# Private Equity

Private Equity is the branch of Finance dedicated to investing in companies that are already developed and established growth. In this article, you will discover and understand this form of finance, which is dedicated to promising companies.

## What is Private Equity (PE) ?

Private equity, in short, is the investment of equity capital in private companies at different stages of development. It can therefore cover mature companies (often the case) but can also invest in young companies[1]. The aim is to develop the company with a view to realising a capital gain at the time of sale, a few years later. The holding period is often between 5 and 10 years. To create a capital gain, the fund may help the company to develop a strategy to develop its products, penetrate new markets, put in place its own management team or create a drastic reduction in costs or restructuring.

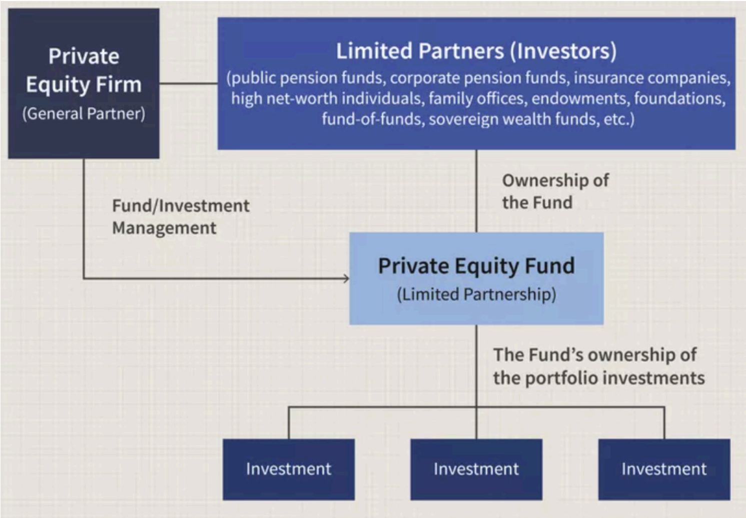
There are different types of transaction for investing or exiting:

- **Buyout** remains an essential element of private equity deals, involving the acquisition of an entire company, whether public, closely held or private. Private equity investors acquiring an underperforming public company often seek to reduce costs and may restructure its operations.
- **Carve-outs** involve buying a division of a larger company, usually a non-core business put up for sale by its parent company. Carve-outs tend to achieve lower valuation multiples than other private equity acquisitions, but can be more complex and risky.
- **Secondaries Buyout** involves buying a business from another private equity fund rather than from a listed company.
- **An IPO** is an exit option for investors when the company is listed on the stock exchange.

[1] Private Equity is covering Venture Capital, Growth Stage, Buyout, Replacements and Turnaround

## How do Private Equity funds finance themselves ?

The fund is managed by a private equity firm that serves as the 'General Partner' (GPs) of the fund. By contributing capital, investors become 'Limited Partners' (LPs) of the fund. As such, the fund is structured as a 'Limited Partnership'. Management fees and Carried Interest can often be stated when General Partners are mentioned, and both are received by GPs. Management fees are often 2% of the fund's assets and Carried Interest is 20% of the fund's profits.




## Here few examples of Private Equity funds:

In France, here are some well-known funds:

- **Tikehau Capital** with €6 Billions in AUM[2] (only for their PE segment)
- **Eurazeo** with €24.6 Milliards in AUM (only for their PE segment)
- **Ardian** with € 119 Milliards in AUM (only for their PE segment)
- or **BPIFrance** sovereign fund with international influence (one of the world's most active)

At a bigger scale, you might hear about: **Blackstone** with $125 Milliards in AUM, **KKR** with $121 Milliards in AUM, or **Thomas Bravo** with $114 Milliards in AUM.

## Références:

https://www.boursorama.com/bourse/actualites/top-5-des-plus-grandes-societes-de-private-equity-au-monde-0d5b15e89e41090c37ec0197296486e6

https://www.investopedia.com/terms/p/privateequity.asp

[2] AUM stands for Asset Under Management and corresponds to the value of all the securities that the fund owns and manages or only manages.