricing.** As companies have increased prices over the past few years, they need to make sure that their prices are in line with those of their competitors and not lose out on opportunities due to perceived high prices. At the same time, businesses should pursue **strategic pricing** opportunities to capture additional margin where possible—such as optimizing pricing mix or introducing premium tiers or subscription pricing. Additionally, implementing surcharges—such as a fuel surcharge or a premium service surcharge—can help recover increased expenses without eroding core pricing. Finally, **reducing price leakages** is critical, and includes enforcing policies around order minimums, discounts, waived fees, and flexible terms to ensure that sales teams are not giving away value unnecessarily and the company is billing customers according to the contractual terms.



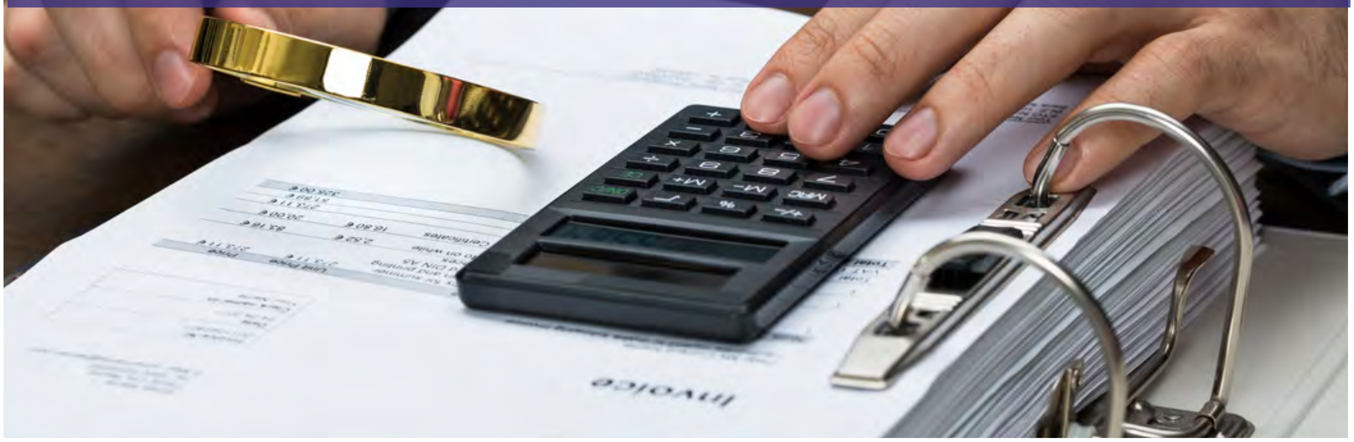
Marketing

Companies should reorient their marketing to better reflect shifting customer priorities and market realities. This begins with refining **marketing messaging** to emphasize value, affordability, and domestic sourcing—key themes that resonate with cost-conscious consumers and businesses navigating tariff-related price increases. This requires conducting a “voice of the customer” survey to understand customer needs and priorities in the current environment. In parallel, companies should **optimize marketing spend** through a data-driven approach by evaluating channel effectiveness, reallocating budgets to high-performing platforms, and optimizing the overall channel mix to ensure maximum return on investment.

Innovation

Companies should reimagine or create products to align with what customers need today. These efforts should translate into developing **value-focused products/services** tailored to price-sensitive customers, while also adding **new products/services** in order to capture incremental revenue from existing customers and expand into adjacent customer segments.

Operational Effectiveness (COGS)

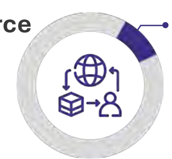


Material Costs

To combat rising input costs and protect margins, companies should take a strategic and disciplined approach to material cost reduction. This begins with **strengthening sourcing** strategies—diversifying suppliers in response to shifting tariff landscapes and renegotiating contracts to secure more cost-effective alternatives. Simultaneously, applying **value engineering** principles to redesign products and packaging can unlock significant savings, including potential to use lower cost sources, without compromising quality.

Finally, operational efficiency should be enhanced by **identifying and eliminating waste**, such as reducing scrap, minimizing quality defects, and deploying tracking and weighing tools throughout the manufacturing process.

E-commerce Retailer



10%
Sourcing Cost Reduction

Labor Costs

Companies should take a holistic approach to labor cost, targeting both **productivity** and structural improvements. This starts with analyzing workflows and equipment performance to identify and eliminate inefficiencies, reduce downtime and rework, and minimize low-value activities. Optimizing staffing levels and investing in upskilling can further boost workforce productivity. In parallel, organizations should explore **automation** opportunities to streamline repetitive or manual tasks. Furthermore, revisiting the balance between in-house operations and **outsourcing** can also uncover cost and efficiency gains—particularly relevant amid evolving tariff regulations. Finally, **modular design** of products allows components to be sourced or assembled in lower-cost regions, further improving labor leverage and operational flexibility.

Healthcare Products Manufacturer

35%
Labor Cost Reduction

Operational Effectiveness (Overhead)

Organizational

Companies should leverage opportunities to right-size the organization, especially after any growth in the size of the organization and compensation levels during the pandemic. This starts with an **organizational redesign** to delayer, increase span of control, and eliminate overlapping responsibilities. For companies with multiple locations, all functions should be evaluated to identify opportunities for **centralization** to leverage scale and improve efficiency. Furthermore, for organizations with sufficient scale, **outsourcing** opportunities for their services, both domestic and to lower-cost countries, should be assessed.

Home Services Company

$15MM

Corporate Staff Cost Reduction

Footprint

Home Goods Wholesaler

20%

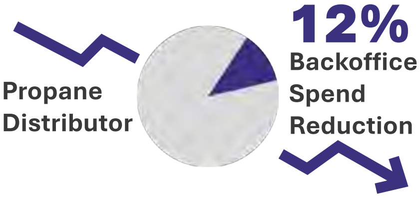
Warehouse Cost Reduction

Another structural opportunity is to rationalize the physical footprint. This starts with evaluating the facility network (e.g., branches, offices, depots, warehouses, plants) to identify **facility closure** opportunities. For the remaining facilities, workflow and space utilization should be assessed to identify **optimization** opportunities, allowing for subleasing of any unused space. For manufacturing, distribution, and retail companies, **inventory optimization** can reduce the warehouse space requirements, allowing for footprint reduction.

Operating Expenses

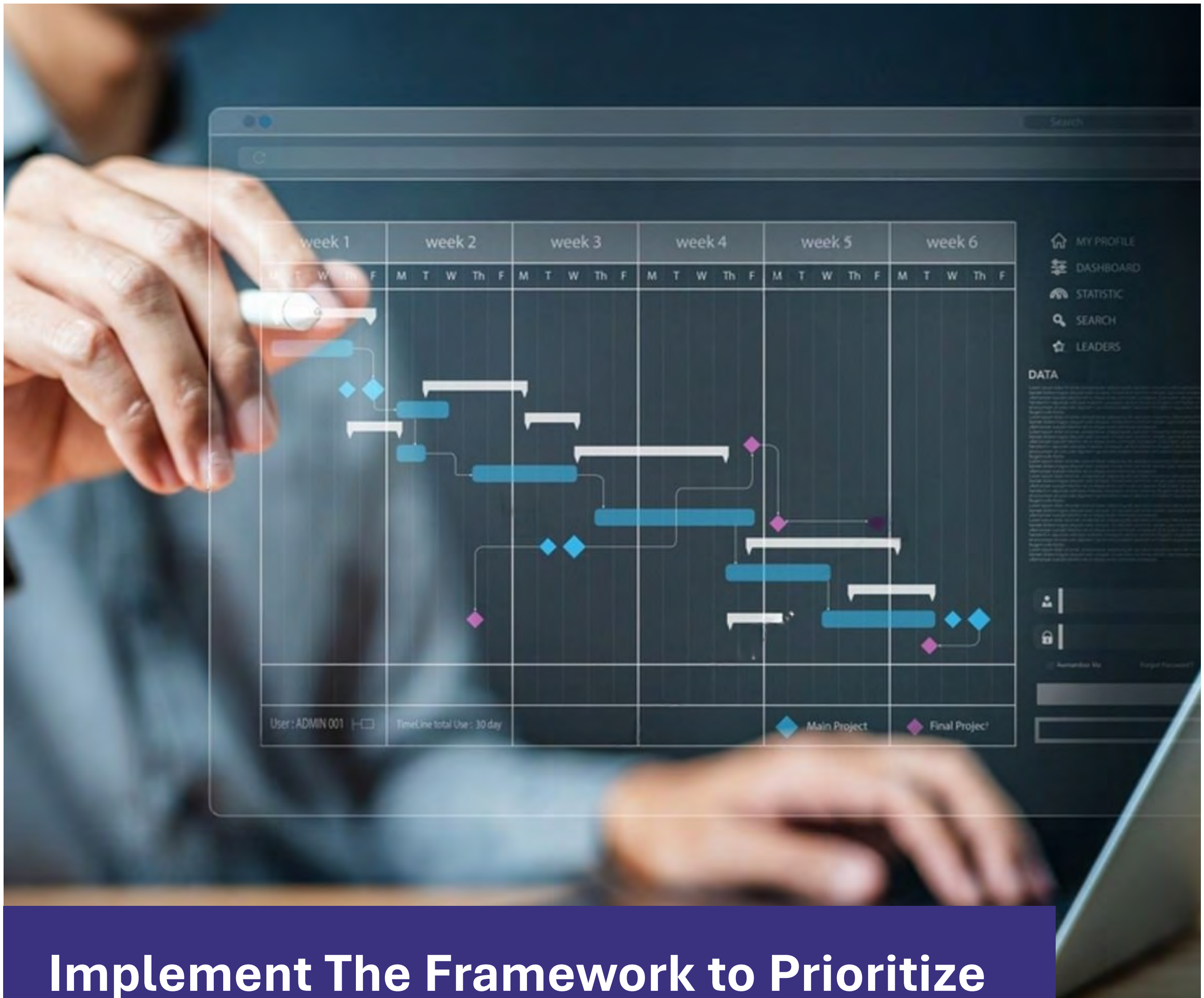
Companies should take a hard look at reduction possibilities for non-labor operating expenses. Possibilities include optimizing **freight & logistics** by rebalancing distribution centers and refining routing strategies, especially important as global supply chains remain unpredictable. Organizations should also reassess their reliance on **service providers**, renegotiating contracts or consolidating services to drive efficiency. In parallel, rationalizing **technology spend** by consolidating IT systems and eliminating redundant tools can yield significant savings. Additionally, companies should scrutinize spending on **supplies** and discretionary categories like **travel & entertainment**, curbing non-essential expenses to reduce costs.

Propane Distributor



12%

Backoffice Spend Reduction



Implement The Framework to Prioritize Levers

Asking 4 key questions for each potential lever/opportunity will help companies set priorities:

- Is this **relevant** to the company?
- What is the **impact**?
- What level of **effort/investment** is required to capture the impact?
- What is the **timeline** for realizing the benefits?

For sector-specific value creation frameworks or to discuss how Gotham can quickly evaluate your portfolio company operations to uncover opportunities that mitigate risks of the ongoing uncertainty, please contact:

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About Gotham

For 20+ years, Gotham Consulting Partners has helped Private Equity firms accelerate value creation across the investment lifecycle. We deliver tailored, data-driven strategies and operational improvements that allow our clients to quickly reach, and often exceed, their top-line growth, margin improvement, working capital reduction, and service improvement objectives.

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