

BVCA Private Equity and Venture Capital Report on Performance Measurement and Investment Activity 2008

Summary Results
22 May 2009

2008 Survey Results

Introduction

Simon Havers

Chairman

BVCA



BVCA Private Equity and Venture Capital Report on Investment Activity 2008

Summary Results

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2008 Survey Results

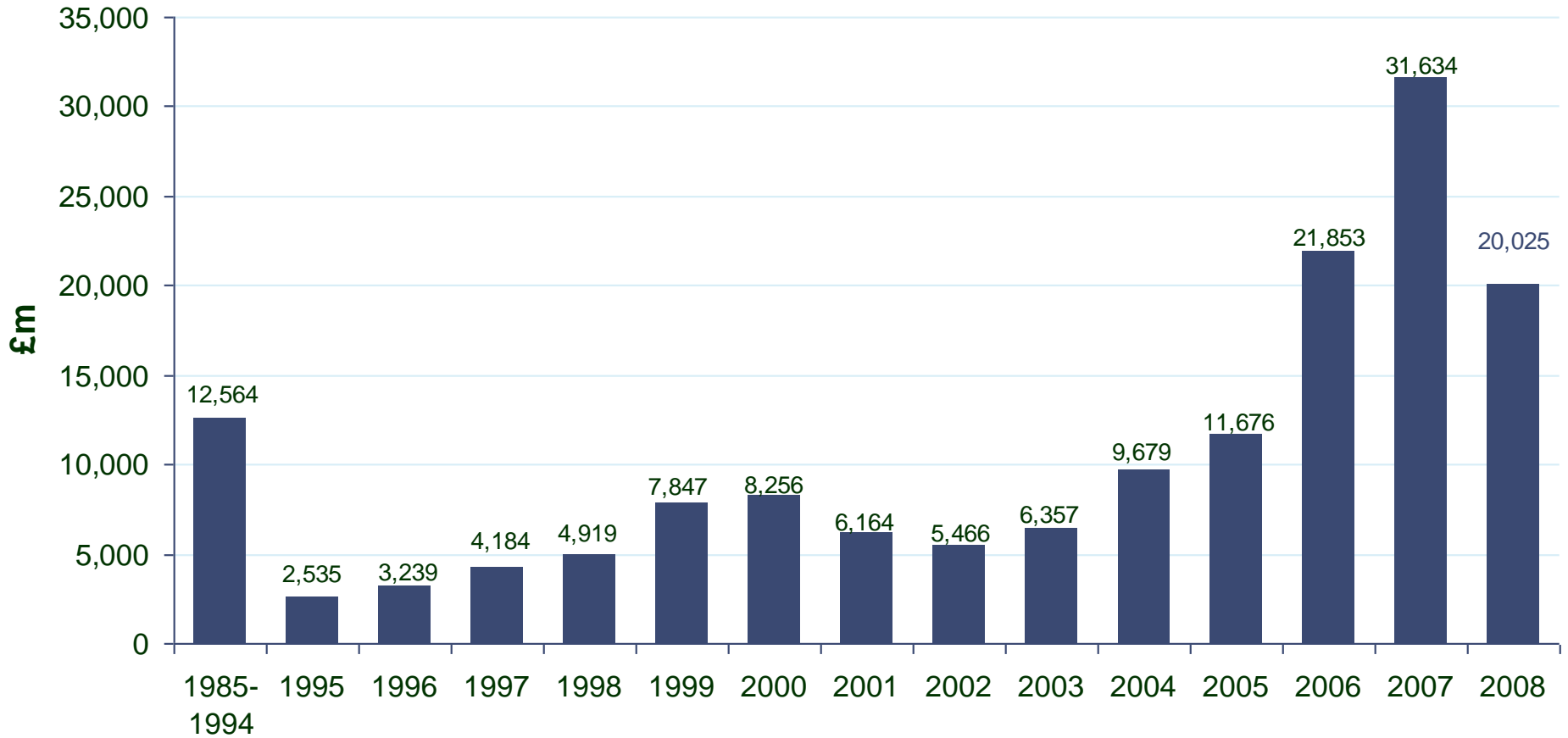
2008 Investment Activity Survey Results

Ashley Coups

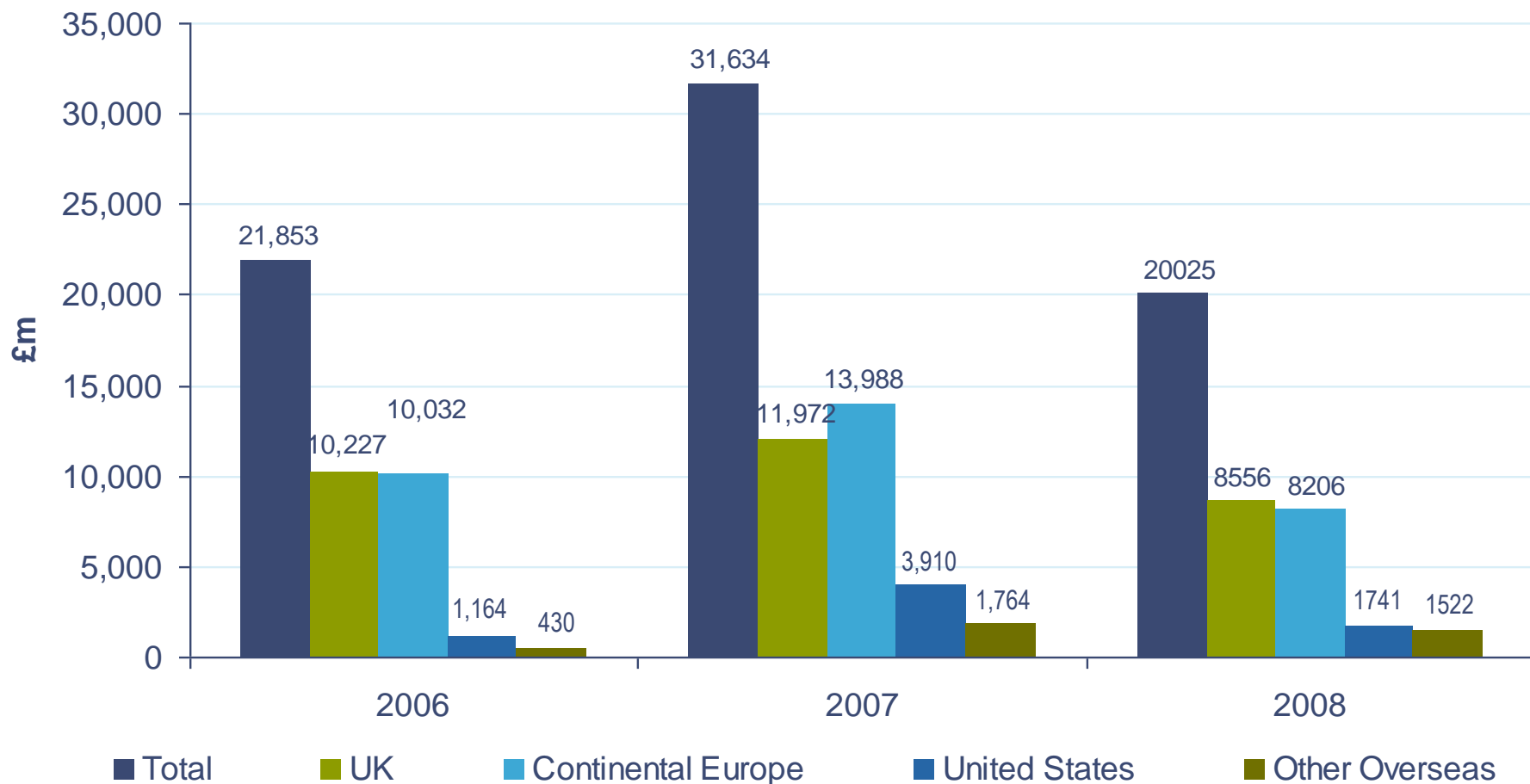
Private Equity Assurance Leader

PricewaterhouseCoopers LLP

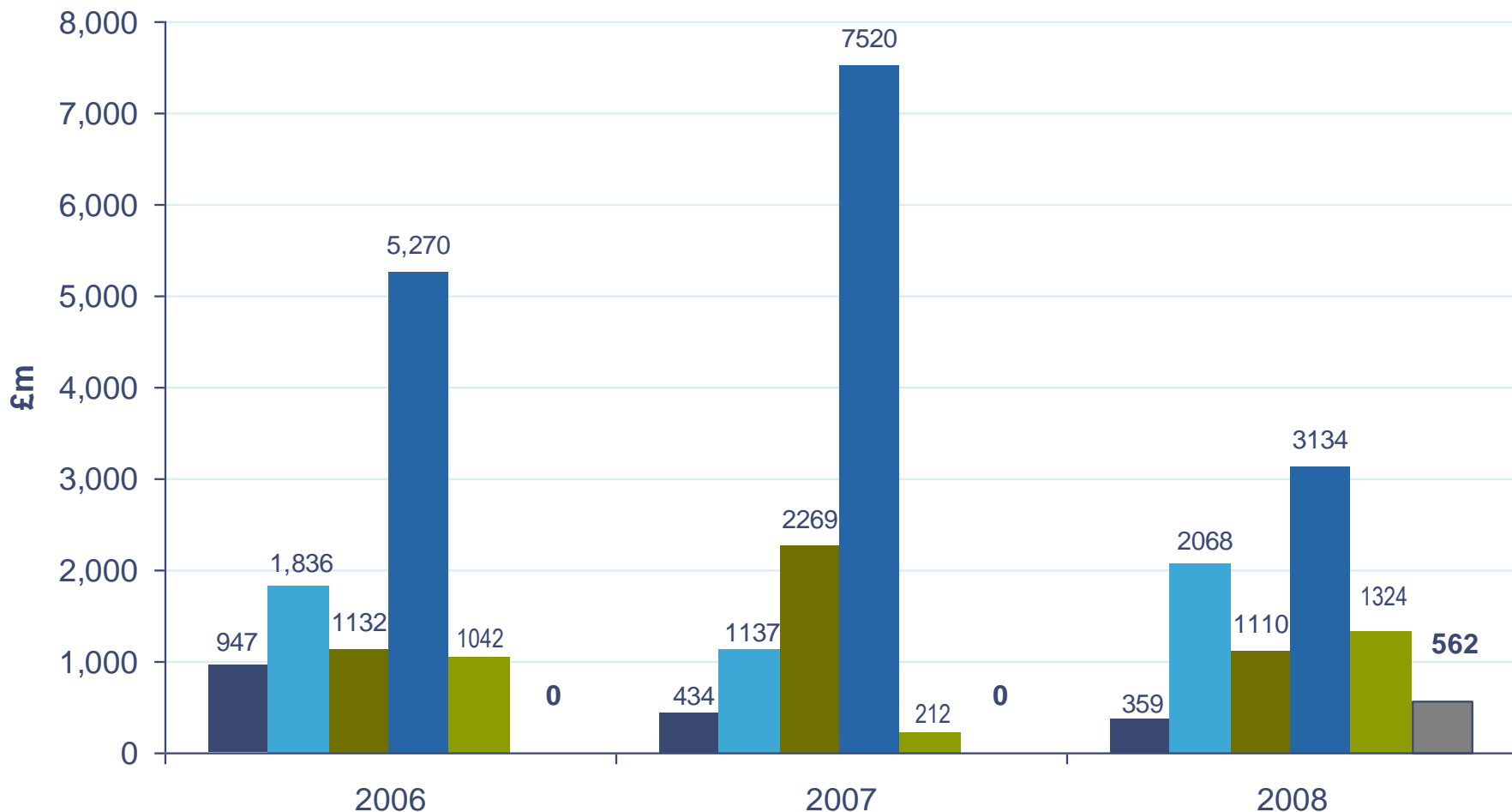
Worldwide Investment – total value



Worldwide Investment by Geography



UK Investment by Stage

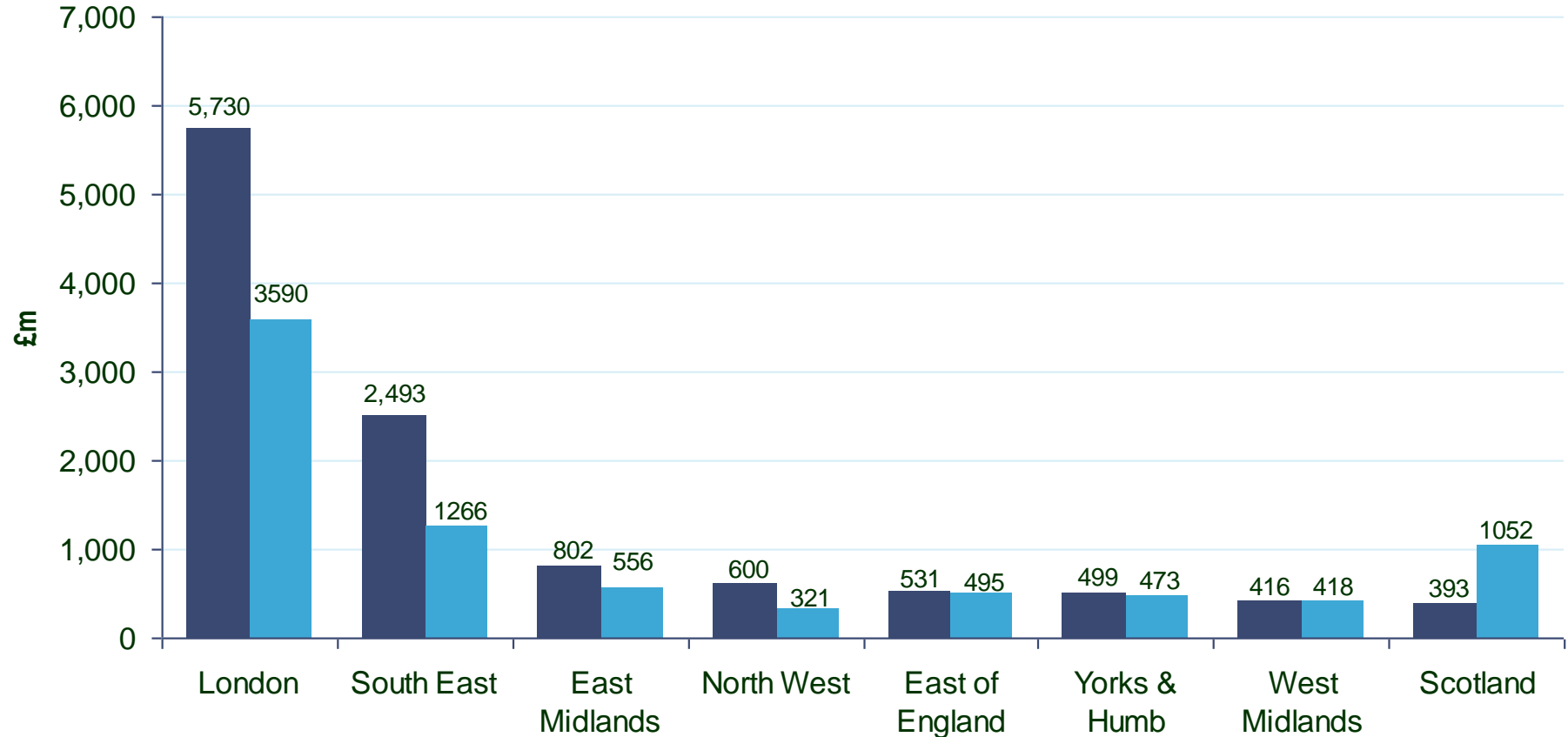


■ Total Early Stage
■ Total MBO/MBI

■ Total Expansion
■ Other Late Stage

■ Total Replacement Capital
■ Other

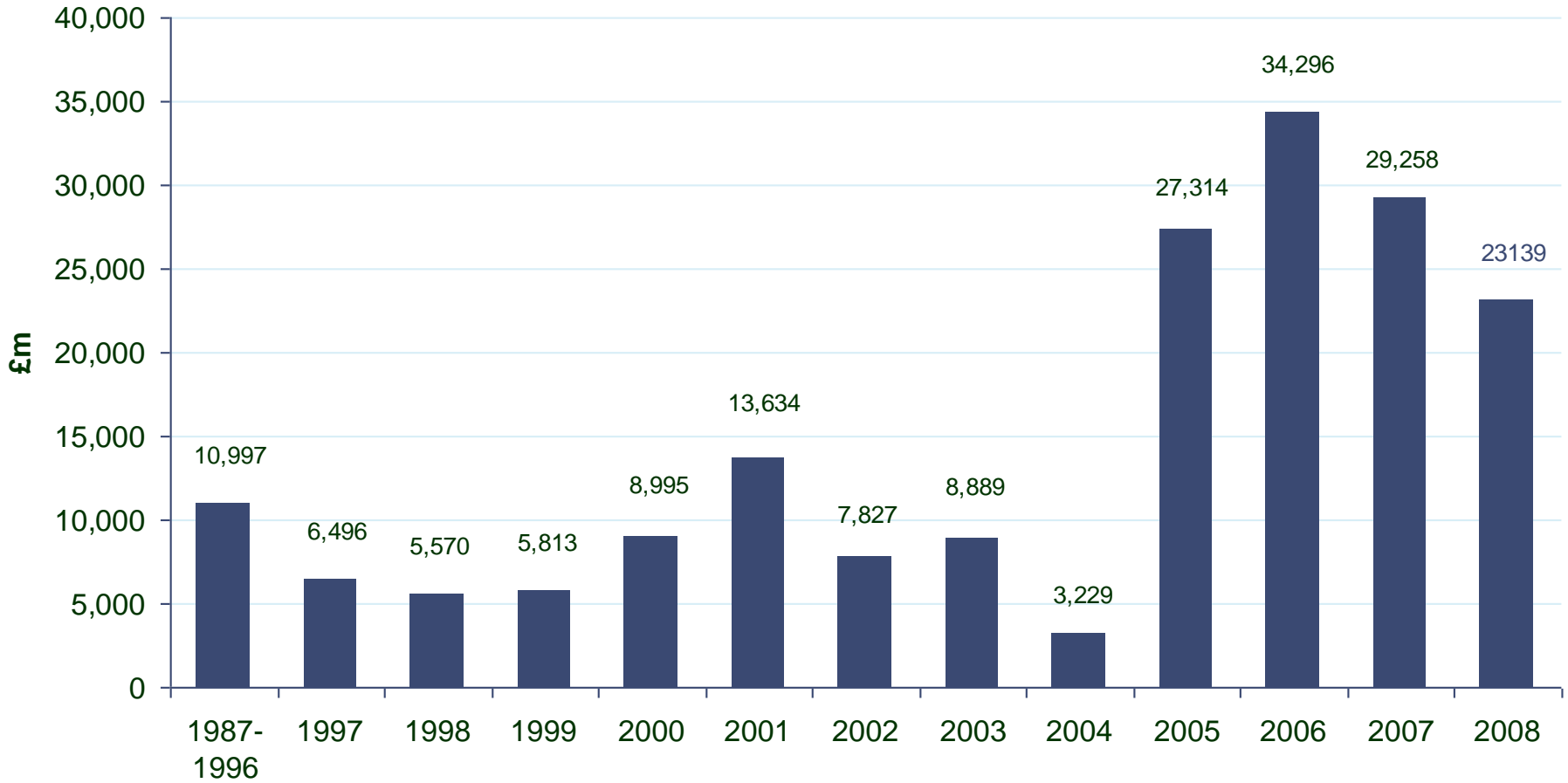
UK Investment by Region



Investment in UK Technology companies

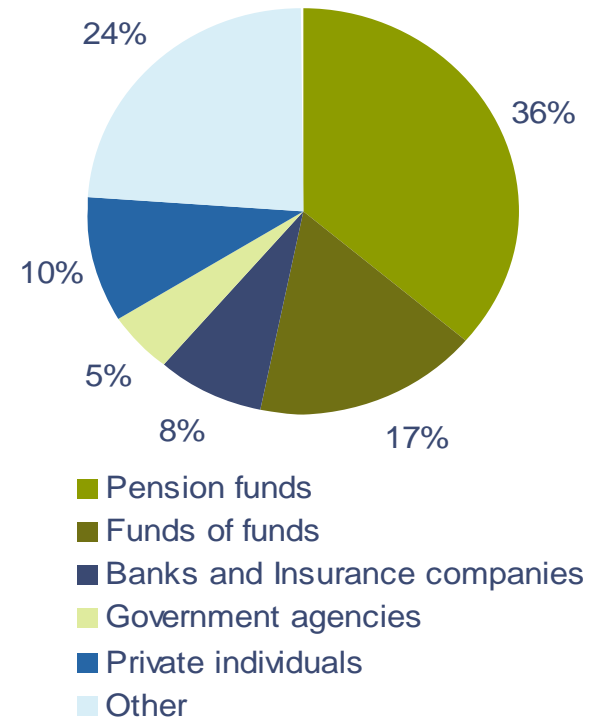
- £596m invested in technology-related businesses (2007: £835m)
- Of this, three areas received the most amounts
 - Communications – £81m (2007: £203m)
 - Computer software – £292m (2007: £213m)
 - Medical / Pharma – £73m (2007: £71m)
- Of the total amount invested
 - Early stage – 43% (2007: 26%)
 - Expansion – 31% (2007: 52%)
 - MBO/I – 3% (2007: 22%)

Funds Raised by BVCA Member Firms



Funds raised 2008 - Sources

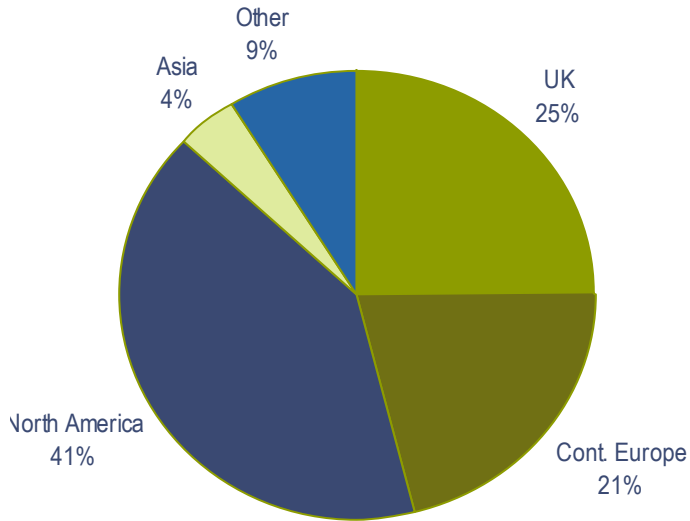
- Pension funds – 36% (23%)
 - 30% overseas
- Funds of funds – 17% (21%)
 - 12% overseas
- Banks and Insurance companies – 8% (27%)
 - 6% overseas
- Government agencies – 5% (10%)
 - 3% overseas
- Private individuals – 10% (8%)
 - 4% overseas



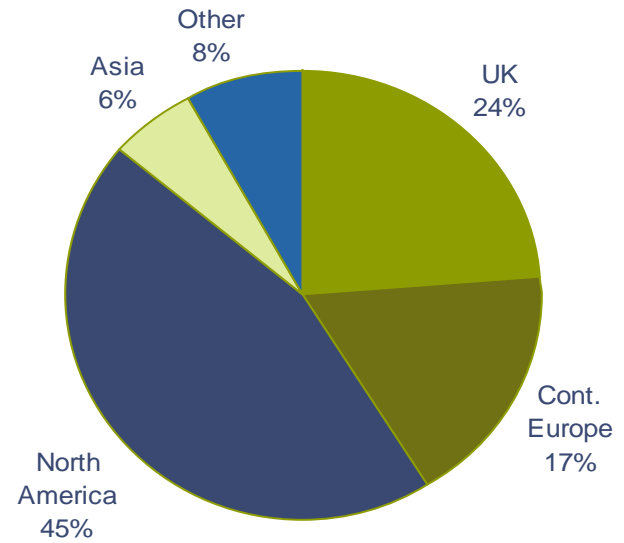
Total from overseas sources – 76% of funds raised (75%)

Funds raised – by geography

2007



2008



Fund raised 2008 - expected allocation

- 90% are expected to be allocated to MBO/MBI deals (90% in 2007).

MBO/I deal size	% of expected fund allocation	
	2007	2008
Up to £10m	2%	0%
£10m to £50m	6%	3%
£50m to £100m	11%	5%
Over £100m	70%	81%

- Expansion stage – 6% (2%); Early stage – 1% (3%); Other – 3% (5%)

Divestments

- Value of divestments decreased to £10.7bn (£13.6bn)
- Main forms of divestment in 2008:
 - Trade sales 31% (27%)
 - Repayment of preference shares/loans 32% (20%)
 - Write-offs 16% (7%)
 - Sales to another private equity firm 10% (28%)

Summary

- Key findings
- Most comprehensive country-specific survey in the world
- Thank you for member support

BVCA Private Equity and Venture Capital Report on Performance Measurement 2008

Summary Results 22 May 2009

2008 Survey Results

2008 Performance Measurement Survey Results

Mark Drugan

Director

Capital Dynamics

History

- Performance Survey now in its 15th year
- 1994 & 1995 Bannock Consulting
 - 'Since Inception' returns only
- 1996 - 1999 WM Company
 - Introduction of 1, 3, 5, and 10 year returns
- 2000 onwards PricewaterhouseCoopers
- Capital Dynamics involved since the 1994 Pilot Study

What is included?

Includes

- ‘Independent’ UK based private equity funds
- Third party funds raised by ‘Captives’

Excludes

- Excludes ‘Captives’ balance sheet investments
- VCTs and PEITs

The most complete country-specific survey in the world

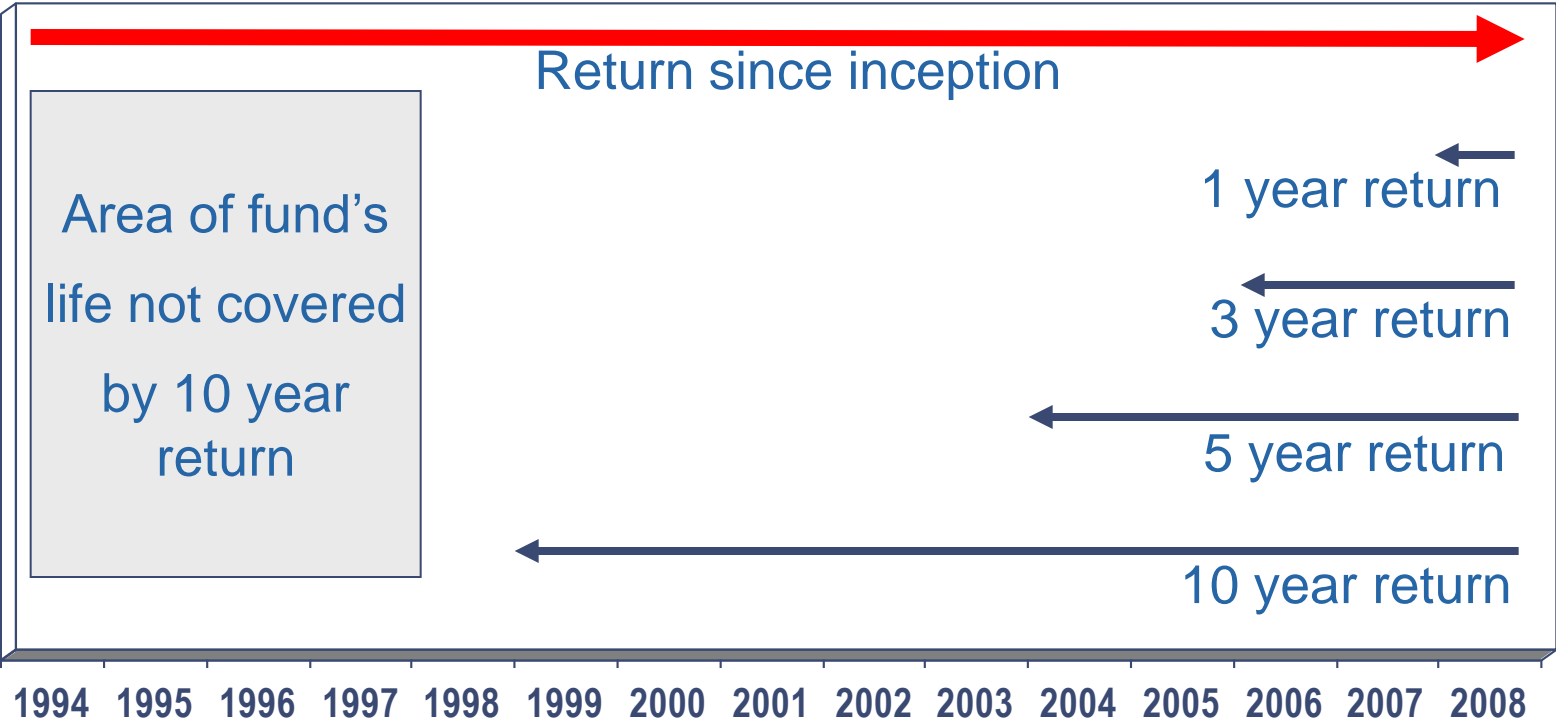
Methodology

- Sterling based IRR – time and money-weighted return, net of costs and fees
- Fund multiple – total, distributed and residual value as a percentage of paid-in capital
- Cash flows on a daily basis and valuations of funds annually
- Principal comparators, supplied by The WM Company (WM), are gross, time-weighted returns

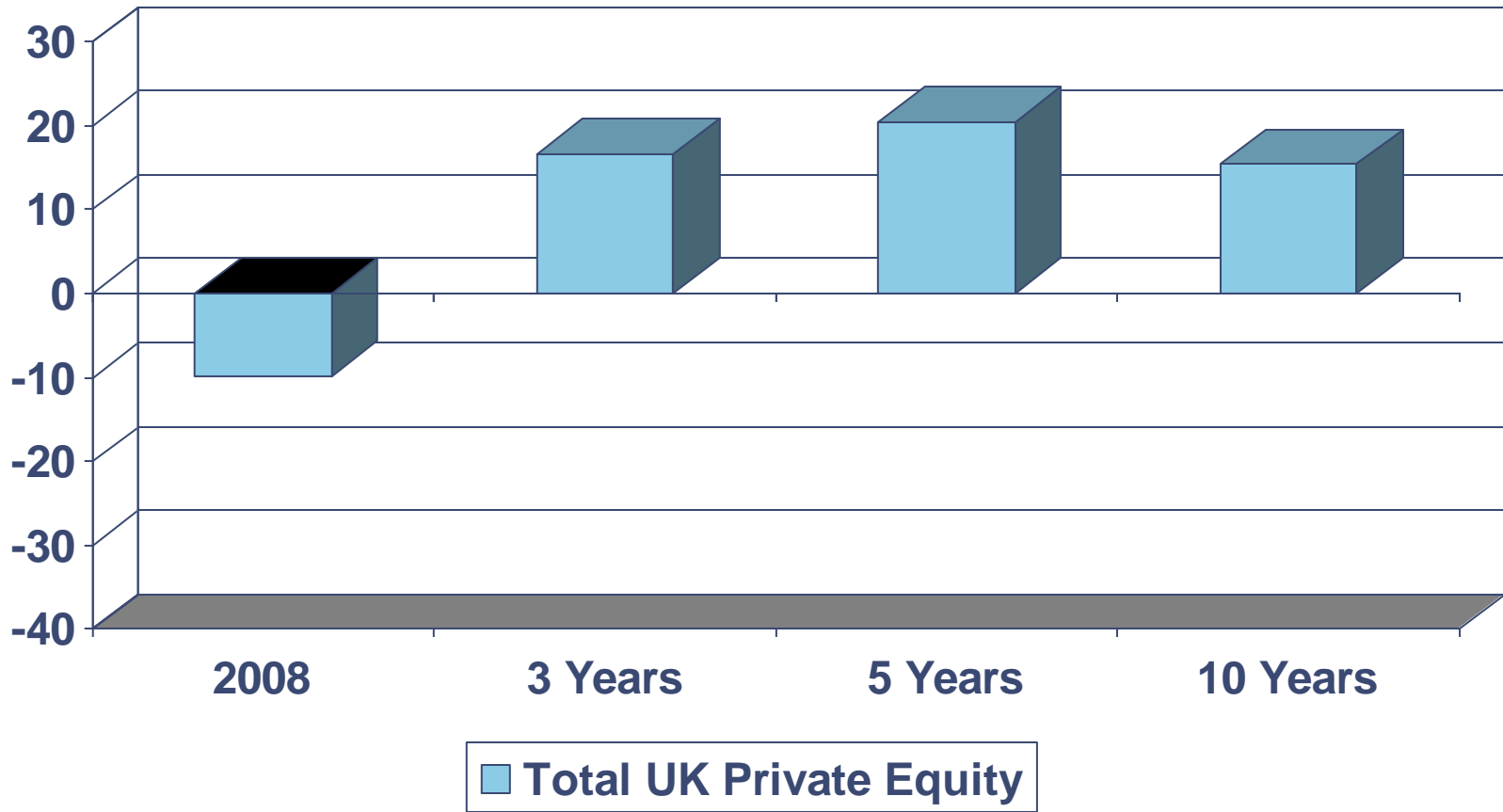
Long-Term Message

- IRR since inception – the most common measurement of private equity returns
- Fund multiple is a further important measure
- One year figure is very volatile – at best, indicates only if the year was good or bad
- If since inception not appropriate, use longer-term (i.e. 10-year) data

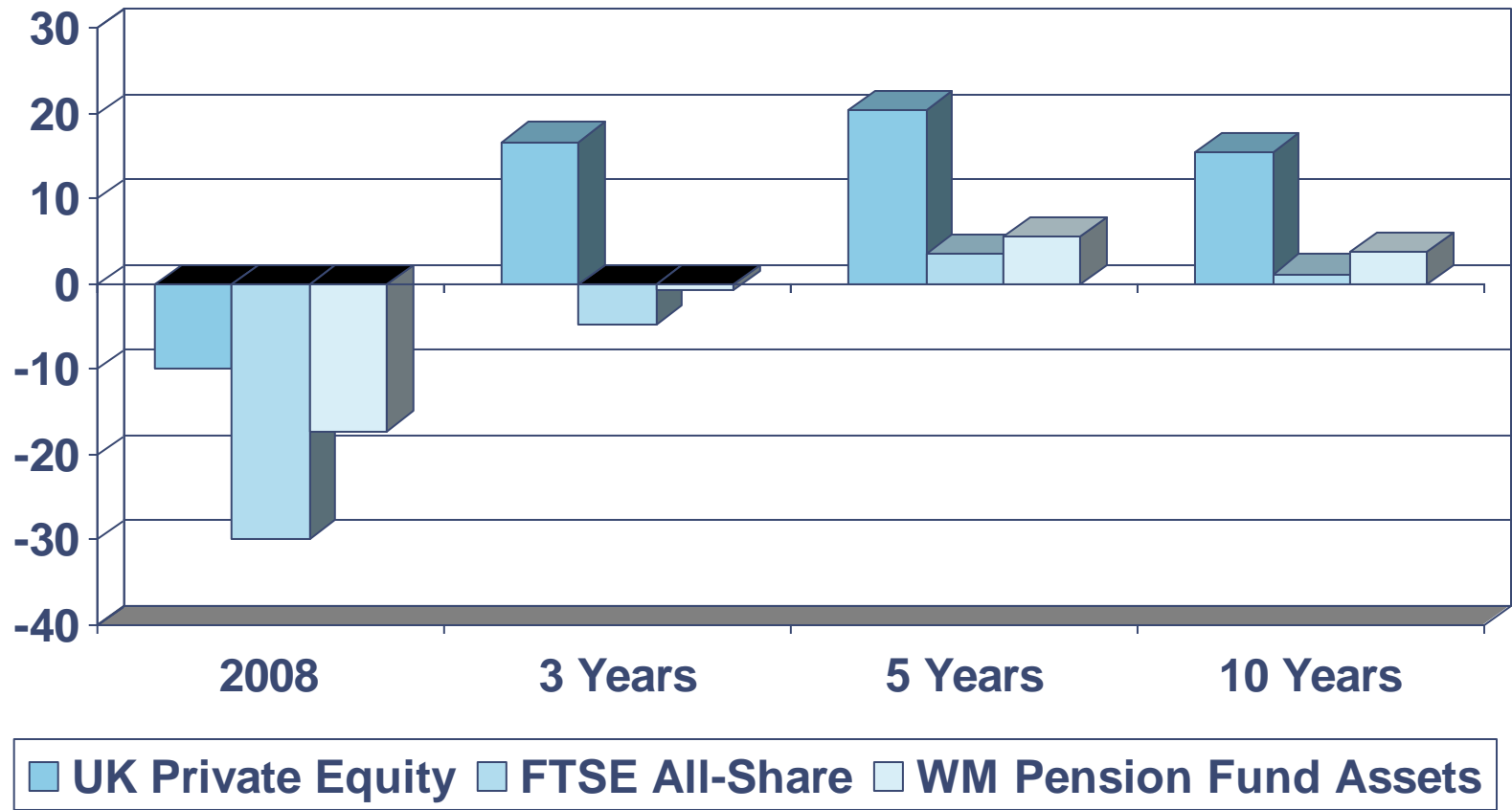
Return Measurement Periods for a 1994 Vintage Fund



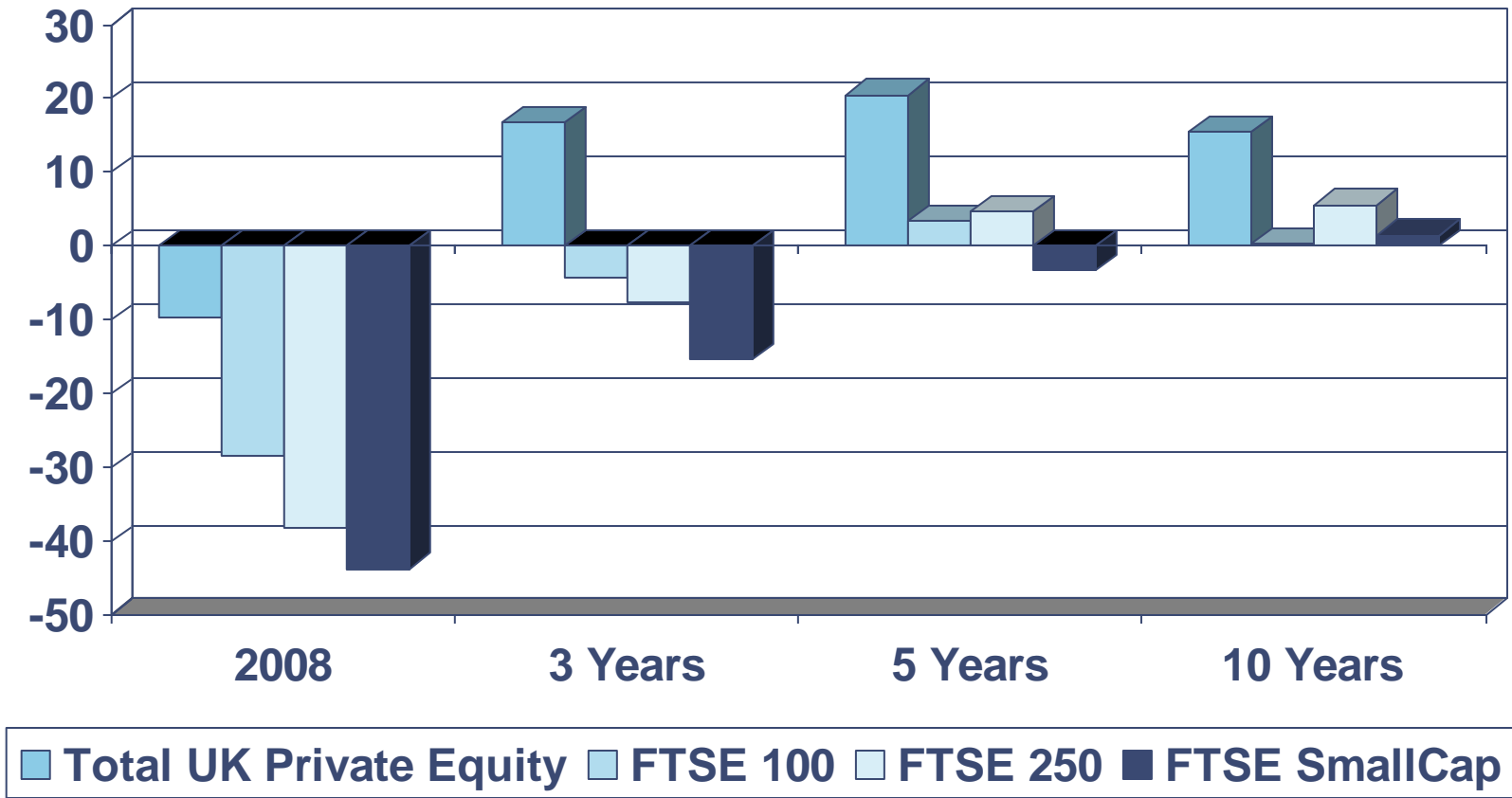
UK Private Equity - Time Periods to December 2008



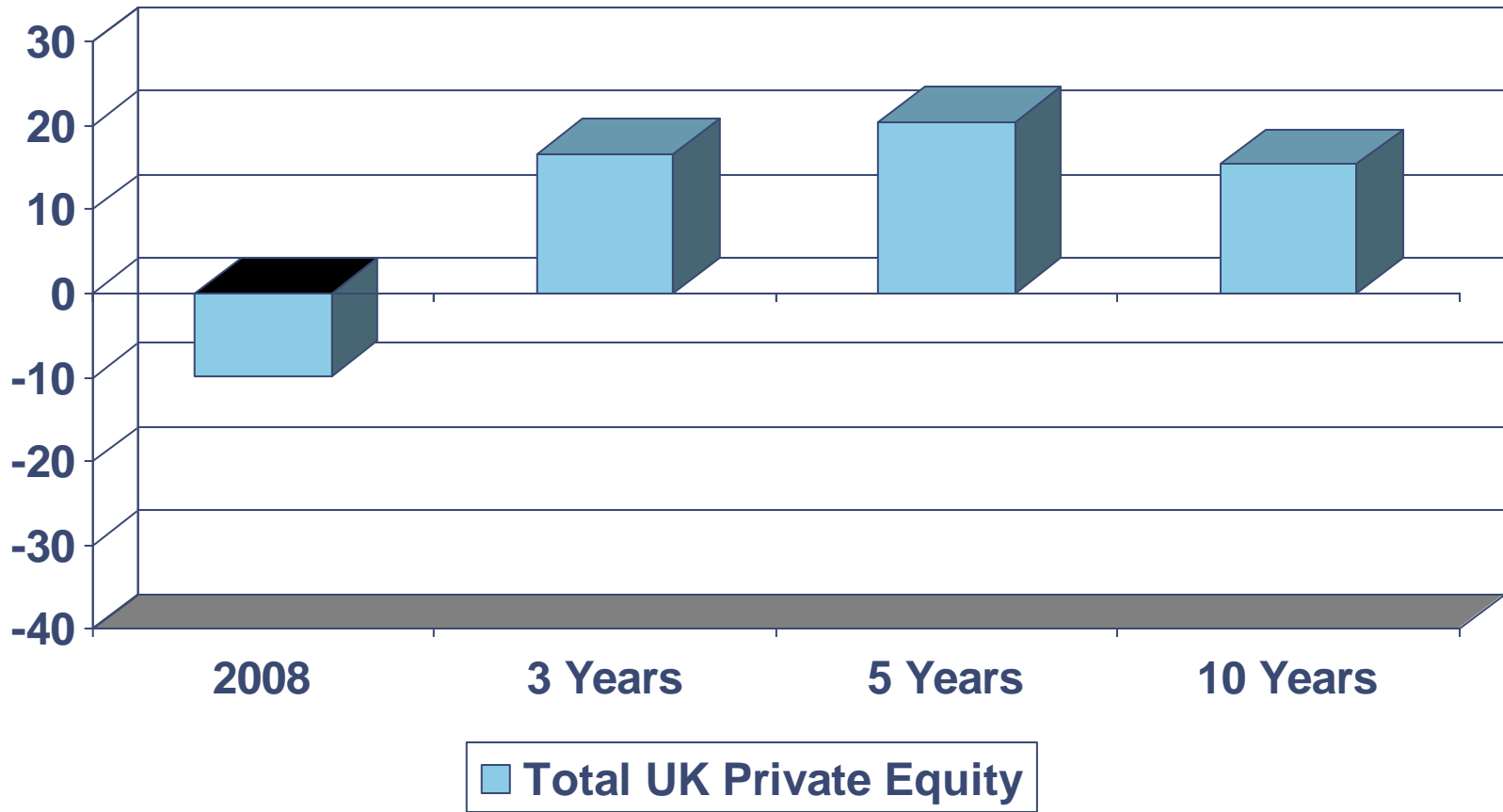
UK Private Equity v Principal Comparators



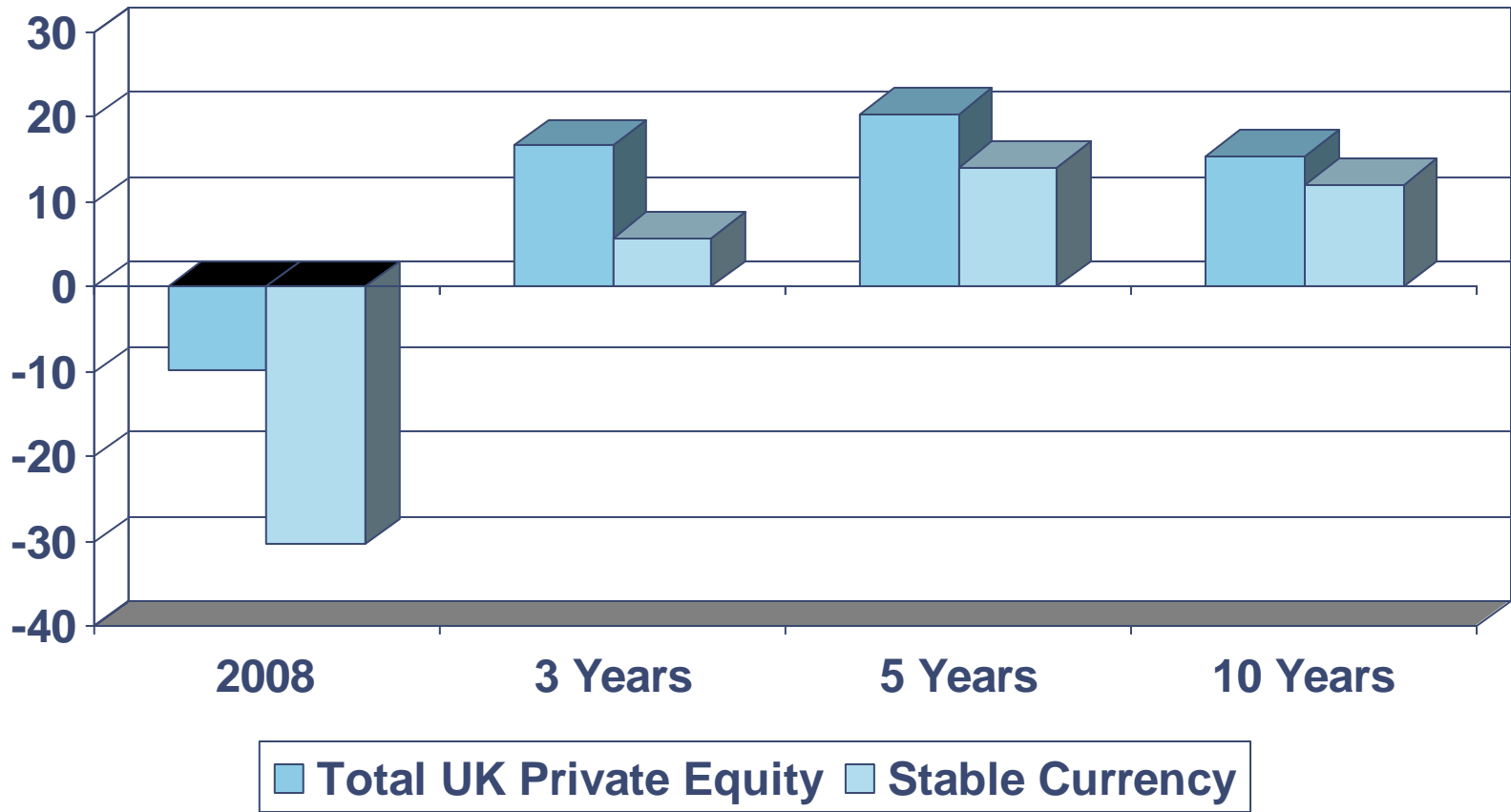
UK Private Equity vs FTSE Indices



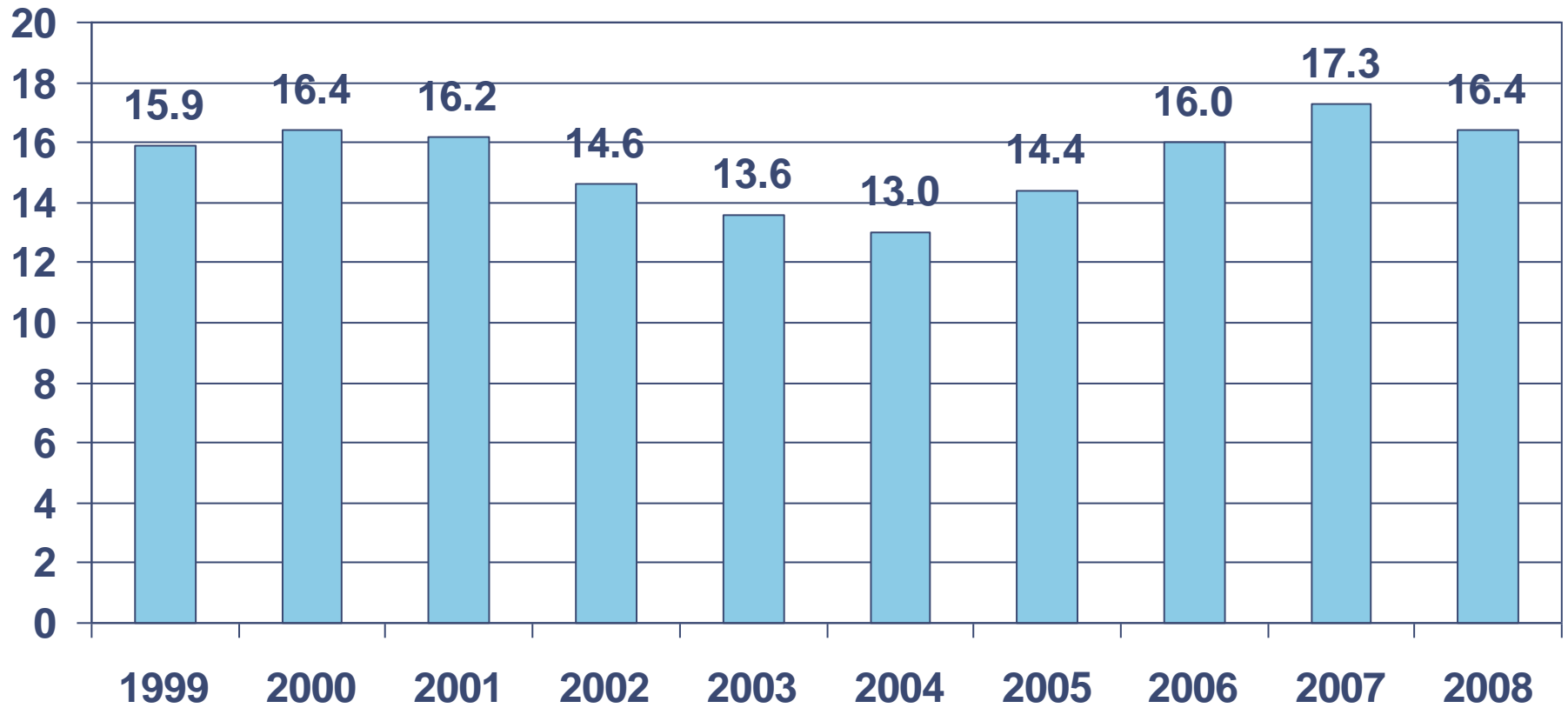
UK Private Equity – Really That Good?



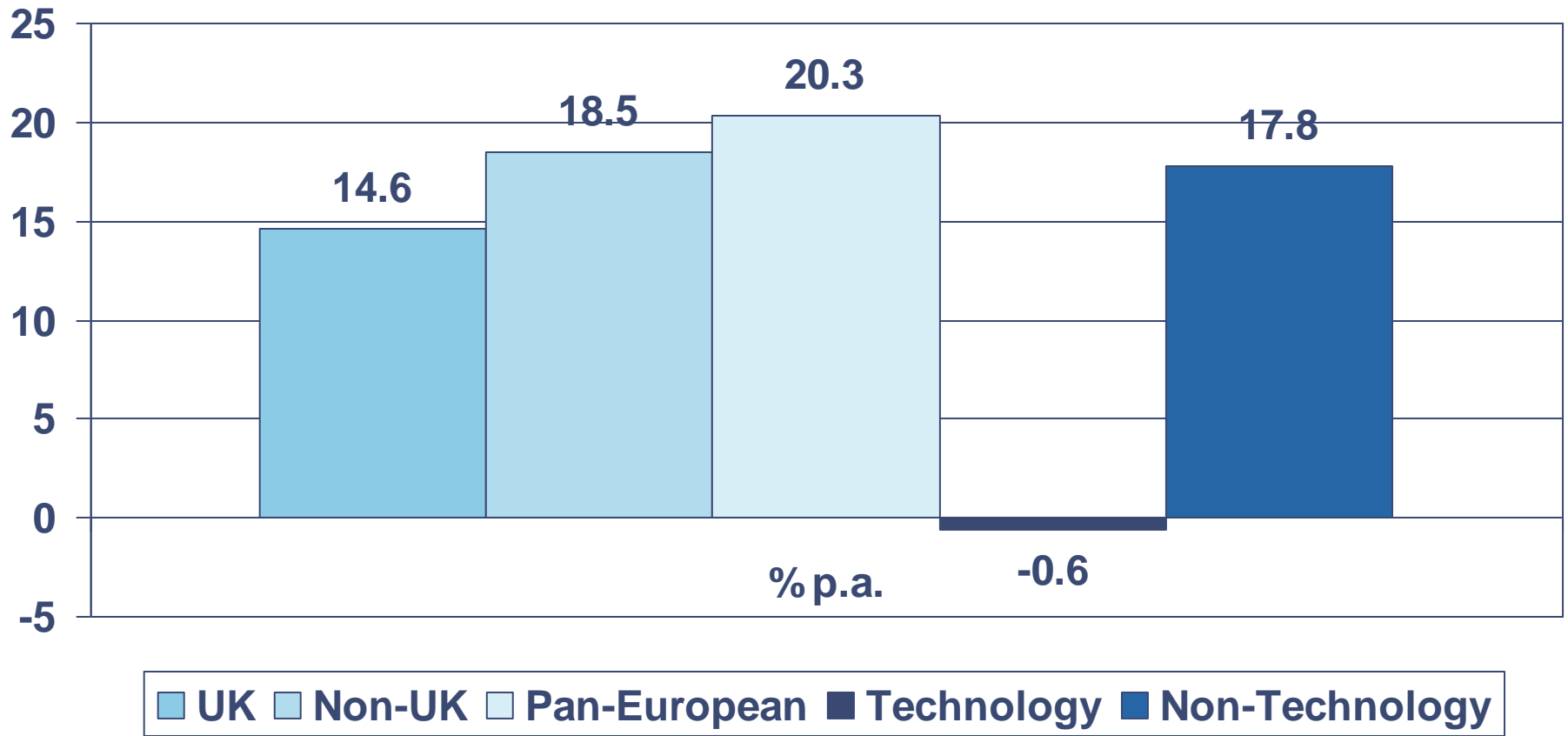
UK Private Equity – Really That Good?



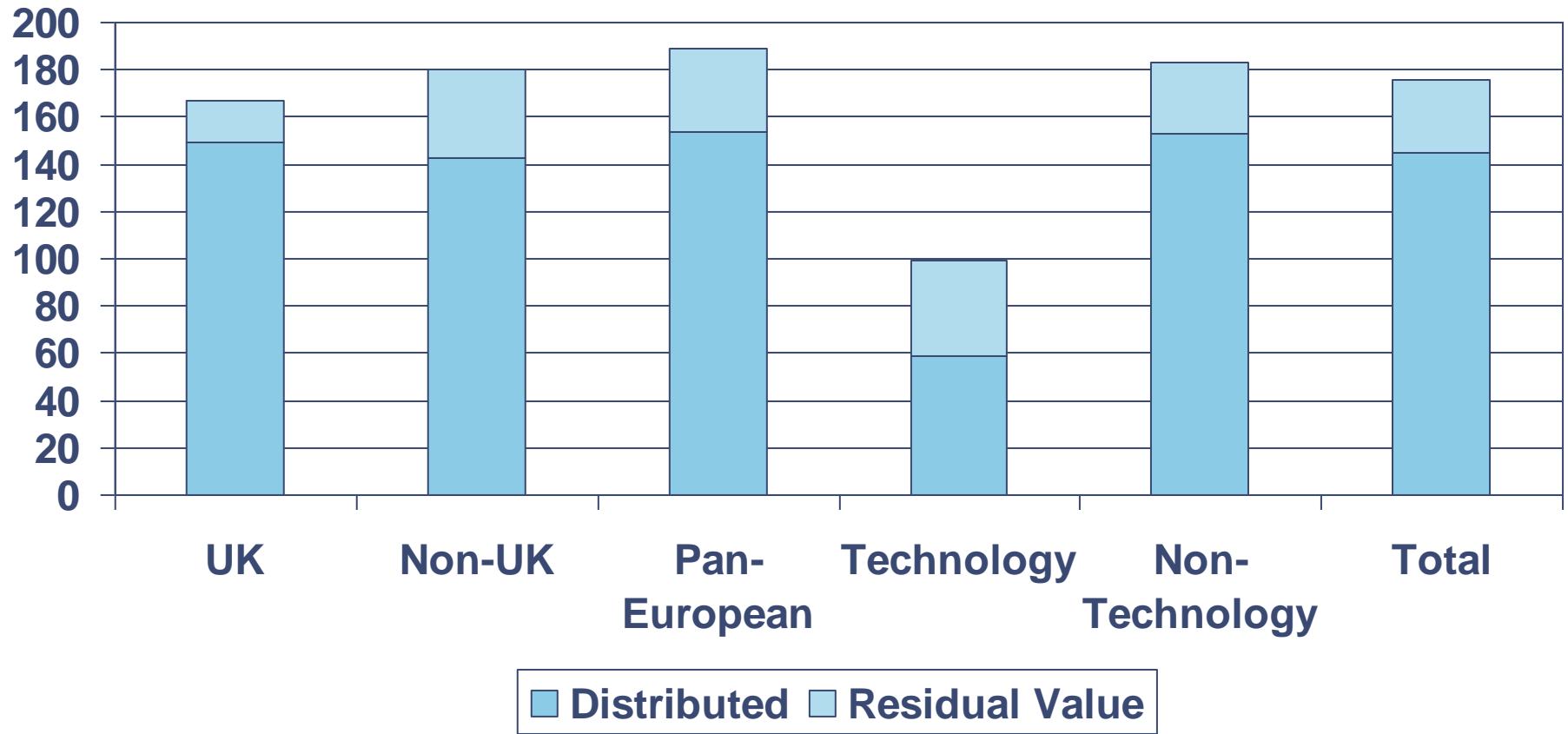
UK Private Equity Return (Since Inception % p.a.)



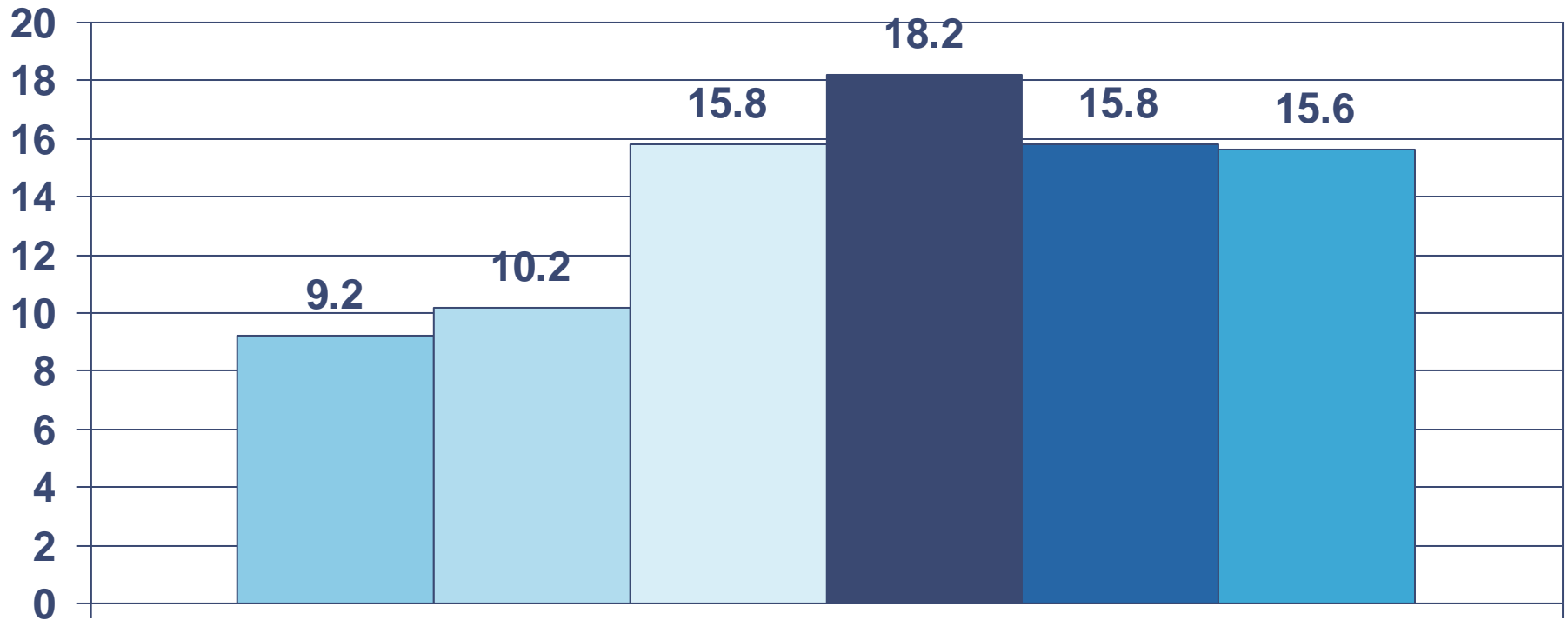
Since Inception Performance by Subcategory (to December 2008 - % .p.a.)



Total, Distributed and Residual Value as a % of Paid-In Capital (to December 2008)

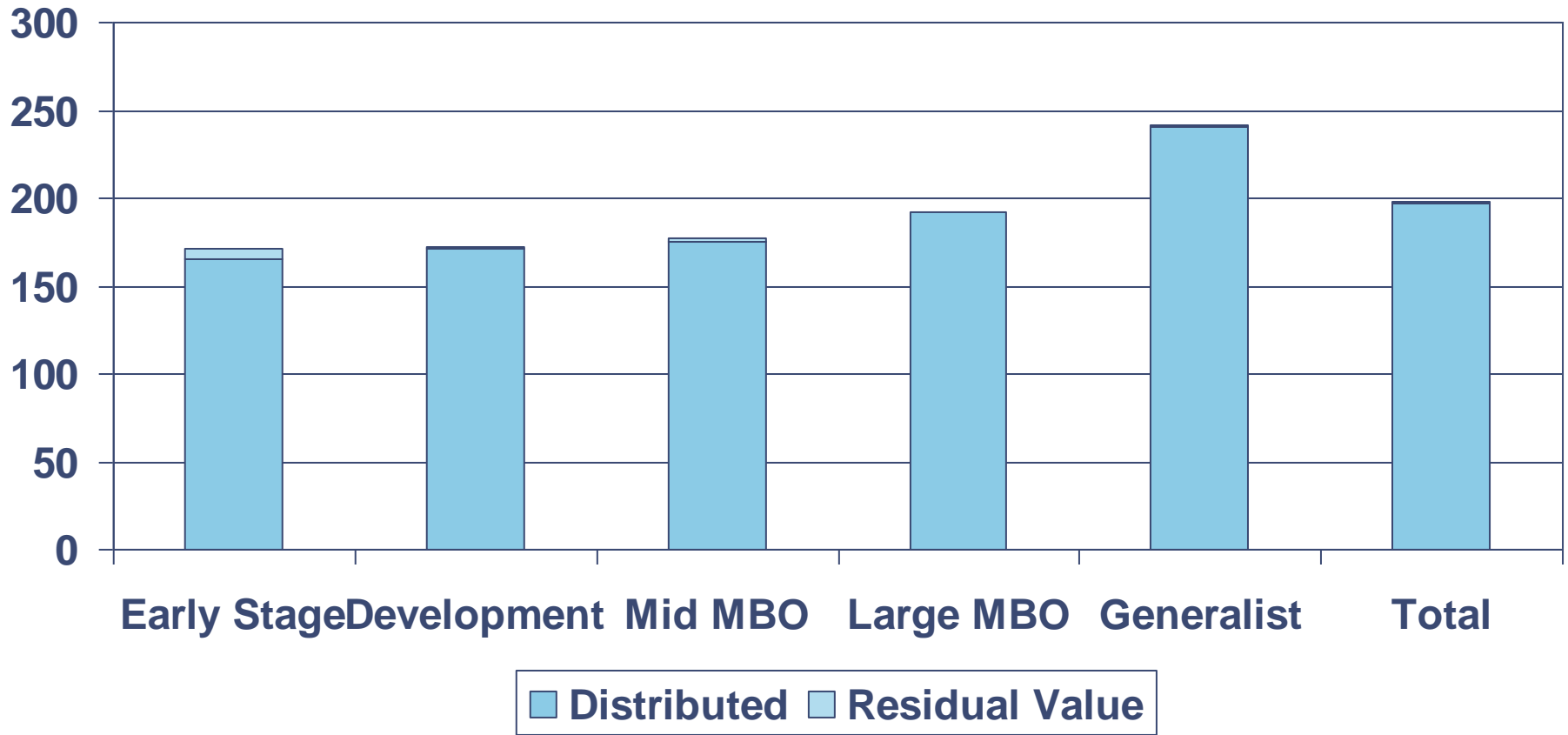


Pre-1996 Funds – Since Inception to December 2008 (% p.a.)

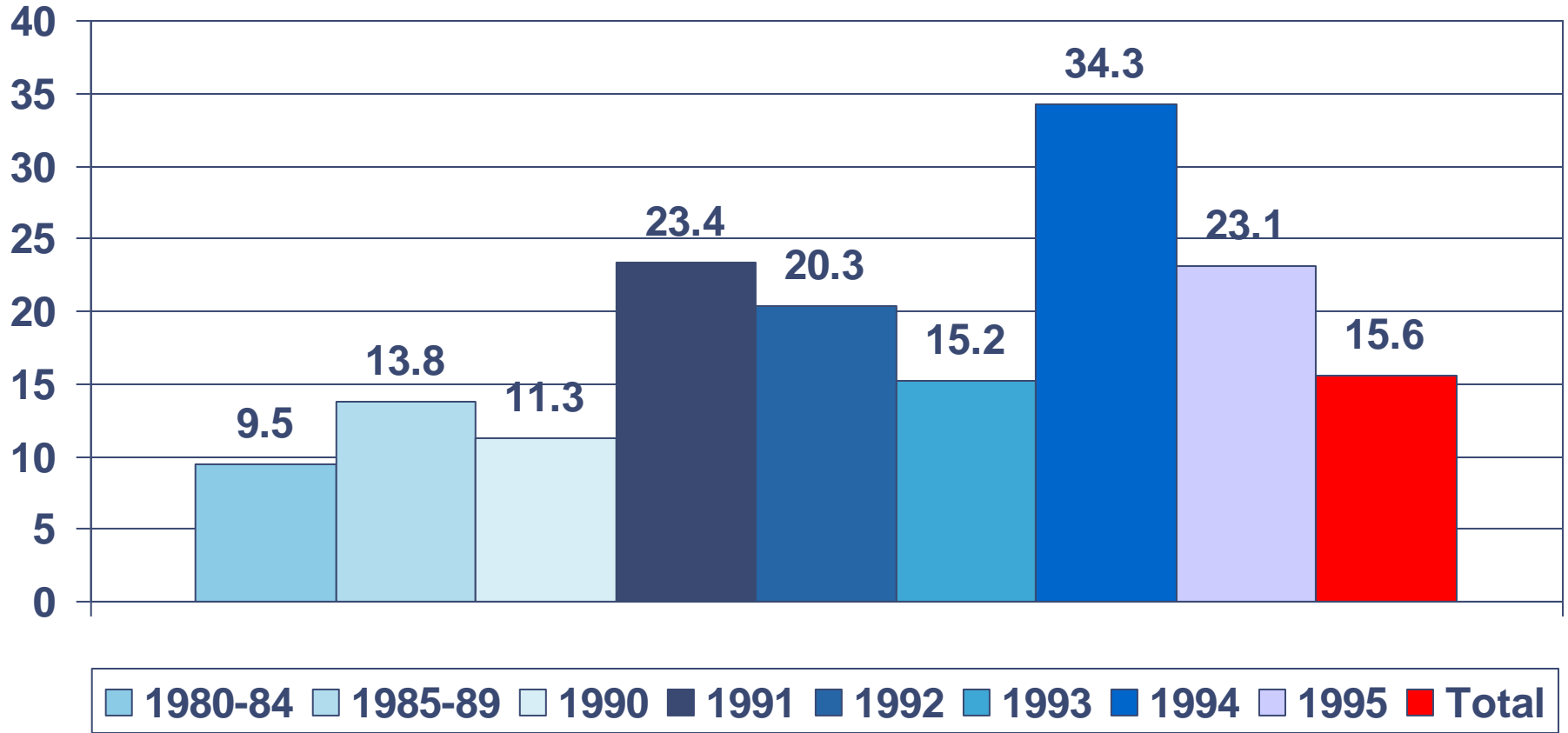


■ Early Stage ■ Development ■ Mid MBO ■ Large MBO ■ Generalist ■ Total

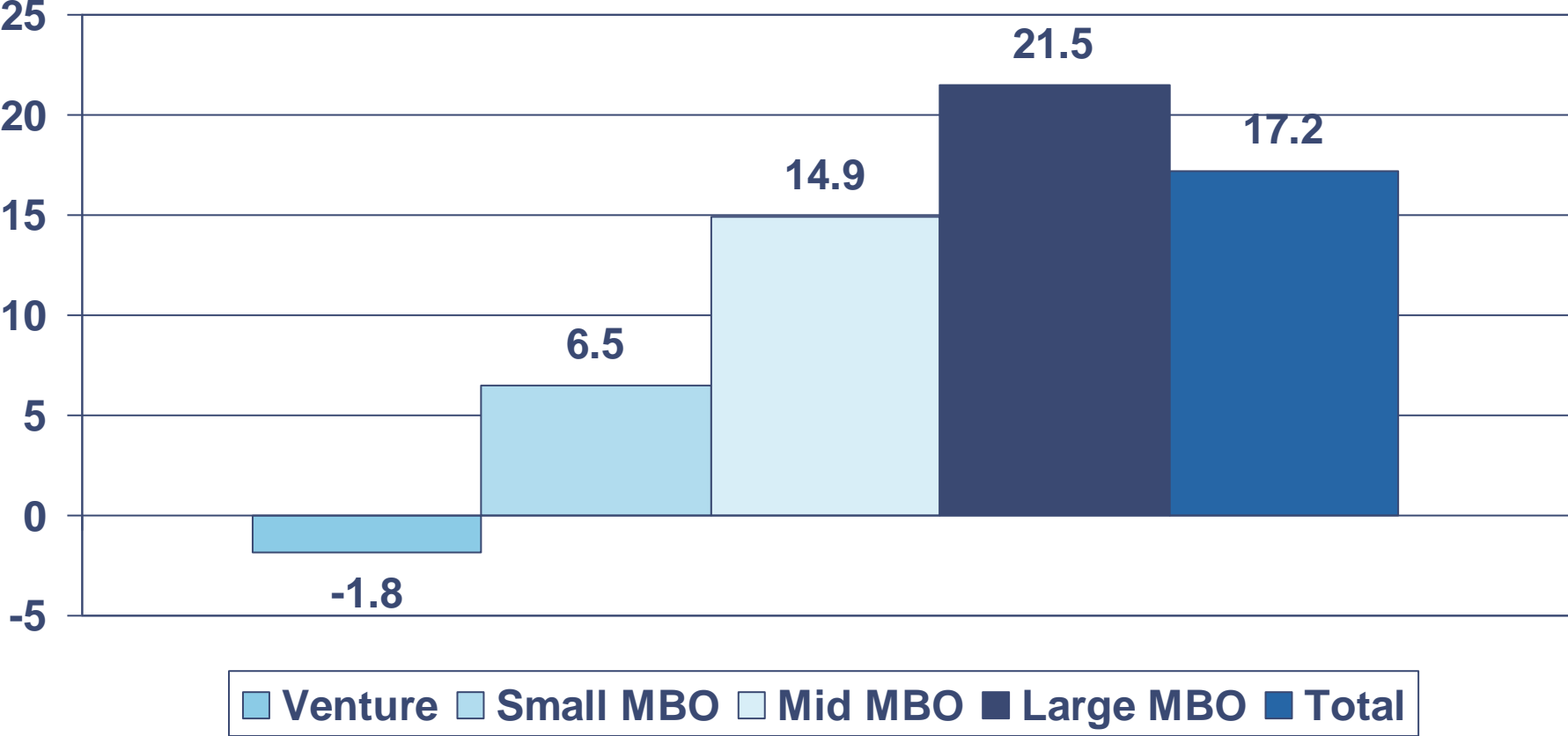
Total, Distributed and Residual Value as a % of Paid-In Capital Pre-1996 Funds (to December 2008)



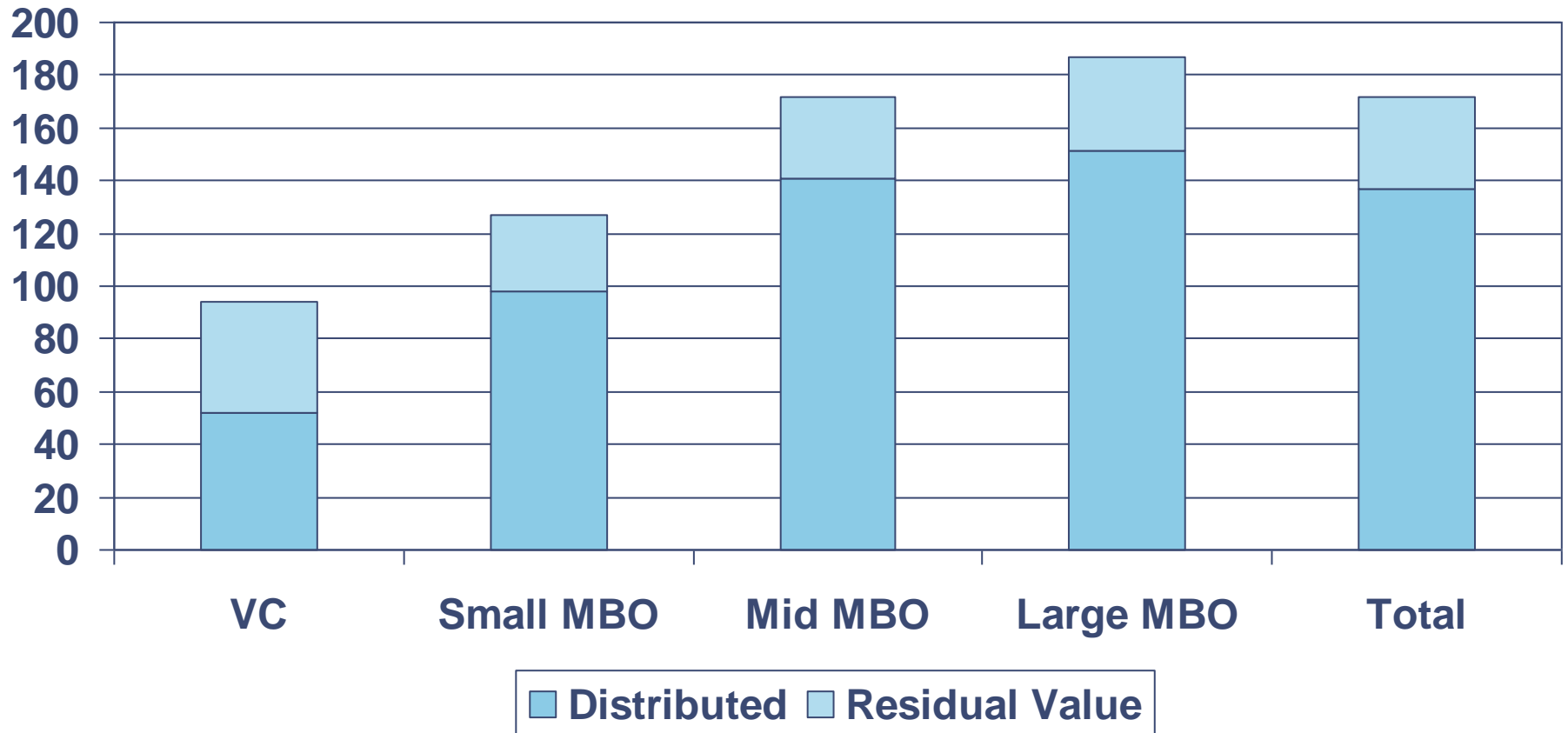
Pre-1996 Funds by Vintage Year Since Inception



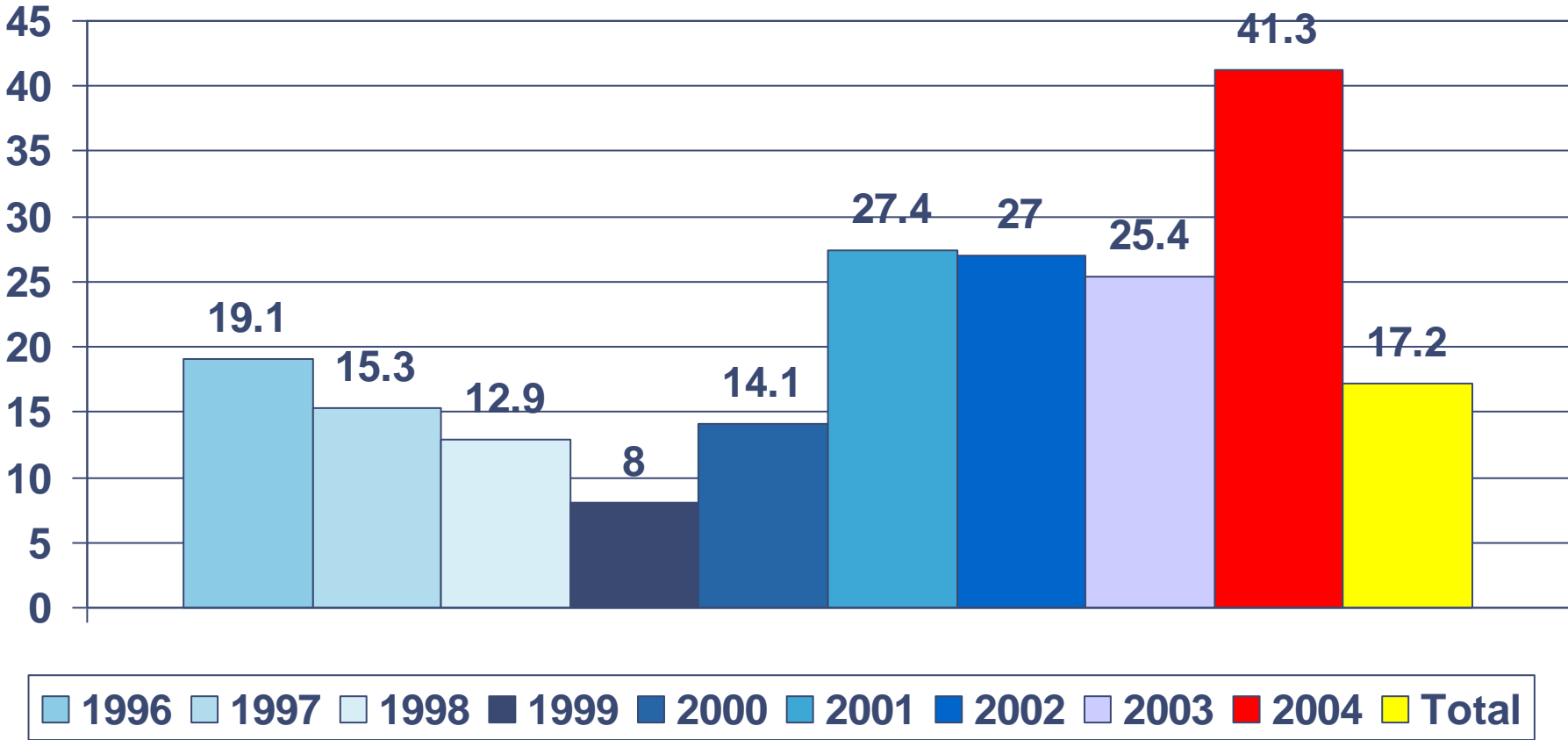
1996-2004 Funds – Since Inception to December 2008 (% p.a.)



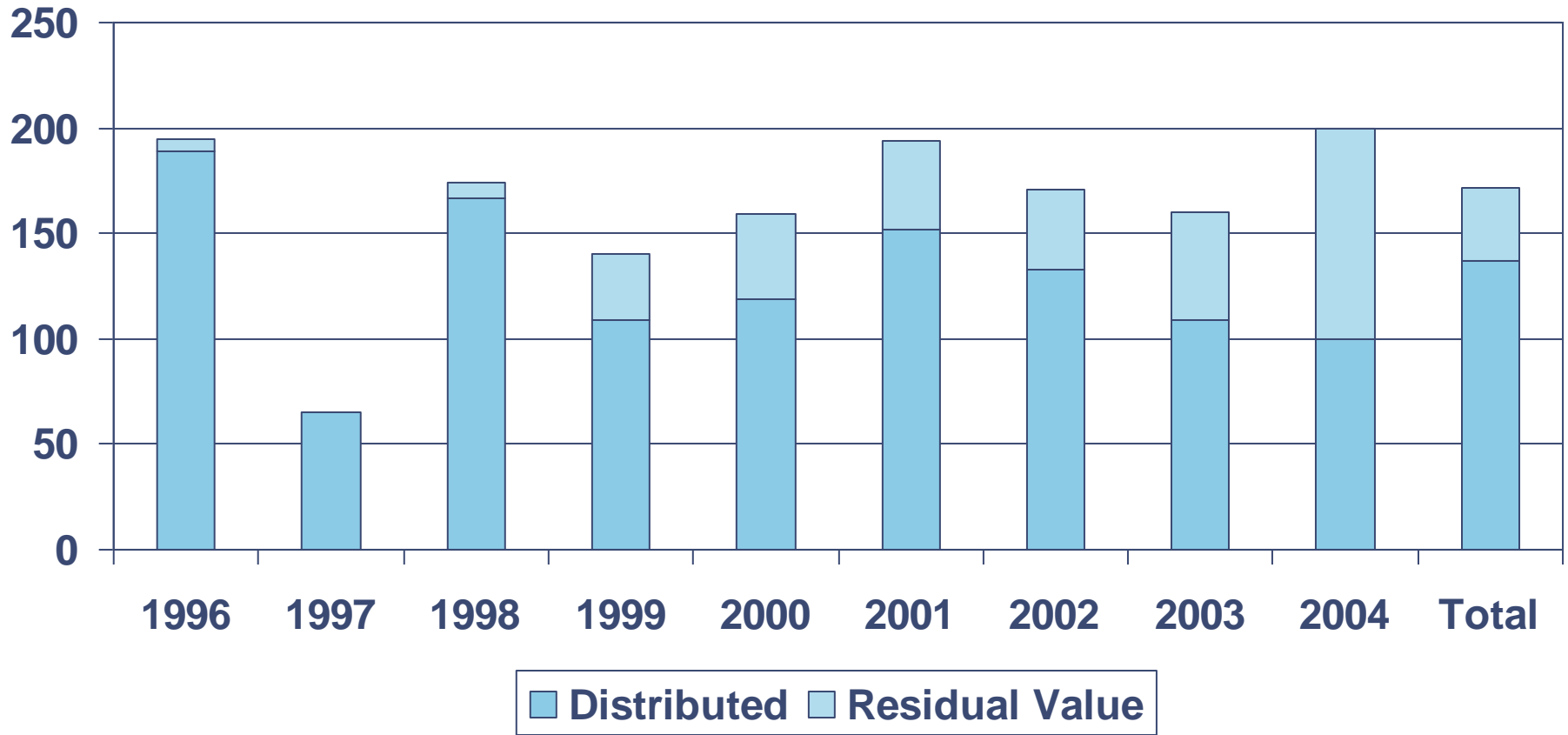
Total, Distributed and Residual Value as a % of Paid-In Capital 1996-2004 Funds (to December 2008)



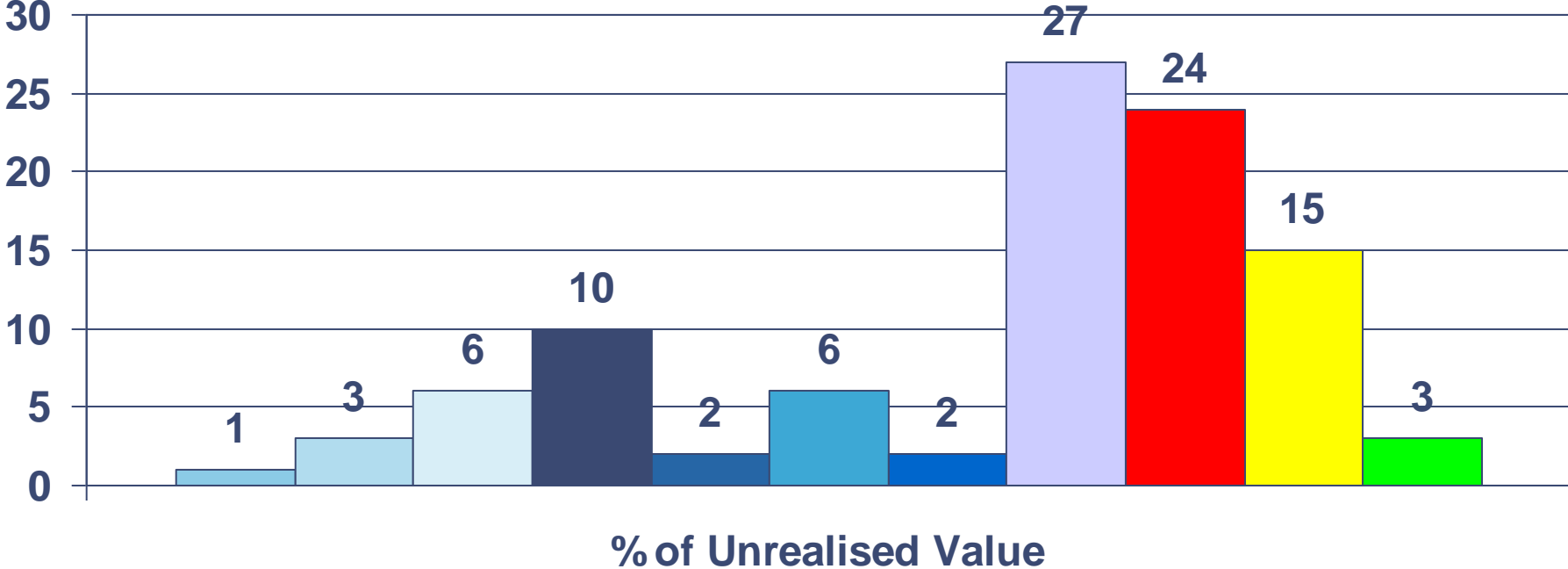
1996-2004 Funds by Vintage Year (Since Inception % p.a.)



Total, Distributed and Residual Value as a % of Paid-In Capital 1996-2004 Funds (to December 2008)



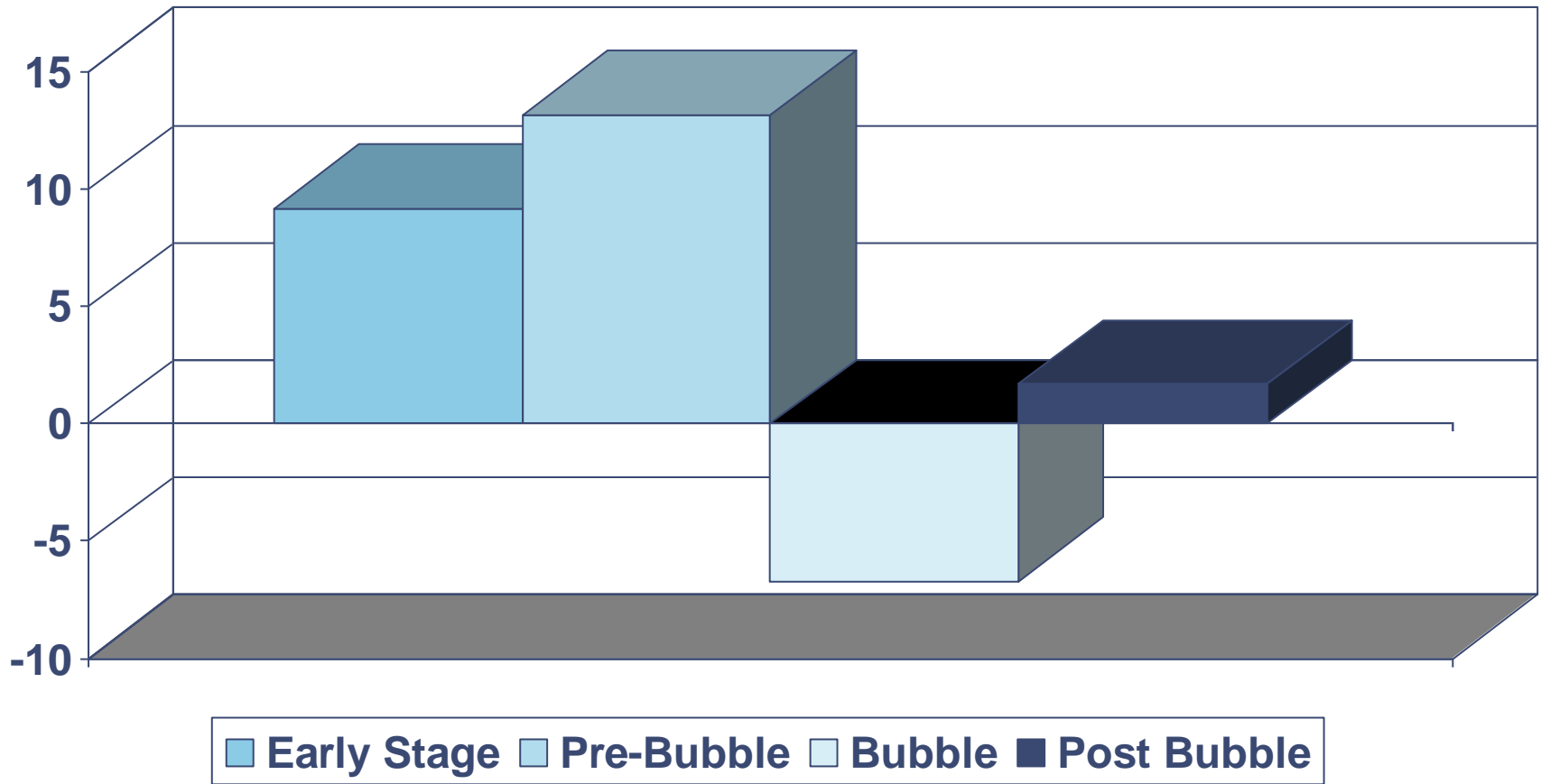
Unrealised Value in the Survey



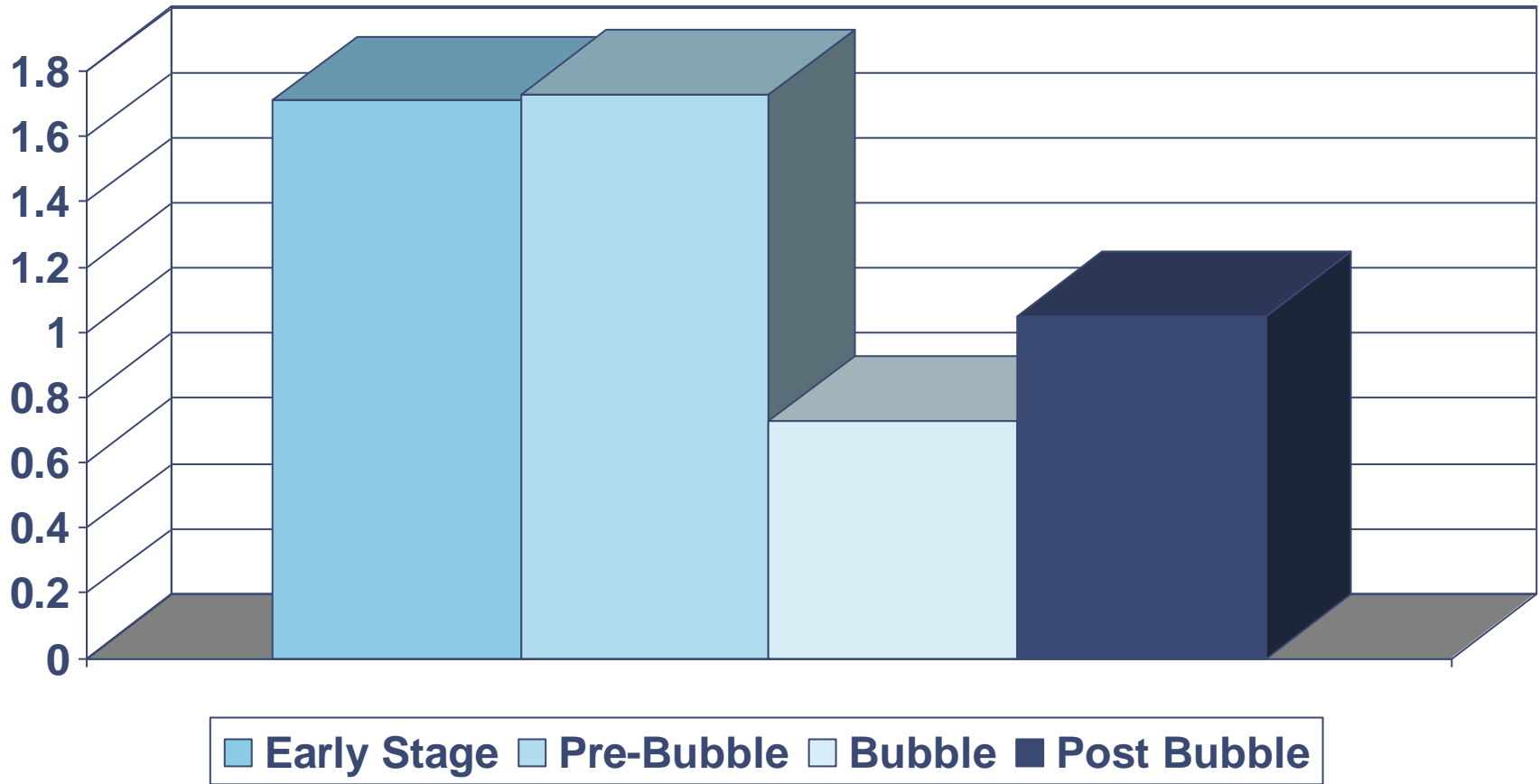
Pre 1999	1999	2000	2001	2002	2003
2004	2005	2006	2007	2008	

Venture Capital Performance – A Different Perspective

IRR

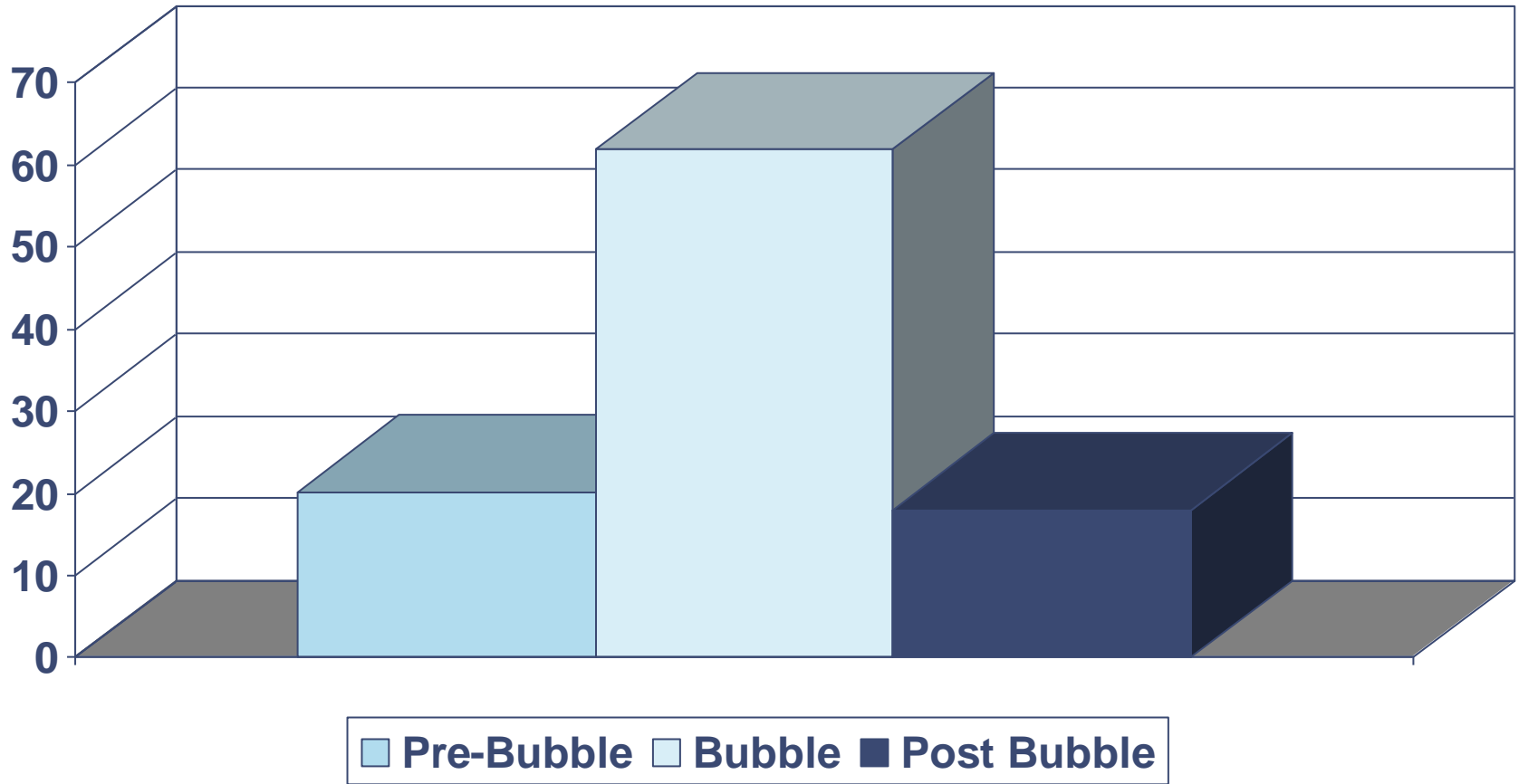


Venture Capital Performance – A Different Perspective Multiple



Venture Capital Performance – A Different Perspective

Weight of Money



Some Thoughts ...

Q. Was 2008 a hard year for the industry?

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A. YES

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Q. Will 2009 be another difficult year?

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Q. Does this mean that venture capital and private equity does not work?

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A. YES

Q. Will 2009 be another difficult year?

A. ALMOST CERTAINLY

Q. Does this mean that venture capital and private equity does not work?

A. LONG TERM RESULTS STRONGLY SUGGEST OTHERWISE

Any questions?

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