

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **PEP seals off first close at \$1.1bn; Hoyts prepped for exit**
BY Edited by Sarah Thompson, Anthony Macdonald and Gretchen Friemann
WC 495 words
PD 23 April 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 16
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

Australia's largest private **equity firm**, Pacific **Equity** Partners, will be back on the **acquisition** trail after reaching a first close for its fifth fund, industry sources said.

It is understood PEP notified investors of the \$1.1 **billion** first close after receiving chunky commitments from offshore limited partners speculated to be the Abu Dhabi Investment Council and a **Hong Kong**-based pension fund.

TD

The first close comes after an 18-month fundraising effort, during which PEP lost a couple of key deal makers but lined up a host of promising exits, and ahead of a final close for later this year.

It is understood PEP is targeting \$2 **billion** for the core fund, with a hard cap at \$2.5 **billion**. The **firm** will also allow some existing investors to co-invest directly into new buyouts.

PEP's fundraising efforts have been helped along by recent portfolio exits, including Veda Group's successful initial public offering, as well as a host of refinancings whereby PEP was able to take **equity** out of its portfolio companies.

The **firm** is also close to listing Spotless Group as it prepares Link Market Services, joint venture SCA Hygiene Australasia, **Energy** Developments, and Peters Ice Cream for the ASX boards or for trade sales.

Separately, Street Talk can reveal PEP will appoint investment banks to sell Hoyts Group next quarter with an exit pegged for early 2015.

It is understood investors in PEP's fourth fund, which involved a \$4 **billion** raising in 2008, have already received 40 per cent of their money back. The fund is said to be running at close to an 80 per cent internal rate of return.

PEP's fundraising experience speaks volumes about the local private **equity** environment. Australian superannuation funds, which have historically piled money into local PE firms, are rebalancing their portfolios and adding offshore exposure at the expense of domestic firms.

It means fundraising is more difficult and is taking longer for the likes of PEP and its smaller rivals.

(That said, Quadrant Private **Equity** and Archer Capital have quickly raised money in the past two years.)

The first close means PEP's deal teams can start seriously lining up **acquisition** targets.

It is more than 18 months since PEP added a new portfolio **company** to its stable, focusing on bolt-on deals and selling assets to assist the fundraising drive. It is understood the **firm** has already identified a number of potential targets.

The raising also means PEP's senior deal makers – founders Tim Sims, Rickard Gardell, Simon Pillar and Paul McCullagh – are committed to the **firm**, along with the next generation of PEP stars which include David Brown, Tony Duthie, Shannon Wolfers and Jake Haines.

Deal makers Anthony Kerwick and Rob Koczkar are expected to leave the **firm** by the end of June.

CO abudic : Abu Dhabi Investment Council | datadv : Veda Group Ltd | peprt : Pacific Equity Partners

IN i81502 : Trusts/Funds/Financial Vehicles | ifinal : Financial Services | iinv : Investing/Securities |
i81501 : Credit Types/Services | i8150203 : Private Equity | i8395416 : Credit Rating Services |
ialtin : Alternative Investments | ibnk : Banking/Credit

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140422ea4n0001k