



Bucking the trend

OpenLink enjoys healthy double-digit growth, despite the downturn in the economy, thanks to a diversification of clients, asset classes and geographies. Kevin Hesselbirg, OpenLink's chief executive officer, talks about the firm's key projects and achievements over 2009 and his plans for the coming year

Risk: As 2009 draws to a close, how has the year been for OpenLink?

Kevin Hesselbirg (KH): It has been a good year overall – despite the downturn in the economy, we have made a lot of significant investments in our people and in our distribution capabilities. Things are pretty stable and we expect to be able to eke out a double-digit growth increase. That follows a compound annual growth rate of 35% over the last three years.

We have also grown our staff from around 650 a year ago to 800, and added a new office in Singapore, bringing us to a total of nine offices around the world. We learned a lot of lessons from the last recession and the post-Enron demise of the energy markets – during these slower times we can take the opportunity to secure ourselves some quality people and invest in the future.

Risk: What are some of the key projects you have undertaken this year?

KH: We continue to see commodity trading and logistics shifting to the global stage. Our customers have to consider their global opportunities across all of the geographic boundaries, and that increases the level of complexity significantly around physical transportation issues. We particularly see that with crude, coal and liquefied natural gas, as well as other bulk commodities such as metals, concentrates, softs and agriculture products.

Global traders have to consider physical factors such as production, storage and transportation, and not just price, volume, and so on – this creates a massive amount of optionality in the value chain – both in risk and opportunity. We work to facilitate those market views, providing our customers the ability to



Kevin Hesselbirg

maximise their opportunities across both the physical and the financial factors. We offer truly integrated risk management, considering the complete energy value chain, and that continues to be a big focus for our customers.

We also see markets driven by the continuation of higher-volume trading and the need for ever-more complex calculations and analysis produced in less time – and our product development strategy reflects that.

Risk: What is your flagship product?

KH: We have two flagship products: Findur and Endur. Findur is primarily the platform for typical capital markets instruments, and Endur is for commodity instruments. We think of them as being two products but, technically, they are a single software solution, appropriately parameterised for our target markets.

These are portfolio management solutions, allowing trading firms to manage all the underlying risk associated with trades. But they also help mitigate the overall operational risk by having everything in one system, energy, commodities, capital markets and so on. So, if a trading strategy includes a number of asset classes, such as a physical commodity offset with a financial hedge, whether it be an alternative commodity, equity, credit, foreign exchange or an interest rate hedge – that entire basket of trades is analysed and monitored together as a single strategy. Without a unified solution such as ours, you may have traded that same strategy, but had to bifurcate them, or put all those trades in different systems and then you lose the underlying ability to risk-manage that position.

Risk: What are the key trends you have observed over the last year?

KH: Not surprisingly, in light of the credit crisis, a lot of customers are focusing on the many aspects of credit. Namely, credit monitoring and counterparty credit risk management. We've supported this for years, but clients are taking a closer look at the methodology and the precision of the calculations, and driving us to even more precision and improved calculation speed. They are particularly focused on counterparty default risk as it relates to liquidity, as well as the overall risk reporting and monitoring and the analytical and visualisation tools we offer. Risk managers and executives want the ability to get information much more quickly and, given the larger scale and volumes, this means more number crunching. We're further extending our library of value-added reports so that we're generating exception analysis and anomaly reporting as opposed to just providing a report – this is true decision support.

The other thing we are starting to see is a replacement market beginning to re-emerge. There was a huge up-ramp of activity pre-2000 and with the advent of the euro 10 years ago. Some of those systems have not aged very well or maintained the proper investment. We are beginning to see the advent of a replacement market, which we have not encountered during the 2000s.

And, of course, in a down market in particular, everyone wants more value, and customer support becomes much more crucial every step along the way, whether it be the quality of the software, the value of the maintenance or the quality of the services that go along with providing the solution to the customer.

Risk: How has OpenLink been affected by the recession, and what would you consider to be the firm's main achievements?

KH: Like everybody, we've been affected – we were growing in excess of 35% a year and this year we'll see a double-digit growth, so that's a big drop off but, given the current market, where the new normal is a negative 10%, we have outperformed the trend and have done pretty well. The investments we put into the product and personnel team over the last year will position us well in the market two or three years down the line.

We spent a lot of time during the mid-2000s investing in our business to make it more diversified across asset classes, geographies and customer bases, compared with OpenLink during the recession of 2001–2002, when we were more heavily focused on the pure-energy markets. While a significant part of our business remains commodity-focused, which held up pretty well in the last years, OpenLink has other revenue sources as well.

We have added approximately 20 new clients in the past year, which is an impressive accomplishment given the market. These new clients span a wide variety of markets including agricultural, metals, banks, utilities, natural gas producers, oil companies, integrated energy risk management and come from nearly every continent, so it's quite an interesting mix.

Also this year, *Risk's* sister publication *Energy Risk* honoured us as one of the most influential companies in the sector over the last 15 years. That moved us beyond 'who is the better software company', and put us on a peer level with our customers and other influential entities such as the IntercontinentalExchange. *Energy Risk* also ranked us the number-one provider for the fifth year running. We have received numerous other awards as well.

Risk: You held your first user conference in the EU this year – what were the main takeaways?

KH: OpenLink's 2009 Worldwide User Conference was held in October in Barcelona. We've been a global company for many years but this was our first user conference outside of North America. Our European customers make up nearly 50% of our total business, so taking the conference to Barcelona was an important step towards recognising the globalisation of our company.

The conference attracted more than 250 participants from 20 different countries, which allowed us to reinforce the theme of globalisation among our customers. Granted, Barcelona is a beautiful city, but to have that level of participation in these times was really incredible and it was our largest event.

Risk: A lot of attention has been given to the Copenhagen talks in December. As a many of your clients are in the energy space, is that going to affect you and your product lines?

KH: We've supported emissions portfolio management for a number of years. All regulations – including cap and trade – lead to more reporting needs, which ultimately results in the need for more software solutions. So the more you embed emissions or essentially another asset class into the energy portfolio decision process, it's another complex data point that needs to be analysed in every transaction within your portfolio – which ultimately increases the need for solutions like Endur.

Risk: Looking to the future, what are your priorities and plans going into 2010. What are you going to be focusing on?

KH: We want to continue to expand internationally – we have a lot of focus on our Far East expansion, and also the BRIC (Brazil, Russia, India and China) countries. We opened a Sao Paulo office a couple of years ago, which is gaining traction, and we have had a number of significant client wins in the South American and Eastern European markets. Getting our new Singapore office off the ground and hopefully gaining a couple of client wins in 2010 will further that globalisation strategy.

Risk: OpenLink was very recently acquired by the Carlyle Group. What benefits do you see coming from this union?

KH: The Carlyle Group has a solid technology and financial expertise, alongside a deep understanding of the markets. We are looking to continue to grow the company organically but also more inorganically too, as well as into new geographies and their expertise will help us to do that.

We expect to draw from and leverage market expertise from Carlyle advisers such as Lou Gerstner or Arthur Levitt. In addition, we hope to access their regulatory expertise, allowing us to further develop our product in advance of changing markets; given Carlyle's size and market presence, that will help us greatly over the coming years.



Marketing and Communications
OpenLink
T: +1 516 833 4509
E: info@olf.com
www.olf.com