Press Release

16th October 2018

Private Equity Firms Adopt Specialized Operations Software

Almost half use or are considering third-party software to assist with fund administration

The private equity industry has seen a gradual shift towards outsourcing their operations in recent years. Although around two-thirds of firms intend to add to their employee headcount in 2018, almost three-quarters are focusing on recruiting members of deals teams rather than auxiliary operations. Increasingly, firms have adopted specialized third-party software or outsourcing, and only 29% of firms still have an entirely manual environment*. Adoption of portfolio management software has been most widespread, with almost two-fifths of firms globally using a tailored system and a further 15% considering it. Investor reporting software has also seen significant adoption, with around 45% of firms using a specialized system, although 15% of firms are not aware of such software or its benefits. Fund accounting software has seen more limited pickup, with 35% of firms using a tailor-made system and a further 18% considering adopting it.

For more information and analysis, see the full *Digitization of Private Capital Operations* report here:
http://docs.preqin.com/reports/Preqin-Special-Report-Digitization-of-Private-Capital-Operations-October-2018.pdf

Key Third-Party Private Equity Software Facts:

- Globally, a quarter of firms use a third-party portfolio monitoring platform, while 14% use a custom in-house system. Fifteen percent are considering adopting a system, but **46% of firms still rely exclusively on Excel**.
- Those managers which have adopted specialized systems have generally been satisfied, with just **one in five reporting that it failed to meet their expectations**.
- However, significant blockers to adoption remain. **Almost half (44%) of non-adoptees see no immediate need for monitoring software**, while high costs (18%) and ignorance of options (8%) are also commonly cited.
- Investor reporting software has also seen significant uptake. In North America alone, **13% of firms have an in-house system**, while a further 32% use an external solution or outsource the process.
- However, 12% of North America-based firms and 23% of European firms are not aware of reporting software or its benefits. **Among non-adoptees, 71% still send investors quarterly updates in Excel or PDF format.**
- **Fund accounting software is less widely used**. Twenty-eight percent of firms globally use a third-party solution, while 17% have an in-house system. Although 18% are considering adopting it, 37% have no plans to do so.
- Although 47% of firms require their portfolio companies to track ESG factors, **only 7% currently have a dedicated solution to cater for these needs**.
- While 64% of firms use cloud storage to protect their dealflow data, only 51% store their employee data this way.
- The largest proportions of **fund managers cite cost efficiency (62%), value creation potential (51%), and data security (40%) as the chief drivers of investment** in third-party fund administration software.

Chris Ferguson, Chief Executive of Preqin Solutions:

"With reporting and security requirements becoming more strict, it is no surprise that firms are increasingly adopting specially-built solutions to be able to meet best practice. Firms are becoming increasingly complex in structure, and the amount of data being used to conduct operations is growing exponentially – manual systems simply can't keep up. While adoptees seem generally convinced of the value of third-party solutions, such as time-saving and the increased accuracy and manipulability of data, significant numbers of non-adoptees believe that third-party systems are not capable of managing their data, or can't see the benefits of using them. Software providers will have to work hard to convince these managers of the benefits of their platforms if we are to see the industry shift further from Excel."

Results are based on a survey of 188 private equity firms conducted in May 2018.

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New York	London	Singapore	San Francisco	Hong Kong	Manila	Guangzhou
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3892 0200		

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