



AUSTRALIAN VENTURE CAPITAL ASSOCIATION LIMITED

Yearbook 2005

Industry statistics for the year ended 30 June 2005

Source: Thomson Venture Economics

General Notes

1. All figures are expressed in Australian dollars
2. Data coverage for this report is up to June 30, 2005.
3. The term private equity includes all investment stages – from early stage to buyout.

Fund Raising By Fund Stage Focus

by Investment Stage Focus	No. of Funds	Net Period Amount Raised (AUD Mil)
Buyouts	8	2147.5
Expansion	4	383.1
Balanced Stage	5	321.5
Early Stage	2	196
Later Stage	1	47.4
TOTAL	20	3095.5

For the year ended 30 June, 2005, \$3.1 billion of private equity was raised by 20 funds. Buyout funds dominated with 69% of the capital and 40% of the private equity funds raised. Although five balanced funds were raised as compared to four expansion stage funds, the latter raised \$383.1 million while the former received \$321.5 million in commitments.

Investments By Stage

Deal Company Stage	No.of Deals	No.of Comp	No.of Firm	Sum Inv. (AUD Mil)	Pct of Inv
Acquisition/Buyouts	25	22	21	1089.1	62.6%
Expansion	100	72	42	272.0	15.6%
Startup	20	16	13	150.3	8.6%
Special Sit.	7	7	7	138.7	8.0%
Oth Early Stage	26	21	18	47.7	2.7%
Public Market	12	12	10	36.2	2.1%
Seed	14	13	11	5.1	0.3%
Later Stage	5	5	7	2.0	0.1%
TOTAL	209	168	129	1741.1	100.0%

Deal Company Stage	No.of Deals
Acquisition	7
Buyouts	18
TOTAL	25

Of the 209 financings in the year ended 30 June, 2005, 100 were in companies in the expansion stage of development. This was almost four times as many as the next most common type of financing, other early stage. In addition, there were 25 acquisition/buyout financings (18 buyout and seven acquisition) and 20 startup deals. During the same time period, 72 expansion stage companies received financing, followed by 22 acquisition/buyout companies and 21 other early stage. However, 63% of the amount invested was in acquisition/buyout rounds, four times as much as was invested in the next highest category, expansion stage companies.

Investments By Industry

Company Industry	No.of Deals	No.of Comp	No.of Firm	Sum Inv. (AUD Mil)	Pct of Inv
Industrial/Energy	14	12	12	543.4	31.2%
Other Products	50	43	31	474.3	27.2%
Consumer Related	31	19	19	403.1	23.1%
Medical/Health	36	23	19	190.6	10.9%
Computer Software and Services	23	17	18	48.5	2.8%
Internet Specific	11	9	8	37.6	2.2%
Biotechnology	24	22	14	27.4	1.6%
Semiconductors/Other Elect.	10	6	10	9.1	0.5%
Communications and Media	9	7	8	6.9	0.4%
Computer Hardware	1	1	1	0.3	0.0%
TOTAL	209	159	140	1741.1	100.0%

Other Products

Company Industry	No.of Comp
Agriculture/Forestry/Fisheries	12
Business Services	8
Construction	2
Financial Services	3
Manufacturing	8
Other	4
Transportation	4
Utilities	2
TOTAL	43

In terms of the number of deals (50) and companies (43), the other products category dominated investments by industry. The other products category includes agriculture/forestry/fisheries, business services, and manufacturing. However, 31% of the amount invested was in the industrial/energy category, followed by 27% in other products, 23% in consumer related, and 11% in medical/health.

Investments By Location

Company State/Nation	No.of Deals	No.of Comp	No.of Firm	Sum Inv. (AUD Mil)	Pct of Inv
Western Australia	15	13	14	503.1	28.9%
New South Wales	86	67	40	412.0	23.7%
Victoria	41	31	32	271.4	15.6%
Queensland	29	22	21	265.3	15.2%
South Australia	16	10	7	47.1	2.7%
ACT	3	1	2	2.3	0.1%
New Zealand	19	15	13	240.0	13.8%
TOTAL	209	159	129	1741.1	100.0%

Sixty-seven companies located in New South Wales received 86 rounds of financing, in each case more than twice that of the next highest location. However, the highest percentage of capital (29%) was invested in Western Australia, where companies received \$503.1 million. The WA figure was skewed by one large transaction. New South Wales-based companies received \$412 million while companies in Victoria received \$271.4 million and Queensland companies received \$265.3 million.

Investments By Sequence Type

Round Number	No.of Deals	No.of Comp	No.of Firm	Sum Inv. (AUD Mil)	Pct of Inv
New	86	86	46	1400.1	80.4%
Follow-on	123	84	47	341.0	19.6%
TOTAL	209	170	93	1741.1	100.0%

NOTES: Fund raising and investments made by Cashboxes and Fund of Funds are excluded from the tables.

First time funds dominated the Australian private equity investing environment with \$1.4 billion invested, or 80% of the total invested. Follow-on funds, defined as funds raised by firms subsequent to their first funds, invested \$341 million during the same time period. However, follow-on funds invested in 123 rounds of financing as opposed to 86 for new funds.

Exits

Exit Method	No.of Comp
IPO	5
M&A	42
Write Off	3
Other Exit	27
TOTAL	77

Other Exit	No.of Comp
Management Buyback	6
After IPO	7
Management Led Buyout	1
Repayment	3
Sale of shares	1
Defunct	8
Part Repayment of loan	1
TOTAL	27

1. Total for the Types of Exits Table are based on disclosed Exits information provided by the firm.
2. Exit information is based on each fund's exit in a portfolio company (e.g. two funds exiting in the same company will be counted twice).
3. M &A category includes portfolio Co's that exited thru M&A and Trade Sales while Write Off includes portfolio Co's that exited thru Bankruptcy and Liquidation.

Forty-two companies or 55% of the companies that exited in the year ended 30 June, 2005, paid back investors from proceeds in merger and acquisition deals. Twenty-seven private equity-backed companies received proceeds by means such as management buybacks while five companies went public.

**Australian Private Equity Benchmarks
Cumulative Annualized IRR Since inception
Results as of June 30, 2005
Funds Formed 1987-2005**

Stage	No.	Avg	Pooled	Upper	Median	Lower	DPI	RVPI	TVPI
Early Stage/Seed/Startup	28	26.9	6.9	2.7	0	-10.7	0.45	0.71	1.16
Expansion	55	1.9	5.2	10.8	0.5	-5.9	0.60	0.59	1.19
Buyouts, Later Stage, Generalist	27	13.4	24.6	42.3	9.4	-5.6	0.99	0.60	1.59
All Private Equity	110	11.1	10.6	12.6	0.1	-8.7	0.73	0.61	1.35

As measured by cumulative performance at June 30, 2005 for funds formed from 1987 to 2005, funds in the buyouts, later stage, and generalist category had the highest pooled IRR with 24.6% followed by 6.9% for early stage, seed, and startup companies. Overall, private equity funds had an impressive 10.6% annualized pooled return. Buyouts, later stage, and generalist funds also had an upper quartile IRR of 42.3% while expansion stage companies had a 10.8% upper quartile return. Buyouts, later stage, and generalist funds had returned 99% of what had been historically paid in as of June 30, 2005 while investors for all private equity funds had received back 73%.

Horizon IRR results at June 30, 2005

Stage	1 YR	3 YR	5 YR
Early Stage/Seed/Startup	16.0	2.0	-3.6
Expansion	3.0	3.5	1.2
Buyouts, Later Stage, Generalist	19.2	37.8	24.6
All Private Equity	10.7	14.6	8.0

For each of the time periods measured (one-year, three-years, and five-years), buyouts, later stage, and generalist funds easily dominated the other stage categories. For the one-year time period, these funds had a 19.2% IRR, while they had a 37.8% three-year annualized pooled return and a 24.6% five-year return. Overall, private equity funds had double-digit returns for the one-year and three-year periods (10.7% and 14.6%, respectively) and an 8.0% five-year return.

**Australian Private Equity Benchmarks
Cumulative Annualized IRR Since inception
Funds Formed 1987-2005**

Year	No.	Avg	Pooled	Upper Quartile	Median	Lower Quartile	DPI	RVPI	TVPI
1994	5	-13.1	4.1	7.9	-2.8	-49.5	0.94	0.22	1.16
1996	3	11.0	12.4	14.9	11.3	7.1	1.35	0.37	1.72
1997	9	8.5	13.6	16.3	1.9	-8.7	1.08	0.46	1.59
1998	10	91.2	14.2	17.8	3.1	-3.3	0.73	0.64	1.37
1999	13	5.7	14.7	17.1	1.3	-10.1	1.06	0.39	1.45
2000	15	-11.4	9.0	5.9	-1.3	-41.3	0.47	0.78	1.25
2001	20	9.7	12.0	19.0	2.7	-3.0	0.57	0.69	1.26
2002	10	6.5	12.8	12.7	0	-1.3	0.27	0.89	1.15
2004	12	-8.0	10	0	-1.1	-21.8	0.19	0.86	1.06

**all other vintage years have a sample size of less than 3 funds.*

As measured by pooled IRR, funds formed in 1999 performed best with a 14.7% return at June 30, 2005. Funds formed in 1998 followed with 14.2% followed by 1997 funds with 13.6%. However, 2001 funds had the highest upper quartile with 19.0% followed by 1998 funds with 17.8%. By the end of the second quarter in 2005, investors in funds formed in 1996, 1997, and 1999 received back more than they had invested.

Horizon IRR results at 30-JUN-2005
 Funds formed 1987-2005

Year	1 YR	3 YR	5 YR
1994	-0.7	-8.2	-5.4
1996	6.4	13.5	6.6
1997	-1.8	6.6	7.0
1998	12.5	6.2	1.9
1999	4.8	25.7	12.7
2000	26.6	24.4	10.0
2001	7.3	10.7	n/a
2002	26.6	12.8	n/a
2004	11.4	n/a	n/a

Funds formed in 1999 and 2000 had the highest horizon returns, particularly the latter. Vintage year 2000 and 2002 funds each had the highest one-year return with 26.6% followed by funds formed in 1998 with 12.5%. For the three-year period ending June 30, 2005, vintage year 1999 funds led with 25.7% followed by funds formed in 2000 with 24.4%. For the five-year time period, funds formed in 1999 and 2000 were the only ones with double-digit returns (12.7% and 10.0%, respectively).