

2020 PEI CFOs & COOs Forum
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CFOs & COOs Forum 2019



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Post-event report

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Thank you for attending the **CFOs & COOs Forum 2019**

Thank you to everyone who joined us at the CFOs & COOs Forum, the flagship conference for senior finance and operations professionals in private equity. The sixteenth annual Forum gathered over 600 delegates across two days for peer-to-peer networking and insight from over 100 speakers, including up-to-the-minute analysis on how operating objectives, performance, risk, portfolio analytics, legislation, regulation, and transparency consistently redefine the CFO and COO roles.

We hope you enjoyed the CFOs & COOs Forum and look forward to welcoming you next year for the seventeenth annual event on January 22-23, 2020 in New York. Please contact me if you have any feedback or questions about the CFOs & COOs Forum.

Kind regards,

Shamara Ray

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2019 by the numbers



600+
attendees



325+
companies



“

"The Forum is consistently the best conference for finance professionals in the private equity industry! The event offers meaningful content, knowledgeable speakers and ample networking opportunities!"

Kristine O'Connor, Managing Director
and CFO, **Franklin Park**



100+
speakers



“

"The top conference I have attended. Very relevant topics, a great cast of characters and a diverse group of firms represented."

James Crossen, CFO of Private Equity,
Apollo Global Management



Leading speakers at the CFOs & COOs Forum



Michael Chae
Chief Financial Officer
Blackstone



Daniel A. D'Aniello
Co-Founder & Chairman Emeritus
The Carlyle Group



Katherine T. B. de Mul
Director, Private Markets Operations
KKR



April Evans
Partner, Chief Financial Officer and
Chief Compliance Officer
Monitor Clipper Partners



James Gaven
Senior Counsel and Chief
Compliance Officer
Welsh, Carson, Anderson & Stowe



Jennifer Glassman
Chief Financial Officer and
Managing Director
TowerBrook Capital Partners LP



Tracy Adam Haas
Chief Financial Officer
Roark Capital Group



Pamela Hendrickson
Chief Operating Officer & Vice
Chairman, Strategic Initiatives
The Riverside Company



John Herr
Chief Financial Officer
Francisco Partners



Ruth E. Horowitz
Chief Operating Officer
IFC Asset Management Company

Leading speakers at the CFOs & COOs Forum



Jun Isoda

Managing Director and
Chief Financial Officer
Siguler Guff & Company, LP



Jill Lampert

Chief Financial & Administrative
Officer
NGP Energy Capital Management



Kwame Lewis

Chief Financial Officer
ACON Investments



Shant Mardirossian

Partner, Chief Operating Officer
Kohlberg & Company



Gregg Myers

Chief Financial Officer
**Global Infrastructure Management
LLC**



Kristine O'Connor

Managing Director and Chief
Financial Officer
Franklin Park Associates



Stephanie Paine

Chief Financial Officer
PPC Partners



Evelyn C. Pellicone

Chief Financial Officer
Crestview Partners



Marc Puglia

Chief Financial Officer
Providence Equity Partners



Daren Schneider

Chief Financial Officer and Chief
Compliance Officer
JLL Partners



What you may have missed

Top 9 insights from the CFOs & COOs Forum 2019

1. CFOs are on the front line of the war for talent

Private equity is a people business, as the adage goes. No one seems more acutely aware of this than the CFO or COO. Sixty percent of CFOs surveyed by EY considered talent management to be a top strategic priority. What seems on the surface like a “softer” element of running an investment manager (“We had a ping pong table for a couple of months,” said one exasperated CFO) is anything but. More than three-quarters (78 percent) of the CFOs said investors are requesting information about their firm’s talent management program.

Some of the forum’s top talking points fell under this umbrella: how do I create a culture that allows me to compete for talent with tech firms; how do we foster more gender and cultural diversity?

2. Tech is both an opportunity and a cost

Technology in all its forms was a major area of discussion throughout the Forum. We overheard CFOs swapping notes on the best software programs and data tools, and asking questions about the best ways to harness their own data to grow and improve their firms.

For many CFOs at smaller firms, technology is presenting a cost, with potential savings proving thus far elusive: “It is not just the upfront cost – both of money and time, because you have to run the new and old systems in parallel for a while – people are mostly seeing [an] increase in technology costs and we are not yet seeing the benefit,” said one CFO.

There are technology challenges on the regulatory front, too. We spoke to a couple of CFOs about the tricky area of instant messaging. One spoke of the need to make employees aware that text messages could be subject to review in the same way as emails, and has asked staff not to send any business-related information in instant messages.

3. Relationships with third-parties are more important than ever

Outsourcing was naturally a major topic of discussion throughout the Forum. According to EY’s survey of 103 CFOs, tax is the area most consistently outsourced, with 94 percent outsourcing at least some of this task, and 46 percent choosing to primarily outsource it. The least popular area to outsource is portfolio analysis; just 18 percent of respondents outsource any part of this task.

It should perhaps go without saying, but CFOs are looking for third-party partners who will take ownership of the tasks given even though they are not themselves part of the firm. One CFO also mentioned a need to feel comfortable putting their chosen provider in front of LPs. A word of caution from another CFO: you can outsource the function, but you can’t outsource risk. At the end of the day, the responsibility still falls on you.

4. The secondaries market is making valuations matter more

Get 600 private equity CFOs together and the conversation will at some point turn to valuations. There is no standard way of doing it – firms still blend a number of different methodologies to get to what they think is a sensible mark, sometimes using different methods from one company to another in the same portfolio (if the different nature of the businesses demands it).

One of the key learnings from this year’s Forum is that third-party advisors are infrequently used to do the “heavy lifting”. An audience poll in a breakout session on this topic showed that 82 percent of the CFOs in the room do not ask independent specialists to carry out the valuations. As one CFO put it, no one knows their portfolio better than they do. Another learning is that the rise of the secondaries market and the improved liquidity it brings has made interim valuations much more important; LPs want to know what they could potentially get for their fund stakes.



5. **Cybersecurity is a major headache**

Cybersecurity came through as one of the biggest headaches for a CFO; one estimated this area to be the third biggest cost their firm faces after rent and salaries.

Cybersecurity is a top area of concern for the SEC; it's on the list of 2019 priorities for the agency for the third year in a row. CFOs are in a unique position to weed out cybersecurity issues within a firm, one CFO panellist said, as they can "see how sensitive data moves between the firm internally, limited partner investors, external regulatory bodies and third-party investors".

"[CFOs] have a unique view to find out where the chinks in the armour could be."

6. **Some firms are pumping up their TVPI**

One LP delegate shared that a few firms are starting to boost their total-value-to-paid-in on deals by offsetting early realisations against the original contributed capital, rather than treating them as distributions. In other words: a GP makes a \$100 million investment in a company and an early recap returns \$25 million. Instead of the \$25 million counting as a distribution, it is offset against the original investment, meaning the original contributed capital is marked as \$75 million. "We've seen a 2x deal become a 10x deal," said the same LP, who was not impressed.

7. **PME is becoming a more popular benchmark**

Investors are increasingly relying on public market equivalents - rather than comparison of vintage year IRRs - to assess fund manager performance. Around 25 percent of investors are now using a public market equivalent as their policy private equity benchmark, said one executive with a view over a broad universe of LP private equity programs.

Significant variations in the way performance is calculated means that comparing one fund's IRR with its vintage year peer group becomes problematic. Even if an LP is comfortable with the methodology behind the

performance data for one fund, they may not be able to get comfortable that this is the same for the universe they are benchmarking against. They may even be using different definitions of vintage years. LPs are increasingly asking for underlying granular cashflow data in order to calculate their own performance numbers, the executive noted.

8. **Diversity is moving up the agenda**

Private equity firms are starting to take action in response to a long-term problem: a lack of women in senior positions. According to a poll of about 60 CFOs and other members of the PE industry at the Forum, 52 percent are taking steps to increase diversity and a further 34 percent are thinking about it. One CFO panelist hired a consultant to "help disrupt unconscious bias around searches, compensation, performance reviews and other areas", while another's firm has set up a mentoring program.

9. **Launching a new strategy can be a back-office headache**

It may seem a natural step for a private equity firm looking to grow its assets under management to branch out into private credit, but the back-office requirements of making such a move shouldn't be underestimated, delegates heard. Tracking private equity strategies is much more routine than doing so for credit strategies, one CFO noted.

Following debt investments can be more unpredictable, too. Several responsibilities not necessarily associated with private equity, such as tracking loan drawdowns, interest payments and monitoring loan balances, are all labor-intensive and require a larger staff.

In fact, one attendee that works at a firm with both credit and equity platforms noted it would be an easier task to add a buyout strategy than a credit strategy.

Attendees included

- » 17Capital
- » Aberdeen Standard Investments
- » ABS Capital Partners
- » ACON Investments
- » Advent International
- » Alcion Ventures
- » AlixPartners
- » American Investment Council
- » Ares Management
- » Argosy Capital
- » Arlington Capital Partners
- » Atalaya Capital Management
- » Audax Group
- » Bain Capital
- » Berkshire Partners
- » Birch Hill Equity Partners
- » Black Bay Energy
- » BlackRock
- » Blackstone
- » Blue Water Energy
- » Blue Wolf Capital
- » Brookfield Infrastructure Group
- » Camden Partners
- » Canada Pension Plan Investment Board
- » Capital Partners
- » The Carlyle Group
- » Carnelian Energy Capital
- » CBRE
- » Centerbridge Partners
- » Charlesbank Capital Partners
- » Citizens Bank
- » The City of New York, Finance
- » Clayton, Dubilier & Rice
- » Comvest Partners
- » Crestline Investors
- » Crestview Partners
- » Crow Holdings Capital Partners
- » Delos Capital
- » Fengate Asset Management
- » First Infrastructure Capital Advisors
- » Francisco Partners Consulting
- » Franklin Park Associates
- » General Atlantic
- » Gennx360 Capital Partners
- » GI Partners
- » Glendower Capital
- » Global Infrastructure Partners
- » Glouston Capital Partners
- » Goldman Sachs
- » Greenbriar Equity Group
- » Greycroft
- » Halstatt
- » Hamilton Lane
- » HarbourVest Partners
- » Helmsley Charitable Trust
- » HGGC
- » IFC Asset Management
- » Insight Equity
- » JLL Partners
- » John Hancock Life Insurance Company
- » Juggernaut Capital Partners
- » Kensington Capital Partners
- » KKR & Co.
- » KPS Capital Partners
- » L Catterton
- » Leonard Green & Partners
- » LightBay Capital
- » LLR Partners
- » Marlin Equity Partners
- » The Meridian Group
- » Monitor Clipper Partners
- » Morgan Stanley
- » New Harbor Capital
- » New Heritage Capital
- » New Mountain Capital
- » OMERS
- » Parthenon Capital Partners
- » Pfingsten Partners
- » Pine Brook Road Partners
- » PPC Partners
- » Quantum Energy Partners
- » The Raine Group
- » Ridgemont Equity Partners
- » The Riverside Company
- » Roark Capital Group
- » Sagewind Capital
- » SandsPoint Capital Advisors
- » Shorehill Capital
- » Siguler Guff & Company
- » Sorenson Capital
- » Starwood Energy Group
- » StepStone Group
- » Sun Capital Partners
- » Tailwater Capital
- » Thoma Bravo
- » TowerBrook Capital Partners
- » TPG Capital
- » Trilantic Capital Partners
- » TSG Consumer Partners
- » U.S. Securities and Exchange Commission
- » Vista Equity Partners
- » Wafra
- » Welsh, Carson, Anderson & Stowe
- » Whitehorse Liquidity Partners
- » Willowridge Partners
- » XPV Water Partners
- » YMCA Retirement Fund
- » York Capital Management
- » and many more...

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CFOs & COOs Forum New York 2020

January 22-23 | Grand Hyatt New York

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