

Introduction

This twenty-sixth edition of the *Guide to Venture Capital & Private Equity Firms, Domestic & International* is a comprehensive database of more than 3,200 of the most active venture capital and private equity firms operating today, domestically and internationally. All company profiles include current contact information and specific industry data for a detailed picture of the firm and its investment parameters. Profiles include headquarters, other locations and branches, industry group preferences, average investment, portfolio companies, investment criteria and detailed lists of key executives.

As with previous editions, this 2022 edition includes a User Guide, followed by two industry reports that offer insight into the current state of this dynamic industry segment: *KPMG Enterprises—Venture Pulse Q3 2021, Global Analysis of Venture Funding*; and *Deloitte Insights—The growing private equity market*. Highlights include:

- VC investment in the U.S. continues its unprecedented climb, comparable in some ways to the dot-com era;
- Trends to watch for in the U.S. include healthtech, fintech, and sustainable solutions;
- PE firms are navigating unique challenges and opportunities as a result of the COVID-19 pandemic;
- Stakeholder satisfaction will continue to drive PE firm growth.

The firm profiles in this edition present a most current, comprehensive picture of this dynamic industry. Hundreds of domestic and international firms have been updated, with a particular focus on firms based in Canada. More than 2,300 pieces of data have been updated, with a focus on key executives and company branches. In addition to the significant update effort put forth for this edition, we have added 20 brand new venture capital firms, and 156 new data points throughout the body of the work.

All domestic, Canadian and international profiles include, in addition to contact information, a mission statement, industry group preferences, portfolio companies, geographic preferences, average and minimum investments, and investment criteria. Each firm's partners are listed with extensive background information, such as education (degree and school), professional background (previous positions and companies) and directorships held. The specificity of both the firm and its partners add to the value of each firm's profile. Information for firms headquartered overseas include name, phone, fax, email and website.

Guide to Venture Capital & Private Equity Firms is organized into four major sections, Domestic Firms, Canadian Firms, Domestic Associations, and International Firms, each arranged alphabetically by company name. These sections are followed by five valuable indexes:

- **College/University Index** offers an alphabetical list of more than 1,000 educational institutions worldwide—and the venture capital executives who attended them. Each listing includes the reference number of the affiliated VC firm of the executive listed.
- **Executive Index** is an alphabetical list by last name of more than 10,000 key partners and the listing number of their affiliated firm.
- **Geographic Index** organizes all firms by state for domestic listings and by country for international listings.
- **Industry Preference Index** alphabetically lists more than 900 industry segments and the names of the firms that invest in them.

- **Portfolio Companies Index** alphabetically lists the more than 49,500 companies that received venture capital from a listed firm, and is referenced to that listing.

For even easier access to information, *Guide to Venture Capital & Private Equity Firms* is available in our online database platform, <http://gold.greyhouse.com>. Subscribers will have immediate access to all domestic and international venture capital and private equity firms to:

- Find firms that are specifically interested in their industry group. From agrifood to web infrastructure, this online database can be sorted into over 900 industry group categories.
- Search for firms that match the investment level they need. From \$250,000 to \$50 million, you'll be able to generate a list to match your requirements, within specific geographic areas.
- Find which venture capital firms have funded specific companies. Simply key in a company to generate a list of firms who funded them.

This online database platform offers a number of ways to search and sort data—Firm Name, Geographic Location, Geographic Preferences, Portfolio Companies, Industry Group Preferences, Average Investment, Fund Size, Investment Criteria, Managing Partners and much more. Visit www.greyhouse.com for a free search of this database and subscription details.

Praise for previous editions:

“...valuable reference...excellent indexes...recommended for business collections in large public, academic and business libraries...”

—*CHOICE*

“...excellent resource for public libraries supporting a business sector...”

—*ARBA*

“...extremely user-friendly...”

—*Library Journal*

“...only directory to list and index portfolio companies...a useful volume...”

—*Journal of Business & Finance Librarianship*

The 2022 edition of *Guide to Venture Capital & Private Equity Firms* is our strongest to date, and offers a valuable resource for those needing to research the investment community. Users are encouraged to bring new, unlisted, or changed firms to our attention.

User Key

- 1- **Company Name:** Formal name of the company.
- 2- **Address:** Location or permanent mailing address of the company.
- 3- **Phone Number:** The listed phone number is usually for the main office, but may also be for sales, marketing, or public relations as provided by the company.
- 4- **Fax Number:** This is listed when provided by the company.
- 5- **E-Mail:** This is listed when provided, and is usually the main office e-mail.
- 6- **Web Site:** Listed when provided by the company, and is also referred to as a URL address.
- 7- **Mission Statement:** This information is either provided directly by the company, or abridged from data on the company web site or in company literature.
- 8- **Geographic Preference:** This lists the geographic location the firm prefers to invest in.
- 9- **Fund Size:** This is the total amount of money a firm has to invest. International firms often calculate dollar amounts in their own currency.
- 10- **Founded:** The year in which the firm was established or founded. If the organization has changed its name, the founding date is usually for the earliest name under which it is known.
- 11- **Average Investment:** The average amount the firm generally invests in a company.
- 12- **Minimum Investment:** The smallest possible amount the firm would consider investing.
- 13- **Investment Criteria:** This indicates at what stage the firm is willing to invest in, i.e., Seed, Startup, First-Stage, Second-Stage, Mezzanine, LBO, MBO, etc.
- 14- **Industry Group Preference:** This indicates what industry the firm is most likely to invest in. Note that most of this information does not follow standard industry language; the Industry Group Preference Index is designed to help the reader summarize information, and should be reviewed carefully.
- 15- **Portfolio Companies:** This is a listing of the companies that the firm has invested in to date.
- 16- **Other Locations:** Divisions or subsidiaries of the main company. Also included may be the key executives of that location.
- 17- **Key Executives:** Names, titles, phone numbers, fax numbers and personal e-mail addresses of key executives—including Presidents, Partners, and Managing Directors. This section can also include educational data, including degree and school, and professional data, including previous positions and companies, backgrounds, as well as a list of directorships held.



Private Enterprise

Venture Pulse Q3 2021

Global analysis of venture funding

October 20, 2021

VC investment in US reaches new heights

Global **US** Americas | Europe | Asia

VC investment in the US was incredibly strong in Q3'21, reaching \$82.8 billion on 3,158 deals. Q3'21 was the best quarter for VC investment ever, surpassing previous records set earlier this year.



Big deals drive VC investment in US, including seven \$1 billion+ funding rounds

Large megadeals continued to dominate the US VC market in Q3'21, led by electric vehicle company Rivian's \$2.5 billion funding round, sustainable energy infrastructure company Generate's \$2 billion raise, data and AI firm Databricks' \$1.6 billion raise⁴, remote employee training company Articulate's \$1.5 billion funding round, Devoted Health's \$1.2 billion raise, fintech company Chime's \$1.1 billion and delivery company GoPuffs' \$1 billion raise.

Across all deal stages, median deal sizes continued to grow in Q3'21 as companies attracted larger and larger funding rounds. These growing deal sizes highlight the significant amount of capital continuing to pour into the VC market in the US.



Seasonality affects deals activity in Q3'21

Both deals activity and funding pulled back somewhat over the summer months as dealmakers took vacations — many for the first time in over eighteen months due to the challenges of the COVID-19 pandemic. The brief lull did not last, with a significant uptick in activity in September. The VC market in the US is very hot, with a significant amount of dry powder available, increasing interest from alternative investors, and strong IPO and M&A exit activity.



Fundraising in US reaches new record with one quarter left in 2021

Fundraising in the US reached an annual record high in Q3'21. This reflects a combination of factors. Well-established VC firms with proven track records are taking less time to raise new funds than in the past; while the transition from wrapping one fund to closing the fundraising on a new fund might have taken two to three years historically, some are now doing it within eighteen months. The VC market is also seeing more players developing VC funds, including numerous corporates who are using their investments to replace or supplement R&D activities and to better identify early acquisition targets.



Profitability still important., but VC investors taking a more targeted approach

While profitability — or having a path to profitability — is still a major factor in the decision-making of VC investors, its importance is shifting somewhat based on the different areas in which startups operate. VC investors are still looking for companies operating in highly transactional sectors, such as ride sharing, grocery and food delivery, and short-term rental marketplaces, to demonstrate that they can be profitable at a transactional level. Meanwhile, VC investors evaluating companies operating in verticals where there are public entities that have proven the general business model can be profitable, are beginning to ask how and why a startup is similar to how those companies were in earlier stages of their development.

⁴ <https://databricks.com/company/newsroom/press-releases/databricks-raises-1-6-billion-series-h-investment-at-38-billion-valuation>



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VC investment in US reaches new heights, cont'd.



Q3'21 sees short-term slowdown in exit activity

IPO and M&A activity slowed somewhat in Q3'21, driven in part by seasonality, but likely also as a consequence of companies feeling less pressured to exit quickly. Companies are becoming more strategic about their exit plans, taking the time to ensure they are well positioned to get a strong result.

IPO activity is expected to bounce back in Q4'21, although the percentage of IPOs that are completed via SPAC will likely decline as the fervor associated with SPAC transactions continues to wane. M&A activity is also expected to be robust, although the panic associated with the potential for valuations to rise exponentially in a short period of time has calmed considerably in recent months as investors have shifted their focus from a near-term outlook to a longer-term one.



Trends to watch for in Q4'21

Heading into Q4'21, ESG is expected to continue to grow on the radar of VC investors in the US, with a broader range of companies with sustainable solutions attracting investment. There will likely also be an increase in VC funds specifically focused on funding startups with an ESG focus. Real estate focused solutions could also see growing VC investment over the next few quarters.

Following the summer lull, IPO activity is expected to rebound in Q4'21 and into Q1'22 as companies continue to move forward with their plans to go public. While there will likely continue to be a pullback in SPAC IPOs in the US, traditional IPOs and direct listings are expected to remain popular.



US investors embrace wide-range of healthcare and fintech solutions

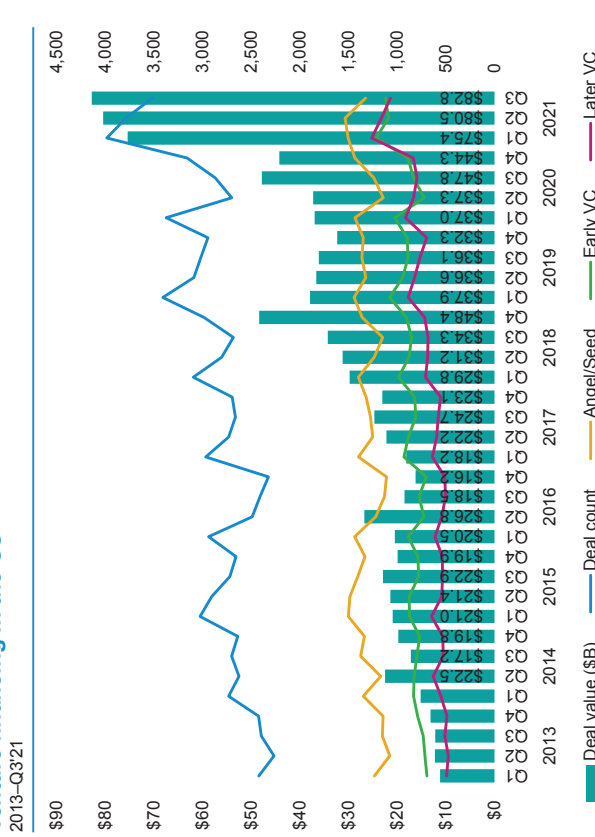
Both fintech and healthcare remained hot areas of investment in the US in Q3'21, in part due to the growing diversity of companies in the two spaces. Digital banking attracted the largest fintech deals in Q3'21, including a \$1.1 billion raise by Chime, and a \$510 million raise by Varo⁵, although VC investors also showed interest in areas like Insurtech, blockchain, and B2B financial services.

In the healthcare space, Devoted Health raised \$1.2 billion this quarter. In addition drug discovery remained popular with US-based VC investors, with eRNA therapeutics company Laronde raising \$440 million in Q3'21. Other health-focused subsectors gaining traction among VC investors in the US include feminine health, robotics, and the integration of AI in day-to-day health system processes.

⁵ <https://techcrunch.com/2021/09/09/varo-bank-raises-510m-at-a-2-5b-valuation/>

2021 continues rising

Venture financing in the US



Source: Venture Pulse, Q3 2021, Global Analysis of Venture Funding, KPMG Enterprise. *As of September 30, 2021. Data provided by PitchBook, October 20, 2021.



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Source: Venture Pulse, Q3 2021, Global Analysis of Venture Funding, KPMG Private Enterprise. As of 10/20/21. Data provided by PitchBook, 10/20/21.

“Now that the world is slowly opening up, I expect we’ll start to see some additional investments in the future of work space. The whole area of hybrid work seems ready to be re-invented, from recruiting and hiring to the management of hybrid teams and the development of performance and rewards that make everyone, whether working remotely or in the office, feel they are being treated equitably.”



Conor Moore
Global Co-Leader — Emerging Giants,
KPMG Private Enterprise, and
Partner, KPMG in the US

Q3VC
23



The growing private equity market

How PE firms can use expertise, technology, and agility to exceed stakeholder expectations

The symbiosis between private equity firms, portfolio companies, and limited partners

PRIVATE EQUITY (PE) firms play an important role in the economy: They can help small enterprises grow, and, in turn, generate returns for investors. In times of crisis, such as the COVID-19 pandemic, they often become even more important, providing companies with capital and industry expertise to help them weather the crisis better.

Also, as the public market equity valuations rise, PE funds may become relatively more attractive to investors on a valuation basis. The S&P 500's forward price-to-earnings ratio (27.5 times analysts' next year's earnings estimates) has reached a decade-high level.¹ In this scenario, more investors may look at asset classes such as PE for opportunities. PE firms' ability to add value to their portfolio companies and deliver high returns could attract fresh capital and reinvestments, which may fuel assets under management (AUM) growth. The increased interest could boost PE AUM to US\$5.8 trillion by year end 2025, up from US\$4.5 trillion at year end 2019, based on a forecast developed by the Deloitte Center for Financial Services (for more details, see the sidebar, "Methodology").

Despite an optimistic forecast, it does not guarantee success for all PE firms. Firms that exceed the expectations of three key stakeholders—their employees, portfolio companies, and limited partners (LPs)—will likely benefit the most. This paper forecasts PE AUM growth and explores how PE firms can deliver on each key stakeholder's expectations, supported by insights from a survey of portfolio companies.



COVID-19 presents opportunities and challenges

THE COVID-19 PANDEMIC offers PE firms an opportunity as well as a challenge to deploy the record US\$1.4 trillion in dry powder.²

While the first quarter of 2020 saw little change in the number of deals closing compared with the previous year, in the second quarter, the market tried to assess the effects of COVID-19 on potential investments. As many deals for business- and consumer-facing companies were put on hold, the four-quarter rolling median EV/EBITDA multiple for US buyout deals jumped from 12.9 in Q1 2020 to 15.2 in Q2 2020.³

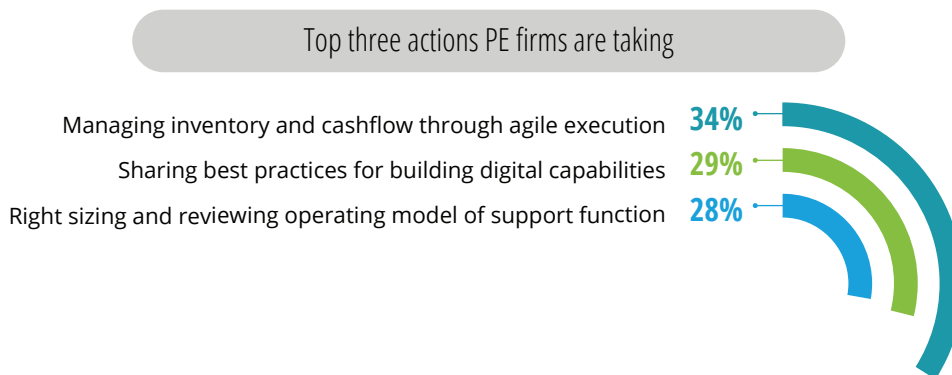
As PE firms deploy their dry powder in the second half of 2020, they appear to be taking a very close look at the future prospects of target businesses and portfolio companies. COVID-19 pandemic has created a unique situation—corporate problems right now go beyond liquidity stress. They include impact on business dynamics such as supply chains

and consumer behavior.⁴ This environment has led to deal activity remaining strong for businesses with low or positive impact. Meanwhile, some potential sales of companies with less certain futures have been put on hold.⁵ Considering the uncertainties around a second COVID-19 wave and consumer spending, some PE firms are adopting a wait-and-see approach for new investments, but with this approach comes the risk of missing an opportunity to deploy dry powder.⁶ To support existing portfolio companies, PE firms are actively working with them to manage through the pandemic and facilitate success.

Apart from fresh investments, firms can add value to existing portfolio companies by providing additional financing and expertise. PE firms’ financial backing and expertise is helping some portfolio companies navigate through the pandemic and the resulting economic disruptions.

FIGURE 1

PE firms are helping portfolio companies navigate the COVID-19 pandemic



Source: The Deloitte Center for Financial Services, 2020 survey of PE portfolio companies

Nearly one-half (47%) of respondents in our survey of portfolio companies either received or expected fresh investments from their PE investor during the pandemic. Another 15% received assistance with debt refinancing.

PE firms also helped portfolio companies manage their supply chains, build digital capabilities, maintain business continuity, and secure financing. According to the survey, the most common actions included *helping companies manage inventory and cash flow* by reviewing bottlenecks, monitoring cash balances daily, and revisiting payment terms (34%); *sharing best practices to help companies build digital capabilities* (29%); and *rightsizing and reviewing the support functions' operating model* (28%).⁷ Some firms set up centralized crisis-management hubs and appointed leaders to enable information-sharing across portfolio companies and to provide support.⁸ Firms that helped portfolio companies build robust recovery plans can have better clarity into investment timelines and can potentially generate returns sooner.

But do portfolio company leaders appreciate the actions PE firms are taking to support their

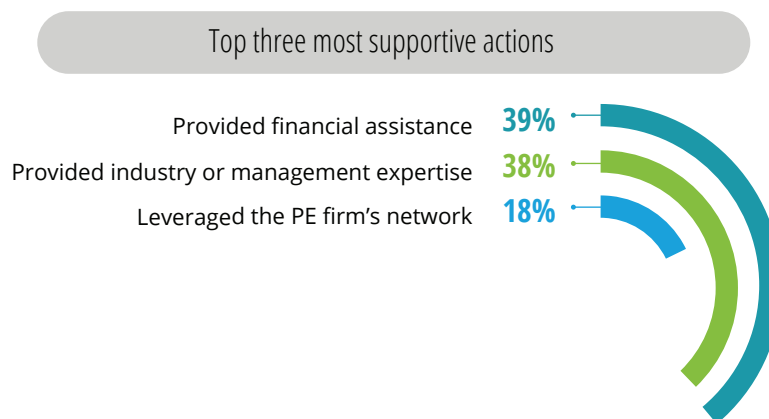
companies through the pandemic? To varying degrees. Portfolio company respondents were asked to describe what they liked the most about their PE firm's support. *Financial assistance*, comprising provision of capital and implementation of cash management plans, emerged as the most valued action. *Delivering industry or management expertise* was a close second. This involved refining companies' operating models, planning for diverse scenarios, and providing advice through internal and external resources. *Access to the PE firm's network*, which included knowledge- and resource-sharing, centralized procurement, and network introductions, ranked third.

PE NETWORK ASSISTANCE EXAMPLES

- Apollo Global Management Inc. increased the frequency of conference calls with management teams and created an online information-sharing portal that served as a common communications channel.
- HireVue Inc., a Carlyle portfolio company providing video interviewing systems, offered three months of free access to other portfolio companies to help them hire during the pandemic.⁹

FIGURE 2

Which PE firm actions supported portfolio companies the most through the pandemic?



Source: The Deloitte Center for Financial Services, 2020 survey of PE portfolio companies

Some portfolio company respondents—mostly from companies expecting a decline in revenues—expressed concerns about PE investor actions. Their top concern cited was *financial controls*—such as those placed on investments and expenses as well as a lack of capital infusion. It was followed by *tighter talent policies*, such as headcount reduction and reduced compensation, while *excessive operational scrutiny* ranked third. That said, these actions may be necessary to help at-risk portfolio companies survive.

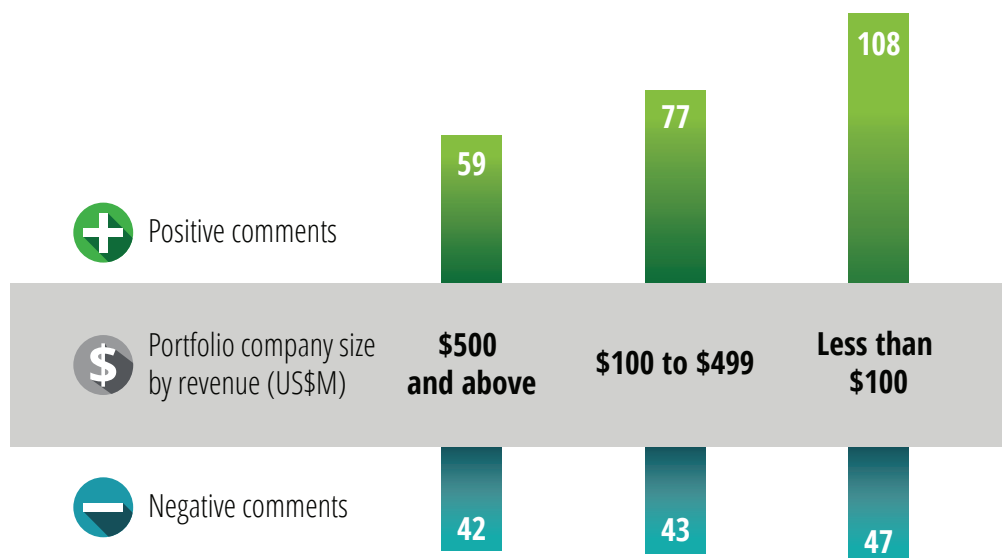
PE backing was viewed overwhelmingly positively by surveyed portfolio companies. Just 3% of portfolio company respondents did not receive any substantial help from their PE investors, whereas

nearly two-fifths (39%) stated they experienced no shortcomings in the support they received. Satisfaction levels of surveyed portfolio companies varied with size (figure 3). Companies with less than US\$100 million in revenues spoke most favorably, while those with more than US\$500 million in revenues seemed the least satisfied. This may be because larger portfolio companies likely received less attention and financial assistance because these firms had greater internal resources.

How PE firms managed the crisis will likely influence their returns for years to come. The pandemic may turn out to be a pivotal point in the history of PE firms, widening the gap between winners and losers.

FIGURE 3

Smaller portfolio companies are more positive about their PE firm’s support



Notes: Respondents were asked to describe the high points and low points of support from PE firms since the onset of COVID-19. Positive comments include all responses mentioning high points, except respondents who answered “None.” Negative comments include all responses mentioning low points, except respondents who answered “None.” N=50 for companies with revenue US\$500 million and above, N=64 for companies with revenue US\$100 million to US\$499 million, and N=78 for companies with revenue less than US\$100 million.

Source: The Deloitte Center for Financial Services, 2020 survey of PE portfolio companies

Uncertain times can boost growth in PE

AS ECONOMIC ACTIVITY returns to normal growth levels in the post-COVID-19 world, PE will likely play a key role in the recovery. Unlike other investment vehicles such as mutual funds, ETFs, and hedge funds, PE firms can wait for the right moment to deploy cash committed by limited partners. They also have more control over the duration of investments, allowing them to time exits to benefit from better valuations. Additionally, because PE firms are actively involved in the management and oversight of portfolio companies, they can effectively steer these companies through a crisis.¹⁰ In times of crisis, PE firms can also buy companies at attractive valuations, improve their operational performance, and realize substantial profits when they exit.

We can get a glimpse of PE funds' performance with vintage years corresponding to years of crisis by looking at the great recession of 2007–2009. Even though many PE funds did not catch the bottom of the cycle and stayed on the sidelines a bit too long, they delivered double-digit returns.¹¹ For instance, buyout funds with vintage years 2008–2011 had a pooled IRR of 13.0% compared to 9.2% for vintage years 2004–2007.¹² From this experience, many PE executives have learned that

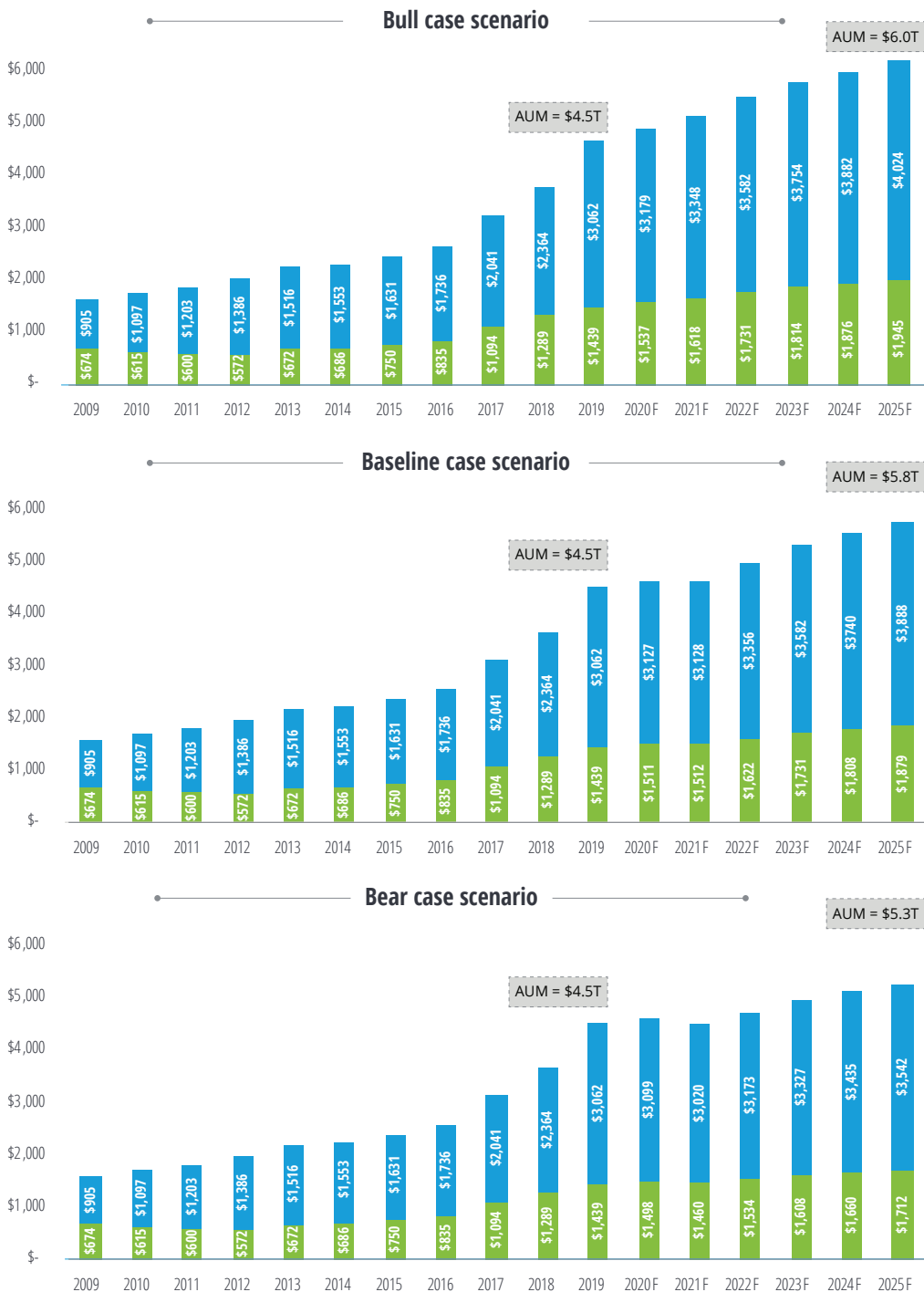
agility during times of uncertainty can influence fund returns.¹³ Implementing their past learnings, PE firms can benefit from uncertainties presented by the pandemic, deliver better returns, and grow their AUM.

To estimate PE asset growth, we built a model that forecasts AUM growth under three different scenarios: *baseline*, *bear*, and *bull* (figure 4; see sidebar, “Methodology”). The baseline scenario, which has a 55% likelihood of occurring, assumes that US GDP grows by an average of 2.9% annually from 2020 to 2025.¹⁴ It estimates that global PE AUM may reach US\$5.8 trillion by the end of 2025. These results indicate a 28% jump in AUM over 2019, despite staying steady for the initial two years of the forecast. In our bear case, which assumes 1.5% average GDP growth, AUM is expected to grow to US\$5.3 trillion. But if GDP growth averages 3.4%, our model predicts that assets grow to US\$6.0 trillion in 2025, denoting the bull case. Fueled by economic uncertainty, all of these forecasts reveal the opportunities PE funds have to grow AUM; the amount of growth will likely depend on investment returns and investor behavior.

FIGURE 4

Private equity AUM should rise sharply after 2021

■ Dry powder (US\$B) ■ Unrealized value (US\$B)



Sources: DCFS; The Deloitte Center for Financial Services analysis of Deloitte Economics, Preqin, S&P Capital IQ, and IMF data.

METHODOLOGY

The quantitative model forecasts global PE AUM using nominal US GDP and global public equity market capitalization as the explanatory variables. The model envisages three outcomes based on the economic scenarios forecasted by the Deloitte Global Economist Network. To stabilize the impact of public equity markets' volatility on PE AUM, the model incorporates an elasticity factor that considers the historical relationship between them. It also modifies the relationship between public and private market valuations based on whether public equities market capitalization is growing or declining.

We also conducted a survey of 200 portfolio companies globally to glean insights on the support they received from their PE investors during the COVID-19 crisis. The respondents were diversified across geographies, industries, and revenue sizes.

What is driving PE demand?

The demand for PE funds is increasing as high returns and perceived low volatility continue to drive inflows from both existing and new institutional investors.¹⁵ In 2020, 66% of institutional investors invested in PE, up from 57% in 2016.¹⁶ Additionally, retail investors can now access PE due to new regulations. Let's explore the trends in investor allocations and why many investors find PE attractive.

INSTITUTIONAL INVESTORS INCREASE ALLOCATION

Since bond yields are expected to stay low and public equity returns are likely to be below historical annualized returns over the next 10 years, institutional investors—pension funds, insurance companies, endowments, foundations, investment companies, banks, and family offices—are increasing allocation to private capital.¹⁷ US public pension funds' average investment return assumption is 7.1%, which is higher than the past 5-year average returns of 6.5%.¹⁸ In contrast, the median net internal rate of return (IRR) for PE funds with vintage years 2008–2017 has continuously been 12% and above.¹⁹

With bond and public equity return expectations unlikely to rise in the near future, many pension funds are increasing their private capital investments to meet these increased return targets. PE is likely to benefit from this trend. Institutional investors' average target PE allocations rose from 9.9% of total assets in 2019 to 11% in 2020.²⁰ Even COVID-19 failed to dent target allocations for PE. In fact, according to a recent Preqin survey, 41% of investors plan to increase their PE allocations over the next 12 months.²¹

MORE INVESTORS GAIN ACCESS

Recent US regulatory actions have also helped widen the PE investor pool. In August 2020, the SEC broadened the definition of accredited investors to include individuals and entities that are financially knowledgeable.²² In June 2020, the Department of Labor (DOL) provided guidance that PE in retirement plans meets existing ERISA fiduciary requirements, paving the way for defined contribution plans to invest in PE.²³ In response, plan sponsors will likely increase exposure to PE assets gradually over the next few years.²⁴ Consequently, 401(k) assets may boost PE AUM in the long term; however, the regulation is expected to have a limited impact of up to US\$50 billion per year over the forecast period.²⁵

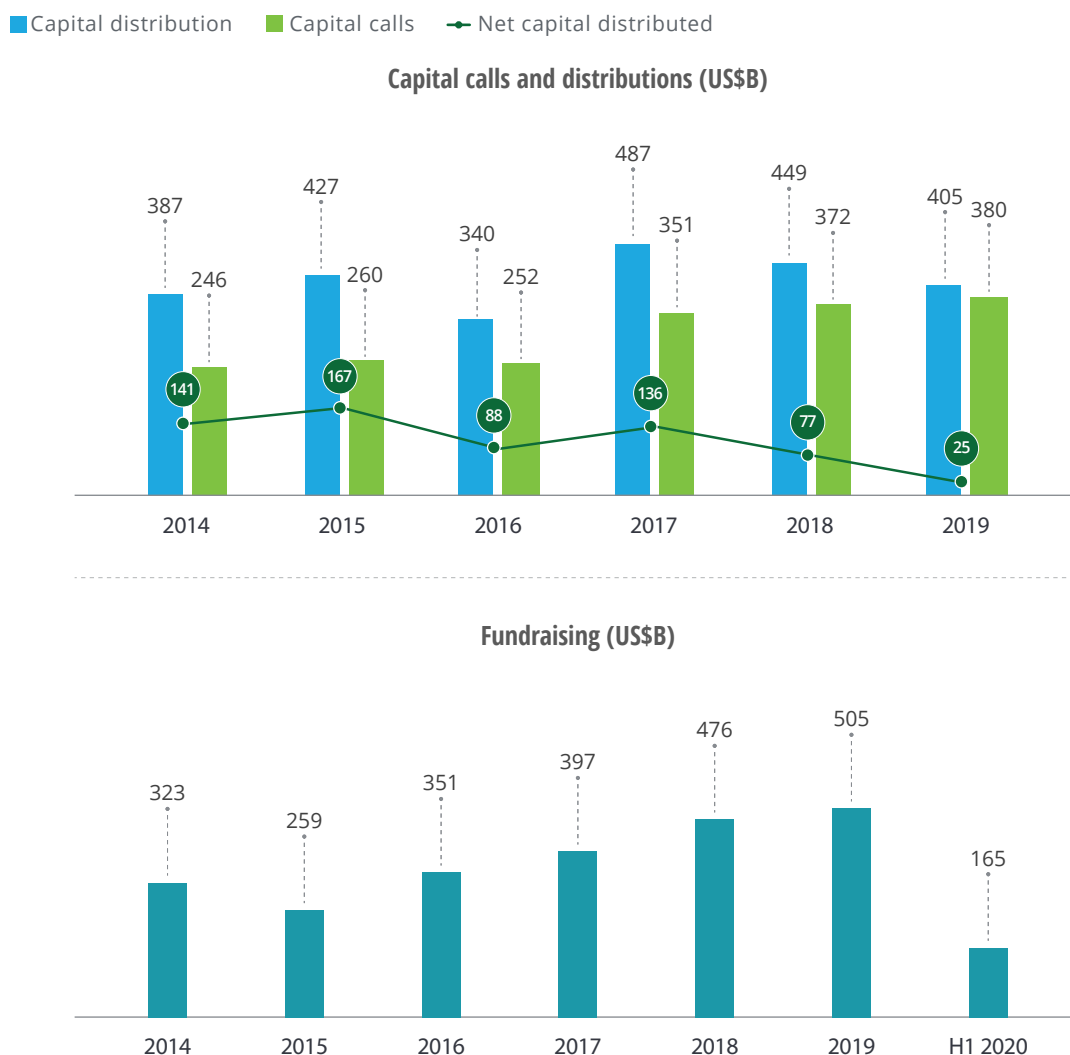
CAPITAL DISTRIBUTIONS
DRIVE REINVESTMENTS

PE’s high returns have been accompanied by large capital distributions to LPs. Distributions have increased from under US\$300 billion levels prior to 2012 to US\$405 billion in 2019.²⁶ Over the past five years, PE funds have returned more than US\$2 trillion to investors.²⁷ Also, capital distributions

have exceeded capital calls, leaving more money in the hands of the investors. *High absolute returns* is the primary reason more than one-half (55%) of institutional investors cited for investing in PE.²⁸ Delighted by their past experience, LPs are increasingly willing to reinvest part of the distributed sums in PE funds, which has resulted in AUM growth.

FIGURE 5

Strong capital distributions by PE firms have been accompanied by an increase in fundraising



Sources: “2020 Global Fund Performance Report (as of Q4 2019),” PitchBook, September 9, 2020; “Q2 2020 Private Fund Strategies Report,” PitchBook, August 19, 2020.

Satisfying key stakeholders can help PE firms grow

DESPITE THE HEALTHY growth forecast, not all PE firms are likely to benefit from this asset growth to the same degree. Success will likely depend on how well firms can meet the expectations of three key stakeholders: the PE workforce, portfolio companies, and LPs. Let's look at some of the important considerations for each stakeholder.

Creating a diverse PE firm

As competition among PE firms intensifies, top private companies are likely to be looking for more than just financing from their PE investors. With record dry powder at their disposal, PE firms are chasing the same set of quality companies.²⁹ Firms that do the best job delivering industry knowledge and building relationships will likely stand out and be poised to win deals and cultivate unrealized gains. Building, developing, and retaining strong deal teams may influence a firm's ability to deploy dry powder in this competitive environment.

One way to stand out is to prioritize building diverse teams and boards. Building and cultivating a diverse team allows firms to gain a broad spectrum of perspectives that may resonate with potential portfolio companies' management teams, especially from underrepresented communities. Hiring fund managers or board members with a wide variety of backgrounds and experiences enables firms to invest in more companies with diverse founders and increase the diversity within portfolio companies in general.³⁰

PE firms that have diverse teams and boards can also be more innovative and may be able to source more and better deals, which could improve performance. Furthermore, one venture capital firm found that their investments in companies with women founders were more resilient and generated higher returns on investment.³¹ PE firms are aware of these benefits and are making efforts to improve diversity. In June 2020, more than 10 PE firms committed to adding five board seats for diverse candidates at each of their firms.³²

Creating value for portfolio companies

PE firms need a strong track record of creating value for portfolio companies to help attract and win great deals. Using their own industry expertise and the areas of expertise of the company's management, PE firms can tailor value-creation plans for each company. A value-creation plan identifies, quantifies, and outlines the implementation of performance improvement initiatives across the entire value chain.³³ Once the plan is finalized, firms can work toward achieving each of the outlined action items. Implementation of such plans, however, has to be carefully executed so that PE firms are not perceived as micromanaging the business. Successful execution of the value-creation plan is a key determinant of investment returns.³⁴

Formulating effective value-creation plans in consortium deals is typically more complicated. Consortium deals involve multiple PE firms with

varied expertise that work with a portfolio company's management to add value. At the outset, the partnering PE firms should decide on factors such as each firm's roles and responsibilities, the strategy for business growth, governance structure, sharing of fees and expenses, and exit strategies. The expertise of the deal sourcing and management teams in handling these matters will likely play a key role in helping portfolio companies grow.

PE firms can leverage their networks to help portfolio companies boost revenues and reduce costs. While new customer introductions can increase revenues, portfolio companies can help reduce costs by obtaining scale discounts using central procurement of services. Our survey found that nearly one-half (44%) of the portfolio companies participating were able to improve operating margins through these types of ownership synergies.

Firms can also use advanced technologies to further boost operating efficiencies. Technologies such as artificial intelligence (AI) and robotic process automation (RPA) have enabled nearly two in five (39%) companies to improve their operating margins. Also, PE firms can utilize technologies such as big data and AI to benchmark portfolio companies based on factors such as customer base, brand reviews, product reviews, and employee sentiments to identify best practices.³⁵ PE firms that share best practices among their portfolio companies can help them grow.

Build satisfaction and loyalty among limited partners

Limited partners are the third key stakeholder for PE, and their satisfaction is often essential to growth. LPs want to invest in quality companies and have access to strong deal flows, liquidity options, and well-defined exit strategies. While performance may be the primary driver of LP satisfaction, transparency, fee control, flexibility,

and focus on social responsibility also contribute to LP satisfaction.

PE firms serve as the conduit linking LP capital to private companies enabling LPs to meet their target allocation and providing growth capital to these small companies. The importance of this role is increasing since the pool of private companies to invest in is large and growing. The number of US companies with more than 20 employees increased 2.8% from 2007 to 2017.³⁶ Over the same period, the number of US listed companies decreased 2.0%.³⁷ Moreover, secondary buyouts (SBOs) are increasingly becoming the preferred exit route for PE investors and the SBO marketplace now has enough liquidity to support even billion-dollar deals (figure 6).³⁸ From 2006 to 2019, the number of SBO exits increased by 5.2% per year, while PE exits via IPOs declined by 7.3% per year.³⁹ While there have been fewer SBOs and IPOs in 2020 due to the pandemic, some prominent unicorns are planning for IPOs in late 2020.⁴⁰ The rising popularity of SBOs has resulted in more companies staying private longer.

PE firms that maintain a flexible operating model can continually monitor industry trends to capitalize on new opportunities for fundraising and deal-making. Based on the latest trends, firms may consider revisiting operational aspects such as product launches, deal sourcing, and exit strategies.

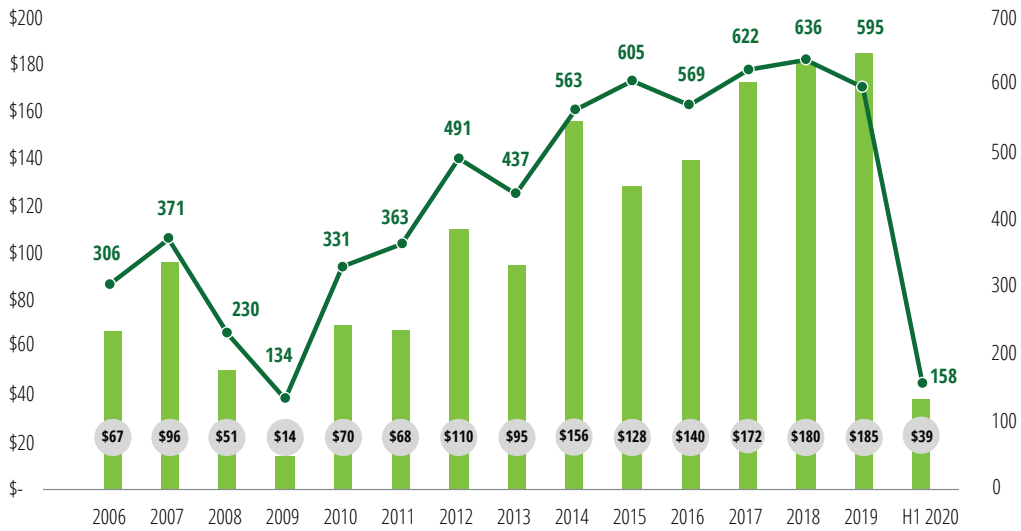
The rise in SBOs (figure 6) accompanies a change in investor sentiment. In 2020, many investors are preferring lower-risk strategies that SBOs offer. Now more than one-half the investors (56%) surveyed expect that secondary buyout funds will present one of the best opportunities for returns over 2020–2021, significantly more than the 34% of respondents in the previous year.⁴¹ PE firms can capitalize on this trend, for instance, by increasing the use of SBOs for deal sourcing. As deals grow in size, firms may also consider forming buyers' consortia to manage risks.⁴² Furthermore, to add value to a company acquired through SBO, PE

FIGURE 6

SBOs have become the preferred exit route for PE investors

■ Exit value (US\$B, LHS) ● Exit count (RHS)

Deal volume and value, US SBO exits



Deal volume and value, US IPO exits



Source: "Q2 2020 US PE Breakdown," PitchBook, July 9, 2020.

firms may need to offer expertise in operational areas that were left untouched by the previous PE investor. To do this, firms could need to develop niche expertise such as industry-specific or functional knowledge.⁴³

Rising activity in the Special Purpose Acquisition Companies (SPACs) space is another trend that PE firms can leverage (figure 7). The process of listing through the SPAC route may be simpler and quicker than traditional IPOs.⁴⁴ SPACs are becoming an increasingly popular route to take companies public and can be used as an exit strategy. TPG Capital is one firm using this strategy, taking the SPAC route for exits as well as acquisitions over the past few years.⁴⁵ Moreover, SPACs that target PE portfolio companies are also coming to the market. For example, Forum Merger III Corp.—a SPAC that aims to collaborate with PE funds to generate liquidity and maintain some ownership while enabling portfolio companies to list on public equity markets—filed for an IPO in July 2020.⁴⁶ Keeping up to date with potential exit

strategies, such as the latest SPACs trend, can help build satisfaction among LPs.

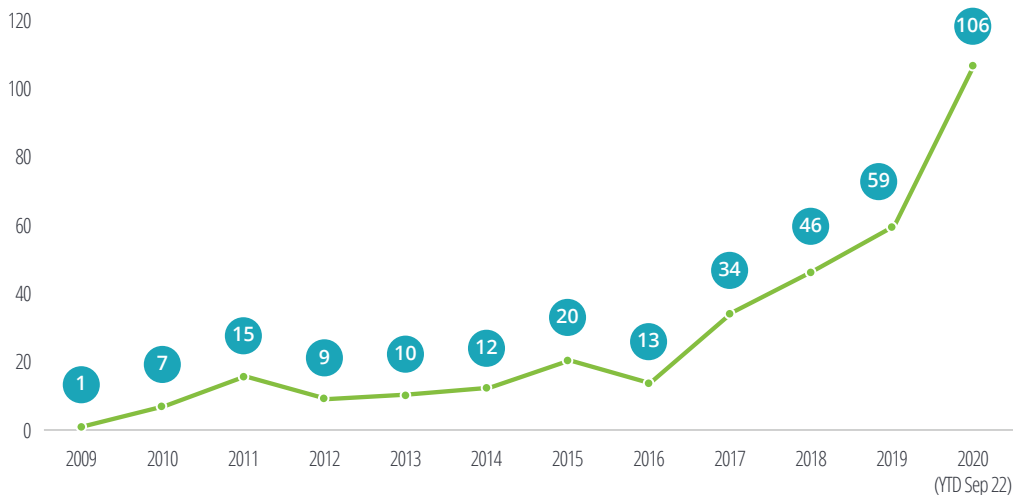
General partners (GPs) recognize that LPs have been increasingly demanding transparency over the past few years. And, as concerns grow over the impact of the pandemic, nearly four out of five GPs globally (79%) expect investors to demand more performance reporting transparency over the next year.⁴⁷ To increase transparency, firms can deploy technological solutions that provide on-demand financial reporting to LPs. Firms that are able to provide daily valuation may be able to gather assets from defined contribution retirement plans.

PE firms can use technology and automation to lower their operating costs as well. Cloud-based storage and delivery of data and analytics capabilities enables PE firms to sustainably save costs.⁴⁸ Firms that operate at a lower cost can sustainably lower fees to reward investors while protecting their operating margins.

FIGURE 7

More companies are choosing the SPAC route to go public

Number of SPAC IPOs in the United States



Source: Number of SPAC IPOs from SPAC Insider (<https://spacinsider.com/stats/>), accessed on 22nd September 2020.

Succeeding together

THE PE INDUSTRY is poised for significant growth over the next five years: Our base forecast shows AUM increasing by US\$1.3 trillion. While many paths exist to succeed in this growing industry, satisfying key stakeholders—employees, portfolio companies, and limited partners—will likely be the cornerstone of each strategy. Some firms may focus on retaining and attracting top talent by providing equal opportunities in senior management. Top talent in

high-achieving PE firms can help portfolio companies achieve sales and profit growth by providing these companies with expertise and network connections. Finally, firms that are responsive to evolving investor preferences, such as customer experience and product choices, can develop stronger relationships with LPs. PE firms that excel in each of these areas will likely earn an outsized share of the expected AUM growth. Together, they can drive industry growth.



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