

# 2014 Preqin Global Private Equity Report

## Sample Pages



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## Data Source:

The **2014 Preqin Global Private Equity Report** contains the most up-to-date data available at the time of going to print. For the very latest statistics and information on fundraising, institutional investors, fund managers and performance, or to arrange a walkthrough of Preqin's online services, please visit:

[www.preqin.com/privateequity](http://www.preqin.com/privateequity)

## Datapack for the 2014 Preqin Global Private Equity Report

The data behind all of the charts featured in the Report is available to purchase in Excel format. It also includes ready-made charts that can be used for presentations, marketing materials and company reports.

To purchase the datapack, please visit:

[www.preqin.com/gper](http://www.preqin.com/gper)



# Private Equity in 2014: The Year Ahead

## - Ignatius Fogarty, Preqin

2013 has seen the highest aggregate amount of capital raised by private equity firms since 2008, with 873 funds reaching a final close and raising an aggregate \$454bn. In recent years, there has been a prevailing sense that the private equity industry has been hampered by economic uncertainty and resultant investor caution, which has led to a sluggish fundraising environment. Fundraising has evidently improved in 2013; can 2014 carry on the same track?

### Performance

Over the longer term, private equity has performed well, as demonstrated by the PrEQIn Private Equity Quarterly Index, shown on page 55, and horizon IRRs over 10 years, shown on page 56, with private equity outperforming public markets over the longer term. Investors appear to be pleased with the performance of their private equity investment portfolios. In our December 2013 survey, 77% of investors indicated that they were satisfied with the performance of their private equity portfolios, and a further 13% of investors stated that their returns had exceeded their expectations.

### Deals and Exits

2013 saw a record number of private equity-backed buyout exits, with 1,348 such exits valued at \$303bn witnessed. This has resulted in a higher level of distributions, and the improving liquidity for investors has increased their capacity for making new commitments to private equity funds. 2013 also saw a record year for venture capital exits, with 798 recorded throughout the year, the highest number of exits in the period since 2007. There has also been an increase in deal activity, with 2013 seeing 5,979 venture capital deals valued at \$46bn and 2,836 buyout deals valued at \$274bn. However, there is a concern over the imbalance of the venture capital environment. As deals outweigh exits considerably, how many of these investments will exit and return capital to their investors?

With the improvements seen in private equity fundraising levels, which have led to new injections of capital into the industry, there are positive signs for the number of completed deals in the private equity industry, with fund managers seeking to deploy the capital raised in 2013.

### Investor Appetite

Overall, investor appetite for private equity in 2014 remains high. In Preqin's recent survey, 71% of investors that we spoke to indicated that they would be making a commitment to a private equity fund in 2014. However, investors are becoming more cautious about how industry regulation will affect their investment portfolios, with 26% of investors stating that this is the area that they are most concerned with at present.

There has been a sense that investor preferences have also been evolving and becoming more risk averse. Enthusiasm for emerging markets is on the wane and this is reflected in fundraising figures. 2013 saw a decline of 37% in the aggregate capital raised for Asia-focused fundraising compared to 2012 and an almost 50% decrease in the capital raised for other regions outside of North America and Europe. Conversely, North America- and Europe-focused fundraising has increased between 2012 and 2013. This is likely to continue in 2014, with investors indicating a decrease in appetite for emerging markets in our December survey. Investors are also showing a reduced appetite for first-time funds, with 56% of investors stating that they would not invest in first-time funds at all.

### Average Fund Sizes

This year has seen an increase in the average size of funds being raised by GPs. What we have seen in 2013 is a concentration within the private equity industry, whereby LPs are investing more of their capital with managers that have extensive track records, and are therefore, by nature, raising much larger funds. First-time managers only accounted for 7% of capital raised; we are increasingly seeing investors invest more capital but with fewer managers. Despite LPs indicating that they largely have a preference for mid-market buyout funds, funds of a size equivalent to \$1.5bn or more accounted for 58% of all private equity capital raised. Mega funds have been particularly prominent in 2013 and that year saw Apollo Global Management close its mega buyout vehicle, Apollo Investment Fund VIII, which successfully surpassed its original fundraising target of \$12bn. After an interim close in July, Apollo Investment Fund VIII held a final close on

\$18.4bn in December 2013, including \$17.5bn in LP commitments, making it the largest private equity fund raised since the onset of the financial crisis in 2008.

### Outlook

While it is clear that there is substantial investor appetite for private equity, we are seeing an increasingly competitive market. There are over 2,080 funds currently on the road, and though the amount of aggregate capital being targeted has decreased from 2012 to 2013, the market is still very crowded, with a significant number of fund managers competing for attention.

Investors are being very selective in their commitments, taking more control and becoming more risk averse; there is clear evidence of a decline in interest for emerging fund managers as well as first-time funds. The supply of private equity funds outweighs the demand, as investors look to commit to established private equity fund managers in more mature economies.

Although it is likely that 2014 will see another increase in aggregate capital raised for private equity funds, if the fundraising market continues on its current path, less established fund managers will find it difficult to raise capital and may be forced to abandon their funds. Yes, there is a sense of recovery in the private equity market, but it is questionable if the industry can attract sufficient capital for the number of funds on the road.

#### Data Source:

Access comprehensive information on all aspects of the private equity industry on Preqin's **Private Equity Online** service. Constantly updated by our team of dedicated research analysts, the service features in-depth data on fundraising, fund managers, institutional investors, net-to-LP fund performance, deals and much more.

For more information on how Preqin's private equity data can help you, please visit:

[www.preqin.com/privateequity](http://www.preqin.com/privateequity)



# Limited Partners Renew Focus on Risk in 2014

## - Michael Elio, Managing Director, Industry Affairs, ILPA

The world is facing an investment environment in transition. Industries have continued their shift to a global presence, public stock markets have reached new all-time highs, and the energy revolution has changed the opportunity set in North America. In response to this and many other factors, the world of private equity has expanded its footprint beyond its historical geographic and sector boundaries and posted fundraising statistics that mark a return to levels not seen since the global financial crisis. An expanded and unfamiliar investment environment has not often transitioned in a rational way; this new and uncertain world has pushed investor sensitivity to any potential risk to the forefront. With purchase multiples, debt levels and other statistics mirroring the environment last seen in 2007 and with the memory of the downturn still fresh, institutional investors are responding to this setting with an increased focus on the identification, measurement and mitigation of risk in their private equity portfolios.

### Why Measure Risk?

A common argument against measuring risk in private equity has been the inability of limited partners to do anything about it. That scenario has also changed. Within the asset class, a robust secondary market, coupled with record distributions, has allowed LPs to more directly shape their portfolios. Though at some cost, LPs can exit risky or unwanted fund investments in the secondary market and assess potential risk on the new commitments made as they rebuild their portfolios. More importantly, and more readily available to all LPs, investors can leverage the public markets to offset any risk concentration perceived in the private equity portfolio.

### Data - The New Tool for Risk

Private equity has not had a traditional measure of risk. LPs historically focused on qualitative factors to assess managers. During the latest downturn, the missing component of robust quantitative data drove LPs to push for increased transparency from their general partners as they struggled to monitor their investments. The ILPA Best

Practices in Reporting and other tools by LPs and GPs have improved LPs' risk assessment capabilities. As markets seem to have returned to a cyclical high, this increased transparency has created a more balanced platform to identify potential metrics to quantify and measure risk in their portfolios.

### A New Perspective on Manager Selection

This enhanced risk paradigm has impacted analysis and oversight across the LP organization. Armed with better data in a more robust fundraising environment, fund diligence teams are more focused on risk assessment which has led to a more detailed diligence process. The ILPA responded to a request from GPs to tackle the workload involved in the diligence process and released its Due Diligence Questionnaire Tool to assist. Since the draft release in April 2013 and final release in November 2013, the DDQ Tool has been downloaded over 3,000 times and is now being used by many LPs and GPs worldwide. The tool outlines many of the concerns of LPs and how they impact alignment, transparency and governance.

The categories of risk have expanded or been more formally defined to include GP operational risk, Environmental, Social & Corporate Governance (ESG) risk, credit and currency risk, background risk, headline risk, regulatory risk, valuation risk and more. GPs should expect to hear more questions about internal policies to handle many of these defined risks.

### Monitoring: Focus on Current Portfolio Risk

As GPs provided additional data during the fundraising process, private equity portfolio managers expanded the use of this data to their existing portfolios. Many LPs have expanded risk groups or policies to reveal any potential areas of concern in existing portfolio companies and GP relationships. These wide-ranging analytics have gone beyond deal attribution to include a focus on debt covenants, leverage risk, cash availability and more. In addition to analytics, LPs will continue to increase

their use of annual or periodic onsite operational audits to assess risks within the GPs' internal processes.

### ESG: A New Entrant for Risk

The UN Principles for Responsible Investing released a more detailed Disclosure Framework in March 2013 that continues to formalize ESG expectations between LPs and GPs. Included as a component within the ILPA Principles released in 2011, the discussion of ESG risk both within the GP's organization and expanding to their portfolio companies, is a growing concern among LPs and a more common mandate in the diligence process. Though the discussion of ESG and its risks in a private equity portfolio are more widespread in Europe, the profile and impact of ESG continues to increase in North America.

### Going Forward

Though impossible to estimate every risk, general partners should look to limited partners to continue to refine their internal data processes both in their upfront manager sourcing, screening and diligence, as well as their ongoing monitoring workflow, to include metrics more commonly reserved for detailed risk analysis. GPs that are more pro-active at providing this data should see increased return on investment in their relationship with their LPs.

### ILPA

The ILPA is the global, member-driven organization dedicated to advancing the interests of private equity limited partners through industry-leading education programs, independent research, best practices, networking opportunities and global collaborations. Initially founded as an informal networking group, the ILPA is a voluntary association funded by its members. The ILPA membership has grown to include over 295 member organizations from around the world representing over \$1tn of private assets globally.

[www.ILPA.org](http://www.ILPA.org)

# Assets under Management and Dry Powder

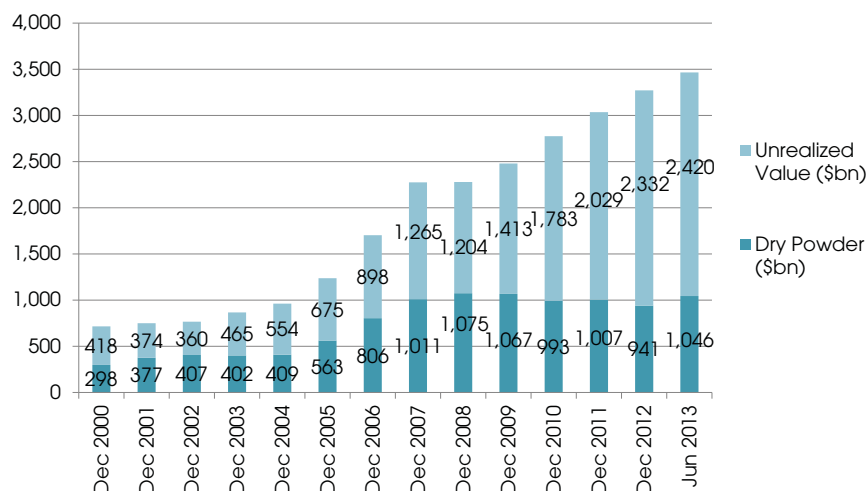
Since the beginning of the millennium, the private equity industry's assets under management\* (AUM), defined as the uncalled capital commitments (dry powder) plus the unrealized value of portfolio assets, have continued to increase year on year. With the unrealized portfolio value increasing steadily each year, and dry powder remaining around the \$1tn mark, private equity assets under management have attained the highest figure to date at just under \$3.5tn as of 30 June 2013.

## Continued Growth in Assets under Management

Fig. 3.1 shows the private equity industry's assets under management from December 2000 to June 2013. From the start of the time period shown, assets under management grew gradually between 2000 and 2004. This was then followed by a boom period that saw substantial increases in both dry powder and unrealized value from 2004 to 2007 as a result of the high levels of deals and fundraising activity in the pre-crisis period.

However, the boom period was followed by a flattening out of assets under management as the financial crisis hit. The crisis resulted in a sharp decline of exit activity as illustrated by the lower levels of distributions between 2008 and 2010 as shown in Fig. 3.2. However during this time, fund managers continued to call capital, albeit at lower

Fig. 3.1: All Private Equity Assets Under Management, 2000 - 2013



Source: Preqin Fund Manager Profiles and Preqin Performance Analyst

amounts compared to 2007. These continued capital calls, in addition to slightly improved fundraising and lower exit activity, resulted in further increases in the assets under management from 2009, in spite of write-downs in portfolio valuations caused by the financial crisis.

The slow exit environment between 2008 and 2010 resulted in increases in the unrealized portfolio value each year, and with lower exit levels, investors had less capital returned from their private equity portfolios to commit to new funds, leading to a far more competitive fundraising environment. This increase in unrealized

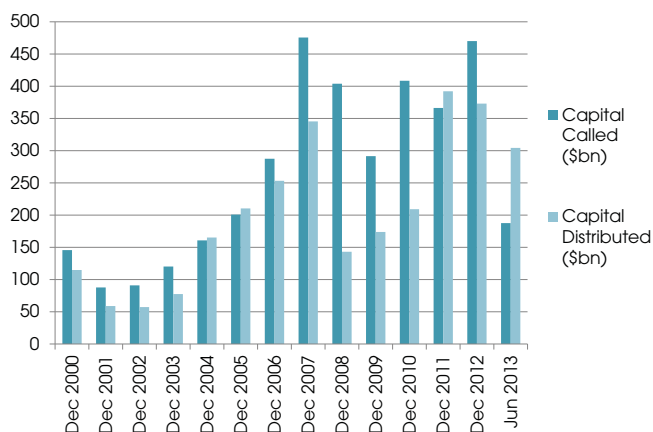
### Data Source:

Preqin tracks in-depth data on the global private equity market. Access detailed profiles of over 7,400 private equity fund managers, including estimated dry powder, performance track records, funds raised historically and those currently open for investment.

For more information, please visit:

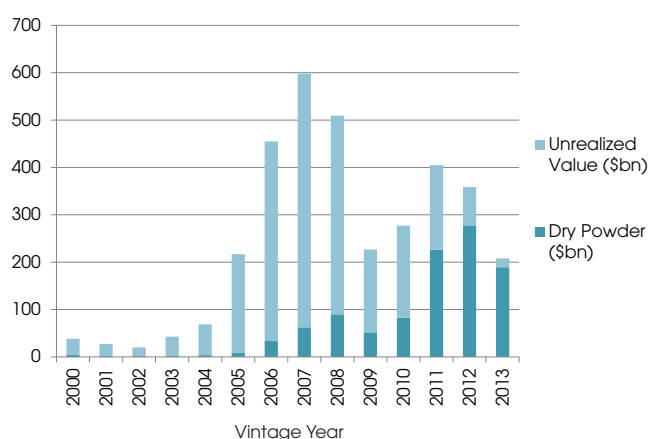
[www.preqin.com/fmp](http://www.preqin.com/fmp)

Fig. 3.2: All Private Equity Annual Amount Called-Up and Distributed, 2000 - 2013



Source: Preqin Fund Manager Profiles and Preqin Performance Analyst

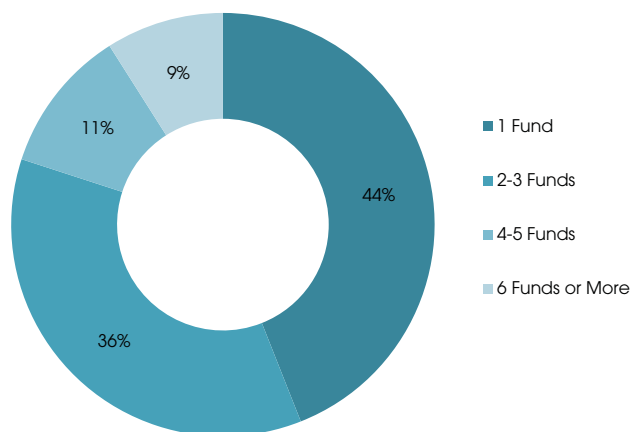
Fig. 3.3: All Private Equity Assets under Management by Vintage Year as of June 2013



Source: Preqin Fund Manager Profiles and Preqin Performance Analyst

# Venture Capital GPs Key Stats and Facts

**Fig. 5.39:** Breakdown of Venture Capital Firms by Number of Funds Raised



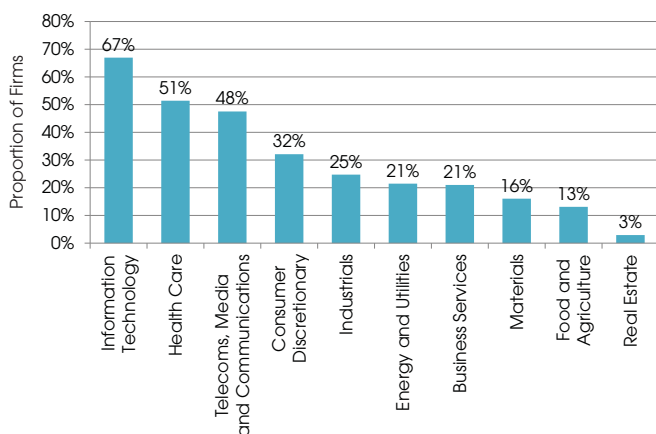
Source: Preqin Fund Manager Profiles

**Fig. 5.40:** Number of Firms Actively Managing Venture Capital Funds by Country

GP Location	No. of Firms
US	770
China	87
UK	75
Canada	50
Japan	48
France	41
India	38
Germany	35
South Korea	34
Israel	33

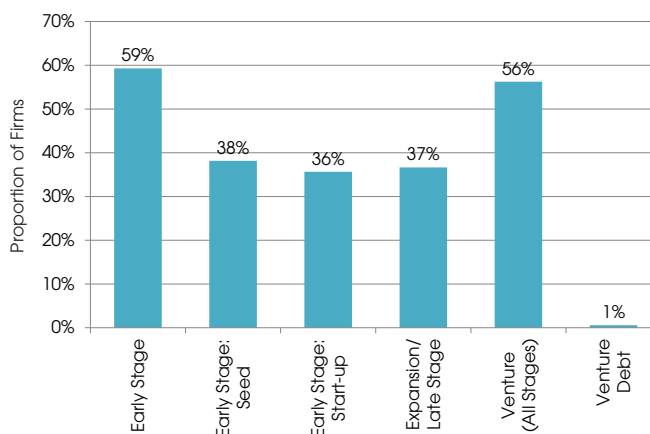
Source: Preqin Fund Manager Profiles

**Fig. 5.41:** Venture Capital Firms' Industry Preferences for Underlying Investments



Source: Preqin Fund Manager Profiles

**Fig. 5.42:** Breakdown of Venture Capital Firms by Investment Stage Preferences



Source: Preqin Fund Manager Profiles

**Fig. 5.43:** Five Largest Venture Capital Funds Raised, All Time

Fund	Firm	Year Closed	Final Size (bn)	GP Location
Nanjing Jianning Zijin Equity Investment Fund I	Nanjing Zijin Investment	2012	3.2 USD	China
Invention Investment Fund II	Intellectual Ventures	2008	2.8 USD	US
New Enterprise Associates XIV	New Enterprise Associates	2012	2.6 USD	US
InSight Venture Partners VIII	Insight Venture Partners	2013	2.6 USD	US
Oak Investment Partners XII	Oak Investment Partners	2006	2.6 USD	US

Source: Preqin Funds in Market

## Identify Top Performing Venture Capital Fund Managers

Preqin's **Performance Analyst** can be used to identify consistently top performing private equity fund managers of all types, using Preqin's quartile ranking system.

For more information, please visit:

[www.preqin.com/pa](http://www.preqin.com/pa)

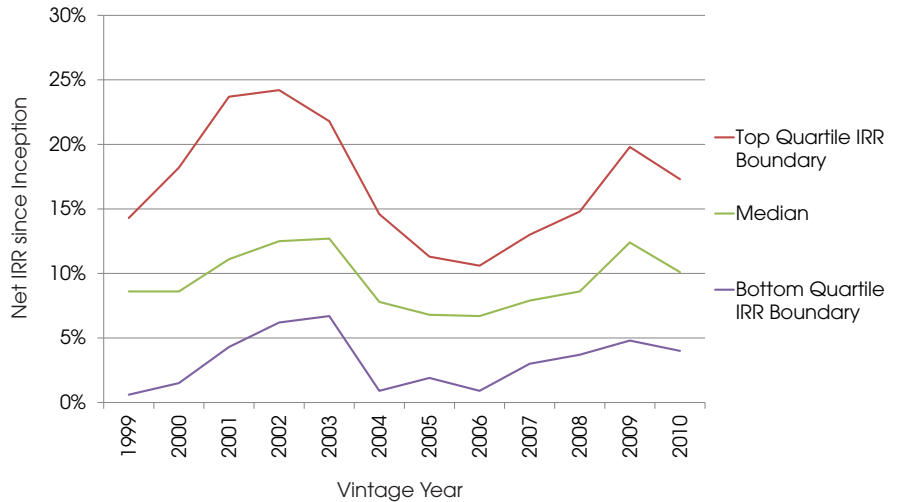
# Performance Overview

The private equity industry has been in a state of healthy recovery since the financial crisis, with indications of performance rebounding. Within fund performance however, there is a spread between the performance of individual funds, with a large gulf between returns generated by the best and worst performing funds. For fund managers, performance data is important to discover how their funds relate to their peers and to gain an insight into the performance of the asset class as a whole and compared to individual investment strategies. For investors, comprehensive performance data is vital in order to assess fund selection and effectively balance asset allocations.

Preqin provides net-to-LP performance data for over 6,600 private equity funds and offers a variety of metrics in order to assist all private equity professionals with their investment activity, and this high level of coverage enables us to offer access to the largest and most comprehensive database of private equity performance in the world.

Performance Analyst offers a wide range of performance metrics to subscribers and the following analysis aims to give an indication of the variety of insights which can be gained through analysis of Preqin's performance data.

**Fig. 6.1:** All Private Equity - Median Net IRRs and Quartile Boundaries by Vintage Year as of 30 June 2013



Source: Preqin Performance Analyst

The most well-known and widely used fund performance metric is the IRR, a money-weighted return which takes into account the timing of fund managers' investment decisions. Fig. 6.1 shows the median net IRRs for the whole private equity industry, along with the top and bottom quartile boundaries as of 30 June 2013.

The graph highlights that the difference between top quartile funds (any fund with an IRR above the top line) and bottom

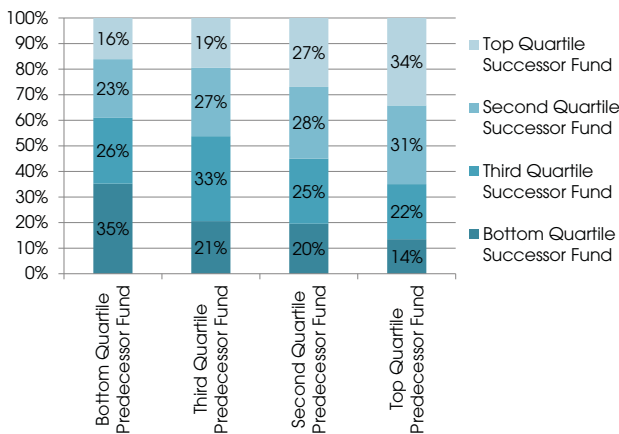
**Data Source:**

Preqin's **Performance Analyst** is the industry's most extensive source of net-to-LP private equity fund performance, with full metrics for over 6,600 named vehicles.

For more information, please visit:

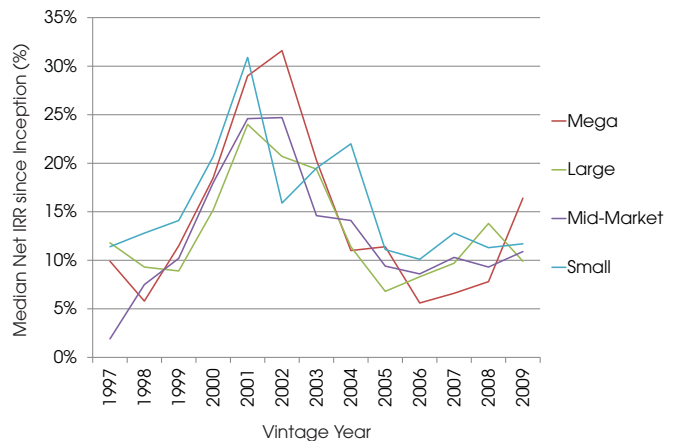
[www.preqin.com/pa](http://www.preqin.com/pa)

**Fig. 6.2:** All Private Equity - Relationship between Predecessor and Successor Fund Quartiles



Source: Preqin Performance Analyst

**Fig. 6.3:** Buyout Funds by Size\* - Median Net IRRs by Vintage Year



Source: Preqin Performance Analyst

\*Buyout Fund Size Ranges:

Vintage 1992-1996: Small Buyout ≤ \$200mn, Mid-Market Buyout \$201mn-\$500mn, Large Buyout > \$500mn

Vintage 1997-2004: Small Buyout ≤ \$300mn, Mid-Market Buyout \$301mn-\$750mn, Large Buyout \$751mn-\$2bn, Mega Buyout > \$2bn

Vintage 2005-2014: Small Buyout ≤ \$500mn, Mid-Market Buyout \$501mn-\$1.5bn, Large Buyout \$1.6bn-\$4.5bn, Mega Buyout > \$4.5bn



# Private Equity Benchmarks

## Data Source:

Preqin provides free access to our industry-leading performance benchmarks, which are calculated using performance returns for over 6,600 funds from Preqin's **Performance Analyst** online service on our **Resesarch Center Premium**.

For more information, please visit: [www.preqin.com/rcp](http://www.preqin.com/rcp)

**Fund Type:** Buyout

**Benchmark Type:** Median

**Geographic Focus:** All Regions

**As At:** 30 June 2013

Vintage	No. Funds	Median Fund			Multiple Quartiles (X)			IRR Quartiles (%)			IRR Max/Min (%)	
		Called (%)	Dist (%) DPI	Value (%) RVPI	Q1	Median	Q3	Q1	Median	Q3	Max	Min
2013	22	8.5	0.0	80.4	0.99	0.83	0.35	n/m	n/m	n/m	n/m	n/m
2012	42	17.1	0.0	94.8	1.12	1.00	0.83	n/m	n/m	n/m	n/m	n/m
2011	47	35.0	0.0	91.5	1.16	1.00	0.87	n/a	n/a	n/a	n/a	n/a
2010	43	53.3	2.7	104.3	1.29	1.13	1.04	19.7	9.0	4.2	42.5	-33.0
2009	33	71.3	17.0	102.6	1.46	1.23	1.08	19.1	11.5	6.6	88.5	-7.0
2008	81	82.5	25.9	97.8	1.55	1.25	1.13	18.8	10.7	4.9	40.0	-30.2
2007	95	90.4	33.3	88.7	1.51	1.35	1.14	15.9	10.1	5.6	43.0	-20.7
2006	84	93.6	61.7	78.4	1.59	1.39	1.21	13.4	8.4	4.3	28.0	-17.7
2005	78	97.3	86.9	62.4	1.69	1.48	1.22	16.3	10.2	5.8	68.0	-6.5
2004	36	97.3	138.6	48.2	2.28	1.86	1.61	29.0	17.0	9.8	79.9	-14.8
2003	36	99.9	134.8	36.1	2.54	1.79	1.37	34.9	18.0	10.3	57.0	-49.9
2002	24	97.2	171.4	13.3	2.25	1.86	1.42	31.6	20.7	13.1	52.1	-1.3
2001	29	98.0	194.0	7.2	2.79	2.10	1.77	40.3	29.1	13.8	94.0	-7.6
2000	63	97.5	175.1	7.8	2.34	1.87	1.54	26.2	17.8	11.3	34.6	-11.7
1999	39	98.5	159.1	1.2	2.04	1.71	1.35	17.4	12.5	6.4	35.6	-23.7
1998	52	99.7	149.8	0.0	1.90	1.54	1.25	17.8	9.3	3.1	31.9	-100.0
1997	46	100.0	149.9	0.0	2.11	1.50	1.06	15.2	8.1	1.4	84.0	-21.6
1996	26	99.4	147.7	0.0	2.18	1.48	0.90	21.3	10.4	0.2	147.4	-19.6
1995	24	100.0	164.7	0.0	2.30	1.67	1.08	28.7	12.7	1.5	59.9	-19.9
1994	31	100.0	188.9	0.0	2.26	1.89	1.51	34.9	17.9	10.9	58.0	-4.7
1993	18	100.0	215.1	0.0	3.26	2.15	1.24	30.2	19.1	7.7	58.0	0.8
1992	14	100.0	183.1	0.0	2.66	1.84	0.86	36.1	20.2	-6.1	41.4	-49.9
1991	8	100.0	246.9	0.0	3.04	2.47	2.04	42.5	25.4	23.5	54.7	-0.5
1990	13	99.9	191.9	0.0	2.45	1.92	1.38	25.0	18.2	7.9	72.0	2.4

Source: Preqin Performance Analyst

**Fund Type:** Buyout by Fund Size

**Benchmark Type:** Median

**Geographic Focus:** All Regions

Vintage	Mega Buyout				Large Buyout				Mid-Market Buyout				Small Buyout			
	Median Fund		Weighted Fund		Median Fund		Weighted Fund		Median Fund		Weighted Fund		Median Fund		Weighted Fund	
	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)	Multiple (X)	IRR (%)
2013	n/a	n/m	n/a	n/m	n/a	n/m	n/a	n/m	n/a	n/m	n/a	n/m	n/a	n/m	n/a	n/m
2012	0.98	n/m	0.95	n/m	1.00	n/m	1.00	n/m	0.99	n/m	0.83	n/m	0.91	n/m	0.94	n/m
2011	1.04	n/m	1.09	n/m	1.05	n/m	1.07	n/m	1.00	n/m	1.04	n/m	0.90	n/m	0.90	n/m
2010	n/a	n/a	n/a	n/a	1.07	4.5	1.09	5.1	1.11	9.6	1.13	8.6	1.07	8.3	1.04	7.9
2009	n/a	n/a	n/a	n/a	1.19	9.9	1.21	8.9	1.15	10.9	1.23	9.0	1.20	11.7	1.31	14.7
2008	1.18	7.8	1.32	11.5	1.40	13.8	1.36	13.3	1.25	9.3	1.23	10.9	1.33	11.3	1.21	11.1
2007	1.20	6.6	1.22	6.2	1.35	9.7	1.33	9.5	1.36	10.3	1.37	10.8	1.33	12.8	0.95	9.5
2006	1.31	5.6	1.24	3.7	1.38	8.3	1.31	7.1	1.36	8.6	1.36	7.3	1.38	10.1	1.43	11.2
2005	1.75	11.4	1.73	11.7	1.33	6.8	1.39	9.9	1.38	9.4	1.45	11.5	1.52	11.1	2.02	21.7
2004	1.62	11.0	1.79	15.7	1.65	11.4	1.67	9.3	1.89	14.1	1.36	8.8	2.06	22.0	1.53	8.3
2003	1.87	20.3	2.04	24.0	1.96	19.4	2.07	20.9	1.54	14.6	2.07	16.7	1.76	19.5	1.77	15.0
2002	1.77	31.6	1.86	27.1	2.04	20.7	1.98	22.3	2.06	24.7	1.86	22.1	1.80	15.9	2.12	28.7
2001	2.37	29.0	2.48	32.7	1.93	24.0	2.07	25.4	1.97	24.6	2.15	26.0	2.30	30.9	1.71	17.8
2000	2.08	18.5	1.99	17.9	1.76	15.2	1.76	13.7	2.00	18.0	1.93	17.5	2.06	20.7	2.07	26.3
1999	1.73	11.5	1.63	8.5	1.56	8.9	1.40	5.5	1.92	10.2	1.92	11.5	1.70	14.1	1.22	4.6
1998	1.45	5.8	1.40	4.8	1.37	9.3	1.25	1.4	1.46	7.5	1.52	4.1	1.68	12.8	1.75	11.2
1997	1.70	9.9	1.49	5.9	1.72	11.8	1.78	18.0	1.12	1.9	1.15	2.5	1.62	11.4	1.42	8.4

Source: Preqin Performance Analyst

Definition used for Mega, Large, Mid-Market, Small Buyout:	Small	Mid-Market	Large	Mega
Vintage 1992-1996	≤ \$200mn	\$201-500mn	> \$501mn	-
Vintage 1997-2004	≤ \$300mn	\$301-750mn	\$751mn-\$2bn	> \$2bn
Vintage 2005-2013	≤ \$500mn	\$501mn-\$1.5bn	\$1.6-4.5bn	> \$4.5bn

# Investor Appetite for Private Equity in 2014

The private equity market is experiencing a resurgence; despite 2013 seeing a decrease in the number of funds raised, there was a significant 19% increase in aggregate capital committed to funds closed that year compared to 2012. In 2013, 873 funds reached a final close, raising \$454bn, compared to 1,035 funds raising \$381bn in 2012, demonstrating strong investor appetite for the asset class over the last 12 months. However, the growth in average fund size, at \$572mn for funds closed in 2013 compared to \$405mn in 2012, means that investors are focusing more of their investment on larger funds.

In December 2013, we spoke with 100 LPs globally in order to determine their current attitude towards private equity and their future investment plans, in order to get an idea of the strength of investor appetite for the asset class in 2014. Seventy percent of investors made commitments to private equity funds in 2013, compared to 60% of investors in 2012. Our conversations have shown that investor appetite for private equity will remain strong over the next year.

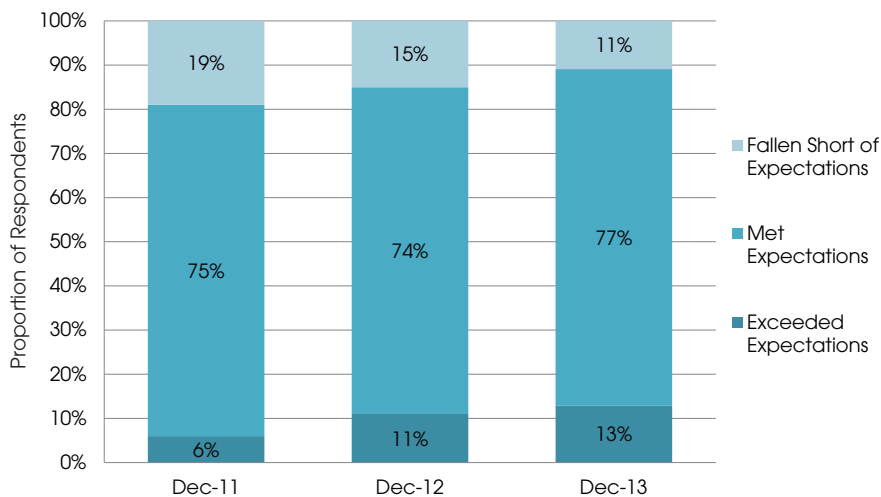
## Investor Sentiment towards Private Equity

The proportion of investors that felt their private equity fund investments had either met or exceeded their expectations has continued to increase in recent years, as shown by Fig. 7.10. Over three-quarters (77%) of investors felt that their investments had lived up to their expectations, a slight increase compared with 74% of investors in December 2012. Thirteen percent of investors felt their investments had exceeded their expectations, twice the proportion seen in December 2011 that shared this view.

## Challenges Faced by LPs

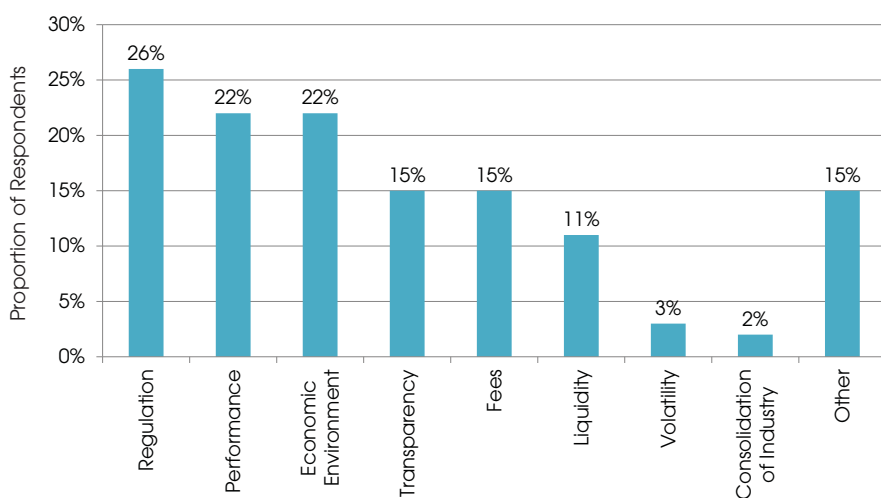
As the private equity industry has come under increasing scrutiny since the global financial crisis, regulatory changes have

**Fig. 7.10:** Proportion of Investors that Feel Their Private Equity Fund Investments Have Lived up to Expectations, 2011 - 2013



Source: Preqin Investor Interviews, December 2013

**Fig. 7.11:** Biggest Challenges Facing Investors Seeking to Operate an Effective Private Equity Program in 2014



Source: Preqin Investor Interviews, December 2013

been perceived as the biggest challenge facing LPs in 2014, as shown in Fig. 7.11. Over a quarter (26%) of investors in the asset class cited regulation as the main

challenge for the year ahead, compared with only 15% in December 2012. However, it is interesting to note that only 13% of LPs' allocations have been, or

### Data Source:

**Preqin's Investor Intelligence** features detailed profiles of over 5,200 active private equity investors worldwide. Profiles include in-depth information on current and target allocations, known fund commitments, typical investment sizes, fund type and geographic preferences, future investment plans and more.

For more information, or to arrange a demonstration, please visit: [www.preqin.com/ii](http://www.preqin.com/ii)

# Global Buyout Exit Overview

In 2013, 1,348 private equity-backed exits valued at \$303bn were witnessed, as shown in Fig. 10.5. This is the highest annual number of exits in the period from 2006 to present, and the second highest aggregate exit value in the same time period, only surpassed by 2011, when 1,210 exits were valued at \$313bn. In addition, Preqin's data shows that the average exit size was up from \$500mn in 2012 to \$504mn in 2013.

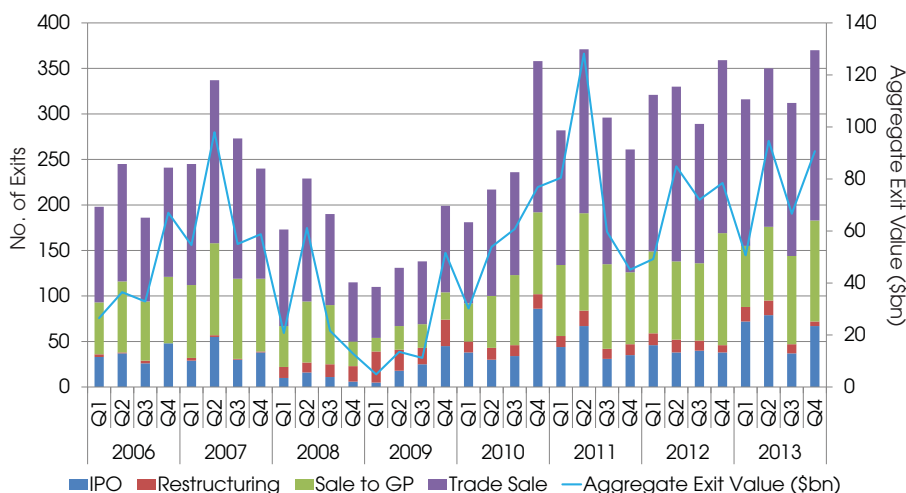
However, there has been a drop in the number of exits at the higher end of the size range. Seventy-seven exits fell into the large-cap value band (defined as those valued at \$1bn or more) in 2013, whereas there were 84 exits in this size range in 2012. The number of exits in 2013 was buoyed by an upsurge in the number of IPOs and follow-on offerings, particularly in H1, due to a renewed confidence in the performance of global public markets.

Q2 2013 witnessed the highest quarterly aggregate exit value in 2013 at \$95bn from 350 private equity-backed exits, which also exceeded any quarterly aggregate exit value in 2012. This quarter included the two largest exits of the year, with the sale of two companies within the healthcare sector: the \$8.7bn sale of Bausch & Lomb by Warburg Pincus and Welsh, Carson, Anderson & Stowe to Valeant Pharmaceuticals, and the \$8.5bn sale of Warner Chilcott by Bain Capital, CCMP Capital Advisors, GCM Customised Fund Investment Group, JPMorgan Partners and Thomas H. Lee Partners to Actavis Group.

### Private Equity-Backed Exits by Region

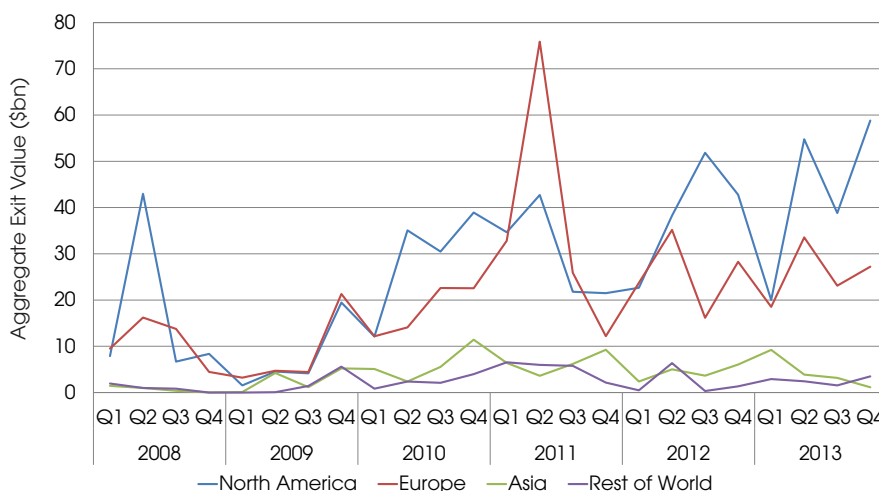
North America continued to be the most prominent region for private equity-backed exits in 2013, with the region accounting for half of the number of exits and the majority (56%) of aggregate exit value globally, as shown in Fig. 10.6. The annual number and aggregate value of

Fig. 10.5: Private Equity-Backed Exits by Type, Q1 2006 - Q4 2013



Source: Preqin Buyout Deals Analyst

Fig. 10.6: Aggregate Value of Private Equity-Backed Exits by Region, Q1 2008 - Q4 2013



Source: Preqin Buyout Deals Analyst

exits in the region had steadily climbed over the period from 2009 to 2012, with the number of exits decreasing by 5% from 2012 to 2013. However, the

aggregate exit value increased from \$156bn in 2012 to \$172bn in 2013 and represents the highest annual aggregate value of private equity-backed exits in

#### Data Source:

Preqin's **Buyout Deals Analyst** provides detailed data on over 7,200 potential forthcoming exits. Search for possible upcoming exits specifically by industry, location, entry deal size, and entry investment type and view which sectors may present more exit flow in the coming months. **Buyout Deals Analyst** features detailed profiles for over 33,000 private equity-backed buyout deals globally.

For more information, or to arrange a demonstration, please visit: [www.preqin.com/buyoutdeals](http://www.preqin.com/buyoutdeals)

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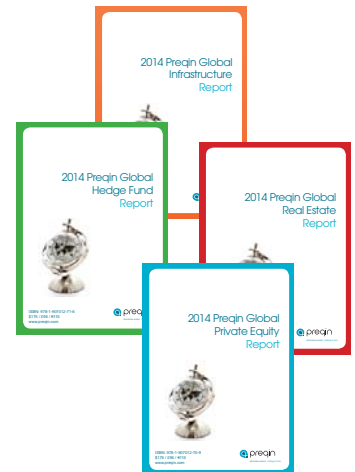


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