

2009 Survey Results

BVCA Private Equity and Venture Capital Report on Performance Measurement and Investment Activity 2009

Summary Results 19 May 2010



CapitalDynamics



PRICEWATERHOUSECOOPERS 

2009 Survey Results

Introduction

Simon Walker

Chief Executive Officer

BVCA



CapitalDynamics



PRICEWATERHOUSECOOPERS 

2009 Survey Results

2009 Investment Activity Survey Results

Ashley Coups

Private Equity Assurance Leader

PricewaterhouseCoopers LLP



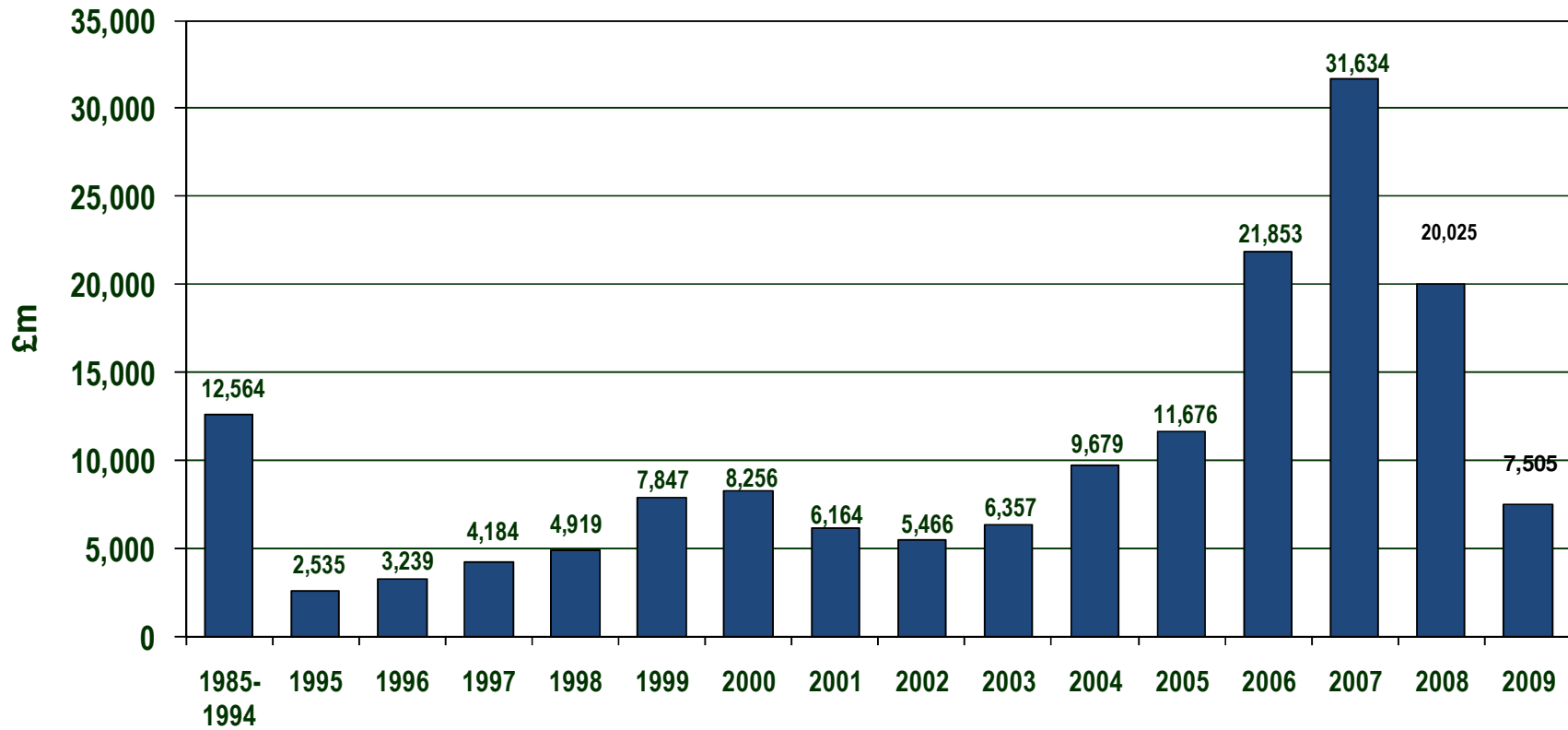
CapitalDynamics



PRICEWATERHOUSECOOPERS 

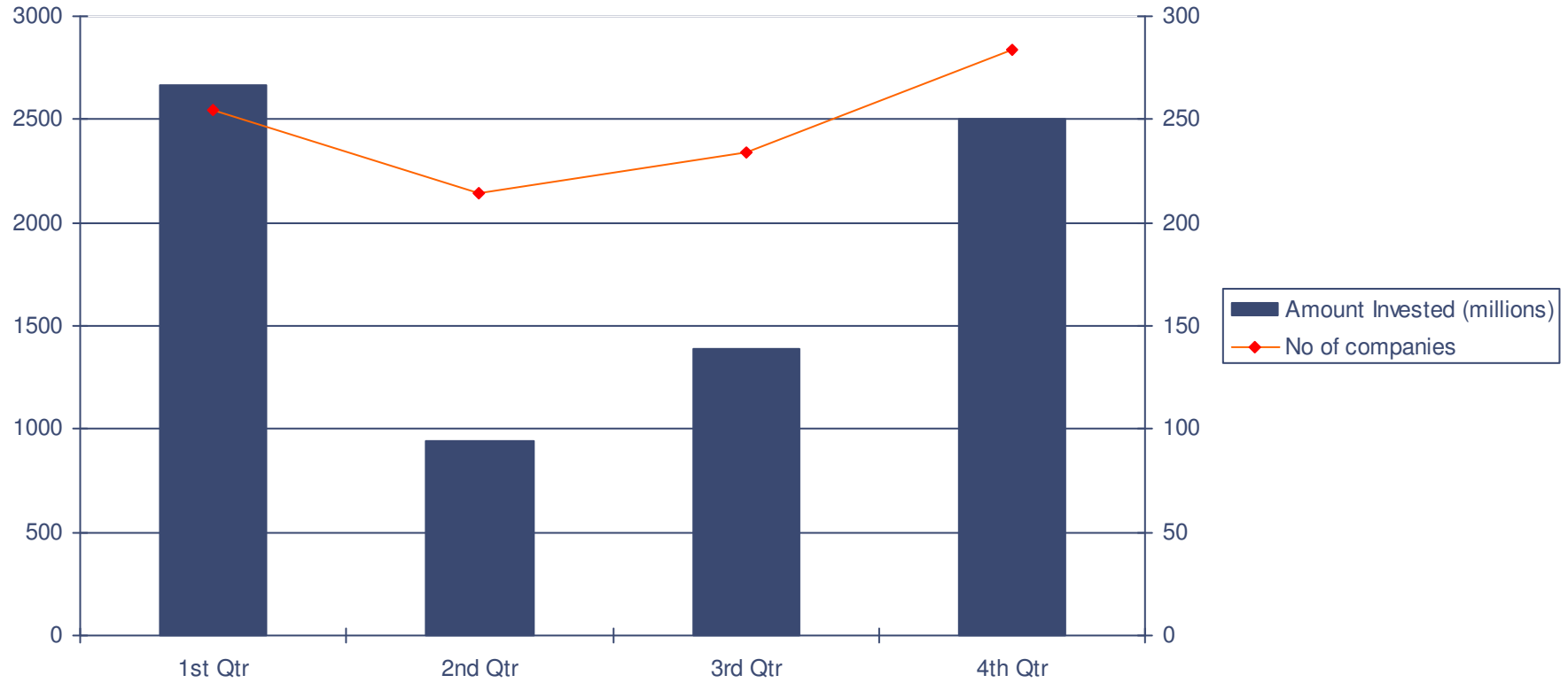
2009 Survey Results

Worldwide Investment - Total Value



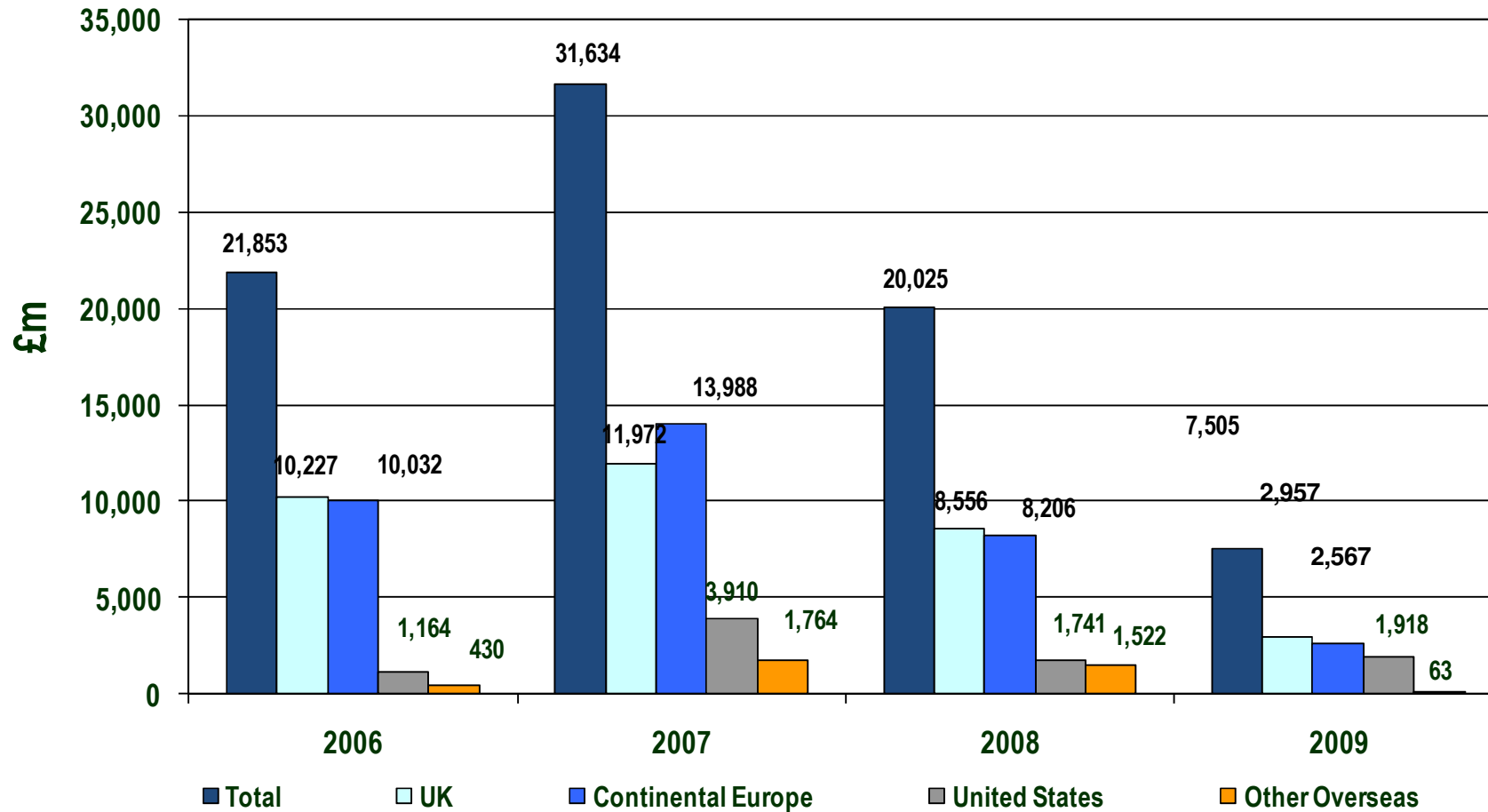
2009 Survey Results

Quarterly Trends for 2009



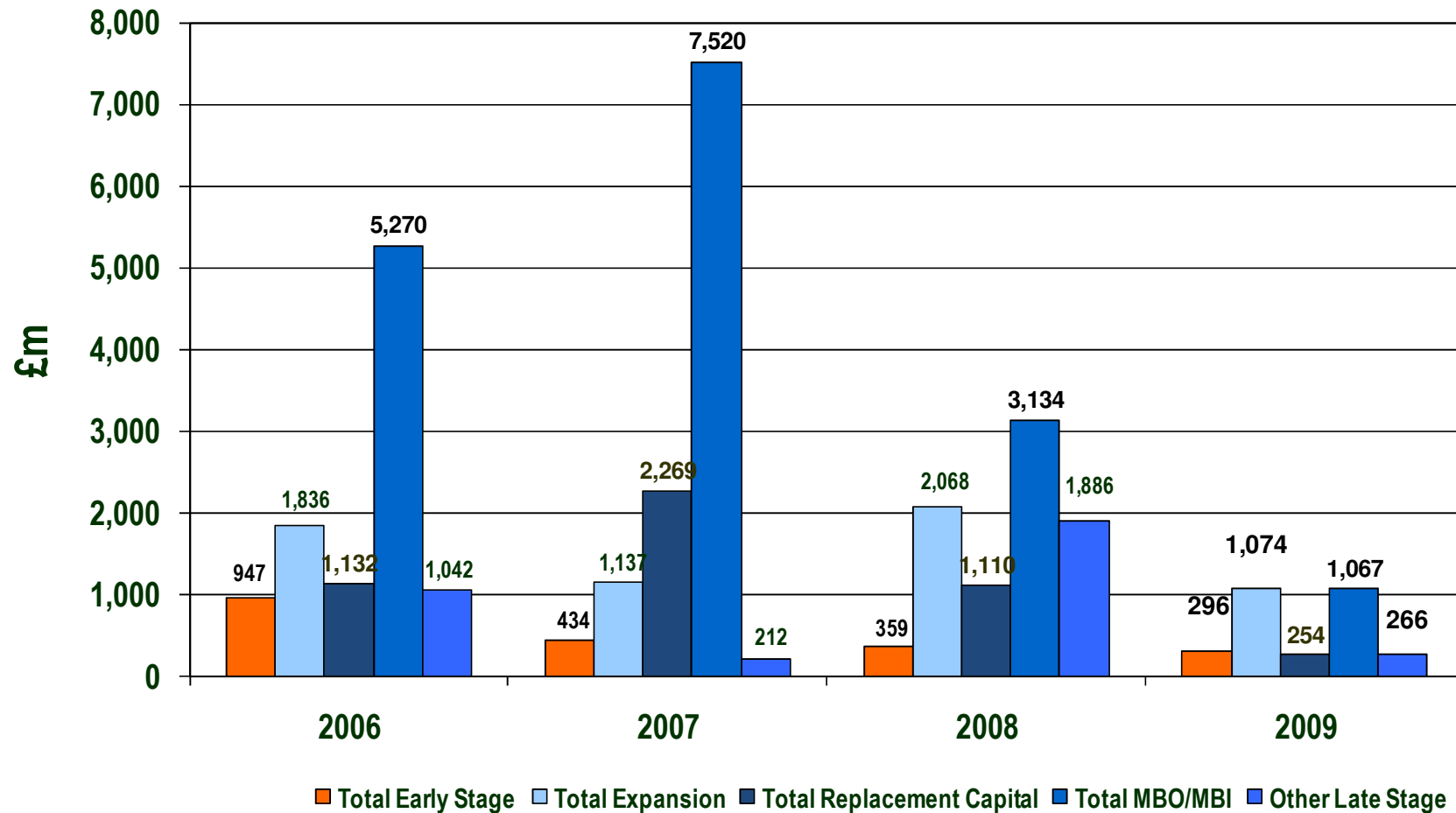
2009 Survey Results

Worldwide Investment by Geography



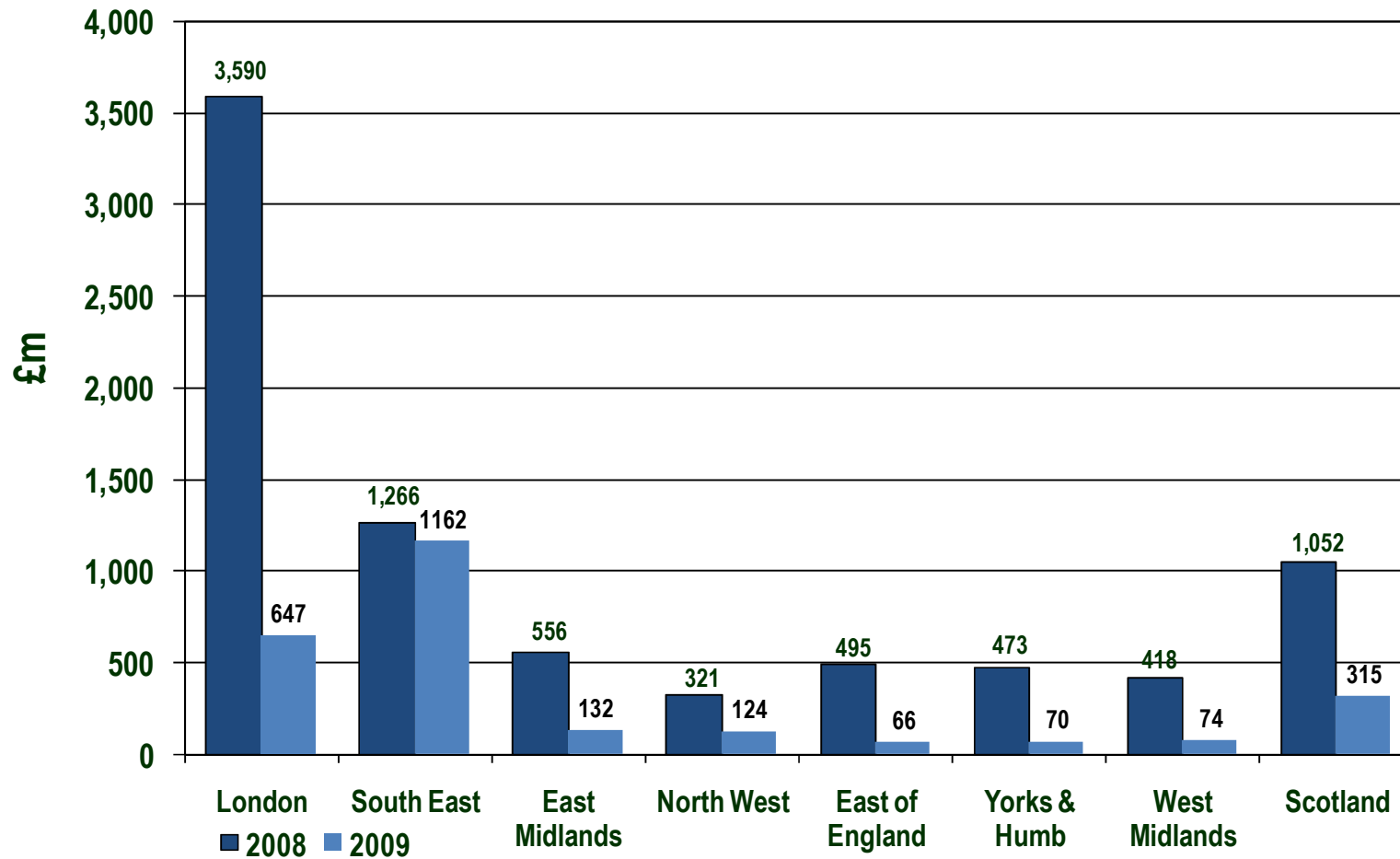
2009 Survey Results

UK Investment by Stage



2009 Survey Results

UK Investment by Region



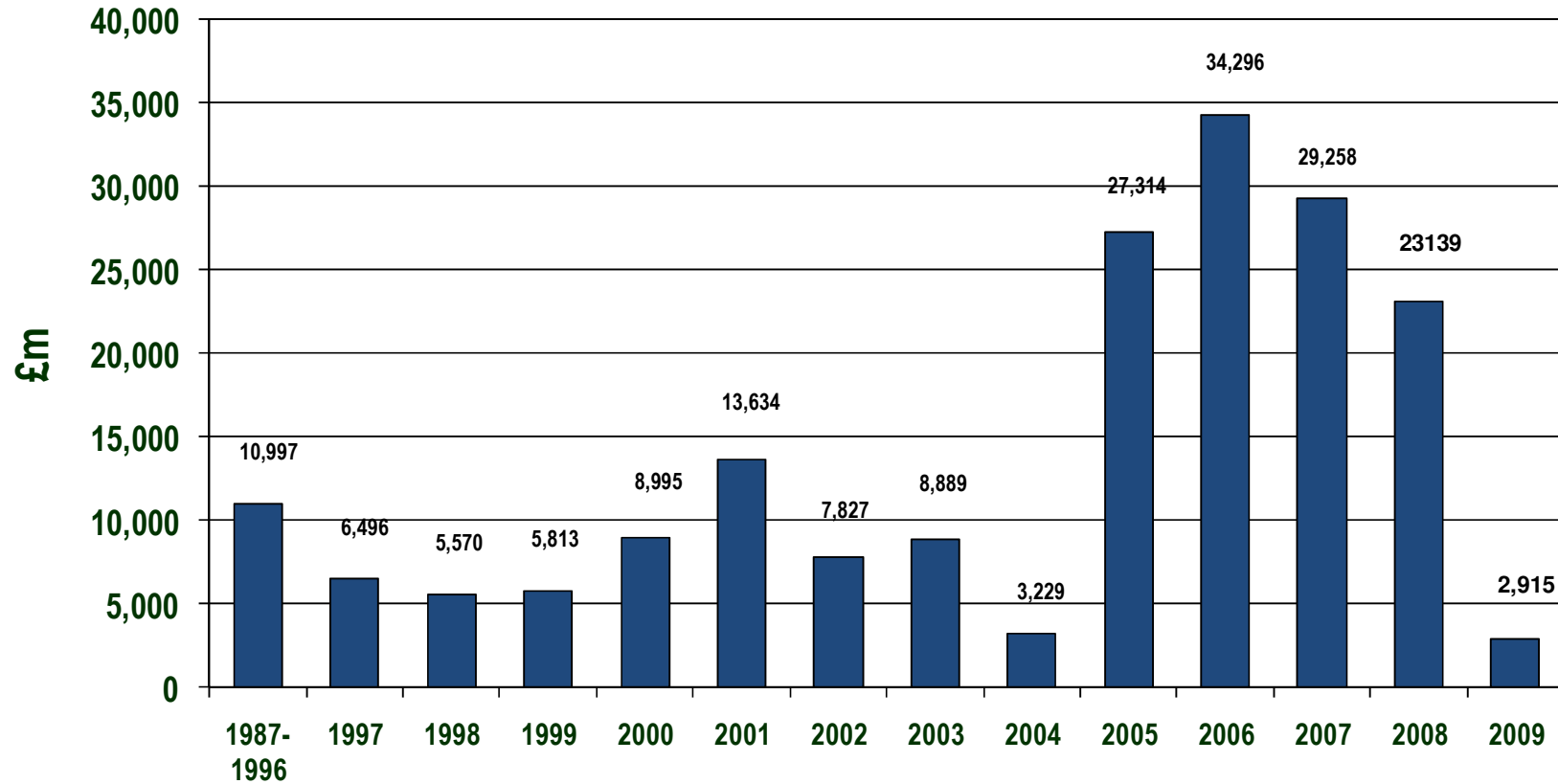
2009 Survey Results

Investment in UK Technology companies

- £394m invested in technology-related businesses (2008: £619m)
- Of this, three areas received the most amounts
 - Communications – £51m (2008 £81m)
 - Computer software – £46m (2008 £310m)
 - Medical / Pharma – £36m (2008 £73m)
- Of the total amount invested
 - Early stage – 33% (2008 43%)
 - Expansion – 41% (2008 31%)
 - MBO/I – 20% (2008 3%)

2009 Survey Results

Funds raised by BVCA Member Firms



2009 Survey Results

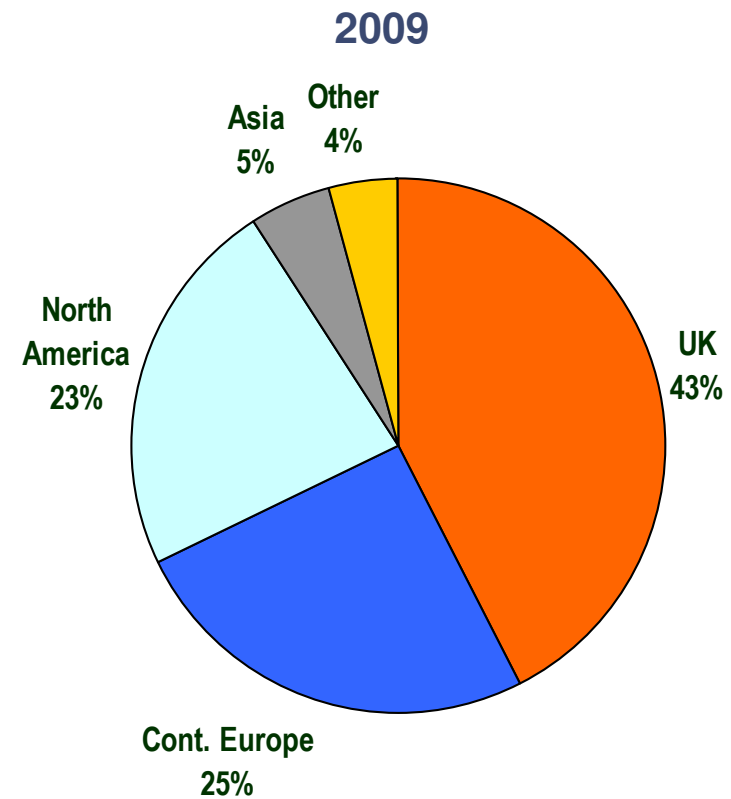
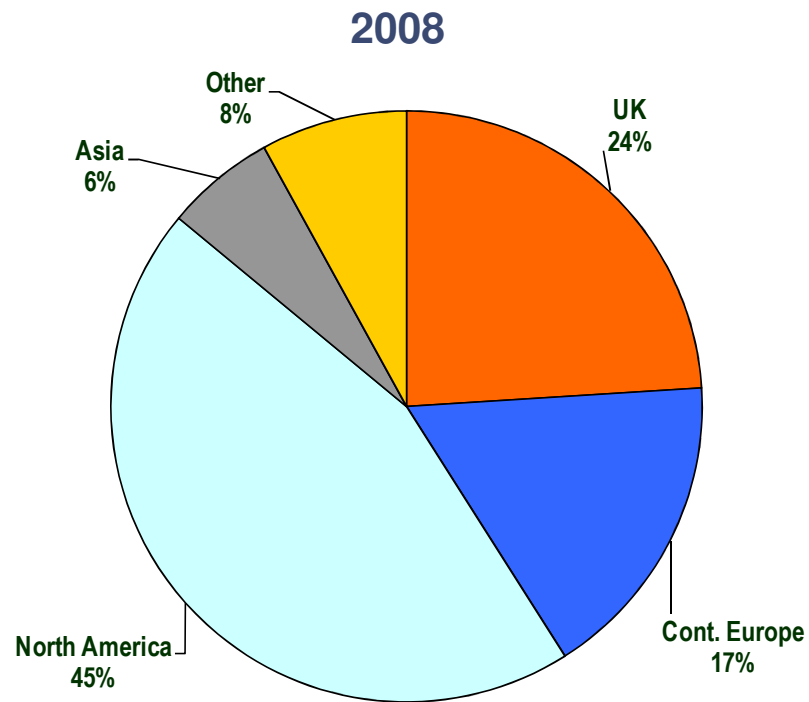
Funds raised 2009 - Sources

- Pension funds – 18% (36%)
 - 9% overseas
- Funds of funds – 18% (17%)
 - 13% overseas
- Banks and Insurance companies – 17% (8%)
 - 10% overseas
- Government agencies – 6% (5%)
 - no overseas
- Private individuals – 4% (10%)
 - no overseas
- Corporate investors – 14% (8%)
 - 11% overseas

Total from overseas sources – 60% of funds raised (76%)

2009 Survey Results

Funds raised – by geography



2009 Survey Results

Funds raised by investment focus in 2009

Investment focus	Amount raised (£m)	% of amount raised
Venture Capital	559	19%
Small MBO (includes development capital)	495	17%
Mid MBO	1,609	56%
Large MBO	218	7%
Others	34	1%

2009 Survey Results

Divestments

- Value of divestments decreased to £3.9bn (£10.7bn)
- Main forms of divestment in 2009:
 - Trade sales 27% (31%)
 - Write-offs 27% (16%)
 - Repayment of preference shares 8% (31%)

2009 Survey Results

2009 Performance Measurement Survey Results

Mark Drugan

Director

Capital Dynamics



CapitalDynamics



PRICEWATERHOUSECOOPERS 

History

- Performance Survey now in its 16th 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

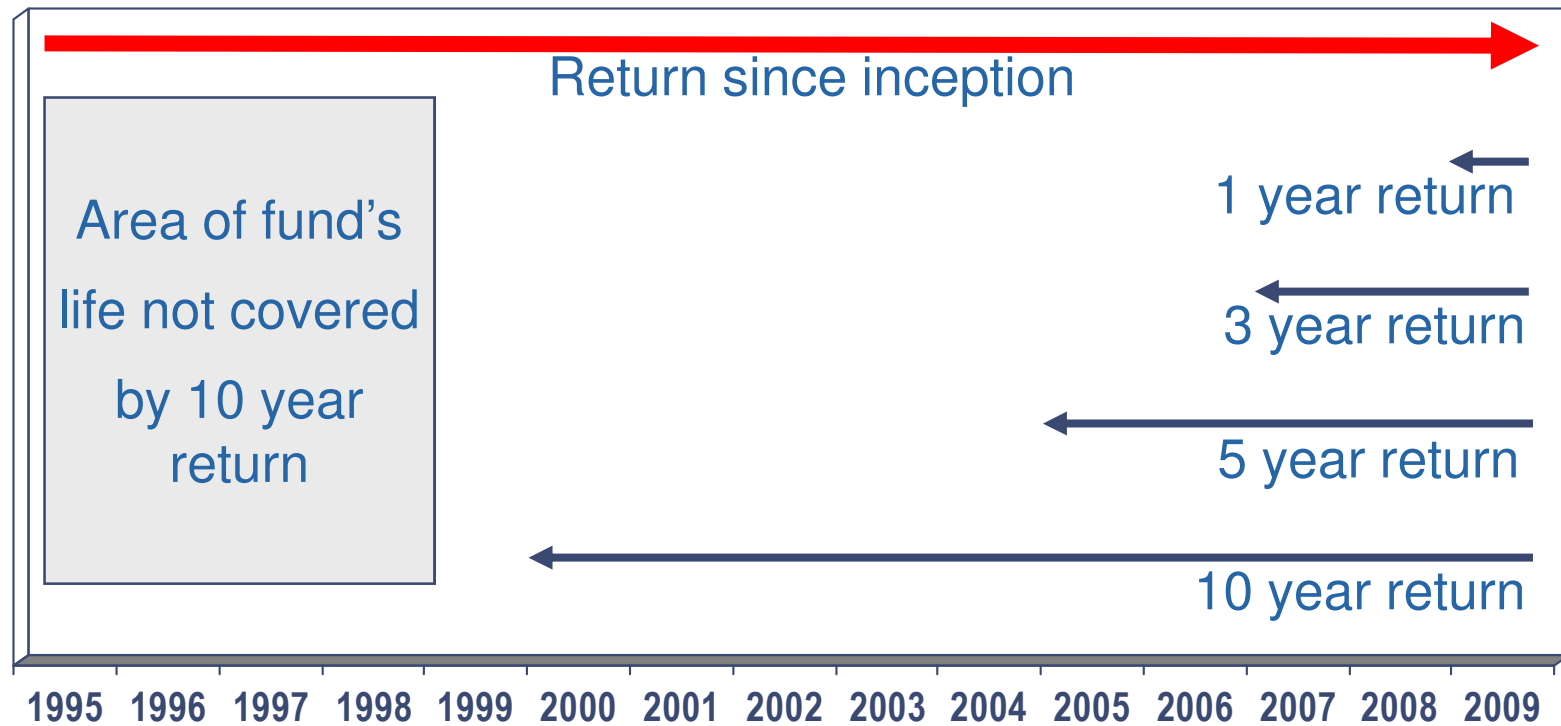
Methodology

- 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

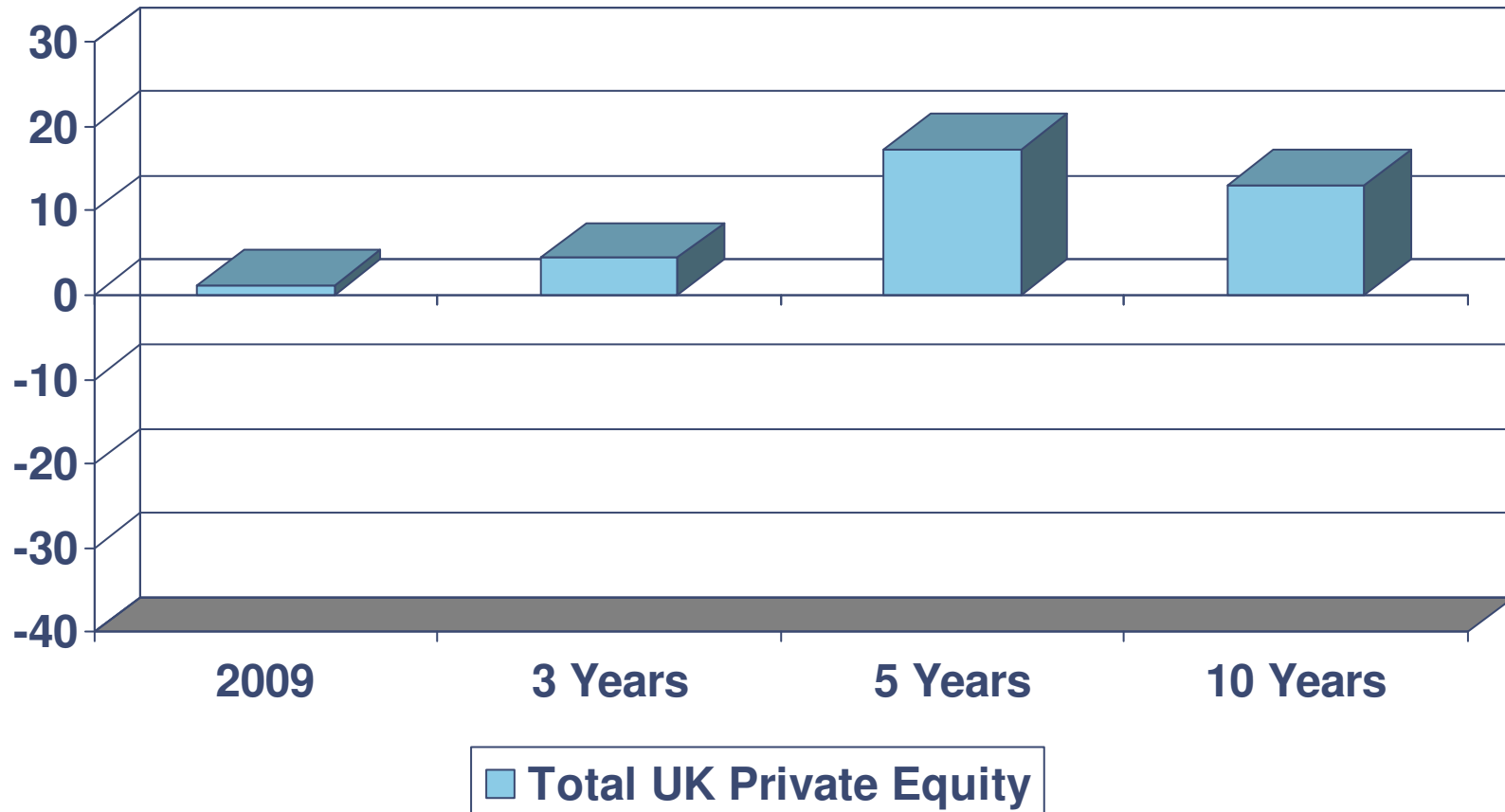
Long-Term Message

- 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 1995 Vintage Fund



UK Private Equity - Time Periods to December 2009



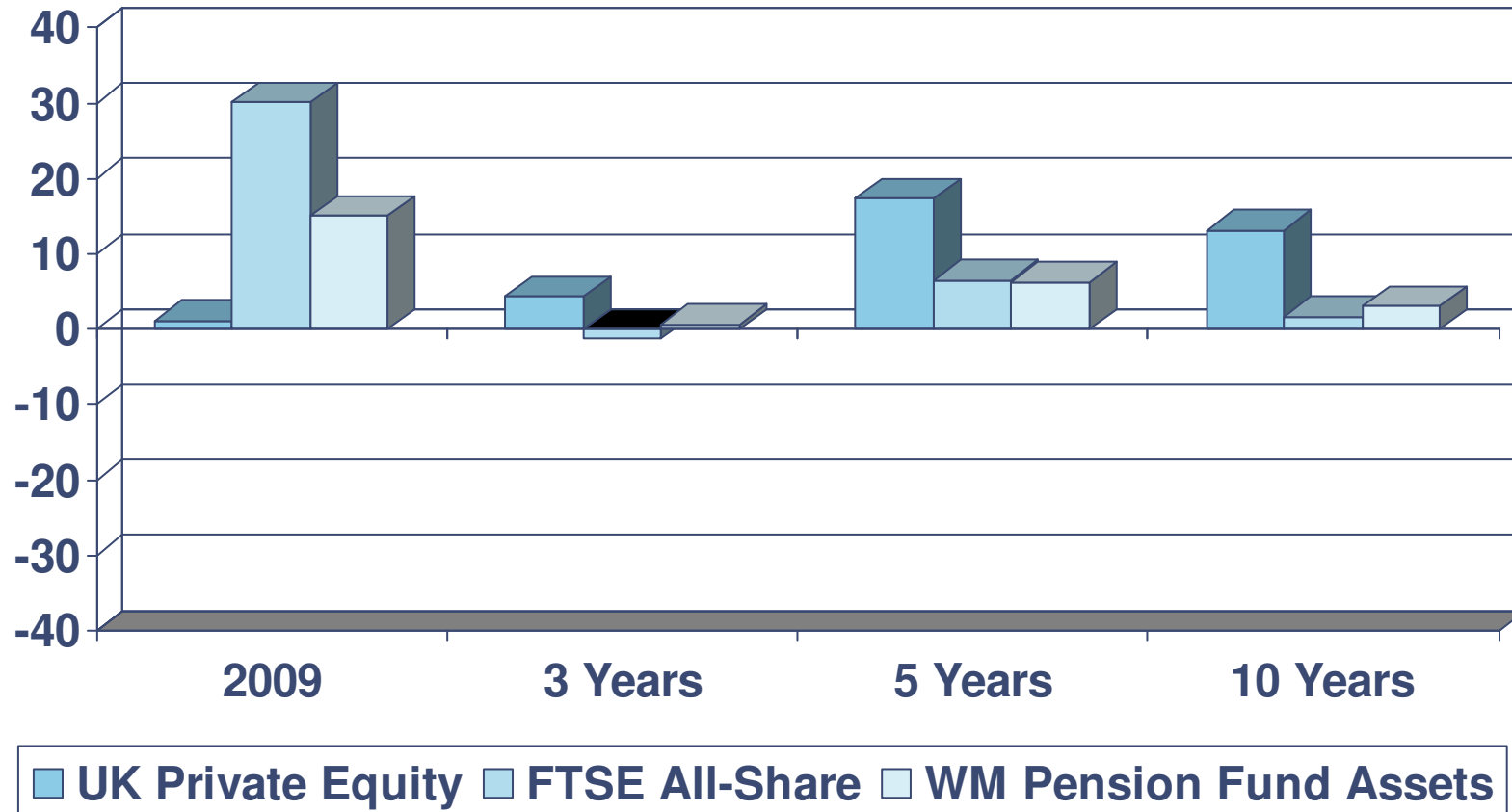
2009 Survey Results

A 20-year return?

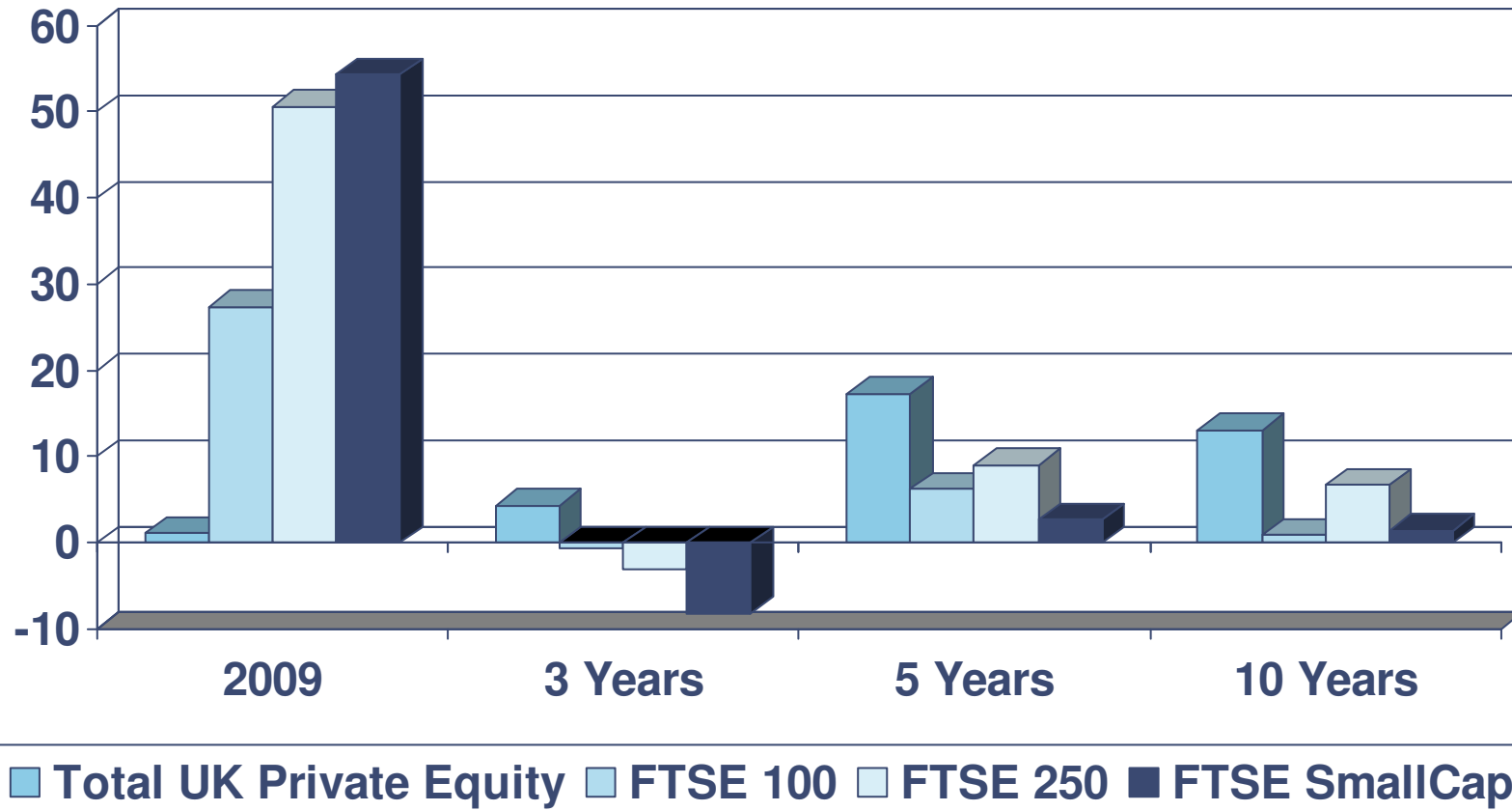
14.5%



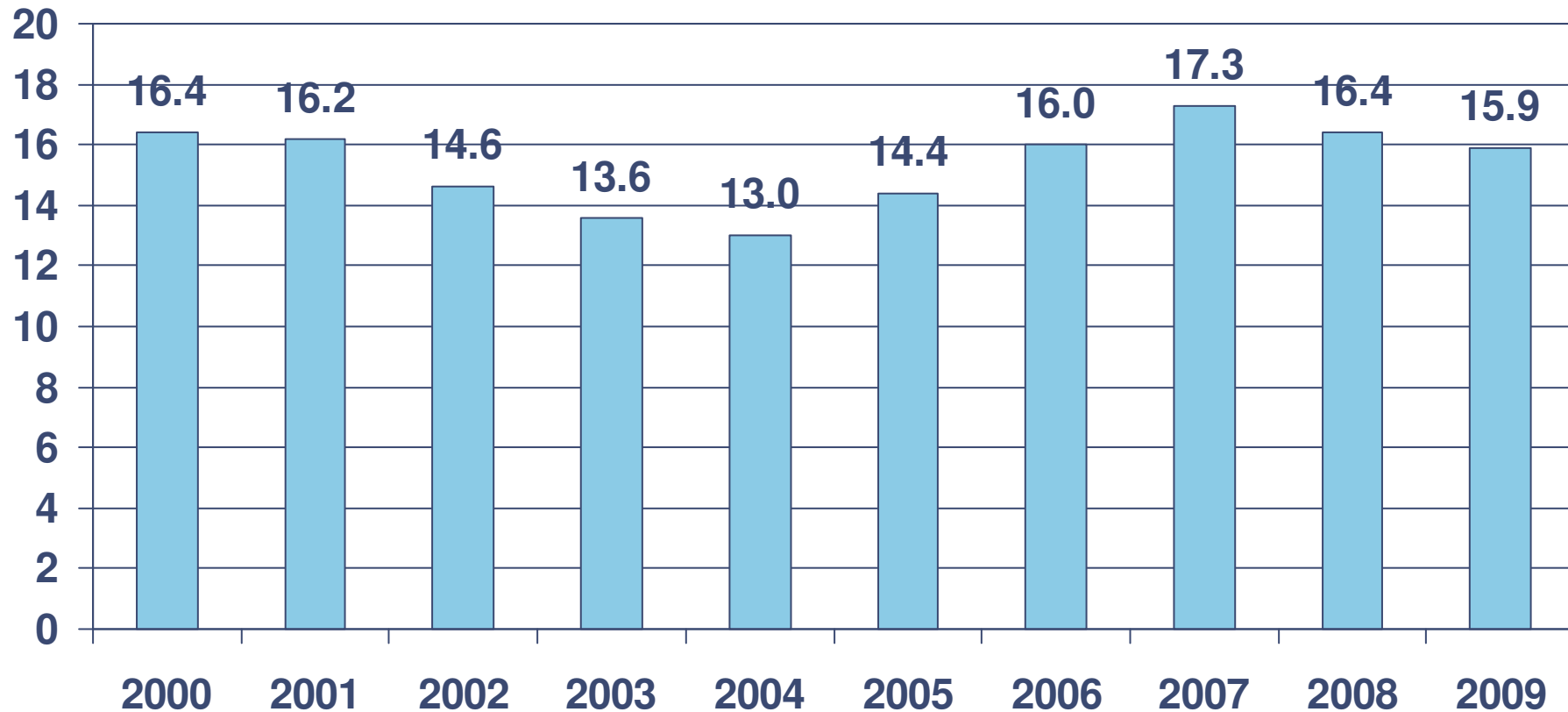
UK Private Equity v Principal Comparators



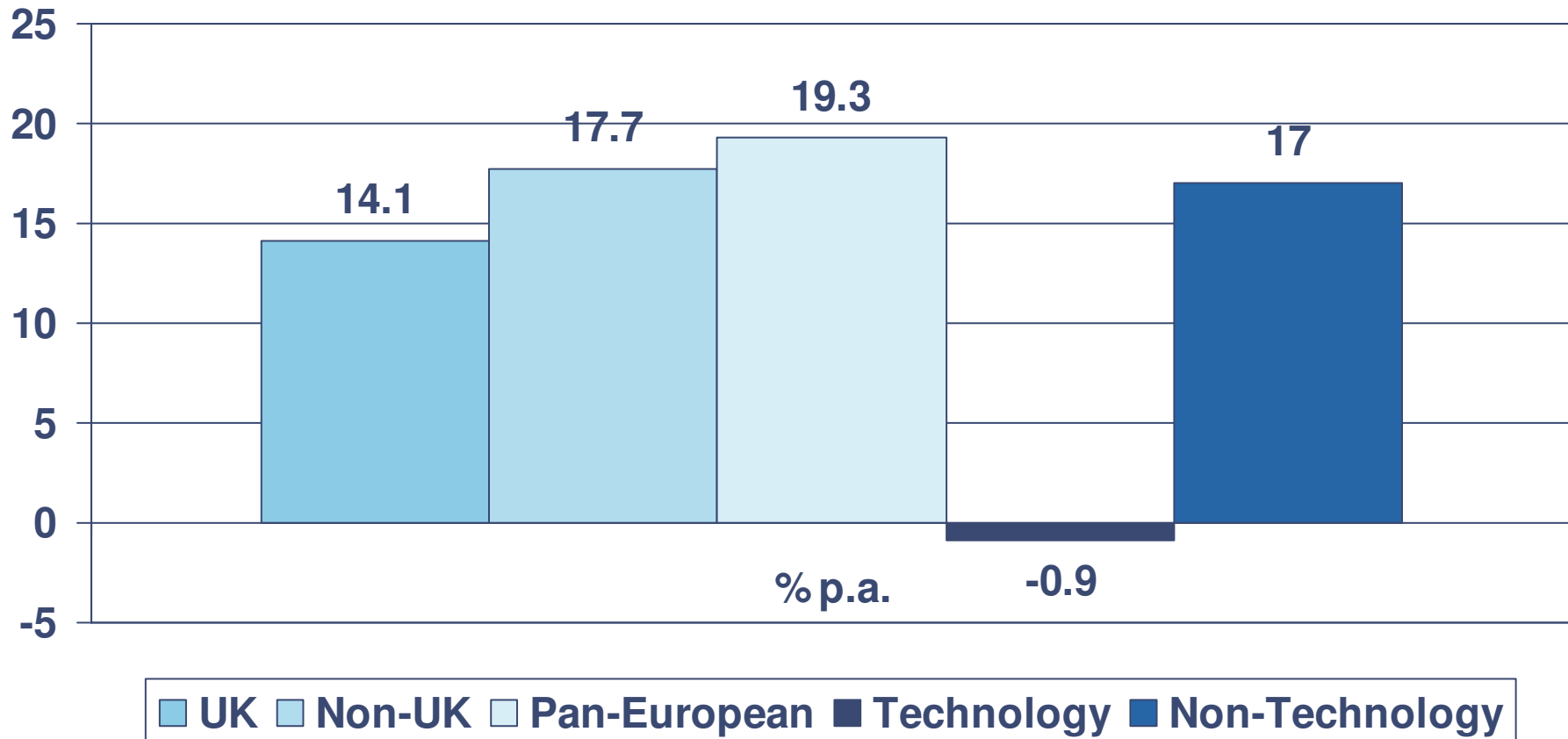
UK Private Equity vs FTSE Indices



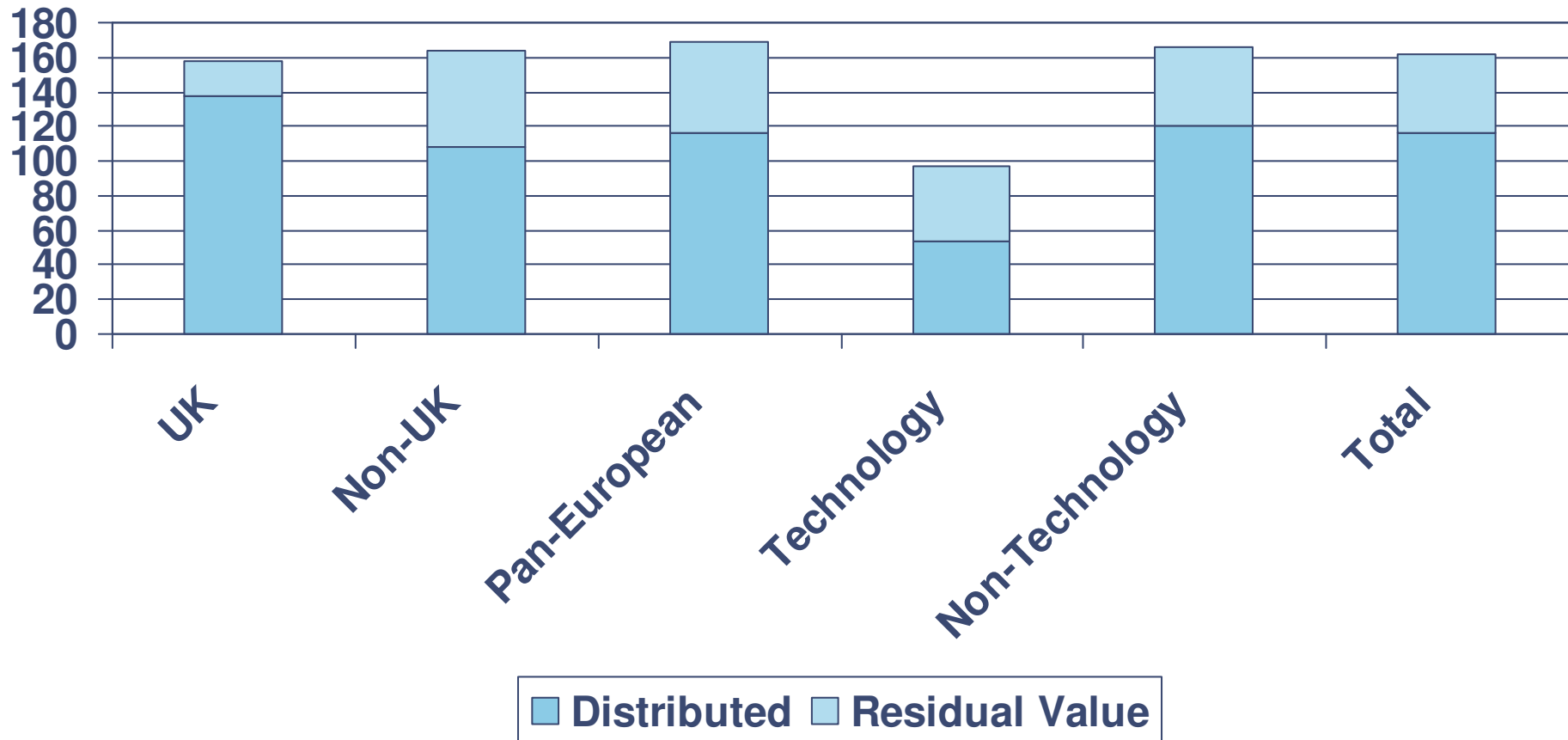
UK Private Equity Return – stable on the since inception basis (Since Inception % p.a.)



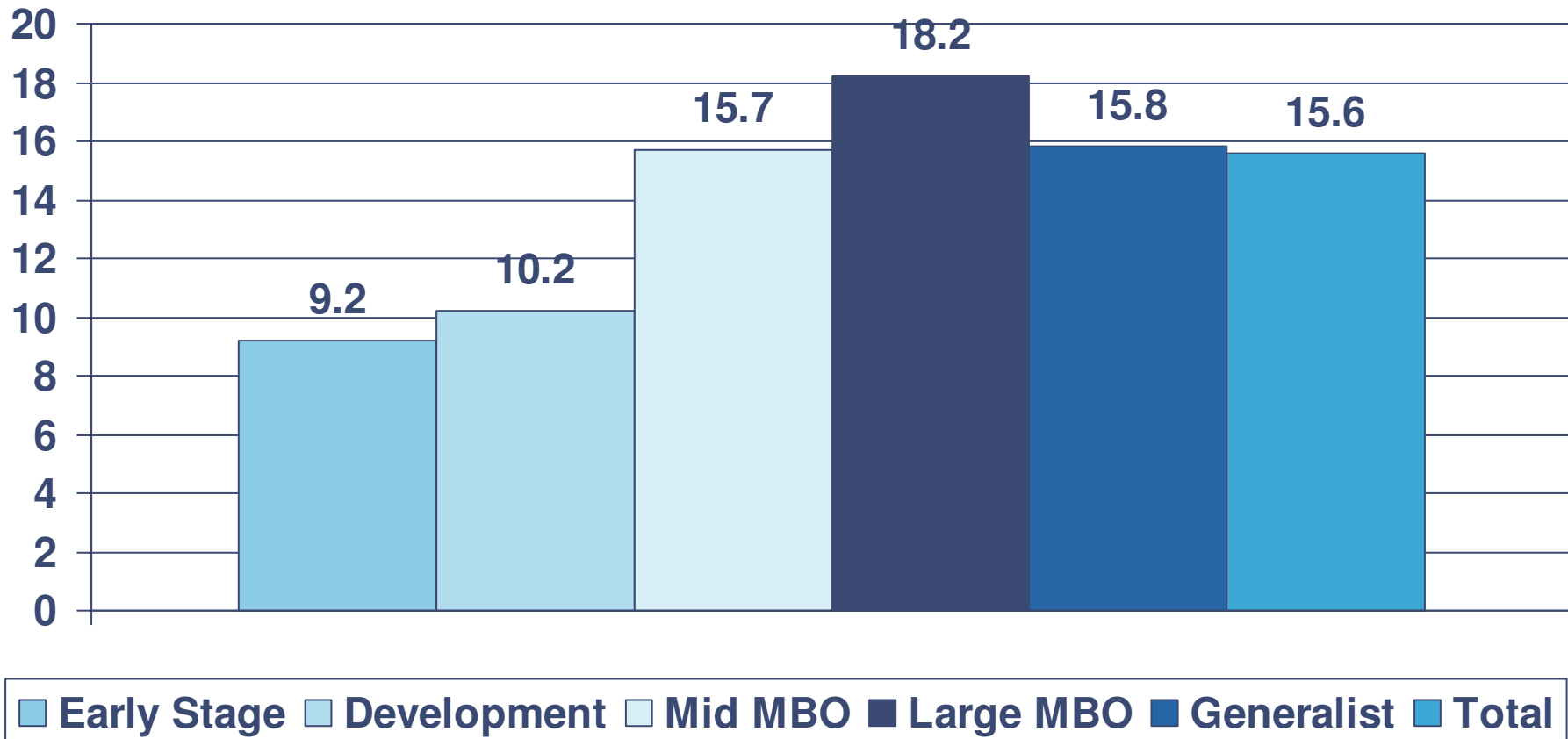
Since Inception Performance by Subcategory (to December 2009 - % .p.a.)



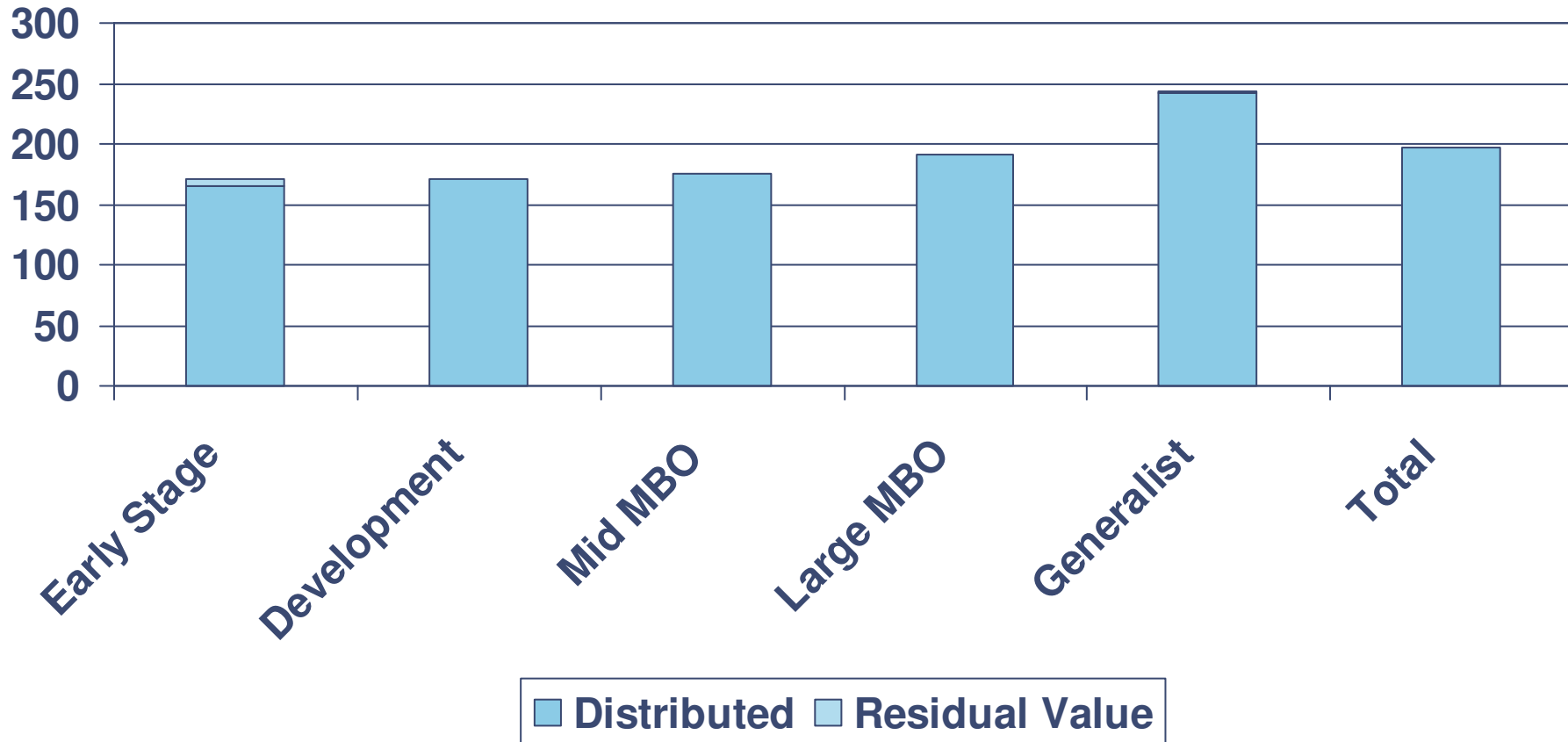
Total, Distributed and Residual Value as a % of Paid-In Capital (to December 2009)



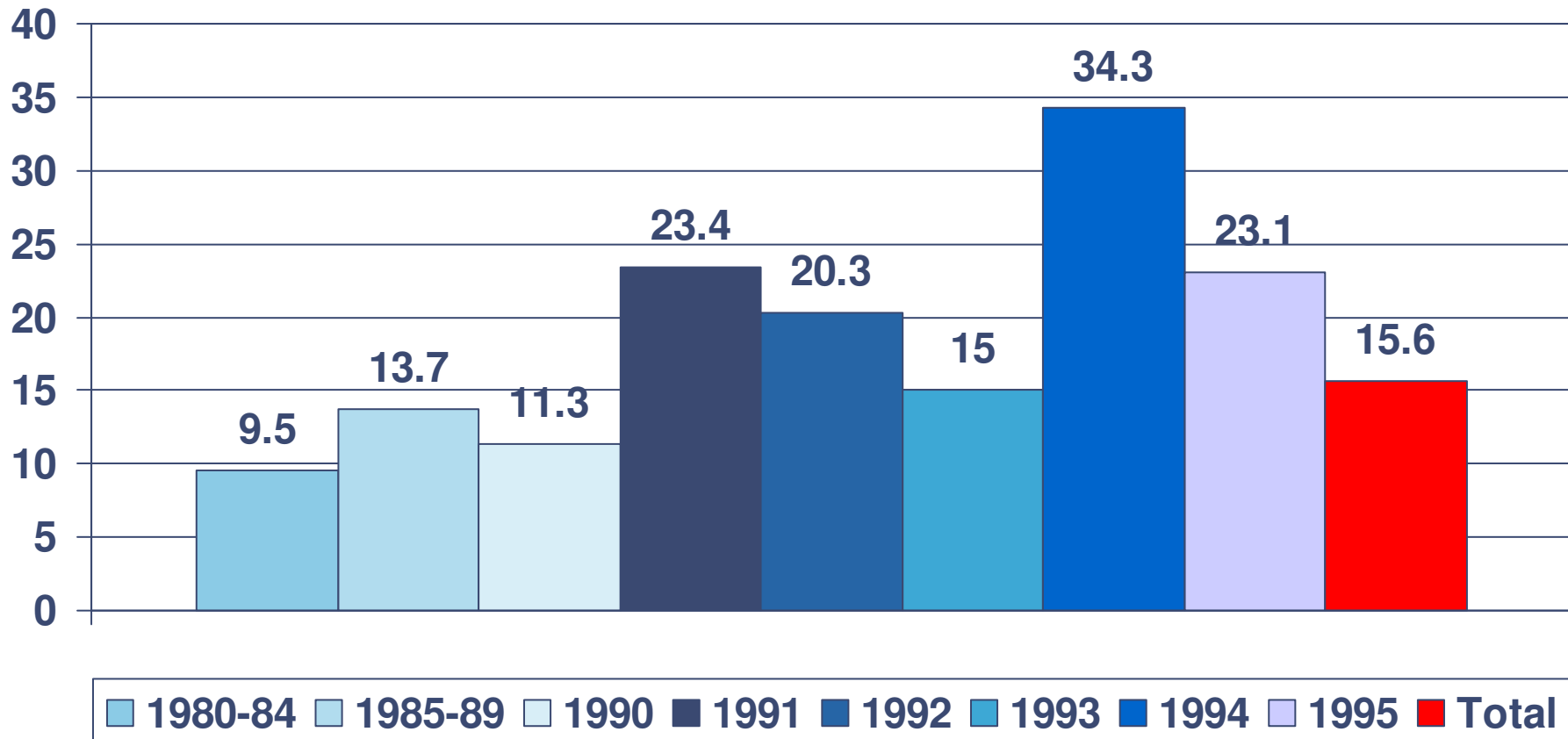
Pre-1996 Funds – Since Inception to December 2009 (% p.a.)



Total, Distributed and Residual Value as a % of Paid-In Capital Pre-1996 Funds (to December 2009)

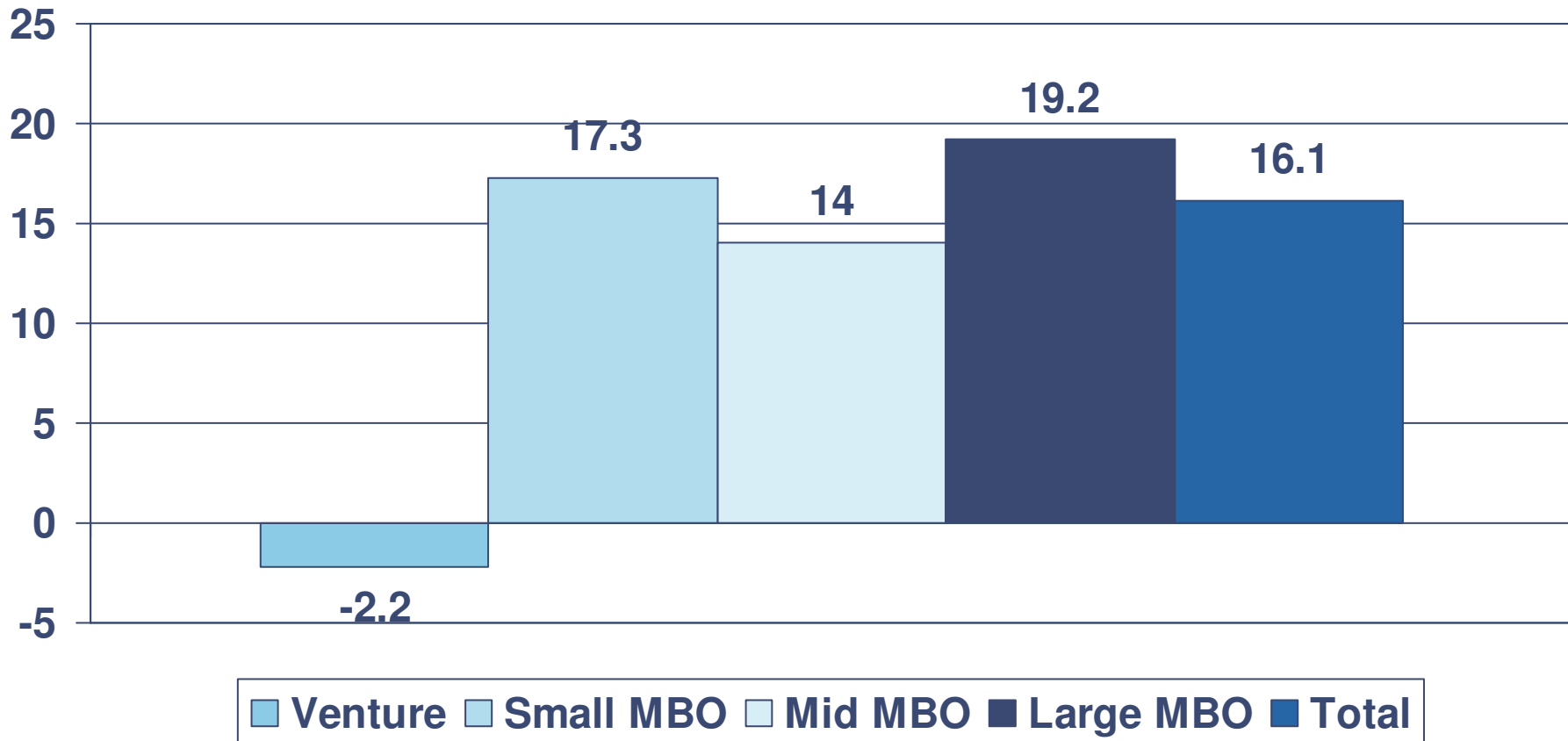


Pre-1996 Funds by Vintage Year Since Inception



2009 Survey Results

1996-2005 Funds – Since Inception to December 2009
(% p.a.)



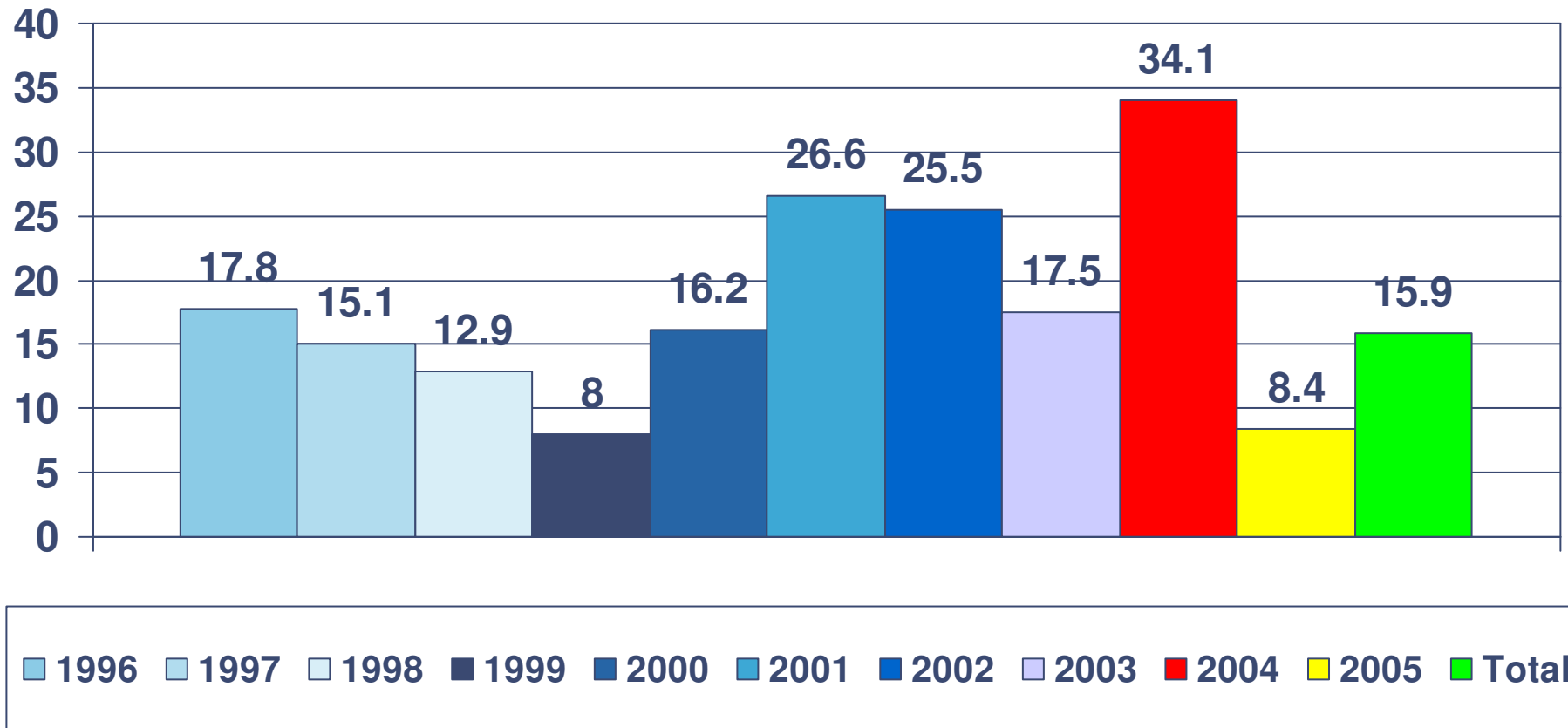
2009 Survey Results

Total, Distributed and Residual Value as a % of Paid-In Capital 1996-2005 Funds (to December 2009)



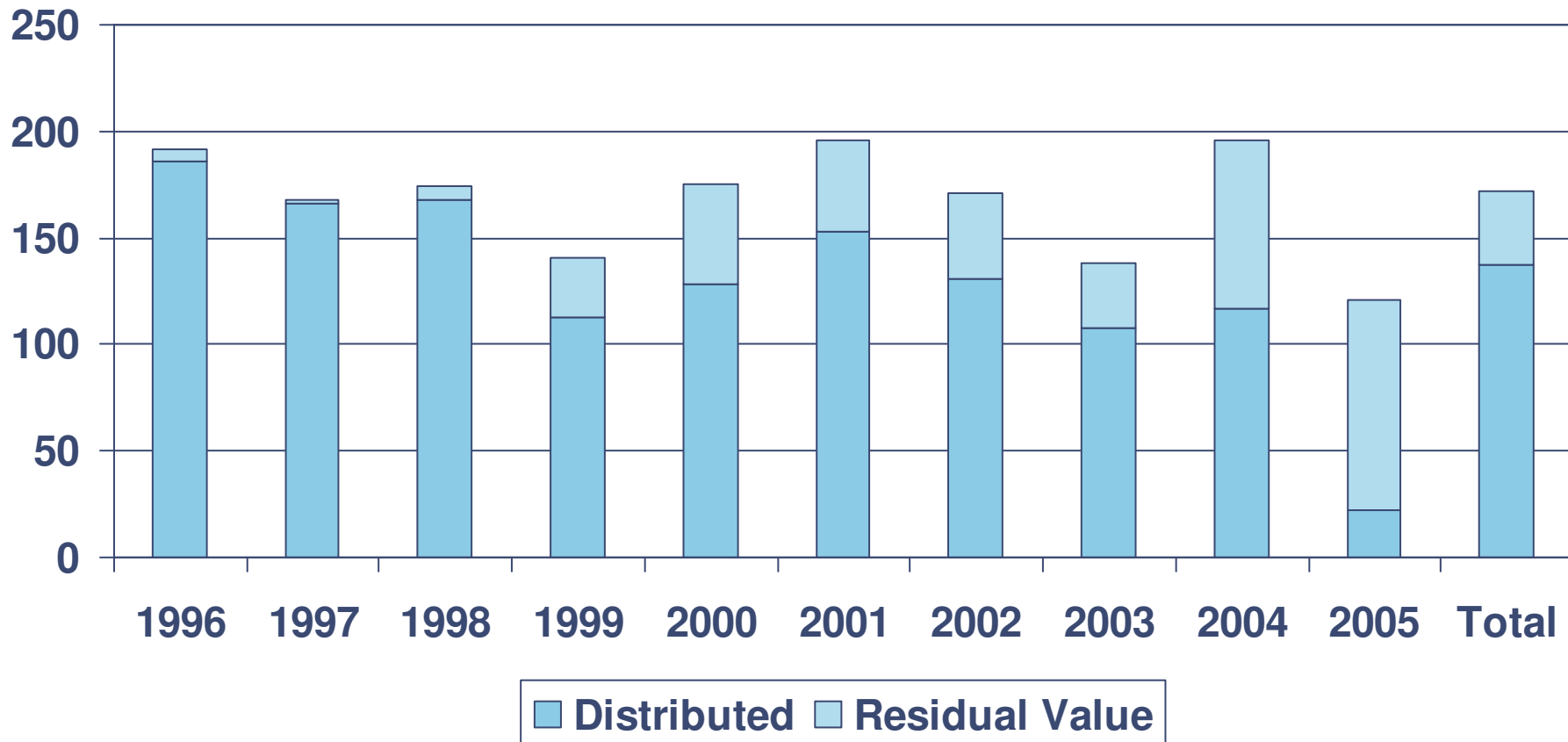
2009 Survey Results

1996-2005 Funds by Vintage Year (Since Inception % p.a.)

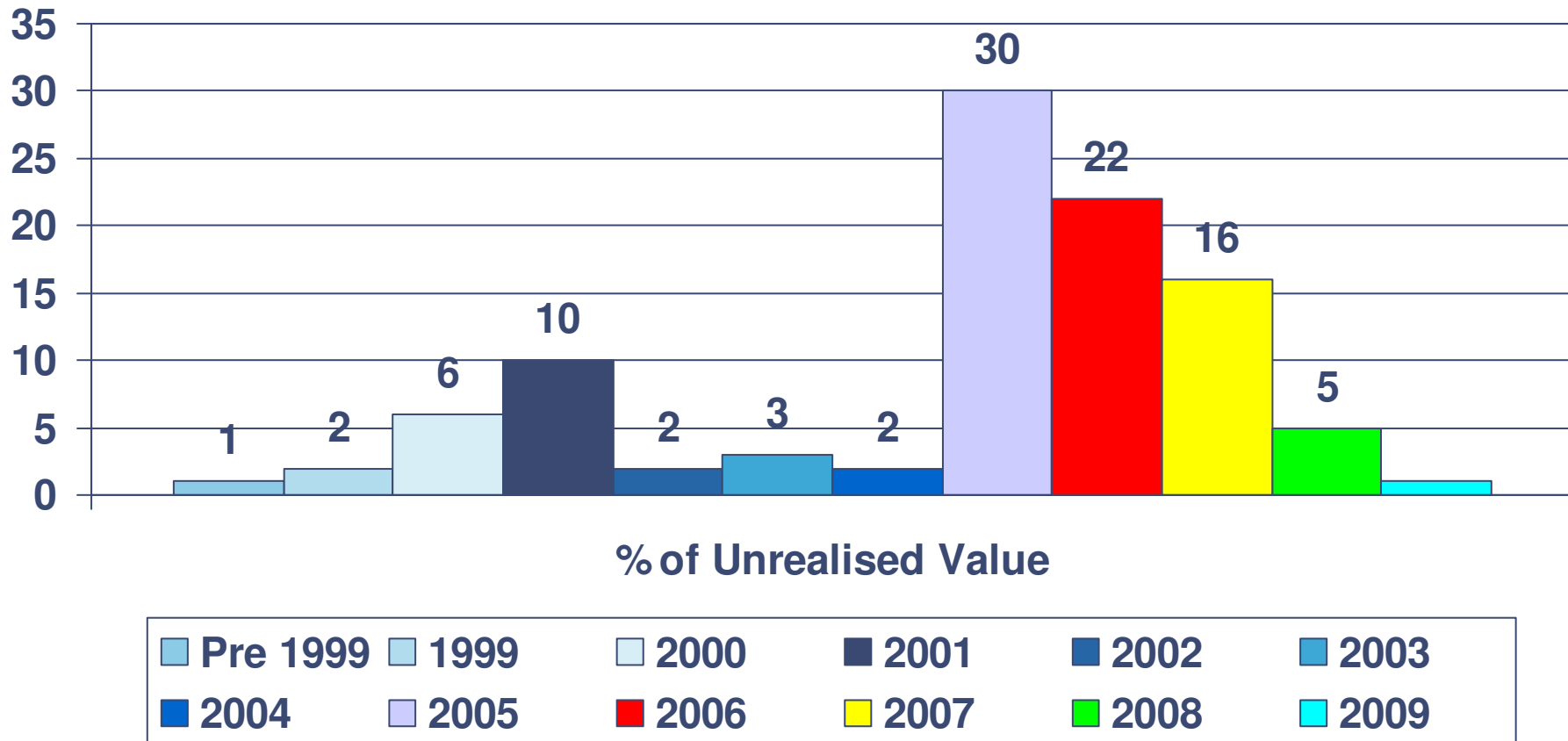


2009 Survey Results

Total, Distributed and Residual Value as a % of Paid-In Capital 1996-2005 Funds (to December 2009)

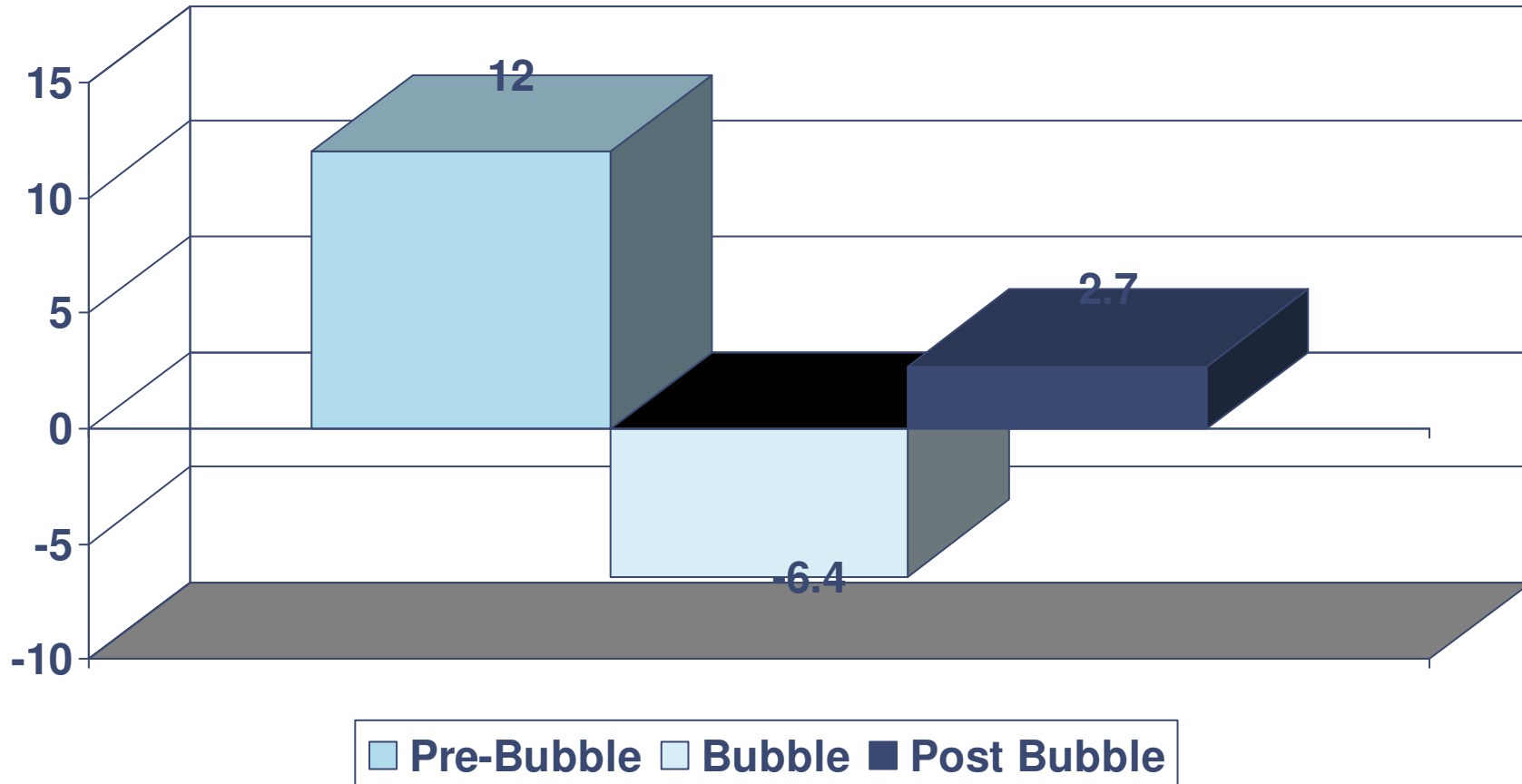


Unrealised Value in the Survey



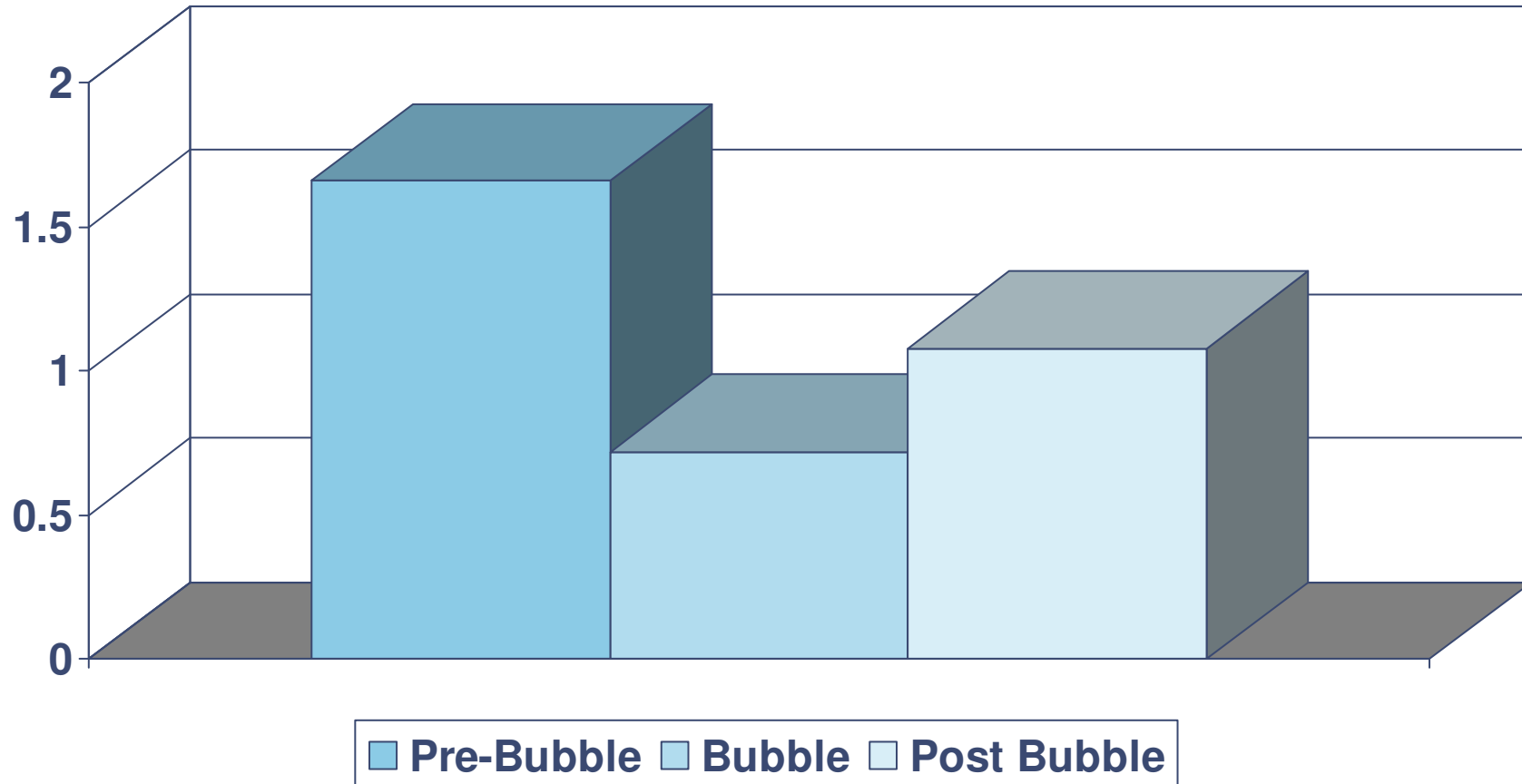
Venture Capital Performance – A Different Perspective

Pooled Since-inception IRR (Purely Commercial Funds)

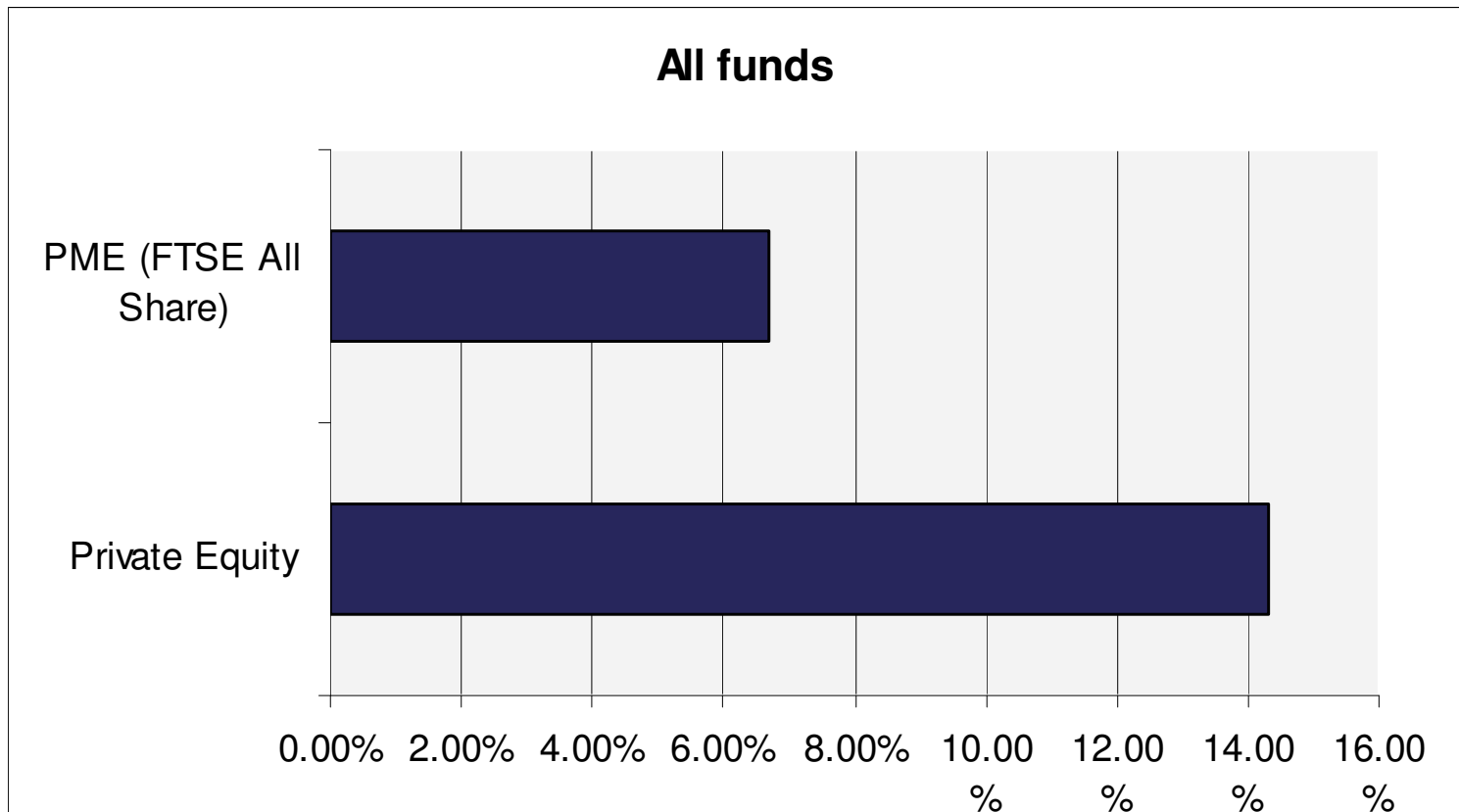


Venture Capital Performance – A Different Perspective

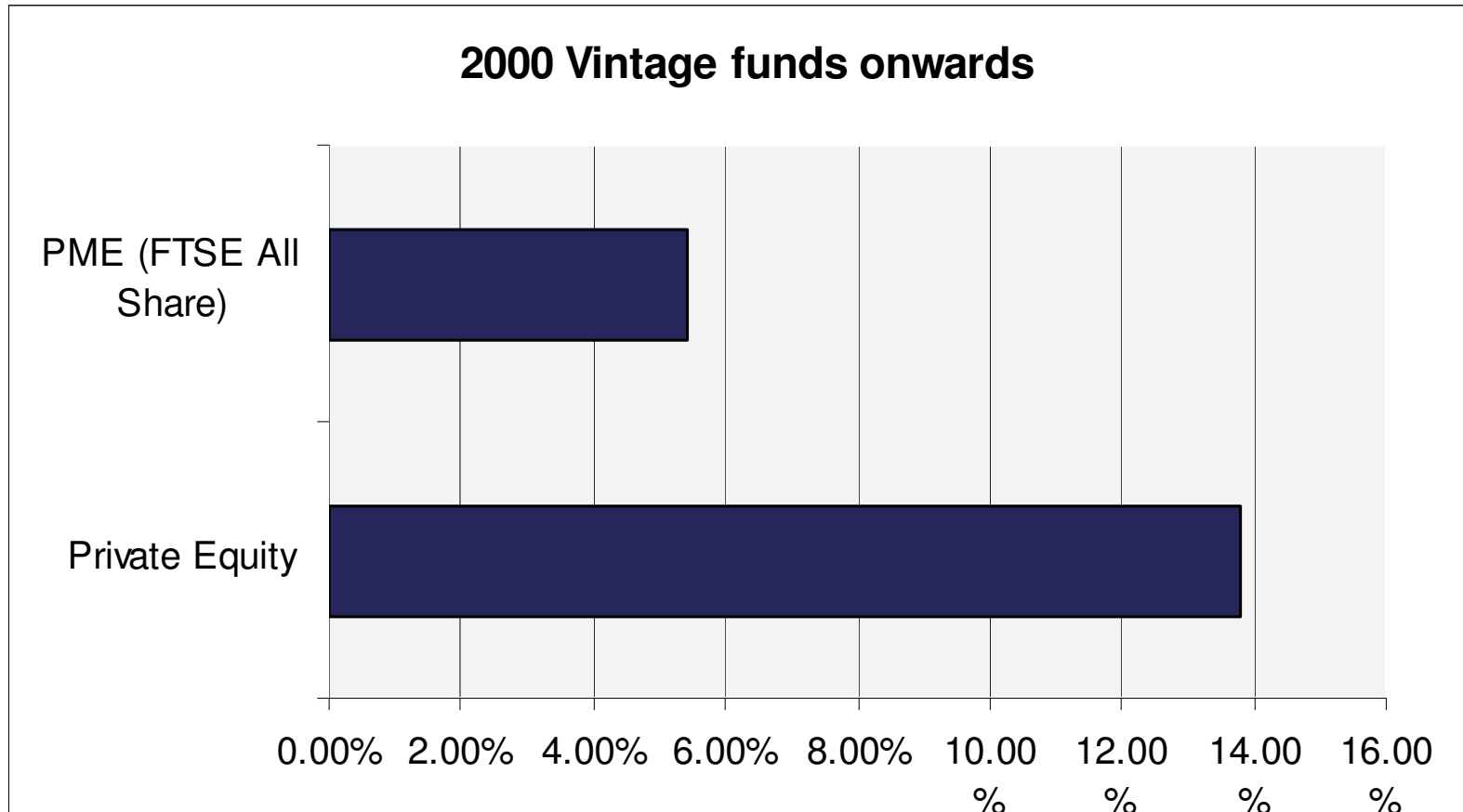
TVPI Multiple (Purely Commercial Funds)



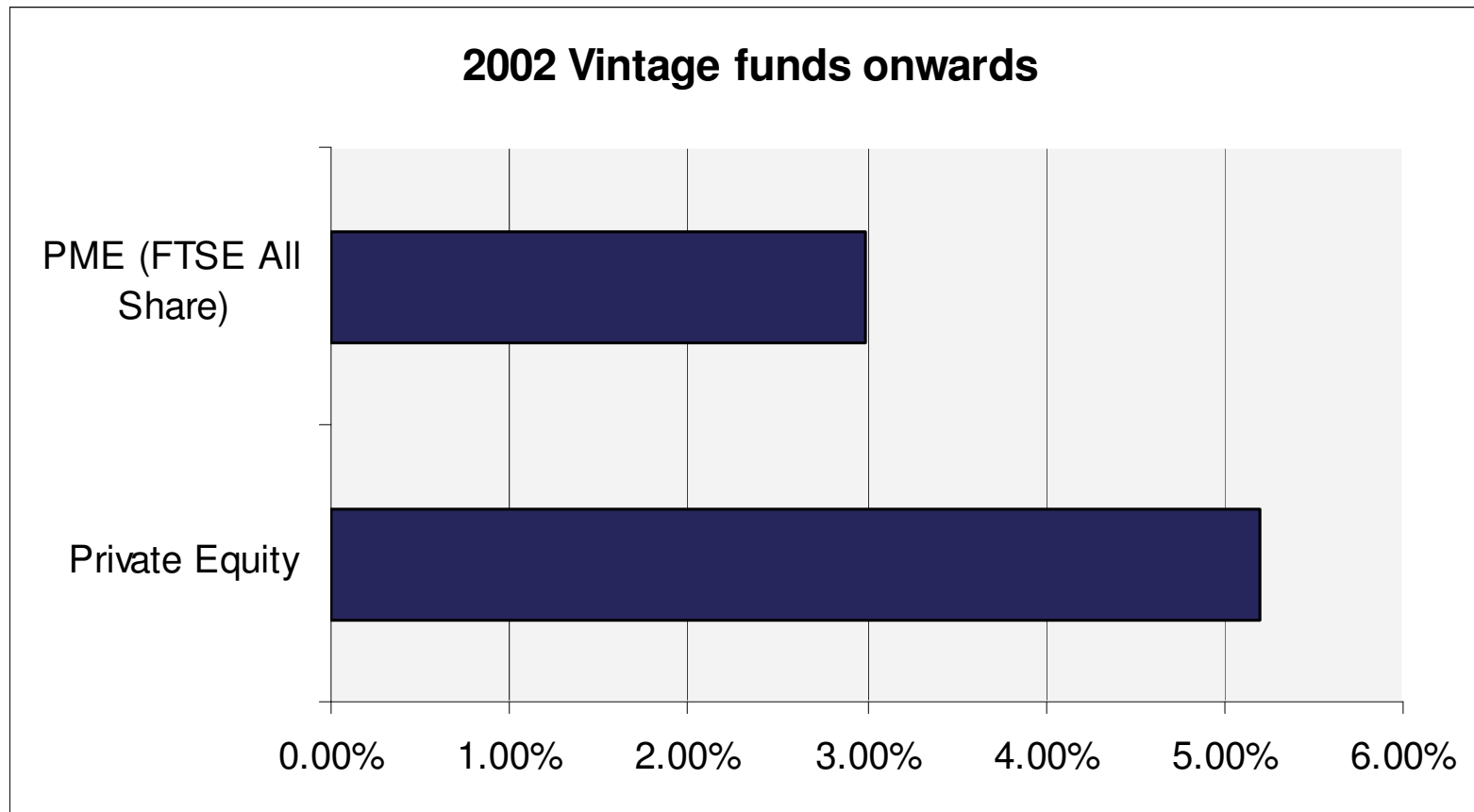
Benchmark Private Equity against the public market using PME (All funds)



Benchmark Private Equity against the public market using PME (2000 vintage funds onwards)



Benchmark Private Equity against the public market using PME (2002 vintage funds onwards)



Any Questions

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.