

101672

THE ROLE OF PRIVATE EQUITY AND DEBT FUNDS IN SME AND INFRASTRUCTURE FINANCE



WORLD BANK GROUP
Finance & Markets

December 7, 2015

Outline

Section 1: Overall Evolution of PE Funds

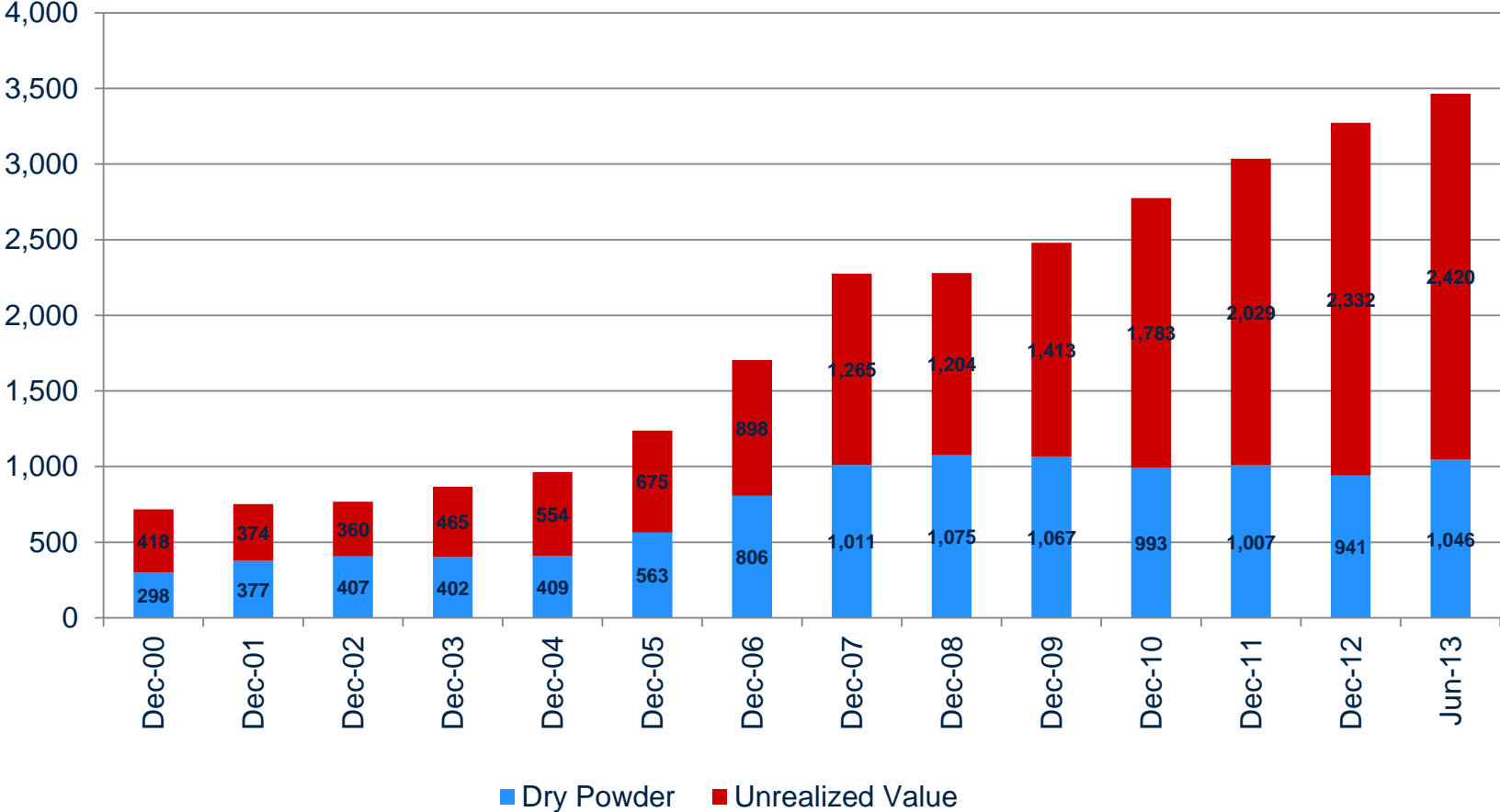
Section 2: Emergence of Private Debt Funds

Section 3: Venture Capital Funds

Section 4: Infrastructure Funds

Section 1: Private equity funds assets under management (AUM) have grown from US\$ 963 billion in 2004 to US\$ 3.4 trillion in 2013.

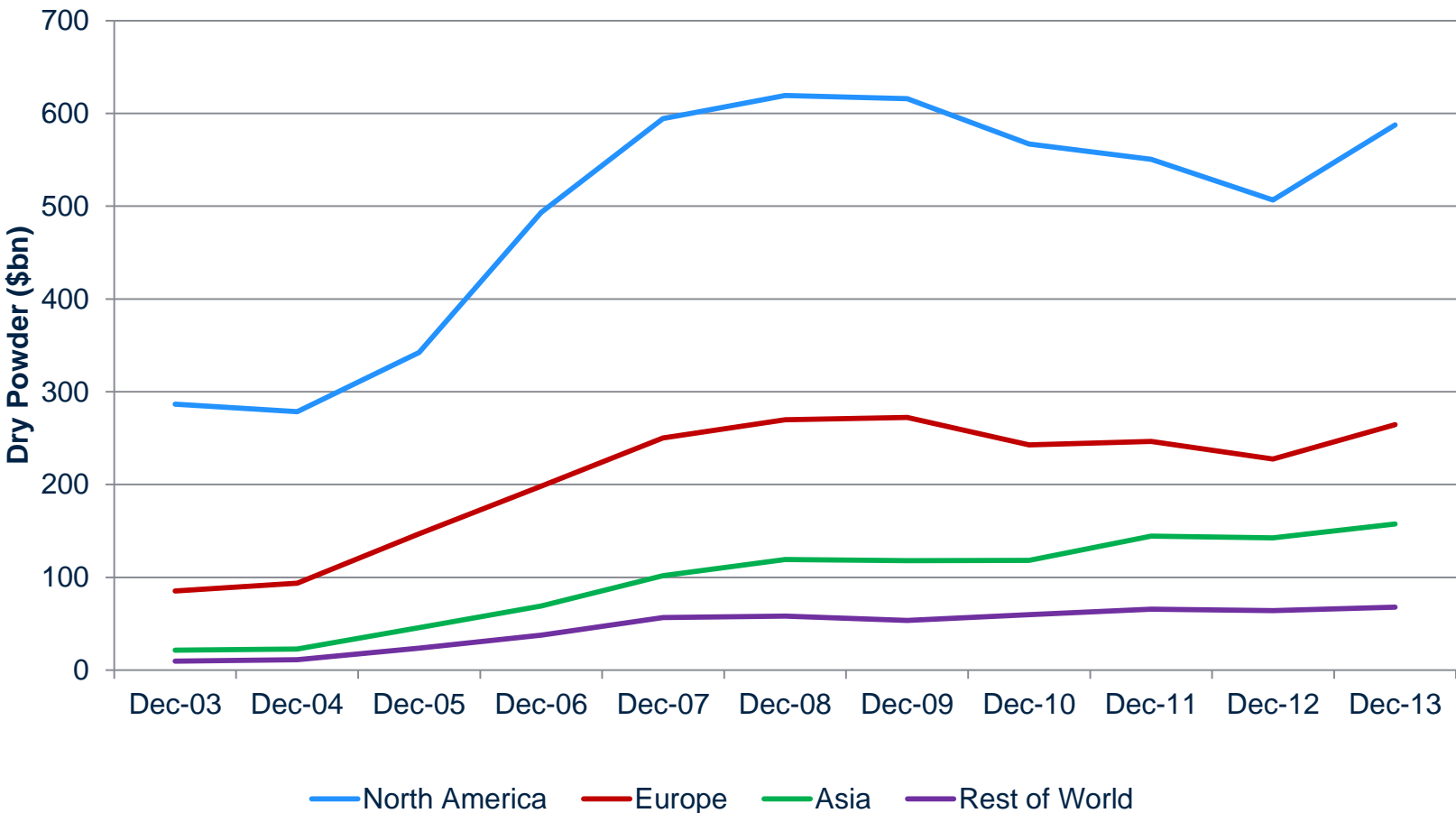
Private Equity Assets under Management
December 2004 - June 2013 (US\$ billion)



Source: 2014 Preqin Global Private Equity Report

Section 1: By geographical area, the main areas of focus are the US and Europe, followed by Asia. The rest of the world is at a low level, but growing slowly.

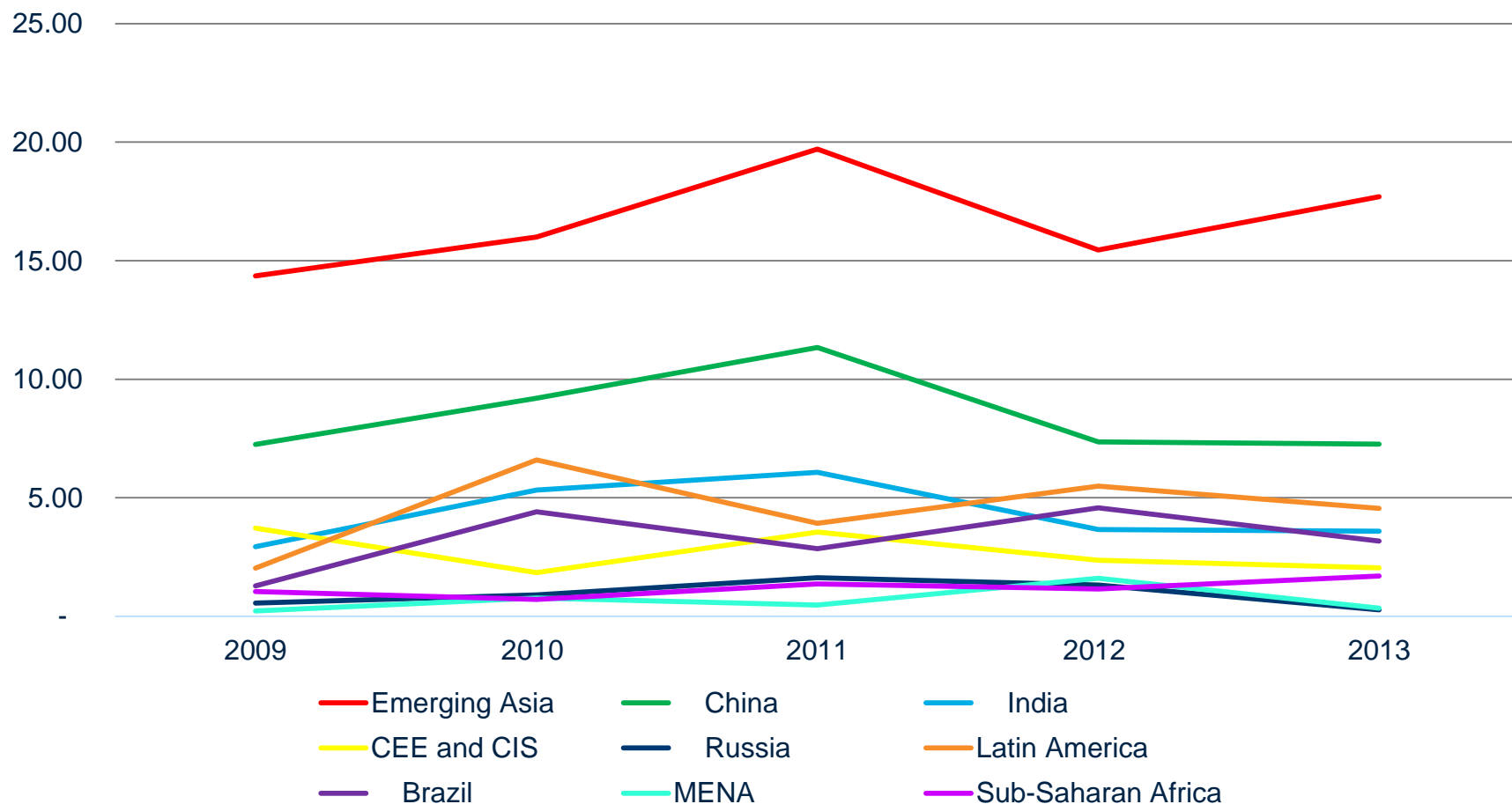
Private Equity Dry Powder by Primary Geographic Focus
2003 – 2013 (US\$ billion)



Source: 2014 Preqin Global Private Equity Report

Section 1: Among emerging markets, emerging Asia is the main geographical focus area (with China and India leading), followed by Latin America (with Brazil leading)

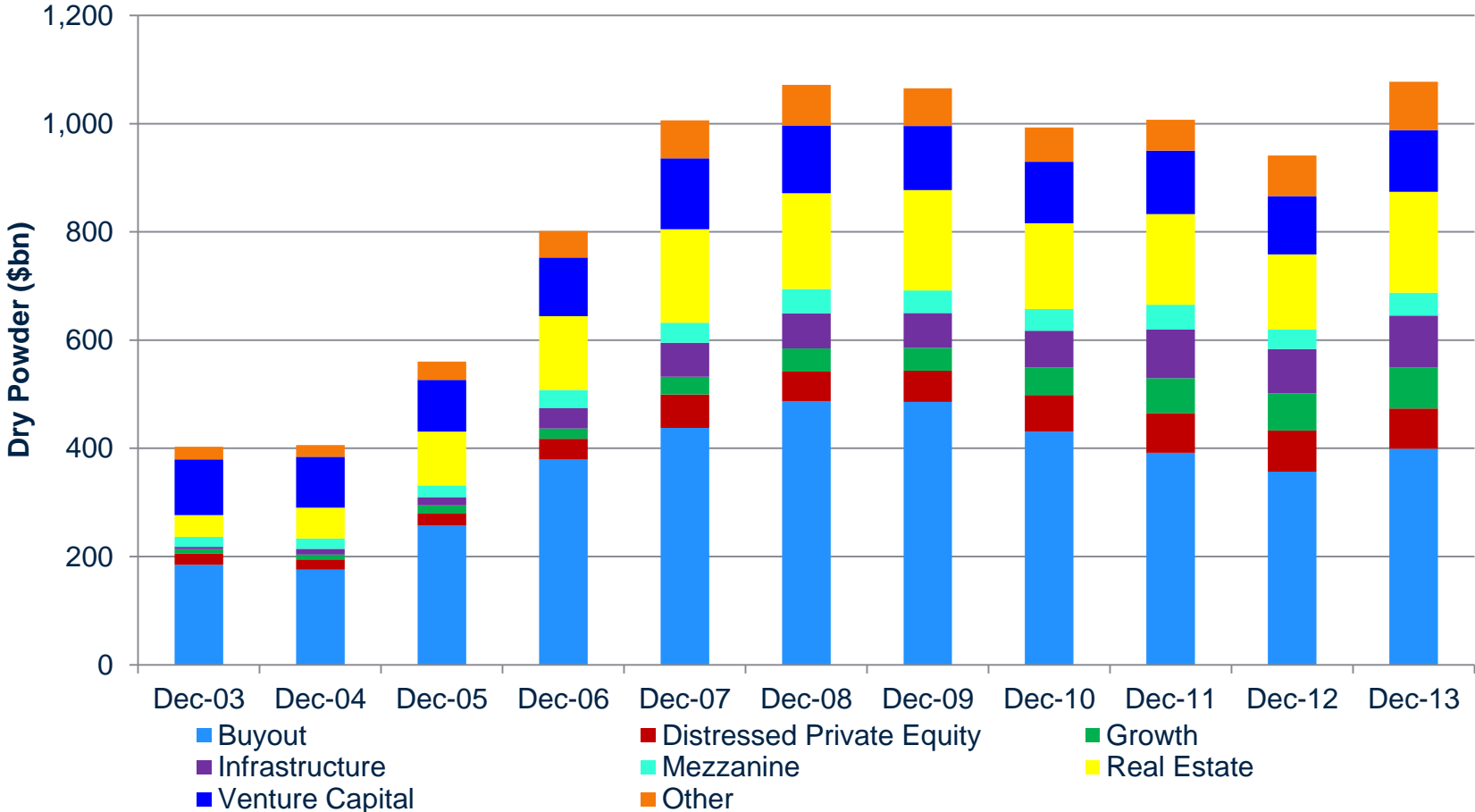
Evolution on PE investments in Emerging Markets by region, in US\$ billion



Source: EMPEA Database

Section 1: By type of fund, buyout funds dominate, followed by real estate, venture capital and infrastructure. Mezzanine debt represents a small share of the total, but is growing.

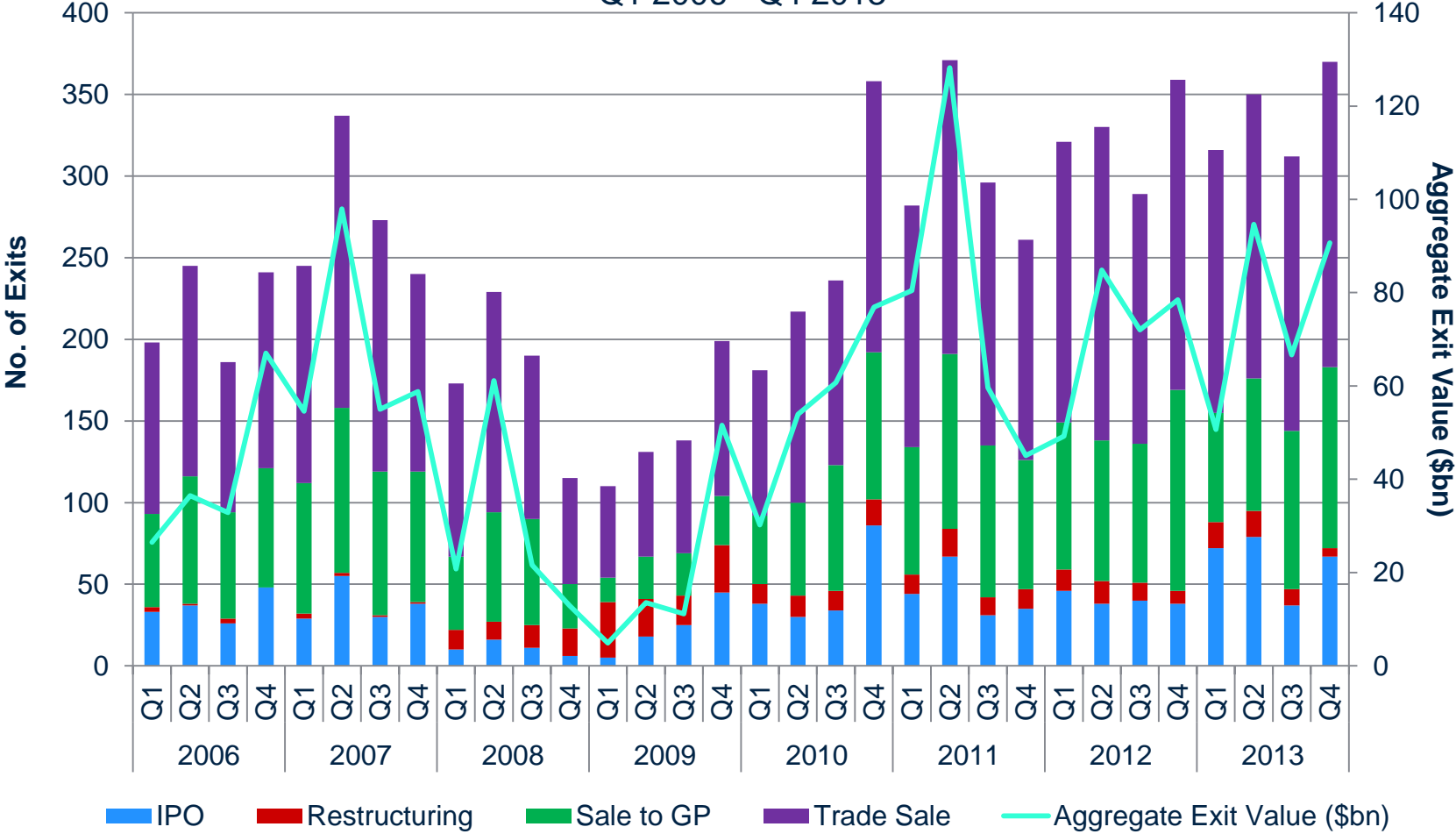
Private Equity Dry Powder by Fund Type
2004 – 2013 (US\$ billion)



Source: 2014 Preqin Global Private Equity Report

Section 1: After dropping following the international financial crisis in 2008, private equity-backed exits have rebounded sharply in the 2010-2013 period.

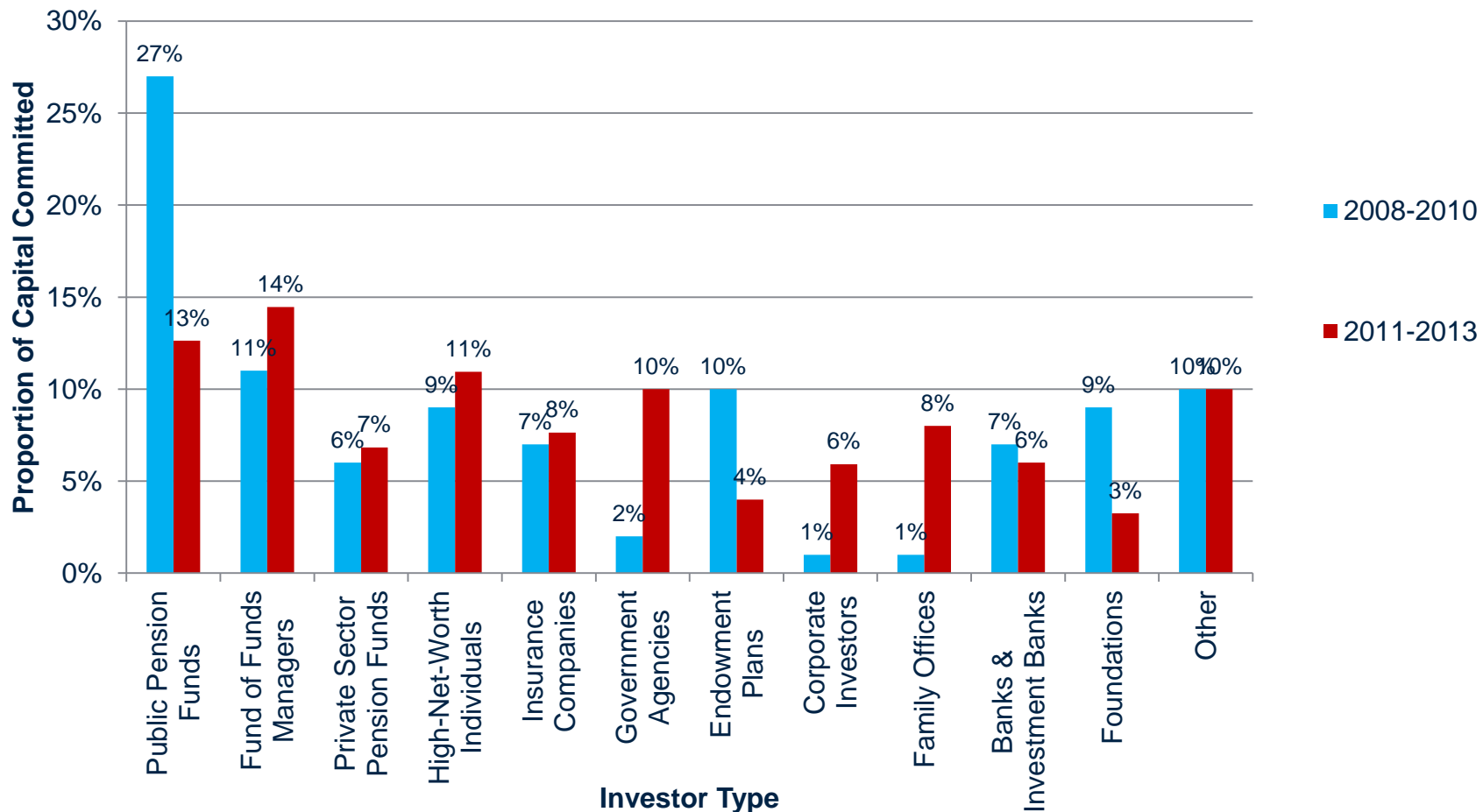
Private Equity-Backed Exits by Type
Q1 2006 - Q4 2013



Source: 2014 Preqin Global Private Equity Report

Section 1: The investor base for private equity funds has undergone major transformation over the past 6 years.

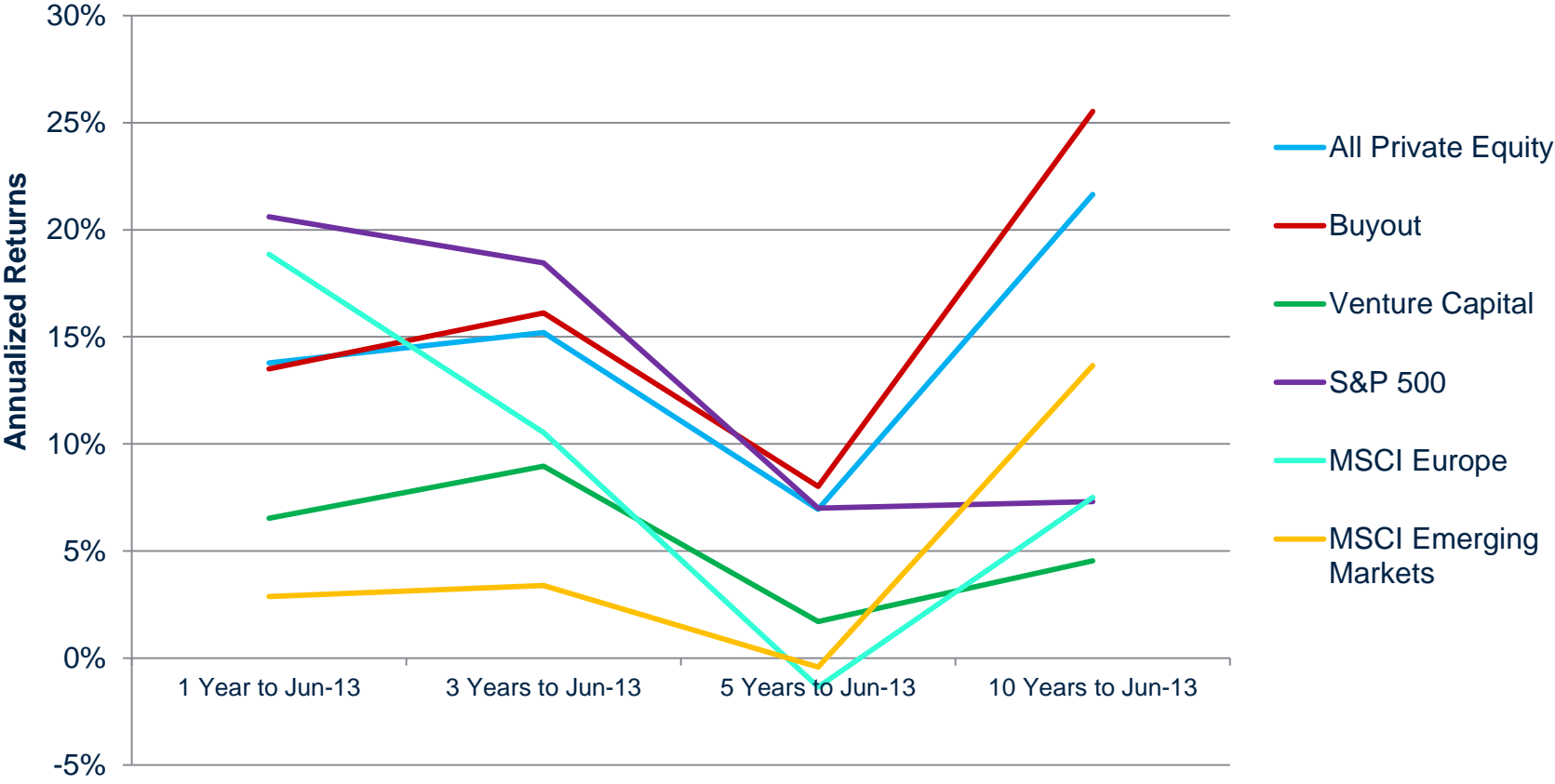
Make-up of LPs in the Average Fund by LP Type
(Capital Committed to Funds Closed in 2008-2013)



Source: 2014 Preqin Global Private Equity Report

Section 1: In terms of performance, private equity horizon IRR outperformed major market indices in 2013. However, this performance was driven by buyout fund, while venture capital underperformed market indices.

Private Equity Horizon IRRs vs. Public Indices as of 30 June 2013



Source: 2014 Preqin Global Private Equity Report

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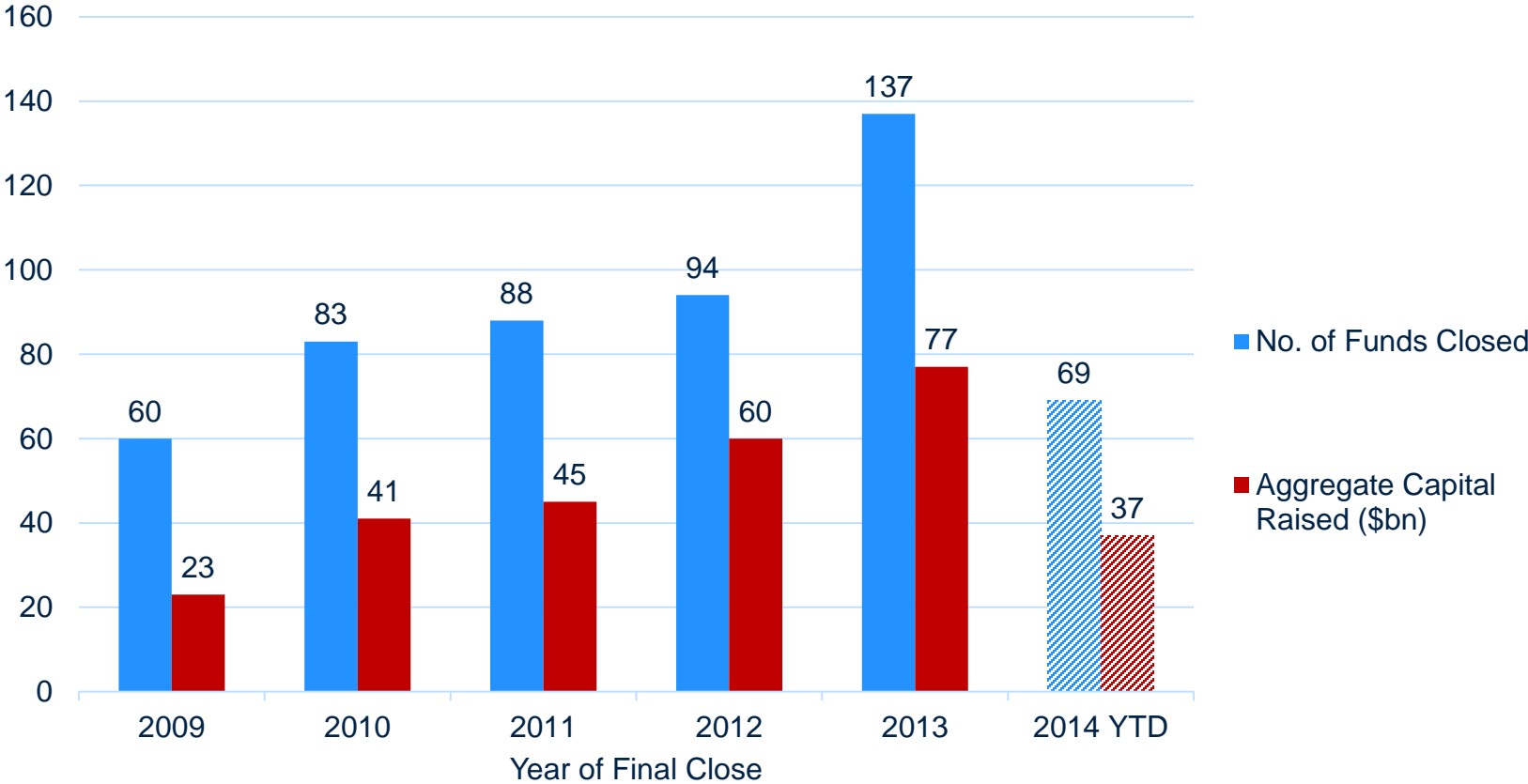
Section 2: Emergence of Private Debt Funds

Section 3: Venture Capital Funds

Section 4: Infrastructure Funds

Section 2: Since the international financial crisis in 2008, private debt funds (including mezzanine funds) have grown rapidly.

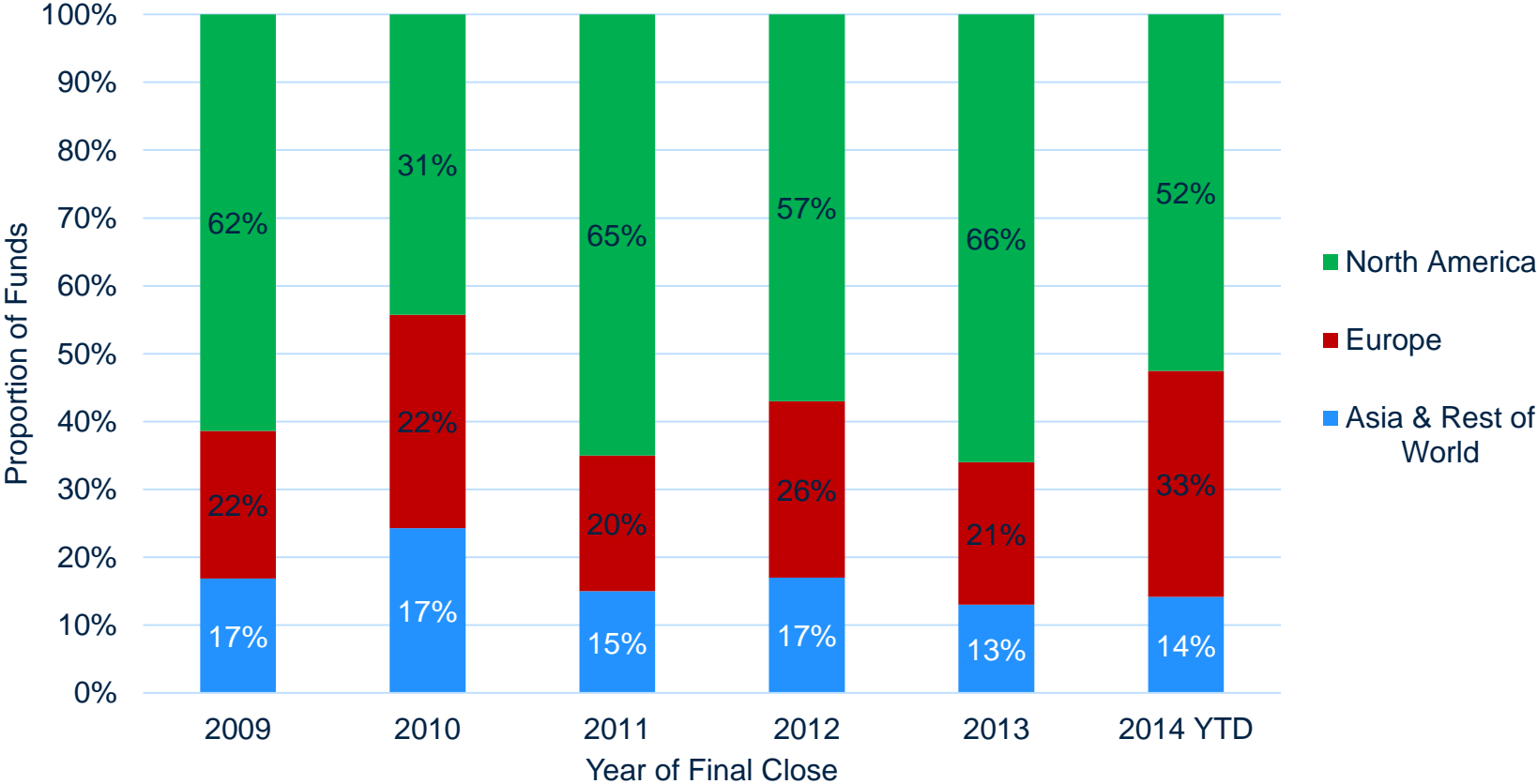
Annual Private Debt Fundraising
2009 - 2014 YTD (As at 20 October 2014)



Source: Preqin Special Report: Private Debt Report, November 2014

Section 2: By geographical area, the main areas of focus are North America, followed by Europe and Asia and the rest of the world.

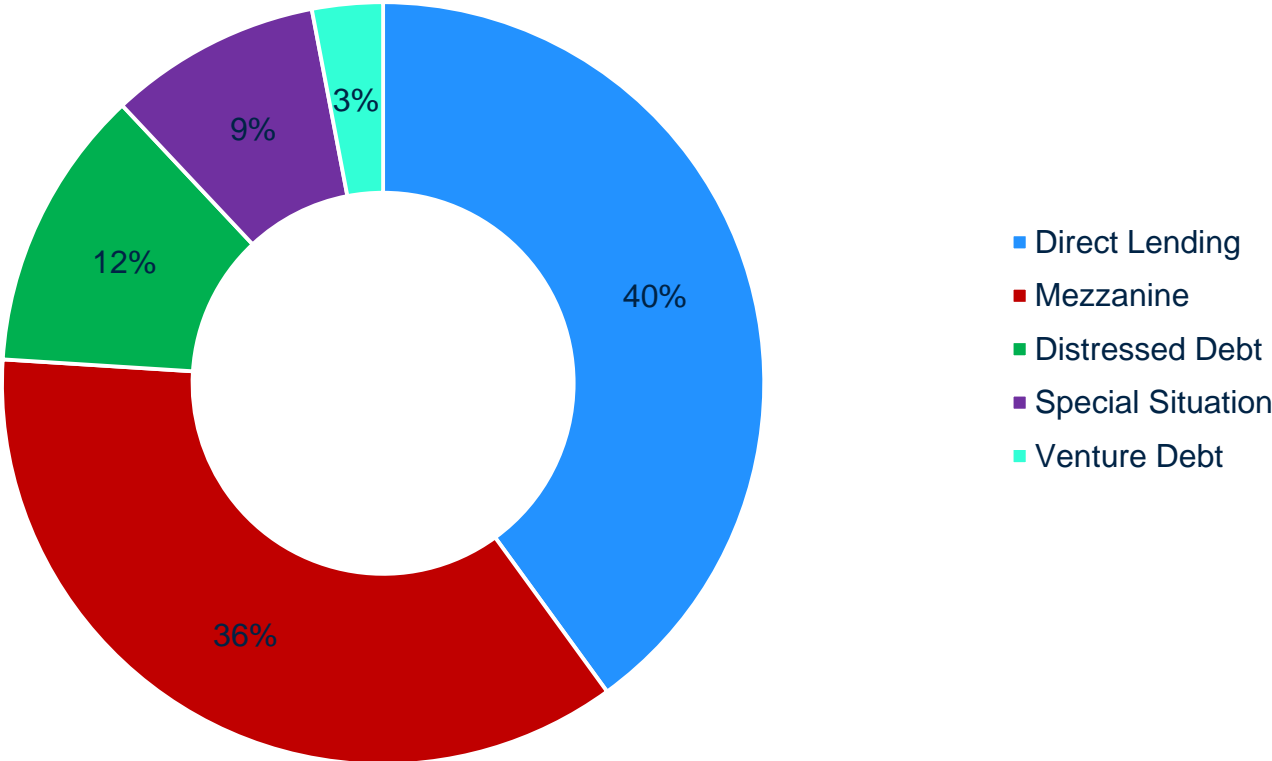
Breakdown of the Number of Private Debt Funds Closed by Primary Geographic Focus 2009 - 2014 YTD (As at 11.20.2014)



Source: Preqin Special Report: Private Debt Report, November 2014

Section 2: By type of fund, direct lending funds dominate, followed by mezzanine and distressed debt.

Primary Strategy of Private Debt Fund Managers Established Since 2008



Source: Preqin Special Report: Private Debt Report, November 2014

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Section 1: Overall Evolution of PE Funds

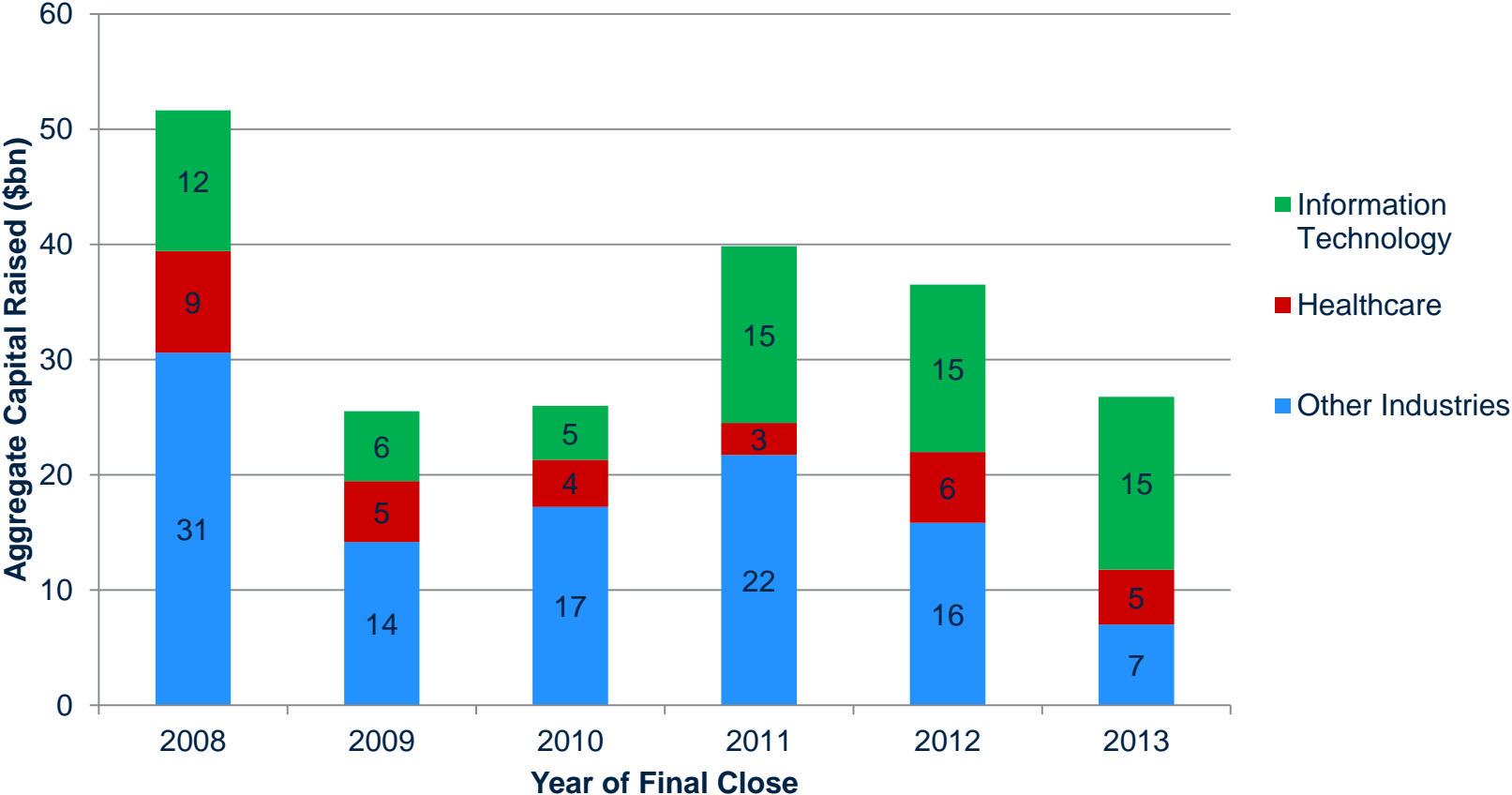
Section 2: Emergence of Private Debt Funds

Section 3: Venture Capital Funds

Section 4: Infrastructure Funds

Section 3: After reaching a peak in 2008, venture capital fund raising dropped significantly following the international financial crisis in 2009 and 2010. It rebounded significantly in 2011, but has tapered off since then.

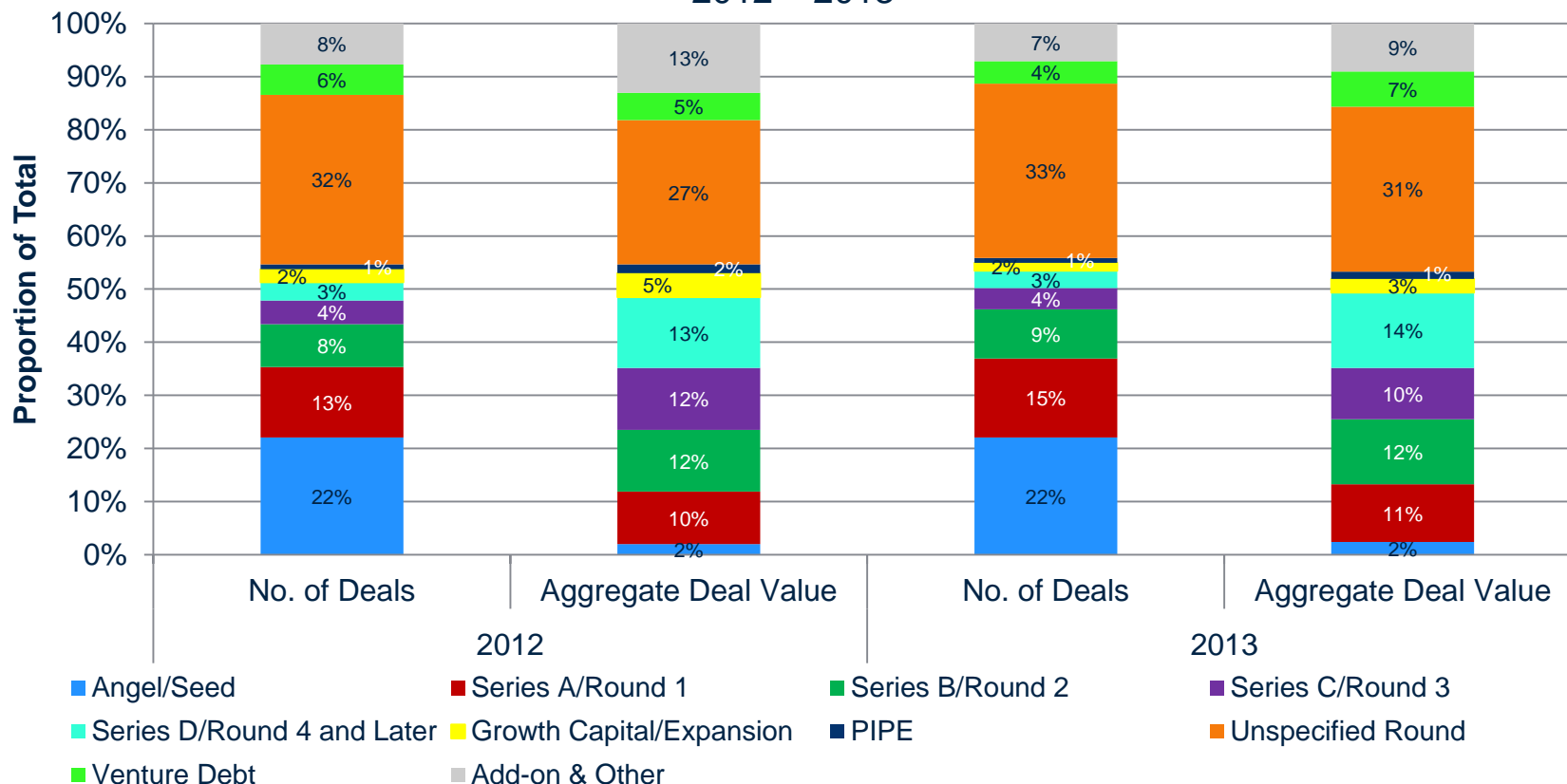
Annual Venture Capital Fundraising by Primary Industry Focus
2008 – 2013 (US\$ billion)



Source: 2014 Preqin Global Private Equity Report

Section 3: By stage, venture capital deal flow is led by angel/seed deals, followed by round 1 deals and round 2 deals, showing the critical role played by private equity at early stages of development of SMEs. Venture debt represents less than 7% of the total.

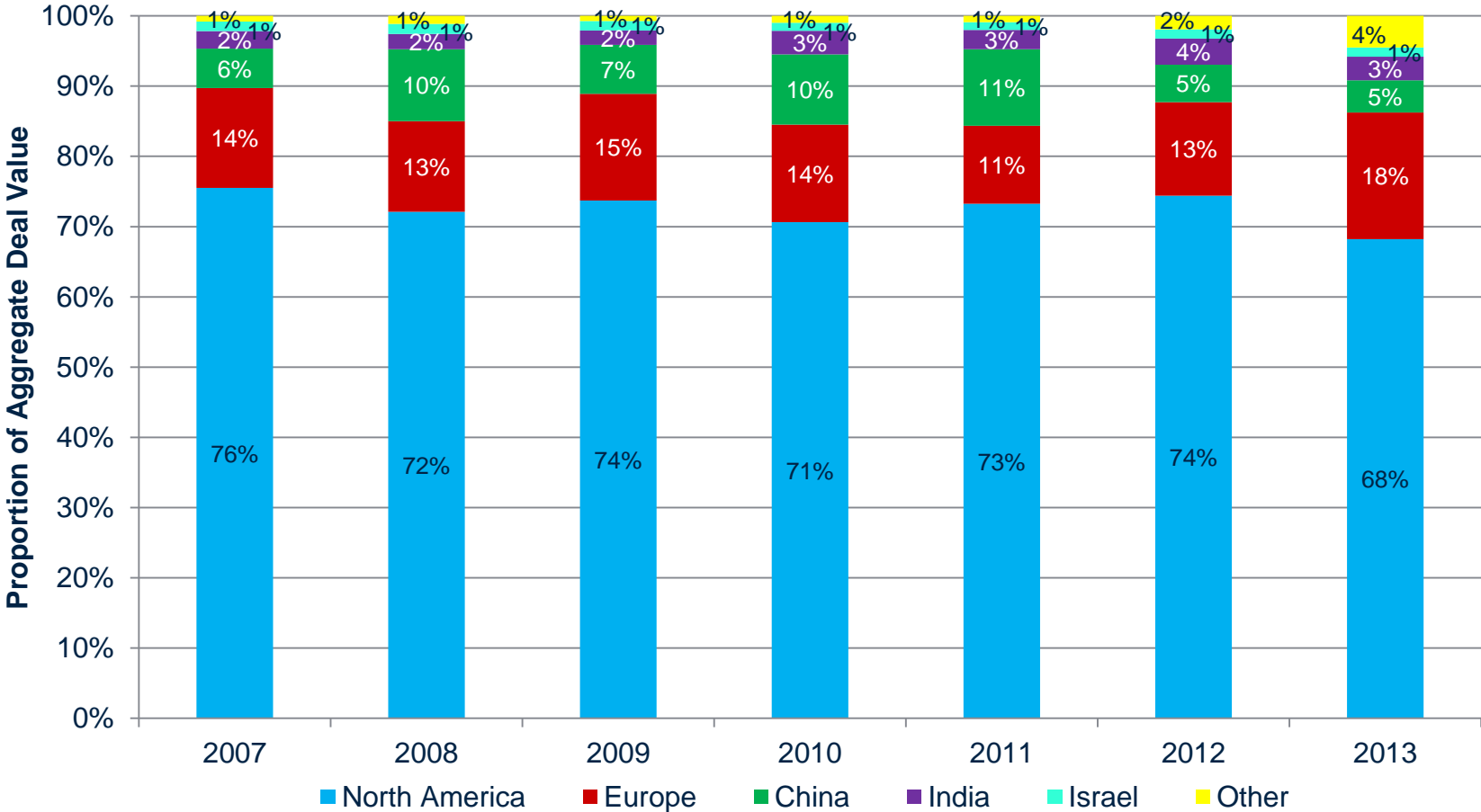
Proportion of Number and Aggregate Value of Venture Capital Deals by Stage
2012 – 2013



Source: 2014 Preqin Global Private Equity Report

Section 3: By geographical area, venture capital deal flow is highly concentrated in North America, followed by Europe and China. The rest of the world represents a small share of the total.

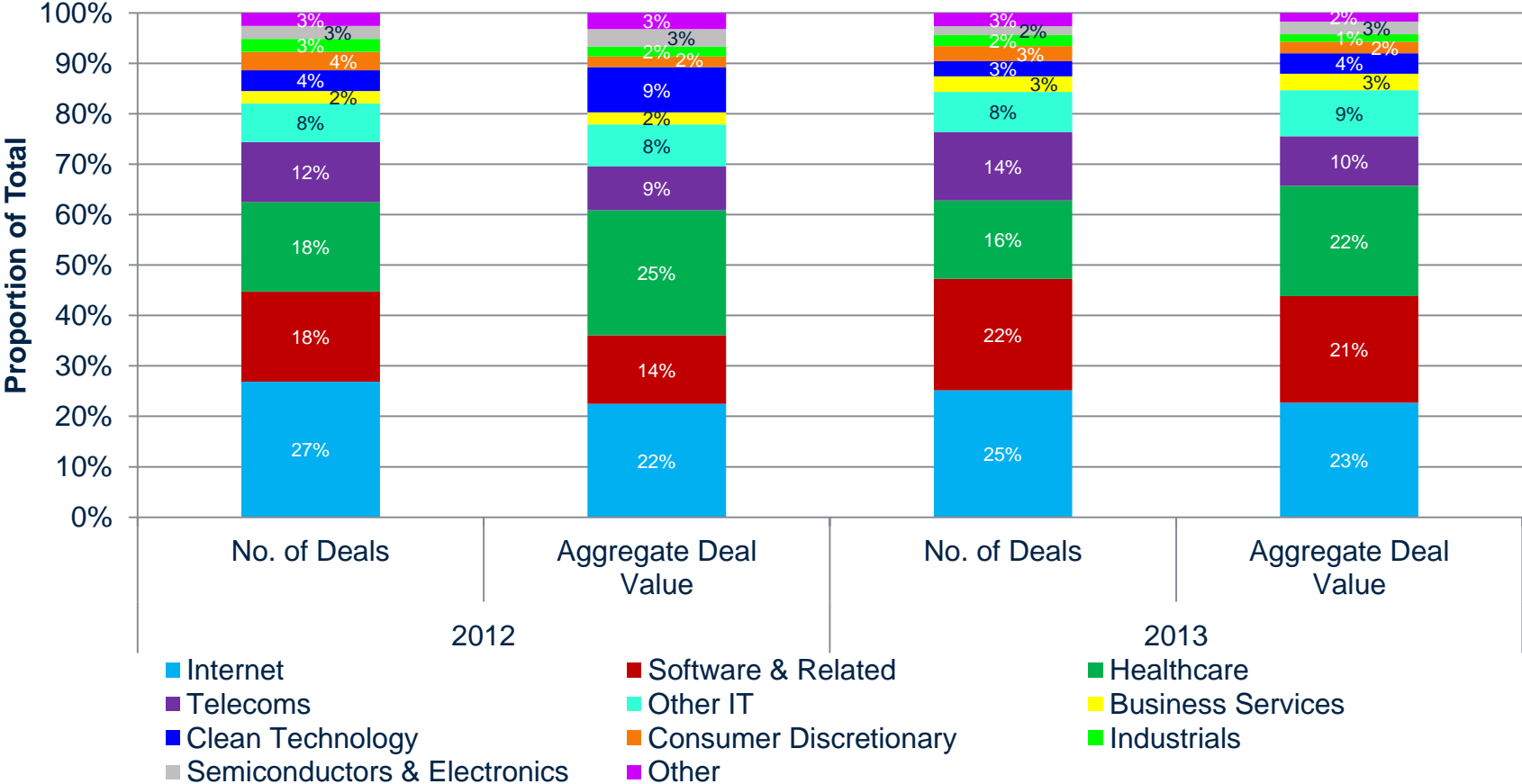
Proportion of Aggregate Value of Venture Capital Deals by Region, 2007 - 2013*



Source: 2014 Preqin Global Private Equity Report
 * Figures exclude add-ons, grants, mergers, secondary stock purchase and venture debt

Section 3: By industry, venture capital deal flow is led by internet, followed by software, healthcare and telecoms.

Proportion of Number and Aggregate Value of Venture Capital Deals by Industry
2012 – 2013



Source: 2014 Preqin Global Private Equity Report

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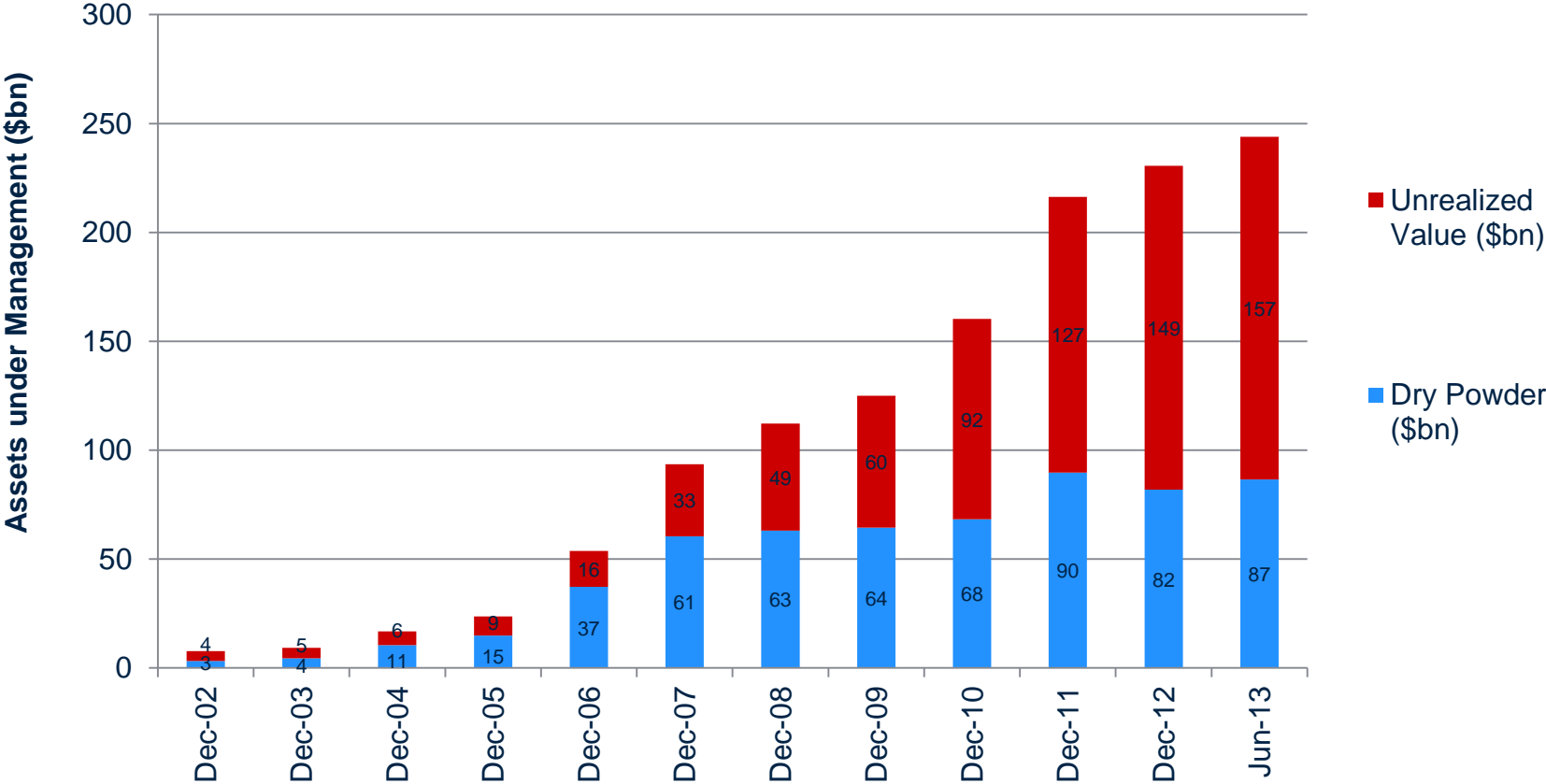
Section 2: Emergence of Private Debt Funds

Section 3: Venture Capital Funds

Section 4: Infrastructure Funds

Section 4: Unlisted infrastructure funds AUM have grown from US\$ 17 billion in 2004 to US\$ 244 billion in 2013.

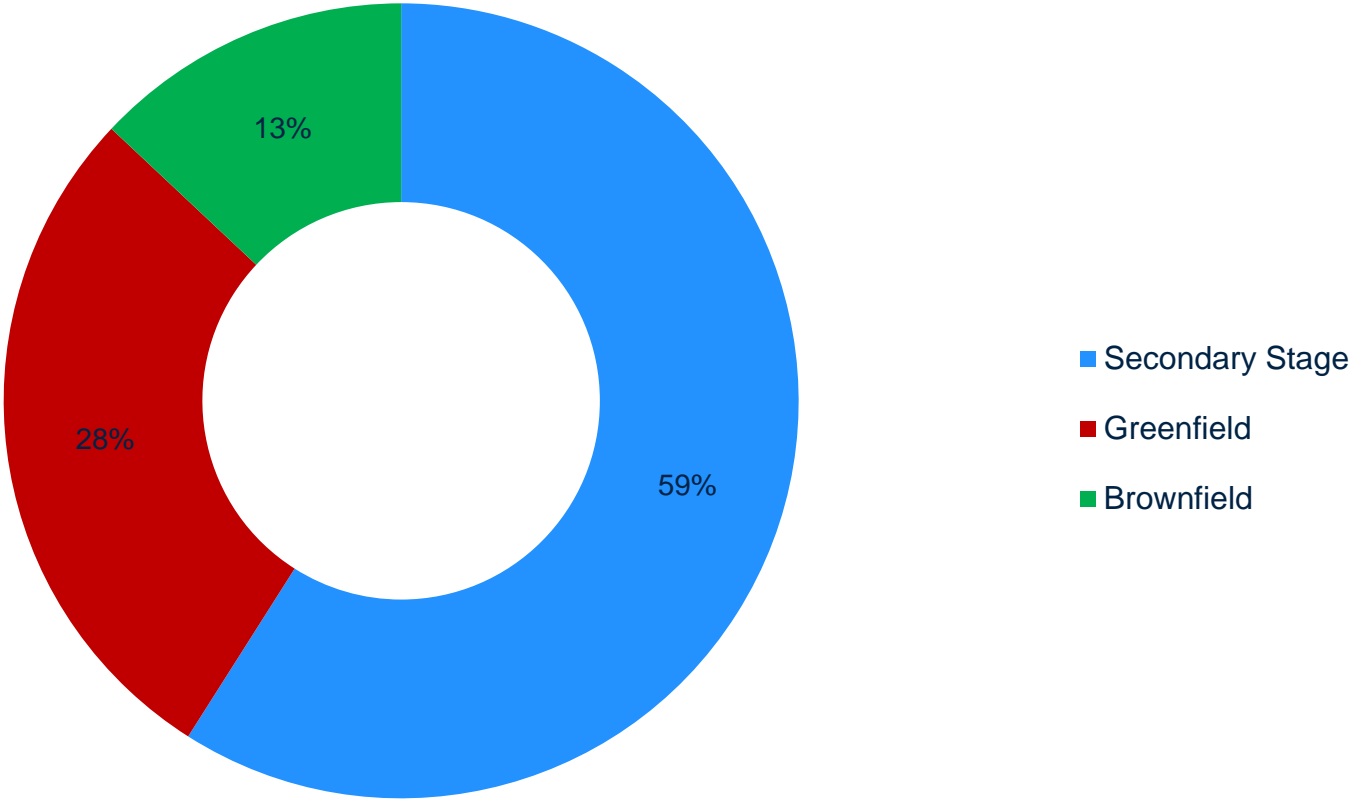
Unlisted Infrastructure Assets under Management
December 2004 - June 2013



Source: 2014 Preqin Global Infrastructure Report

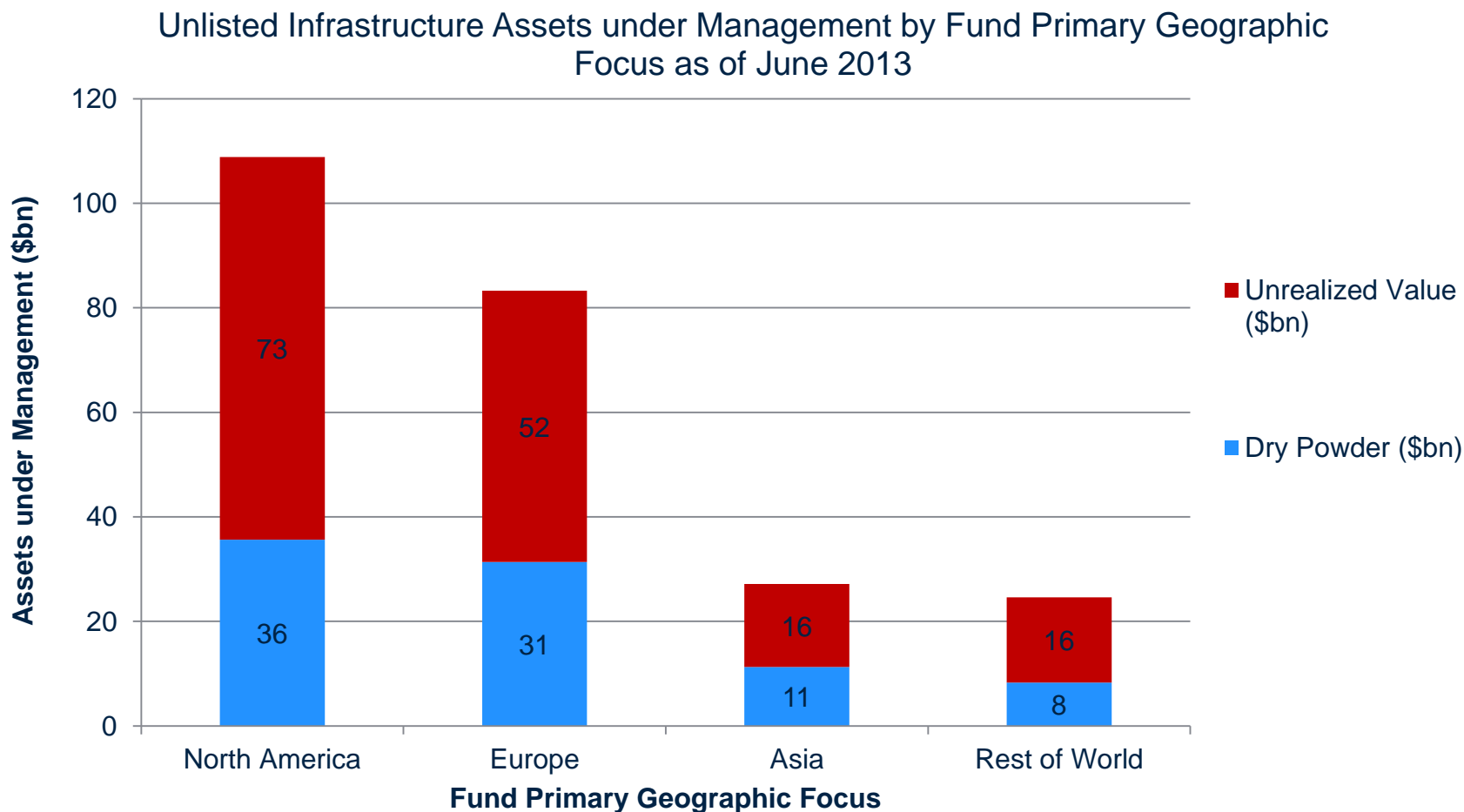
Section 4: By project stage, infrastructure fund deals are led by secondary stage, followed by greenfield and brownfield.

Breakdown of Unlisted Infrastructure Deals by Project Stage 2008 – 2013



Source: 2014 Preqin Global Infrastructure Report

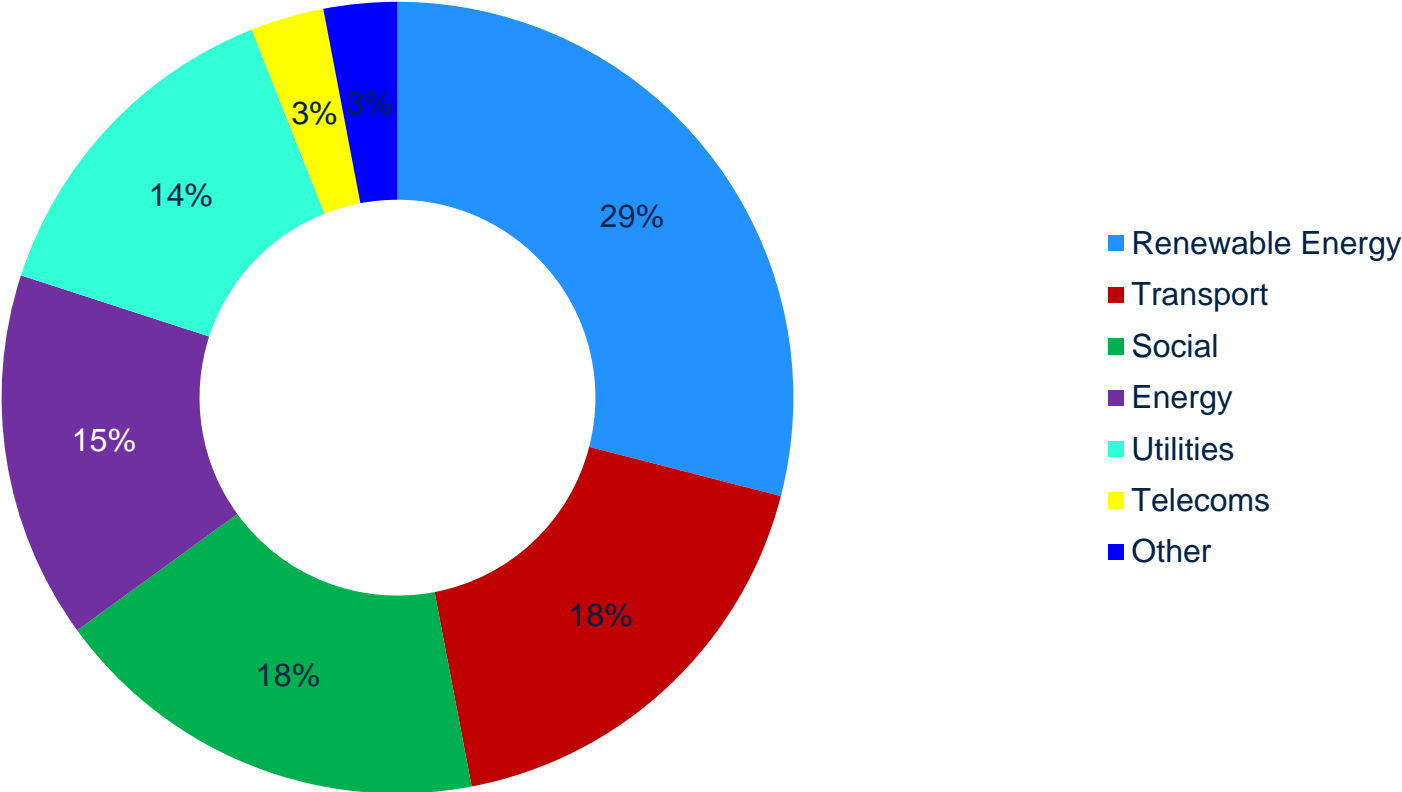
Section 4: By geographical area, the main areas of focus are North America, followed by Europe and Asia.



Source: 2014 Preqin Global Infrastructure Report

Section 4: By industry, infrastructure fund deal flow is led by renewable energy, followed by transport, social infrastructure and energy.

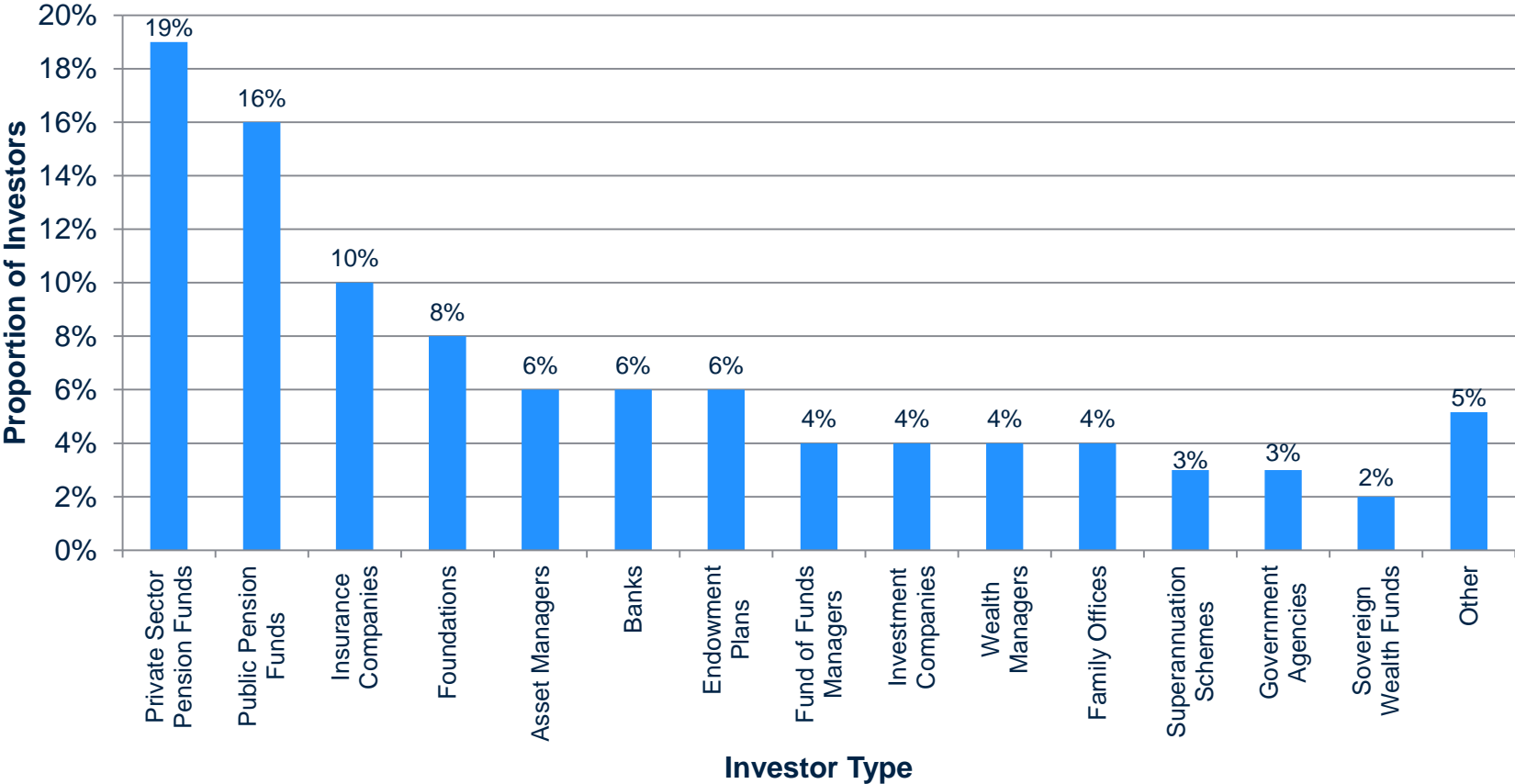
Breakdown of Infrastructure Deals by Industry, 2008 – 2013



Source: 2014 Preqin Global Infrastructure Report

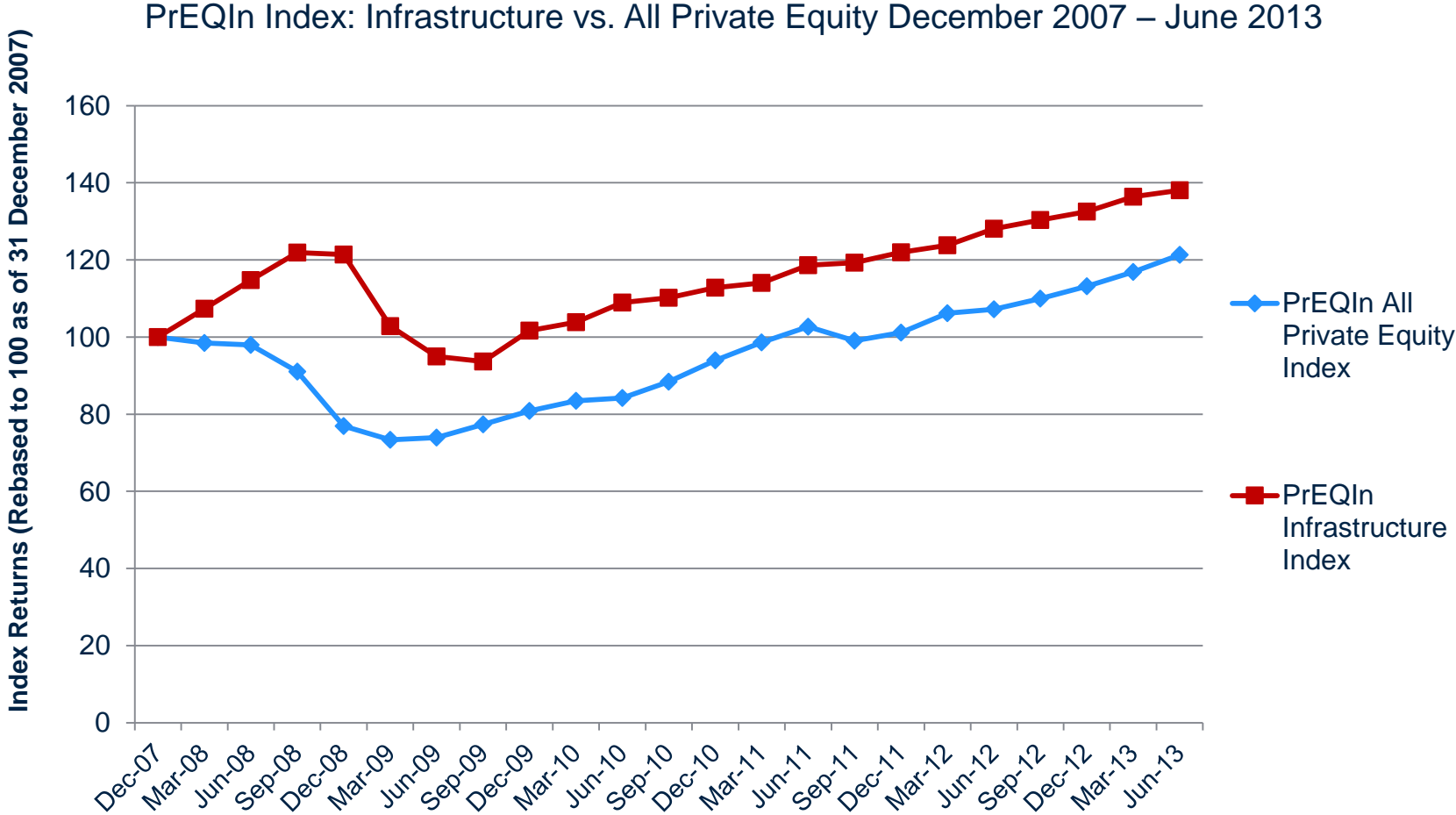
Section 4: By type of investor, private pension funds dominate, followed by public pension funds, insurance companies and foundations.

Breakdown of Infrastructure Investors by Type, 2013



Source: 2014 Preqin Global Infrastructure Report

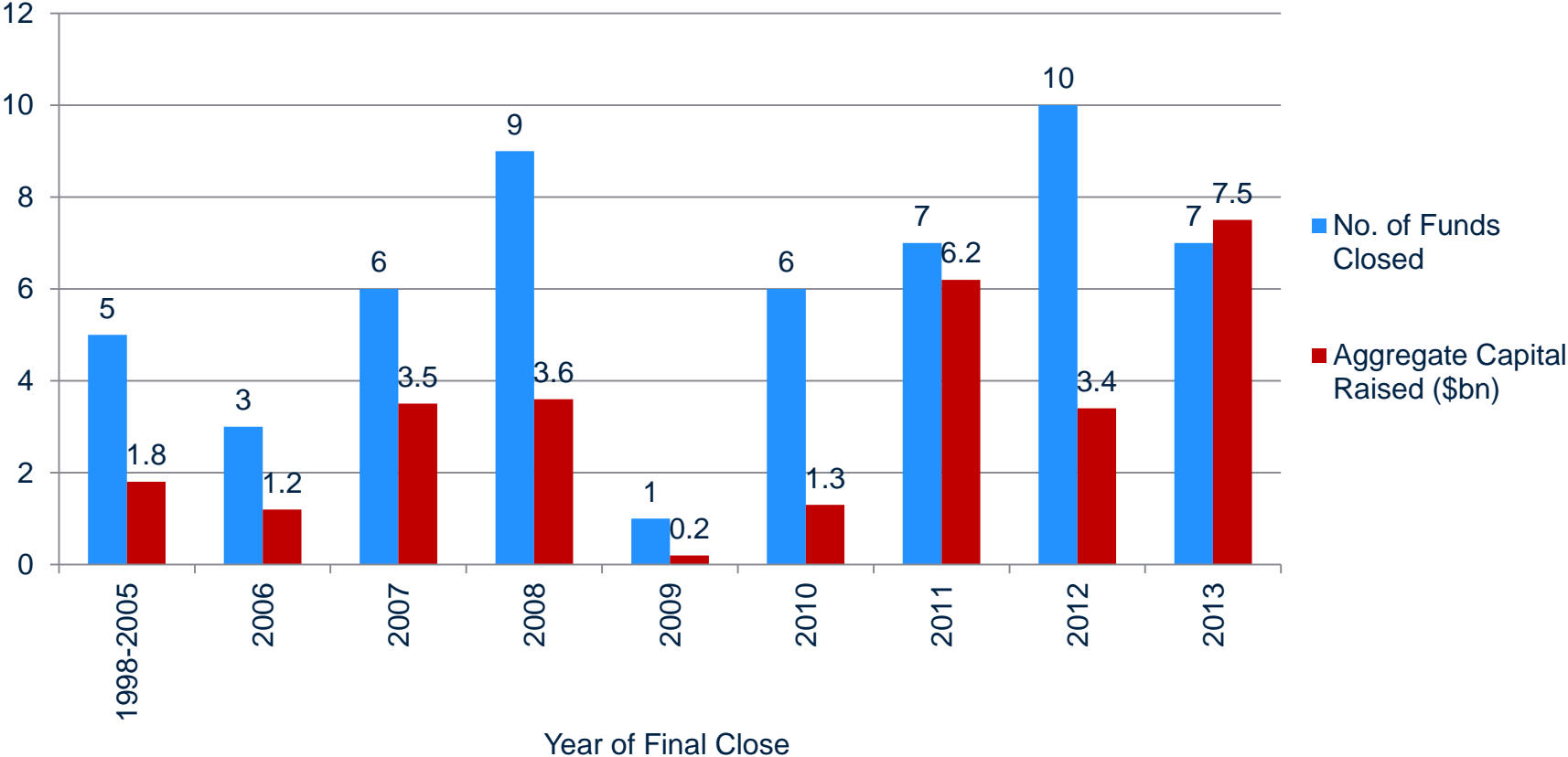
Section 4: Since 2007, infrastructure investment funds have outperformed the private equity class.



Source: 2014 Preqin Global Infrastructure Report

Section 4: Following low levels of activity until 2005, unlisted private infrastructure debt funds increased rapidly until the financial crisis in 2008. Following a sharp drop in 2009, infrastructure debt funds recovered quickly, raising US\$ 7.5 billion in 2013.

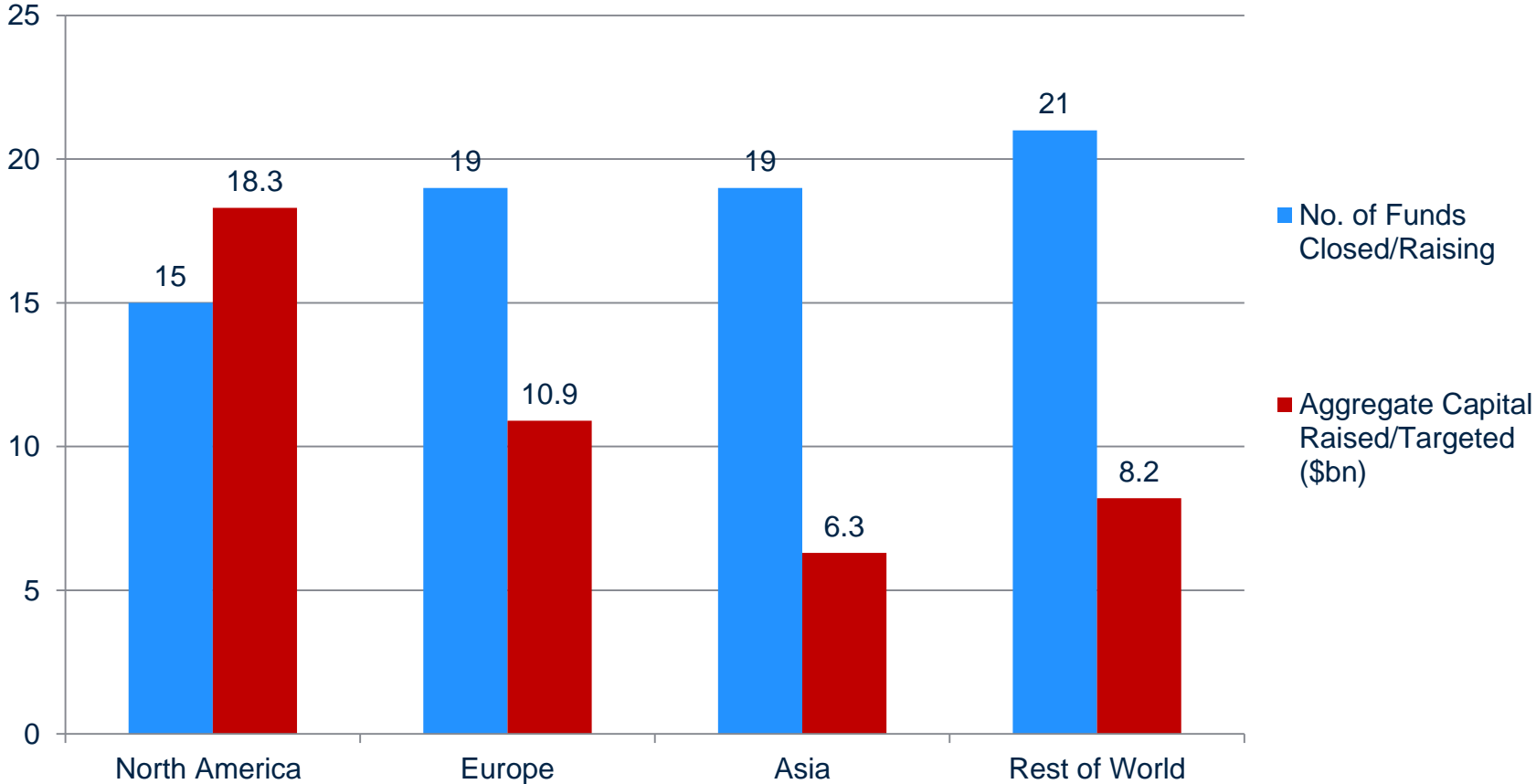
Annual Infrastructure Debt Fund Raising, 1998-2013



Source: 2014 Preqin Global Infrastructure Report

Section 4: By geographical area, the main areas of concentration are North America, followed by Europe and the rest of the world

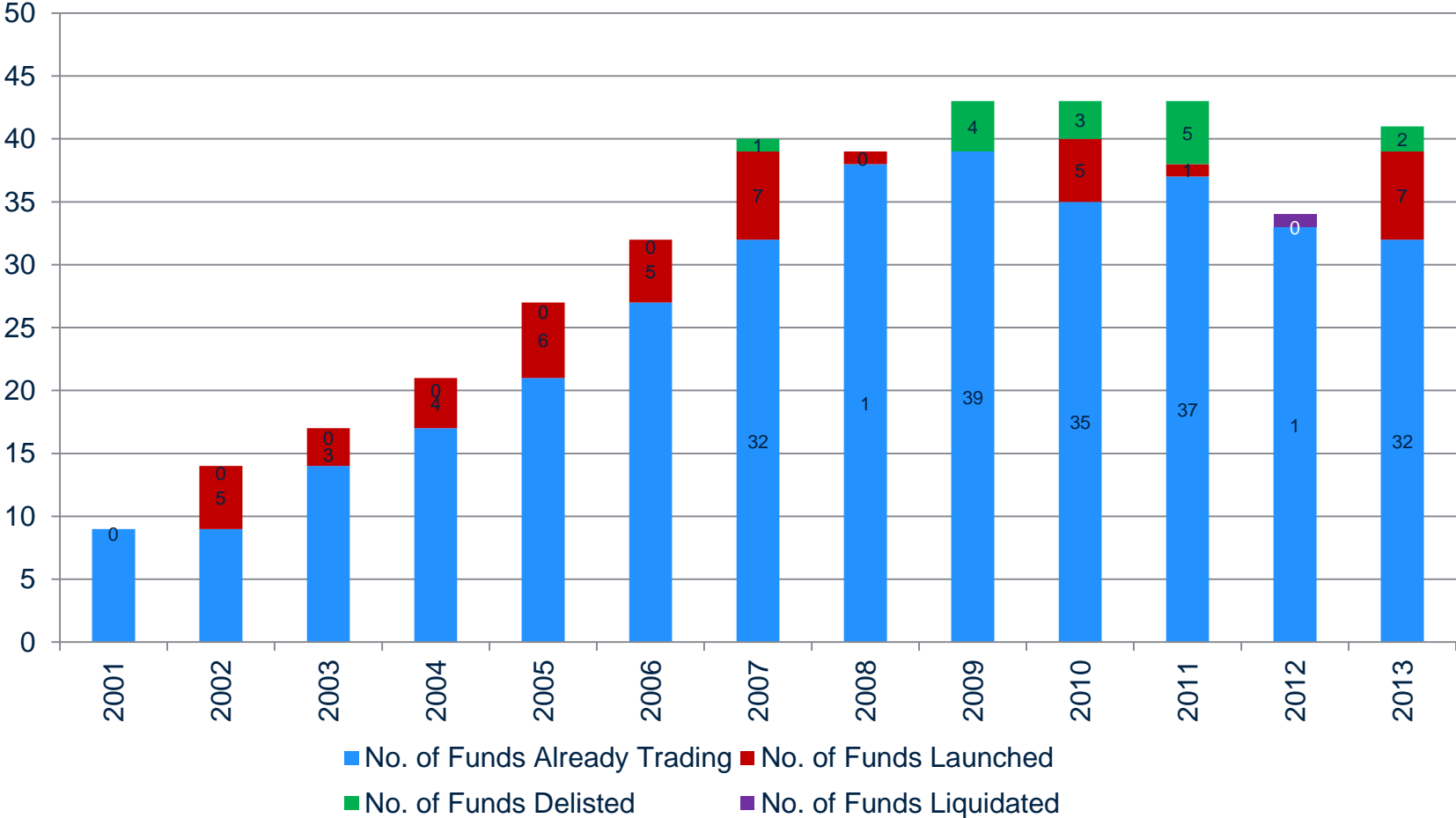
Breakdown of Unlisted Infrastructure Debt Fund Universe by Primary Geographic Focus, 2013



Source: 2014 Preqin Global Infrastructure Report

Section 4: The number of listed infrastructure funds raised increased from 2001 to 2009, but has remained stagnant since then.

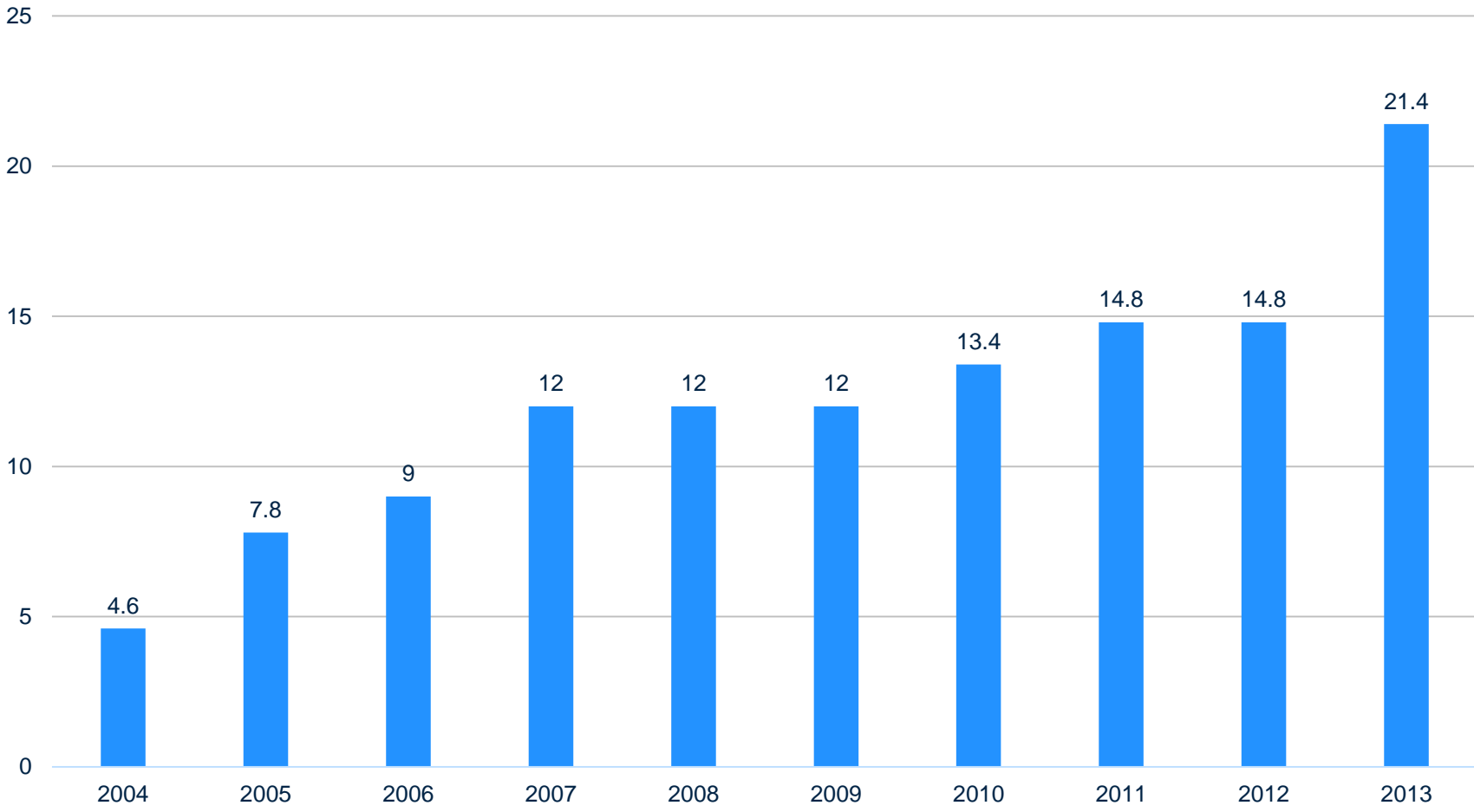
Listed Infrastructure Fund Launches, 2004 – 2013



Source: 2014 Preqin Global Infrastructure Report

Section 4: Listed infrastructure funds AUM have grown from US\$ 4.6 billion in 2004 to US\$ 21.4 billion in 2013 (valued at vintage).

AUM of Listed Infrastructure Funds (US\$ billion)



Source: Preqin Database and staff calculations

Note: The table represents 44 listed infrastructure funds from Preqin database and AUM shown is at vintage

Investment Funds Group Team



Nikoloz Anasashvili
Consultant



Michel Noel
Head



Shanthi Divakaran
Sr. Financial Sector Specialist



Patrick J. McGinnis
Consultant



Thelma Ayamel
Program Assistant



Sevara Atamuratova
Research Analyst

Contact information:

Michel Noel

mnoel@worldbank.org

202-203-0874