

Private Equity Investment in Distressed Companies Increases 5-Fold in the Third Quarter The Lower and Middle-Market Remain Strong as Investment Levels Stabilize

New York (October 1, 2009) – PitchBook, an independent private equity-focused research firm, has published a comprehensive set of statistics covering private equity investment activity and trends during the third quarter of 2009. The data shows the continuing impact of reduced availability of leverage and the weak economic climate on private equity investing. PE firms demonstrated an increased focus on distressed company deals, lower and middle-market acquisitions, and minority investments.

“As debt markets begin to normalize bigger deals will return, however, many investors are currently focused on distressed investments, and lower and middle-market deals with very moderate levels of debt,” said John Gabbert, CEO & Founder of PitchBook. “Firms are also spending a significant amount of time with their current portfolio companies - focusing on reducing expenses, looking for possible strategic acquisitions and repairing over-leveraged balance sheets.”

- The good news for the private equity industry is that for the first time in a year the number of completed investments and the total amount of capital invested, 201 and \$6.7 billion respectively, held steady from the previous quarter’s levels - signaling a bottom may be near for private equity investment activity.
- Private equity investment in distressed companies continued to grow, reaching approximately 10% of the overall deal flow in the third quarter from just 2% in 3Q 2008. Year to date, PE firms have acquired 25 bankrupt companies and recapitalized 26, investing over \$4.5 billion.
- With only modest amounts of debt available, lower-middle market transactions and minority investments of \$250 million and below accounted for 87% of the deal flow year to date. Compared to 2007, these deals have increased their share of private equity deal flow by almost 20%.
- The lack of available leverage for large buyouts has resulted in only 2 completed private equity transactions over \$1 billion this year. This denotes a major change from 2008 when transactions \$1 billion and above transactions accounted for 68% of the total private equity-invested capital.
- The Business-to-Business industry was the leading industry for private equity investment with 68 deals for the quarter and 203 for the year to date. PE deals for Business-to-Consumer companies continued to decline with only 45 in 3Q, the least since 2001.
- Apax Partners’ \$571 million all-equity acquisition of Bankrate was the largest buyout of the quarter.

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PitchBook Data, Inc. is the only private equity-focused research firm that comprehensively covers the full private equity lifecycle. The flagship PitchBook Platform provides clients with unparalleled information and analysis on over 24,000 private equity deals, 9,300 investors/corporate acquirers, 3,850 professional service providers, 1,650 limited partners, and 100,000 industry professionals.

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