

SEE WHAT'S NEW AND NOTEWORTHY IN PRIVATE EQUITY THIS WEEK /// ISSUE 36

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PERMIRA CLOSES FRENCH/US TECHNOLOGY BUYOUT

Permira [announced](#) this week that it completed its acquisition of Genesys, a global contact center technology company, from Alcatel-Lucent this week. Technology Crossover Ventures and certain co-investors of the Permira funds also participated in the transaction. The transaction values the company at USD 1.5 billion. Your Dealmarket Digest editor is enjoying a one-week free trial of a useful resource called [Law360](#), which profiled the deal in a recent article, describing it as “a delicate corporate carve out of troubled French telecom giant Alcatel-Lucent SA's global call center division”. It also gave some insight into the technical details of the transaction, pointing out that it was Permira's biggest buy in two years, with an equity contribution about twice the size of the firm's average in recent transactions. It required some USD 800 million in debt financing and was a well handled transaction considering “rising political tensions over potential job losses ahead of France's 2012 elections”.

Other interesting reads on Law360 this week include a good number of distressed company deals.

See:

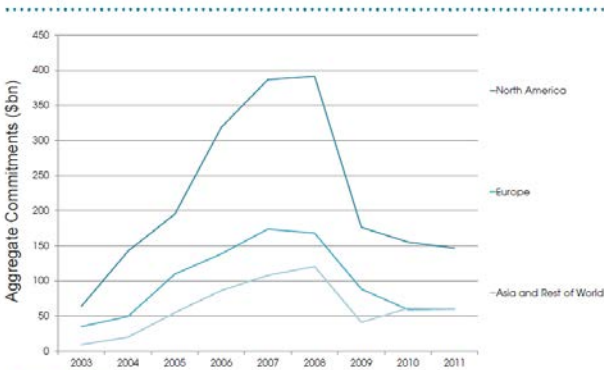
[Blackstone, Others Disclose Stakes In Bankrupt Kodak PE Firm To Be Lead Bidder In United Retail's Ch. 11](#)
[Versa Plucks Hair Removal Chain Out Of Ch. 11 For \\$40M](#)

TOP FIVE ASIA PACIFIC FUNDS FOR Q4 2011

Prequin reports that two dozen Asia focused PE funds closed in December, raising a total USD 7.4 billion. China-based fund managers dominated the list, with 11 of these funds from the country, while the remaining 13 are managed by GPs headquartered in Australia, Germany, Japan, India, Malaysia, Singapore, South Korea and US. From 2009 to 2010, Asia and Rest of World-focused funds saw a marked increase in capital gained as institutional investors saw opportunities in emerging and newly

maturing markets, and while aggregate capital raised by such private equity vehicles in 2011 did not continue this upward trend, it did remain relatively stable.

Annual Private Equity Fundraising Breakdown by Geographical Focus, 2003 - 2011



Source: Prequin

The top five largest funds closed in Q4 2011

- Hony Capital RMB Fund II,
- Archer Capital Fund V,
- Shanghai Ruili Emerging Industries Parallel Fund I,
- New Horizon Capital IV
- Tianjin Junruiqi Private Equity Partnership.

LPS SEE 2012 AS A GOOD VINTAGE DESPITE CHALLENGES

The latest industry survey by Collier Capital, a secondaries investor, says that LPs see major challenges for the industry in the next few years nevertheless they think 2012 will be a good vintage year and they expect strong medium-term returns from their private equity portfolios.

Sources of attractive PE transactions in the next 2 years
– LP views

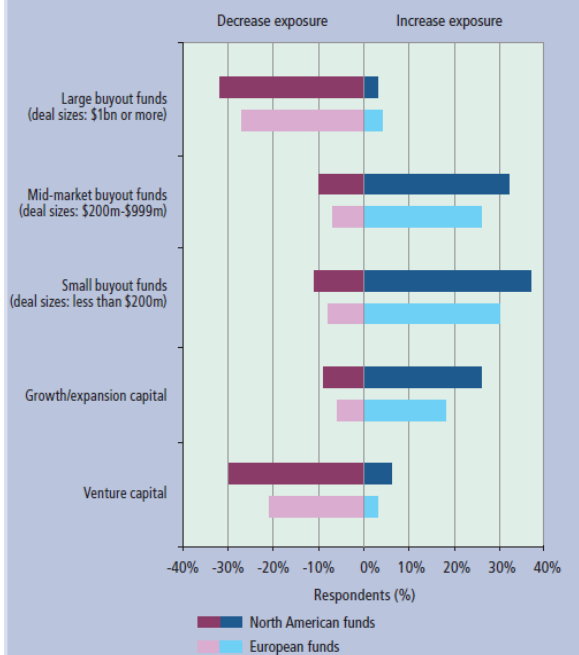
	Overall ranking		
	Winter 2011-12	Winter 2009-10	Change
Corporate disposals/ spin-offs	1	2	+1
Sales by families/ entrepreneurs	2	4	+2
Secondary buyouts	3	3	-
Buying from bankruptcy/ Chapter 11	4	1	-3
Quoted markets (P-to-P deals)	5	5	-

Graphics Source: [Collier Capital](#)

Key Points

- Europe's sovereign debt crisis will deter one in five PE investors
- Half of LPs have 'zombie' funds in their portfolios – and see no solutions for them in most cases
- Investors regard the re-financing of existing buyout debt as a major challenge for the industry
- 93% of LPs will refuse re-ups in the next 18 months – and reductions in commitments will be common
- Investors expect the best investment opportunities for GPs in the next couple of years to come from corporate disposals and sales by families/entrepreneurs.

LPs' plans for European and North American fund commitments
in the next 2-3 years – by fund type



SUPER ANGEL FUNDS ON A ROLL

Very early-stage funds are scooping up allocations to venture capital as companies like StepStone, Cendana Capital and AMG National Trust Bank put their money into super-angel funds, [reports the WSJ](#). While the big name VC investors, such as Accel and Khosla Ventures, continue raised large funds, super angel funds seem to be growing in appeal. SoftTechVC, founded by Jeff Clavier, is the latest of this type to close a new fund.

Super angels typically make many smaller investments and also invest their own money. They have particularly come to the fore due to the high valuations being achieved in the Consumer Internet sector. The success of angels that backed the likes of Facebook Inc., Mint.com and Zynga when traditional venture capitalists were holding back on such deals is fueling interest from institutional investors, writes the WSJ.

In an [article](#) in 2010, it listed several new angel funds that had closed fundraising, including Aydin Senkut, a former Google executive, raised a USD40 million super-angel fund with LPs that included Peter Thiel, a tech entrepreneur turned investor. Another ex-Googler, Chris Sacca, raised a USD8.5 million fund in June. Baseline Ventures closed two new micro VC funds for a total of USD100 million in the same year.

WSJ says angel funds raised nearly USD1.6 billion from around 80 institutions, citing data from Trusted Insight, a social network for institutional investors.

CHINESE PE DEAL TARGETS GERMAN CEMENT-PUMP GIANT

Sany, a construction-equipment manufacturer is to buy Putzmeister Holding GmbH, German concrete pump maker, in one of the largest Chinese-German transactions to-date, reports [Bloomberg](#).

Sany, a family-owned company, and CITIC PE Advisors Ltd, a Chinese PE fund manager, teamed up for the deal for an undisclosed price. This is a rare transaction involving a Chinese industrial company co-investing with private equity help in a German company, but one that we probably will see more of, given the amount of PE capital being raised by Chinese funds, lower valuations in Europe, and the trend that China's larger companies are geographically expanding their business activities.

Law360 says that Aichtal, Germany-based Putzmeister has about 3,000 employees and generated EUR570 million in sales last year. It's owned by two family foundations controlled by the company founder.

NEW UK MID-MARKET FUND OPENS UP IT PORTFOLIO DATABASE TO LPS

Both [Reuters](#) and the [Telegraph](#) reported news that Nicola Horlick, a high profile finance industry executive, along with former 3i executives and angel fund managers have launched Rockpool Investments to target the UK mid-market. Rockpool enables its investor club to make direct investments. Something unique about Rockpool is that it is offering investors an iPad and pre-paid Internet access so that communication between clients and advisors flows easily. The newspaper report said that access to the firm's database containing management information from portfolio companies is provided. It will also send new investment offers via the iPad.

In the Telegraph article Horlick was quoted: "People say that private equity is high risk. But the truth of the matter is that the investor has far more information than you would with a quoted company. So in many ways it's less risky, as long as they [the investments] are chosen wisely and properly monitored."

QUOTE OF THE WEEK

"Rather than lamenting the lack of exit markets, the venture industry needs to create better companies for exits, or learn to cut its losses early and at least produce liquidity where it cannot create performance"

Who said it: The Go4Venture Team

In Context: The editors of Go4Venture's monthly transaction index newsletter, which reported that dealmaking was up in 2011 by seven percent (as the graphic above shows), points out that the venture capital industry is experiencing several emerging trends, such as the rise of super angel funds, and a marked increase in the number of growth equity deals.

Go4Venture HTI Index by Cumulative Deal Value

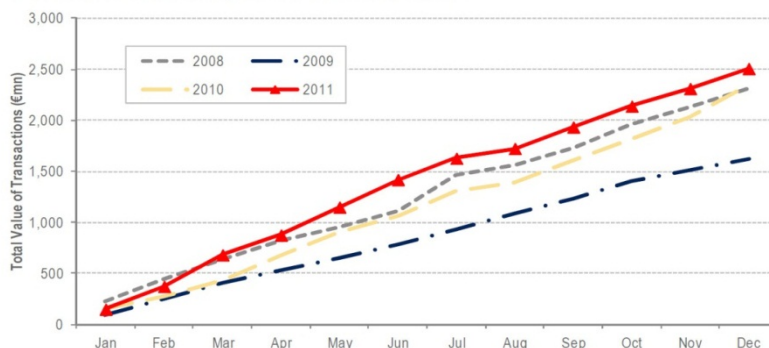


Image Source: Go4Venture

In Context 2nd part: The growth equity market opportunity is in part driven by traditional exit markets being closed. AIM in London is “anaemic”, M&A is slow with dealmaking, and US public market investors are holding stocks for a very short time, causing share prices to fall post-IPO (which makes it difficult for investors with lockups to make good returns). Active in the growth segment, are not only venture funds that have a later stage focus, but also buyout funds running buy and build strategies for companies that were originally venture-backed, says the report. The implication of the quote we published here is that VCs are being asked to do more “single secondaries” to exit earlier and better, even if that “means leaving money on the table”. To make it work, deeper pocketed VCs or PE funds have to be prepared to pay a “decent price to a competitor” to propel the company for a while longer just like buyout funds do. Image Source: Go4Venture

Where we found it: [Monthly VC Bulletin, Go4Venture](#)

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