

# New Directions in Private Equity

**Date:** Tuesday, April 30<sup>th</sup>, 2013

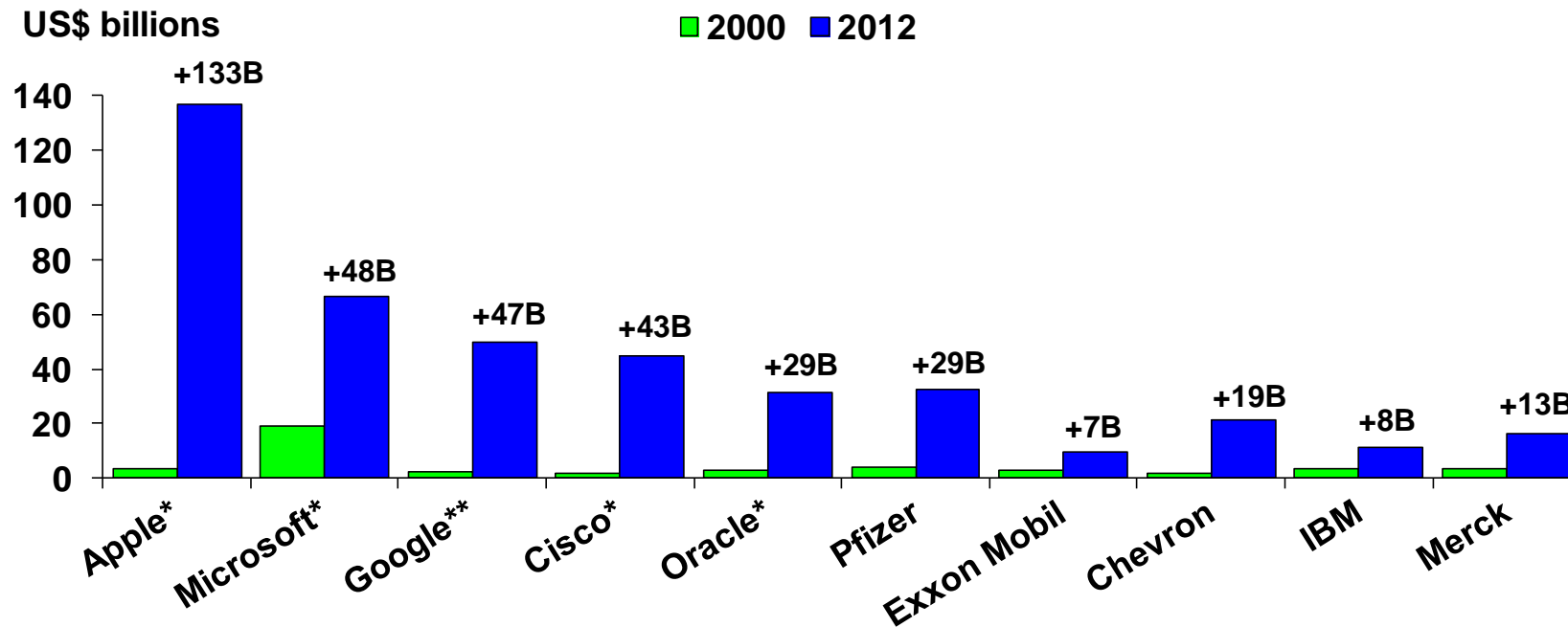
**Time:** 09:30 AM – 10:30 AM

**Room:** International Ballroom

MILKEN INSTITUTE



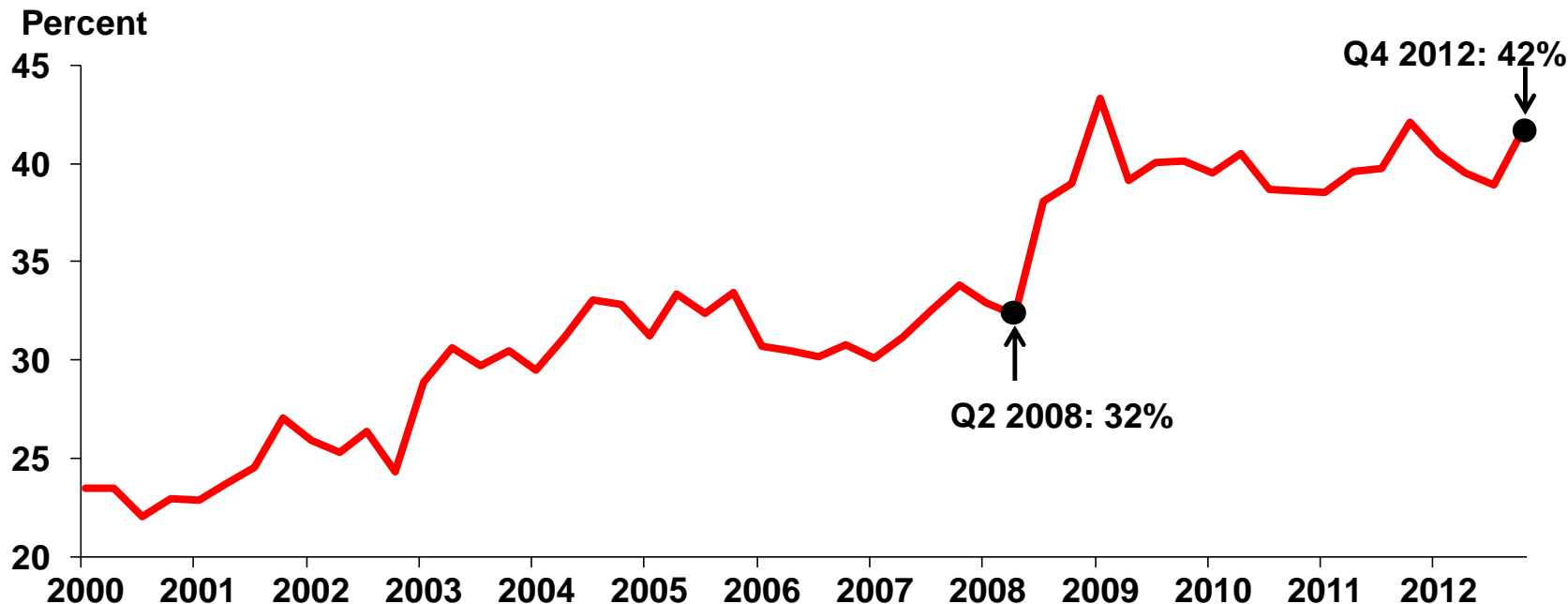
# U.S. companies are accumulating cash



Source: Bloomberg; Milken Institute.

# Acquiring companies are holding large amounts of cash

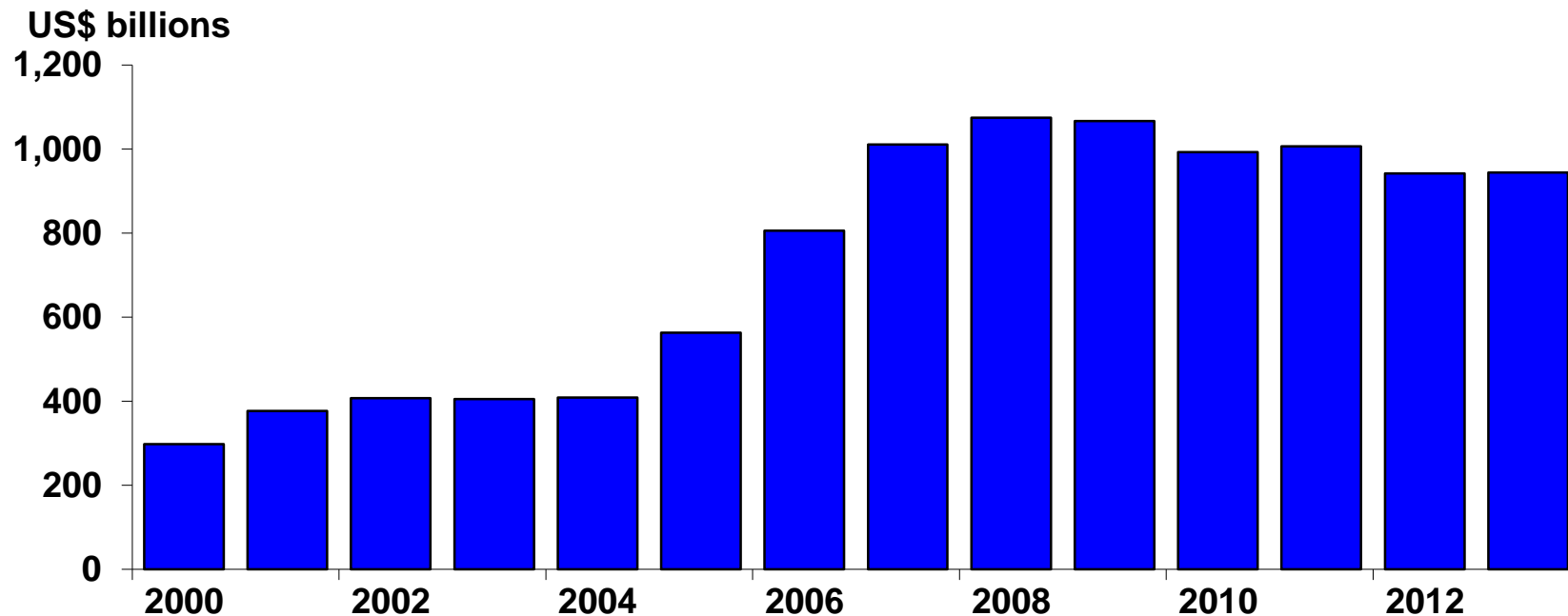
*Percent of total current assets, S&P 500 companies*



Source: Bloomberg; Milken Institute.

# Private equity firms are holding high levels of uncalled capital

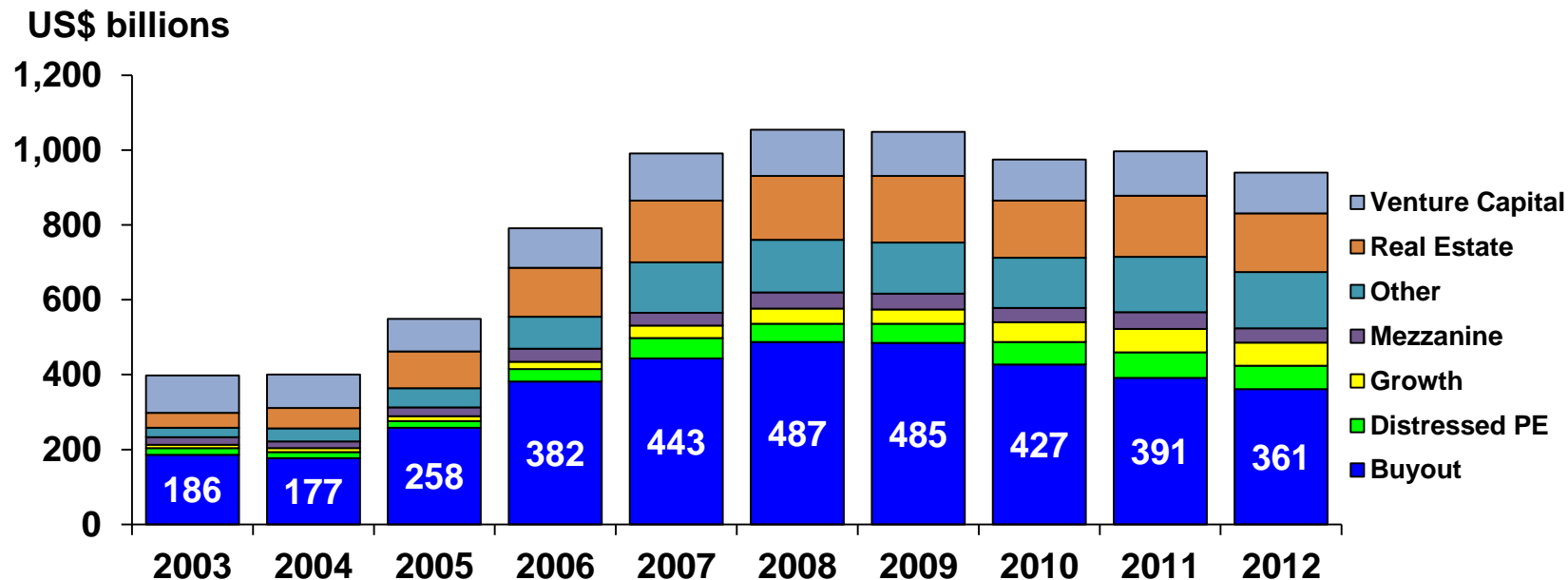
*Total uncalled commitments (dry powder)*



Source: PEGCC.

# Private equity firms are holding high levels of uncalled capital

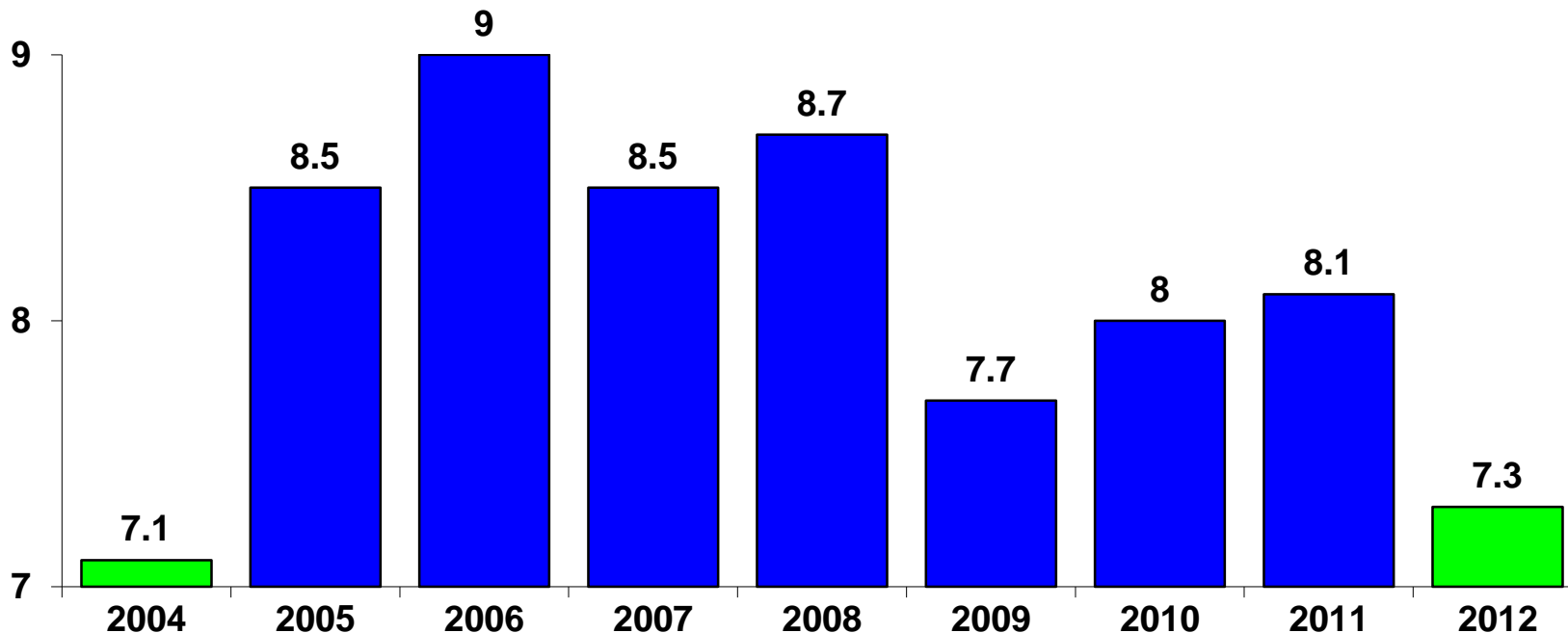
*Global private equity uncalled funds*



Source: PEGCC.

# Target companies are relatively underpriced

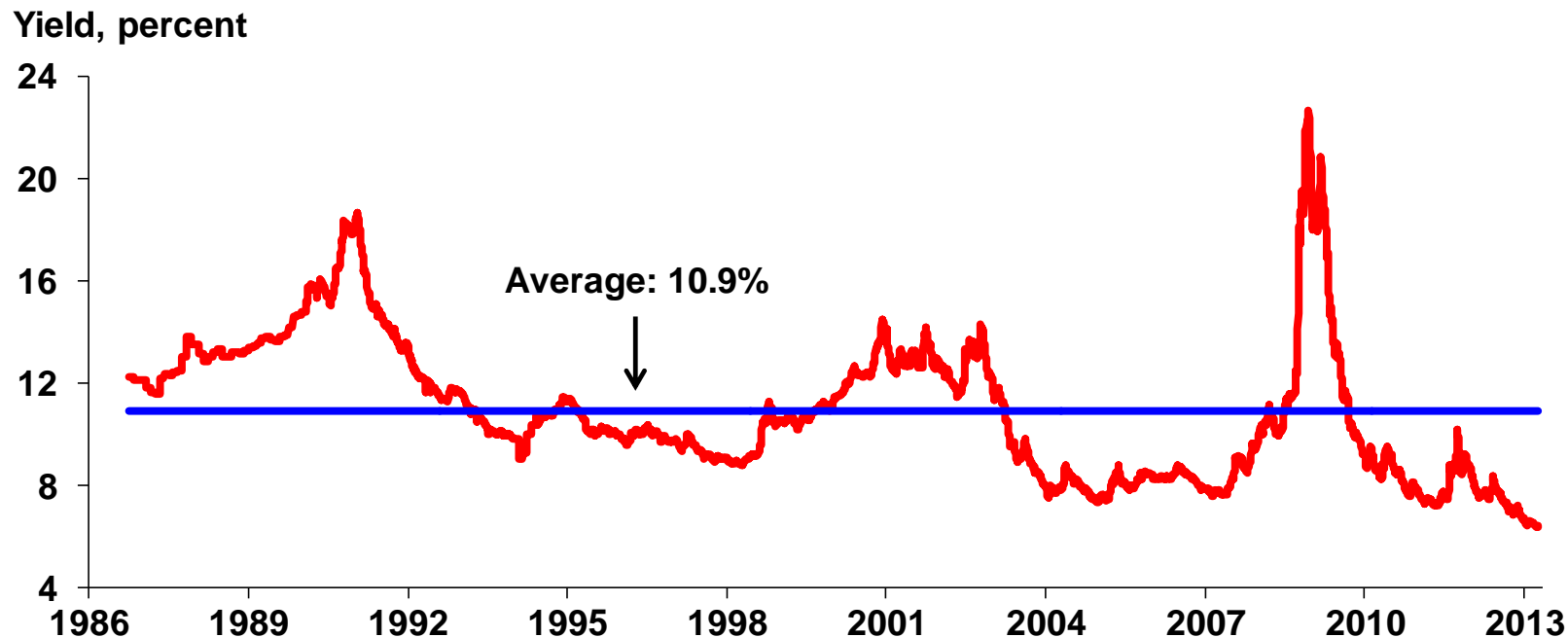
*Buyout purchase price multiples, valuation/EBITDA*



Source: Preqin.

# High-yield bond yields have hit record lows

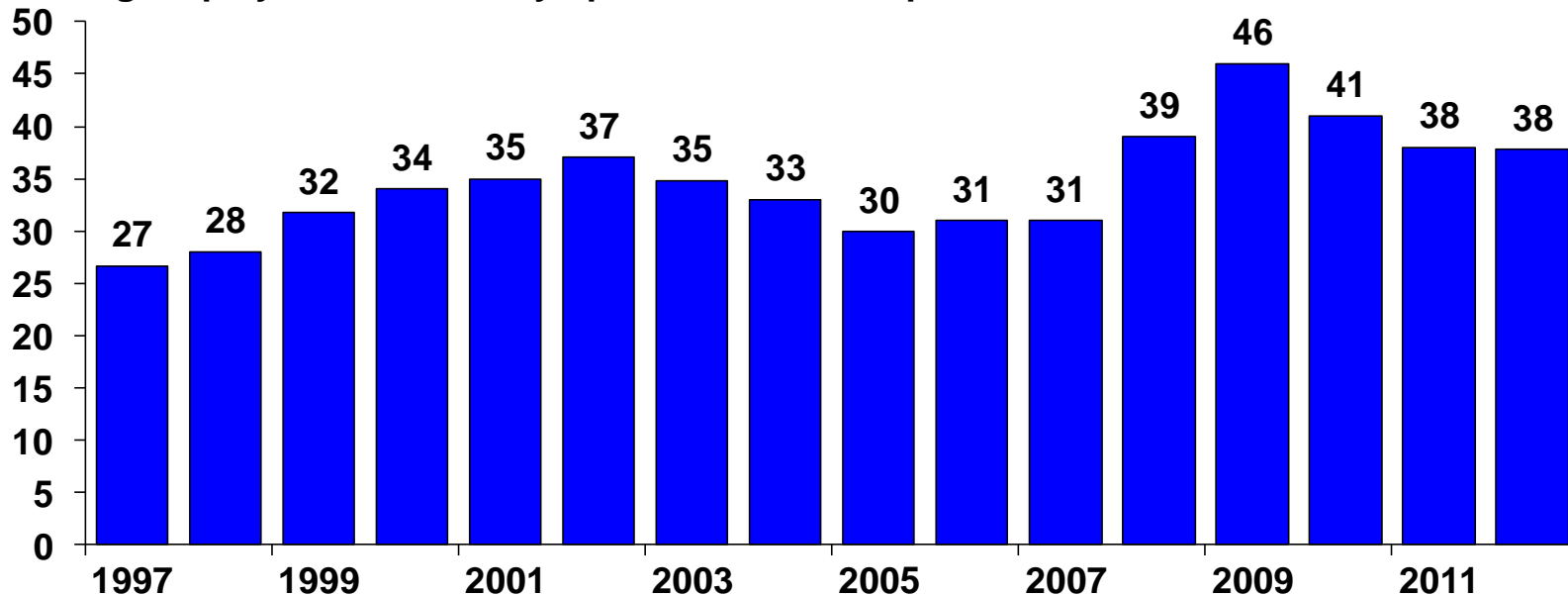
*BofAML U.S. High Yield Master II*



Source: Bloomberg; Milken Institute.

# Equity contributions to LBOs are the lowest since 2007

Average equity contribution by sponsors to LBOs, percent

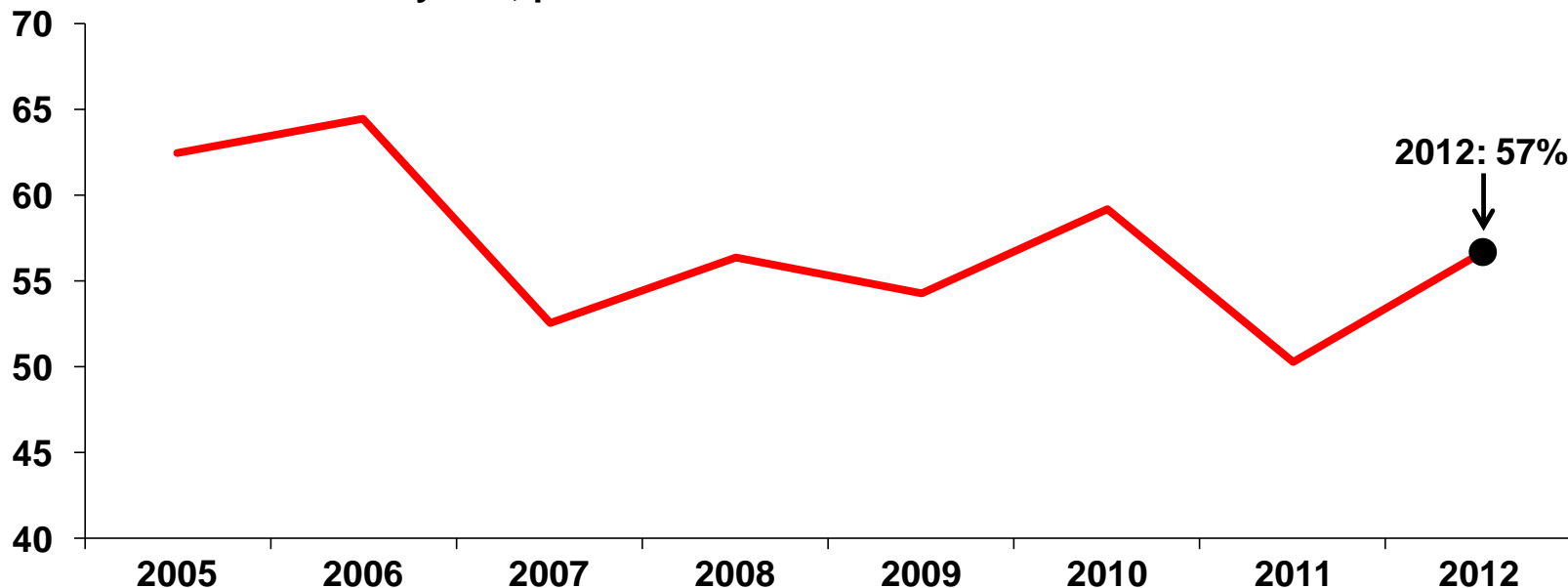


Source: PEGCC.



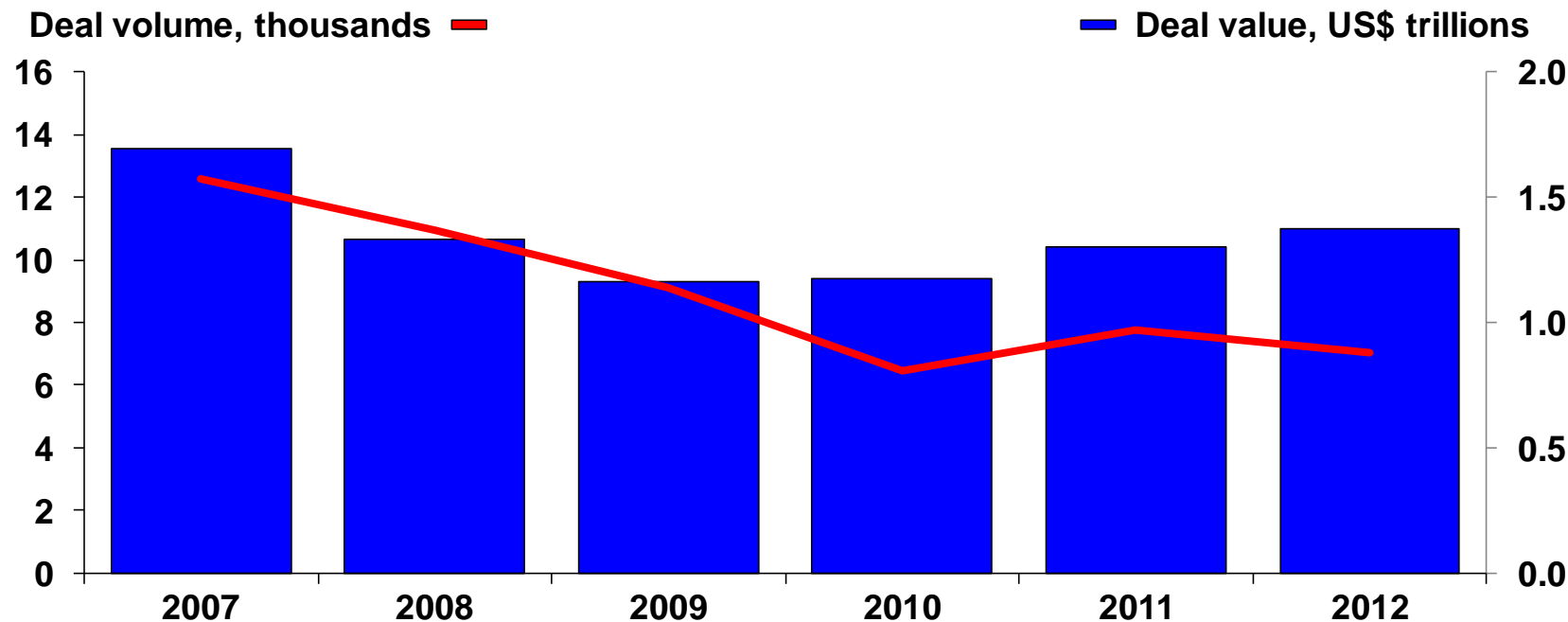
# U.S. firms gained easier access to debt and use of leverage

Median debt used in buyouts, percent



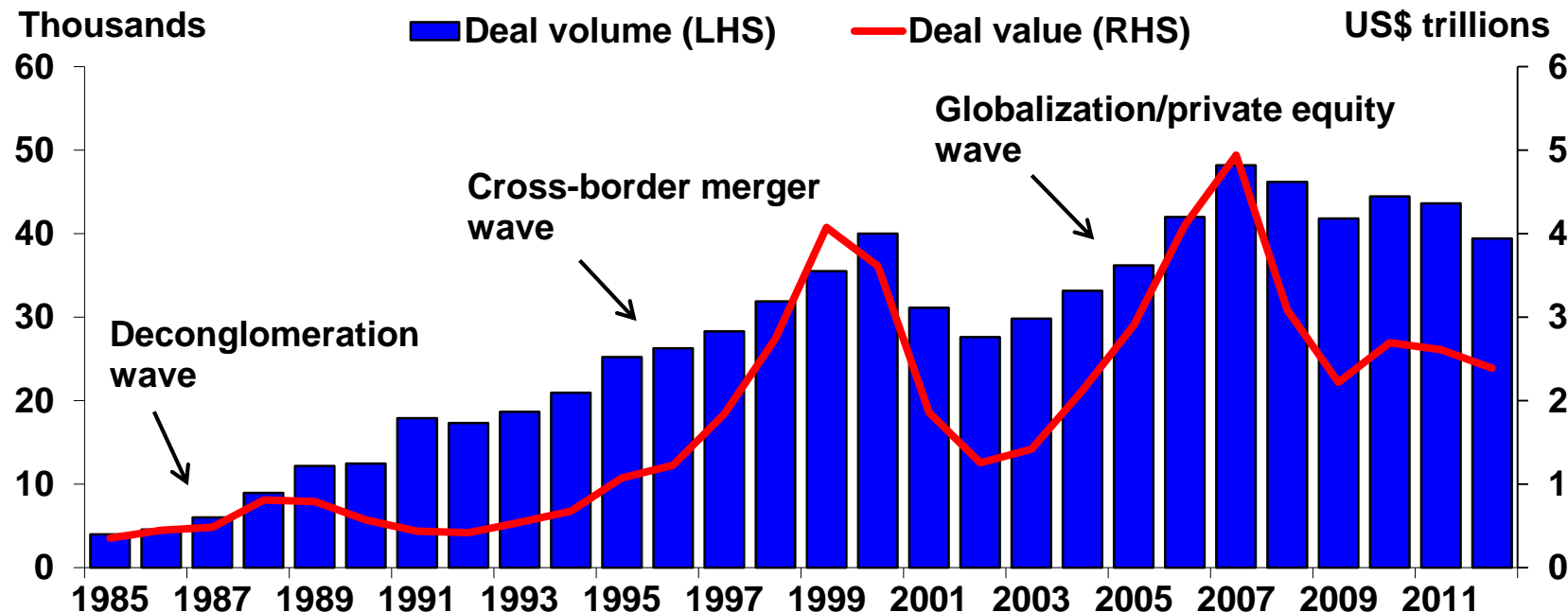
Source: Pitchbook; Milken Institute.

# U.S. M&A activity



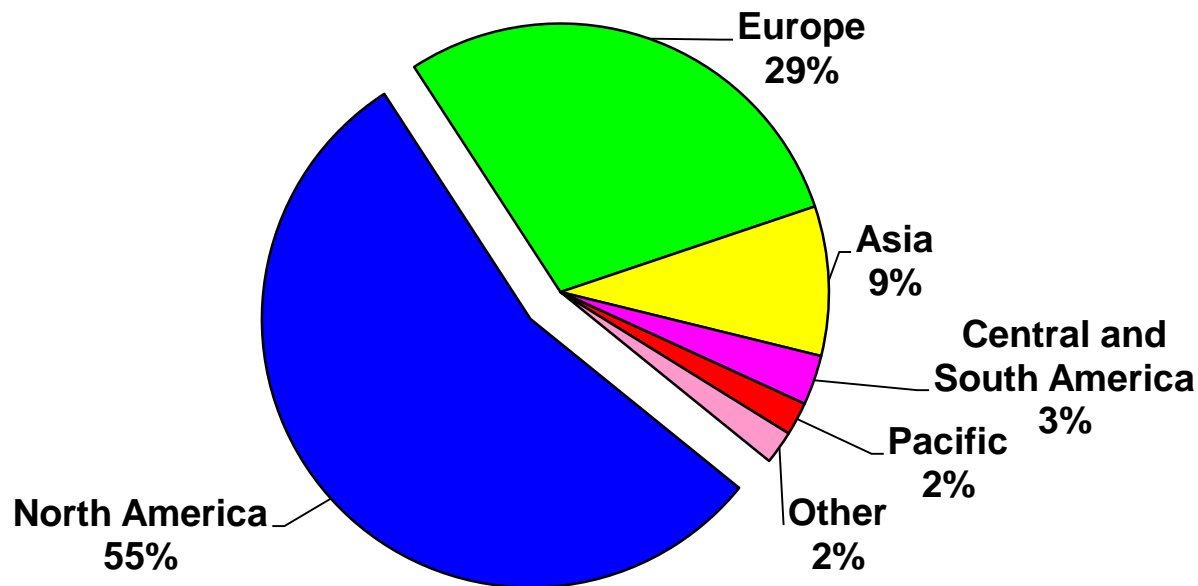
Source: Zephyr.

# Global M&A activity



Source: Zephyr; Milken Institute.

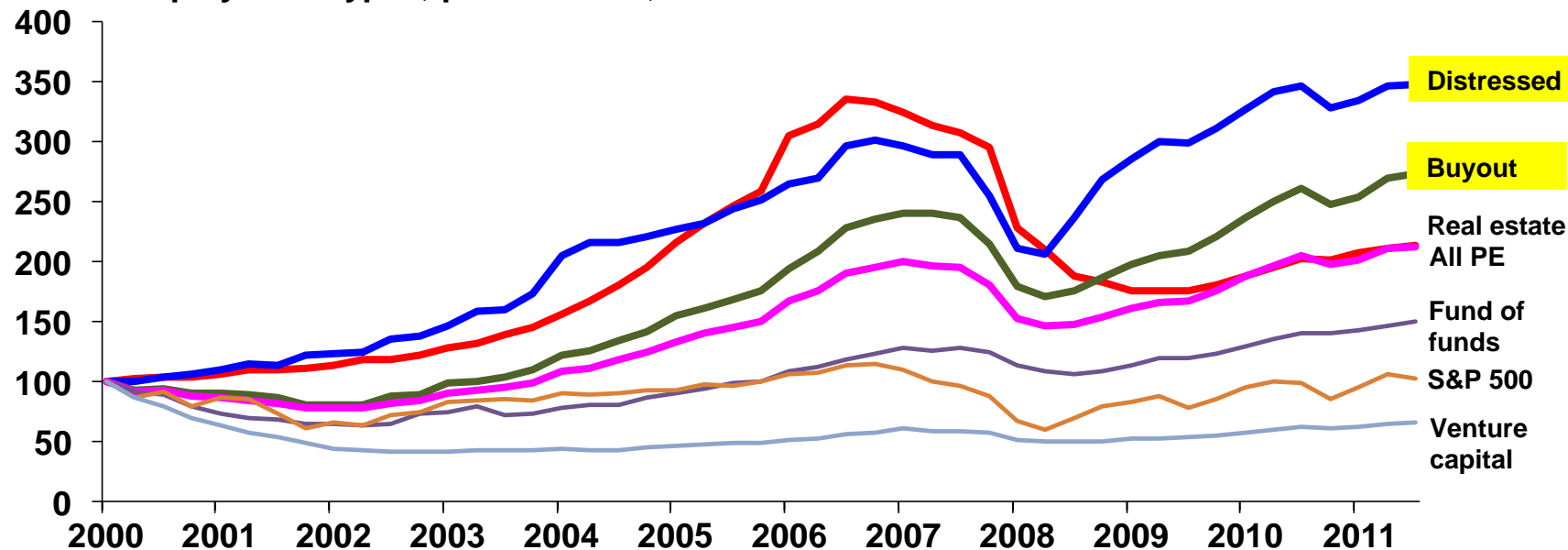
# Private equity investment by region



Source: PEGCC 2011.

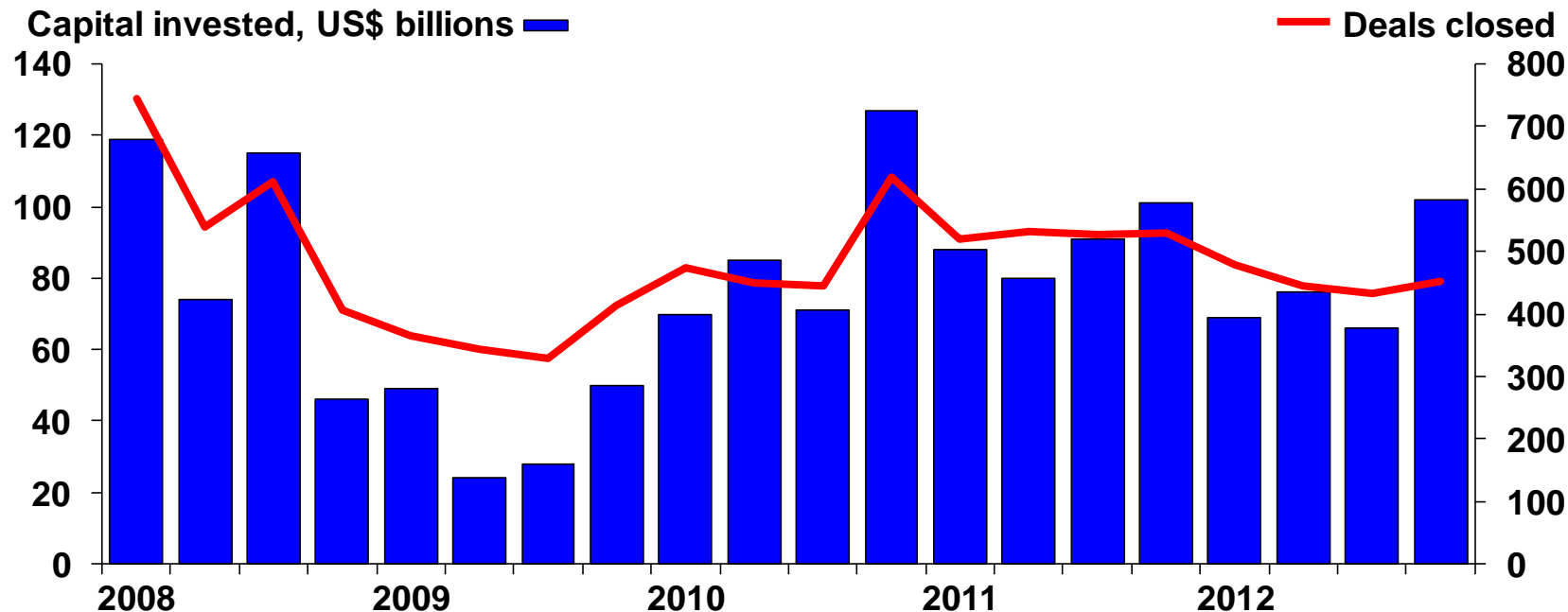
# Distressed PE and buyout strategies have outperformed the broader private equity market

Private equity fund types, performance, Dec 2000 = 100



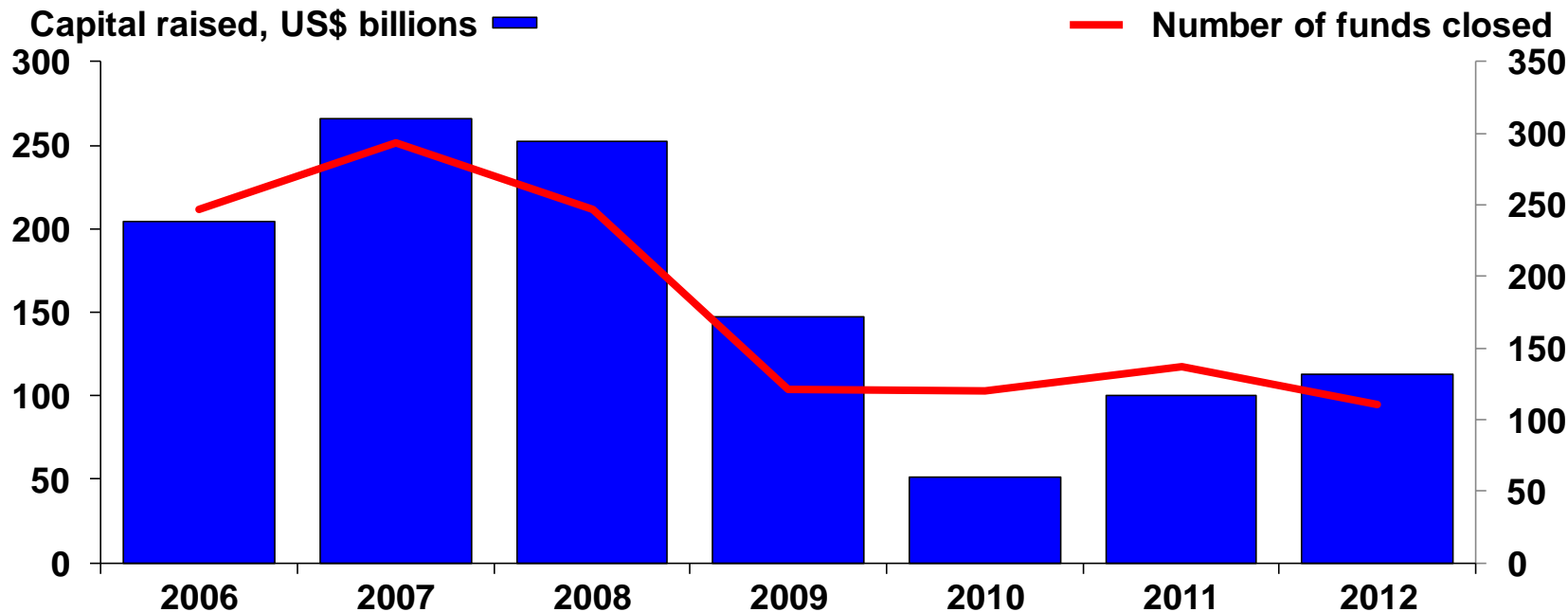
Source: Prequin; Milken Institute.

# U.S. deals declined in 2012 before a buying spree in December

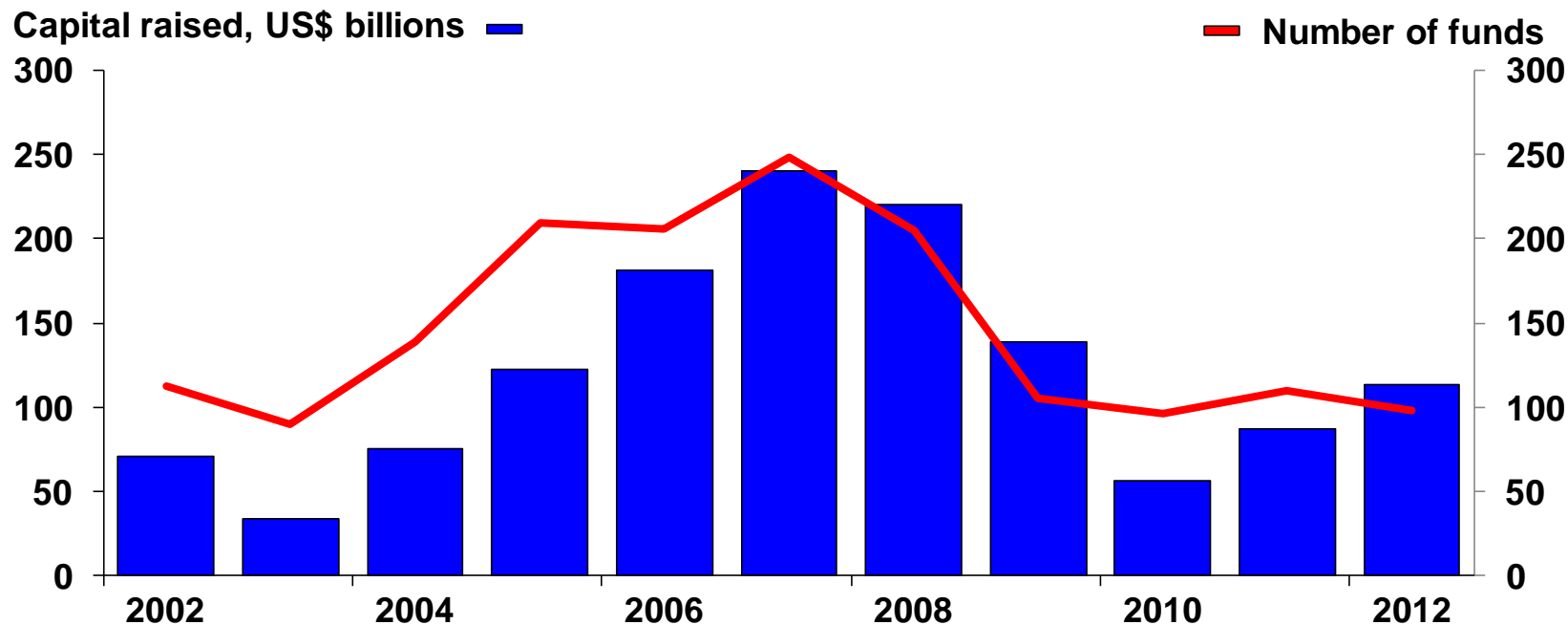


Source: Pitchbook.

# Fewer funds closed, but more capital raised



# U.S. private equity fundraising

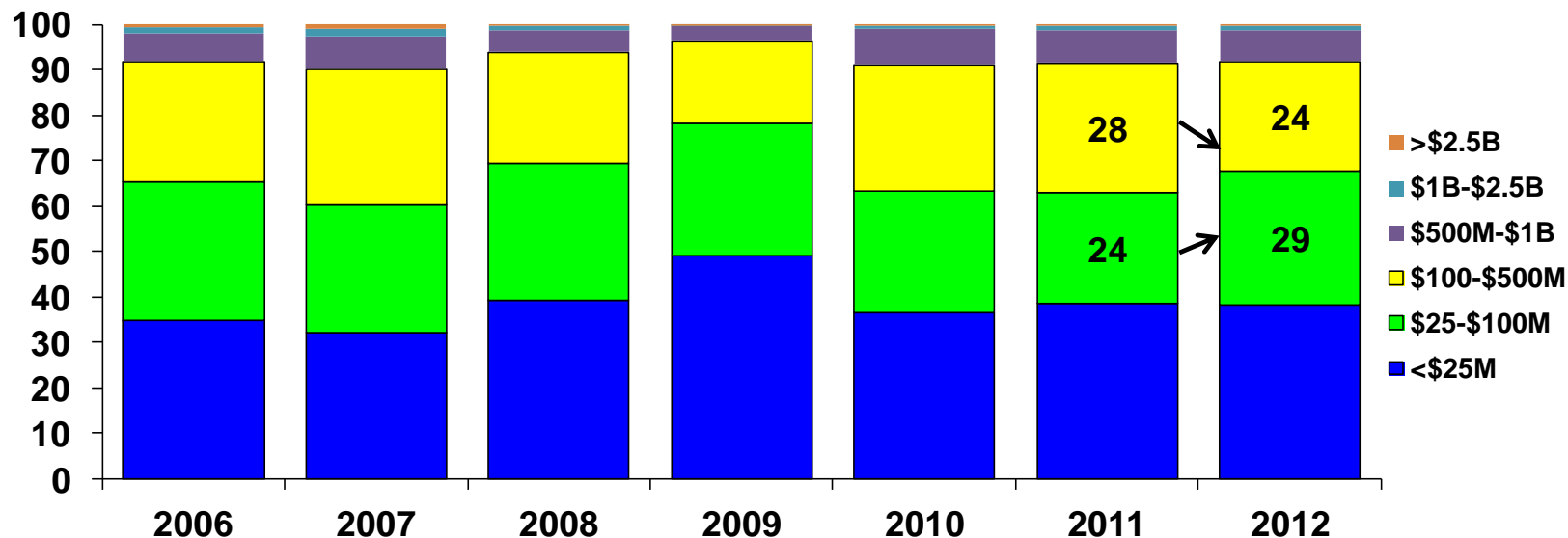


Source: Pitchbook.



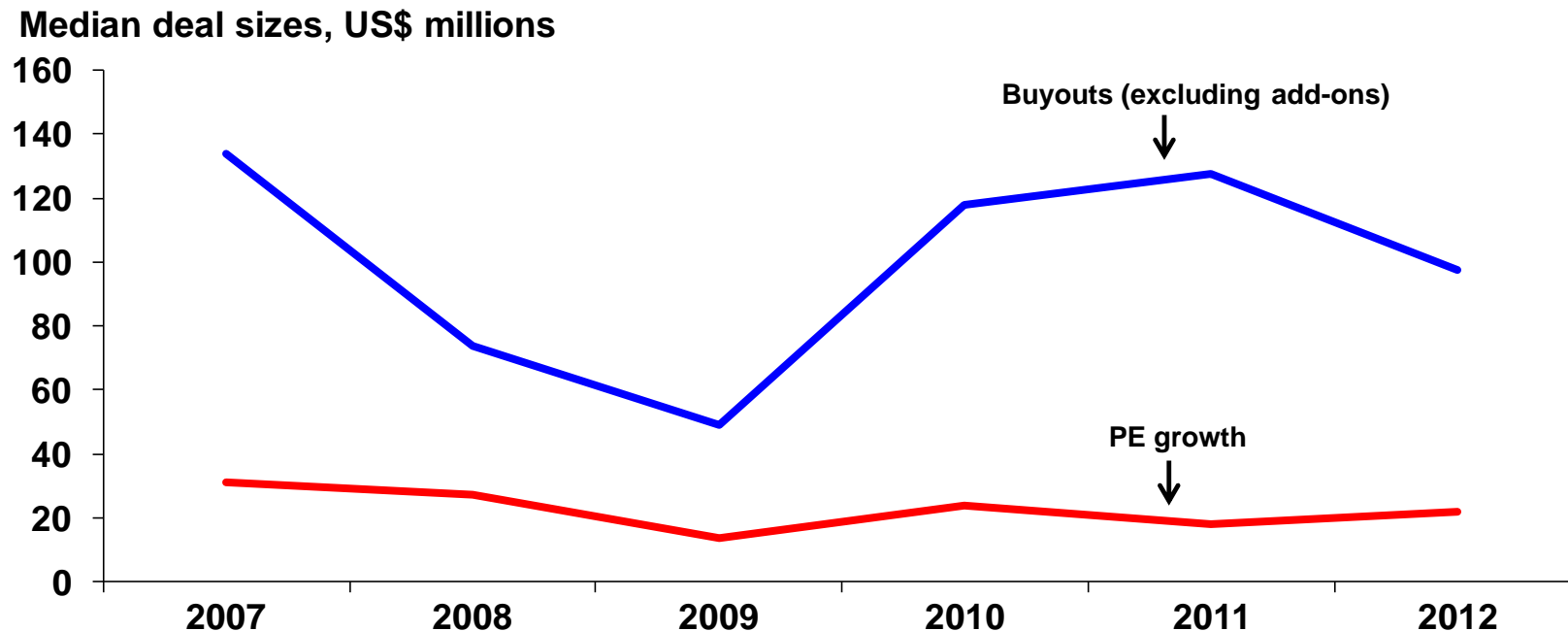
# Investors focused on smaller mid-market transactions?

Number of investments by deal size, percent of total deal count



Source: Pitchbook.

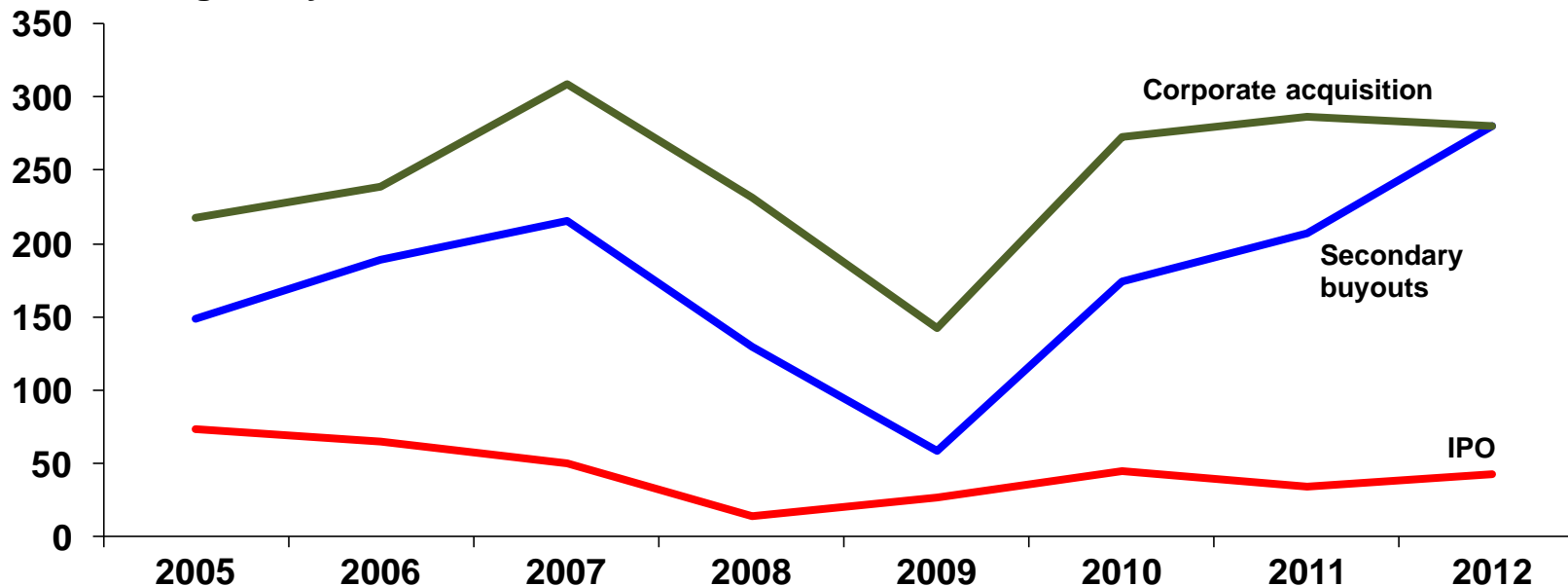
# U.S. trend in 2012 was again towards smaller transactions



Source: Pitchbook.

# Secondary buyouts surpass corporate acquisitions as an exit strategy: can the IPO market be fixed?

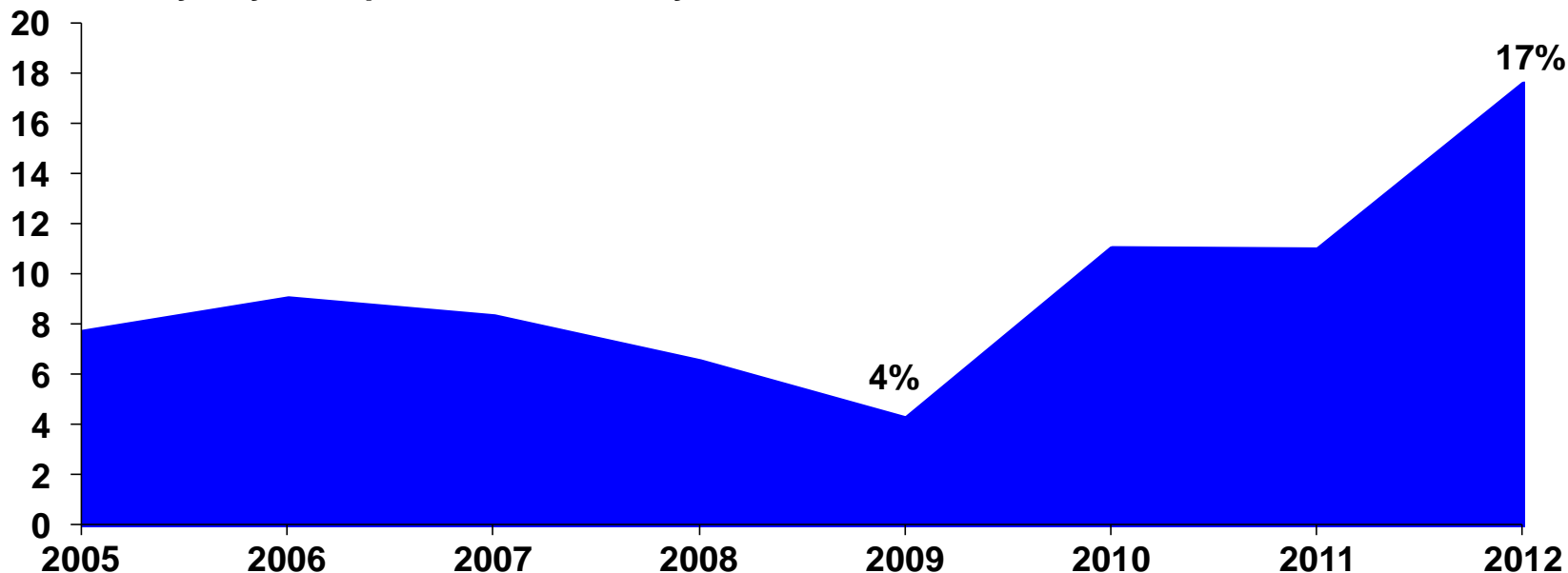
Exit strategies, by use



Source: Pitchbook.

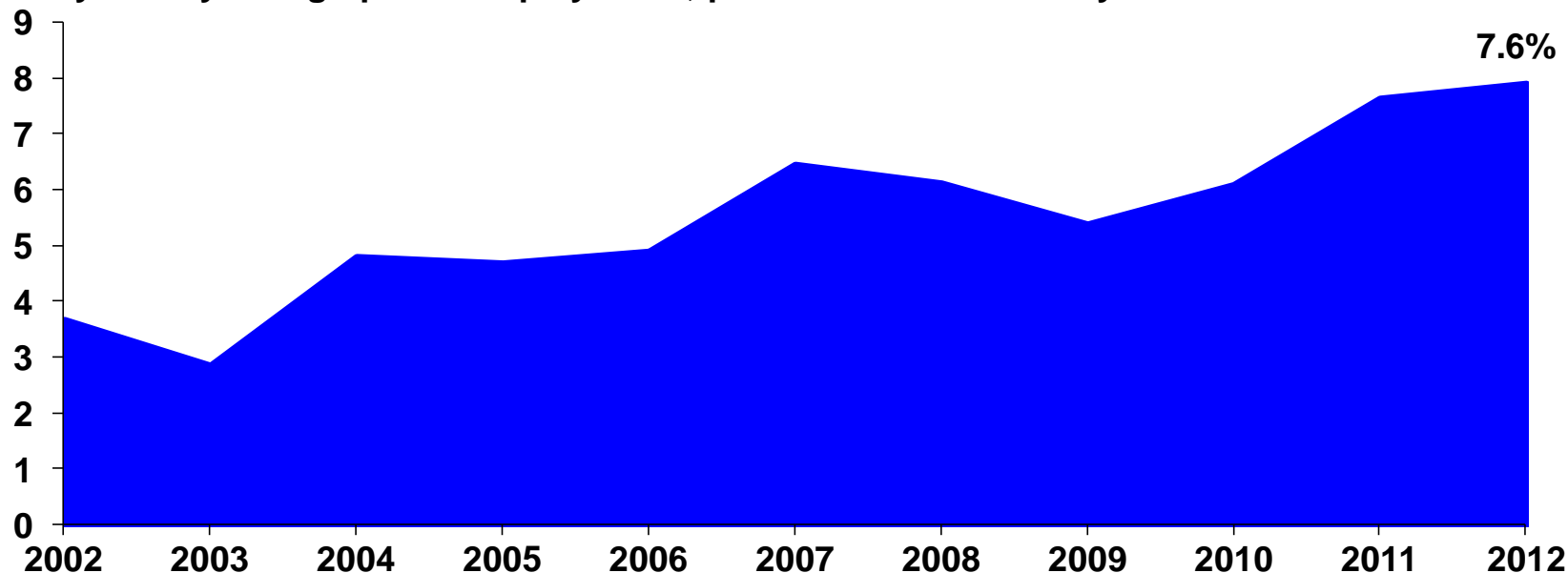
# More firms are sourcing deals from one another

Secondary buyouts, percent of total buyouts



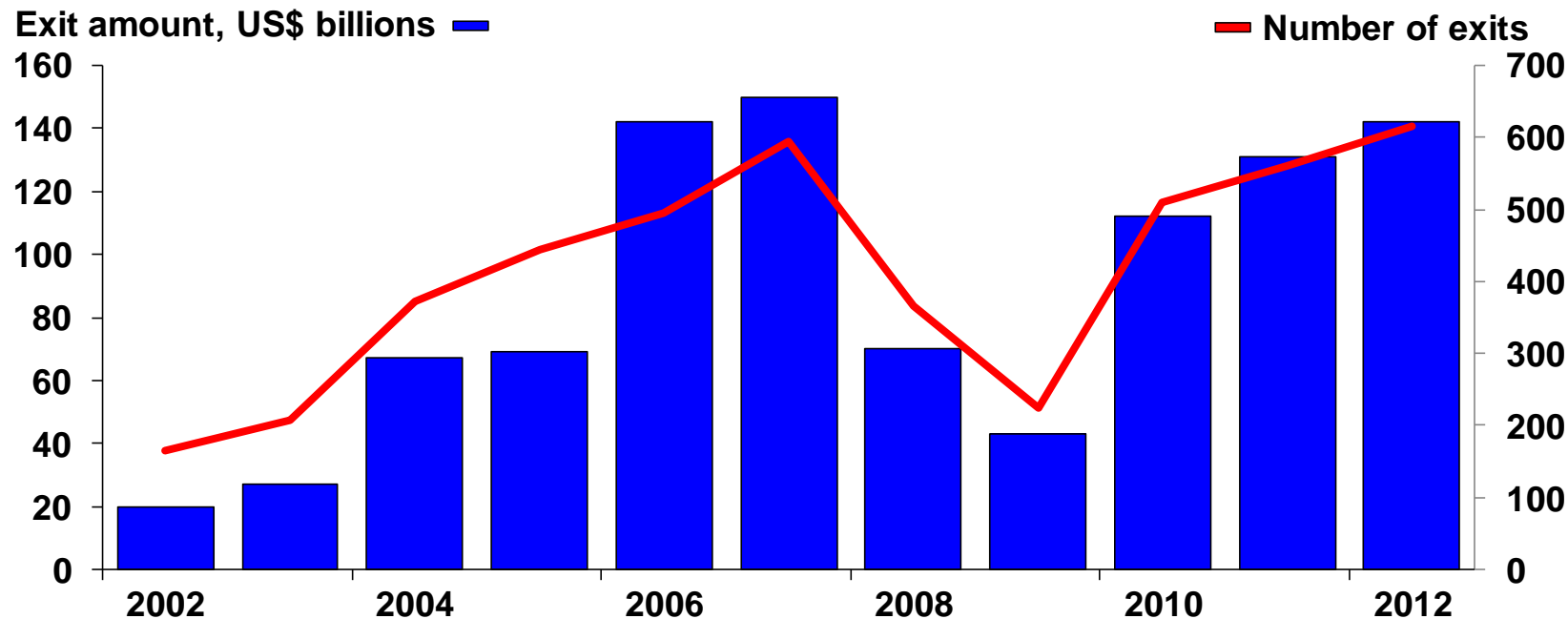
# Foreign PE firm investments in the U.S. reach a record high

Buyouts by foreign private equity firms, percent of total U.S. buyouts



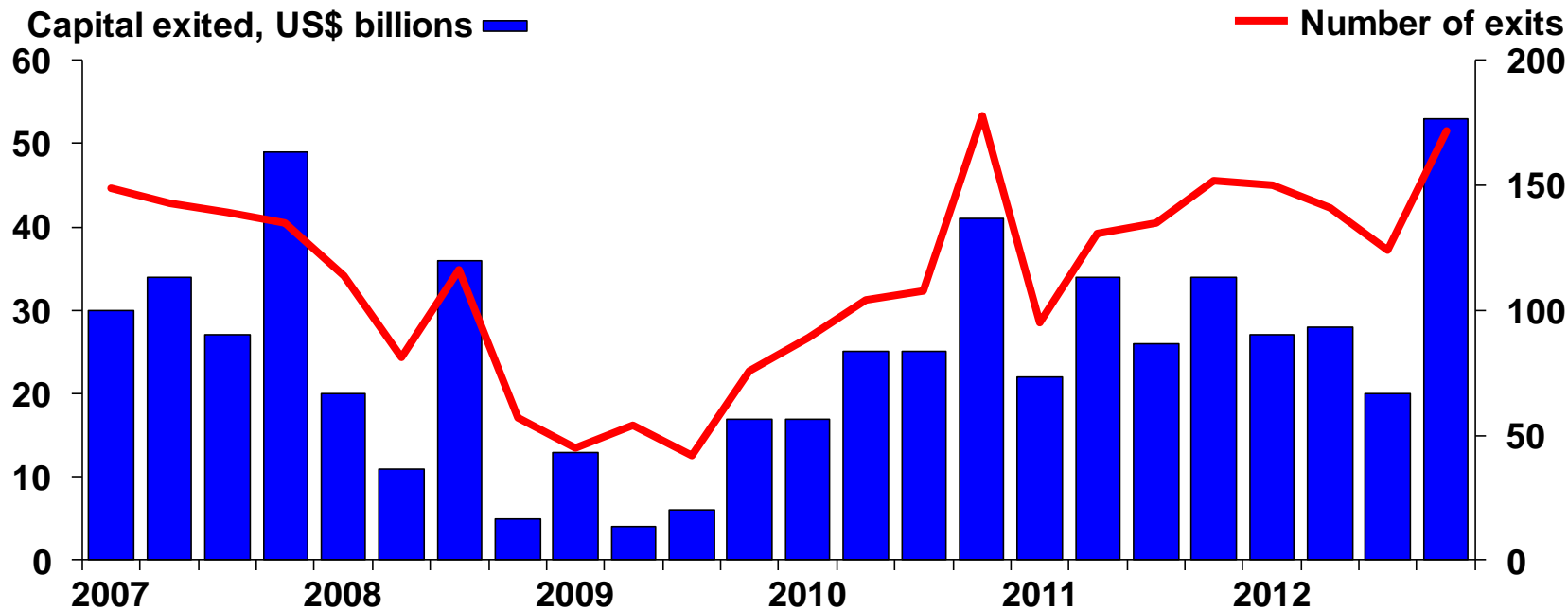
Source: Pitchbook.

# U.S. private equity exits



Source: Pitchbook.

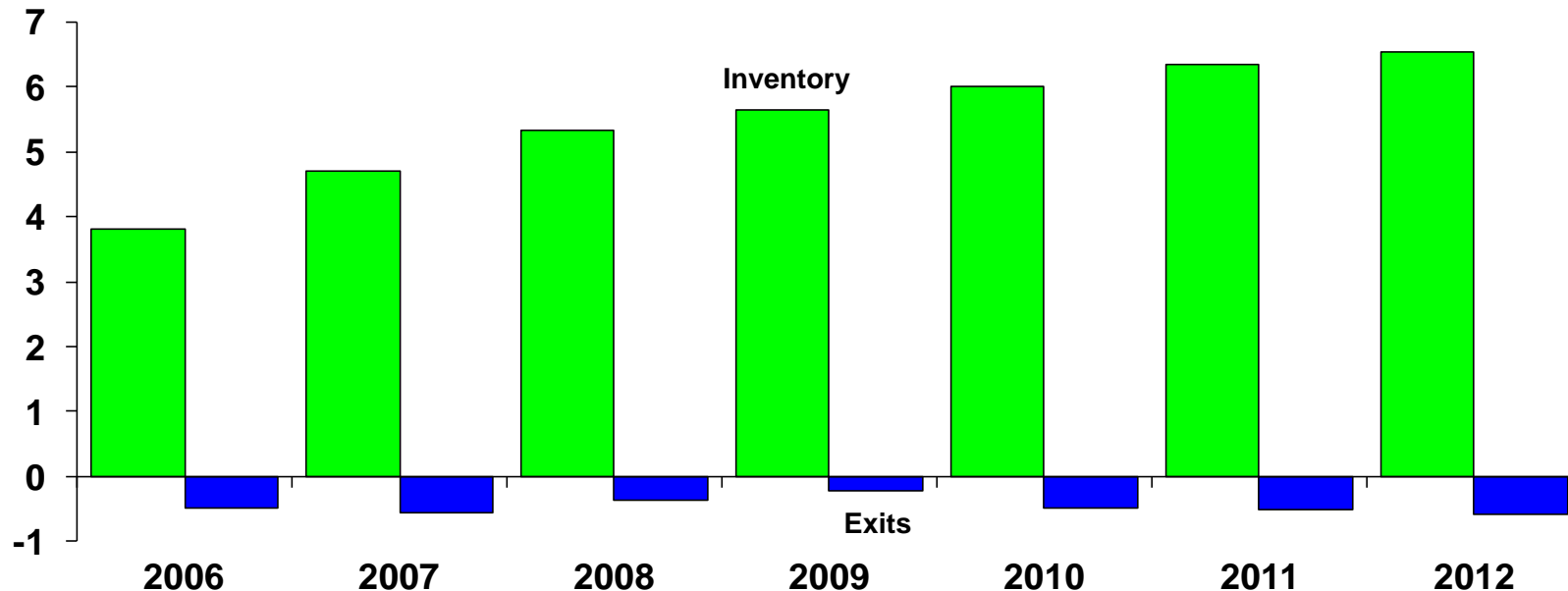
# U.S. private equity exits



Source: Pitchbook.

# Deal pipeline continues to grow

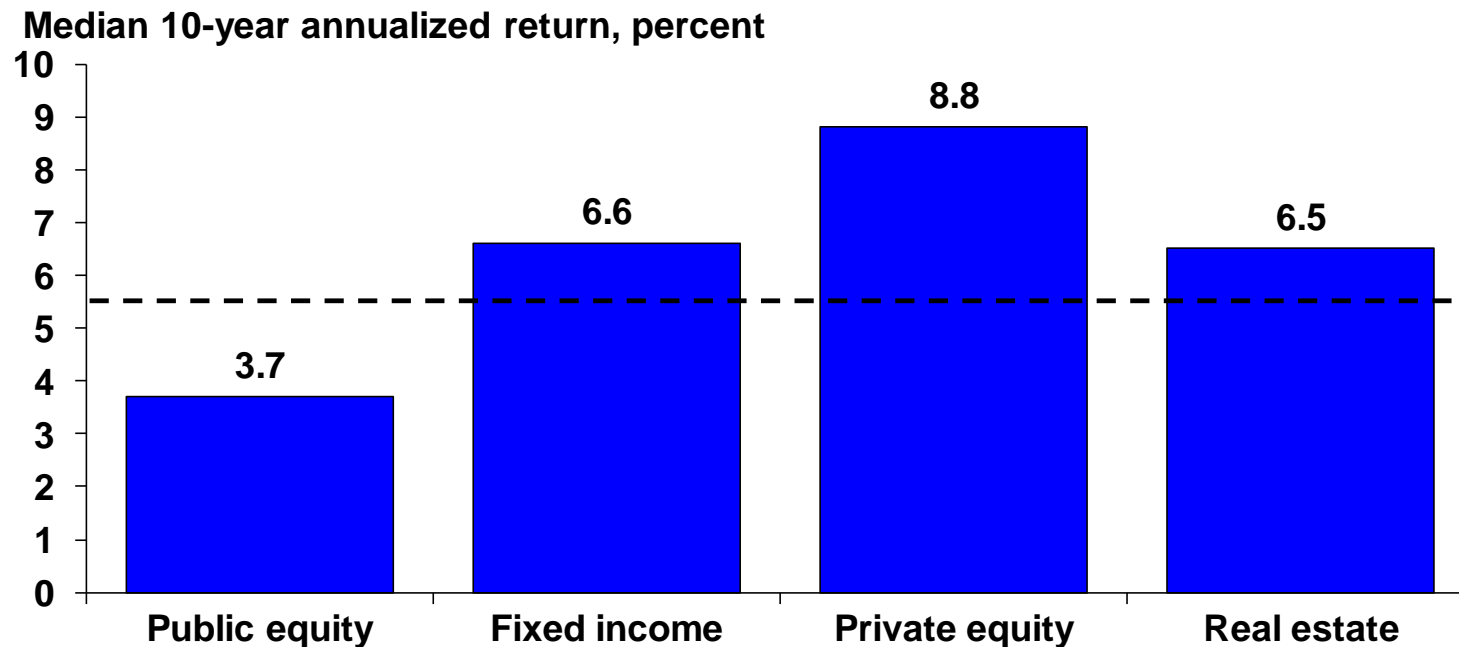
Inventory of PE-backed companies vs number of exits, thousands



Source: Pitchbook.



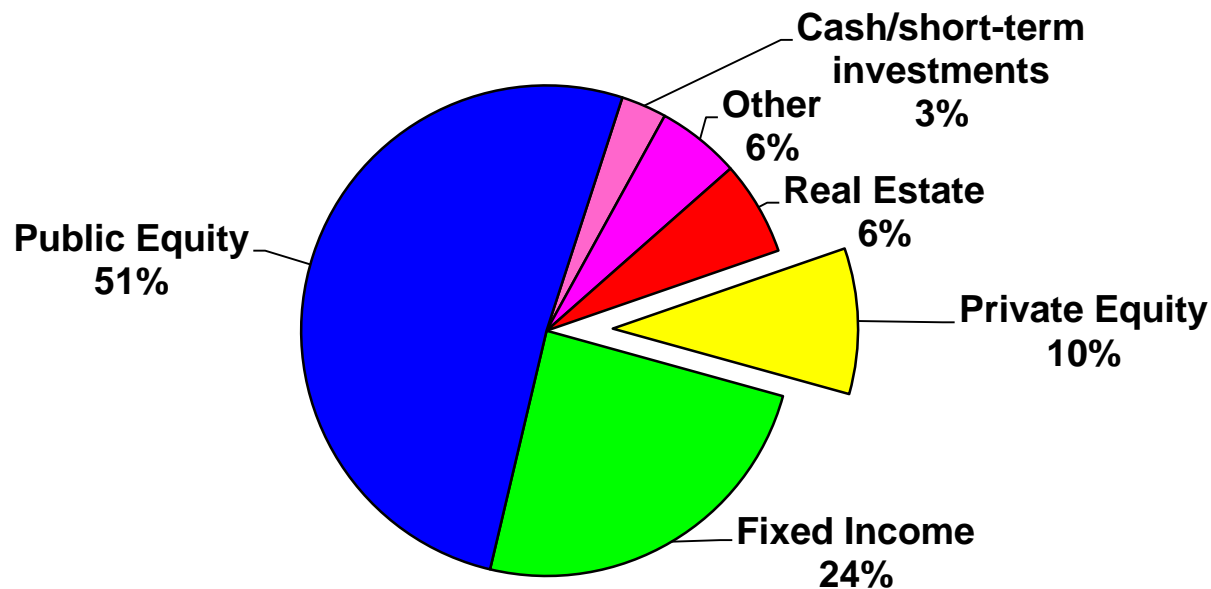
# Pension fund returns from private equity



Source: PEGCC.

# Pension fund asset allocations

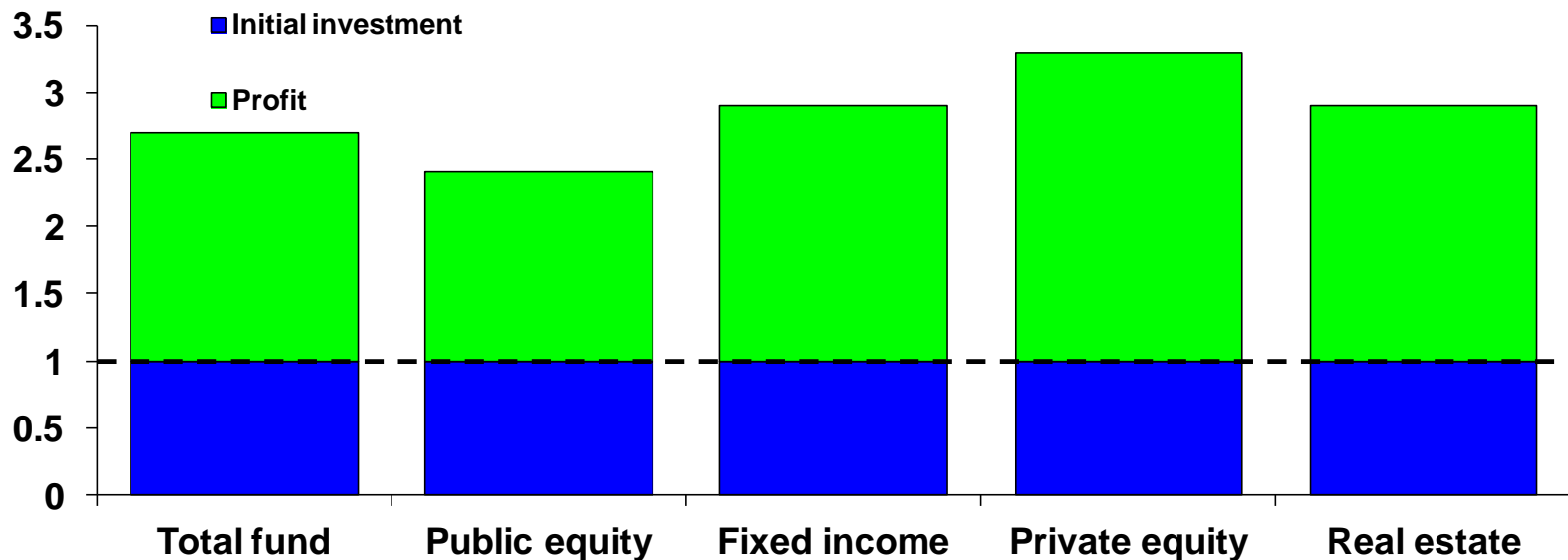
*Percent of total invested, 2010-2012*



Source: PEGCC.

# Private equity returns have been rewarding for pension funds

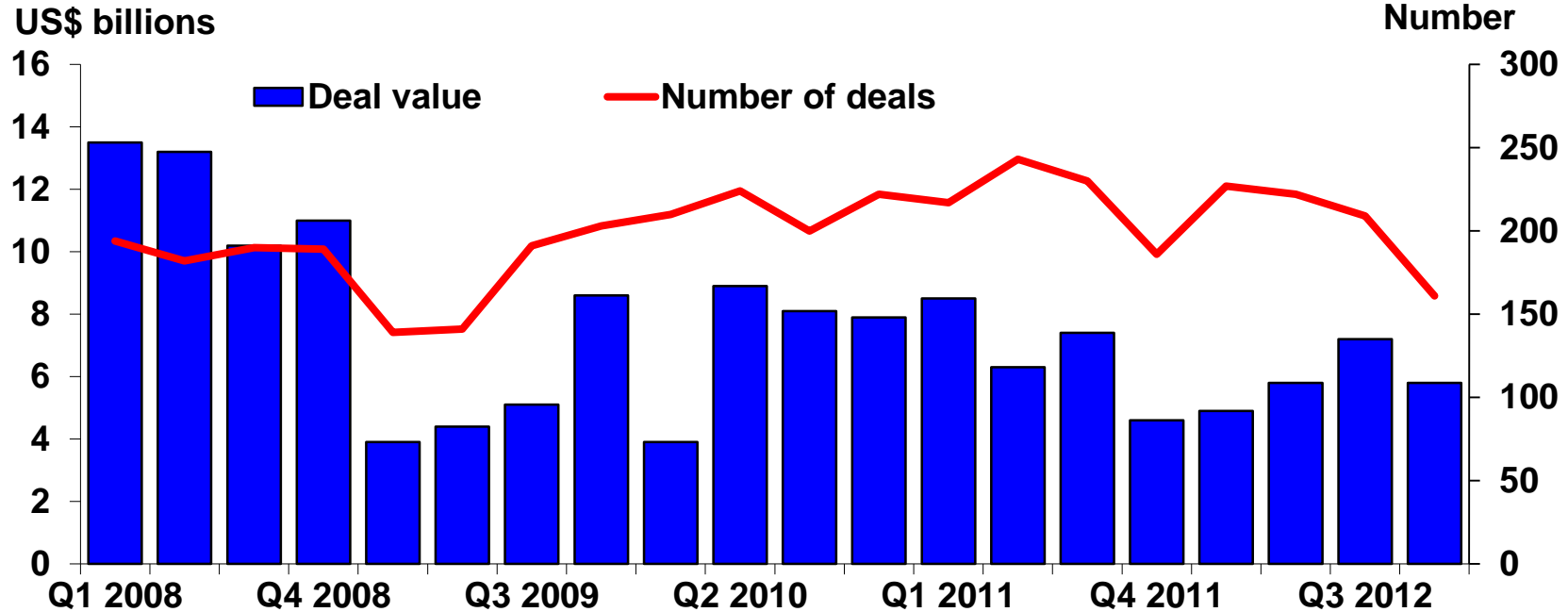
Return from \$1 investment, US\$



Source: PEGCC.

# Emerging market PE deal values still in post-crisis slump

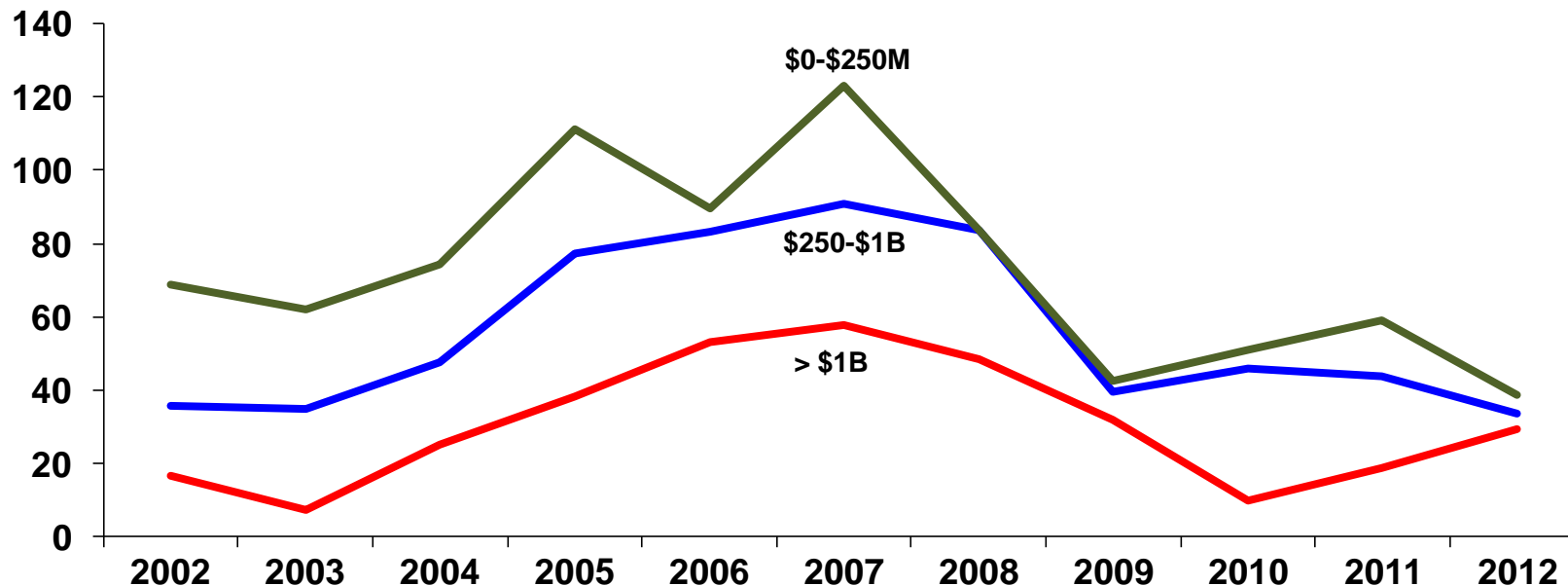
*Emerging market PE investment volume by quarter*



Source: Emerging Market Private Equity Association.

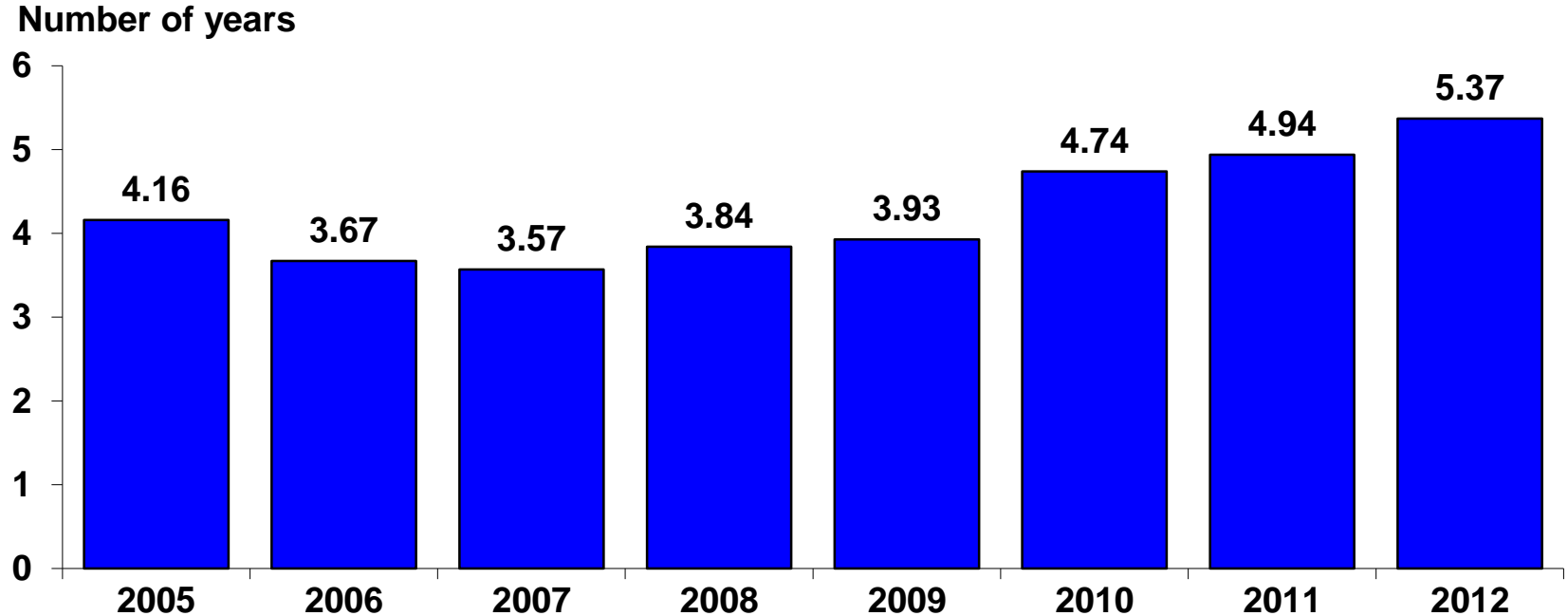
# Investors have returned to big funds

Number of funds by fund size



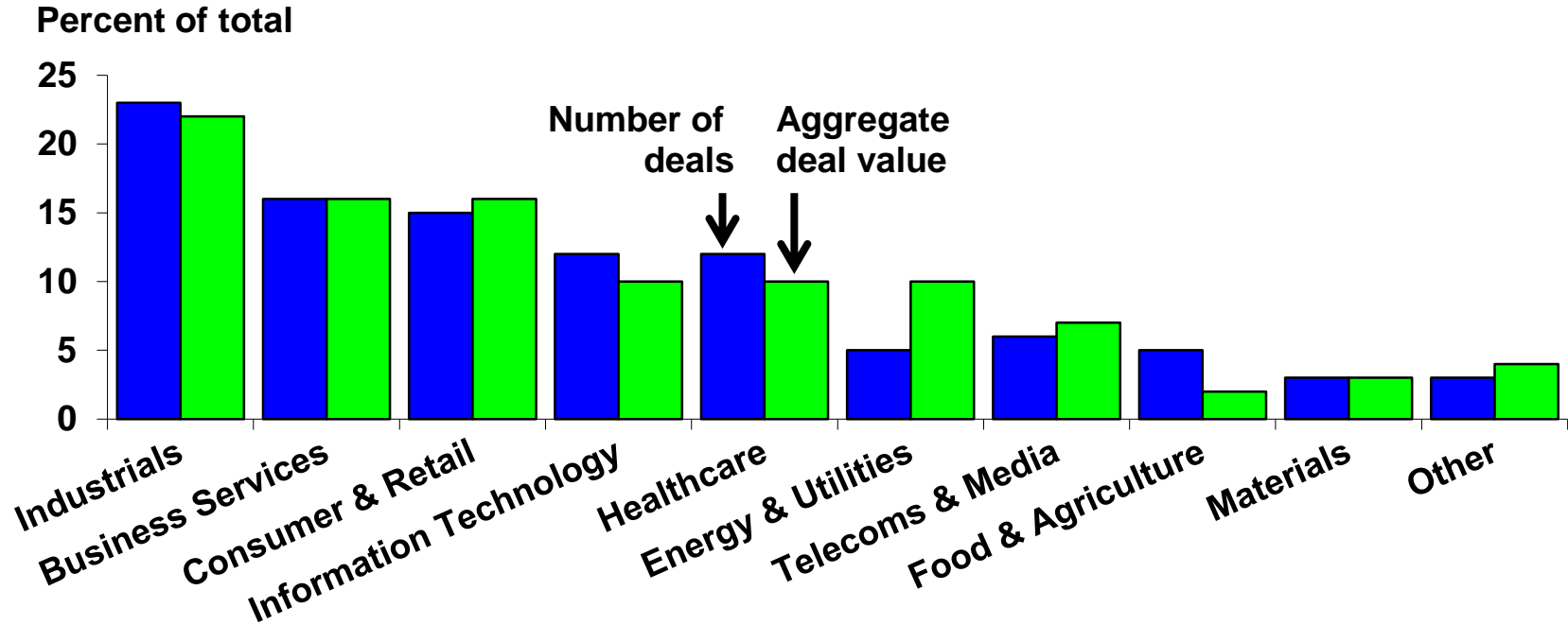
# PE investment holding time increases

*Median holding period by exit year*



Source: Pitchbook.

# PE-backed buyout deals by industry



Source: Preqin.