

Will your businesses be disrupted by technology or will you be the disruptor?

EY's Disruption Diligence offering brings together unique IP and experience to help Private Equity (PE) clients understand the likelihood of disruption and also identify areas of value creation for target and existing businesses

The situation facing businesses

The exponential pace of technology change is diverging from the rate that organisations change – businesses that do not keep up run the risk of being disrupted.



Traditional diligence methods provide a comprehensive view of a business but there is an opportunity to also consider the existential threats posed by technology.

Challenges that PE firms need to address

The complication faced by PE firms is understanding – in a structured and scientific manner – how potential targets will be impacted by technology in a 5-10 year timeframe.

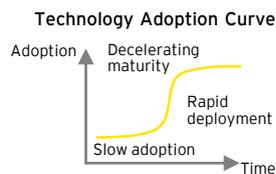
How do we get certainty that the target we're planning to bid for will not be disrupted?

How can we unlock digital value from our existing portfolio of businesses?

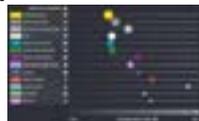
Further, for existing portfolio businesses, PE firms need to look beyond financial, operational and governance levers, and identify technological transformation opportunities to create value.

Unique IP that drives the solution

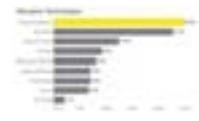
Disruptive technologies follow an adoption curve (S-shaped) in each sector: slow adoption, rapid deployment followed by decelerating maturity.



The EY Disruption Index™ maps out the S-curves for technologies such as artificial intelligence, robotics, blockchain, etc., across 330 subsectors, using over 500,000 data points.



We are able to benchmark target organisations using the Index to understand which technologies will impact them in the future and how they compare against competitors.



As organisations increase their spend on innovation, we have helped clients understand the value innovation has driven for their business. Our experience has led to the creation of EY Innovation Readiness and Value Assessment (IRVA), which is supported by data from external sources. Application of IRVA can identify the innovation capabilities organisations and how that positions them to respond to disruption.



Our Innovation experience

EY is a leading provider of innovation and technology consulting services, ranked as the top innovation consulting services provider by the recent Forrester Wave report and winner of the Financial Times Intelligent Business Awards 2018.

Our Disruption Diligence team comprises technologists, data scientists, engineers, business strategy and corporate finance professionals. The team works closely with EY sector specialists to bring actionable commercial insights relating to disruptive technologies.

We work extensively with leading PE firms providing innovation, digital and due diligence services.

■ ■ ■
The better the question. The better the answer.
The better the world works.

What we deliver

Outputs are summarised in terms of **value at risk** and **value creation** opportunities in the next 5-10 years



We provide a view on the **disruptive technologies** that could impact the target of assessment and how the landscape could evolve



We look at how **customer behaviours** may shift in digital realms to understand impacts on the business and how it will need to serve customers of the future



We also look at the organisation's **ability to innovate** and change and remain relevant in the future



Recent projects

We assisted a mid-market PE firm to understand the likelihood of disruption to a wealth and asset management target they were considering bidding for. We found that the value at risk was greater than the value creation opportunities in the next 5-10 years. Specific emerging technologies set to impact the target included 'robo-advisory', blockchain and process automation. Shifts in customer behaviours to pursue digital channels for financial advice presented a risk to the core future business. We also found that historic innovation activity had low adoption in the market and was a potential indicator of future innovation-related performance.

We helped a sovereign wealth fund understand the potential disruption threats to a London-based start-up, which had previously been given 'unicorn' status (i.e., valued at over £1bn). Our key finding was that an incumbent technology firm had been developing the same proposition at scale to a larger customer base, delivered through an integrated supply chain. Our view was that the start-up, which was initially seen as a disruptor, had a high likelihood of being disrupted.

We worked with a mid-market PE firm to understand how an existing portfolio company, a high-street food chain, would need to evolve to remain relevant in the future. We found significant opportunities for transformation and value creation that, if ignored, could pose existential threats to the business whilst competitors were accelerating adoption of technology throughout the value chain. Opportunities included using artificial intelligence to draw insights from customer mobile analytics; better food produce management through internet of things and supply chain assurance using blockchain.

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