

FUNDRAISING

FIRST OF THE MINI MEGA-FUNDS HITS TARGET



By Amy Carroll

Advent International has become the first in a wave of mini mega-funds to hit its target, closing its sixth global buyout fund at €6.6bn. GPE VI exceeded its original €5bn target by more than 30 per cent and was oversubscribed to the tune of more than €10bn.

The fund is significantly more than twice the size of its predecessor, which closed on €2.5bn in 2005. Limited partners include the Canada Pension Plan Investment Board, GIC Special Investments, AlpInvest Partners, Pantheon, California State Teachers' Retirement System, Partners Group and the Universities Superannuation Scheme. Around two-thirds of commitments were received from existing investors.

"People are calling this a record fundraising," said Advent managing director Bruce Barclay. "We published a PPM in the second half of November and all legal commitments had to be in by the end of January.

"Some phenomenally intensive due diligence was required," he added. "I was responding to emails for five hours on Christmas day."

Advent held a first close on 12 March and a final close on 3 April.

"It just about killed our lawyers," said Barclay. "The only reason we weren't wrapped up in March was that we had to remain open for some Asian investors, whose financial year begins on 1 April."

Advent maintains that it remains a mid-market firm, despite the fact

that its latest fund is the ninth largest ever raised. The firm will focus on businesses with enterprise values of between €200m and €1bn, however it will be able to complete larger deals on an opportunistic basis.

It aims to complete between 30 and 35 deals, according to Barclay.

"€6.6bn over 35 deals, works out at an average equity cheque of €189m. If you assume a one-third equity to two-thirds debt split, that gives us an average enterprise value of €565m." Advent's ten most recent deals have had an average enterprise value of €510m.

"So yes, there is an increase, but it is not a significant increase," Barclay said. "We have 120 buyout professionals across 15 countries. A mega-fund may raise €10bn, but will complete just ten deals with a far smaller staff. Our latest fund may be at the top end of the mid-market, but it is still very much the mid-market."

THE REAL DEAL

Advent International is one of a number of upper mid-market houses to have more than doubled its fundraising ambitions for this vintage.

The fortunes of these houses - which include PAI Partners, Nordic Capital and Bridgepoint - have been boosted by a shift in allegiance among limited partners, many of which have lost faith in the traditional mega-buyout houses' ability to deploy capital and maintain returns.

LPs are unable to move their mega-market allocations to the mainstream mid-market, because these vehicles cannot absorb the amount of capital in question. The new mini mega-funds, however, allow LPs to commit significant sums of money outside the mega area.

While the ability to obtain leverage remains an obstacle for this new breed (Bruce Barclay's 1:2 split seems optimistic for now), institutional investors appear to be willing to accept the compromise.