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Report: PE Values to Drop 10% to 30%

Posted on: March 3rd, 2009

The net asset valuations of private equity and venture portfolios is likely to decline between 10% and 30% for the fourth quarter, according to a general partner survey conducted by NYPPEX, a secondary market intermediary.

The firm predicts that declines will be heaviest for private equity partnerships focused on cyclical sectors, such as consumer plays, energy, and large buyouts. Overall, NYPPEX predicts NAVs will decline 20% to 30% for cyclical sectors.

That's not shocking news to anyone who looked at KKR Financial Holding's quarterly report. The fund managed by Kohlberg Kravis Roberts & Co, reported a \$1.2 billion quarterly loss on Monday. The company also recorded a \$454 million impairment charge for its securities available-for-sale portfolio which consists primarily of high yield debt securities. Its stock was recently trading at just over 60 cents a share.

NYPPEX predicts fourth-quarter declines will be less severe - around 10% to 15% - for what it calls defensive sectors, such as healthcare, services, and later stage venture.

Secondary market buyers are compensating for expectations of asset writedowns with lobal bids. As of March 2, NYPPEX reports, some secondary buyers have begun to further reduce bids for interests in private equity partnerships as a result of the steep stock market declines and expectations of broad right downs in net asset values in private portfolios.