

Australian Private Capital Levels Hit New Record

Assets under management reach \$30bn, led by a year of strong fundraising

The Australian private capital industry has hit an all-time high, holding \$30bn* in assets under management (AUM) as of June 2018, the latest available data. The new record follows a strong year of fundraising, according to the Australian Investment Council's 2019 Yearbook, which uses figures compiled by data provider Preqin and looks at fundraising, deals and exits across the industry.

Across the year, 17 Australia-based private equity funds secured a combined \$6.6bn, of which the majority will be dedicated to making investments in Australia. This strong fundraising activity means that fund managers now hold \$11bn in dry powder, up 31% compared to the end of 2017.

"These figures highlight just how attractive our market is to both local and global investors. Private capital investment offers an opportunity to provide smart capital to privately backed companies in a relatively low risk environment and the numbers prove we're well positioned to do that," said Australian Investment Council Chief Executive Yasser El-Ansary.

"More and more businesses are choosing to raise capital from private capital investors today, rather than through public markets, because of the benefits of partnering with venture, private equity and private credit firms," said El-Ansary. "Private capital investors can help unlock the growth and expansion opportunities of businesses, in a way that public markets simply cannot," he added.

For more information and analysis, see the full 2019 Australian Private Equity Yearbook here:

<https://docs.preqin.com/reports/AIC-Preqin-2019-Yearbook-Australian-Private-Equity-and-Venture-Capital-Activity-Report.pdf>

Buyout funds represented the bulk of fundraising activity, accounting for 79% of the total capital raised. Australia-based buyout funds now hold \$20bn in AUM. Since 2012 buyout funds have raised almost twice as much capital as the rest of the private equity industry combined.

2018 also saw 75 private equity-backed deals in Australia, valued at \$13bn, and 160 venture capital deals worth \$2.2bn – an increase of 89% and 77% respectively compared to 2017.

The largest proportions of these deals were in the IT and consumer sectors (19% each), with significant activity in the food & agriculture and healthcare industries as well (16% each). Healthcare deals accounted for the greatest proportion of deal value, though, representing 45% of all private equity capital deployed in Australia in 2018.

Venture capital deals were heavily weighted towards the IT software (39%) and IT internet (29%) sectors, making up the bulk of total deal activity.

While leveraged buyouts have accounted for the majority of deal activity over the past decade, 2018 saw a significant shift towards mergers and take-private deals. Leveraged buyouts still accounted for the largest proportion of the number of deals (39%), but add-on and merger deals (30%) and public-to-private transactions (28%) also represented large proportions of overall activity.

"Interestingly, the volume of add-on and merger deals went from eight per cent to 30 per cent in 2018, which points to a surge in 'buy-and-build' strategies where industry expertise can be leveraged to support business growth," said El-Ansary.

"Looking at the rest of the region, Australia is the sixth largest private capital industry in the region. However, given the size of our market, on a per capita basis Australia is ahead of China, India and Japan."

Preqin Chief Executive Mark O'Hare added, "the private equity market in Australia is growing from strength to strength. Investor appetite is strong, and a growing economy is providing lots of investment opportunities. Australia is an increasingly important and attractive part of the global private equity and venture capital industry in several respects: as a source of funding for Australian businesses, and as an attractive opportunity for global investors. We can expect to see it continue to flourish in the coming months and years."

Key Australian Private Equity Facts:

- Australian private equity firms have \$30bn in assets under management, including \$7.1bn held by venture capital firms.
- Australia-based private equity fund managers held \$11bn in dry powder as of December 2018, most of which was for Australia-focused investments. This is an increase of 31% compared to a year prior.

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- Seventeen Australia-based private equity funds raised \$6.6bn from investors in 2018.
- Private equity investment totaled \$14.7bn in 2018, comprising \$12.5bn in buyout and growth deals and \$2.2bn in venture capital funding.
- IT, healthcare and food & agriculture were the top three industries for buyout and growth deals.
- Software, internet and energy & utilities were the top three industries for venture capital deals.
- Leverage buyouts accounted for 39% of private equity-backed deal numbers, while add-ons & mergers represented 30% and public-to-private deals represented 28%.

***All currency values in the report are in AUD rather than USD.**

About Preqin:

Preqin is the home of alternative assets, providing industry-leading intelligence on the market and cutting-edge tools to support participants at every stage of the investment cycle. More than 73,000 industry participants in over 90 countries rely on Preqin as their indispensable source of data, solutions and insights.

Preqin’s data and analysis is frequently presented at industry conferences, and is used in the global financial press and academic journals & white papers. We are always happy to support journalists by providing reports, custom data and one-on-one interviews.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

About the Australian Investment Council:

The Australian Investment Council is the voice of private capital in Australia. Private capital investment has played a central role in the growth and expansion of thousands of businesses, which when combined represents a multi-billion dollar contribution to the Australian economy. Our members are the standard-bearers of professional investment and include: private equity, venture capital and private credit funds, alongside institutional investors such as superannuation and sovereign wealth funds, as well as leading financial, legal and operational advisers.

The Australian Investment Council requests its name always appear in full and not abbreviated or as an acronym.

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