

PITCHBOOK PRESS RELEASE

Economic Turmoil Leads to Record Drop in Private Equity Investment Activity in 2008

75% Decline in Mega-Deals Leads Private Equity Investment Decline

NEW YORK (Nov. 11, 2008) – Private equity-focused research firm PitchBook Data, Inc. (www.pitchbook.com), has published a comprehensive set of statistics analyzing private equity investment trends for 2008. The findings indicate that the U.S. private equity industry had its third most active year, despite having its slowest fourth quarter since 2002. The industry was clearly affected by the credit crunch and general economic turmoil as the volume of completed leveraged buyouts (LBOs) dropped 40% from 2007's 2,097 to 1,241 in 2008. The total amount invested through LBOs dropped even more dramatically, from \$489.5 billion to \$116.5 billion for the same periods, due largely to a 75% decline in the amount invested in deals over \$2.5 billion.

The credit crunch, coupled with the global recession, has brought the private equity industry down from its dramatic 2007 heights. However, private equity firms still invested a total of \$186.6 billion in the U.S., the third highest on record behind the \$540.5 billion in 2007 and the \$286.2 billion in 2006. The total volume of completed private equity deals for 2008 was the fourth highest at 1,670, just behind 2005's volume of 1,798 deals.

The effects of the current financial market turmoil on the private equity industry are most apparent when comparing the fourth quarter of 2008 to the fourth quarter of 2007. Total capital invested dropped over 85% from \$184.7 billion in Q4 2007 to \$24.6 billion in Q4 2008. The volume of completed private equity deals dropped to a five-year low of 251 during the quarter. The \$24.6 billion invested in the fourth quarter of 2008 was the second least of any quarter in the last five years, just above the \$17.2 billion invested in the first quarter of 2004.

Mega Deals Dry Up

If mega private equity deals (those over \$2.5 billion) were the story of 2007, the story of 2008 is the evaporation of the mega-deal. In 2007, mega-deals accounted for \$347.6 billion, or 64% of the \$540.5 billion invested that year. In 2008 however, they only accounted for \$86.5 billion; a drop of \$261 billion or 75%. This change alone accounted for over 70% of the total decline in private equity investment from 2007 to 2008. While this drop is significant, mega-deals still accounted for almost 50% of the total invested capital in 2008.

"Given the massive amount of leverage used to complete the largest private equity transactions it is no surprise that fewer of these mega-deals are being done, or even being considered," said John Gabbert, chief executive officer of PitchBook. "Until the credit markets return to a more normal state, private equity investors will have to increase the amount of equity used in leveraged transactions or continue making more minority investments."

Many private equity investors turned to minority investments in both private and public companies in response to the shuttered credit markets. In 2008, a record \$21.2 billion was invested through 252 growth financing transactions. The median amount invested in these deals remained steady with 2007, at \$30 million. Private investments in public entities (PIPEs) saw the biggest jump of all the deal types, from 2007's \$9.2 billion to 2008's \$22.3 billion.

B2B and B2C Remain Core to PE, But Energy and Financial Services Gain Ground

PitchBook's analysis of private equity investment by industry sector showed that the Business Products and Services and Consumer Products and Services sectors continued to make up the majority of deals. These two sectors accounted for 981 deals, or 60% of the total deal flow, which is consistent with the past five years. Commercial Services was the most popular sub-industry group in 2008, accounting for 17% of the total deal flow with 282 deals.

A total of \$7.6 billion was invested in the Energy sector during the fourth quarter, the most of any industry. It jumped from only 9% of the capital invested through the third quarter to 38% of the total invested capital during the fourth quarter. One of the biggest deals was Borealis Infrastructure Management and GIC Special Investments' acquisition of a 20% stake in Oncor Electric Delivery for \$1.25 billion from private equity-owned Energy Future Holdings (f.k.a. TXU).

Private equity firms also found a number of opportunities in the Financial Services sector, investing a total of \$37.8 billion in 2008, second only to Consumer Products and Services. Its portion of the total invested capital jumped from its five-year average of 7% to 21% in 2008. Many of the deals were for distressed businesses hit by the financial crisis, such as Lone Star Fund's acquisition of CIT Group's Home Lending Business for \$5.9 billion.

About PitchBook Data, Inc. (www.pitchbook.com)

PitchBook Data, Inc., based in New York and Seattle, is the only private equity-focused research firm that comprehensively covers the full private equity lifecycle. Its flagship PitchBook Platform provides clients with unparalleled information and analysis on over 19,000 private equity deals, 8,000 investors/corporate acquirers, 2,800 professional service providers, 1,500 limited partners, and 73,000 industry professionals. Due to its meticulous research process, methodology and focus on hard-to-find private equity deal data, PitchBook's proprietary data platform provides the most complete information on every stage and aspect of a transaction. Catering specifically to the unique needs of private equity professionals, PitchBook offers the tools needed to source deals, establish comparables, network with others in the field, conduct due diligence, and make more informed and efficient investment decisions.

About PitchBook's Research

Through its proprietary research methodology and processes, PitchBook is able to provide the most comprehensive and highest quality data, news, and analysis on the private equity industry. PitchBook tracks companies financed or acquired by private equity firms, from the date of announcement until the company is sold to a corporate acquirer, majority sold via an IPO, or ceases operation. PitchBook does not track venture capital or strategic mergers and acquisitions of non-private equity-backed companies. PitchBook's research methodology utilizes multiple processes, including meticulous secondary research, survey research, and direct contact with private equity investors, limited partners, service providers, and portfolio companies. www.pitchbook.com/PitchBook_Research.html

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*PitchBook Data's aggregate statistics include amounts gathered and validated by its research team for buyouts, private equity growth financings, private equity-backed add-on transactions, recapitalizations, and private placements among other private equity transaction types.