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Emerging Markets Private Equity Investment Totals Set to Beat 2009

- *Investment totals rise 55% year on year, propelled by more deals (up 44%)*
 - *China, India and Latin America drive the increase in deal volume*
 - *Improvement in fundraising supports prediction of future growth*
- *Brazil deals appear in top five in 2010; region primed for significant deal flow*

Washington, D.C., 4 August, 2010 – A robust recovery is underway in emerging markets private equity as investment pace is picking up significantly post-crisis and appears on track to beat 2009 totals. In the first half of this year, investment totals stood at US\$13 billion versus US\$8 billion at this time last year, an increase of 55%, according to Emerging Markets Private Equity Association (EMPEA). The total value of private equity investments made in the first two quarters of 2010 was US\$4.5 billion more than that invested through the same period last year, led by an investment surge in Latin America and continued strong activity levels in China and India.

“Investment conditions in emerging markets private equity are revitalizing. There are more and better quality deals in the pipelines; the continued easing of price expectations among sellers means managers have been more successful in closing transactions. Emerging market fund managers are increasingly bullish in light of stabilizing markets and lower valuations,” said Sarah Alexander, President and CEO of EMPEA.

“We expect this confidence will play right through the cycle the rest of this year. Investors remain cautious in their allocation to new funds, but we anticipate that fundraising levels will continue to pick up on the back of this more active investment environment. Prospective and undecided investors are looking for indications of improved liquidity, to support the promise of managers’ ability to generate cash flow,” said Ms. Alexander.

Indeed, fundraising levels are showing signs of rebounding, with US\$11 billion raised in the first half of 2010 versus US\$9 billion raised in the same period last year. Asian funds continue to account for more than half of the total (55%), with China continuing as the leading destination for new capital. China-dedicated funds accounted for two-thirds of the 46 Asian funds that raised capital through mid-year, 60% of total capital raised for Asia, and one-third of the total capital raised for emerging markets during that period.

Beyond Asia, notable upticks in Sub-Saharan Africa and Latin America accounted for a significant portion of the overall increase in capital raised. “African funds raised through June already exceeded the full year 2009 total, and some sizeable funds being raised point to a return to pre-crisis levels,” observed Ms. Alexander.

EMPEA’s analysis reveals that drivers for increased investment totals include:

- 90% of the rise in both transaction volume and in total investment can be attributed to increased investment activity in China, India and Latin America.
- 44% more deals completed, with 402 deals done this year to date versus 280 deals this time last year, and quarterly transaction volume (# deals) tracking slightly ahead of pre-crisis pace.

- An increase in large transactions, pushing average deal sizes up 27% (from US\$40m to US\$51m), driven by 28 deals topping US\$100 million versus only 17 of similar size in the first half of 2009.ⁱ

Brazil makes an appearance for the first time as a destination for two of the five largest PE deals in emerging markets through mid-year. Investment totals made into the country increased 53% in the first six months of 2010 against year-end totals in 2009, at US\$1,513 million (1H2010) versus US\$989 million (FY2009).

Commenting on the increased levels of investment, Sarah Alexander said, “This trend towards further investment into Brazil looks set to continueⁱⁱ. Of all the funds recently raised for Latin America, as much as two-thirds of capital raised could feasibly be directed to Brazilian opportunities. We’re also seeing marked interest in the investment potential of other regional opportunities, particularly in Colombia and Peru. It is encouraging to see the markets recognize the growth potential of Latin America.”

ENDS

For datapoints to support the findings of this release, please see:

<http://www.empea.net/Document-Library/Newsroom/EMPEA-Mid-Year-Data-2010.aspx>

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About EMPEA

The Emerging Markets Private Equity Association (EMPEA) is an independent, global industry association that promotes greater understanding of and a more favorable climate for private equity investing in the emerging markets of Africa, Asia, Central/Eastern Europe and Russia/CIS, Latin America, and the Middle East. EMPEA’s more than 260 members represent a broad array of private equity fund managers, institutional investors, service providers, and other key stakeholders in the industry.

ⁱ The 28 deals over US\$100 million in the first six months of 2010 totaled US\$8.4 billion, versus US\$4.6 billion invested across 17 deals over US\$100 million in 1H 2009.

ⁱⁱ One notable recent example: Carlyle’s acquisition of a controlling stake in Qualicorp, announced by Carlyle in July 2010.