Press Release

17th August 2012

Buyout Funds Still Hold 72% of Companies Purchased in 2006

Weight of deals made during the 'buyout boom' felt.

Preqin research indicates that buyout funds are still carrying many portfolio companies purchased during the record-breaking 'buyout boom' period of 2006-2007, with just 28% of deals made in 2006, and 19% of those made in 2007, having been fully exited by general partners (GPs).

Buyout GPs typically look to hold portfolio companies for 3-5 years in order to add value and then make a profitable exit for their investors, but the fact that many transactions made in 2007 and earlier are still not sold suggests that many GPs active during this period have held onto investments longer than intended. This is partly explained by the fact that 2006 and 2007 saw an aggregate $1,308bn worth of private equity-backed buyout transactions – significantly higher than the aggregate value of all buyout transactions made during 2008-2012 YTD combined; however, it also highlights the negative impact of sustained financial market turmoil on the ability of GPs to exit investments.

Despite challenging conditions, buyout fund managers have made exits whenever favourable market opportunities have arisen. For example, Q2 2011 alone saw approximately $130bn worth of exits – a record quarter for the industry.

Other Key Facts:

- 11% of companies still held by buyout GPs were purchased in 2006, while 14% were purchased in 2007. Investments made prior to 2006 represent 16% of the total number of portfolio companies currently held, and account for a significant 14% of the aggregate value of all deals yet to be fully exited (by initial value).
- 55% of currently held portfolio companies are based in North America. Europe accounts for 32%, and Asia and Rest of World makes up 13% of the number of deals yet to be fully exited.
- North American portfolio companies represent 60% of the aggregate value of currently held deals (by initial value), while 30% of the value is made up by Europe-based deals and 9% by Asia and Rest of World-based companies.
- 29% of the companies currently held by buyout firms operate in the industrials sector, while the value of these investments stands at 18% of all currently held portfolio companies.
- 16% of current holdings by PE firms are in the consumer and retail sector, representing 18% of the value of active portfolio companies globally.
- The smallest proportion of active deals date from 2009, with less than 9% of all current portfolio holdings coming from transactions made during that year, which is due to the relatively small number of deals made in 2009 as a result of the financial crisis.

For more information, please see the full report here:
http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_August_2012.pdf

Comment:

"Many buyout fund managers were extremely active deal-makers in the years preceding the financial crisis, with record levels of buyout activity registered during the 2006-2007 'boom era'. For much of the period since, however, we have seen sustained periods of unfavourable exit conditions, and we have consequently witnessed some portfolio companies being retained for longer than originally intended to ensure that attractive returns can be provided to LPs. Investors in funds from this era can be reassured by the fact that GPs are making the most of any exit opportunities provided to them, such as in Q2 2011 when $130bn worth of exits were made, so LPs will begin to see further distributions as soon as conditions are favourable enough for GPs to sell at the right price."

Manuel Carvalho, Manager - Private Equity Deals

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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