

PPMAMERICA

The Art of Private Equity Co-Investing

Florida Public Pension Trustees Association
September 2024

Today

- 1 Why Private Equity?**
- 2 Why Co-Investments?**
- 3 Why Now?**

Private Equity Terminology

- General Partner (GP) or Fund Sponsor
- Limited Partner (LP)
- Carried Interest or Carry
- Internal Rate of Return & Preferred Return
- Multiple on Invested Capital (MOIC)

Comparing Strategies

Strategy	Diversification	Fees
Primary Fund	Concentrated	Single Layer
Fund of Funds	Significant	Double Layer
Co-Investment	Moderate	Reduced

Deal Flow & Execution



Experience



Relationships



Agility



Access



Focus

Co-Investment Example

Representative Strategy Targets

- Typical Deal Size: \$10-\$50 million
- Generally, 40-50 co-investments
- Invest alongside 20-30 General Partners (GPs)
- Diversified across industry, geography and deal size

A Closer Look at Fees

Investment Assumptions

- Fund Commitment: \$10 million
- Term: 12 years
- Assumed Gross MOIC: 2.25x

Comparing Fees

	Fund of Funds (FoF)	Primary Fund	Co- Invest
Fee	1.88% GP fee plus 0.50% FoF fee	1.88%	1%
Carry	20% GP carry plus 5% FoF fee	20%	10%
Est. Fees & Carry	\$4.14M	\$3.38M	\$1.65M

Comparing Fees: Savings

Fund of Funds
\$4.14M



Co-Investment
\$1.65M

Savings:
60% (\$2.49M)

Primary Fund
\$3.38M



Co-Investment
\$1.65M

Savings:
51% (\$1.73M)

Co-Investment Case Study

Company Description:
Professional vegetation
services to utility companies
across the south and central
United States

Headquarters: Atlanta, GA

Number of Employees: 993



Key Takeaways

- Strong relationships
- Strong net return
- Deal access
- Diversification
- Lower fees

Presenter Biography



Champ Raju

Managing Partner, Head of Private Equity

Champ Raju is managing partner and head of private equity at PPM America Capital Partners, the private equity arm of PPM America, Inc. (PPM). In this role, he oversees all aspects of the private equity investment process and is responsible for managing the team's private equity investments. Champ also serves on the Executive Committee of PPM America, Inc. Prior to joining PPM in 2001, Champ worked in the audit group focusing on manufacturing clients at PricewaterhouseCoopers LLP (PwC). He later joined the PwC's transaction services group, where he focused on acquisition and sell-side due diligence. Champ earned a master's degree in business administration from Northwestern University and a bachelor's degree in accounting and finance from Indiana University.