



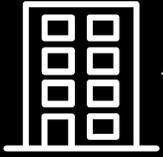
# Global Private Equity

## 2018 and 2019 1H Market Update

A person wearing dark trousers and black cowboy boots is standing on a staircase. The staircase is drawn with white chalk on a dark, textured surface. The person's legs are positioned on the steps, with one foot on a higher step than the other. The lighting is dramatic, highlighting the texture of the trousers and the sheen of the boots.

## **Historic 5-year stretch for the PE industry**

More capital invested, more capital distributed back to LPs, and more capital raised than any other period in the history of the industry



# Investments



With **record amounts of capital to put to work**, sitting on the sidelines was not an option for investors

Global PE dry powder

\$2T

1

0

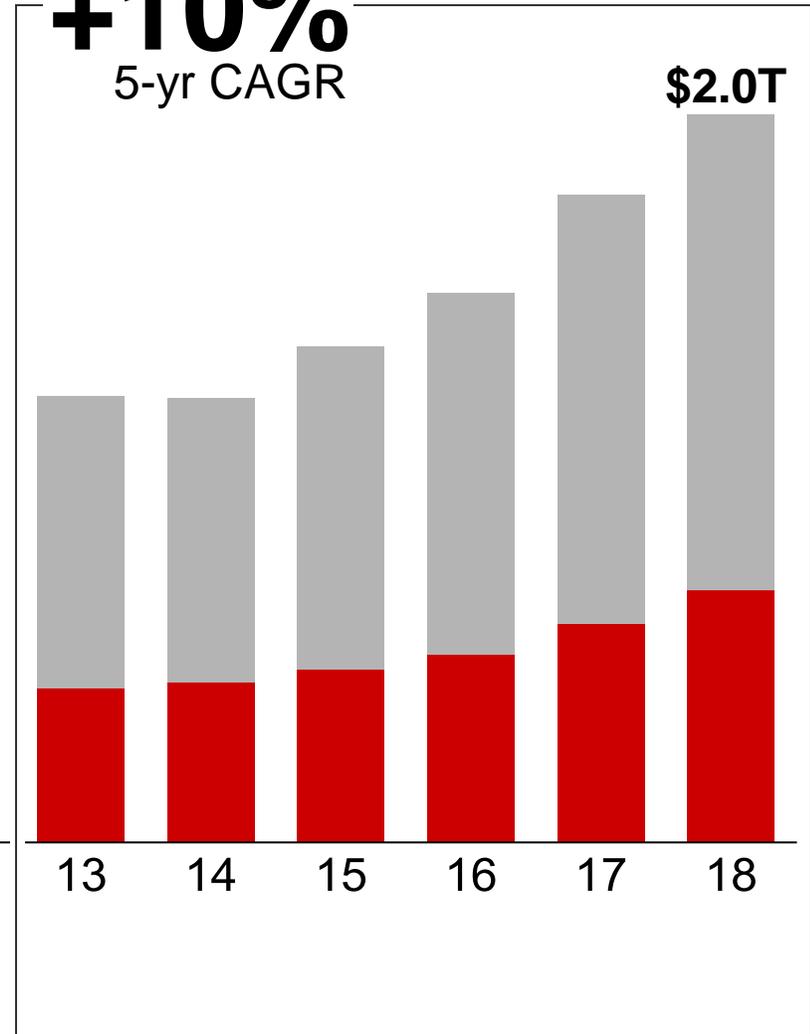
2003 04 05 06 07 08 09 10 11 12

**+10%**  
5-yr CAGR

**\$2.0T**

Other

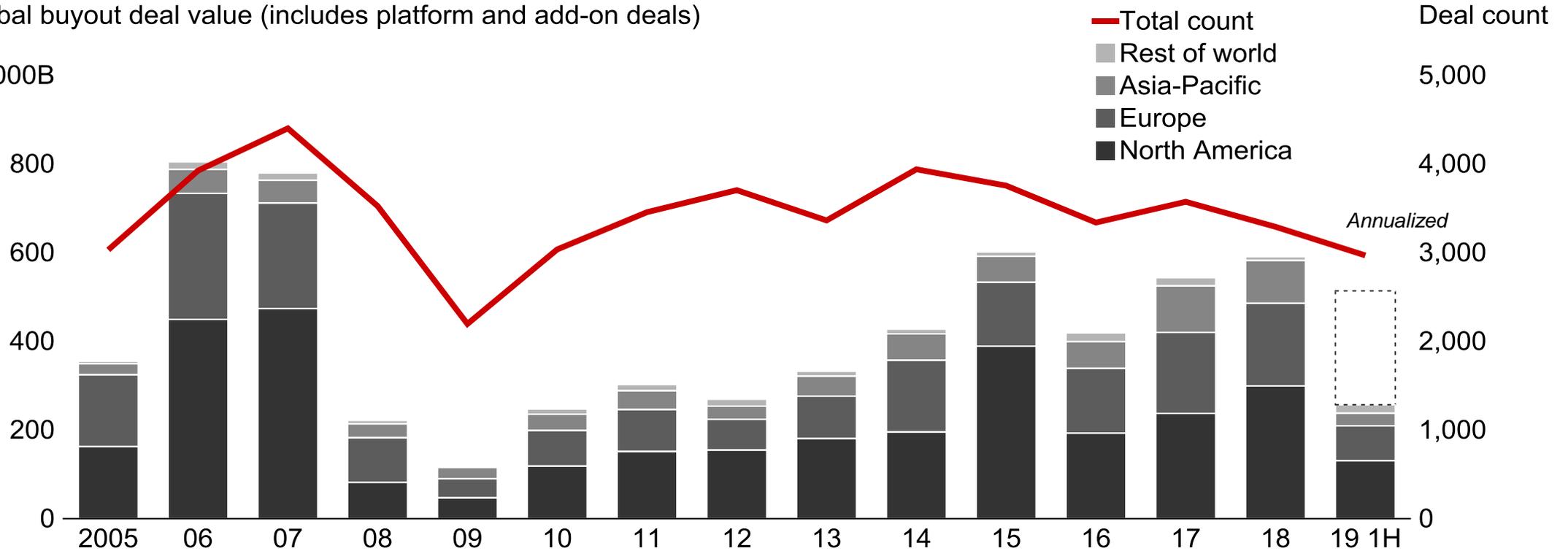
Buyout  
**\$695B**



# However, annualized 2019 global buyout deal value/count are **tracking slightly behind 2018**

Global buyout deal value (includes platform and add-on deals)

\$1,000B



% add-on count

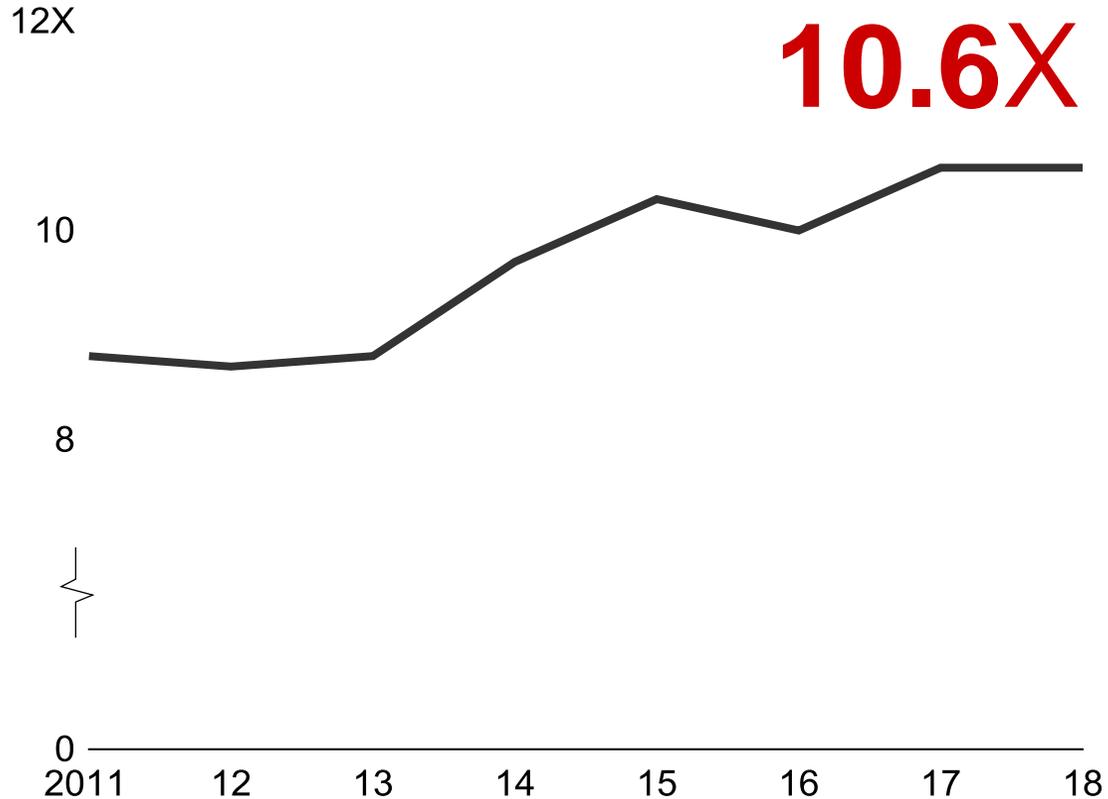
29 29 33 36 36 37 41 40 40 45 48 48 49 44 45

Notes: Includes add-ons; excludes loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change; geography based on the location of targets  
Source: Dealogic

# At the same time, prices have never been higher

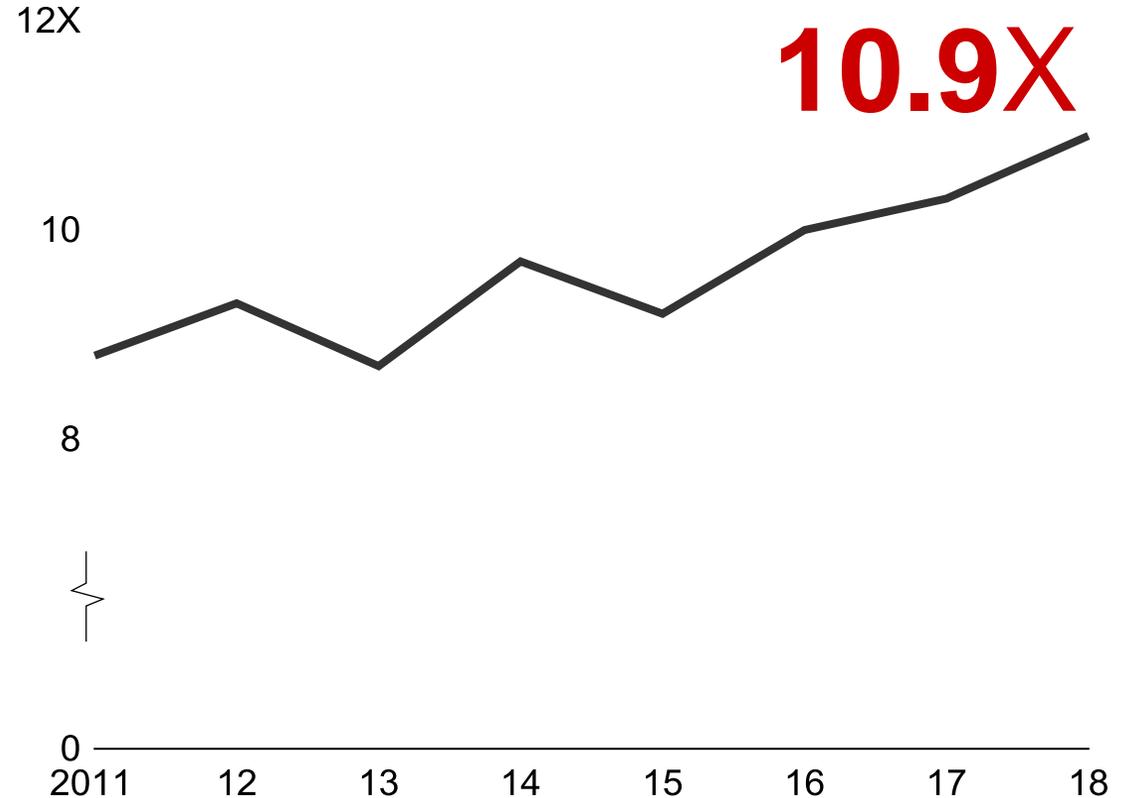
## US

Average EBITDA purchase price multiple for US LBO transactions



## Europe

Average EBITDA purchase price multiple for Europe LBO transactions

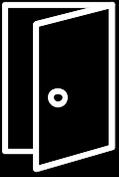


Source: S&P Capital IQ LCD

Putting capital to work increasingly means **getting comfortable** with a certain level of **discomfort** when investing

## Investors are...

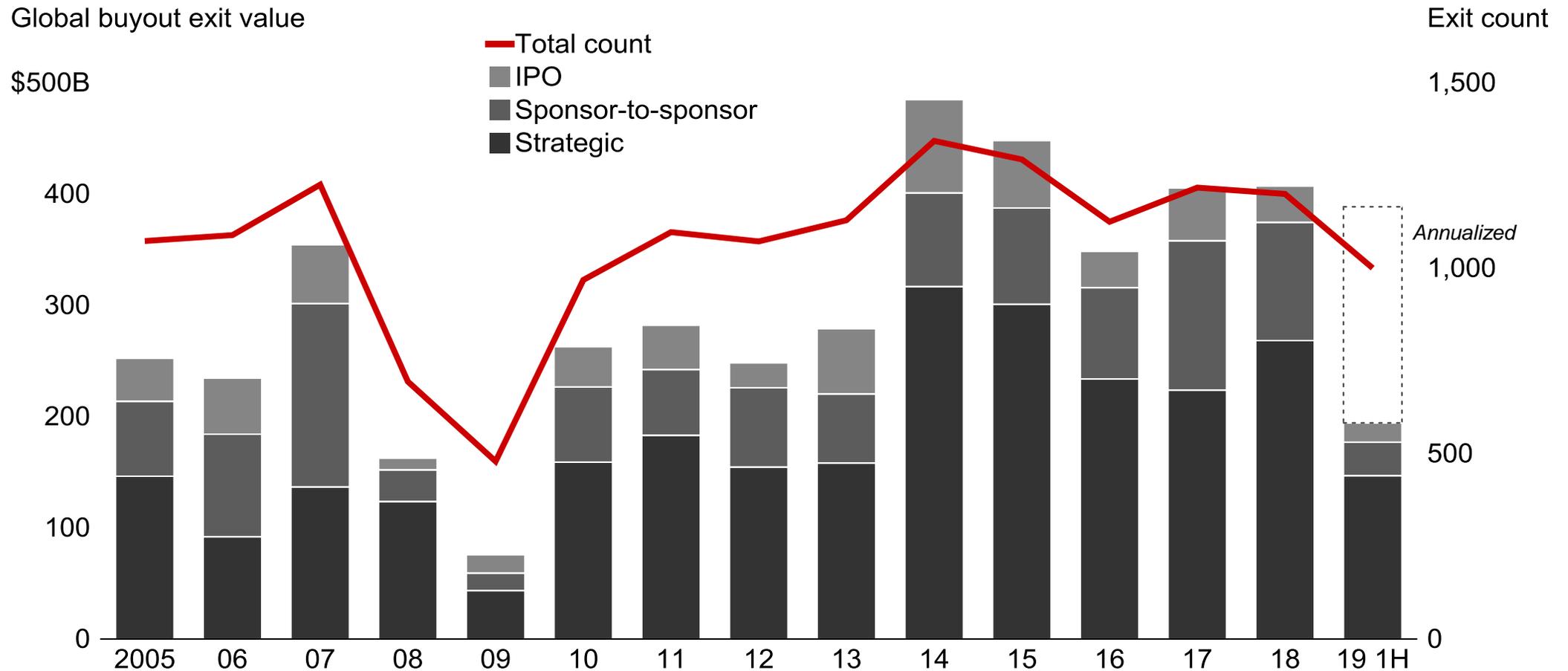
- ...paying prices they swore they would never pay
- ...underwriting new and different kinds of risks
- ...looking to capture value that may prove elusive post-close



# Exits



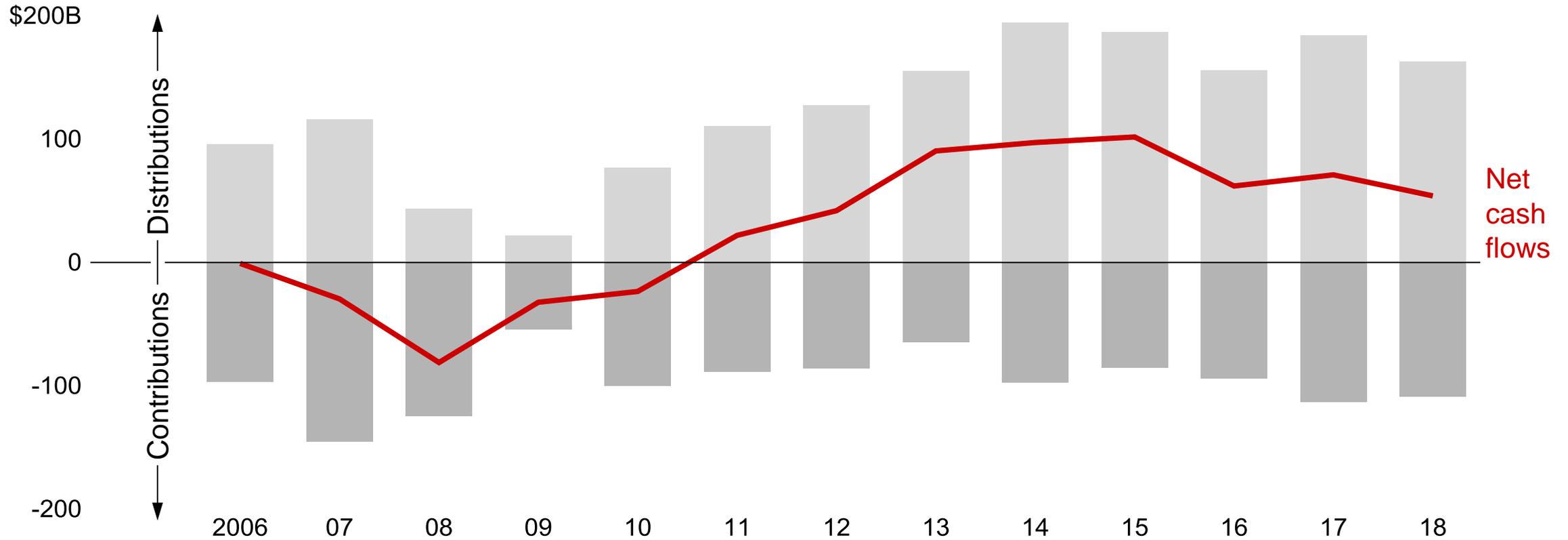
# Favorable exit environment persists into 2019, as corporates remain very active buyers of PE-owned assets



Notes: Bankruptcies excluded; IPO value represents offer amount and not market value of company  
Source: Dealogic

# Strong exits translate into **continued strong distributions to LPs**, which have been cash flow positive now for over 8 years running

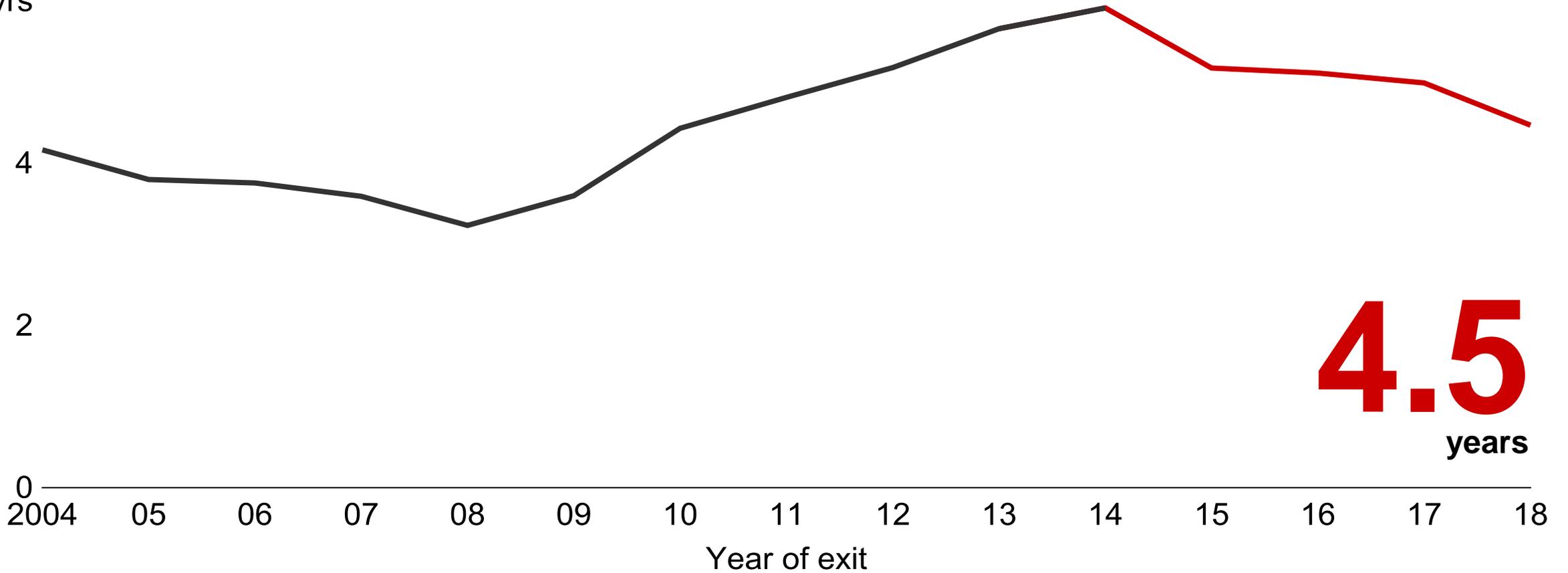
Capital contributions and distributions (global buyout funds)



# An urgency to sell **compressed hold periods**

Median hold period for global buyout-backed companies

6yrs



**4.5**  
years



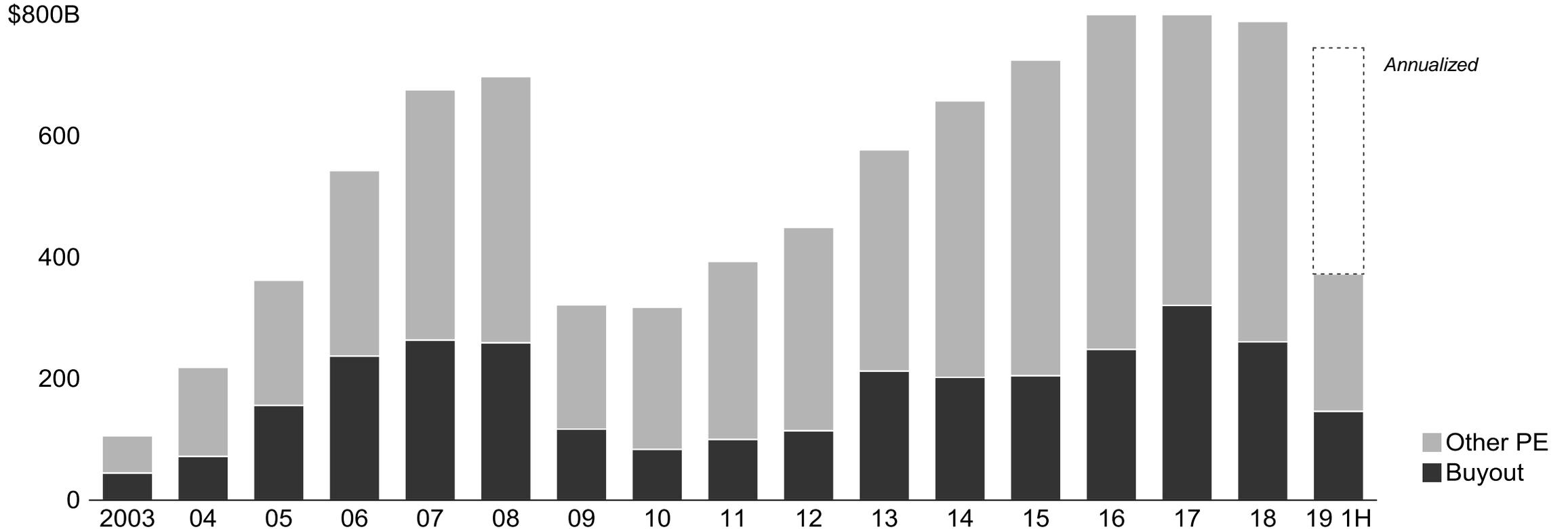
# Fundraising



# Fundraising remains very strong as capital continues to pour into the asset class

Fundraising

Global PE capital raised



Notes: Includes funds with final close and represents the year in which funds held their final close; buyout includes buyout and balanced funds  
Source: Preqin

# Current trends in PE fundraising – broader scope but narrower focus

Fundraising

## Sector-focused funds / sidecars

e.g. TPG Healthcare Partners (\$2.5B); Charlesbank Executives Technology Opportunities Fund (raising)

## Long-duration funds

e.g. CVC Strategic Opportunities II (€4B); Apollo Hybrid Value Fund (\$3B)

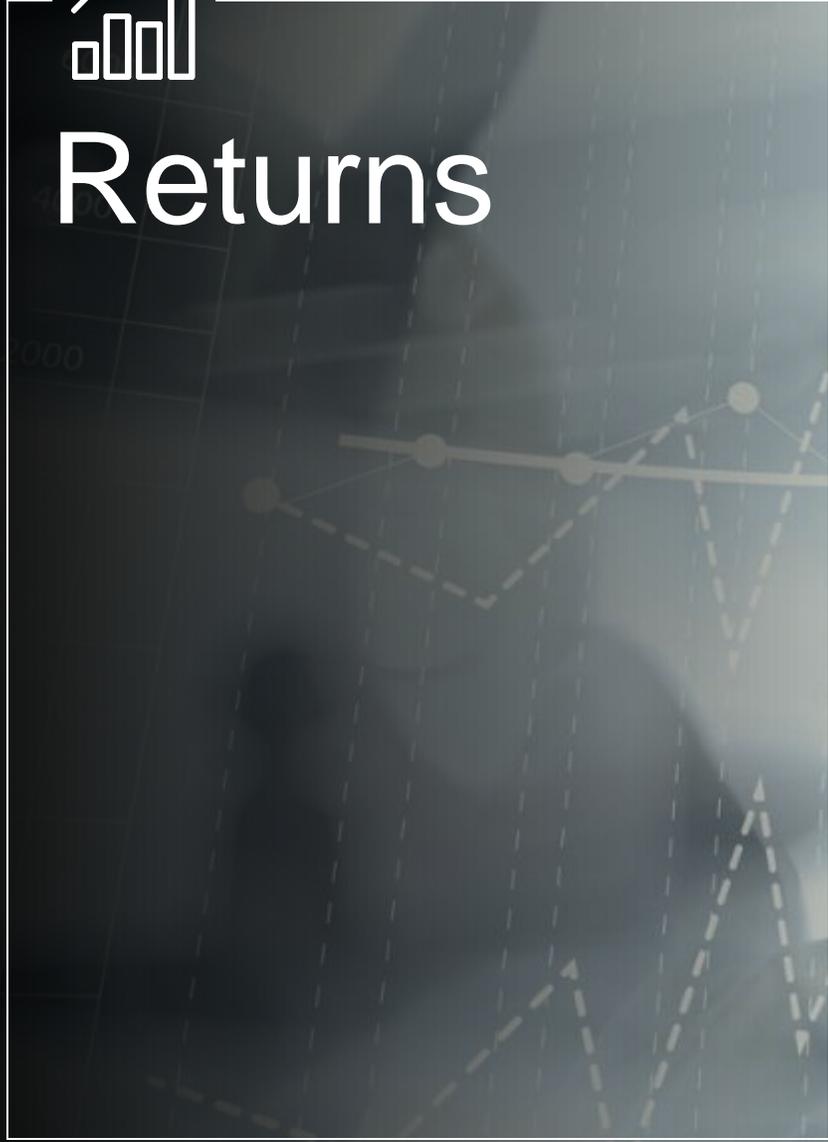
## Growth equity or middle-market funds

e.g. Permira Growth Opportunities I (\$1.7B); CVC Growth Partners II (raising)





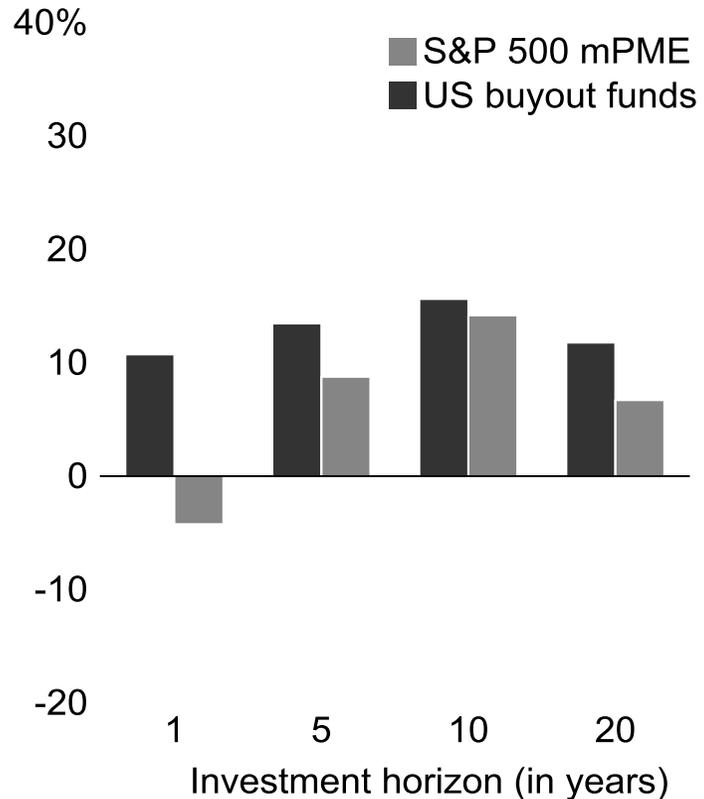
# Returns



# Buyout funds continue to **outperform public markets** in all major regions

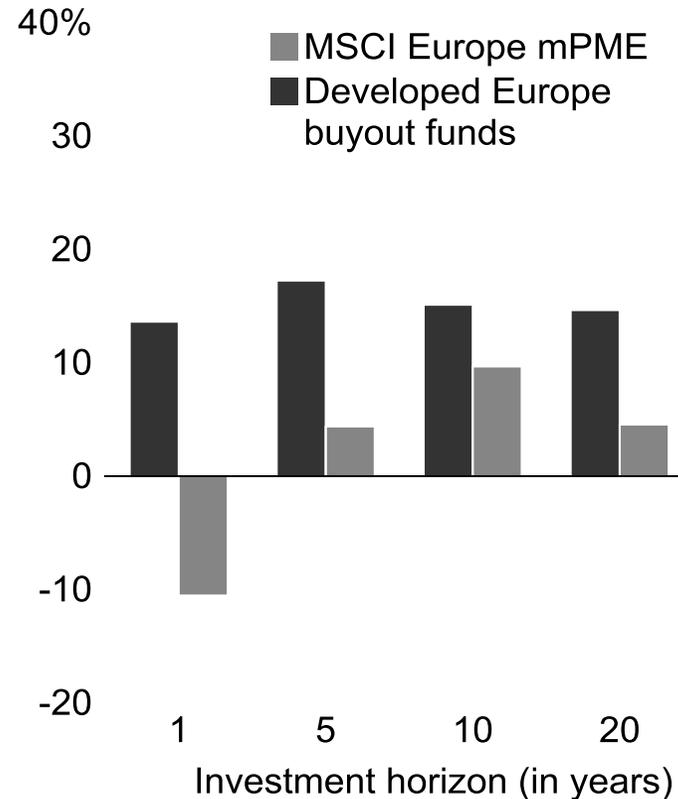
## US

End-to-end pooled net IRR (as of Dec 2018)



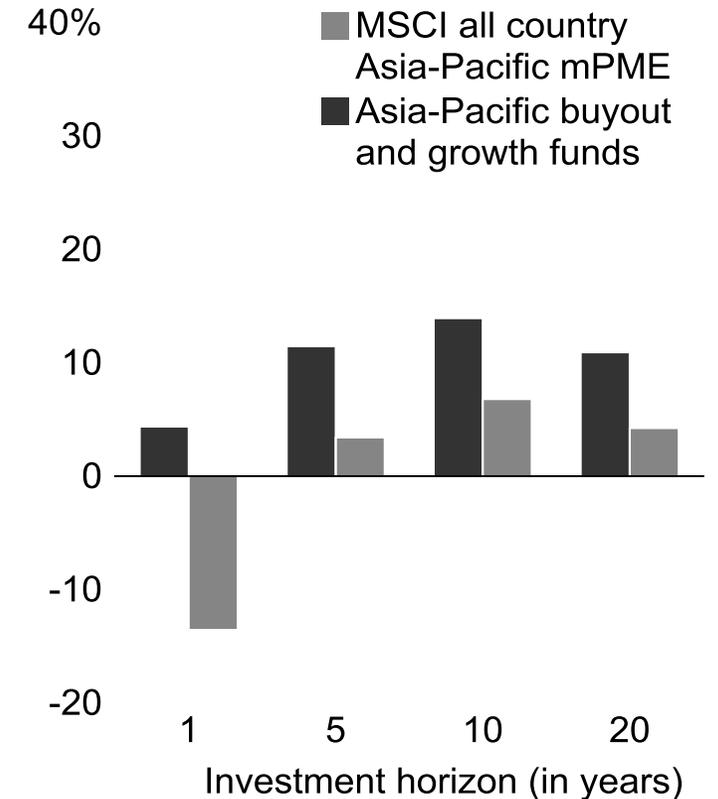
## Developed Europe

End-to-end pooled net IRR (as of Dec 2018)



## Asia-Pacific

End-to-end pooled net IRR (as of Dec 2018)



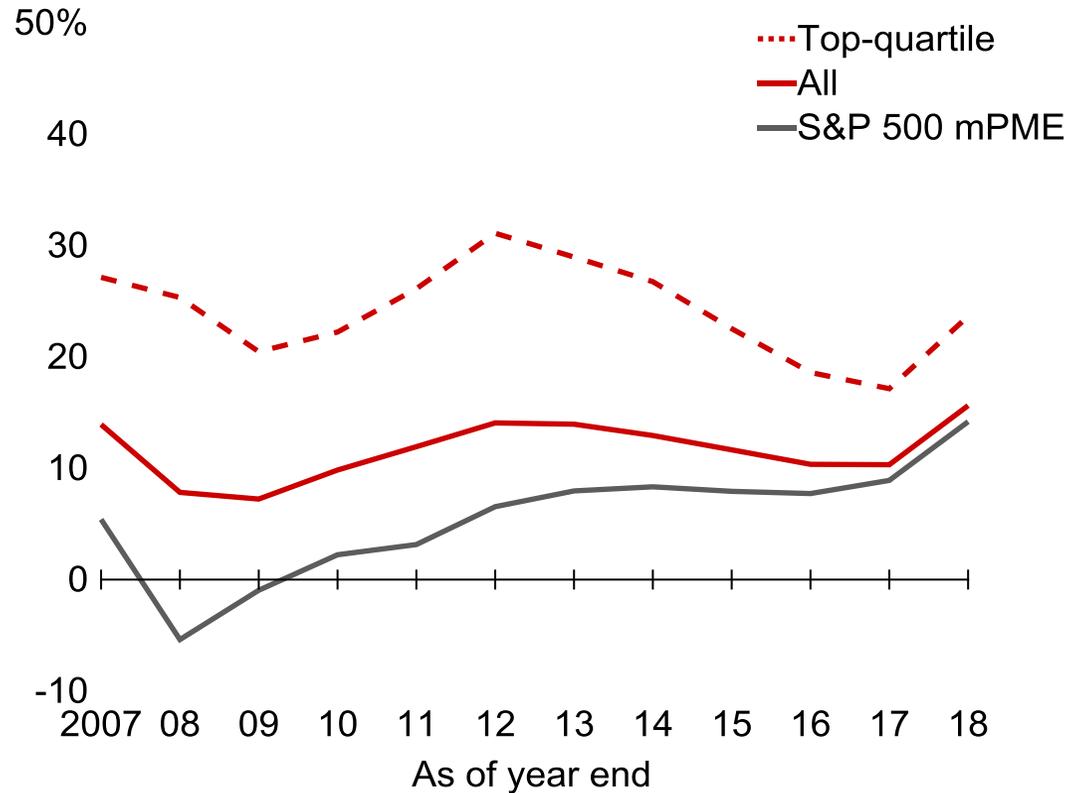
Notes: Data for US and Asia-Pacific calculated in US dollars; data for Europe calculated in euros; Europe includes developed economies only; Cambridge Associates' mPME is a proprietary private-to-public comparison methodology that evaluates what performance would have been had the dollars invested in private equity been invested in public markets instead; the public index's shares are purchased and sold according to the PE fund cash flow schedule; discrepancies in bar heights displaying the same values are due to rounding

Source: Cambridge Associates

# However, the case for investing in PE rides on the **superior returns of top-performing funds**

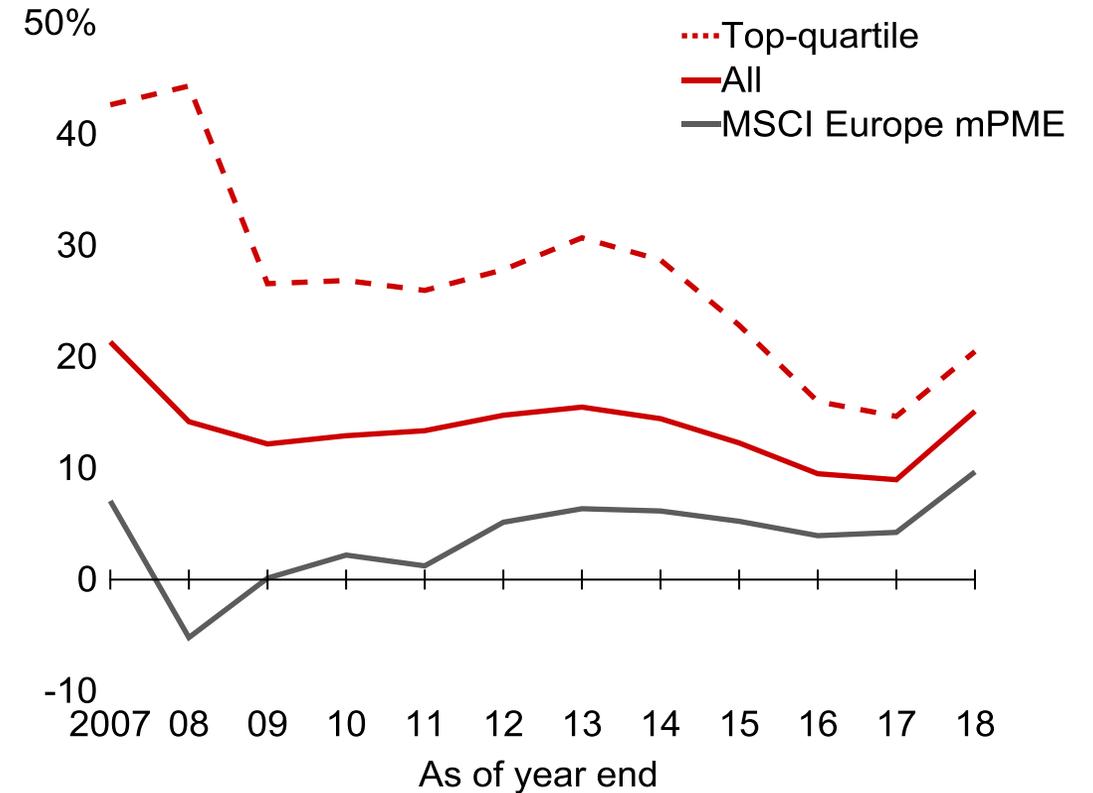
## US

10-year horizon pooled net IRR, US buyout funds



## Developed Europe

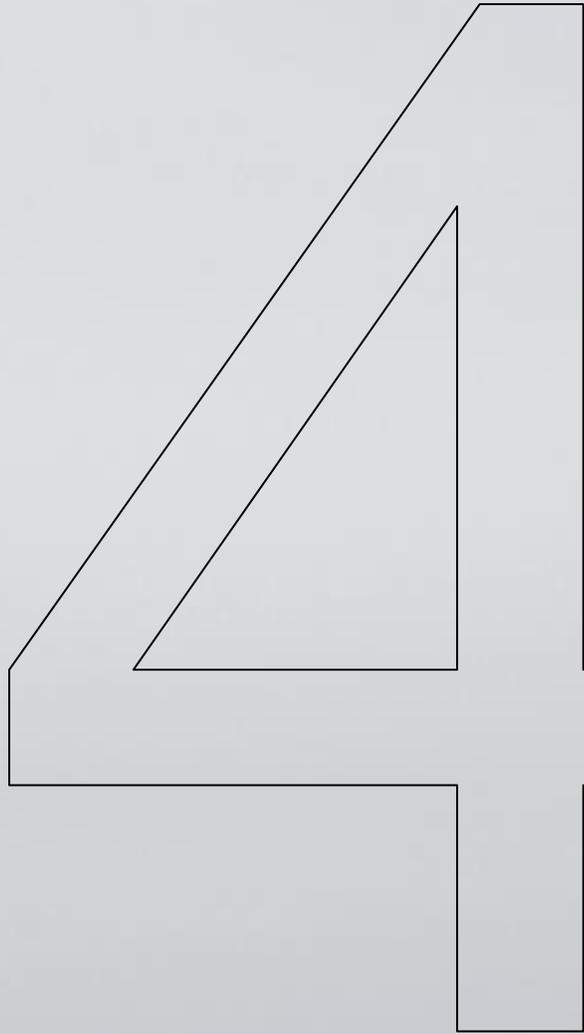
10-year horizon pooled net IRR, Dev. Europe buyout funds



Note: Data in dollars for US funds and in euros for Developed Europe funds  
Source: Cambridge Associates

**Investor conviction remains strong**  
for the asset class





**things**

we see leading  
firms doing



# Buy & build



# Buy-and-build

across all sectors through add-ons

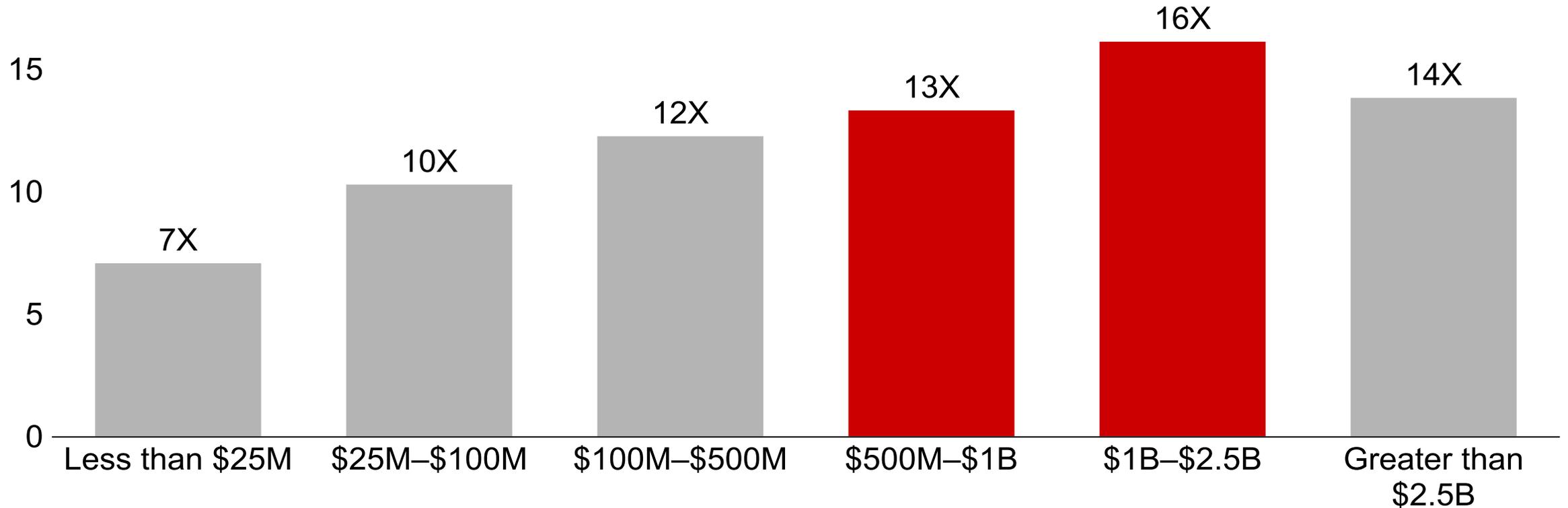


# Multiple arbitrage

Smaller companies consistently trade for lower multiples than bigger ones

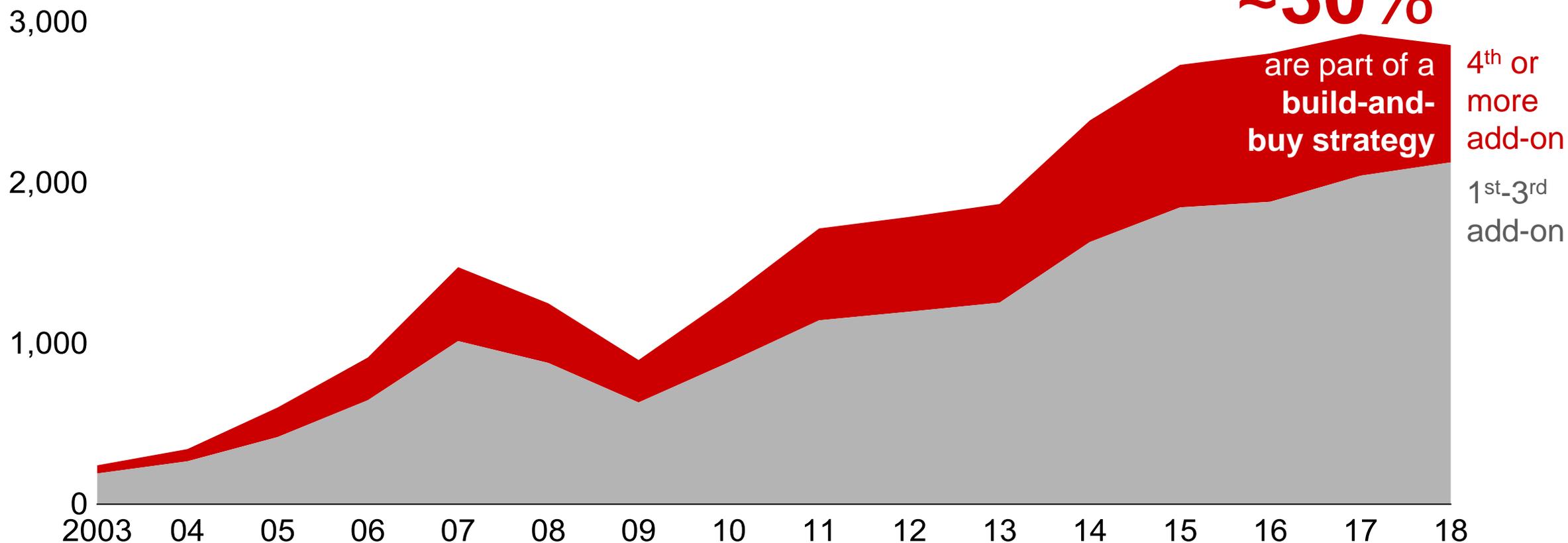
Median EBITDA purchase multiple

20x



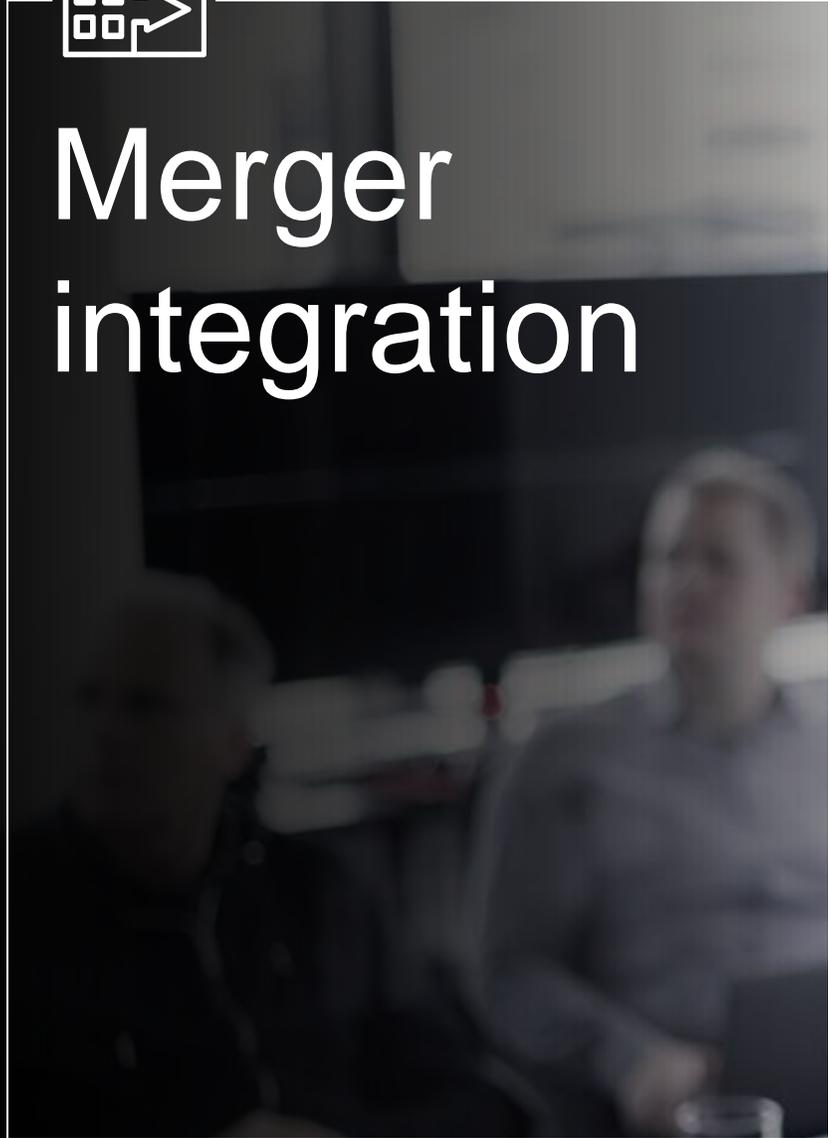
# Increasingly, add-ons are part of a broader buy-and-build strategy

Number of add-ons





# Merger integration



# Merger integration

requires sharp execution to capture value, align people and install systems





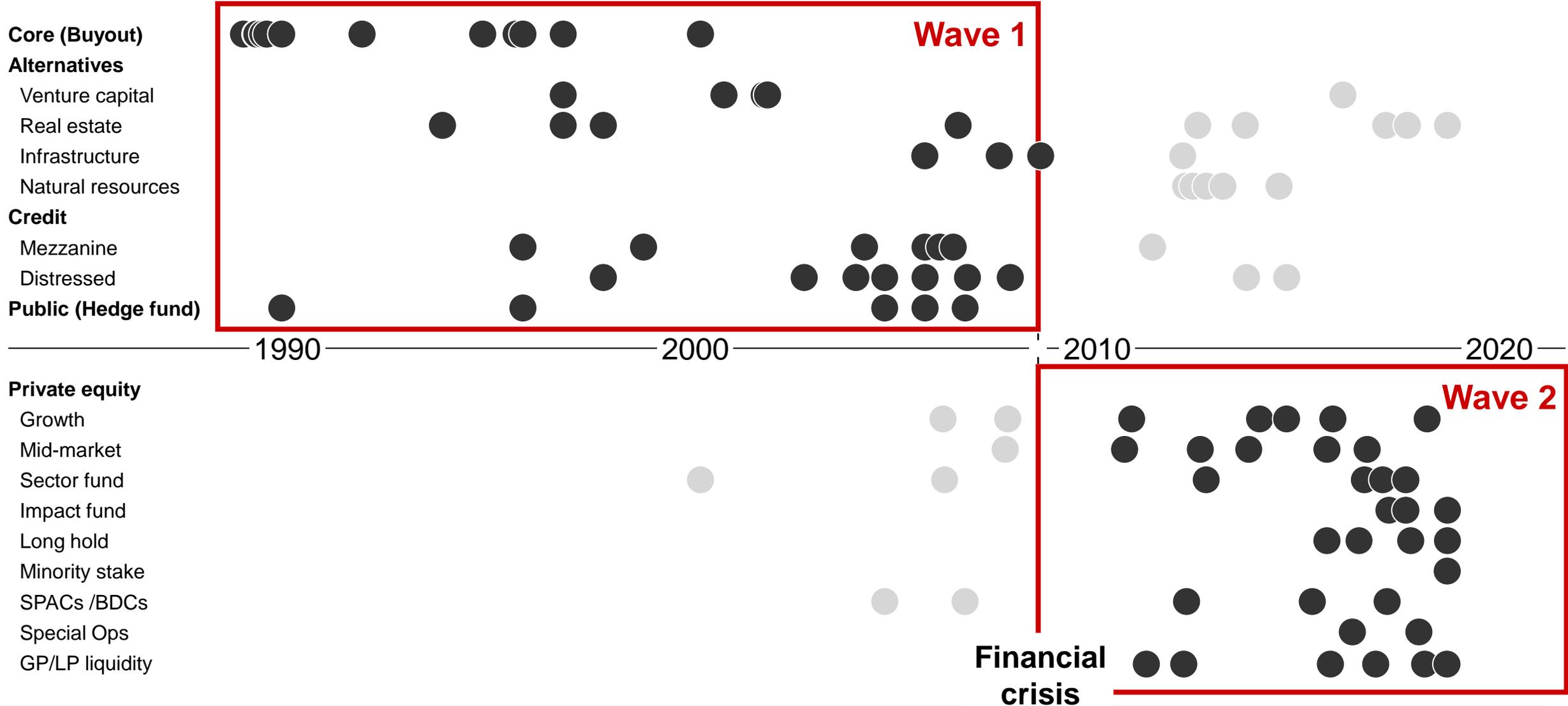
# Adjacencies



# Buyout firms continue to expand beyond their core



# Asset class expansion

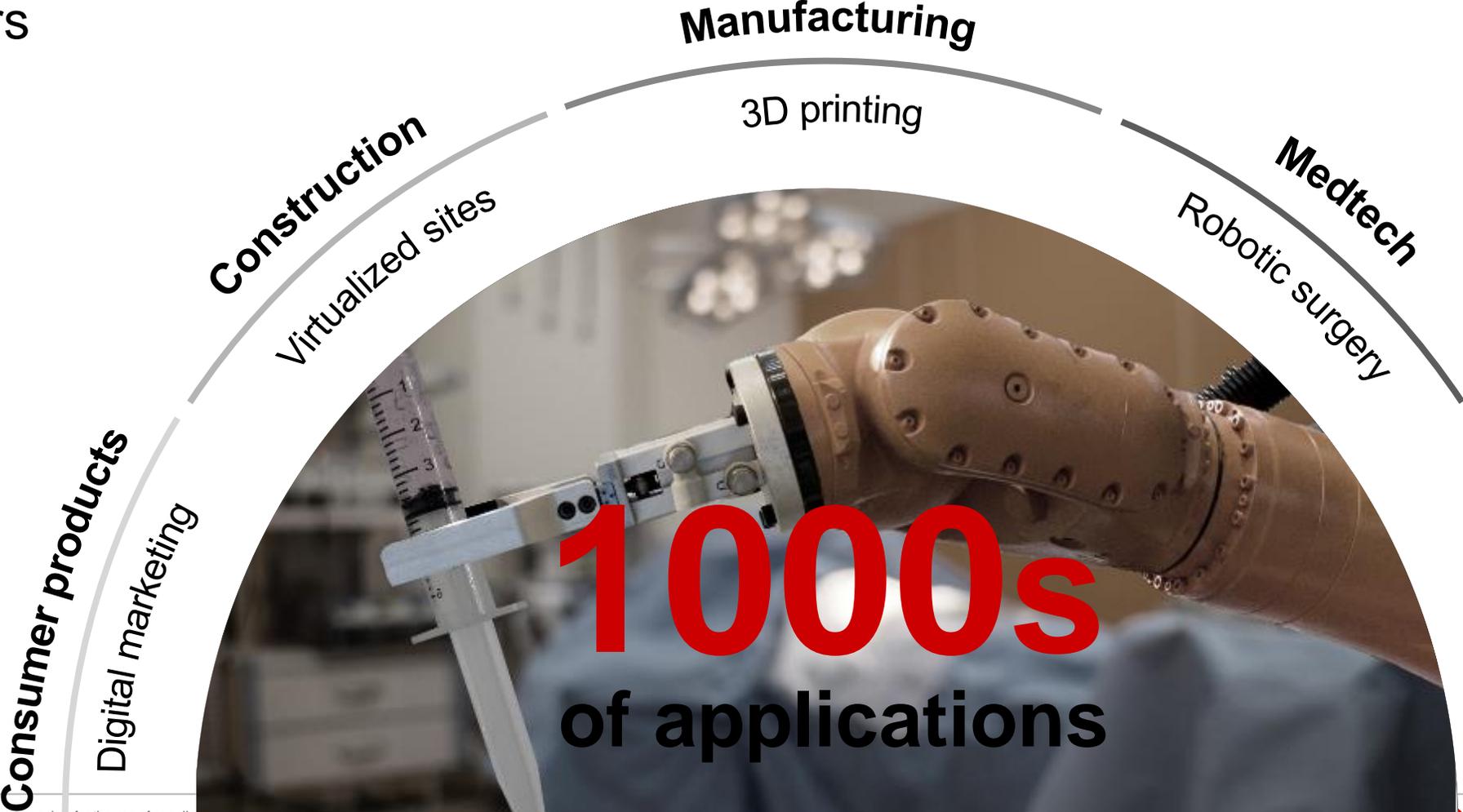




Digital

# The pace of digital change is **accelerating**

creating even more disruption across all sectors



# Building Digital capabilities

Digital in new investments

Who would pay

**\$2,000**

plus \$39/month?



**11K**

2014

Bikes sold

# Building Digital capabilities

Digital in new investments

**“Netflix of fitness”**

is now worth \$4B  
and eyeing an IPO

by CNBC  
**DISRUPTOR 50**



Bikes sold

There have been exactly three periods, when generally  
**private multiples > public**

“Barbarians at the Gate”  
era of the mid1980s,

Run-up to the recent  
global financial crisis,

and

**NOW**

# And the implications?

Goodbye,  
IPO exits



Public  
company  
targets



Even bigger  
megafunds



Democrati-  
zation of  
private equity

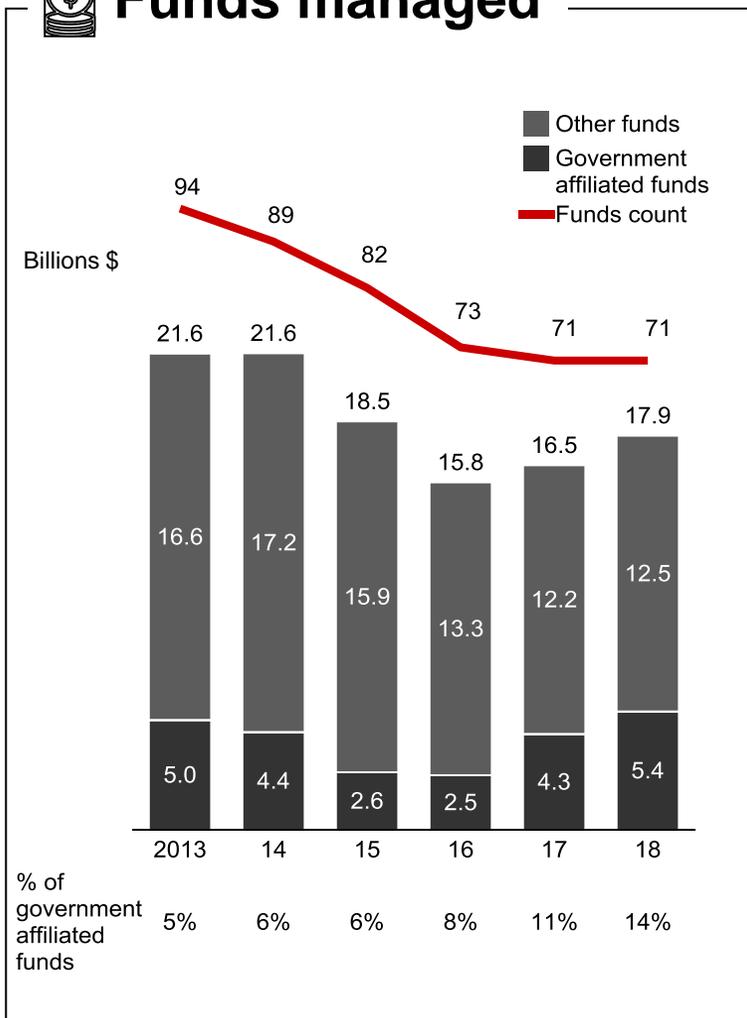


Big deals =  
different  
playbook

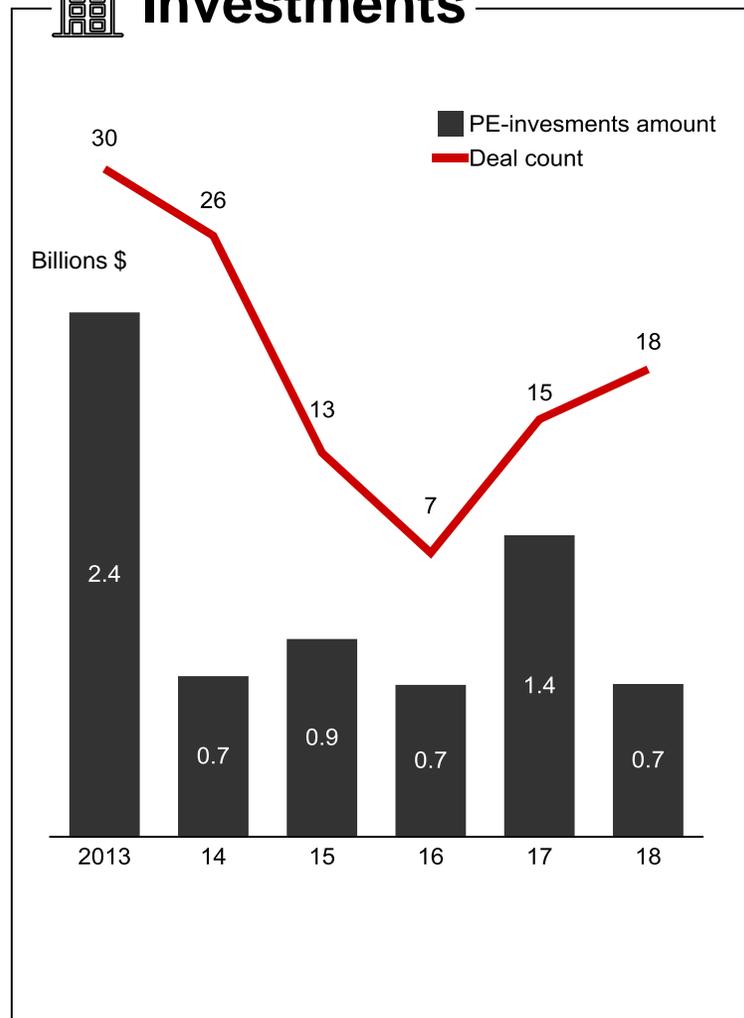


# Russian PE-market: cautious growth, mostly driven by government, investment/exit activity still modest

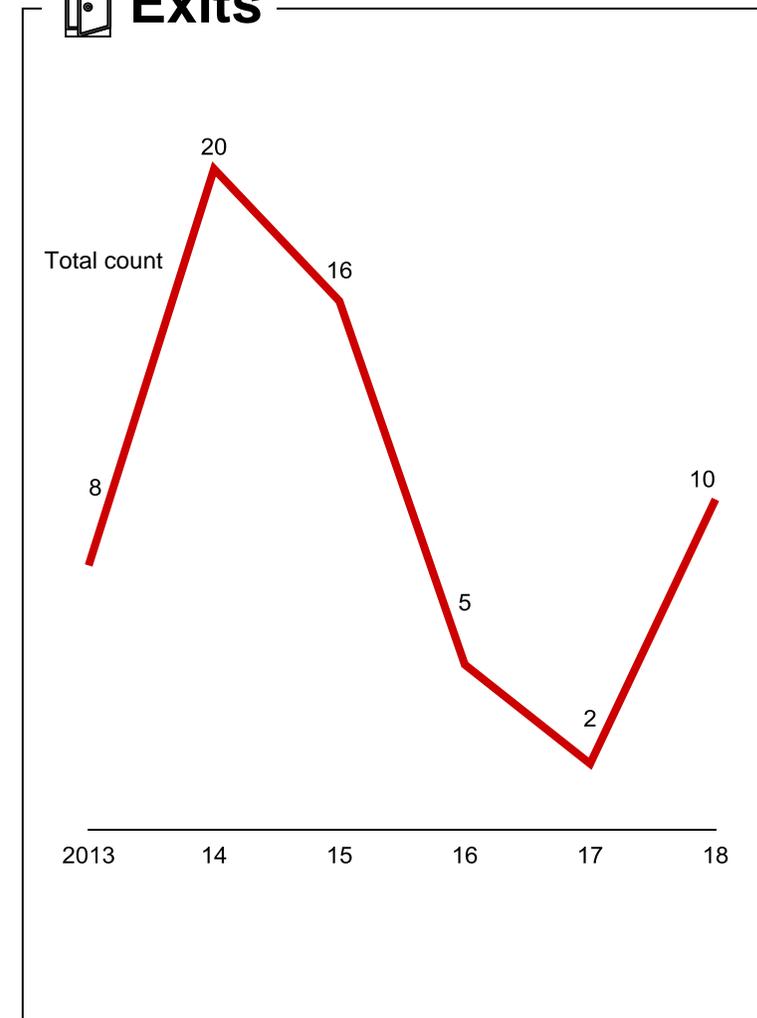
## Funds managed



## Investments



## Exits



# Can Russia leverage the global trends?



Islets of capabilities in the hi-tech/digital area

Potential complementarity with the “move to Asia”

Availability of potentially interesting “buy & build” stories



Lack of big tickets and public company targets

Limited interest from top-quartile players (politics, etc.)

Unclear exit trajectories for most sectors, esp. for bigger deals

And now:

**your questions**

