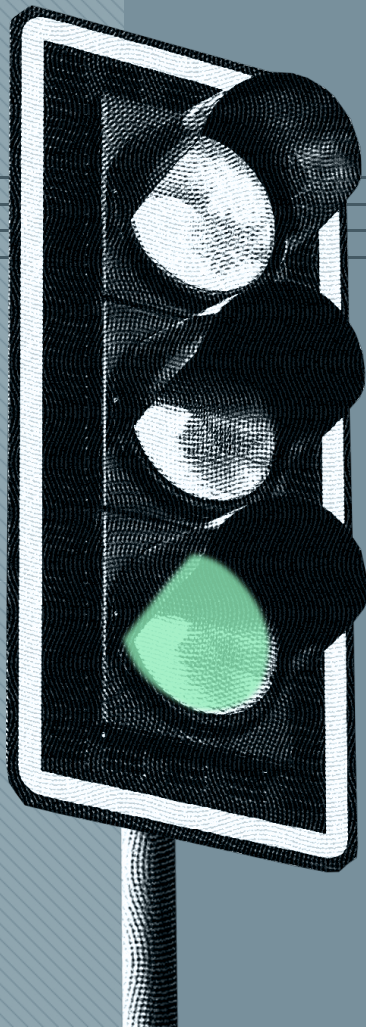


# Free Guide: How-To Win Deals in a Hyper-Competitive Market

What private equity firms need for a digital evolution



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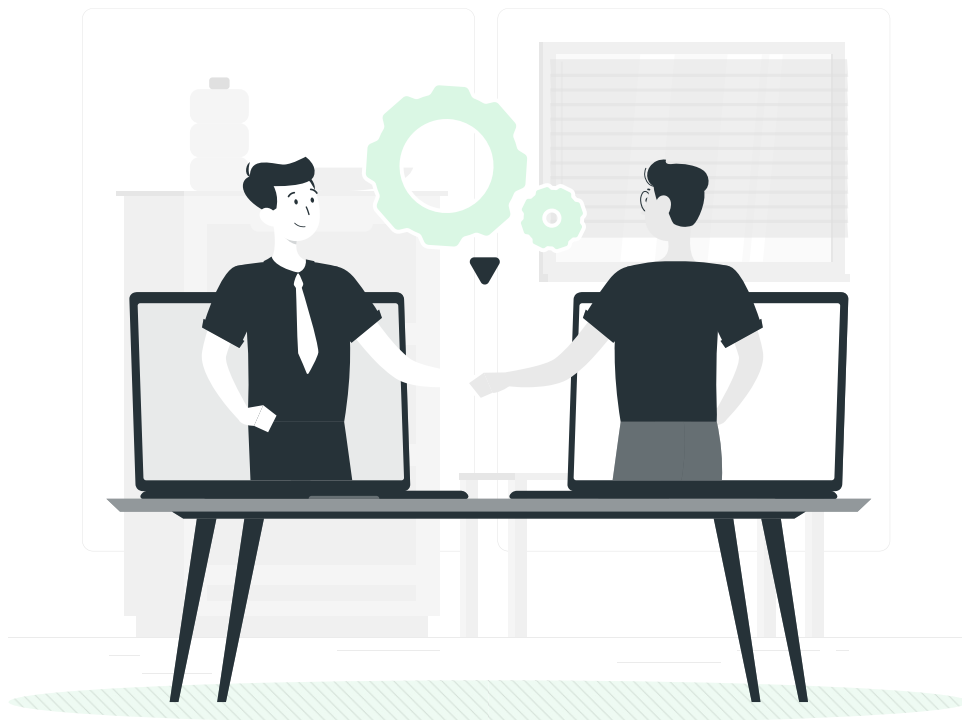
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# Introduction

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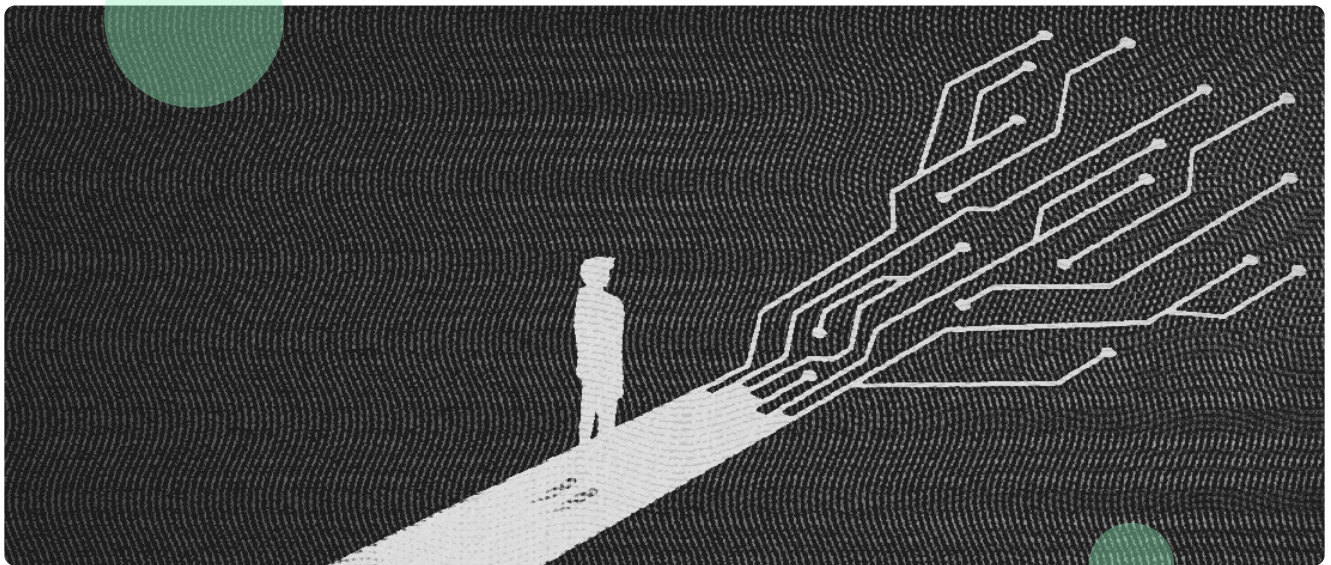
## Winning Deals in a Hyper-Competitive Market

We're in the midst of a big shift. The world is changing every day, and there's uncertainty in our lives and the market. When the pandemic hit, teams had to move to remote-work, overnight. Investors have become more risk-averse. First-time fund managers found themselves struggling to raise capital, and experienced fund managers had to adopt a digital approach for their day-to-day operations, fundraising, and deal flow activities.





# The Principles of Digital Transformation



It may seem surprising that we're talking about "going digital", but it's still a real pain point. Many Private Equity firms still operate offline or using disconnected systems. A critical component of digital transformation is to remedy the separation of deal teams, investor relations, accounting, and data in a single platform.

As General and Limited Partners work remotely across time-zones and systems, information—that is critical to the success of relationships, deals, and the firm's health—slips through the cracks.

"Digital transformation" for the Venture Capital and Private Equity sector is the use of technology and data to drive new investment opportunities, gain insight on current portfolio analytics, build investor relationships, and improve internal firm processes.

**Jonathan Balkin**, Co-Founder of Lionpoint Group shared his experience with firms who have adopted a digital strategy. "There are significant competitive advantages available by shifting from offline operations, to centralized and connected platforms. Not only will data be consistent across teams, it reduces the risk of human error in critical calculations such as track record, waterfall and carried interest models. Beyond reporting, digitally enabled managers are more scalable. They have simpler audits, less key-person dependencies, and provide an overall better client experience. In addition, they are able to leverage their data to make better decisions such as blending their historical cash flows with forecast cash flows to create a constant refinement of projected returns with sensitivity modeling to best understand fund and firm economics."

If your firm has not adopted a digital-first mindset, your information is disparate and useless in some situations, hanging out in silos. While it might not sound ground breaking, a centralized system that serves as a single source of action, pools your proprietary insights to shine a light on new deal opportunities, prospective talent and activate faster, better, more informed, relationships.

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**Jonathan Balkin**

Co-founder of Lionpoint Group

# Manage Your Deals With a Single Source of Action

Transitioning to a single system is a game-changer. Centralizing your data, research, and history of relationships creates more focus for your firm. This isn't merely because everything is in one place, that's the how—the why, meaning the more powerful outcome of a single source of action is the decisions you can make, the insights discovered, and the communications that are the result of having everything in one place.

## **Your institutional knowledge is your firm's super-power.**

From raising to deploying capital, fund managers need to understand every stage of every potential investment.

A single platform integrates all of your firms' information and third-party data, such as deal sources, valuation trends, sector analysis, accounting data, personnel information, and LP communication, providing faster access to information to make better decisions more quickly.

Today's software designed for Private Equity greatly simplifies deal flow monitoring, reporting, and the due diligence process for your deal team.

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*There is a big difference between tracking and understanding the sourcing channels and managing the process for active deals. With the CRM as the focal point for maintaining oversight of where a firm is with an active deal opportunity, it's important that the platform can align with the firm's processes and ideally integrate with other tools which are important for active considerations and negotiations.*

*The best solutions, implemented according to best practices, should be able to digitize and centralize the workflow to the greatest extent possible if it is to maximize value to the end-users.*

**Tim Friedman**

Founder of PE Stack

# Virtual Due Diligence

Digital transformation and a transition to platforms like Altvia result in better management of the due diligence process. Done right, due diligence involves looking at three key aspects of a company and how each impacts the others to identify potential return on the investment and value of the acquisition for the firm and investors.

As Bain & Company sums it up:  
 “Integrated due diligence is the only way to understand how pulling a lever in one area of the business will affect assumptions in another.” It’s also the only way to understand the risks and rewards of a deal truly.



## Strategy

What is the prospective portfolio company’s competitive advantage in its market, and what are the market’s and the company’s inflection points? With answers to those questions, you can examine products, geographic distribution, and market segments for related opportunities.



## Operations

Determining if there are ways to reduce net working capital, optimize assets, and manage costs more effectively is critical. Firms must identify areas where a company’s operating model can be simplified, and its processes streamlined. A key enabler in these areas is IT. Is the company well-positioned from a technology perspective?



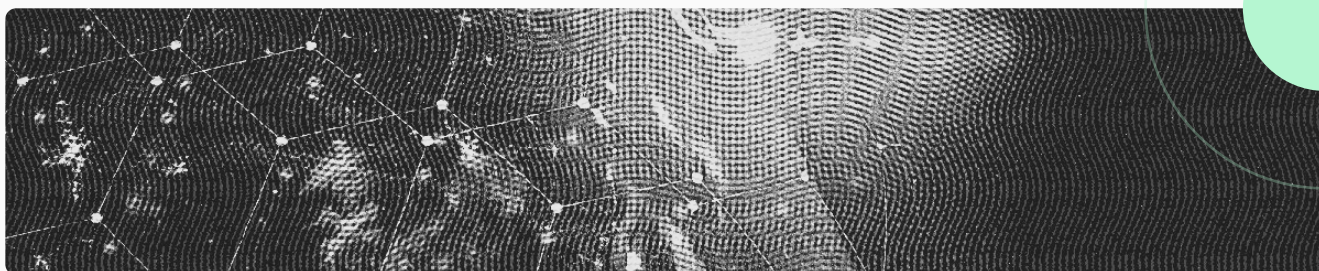
## Marketing & Business Development

How effective is the company’s marketing strategy? Are the organization’s products and services adequately priced? Are there new sales channels to leverage? But, again, understanding these areas in isolation tells the deal team only part of the story. What is needed is a more holistic view of the company’s potential.



As you look to “go virtual” with your due diligence processes, the first tool to acquire and master is a reliable video conferencing system. It is vital that you have a fast and effective way to track interactions with the prospective operating company. This is especially important today since deal team members working remotely won’t have the luxury of sitting down with you in person to talk about your notes. When tracking interactions, it’s vital to link or “relate” records—contacts, deals, fundraises, etc.— to one another to create helpful context for other users at the firm.

A secure virtual data room and engagement platform is absolutely essential in the due diligence “new normal.” Using an approach like simply sharing Google Docs may be efficient for another industry, but due to lack of security for capital markets, is discouraged. Instead, deal teams should use an industry-specific tool that enables the safe sharing of a wide variety of file types. A purpose-built private equity platform provides many added benefits, like empowering team members to see who has viewed each document made available through the system and allowing remote document signing.



Firms and deal teams that try to “duct tape” their existing processes and make them work until the business world “gets back to normal” will be in trouble if it never does. A single source of action provides firms with an advantage to powerfully use your firm’s institutional knowledge on the deal flow activities and the due diligence processes.



# Collaborate with **Portfolio Investment Tracking**

**Positive investor sentiment is a crucial part of portfolio management. But without a centralized source of information, investment and LP data can fall through the cracks.**

**The secret to building strong LP relationships requires the ability to communicate data and insights. Investors want and expect detailed information on your firm's track record. Without it, they can't make an informed valuation of your firm or decide whether to invest.**

However, investors want more than just "data." A spreadsheet contains data, but handing over an Excel file to investors isn't helpful. Instead, investors are looking for an updated delivery method, such as a secure, easy-to-use, and filterable visual dashboard. That's what tools like Altvia provide—a purpose-built private equity LP-portal that can post investment materials as well as share multimedia files for virtual fundraising presentations. Empower investors to review your track record and portfolio analytics in the easiest way possible.



# Deal Team Technology Checklist

Consider deal team technology that allows you to:

## ✓ Quickly enter notes from desktop or mobile into a CRM

Flexibility on devices means that wherever your deal team is, they can add information to current or potential deals that can be leveraged by anyone who has access to the CRM. A Private Equity specific CRM should allow you to notify additional internal team members on recent updates or activities.

## ✓ Leverage data from 3rd party integrations when sourcing

The ability not only to gather information on potential investments but also to keep an eye on them, using tools like Crunchbase, or SourceScrub can make a difference in your process. When a data provider integrates with a Private Equity specific CRM like AIM, it saves a deal team time by automatically syncing or updating data instantly and providing notifications on activity.

## ✓ Provide more value for LPs

For those LPs who have on-the-fly questions, you can access the information you need to answer them right away instead of having to sort through Excel spreadsheets. With increasingly demanding schedules and decreasing patience, providing insight and value immediately to your LPs adds to the value proposition of your firm.

## ✓ Supports future business

With all information in one place, you can build a narrative for future investments, fundraises, and potential talent management for portfolio companies.

## ✓ Keep data clean across systems

Using a tool like Altvia can centralize data from various systems your firm currently uses. You can bring in information from your accounting system, while your deal team has geographical and sector information on current portfolio companies in a centralized holistic view.

## ✓ Offer LPs a self-service portal

With the adoption of technology and a single source of information, your firm can aggregate and organize data confidently. LP Portals like ShareSecure provide a self-service portal for your LPs. Investors have the ability to sign, or review documents and even watch video files on the performance of portfolio companies.

# Digitize to Differentiate

It's time to invest in a transformation. The adoption of technology has only accelerated as a result of the pandemic. If you've been putting off the work to incorporate technology into and across your organization, your time has run out.

Not only will digital transformation ensure that your firm stays strong and ready for future growth—prepared to weather the storms we're in and those the markets will encounter in the future—it's also better for the health of your organization.

If your team is looking to digitize, but don't know where to begin, start by talking to our team.



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