

BC's €4bn fund boosts sentiment on buy-outs

Deal signals upturn for returning debt markets

Concessions made to lure investors

By Anousha Sakoui

Hopes for a revival in investor sentiment towards private equity funds have been given a boost by a greater than expected €4bn fundraising by BC Partners – one of the biggest of its kind since the financial crisis.

The European private equity group has targeted raising an eventual €6bn (£5.2bn) for its new fund, but at the close of its first funding round, the amount committed by investors was more than the €3bn initially expected. The fundraising by BC Partners, a bellwether for the buy-out industry because of its long record, is being closely watched by private equity funds globally – many of which are queueing up to raise funds this year. BC Partners, which owns the Fitness First gym chain and Intelsat, a satellite operator, kicked off the fundraising process in September.

The group has made some concessions to tempt investors.

One is to reimburse all its transaction fees to investors.

Another concession is an “early-bird” discount of 5 per cent off its management fees for investors who participate in the first round of fundraising.

The news comes at a time when fundraising has been difficult as investors have been making smaller investments in individual private equity funds, industry specialists say. “It is a helpful sign for the returning debt markets and demonstrates confidence in likely activity with larger ticket private equity transactions,” said Mark Pacitti, Private Equity Partner at

Deloitte. “It could give other private equity funds encouragement that allocations to private equity could be on the increase.”

Private equity fundraising dried up after Lehman Brothers collapsed in 2008: last year just \$225bn (£140bn) was raised globally, the lowest annual total since 2004 and well below the near \$700bn raised in 2007 and 2008, according to data provider Preqin.

BC's fundraising effort is the largest in Europe since the financial crisis and is only rivalled by San Francisco-based Hellman & Friedman's \$8.8bn fund, which launched and completed after September 2008.

5%

Early-bird discount off investors' management fees in first round

While other large buy-out companies have unveiled big funds recently, such as Blackstone, which raised about \$15bn for a new fund, much of that was raised before the financial crisis.

“Fundraising this year will be closely watched by every large fund group as many are planning to raise money. It will be seen as a key message to the market,” said Antoine Dréan, chief executive of Triago, an adviser on private equity fundraising.

However, a concern of investors in private equity, is the near record volumes of uninvested capital, some \$433bn according to Triago.

“The private equity market will really come back when there is more distribution of cash back to their limited partners,” said Mr Dréan. BC Partners declined to comment.