



FIRST REPUBLIC

Private Equity Today

Presentation to Tech Coast Angels

Bronwyn Bailey
Managing Director

September 17, 2020



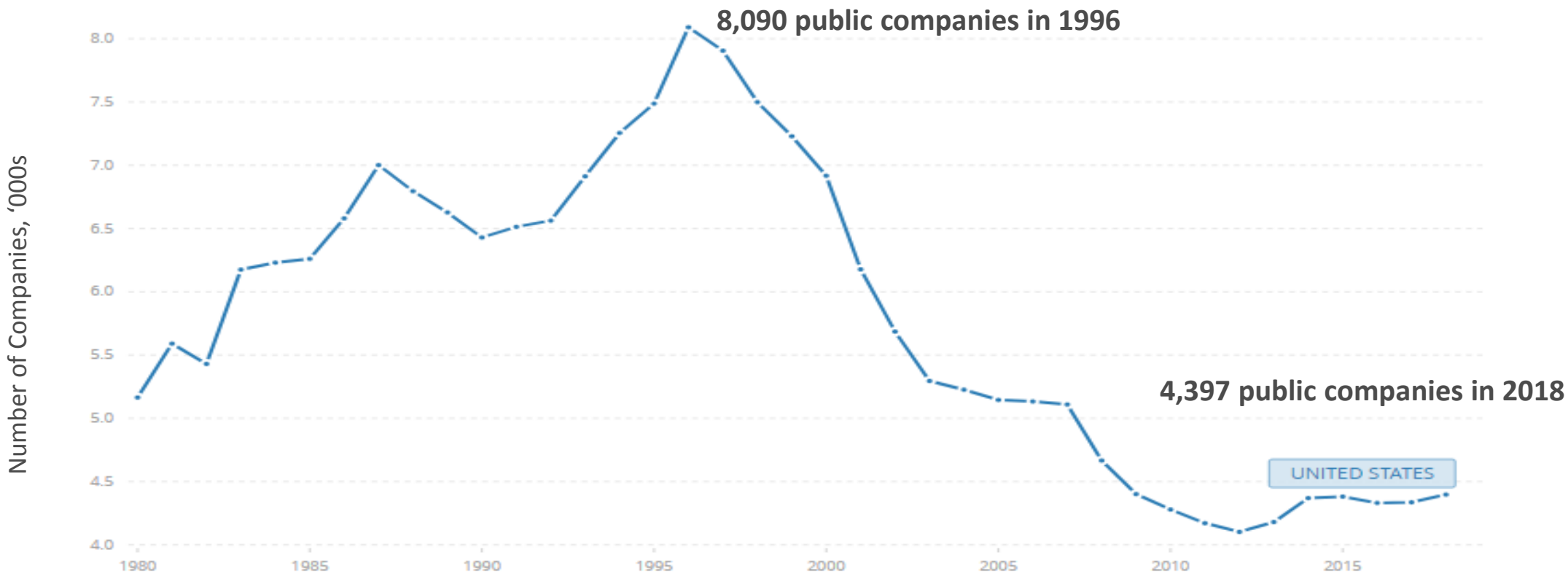
FIRST REPUBLIC

AGENDA

- 01 The Private Investing Opportunity
- 02 Private Equity and Tech
- 03 Private Equity Passes the COVID Test

The number of public companies has diminished

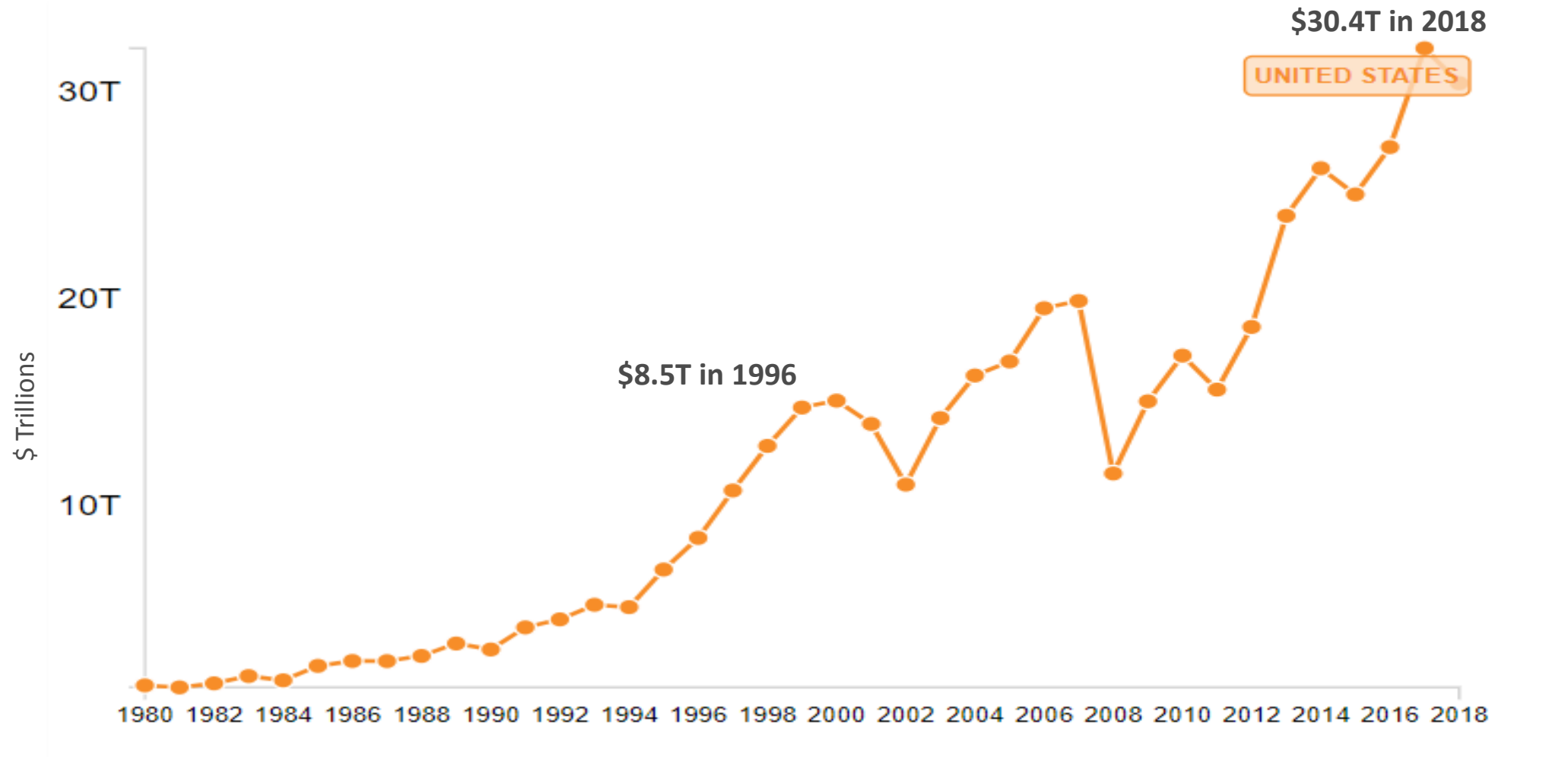
Number of Listed Companies, U.S. (1980-2018)



Source: World Bank, <https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US>

3x the capital is concentrated in almost half the companies

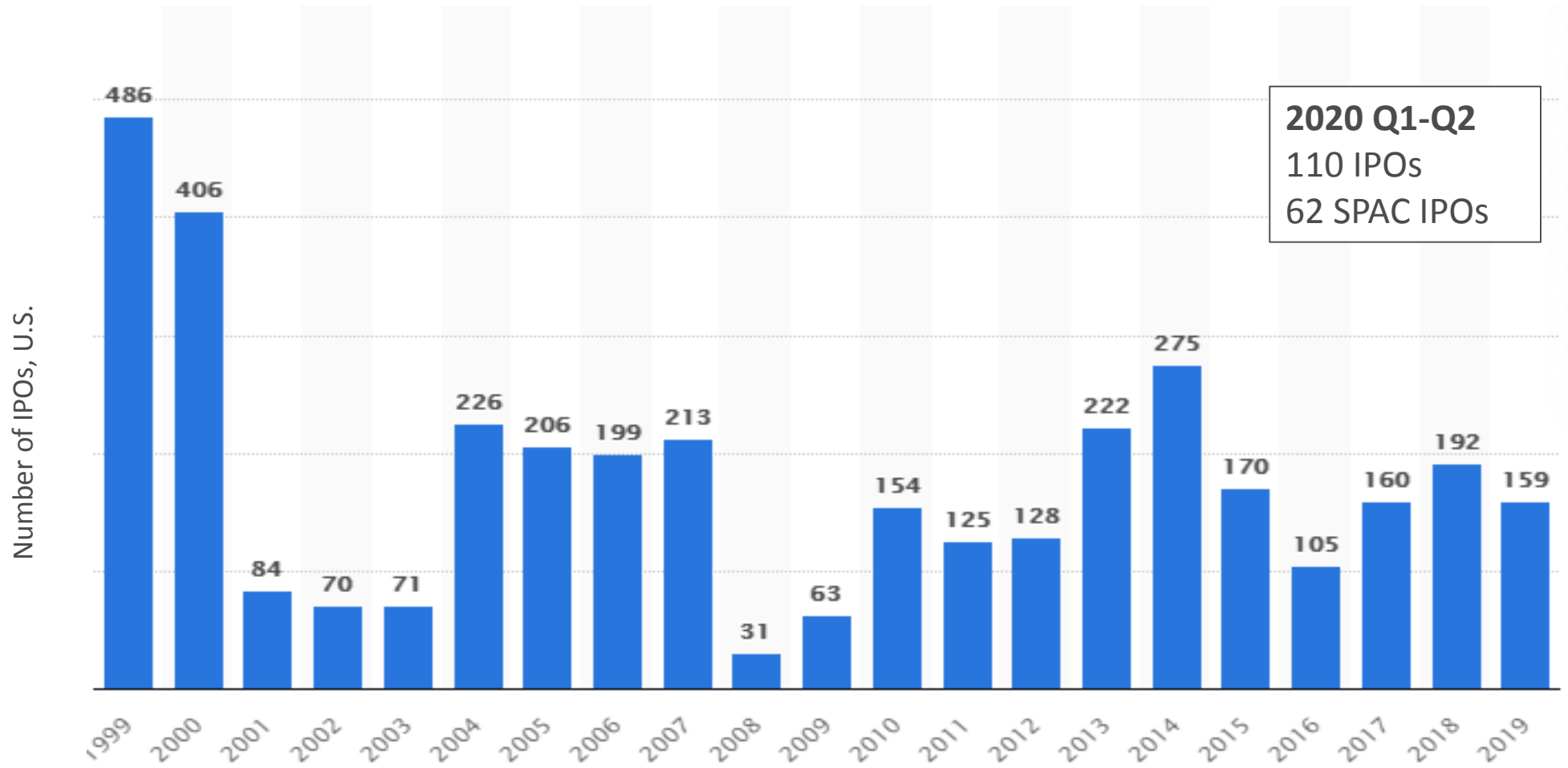
Market Capitalization of Listed Companies, U.S. (1980-2018)



Source: World Bank, https://tcddata360.worldbank.org/indicators/CM.MKT.LCAP.CD?country=USA&indicator=1549&viz=line_chart&years=1980,2019

Fewer companies go public today than in the mid aughts

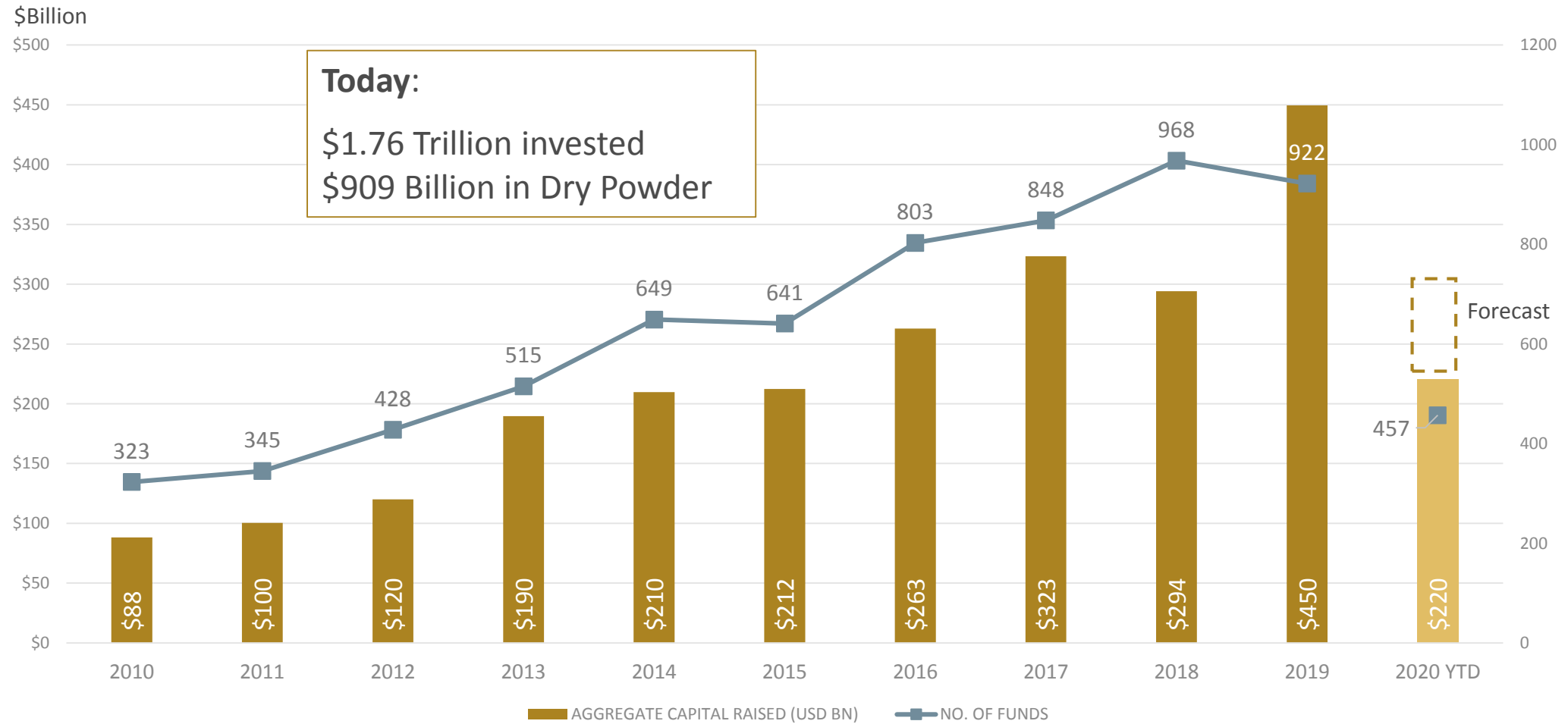
Number of IPOs, U.S. (1999-2019)



Source: Statista, <https://www.statista.com/statistics/270290/number-of-ipos-in-the-us-since-1999/>; FactSet.

Private equity funds are filling the gap

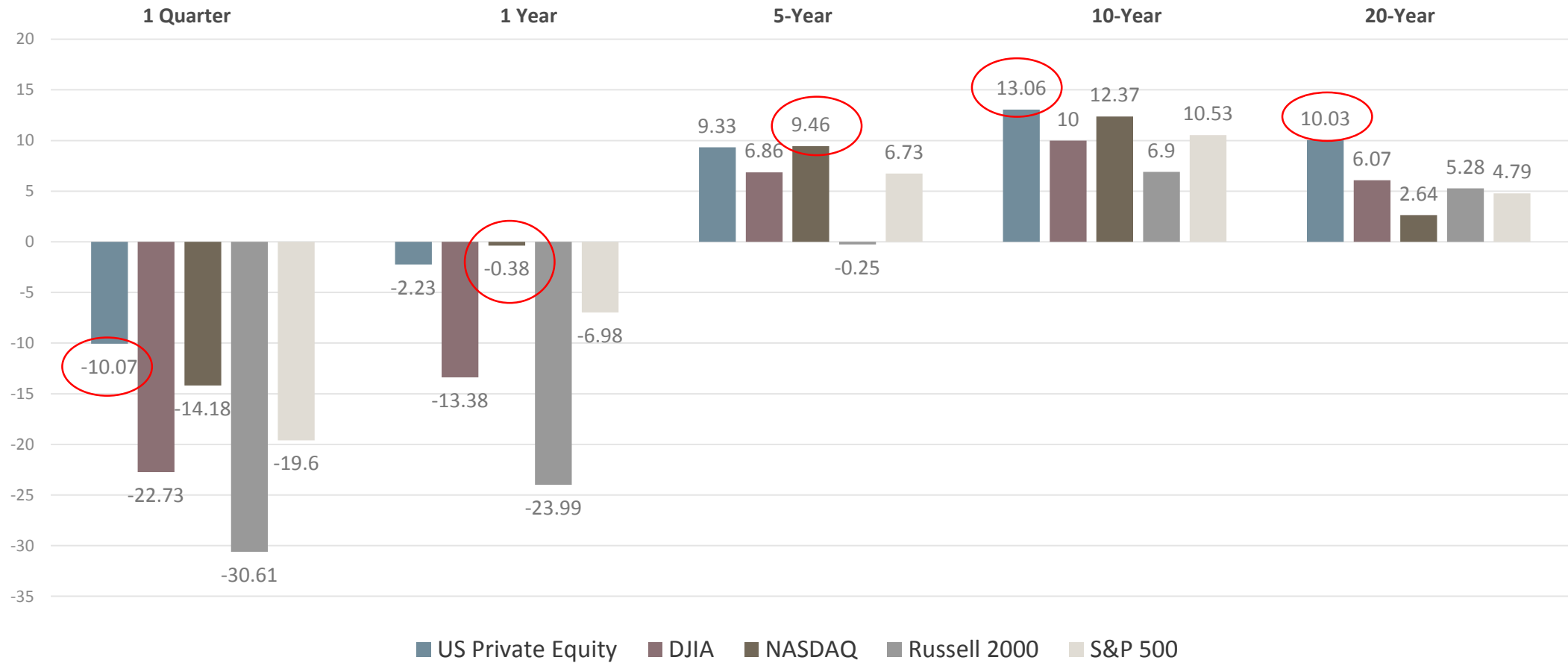
Capital Raised and Number of Funds (2010-YTD 2020)



Source: Preqin. Data for North American-based private equity (including venture) funds.

Private equity has generated attractive returns

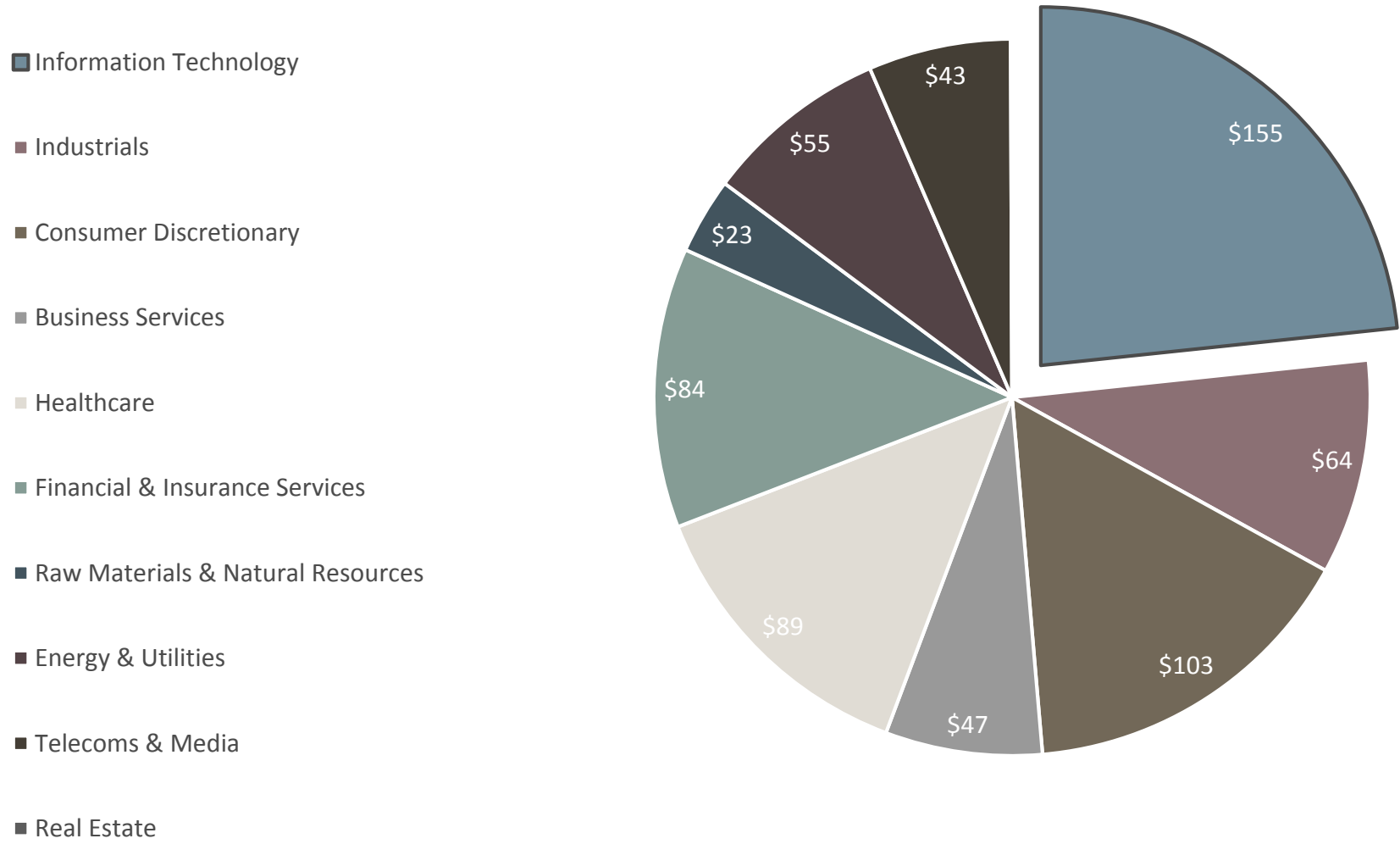
PE funds outperform public indices



Source: Cambridge Associates. Pooled return data, as of March 31, 2020.

Private equity continues to focus on tech

Tech investments comprise almost 25% of all capital invested in the last 3 years



Source: Preqin. Buyout investment in US companies. September 2017-September 2020.

More PE firms are blurring the lines between venture and buyout

PE firms can make big investments needed before companies are ready to go public

- Big buyout shops are raising “growth funds”
 - TPG Growth, Blackstone Growth, KKR Tech, Bain Tech Opportunities Fund
- Tech-focused growth funds have exploded in AUM
 - Francisco Partners - \$17B raised in last 10 years
 - Vista Equity - \$44B raised in last 10 years
 - Silver Lake - \$46B raised in last 10 years
 - Insight Partners - \$26B raised in last 10 years
- The overlap of tech in healthcare, consumer products, transportation, manufacturing, and energy demonstrates the investment opportunity

Private Equity Passed the COVID Test

Activity is picking up after stall at the end of Q1 and Q2

Fundraising this year is on pace to be close to 2018 capital raise

- Projected to reach \$300 billion, compared to \$450 billion in 2019 and \$294 billion in 2018
- PE funds are staying in market longer: 18 months to reach final close this year vs 12 months last year
- Fundraising remains encumbered by travel restrictions: LP reluctant to invest in funds they don't know well, but back high performing, well-known, often larger funds

Deal volume will lag 2019 aggregate deal value.

- Projected to reach \$170 billion, compared to \$212 billion in 2019
- Deal activity picked up in Q3, compared to Q2, as fund managers adapt to the new normal with socially-distanced and virtual meeting

Exits stall 2019 figures

- Exit values projected to reach \$164 billion, compared to \$178 billion in 2019
- Funds are reluctant to exit companies at perceived lower valuations

Returns impact of COVID is TBD

- Public markets are robust
- Valuations provide a snapshot on often a dynamic target



FIRST REPUBLIC
It's a privilege to serve you[®]