AVCAL

Australian Private Equity &
Venture Capital Association Limited

2017 Yearbook

AUSTRALIAN PRIVATE EQUITY AND VENTURE CAPITAL
ACTIVITY REPORT – NOVEMBER 2017

Research Partner

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FOREWORD

The Australian private equity and venture capital industry has delivered another strong year of performance across all three dimensions of its activities in FY2017. The fundraising, investment and divestment numbers are especially positive when viewed in the context of an ongoing subdued business and economic outlook across many sectors of the economy.

Fundraising figures, in particular, point to a positive year across both private equity and venture capital. Complementing successful fundraisings by two new private equity firms entering the market in the past financial year, venture capital firms more than doubled the fundraising record set last year, with an impressive $1.32 billion in new commitments during the 12 months to June 2017.

A few factors underpin the record year of venture fundraising; firstly, an increase in the number of VC firms which completed fundraisings during the period, jumping from seven to 19; secondly, the impact of government initiatives like the Biomedical Translation Fund – a core component of the broad-ranging 2015 National Innovation and Science Agenda; and thirdly, a significant upswing in Australian superannuation fund investment.

As has been the case in recent history, domestic sources of capital made up the majority of investors allocating into venture capital in Australia.

Looking deeper into the numbers around private equity fundraising, Australia made up the biggest single source of funding during the last period, which represents a departure from historical trends which have typically seen regions such as North America and Asia lead domestic sources.

This year, the domestic share increased from 32% to 75% overall. The pickup in support from domestic investors gives some cause for optimism about the outlook for future PE fundraising from within Australia, as local investors look to expand their participation in domestic private equity, especially in the growth and mid-market parts of the economy.

On the investment front, around $429 million was invested by venture in 117 emerging companies, which represents another record number and a significant boost to Australia's early stage business ecosystem. Two years ago, the amount invested by VC funds amounted to $233 million, indicating very strong year-on-year growth as venture managers look to deploy larger amounts of capital to scale-up promising businesses into international markets.

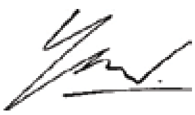
Private equity funds invested a total of $3.26 billion into Australian businesses across a wide array of industry sectors, which helps to continually expand the ever-increasing footprint of PE sponsored businesses in regional and metropolitan locations across the nation. Businesses in the consumer/retail and business and industrial segments of the economy attracted the most investment from PE funds during the 12 months to June 2017.

As anticipated, divestment activity was slow in FY17, with fewer initial public offerings (IPOs) than recent years, as managers instead looked to trade sales as their dominant exit pathway – reflecting dynamic market conditions and strong appetite for high quality acquisitions from strategic buyers.

Looking ahead, 2018 is poised to be another strong year for investment across PE and VC, with a collective $7.69 billion of 'dry powder' ready to be deployed into promising high-growth businesses.

Thank you to all the GPs who contributed their valuable time, data and information to assist in the production of this report. The data helps paint an accurate and comprehensive picture of our industry for investors, businesses, government and the broader stakeholder community that we engage with every day.

I would also like to thank EY, our long-standing research partner for their expert insights, and their support of our organisation and the industry we represent.



Yasser El-Ansary
Chief Executive
AVCAL
November 2017

FROM OUR RESEARCH PARTNER

For the ninth year in a row, EY is proud to collaborate with AVCAL to present the 2017 Yearbook.

Each year, the data in this report gives us a thorough understanding of the current state of the private equity and venture capital industry. Once again, the report demonstrates the health of the market, as it continues to grow and drive real value in the Australian economy.

The private equity and venture capital industry is a key growth engine of our economy, and last year $3.81 billion was invested in the growth and transformation of businesses, resulting in economic growth, innovation, employment and the development of world class business leaders.

We've also witnessed significant domestic fundraising in the venture capital realm, as the health of our early stage ecosystem continues to improve, fuelled by Government innovation initiatives, global disruption and Australia's entrepreneurial drive.

2018 promises to be another positive year for our industry. Investment should grow strongly on the back of $7.69 billion in dry powder, positive news for thousands of Australian entrepreneurs and family businesses who are looking for strategic capital and experienced partners to help execute their vision.

At EY, we believe in the power of positive equity in generating economic benefits for both investors and society. Underlying purpose is key to inspiring a business to drive sustainable value, in an environment where conventional plans and business models will inevitably be disrupted.

I hope you enjoy this Yearbook and the important snapshot it provides of the year that was, while opening a door towards the future.

Bryan Zekulich
EY Oceania Leader - Private Equity
EY
November 2017

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EXECUTIVE SUMMARY

Australian venture capital (VC) ended the FY2017 year with a record level of fundraising, while private equity (PE) fundraising remained strong. Investment activity across the industry was also higher in dollar terms than last year, largely stemming from an upswing of domestic VC capital and foreign PE capital being deployed during the year.

The key highlights of the year are outlined below.

Fundraising:

- Australian PE and VC funds raised a total of $3.35b in FY2017, a level not seen since FY2007, boosted by a record VC fundraising year.
- VC fundraising surged to a record level of $1.32b. 19 VC funds completed successful fundraising closes during the year, strongly supported by local investors and several major government initiatives, such as the Biomedical Translation Fund.
- PE fundraising was stable in dollar terms but spread across slightly more funds than in FY2016, with 12 funds raising a total of $2.03b.
- The majority of new PE commitments came from Australian investors, including super funds – a marked shift from the last financial year where the majority of capital raised came from overseas.
- Consistent with 2016, the domestic VC investor base came from a diverse range of sources including superannuation funds, corporate and financial institutions, the public sector and private individuals.
- As of 30 June 2017, an estimated $7.69b of dry powder was available to be deployed by PE and VC fund managers, representing a 10% increase on the previous year's total.

Investment:

- PE and VC investment in dollar terms increased by 4% to $3.81b from FY2016 to FY2017, while the number of businesses receiving PE or VC investment remained stable at 156.
- Total PE investment remained steady in FY2017 ($3.38b), even though the number of companies invested in by PE fell to 39 – a reflection of fewer, but larger, investments.
- The decrease in PE investments by domestic funds was partly offset by an increase in foreign fund investment, which saw a 54% rise in FY2017.
- Average PE investment value per investment was higher in FY2017 than in FY2016, increasing from $58m to $75m.
- Total VC investment in FY2017 was $429m, climbing 24% on the previous year, and reaching the second highest level in the last 10 years.
- Domestic VC funds invested more heavily in FY2017, placing $336m in portfolio companies, compared with $301m in FY2016.
- ICT continued to feature strongly in attracting VC investment, taking a 42% share of all investments by value. ICT was followed by healthcare and life sciences which accounted for 33% of all investments.

Divestments:

- The total number of companies exited by PE and VC funds in FY2017 decreased to 37, down 12% from FY2016. The decrease reflects the twin effect of longer holding periods and fewer portfolio companies in the exit pipeline.
- For both PE and VC in FY2017, most divestments were completed through trade sales to strategic buyers, rather than IPOs or secondary sales.

ABOUT THE REPORT PARTNERS

AVCAL

Australian Private Equity & Venture Capital Association Limited

The Australian Private Equity and Venture Capital Association Limited (AVCAL) is a national association which represents the private equity and venture capital industry. AVCAL's members comprise most of the active private equity and venture capital firms in Australia. These firms provide capital for early stage companies, later stage expansion capital, and capital for management buyouts of established companies.

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EY

Building a better working world

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We have a dedicated team of professionals committed to helping our private equity clients and their investee companies achieve their potential. EY will address your investment, transaction and portfolio needs to help deliver the returns your stakeholders expect.

ABOUT THE YEARBOOK

The AVCAL database contains comprehensive data on the activities of 174 venture capital and private equity firms (both active and no longer active). FY2017 figures are based on the activities of 86 venture capital and private equity firms, which represented $29,636m in funds under management ($3,146m for VC and $26,490m for PE) as of 30 June 2017.

The information was obtained via direct submissions to AVCAL and other sources such as firm websites, press releases and industry news sources. Australian investments and divestments made by global/regional funds are included in the investment and divestment figures. However, global/regional funds are generally not included in fundraising numbers, unless the fund manager can identify the specific amount allocated to Australian investments.

Total funds under management are based on submissions or estimated amounts. For global/regional funds, these estimates are calculated as funds invested in Australia.

Notes:

1. All annual figures correspond to Australian fiscal years (ending 30 June) except where otherwise stated, e.g. FY2017 refers to the year ending 30 June 2017.
2. All currency units are denominated in Australian dollars unless otherwise stated.
3. Historical data is updated when new or improved information becomes available. Therefore, the historical data presented in this Yearbook is the most accurate available as at the publication date.

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1 FUNDRAISING ACTIVITY

FUNDRAISING ACTIVITY

Total funds raised

Figure 1: Australian VC funds raised by fiscal year (in AUD millions)

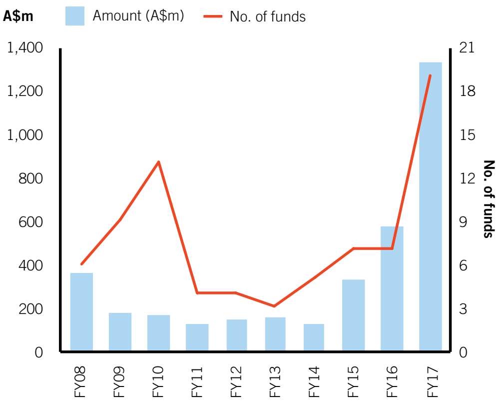
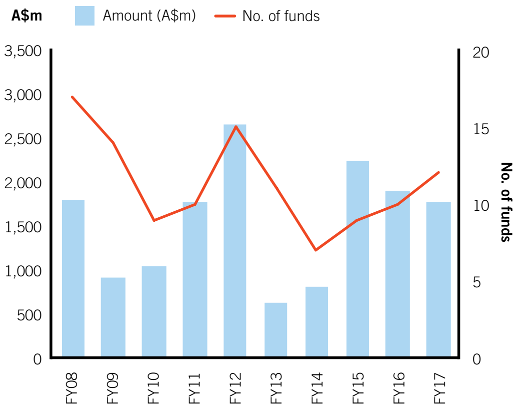


Figure 2: Australian PE funds raised by fiscal year (in AUD millions)



Total fundraising across PE and VC reached a ten year high in FY2017, reflecting the strong demand for Australian fund manager expertise. FY2017 saw a total of $3.35b raised, an increase of 22% from FY2016. A record 31 funds, some of which were new entrants to the market, were able to secure commitments from investors in FY2017.

PE fundraising was relatively stable in FY2017 with 12 funds securing an aggregate of $2.03b in capital compared with $2.17b in FY2016. Although fundraising activity decreased slightly compared to the previous year, during the course of the 12 month period there were two more funds raised compared with the previous year.

Buyout/Later Stage PE funds were particularly successful, accounting for 61% of all capital raised but just 25% of the 12 funds which held closes during the year. Established funds like Quadrant and CHAMP Private Equity had successful fundraises in FY2017, while new entrants such as Adamantem Capital and Odyssey Private Equity also secured significant investor commitments during the year.

VC fundraising in FY2017 comfortably surpassed last year's, with a record 19 funds closing on more than $1.32b, buoyed by increasing commitments from domestic superannuation funds and supported by various major government initiatives. Total funds raised in the last three years (FY2015 to FY2017) has exceeded the total of what was raised in the preceding eight years (FY2007 to FY2014), illustrating the success and speed at which Australian VC fund managers are raising capital in the highly dynamic early-stage ecosystem.

Superannuation funds increased their allocation to VC considerably in FY2017, committing 11% more of the aggregate than FY2016, accounting for 32% of the total VC funds raised. Superannuation fund capital aside, government policies have also helped underpin the renewed strength of VC fundraising. Under the National Innovation and Science Agenda, the Australian Government launched the $500m Biomedical Translation Fund which is managed by three fund managers – Brandon Capital Partners, OneVentures and BioScience Managers. These three managers are deploying a collective $500m in combined public and private sector capital commitments in the life sciences translation and commercialisation marketplace.

FUNDRAISING ACTIVITY

YEAR	VENTURE CAPITAL		PRIVATE EQUITY		TOTAL	
	AMOUNT (A$m)	NO. OF FUNDS	AMOUNT (A$m)	NO. OF FUNDS	AMOUNT (A$m)	NO. OF FUNDS
FY2008	351.90	6	2,052.88	17	2,404.78	23
FY2009	174.89	9	1,034.57	14	1,209.46	23
FY2010	158.00	13	1,190.00	9	1,348.00	22
FY2011	120.00	4	2,014.79	10	2,134.79	14
FY2012	140.02	4	3,031.26	15	3,171.28	19
FY2013	153.93	3	719.93	11	873.86	14
FY2014	123.75	5	933.27	7	1,057.02	12
FY2015	325.63	7	2,549.21	9	2,874.85	16
FY2016	567.93	7	2,172.84	10	2,740.77	17
FY2017	1,320.91	19	2,031.26	12	3,352.18	31

TABLE 1:
Amount of funds raised by fiscal year (in AUD millions)

NOTE:
Total number of funds and the total commitments include first, intermediate and final closings, reinvested gains, interest and dividends, and captive raisings.

Funds raised by investment stage focus

With many more VC funds raising a record aggregate level of capital than in FY2016, over half (58%) of these were Seed/Early Stage focused funds which raised around 45% of the aggregate VC capital. This mirrors last year's trend, where Seed/Early Stage focused funds, on average, closed on smaller raises.

PE fundraising was skewed towards the buyout/later stage PE focused funds, with such funds raising the majority of capital at $1.23b. Other PE funds such as those with a hybrid strategy raised substantial capital, attracting $430m in new commitments.

INVESTMENT STAGE	AMOUNT (A$m)	NO. OF FUNDS
Seed/Early Stage VC	591.75	11
Balanced/Later Stage VC	729.16	8
TOTAL VC	**1,320.91**	**19**
Growth/Expansion PE	370.55	7
Buyout/Later Stage PE	1,230.71	3
Generalist PE/Other	430.00	2
TOTAL PE	**2,031.26**	**12**
NEW FUNDS RAISED	**3,352.18**	**31**

TABLE 2:
Funds raised by investment stage focus – amounts raised in FY2017 (in AUD millions)

NOTE:
Amounts do not reflect final fund size but rather the incremental commitments raised where a first, intermediate or final closing occurred in FY2017.

FUNDRAISING ACTIVITY

Sources of new commitments

In contrast to the trends seen over recent years, the make-up of investors in PE and VC changed markedly in FY2017. Australian investors accounted for a significant proportion of new commitments this year: domestic investors made over $2.51b in new commitments to PE and VC funds, representing three-quarters of total PE and VC fundraising, while close to $500m was raised from North American investors.

Australian investors continued to invest heavily in VC funds, maintaining a long-running trend, constituting 94% of the aggregate capital raised, up from 91% in FY2016. While a broad range of domestic investors contributed to VC fundraising in FY2017, superannuation funds increased their appetite for exposure to the venture market in Australia, accounting for 32% ($421m) of the aggregate.

Another prominent development from last year is the increase in contribution from the public sector, driven largely by the Federal Government's $250m commitment to the Biomedical Translation Fund, $100m to the CSIRO Innovation Fund (now known as Main Sequence Ventures), and the creation of a $50m innovation fund by the South Australian Government. Notable fundraising results over the year included AirTree's new Australian record-setting $250m fund, followed closely by Square Peg Capital, which ended the year on a total of $234m. Corporate venture capital also continued its local growth with IAG Ventures' $75m fund being a notable new entrant.

Superannuation funds, pension funds and fund of funds drove PE fundraising in FY2017, making up 58% of the total capital raised. Worth highlighting is that out of that aggregate capital, $1.27b was raised from Australian investors, representing 63% of that total. In particular, Australian superannuation funds contributed $676m, or more than half, of the capital raised in Australia. This is partly a reflection of Australian superannuation funds being increasingly attracted to the growth of PE opportunities within the market, supported by the consistently strong returns delivered by the broader industry over the past decade or so.

Another noteworthy development is the re-emergence of sovereign wealth funds, which have combined to create a significant contribution to overall commitments during the past year, constituting around 19% of all new PE commitments compared with just 2% in FY2016.

Figure 3: Sources of new PE and VC commitments in FY2017 by investor type (based on AUD millions)

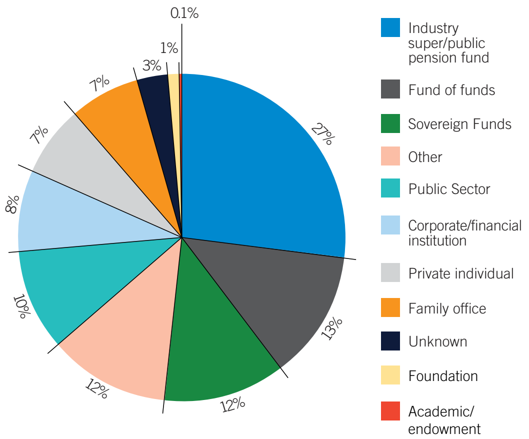


Figure 4: Sources of new PE and VC commitments in FY2017 by region (based on AUD millions)

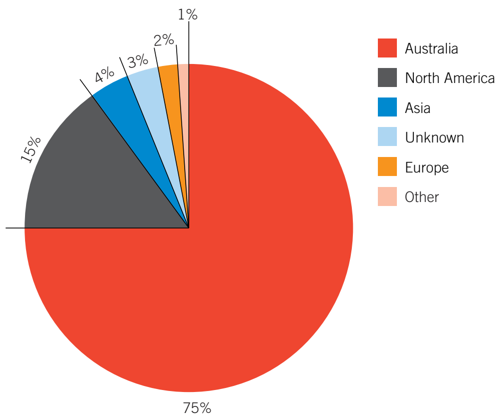


Figure 5: Sources of new VC commitments by investor type, FY2013-FY2017 (in AUD millions)

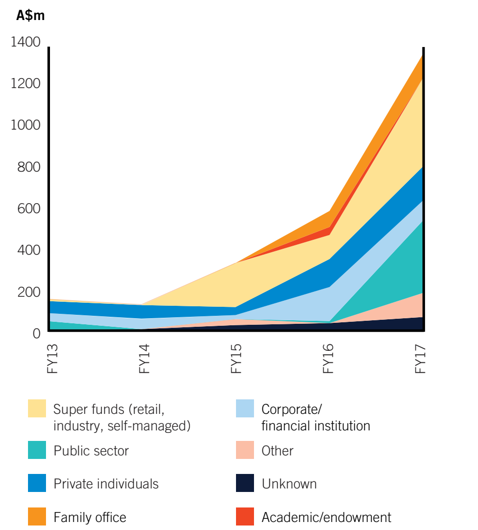


Figure 6: Sources of new PE commitments by investor type, FY2013- FY2017 (in AUD millions)

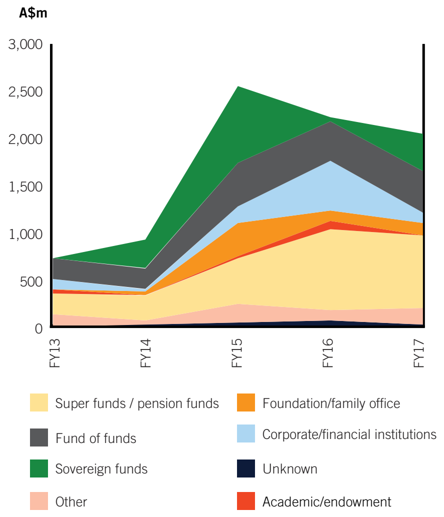


Figure 7: Sources of new VC commitments by geography, FY2013-FY2017 (in AUD millions)

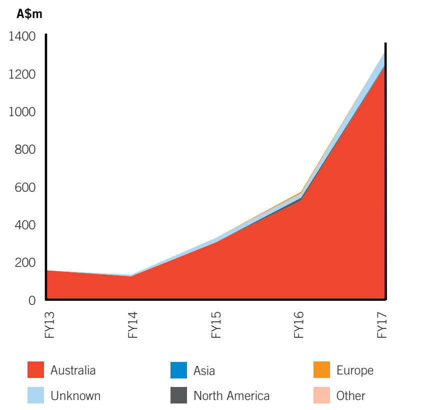
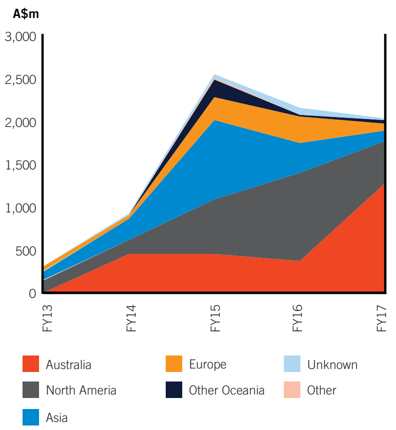


Figure 8: Sources of new PE commitments by geography, FY2013-FY2017 (in AUD millions)



Dry powder

The amount of dry powder available to GPs sits at an estimated $7.69b across 69 PE and VC funds as at 30 June 2017. PE fund managers had the most capital ready to deploy, accounting for 76% of total PE and VC dry powder. Out of the total PE dry power, 61% of that was earmarked for buyout/later stage PE funds, which can be seen as an indicator of more significant investment activity over the next few years.

With the record level of VC fundraising, dry powder increased to $1.85b in FY2017 (up from $883m in FY2016) which was available across 31 VC funds.

TABLE 3:
Dry powder available in FY2017 (in AUD millions)

NOTE:
Estimated amount based on Australian funds with available capital and vintage years after 2011.

	DRY POWDER (A$M)	NO. OF FUNDS WITH AVAILABLE DRY POWDER
VC	1,853.26	31
PE	5,834.14	38
TOTAL	**7,687.39**	**69**

2 INVESTMENT ACTIVITY

INVESTMENT ACTIVITY

Total investments

FY2017 saw a total of 156 companies attracting PE & VC investment, receiving an aggregate investment value of $3.81b. This represents a 4% increase in investment value and a 3% increase in the number of companies taking on investments compared with the previous year.

The increase in investment value was mostly due to foreign funds, which accounted for more than half (55%) of total dollars invested. In total, Australian companies received around $3.6 billion of investment from PE and VC, a 21% increase from FY16 ($3b).

Total PE investment grew relatively modestly by 1% to $3.38b in FY2017. However, the number of companies invested in fell by 35% to 39, representing fewer, but larger, deals.

Domestic buyout fund managers were active in FY2017 with Pacific Equity Partners buying Patties Foods for $232m and Quadrant Private Equity acquiring the Great Southern Rail (GSR) business, adding to its portfolio of Cruise Whitsundays and Rottnest Express, to create the Experience Australia Group. International PE firms also continued to make a significant contribution to overall investment activity within the sector. During the year, notable deals included Baring Private Equity Asia acquiring the SAI Global business for $1.24b by scheme of arrangement, and Hony Capital lifting its stake in Santos during the year to 15.1%.

There have also been a number of deals announced publicly that have not been included in this year's numbers because they were not completed within the FY2017 window, for example Pacific Equity Partners and The Carlyle Group's announced acquisition of iNova Pharmaceuticals, which has been completed during the current FY2018 period. In addition, the Only About Children business was acquired by Bain Capital during FY2017 but no financial details were available to be included in the overall investment data for this year.

In terms of average PE investment value, it maintained its upward trajectory to $75m with six equity investments greater than $150m being recorded, compared with last year's average of $58m.

Total VC investment continued to grow strongly in FY2017 with an aggregate value of $429m, an increase of 24% from last year, and the highest since the peak of FY2014. A record 117 companies were backed by VC, demonstrating the sustained growth of the domestic early-stage innovation ecosystem.

Domestic VC funds continued to ramp up their activity, investing $336m in total, accounting for 78% of the total investment value of all VC funds. From a dollar investment perspective, this is a ten year high and represents a 170% increase on the investment lows seen in FY2013.

Many of the largest deals were driven by firms such as Blackbird Ventures, Square Peg Capital and AirTree Ventures. In one of the largest ever deals by a domestic VC fund, Prospa raised $25m in a Series B funding round led by AirTree Ventures. Another prominent deal during the year was Square Peg Capital backing Unified Healthcare Group, a Melbourne based health technology company, which provides a platform for corporations, doctors and insurers to share medical records online.

Foreign funds increased their share of the aggregate VC investment value to 22% (doubling what they invested in last year), showcasing the strong appeal of Australian companies to sophisticated global investors. For example, Melbourne-based cross-border payments startup Airwallex received a $13m Series A funding round to continue its expansion overseas. This deal was led by Chinese internet giant Tencent with Sequoia China, MasterCard and Gobi Ventures participating. For Tencent and Sequoia China, this was their first investment in an Australian startup, which may be a precursor to further Australian investment activity in future.

INVESTMENT ACTIVITY

TABLE 4:
Investments by fiscal year (in AUD millions)

YEAR	VENTURE CAPITAL			PRIVATE EQUITY			TOTAL		
	AMOUNT (AUDm)	NO. OF COMPANIES	NO. OF GPs	AMOUNT (AUDm)	NO. OF COMPANIES	NO. OF GPs	AMOUNT (AUDm)	NO. OF COMPANIES	NO. OF GPs
FY2008	211.57	77	16	4,194.40	103	40	4,405.97	176	56
FY2009	228.61	98	21	2,916.45	113	46	3,145.06	208	67
FY2010	191.38	95	22	2,155.74	97	40	2,347.12	189	62
FY2011	289.31	81	20	3,949.50	86	39	4,238.82	164	59
FY2012	162.28	90	17	3,080.19	70	34	3,242.47	159	51
FY2013	143.69	72	19	2,729.36	67	34	2,873.05	139	53
FY2014	542.05	102	23	2,120.56	67	35	2,662.61	169	58
FY2015	233.06	94	27	3,278.55	86	37	3,511.61	179	64
FY2016	346.75	93	33	3,333.08	60	36	3,679.82	152	69
FY2017	429.36	117	19	3,382.02	39	16	3,811.37	156	35

Figure 9: VC Investments by fiscal year (in AUD millions)

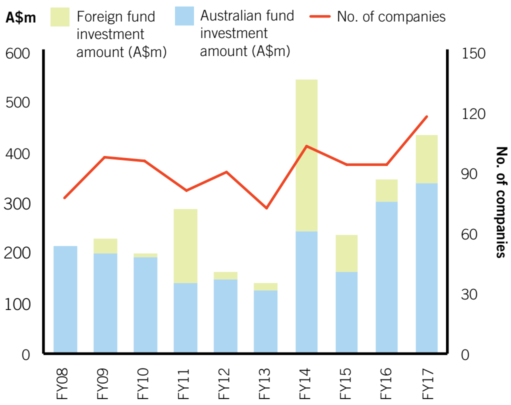


Figure 10: PE Investments by fiscal year (in AUD millions)

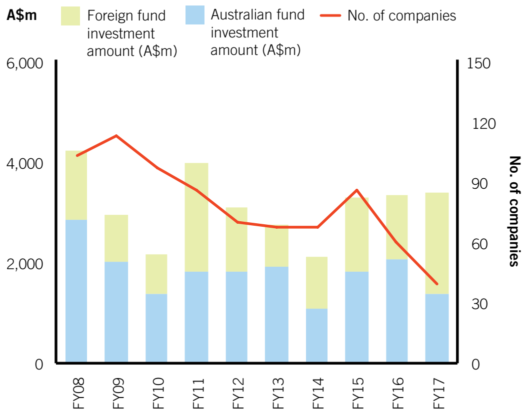
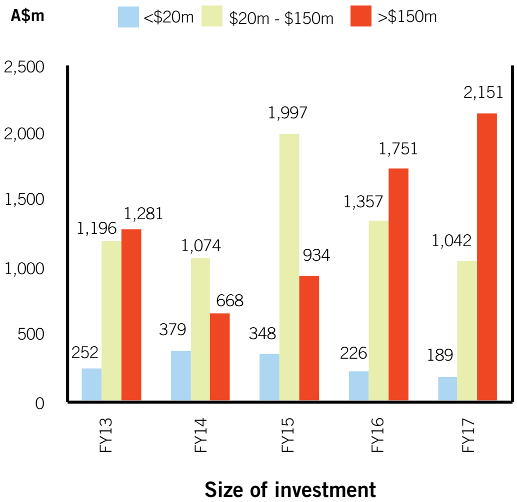


Figure 11: PE investments by size of investment in FY2013-FY2017 (in AUD millions)



INVESTMENT ACTIVITY

Distribution of investments by current stage of investee company

Buyout deals – which includes MBOs, LBOs and take-private deals – accounted for 59% of the value of all PE investments in FY2017, slightly more than the previous year. Several of the most prominent deals during the year were struck by domestic firms, for instance, Pacific Equity Partners' acquisition of Australia's largest flour manufacturer Allied Mills, added to its range of complementary baked food businesses; and Quadrant's purchase of Goodlife Health Clubs in October 2016, followed by Jetts Australia and Fitness First Australia towards the end of 2016, which has created a broader Fitness and Lifestyle Group to service the fast-growing wellness industry.

Take-private transactions also featured prominently during the course of the past year, such as Primavera Capital and Shanghai Pharmaceutical Holdings combining to acquire Vitaco Holdings for $314m in the second half of 2016, underscoring the growing appetite from Asia for Australian health food companies.

The proportion of expansion/growth capital deals increased to 54% of all invested companies in FY2017, continuing the trend seen over many years for sustained high activity in this part of the market. Overall deal value increased to $975m, representing a 90% increase from last year. Some of the deals completed included Advent Partners' investment alongside the existing founders in Frosty Boy, a Queensland-based dessert and treat manufacturer, and Crescent Capital's acquisition of Tigerlily – a high-profile leading Australian swimwear business – from Billabong for $60m during the year.

VC deals were evenly distributed among stages over the last 12-month period. Seed and start-up investments were slightly over a third of total investment value, with late stage VC attracting a similar share of all investments. Other early stage investments took the balance of one third of the total invested.

Consistent with previous years, amounts invested and number of investments were concentrated in the seed and Series A rounds. Over coming years there may be an upswing in growth in the later-stage investment phase, given the larger scale of new VC funds raised over the past two years.

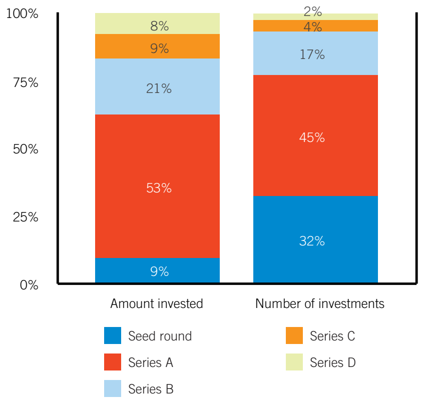
TABLE 5:
Distribution of investments in FY2017 (by stage of investee company)

NOTE:
Stages with fewer than three companies invested in have been aggregated into "Other VC" or "Other PE". Percentage figures have been rounded off to the nearest whole percent, and refer to the percentage of either total PE or VC investment. As the figures only cover investments by Australian VC or PE funds and international funds investing in Australian companies, investments in companies domiciled overseas will only reflect the amount invested by the Australian fund, not the total round amount invested by a syndicate of international investors.

STAGE	AMOUNT (AUDm)	% OF TOTAL PE OR VC	NO. OF INVEST MENTS	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
Seed	51.38	12%	56	39%	46	39%
Start-up	95.63	22%	25	18%	22	19%
Other early stage	135.74	32%	43	30%	34	29%
Late stage VC	129.14	30%	12	8%	11	9%
Other VC	17.47	4%	6	4%	4	3%
TOTAL VC INVESTMENT	**429.36**	**100%**	**142**	**100%**	**117**	**100%**
Expansion/growth capital	975.33	29%	26	58%	21	54%
Rescue/turnaround	68.91	2%	7	16%	7	18%
Buyout (MBO/MBI/LBO/P2P)	2,010.46	59%	9	20%	9	23%
Other PE	327.32	10%	3	7%	2	5%
TOTAL PE INVESTMENT	**3,382.02**	**100%**	**45**	**100%**	**39**	**100%**

INVESTMENT ACTIVITY

Figure 12: Investments by VC funds in FY2017 by investment round



NOTE:
(1) Only includes investments with financing round information,
(2) There were no Series E+ investments in FY2017

Figure 13: VC investments by stage of investee company, FY2013-2017

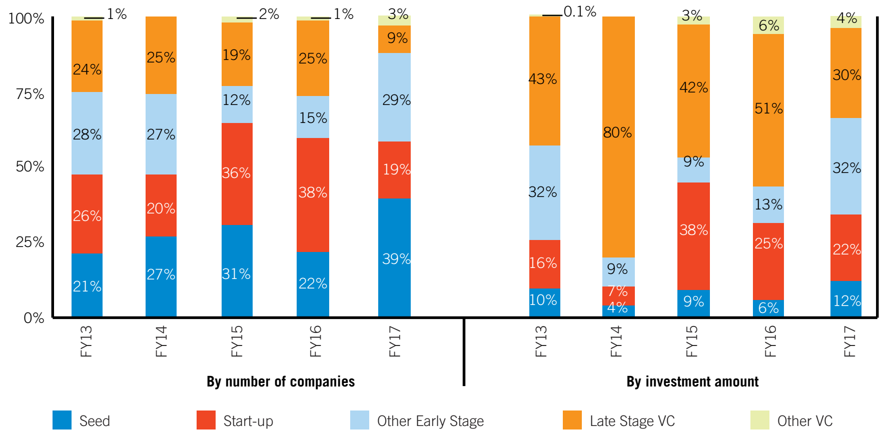
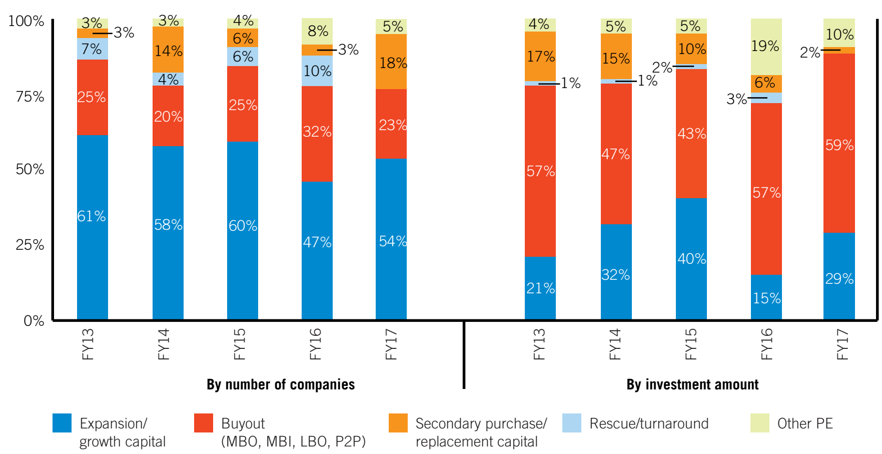


Figure 14: PE investments by stage of investee company, FY2013-2017



INVESTMENT ACTIVITY

Distribution of investments by company sector

Continuing the pattern of previous years, the largest share of VC investments by value and by number of companies came from the ICT sector. VC firms continue to see opportunities in this sector, accounting for 47% of all companies receiving VC investments and attracting 42% of total VC dollars. One of the largest VC deals of the year was Deputy, a cloud-based workforce management tool that allows users to manage scheduling, timesheets, tasking and other employee communication, which received $33.2m in Series A funding from OpenView Venture Partners; while Sydney based Human Resources technology start-up Employment Hero raised $1.5m in a Series A round led by AirTree and joined by existing investors, including OneVentures.

Healthcare and life sciences followed closely behind, accounting for 33% of all invested dollars and 26% of the number of invested companies. PE and VC General Partners continue to see attractive investment opportunities in this long term growth sector of the economy. For example, domestic VC fund OneVentures launched its $170m Healthcare Fund III in December 2016, with a particular emphasis on diagnostics, therapeutics and medical devices. Meanwhile, Sequoia Capital led a $26.7m financing for HealthEngine, an online system to help users to find and book health appointments. Demonstrating global interest in Australian companies, in May 2017, Action Potential Venture Capital led a $53m Series D funding round for Saluda Medical, a Sydney-based medical device company, in which domestic VC firm Bioscience Managers had already invested $5m in February 2015. Looking ahead, the opening of the $500m Biomedical Translation Fund is expected to see investments in this sector continue to accelerate over the coming years.

For PE, investments in consumer products, services and retail, and business / industrial products and services together garnered the bulk of all invested dollars, taking an overall 83% share. However looking at the split by number of companies, slightly more than half (51%) of all invested companies were in the consumer products, services and retail sector. Some of the largest deals completed in FY2017 were found in this sector, underscoring the strong demand from PE firms for high quality businesses operating in this part of the market. For example, The Cheesecake Shop, Australia's largest specialist cake retailer through a franchise network of over 200 stores across Australia, New Zealand and the UK, was acquired by PAG Asia Capital in February 2017; while Allegro acquired the master franchisee agreement for Pizza Hut in Australia, from US-based parent company Yum! Brands in September 2016.

INVESTMENT ACTIVITY

Figure 15: VC investments by sector in FY2017 (based on AUD millions)

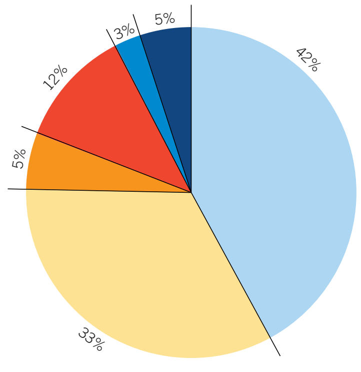
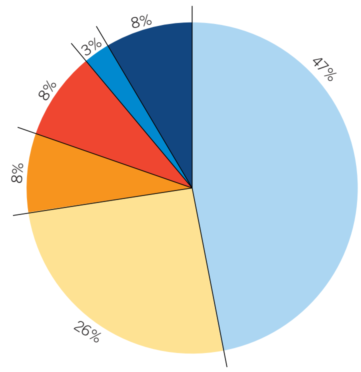


Figure 16: VC investments by sector in FY2017 (based on number of companies)



NOTE:
Sectors with fewer than three companies receiving investments have been aggregated into "Other".

Figure 17: PE investments by sector in FY2017 (based on AUD millions)

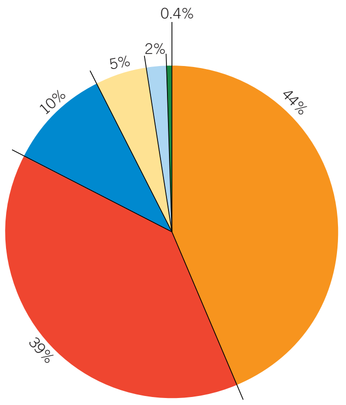


Figure 18: PE investments by sector in FY2017 (based on number of companies)

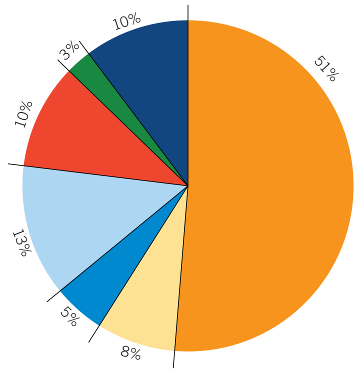


TABLE 6:
Distribution of PE & VC investments in FY2017 (by sector)

NOTE:
The categories displayed in Figures 15-18 have been grouped as follows: Business and industrial products and services (Business and industrial products, business and industrial services, construction, transportation), consumer products, services and retail (consumer goods and retail, consumer services), financial services (financial services, real estate), ICT (communications, computer and consumer electronics).

SECTOR	AMOUNT (AUDm)	% OF TOTAL	NO. OF INV	% OF TOTAL	NO. OF CO.S	% OF TOTAL
Business and industrial products	9.30	0.2%	2	1%	2	1%
Business and industrial services	1,085.52	28%	9	5%	9	6%
Transportation	234.20	6%	6	3%	5	3%
Communications	43.69	1%	20	11%	20	13%
Computer and consumer electronics	198.11	5%	43	23%	40	26%
Consumer goods and retail	720.15	19%	12	6%	12	8%
Consumer services	812.80	21%	19	10%	17	11%
Energy and environment	336.85	9%	6	3%	5	3%
Financial services	63.37	2%	11	6%	11	7%
Healthcare and life sciences	306.36	8%	57	30%	33	21%
Other	1.03	0.03%	2	1%	2	1%
TOTAL INVESTMENTS	**3,811.37**	**100%**	**187**	**100%**	**156**	**100%**
Subtotal High-tech	452.94	12%	114	61%	91	58%
Subtotal cleantech	11.02	0.3%	3	2%	3	2%

Figure 19: VC ICT investment by round type in FY2017

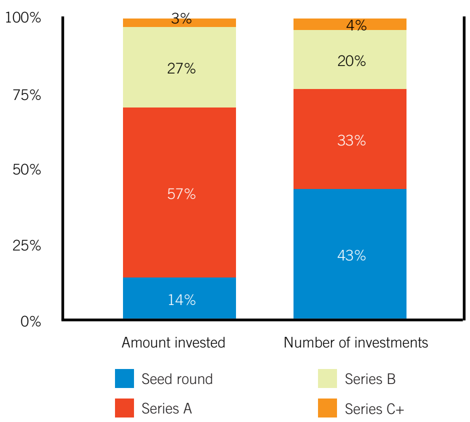
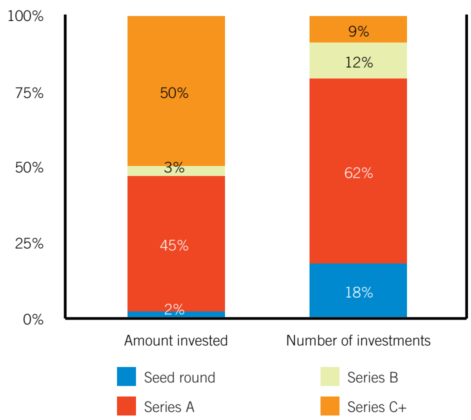


Figure 20: VC life sciences investment by round type in FY2017



Distribution of investments by geographical location

Close to $336m or more than three-quarters (78%) of VC investments were made into Australian companies. As was the case in FY2016, the majority ($199m) was directed into companies based in New South Wales, followed by $83m into Victoria. However, only 22% of invested dollars in VC was directed towards companies abroad this year compared with 33% last year – which can be read as a marker for the high quality of domestic dealflow available at the moment.

Almost all PE investments were deployed into Australian companies during FY2017, accounting for 96% of the aggregate investment amount. Consistent with VC, the bulk of PE investment capital was made in New South Wales based companies, followed next by Victorian based companies. In a departure from last year however, there was a significantly lower amount of capital invested abroad, with only four New Zealand based companies receiving a combined total of $117m in investments in FY2017, and a modest additional investment amount of $4m in other offshore markets.

Figure 21: Distribution of Australian investments in FY2013 - FY2017 (by location of company headquarters)

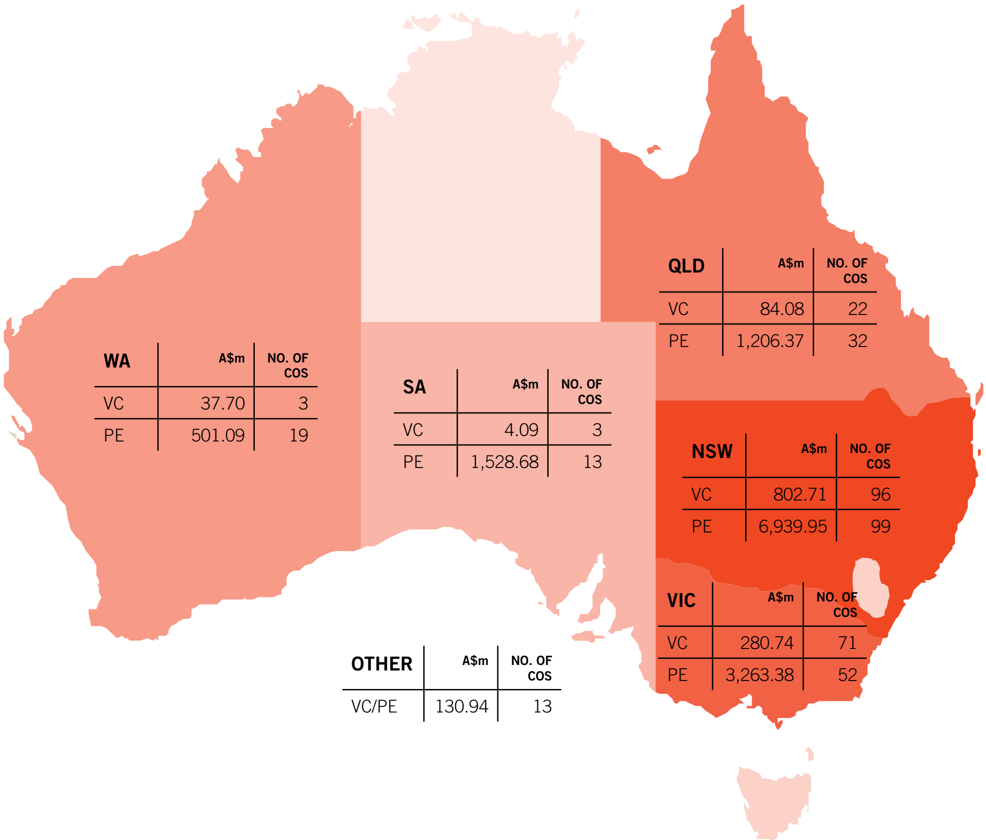


TABLE 7:
Distribution of investments in FY2017 (by location of company headquarters)

NOTE:
States/countries with fewer than three companies receiving investments have been aggregated into "Other".

	VENTURE CAPITAL				PRIVATE EQUITY			
LOCATION	AMOUNT (AUDm)	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL	AMOUNT (AUDm)	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
Australia	**335.98**	**78%**	**90**	**77%**	**3,261.66**	**96%**	**34**	**87%**
New South Wales	198.75	46%	44	38%	1,726.91	51%	18	46%
Victoria	82.90	19%	29	25%	772.60	23%	5	13%
Queensland	6.54	2%	5	4%	249.83	7%	5	13%
Western Australia	32.20	8%	3	3%	18.00	0.5%	1	3%
South Australia	3.04	1%	2	2%	494.32	15%	5	13%
ACT	12.55	3%	7	6%	0.00	0%	0	0%
Other	0.00	0%	0	0%	0.00	0%	0	0%
North America	**45.90**	**11%**	**17**	**15%**	**0.00**	**0%**	**0**	**0%**
Oceania	**17.94**	**4%**	**4**	**3%**	**116.49**	**3%**	**4**	**10%**
Other	**29.53**	**7%**	**6**	**5%**	**3.86**	**0.1%**	**1**	**3%**
TOTAL INVESTMENT	**429.36**	**100%**	**117**	**100%**	**3,382.02**	**100%**	**39**	**100%**

Total investee companies in VC and PE portfolios

The total number of investee companies in VC and PE portfolios as of 30 June 2017 was 804, a 20% increase compared to the number recorded on 30 June 2016. This was largely driven by growth in the number of companies in VC portfolios, and slower levels of divestment across both PE and VC. Much of this growth can be attributed to a rise in the number of investments in high-tech companies: 79 more high-tech companies were backed by VC as of 30 June 2017 than the number recorded last year.

Several of these companies operate in the medical technology or devices industry, for instance, Brandon Capital Partners increased its investment in Osprey Medical, a medical technology company involved in developing a system for advanced kidney protection during coronary interventions, committing $10m to the company in a private placement in August 2016.

TABLE 8:
Number of investee companies in VC and PE portfolios as of 30 June 2017

NOTE:
High-tech and cleantech are not mutually exclusive. A company can be backed by both VC and PE funds at the same time. See glossary for the definitions of high-tech and cleantech companies.

	VENTURE CAPITAL	PRIVATE EQUITY	TOTAL
TOTAL NUMBER OF COMPANIES	**416**	**388**	**804**
Subtotal: no. of high-tech companies	325	58	383
Subtotal: no. of cleantech companies	26	20	46

3 DIVESTMENT ACTIVITY

DIVESTMENT ACTIVITY

Distribution of divestments by exit methods

Divestment activity for both PE and VC was slower for a third consecutive year, with a total of 37 PE and VC backed company exits in FY2017, representing an aggregate value of $1.17b on a cost basis. Trade sale was still the most favoured exit pathway, a reflection that PE and VC firms looking to exit investments have tended to favour the speed and certainty of a trade sale over a public offering or other exit routes.

While the headline aggregate figures for PE and VC suggest a decline (with the total amounted divested on a cost basis and the total number of companies exited decreasing by 58% and 12% respectively), this should be viewed in context.

For VC divestments, there was an increase in the number of exits but a corresponding decrease in the total cost basis exited. Given that VC holding periods have averaged 5 to 7 years, the impact of muted investment activity during the FY2010 to FY2013 period is being seen in the divestment data now. In the same way, hold periods for PE investments in Australia have averaged 3 to 5 years over the past decade. Globally, median holding periods have risen to reach more than six years in 2014 and have stabilised at around 5 years in 2016. This means that we are still seeing the effects of PE exiting those investments made during the relatively slower activity period between FY2010 to FY2013.

For PE, trade sales accounted for most of the divestments, both by number of companies and by cost. Nine companies were divested by this method, including the sale of Genesis Care by KKR in July 2016 to a consortium consisting of China Resources and Macquarie. Another company which sold to a trade buyer was Alinta, exited by TPG Capital to Hong Kong company Chow Tai Fook for around $4b in April 2017.

The number of IPOs during FY2017 remained constant at four, with PE managers also continuing to exit their investments by selling down their stake in companies that had been floated in prior years. TPG Capital bought Inghams in 2013 and floated the company in November 2016, and retained around 47% of the equity. Pacific Equity Partners fully exited Link Group (which underwent an initial public offering in October 2015) selling its stake alongside other shareholders during the year.

VC divestments in FY2017 saw four write-offs and three sales to management (buy-back). Sales to other VC firms also featured in the year, with Blue Sky Venture Capital exiting their stake in Pet Circle to AirTree Ventures.

DIVESTMENT ACTIVITY

Figure 22: Divestments by Australian VC funds by fiscal year (in AUD millions)

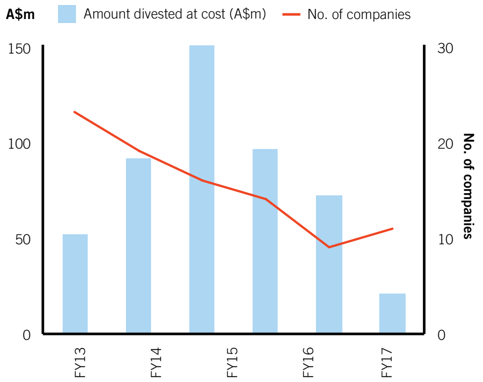


Figure 23: Divestments by Australian PE funds by fiscal year (in AUD millions)

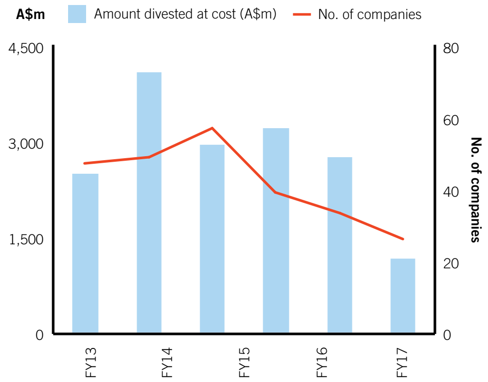


TABLE 9: Divestment by exit routes in FY2017

	VENTURE CAPITAL		PRIVATE EQUITY		TOTAL	
TYPE OF DIVESTMENT	**DIVESTMENT AT COST (AUDm)**	**NO. OF CO.S**	**DIVESTMENT AT COST (AUDm)**	**NO. OF CO.S**	**DIVESTMENT AT COST (AUDm)**	**NO. OF CO.S**
Divestment by trade sale	9.00	2	474.94	9	483.94	11
Divestment on flotation (IPO)	N/A	N/A	182.46	4	182.45585	4
Sale of equity post-flotation	4.16	1	173.13	3	177.286	4
Divestment by write-off	2.47	4	39.80	2	42.269	6
Sale to financial sponsor or institution	4.00	1	185.89	3	189.887	4
Other	1.84	3	94.82	5	96.65	8
TOTAL DIVESTMENTS	**21.46**	**11**	**1,151.03**	**26**	**1,172.49**	**37**

NOTE:
Repayment of preference shares/loans, sale to management, repayment of silent partnership, sales to secondary private equity funds, and divestment by other means have all been aggregated into "Other". Divestments by public offering are not included in the totals unless the investment has been realised partially or in full during the financial year.

Distribution of divestments by sector

In FY2017, nearly one third of PE-backed company divestments were from the business and industrial products and services sector, while accounting for 17% of the aggregate cost basis. Unchanged from last year, the ICT sector also saw several exits, accounting for the majority (24%) of divestments by cost and 15% by number of companies.

Examples of exits included the sale of Canberra Data Centres by Quadrant Private Equity to the Commonwealth Superannuation Corporation and Infratil (managed by H.R.L Morrison) for $1.1b. Another notable exit was Bain Capital's sell down of its stake in accounting software firm MYOB (which was floated in 2015) for around $355m.

The healthcare and life sciences sector was also active, at 23% of the total amount divested on a cost basis, and 15% of the number of companies divested. Apart from the exit of Genesis Care, other prominent exits included Advent's full realisation of ASX-listed Integral Diagnostics through the sale of its remaining shares in August 2016, post Integral Diagnostics' IPO in October 2015.

In VC, the healthcare and life sciences sector saw the most divestments, both on a cost basis (58%) and by number of companies exited (55%). The ICT sector was the next most active, with 24% of the total value of divestments by cost and 27% of the total number of exited companies.

DIVESTMENT ACTIVITY

NOTE:
Sectors with fewer than three companies divested have been aggregated into “Other”.

Healthcare and life sciences
ICT
Other

Figure 24: VC divestment at cost by sector in FY2017 (based on AUD millions)

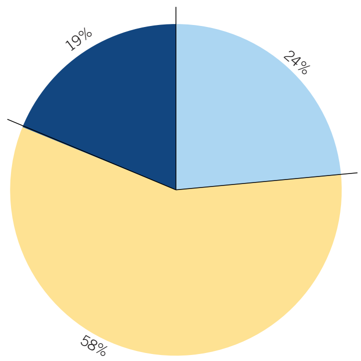
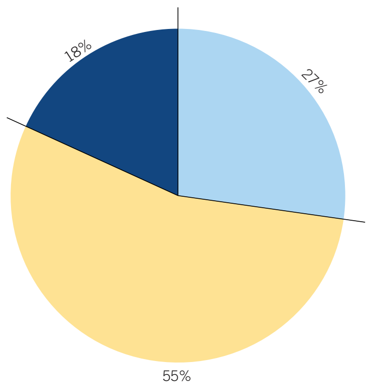


Figure 25: VC divestments by sector in FY2017 (based on number of companies)



ICT
Healthcare and life sciences
Business and industrial products and services
Other
Consumer products, services and retail
Financial services
Energy and environment

Figure 26: PE divestment at cost by sector in FY2017 (based on AUD millions)

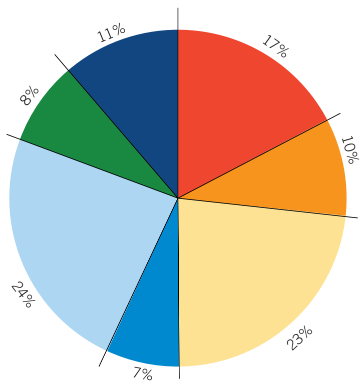


Figure 27: PE divestments by sector in FY2017 (based on number of companies)

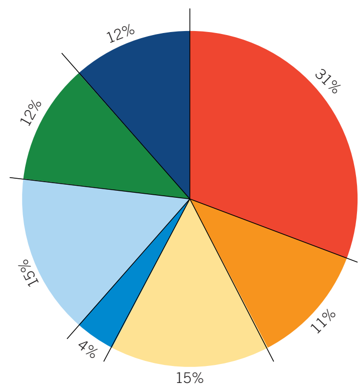


TABLE 10: Divestment by sector in FY2017

NOTE:
Sectors with fewer than three companies divested have been aggregated into “Other”.

NOTE:
The categories displayed in Figures 24-27 have been grouped as follows: Business and industrial products and services (Business and industrial products, business and industrial services, construction, transportation), consumer products, services and retail (consumer goods and retail, consumer services), financial services (financial services, real estate), ICT (communications, computer and consumer electronics).

SECTOR	AMOUNT (AUDm)	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
Business and industrial products and services	64.88	6%	3	8%
Business and industrial services	104.15	9%	3	8%
Communications	26.30	2%	3	8%
Consumer goods and retail	112.25	10%	4	11%
Consumer services	0.00	0%	0	0%
Energy and environment	80.70	7%	1	3%
Financial services	92.43	8%	3	8%
Healthcare and life sciences	279.57	24%	10	27%
Other	412.20	35%	9	24%
TOTAL DIVESTMENTS	**1,172.49**	**100%**	**37**	**100%**
Subtotal High-tech	143.66	12%	10	27%
Subtotal Clean-tech	0.00	0%	0	0%

METHODOLOGY & GLOSSARY

METHODOLOGY

SAMPLE

FY2017 figures are based on the activities of 86 venture capital and private equity firms, both AVCAL members and non-members. Of this number, 36 submitted data directly to AVCAL, representing 91% of total Australian funds under management. Publicly available information from firm websites, press releases and reliable industry news sources was used to estimate the activities of the remaining firms. The sample does not include fund-of-funds, infrastructure or real estate funds.

Firms that participate in the survey benefit in the following areas:

- Access to more detailed industry data (see http://www.avcal.com.au/stats-research/statistics-research for details).
- Customised research reports by request.

Non-AVCAL members are also eligible to participate in the survey; however, they will need to contact research@avcal.com.au to receive individual login details to the PEREP_Analytics platform.

DATA COLLECTION

Participants have the choice of providing data via the secure online PEREP_Analytics platform, or through standardised Excel spread sheet templates which are then uploaded by AVCAL research staff into the online platform.

The data collection exercise is complemented by the use of public sources of information (e.g. firms' websites, press releases, news reports). This data is used for the following purposes:

- To pre-populate the database. The participant then either validates or edits this pre-populated information as necessary.
- To reduce response errors and verify accuracy of responses.
- To fill in missing information where such data is not provided directly.

Each submitted piece of information is reviewed according to a systematic process of quality checks, of which a certain number of checks are built into the PEREP platform. AVCAL research staff also contact the participating firms where necessary to seek further clarifications on the data provided.

EXCHANGE RATES

The Yearbook's default currency is the Australian dollar (AUD). PEREP_Analytics automatically converts non-AUD fundraisings, investments, and divestments to AUD at the Reserve Bank of Australia's spot foreign exchange rates (which can be found here: http://www.rba.gov.au/statistics/frequency/exchange-rates.html) on the date of the fund's reported close or investment/divestment date. If no exchange rate is available for a given fundraising or transaction date, the exchange rate of the previous available date is used.

FUNDRAISING

Fundraising amounts

These figures record the amount of commitments received as of a first, intermediate or final fund closing occurring within a particular financial year. It refers to the incremental commitments raised during a particular period. If a fund has had successive closings over more than one reporting period, only the incremental amount raised during the reporting period is included.

Fundraising by location of fund management office

The fund country is defined by the location of the advisory team, not by the place of incorporation of the fund. Global/regional VC and PE firms headquartered outside of Australia – including those with Australian offices – with funds that invest in Australia are generally not included in total funds under management or fundraising numbers, unless the fund manager can identify the specific amount allocated to Australian investments. However, investments/divestments made by these funds are included in the investment/divestment results.

INVESTMENTS AND DIVESTMENTS

Important parameters apply to the measurement of investments and divestments:

- Only investments and divestments derived from VC or PE funds are included. If a deal involves non-VC or non-PE co-investors, only the investment from VC or PE vehicles is included in the total amounts invested.
- The activities of global/regional VC and PE funds that are active in Australia are included in the investment and divestment aggregates.
- While ad hoc investments into real estate or infrastructure deals made by qualifying funds are captured, any investments made by dedicated real estate or infrastructure funds are not captured (as these funds do not qualify as part of the universe of eligible funds in the sample).

METHODOLOGY

Amount of Investment

This refers to capital (in the form of equity, convertible equity, mezzanine, unsecured debt or secured debt) invested by the PE or VC fund. It does not refer to the deal's transaction/enterprise value. Debt provided by third parties as part of a deal is not included in the investment figures, unless the debt is provided by VC or PE funds. This means that external bank debt, for example, is not included in the calculation of investment totals.

Number of investments

The number of investments is calculated based on the number of investments made by each reporting investment vehicle. For example, if a PE firm that manages three separate funds invests in a company using capital from each of these funds, then this is counted as three investments. New and follow-on investments are counted as separate investments. For syndicated deals, the investment attributable to each vehicle in the syndicate is counted as a separate investment.

Number of companies invested in

This refers to the companies receiving VC or PE investment. Companies with multiple VC or PE investors are only counted once under "number of companies" except for the instances described below under "Distribution of investments by stage of investee company" and "Sectoral distribution of investments".

Distribution of investments by stage of investee company

The total number of companies in the relevant table corresponds to the number of portfolio companies that received PE or VC investments with respect to their stage. Because a company can be recorded under different investment stages over successive funding rounds, the sum of the number of companies in all stages can thus exceed the actual number of companies that receive investment. For a company receiving multiple rounds of financing a year – for example, an early stage venture investment of $100m by one investor, followed by a later stage venture investment of $200m by two investors in the same company in the same financial year – the table would indicate the following:

INVESTMENT STAGE	AMOUNT (AUDm)	NO. OF INV	NO. OF CO.S
Early stage VC	100	1	1
Later stage VC	200	2	1
TOTAL INVESTMENT	300	3	1

This will only affect counts of companies – it does not affect amounts – and makes any average more accurate.

Sectoral distribution of investments

The total number of companies in the relevant table corresponds to the number of portfolio companies that received PE or VC investments with respect to their business sector. Because GPs that are part of a syndicate may record the same portfolio company under different sectors, a small number of companies can be recorded under more than one business sector. The sum of the number of companies in all sectors can thus exceed the actual number of companies that receive investment. For example, for a syndicated deal involving two investors, with one investing $100m and the other $200m in the same company but with both independently reporting different business sectors for the target company, the table would indicate the following:

SECTOR	AMOUNT (AUDm)	NO. OF INV	NO. OF CO.S
Business and industrial products	100	1	1
Business and industrial services	200	1	1
TOTAL INVESTMENTS	300	2	1

This will only affect counts of companies – it does not affect amounts – and makes any average more accurate.

METHODOLOGY

Number of divestments

This is based on each fund's exit from an investee company (e.g. two funds exiting the same company will be counted twice). Partial divestments are included in this number. A company could have had a number of divestments made from it in any particular year.

Number of companies being divested

This is the number of companies where there have been full or partial exits during a given reporting period. A company will only be counted once even if two or more funds are exiting from that company, or if multiple partial exits from the company have been made in any particular year.

Exit method

This refers to the means by which the divestment occurs. If the divestment is to a syndicate made of various types of buyers (e.g. a corporate, management and another buyout firm), the splits by divestment method would need to reflect the respective divestment methods (e.g. divestments by trade sale, sale to management and sale to another private equity or venture capital firm). Similarly, partial divestments through different methods would need to reflect the respective divestment methods at each partial divestment.

Sectoral distribution of divestments

The total number of companies in the relevant table corresponds to the number of portfolio companies that were divested by VC or PE funds with respect to their business sector. Because GPs that are part of a syndicate may record the same portfolio company under different sectors, a small number of companies can be recorded under more than one business sector. The sum of the number of companies in all sectors can thus exceed the actual number of companies that were divested. For example, for a syndicated divestment involving two investors, with one divesting $100m at cost and the other $200m at cost from the same company but with both independently reporting different business sectors for the target company, the table would indicate the following:

SECTOR	AMOUNT DIVESTED AT COST (AUDm)	NO. OF DIV	NO. OF CO.S
Business and industrial products	100	1	1
Business and industrial services	200	2	1
TOTAL DIVESTMENTS	300	3	1

This will only affect counts of companies – it does not affect amounts – and makes any average more accurate.

GLOSSARY

A – M

Balanced VC fund Venture capital funds focused on both early stage and development with no particular concentration on either.

Buyout/Later stage PE fund Private equity funds whose strategy is to acquire other businesses.

Calendar year Year ending 31 December.

Captive funds Funds that are 100% owned by the parent organisation.

Cleantech Covers a diverse range of products, services, and processes that are inherently designed to provide superior performance at lower costs, greatly reduce or eliminate environmental impacts and, in doing so, improve the quality of life. Clean technologies span many industries such as Agriculture, Energy, Manufacturing, Transportation and Water.

Closing A closing is reached when a certain amount of money has been committed to a private equity or venture capital fund by investors. Several intermediate closings can occur (the initial one is called first closing), which allow the GPs to draw capital for investments while they are still finalising the fundraising. Some funds only have one (final) closing. The fundraising is captured at the date of commitment (when the closings are formalised) where possible. For evergreen funds their closings are always classified as intermediate closings.

Convertible equity Non-equity securities which are convertible to equity.

Corporate investor Corporations that deliver non-financial goods/services (excludes banks, fund-of-funds, insurance companies, pension funds, and other asset managers).

Distressed debt fund Funds that primarily invest in companies with undervalued debt that have either filed for bankruptcy protection or likely to be bankrupt in the near future with an intention to reorganise and reinstate the company as going concern.

Divestment A full or partial exit from an investee company.

Early stage VC fund Financing to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They will typically have a proven concept, with minimal products but negative earnings. In most cases the product has not yet been commercialised. They will not yet be generating a profit.

Equity Ownership interest in a corporation, represented by the shares of stock, which are held by investors.

Fiscal year Year ending 30 June.

Fund-of-funds A private equity fund that primarily takes equity positions in other private equity funds.

Funds under management The total amount of funds available to fund managers for future investments plus the amount of funds already invested (at cost) and not yet divested. Excludes fund-of-funds, real estate funds, infrastructure funds, and venture credit funds.

Generalist fund Funds with either a stated focus of investing in all stages of private equity investment, or funds with a broad area of investment activity.

GP General partner. A class of partner in a partnership, the general partner retains liability for the actions of the partnership. Another term for fund manager.

Growth/Expansion PE fund Funds whose strategy is to invest in or acquire relatively mature companies that are looking for capital to expand or restructure operations; they often provide the first private equity investment in a company.

High-tech A company with exclusive ownership of certain intellectual property rights such as design rights, patents, copyrights, etc. which are critical elements in adding value to the products and business of a company and which are being developed in-house by the company's permanent staff. Although companies possessing these attributes are not limited to specific industries, they are most frequently found in telecommunications hardware, internet technology, computer products and services, electronics, biotechnology, medical instruments and devices.

ICT Information and communications technology.

Independent funds Semi-captive funds (those in which the parent owns less than 100%) as well as wholly independent funds.

Investment Capital (in the form of equity, convertible equity, mezzanine, unsecured debt or secured debt) invested by the fund. It does not refer to the deal's transaction value/enterprise value.

IPO Initial public offering.

Later stage VC fund A venture capital fund focused on investments in later-stage companies in need of expansion capital, usually providing third- or fourth- (or a subsequent) round of venture investments.

LP Limited partner. An investor in a limited partnership, they are generally protected from legal actions and any losses beyond their original investment.

Management buy-out (MBO) Financing provided to enable current operating management and investors to acquire an existing product line or business.

Management buy-in (MBI) Financing provided to enable a manager or group of managers from outside the company to buy-in to the company with the support of private equity investors.

Mezzanine fund or Mezzanine financing Mezzanine funds are funds which provide (generally subordinated) debt to facilitate the financing of buyouts, frequently alongside a right to some of the equity upside. Mezzanine financing is loan finance that is halfway between equity and secured debt, either unsecured or with junior access to security.

GLOSSARY
P – Z

P2P A public-to-private transaction. A form of leveraged buyout where a listed company is acquired and subsequently delisted.

PIPE A private investment in public equity (PIPE), as a minority or majority stake, without taking the company private.

Portfolio companies Companies the private equity firm have invested in and have not fully divested.

Private Equity Private Equity covers growth/expansion, generalist, buyout/later stage, turnaround, secondary and mezzanine funds.

Private Pension Fund A pension fund that is regulated under private sector law.

Proceeds Total proceeds realised from the sale of a portfolio company net of debt, transaction, and other costs.

Public Pension Fund A pension fund that is regulated under public sector law.

Public-to-private (or take-private) A transaction involving an offer for the entire share capital of a listed target company for the purpose of delisting the company; management may be involved in the offering.

Refinancing bank debt To reduce a company's level of gearing.

Repayment of preference shares/loans If the private equity firm provided loans or bought preference shares in the company at the time of investment, then their repayment according to the amortisation schedule represents a decrease of the financial claim of the firm into the company, and hence a divestment.

Rescue/Turnaround Investment in companies with poor performance with an intention to achieve a positive performance reversal.

Sale of quoted equity post-flotation Sale of quoted shares by a PE or VC fund, e.g. sale of a listed investment, or sale of quoted shares after a lock-up period.

Sale to another PE firm The sale of company shares to another PE firm.

Sale to management The sale of company shares to the management of the company.

Secondary funds or secondary purchase/replacement capital Secondary Funds are funds that focus on purchasing the portfolios of investee companies from an existing PE firm. A secondary purchase is typically a purchase of existing shares in a company from another private equity firm.

Secured debt Loans secured on the company assets.

Seed stage Financing provided to research, assess and develop an initial concept before a business has reached the start-up phase.

Sovereign funds A state-owned investment fund.

Start-up Financing provided to companies for product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially.

Trade sale The sale of company shares to an industry investor or a strategic buyer.

Unsecured debt Loans not secured on the company's assets.

Venture capital A venture capital firm refers to a firm that makes equity investments for the launch, early development, or expansion of a business, typically in an innovative/high-tech product or service. Venture Capital covers Seed, Early Stage, Later Stage VC and Balanced VC funds. It does not include buyout investing, mezzanine investing, fund-of-fund investing, secondaries, etc.

Vintage year The year of the first closing of the fund.

Write-off The write-down of a portfolio company's value to zero or a symbolic amount. The value of the investment is eliminated and the return to investors is zero or negative.

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