

WHITE PAPER

Harnessing Data to Drive Growth in Private Capital Markets

The dynamics of market competition are transforming Private Equity

How can Private Equity firms leverage current challenges to build a more future-focused organization? Investing in the firm's future - or not - could mean the difference between growth and stagnation. And in Private Equity, stagnate firms are quickly replaced by those who choose to build for the future.

Driving Growth for the Future

The derived benefits of building for the future are more than just growth - it's differentiation, which is critical for long-term success in today's saturated Private Equity market. A cornerstone for differentiation is leveraging big data. Unlike other financial industry firms, which can leverage multiple sources of publicly available data such as real-time equity and bond prices, the challenge of collecting, storing, and analyzing big data in a Private Equity fund is infinitely more challenging - and thus why this sector lags others under the financial industry umbrella in relation to big data. Private Equity fund managers must generate and capture much of the data that they hope to leverage independently, usually with more variables than hard asset pricing. Adding to the challenge is that the data is drawn, typically, from numerous portfolio companies, different industry data providers and then combined with other sources of information around the fund manager's investment strategy and operations.

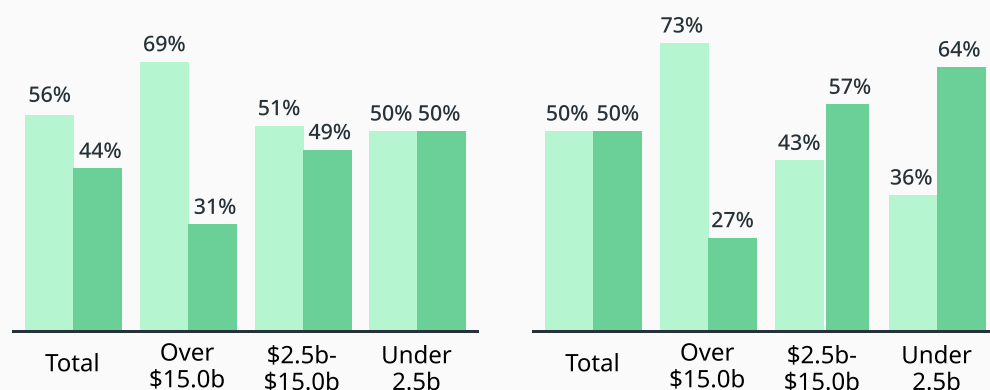
Trends in the Industry

Private Equity is indeed playing catch-up, but the industry is making important strides. In response to the demands of institutional investors and regulators for increased and more transparent reporting, the industry is prioritizing operational efficiency. It's recognizing that integrated data-driven services are not only more cost-effective than legacy platforms, but they can be used to drive fund performance and new investment opportunities.

Differentiate with Technology

Facing a challenging regulatory environment, growing competition for both capital and deals and an evolving tax landscape, fund managers have addressed the potential for value creation that cloud-based data management and analytics systems offer. The industry, once slow to enhance legacy systems and outdated spreadsheet applications, is recognizing the competitive advantages to be garnered by turning its data into intelligence that can be leveraged to source investments, manage risk, and enhance every aspect of the business.

Are you using next-generation data or AI to support the investment process?



Harnessing data is rapidly developing as a must have capability.
 Source: E&Y's 2020 Global Private Equity Survey

In fact, larger private equity funds are increasing their investment in using next-generation data (social media sentiment vs. market data) to support the investment process but smaller firms have not been able to take advantage of this trend and are potentially unsure of how to even take advantage of big data in their workflows. E&Y's 2020 Global Private Equity Report looked into this movement to new data as well as how they are adopting artificial intelligence (AI) and found that "the increasingly competitive landscape of obtaining limited partner commitments and closing investment opportunities will challenge CFOs to reassess their views on the relevance of this technology in their operations. Firms looking to improve their analytics capabilities and are clearly investing in the technology tools. This is an obvious attempt to get data out of spreadsheets and in one centralized location.

Make no mistake, prioritizing data within the firm, effectively capturing and managing it and then establishing best practice workflows is a challenge.

Given the exponential increase in data volumes, it's become apparent to fund managers that storing data in disparate legacy systems throughout the organization, or relying on portfolio companies or outside parties to dive into the data and operational metrics for them, simply isn't sustainable. Investors are increasingly demanding real-time digital access to portfolio information and reporting along with more customization. And the only way to provide it to them is by storing data within one dynamic solution.

Additionally, big data analytics are having a big impact on deal sourcing. Smarter sourcing depends on developing a sharp point of view about the type of deals the firm excels in and wants to identify, even before any deal becomes a possibility. Data is an enabler to achieve this as it allows visibility into past successes so that a deal team can iterate on these successes for future growth.

In concert, firms should expand their network of formal advisers and informal influencers as a way to find targets worth considering. A strong network helps to identify investment themes, high-quality management teams, and potential assets. Having an informational edge is a clear advantage and differentiator as this can help more rapidly spot deals the firm likes and aggressively pursue under-priced value.

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Private Equity firms need a way to consolidate, integrate, and leverage data for market insights and differentiation as a competitive advantage.

Jeff Williams, Chief Strategy Officer, Altvia

Digital access to data also makes fundraising processes much more efficient. Fund managers can use data during the fundraising process to keep track of the indicators that make an LP a good prospect and flag them to investors. Indeed, once it becomes apparent that it's a key differentiator, using big data for prospecting, fundraising and deal announcements is going to become standard industry practice.



Moving to a data management and analytics solution comes at a price. However, the opportunity cost of failing to recognize and invest in them is significantly higher than the cost of implementation. As investors and regulators demand improved transparency and responsiveness, the requests for data are multiplying.

Those Private Equity firms that invest in the right technological architecture and can create a culture that can capture the data in their operations will gain a major informational and competitive advantage.

When you've been relying on offline piecemeal manual processes, the analytical power of an integrated Private Equity software platform is a monumental pivot indeed.

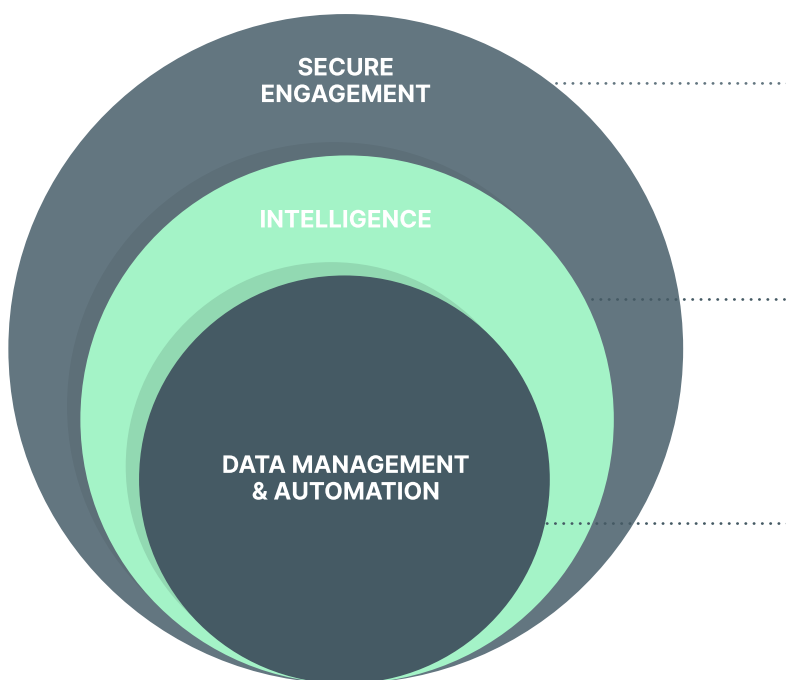
While there are several systems available, it's important to consider the level of customization, integration, and scalability you need over the longer term so that the system can evolve as your business grows. Altvia has an intelligence layer that can connect, transform, normalize, and display data from across your systems all in one place - the data can be from disparate systems, in different formats, and variable in size. This solution enables data visualization and analytics to be embedded into your CRM or portal and includes enterprise-grade capabilities to help scale for various applications. Additionally, by utilizing data warehousing technology, users can easily and quickly build cloud-based dashboards and scenarios.

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With the shift from IT-led reporting to modern, business-led analytics, Altvia is a future-proof solution specifically for these business users to visualize and interact with data to gain new insights that can make an impact on market opportunities.

Jeff Williams, Chief Strategy Officer, Altvia

The 360°Platform for Private Capital Markets



- 03** Distribute personalized content (PPMs, K1s, Capital Calls, etc) and enhance the investor experience with a secure portal underpinned by data-rich analytics.
- 02** Unify data across multiple sources for visualizations/analytics to inform internal decision making and empower external communication.
- 01** Organize and harvest critical data (investors, investments, management teams, portfolio companies, etc) and leverage automation to streamline workflows (email communication).