EXECUTIVE SUMMARY

The fifth annual AVCAL/Pacific Strategy Partners Deal Metrics Survey of private equity (PE) and venture capital (VC) activity captures $61.9b worth of transactions conducted by 115 funds between FY07 – FY13. The time series represents a total PE deal value of $60.9b from 719 transactions and a total VC deal value of $968m from 844 transactions over this period. The historical transaction database has been refined year on year as more data points become available from interview participants. Pacific Strategy Partners also conducted 35 interviews with PE and VC funds, industry advisors, and equity and debt providers to evaluate the industry's recent performance, current market sentiment, and outlook for the future.

The PE market in FY13 looked very similar to FY12, with deal values and volumes broadly the same, albeit running slightly above the five-year average. Uncertainty around the global economic environment still abounded. While PE activity in the US has seen some improvement, European activity was mixed and PE activity in Asia was marginally declining.

In Australia, the tapering of the resources boom, low consumer confidence and political uncertainty before the federal election resulted in companies and firms being very cautious and holding back on M&A activity. For PE, fundraising remained tough, deal flow was limited, and market conditions remained subdued for many portfolio companies.

However, there were a number of positive changes that gave many survey respondents increased confidence in the deal outlook for FY14:

- Debt availability has improved both domestically and internationally.
- There has been increased interest in Australia from international PE funds and trade investors.
- Signs of improved deal flow started to emerge at the end of the year.
- Appetite for new IPOs has started to regain momentum.

As we enter FY14, the 'light' at the end of the tunnel that many of our survey participants referred to is looking brighter.

In VC, the value and number of investments declined in FY13. Funding conditions remained difficult, despite the results of the final tranche of the Innovation Investment Fund's (IIF) third investment round being announced in March 2013. For many VC survey participants, the investment opportunities they have been viewing are among 'the best they have ever seen', but securing new investment capital remains a challenge. As a result, VCs have been increasingly turning to non-traditional sources of funds, such as self-managed super funds, high net worth individuals and sovereign wealth funds.

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