

Preqin Research Report

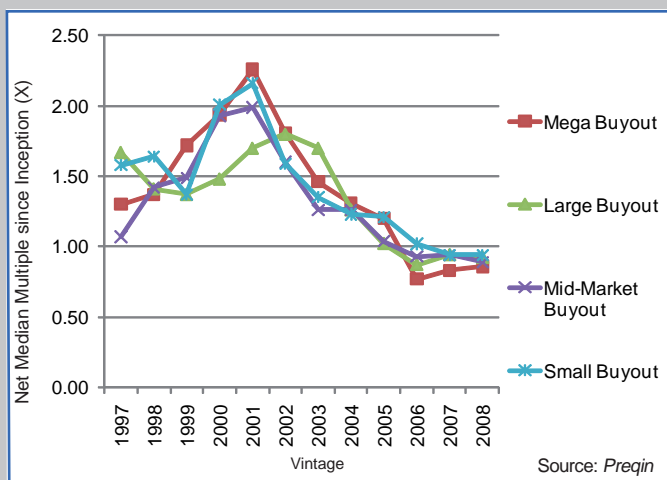
PE Performance: Mega, Large, Mid-Market and Small Buyout Funds

Preqin has launched a new performance benchmark for buyout funds based on size, aiming to measure and compare returns generated by mega, large, mid-market and small vehicles. These benchmarks are calculated using data from the Performance Analyst database, which contains net returns to LPs for 1,210 buyout partnerships. In terms of aggregate value, this represents over 80% of all capital ever raised by buyout firms.

The return multiples of buyout funds are generally between 1.50x and 2.00x for vintages 1997 to 2002, with some exceptions (see Fig. 1). Mega and small buyout funds of vintage 2001 have produced the highest returns, with multiples in the region of 2.20x. Multiples have generally decreased for each vintage year from 2003 to 2005, dropping from 1.50x to around 1.00x. All but one of the median multiples are below 1.00x from vintage 2006 onwards.

IRR returns for mega buyout funds with vintages 2000 to 2003 are between 20% and 35%. Mega buyout

Fig. 1: Median Net Multiple by Buyout Fund Size



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funds of vintages 2004 and 2005 have significantly lower returns, with median IRRs of 6.9% and 9.7% respectively. Net IRRs of mega funds of vintages 2006 and 2007 are currently in the red and below those of other fund sizes. Large, mid-market, and small buyout funds are all posting slightly lower returns than mega buyouts for the vintages 2000 to 2003. Small buyout funds of vintages 2005 and onwards are performing better than larger funds. As they do not normally use a large amount of leverage, smaller funds were less affected by the financial crisis.

It must be emphasized that the performance for recent vintages is not yet fully meaningful as these funds are relatively immature and their performance is likely to improve over time. The information here shows that funds of different sizes have produced characteristically different returns over time, with the very largest funds performing best in certain conditions but also being most affected by the current financial crisis.

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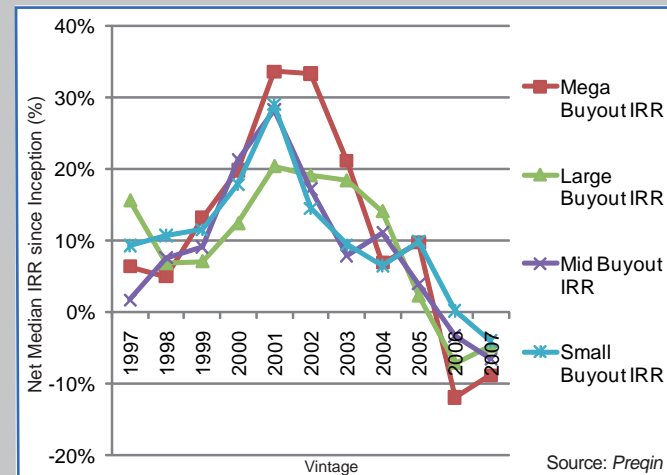
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Fig. 2: Median Net IRR by Buyout Fund Size



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