

Index

Page numbers in **bold** refer to terms defined in the Glossary

- 3G 118, **235**
- 3Ps 201
- 80/20 rule 77

- A Round 124, 127, 135, 136, **235**
- A shares 136, **235**
- absolute time 90
- acquisition debt 69, 77, 106
- Actelion 123
- ADC 118
- ADSL 118, **235**
- advisory boards 203–4, **235**
- AFIC **235**
- alignment of interests 76
- allocated capital 17–18, 208–9, **236**
- allocation **236**
- alpha customers 124, **236**
- alpha product 87, 92, 104, **236**
- alpha return 181–2
- Alphabet Note 65
- Altitud 118
- Amazon.com 122, 150
- analogue communication 118
- Anders, George 227
- angel investors 124, **236**
- angel round 124, 135, **236**
- Anglo-Saxon model 28, 171
- annexe fund **236**
- annual returns 32, 33, 131
- anti-dilution 136, 137, **236**
- anti-trust legislation 83, 198–9
- AOL 141, 150
- Apax 74, 83, 113
- application software 117
- arithmetic mean 38, 39
- Asia 75, 161
- asset class, leaving 182–3
- Atlas Venture 123
- audit 198
- Australia 28
- average **236**
- average holding period 92, **237**
- average leverage (or gearing or debt) 92, **237**
- average returns 39–40, 54

- B Round 127, 135, 136, 137
- B shares 136
- B2B 117, **237**
- B2C 117, **237**
- baggage **237**
- barriers to entry 75–7
- Basel II 116
- basis point **237**
- BC Partners 100, 101
- Besse, Joel 123
- beta customers 124, **236**
- beta product 87, 119, **236**
- beta return 181
- bid premium **237**
- BIMBO 60, **237**
- Blackstone 73, 74
- blind (blinded) data **237**
- Bluetooth 118
- BMW 86
- bonds 32
 - redemption yield 32
 - total return 32
- book **238**
- bootstrap **238**
- Boston Consulting Group (BCG) matrix 68, 164–6, 168
- bottom line 80
- bottom up 79, **238**
- BRIC economies 174, 175
- Bridgepoint 72
- British Telecom 103
- British Venture Capital Association (BVCA) 7, **238**
- broadband 118
- bubble 158, 159, 162
 - dot.com 4, 23, 119–20
 - internet 149
 - optical 119
 - technology 68, 87, 133–4, 149

- bundled hardware 122
 Buyout 7–9, **238**
 characteristics 67–77
 definitions 6, 7
 effect on employment 6
 established businesses 67–9
 European 4
 level 199
 skill bases 100
 structure 63–7
 types 59–62
 US 4
 vs Venture Capital 9–11
 Buyout companies 198–9
 Buyout drivers **238**
 Buyout fund 34, 199
 due diligence 193–4
 modelling and analysing 91–4
 size 72, 107–12
 BVCA *see* British Venture Capital Association
- Call Option 174
 Candover 5, 100, 103, 104
 Capital Call 20, 49, 50, 179, 183, 184, 211, **238**
 Capital Weighted Average (CWA) 40, 98–9, 147, 158, **238**
 IRR 97, 98, 103, 108–10, 145–7, 158
 TVPI 97, 99, 103, 148–9
 Carlyle 114
 carried interest **238**
 carry **239**
 Cash 22, 183, 211, 226, 228
 cash cows 166, 169
 cash flow 80
 cash sweep **239**
 cash, unexpected need for 183–4
 cashflow planning 207–8
 catch-up **239**
 change of control provision **239**
 change of strategy 182–3
 Charterhouse 103, 104
 China 28, 161, 175, 176
 Chromatis 118, 119
 Cinven 100
 Cisco 150
 Citibank 22
 class rights **239**
 classic US Venture model 113
 clawback **239**
 close (closing) **239**
 Closed-End fund 26, 27, **239**
 co-investment 4–5, 217
 co-investors 196–7
 commitment 210–12, **239**
 committed capital 17–18, 32, 208–9, **239**
 compound returns 31–6
 computer gaming 117–18
 concealment firms 202
 condition subsequent **240**
 constituent fund **240**
 control investing 9, 10, 74–5
 controlled auction **240**
 convertible debt *see* mezzanine
 convertible shares (convertible stock) 91, **240**
 copyright piracy 117
 cost and value of Venture 136–9
 Cov-Lite 65, **240**
 creditor days 69
 cross-fund investing 197–8, **240**
 CVC 22, 89, 100, 134
- D Round 135
 data communication 118
 deal by deal **240**
 deal sourcing 60
 dealflow 77, 193–4
 debt *see* leverage
 debt-aversion 72, 75
 debtor days 69
 definition of Private Equity 2–3
 Dell 122
 depreciation 80, 81
 Deutsche Bank 22
 Development Capital 62–3, 163–76, 201–2, **240**
 exit protection 173–4
 future 174–5
 minority protection 171–3
 money in deals 166–7
 money out deals 167
 objectives 167–8
 target companies 166
 digital communication 118
 direct investing 3–4
 distributed capital 49
 Distributed over Paid In (DPI) 47, 49–50, **241**
 Distributed to Committed Capital (DCC) 47, **241**
 distribution 47, **241**
 distribution in specie 21
 Distribution Notice 21
 diversification by time 180–1, 209–10, **241**
 dogs 166
 dollar-weighted (returns) **241**
 dot.com bubble 4, 10, 23, 119–20, 187, **241**
 double counting 92
 Doughty Hanson 72, 100, 104, 114
 downside **241**
 Drag Along 174, **241**
 Drawdown Notice 20, 21, **242**
 Drawdown *see* Capital Call
 Drawdown Capital 17–18, **241**
 drivers, contribution of 106–7
 drug approval process 121
 drug discovery area 120
 Dry Powder **242**
 due diligence 24, 60, 114, 191–205, 230, **241**
 Buyout companies 198–9
 Buyout funds 193–4
 changing nature of 204
 co-investors 196–7
 cross-fund investing 197–8
 Fund of Funds 200–1
 Growth and Development Capital 201–2
 monitoring Private Equity funds 202–4
 Venture companies 199–200
 Venture funds 194–7
 Duke Street 100
 dumb money 156
- E Round 135
 earn out **242**
 earnings 70–1, 80–1, 92, **242**
 earnings growth 83, 104–5
 earnings multiples 84, 92, 101–4

- EASDAQ 150, 151
 eBay 122, 150
 EBIT 81–2, 82, 88, **242**
 EBITDA 82–3, 102, 222, **242**
 ECI Partners 163
 EIR (entrepreneur in residence) programme 125, **243**
 email 118
 emerging markets 228–9
 Employee Retirement Income Security (ERISA) Act 185, **243**
 end game **243**
 enterprise software 117
 enterprise value 91, 92, **243**
 entrepreneurs 135
 entry multiple 86
 EPS (earnings per share) **243**
 equity IRR 88
 equity-only deals 223
 equity value 91, **243**
 ERISA 18, 19
 Escrow **243**
 Europe
 average size of Buyout funds 68
 Buyout 4
 development activity in 63
 fund size and 154–9
 Upper Quartile TVPI, US vs 153
 US Buyout vs 97–112
 US out-performance vs 145–51
 US valuation vs 132–3
 US Venture model in 127
 Venture 151–4
 Venture returns by stage 158–9
 European Monetary System 104
 European Venture Capital Association (EVCA) 7, 225, **243**
 evergreen vehicles 20, **243**
 exclusivity **244**
 exit multiple 86
 exit protection 173–4, **244**
 exiting 130
 exiting debt 69
 expansion capital 163, **244**
 extension **244**
 extension period **244**

 fair value 132–3
 Fax 118
 FDA approval process 121, **244**
 fees 188, 231–2
 Finance Director 105
 Financial Controller 105
 financial crisis 222–8
 credit 222–3
 holding periods 225–6
 secondaries 227–8
 valuation 224–5
 Finland, telephony in 119
 firm **244**
 first-time fund 76–7
 flotation **244**
 Fonds Commun de Placement à Risques (FCPR) 19
 France 101
 investment in 22
 Life Science in 122
 multiples in 85
 freeing up working capital 83
 French auction 85, **244**
 French solution **244**
 FTSE index 102
 FTSE100 52
 FTSE PE ratios 103
 full payback **245**
 fund cycle **245**
 fund investing 3–4
 Fund of Funds 3, 4, 11, 21, 23, 37, 102, 133, 187, 200–2, **245**
 Fund IV 182, 195, **245**
 fundraising 23–5, **245**
 fundraising cycle **245**

 GAAP **245**
 Gala Coral 197
 gaming 117–18
 gating 27
 GDP 6
 gearing *see* leverage
 gearing ratios 102, **245**
 General Partners (GPs) (Private Equity manager) 4, 7, 18, 22, **246**
 GP/LP relationship 203
 dissatisfaction with 184
 geography
 diversification by 181, 212–14
 overconcentration by 183
 Germany 71, 26, 101
 actual economic cycles 106
 Buyouts 101
 multiples in 86
 go Shop **245**
 going in equity (GI%) 139
 golden circle 147–9, 152, 159, 160, 161, 200–1, 213, 214, **245–6**
 Google 122, 150, 160
 GPRS 118, **246**
 Great Train Robbery 103–4, 134, **246**
 Group **246**
 Growth Capital 7–9, 163–76, 201–2
 exit protection 173–4
 future 174–5
 minority protection 171–3
 late-stage Venture and 170–1
 objectives 169–70
 target companies 168–9

 happy hunting time 125
 Harborvest 3, 185
 hard circle 24–5, **246**
 hardware 116
 healthcare, specialist services 120
 Hedge funds 25–7
 hockey stick **246**
 see also J-curve
 holding periods 225–6
 IRR and multiple, trade-off 45
 home-run mentality 126, 195–6, **246**
 home run 118, 122, 126, 147–9, 195–6, **246**
 impact of 139–42
 horizontal strips 70
 Horsley, Phil 22, 148, 201
 Horsley Bridge 3, 126, 140, 147, 159, 213
 housekeeping 184, **247**

- human genome project 120
hurdle **247**
hurdle rate **247**
- illiquidity premium 57
imperfect markets 100–1, 103
in specie 21, **247**
Incisive Media 197
incubation 125
India 175, 176
IndustriKapital 72, 100
inflation 83, 104
infrastructure 27–8
Innovations Kapital 118, 122
Intellectual Property 49
intelligent approach 24
Inter-Creditor Agreement 65
International Accounting Standards 225
Internet 118, 122, 183
Internet bubble 149
Intuit 150
invested capital 18, 208–9, **247**
investee company **247**
Investitori Associati 101
investment banks 77
investment period 20
IP audit 200
IP due diligence 200
IPO work 21, 25, 48, 77, 170, **247**
IRR 33–4, 88, 145–7, 167, 170, 179–80, 188, 215, **247**
 drawback of 36
 money multiple and, trade-off 34
 multiples and 138–9
Israel, mobile technology in 119
IT sector 115, 116–18, 141, 149
Italy 86, 101
 barriers to entry in 76
 multiples in 86
- J-curve 31–6, 41, 102, 131, 138, 188, 207, **247**
 time and 178–80
jug (juggernaut) funds 73
junior debt 12
junk bonds 12
- Keynes, John Maynard 56
kicker 12, **248**
KKR 226
Kleiner Perkins 117, 141, 150
- Latin America 75
LBO (Leveraged Buyout) 60–1, **248**
leverage (gearing; debt) 26, 61, 69–70, 79, 82, 83, 88–9, 92, 105–6, 129, **248**
Liability Driven Investment 32
Life Science (Health care/Biotech) sector 115, 120–3, 141, 149
Limited Partners (LPs) 3, 7, 18–20, 21, 24–5, 26, **248**
 default 188
Limited Partnership Agreements (LPAs) 18, 20, 21, 23, 24–5, 225, 228–9, **248**
liquidation preferences 135, 137, **248**
living dead 184, **248**
Loan Agreement 65
loan notes 69
lock-up provisions 130
London Stock Exchange 151
long-term compound returns 131
Lotus 150
Lucent 118, 119
- M&A 48, 74, 198, **248**
management buy-in (MBI) 60, **249**
management Buyout (MBO) 59–60, 74, 188, **249**
manager **248**
market conditions 149–51
market risk 114
market timing 90, **248–9**
marketing presentation 24
Markowitz, Harry 54–6
Massively Multi-player Online Game (MMOG) 118, **249**
mean, arithmetic 38, 39
median 38, **249**
median returns 38–9
medical devices 120, 121
mega funds 2, 86, 107–8, 110–12, 194
mergers and acquisitions (M&A) 74, 198, **248**
mezzanine 12, 13, 70, 83, 88, 91, 217, **249**
Microsoft 116, 117, 122
mid-cap deals 223
mid-market 73, 76
mobile communication 118, 119
Modern Portfolio Theory 55
money in deal 165–7, **249**
money multiples 108, 129–31
money out deal 167, **249**
monitoring Private Equity funds 202–4
monopolies (anti-trust) legislation 83, 198–9
multiple 45–51, 84–8, 145–7
 as driver of Buyout returns 79
 increase in an imperfect market 85–7
 increase in a perfect market 87–8
 in industry research 48–51
 IRRs and 138–9
- nanotechnology 115
NASDAQ index 149, 150–1, 162
negative control 75, 172–3, **249**
net profits 80
Netscape 141
Newco 69, **250**
non-control investing 9, 10
non-recourse 26, 65
Nordic Capital 72, 100
NVCA (National Venture Capital Association of America) 133, **250**
- observation **250**
Offering Memorandum 23–4, 194, **250**
only partners policy 195
open-ended *see* evergreen
operating debt 69, **250**
operating experience **250**
operating leases 88
operating software 117, 122
operational gearing 73
OPM (other people's money) **250**
optical bubble 119
optical technology 118–19
options 137, 198
overconcentration by time, sector or geography 183

- overhang **250**
owner-manager 74, 75
- P2P 250**
paid-in capital 49, **251**
Paid In to Committed Capital (PICC) 47, **251**
Pantheon 185
papering the file 24
Partnership Laws 29
payback period 210–11, **251**
payback point **251**
PE ratio 80–1, 82, 102, 103, 149, **251**
pension funds 23, 57, 199
percentage of holding within fund 139
Permira 73, 74, 83, 100
PFI 89
Pharma **251**
placing (placement) agent **251**
plant closures 101
pooled returns 41, **251**
portfolio secondaries **252**
post money **252**
pre money **252**
primary **252**
Private Equity
cash flow 20–1
classification 11
at company level 12–13
definition 2–3
at fund level 13
fundraising 23–5
funds 15–29, 131–2, 207
holding periods 48
investment 22
new world of 218
proxies 217–18
returns 32, 52–4, 87–8, 230–1
risk 54–6
structure 18–20
transactions 207
track record 230
volatilities 56–8
Private Equity Industry Guidelines Group (PEIGG) 133, **251**
Private (Equity) Real Estate (PERA) 28
Private Investment in Public Equity (PIPE) 63, 223, **251**
Private Placement Memorandum 23–4, **252**
product life cycle (PLC) 7–9, 164–6, 169–70
profits attributable to shareholders 80
property returns 131–2
Put Option 174
- question marks 166, 169
quoted distribution **252**
- realisation ratio 47, **252**
recapitalisation (recaps) 68, 89, 92, **252**
redemption effect 32
reductio ad absurdam 46
redundancies 101
relationship-oriented Venture 158
representations (reps) and warranties **252**
reserves **253**
Residual Value to Paid In (RVPI) 47–8, **253**
restricted stock 21, **253**
restrictions on transfer 184–6
Retail Price Index 83, 104
ring-fencing 26
risk 54–6
risk-adjusted return 55
risk and reward, relationship between 123
RJR Nabisco 227
roll-up 62, 86, **253**
run-off **253**
running yield 32
Russia 176
- S&P PE ratio 149
Sage 117
Scandinavia 101
scattergun approach 24
Schroders 74
secondaries 11–12, 177–89, 216, 227–8, **253**
fees 188
methodology 186–7
reasons for buying 178–81
reasons for selling 182–4
restrictions on transfer 184–6
synthetic 184
tails 187–8
Treasury and 181–2
Secondary Buyouts 62, **253**
Second Lien lending 12, 65, 70
sector **253**
diversification by 181, 212–14
expertise 82
overconcentration by 183
seed 124
seed capital 124
seed round 124, **254**
seed stage 124–7, 135, **254**
‘seeking alpha’ 182
senior debt 69, 83, 88, 91, **254**
Sevin Rosen 149
Sharpe Ratio 55, 56, **254**
Shoot Out 174
Silicon Valley theory 213, 214
Simpson, Ian 193
size 71–4
size of market 114
skin in the game **254**
Skype 122, 195
smart money 156
SMS messaging 119
social economic model 6
Sofinnova 122
soft circle 24–5, **254**
soft issues 192
software 115, 116
South America 176
Spain 134
Special Purpose Vehicle (SPV) 64, 65, **254**
spring cleaning *see* housekeeping
stage **254**
stapled primary 185–6, **254**
stars 68, 166, 169
stepdown **255**
stock levels 69
strip 65, **255**
sub-components field 119
Summit Partners 163
Sun 150
suivorship bias **255**

- Sweden 71, 101
 IT in 118
 Life Science in 122
 sweet equity 59, 91, 198, **255**
 synthetic secondary 184, **255**
- T-bills 57
 TA 163
 Tag Along 173, **255**
 tail 187–8, **255**
 Taiwan 28
 Take Private (P2P; PTP) transaction 60, 61–2, 80–1, **255**
 technology bubble 68, 87, 133–4, 149
 technology deals *see* IT
 technology risk 114, 116
 telcos 119, **255**
 Telecommunications (Telecoms) sector 115, 116, 118–20, 141
 thin equity 67, **256**
 tax rules 88
 third generation *see* 3G
 Third Market 151
 Thomson Financial 100, 148
 Thomson Reuters 20, 50, 148, 149, 151
 3G telephones 118
 3i 177, 216
 time
 diversification by 180–1, 209–10, **241**
 as driver of Buyout returns 79
 J-curve and 178–80
 overconcentration by 183
 time value of money 32, 36
 time-weighted returns 42–3, **256**
 timing 83, 89–91
 tools companies 116
 top line entry 82
 total return 215–18, **256**
 Total Value to Paid In (TVPI) 48, 97, 99, 125, 145, 148, 149, 153, 179, **256**
 transaction-oriented Venture 158
 transparency 102, 148
 Treasury secondaries 181–2, **256**
 turn (investment) **256**
 turnaround **256**
- UK, actual economic cycles in 106
 UMTS 118, **256**
 uninvested capital 215–18, **256**
 United Airlines 227
 Unlisted Securities Market 151
 Upper Decile **257**
 Upper Quartile 37–8, 149, 158, **257**
 IRR 97
 TVPI 149, 153
 US Venture model 124–7, 140, **257**
 in Europe 127
 USA
 average size of Buyout funds 68
 Buyout 223
 seed stage funds 158
 US out-performance vs Europe 145–51
 Venture returns vs total Capital raised 155
 vs European Buyout 97–112
 utilities 116
- valuation 131–6
 as element of stated returns 131–2
 Europe vs USA 132–3
 financial crisis 224–5
 guidelines 132
 pre-money and post-money 135–6
 share classes 136
 variability 133–4
 value add 126–7, 196, **257**
 vendor loan **257**
 Venture Capital 7–9
 backing new applications 114–15
 classification by sector 115–23
 classification by stage 123–8
 definition 6–7, 113–14
 employment created in 6
 vs Buyout Capital 9–11
 Venture Capital Operating Companies (VCOCs) 20, **257**
 Venture Capital Trust (VCT) 19, 152
 Venture Capitalists 68, **257**
 Venture companies 199–200, **257**
 Venture funds 24, 194–7
 US 3, 4
 Venture partners 125, **257**
 Venture returns 145–62
 by stage 158–9
 European 151–4
 fund size and 154–9
 future 159–61
 US out-performance vs Europe 145–51
 VentureOne 160
 VentureXpert 100, 148, 158
 vertical strips 70
 vintage year 148, 149, 152, 209, **258**
 Buyout fund 89, 104
 vintage year return 35, 38, 41, **258**
 volatilities 56–8
 volatility-adjusted return 55
 Vulture Capitalist 75
- walkaway fee **258**
 Wi-Fi 118
 Windows 117, 122
 write down **258**
 write off **258**
 write up **258**
- Yahoo 122
 Yale Endowment 159
 Yellow Pages 101, 105