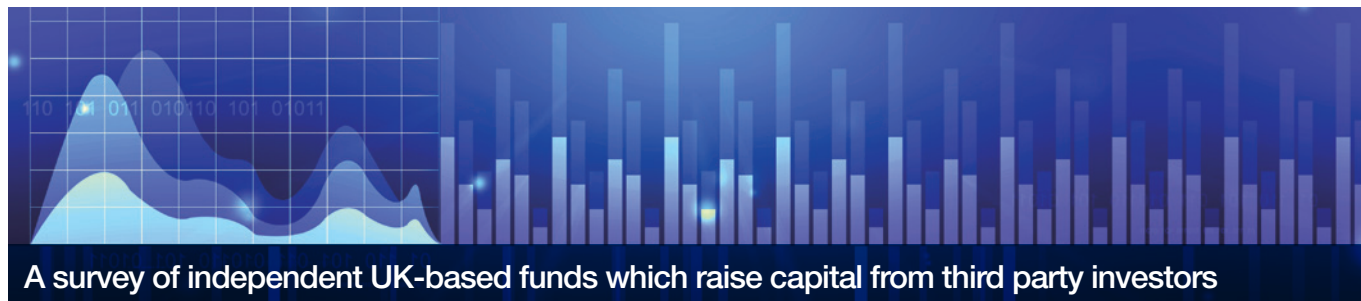


BVCA Private Equity and Venture Capital Performance Measurement Survey 2016



Introduction

The BVCA – The British Private Equity and Venture Capital Association – in conjunction with PwC and Capital Dynamics is pleased to announce the summary analysis of the 2016 Performance Measurement Survey. The Survey demonstrates the performance of ‘independent’ UK private equity funds, i.e., funds raised from external investors for venture capital and private equity investment, but excludes listed private equity investment companies (LPE). These were formerly known in the Survey as quoted private equity investment trusts (PEITs)* and venture capital trusts (VCTs).

The vast majority of BVCA member firms which manage funds eligible for this report responded to the survey. There are 611 UK managed funds included in this year’s dataset and we believe this makes it the most complete country specific survey on the performance of private equity and venture capital funds in the world.

Private equity is a long-term investment and asset class. As such, the since-inception return metric most accurately reflects the performance of private equity since it measures from the actual start of a fund, rather than just recent years. When comparing private equity with other asset classes, emphasis should be placed on the longer-term returns rather than the shorter-term measures.

The results are provided net of fees and costs, including a provision for performance fees (‘carried interest’) where appropriate.

Key Points

- Despite the turmoil of political events both domestically and internationally in 2016, the UK’s private equity and venture capital industry has continued to demonstrate its resilience in the face of potential instability, by continuing to deliver substantial amounts of cash distributions to investors. Over the longer term, private equity continues to comfortably outperform public markets.
- Although a long-term asset class, private equity has also outperformed over the short- and medium-term, producing three- and five-year annual returns of 12.3% and 13.6%, respectively, compared to the FTSE All-Share, which returned 6.1% and 10.1% to investors over the same respective time periods.
- The most appropriate measure of the long-term performance of private equity is on a since-inception basis, and under this metric, UK private equity continues to demonstrate a high-level of persistence and consistency in performance, with returns tending to hover in a band of approximately 15% over the past decade. This year’s since-inception return of 14.1%, an increase on last year’s corresponding value, remains broadly in line with this overall trend.
- Buyouts have continued their relatively strong performance, albeit with lower returns than in 2015. Small buyouts have remained the strongest performers, with a since-inception IRR of 15.7%. Large buyouts have also seen a marginal increase on a since-inception basis, with their IRR increasing to 15.1%.
- Venture capital funds on the whole have continued to improve over the short- and long-term, with three-year returns of 12.4% helping to push the five- and ten year IRRs for venture up from 9.2% to 11% and from 5.1% to 6.1%, respectively.

	2016 (% p.a.)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
Total UK Private Equity	22.0	12.3	13.6	11.0
FTSE All-Share	16.8	6.1	10.1	5.6

* Listed private equity investment companies (LPE) are shown as a separate category for comparison purposes, although not included in the main analysis of independent funds.

Current Year and Longer Term Returns – IRR (% p.a.)

Investment Stage and Subcategories

	No of funds	2016	Three years	Five years	Ten years
Pre-1996 vintage funds*	153	-2.2	-3.2	-2.9	67.8
1996 vintage funds onwards					
Venture	138	13.5	12.4	11.0	6.1
<i>pre-2002 vintage funds</i>	43	10.0	11.6	6.0	0.6
<i>2002 vintage funds onwards</i>	95	14.2	12.5	12.1	8.6
Small MBO	83	14.8	12.1	13.1	13.4
Mid MBO	184	10.7	12.1	13.6	11.1
Large MBO	53	28.7	12.4	13.8	11.3
<i>Subtotal 1996 onwards</i>	458	22.0	12.4	13.6	11.0
Grand total all funds	611	22.0	12.3	13.6	11.0
Subcategories (all vintages)					
UK	424	-2.3	6.4	10.9	7.8
Non-UK	187	26.4	13.2	13.9	11.5
Pan-European	176	25.7	12.9	13.8	11.4
Technology	153	16.6	13.9	13.4	7.3
Non-Technology	458	22.4	12.3	13.6	11.2

*The time period returns for the pre-1996 vintage funds are shown only in their summary form and should be interpreted with special care. As the majority of these funds have either been wound up or retain only minimal residual values, a small number of positive exit events or write-offs can cause large swings in their short term returns. The weight of money in this group now has little impact on the returns of the total sample.

Vintage Year

	No of funds	2016	Three years	Five years	Ten years
1980-84	13	n/a	n/a	n/a	n/a
1985-89	68	0.0	1.0	0.9	2.5
1990	13	n/a	n/a	n/a	19.6
1991	14	n/a	n/a	n/a	n/a
1992	7	n/a	n/a	n/a	n/a
1993	10	2.2	-1.5	0.0	-0.8
1994	19	-21.8	-29.6	-21.9	-10.9
1995	9	n/a	n/a	n/a	n/a
1996	13	7.0	2.7	37.4	77.4
1997	24	2.3	3.2	-4.2	31.8
1998	16	123.5	36.3	18.4	36.7
1999	25	15.8	8.4	4.2	34.2
2000	26	-2.9	15.9	14.3	15.9
2001	30	22.6	9.8	15.3	12.7
2002	19	36.1	10.1	-1.8	11.9
2003	18	21.5	6.5	6.2	17.3
2004	11	12.5	10.9	11.1	26.2
2005	27	10.3	7.1	19.0	9.8
2006	38	18.5	6.7	11.5	5.0
2007	39	20.2	10.7	10.6	n/a
2008	23	49.9	20.3	15.7	n/a
2009	22	15.0	16.1	17.0	n/a
2010	17	12.2	14.8	14.9	n/a
2011	18	22.2	12.5	16.4	n/a
2012	15	26.4	26.3	n/a	n/a
2013	21	31.6	21.1	n/a	n/a
2014	18	15.6	n/a	n/a	n/a
2015	18	-61.4	n/a	n/a	n/a
2016	20	n/a	n/a	n/a	n/a
Total	611	22.0	12.3	13.6	11.0

Since Inception Return – IRR (% p.a.)

Investment Stage and Subcategories

	No of funds	To Dec '16	To Dec '15	To Dec '14	To Dec '13	To Dec '12	To Dec '11	To Dec '10	To Dec '09	To Dec '08	To Dec '07	To Dec '06	To Dec '05	To Dec '04	To Dec '03
Pre-1996 vintage funds															
Early Stage	24	9.1	9.1	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.3	8.8	8.9	8.9
Development	35	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.0	10.0	10.0
Mid MBO	33	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.7	15.8	15.8	15.8	15.8	15.9	15.9
Large MBO	26	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.1	18.1
Generalist	35	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.6	15.6	15.5	15.6
<i>Subtotal pre-1996</i>	<i>153</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.6</i>	<i>15.5</i>	<i>15.5</i>	<i>15.5</i>	<i>15.5</i>
1996 vintage funds onwards															
Venture	119	4.5	3.7	3.4	2.4	0.4	0.9	-0.3	-2.2	-1.8	-1.6	-0.6	-1.9	-2.4	8.7
<i>pre-2002 vintage funds</i>	<i>43</i>	<i>0.2</i>	<i>-0.2</i>	<i>0.1</i>	<i>-1.3</i>	<i>-2.6</i>	<i>-1.3</i>	<i>-1.6</i>	<i>-3.1</i>	<i>-2.6</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>2002 vintage funds onwards</i>	<i>76</i>	<i>7.7</i>	<i>7.0</i>	<i>6.4</i>	<i>5.9</i>	<i>3.6</i>	<i>4.0</i>	<i>2.2</i>	<i>0.2</i>	<i>1.7</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Small MBO*	60	15.7	15.6	14.9	16.2	16.0	15.3	17.9	17.3	6.5	7.3	3.2	1.9	0.3	3.2
Mid MBO	152	12.3	12.6	12.6	12.6	12.3	12.5	13.2	14.0	14.9	14.9	13.2	9.3	5.9	4.3
Large MBO	50	15.1	14.4	14.3	14.9	14.7	15.4	17.8	19.2	21.5	23.7	21.0	18.0	13.9	14.3
<i>Subtotal 1996 onwards</i>	<i>381</i>	<i>13.6</i>	<i>13.2</i>	<i>13.1</i>	<i>13.4</i>	<i>13.1</i>	<i>13.6</i>	<i>15.2</i>	<i>16.1</i>	<i>17.2</i>	<i>18.9</i>	<i>16.4</i>	<i>13.2</i>	<i>9.4</i>	<i>9.7</i>
Grand total all funds	534	14.1	13.8	13.8	14.1	13.9	14.3	15.3	15.9	16.4	17.3	16.0	14.4	13.0	13.6

Subcategories (all vintages)

UK	368	13.3	13.5	13.6	13.6	13.5	13.6	13.9	14.1	14.6	14.6	14.4	14.0	13.6	14.1
Non-UK	166	14.6	14.0	13.9	14.4	14.2	14.7	16.6	17.7	18.5	20.2	17.9	14.9	11.8	12.6
Pan-European	154	15.6	15.1	15.2	15.7	15.6	16.3	18.0	19.3	20.3	21.6	19.7	17.4	14.0	14.9
Technology	133	5.4	4.4	3.8	3.4	1.1	1.5	0.6	-0.9	-0.6	-0.1	1.0	0.1	0.9	7.4
Non-Technology	401	14.9	14.6	14.6	15.0	14.9	15.3	16.4	17.0	17.8	18.7	17.3	15.7	14.2	14.5

*There was a change in the Small MBO sample in 2009. The since-inception returns of Small MBO as of Dec 2009 and as of Dec 2010 are therefore not strictly comparable with the relevant returns as of the previous year ends.

Vintage Year

	No of funds	To Dec '16	To Dec '15	To Dec '14	To Dec '13	To Dec '12	To Dec '11	To Dec '10	To Dec '09	To Dec '08	To Dec '07	To Dec '06	To Dec '05	To Dec '04	To Dec '03
1980-84	13	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
1985-89	68	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.8	13.8	13.8	13.8	13.8	13.8
1990	13	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.4	11.3	11.3	11.1	11.1	11.1
1991	14	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.3	23.3
1992	7	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.2
1993	10	15.1	15.1	15.1	15.1	15.1	15.1	15.2	15.0	15.2	15.3	15.3	14.8	14.0	14.6
1994	19	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.4	34.4	34.3
1995	9	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	22.2	21.9	21.9	21.8
1996	13	17.6	17.6	17.6	17.6	17.6	17.6	17.8	17.8	19.1	18.7	18.7	18.6	18.5	19.0
1997	24	15.0	15.0	15.1	15.0	15.0	15.0	15.0	15.1	15.3	15.6	14.7	14.9	14.3	14.3
1998	16	12.9	12.9	12.9	12.9	12.8	12.9	12.8	12.9	12.9	12.5	12.2	10.8	10.6	9.3
1999	25	11.5	11.5	9.9	9.5	9.4	9.7	8.6	8.0	8.0	15.8	8.8	6.2	1.5	-2.0
2000	26	16.6	16.6	16.7	16.6	16.6	16.6	16.6	16.2	14.1	16.7	14.9	8.7	4.8	n/a
2001	30	24.9	25.0	25.0	25.1	24.8	25.2	26.1	26.6	27.4	29.1	28.3	23.4	n/a	n/a
2002	19	24.4	24.4	24.9	24.7	25.5	26.1	26.1	25.5	27.0	30.8	26.6	27.7	n/a	n/a
2003	18	19.8	19.8	20.0	20.4	20.7	22.0	23.7	17.5	25.4	32.1	23.4	22.2	n/a	n/a
2004	11	24.4	17.9	24.7	24.2	25.0	26.4	32.0	34.1	41.3	41.1*	25.8	-5.8	n/a	n/a
2005	27	10.5	10.5	11.1	11.1	9.6	7.4	9.4	8.4	4.2	19.4	24.0	-8.0	n/a	n/a
2006	38	5.3	4.6	5.2	6.2	4.2	2.4	5.2	-11.8	-12.7	7.2	100.6	n/a	n/a	n/a
2007	39	9.9	9.4	9.2	9.7	7.9	8.9	12.6	5.1	4.1	24.7	n/a	n/a	n/a	n/a
2008	23	13.5	10.0	7.8	8.1	7.6	7.8	5.8	-5.7	-2.5	n/a	n/a	n/a	n/a	n/a
2009	22	11.8	11.1	-2.1	9.2	4.0	-10.4	8.7	15.5	n/a	n/a	n/a	n/a	n/a	n/a
2010	17	18.2	23.5	25.6	23.3	18.7	37.9	140.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2011	18	16.2	30.4	38.8	44.4	70.7	-36.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2012	15	21.9	22.6	1.9	-9.7	-32.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total*	534	14.1	13.8	13.8	14.1	13.9	14.3	15.3	15.9	16.4	17.3	16.0	14.4	13.0	13.6
2013	21	19.8	21.9	-3.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	18	9.8	2.5	7.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	18	-61.4	-59.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	20	41.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Subtotal 2013-2016</i>	<i>77</i>	<i>4.2</i>	<i>19.8</i>	<i>26.0</i>	<i>29.2</i>	<i>12.4</i>	<i>6.0</i>	<i>11.5</i>	<i>-6.3</i>	<i>-2.1</i>	<i>18.2</i>	<i>27.9</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

* Only funds which were at least four years old at the relevant year end are included for the computation of the 'Total' figures.

Principal Comparators' Return (% p.a.)

FTSE Indices	2016	Three years	Five years	Ten years
FTSE All-Share	16.8	6.1	10.1	5.6
FTSE 100	19.1	5.8	9.1	5.2
FTSE 250	6.7	7.1	15.4	7.9
FTSE 350	16.8	6.0	9.9	5.6
FTSE SmallCap	14.3	8.0	16.4	7.6
FTSE World (ex-UK)	9.3	4.6	10.9	4.6
FTSE Europe (ex-UK)	4.6	7.1	12.4	3.3

Source: FTSE Russell as at 31 December 2016



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The data within this report was collated by the BVCA and analysed by PwC's International Survey Unit in Belfast. While PwC, the BVCA and Capital Dynamics have made every effort to ensure the reliability of the data included in this report, they do not assume any responsibility for any inaccuracy in the data nor for the accuracy of the underlying amounts submitted by the participating private equity funds. The survey is based on valuations provided by each participating fund; PwC has not independently checked the valuation data, nor confirmed the International Private Equity and Venture Capital Valuation Guidelines have been adhered to.

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