

SEE WHAT'S NEW AND NOTEWORTHY IN PRIVATE EQUITY THIS WEEK /// ISSUE 47

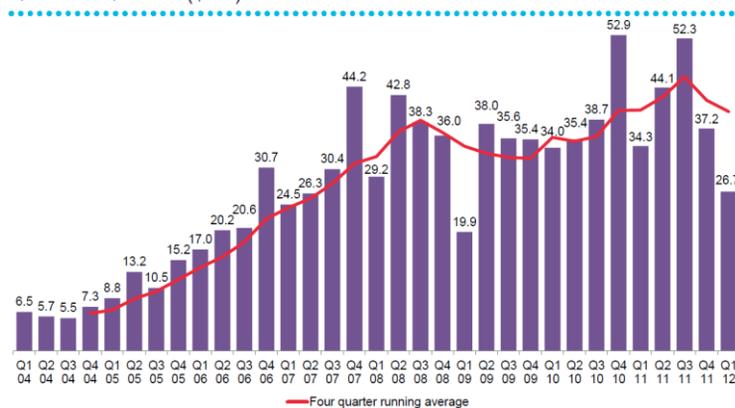
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CLEANTECH FUNDING STALLS ON POLITICAL UNCERTAINTY

Solar and wind power investments are slowing. The latest example of which is thermal solar power company [BrightSource](#) pulling its IPO. Last year, the story was a bit different when global investment in clean energy hit a high. But this year, at least in the first quarter investment has been slower. It is the weakest quarter since the months following the financial crisis of 2008, according to [Bloomberg New Energy Finance](#). Activity was down by 28% from Q4 2011 to USD 27 billion. The bulk of the capital went into asset finance.

NEW FINANCIAL INVESTMENT IN CLEAN ENERGY

Q1 2004–Q1 2012 (\$BN)



Note: Excludes corporate and government R&D, and small distributed capacity. Not adjusted for re-invested equity

Source: Bloomberg New Energy Finance

Image source: BNEF

Almost USD 2 billion was invested in VC and PE deals, while USD 601 million was raised on the public markets by quoted companies during the period. The biggest deals in VC were a USD 130 million round for US electric auto company Fisker Automotive, a USD 102.6 million deal for biomass startup Tamar Energy, and an USD 81 million round for solar power plant installer SolarCity.

BNEF, which tracks all kinds of financial investment (including venture capital, private equity, public markets and asset finance, but excludes small-scale projects and corporate and government RD&D), attributes the slowdown in investment to “uncertainty over future clean energy support in both the European Union – driven by the financial crisis – and the US – driven by the expiry of stimulus programs and the electoral cycle”.

The disconnection between politicians and prices for solar and wind energy support comes at a time when these energy sources are poised to compete head on with fossil-fuel power. BNEF says politicians in many countries are “missing the opportunity” to feed the growth trajectory of these emerging energy sources.

HOW PE GREW UP AND CHANGED IN THE PAST DECADE

[The Deal Pipeline](#) has some stats on how PE has grown in article about the maturing process in the industry. In the past decade alone, assets under management grew from approximately USD750 billion in December 2001 to almost USD 3 trillion in December 2011. The author points out that in 1981, there were 23 private equity firms. In 2011, there were more than 4,000.

Elsewhere, PitchBook has even more statistics (and excellent info graphics) on the past decade of US PE investment, delving deeply into fundraising, most-liked target industries, types of deals done, and deal size data.

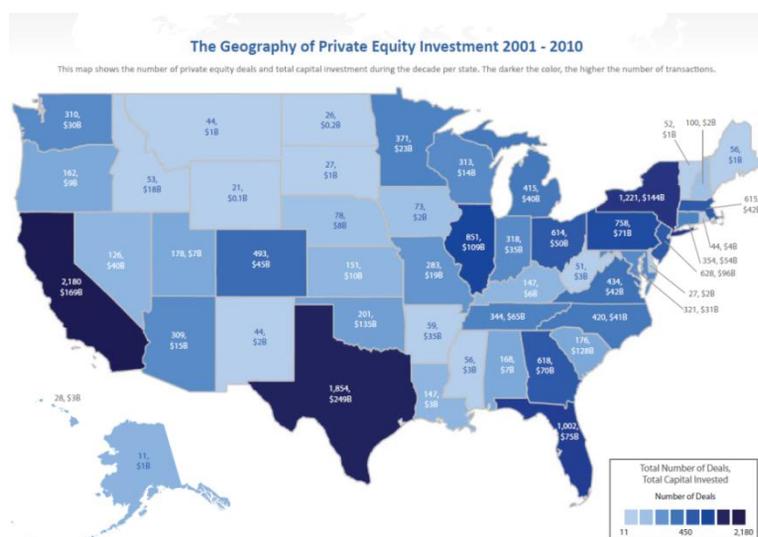


Image source: PitchBook

Key facts

- The decade saw 17,361 private equity deals totaling USD 1.73 trillion of invested capital
- Lower middle-market companies accounted for 81% of the decade's deal flow
- The median private equity investment multiple peaked at 11.5x in 2008
- The average time between investments dropped from six months in 2002 to 2½ months in 2007
- Add-on deals accounted for 46% of PE buyouts by the end of the decade
- Texas saw more PE deals and invested capital than any other state
- Business Products and Services was the top industry for PE activity

SMART MONEY: FAMILY OFFICES TURN TO PRIVATE PLACEMENTS

Family offices and high net worth individuals are increasingly interested backing entrepreneurial and industrial companies to control risk, protect wealth but still be able to invest in growth, reports [CampdenFB](#). It is a change for families who felt that they could make good returns in alternatives investing passively through funds, says the report. It worked for a few years, but the financial crisis market maturation has made such assets less attractive to knowledgeable investors. The article concludes that the “smart money is going private”.

THE SOCIAL MEDIA PAYOFF FOR COMPANIES AND VENTURE CAPITALISTS

[Bain Insights](#) crunched the numbers and found that investing in social media for corporate and customer communications pays off. Nike, for example, increased market share by 20% through the use of Nike+, its social media and online community project.

The 10 Most Influential Technology Venture Capitalists Online (Overall Score)

Overall Rank	Venture Capitalist	Position / Company
1	Fred Wilson	Principal, Union Square Ventures
2	Mark Suster	General Partner, GRP Partners
3	Brad Feld	Managing Director, Foundry Group
4	Chris Dixon	Co-founder, Founder Collective
5	Bill Gurley	General Partner, Benchmark Capital
6	Josh Kopelman	Managing Director, First Round Capital
7	Paul Graham	Partner, Y Combinator
8	Dave McClure	Founding General Partner, 500 Startups
9	Charlie O'Donnell	Partner, Brooklyn Bridge Ventures
10	David Hornik	General Partner, August Capital

Image source: *Openview Venture Partners*

Elsewhere but on the same trend, Openview Venture Partners published a [report](#) that we found via [PE HUB](#) about venture capitalists and their use of social media and their influence. The report lists Fred Wilson of Union Square Ventures and Mark Suster of GRP Partners as the leaders, or social media “mavens”, and Brad Feld of Foundry Group came in third. The benefits they get from their high profile are also described. “Social media is quickly becoming the most compelling form of communication in the world.

Those venture capitalists looking to significantly increase their influence on the Web should adopt the techniques outlined throughout this report as industry best practices. Fail to do so, and it could mean getting left behind altogether,” concludes Brian Zimmerman, managing director, OpenView Venture Partners.

Another interesting thing to note in the report is that Openview polled its 11,000 subscribers (entrepreneurs, CEOs and startup professionals) to find out how they get information about VC investors. The answer (See Figure 2) is interesting because besides word of mouth, which is the number one source, social media like LinkedIn and blogs, are ranked as more important than attending conferences.

We noted the news here because unlike tech VCs, PE partnerships tend to be known for *not* using and exploiting social media even if they are actively investing in the industry. The key areas where they could be using social media is in branding to aid in things like fundraising and investor relations, as an article in Dealmarket Digest reported (page [Issue 29](#)) back in November. Part of the reason for reluctance to use sites like LinkedIn and Facebook is the fear of running afoul of the SEC and other regulators, as [FN](#) reported a few months ago. There are some exceptions, according to David Teten's [blog](#), such as [Duane Street Capital](#), [2xPartners](#), [Healthpoint Capital](#), Riverside Company, and [MCM Capital](#).

Figure 2: Top Sources of Information on Investors

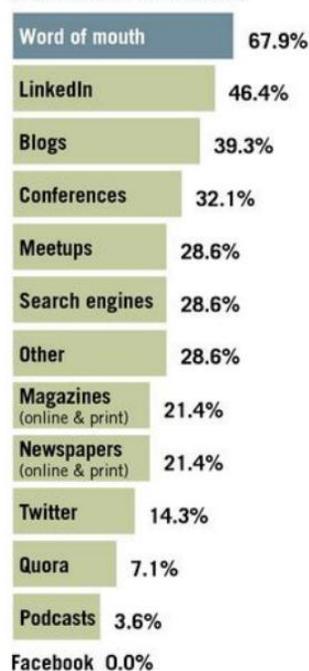


Image source: Openview Venture Partners

US DEALFLOW AND DEAL SIZE DOWN DESPITE BOOM IN EXITS

PitchBook's latest [statistics](#) for all regions in the US reveal that PE dealflow was down in the first quarter of 2012 compared to fourth quarter of 2011, with just 321 completed deals totaling USD 55 billion in invested capital. Deal size was smaller too, with those under USD500 million representing 95% of activity. As far as target sectors, the technology industry grew in favor with USD 10.8 billion in invested capital.

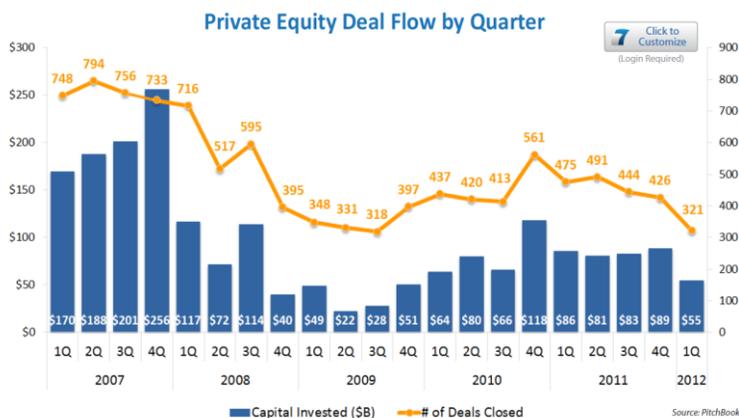


Image source: PitchBook

Pitchbook said that despite declines in PE investment in the first quarter, exit activity remained strong with 112 companies sold or taken public for a total of USD21 billion.

Exits are expected to continue because due to the record number of a portfolio companies still held, slightly over 2400 companies, on the books of GPs.

QUOTE OF THE WEEK: WHY A VETERAN VC DOESN'T FIGHT FOR BOARD SEATS



“Never did the vote we had as a minority investor, which is what all venture people have, make any difference... Why fight for all those things.”

Who said it: Alan Patricof, managing director and founder of Greycroft, an early stage venture capital firm.

In Context: In a Privcap video, Patricof, describes why Greycroft doesn't take a board seat or fight for registration rights. He said that never in his 40 years as an investor did having a minority share vote make any difference. Furthermore, registration rights are irrelevant because most of the companies are acquired rather than go public. It is always interesting to hear a veteran of the PE and VC industries give his views. Patricof was an early backer of companies like Apple Computer, AOL and Cellular Communications. He co-founded Apax Partners, which is now one of the largest PE players in the world. He also talks about Greycroft's focus on digital media startups – “capital efficiency” is the key word for him. He has done mega-deals, mid-market investment, but the venture capital business has never looked better, he says in this interview. The startup and early stage is really where his passion and experience meet. New York and LA are hot for incubators and startups – it's hard to get a ticket for tech startup meet-ups, he said.

Where we found it: [Privcap video](#)

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