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Corporate Insights

Private Equity Capital: An Evolving Source of Financing

Introduction

We often hear that the world is changing at an accelerating rate. Technological change is probably first and foremost in people's minds when they consider fundamental changes to the ways they do business. But there is another force at work behind the scenes in the way companies are increasingly turning toward a large and growing pool of *private capital* for their equity financing. How large?

Traditionally, the largest segment of the private market has consisted of "conventional" private equity (defined as sponsored-managed funds principally dedicated to control transactions and venture capital funds). The assets under management (AUM) in the conventional category have been growing at an annual rate in excess of 7% for over a decade, reaching a current level of about $2.6 trillion[1]. For comparison, the entire S&P 500 – at the time of writing – is about $24.5 trillion, meaning conventional private equity is about 11% of the index.[2] Despite the growing popularity of alternative asset classes such as private debt, real estate and infrastructure, conventional private equity still accounts for more than half of both fundraising activity and AUM, making it the largest single asset class within the private markets.[3]

It is not just private equity capital's impressive growth that matters. Its relevance to Boards and CEOs lies more in how private capital is expanding its traditional horizons, becoming more multi-strategy, more global and – in some cases – much more long-term. As the asset class matures, the diversity of the businesses in which it invests – and how – will continue to evolve and create opportunities for more and more companies to tap into this burgeoning pool of capital.

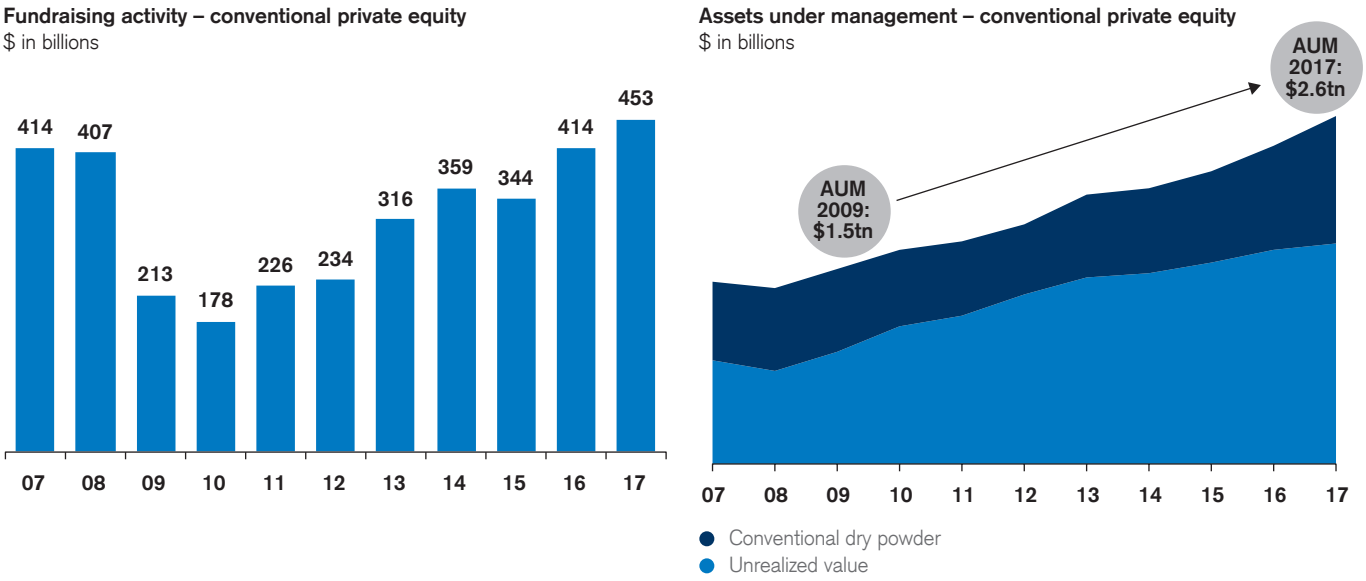
The "tool box" of private capital available to enable transactions plus the speed and ease of deal-making in (and the depth of) private markets can make the public market options at times less attractive. In fact, the number of publicly-listed companies in the U.S. market has dropped by 20% over the past 10 years, and by 50% over the past 20 years.[4]

In this paper, the tenth in our ongoing series of ***Credit Suisse Corporate Insights***, we describe and analyze different pockets of private equity capital and evaluate how developments in their respective investing landscape are driving changes to this market. In the last ten years private equity has evolved to encompass a significantly broader group of investors. Importantly, we examine how this large and growing pool of capital can provide valuable solutions to corporations that public markets may not be able to match.

Private Equity Capital ("PEC") is a bigger pool than you might think

We estimate there is close to $5.0 trillion in private equity investments, of which $2.6 trillion lies within conventional private equity.[5]

Figure 1: Conventional private equity capital has reached record levels after a decade of robust growth[6]



The broader PEC pool is growing not only in terms of total capital available but also in the number and types of funds out there vying for transactions. More capital and increasing numbers of funds looking for places to deploy capital means that more companies – at more varied stages of their life cycles – can turn to these sources of capital for a variety of needs.[7]

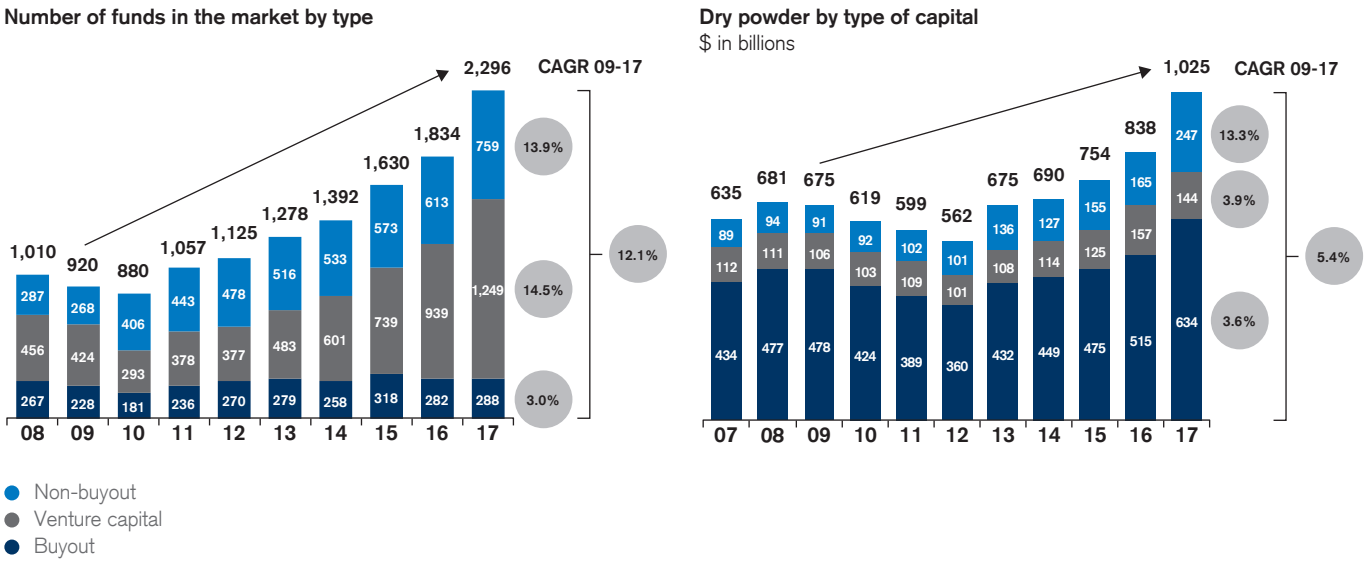
These new and evolving forms of PEC encompass several "pockets" of capital including *non*-buyout oriented funds, as well as the direct equity investments made by a wide array of investors, including public pension funds, sovereign wealth funds, cross-over mutual funds, and family offices. We estimate these sources of capital hold an impressive $2.4 trillion in direct investments, as detailed below.[8]

What do the new and evolving forms of Private Equity Capital ("PEC") consist of?

The first pocket of capital we analyze is that of **sponsored non-buyout and hybrid-oriented funds**. These funds are more chartered to make direct minority investments in specific companies, take non-controlling stakes in public companies, or play roles in acquisition financing. And this form of capital has been on the rise. Rapid and increased fundraising has led to record levels in the overall number of non-buyout and hybrid-oriented funds. But perhaps more interesting is that non-buyout dry powder has grown at a blistering pace of 13.3% per year since 2009, significantly in excess of the growth rates of both buyout and venture capital funds. There is currently almost $250 billion of capital waiting to be deployed in non-buyout and hybrid strategies.[9]

This distinction is important because "conventional" private equity is generally deployed towards buying out or taking a controlling interest in a company, occasionally swapping out management, and often redefining the business mission. Non-buyout funds, on the other hand, tend to be more patient and collaborative and offer capital contributions that may be less confrontational or transformational, more like equity stakes taken by institutional investors.

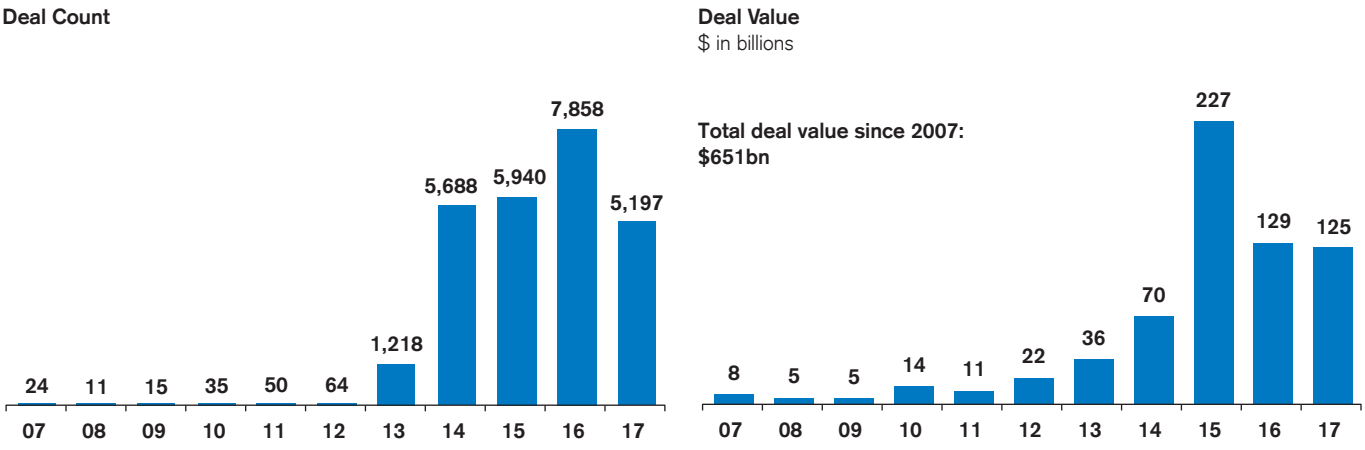
Figure 2: Total number of sponsored funds and capital in the market is growing and increasingly non-buyout[10]



The second pocket of PEC we consider here consists of direct equity investments made by **public pension funds (PPFs)**. Public pension funds in aggregate hold almost $33 trillion in AUM, across different asset classes and investment strategies.[11] Among the most active institutions dedicating anywhere from 5% to 10% of their funds for direct investing are the Teacher Retirement System of Texas, Canada Pension Plan Investment Board, Caisse de dépôt et placement du Québec, Ontario Teachers Pension Plan, Ontario Municipal Employees Retirement System, British Columbia investment Management, and Public Sector Pension Investment Board.

PPFs definitionally maintain a long-term investment horizon, as they seek to match their investment horizons with the long-term retirement needs of the individuals for whom they are investing. As a consequence, they have typically preferred to focus on asset allocation rather than specific stock selection and thus historically invested primarily in managed funds rather than directly into companies themselves. However, in recent years PPFs have begun to increase their activity in direct investments, with over $650 billion of direct investments since 2007, most of that occurring in the last five years.

Figure 3: Direct investment deals and deal value by public pension funds[12]

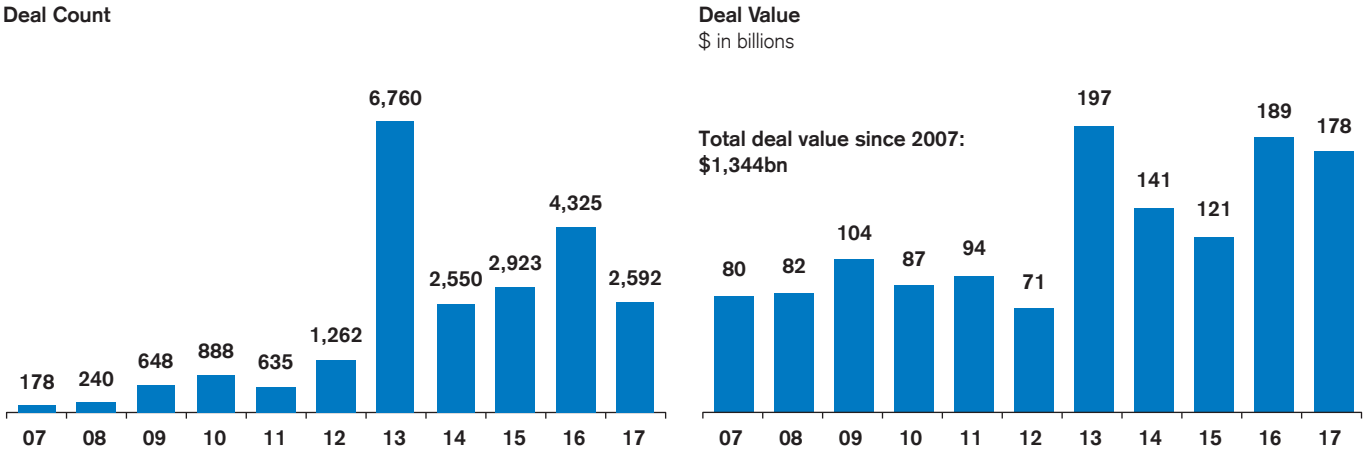


Why are PPFs investing directly into companies? Most PPFs face net liability gaps, creating a desire to find opportunities with higher return profiles and reduce underfundedness.[13] Investing directly into companies – both private and public – gives PPFs exposure to higher net returns. But this is not the only explanation. Historically, most PPFs limited their scope to "safe" instruments such as government bonds and blue chip stocks, and to some degree, funds overseen by financial sponsors. Investing alongside financial sponsors has helped PPFs build expertise in the field of direct investment, and some of these PPFs have also strengthened their investment tools and capabilities. All these factors help explain why PPFs have increased their activity with direct investment as a way to complement their indirect investments as limited partners to financial sponsors.

Sovereign wealth funds (SWFs) are a third pocket within PEC. These institutions hold over $7 trillion in AUM.[14] SWFs have a general mandate to create long-term capital appreciation for their countries' reserves. SWFs rose in scale and importance in the early 2000's. Some of the key players in this pocket are the Norway Government Pension Fund Global, China Investment Corporation, Abu Dhabi Investment Authority, Qatar Investment Authority, Temasek Holdings, Kuwait Investment Authority, GIC Private Limited, Australia Future Fund, New Zealand Superannuation Fund, Mubadala and Khazanah Nasional, just to name a few.

Unlike pension funds, SWFs are largely unconstrained by short-term liabilities, which means that they often have longer investment horizons and more flexibility and patience. This has enabled SWFs to experiment early on, and at large scale, with direct investing. Since 2007, SWF's have invested an impressive $1.3 trillion directly in companies, rather than relying upon index investments, other instruments, or indirect investment via financial sponsors.

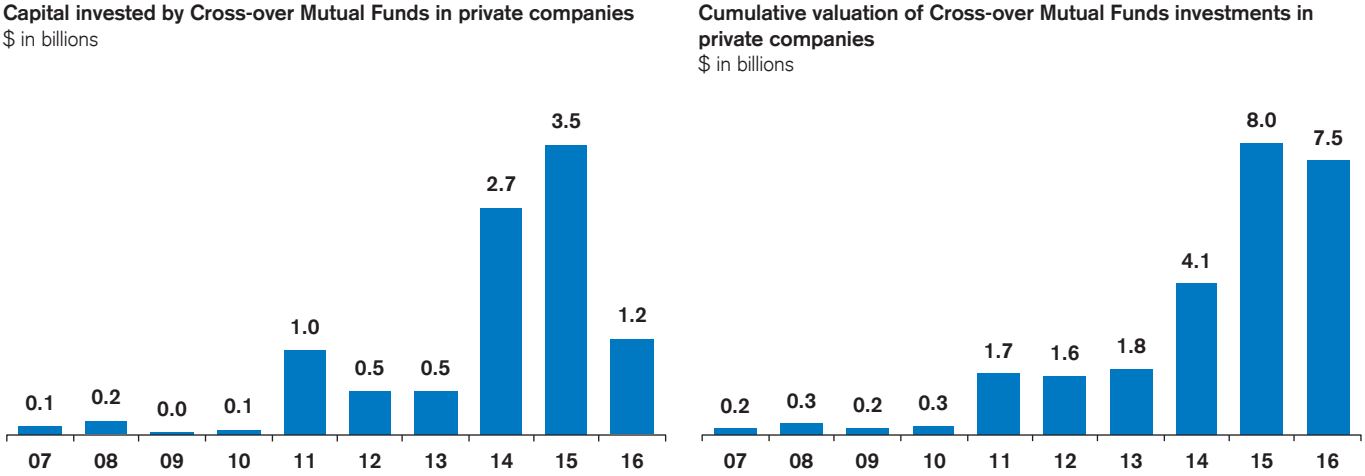
Figure 4: Direct investments by Sovereign Wealth Funds[15]



SWFs invest directly in companies, first, because they want to diversify their portfolio and income sources given the volatility in energy markets over the last few years. For instance, over 50% of SWFs resources originate from oil and gas activities. And second, because of a desire to build expertise and capabilities in sectors most exposed to innovation, as a way to safe-guard domestic economies traditionally reliant on those natural resources.[16] Finally, as mentioned before, SWFs have a longer investment horizon which aligns their interests and objectives better with those of corporates vis-à-vis the fund managers'.

A fourth pocket of PEC consists of mutual funds, in particular, those that invest in both private and public equities known as **cross-over mutual funds (COMFs)**. It's estimated that U.S. mutual funds have nearly $19 trillion in AUM[17] in aggregate with most of it invested in public companies. Historically, mutual funds have focused primarily on investments in public market assets, partly driven by the restrictions mutual funds have on the portion of the capital that can be invested in illiquid assets. Nevertheless, in recent years, these mutual funds have begun to meaningfully increase their direct investment in private companies, principally via exceptions to mutual fund charters.[18]

Figure 5: Investment in private companies by mutual funds, and aggregate valuation of investments[19]



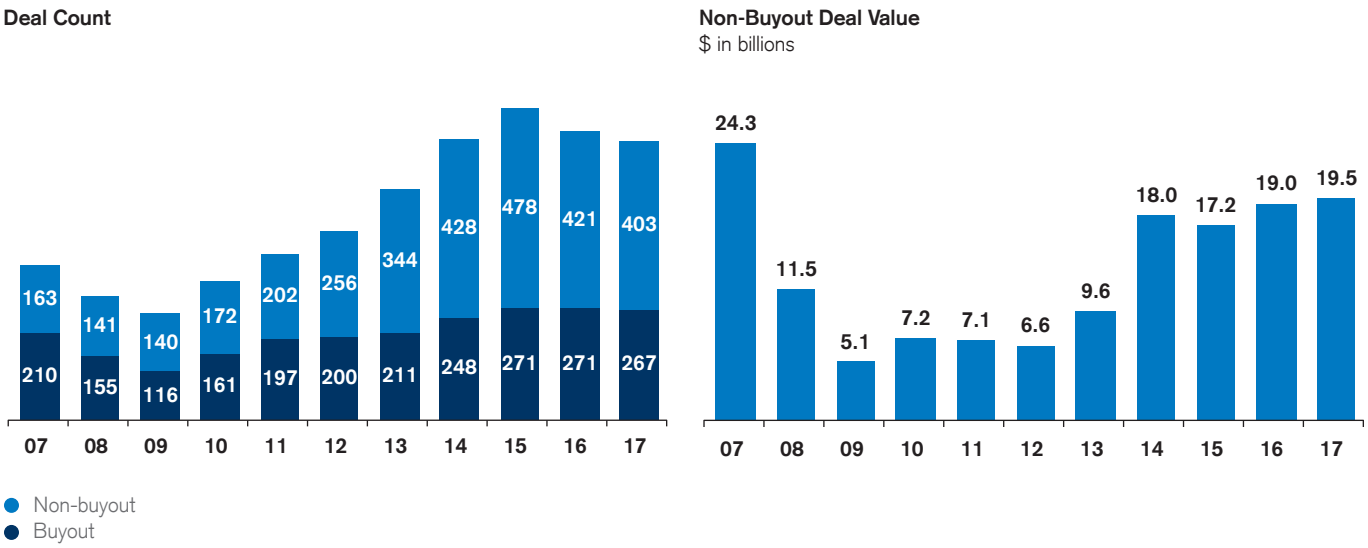
Why are traditionally public-markets-focused mutual funds increasing their attention on private investments? As the number of publicly-listed U.S. companies has dropped meaningfully in over the last two decades, there is now more money flowing toward fewer public markets investment opportunities.[20] But direct investing by COMFs is also a reflection of alternative ways these institutions use to beat the indices and generate genuine alpha. All these help explain why some COMFs have begun to look elsewhere for the returns they seek to gain for their investors, which helps these funds to raise and deploy additional funds in an environment of ultra-low yields.

Finally, **Family Offices (FOs)** are yet another pocket of capital in the PEC world. These are the professionally-managed offices of ultra-high net worth families – billionaires, multi-generational wealth – which are dedicated to investing capital on behalf of these families. Historically, North America and Europe have accounted for a large proportion of FOs activity, but in recent years FOs in Asia and Latin America have grown in number and importance. As with SWFs, the investment objectives can vary greatly between FOs based upon source of capital and mandate.

Due to limited public disclosure, it is quite hard to estimate with precision the number of FOs and amount of capital they have. Some estimate that family offices number around 2,500 world-wide and may control investable assets of as much as $7 trillion.[21] Regardless, FOs are numerous and certainly represent a significant and growing pool of private capital looking for an investment home.[22]

FOs are showing more interest in direct investment, and have ramped up their deal activity significantly over the last few years. As figure 6 shows, FOs invested in over 670 deals in 2017. In particular, FOs have consistently increased their non-buyout direct investments since 2013, reaching $19.5 billion in 2017 with an annual growth rate of 18.3% since 2009. It's important to note that these figures include only transactions where the deal values were disclosed, so the size of FOs' direct investments can be much higher.

Figure 6: Direct investments by Family Offices[23]



FOs seek higher returns, while reducing allocations to managed funds. With that said, another factor explaining the growth of direct investing is that some FOs have found that their investment preferences are often well-aligned with this investment strategy. For instance, FOs have significant flexibility in structure and have a long investment horizon which generally aligns well with corporates' strategy.

Why should corporates care about these new, evolving forms of private equity capital ("PEC")?

So what does this change in the private investment landscape mean for companies? The growth of PEC will continue to provide liquidity to companies and, furthermore, to drive up valuations. As the capital pool to invest increases, so will the valuations of the companies that are the targets of PEC attention.

But with public markets offering generationally-low financing costs, what do companies stand to gain by tapping into the private equity capital world? We've identified several major motivations for this.

First, PEC serves as a *way to provide liquidity to existing shareholders*, while simultaneously diversifying the shareholder base of the company, potentially *contributing to a lower cost of capital* as the number of investors willing and able to provide capital grows. Second, PEC is still a key source that companies – especially early-stage ones – have to *fuel growth*. Third, this type of capital may allow companies to *remain private* for longer. This is beneficial as it provides additional time for companies to prepare for an eventual IPO and also helps avoid costs associated with going public, including executing on their growth strategies without being on the public stage.

So if it's just capital at the end of the day, does it matter who provides it? We think it does. PEC often provides an *additional layer of value-add* that companies can benefit from. In the first place, private investors generally have a longer investment horizon which can give firms more leeway to operate in a setting focused more on long-term value creation and less on next period's earnings. In other words, private investment may enable companies to avoid some of the scrutiny and short-term pressure of public markets. PEC is generally more immune to short-term volatility associated with fickle investor perceptions, which can allow companies to remain focused on strategic initiatives.

Second, PEC can be a source of specialized investment accompanied by an investor that has *significant expertise in a specific sector or mark*et. For example, this expertise may come in the form of market-specific knowledge, or strong M&A capabilities. Additionally, these investors can be more active than typical retail or institutional investors in the management of firm operations or financing which, together, can positively contribute to growth, efficiency, and/or execution for companies struggling in any of those areas.

Examples of novel uses of private equity capital

(1) Facilitating an anchored IPO, enhancing the story and providing a long-term partner

For many companies, an initial public offering (IPO) is a natural step in their lifecycle. Businesses usually go public to raise capital to continue growing, while early investors use the IPO as a way to exit and generate returns on the investment. Besides the company's equity story – that is, its growth strategy, profitability levels and competitive position – risk is a key factor considered by IPO investors. And part of the risk assessment revolves around the company's financial leverage.

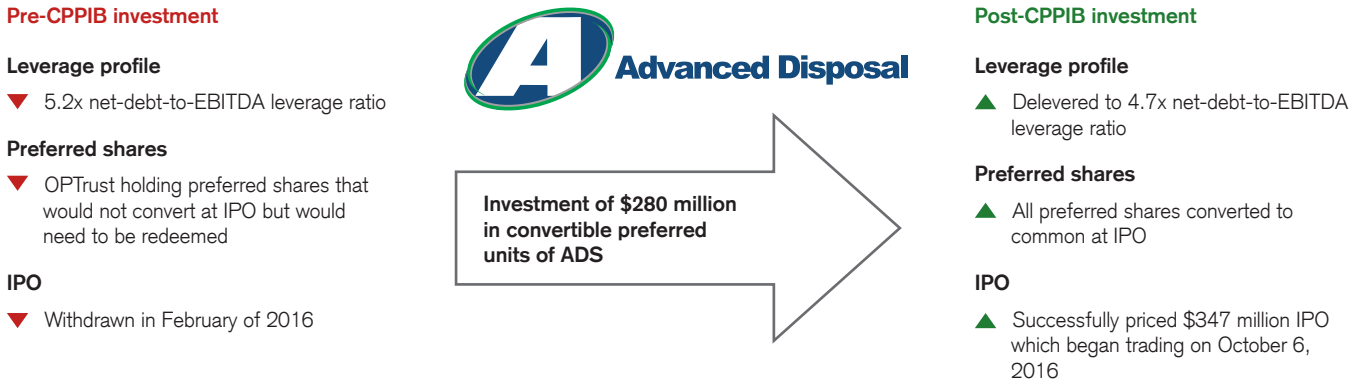
Having high leverage levels at IPO can pose roadblocks to the process or lead to sub-optimal pricing, as investors sometimes feel uncomfortable investing in highly levered companies going public. In situations like this, private market solutions can help clear the way for an anchored IPO by reducing pre-IPO leverage, which in turn enhances the IPO story.

Advanced Disposal Services ("ADS") is a leading integrated provider of solid waste collection, transfer, disposal and recycling services throughout the Eastern, Midwest, and Southeast regions of the United States. In early 2016, ADS was targeting a $400-$500 million IPO[24] on the back of a strong strategic story. ADS is the fourth largest solid waste carrier in the country with an attractive customer base. It focuses its operations on less-densely populated areas which gives the company a strong competitive position against the larger national players.

Proforma for its planned IPO, ADS carried leverage with 5.2x net-debt-to-EBITDA.[25] Additionally, OPTrust held a fair amount of preferred shares in the company which would not convert at IPO but would need to be redeemed as secondary shares in the offering. At the time ADS launched its IPO, the equity market entered a period of volatility and some investors began voicing concern about both the secondary share sale and the leverage of the company. As a result of both the unfavorable market conditions and investor pushback on these issues, ADS decided to withdraw its IPO.[26]

While the public equity markets seemed to have shut down for a near-term IPO, ADS turned to the private markets and ran a pre-IPO private placement process. In August 2016, Canada Pension Plan Investment Board (CPPIB) invested $280 million in convertible preferred units of ADS.[27] The proceeds of the investment were used to redeem the preferred units formerly owned by OPTrust, replacing them with a security that had a lower accrued interest and that converted automatically into common stock upon completion of an IPO, at a tight discount to the IPO price.

Figure 7: Advanced Disposal's private financing



Takeaways: Two months later, in October 2016, ADS successfully priced its $347 million flotation. Some of the IPO proceeds were used to delever the business, resulting in a proforma leverage of 4.7x net-debt-to-EBITDA.[28] CPPIB's private placement enhanced the IPO story; by removing the secondary proceeds from the IPO and also enabling the pro-forma leverage levels post-IPO to be more manageable, they addressed concerns around both secondary issuances and leverage levels. CPPIB effectively became the anchor investor, having line of sight to the IPO, and upon conversion, obtained a 25.1% stake in ADS (19.8% post IPO).[29]

(2) Providing liquidity to early shareholders, while enabling attractive entry valuations for new investors

As mentioned in the previous example, IPOs are one of the main vehicles companies use to raise capital to fund growth and provide liquidity to shareholders. However, in some cases companies may decide to remain private, as has been the case with many so-called tech "unicorns".

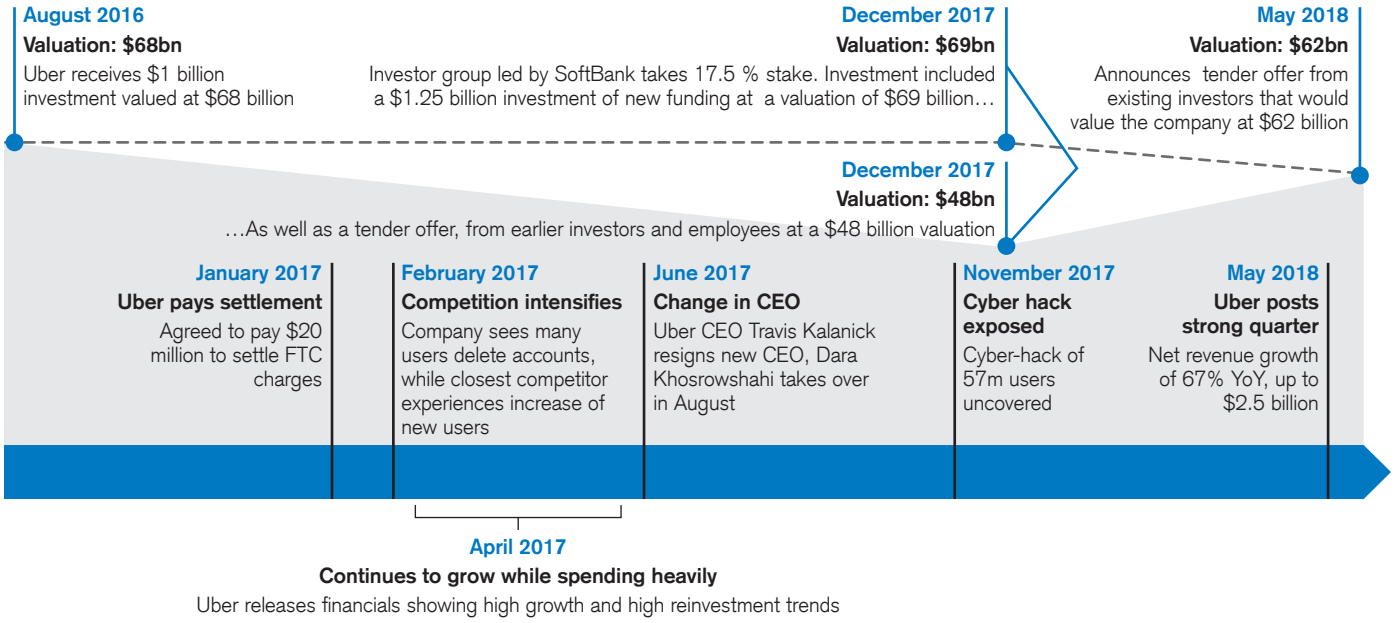
We mentioned before how PEC offers companies an abundance of capital which is flexible in structure and more long-term oriented. Because of this, PEC can provide early shareholders with liquidity, while enabling attractive entry valuations for new investors, as the next example shows.

In 2017, after a series of private capital raises, Uber – the ridesharing and transportation network operator – continued to need capital to support its technology investments and fuel its growth. Unfortunately, the company had just faced a rocky year of events, including the resignation of its CEO, a lawsuit, and a cybersecurity attack. In addition, competition had strengthened in the U.S. ridesharing market.

The challenge Uber faced was twofold. Besides needing capital to continue growing, a block of early investors were seeking liquidity as the company had largely restricted the selling of shares until this point. Tapping into public equity markets was not feasible at the time, given Uber's backdrop, and there were concerns that a traditional raise in the private market would very likely result in a "down-round" to the $68 billion valuation achieved in August 2016.

Uber needed a customized solution that only private markets could provide. In December 2017, a group of investors led by SoftBank entered into an agreement to acquire a 17.5% stake in Uber, with SoftBank becoming the company's largest shareholder. The solution came in the form of a combination of a tender offer of secondary shares and a $1.25 billion Series G1 of primary preferred shares. The tender offer valued the company at $48 billion, a 30% discount to their last private valuation.[30] Existing investors including Benchmark Capital, Menlo Ventures and First Round Capital, and former CEO Travis Kalanick each tendered part of their shares. Concurrently, the company raised $1.25 billion of venture funding from the group led by SoftBank Group, valuing the company at an estimated $69 billion.

Figure 8: Uber timeline of private financings



Takeaways: The tender offer gave existing shareholders a way to sell equity and unlock some of the value that had been difficult to realize to this point. In addition, the primary capital raise prevented a down primary round and protected long-term share price. At the time of writing, Uber announced that a consortium of three investors, Coatue Management, Altimeter Capital, and TPG Capital, would seek to buy between $400 million and $600 million in shares from existing investors at about $40 per share, implying a valuation of $62 billion, higher than the $48 billion from the SoftBank tender offer.[31] Locking in the investment from SoftBank was also an opportunity to land a strategic investor. All of these factors combined brought an element of financial stability to the company which had been affected by recent negative sentiment and turbulence.

(3) Raising capital to fund an accelerated acquisitive strategy

Growth is a key element behind shareholder value creation and is normally top of mind for most corporate executives. Whether it is organic or acquisitive, growth always requires an up-front investment that promises higher revenue, cash flows and enterprise value. Today, many public companies depend on M&A activity to grow and, especially in the current environment, these companies have been rewarded by the market.[32]

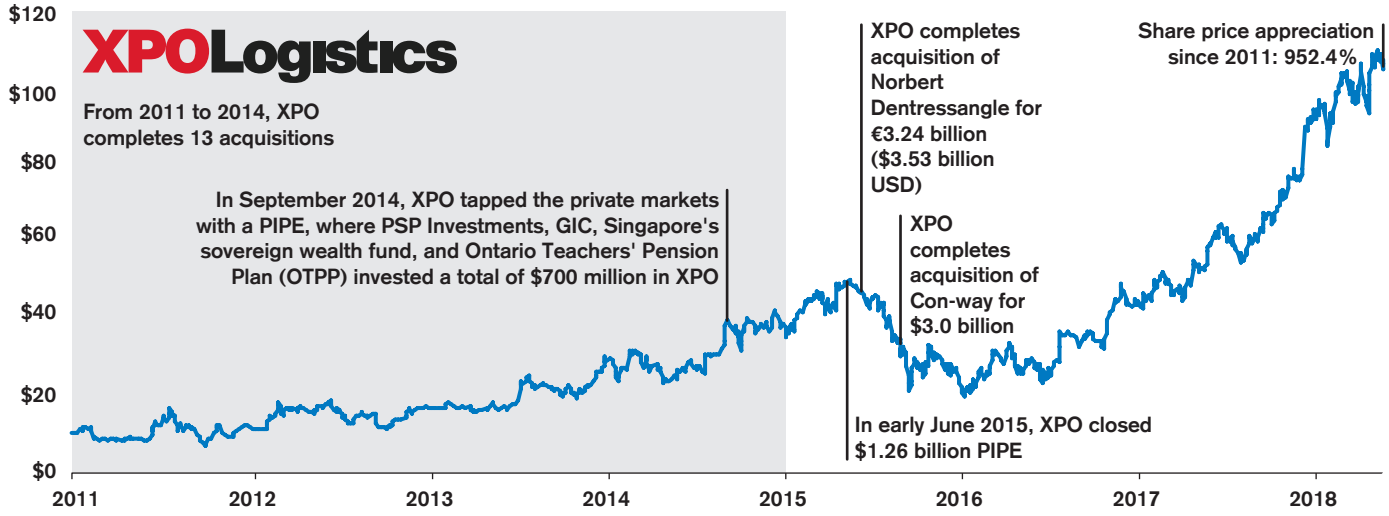
One of the challenges companies face with growth-through-M&A as a strategy is that large and steady injections of capital are required in order to finance the asset purchases. In many cases, internally-generated funds are not enough and companies need additional sources of capital to carry on the strategy. PEC can provide powerful solutions such as PIPEs (Private Investment in Public Equity) to publicly traded companies going after accelerated acquisition or consolidation strategies.

XPO Logistics is a publicly-traded company which provides transportation logistics services to shippers and carriers that outsource freight needs. One of the foundations of XPO's strategy has been to grow through acquisitions. XPO's CEO Brad Jacobs has a track record of successfully consolidating other industries previously and creating significant shareholder value, and acquired this business in 2011, when it was just a freight expediter with $177m in revenues. In just three years, XPO completed 13 acquisitions and increased its revenues to $2.4 billion by 2014, establishing leading positions in the areas in which it competed.[33] This was only the beginning, as the company had even more ambitious goals and expectations for its future.

In early 2014, XPO announced that it expected to spend $2.75 billion on acquisitions over the next several years and would need debt and equity to fund some of the purchases. In February of 2014, XPO placed a common stock offering of approximately $413 million and, in August 2014, offered $500 million of senior debt notes. Still needing more capital, in September 2014, XPO tapped the private markets with a PIPE, where PSP Investments, GIC, Singapore's sovereign wealth fund, and Ontario Teachers' Pension Plan (OTPP) invested a total of $700 million in XPO, at a share price of $30.66. The PIPE was a combination of convertible preferred and common stock issued at a 5% discount to the trailing 20-day volume weighted average price and required shareholder approval within six months for the issuance of common stock underlying the preferred (as the entire issuance was above 20% of the common stock).[34]

Shortly thereafter, XPO began evaluating the Norbert Dentressangle acquisition, which would have a total transaction value of €3.24 billion. Given its relative size, XPO would require proforma financials if it were to seek financing in the public markets. In June 2015, XPO closed a $1.26bn PIPE at $45 per share, where the same three investors, plus a small group of institutional investors including: BlackRock, Harvard College, MSD Capital, and others participated. This PIPE enabled the alternative of a much swifter timing, and eliminated the need to produce audited proforma financials. Besides the numerous strategic benefits for XPO that this acquisition had, the private investors' participation added credibility to its growth and value creation strategy in the eye of public markets.

Figure 9: XPO Logistics' share price evolution



Takeaways: The private market offers flexible and effective solutions for publicly listed companies that have accelerated acquisition strategies, and can enhance their public equity story. In XPO's case, the PIPE gave the company the opportunity to finance a critical and transformative acquisition in a timely manner, and also gave even more credibility to the acquisition strategy. The smart financing and effective acquisition strategy reshaped XPO as a one-stop shop for supply chain services across various geographies and end markets. At the time of writing, XPO's market valuation is ~$12.0 billion which translates into a CAGR of 38% since the NYSE listing.

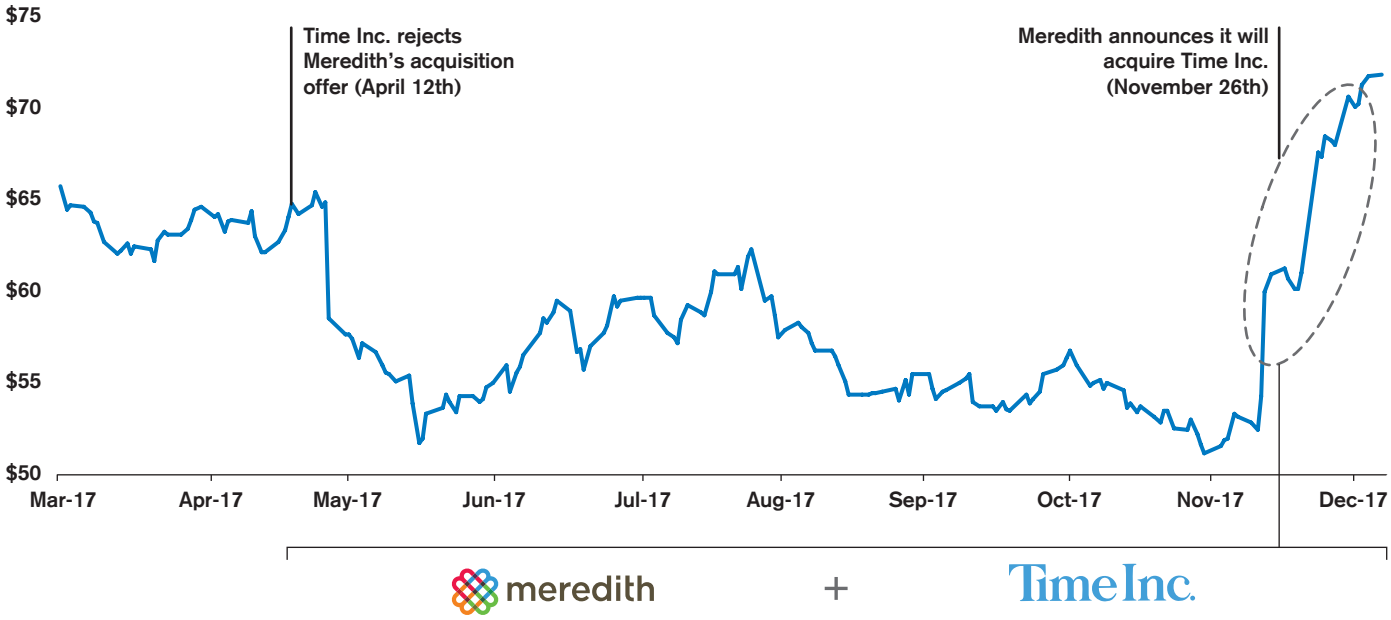
(4) Bridging the gap for an acquisition when debt is capped-out

In the previous example we showed how it is possible to combine public and private sources of capital to fund an accelerated acquisitive strategy. On a similar note, private capital can help push through acquisitions where flexibility in structure and alternate governance structures are needed, as we will show in our final example.

Meredith Corporation is a U.S. based multi-platform media conglomerate with a number of recognized brands such as Better Homes and Gardens and Family Circle. One of its key distribution channels is print media, which has seen a rapid degree of consolidation over the last few years. Meredith and Time Warner Inc had initial discussions in 2012-2013 to acquire certain magazines and brands, but no agreement was reached. Then, in late 2016, Meredith presented an unsolicited non-binding proposal to acquire Time Inc, and through early 2017, Meredith attempted to buy Time Inc in a combination of cash and stock. The deal initially fell short in light of difficulties in lenders providing committed financing due to Time's first quarter results and certain UK pension obligations.

Meredith considered alternative capital providers, and in late November of 2017, announced that it would buy Time Inc, in an all cash deal backed by the family office of the Koch family, Koch Equity Development ("KED"), which had offered Meredith $650 million for *preferred equity*. As a result of the capital raise, and coupled with $3.55 billion in debt financing from a collection of banks, Meredith finalized the tender offer to acquire Time for a total transaction value of $2.8 billion in January 2018.[35] KED's preferred has an 8.5% cash dividend or 9.0% PIK, with adjustments after year 4 and cannot be convertible to common before year 7. It also includes features such as: a liquidation preference, a combination of penny warrants and options struck at a premium, a 5 year call option, investor redemption rights upon a change of control and optional redemption rights for Meredith, among other features.

Figure 10: Meredith's Share Price Evolution



200 million unduplicated consumers

+170 million U.S. monthly unique online visitors

Better Homes & Gardens · FamilyCircle · Parents · Sports Illustrated · TIME · People · allrecipes · CBS 46 · FOX CAROLINA · Southern Living · FORTUNE

Takeaways: The transaction with KED was instrumental for Meredith in completing the Time acquisition, since it finally allowed it to acquire the business, while providing minimal dilution to existing shareholders. One of the most important features for Meredith was that KED agreed to no board representation and no influence on the editorial or managerial operations.[36] An additional benefit for Meredith was that the preferred equity was not included in the current leverage calculation; at a 2.9x net-debt-to-EBITDA (including synergies), Meredith continued on track to delever to 2x net-debt-to-EBITDA ratio by 2020.[37] All these, together with an anticipation of significant cost savings, led to a positive market reaction to the deal.[38]

Conclusions

While public markets will continue to be an essential source of capital to both private and public companies, we should keep the private markets in mind as an alternative. PEC has not only been growing, but is also becoming more diverse and flexible in the way capital is put to work.

PEC today not only encompasses venture capital and financial sponsors, but also a diverse group of institutional investors with deep pockets and expertise, ready to put their capital to work. Proof of this is the way in which direct investments by public pension funds, sovereign wealth funds, cross-over mutual funds and family offices have increased in recent years.

Although not covered in this paper, a select group of strategic/corporate investors have made enormous waves in the last few years. Defined by corporations like SoftBank, Alibaba, Tencent, these mega-corporates have intentionally made a key element of their strategy to invest directly in companies which they believe will revolutionize their industries. Other large corporations have followed suit - albeit with smaller bets - as a way to participate or develop a pipeline in emerging technologies, or deploy excess cash with higher returns. These are the likes of Amazon, Google, Apple, Eli Lilly, Pfizer, General Motors, Ford, Unilever and WalMart, just to name a few.

This means PEC will continue to provide liquidity to companies and, in many cases, to drive up valuations. As the capital pool to invest increases, so will the number of companies that are the targets of private equity attention, in effect providing a "private equity floor" to those companies' valuations. The expansion of these funds geographically and thematically dramatically increases the ways in which they can be used by corporations. In short, it does not matter where you are, either geographically or within your life cycle to be able to make productive use of the PEC market.

PEC can be particularly valuable in those cases where public markets find it challenging to provide the financing solution a company needs. In the few examples we have described, PEC provided customized solutions to companies that were in need of capital with a flexible structure that would have been challenging to find via public markets. But besides the capital injection, these companies were able to unlock additional benefits, such as improving the perception of the company and its strategy, and bringing strong and long-term oriented allies to the table. Now, while these examples are not meant to be exhaustive, we do think they give a taste for the multiple solutions PEC can provide to companies.

End notes

1 Source: 2018 Preqin Global Private Equity & Venture Capital Report, Credit Suisse calculations.
2 FactSet as of June 25, 2018.
3 In 2017, private equity accounted for 60% of fundraising activity and 57% of AUM. Source: 2018 Preqin Global Private Equity & Venture Capital Report.
4 Michael Mauboussin – "The Incredible Shrinking Universe of Stocks", 2017.
5 Source: Preqin, Pitchbook, Sovereign Wealth Institute, Credit Suisse calculations.
6 Ibid.
7 The significant size of this pool of private capital has begun to have an impact upon how corporations – including public ones – consider their financing options. In 2017 alone, corporations around the world raised over $1 trillion of equity capital, with almost 30% coming from private sources. Source: Dealogic and Pitchbook, Credit Suisse calculations.
8 Estimated as aggregate direct investments made by non-buyout private equity funds, public pension funds, sovereign wealth funds, cross-over mutual funds and family offices, over the last ten years. Source: Preqin, Pitchbook, Sovereign Wealth Institute, Credit Suisse calculations.
9 Source: 2018 Preqin Global Private Equity & Venture Capital Report.
10 Non-buyout is defined as Growth, Private Equity Fund of Funds, Private Equity Secondaries, Other Private Equity. Other Private Equity includes hybrid, balanced, co-Investment, co-Investment multi-manager, direct secondaries and turnaround funds. Source: 2018 Preqin Global Private Equity & Venture Capital Report.
11 Source: Sovereign Wealth Fund Institute.
12 Ibid.
13 In the US alone, the funding ratio of PPFs dropped from 1.0 (fully funded) in 2001 to 0.72 in 2016. The re-alocation of capital towards alternative assets is clear: for example, in 2001, U.S. PPFs held on average 2.4% of alternative assets, but that figure climbed to 17.7% in 2016. Public Plans Data, http://publicplansdata.org/.
14 Sovereign wealth fund assets have grown 13% over the past year, reaching $7.45 trillion worldwide across 78 funds as at March 2018. Source: Sovereign Wealth Institute.
15 Source: Sovereign Wealth Institute.
16 Consider, for example, that SWFs have increased their direct investments in the information technology sector, from 2.6% of their investments in 2007 to 7.3% in 2017. Source: Sovereign Wealth Institute.
17 The US mutual fund industry has $18.7 trillion in total net assets. Source: Investment Company Institute.
18 Academic research shows that the number of private companies held by COMFs has nearly tripled in the past decade and the number of COMFs investing in VC-backed companies has more than quadrupled. In addition, as figure 5 shows, the capital committed and aggregate valuation of MFs' private investments have skyrocketed in the last few years. Source: Mutual Fund Investments in Private Firms: Kwon, Lowry, and Qian.
19 Source: Mutual Fund Investments in Private Firms: Kwon, Lowry, and Qian.
20 Source: Michael Mauboussin – "The Incredible Shrinking Universe of Stocks", 2017.
21 Source: Wealth-X – "World Ultra Wealth Report 2017".
22 The key driver behind the growing world of FOs is the increasing accumulation of wealth in hands of high-net-worth-individuals (HNWIs). It is estimated that this population reached an aggregate wealth of $62 trillion in 2016, with the number of HNWIs growing at rates above 7% in the previous 5 years. Moreover, it's anticipated that HNWIs' wealth could grow at a rate of just under 6%, reaching the $100 trillion mark by 2025. Source: Capgemini "World Wealth Report", 2017.
23 Buyout includes Buyout/LBO and Merger/Acquisition transactions, while Non-buyout includes Growth/Expansion, PIPE, Angel & Seed, Early Stage VC, and Later Stage VC deals. All deals that with undisclosed value are excluded. Includes only transactions where deal value was disclosed. Source: PitchBook data as of April 2018.
24 Source: Advanced Disposal Services Form S-1, February 1, 2016.
25 Source: Advanced Disposal Services Form S-1, February 1, 2016 and other company filings.
26 See for example, Wall Street Journal – *"US IPO Window Could Stay Closed For Months"*, February 10, 2016; Bloomberg – *"Advanced Disposal Is Seeking New Investor Before Resuming IPO"*, March 31, 2016; Reuters – *"Waste management company Advance Disposal postpones IPO"*, February 10, 2016.
27 Source: company filings and press release. http://www.advanceddisposal.com/news/2016/advanced-disposal-announces-investment-by-canada-pension-plan-investment-board-and-michael-koen-joining-the-board-of-directors.aspx.
28 Source: Advanced Disposal Services 2016 10-K and 2016 Q4 8K.
29 CPPIB got a seat at the table, receiving favorable rights, including the right to designate one member of the board of directors, and become a party to the stockholders' agreement and registration rights agreement.
30 See Bloomberg – *"Uber Investors Agree to Sell Stake in SoftBank Deal"*, December 28, 2017; Bloomberg – *"SoftBank Bids to Buy Uber Shares for 30% Less Than Current Value"*, November 27, 2017; and, Techcrunch – *"Menlo, Benchmark, First Round sold Uber stakes worth hundreds of millions"*, January 5, 2018.
31 See Reuters – *"Uber trims losses and grows business, plans new stock sale"*, May 23, 2018.
32 See for example, "Tying the knot: M&A as a path to value creation", Credit Suisse Corporate Insights, Fourth Quarter 2016 and "Behind the numbers: Mastering M&A", Credit Suisse Corporate Insights, First Quarter 2018.

33 By 2014, XPO had completed transactions with a total value of almost $1,500 million, representing 47% of XPO's market capitalization at the time. Source: Factset.

34 The PIPE was split as a combination of preferred stock of $328 million gross proceeds and common stock of $372 million gross proceeds, and were issued at a 5% discount to the trailing 20-day average price. Upon approval by the company's shareholder's shareholders, the preferred was mandatorily converted into common stock on December 23, 2014. Source: Multiple company filings and press releases; see for example: http://investors.xpologistics.com/phoenix.zhtml?c=204615&p=irol-newsArticle&ID=2054735.

35 Company press releases, see for example: https://ir.meredith.com/news-releases/press-release-details/2017/Meredith-Corporation-To-Acquire-Time-Inc-To-Create-Premier-Media-And-Marketing-Company-Serving-Nearly-200-Million-American-Consumers/default.aspx.

36 Company press releases, see for example: https://ir.meredith.com/news-releases/press-release-details/2017/Meredith-Corporation-To-Acquire-Time-Inc-To-Create-Premier-Media-And-Marketing-Company-Serving-Nearly-200-Million-American-Consumers/default.aspx.

37 Following the close of the transaction, the Company is expected to have a B+/B1 Corporate Family Rating, with a pro-forma leverage of 2.9x including expected synergies. Meredith is committed to de-levering, with leverage expected to decline to approximately 2x by CY2020. Source: "Meredith Corporation to Acquire Time Inc." Investor Presentation from November 27, 2017.
Meredith is targeting a net debt-to-EBITDA ratio of 2.0 to 1 or better by the end of its fiscal 2020. This includes generating $1 billion of EBITDA and having net debt below $2.0 billion at that time. Meredith 2018 Q3 8k.

38 Meredith's share price increased by 17% two weeks after the deal was announced.

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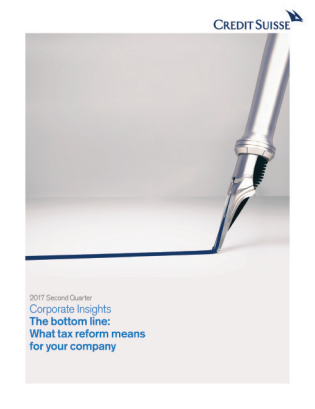

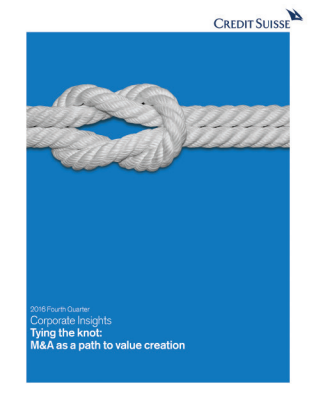

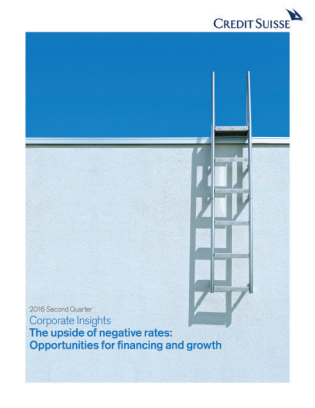

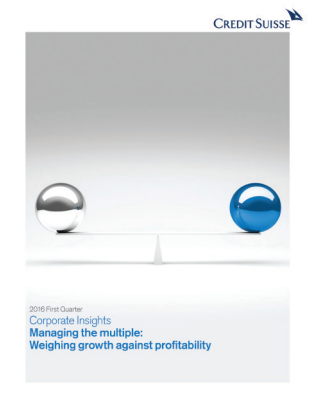

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