



Link'n Learn

Introduction to Private Equity Funds



Leading business advisors

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Introduction to Private Equity

What is private equity?

Largest Players

- Blackstone Group - \$65.7bn
- Carlyle Group - \$62.9bn
- KKR - \$54.5bn



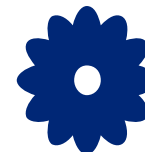
Private equity v's Quoted equity

- Control and influence
- Financial structure of individual investments
- Information prior to investment
- Information and monitoring while invested
- Liquidity in underlying investments
- Rewards to fund managers
- Fund structure and fund liquidity



Lifecycle

- Identify
- Invest
- Value Creation
- Exit

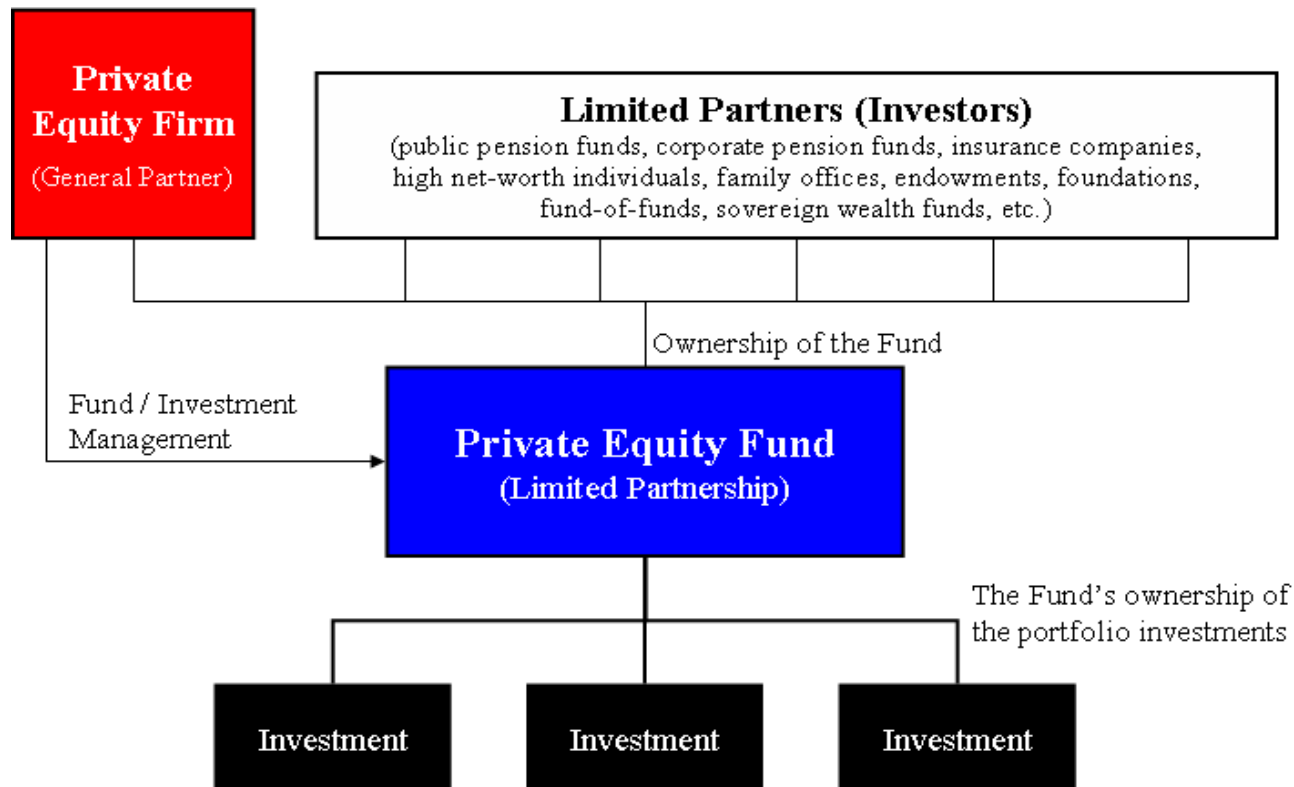


How are private equity fund structured?

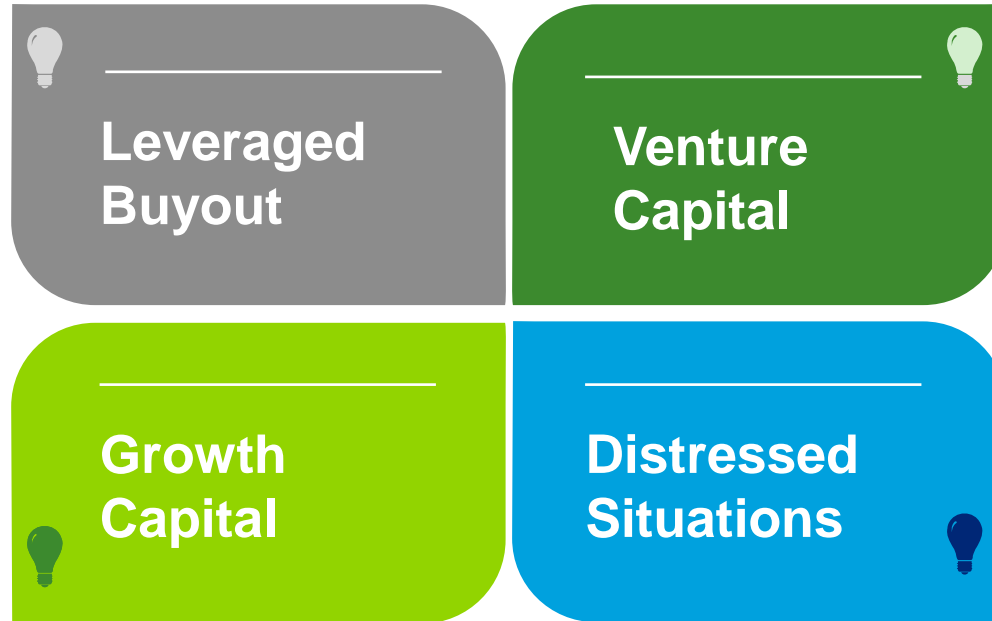
There are numerous ways a private equity fund can be structured, including but not limited to the following:

- One or more limited partnerships where investors are limited partners
- Independent firms which raise funds through external
- Captives that obtain their funds from parent organisations

Limited Partnerships:



Strategies



Key Terms

Key terms

Initial Stages

- Fund raising
- Fund closing

Fund Term

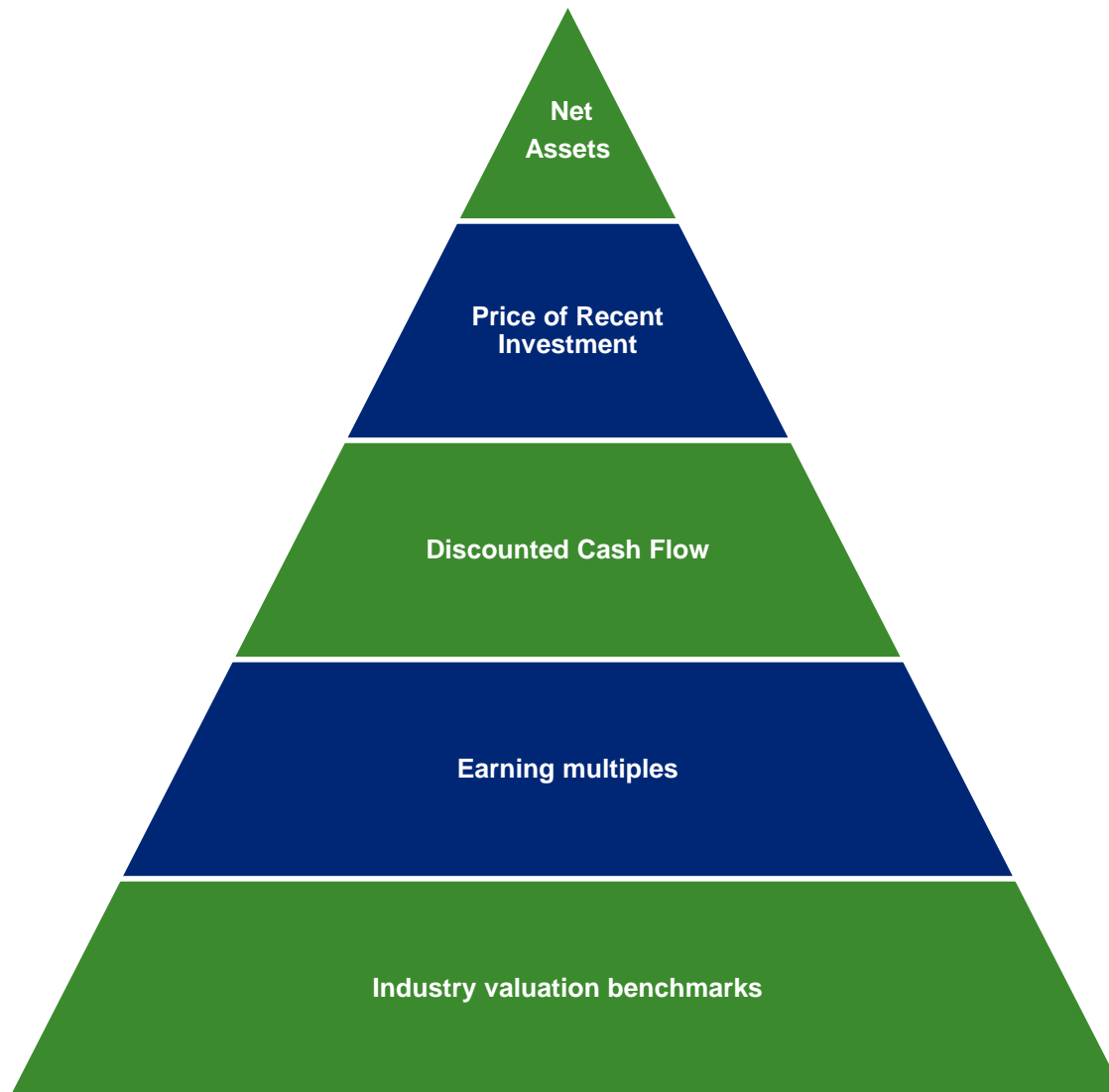
- Capital Commitments
- Capital Call / Drawdown
- Vintage Year
- Capital Distribution
- Divestment Period

Fund Performance

- Preferred Return
- Carried Interest
- Clawback Provision

Valuation

Valuation Methodologies



Practical example

Company A (purchased 2007 £290m / 75% ownership)		
	2014	2013
Portfolio Company EBITDA	95m	100m
Average Comparable Quoted Company Earnings Multiple	8.5x	8.0x
EV	808m	800m
Less: Company Net Debt	(450m)	(390m)
Adjusted EV	358m	410m
FV to Fund (75% ownership)	268m	307m

Exit options for Investors

Trade sale



Repurchase



Refinancing



Flotation

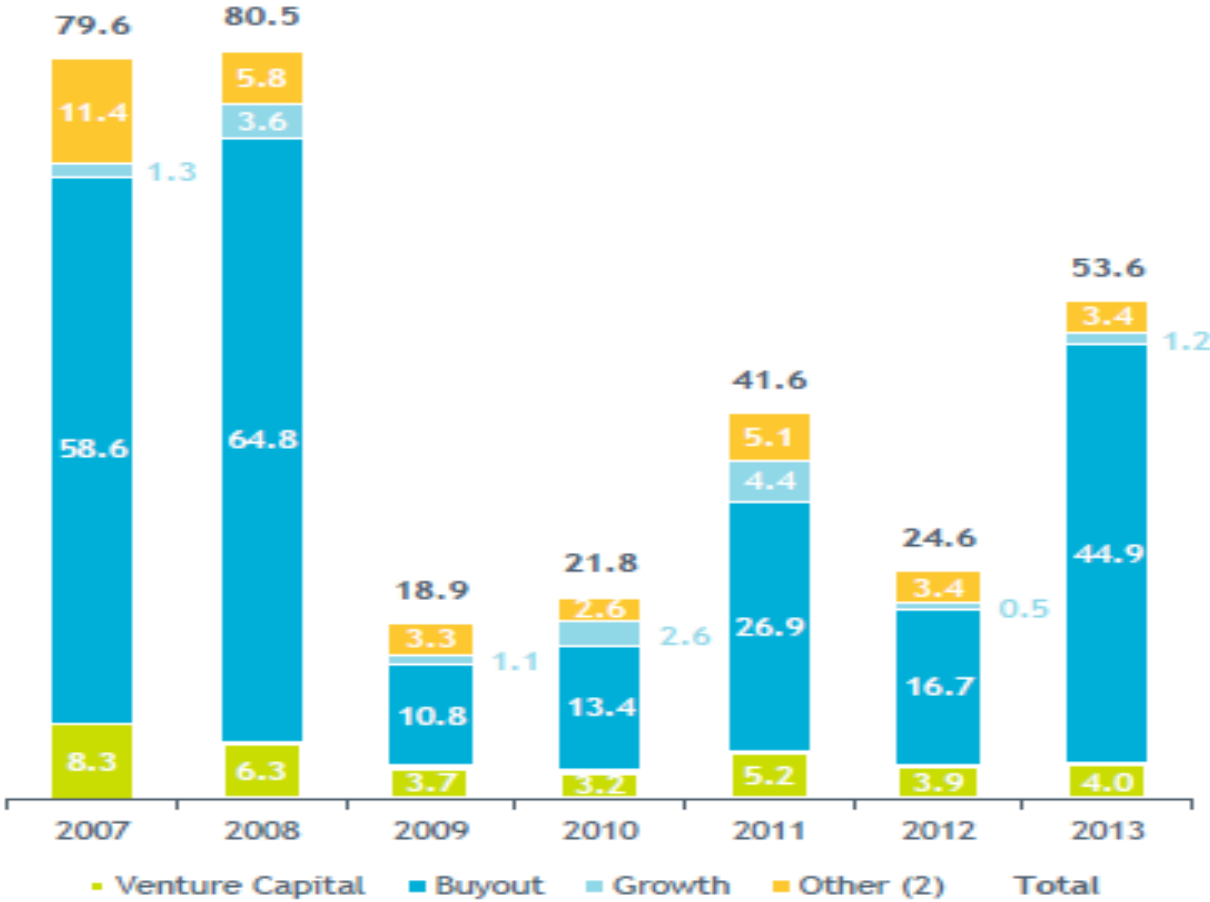


Involuntary Exit



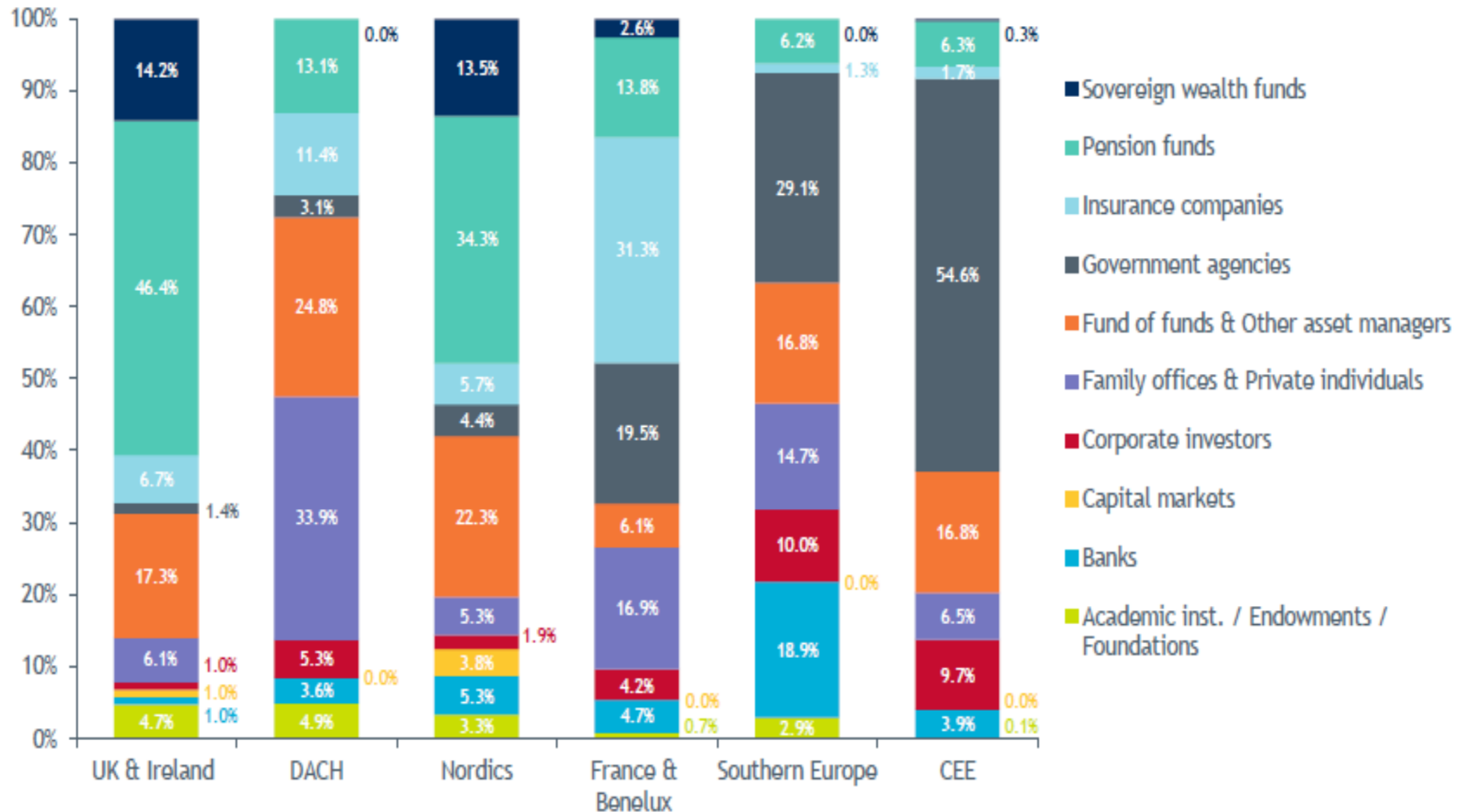
Market Trends & Challenges

European Private Equity Fundraising



Source: EVCA / PEREP_Analytics

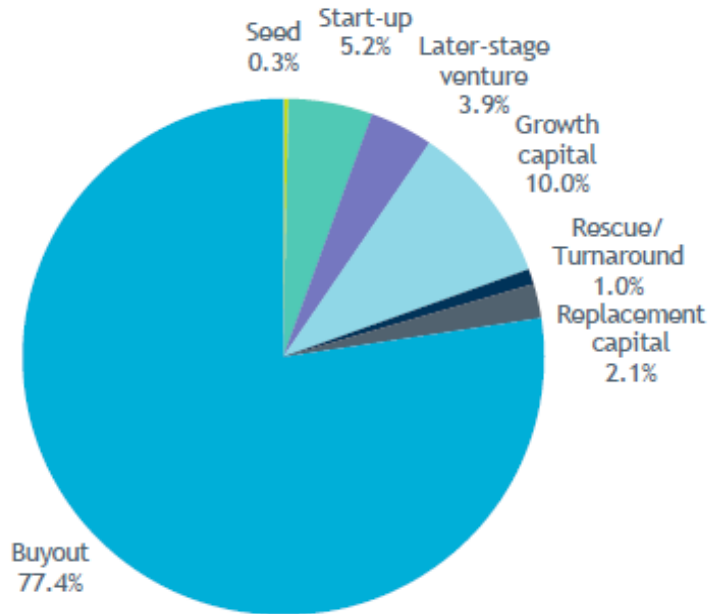
PE funds raised by region and investment type



Source: EVCA / PEREP_Analytics

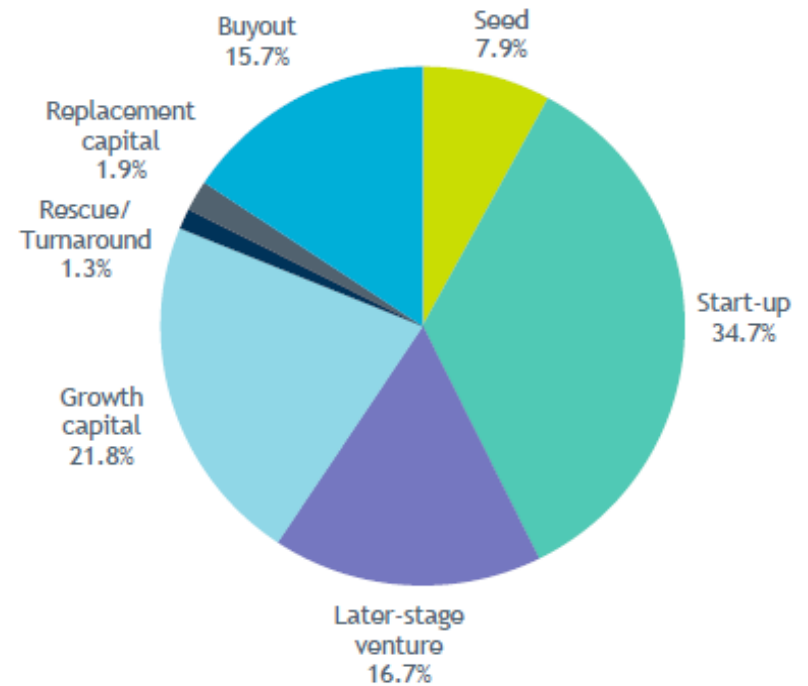
Investments by stage

% of Amount



Venture Capital	€3.4bn
Buyout	€27.7bn
Growth	€3.6bn

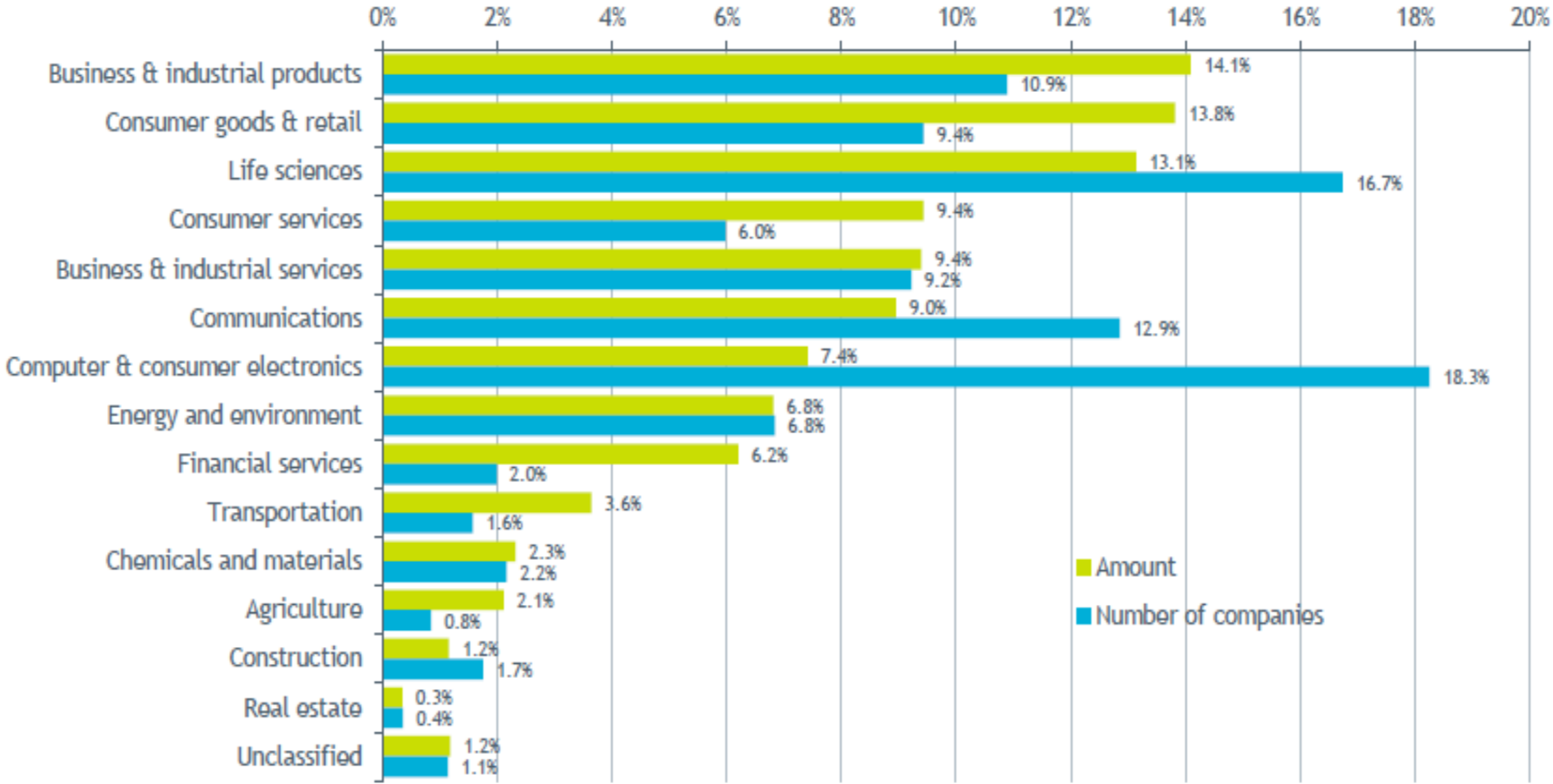
% of Number of companies



Venture Capital	3,034 Companies
Buyout	812 Companies
Growth	1,131 Companies

Source: EVCA / PEREP_Analytics

Investments by sector



Source: EVCA / PEREP_Analytics

Challenges

1

- Macroeconomic fundamentals
 - The lingering effects of the crisis

2

- Legal and regulatory reforms
 - Increase need for transparency

3

- Risk management and exposure
 - A focus on “safer” assets

4

- Portfolio valuation and performance

5

- 2014 and beyond.....

Q&A



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