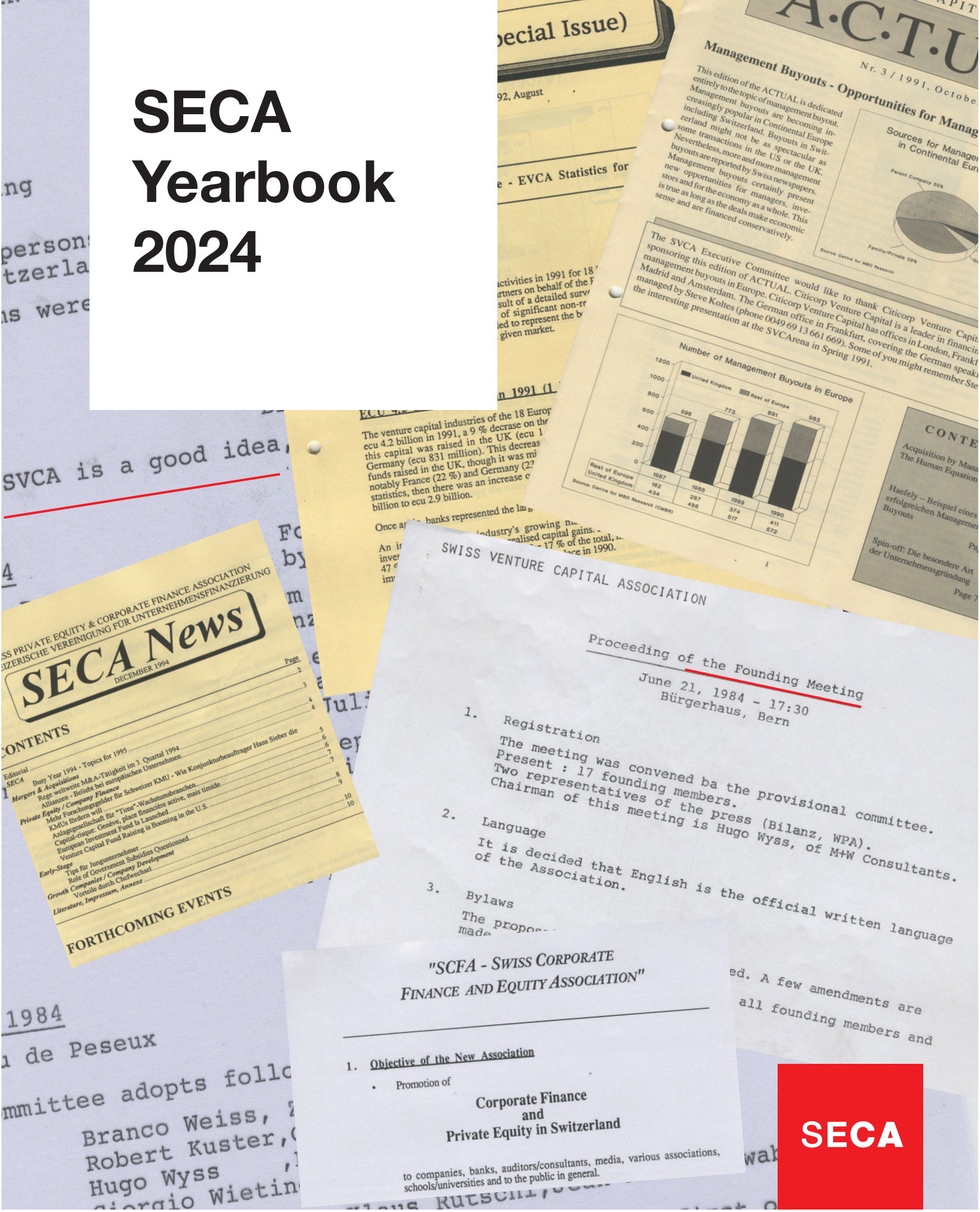
SECA Yearbook 2024



SECA

Swiss Private Equity & Corporate Finance Association
Schweizerische Vereinigung für Unternehmensfinanzierung
Association Suisse des Investisseurs en Capital et de Financement

40 YEARS

The Swiss Private Equity & Corporate Finance Association (SECA) is the representative body for Switzerland‘s private equity, venture capital and corporate finance industries. SECA has the objective to promote private equity and corporate finance activities in Switzerland. Meanwhile, SECA has a strong base of more than 500 members, which is composed of several investment companies, banks, corporate finance advisors, auditing companies, management consultants, lawyers and private investors.

SECA Yearbook 2024
May 2024

Publisher
SECA – Swiss Private Equity &
Corporate Finance Association
Suurstoffi 1
CH-6343 Rotkreuz

Production
Druckerei Odermatt AG
6383 Dallenwil, Switzerland (www.dod.ch)

Print run	800
Printed	in Switzerland
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Leveraging Data Analytics in M&A and Private Equity

A Path to Enhanced Efficiency and Innovative Solutions

The integration of data analytics into mergers & acquisitions ("M&A") and private equity ("PE") is not just a passing trend, but a fundamental shift in how these industries operate and thrive. This article highlights the transformative power of data analytics, from enhancing decision-making processes to creating innovative business models like data-as-a-service. The challenges in offering data analytics services, particularly in talent acquisition and investment hesitations, are significant but not insurmountable. The technological toolkit available for data analytics is rich and constantly evolving, offering new opportunities for insight and efficiency. Looking ahead, the prospects of data analytics in the financial sector are boundless, promising a future where data-driven insights lead to smarter, faster, and more effective business decisions. The journey into this new era is just beginning, and those who embrace it will be well-positioned to lead the way.

The Role of Data Analytics

Data analytics is the science of processing and analyzing raw data to draw conclusions from that information. It introduces a quantitative dimension, enabling more informed, precise, and strategic decision-making. The transition to a data-centric approach is about transforming unprocessed data from both internal company systems and external sources into organized and structured information. Essentially, data that was previously unutilized becomes a resource for comprehensive analysis and the generation of high-quality insights. These insights can offer a more holistic view of trends, risks, and opportunities.

The power of data analytics does not stop there. The emergence of data-as-a-service models is revolutionizing the way firms view their data repositories. No longer seen as mere records, data sets are valuable assets that can be packaged, processed, and sold to clients, providing new and diversifying revenue streams.

As professionals increasingly recognize the value of data and its analysis, the sector is witnessing a paradigm shift. The growing popularity and broad application of generative artificial intelligence (such as ChatGPT) has further accelerated this trend. Numerous studies suggest that these technologies have and will significantly enhance productivity. The adoption is not just improving existing operations but is actively shaping the future of investment strategies and deal-making.

The application of Data Analytics in M&A and PE is best illuminated by two exemplary use cases. They exemplify the profound impact of data-driven strategies in a real-world context.

Exemplary Use Cases

Use case 1: Financial reporting & due diligence

Situation / Tasks:

- An international company operating six financially independent locations in multiple countries under a unified accounting system is to be sold.
- Managers of individual locations are highly attuned to their local operational dynamics, although there's an opportunity to enhance their insight into the company's overall financial situation.
- For a successful sale, it is imperative for these managers to develop a comprehensive understanding of the company's overall finances, identifying areas for synergy and growth.

Approach:

- Transformation of unstructured accounting data into a structured relational database, augmenting it with additional corporate and market information.
- Enhancement of actual financial figures with a financial planning model accessible to and usable by the client.
- The data is visualized in an interactive dashboard.

Value creation:

- By aggregating the data and enriching it with alternative sources of information (e.g. productivity indicators), previously unknown insights can be gained and corresponding instructions for action can be derived.
- Interactive visualizations offer multifaceted perspectives on the company, aiding in the anticipation of location-specific and overarching trends.
- Adjustable input parameters in the model allow for dynamic forecasting of various strategic outcomes, optimally preparing the company for the sale.
- Easy integration of financial updates into the database for real-time numerical, graphical, and interactive analysis.
- All these measures accelerate the due diligence and overall transaction process and increase the probability of success as it gives a potential seller a high level of confidence in facts and figures.

Use case 2: Market research & strategic decision making

Situation / Tasks:

- Analysis and optimization of the market coverage of a furniture store and comparison with competitors.
- Identifying optimal acquisition targets.
- Conducting a competitive landscape analysis in various transaction scenarios for the competition commission.

Approach:

- Utilizing a diverse array of publicly available data sources and combining them into a comprehensive database
- Application of various data processing and analysis methods to evaluate the market situation.
- Application of a machine-learning model (“maximum covering location problem”) to optimize store locations across Switzerland.
- Presentation of the results in an interactive dashboard and as a comprehensive report for the competition commission.

Figure 1: Illustrative data analytics process and toolbox used in use case 2

Findings:

- 80% of Swiss residents can reach a client branch within a 40-minute car ride, which corresponds to around 85% of the market potential (accounting for uneven purchasing power distribution).
- Acquiring the optimal target could increase the market potential coverage to 95%.
- Such an acquisition would not intensify monopoly concerns, as competitors remain accessible within the same travel time.
- There is an optimization potential for market coverage of 8% through the ideal positioning of the existing client branches.

Value creation:

- The comprehensive approach allows for an in-depth analysis of store locations, demographic trends, income levels, and catchment areas in Switzerland.
- The result provides a comprehensive view of the furniture market, offering unprecedented insights into coverage and untapped market potential.

– These insights are crucial for strategic planning, enhancing understanding of market reach, the impact of potential acquisitions, and competitive standing.
– The results have regulatory implications, providing a crucial report for the competition commission to assess market dynamics and the monopoly situation.

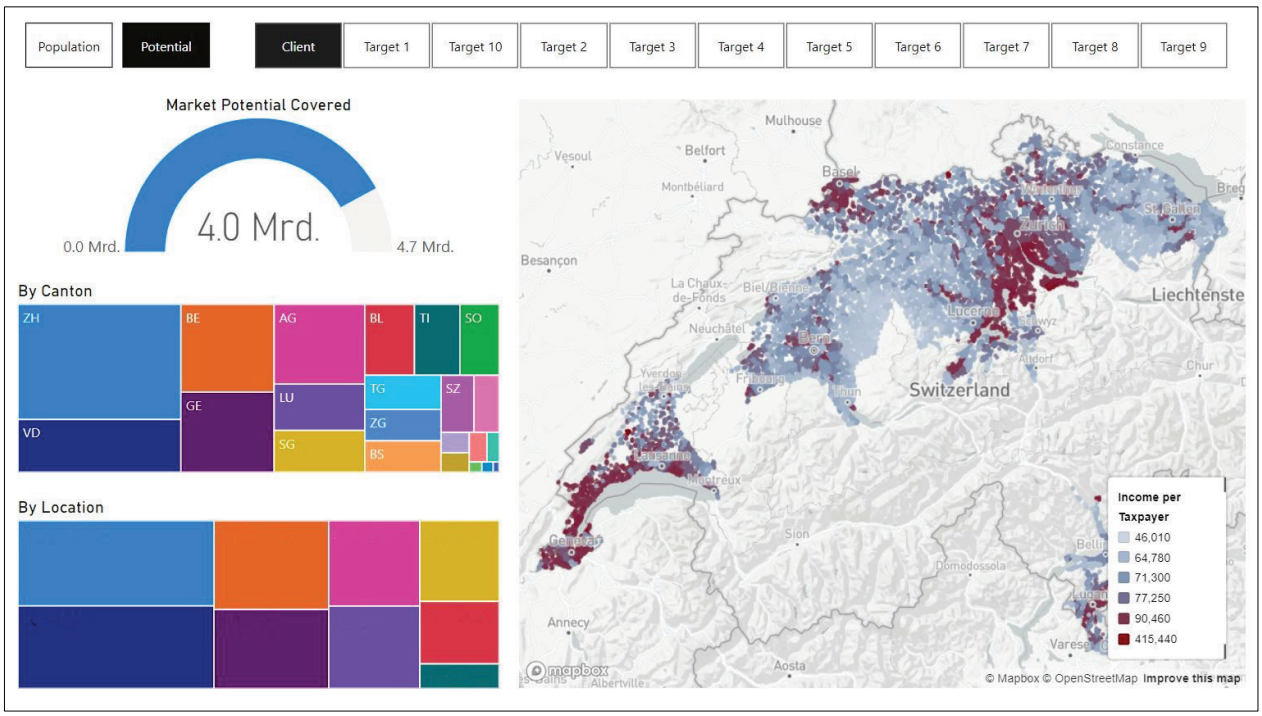

Figure 2: Anonymized visualization of interactive dashboard

These use cases are a testimony to the power of data analytics in transforming deal-, strategy- and decision-making in M&A and PE. It underscores the potential of data analytics not only as a tool to increase transaction speed and security but also to improve internal strategy development and analyze competitive market dynamics.

Trend Toward Data-Driven Decision Making

Firms are increasingly relying on sophisticated analytics, blending company-generated and third-party data to inform their decision-making processes. This approach is a leap forward from traditional, intuition-based methods, enabling firms to uncover hidden insights and predict market trends with greater accuracy.

Data analytics enables a more nuanced understanding of market dynamics, investment risks, and opportunities. By analyzing large datasets, firms can identify patterns and correlations that were previously unnoticed. This shift is not only about harnessing the power of data but also about fostering a culture of empirical decision-making, where decisions are based on robust, data-backed evidence.

Moreover, the integration of alternative data sources provides a more holistic view of potential decisions. This comprehensive approach to data analysis is creating new paradigms in how deals are sourced, evaluated, executed and strategic decisions are made.

In essence, the move towards data-driven strategies in M&A and PE signifies a fundamental transformation in how firms approach investments, offering a competitive edge in a fast-

paced and increasingly complex market. This shift promises not only enhanced efficiency and accuracy in investment decisions but also the potential for innovative approaches to portfolio management and value creation.

Overcoming Challenges

One of the primary challenges in the integration of data analytics within finance is the talent gap. This field requires a unique blend of expertise in data, mathematics, statistics, and programming as well as the nuances of the financial sector. Finding professionals with deep knowledge in all these domains to bridge the gap between finance and data specialists is difficult. This scarcity poses a challenge in effectively harnessing the power of data analytics.

Additionally, there often is a hesitation to invest in data analytics, primarily due to perceived initial costs and uncertainty about the return on investment. Companies accustomed to conventional methods might be apprehensive about transitioning to a data-driven approach, particularly when they no longer fully comprehend the methodologies behind it. Consequently, it becomes increasingly crucial to have well-trained professionals who thoroughly understand the matter. These employees should be capable of simplifying and explaining these concepts, as well as making relevant connections and deductions for industry-specific requirements.

Overcoming these challenges requires a strategic approach. Firms either need to invest in training and development to build internal capabilities or seek partnerships with data analytics experts. A gradual integration of analytics, starting with small-scale projects to demonstrate value, can help mitigate investment fears. As the sector evolves, the adoption of data analytics will become not just an asset but a necessity for firms to remain competitive and efficient in the ever-changing landscape of M&A and PE.

The Future Outlook

The future of data analytics in the finance sector is bright and poised for significant growth. As technological advancements continue, we can expect to see an even greater integration of analytics in M&A and PE. The use of artificial intelligence and machine learning will likely become more sophisticated, offering deeper insights and predictive capabilities. This evolution will enhance not just efficiency but also creativity and innovation in deal-making and portfolio management. The growing availability of big data will provide an even broader canvas for firms to draw insights from.

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About Wineus

Wineus is an independent private equity and investment advisory company led by entrepreneurs with offices in Lausanne, Zug, and Zurich. Since 2008, Wineus has accompanied entrepreneurs and corporations in all matters regarding investment decisions, company participations, M&A, and financing projects on a partnership-based collaboration.

As an innovative consulting firm, Wineus has recently expanded its services to include data analytics specifically tailored for the financial sector. This new offering helps Wineus to better serve its clients, addressing the growing demand for specialized data-driven insights. With a team of experts proficient in both sector-specific knowledge and advanced analytics, Wineus is well-equipped to provide comprehensive, customized solutions.

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