

UK overview on the private equity market

31st March, 2008.

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Chief Executive

Background

- total investment: £21.9 billion
- 1630 UK and overseas companies backed by private equity
- 50% of funds invested in Continental Europe
- over 75% of UK companies had less than £2m backing

Background

- R & D spending: up 14% p.a.
- investment: up 11% p.a.
- jobs: up 8% p.a.
- sales: up 8% p.a.
- exports: up 10% p.a.
- and taxes of £35billion

Background

- £5.4 billion of income for financial services
- spread across UK



2007: What went wrong?

- industry seen as secretive and mysterious
- individual firms didn't engage
- lack of data
- trade body ill-equipped



What we have done: transparency

Walker's recommendations cover portfolio companies that were:

- acquired in a P2P with a market capitalisation together with premium for acquisition in excess £300m OR EV at time of transaction in excess of £500m

and

- 50% revenues generated in UK

and

- more than 1,000 UK employees

What we have done: transparency

Portfolio companies

- publish **annual report** and accounts on website within six months of year end
- identify private equity fund, senior managers, composition of board
- business review that conforms to 417 of Companies Act (including sub-section 5)
- financial review to cover financial risks including those related to leverage

What we have done: transparency

Private equity firms

- publish annual review or regularly update website
- describe structure and investment approach
- categorisation of limited partners
- supply data to BVCA for economic impact and attribution analysis
- ensure timely and effective communication with employees at times of strategic change

What we have done

- rigorous evidence based research of economic impact
- attribute private equity returns on an industry wide basis
- promote the commitment of 'private-equity like' entities to the guidelines
- establish the Guidelines Monitoring Group (GMG)

What else has changed?

- private equity firms professionalizing communications
- firms signed up to Walker
- big buy-out firms engaged
- improving research
- re-structuring BVCA

Looking Ahead?

- delivering on self-regulation
- failure of pe-backed businesses
- sovereign wealth funds
- promoting venture end
- getting more pension funds to invest in pe

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