Private equity

Capital Confidence Barometer

Disciplined approach

Economic outlook
Continued confidence in global economy

Fund-raising
Upbeat expectations about fund-raising

Mergers and acquisitions
Quality, not quantity

Value creation and growth
Focus on acquisitions

PE exits
Exit market remains active
Disciplined approach

Confidence about the global economy is picking up and feeding into upbeat expectations about fund-raising, acquisitions for portfolio companies and exit activity. Challenges remain, however, including clearing the backlog of exits that have built up in recent years and extending the lives of funds in order to drive performance improvements in companies that have been held for longer than originally planned.

Key findings

70% say the global economy is improving

98% believe the fund-raising environment is positive or stable

53% have requested, or are in the process of requesting, LPs for fund extensions

70% plan to increase investment in India this year; 67% plan the same for US and Canada

46% focus 100-day plans on aligning management with new plans and cash-generation initiatives

71% expect to pursue acquisitions for portfolio companies in the coming year

48% say bid-ask gap is greatest risk to successful exits
A note from Jeff Bunder, Global Private Equity Leader

Our latest Private Equity Capital Confidence Barometer suggests that private equity (PE) firms remain optimistic about the prospects for the global economy. They are encouraged about recent fund-raising and exit activity, and the majority are planning add-on acquisitions for their portfolio companies in the coming year. Although emerging markets have been, and will remain, a key focus for investment and portfolio company growth strategies, there are signs that PE firms are increasingly looking to the mature PE market in North America for quality assets suggesting a retrenchment as a result in volatility in EM. Corporations also express optimism about economic growth in the coming year and the availability of credit, and the increasing stabilization of the credit environment is helping to drive M&A activity. Companies plan to focus M&A acquisitions on high-quality, high-value transactions. Larger transformational deals are more likely to be executed by corporations in asset- and real estate-intensive industries. Like corporations, PE firms also foresee quality and deliverability as being a key part of the M&A environment this year rather than quantity.

PE firms cite a number of risks to successful exits, including the bid-ask gap between buyers and sellers. In addition, after years of low economic growth rates (in developed markets, primarily), general partners (GPs) have had to petition limited partners (LPs) for fund extensions for their current funds. To maximize the value of an investment, PE firms realize it is crucial to avoid paying too high a purchase price multiple on entry and to implement a 100-day plan aligning management teams to plans and/or leadership and driving cash-generation initiatives. GPs that sufficiently prepare ahead of time for exit may avoid some of the pitfalls and challenges during exit and see a smooth close process and potentially enhanced cash returns.

In our survey six months ago, more than half of GPs were worried about the potentially destabilizing impacts of political crises on the fledgling global economy. While these concerns remain, the proportion of GPs citing this as an issue has almost halved. With the United States and Canada featuring in the top five destinations for PE investment over the coming year, there are signs that the tide has turned back in favor of mature PE markets. Deals in these markets are likely to be larger and require more PE capital, but there is plenty of dry powder to fund large deal sizes.

A note from Pip McCrostie, EY Global Vice Chair, Transaction Advisory Services

For leading global corporates, striking a balance between risk and reward has rarely been so difficult. Companies are grappling with geopolitical instability, a fragile global economic recovery and seismic shifts in “megatrends,” such as structural changes in the workforce and digital transformation — all at a time of unprecedented shareholder activism.

Many executives are now navigating this complexity with parallel priorities. Value is being sought today through a renewed focus on cost management strategies and returning rewards to increasingly active shareholders.

At the same time, some executives are also seeking value creation and top-line revenue through innovative organic growth and measured dealmaking. Larger transformational M&A is on the strategic growth agenda. Pipelines point to only modest increases in deals as low volume becomes the hallmark of a low-growth environment. Increased deal values rather than volumes will likely be making headlines in the coming year. After a prolonged financial crisis and M&A market malaise, companies and boards are opting for quality rather than quantity.
Economic outlook – continued confidence

GPs’ confidence in the global economy is high, and concerns about political risks to growth are diminishing

The majority of respondents (70%) believe that the global economy is improving, up from 55% last year and 46% in April 2012. This confidence is buoyed by improvements in corporate earnings, employment growth and the outlook for stock markets.

In our survey six months ago, more than half of GPs (52%) were worried about the potentially destabilizing impacts of political crises on the fledgling global economy. While these concerns remain, the proportion of GPs concerned about this has now almost halved to 28%. Top of mind for investors will be the political situation in Ukraine, the outcome of elections in India and another potential rift in negotiations over the US budget.

GPs reiterate confidence in global economy

GPs’ confidence in the global economy is now at its highest since the Private Equity Capital Confidence Barometer began in November 2011. Furthermore, none of the private equity respondents foresees a decline in the global economy – the lowest rate recorded since the Barometer started. In fact, 39% of GPs now expect the global economy to grow by at least 3% over the coming year, compared with just 15% of respondents who thought so a year ago.

Stronger business fundamentals are the main driver for growth

GPs’ confidence about the global economic recovery is underpinned by their view that corporate earnings, employment growth and the outlook for stock markets will continue to improve. Corporates also remain positive about these underlying fundamentals.

Political risks to growth remain

PE firms say that global political risks remain the greatest threat to portfolio companies over the next year. However, the number of GPs citing this as a concern has almost halved since last October, down from 52% to 28% this time. Last October, political concerns were heightened by civil unrest in several emerging markets countries, the political standstill in the US over the Government’s budget, and questions over the willingness of heavily indebted peripheral countries in Europe to stick with their austerity programs. More recently, the political situation in Ukraine, the outcome of elections in India and another potential rift in negotiations over the US budget have given investors pause have given investors pause.
Confidence remains robust

**Q:** What is your perspective on the state of the global economy today?

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving</td>
<td>70%</td>
</tr>
<tr>
<td>Stable</td>
<td>30%</td>
</tr>
<tr>
<td>Declining</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Apr 14*

70% of respondents believe the global economy is improving, up from 66% in October 2013 and 55% in April 2013

**Q:** What is your level of confidence in the following areas at a global level?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate earnings</td>
<td>57%</td>
</tr>
<tr>
<td>Employment growth</td>
<td>54%</td>
</tr>
<tr>
<td>Equity valuations/stock market outlook</td>
<td>48%</td>
</tr>
<tr>
<td>Credit availability</td>
<td>43%</td>
</tr>
<tr>
<td>Short-term market stability</td>
<td>34%</td>
</tr>
</tbody>
</table>

*Apr 14*

57% of respondents believe that corporate earnings are improving

**Q:** What do you believe to be the greatest economic risk to your portfolio companies over the next 6-12 months?

<table>
<thead>
<tr>
<th>Risk</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased global political instability</td>
<td>28%</td>
</tr>
<tr>
<td>Continued slow growth in China</td>
<td>24%</td>
</tr>
<tr>
<td>Continuation of the Eurozone crisis</td>
<td>14%</td>
</tr>
<tr>
<td>Ongoing evolution of tax legislation</td>
<td>13%</td>
</tr>
<tr>
<td>Failure to manage the withdrawal of US quantitative easing</td>
<td>12%</td>
</tr>
<tr>
<td>Volatility in emerging markets</td>
<td>9%</td>
</tr>
</tbody>
</table>

*Apr 14*

28% of GPs say that increased global political instability poses the greatest economic threat to the growth of portfolio companies
Fund-raising — upbeat expectations

GPs are upbeat about the current fund-raising environment, but they are disciplined about fund-size growth

GPs have reiterated their optimism about the fund-raising market, linked to the improving outlook for the global economy and lessening political risks to growth. However, PE firms remain conscious that LPs are increasingly selective about whom to invest with. With billions of dollars of dry powder available to invest in the private equity industry globally, and with a backlog of exits to clear, GPs are choosing to raise new funds that are the same size, or smaller, than their most recent funds.

Furthermore, after years of low economic growth rates (in developed markets, primarily), GPs have had to petition their LPs for fund extensions for their current funds, highlighting the challenges that have faced PE firms over the last few years.

GPs remain optimistic about fund-raising

Three-fifths of PE firms (60%) are optimistic about the current environment for fund-raising, up from the 47% reporting this sentiment a year ago. Just 2% expect a negative environment. GPs report that the most important issues likely to influence LP allocations to funds over the next 12 months will be GP performance, PE team experience, and LPs seeking to diversify their investments across products and geographies. In a bid to embrace diversification across geographies, 77% of PE firms allocate more than one-tenth of their current funds to emerging markets, while 46% of PE firms allocate more than one-fifth.

GPs disciplined on fund-size growth

GPs that are fund-raising are, on the whole, opting to raise funds that are the same size or smaller than their current funds. GPs recognize that the private equity industry has billions of dollars of dry powder to invest and a backlog of investments to exit. Over the last six months, however, there has been a slight uplift in the number of PE firms looking to raise larger funds.

More PE firms request fund extensions

The number of GPs that have requested, or are in the process of requesting, extensions to the lives of their current funds has increased to 53%, up from 30% six months ago. This demonstrates the continuing challenges PE firms face in recovering value lost companies in the aftermath of the global downturn. LPs have been amenable to these fund extensions, due to the absence of alternative options for placing funds. Firms have had difficulty exiting portfolio companies even with the up-tick in the equity markets. The duration of ownership of portfolio companies continues to increase as GPs implement operational improvements and expanding into new (faster-growing) markets.
Fund-raising market: buoyant but disciplined

**Q:** What is your outlook on conditions in fund-raising in the global market over the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Apr 14</th>
<th>Oct 13</th>
<th>Apr 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>60%</td>
<td>47%</td>
<td>66%</td>
</tr>
<tr>
<td>Stable</td>
<td>26%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Negative</td>
<td>8%</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

98% of private equity firms that believe that the fund-raising environment is positive or stable

**Q:** Is the size of the fund your firm is raising larger or smaller than its predecessor?

<table>
<thead>
<tr>
<th></th>
<th>Apr 14</th>
<th>Oct 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger</td>
<td>36%</td>
<td>29%</td>
</tr>
<tr>
<td>Same size</td>
<td>50%</td>
<td>68%</td>
</tr>
<tr>
<td>Smaller</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

64% of PE firms that are raising new funds are targeting fund sizes that are the same size or smaller than their current funds

**Q:** Since 2007, has your PE firm extended the life of any of its funds (i.e., beyond the standard 10-year fund life)?

<table>
<thead>
<tr>
<th></th>
<th>Apr 14</th>
<th>Oct 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, we have extended the life of at least one of our funds</td>
<td>34%</td>
<td>16%</td>
</tr>
<tr>
<td>Yes, we are currently seeking to extend the life of at least one of our funds</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>No, we have not sought to extend the lives of any of our funds</td>
<td>47%</td>
<td>70%</td>
</tr>
</tbody>
</table>

53% of PE firms have requested, or are in the process of requesting, extensions to their current funds
Mergers and acquisitions – quality, not quantity

M&A efforts to focus on quality rather than quantity and on larger deals

Corporations plan to continue with M&A over the coming year, with a focus on high-quality, high-value transactions. The availability of credit, and the increasing stabilization of the credit environment, is helping to drive M&A activity. PE firms also foresee quality and deliverability being a key part of the M&A environment rather than quantity.

Larger deals are more likely to be undertaken by corporations in asset- and real estate-intensive industries, such as retail, power and utilities, telecommunications, automotive, mining and metals, and oil and gas.

M&A focus to be on quality, not quantity

One-third of corporations (31%) expect to pursue acquisitions over the coming year. Over the past two years, the intent to pursue deals has remained within a tight range as companies have closely monitored the global economy and looked for signs of sustained recovery. PE firms’ confidence in the quality of transactions and likelihood of closing deals is holding steady, but confidence about the quantity of acquisition opportunities has markedly decreased. This suggests a focus on quality and deliverability over quantity.

Larger M&A deals expected

Over one-quarter of companies (27%) intend to participate in larger deals (greater than US$500m) over the next year, double the 12% reporting such sentiment a year ago. This is a sign that plans for transformational acquisitions, particularly among larger companies, are on the rise. For leading companies, quality rather than quantity will be at the heart of their M&A strategies. More corporations in asset- and real estate-intensive industries, such as retail, power and utilities, telecommunications, automotive, mining and metals, and oil and gas, expect to pursue larger deals than in other industries.

GPs expect M&A valuations to increase

Over half of PE firms (58%) expect the valuation of M&A assets to increase. Acquisition financing is more readily available to the corporate sector, likely driving this sentiment. Greater confidence in the availability of financing – particularly for larger, well-rated firms – provides a favorable platform for selective dealmaking.
Focus on quality and deliverability

Q: Do you expect your company to pursue acquisitions in the next 12 months, and what is your level of confidence in the following at a global level?

- **Likelihood of closing acquisitions**
  - Apr 12: 42%
  - Oct 12: 41%
  - Apr 13: 50%
  - Oct 13: 47%
  - Apr 14: 53%
  - Oct 14: 72%

- **Quality of acquisition opportunities**
  - Apr 12: 31%
  - Oct 12: 25%
  - Apr 13: 29%
  - Oct 13: 35%
  - Apr 14: 31%

- **Number of acquisition opportunities**
  - Apr 12: 10%
  - Oct 12: 20%
  - Apr 13: 30%
  - Oct 13: 40%
  - Apr 14: 50%
  - Oct 14: 60%

31% of corporations plan to make an acquisition over the coming year.

Q: What percentage of your intended deals will be above US$500m? (Corporations)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Apr 14</th>
<th>Oct 13</th>
<th>Global average (27%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail and wholesale</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power and utilities</td>
<td></td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Mining and metals</td>
<td></td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td></td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
<td>28%</td>
<td></td>
</tr>
</tbody>
</table>

42% of respondents in retail and wholesale expect deal sizes to exceed US$500m.

Q: What do you expect the price/valuation of M&A assets to do over the next 12 months? (PE firms)

- **Increase significantly** (by more than 25%)
  - Apr 14: 10%
- **Increase modestly** (>0% to <25%)
  - Apr 14: 48%
- **Remain at current levels**
  - Apr 14: 32%
- **Decrease modestly** (>0% to <25%)
  - Apr 14: 8%
- **Decrease significantly** (by more than 25%)
  - Apr 14: 2%

58% of PE firms expect the price/valuation of M&A assets to increase over the next 12 months.
India, the US and Canada top destinations for PE

The top five destinations for PE investment are usually dominated by emerging markets. Continuing this theme, India tops the list in this survey. However, the United States and Canada also feature in the top five in a sign that investors are beginning to see these markets as increasingly attractive. Underpinning this sentiment is the shale gas revolution in the US and continued signs that US growth is gathering momentum.

PE firms committed to emerging markets

PE firms remain committed to an emerging markets investment strategy. In fact, over half of PE firms (59%) say that they have a greater focus toward investing in emerging markets than they had a year ago. This compares with 45% six months ago. This demonstrates the long-term growth drivers in these countries, including favorable demographic trends, rising consumer spending and improved environments for doing business. While BRIC countries such as India have historically attracted relatively more interest from GPs, non-BRIC countries in areas such as Southeast Asia, Central/Eastern Europe and Africa are getting more attention from investors.

Leveraged buyout activity constrained by lack of quality assets

PE firms believe that the primary reason for relatively low levels of leveraged buyout activity is a lack of quality assets for sale. GPs also report a reluctance to participate in heated auctions, a gap between sellers’ price expectations and prices buyers are willing to pay, and a lower-activity norm in the M&A environment as contributory factors. Macroeconomic uncertainties are seen as playing less of a role than six months ago, pairing with increased GP confidence in the global economy.
India, the US and Canada are the top destinations for PE investment this year.

Q: What factors are contributing to the relatively low levels of leveraged buyout activity for your firm?

- Lack of quality assets for sale: 61%
- Reluctance to participate in “heated” auctions: 43%
- Seller price expectations: 36%
- New activity norm in the M&A environment: 22%
- Macroeconomic uncertainty: 16%
- Competition from corporates: 9%

70% of PE firms plan to increase investment in India over the coming year; 67% plan the same for the US & Canada.

59% of PE firms report a greater focus on investing in emerging markets in the last 12 months.

61% of respondents report that a lack of quality assets for sale is contributing to low levels of leveraged buyout activity.

Q: Top five destinations for PE investment over the next 12 months

<table>
<thead>
<tr>
<th>April 2014</th>
<th>October 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Brazil</td>
</tr>
<tr>
<td>United States &amp; Canada</td>
<td>India</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>Southeast Asia</td>
</tr>
<tr>
<td>China</td>
<td>United States &amp; Canada</td>
</tr>
<tr>
<td>Central/Eastern Europe</td>
<td>China</td>
</tr>
</tbody>
</table>

Q: How has your sentiment toward investing in emerging markets changed versus a year ago?

- Greater focus: 59%
- Stayed the same: 38%
- Less focus today: 3%

Greater focus Stayed the same Less focus today

Q: Top five destinations for PE investment over the next 12 months
Value creation and growth — focus on acquisitions

GPs plan to pursue acquisitions for portfolio companies
The majority of PE firms (71%) expect to pursue acquisitions for their portfolio companies over the coming year, compared with 59% citing these plans a year ago. This sentiment is more prevalent among GPs in Asia-Pacific and Eastern Europe than those in North America and Western Europe.

To maximize the value of an investment, GPs say it is crucial to avoid paying too high a purchase price multiple on entry and to effect a 100-day plan at entry, including aligning management teams of companies to new plans and/or leadership and implementing cash-generation initiatives.

GPs plan acquisitions for portfolio companies
Nearly three-quarters of PE firms (71%) expect to pursue acquisitions for their portfolio companies over the coming year, compared with 59% citing these plans a year ago. This sentiment is more prevalent among GPs in Asia-Pacific and Eastern Europe than those in North America and Western Europe.

Aligning management with new strategic vision in 100-day plans
During the first 100 days of an investment, GPs focus on aligning management teams of portfolio companies with new plans and/or leadership. This is essential to ensure that PE firms’ growth plans are executed smoothly. Equally important, GPs say, is implementing cash-generation initiatives. Revenue generation, cost control and reporting protocols are also a key part of 100-day plans.

High purchase price multiples linked to portfolio company underperformance
GPs say that paying too high a purchase multiple is one of the main reasons for a portfolio company not meeting expectations. Other contributory reasons are unexpected declines in sales volumes and poor assumptions of operating costs. This suggests that GPs that invest time and effort in extensive financial and commercial due diligence may experience fewer issues with portfolio companies underperforming than PE firms that do not.
Growth via acquisitions

Q: Do you expect to actively pursue acquisitions for your portfolio companies in the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Apr 14</th>
<th>Oct 13</th>
<th>Apr 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>71%</td>
<td>54%</td>
<td>59%</td>
</tr>
<tr>
<td>No</td>
<td>29%</td>
<td>46%</td>
<td>41%</td>
</tr>
</tbody>
</table>

71% of PE firms expect to pursue acquisitions for portfolio companies in the next 12 months.

Q: Which of the following items are typically the most important in your first 100-day/value creation plans for new investments? (Select three) (Top five results shown)

<table>
<thead>
<tr>
<th>Item</th>
<th>Apr 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management alignment with new plans/leadership</td>
<td>46%</td>
</tr>
<tr>
<td>Cash-generation initiatives</td>
<td>46%</td>
</tr>
<tr>
<td>Revenue-enhancement initiatives</td>
<td>45%</td>
</tr>
<tr>
<td>Cost control/improvements</td>
<td>43%</td>
</tr>
<tr>
<td>Reporting</td>
<td>40%</td>
</tr>
</tbody>
</table>

46% of PE firms focus 100-day plans on aligning management with new plans and/or leadership and implementing cash-generation initiatives.

Q: For transactions completed recently, what was the most significant issue that contributed to portfolio companies not meeting expectations? (Select up to two answers) (Top five results shown)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Apr 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic value overestimated/purchase price multiple too high</td>
<td>30%</td>
</tr>
<tr>
<td>Sales volume declines</td>
<td>26%</td>
</tr>
<tr>
<td>Poor operating cost assumptions</td>
<td>25%</td>
</tr>
<tr>
<td>Sales price deterioration</td>
<td>23%</td>
</tr>
<tr>
<td>Unforeseen liabilities (tax, HR, pension, etc.)</td>
<td>23%</td>
</tr>
</tbody>
</table>

30% of respondents say that paying too high a purchase price multiple has resulted in portfolio companies not meeting expectations.
PE exits – exit market remains active

GPs largely confident of ability to exit businesses

The majority of GPs are confident of their ability to exit businesses over the coming year, and they intend to undertake more exit activity than they did last year. PE firms expect different exit routes to dominate in mature and emerging markets: in North America, IPOs; in Western Europe, sales to other PE firms; and in emerging markets, sales to trade buyers.

GPs remain concerned about challenges to successful exits, especially the bid-ask gap between buyers and sellers. GPs that plan sufficiently early for exit may see an uplift in returns relative to those that do not.

GPs expect more exit activity

GPs are optimistic about the exit environment over the coming year. The majority of PE firms (70%) expect the enterprise value of assets they will be exiting to increase over the coming year. This is in line with their expectations in the last year. Overall, 93% of PE firms say that their confidence in their ability to exit portfolio businesses is stable or positive.

PE firms expect different exit routes to dominate in mature and emerging markets. In North America, they expect exits via IPO to see the largest increase in activity over the coming year, while in Western Europe it will be exits via sales to PE firms. GPs anticipate that in emerging markets, sales to trade buyers will see the largest increase.

Bid-ask gap poses greatest risk to successful exits

PE firms are concerned about the valuations of assets at exit. Nearly half of respondents (48%) cite the bid-ask gap between buyers and sellers as the single greatest risk to successful exits over the coming year. GPs also say that potential risks to the economic outlook (driven by global political risks) and the presence of too few interested buyers could be stumbling blocks for successful exits.

GPs should plan sufficiently early for exit

Detailed planning and preparation for exit helps PE firms to maximize their exit valuation. Some PE firms are building in sufficient time, at least a year, for scenario planning to prevent missteps during the exit process, such as failing to identify and engage with potential bidders early enough, failing to identify key risk areas, and failing to adequately ensure that forecasts are supported by a robust financial, commercial and operational plan.
Clearing the backlog

Q: Please indicate your level of confidence in your ability to exit portfolio businesses.

- Very positive/very favorable: 7% (Apr 14) 4% (Oct 14)
- Positive/favorable: 38% (Apr 14) 59% (Oct 14)
- Stable: 26% (Apr 14) 48% (Oct 14)
- Negative/not favorable: 7% (Apr 14) 11% (Oct 14)
- Very negative/very unfavorable: 0% (Apr 14) 0% (Oct 14)

Q: In your view, what will be the two most significant barriers to exit over the next 12 months? (Select up to two answers)

- Buyers offering too low a price relative to sellers' expectations: 48% (Apr 14)
- Economic outlook: 44% (Apr 14)
- Few/no interested buyers: 40% (Apr 14)
- Company results/growth below expectations: 38% (Apr 14)
- Company location/sector: 14% (Apr 14)
- LP expectations for returns: 4% (Apr 14)

Q: When do you typically begin planning and preparing for an exit?

- Less than 6 months before exit: 8% (Apr 14)
- 6-12 months before exit: 23% (Apr 14)
- 12-24 months before exit: 46% (Apr 14)
- On hiring advisors: 4% (Apr 14)
- At the time of the acquisition: 19% (Apr 14)

93% of respondents believe exit environment is positive or stable

48% of respondents say that the bid-ask gap between buyers and sellers is the greatest risk to successful exits over the coming year

31% of respondents start detailed planning and preparation for exit less than 12 months before exit, showing room for improvement for these GPs
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About this survey
The Global Capital Confidence Barometer is a regular survey of senior executives from large companies around the world conducted by the Economist Intelligence Unit (EIU). For the 10th Global Capital Confidence Barometer, we once again polled PE participants using a separate, but related, survey.
This PE subset of our findings gauges PE investors’ confidence in the economic outlook and identifies key trends and practices in the way PE firms manage their capital agendas.
Profile of respondents:

- Panel of more than 96 PE investors from 19 countries surveyed in March 2014, in addition to the sample of over 1,600 corporate executives from 54 countries representing more than 20 sectors
- 57% respondents from PE firms with more than US$5 billion in assets under management
- Firms’ assets under management ranged from US$250m to US$250b: US$250m-US$999.9m (18%); US$1b-US$4.9b (25%); US$5b-US$19.9b (31%); US$20b-US$49.9b (11%); US$50b-US$250b (11%); over US$250b (4%)

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