



**First.
Principles.**

KnowledgeNow 2018

First. Principles.

The eighth KnowledgeNow conference focused on "First. Principles." a way of thinking that challenges accepted wisdom in order to win in a world of rapid and disruptive change.

Over the course of two days, Apax's Operational Excellence Practice ("OEP") hosted executives from across the portfolio as well as leading speakers to address this topic from a range of angles.

The event is designed to combine open knowledge sharing between portfolio companies with the tools and experience of the OEP to generate actionable insights.



KnowledgeNow 2018 First. Principles.

Executives in attendance

148

Portfolio companies

32

Annual sales

\$13bn

Enterprise value

\$35bn

Back to first principles at Apax

Mitch Truwit, Co-CEO of Apax Partners, outlined how the Firm had turned first principles thinking in on itself by recently defining the company's values.



Apax conducted internal and external research to build a picture of how employees and external stakeholders perceived its culture.

Four values emerged that encapsulate the essence of the Firm and guide decision-making:

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We choose right over easy

A duty to all stakeholders to treat them with respect and to "do the right thing"



We have impact through insight and tenacity

An entrepreneurial spirit to seek out differentiated opportunities and perspectives

Our Values



We succeed as one global team

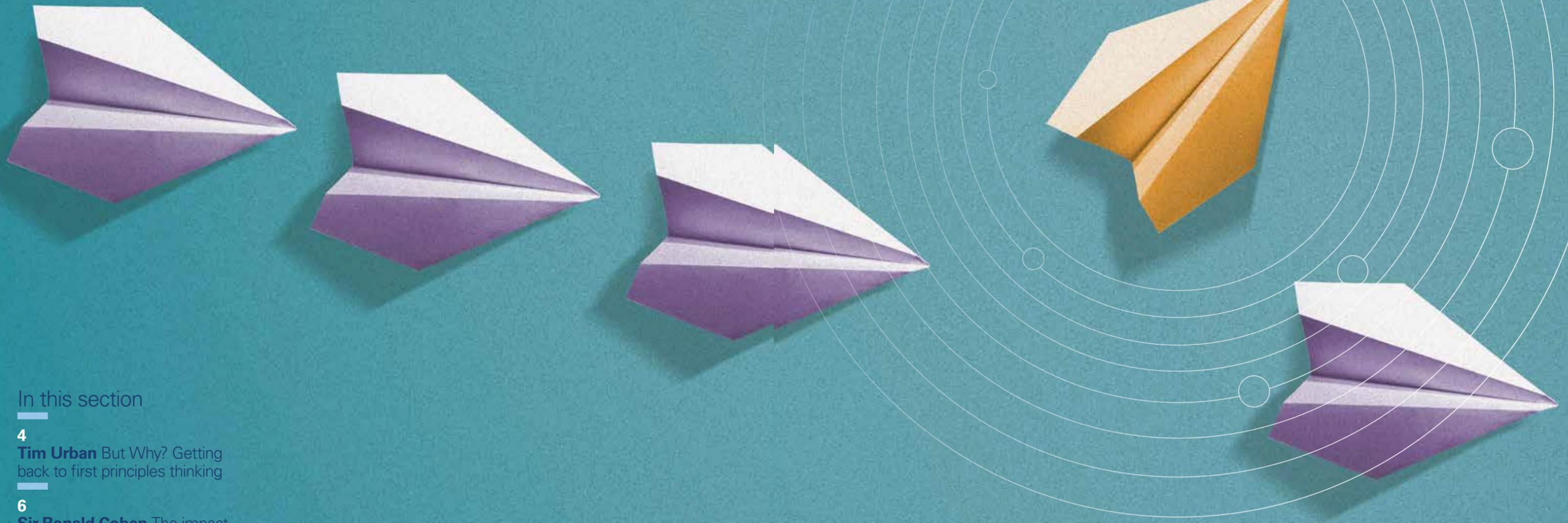
Working collaboratively across teams and geographies to achieve optimal results



We learn, adapt and grow

Seeking out and learning from diverse perspectives to improve continuously

Perspectives on disruption



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But why? Getting back to first principles thinking

Tim Urban

Blogger and author Tim Urban compared 100,000 years of human history to a 500-page book. Not much happens for 499 pages, then on page 500 there is an explosion of human progress.



As communications, technology and commerce shrink the world, this pace of change is making traditional ways of thinking increasingly redundant.

He argues that we cannot hope to flourish in this new world by relying on the assumptions of the past. Instead we need to go back to first principles by breaking issues down to their most simple parts. Urban likened the process

to the way a toddler learns to reason by constantly asking, "but why?".

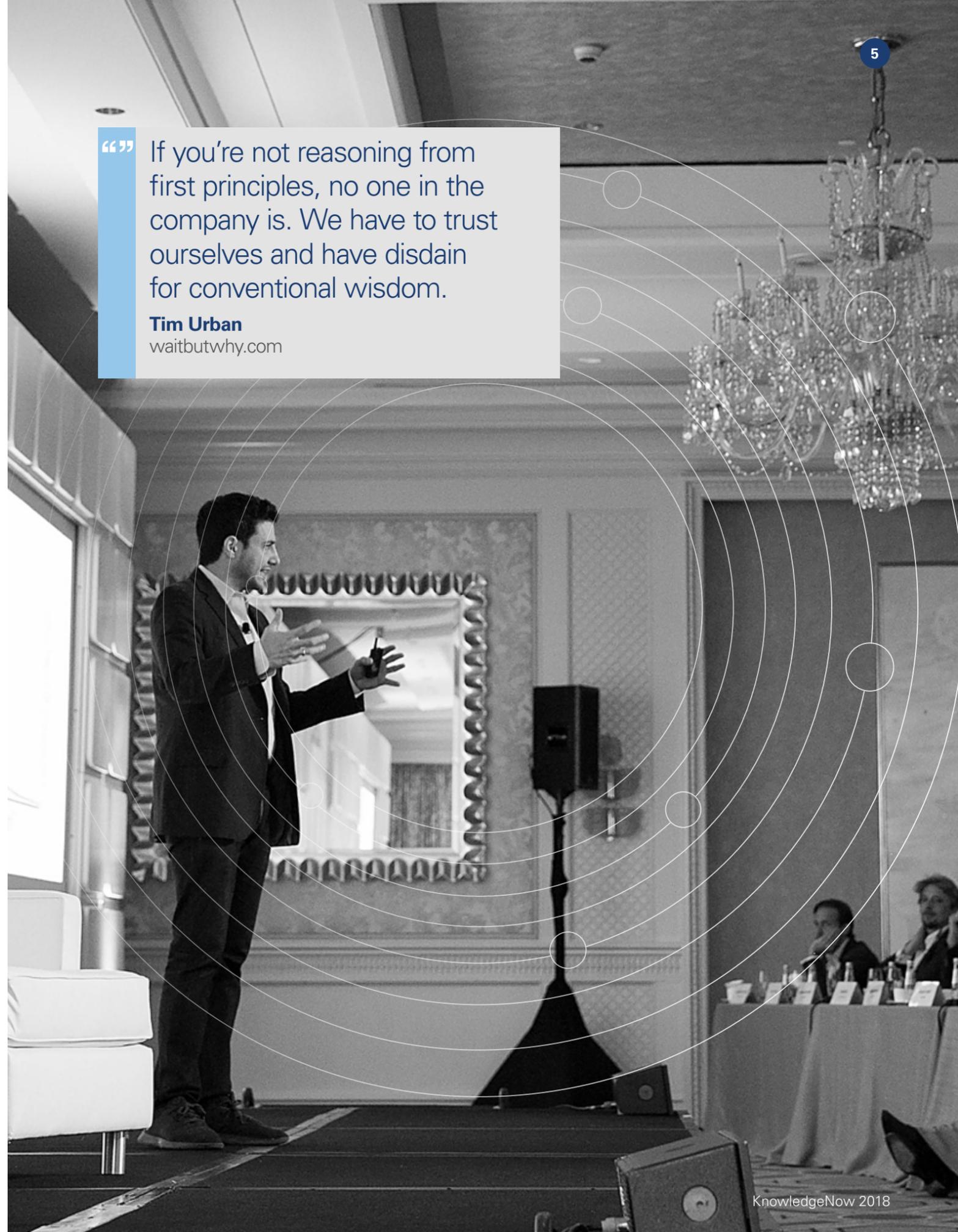
The implications for business, and especially for leaders, are clear and present: the 'yes' men of corporate yesteryear should be rapidly replaced by 'why' men, who constantly question accepted reasoning.

Last 150 years

Human history

“” If you're not reasoning from first principles, no one in the company is. We have to trust ourselves and have disdain for conventional wisdom.

Tim Urban
waitbutwhy.com



The impact investment revolution

Sir Ronald Cohen

According to Sir Ronald Cohen, co-founder of Apax Partners and a pioneer in impact investing, the next generation of business leaders need to harness the creative power of capitalism to help solve society's wider problems.

For Cohen, there are three primary drivers of this change:

- 1 The next generation of leaders are more values-driven.
- 2 Institutional investors are demanding change.
- 3 Governments can no longer afford to provide all the solutions.

The ABC of impact

May / does cause harm

A

Act to avoid harm
e.g. decreasing carbon footprint or paying an appropriate wage – to mitigate reputational or operational risk.

B

Benefit stakeholders
e.g. proactively upskilling employees, or selling products that support good health or educational outcomes – in pursuit of long-term financial out-performance.

C

Contribute to solutions
e.g. enabling an otherwise undeserved population to achieve good health or educational outcomes, or hiring and skilling formerly unemployed individuals.

How far different businesses – and their investors – go in their impact management practice depends on their intentions, constraints and capabilities.



“ Within a decade, I believe we'll see every large company publish a set of audited impact accounts alongside their regular financial accounts.

Sir Ronald Cohen
Co-founder of Apax Partners

Perspectives on leadership



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paradox



“” To be a visionary leader you have to be four things: tough and kind, confident and humble. If you have those attributes, the rest will come.

James Comey
Former Director, Federal Bureau of Investigation

Building the leaders of tomorrow

James Comey

James Comey was appointed to lead the Federal Bureau of Investigation by President Barack Obama in 2013. He presided over the organization during a turbulent time for the country until 2017, when he was relieved of his duties by President Donald Trump. Prior to the FBI, Comey held a variety of senior public service and private roles.

Comey found out he had been sacked as Director of the FBI on a television screen while he addressed potential young recruits. After several weeks ruminating about the experience, he resolved to turn it into something positive: “I’m so worried about the picture of leadership, not just in our national political life, but our private sector, non-profits and sports. There’s so much lying and unethical behavior, I’m worried that young people don’t have a picture of what it should be.”

He has since travelled the country talking to the leaders of tomorrow about a more noble idea of leadership based on first principles. In an era dominated by ‘fake news’ and short-termism,

the ability to carefully consider the longer-term implications of decisions based on first principles reasoning and sound ethics is more important than ever. A true leader, according to Comey, should unpick every decision and consider the following questions:

- What are the values of this institution?
- What is in the long-term best interest of the enterprise that I lead?
- What are the things that are bigger than I am?
- What are the external reference points, whether it’s logic, tradition or philosophy?



The alignment-leadership paradox

YSC
CONSULTING

Rarely is proper scientific rigor dedicated to the subject of building the management team you need to pursue your future strategy. Eric Pliner and Jill Hill from leadership consultancy YSC outlined a more rigorous approach to assessment and measurement as a way of driving future success.

Five principles to frame leadership thinking:



Journeys of transformation



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Aligning culture to margin

ThoughtWorks®

In a world being transformed by tech, established businesses can be disadvantaged by legacy systems, an inability to attract the best young engineers and a top-down culture that prevents rapid change.

ThoughtWorks, an Apax Funds’ portfolio company, helps these companies plug that gap by transforming the systems that will allow them to compete and win.

The company has embarked on its own transformation journey to improve profitability while maintaining its own unique culture of openness and challenge. Central to this program is trust, as CEO Xiao Guo explains: “The only

reason we’ll be able to accomplish all of this is because we empower people and because we collaborate. We trust people. We know they are smart.”

With this in mind, internal teams are empowered to find solutions and deliver results. They are augmented on specific projects by members of the OEP who have, in turn, connected the firm to other Apax portfolio companies and preferred suppliers.

Revenue growth FY 2017–2018

21%

EBITDA margin improvement in first 12 months of Apax Funds ownership

300bps



Xiao Guo CEO, ThoughtWorks

The under-managed enterprise

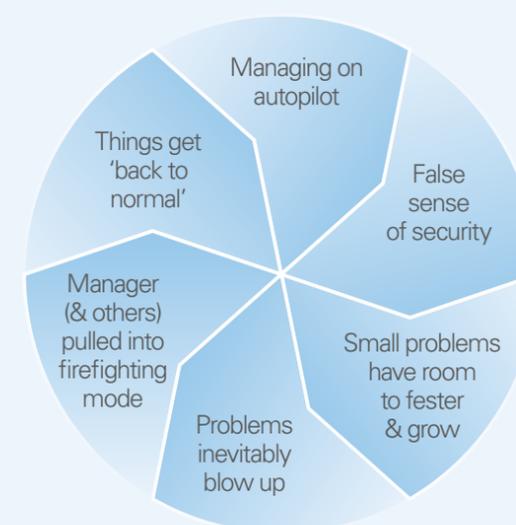
CANDELA™

Geoffrey Crouse, CEO of Candela an Apax Funds’ portfolio company, stated there is an “epidemic of under-management throughout industry...that is destroying tons of value”. He should know, he’s seen more than his fair share of turnarounds.

He shared eight turnaround tips for the under-managed business:

- 1 Know what you’re trying to achieve and communicate it.
- 2 Assess and change your people where necessary.
- 3 Give managers and employees the tools and training to do their job.
- 4 Get out of your office and talk to people, because the solutions are out there.
- 5 Focus on quality and put the metrics in place to measure it.
- 6 Drive management to every single layer in the organization if you want to get something done. It doesn’t stop at the top, it starts there.
- 7 Look at turnover levels first – if people are leaving, they’re leaving for a reason.
- 8 Fix the culture.

Under-management is a vicious cycle



Geoffrey Crouse CEO, Candela

Putting the customer at the center of expansion

MATCHESFASHION.COM

MATCHESFASHION.COM was founded as a single shop in London in 1987 and today is a global online luxury retailer with nearly US\$400m annual sales. CEO Ulric Jerome spoke about the challenges of building global scale while ensuring that every customer has a luxury experience.

Since acquisition by the Apax Funds in 2017, MATCHESFASHION.COM has opened a new retail concept at 5 Carlos Place in London that offers customers a unique retail experience combined with exclusive events. This allows the company to connect with its customers in a deep and authentic way, thereby enhancing engagement across both the digital and physical channels.

For Ulric, this customer immersion is crucial: "Because we never know which customers

will become one of the very top spenders, we need to take the same care with everyone. We need to be good all the time."

“” The platform has evolved materially, simultaneously creating opportunity and a need to develop a consistent fabric of values and principles.



Ulric Jerome CEO, MATCHESFASHION.COM

IT & outsourcing



Acelity™

A consortium led by the Apax Funds acquired Acelity in 2011. The company recruited CIO Kyle Seiter in 2017 to improve its IT function in order to support future growth.

Having surveyed his internal clients, Seiter came to the conclusion that Acelity needed to outsource virtually its entire IT capability. With significant support from the Apax OEP throughout the scoping and tender process, a c.US\$40m contract was signed in January 2018. This has materially reduced costs, improved the net promoter score, and helped create an IT function that is now a true strategic partner for the business.

Seiter's eight take-aways for successful IT outsourcing:

- 1 Make sure stakeholders understand your vision and strategy.
- 2 Build a solid vendor management team.
- 3 Don't cut too deep.
- 4 Tailor the outsourcing opportunity to your culture.
- 5 Don't expect a miracle cure on day one.
- 6 Be mindful of the wider impact of outsourcing.
- 7 Lean on the Apax OEP.



Kyle Seiter CIO, Acelity

Who's who?

Speakers & attendees

Conference speakers

David Booth
Chief Commercial Officer, Cardinal Path

Sir Ronald Cohen
Co-founder, Apax Partners

James Comey
Former Director, Federal Bureau of Investigation

Geoffrey Crouse
CEO, Candela

Erin Cummins
CFO, ThoughtWorks

Xiao Guo
CEO, ThoughtWorks

Jill Hill
Head of Private Equity (Americas), YSC Consulting

Ulric Jerome
CEO, MATCHESFASHION.COM

Bismarck Lepe
CEO, Wizeline

Eric Pliner
Managing Director, YSC Consulting

Kyle Seiter
CIO, Acelity

Tim Urban
Founder, waitbutwhy.com

Conference attendees

Connie Adair
Managing Partner, Focus Search Partners

Pekka Ahola
SVP, Data and Cloud Solita

Nick Alvarez
Managing Director, Alvarez & Marsal

Emilie Arel
CEO, Fullbeauty Brands

Tom Athron
COO, MATCHESFASHION.COM

Chris Atkins
District Manager, UK & Ireland Private Equity ADP

Marz Ayyad
EMEA Director, NetSuite PE NetSuite

Anish Bafna
CEO, Healthium

Karthik Balasubramanian
VP and Head Retail business, Zensar

Peter Barkman
SVP, Private Sector BU Solita

Brett Batchelder
Head of private equity sales, Dell

Ilker Baydar
Chief Sales Officer, Wehkamp

Mark Beith
Managing Director, Apax Digital

Bryan Belanger
VP Technology, Ideal Protein

Ron Books
CEO, ECI Software Solutions

Blake Booyens
CFO, Wehkamp

Seth Brody
Global Head of Operational Excellence, Apax Partners

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Serge Gautreau
Chief Operating Officer, Ideal Protein

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COO & IT VP, TIVIT

Marcelo Gigliani
Managing Partner, Apax Digital

Noel Goggin
CEO, Aptos

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Group Finance Director, Safetykleen Europe

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VP of Marketing, Authority Brands

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Nishant Nayyar
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CEO, Solita

Dan O'Keefe
Managing Partner, Apax Digital

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Operating Advisor, Enterprise Tech, Apax Partners

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CEO, Exact Group B.V.

Ed Rybicki
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Amir Schlachet
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Global Coverage Officer, ADP

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Chief Executive Officer, Moda Operandi

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Chief Technical Officer, Genius Sports

Charly Toni
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Susan Weaver
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Rob Weddle
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Nick Wilski
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David Wright
Director, Director Group

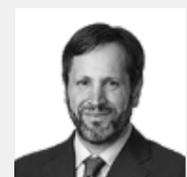
Damian Wright
Partner, PwC

Mark Zubko
Partner, Apax Partners

The Operational Excellence Team

Apax Partners

Core Functional Verticals	Digital Acceleration	Margin Expansion	Technology & Operations	Carve-Outs & Integration	Sales & Go-to-Market
	Human Capital	Vendor Management	ESG	Portfolio Cross Selling	KnowledgeNow
"Centers of Excellence"					
Tools and Tech					



Seth Brody

Partner, Global Head of the Operational Excellence Practice

Prior Professional Experience: Razorgator, Orbitz Worldwide, priceline, Netmarket

OEP Areas: Digital Acceleration, Human Capital, ESG, KnowledgeNow
Joined Apax 2008. Based in New York.



Marty Guinoo

Operating Executive & EMEA Practice Leader

Prior Professional Experience: ICON Parking Systems, Sentient Jet, Starwood Hotels, SH&E Consulting

OEP Areas: Margin Expansion, Carve-Outs & Integration, Operational Finance, Portfolio Cross-Sell
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Jonathan Simmons

Operating Executive & Digital Practice Leader

Prior Professional Experience: ClearSearch Media (founder), Walkaway Media (founder), priceline

OEP Areas: Digital Acceleration
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Will Harman

Operating Executive, Global Supply Chain

Prior Professional Experience: PA Consulting, Jaguar Cars

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OEP Areas: Digital Acceleration, Human Capital
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Prior Professional Experience: AYIMA (co-founder), Verizon (consultant)

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Joined Apax 2017. Based in New York.



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Operating Advisor, Technology Practice Leader

Prior Professional Experience: Oracle, RightNow Technologies, Travelport, Cars.com

OEP Areas: Technology & Operations
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OEP Areas: ESG
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Julie Canfield

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Prior Professional Experience: Aptos, NEC

OEP Areas: Technology & Operations, Carve-Outs & Integration
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Velina Butti

Senior Associate, Portfolio Efficiency

Prior Professional Experience: J.Crew, Global eProcure

OEP Areas: Margin Expansion, Vendor Management, Portfolio Cross-Sell
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Nick Iozzo

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Prior Professional Experience: Wize Commerce, TandemSeven (co-founder)

OEP Areas: Technology & Operations, Digital Acceleration
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