

Experts in Private Equity Risk Management

Validus works with private equity firms and their portfolio companies to manage the impact of FX, interest rate and commodity price risk...

Financial market risk can impact the performance of a portfolio company in several ways:

- ⇒ **Cash Flow**
- ⇒ **Valuation (Multiple, EBITDA)**
- ⇒ **Debt Covenant Compliance**
- ⇒ **Competitive Position**
- ⇒ **Corporate Strategy**

Private equity sponsors continually seek opportunities to add value to their portfolio companies. In today's uncertain financial climate, a strong financial risk management capability is increasingly viewed as potential source of competitive advantage, allowing companies to generate shareholder value and long-term growth...

At Validus, we work closely with portfolio company management and private equity sponsors to ensure that the impacts of financial market risks on company performance and strategic objectives are well understood, and managed effectively. This involves quantifying the impact of the relevant risks on key financial and performance metrics, designing and implementing strategies to manage risk, and ensuring that hedges are implemented efficiently, by minimizing the information asymmetry that often exists between companies and their banks...

Our focus is always on the relationship between external market risks and internal commercial drivers—this, together with our broad industry experience and independent perspective, is what separates us from the traditional providers of financial risk management services...

'Validus brought transparency to the hedging process...'

This is crucial when you are dealing with a panel of banks; the independent advice from Validus removed the typical smoke and mirrors associated with implementing a significant-sized hedge...'

Ron Buissinne

**Finance Director, A-GAS International
Johannesberg, South Africa
Portfolio Company, LDC**

A-GAS
www.agas.com

'Validus comes up with risk management solutions that are innovative and comprehensive but practical to implement; that is their strength compared to other consulting companies we have worked with in the past...'

Validus provided valuable insights into how FX, interest rates and commodity risks impact our organization, and provide actionable recommendations and solutions...'

Andrew Ayres

**Finance Director, U-POL Ltd.
London, UK
Portfolio Company, Graphite Capital**

U-POL

'Validus provide us with independent strategic advice related to our long-term currency and commodity risk management program. The people are extremely capable and collaborate well with our finance and operations teams here at JD Irving'

Mark Bettle
**Director, J.D. Irving Limited
Saint John, New Brunswick
Canada**

IRVING
J.D. IRVING, LIMITED

There are three components to our core service offering:

1. Strategy

We focus on understanding how market risks impact, and are impacted by, commercial strategy. A risk management solution should be driven by these relationships, rather than be dictated by market volatility.

2. Implementation

Our involvement in hedging transactions will typically result in a decrease in hedging costs of between 0.15% and 0.25% of notional exposure (e.g. \$25K for every \$10 million hedged) - these savings can be even greater in the case of certain less liquid hedging markets (e.g. commodities). In addition, our market knowledge allows us to introduce specialist market-makers to further lower the cost of hedging in certain markets (e.g. energy hedging).

3. Technology and Reporting

Business is dynamic, as are the financial markets. As such, a risk management strategy should not stand still; rather it must be regularly monitored to ensure it remains fit for purpose. Portfolio company management can monitor market risks and hedging performance using RiskView™, our real-time financial risk dashboard technology, facilitating collaboration with their dedicated Validus risk advisor. This ensures that hedging strategies can be recalibrated as necessary based upon changing business dynamics or market conditions.

'The Validus team understands how private equity thinks about financial risk management issues, and they are rigorous in the way they help our portfolio companies to understand and mitigate their risks'

James Markham
Partner—Portfolio Management
Graphite Capital LLP
London, UK

GRAPHITE CAPITAL

'Validus developed a tailored hedging solution to mitigate the risks from our unique combination of existing supplier agreements. The implementation and management of the hedging program with our FX service providers has been expertly handled'

Mark Goldby
Managing Director
SMS Electronic Ltd.
Nottingham, UK

Winner, UK International Track 100 2011
(Fastest Growing International Sales in the UK)

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