



Davis Polk

PLI ELEVENTH ANNUAL PRIVATE EQUITY FORUM // July 2010

PLI Eleventh Annual Private Equity Forum

Introductory Remarks by
Yukako Kawata

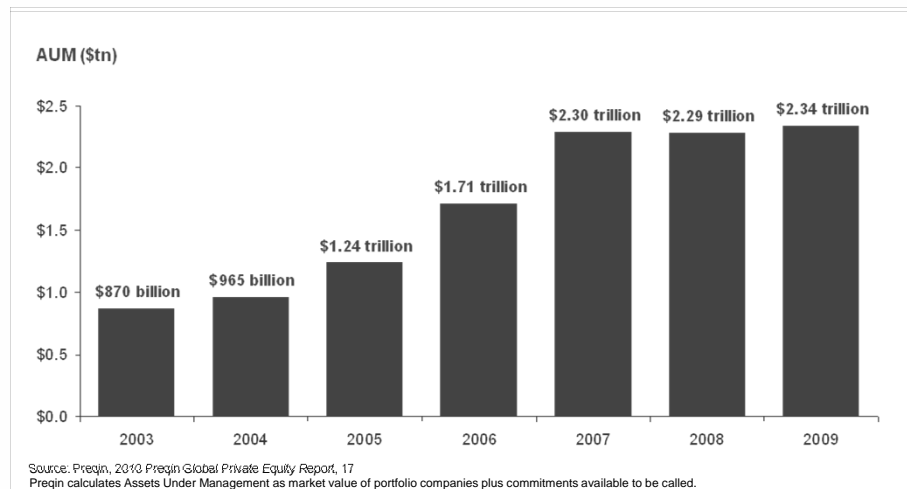
July 12, 2010

Davis Polk

Davis Polk & Wardwell LLP

Private Equity Assets Under Management

AGGREGATE AUM FOR THE LAST SEVEN YEARS



DavisPolk

2

Top 10 Private Equity Managers Based on Fundraising

FIVE-YEAR RANK	FIRM NAME	FIVE-YEAR FUNDRAISING TOTAL (\$BN)*	TEN-YEAR FUNDRAISING TOTAL (\$BN)**	TEN-YEAR RANK
1	TPG	\$ 52.4 billion	\$ 53.4 billion	4
2	Goldman Sachs Principal Investment Area	49.0	98.6	1
3	The Carlyle Group	47.7	62.1	3
4	Kohlberg Kravis Roberts	40.5	49.8	5
5	Apollo Global Management	35.2	33.3	10
6	Bain Capital	34.9	38.2	7
7	CVC Capital Partners	33.7	37.7	8
8	The Blackstone Group	30.8	74.5	2
9	Warburg Pincus	23.0	32.0	11
10	Apax Partners	21.3	35.2	9

* Source: Private Equity International Magazine, <http://www.peimedia.com/pei300>
** Source: Preqin, 2010 Preqin Global Private Equity Report, 22

DavisPolk

3

Trends in Private Equity (2005-July, 2007)

- Bigger funds and mega deals, often involving consortiums of large and smaller private equity funds, financed by easy credit

2007: Goldman Sachs Capital Partners VI closed with \$20.3 billion in commitments

2007: Blackstone Capital Partners V closed with \$21.7 billion in commitments

2007: Equity Office Properties Trust acquired by Blackstone for \$38.9 billion

2007: KKR, Texas Pacific Group and Goldman Sachs Capital Partners led a consortium in the \$45 billion buyout of Texas energy giant, TXU. The banks willingly offered financing through an equity bridge.

2006: Hospital Corp. of America acquired by Bain, KKR and Merrill Lynch for \$32.7 billion

2006: Apollo and Texas Pacific acquire Harrah's Entertainment for \$27.4 billion

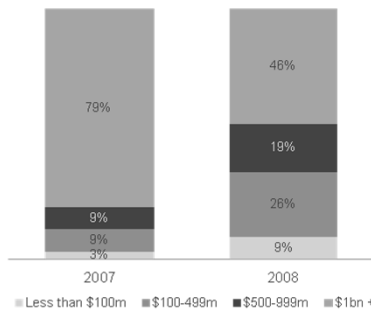
DavisPolk

4

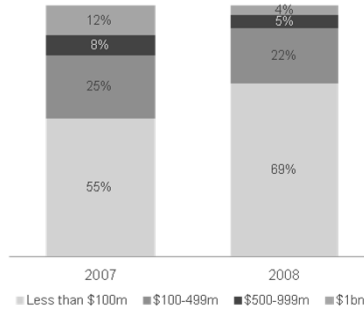
Trends in Private Equity (2005-July, 2007) (cont.)

- But even at the peak of this trend, most deals were not mega deals
 - Public-private deals \$5 billion or greater only accounted for 22% of Blackstone's activity since 2000

Value of PE Deals by Value Band



Number of PE Deals by Value Band

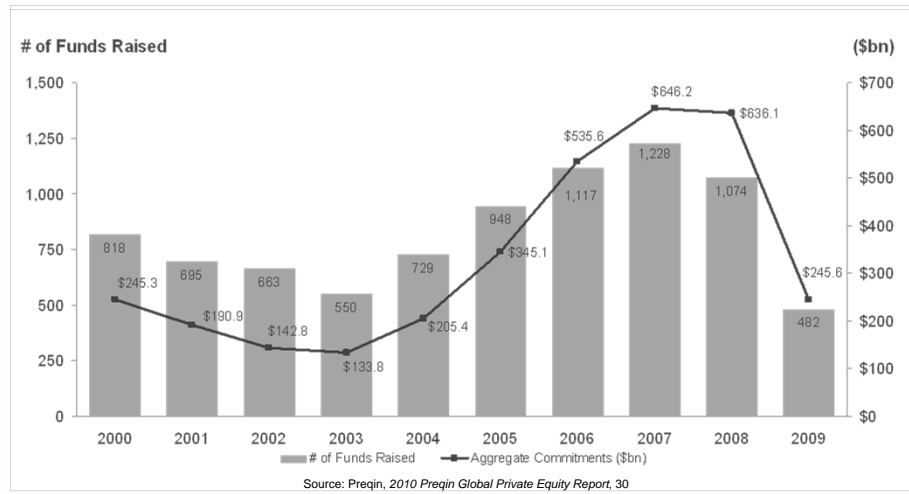


DavisPolk

5

Trends in Private Equity (July, 2007-2009) (cont.)

HUGE DROP IN FUNDRAISING

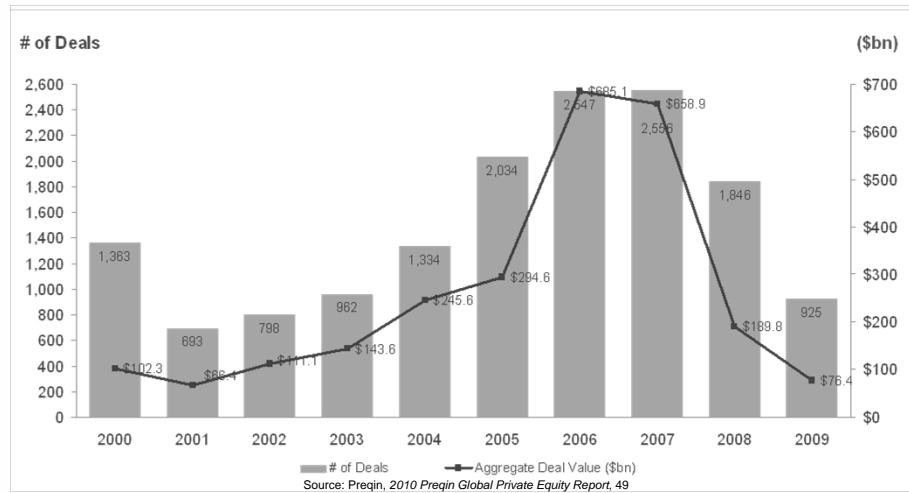


DavisPolk

6

Trends in Private Equity (July, 2007-2009) (cont.)

HUGE DROP IN PRIVATE EQUITY BUYOUT ACTIVITY

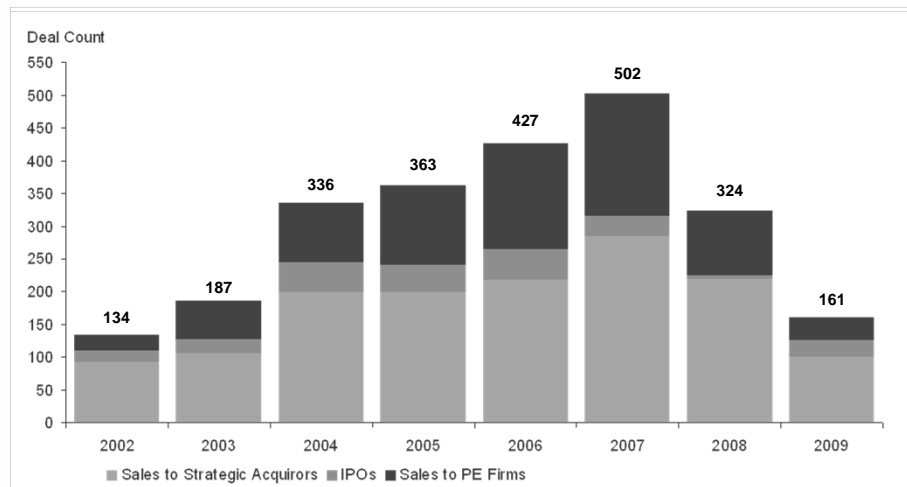


DavisPolk

7

Trends in Private Equity (July, 2007-2009) (cont.)

HUGE DROP IN EXITS



DavisPolk

8

Private Equity: Where Things Stand Now

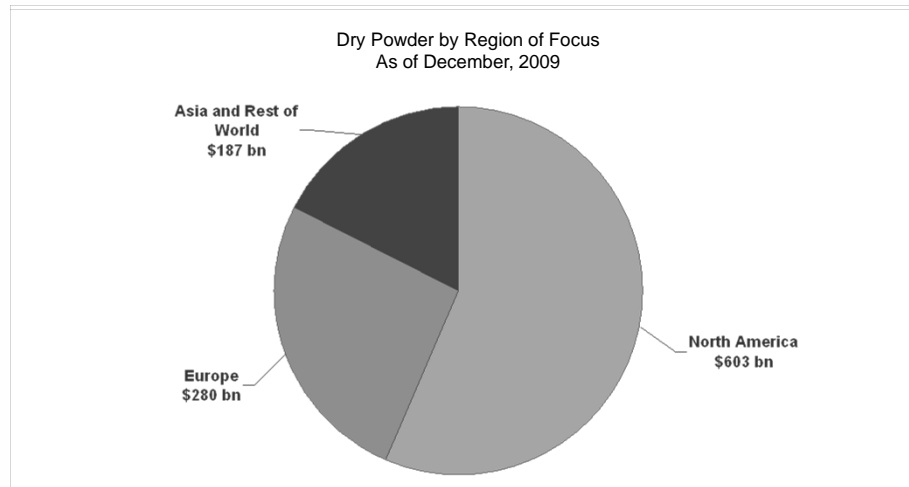
- Middle-market funds are gaining investor favor, while “mega funds” are rethinking their investment strategies
- A number of “mega funds” are still sitting on large amounts of unused commitments or “dry powder”
 - Prequin estimates that private equity managers have **\$1.07 trillion** of dry powder at their disposal as of December, 2009



DavisPolk

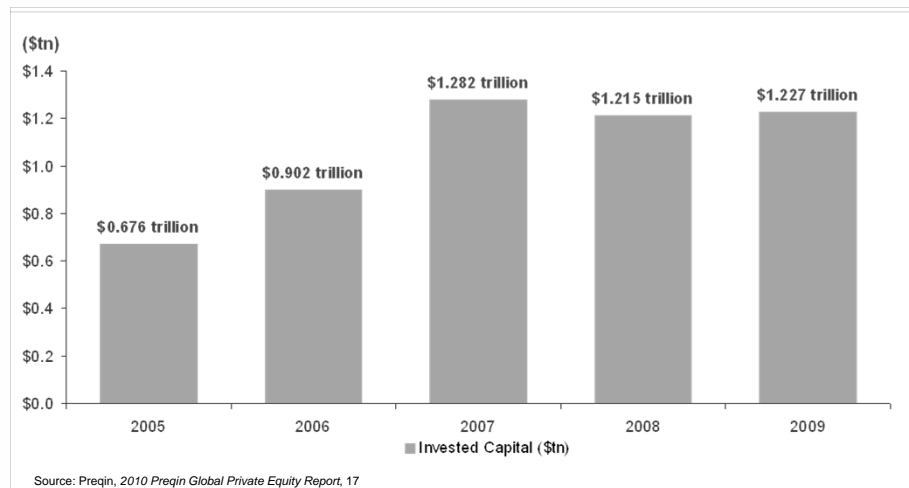
9

Private Equity: Where Things Stand Now (cont.)
 ESTIMATED DRY POWDER BY REGION OF FOCUS



DavisPolk

Private Equity: Where Things Stand Now (cont.)
 INCREASING NEED TO ACHIEVE EXITS



DavisPolk

Private Equity: Where Things Stand Now *(cont.)*

OUTLOOK FOR THE FUTURE

- Increase in mid-market deal activity which will continue as the private equity mainstay
- Lower leverage ratios will not kill private equity
 - Credit Suisse estimates that over 75% of value created in Blackstone funds has come from improving portfolio company operations, while only 8% has come from leverage
- Zombie companies will generate significant restructuring activity as debt covenants are triggered in next two or so years
- Continued staying power of private equity as a standard asset allocation class for investors
 - Based on Preqin's survey of global institutional investors:
 - 51% plan on investing **more** capital in private equity in 2010 than they did in 2009
 - 41% plan on investing the **same** amount of capital in private equity in 2010 as they did in 2009
 - 8% plan on investing **less** capital in private equity in 2010 than they did in 2009

DavisPolk

12



DavisPolk

PLI ELEVENTH ANNUAL PRIVATE EQUITY FORUM // July 2010