

Please help us to better understand private equity
and gain privileged access to the results!

European 2010
PE study www.private-equity-study.eu

Management styles of European private equity firms

-

Empirical questionnaire

A joint research project by



&



University Erlangen-Nürnberg

University Freiberg

Instructions for filling in the questionnaire

1. Preliminary remarks:

- You will need **15 minutes** to complete the questionnaire.
- You can fill in the questionnaire electronically or on paper.
- **In exchange** for your effort you will be provided with the **results of this study**.
- All information provided will be treated as **strictly confidential** and will be **processed anonymously**.
- You will be asked questions on: (A) characteristics of your private equity firm, (B) description of your investment strategy, (C) involvement with portfolio companies (in a typical buyout situation), and (D) value creation and trends in private equity.

2. When answering the questions, we kindly ask you to consider the following:

- We are interested in the **active involvement** of private equity firm representatives (= members of your firm and board members, or consultants brought in by your firm) in portfolio companies.
- Please refer to the active involvement in a **typical buyout situation** in which your firm (alone or with its syndicate partners) acquires a controlling stake in a company.
- Do not hesitate to **provide us with estimates**. We are interested in your personal judgement.
- A fully completed questionnaire is very valuable to us. However, **do not hesitate to send us an incomplete questionnaire**, if you feel uncomfortable answering a particular question.

3. After completing the questionnaire, please mail, e-mail, or fax it to us:

- Mail:

Universität Erlangen-Nürnberg
Lehrstuhl für Unternehmensführung
c/o Mathias Schatt
Lange Gasse 20
90403 Nürnberg
Germany

- E-Mail: mathias.s.schatt@wiso.stud.uni-erlangen.de
- Fax: +49-(0)911-5302 474
- If you are interested in the **study's results**, please fill out the attached coupon and send it back separately to ensure anonymous processing of your responses.

If you have any questions, do not hesitate to contact us:



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Part A: Characteristics of your private equity firm

In this part, we would like to ask you some **general questions regarding your company.**

01. What is your firm's ownership structure?

Independent <i>(capital raised mainly from outside investors)</i> <input type="checkbox"/>	Semi-captive <i>(capital raised from both outside investors and parent company)</i> <input type="checkbox"/>	Captive <i>(capital raised mainly from parent company)</i> <input type="checkbox"/>	Public <i>(capital raised mainly from public sources or publicly held companies)</i> <input type="checkbox"/>
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02. In which country is your firm's headquarters based?

United Kingdom <input type="checkbox"/>	Germany <input type="checkbox"/>	France <input type="checkbox"/>	USA <input type="checkbox"/>	Other _____
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03. What is your firm's experience and size?

Funds raised so far	_____	<i># of funds</i>
Companies in your portfolio at the moment	_____	<i># of companies</i>
Total capital under management	_____	<i>€ million</i>
Fund owners/ managing partners in your firm	_____	<i># of partners</i>
Investment professionals (non-partner) currently employed <i>(associates/analysts, investment directors/managers)</i>	_____	<i># of investment professionals</i>
Other professionals currently employed <i>(controller, treasurer, consultant, HR, purchaser)</i>	_____	<i># of other employees</i>

04. What's the typical profile of your firm's investment professionals?

Please allocate 100%	_____	<i>% PE background</i>
	_____	<i>% banking/finance/accounting</i>
	_____	<i>% industry/consulting</i>
	_____	<i>% with other background</i>

05. To what extent does your organization ...

	NOT AT ALL	1	2	3	4	EXTENSIVELY
... have in-house industry-specific skills ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... use external resources (people) to manage portfolio companies?						
A) Direct network <i>(industry experts, senior executives)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B) Professional services firms <i>(consultants, legal advice)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part B: Description of your investment strategy

In this part, we would like to ask some questions regarding your **investment focus** and **current investment portfolio.**

06. How would you characterize your firm's investment focus? (Please check all that apply)

Deal size focus <i>(Transaction value in € million)</i>	Small (< 50) <input type="checkbox"/>	Mid-market ($50 \leq X < 500$) <input type="checkbox"/>	Large ($500 \leq X < 1,000$) <input type="checkbox"/>	Mega ($\geq 1,000$) <input type="checkbox"/>
Investment focus by stage	Early stage venture <i>(Seed, Start-up)</i> <input type="checkbox"/>	Later stage venture <i>(Expansion, Growth)</i> <input type="checkbox"/>	Buyout <i>(LBO, MBO, Turnaround)</i> <input type="checkbox"/>	
Stakes of financing	Minority equity <input type="checkbox"/>		Majority equity <input type="checkbox"/>	

07. What can your investments expect to benefit from?

	NOT RELEVANT	1	2	3	4	5	VERY RELEVANT
▪ Superior resources (people & network) and capabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Synergies arising from our portfolio of companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Better ownership/governance practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

08. Degree of diversification

What is the percentage of **funds invested in the top two ...**
 ... **industries**
 ... **countries**

	FOCUSED				DIVERSIFIED
	>80%	80%-60%	60%-40%	40%-20%	<20%
... industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... countries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

09. In which industries do you hold investments? (Please check all that apply)

- | | | |
|--|---|---|
| <input type="checkbox"/> All industries | <input type="checkbox"/> Communications | <input type="checkbox"/> Construction |
| <input type="checkbox"/> Agriculture | <input type="checkbox"/> Consumer Goods and Retail | <input type="checkbox"/> Energy & Environment |
| <input type="checkbox"/> Chemicals & Materials | <input type="checkbox"/> Consumer Services: Other | <input type="checkbox"/> Financial Services |
| <input type="checkbox"/> Life Sciences | <input type="checkbox"/> Industrial Products & Services | <input type="checkbox"/> Real Estate |
| <input type="checkbox"/> Computer & Consumer Electronics | <input type="checkbox"/> Transportation | <input type="checkbox"/> Other |

10. In which regions do you hold investments? (Please check all that apply)

- | | | | |
|---------------------------------|-------------------------------------|-------------------------------|------------------------------|
| <input type="checkbox"/> Europe | <input type="checkbox"/> USA/Canada | <input type="checkbox"/> Asia | <input type="checkbox"/> RoW |
|---------------------------------|-------------------------------------|-------------------------------|------------------------------|

Part C: Involvement with portfolio companies in a typical buyout situation

In this part, we would like you to assess how **intensively** your **firm usually gets involved** with portfolio companies.
 Your firm: *Members of the private equity firm and board members, or consultants brought in by your firm*

Please rate the extent to which you/your representatives do the following:

Consider a typical buyout process (= typical behaviour of your firm)

NOT AT ALL EXTENSIVELY

11. FINANCIAL & ASSET MANAGEMENT

	1	2	3	4	5
▪ Optimise capital structure of portfolio company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Provide access to new/more favourable sources of debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Provide access to additional equity (for acquisitions or growth projects)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Get involved in the optimisation of the fixed asset base (selling non-required assets, sale-and-lease-back activities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Get involved in the optimisation of working capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Get involved in financial & asset management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. STRATEGY & BUSINESS DEVELOPMENT

	1	2	3	4	5
▪ Get involved in the definition of portfolio company's strategic direction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Actively impact strategy development (e.g., 100 day /value creation plan)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Get involved in the development of organic growth initiatives (e.g., new products, pricing, customers, markets)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Actively promote acquisitions/divestments at portfolio company level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Establish contact between portfolio company and potential targets/buyers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Support the implementation of acquisitions/divestments at portfolio company level (during due diligence, negotiation, post-merger integration)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Get involved in strategy & business development at portfolio company level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. TOP MANAGEMENT TEAM

	1	2	3	4	5
▪ Replace members of the top management team (CEO, CFO, COO, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Initiate changes in size and structure of the top management team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Initiate changes to the top management team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please rate the extent to which you/your representatives do the following:

Consider a typical buyout process (= typical behaviour of your firm)

NOT AT ALL



EXTENSIVELY

14. GOVERNANCE PRACTICES

	1	2	3	4	5
▪ Increase usage of incentives for top management in order to improve alignment of interests (<i>equity participation, variable compensation</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Require co-investment from portfolio company's top management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Introduce new targets/key performance indicators (KPIs) for top management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Intensify degree of performance monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Bring in own board members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Increase frequency of board meetings and other forms of top mgmt interaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Apply different governance practices than the former owner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. ORGANISATIONAL STRUCTURE & MANAGEMENT SYSTEMS

	1	2	3	4	5
▪ Initiate changes in the organisational structure of portfolio company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Support building up/reconfiguration of administrative functions (<i>accounting, controlling, finance, tax</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Actively promote higher incentives for middle/lower management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Support optimisation of reporting & controlling systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Initiate changes to organisational structure & management systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. BUSINESS OPERATIONS

	1	2	3	4	5
▪ Highlight potential areas of operational improvements (<i>sourcing, supply chain, R&D, production</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Get involved in the definition and prioritization of improvement initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Support the implementation of operational improvement initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Get involved in business operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. COOPERATION BETWEEN PORTFOLIO COMPANIES

	1	2	3	4	5
▪ Actively promote sharing knowledge /best practices among portfolio companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Actively promote talent sharing between portfolio companies (<i>executives/specialists rotating from one to another portfolio company</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Initiate joint projects between portfolio companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Initiate group-wide synergy programs (<i>procurement, sales</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Encourage cooperation between portfolio companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. CENTRAL FUNCTIONS & SERVICES

	1	2	3	4	5
▪ Provide consulting services from internal consulting teams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Offer central functions to the portfolio companies (<i>procurement, recruiting</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Actively promote outsourcing of business processes to external service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OVERALL: Provide central functions & services to portfolio companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. Do you follow a standardized approach when getting involved with your portfolio companies (above mentioned activities)?

AD-HOC

1

2

3

4

5

STANDARD PROCEDURES

Part D: Value creation and trends

In this part, please help us to gain a better understanding on sources of value creation.

20. How did your firm perform relative to the market over the past five years?

According to THOMSON REUTERS/EVCA the average performance of European buyouts in the past five years was ~ 10 % IRR (5-year horizon: 31/03/2009).

BELOW AVERAGE						ABOVE AVERAGE
<-10%	-10%	-5%	±0%	+5%	+10%	>+10%
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21. Where have you created value for your investors over the past five years (Sources of value creation)?

Financial leverage

Value creation resulting from debt financing/repayment of loan _____ %

Multiple arbitrage

Transaction arbitrage between entry and exit multiple ("Buy low, sell high") _____ %

Operational improvement

EBITDA impact on valuation through cutting cost and growing revenues _____ %

Please allocate **100%**

22. Over the next five years, how do you expect your firm's involvement with portfolio companies to change?

	LESS ACTIVE					MORE ACTIVE
	-2	-1	0	+1	+2	
Financial & asset management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Strategy & business development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Top management team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Governance practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Organisational structure & management systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Business operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Cooperation between portfolio companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Central functions & services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Our last three questions

23. What is your current position within your firm? _____

24. How long have you been with your firm? _____ years

25. Is there anything else you would like to tell us?

Thank you very much for your participation!

Coupon for study results and drawing of iPods shuffle (optional)

If you are interested in our study's results, please provide us with your contact information. All personal information will be treated as strictly confidential and will be processed anonymously.

If interested in the **study results**, please check here:

▪ Name:

▪ Company:

▪ Address:

▪ E-Mail:

You can send this coupon back separately from your questionnaire via mail, e-mail or Fax:

▪ Mail:

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All participants can take part in the drawing for one of three **iPods shuffle**.

If interested in the **drawing**, please check here:



Thank you very much for your participation and your interest in our work!

Prof. Dr. Harald Hungenberg

Prof. Dr. Michael Nippa

Mathias Schatt

Matthias Krühler