



Digital transformation - three trends we're watching

Kajen Mohanadas, investment professional

When we planned our first fund more than a year ago, we knew our technology expertise would lead to exciting opportunities to support high-growth businesses in fragmented markets.

What we could never have anticipated were the **enormous social and business changes driven by the pandemic** – and the **new era of digital transformation** we would find ourselves in.

The impact of **covid-19 has accelerated the adoption of digital technology** by several years.

It follows advancements including the migration of infrastructure to the cloud, the interweaving of digital practices and automation of labour-intensive processes.

These have **accelerated through the development and acceptance of technologies** such as artificial intelligence, data analytics and robotic process automation, as well as new ways of working, such as DevOps - IT operations and software development working in tandem.

This - and the need to remain competitive against a tougher economic backdrop - is leading to more chief executives and chief financial officers to directly engage in dialogue on digital transformation – and **increase budgets to implement it**.

There's a **huge opportunity for digital tech providers**. Research from adviser Gartner said that **87% of senior business leaders described digitalisation as a company priority**. However, just 40% of organisations said they had brought digital initiatives to scale.

Here are three investment trends we're pursuing to help deliver crucial change...

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1 Knightsbridge Green, London SW1X 7NE | +44 (0)20 7052 8386 | qpequity.com

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The cloud

The cloud has been one of the most disruptive growth areas in tech since the pandemic, with the need for agile working leading to an overdue shift from on-premises infrastructure to public cloud services.

Global end-use spending on cloud services is expected to grow by 23% this year to \$332.3bn, up from \$270bn last year, according to Gartner.

The flexibility of the cloud is critical to scaling up a business so we're partnering with specialist companies that help manage migration efficiently and effectively.

In December, we invested in DCSL Software, a high-growth digital transformation and software development company. It advises on and implements mission critical projects for customers from small to medium-sized enterprises (SMEs) to blue chip companies. Among its services is migration to the cloud using Microsoft Azure.

Data analytics

Businesses have a large volume of data to hand but it's often clear they're not maximising its value.

Data analytics can play a vital role in decision-making, from product development to corporate strategy. However, many companies face lower revenue or even huge losses because they didn't invest the time and resources in making their own information work harder.

In May 2021, we invested in Sagacity, a provider of tech-enabled customer data management. It saves clients tens of millions of pounds a year by reducing bad debt, improving margin and revenue, and optimising customer value.



We have only scratched the surface of proper usage of Big Data and at Queen's Park Equity see this as an area of strong double-digit, medium-term growth.

Remote working

Businesses reacted quickly to home working at the start of the pandemic. Before covid, just a small proportion of us had heard of Microsoft Teams, Google Meet, Zoom or BlueJeans video conferencing. But they fast became an integral part of our daily lives.

An example of this was when some of our investors committed to our inaugural fund despite no face-to-face sessions beforehand - a necessity for private equity investors in the past.

We're investing in the growing market for remote working; our fund's first acquisition was of online vocational learning provider Learn Direct.

The business has shown strong growth in recent years, particularly as the pandemic has accelerated appreciation and adoption of remote learning. It's also increased pressure on a wide range of sectors and heightened the benefits of training and developing new skills.

Partners for change

The complex nature of digital transformation projects means more businesses are turning to specialists. And the mission-critical nature of such projects has led to value-add providers of such services being seen as true partners.

We're working with our portfolio companies as a supportive and proactive investor, providing strategic advice in what will prove to be one of the most exciting growth phases for the digital sector.