SuperReturn US

SuperReview:

FINDING ALPHA
US PRIVATE CAPITAL IN 2016

CONTENTS PAGE

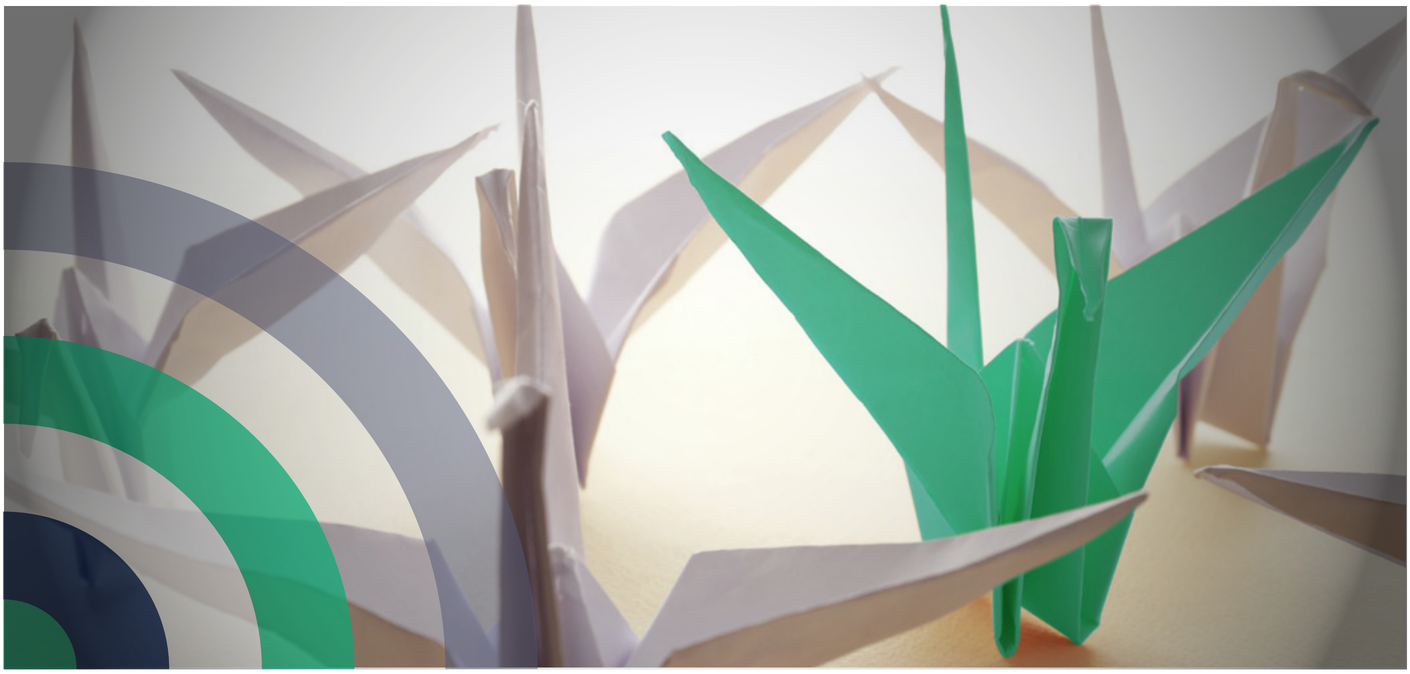
WELCOME

Welcome to the latest edition of SuperReview. With SuperReturn US 2016 fast approaching, we have worked with the thought leaders of the US private equity and venture capital industry to bring you exclusive insight ahead of this year's event in Boston.

We delve deep into the hottest trends and topics affecting the market, such as how can private equity's value proposition be defined? Is there a VC bubble? And how is the fundraising landscape faring? We hope find the analysis useful and informative.

Sarah Startup
Brand Strategy Director

Svetlana Fathers
Editor-in-Chief



WHAT IS PRIVATE EQUITY'S UNIQUE CONTRIBUTION TO COMPANIES COMPARED TO OTHER ASSET CLASSES?

As a private equity investor, the single most important thing is to demand risk-adjusted net returns that exceed what is available from public equities. Fortunately for the industry, academic research concluded that the asset class has a track record of delivering these returns, which are known as "alpha".

This might not be surprising. These days, business school graduates are well drilled in the theory of the leveraged buyout (LBO), which, conventionally, describes the benefits of the alignment of incentives between managers and shareholders, the discipline of debt, the benefits of tax shields and, finally, the opportunity to apply operational leverage. All of which can combine to enhance the company in a way that creditors and minority shareholders can be less well equipped to achieve, potentially resulting in financial outperformance .

Now here's what might be surprising. In a recent study, we found evidence that private equity backing has historically generated enhanced company growth, as measured by excess sales growth versus publicly-listed comparables. Furthermore, not only did the deals in our historical sample grow sales significantly more than their publicly-listed peers, but this was the key driver of alpha .

> We found evidence that private equity backing has historically generated enhanced company growth, as measured by excess sales growth versus publicly-listed comparables

Textbooks on corporate finance do not make such a strong prediction. On the contrary, the LBO model has been criticized by some for potentially encouraging restructuring and downsizing, and this criticism suggests a limit to the extent that private equity can contribute to companies while servicing shareholders. Our study, however, suggests that those fears are potentially unfounded, and that private equity as an asset class has a significant historical track record in stimulating growth in companies. In fact, this observation is not without precedent, and there is academic research that private equity backing has led to an increase in long-term entrepreneurial investments, as measured by patent activity .

> The very fact that portfolio companies are unquoted means that they are not at risk of takeover, freeing managers to focus on longer-term objectives, rather than prioritizing short-term profits in order to defend the stock price[7].

All of which confirms what some industry experts have maintained all along: lock-up encourages general partners to circumvent the short-termism of capital markets. The very fact that portfolio companies are unquoted means that they are not at risk of takeover, freeing managers to focus on longer-term objectives, rather than prioritizing short-term profits in order to defend the stock price . In this way, the asset class may overcome "managerial myopia" by virtue of being private, while the alignment of incentives from the fund partnership structure supports the discipline of management, creating the optimal conditions for long-term firm growth. If this is true, as the academic research suggests, this would be a unique contribution not only to companies, but to society overall.

But private equity is not a silver bullet. For example, we have found evidence that mature funds which meet their carry threshold can offer greater incremental performance (net of fees), when compared to funds that have not entered carry . On the one hand, this demonstrates how carry can incentivize value creation, but it also highlights the risks facing limited partners if the fund vehicle fails to cross the carry hurdle. This demonstrates, once again, the importance of manager selection, a process which ensures that capital is deployed with general partners that truly contribute to their portfolio companies, and in doing so generate alpha for their limited partners.

[1] Harris, R.S. et al. (2014), "Private Equity Performance What Do We Know?", Journal of Finance 69.

[2]Jensen, M.C. (1989), "Eclipse of the Public Corporation", Harvard Business Review.

[3] Acharya, V. et al. (2007) "Corporate Governance and Value Creation: Evidence from Private Equity", Review of Financial Studies 26.

[4] Pantheon InFocus publication, "Value Creation and the Business Cycle". This is available at www.pantheon.com, and includes a full description of the sample, method and results of the study.

[5] In unreported results we found that the sales growth observed in our private equity sample was not driven by deals that experienced inorganic growth, and when we removed all deals associated with an M&A event during the holding period, the results looked similar.

[6] Amess, K. et al. (2015), "The Impact of Private Equity on Firms' Innovation Activity", Dusseldorf Institute for Competition Economics, Discussion Paper no. 184.

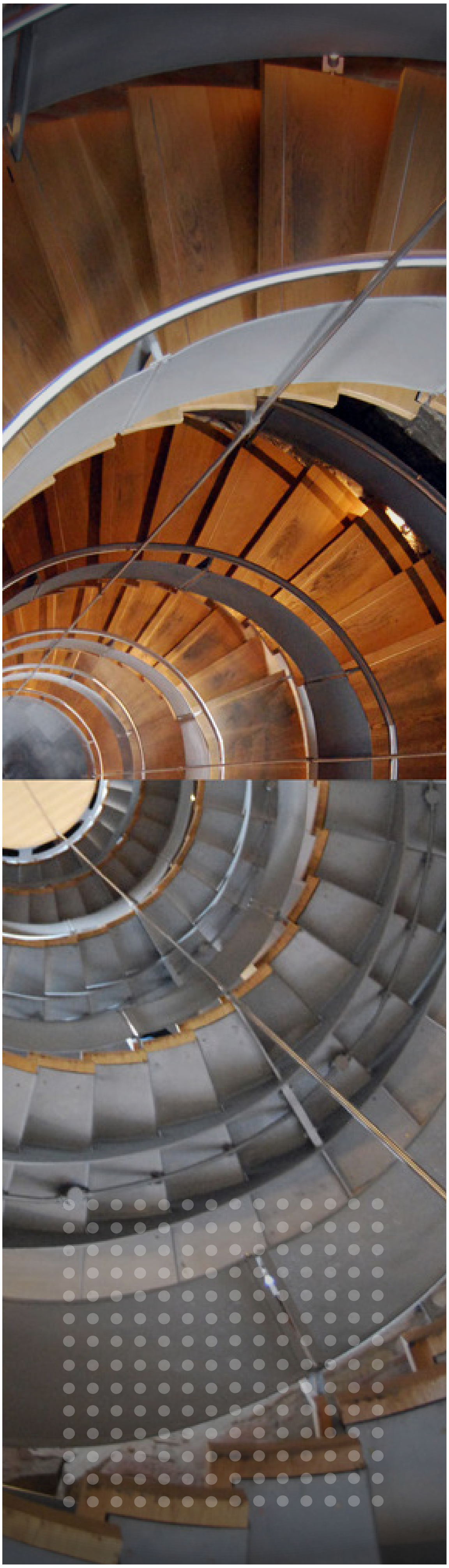
[7] Stein, J.C. (1988), "Takeover Threats and Managerial Myopia", Journal of Political Economy 96. Note that a hostile takeover can destroy shareholder value if the raiders undervalue the firm due to asymmetric information.

[8] Pantheon InFocus publication, "Private Equity Performance: Carried Interest and the Persistence of Quartile Rankings". This is available at www.pantheon.com, and includes a full description of the sample, method and results of the study.

PANTHEON

Chris Meads

Partner and Head of Investment and Dr. Ian Roberts, Technical Research Senior Associate, Pantheon



WHY ARE SOME LIMITED PARTNERS MORE EQUAL THAN OTHERS?

Anecdotes shared among industry peers often reveal that private equity is turning into a world of haves and have-nots, and not just for GPs.

While top performing firms are raising more capital faster than ever before, the biggest and most influential LPs are increasingly demanding larger allocations to these funds, separate accounts, and the choicest co-investments. The developments are part of a drive by institutions to increase control over their investments following the financial crisis, as well as a desire to improve returns and reduce fees.

But what does this all mean for smaller LPs trying deliver sustained strong returns? Are all private equity investors truly on a level playing field? Recent data from Coller Capital's Global Private Equity Barometer, which surveys over 100 limited partners in the industry, explored some of these issues.

Access to the 'top' funds

An LP's appetite for a fund depends not only on a GP's track record, but also on its corporate brand. In Coller Capital's latest Barometer, published last December, 93% of LPs believed that corporate brand was important for raising capital.

> With the most in-demand funds able – and often obliged – to scale back LPs' desired subscriptions, there must be a suspicion that LPs able to offer large ticket sizes will receive preference, leaving less capacity for small and mid-size LPs.

But from a GP's point of view, not all LPs are equal. Last summer's Barometer showed that two thirds of LPs had their hoped-for commitments to new funds cut back in the previous twelve months. With the most in-demand funds able – and often obliged – to scale back LPs' desired subscriptions, there must be a suspicion that LPs able to offer large ticket sizes will receive preference, leaving less capacity for small and mid-size LPs.

And in fact the most recent Barometer data bear this out. Almost three quarters of private equity investors believe that smaller limited partners are being disadvantaged by the volume of capital large LPs are committing to individual private equity funds. What's more, two-thirds of investors who think smaller LPs get a less good deal believe there will be a gradual divergence in private equity returns from large and small private equity programs.

Separate accounts & co-investments

It is not simply a matter of small LPs being scaled back in oversubscribed funds. They have less ability to demand separate or 'managed' accounts attached to commingled private equity funds, less clout in securing co-investments, and are less likely to have the resources and capabilities to make investments directly into private companies.

These are all fast-growth areas of private equity. The Barometer shows that around 35% of investors now have managed accounts in their portfolios (compared with just 13% of LPs three years ago), and that a large majority of LPs expect to have more than a tenth of their private equity exposure in proprietary investments, or co-investments by the end of the decade.

While these developments undoubtedly increase the control that LPs as a group have over the custody and management of their private equity investments, they are also creating concerns. Over 40% of the investor respondents to Coller's latest Barometer believe that the growth in managed accounts creates potential conflicts of interest, while only 18% thought that it was a positive development for the industry.

It does raise the question, as George Orwell might have put it, whether some LPs are more equal than others.

Compounding matters further is the perceived inability for LPs to act quickly and properly assess attractive co-investment opportunities. 84% of LPs surveyed by Coller said that the LP community lacks the necessary investment skills, experience and processes to make successful co-investments. Drivers of these perceived deficiencies include time constraints, lack of understanding of performance drivers and the inability to recruit staff with requisite skills, according to the Barometer. Larger LPs often have more staff on hand to vet co-investment opportunities.

How to bridge the gap

Despite the data pointing to more benefits accruing to larger LPs, smaller LPs by their nature have advantages that their larger counterparts do not have, such as nimbleness and the ability to focus on the mid- and lower mid-market private equity segments. Managers at the smaller end of the spectrum are some of the best-performing in the private equity industry. Larger LPs often miss out on opportunities here, as the size of their commitments can exclude them from smaller private equity funds. Making a smaller commitment would struggle to move the dial on the performance of a large LP's overall portfolio. The private equity industry is evolving rapidly and investors and managers need to adapt to the changes. The positive news is though, according to the Barometer, the vast majority of investors expect private equity funds to remain a very important means of investing. With openness and transparency, managers can treat all investors fairly, while investors can make the most of their relationships by playing to their strengths regardless of their size.

Coller Capital

Frank Morgan
Partner at Coller Capital

BUBBLE OR NO BUBBLE?

A TALE OF TWO COASTS

Given the uncertainty and volatility in the current market environment, entrepreneurs and early stage investors are anxious about the state of the state and what it might mean for their firms/investments. In thinking about all of the questions that I have been asked recently, three are top of mind and in some ways most illustrative of the factors that led us to this place:

How would you describe the current VC environment – are we in a bubble?

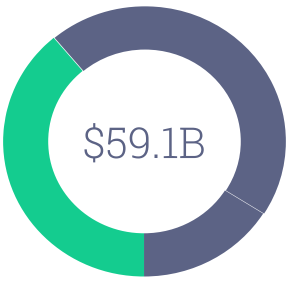
There is no doubt that US venture capital investors have been very busy. In 2015 alone, VC firms invested $59.1B, which is the highest amount of capital deployed since 2000 and also the second highest ever [1]. In my view, whether this represents a bubble or a blister, is really a matter of geography.

In reviewing where capital was deployed, particularly on the West Coast, one of the key drivers of this investment growth was sadly not on pure innovation and entrepreneurship, but rather heightened competition between VC firms to deploy capital. As a top-tier firm invests in a particular category, food delivery marketplaces, for example, several other firms scramble to make a bet in the space for the fear of missing out ("FOMO"). This has led to capital reaching companies that ought not to have been funded, at irrational valuations. 51% of 2015's VC funding went to seed and early-stage deals, largely driven by this FOMO effect [1].

In Boston, things were a bit different. We maintained a 'business as usual' mindset and did not succumb to the temptation to chase shiny marketplaces or consumer apps – we stayed disciplined on our focus areas and also on valuations. That does not mean we sat on our hands completely – Boston represented the third most active region for VC investment in 2015 (after San Francisco and NYC) with 428 deals representing almost $6B ($7B for NYC and $21B in San Francisco, by the way) [2]. This general East Coast moderation and discipline has mitigated our exposure to the bubble frenzy, while the Bay Area exuberance has created a self-inflicted 'blister,' which I believe is more accurate than a bubble.

51% of 2015's VC funding went to seed and early-stage deals, largely driven by this FOMO effect

Boston represented the 3rd most active region for VC investment in 2015 with 428 deals representing almost $6B



In 2015 alone, VC firms invested $59.1B, which is the highest amount of capital deployed since 2000

What factors conspire to create tech bubbles?

In addition to irrational VC-driven competition, the public markets' caution and volatility has had an impact by limiting the liquidity options for venture-backed companies – both reducing IPOs and public companies' ability to justify high valued acquisition. This leads to VC firms having to support companies over longer periods, leading to more later-stage rounds than expected. When VC firms value companies at this stage without the typical outside indications of valuations (e.g. acquisition offers), it can often lead to inflated round sizes and valuations – 2015 Series B to D rounds were at a record highs, creating an unsustainable horizon for companies receiving stratospheric valuations [3]. This is also the stage at which a company can no longer hide behind its hacks and marketware; it either delivers real value to its customer base and stakeholders or not, as measured by the company's growth rate and revenue. When too many companies that do not deserve highly valued late stage funding get the opportunity to raise capital, a bubble results. It is at this moment that VCs with operational expertise begins to pay off, both in an ability to choose the right companies as well as to be meaningfully helpful to portfolio companies to help them stay rooted in the fundamental business metrics that will create long term sustainable value. Perhaps another driver of the tech bubble is that less than half (41%) of VCs have operating experience [4].

Have all ships risen with the tide?

In my experience, what gets many companies into trouble is growing too quickly without a robust foundation. Most apt to get false early signaling are companies in consumer sectors, where today's fickle users are complex and challenging to predict. 74% of high growth Internet startups fail due to this premature scaling that can be caused by false signaling or bad execution [5]. At .406 Ventures, we only invest in enterprise IT, partly because we have deep operational expertise in this arena, but also because enterprise IT companies are forced to create differentiated, meaningful, and defensible technology, systems, and processes – enterprise customers are not forgiving of any lapse from the onset. One may argue it is therefore a harder segment for an entrepreneur and certainly less sexy, and we agree – creating a successful business in enterprise IT often requires experience, protectable intellectual property, and a fail-proof demonstration of ROI.

> “
>
> 74% of high growth Internet startups fail due to premature scaling

Given this dynamic, we have found enterprise-facing technology companies to be more resilient to market shifts. That notwithstanding, there is significant capital return opportunity for enterprise-oriented companies as well. In looking at the top 100 VC-backed exits since 2009, the value creation ratio (i.e. exit valuation divided by total funding raised) of enterprise-oriented, VC-backed exits was 37.3x compared to 22.4x for consumer-oriented VC-backed exits [6].

[1] National Venture Capital Association, '2016 Year Yearbook,' Released March 8, 2016, http://nvca.org/pressreleases/2016-nvca-yearbook-captures-busy-year-for-venture-capital-activity/.

[2] National Venture Capital Association, 'U.S Venture Capital Investment Spanned 133 MSAs in 2015,' Released January 27, 2016, http://nvca.org/pressreleases/u-s-venture-capital-investment-spanned-133-msas-in-2015/.

[3] New England Venture Capital Association, '3Q 2015 in Review,' Released 2016, http://www.newenglandvc.org/wp-content/uploads/2015/10/NEVCA-3Q-2015-in-Review.pdf.

[4] Techcrunch, 'Who is a VC,' Published February 10, 2016, http://techcrunch.com/2016/02/10/who-is-a-vc/.

[5] Startup Genome, 'Startup Genome Report Extra on Premature Scaling,' March 2012, https://s3.amazonaws.com/startupcompass-public/StartupGenomeReport2_Why_Startups_Fail_v2.pdf.

[6] CB Insights Research, 'In Terms of Capital Efficiency, Enterprise Exits Trump Consumer,' Published April 3, 2014, https://www.cbinsights.com/blog/value-creation-enterprise-consumer-exits/.

.406 Ventures

Maria Cirino

Managing Partner at .406 Ventures


SUPERRETURN US
THE NORTH AMERICAN MEETING PLACE
FOR THE PRIVATE EQUITY & VENTURE
CAPITAL COMMUNITY

THE IRANIAN MARKET

OPPORTUNITIES ABOUND BUT RISKS AND LIMITATIONS REMAIN

"

The tension between the Gulf Cooperation Council countries (led by Saudi Arabia and the UAE) and Tehran has made many of the most likely significant players in Iran's economic renaissance less likely to engage significantly

In mid-January 2016 Iran received substantial sanctions relief in line with the provisions of the nuclear agreement it signed with world powers in July 2015. This sanctions relief marked the initial opening of a market that had been effectively closed to most global commerce – and reintroduces the world to an economy that is the largest emerging market to come online since Eastern Europe entered global markets in the early 1990s.

The resulting excitement has led to a flurry of corporate and governmental delegations, announced investments, deals, and proposed partnership. Dozens of the world's largest companies seem poised to make a play for Iran business. However, upon closer review many of these deals appear far more tentative than the media has claimed – "investments" turn out to be "memoranda of understanding," proposed "partnerships" only "letters of intent," and an expected boom in global trade with Iran, thus far at least, much weaker than advertised.

How do we explain this seeming inconsistency – how could an economy with such promise yield so little in the first months of sanctions relief? The answer is complicated and within that complexity lays substantial potential upside and continued risks and significant limitations for global investors.

The limitations on the effectiveness of sanctions relief have come about for three inter-related reasons. First, the actual relief provided is far more nuanced – and in some important ways far more limited – than many might imagine. It is true that the West's sanctions on Iran changed significantly in mid-January as the EU and the UN relieved almost all restrictions. The US, however, has maintained a large number of its sanctions. Consequently, international companies that seek Iran business while continuing to rely on the United States – for financing, procurement, customers, or even the U.S. Dollar – must remain aware of these new complexities and the continuing challenges of Iranian business.

Second, Iran remains a challenging location given regional and international sensitivities. The tension between the Gulf Cooperation Council countries (led by Saudi Arabia and the UAE) and Tehran has made many of the most likely significant players in Iran's economic renaissance less likely to engage significantly. Added to this are generationally low oil and gas prices and the result is that GCC states that might want to engage with Iran have both an excuse and a constraint that may lead to their sitting on the sidelines.

> Iran remains a challenging location given regional and international sensitivities

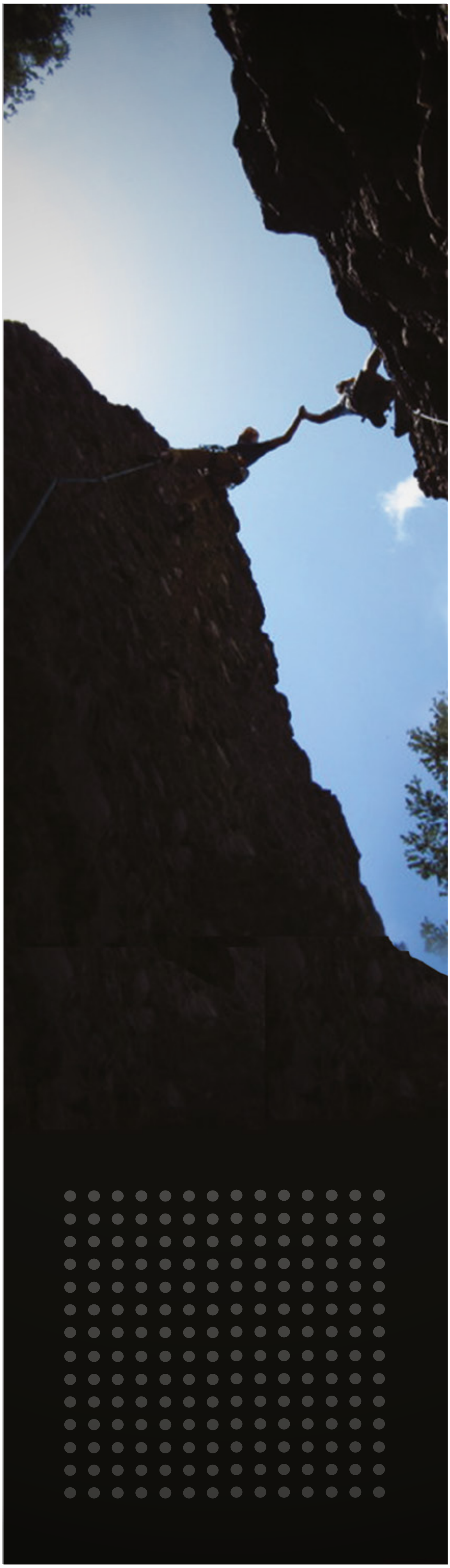
And, third, and very much related to the first two factors, international institutions—primarily, but not only in the financial sector – remain very concerned about engaging with Iran directly or indirectly. US institutions, as noted, remain effectively barred from any Iranian activity, and many non-US institutions – still smarting from billions of dollars of fines levied by US authorities for violating US sanctions measures, and yet still needing access to the US system for US dollar clearing and otherwise – remain unwilling to act in newly legal ways with Iran if doing so could upset or even just concern US partners and US regulators.

Adam M. Smith, Of Counsel, Washington Office
Gibson, Dunn & Crutcher

An experienced international lawyer with a focus on international trade compliance and white collar investigations, including with respect to federal and state economic sanctions enforcement, the Foreign Corrupt Practices Act, embargoes, and export controls. A former senior sanctions official in the Obama Administration, Mr. Smith played a primary role in briefing Congressional and private sector leadership on sanctions matters, shaping new Executive Orders, regulations, and policy guidance for both strengthening sanctions (Russia and Syria) and easing measures (Burma and Cuba), and advising on enforcement actions following sanctions violations. Since joining the firm, Adam has advised major investment houses and Fortune 500 companies on the complexities of the new sanctions reality.

GIBSON DUNN

Adam M. Smith
Of Counsel, Washington Office
Gibson, Dunn & Crutcher



WHY A PARTNERSHIP PROPOSITION IS ESSENTIAL IN PRIVATE EQUITY FUNDRAISING TODAY

As the market matures and investors become more experienced and discriminating, private equity fundraising has become increasingly challenging. While track record still reigns as the key to the due diligence door, investors now expect much more beyond the numbers. The due diligence process today is more nuanced and demanding, as over time investors have identified what they believe to be the critical success factors underpinning successful private equity organizations. In a survey, regarding the evolution of their private equity programs, more than 250 LPs revealed (1) an increasing reluctance to invest in first-time funds, and (2) a significant informational step-up in the due diligence process.

The larger investment programs have been making allocations to private equity funds for over 20 years. As expected, investor perspective on the industry has grown more sophisticated, and as programs have developed, so have expectations and prerequisites. In addition to increasing the rigor of their decision-making process, investors are striving to reduce the number of relationships; as a result, GPs must often displace another firm in order to get a slot in an investment program.

> "
>
> In addition to increasing the rigor of their decision-making process, investors are striving to reduce the number of relationships; as a result, GPs must often displace another firm in order to get a slot in an investment program.

What does this mean for private equity firms that are early in their organizational growth and raising a fund? How does one stand out in an increasingly competitive, mature, and crowded market? First, it is imperative to understand what resonates with investors, who are inundated with fund offerings, who are increasingly under-resourced, and almost always stretched for time. In the aforementioned survey process, LPs cited the top three factors (in order of importance) driving their investment decision-making process:

- **Track record** - Must be consistent and competitive on both a relative and absolute basis
- **Team** - Must be stable and cohesive, with skillsets appropriate to the mandate
- **Strategy** - Differentiated, consistent, focused, and a fit for the geography. To compete with a multitude of contenders, all of whom tick those three boxes to varying degrees, it is imperative for a GP to go several steps further in order to win an investor's attention and ultimate commitment.

Once the track record is vetted, the team referenced/interviewed, and the strategy scrutinized, the next level of investor due diligence endeavors to further differentiate the resultant short list. While keeping in mind the importance of nurturing the entrepreneurial spirit, investors expect to see a certain level of institutionalization in place even at firms in their early stages of their development. A delicate balance must be established between fostering innovative thinking, and establishing processes and procedures to insure an ongoing and viable organization. Ultimately, investors are seeking fund managers with whom they can partner for the long term, and they want to see infrastructure in place that insures that viability.

Organizational culture, team economics, transparency and investor relations, are all areas of focus post the initial due diligence that can differentiate one firm from another. Investors want and need to understand the organizational dynamics and DNA, and how that fits with the investment strategy and the team executing that strategy. Creating a corporate culture that inspires entrepreneurship, provides internal economic incentives, and cultivates the next generation, assures investors of team stability, empowerment, and productivity. Investors understand that an "up-and-coming" GP is still building out the team as well as the requisite infrastructure; but having critical mass in the early days, along with a cogent blueprint for future growth, can encourage investors to become early supporters.

Additional components of the partnership proposition are the commitment to transparency and investor relations – two areas that have grown in importance over the last few years and which can be huge differentiators. As LPs have become more demanding and more frequent with their requests for performance data, GPs are recognizing the need to provide a greater degree of information more frequently and accept that this great visibility does not necessarily erode their capacity to act as positive agents of economic change. Along with transparency, excellent investor relations sends a message to investors that they are true partners and that their guidance and counsel is valued beyond the financial commitment. Firms with open and proactive investor relations have a greater chance of not only attracting, but keeping investors through the inevitable challenging times. A solid track record, a viable strategy and the right team, demonstrating an ability to build infrastructure, plan for the future, and effectively communicate can enable a GP to favorably influence the investment decision process beyond the numbers.

"While keeping in mind the importance of nurturing the entrepreneurial spirit, investors expect to see a certain level of institutionalization in place even at firms in their early stages of their development.

THE GUERIN GROUP

Gail Guerin
Founder at The Guerin Group

WHAT CAN TECHNOLOGY INVESTMENTS ACTUALLY DELIVER

FOR PRIVATE EQUITY IN 2016?

“

What we have seen is that investors haven’t been all that discerning when it comes to tech investments since the crisis

At the end of March, Fidelity Investments raised eyebrows when it issued several write downs on the valuations of high-profile tech names like Dropbox and Cloudera. The move followed an initial round of write downs from the firm in November of 2015. At the time, the price cut was largely reported as an indication that investors were growing skeptical of the tech sector’s ability to live up to the sky high valuations it’s seen in recent years. Indeed, even SEC Chairwoman Mary Joe White has expressed concerns about the figures floating around the tech industry. Yet, private equity continues to raise new funds to pursue technology investments, and seasoned GPS tell SuperReturn that all of this chatter hasn’t turned them off from investing in tech.

Gene Yoon, managing partner at New York-based Bregal Sagemount, a $650 million private equity firm says that he’s still finding opportunities in a wide variety of subsets within technology like FinTech and the Internet of Things, but adds that it is a challenging environment for investors that aren’t specialists. “What we have seen is that investors haven’t been all that discerning when it comes to tech investments since the crisis,” Yoon explains. “It can be difficult for the pre-IPO public markets investor to invest in tech companies and make the right call about them every time.”

He says investors need to focus on finding good companies, rather than getting caught up in the idea of investing in the next Facebook. “We are looking for companies that have actual revenue and a clear growth path,” Yoon says. “We’ve seen companies trading at 100 percent of their investible market size and that’s not smart. It’s crazy to assume that a company will get 100 percent of its possible market share.”

That kind of analysis makes private equity stand out in a crowd of giddy investors coming from mutual funds like the Fidelities of the world or other avenues that are less focused on building companies. “The way I like to explain it is - venture funds the find out; growth equity funds the build out, and private equity funds the company,” Yoon says, adding that private equity enforces a kind of discipline on companies that requires them to grow smartly and avoid short term fads.

Mark Gillett, managing director of $24 billion San Francisco-based Silver Lake Partners agrees. He may be uniquely well suited to see how this all plays out having moved from the investment world to being the COO of technology company Skype before returning to tech investing at Silver Lake. “Table stakes in evaluating an investment is a deep analysis of the company and its likely trajectory. Beyond that, GPs are unique in what they can bring to the process because they are actively engaged over the life of an investment and the development of the company during that time. Being engaged on that level across several companies is going to provide insights and sector experience that aren’t available if you just buy shares.”

Gillett says that private equity has the ability to react dynamically and look for patterns that might not be immediately obvious to investors who haven’t had hands on experience in an industry where strategic cycles can last months instead of years. “People tend to focus on disruptors as what’s next but that’s not the whole picture,” he says. “Big incumbents are very resilient. It’s also important to consider how value can spring up out of known entities. A decade ago, who would have thought that Amazon would become a major logistics company and would also create what it has built in AWS, where it now has a significant and growing position in the cloud services market?”

Ancestry

One of those areas where the market was slow to see value is in a company called Ancestry. California-based Ancestry was growing in popularity when London-based private equity firm Permira’s technology team decided to invest in a $1.6 billion dollar deal in 2012. Since then, the company has grown into a household name for tracking family genealogy and also DNA testing. Permira’s initial bet on Ancestry has also paid off. The firm sold the company to Silver Lake and Singapore’s sovereign wealth fund GIC Private Ltd just this month tripling its money. Ancestry’s valuation grew too - the company is worth $2.6 billion.

Duck Creek

In other cases, private equity can support large and resilient incumbents as they explore new areas. London-based Apax Partners is joining New York-based technology company Accenture in a joint venture that will see the development of Accenture’s Duck Creek Technologies. Duck Creek is a software company that accelerates the processing of insurance claims. In that deal, Apax will own a 60 percent stake of the company in order to provide financing and value chain expertise while Accenture will retain 40 percent and will provide computing support.

Bregal’s Yoon says that for investors that are looking for high quality deals like an Ancestry, the key is to stay disciplined in addition to considering unique sources of value.

> We think there are a lot of opportunities in technology, but the better opportunities are those companies where they fulfill a clear need and have a path to earnings growth. That seems obvious, but it often gets missed in tech because people get focused on the splash

SuperReturn US

Bailey McCann
Writer and Author of Tactical Portfolios (Wiley)

#SRUS16