

PROFILE

The Drawdown (TDD): You founded PEARonline in 2006; what was the main driver behind setting it up?

Simon Thornton (ST): I'd spent the previous eleven years as a GP and an LP. At BC Partners I was responsible for investor relations and fundraising, sending information out to LPs. Then I set up the European operations for Landmark Partners, where I was on the receiving end, monitoring a portfolio of fund investments and looking for new secondaries as well as investments for a small primary programme backing first-time funds.

In my time at BC, we did everything on paper, printing fund reports, faxing capital calls and distribution notices. At Landmark in the early 2000s I saw the shift to electronic communications; many mission-critical documents were being sent by email. And that's still the case today. It isn't the right solution; it's not secure, and there's no audit trail - in some ways fax is a better solution - more secure and it gives you a confirmation that it's been received.

When I talked to GPs about using portals, they were perceived to be expensive and complicated. GPs said that the options available were too generic; data rooms that were used for everything from M&A to litigation support. They were priced for processes which would typically be open for several months, but for GPs, reporting over ten or more years, the costs would really rack up.

Related to that you never knew exactly what it would cost as it was price per user, or price per page. For an investor portal where you're uploading investor accounts, reports, and generally lots of information coming in each week, that is a huge body of data, and the costs were incremental.



FOUNDER OF PRIVATE EQUITY INVESTOR PORTAL AND FUNDRAISING DATA ROOM PEARONLINE

SIMON THORNTON

discusses the company's origins, the importance of secure data transmission and upgrade plans.

So, it was about solving those problems, building something that is easy to use and really driven by focusing on what the industry needed, as well as offering a cost-effective, sensible and transparent pricing structure.

TDD: Today, technology is crucial to raising and operating funds; how has PEARonline's technology offering evolved to meet these increasing demands?

ST: Our focus has always been helping GPs to get information simply and securely to LPs. That core driver hasn't really changed, but we've made PEARonline more efficient, and continually improved functionality.

We have started working across more subclasses within the alternatives space, so we now work with infrastructure, credit, mezzanine, debt, real estate, and secondaries, but they have similar needs as they're running limited partnership structures.

As co-invest has become more important we've seen clients using PEARonline for that, and we're working with a number of deal-by-deal firms. Clients are also now using PEARonline to distribute information on the carry vehicles. Often they were sending fund information securely via the portal, but emailing the carry and tax statements; those documents can be quite sensitive.

We've been looking at the shift towards dashboards but I think that an all-singing all-dancing dashboard that's specific to one GP and not comparable to others is of limited value.

LPs are typically trying to understand their portfolio as a whole; for example, in March 2020 investors might have wanted to understand their overall exposure to restaurants. Or they want to compare one GP with another.

We think what's more important is standardisation of structured data at an industry level. At the moment there's still lots of manual re-keying by the LP, which is very time consuming and risky. I think in the longer term the industry is going to have to move towards more structured data.

TDD: You've built up an impressive client roster; why do you think the PEARonline solution resonates so well with the private equity community?

ST: I'm really proud of our client list. I think what drives it is our team's deep understanding and personal experience of this market. We've borrowed the motto: "Only the paranoid survive"; we know what it's like to balance speed and accuracy. Sending a HarbourVest capital call to Pantheon is a career-limiting move. But at the same time you've got to do these things quickly, so there's a massive conflict between doing things fast and doing them accurately.

Someone working for a generic data room provider might not have that same experience. I think that having the scars we have helps with integrations; we can help our clients get information into the right structure and order. And when someone needs support, if they're having an issue and they need to do a capital call we will drop everything to help them.

It also helps that a new team member can get up and running very quickly. It's typically the financial controller that uses PEARonline day to day. FCs do move around more than the CFO/FD, so that's one more thing the FD doesn't have to worry about.

Think about the importance of the relationship between GP and LP. You're entrusting that relationship to your portal

provider. If, for example, there are login issues or an LP can't find a document, you as a GP want to know the person your LP is speaking to doesn't jeopardise your relationship.

People also really appreciate our independence; we're not tied to a bigger service provider and that gives GPs more confidence in the durability of the platform. You're not tying yourself to, for example, a single fund admin software solution.

TDD: When are you typically approached by a private equity firm?

ST: It depends if it's the fundraising data room or the investor portal. For the fundraising data room, it's normally before the process starts, though there have been situations where a GP is a few months into the fundraise when they realise they need a more tailored solution than Dropbox...

Decisions on an investor portal typically come later in the process. There are occasions when an LP is doing ODD on the fund and learns that email is being used - increasingly, we're seeing LPs not accepting emails for capital calls.

Sometimes, towards the end of the fundraise when there's visibility on the final close, the GP realises that their operations will become overly complex, with an additional fund and more LPs. They will approach us as a means of managing that.

TDD: How has the past year impacted your offering and how clients use it?

ST: As you can imagine, there have been far fewer fundraising data rooms, both for existing and new clients. However, the last year has seen a real focus on security of information going to existing investors. For example, there has

been stress on portfolios. The papers going out to the LPAC on valuations contain information on trading, debt levels, and banking covenants, and in some cases those numbers weren't looking good - that got people really focused on security.

Fraud was an issue before, but with remote working - where people are using the same networks as their teenage kids - cyber security has become a very real issue.

2020 was our best year ever for new funds, which was driven mostly by new portal clients who saw that need for security and had the ability to step back and look at their digital offering.

TDD: What are you focused on in 2021?

ST: First, we're building a new version of the platform, which is a significant undertaking. That's going to do a number of things. It's going to let us build in features like multifactor authentication and language localisation.

The new platform will be more scalable so we can really grow the client base. It'll be designed to run across multiple processors so when a GP is running hundreds of capital calls it won't slow the process down. Lastly, it will enable us to continually build out new functionality, so we can be ready for things like structured data.

Second, we're really scaling our marketing efforts. For the last 15 years we've grown very much on relationships, word of mouth and networks. Over the next five years we want to scale more quickly to better position ourselves for the changes coming. As part of this we've recently appointed a UK-based Managing Director to grow our sales and marketing team.

There are a lot of opportunities and a lot of challenges. That makes it exciting and terrifying at the same time! ♦