

PRIVATE EQUITY - February 2013

Competitive returns

Australian PE funds outperformed the S&P/ ASX 300 Index by 11% in FY2012.

Driver of company growth

Australian PE-backed companies generate double-digit revenue and employment growth on average.

Strong economic fundamentals

Solid economic growth, low unemployment and low government debt make Australia an attractive destination for PE investment.

Australia an attractive buyout destination

In one survey of global LPs, Australia is seen as by far the most attractive place for buyout investment in the Asia Pacific region.

Competitive returns

Australian private equity (PE) funds have consistently outperformed Australian stock indices over one-year, three-year and five-year horizons. One-year PE net returns to 30 June 2012 outperformed the S&P/ASX 300 Index by 11% and the S&P/ASX Small Ordinaries Index by 19%. Australian PE returns also beat all major PE/VC (venture capital) indices over three-year and five-year periods and outperformed most major indices over a 10-year period.

Figure 1: Private equity vs listed equity returns (A\$)

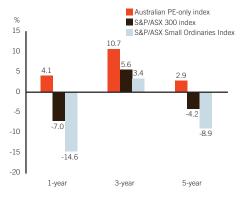
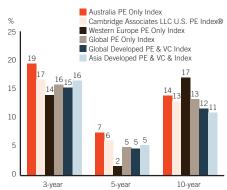


Figure 2: Australia vs global PE/VC returns (US\$)



Sources: Cambridge Associates LLC, Bloomberg L.P., Standard & Poor's, Thomson Reuters Datastream, UBS AG and UBS Global Asset Management.

Note: PE/VC returns are pooled end-to-end returns net of fees, expenses, and carried interest.

Driving revenue and employment growth

A survey of PE-backed companies found that average EBITDA and revenue grew at a compound annual growth rate (CAGR) of 10.7% and 11.0%, respectively, after acquisition by a PE firm. PE-backed companies also expanded their workforce at a CAGR of 27.6% for the same period after acquisition.

Figure 3: Average revenue and EBITDA of PE-backed companies

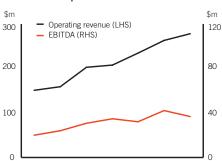
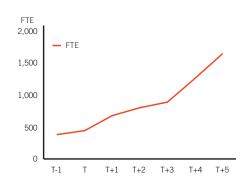


Figure 4: Average FTE of PE-backed companies



Sources: Deloitte Access Economics, AVCAL

T+2 T+3

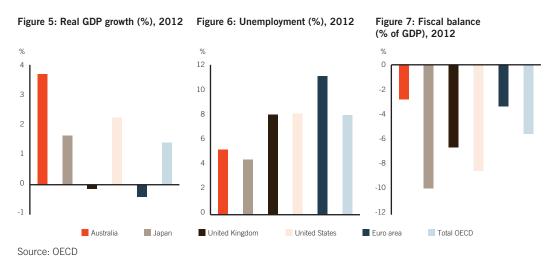
Note: T is the year of acquisition by a PE firm. FTE (Full Time Equivalent) is defined as the number of working hours of one full-time employee over one year.

T+5

Strong economic fundamentals

Australia's strong economic fundamentals provide an appealing environment for investing in good businesses. Solid economic growth, a robust financial regime and exposure to the Asian market are just some of the key features that attract international investors to Australian PE funds. Australia's real GDP growth rate is significantly higher than the OECD average. It has a healthier fiscal balance and lower unemployment rate. Australia also has strong trading ties in Asia, with East Asia accounting for over half of Australia's total trade in goods and services.¹

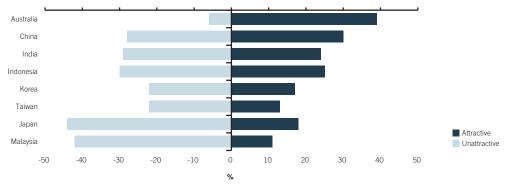
Australia's trade with East Asia, Department of Foreign Affairs and Trade, 2011



Australia as an attractive buyout destination

In a survey of 101 global limited partners (LPs) in 2012, Australia was seen by LPs as by far the most attractive place for buyout investments in the Asia Pacific region over the next two years.

Figure 8: Attractiveness of Asia-Pacific markets for buyout investments over the next 2 years – LP views (%)



Source: Global Private Equity Barometer, Coller Capital, Summer 2012