privateequitywire



Data Management & Analytics

IN FOCUS 2021

SCENARIO ANALYSIS
Pandemic proves the need for future planning

INTERACTIVE SOLUTIONS
New functionality to make analytics more proactive

SHIFTING CFO FOCUS
Leveraging data to create strategic portfolio value

Featuring AssetMetrix | Goby | Mercatus



LEVERAGE STATE-OF-THE-ART ANALYTICS TO ENHANCE YOUR DECISION-MAKING AND TRANSPARENCY

AssetMetrix is Europe's leading next generation asset servicer for private capital investors. We help you to exploit the opportunities provided by digitization, standardization and automation.

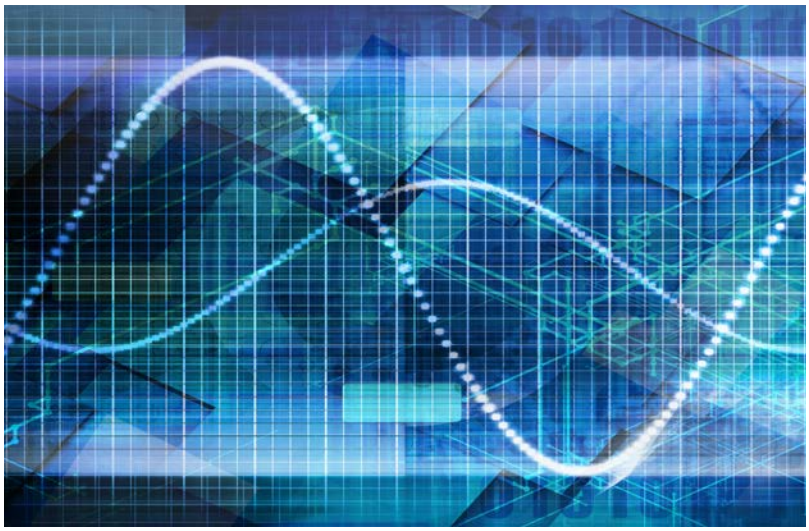
Key benefits of partnering with AssetMetrix:

- Use best-in-class analytical tools to optimize decision-making for future investments
- Gain deep insights on your existing investments and a valuable basis for risk management and controlling
- Transform your private capital investments from what was historically a black box to transparent insights common for liquid investments



To find out more about how we can put industry-leading solutions at your fingertips, please visit **asset-metrix.com**.

AssetMetrix





INSIDE THIS ISSUE...

04 TECHNOLOGY, DATA AND ANALYTICS BECOME ESSENTIAL VALUE DRIVERS
By A. Paris

06 USHERING IN THE FUTURE
Interview with Marcus Pietz, AssetMetrix

08 THE CRITICAL NEED FOR SCENARIO ANALYSIS
Interview with Alex Popp, Mercatus

10 OPPORTUNITY FOR MANAGERS TO DRIVE IMPACT IN ESG ANALYTICS
Interview with Kylie Ford & Ryan Nelson, Goby

13 DIRECTORY



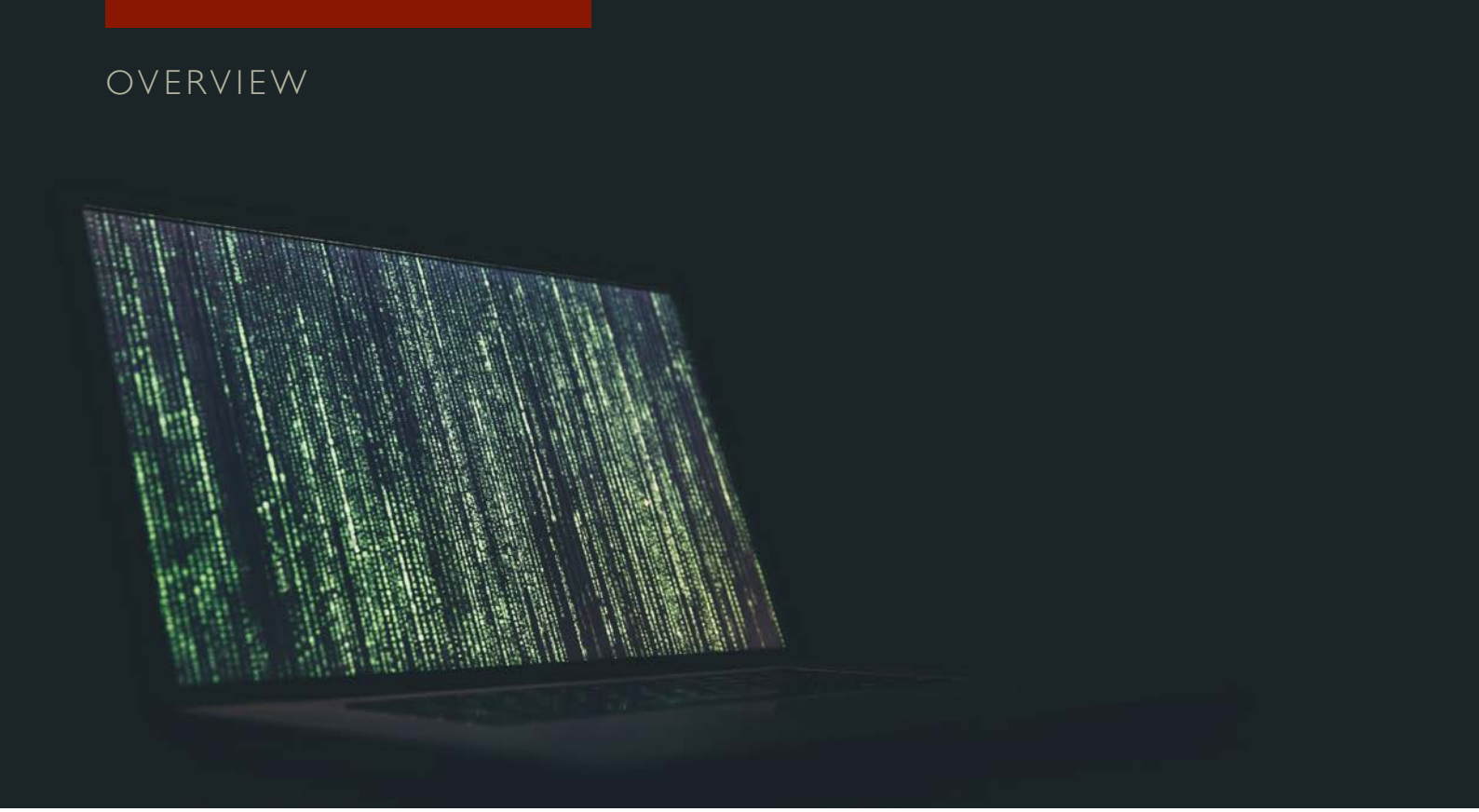


privateequitywire

Published by: Private Equity Wire, 8 St James's Square, London SW1Y 4JU, UK
www.privateequitywire.co.uk

©Copyright 2021 Global Fund Media Ltd. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

Investment Warning: The information provided in this publication should not form the sole basis of any investment decision. No investment decision should be made in relation to any of the information provided other than on the advice of a professional financial advisor. Past performance is no guarantee of future results. The value and income derived from investments can go down as well as up.



Technology, data and analytics become essential value drivers

By A. Paris

Private equity may have, historically, lagged the broader financial industry when it comes to the adoption of technology and automation. But as more data becomes available, reporting and transparency requirements on behalf of limited partners (LPs) ramp up and firms continue to diversify their investments, access to analytical tools and the expertise to use them is fast becoming a necessity.

"Technology has become, as we see in the industry and generally in our society, such a big part of pretty much every industry, including ours," comments Mike Lo Parrino, EY Americas Financial Services Organization Private Equity Leader, in a webinar.

In view of the growing role of data and technology, industry commentators have highlighted the shifting role of the chief financial officer (CFO) within private equity firms. "Technology and innovation has now become essential, across the portfolio and industry in general. I believe data management is central... the CFO is becoming the custodian or the guardian of the most valuable asset within an organisation, which is data. That role is taking more responsibility around how to leverage that data and how to benefit the portfolio of companies," outlines Tony Robinson, partner, Scottish Equity Partners (SEP), in a webinar hosted by the British Private Equity & Venture Capital Association.

Portfolio analytics and technology are the primary functions chief finance officers highlighted as needing to move from routine to strategic, according to the EY 2020 Global Private Equity Survey. According to the CFOs questioned, 70 per cent plan to increase the time they spend on portfolio analytics and 69 per cent want to increase the time they spend on technology.

Lo Parrino comments: "We're already seeing the CFO role expanding. CFOs are leveraging technology and advisors to handle the routine back-office tasks. In the future, I think we're going to continue to see CFOs think strategically, focusing on analysing that data for the business both at the private equity fund and the portfolio companies."

"Deal and portfolio executives are becoming increasingly busy so CFOs are taking on more responsibility and evolving beyond finance into a number of areas. These include data protection and resilience, digital strategy and also an area close to my heart – ESG and responsible business practices," details Robinson, "The role is much more operational now than it's ever been. There is also interaction with the portfolio as well as with the organisation."

> *"The quality, accessibility and analysis of data are taking centre stage, helping funds make better investment choices in today's fast-moving global environment."*
>
> David Neuenhaus, KPMG

In a report entitled *Delivering Value from Data*, Matt Aslett Research Director, Data, AI & Analytics, S&P Global underscores: "Data-driven decisionmaking has become a business imperative amid the fourth industrial revolution as data-driven pioneers have shown that the effective use of data can be leveraged to drive new opportunities, disrupt existing markets, and create competitive advantage."

Gaining an edge

In Robinson's view the main drivers behind this include an increase in demand for data from LPs as well as growth in assets under management and changing profiles of private equity firms: "The growth in fund sizes and expansion of portfolios in terms of both fund size and geographical locations have driven the need to embrace technology to cope with this. What we try and do at SEP is maximise our team's efficiency and productivity as part of this. We are a technology investor so we should do as our companies do."

An example of this is embodied by EQT Capital, a Swedish private equity firm. "Firms that can systematically capture and leverage data, not only external and performance data, but also human predictions, judgements and decisions, will be well positioned to achieve a future competitive advantage. We started this years ago, and we're not slowing down," the firm states.

In evidence of this belief, EQT is home to Motherbrain, a firm-wide platform which leverages data and machine learning for recommendations on new deals, add-on acquisitions, market analysis and industry trends. The original use-case was to algorithmically source deals for the firm's Venture fund, but Motherbrain has since developed into a macro analysis motor for the whole firm.

The drive to maximise the benefits of technology is also being seen within the institutional investors themselves. "As sovereign wealth and pension funds get bigger, more complex and more competitive, their ability to harness technology is key. The quality, accessibility and analysis of data are taking centre stage, helping funds make better investment choices in today's fast-moving global environment.

"Anything that makes funds better at picking the best investments among hundreds of opportunities is a huge competitive advantage. This is where data comes in," highlights David Neuenhaus, KPMG global lead, asset management – tax, in a blog.

"Being agile is key," Robinson stresses, "It's crucial that the systems can adapt and cope with the pace of that data demand... At the core of what we do is add value to our portfolio, that's our job. This adds a further dimension to the strategic priorities and the investment dimension."

Shifting recruitment strategies

This increased focus on data, analytics and technology is leading to a change in hiring strategies and focus on behalf of PE firms. The EY study notes: "Building a workforce that has the relevant data analytics and information technology skills is increasingly necessary if the finance team is going to get the most out of its new digital investments. The traditional workforce of private equity is accustomed to Excel and firms need to train their people on the new systems as well as adjust the profiles of new candidates as the technology landscape continues to evolve.

"In order to see a larger return on their technology investments, CFOs have to motivate their team to use every functionality possible in the new systems."

In fact, specialist recruitment firms are being set up to meet these staffing needs. Wyatt Partners, for example, specializes in data analytics recruitment. The firm says: "We are the only executive search firm specialising in data & analytics leadership recruitment. We use bleeding-edge technology combined with a rigorous data-driven search methodology to hire only the very best performers for our clients."

Lo Parrino observes: "The skill sets required for the talent pool are much more technology-savvy, with much more data analytics experience. Our CFOs are speaking about how, in this competitive landscape of private equity, you're not just competing against other private equity firms; you're actually competing against other industries, such as technology. So you really have to be focused on attracting talent and retaining talent."

He adds how on the retention side, CFOs have mentioned they're changing some of the things they do at the firm to maintain retention. Office programmes, more open workspace, casual dress, remote access, working from home – a lot of these things are used to attract talent.

"Private equity CFOs increasingly recognise that they need to elevate the overall pool of talent within the firm, particularly as data analytics takes on a more important role in the organisation," the EY study highlights.

David Alich, director, deal analytics and technology, PwC, discussed his view for the future in a recent panel discussion: "I expect to see further heavy investment in data and analytics technology solutions by PE firms and their portfolio companies. Every fund will have its own analytics and data experts or data science teams who work on PE internal value creation projects to implement analytics solutions directly into portfolio companies." ■



Ushering in the future

Interview with Marcus Pietz

The past year has taught the world to expect the unexpected. Private equity managers have learnt to be adaptable and nimble in the face of challenging circumstances. However, although no one can predict the future, data analytics and tools are evolving to help managers map potential future risks and outcomes. New functionality is also being considered in view of the growing appetite for private credit investments.

Marcus Pietz, head of analytics, AssetMetrix, comments: "We are focusing on providing managers and investors with the potential for interactivity within our data analytics function. These solutions will see clients go from just accepting and receiving the data to being able to interact with and manipulate it in different ways. The refinement of these tools is a key objective for our firm at present."

These interactive solutions will enable clients to engage with the data they input into the system. They will not only be able to filter it and work with pre-existing calculations; they could also have the ability to add new information into the tool. Pietz notes: "This means the model will react and calculate new outputs."

These additional interactive capabilities will enhance PE managers' capacity to plan ahead. "Through these tools, managers will be able to be more proactive. They will not only be able to assess their portfolios from a current or past perspective but will also be able to consider future planning as well. They can think about components they may want to add to their portfolio and calculate the impact these could have on their investments as a whole," says Pietz.

Single common methodology

One example is the potential to map cashflows in light of new deals. The tool can make these calculations based on certain assumptions regarding multiples and time horizons. Although managers were able to make such calculations in the past, the models they used, to date, have been very ad-hoc and generally required manual inputs.

The aim of a firm like AssetMetrix is to take that potential element of human error out of the equation. Pietz underscores: "We're trying to industrialise the process around forward-looking analysis, to raise standards and

inject a certain level of automation. This also means the models, and therefore the outputs, are more predictable because they are based on a single, common methodology."

Having these analytical tools hosted on a single platform is also efficient from an operational perspective. "We always try to take data from one common source. This ensures the same dataset goes into other reporting channels being used. Further, the data is stored and managers can refer back to it with ease if they need to," Pietz highlights.

The credit question

AssetMetrix is working with several development partners to further enhance the functionality and capability of the tools it offers clients. Pietz outlines the specific work being done: "We are going into a phase of designing the user interface and the functionalities we would like it to have. Another thing we discussed, from an operational perspective, is the ability for users to collaborate and communicate within the tool itself. This means one expert can work on a dataset and have a colleague continue working from a chosen point. The notion is it is a function which is highly relevant in this new virtual world."

The past year has also seen private debt rise in appeal among institutional investors. The firm is looking to help support this development. "The asset class is growing in popularity as investors are looking for returns which are hard to find in traditional spheres," Pietz observes, "We are currently developing an interactive tool which allows analysis of credit portfolios. This would include simulating external influences on portfolios and stress tests. The tool would allow managers to see how changes in interest rates would impact their portfolio. They will also be able to visualise the number of defaults a portfolio could withstand and how cashflows would react."

This functionality is still in development but Pietz is confident clients with private debt investments will be particularly satisfied once this module is rolled out. Although PE professionals are highly competent and capable of building these models themselves, using an outsourced service can save time: "It is a bit trickier to model this internally because credit instruments can be complex. There may be some simple options but some structures can include hurdles or other special features," Pietz highlights, "Putting this into one framework that can do everything makes it easier from a quality control dimension as well because it's a centralised function and they don't need to worry about that process anymore."

Other asset classes like infrastructure and real estate are also part of Asset Metrix's mid-term roadmap. "These are more specialist areas and our goal is to expand into these spaces and offer some tailored solutions and tools to cater for managers in these arena," Pietz stresses.

Data standardisation

The tools the firm plans to launch will save managers manual work and minimise operational burdens. This is aligned with the firm's overall objective.

Pietz highlights how AssetMetrix aims to keep data requirements low: "Clients who are just starting to use analytics often may not have data collection set up in a way that is coherent. Therefore, from our end, we try to keep data requirements sensible. Our tools and systems are robust but they don't take a lot of effort on the data input side."

This is particularly relevant in the private capital space were data tends to be scarce. "Our challenge lies in getting the right data and building sensible models to help managers generate analysis and insight which will be useful to their strategy," Pietz says.

Industry trends have also been supporting this objective. Standardisation of data has been growing over the years. This development at an even greater scale is what will lead to greater penetration of data analytics among PE firms. Pietz advises: "Industry participants should promote this kind of standardisation when it comes to data sourcing as it would benefit the industry as a whole." ■



Marcus Pietz
Head of Analytics, AssetMetrix

Marcus Pietz is Head of Analytics and has been with AssetMetrix since 2018. Having been involved with Private Capital already during his studies and internships, Marcus started his career in the area of credit risk modelling in 2013. At AssetMetrix, he is applying his more than seven years of professional experience in data analysis, modelling, and programming to the suite of analytical models developed in-house. Marcus earned his master's degree in Finance, Accounting, and Taxation at University of Bayreuth and is a CFA charterholder. Together with his team, he is currently focusing on introducing interactivity to the analytical solutions offered to AssetMetrix's clients.

The critical need for scenario analysis

Interview with Alex Popp



As the ultimate black swan event hit the world in the form of the Covid-19 pandemic, private equity managers came to understand the necessity of including scenario analysis in their investment process.

"Fund managers and asset owners learned that it's essential to be able to plan for the future. Nearly every conversation we have with private equity fund managers today includes a discussion about scenario analysis. This was not the case a year ago," says Alex Popp, Vice President of Sales and Account Management at Mercatus.

This appetite is driven primarily by the stakeholders in the funds, such as limited partners (LPs). These institutional investors are are increasingly demanding transparency around their investments and what will happen to them in any given scenario in the future.

As part of their due diligence process, allocators often question asset managers about their data, reporting, insights, and ability to respond to ad-hoc requests. These requests have also become more frequent and pressing in the past year.

Popp comments: "As asset managers cope with an increasingly competitive environment and fee compression, they must look for new ways to differentiate themselves. One of these avenues involves investing in a data management technology which can provide an edge with investors." The appropriate solution can help managers avoid a lengthy, painstakingly manual process in order to deliver forward looking scenario analysis.

The global pandemic not only made the need for scenario analysis clear, it also accelerated more efficient ways of performing such assessments. Popp elaborates: "In looking across a private equity fund, a manager may need to understand how an increase in oil prices will impact certain assets and how lower interest rates would impact the entire portfolio. With each asset's valuation models housed in different places with different KPIs, it can be extremely resource intensive to accurately run scenarios to answer what can be very simple requests from investors."

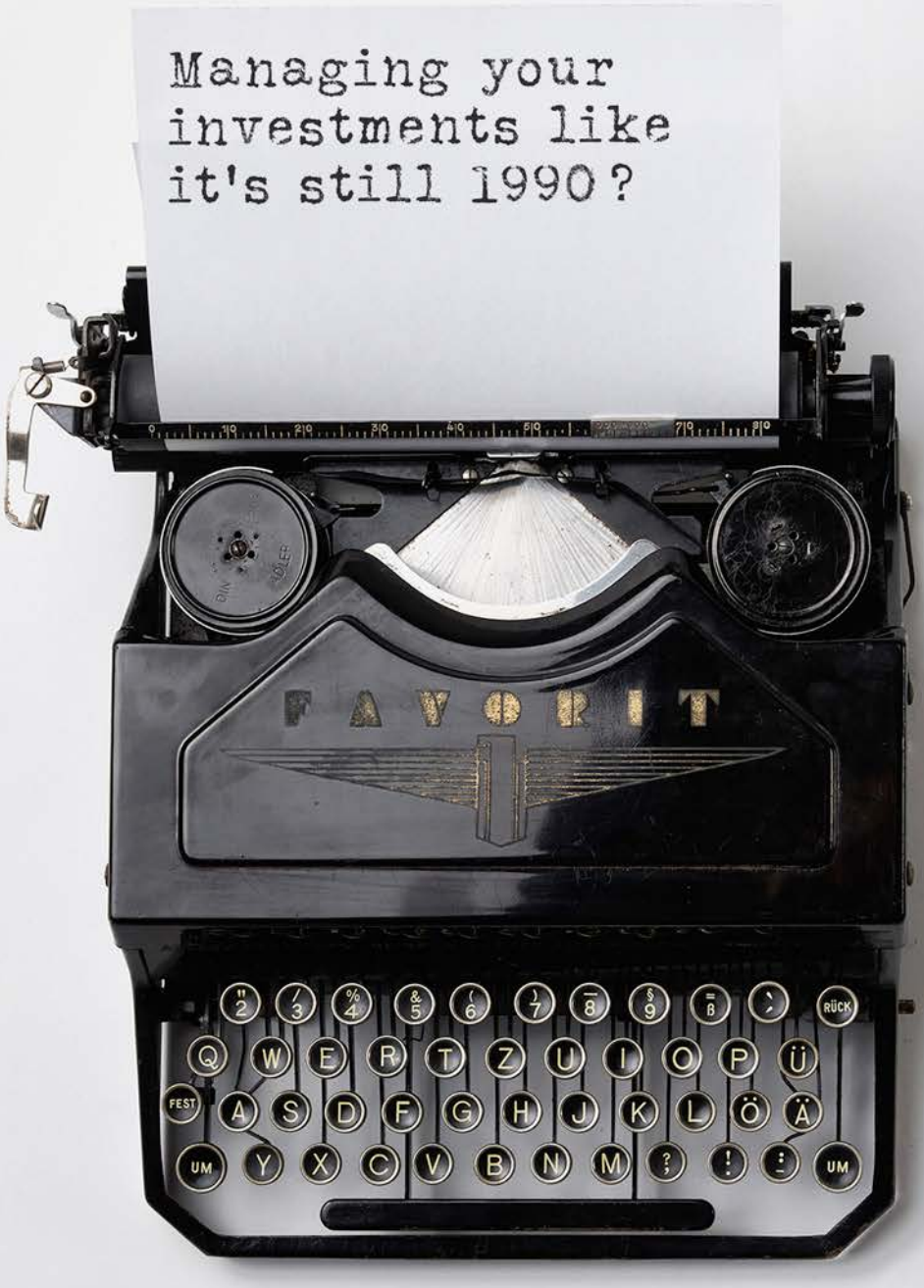
In Popp's view, data management technology can help PE firms differentiate themselves. This is particularly relevant in an environment where investor appetite for private assets has been on the rise and competition for capital continues to be fierce. Popp observes: "We're increasingly seeing that firms which don't embrace the digitisation of their data management will almost certainly fall behind their peers.

"Scenario analysis is just one part of the value a data management platform provides for PE firms. With a data management platform connecting all sources of data, be it from bespoke valuation models, Excel spreadsheets, PDFs, or disparate software solutions, PE managers are able to see a single source of truth for their investment data. This then enables them to easily create dashboards and insights, including the outcomes of forward-looking scenarios."

These insights can provide firms with a competitive edge and showcase their expertise in ways which can bolster their offer to investors. ■

Alex Popp
Vice President of Sales & Account Management

Alex Popp is the global head of sales and account management at Mercatus. In this role, he is responsible for all new and existing business. Prior to joining Mercatus, Alex was a Partner in the POPP risk GROUP, a management consulting firm that worked with the world's global and regional financial institutions, where Alex was responsible for sales, delivery, recruiting and career development. Alex has a BA from Amherst College.



No thanks.

Upgrade your investment data management process with Mercatus

Mercatus

www.gomercatus.com



Opportunity for managers to drive impact in ESG analytics

Interview with Kylie Ford & Ryan Nelson

Given its inherently analytical nature, private equity is well placed to include environment, social and governance (ESG) factors in its investment process. The challenge lies in making sure the data being collected is relevant and material. This hurdle needs to be conquered as investors are starting to pass over managers who are not taking this matter seriously.

"It would be amazing if there were clear-cut answers to what needs to be collected and measured, but the truth is it's usually context specific," highlights Kylie Ford, principal consultant – ESG at Goby. "As a result, many PE managers get stuck not knowing what to ask. LPs tell them they need to focus on certain areas which may or may not line up with what they're able to collect."

The good news is that there are frameworks to look to for guidance. In Ford's view, the main hurdle is getting started. "Once analytics are deployed, they can be adjusted and fine-tuned. PE firms need to not let perfect be the enemy of the good in terms of getting going," she advises.

There are a few dynamics driving the need for portfolio analytics in relation to ESG. PE's guiding responsibility is to improve the risk/return profile of a portfolio and to make those smart investments in the first place. When it comes to ESG however, Ford outlines: "This is an incredibly broad, cross-cutting, multidisciplinary term. So, questions naturally arise around what managers need to look for and where they should go to find it. Until they have their arms around current performance, and until

they have some framework to measure ESG risk, PE managers won't be able to answer those questions."

When it comes to applying some level of ESG analytics, Ford says the best practice for any company considering any aspect of implementation is a materiality assessment, which applies doubly to portfolio analytics. "It's about making sure you're asking what's relevant, while also engaging stakeholders and understanding their own capacity. You begin to understand their own understanding, even," she notes.

Ford gives an example of working with one PE client who, prior to conducting a materiality assessment, was convinced none of their portfolio companies were very developed in ESG implementation. Going through it, there were not just a handful of portfolio companies which were well along their journey, but some could have been considered best-in-class.

"So, not only did this exercise help our client have a better understanding of what they could ask for and collect, but it pointed them towards where they could leverage best practices. Materiality assessments check you on assumptions you might be making and ensure that stakeholder perspectives are integrated into any path forward," she stresses.

In addition, adopting frameworks as part of ESG implementation is also best practice in this space. Ford recommends managers utilise the UNPRI's reporting process to highlight areas where they could be better integrating ESG factors into both their investment and management process: "Utilise SASB industry-specific standards to understand what ESG considerations are likely to have an influence on a given portfolio's bottom-line. There's often difficulty knowing where to start and which acronym to review. Of course, a materiality assessment helps here too. The truth is, there's purposeful synergy between most of the major disclosure frameworks."



She also points out that many times it's a matter of who is doing the groundwork to find and disclose the analytics: "LPs know certain pieces of ESG information help them make the best and least risky decisions, but it's largely up to PE firms to set the specifics of their own frameworks of analysis, and certainly to implement and collect with portfolio companies.

"Industry plays a role as well, given different analytics will be available and material, and not all information is as easily attained. PE is honestly in one of the toughest spots in the supply chain, in my opinion. Managers will get pushback from both ends. LPs ask for more ESG data, more understanding of performance, and many portfolio companies just don't have the resources, skills, or complexity to build this into their processes and immediately be able to deliver."

But, Ford explains, this is also encouraging: "It means PE firms have the greatest opportunity to drive that impact, to leverage best practices, and to apply right-sized approaches which are actionable."

Significant adoption

The impetus for managers to include ESG in their analytics framework is only bound to get more compelling. Ford believes the industry will see significant adoption as LPs are becoming more discerning and not allocating to managers who don't take this seriously. They can do this because data now exists linking ESG practices to financial returns.

"It mostly comes back to this fact, that robust ESG programmes lead to strong financial performance. It's thinking through the ways in which you touch the world, environmentally and socially speaking, and the mechanisms to control that. I'm glad we're finally putting the metrics in place to see it," Ford observes.

The regulatory environment is a secondary catalyst. Ford elaborates: "The EU taxonomy is not the only mandatory ESG disclosure out there from a regulatory standpoint. Domestically, in the US, we have cities setting net-zero goals and the SEC forming an ESG committee.

"Regulation will still probably lag the industry a bit, just like we're seeing right now, but changing regulation is coming, and in a much shorter timeframe than most people give it credit for." ■



Kylie Ford
Principal Consultant – ESG, Goby

Kylie Ford is a Principal ESG Consultant at Goby, and has over a decade of ESG management, consulting and programme experience. She's an expert at bridging multiple roles, and has worked with organisations of all sizes across every sector, where she has focused on employee engagement, strategic business development, and process improvements.

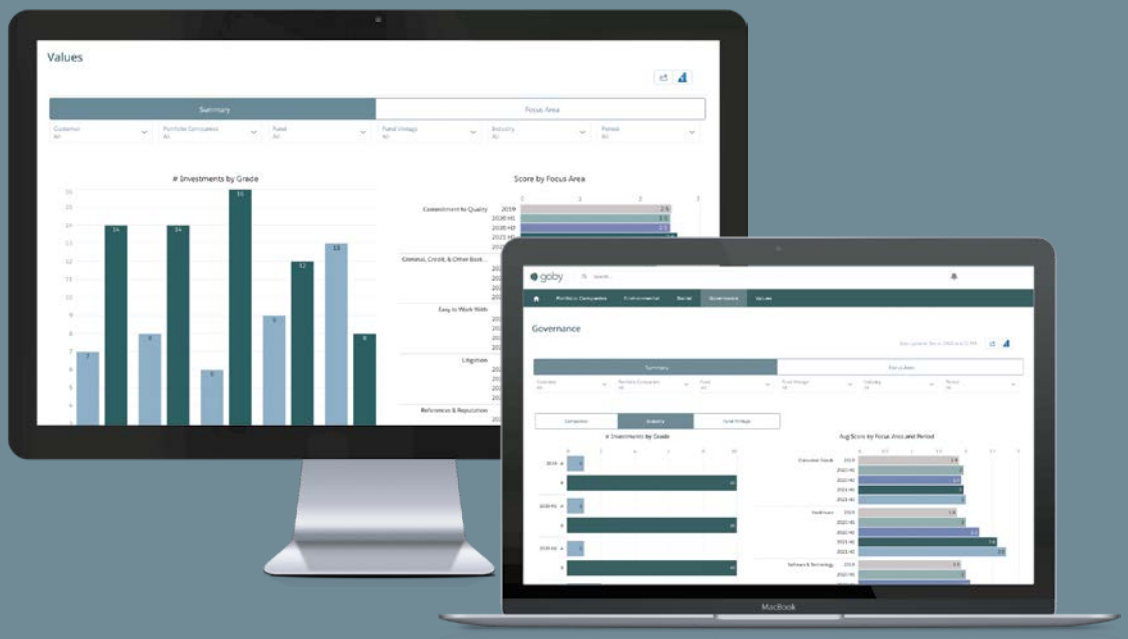
Ryan Nelson
CEO & Co-Founder, Goby

Ryan Nelson is the CEO and Co-Founder of Goby, The ESG Platform. He has more than 20 years in enterprise software and management consulting experience, including supply chain software implementation and process optimisation for Fortune 50 companies; among them, Chevron, Honeywell, AIG, and Zurich Insurance Group. Since 2009, Ryan has been focused on transforming Goby into the most intelligent, comprehensive, and intuitive platform for ESG (environmental, social, governance) management.

Transform your data into your ESG story

Goby is the most intelligent, comprehensive, & intuitive platform for ESG management. We help organizations develop and implement ESG initiatives that:

- Provide an imperative to attract & retain capital
- Accelerate sustainable & responsible growth
- Mitigate enterprise risk



goby
The ESG Platform

888.372.7757
www.gobyinc.com

AssetMetrix

www.asset-metrix.com

ASSETMETRIX

AssetMetrix is Europe's leading next generation asset servicer, offering modular outsourcing solutions for private capital investors, asset owners and managers. Its industry-leading services enable private capital investors to increase operational efficiency, benefit from a secure IT system, state-of-the-art analytics and advanced reporting, as well as increase in-house transparency for optimal decision-making.

AssetMetrix has more than 20 years of experience as a service provider in institutional capital investment and operates without conflicts of interest.

Contact: Caroline Steinort | caroline.steinort@asset-metrix.com | +49 895 432 8800

goby
The ESG Platform

www.gobyinc.com

GOBY

Goby is the most intelligent, comprehensive, and intuitive platform for ESG management. We help organisations develop and implement ESG initiatives that provide an imperative to attract & retain capital, accelerate sustainable & responsible growth, and mitigate enterprise risk.

Today, Goby's data coverage exceeds USD330 billion in assets under management (AUM) across hundreds of the world's leading organisations.

Goby has been recognised by the US EPA as a 2020 ENERGY STAR Partner of the Year – Sustained Excellence for the 5th consecutive year, and a Partner of the Year since 2012. It is a GRESB Partner, a Fitwel Champion, a ULI Strategic Partner, and a LEED Proven Provider. For additional information, visit our website.

Contact: info@gobyinc.com | +1 888 372 7757

Mercatus™

www.gomercatus.com

MERCATUS

Mercatus is an investment data management platform for private market fund managers and asset owners that need to solve the complexity of their private investment data. We offer a single platform to manage the entire investment lifecycle: from deal to divestment, asset to fund, debt to equity. Mercatus is much more than a tool – it is a platform that solves investment data challenges in portfolio monitoring, deal management, valuation management, and ESG. It is the only platform that enables scenario analysis and valuations at scale at the asset and fund level. With Mercatus, you will trust your data, scale your team, and make better investment decisions. For more information on what makes our approach different, visit our website.

Contact: Megan Fitzpatrick | mfitzpatrick@gomercatus.com

