

A Guide to Identifying High-Value Candidates for Value Recovery

This short guide outlines the observable, pre-deployment indicators that help private equity firms identify portfolio companies likely to generate substantial, measurable value from Digital-Mirror's Contract Performance Management capabilities. The factors identified rely on information available through management interviews, financial statements, spend summaries, revenue mix, org charts, and standard diligence.

To ground these indicators in real outcomes, the guide is supplemented with five short, anonymized digital-mirror customer cases. The case studies demonstrate some of the practical, repeatable patterns PE firms can use to screen for high-value candidates across a portfolio. For private equity, portfolio optimization in uncertain markets starts with contract performance, unlocking cash, expanding margins, and accelerating value creation ahead of exit.

SPEND & OPERATIONAL STRUCTURE

INDIRECT SPEND LEVEL

- What: Indirect spend \geq \$75–100M
- Why: Leakage scales with spend volume
- Source: Spend cube, GL categories

SUPPLIER CONTRACT VELOCITY

- What: High annual renewal or supplier churn
- Why: More touchpoints increase leakage exposure
- Source: Supplier churn %, annual renegotiation frequency

INDUSTRY PACE / CATEGORY VOLATILITY

- What: Frequent repricing or volatile supply categories
- Why: Higher variance increases enforcement gaps
- Source: Historical PO variance, monthly cost swings

INTERNATIONAL FOOTPRINT

- What: Multi-country operations
- Why: Inconsistent terms and payment practices across regions
- Source: Country count

CUSTOMER CONTRACT DYNAMICS

RECURRING OR USAGE-BASED REVENUE MIX

- What: Significant portion of revenue tied to contractual terms
- Why: Introduces pricing, credit, and SLA enforcement exposure
- Source: Revenue mix from CFO reporting

RENEWAL FRICTION / COMMERCIAL ESCALATIONS (PROXY)

- What: Management reports frequent late renewals or escalations tied to terms
- Why: Indicates misalignment and hidden leakage
- Source: CFO/COO interviews on renewal pressure points

GOVERNANCE & ORGANIZATIONAL CAPACITY

PROCUREMENT / COMMERCIAL TEAM BANDWIDTH (PROXY)

- What: Small team relative to spend or revenue scale
- Why: Low bandwidth increases leakage risk
- Source: Org charts; spend or revenue per FTE

MANAGEMENT AWARENESS OF CONTRACT EXPOSURE

- What: Leaders cannot readily articulate key contract risks or major terms
- Why: Indicates hidden complexity and opportunity for discovery
- Source: CEO/CFO interviews on top supplier/customer relationships

WORKING CAPITAL SIGNALS

DSO VOLATILITY

- What: Variation in monthly DSO
- Why: Indicates inconsistent terms or execution issues
- Source: Historical AR reports

DPO / PAYMENT PRACTICE ISSUES

- What: Late payments, supplier disputes, or discount underutilization
- Why: Reveals cash trapped in unmanaged terms
- Source: AP aging, CFO feedback

REBATE, INCENTIVE, OR VOLUME-TIER EXPOSURE

- What: Material spend in rebate/tiered categories
- Why: High rebate exposure leads to frequent missed value
- Source: Spend categories, procurement summary

ORGANIZATIONAL STABILITY

TURNOVER IN FINANCE/PROCUREMENT LEADERSHIP

- What: Notable turnover in roles responsible for supplier/customer economics
- Why: Loss of organizational knowledge leads to missed renewals and term erosion
- Source: 18–24 month leadership turnover history

ADDITIONAL OPTIONAL INDICATORS

AP/AR DISPUTE VOLUME

- What: Frequent disputes tied to billing or contractual terms
- Why: Signals misaligned terms and enforcement issues
- Source: AR/AP dispute logs, CFO interviews

FORECAST VARIANCE DRIVEN BY CONTRACTUAL TERMS

- What: Cost or revenue forecast variance linked to pricing, volume, or penalties
- Why: Indicates poor visibility into contractual obligations
- Source: FP&A variance commentary

Illustrative Case Studies



These anonymized case studies show common patterns of value leakage and recovery across diverse industries. They demonstrate how Digital Mirror uncovers, quantifies, and helps recover measurable value once contract terms are reconnected to execution.

BREWING

- More than **20,000 contract** records analyzed
- Discovery of inconsistent supplier terms and renewal drift across categories
- High-value opportunities identified in software right-to-use agreements and outstanding facility leases

COFFEE RETAILING

- More than **30,000** end-user agreements reviewed
- 8,000 targeted category agreements isolated for commercial term analysis
- Identification of Most Favored Nation and **internal tariff clause violations**
- **Cloud and software spend irregularities** were uncovered, where the same supplier served multiple regions
- **Tail-end spend rationalization** revealed meaningful savings across non-strategic suppliers

BIOTECHNOLOGY

- More than **10,000 user and supplier agreements** analyzed
- **\$4M in working capital** value identified
- \$120K in **annualized savings** captured by removing unnecessary early payment discounts
- \$475K in realized value from **unclaimed service credits**

PUBLIC RAIL NETWORK

- More than **22,000 agreements** reviewed
- Subcontractor downtime reconciliation uncovered more than **£17M in annual leakage**
- Significant **recoverable value** tied to inaccurate or unverified performance-based terms

FOREIGN EXCHANGE AND DEBT MANAGEMENT

- **3,000 to 4,000 agreements** assessed
- Identified widespread issues in international supplier **debt management** for a Tier 1 UK retailer
- **Clear visibility was created** around multi-jurisdictional exposure and inconsistent contractual enforcement



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