



Private Equity Forum

KPMG in the Crown Dependencies

2 December 2021



Speaking today



Nick Stevens
Partner, Private Equity Group
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Introduction & moderator



Natalie Finlayson
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Deal advisory trends



Luke Anderson
Partner, Private Equity Value Creation
KPMG, UK

New approaches to value creation



Ben Honeywood
Partner, Private Equity Group
KPMG, Jersey

Valuations update



Harry Briggs
Director, ESG Reporting & Assurance
KPMG, Jersey

ESG reporting



Introduction and trends

- PE deal activity and fundraising
- ESG and sustainable investing
- Digital transformation
- Regulation and taxation changes
- Covid and inflation





New approaches to value creation

Luke Anderson

Partner, Private Equity Value Creation
KPMG, UK

Value Creation levers are changing

Traditional VC levers

- Bolt-on
- Cost Reduction
- Pricing
- Procurement
- Salesforce Effectiveness
- Working Capital & Cash Management

- Higher multiples
- New technologies
- Improved data
- New business models
- Increased regulatory and impact focus
- Increased sector specialisation
- New risks

Levers typically employed today

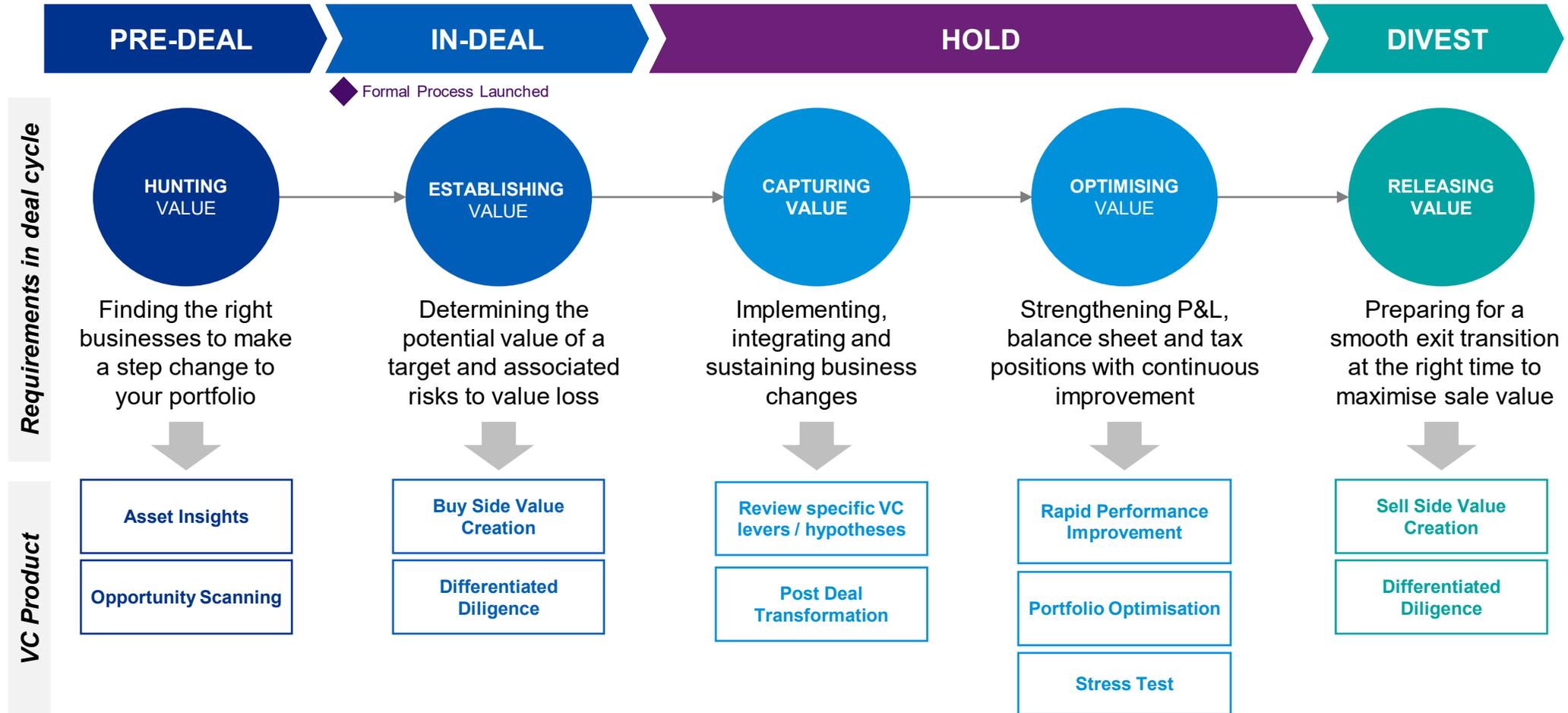
1. Pricing & Revenue Models
2. Salesforce effectiveness
3. Cash & WC
4. Technology: Back-office & systems
5. Digital: Front-end
6. Pragmatic approach to TOM design
7. Procurement & Supply Chain
8. Marketing/Channel effectiveness
9. ESG
10. Bolt-on & Integration
11. Talent Management
12. Cyber Security

An additional element is how these levers are pulled and who executes them

← Advisors work for Management → Advisors introduced by PE, work for Management → Advisors work for PE →

Where value creation sits in the PE cycle

Deal life cycle and applicable value creation products



KPMG Powered Enterprise for Private Equity

KPMG Powered Enterprise is a suite of pre-defined target operating models enabled by cloud solutions; that deliver speed to value and certainty of business transformation outcomes. With solutions for the back, middle and front office, KPE supports business and functional transformation. It is outcome, solutions and EBITDA -driven, not technology-driven and naturally supports investment theses through greater focus on results and value.



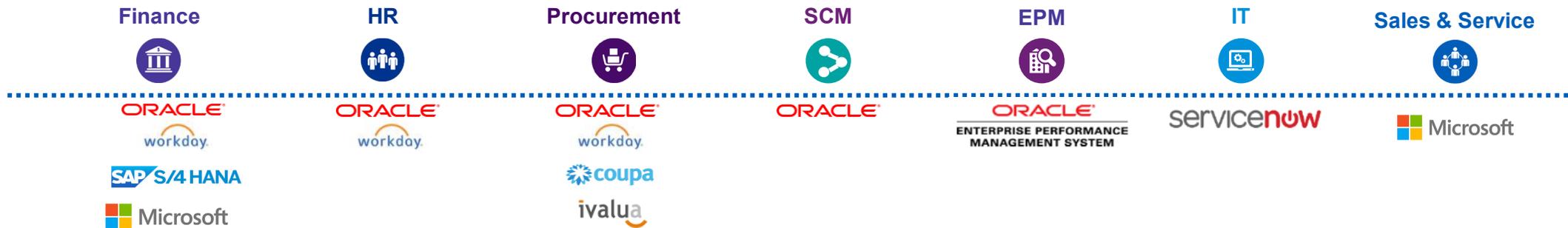
Traditional implementation



KPMG Powered Enterprise Implementation



- Speed to value
- Greater assurance
- Aligned to investment thesis
- Multi-platform
- Leverages global best practice



Country localisation – compliance, reporting, language

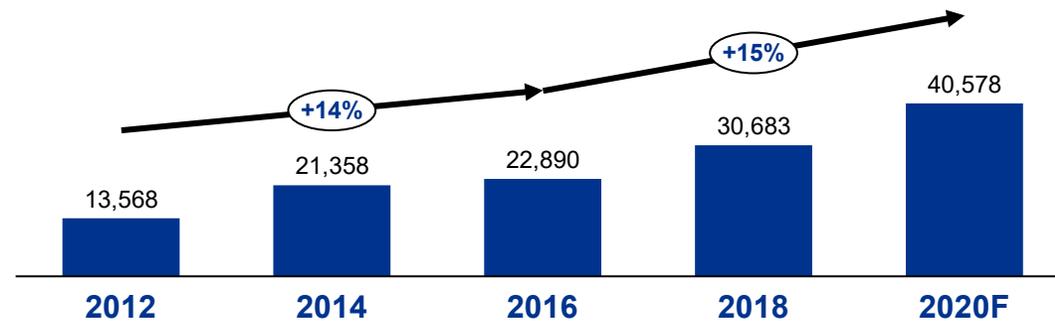
Industry solutions – banking, insurance, public sector, retail etc.



Current investment trends seem to be providing a premium for ESG-accretive assets, however establishing a specific upside remains difficult

Capital market perspective

Global sustainable investment assets (in billion USD)



80% ...of asset owners **adopted sustainable investing** across the **board** or within portion of their **portfolio** – up to 10pp in two years

450 ...investors who collectively **manage more than 52 trillion USD** have signed the “**Climate Action 100+**” initiative

25 ...out of 26 Morningstar’s screened **ESG funds** **outperformed** their broader, conventional market twins

M&A perspective

14% ...**higher EBIT multiple** in sustainability-driven acquisitions in recent times

76% ...of General Partners (GP) at Private Equity funds will increasingly use **ESG considerations for value creation**

32% ...of GPs paid a **higher deal price** based on outcome of ESG analysis, as the market for sustainably perceived assets is still considerably reduced

54% ...of GPs often or occasionally **reduce bid price** or **eventually abandon transactions** based on ESG criteria

Source: CapitalIQ, MergerMarket, Global sustainability investment review, Capital Dynamics study based on survey of 109 general partners worldwide

Your new value story

$$\text{EBITDA}^{\text{S}} \times \text{Multiple}^{\text{S}} = \text{EV}^{\text{S}}$$

The sustainability of your earnings, what you do, and the sustainable and responsible impact you create, how you do it

The sustainability of your future business model and your ability to deliver with sustainable and responsible impact

Your enterprise value, reflective of your current and transition, to a sustainable and responsible future

It matters how you grow, transitioning to a sustainable and responsible future



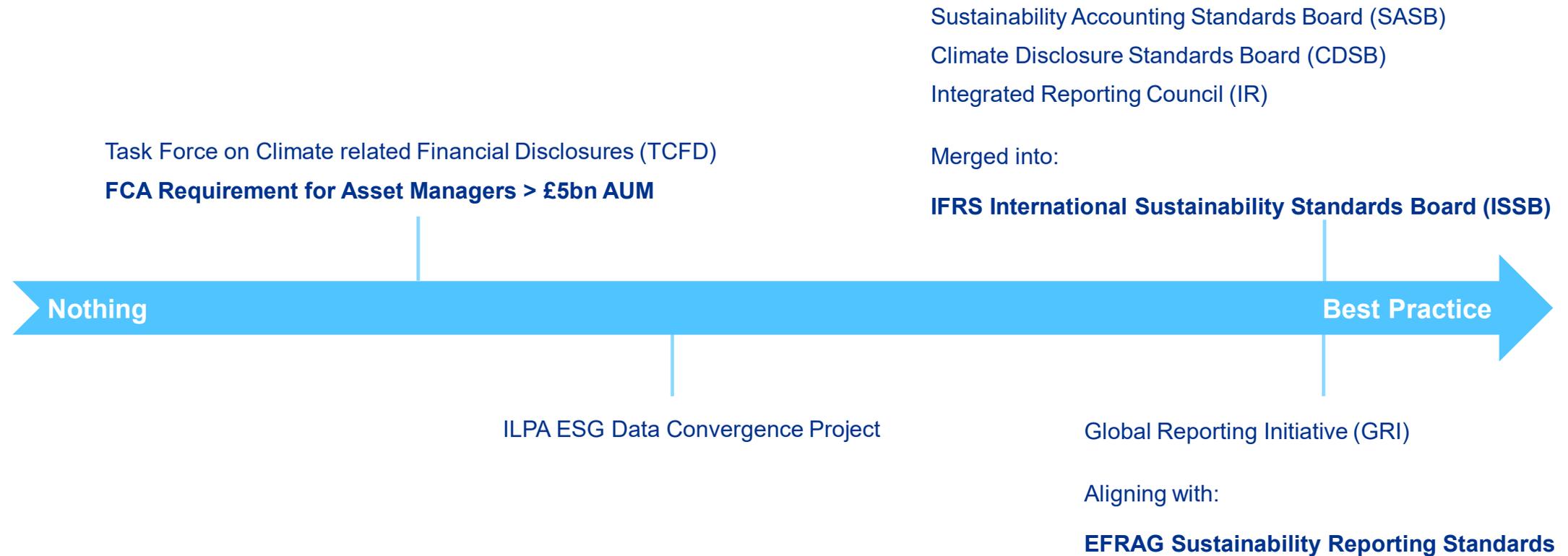
ESG reporting

Harry Briggs

Director, ESG Reporting & Assurance
KPMG, Jersey



ESG reporting journey



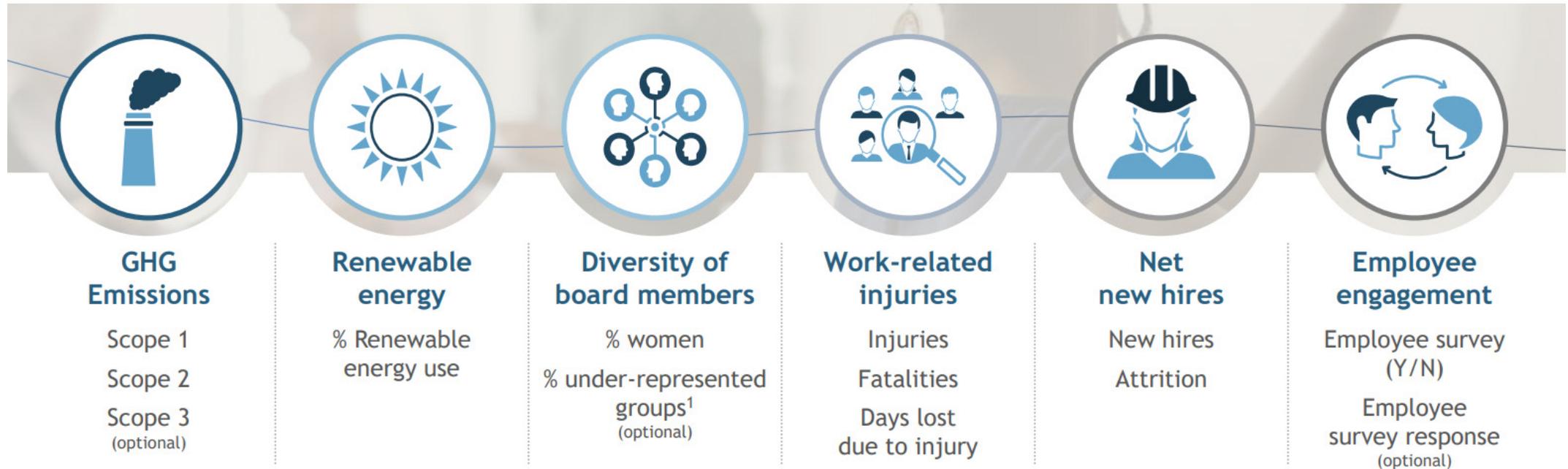
ILPA data convergence project

Steering Committee GPs:

Blackstone
 Permira
 Bridgepoint Group Plc
 TowerBrook
 Carlyle
 CVC
 EQT AB

Steering Committee LPs:

AlInvest Partners
 APG
 California Public Employees' Retirement System
 CPP Investments
 Employees' Retirement System of Rhode Island
 PGGM
 PSP Investments
 The Pictet Group
 Wellcome Trust





Deal advisory trends

Natalie Finlayson

Associate Director, Advisory
KPMG, Guernsey



What we will cover today

Private equity themes

M&A activity: Fund admins /TCS as a subsector

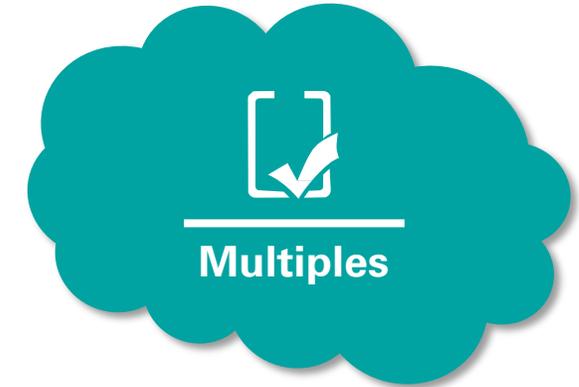
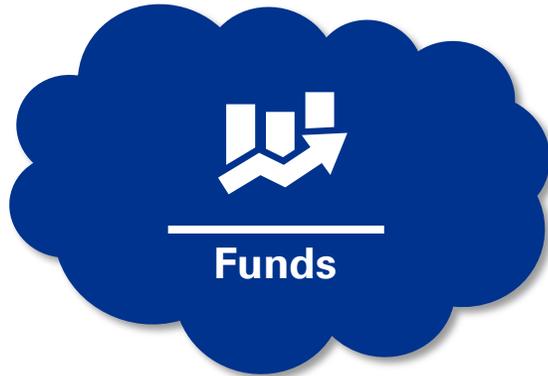
Macro Developments underpin sector attractiveness

Sanne case study

How we can help you



PE Themes



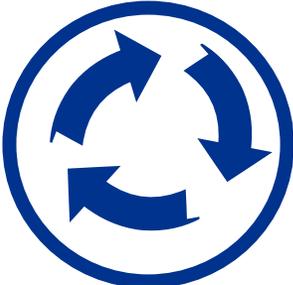
Key themes in the Private Equity space?



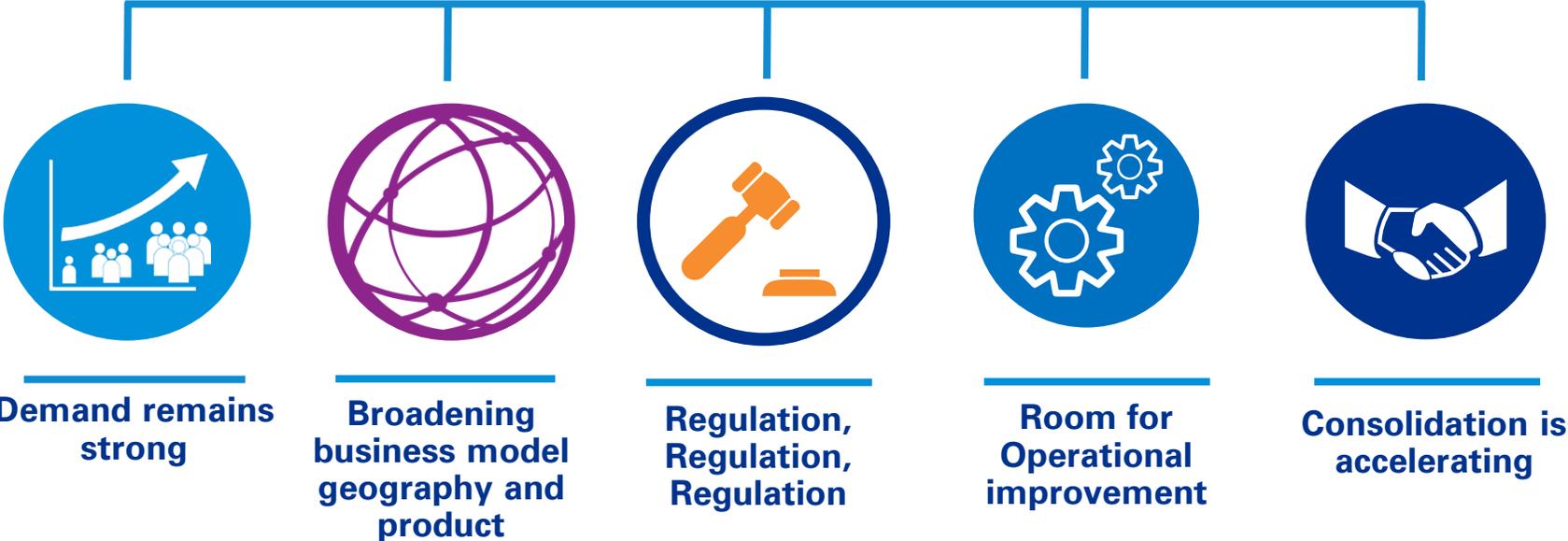
Fund administrators...a flurry of M&A activity

Date		Description
Dec 2020		Potential acquisition of In.Corp, Singapore based corporate services provider
Feb 2020		Sale of Estera to Ocorian/Inflexion
Aug 2018		Acquisition of the corporate services business of Deutsche Bank by Vistra
Jun 2018		Acquisition of IPES by Apex
May 2018		Acquisition of TMF Group by CVC Capital Partners
Dec 2017		Acquisition of First Names Group by Astorg/SGG
May 2017		Sale of a minority stake in Alter Domus by its management to Permira
Apr 2017		Acquisition of Capital Asset Services by Link Group
Oct 2015		Disposal of Orangefield by AAC Capital to Baring PE
Sep 2015		Sale of SGG (now IQEQ) by Cobepa to Astorg
Jun 2015		Disposal of Estera by Appleby Legal to Bridgepoint
May 2015		Sale of Vistra OIL by IK Investment Partners to Baring PE
Apr 2013		Disposal of Intertrust to Blackstone by Waterland
Jun 2012		Sale of Walkers Management Services, the corporate services business to Intertrust
Mar 2011		Disposal of Orangefield to AAC Capital by Foreman Capital
Sep 2010		Sale of Equity Trust to Doughty Hanson through its acquisition vehicle TMF by Candover
Jan 2010		Disposal of Intertrust to Waterland by FB NL & BGL

Market Themes-Fund admins/TCS sector



Macro developments underpin sector attractiveness

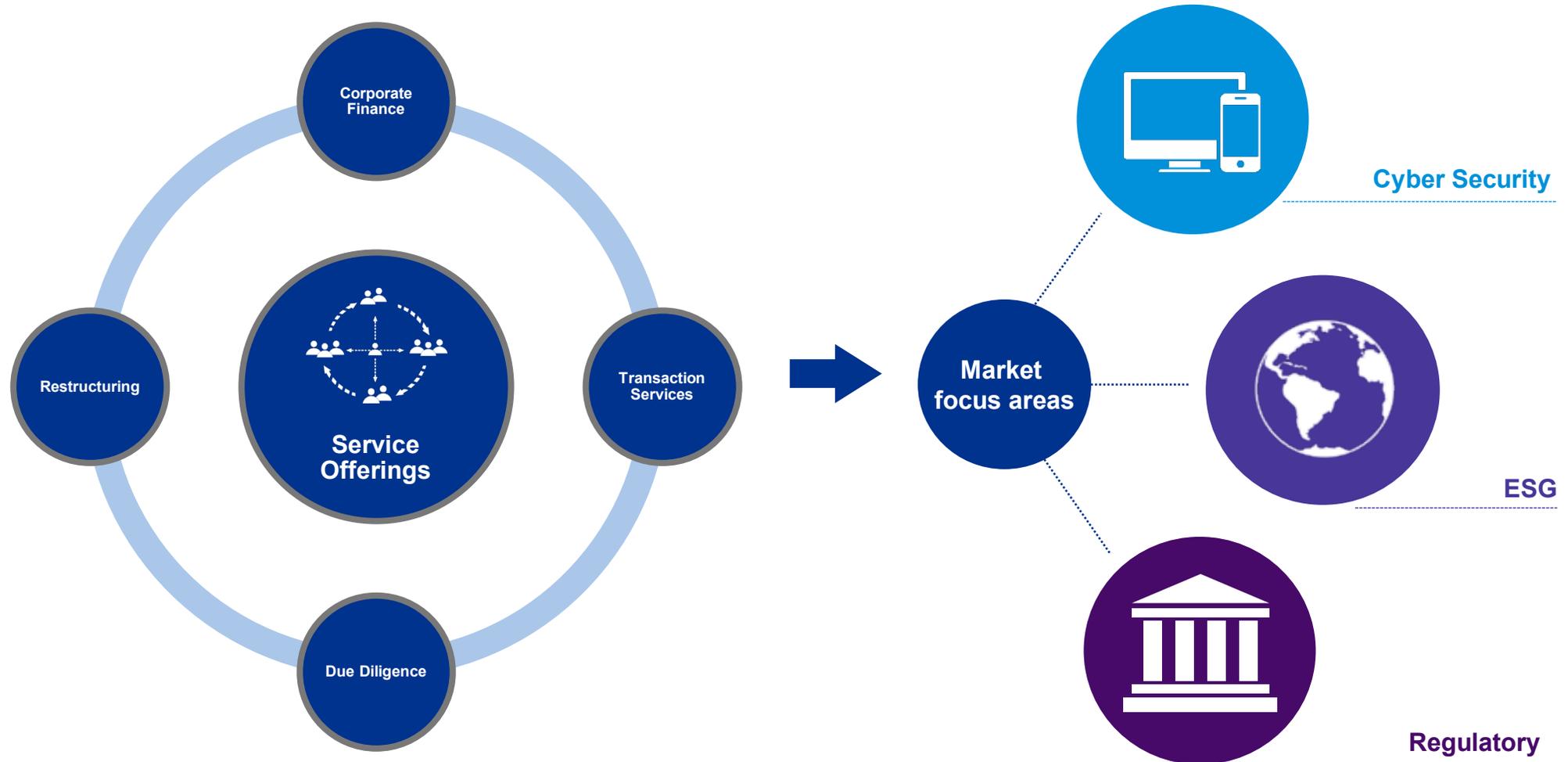


Publics to Private: Sanne plc share price history

Sanne was established in 1988



Key focus areas-How we can help





Valuations update

Ben Honeywood

Partner, Private Equity Group
KPMG, Jersey



The International Private Equity and Venture Capital Valuation Guidelines "IPEV" - ~~2021~~ 2022

Current state....

IPEV 2018 addition

- Price of recent investment – no longer allowable methodology
- Increased focus on calibration
- Enhanced focus on back testing & validation of inputs
- Increased guidance on valuation process, governance, specifically independence

March 2020 'Special Guidance'

- Recognition that valuations, right now, are more judgemental
- Continued focus on market participant principles
- Maintainability of earnings
- Liquidity and solvency

IPEV 2021 (2022)... what to expect

- Increased consistency with US GAAP – Topic 820
- Greater guidance on venture capital and pre revenue valuation
- Concept of "known and knowable"
- Transaction cost conundrum
- ESG as a relevant point of difference

Valuation considerations as we approach year end

Current market volatility and impact on current multiples need to be factored in – up or down... post covid bounce back shouldn't be ignored

Transaction multiples – pre covid – are these relevant?

Points of difference – consider all value drivers, growth rates, esg etc

Maintainability of earnings – Needs much more thought... is LTM dead?

Deal complexity – structural and commercial

Continuation and intra fund transactions

One size definitely does not fit all



Questions?

Moderated by Nick Stevens





Thank
you for
attending

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