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PERMIRA AND ALTER DOMUS: A STUDY IN DIGITISATION

THE THESIS

Permira is a global investment platform focusing on private equity – primarily buyout and growth equity – and credit, where the firm is active across both private and liquid credit.

On the PE side, the firm is a transformational growth investor at scale. It looks at underlying business metrics – whether the unit economics, profitability, operational markets, market resilience, or competitive positions – and try to identify the high-quality, high-growth companies that can be turned into global market leaders.

The firm seeks businesses with double-digit top line growth, helping them to find their maximum efficient growth rate rather than their maximum EBITDA margin.

Permira finds and invests in businesses benefitting from thematic growth trends and helps them to drive and accelerate that growth. The firm also focuses on digitisation and the tech-enablement of businesses in services, and is increasingly backing asset-light, tech-enabled businesses, or those with a tech-enablement or digital transformation journey ahead of them.

THE TRANSFORMATION

Permira first began examining Alter Domus eight years ago. Then, it was a corporate services player based predominantly in Luxembourg – it was a traditional, people-based professional services firm with minimal tech-enablement. It was fully owned and controlled by the three founders and was looking to onboard its first institutional partner to help with the journey ahead, primarily focusing on three things.

The first was to break into the US market. The second was a consolidation opportunity in a very fragmented market, seeking a partner with the experience and capital to fund acquisitions. The third was a focus on digital transformation – seeking a partner with deep technology expertise.

Alter Domus's entry into the US market started with the acquisition of a Chicago-based business called Cortland. After that, Permira supported a number of further acquisitions, including US fund administrator Strata Fund Solutions.

The Cortland acquisition not only brought in a high-quality client base, but also a skilled US management team. Permira helped Alter Domus successfully integrate these businesses into a unified, autonomous North American practice under a refreshed brand. That gave the company access to the US market, which has been growing at a rate of 30%+ every year since and is now the company's largest geography – more than 40% of the business today.

As part of a growth strategy, the firm helped the management team build out an in-house M&A function, providing Alter Domus with the capacity to execute a number of M&A transactions every year.

Finally, there was the technological component – which initially came down to people. Hiring the right people, strengthening the management team around technology, and then investing in it.

Permira's initial focus was on foundational areas including a SAP implementation and core IT systems. That enabled more time to be spent on exciting areas – most notably making sure the company had a market-leading client-facing portal.

Then, the goal was to make sure Alter Domus was working with best-in-class third-party platforms in each asset class. The company embarked on a comprehensive digitisation of workflows and business processes. Previously, it operated based on 100% people-based, pen-and-paper manual processes. And, while Alter Domus remains a high touch, white collar professional service business, the nature of the work has allowed it to become more and more automated and tech-enabled over time. This allows a higher quality of service and is more efficient for the business overall.

THE EXIT

Alter Domus was one of those investments that consisted of multiple avenues for growth – across new products, client segments and geographies. Keeping multiple value creation initiatives moving in parallel was probably the biggest challenge. At the end of the day, success came down to having high-quality management in place and the right people to drive each initiative.

When Permira first invested in the business, there were around 1,000 employees with just over €100m in revenue – just over €30m of EBITDA. Over a seven-year period, the company witnessed transformational growth – both organic and through M&As supported by Permira. Now, Alter Domus sits as a global market leader in its sector.

As the business had performed so strongly but also still has such a great opportunity ahead, it was important for both Permira and the founders to have a transaction that allowed both to return money to investors as well as stay invested. A competitive process was run to find a new shareholder, and Cinven was the winning bidder with an offer valuing the business at €4.9bn.

The founders have stayed investors, rolling over half their shares. They were keen to partly sell down and bring in a new shareholder to take the business forward for the next leg of its journey.

Similar to the founders, Permira rolled over half its stake, retaining a meaningful investment in the business going forward. The firm considers itself very aligned and excited about the future of the Alter Domus, for the same reasons as seven years ago.

THE IMPACT

Digital transformation is a key focus area for Permira when investing. In terms of the future, the firm is particularly excited about the opportunity for developing data and analytics products and services.

Alter Domus has teams looking at specific use-cases within the business for how that data can better be leveraged, such as to improve the quality of the service being provided, or to drive efficiencies within those processes.

To achieve this, a separate data and analytics function has been built out, and a new senior executive was hired from Moody's Analytics to run this function. Focus areas include the processes in place today, data within the business, needs of the end clients, and ways to better serve clients using data and analytics products – on top of the core servicing activities that they rely on from us.

Further, the opportunity to implement Gen AI within a business applies across Permira's services portfolio companies, and new investments being evaluated.