

# Improving Portfolio Management in Private Equity

## Introduction

In recent years, a number of software solutions for the Private Equity industry have been developed which mainly address fund administration (back office) and contact management (front office). However, portfolio reporting process, which includes capture, administration, use and reporting of performance information of portfolio companies such as financials, ratios and Valuations, is still mostly depending on manual processing based on Excel spreadsheets.

## The problem

Private Equity firms typically receive from their portfolio companies on a monthly basis a number of reports containing financials and other performance data in different formats and structure. The Private equity firm then has to re-key data, calculate valuations and ratios and create summary reports most of the times using spreadsheets.

Spreadsheets are great tools for many things, such as financial modelling, due to their flexibility and universal adoption. However, in the reporting process of Private Equity funds they have the following issues:

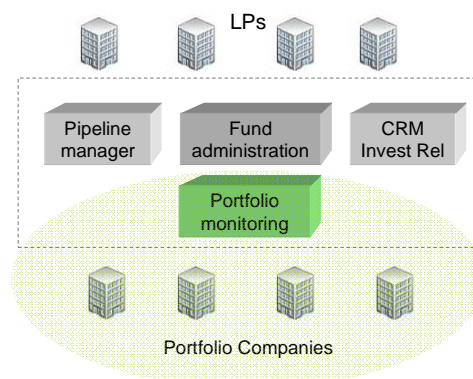
- Very time consuming due to retyping of data and formatting
- Inaccurate and error prone
- Poor version control
- No traceability of changes
- No data recovery
- Difficult to keep track of long time series
- No scalability (more companies, more work)
- No drill-down capabilities

The lack of reliable, rich and easy-to-use financial and business performance information of portfolio companies is particularly critical for a private equity firm, since it restrains its ability to anticipate deviations and promote correcting actions, which have direct impact on the creation of value to their investors.

## Our solution

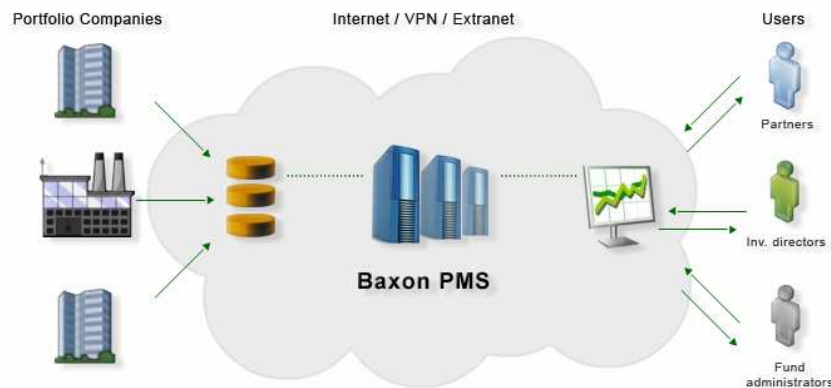
Our web-based solution called **Baxon Portfolio Management System (Baxon PMS)**, which is provided as a Software as a Service (SaaS), transforms the process of capture-report-use of performance information of portfolio companies.

Baxon PMS offers a fresh perspective for sophisticated Private Equity and VC Firms wishing to complement their existing system infrastructure with an online solution which allows them to understand what is really happening in their portfolio companies in real time.



With Baxon PMS, portfolio companies can update directly into the system their financial information through a secure Internet connection. Financials and other performance data are stored in a central database.

GP users can create dynamic dashboards and reports with key indicators, graphs, traffic lights and alerts which can be accessed remotely by deal executives or exported to files, such as PDF or word, from anywhere, at anytime.



Baxon PMS is extremely flexible. The level of detail of the information to be captured for each company can differ. For example, companies with low exposure might inform only key indicators, while cases of larger ownership and exposure could submit more detailed performance drivers.

Company CFOs do not require modifying their current reporting structure. Baxon PMS can be updated using Excel spreadsheets, or populating online forms. The whole updating process is designed to be performed in about five minutes per month by portfolio companies.

## Benefits

Baxon PMS enhances one of the core strategic capabilities of a Private Equity Firm: its ability to work together with the management teams of portfolio companies in creating value for their firms.

Baxon PMS provides a web based value added communication platform between portfolio companies and the PEF and among partners, directors and the back office team.

The key benefits of implementing Baxon PMS are:

- Saving of time: sensitive and time-consuming tasks, such as re-keying, formatting and calculations are avoided.
- Better understanding of performance: graphs to identify trends, alerts of deviations against budget, comment boxes, comparisons against benchmarks or history are some of the features that significantly improve the understanding of what is happening in each company.
- Integrity: data is entered directly into the system by portfolio companies, avoiding re-typing and reducing errors. Validation rules also prevent the input of wrong information.
- Accessibility: all performance information centralized in one place; always last version, available 24x7, from anywhere in the world.
- Information management: automatic email reminders to submit information to the system, daily backups and traceability of changes improve efficiency and reliability of performance information of portfolio companies.
- Traceability: information can be audited, with a clear trail of who and when figures were changed
- Scalability: each additional company does not generate more work, as opposed to spreadsheet based reporting.

## Implementation

Since Baxon PMS is provided as a Software as a Service, deployment of the solution is immediate, and does not require any software installation in the IT infrastructure of the customer.

We provide an end-to-end solution which could include: design of reporting, configuration of the system, gathering and uploading of historic data and training to administrator. Implementation process lasts 3-8 weeks.

To learn more about Baxon PMS please contact us:

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