

Analyzing private equity activity through all the stages of the investment cycle, from fundraising to exits.

## Virtuous Circle of Rising Valuations and Liquidity

Private equity activity measures in 3Q21 backed down slightly from 2Q, although totals were still strong. The IPO market for both venture capital and buyouts showed the largest declines as public equity markets flattened in 3Q. All year-to-date (YTD) comparisons are strongly up, not surprising given that the first two quarters of 2020 experienced the brunt of the pandemic slowdown. So far this year, private equity activity has been vigorous, fueled by rapidly rising public equity valuations and very liquid capital markets.

## Fundraising: Making Hay

The number of funds holding final closes in 3Q slowed to 398, down 28% from 2Q; commitments fell to \$165 billion, off 32%.

- YTD commitments are running 24% ahead of 2020, with the fund count up 15%. This year could set a new record—at least for U.S. fundraising.
- General partners are deploying funds quickly and returning to market with new fund targets averaging about 50% larger than the prior vehicles.
- Venture capital has surged in popularity, accounting for more than one-quarter of new commitments year-to-date. This is a very large change from the two decades after the Dot-Com Bubble.

### Funds Holding Final Closes: By Strategy (YTD 9/30/21)

Strategy	# of funds	Amount	
		Investments (millions)	Share
Venture Capital	871	\$166,920	25.9%
Buyouts	329	\$321,149	49.8%
Growth Equity	129	\$65,232	10.1%
Mezzanine	16	\$12,690	2.0%
Distressed/Restructuring	7	\$14,100	2.2%
Credit Special Situations	14	\$13,752	2.1%
Energy	4	\$1,967	0.3%
Secondaries	66	\$43,340	6.7%
Fund-of-Funds	22	\$5,432	0.8%
<b>Total</b>	<b>1,458</b>	<b>\$644,582</b>	<b>100%</b>

Source: PitchBook

### Largest Funds Holding Final Closes

**Hellman & Friedman Capital Partners X**, buyout, \$24.4 billion

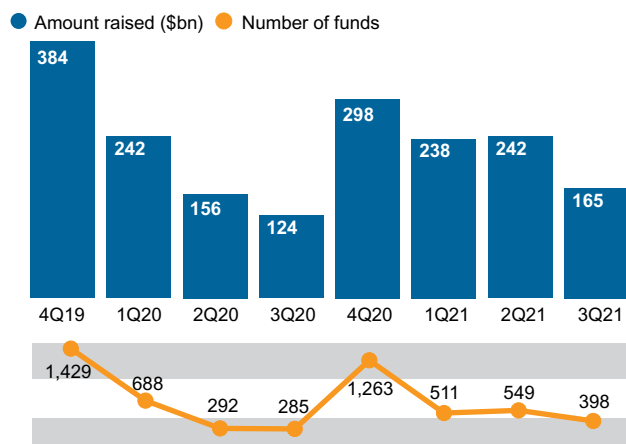
**Partners Group Direct Equity 2019**, buyout, \$15.0 billion

**Strategic Value Special Situations Fund V**, distressed debt, \$5.0 billion

**Top Europe Fund: 17Capital Fund V**, secondaries, \$3.5 billion

**Top Asia-Pacific Fund: SoftBank Latin America Fund II**, venture capital, \$3.0 billion

### Funds Holding Final Closes: By Quarter



Source: PitchBook

# Buyout Investments: Quarterly Decline but Strong Results YTD

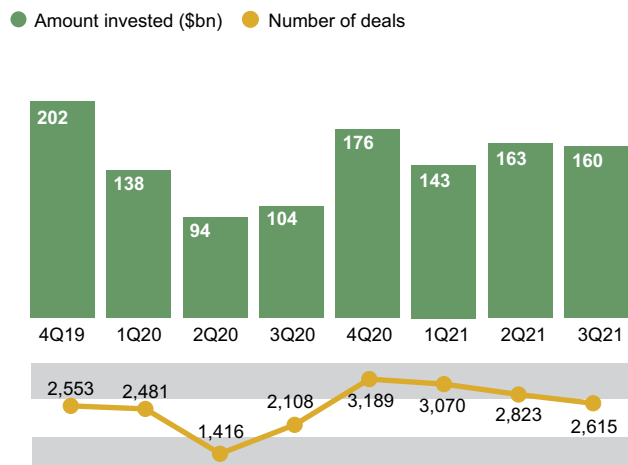
The quarter's private equity transactions were down a slight 7% to 2,615, and dollar volume fell 2% to \$160 billion.

- The YTD investment count and dollar volume are notably higher than 2020, with increases of 42% and 39%.
- Three broad industry sectors have dominated 75% of YTD capital deployment. The largest was Business Products and Services (27%), which can be taken as a sign of expectations for continued economic improvement.

## Prices Level-Out

- Average buyout prices are 12.8x EBITDA through 3Q21, which is essentially flat with the average for all of 2020.
- The average equity investment in new deals of 6.3x represents about 49% of the total purchase price, down from 55% in 2020, indicating GPs are using a little more debt as markets seem to improve.

## Buyout Investments: By Quarter



Source: PitchBook

## Largest Buyout Investments

**Proofpoint**, software, \$12.3 billion

**Parexel International**, biotechnology, \$8.5 billion

**Ingram Micro**, commercial services & supplies, \$7.2 billion

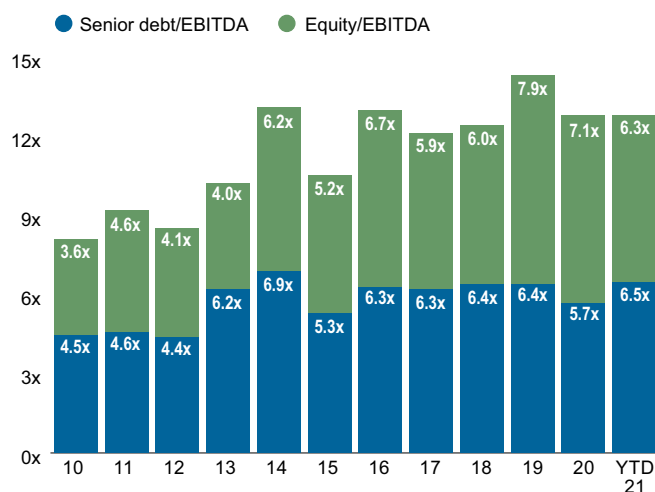
## Buyout Investments: By Industry (YTD 9/30/21)

Industry	# of Deals	Disclosed Amount	
		Investments (millions)	Share
Bus. Products/Services	3,254	\$127,270	27.3%
Cons. Products/Services	1,364	\$101,552	21.8%
Energy	287	\$25,426	5.5%
Financial Services	614	\$40,121	8.6%
Health Care	996	\$35,559	7.6%
Information Technology	1,723	\$119,634	25.7%
Materials and Resources	270	\$16,394	3.5%
<b>Total</b>	<b>8,508</b>	<b>\$465,956</b>	<b>100%</b>

Source: PitchBook

## Leveraged Buyout Purchase Price Multiples

This chart breaks down the components of total deal prices by various elements of the capital structure as a multiple of EBITDA.



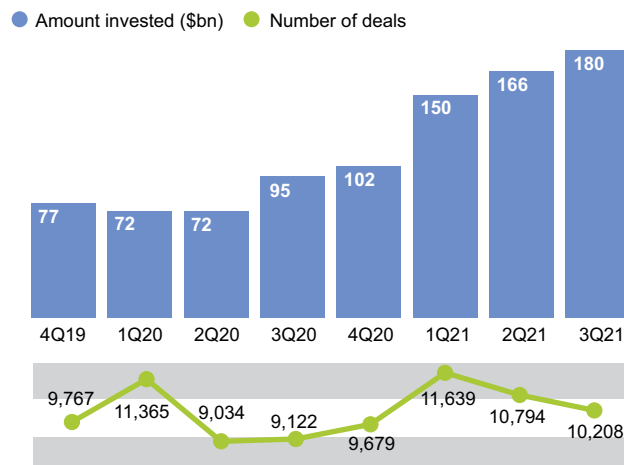
Source: S&P Capital IQ

# VC Investments: Fewer but Pricier Rounds

The number of venture capital (VC) rounds of financings in 3Q fell by 5% to 10,208, but the announced dollar volume increased 8% to \$180 billion, the largest quarter this year.

- YTD, the VC count is up 10%. More astonishing, the announced value of VC financings is more than double the value of those in the first three quarters of 2020.
- Financing of unicorns (VC companies with valuations of over \$1 billion) ticked up from the prior quarter with 191, up 24 rounds from 2Q, with the \$60 billion of announced funding up \$7 billion and representing 33% of VC capital deployed.
- The median pre-money valuations of Seed through Series D rounds continued to increase for YTD 2021 over 2020, with Series D prices up 145% in 2021.

## VC Financing Rounds: By Quarter



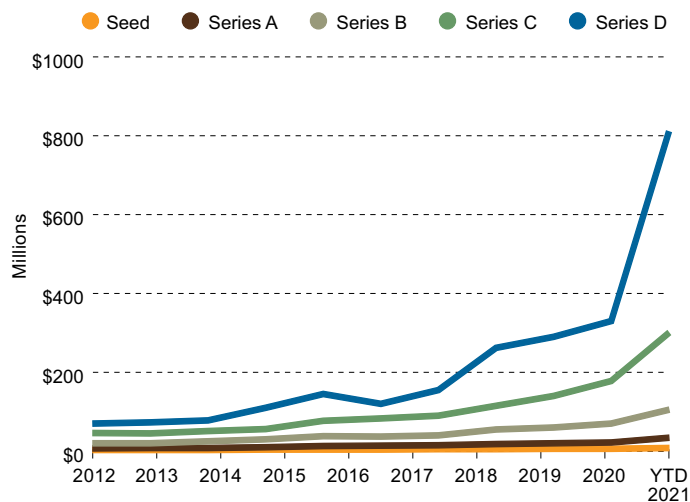
Source: PitchBook

## VC Financings: By Industry (YTD 9/30/21)

Industry	# Financings	Disclosed Amount	
		Investments (millions)	Share
Bus. Products/Services	4,687	\$53,396	10.8%
Cons. Products/Services	6,678	\$98,274	19.8%
Energy	623	\$10,792	2.2%
Financial Services	1,200	\$38,499	7.8%
Health Care	5,740	\$96,547	19.5%
Information Technology	13,103	\$190,657	38.5%
Materials and Resources	610	\$7,523	1.5%
<b>Total</b>	<b>32,641</b>	<b>\$495,688</b>	<b>100%</b>

Source: PitchBook

## Median Pre-Money Valuations of Venture-Backed Companies by Financing Round



## VC Financings: By Stage (YTD 9/30/21)

Stage	# of Financings	Disclosed Amount	
		Investments (millions)	Share
Pre	4,006	\$1,396	0.3%
Angel	2,899	\$4,304	0.9%
Seed	6,366	\$10,562	2.1%
Early stage VC	10,572	\$118,482	23.9%
Later stage VC	8,798	\$355,081	71.6%
Corporate	10	\$694	0.1%
<b>Total</b>	<b>32,641</b>	<b>\$495,688</b>	<b>100%</b>

Source: PitchBook

### Largest VC Financings

**Flipkart**, internet retail, \$3.6 billion, 13th round, Tencent, Qatar Investment Authority, and 3 others

**Rivian**, automotive, \$2.5 billion, 14th round, Amazon.com, T. Rowe Price, Ford Motor Company, and 5 others

**Generate**, cleantech, \$2 billion, 7th round, AustralianSuper, QIC, CBRE Caledon, Wellcome Trust, Aware Super, and 4 others

# PE-Backed M&A Exits: Both Down and Up

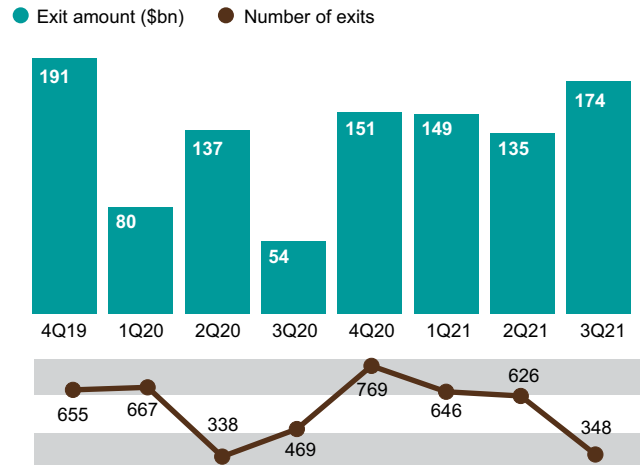
The flattening public market prices seemed to impact M&A exit counts, but not dollar volume.

- 3Q private equity-backed M&A exits fell 44% by number to 348, but rose 29% by announced dollar volume to \$174 billion.
- YTD exit activity is ahead of 2020's, with the deal count rising 10% and dollar volume rallying 69%.
- The specter of new and significant tax hikes, particularly on capital gains, have likely helped to fuel sales processes.

**Largest Private Equity-Backed M&A Exits**

- Aldevron**, biotechnology, \$9.6 billion
- Nets**, financial software, \$9.2 billion
- GlobalLogic**, IT consulting, \$8.5 billion

## Private Equity-Backed M&A Exits: By Quarter



Source: PitchBook

# PE-Backed IPOs: Liquidity Persists

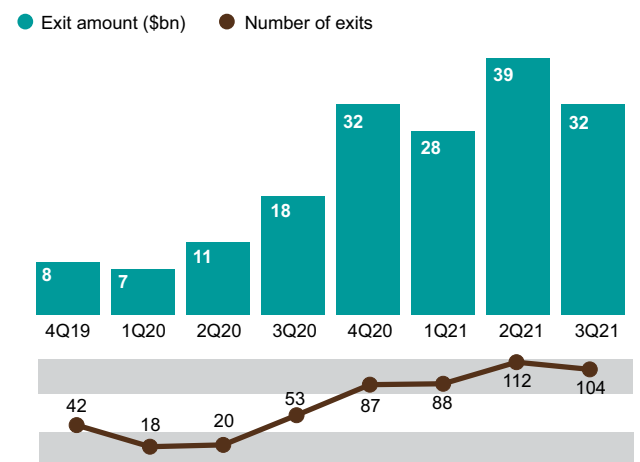
3Q private equity-backed IPOs dipped with count slowing 7% to 104, and the total raised off by 18% to \$32 billion.

- The amount raised in individual company offerings was consistent with other quarters this year, with the largest being \$2.2 billion.
- The YTD total of 304 outpaced last year's pandemic-impacted 36 IPOs by a remarkable 234%, and the total raised is up 175%.

**Largest Private Equity-Backed IPO Exits**

- Kakao Bank**, national banks, \$2.2 billion
- Azelis**, distributors/wholesale, \$1.8 billion
- Acciona Energia**, energy infrastructure, \$1.6 billion

## Private Equity-Backed IPO Exits: By Quarter



Source: PitchBook

Note: This page includes all private equity strategies except venture capital. Private equity-backed M&A exits refers to transactions in which a company funded by private equity funds is sold to another company. Private equity-backed IPO exits refers to companies backed by private equity funds that go public with an initial public offering.

# Venture-Backed M&A Exits: Strong Quarter, Remarkable Year

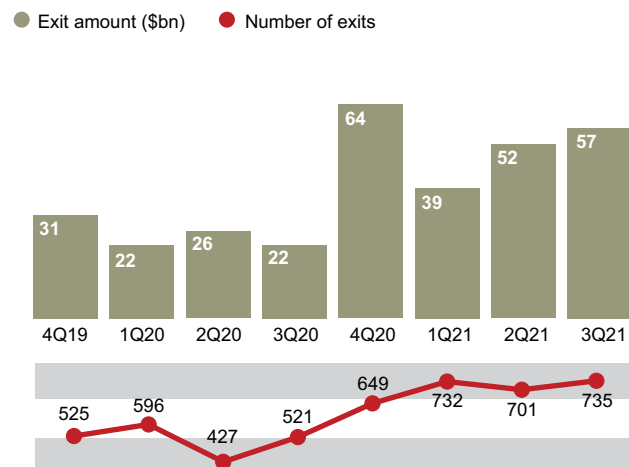
3Q VC exits maintained strength, with the count up 5% to 735, and announced value rising 10% to \$57 billion.

- YTD venture-backed M&A exits by count were up 43% and announced proceeds leaped 111%.

**Largest Venture-Backed M&A Exits**

- GRAIL**, biotechnology, \$8.0 billion
- Paidv**, financial software, \$2.5 billion
- Stack Overflow**, business productivity software, \$1.8 billion

## Venture-Backed M&A Exits: By Quarter



Source: PitchBook

# Venture-Backed IPOs: Mixed Messages

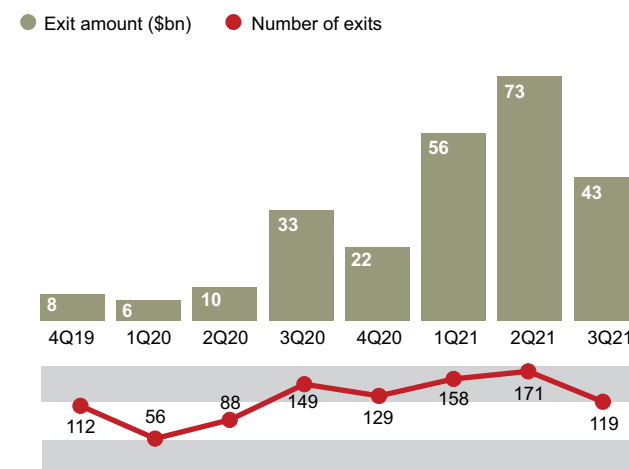
While public equity markets were volatile and ended flat in 3Q21, venture-backed IPOs maintained reasonable momentum.

- Following a very strong 2Q, the number of IPOs fell 30% to 119, and the combined new issuance dropped 41% to a still very respectable \$43 billion.
- Eyeglass maker Warby Parker was a household-name IPO in 3Q, but Wise raised by far the largest amount in 3Q.
- The YTD number of IPOs is ahead of 2020 by 53%, and dollar volume is up by 251%. The \$37.7 billion Coinbase IPO in 2Q was over three times larger than any other this year.

**Largest Venture-Backed IPOs**

- Wise**, financial software, \$12.2 billion
- Krafton**, entertainment software, \$3.8 billion
- Warby Parker**, accessories, \$3.1 billion

## Venture-Backed IPOs: By Quarter



Source: PitchBook

Note: Venture-backed M&A exits refers to transactions in which a company funded by VC funds is sold to another company. Venture-backed IPO exits refers to companies backed by VC funds that go public with an initial public offering.

# Returns: Large Unrealized Gains with Anticipated Future Distributions

The year ended 2Q21 saw a consistent public equity bull market, with private equity returns being even stronger (Russell 3000 Index: +44.2%; Cambridge PE Index: +57.7%)

- Rising equity valuations produced tremendous IPO markets (particularly 2Q, which included the \$37.7 billion Coinbase offering) for both venture and private equity-backed exits, with generally strong aftermarkets.
- Limited partners with mature portfolios are sitting on large unrealized gains, with many stocks still in their lock-up periods.
- On a public market equivalent (PME) basis, the Refinitiv/Cambridge private equity database outperformed broad public equity indices over all horizons.

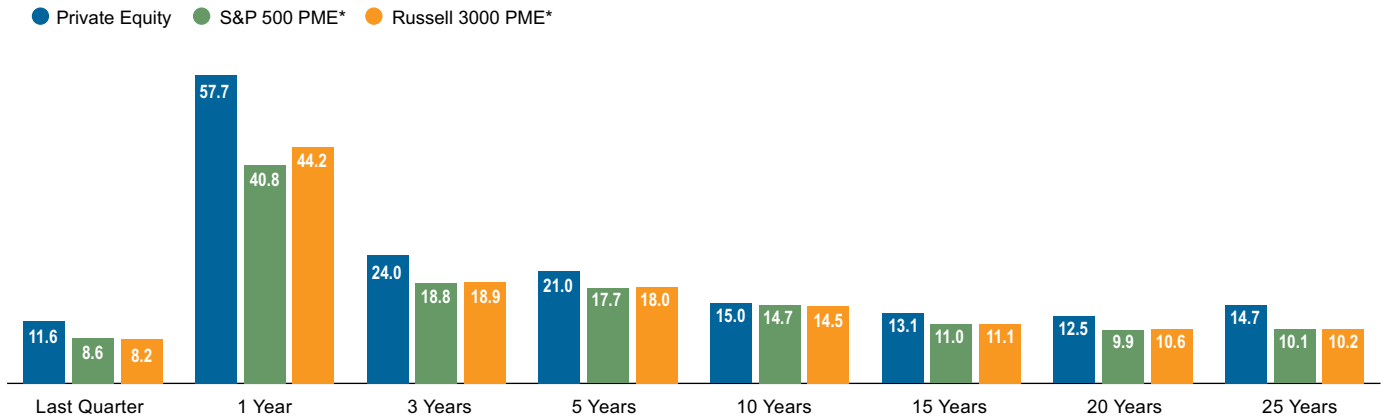
**Pooled Horizon IRRs: By Strategy**  
(as of 6/30/21) - Returns are net of fees

Strategy	3-Mo	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	25-Yr
Venture Capital	11.1	82.2	35.0	26.3	19.4	15.2	23.1
Growth Equity	12.1	64.0	28.6	24.3	16.9	15.7	16.4
Buyouts	12.6	51.7	21.2	19.9	14.1	12.5	13.7
Mezzanine	6.3	24.9	11.6	12.4	11.6	11.0	10.3
Credit Opp.	5.8	23.3	6.5	8.9	8.2	9.0	9.9
Distressed	10.2	43.3	14.0	13.8	11.6	10.6	11.2
<b>All Private Equity</b>	<b>11.6</b>	<b>57.7</b>	<b>24.0</b>	<b>21.0</b>	<b>15.0</b>	<b>13.1</b>	<b>14.7</b>

Source: Refinitiv/Cambridge

## Pooled Horizon Net IRRs: Over Time

(as of 6/30/21)

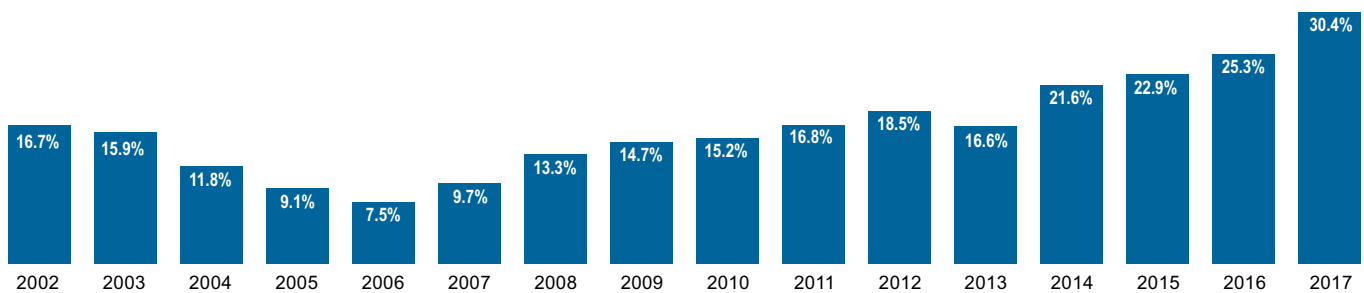


Source: Refinitiv/Cambridge. All returns one year and longer are annualized percentages.

\* PME: Public market equivalent is the IRR an investor would have received if the contributions and distribution of the private equity database were instead invested in the public index at the index's valuations.

## Pooled Horizon Net IRRs, All Private Equity: By Vintage Year

(as of 6/30/21)



Source: Refinitiv/Cambridge

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*Callan's Private Equity Consulting team: David Smith, Aidan Davison, Ashley DeLuce, Pete Keliotis, Andy Maday, Gary Robertson, and Jonathan Farr. For private markets inquiries contact your Callan Consultant or Pete Keliotis at 800-227-3288.*

***Authors:*** Gary Robertson, a senior vice president in Callan's Alternatives Consulting Group, and Ashley DeLuce, a vice president and consultant in the group

***Data Analysis:*** Aidan Davison

***Editor:*** Stephen R. Trousdale

***Designer:*** Nicole Silva

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#### Corporate Headquarters

600 Montgomery Street  
Suite 800  
San Francisco, CA 94111  
800.227.3288  
415.974.5060

[www.callan.com](http://www.callan.com)

#### Regional Offices

Atlanta  
800.522.9782  
  
Chicago  
800.999.3536

Denver  
855.864.3377  
  
New Jersey  
800.274.5878

Portland  
800.227.3288

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