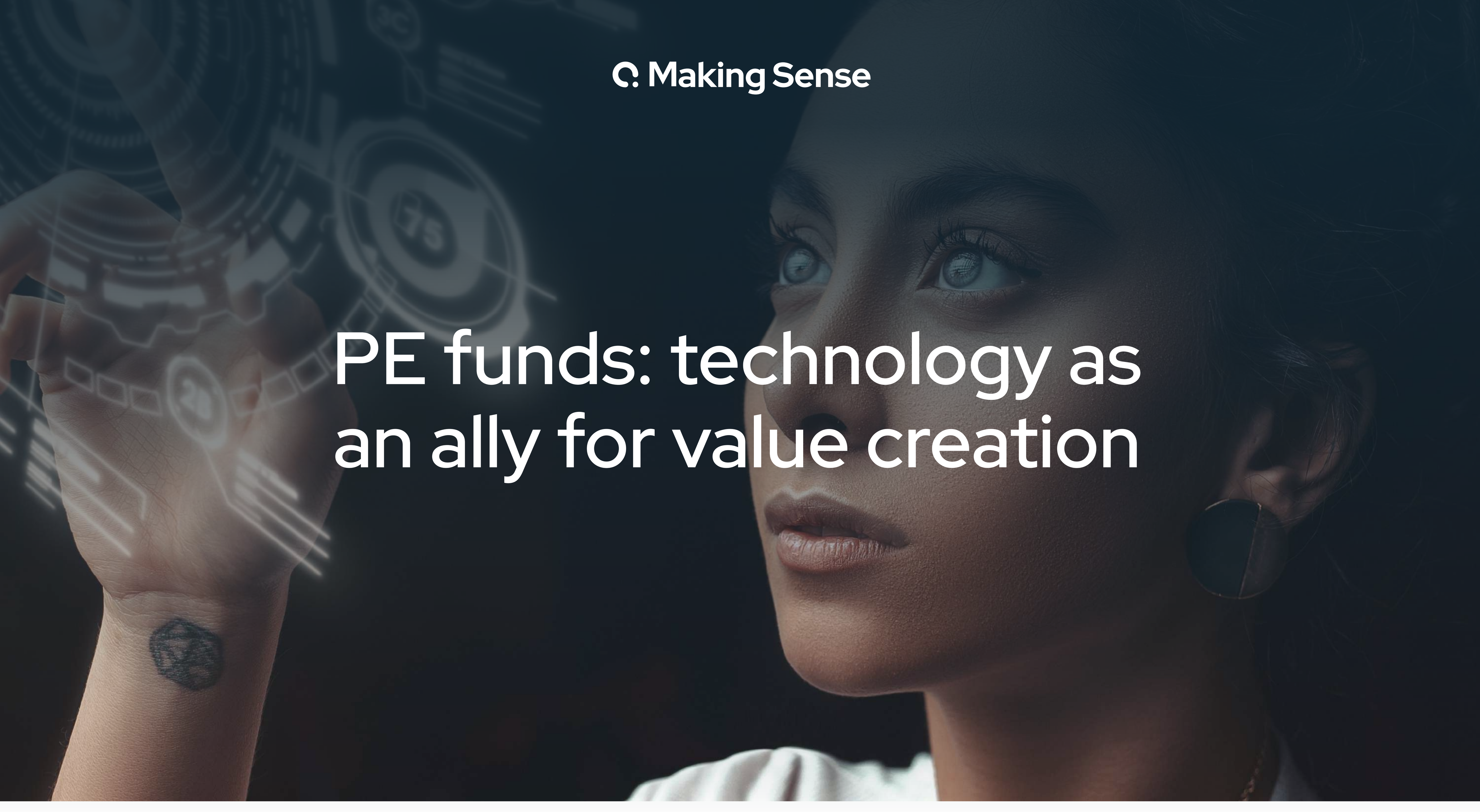


Making Sense

PE funds: technology as an ally for value creation

The potential is enormous. According to DealEdge, the return on investments in technology companies by equity funds between 2010 and 2021 was 2.5 times or more, depending on the amount invested.

As digital transformation takes hold, the opportunities grow. Worldwide spending on digital transformation this year will amount to USD 1.8 trillion. According to a report issued by IDC last May, the growth rate is 17.6% against 2021. We are not discussing a fad or a temporary phenomenon here: the growth rate is expected to remain at these levels until 2025.

The critical challenge for PEs lies in translating each new digitalization or automation initiative in a portfolio company into business value.

Does it enable a new customer experience? Can we create more flexible business models? Is it possible to launch disruptive products and services?

A change of mindset and data at the core

The first step is to change the mindset. Technology cannot play a satellite role within the company or be a tool to support operations. It must be at the core of the business.

The second step is to put data at the center. For years, organizations stored data from recorded transactions in huge quantities. Recently, the data volume has multiplied ad infinitum, driven by social media, mobility, the Internet of Things, artificial intelligence, and many other factors. The World Economic Forum estimated that by 2025, 450 exabytes per day would be generated worldwide. It is equivalent to three trillion music records, to have an idea of the magnitude.

The old data storage strategy makes no sense in this new digital scenario. Today data are the main strategic asset, and it is essential to know how to turn them into a competitive advantage. It is of the essence to understand how to store, protect, manage, and make them meaningful and available to the right people at the right time and from anywhere.
tangible results. The main KPI was time to market.

Informed decision-making

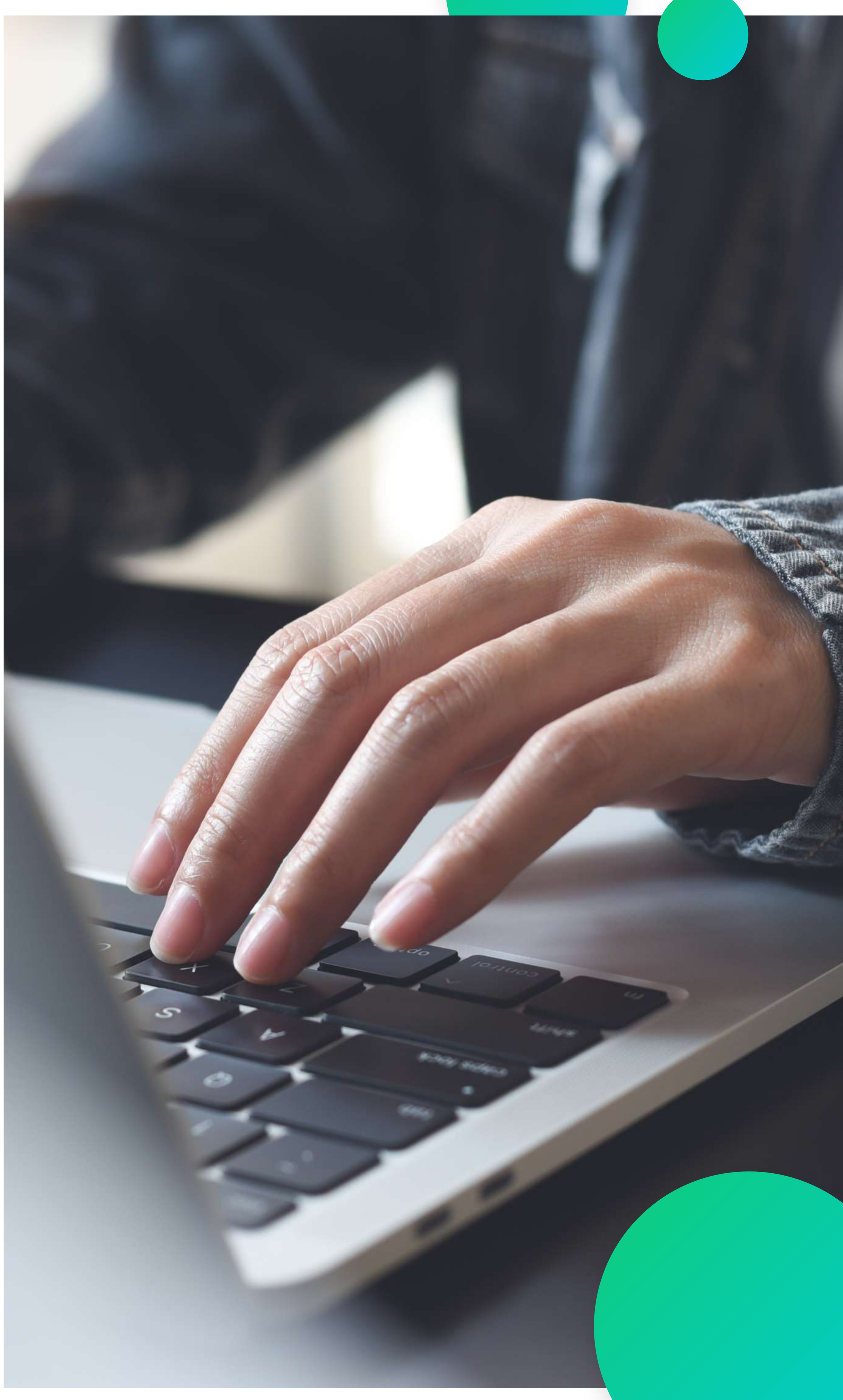
Companies that manage to make this leap will enter the data-driven category, minimizing risks, leading to assertive decision-making, and generating more value for the business.

Forrester data from 2021 shows that data-driven companies are 8.5 times more likely to increase their revenues by at least 20%. For PE funds, the opportunity is extraordinary.

How do we take the necessary steps to deliver the added value technology can provide? In principle, on top of a cultural change, it is essential to diagnose the current situation and a roadmap based on a strategic vision.

In this context, the presence of a technology partner that supports the PE fund throughout the process is significant. The technology partner can provide experience, use cases, and best practices and can anticipate obstacles, barriers, and common mistakes that may complicate the road to success. And these insights are not negligible. In a December 2021 report, BCG estimated that only 35% of companies achieve their digital transformation goals (an improvement over the 2020 results, which had yielded a 30% success rate).

Technology investment can be seen as a fork in the road for the company. If the wrong direction is taken, money will be wasted on following a particular fad or doing the same thing everyone else is doing. If, on the other hand, you go down the right path with the right strategy and vision, you will stumble upon an unprecedented opportunity to build value. That right technology partner is precisely the one who raises their index finger to point the way forward.



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