

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

The directors of Preqin Holding Limited present their strategic report and the audited financial statements for the year ended 31 December 2021. The directors, in preparing the accounts and this strategic report, have complied with s414C of the Companies Act 2006.

#### **Strategy and Business Model**

Preqin Holding Limited is the UK holding company for the Preqin group; details of the group's subsidiaries and ownership structure appears in note 16 in the financial statements.

The Preqin group serves clients across the entire private market investment lifecycle — from fundraising to due diligence to deal execution and portfolio monitoring. Within our data products we also serve hedge funds, rounding out our coverage of alternative assets.

Our core data products assist three broad customer groups: investors and advisors with their asset allocation and manager selection decisions; fund managers, placement agents and third-party marketers with their investor relations and asset gathering tasks; and service providers with their market intelligence and business development activities. With the launch of Company Intelligence and the expansion of our datasets into private companies, we are now also serving investors and fund managers with their deal origination and execution workflows.

On 5 August 2021, Preqin acquired a controlling stake in Colmore, the leading provider of fund administration, portfolio monitoring and fee validation services to LP and allocator clients. The acquisition is expected to significantly strengthen our product offering.

The group has subscribers in more than 90 countries worldwide, and many tens of thousands of investment professionals also have access to Preqin's extensive free research and data, both online and through printed reports. 96% of Preqin's revenue is for data or software licensed through an annual subscription model, with the remainder earned from publications, advertising or professional services.

In the simplest terms, Preqin's strategy is to provide the most timely, comprehensive, and highest quality data and insight on the alternative assets industry.

#### **Review of Performance**

Revenue for the year ended 31 December 2021 was £92.4m, an increase of 32% on 2020. Operating profit fell from £7.1m to a £3.2m loss, and profit before tax decreased from £7.6m to a loss of £5.9m. This decrease was largely due to the interest and fees associated with the Colmore acquisition, the consolidation of Colmore results into the group accounts post acquisition, and significant investments the group made into the Company Intelligence product.

The net assets position moved from £29.8m to £9.7m due in part to the £23.5m in dividends paid in the year in addition to the financing costs from the Colmore acquisition. Cash reserves increased from £18.1m to £20.6m. Working capital remains well managed, trade debtors and deferred revenue have moved in line with higher revenues, with collections and bad debt write offs in line with historic trends.

#### *Preqin Pro*

We continue to make sizable software engineering investments in our customer platform (Preqin Pro), improving the usability and features available to customers so they can derive maximum benefit from our market leading data.

#### *Data Coverage*

We are always investing heavily in the quality and coverage of our datasets. Data coverage grew significantly across core datasets and with new datasets in Company Intelligence and ESG Solutions.

#### *Company Intelligence Launch*

In June 2021 we launched our Company Intelligence product, which allows customers to make more informed capital deployment decisions by supporting their investment sourcing workflows

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### *ESG Solutions Expansion*

In October 2021 we significantly expanded our ESG product suite with the launch of ESG Risk and Impact, both the first of their kind at scale in private markets, building on the Transparency product that we successfully launched in late 2020. We continue to empower our clients to integrate ESG into every stage of their investment process, from screening to due diligence, to selection and monitoring, addressing their pressing need for reliable, comparable, standardized and quality ESG data.

#### *Operational Changes*

With the acquisition of Colmore the group added commercial offices in Birmingham and Dallas. Both offices will be utilised by both Preqin and Colmore and will allow us to deliver a better service to customers in those regions.

Mark O'Hare stepped down as CEO of the group effective 1 January 2022, replaced by Christoph Knaack, previously Preqin's Head of Product and Strategy.

#### **Alternatives Industry in 2021**

The backdrop for Preqin's performance in 2021 was another year of tremendous performance and growth in the alternatives industry. As detailed in the *Preqin's Global Reports in 2021*:

- Alternatives AUM increased from \$11.7tn in 2020 to \$13.3tn;
- Private equity fundraising grew to \$622bn from \$553bn in 2020;
- Our survey of institutional investors from Nov-21 initially confirmed that strong appetite was likely to continue into 2022, with 41% of respondents planning to invest more in private equity over the next 12 months and 47% maintaining the same level of investment. Given the changed macro-outlook we are looking to re-run this survey very soon to test current investor preferences.
- Preqin estimates that global private equity & venture capital (PEVC) AUM will reach \$11.1tn by 2026, up from \$4.6tn at the end of 2020.

Our long-term outlook for the alternatives and in particular the private equity asset class remains positive, despite growing concerns over inflation. Underlying this view is that long-term interest rates will remain at relatively low levels and still promise to support fundraising and performance.

#### **Principal Risks**

Preqin's business model is primarily subscriptions to a professional customer base. There are four principal risks to Preqin's business, these being:

- a. the risk that individual customers will not settle their subscription invoices, and so become bad debts;
- b. the risk that Preqin's data could at some time fail to meet customers' expectations, thereby leading to customer dissatisfaction and potentially the cancellation of subscriptions; and
- c. the risk that competing firms could offer products and services that potentially are a better match for the needs of our customers; and
- d. the risk that the group defaults on its external financing obligations.

#### *Bad debt*

With a very broad customer base, reasonable pricing that offers excellent value for money to our customers, and professional credit control, Preqin's experience of bad debts has been extremely low and we see every reason why this should continue. In addition, Preqin has been at the forefront of increasing transparency in the alternative assets industry; and has worked very hard to improve the amount and quality of information that is available to assist our customers in their decision making.

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

---

### *Churn*

Customer renewal rates are high and compare favourably to industry benchmarks. There can be no guarantees that this will always remain the case, however the owners, directors, managers and staff of Preqin are united in their commitment to serve our customers and enhance the quality and value-for-money of the services we provide.

### *Competitors*

We continue to invest heavily in expanding our research and data operations teams to extend and improve the information available to our customers; in our software development team to create new products and enhance existing ones; in our customer service teams to ensure that our valued customers get the greatest possible use out of Preqin's products and services; in our product development team to engage closely with existing and new customers to ensure that we continue to meet their demands and anticipate new needs as they emerge; and in our communications team to ensure that we reach out effectively to existing and prospective customers, employees, business partners and influencers and tell them about Preqin's data and products.

The alternative assets industry is large and expected to continue growing over the long term. It is an attractive market for suppliers of information and services, so there are many competitors offering attractive products and services to customers. Preqin is not complacent, but continually strives to learn from our customers and to ensure that Preqin's products and services remain at the forefront of industry developments and offer a compelling proposition to our target customers. We will continue to invest heavily towards this objective.

### *Default on debt obligations*

The groups operations remain highly cash generative with operating cash conversion in line with comparable businesses in the information services sector. With the Colmore transaction the group has taken on external financing for the first time. The business continuously stress tests and validates the group's latest projections against the covenants of this facility to ensure we have adequate headroom to pursue our growth ambitions. The budgets for FY22 show we will have at least a 40% buffer on top of our mandated covenants, which we believe to be an adequate margin of safety.

### **Employee Gender Diversity**

As at 31 December 2021, the group had the following gender representation:

- 5 male directors and 2 female directors
- 77 male senior managers and 30 female senior managers
- 482 male employees and 311 female employees

### **Key Performance Indicators**

The financial figures presented elsewhere in this report represent the most important performance indicators for the company:

- Sales revenue and growth therein found on page 17;
- Gross and net margins found on page 17; and
- The solidity of the group's balance sheet, in particular the cash resources available for future development and growth of the business found on page 18.

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

In addition to these financial measures presented in this report, the Directors and Management Team of Preqin pay close attention to several operating factors, including but not limited to the following:

- Growth in page views and product usage by subscribers;
- Customer satisfaction as measured by regular customer surveys;
- Press mentions quoting Preqin data;
- Numerical measures of the coverage and quality of Preqin data – e.g. number of investors and funds covered, frequency of updates, etc.;
- Engineering output and code quality;
- Leads, conversions, sales pipeline figures and measures of marketing effectiveness;
- Response times in serving customers;
- Output of published research; and
- Employee satisfaction and engagement.

#### **Employees**

The companies in the Preqin group, consolidated within Preqin Holding, employed an average of 797 employees during 2021 (471 in FY20), including Colmore from the date of acquisition, 5 August 2021. In addition to these permanent employees, the wider Preqin team also includes many staff employed by partner organizations and subcontracted to Preqin to provide valuable services (principally in the areas of software engineering and research).

The skills, energy, dedication, and innovation exhibited by Preqin's staff are a vital ingredient in the company's success; and the board and I would like to congratulate and thank them for their efforts and achievements during this particularly difficult year. We strive to provide a good working environment; opportunities and challenges for our people; highly competitive remuneration and participation in the company's success through our various equity and reward schemes; and to make Preqin a great place to work.

#### **Future Developments**

As aforementioned, the alternative assets industry is large, growing, and plays a vital role in the global economy in times such as these. As a result, the need for good information continues to increase. The board is confident that demand for Preqin's products and services will continue to grow; that we have many opportunities to enhance and improve the company's offering and position in the market; and we are committed to continuing to invest to do so.

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### Section 172(1) Statement

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement explains how Preqin Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regarding decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to Preqin, and the level of information disclosed is consistent with the size and the complexity of the business.

#### General confirmation of director's duties

Preqin's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. Board powers are explained in greater detail in the articles of the company.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

- The Directors understand the business and the evolving environment in which Preqin operates, each having decades of business experience or experience within the alternatives industry (or both). The strategy set by the Board is intended to strengthen Preqin's position as a leading data provider to the industry. Each year the Board refreshes the strategy to respond to the changing market dynamics and performance against the strategy is reported to them monthly.

(b) the interests of the company's employees;

- The Directors recognise that Preqin employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. Directors responsibilities with regards to employees is also highlighted in the Directors report.
- Preqin fosters strong alignment between shareholders and employees through its global option and share schemes whereby all employees are awarded equity (or the right to acquire equity) in the business following 12 months of service.

# PREQIN HOLDING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

(c) the need to foster the company's business relationships with suppliers, customers and others;

- Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, partners and the alternatives industry generally. Preqin seeks the promotion and application of certain general principles in such relationships as outlined in the company values.
- Customers are the core to Preqin's business and are engaged with daily through a number of channels, not least in our research efforts which means we have an in depth understanding of our customers' businesses. Customer satisfaction results and feedback are reported on regularly to the Directors.
- Certain supplier relationships are fundamental to the delivery of our core data service e.g. our offshore data operations partners or our technology partners. The Directors receive information updates on these partnerships periodically which inform how these stakeholders have been engaged.

(d) the impact of the company's operations on the community and the environment;

- With respect to the alternatives community, Preqin provides an invaluable service to the industry and has been a crucial part of its growth. We dedicate resources every year to create thought leadership pieces utilizing our data for good to shed light on environmental and social issues. For example, our annual 'Women in Alternatives' report provides data-driven insights into the underrepresentation of women in alternatives and thought-provoking content around how we can move the needle. Our climate research into greenwashing sheds light on the disparity between sustainability commitments and where the money is invested.
- We recognize the impact our operations can have on the environment and the communities in which we operate. Our Corporate Responsibility strategy supports Preqin's commitment to operating sustainably and with our stakeholders in mind. Recent examples include:
  - Development of an environmental policy and supporting initiatives such as submitting our intent to join the Science-Based Target Initiative to decrease our carbon emissions in line with a 1.5 degree warming scenario through ambitious long-term targets, completing our second annual data collection process, achieving net neutrality through carbon offsetting and moving our London headquarters to a clean energy powered green building
  - Supporting our communities through direct giving and employee matching gift donations to non-profits, partnering with organizations such as SEO London that align with our strategy to support opening doors for people historically underrepresented in the alternatives industry, and participating in global campaigns like

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

- The Board periodically reviews the Business Ethics Policy to ensure that its high standards are maintained within Preqin and the business relationships we maintain.
- Our customers' trust is fundamental for Preqin to be able to operate its research function successfully. Integrity is therefore one of Preqin's core business values.
- The Board has established a set of distinctive corporate values which are tied to every employee's performance objectives, and ultimately compensation.

(f) the need to act fairly between members of the company.

- After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders.

DocuSigned by:  
  
23EE1102F14E4CE...  
B Fried  
Director

30 June 2022