

Apollo, Cerberus Boost Hiring for Smart Data Teams

By Tom Stabile November 22, 2017

Apollo Global Management, Cerberus Capital Management, and Partners Group are bringing aboard data scientists and other high-end analytics professionals as they break ground in private equity by spending on staff resources in areas such as artificial intelligence and blockchain technology.

The activity is taking place at the larger end of the market among private equity managers that have wide product lineups and lots of data across their investments in portfolio companies, says Jeremy Swan, managing principal in the financial industry practice at CohnReznick.

“A firm like a Cerberus is diverse in terms of industry [segments], investing stage, investment vehicles,” he says. “They have lots of data both at the Cerberus fund level and across various portfolio companies, so they have many possible uses of data – industries trending, better understanding of conditions at the portfolio company level, developing new strategies, finding the [gaps] in their businesses.”

Size is the main breakpoint between firms that are bringing data specialists on board and mid-sized and smaller managers that are approaching these newer technologies via outsourcing, Swan says.

While firms such as Blackstone Group and KKR have begun initiatives to use “big data” techniques internally, only a few have made widespread or higher-level hires, says a recruiter for a national search firm who requested anonymity because of several ongoing assignments. Those searches are becoming more frequent, and hires may follow next year, the recruiter says, after moves such as Cerberus adding Afsheen Afshar, its chief artificial intelligence officer, who started in the newly created role this week.

“They could have called it chief data officer, but to call it chief artificial intelligence officer puts it in a different sphere,” the recruiter says. “And now we hear firms saying ‘We want to make a similar move.’”

Others are likely to follow as institutional investors see how much more data their private equity managers can provide, Swan says.

“Limited partners are realizing this and want more data on where the investment activity should be, where there are red flags and opportunities,” he says. “We’re just starting to see [fund managers] act on this in the past six months.”

Apollo has begun “investing significantly” in technology across its corporate office and portfolio companies to improve its operations, investment process, client reporting, and other functions, said CFO Martin Kelly on the manager’s third quarter earnings call earlier this month. The efforts apply across its business areas, including private equity and private credit.

“[I]t allows us to sort of do things offensively and defensively and allows us to more efficiently operate the firm,” he said. “So at the firm level, we’ve invested in data warehouses and data scientists across our businesses that allow us to collect and analyze information across the companies that we own. And that allows us to operate companies more effectively, and also informs the decision process for new investments.”

Apollo has used third-party data providers, robotics, apps, and enhancements to its mainframe and legacy platforms in its efforts to improve its private equity investment decision-making process, Kelly said.

Cerberus is adding such resources as well, with plans for Afshar to build an artificial intelligence and machine learning platform to benefit its portfolio companies and investment teams by “extract[ing] measurable value out of raw data,” a press release said. It expects him to hire “a team of world-class technologists over time.”

Cerberus is planning to apply those tools directly to current and future investment strategies – including private equity, private credit, and more liquid products – with an aim to improve performance through better data analysis on portfolio companies and trends, as well as more intensive due diligence on deals, says a source familiar with the firm’s approach. It also will apply such technology to improve client reporting. Cerberus has already begun hiring to build out Afshar’s team, and that effort likely will continue into next year, the source says.

Partners Group has been hiring actively for its 80-person technology team over several years, relying on technical schools near its Switzerland and Singapore offices to supply talented analytic and tech-savvy professionals, says Raymond Schnidrig, its chief technology officer.

“We’ve held the belief that technology can be a needle-mover,” he says.

Hiring for higher-end data functions such as artificial intelligence has been limited, with many private equity firms facing more basic needs, such as switching from standard word processing, database, and spreadsheet software to more advanced systems that gather and monitor data around portfolio companies, performance, and client transactions, Swan says. That transformation has been going on for several years, he says.

That has driven a business initiative for Hamilton Lane, which in recent years has invested in several data management and analytics firms that aim to help private equity firms streamline their operations, says Erik Hirsch, head of strategic initiatives for the firm. Most of the effort to date has been around private equity managers adding capabilities for their portfolio companies, with the lagging trend being those firms addressing their internal systems, he says.

“This is something every firm needs to be doing, not just the big companies,” he says. “The business is getting more complex, and [limited partners] are getting more sophisticated, more demanding.”

Indeed, only a handful of managers are aiming at the higher-level data technology tools, such as Partners Group, which this year began an artificial intelligence initiative to gather information on its portfolio companies, Schnidrig says.

“We’re leveraging machine learning to scan a lot of public news very quickly about these companies to let us know about legally sensitive things popping up,” he says. “We need to have the relevant skills in house, focusing on a mix of people who have an analytical background [complemented by] data massaging techniques.”

Partners Group also this fall started a blockchain program, using the record-keeping technology – which creates “blocks” with information that are linked together and secured using cryptographic codes – to process standard transactions with third parties that require various data verification steps, Schnidrig says. It plans to bring client transactions onto the system over time.

“We are pretty much replacing a digital signing methodology with a blockchain-based one to secure payment transactions,” he says. “It’s a downside protection mechanism.”

Unigestion also is working with blockchain in its private equity business, piloting a fund administration program from Northern Trust for one of its Guernsey-based funds, says Laurence LeBlond, head of operations at Unigestion. It will help the firm simplify its interactions with auditors, lawyers, and custodians in the handling of contracts and its capital call and distribution notices, with plans to bring clients online early next year, she says.

“One of the attractive things for us is the gain of efficiency and a reduction of costs,” she says.