

Private Equity

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GTCR

PARTNERS WITH MANAGEMENT IN PRIVATE EQUITY

February 19, 2004

DISCUSSION OUTLINE

- Defining Private Equity
- State of the Private Equity Market
- Private Equity Strategies

Defining Private Equity

Private Equity – Quick Overview

- Control positions
- Acquiring relatively mature businesses
- Use of leverage
- 3-5 year investment horizon
- Exit

Private Equity Transactions

- Going-private transactions
- Corporate carve-outs
- Acquisitions of private companies

State of the Market

Maturity of the Private Equity Industry

- Huge capital inflows in past 20 years
 - Flood of new entrants
 - reduction in returns
 - lower std. deviation of returns across firms

The Private Equity Industry in 2004

- More sophisticated sellers
- Market far more efficient

How can we generate excess returns?

- Too much capital
- Lower limited partner allocations

How can we differentiate ourselves?

→ Private equity firms actually talking about strategy

Private Equity Strategies

Formulating a Strategy

Key Question: What generates excess returns?

- Proprietary deal flow
- Better due diligence / decision-making
- Better performance post-acquisition

General Private Equity Strategies

- Operational expertise
- Sector focus/expertise
- Focus on a type of transaction
 - Corporate carve-outs
 - Going private transactions
 - Mega buyouts
- Highly proactive

GTCR Strategy

GTCR pioneered the concept of partnering with exceptional executives to build leading new companies through acquisition.

Formulating a Strategy

Key Question: What generates excess returns?

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GTCR Strategy – An Example

Ovation Pharmaceuticals

- Specialty pharmaceutical company
- Founded in partnership with Bill Gantz
- \$150 million commitment from Fund VII

Over 100 other examples

GTCR Commercial

- Chicago based private equity firm, founded 1980
- Unique strategy – partner with executives
- Over \$6.0 billion in capital
- Equity Fund VIII, \$1.9 billion
- Mezzanine Fund, \$450 million
- Current portfolio includes more than fifty companies