



HEC Paris launches Private Equity Value Creation Hall of Fame and appoints first inductee

Press release
Jouy en Josas, December 14

HEC Paris has just launched its Private Equity Value Creation Hall of Fame which will feature Private Equity Funds who have generated exceptional level of value to their investors, the so-called LPs.

All funds from vintages since 2000 (included), classified as “Buyout” focused funds in the database maintained by industry-leading data provider *preqin* can be considered possible members.

The first inductee is the 2000-vintage fourth fund by San Francisco-based Hellman and Friedman. The fund raised \$2.2 billion and by the time it was fully liquidated had returned a net multiple of 2.8x to investors.

The Hall of Fame is an initiative of HEC Paris Professor Oliver Gottschalg, associate professor of strategy at HEC Paris and co-founder of its Private Equity Observatory research centre. Gottschalg and his team screened data on realized returns for 2,500 funds and rapidly reduced them to a handful of exceptional funds that came close to the qualifying criteria for the Hall of Fame.

He says, “I realized that it is not obvious from the outside to spot the ‘best of the best’ of all PE funds of all time and that this information would be useful for investors and for the asset class in general. It would demonstrate how strongly value creating private equity as an asset class and a governance structure can be – countering some of the widespread criticism that private equity only levers up equity and rides macro trends. It would also give investors some idea about which GPs had been at the top of this ‘game’ over the past 20 years.”

To qualify for the HEC Private Equity Value Creation Hall of Fame, a Private Equity fund must meet the following three criteria:

- at least \$2 billion in cash-on-cash alpha gain, i.e. overall returns in excess of the stock market;

“PERACS Alpha”, i.e. annualized returns in excess of the stock market, of at least 15 percent per annum;

at least 2x cash-on-cash multiple.

Through these criteria, heavy emphasis is placed on value creation in excess of public market equivalent returns, which are a proxy for the “opportunity cost” of an LP’s PE investment.

The assessment of value creation is based on cash-on cash net value creation based on cash flows from- and to the LPs after deduction of any deal-level or fund-level fees (including carry and management fees), ignoring the remaining net-asset-value.

The funds featured in the HEC Private Equity Value Creation Hall of Fame should be substantial in terms of the scale of value creation, so a requirement in terms of a total amount of “Alpha Dollars” of value generated has been included. This helps eliminate cases in which performance may have been driven by one or a few individual highly successful deals.

In order to verify the data, thousands of PE funds will be screened annually based on commercially available cash flow information on them, using the preqin cash flow database as the primary source of data.

About HEC Paris:

Specializing in management education and research, HEC Paris offers a complete and unique range of educational programs for the leaders of tomorrow: Masters programs, Summer School, MBA, PhD, Executive MBA, TRIUM Global Executive MBA, open-enrolment and custom executive education programs.

Founded in 1881 by the Paris Chamber of Commerce and Industry, HEC Paris is a founding member of the Université Paris-Saclay. It boasts a faculty of 108 research professors, more than 4,500 students and over 8,000 managers and executives in training each year.

HEC Paris was ranked second business school in Europe by the Financial Times’ overall business school ranking in December 2017.

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