



Media release

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Private equity fundraising rebounds with foreign investor support: AVCAL 2012 Yearbook

FY2012 was the best fundraising year for the local venture capital (VC) and private equity (PE) industry since 2007/08, according to the Australian Private Equity and Venture Capital Association (AVCAL)/Ernst & Young 2012 Yearbook released today.

Over \$3.3b was raised by 21 Australian VC and PE funds in FY2012, a 59% increase from the previous year. Commitments from overseas investors constituted more than half the total amount raised, reflecting an ongoing trend in recent years.

AVCAL CEO Dr Katherine Woodthorpe said, "Overseas investors have continued to take advantage of Australia's domestic VC and PE expertise, its strong economy, coupled with its financial stability and the rule of law. Despite challenging market conditions, deal activity in the venture, small- and mid-market segments that make up the majority of VC and PE investments in Australia has remained relatively resilient."

Ernst & Young Oceania Managing Partner, Private Equity, Bryan Zekulich said, "The fact that most of these funds were raised from offshore investors demonstrates Australia's resilience amid ongoing global financial market volatility. More particularly, it reflects the world class performance of the Australian industry, relative to its global counterparts."

For the VC sector, most of the total amount raised was directed to a small number of funds. Nearly all of these commitments were sourced from Government-backed programmes and overseas investors.

"This highlights the critical importance of long-term support programmes by the Government, as is the case in most other developed countries, to build a sustainable innovation ecosystem in Australia," said Dr Woodthorpe.

In contrast to the longer term confidence indicated by the improved fundraising numbers, portfolio investment and the divestment trends in FY2012 remained subdued amid continued uncertainty over the global economic outlook, as well as concerns over the potential easing of the Chinese economy and the Australian mining boom.

Total investment amounts in FY2012 fell by 24% compared to the previous year. The number of managers completing deals in FY2012 was the lowest in the last ten years, reflecting a relatively muted deal climate.

"The global VC and PE industry currently faces difficult hurdles in light of financial market volatility, economic instability and regulatory reforms. These changes in recent years have contributed to the ongoing consolidation of the industry on a global scale. Australia has not been exempt from this impact."

"Overall deal activity was lower than the previous year. However, the gradual improvement in vendor-buyer price expectations and more realistic company valuations should result in an attractive buying environment for VC and PE firms with capital to invest," said Dr Woodthorpe.

AVCAL is the voice of venture capital (VC) and private equity (PE) in Australia. Our membership includes 54 domestic and international VC and PE managers active in Australia as well as pension/super funds, service providers and other stakeholders. AVCAL is active in communicating, researching and advocating the significant contribution that VC and PE makes to the broader Australian economy. Australian VC and PE firms manage over \$29bn in funds under management. They provide capital and expertise to companies in a range of business life-cycles: start-ups, SMEs and large organisations. AVCAL VC and PE members focus on enhancing innovation, productivity, entrepreneurial activity and sustainability in the companies they invest in. Australian VC and PE firms back more than 500 companies which employ over 100,000 full-time equivalent jobs. Since records began in the late 1990s, the industry has distributed around A\$16 billion to its limited partner investors which include pension/super funds, institutions and governments.

2012 Yearbook highlights

- Fundraising in FY2012 rose by 59% in FY2012 to \$3.3b, led by a small number of managers. This was the largest amount raised annually since the beginning of the GFC.
- Overseas investors continued to increase their exposure to Australian VC and PE funds, accounting for more than half of all new commitments. However, with many local institutional investors remaining sidelined, some PE managers have continued to delay their fundraising plans.
- Investments by VC and PE funds in FY2012 fell by 24% to \$2.9b invested in 146 companies as local M&A activity remained subdued.
- Divestment activity in FY2012 was relatively quiet with 51 companies fully/partially divested compared to 71 companies in FY2011.
- As at 30 June 2012, Australian PE funds had total funds under management amounting to \$26.5b while Australian VC funds managed \$2.9b. There were 320 companies in all PE portfolios combined, while VC portfolios backed a total of 225 companies.

2012 Yearbook

AVCAL 2012 Yearbook [publication](#)

AVCAL 2012 Yearbook [data file](#)

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