

# Key Capital raises €72m for its fourth private equity buyout fund

## John Mulligan

DUBLIN-BASED Key Capital has raised just over €72m for its latest private equity buyout fund.

The firm is also planning to raise a new real estate investment fund that it expects to launch in the autumn, according to Martin Lally, the managing director of Key Capital's investment management arm. That unit now has about €400m under management.

The private equity buyout fund is the fourth raised by the firm since 2012, with a total of €217m having been raised for those vehicles.

The average investment per client in the latest fund was between €500,000 and €600,000, said Mr Lally.

Mr Lally said the first private equity fund raised by the firm is currently running at a net multiple on invested capital of 1.9 times, and has an internal rate of return of 14.3pc.

He said that by the time the fund comes to the end of its life by about 2022, it's expected to have achieved a higher net multiple on invested capital. "There's quite a bit of upside left on that [fund]," said Mr Lally. "We'd be quite confident that it will end up with a net of 2.3 times or 2.35 times return for our investors."



**Upside:** Martin Lally, managing director of Key Capital's investment management arm, said he expected the first private equity fund raised by the firm to end up with a net of 2.3 times or 2.35 times return

Key Capital allocates about 80pc of the money raised for its private equity buyout funds to global managers such as Cinven, Permira and Warburg Pincus.

The remainder of the money is typically allocated by Key Capital to private equity funds in the secondary market.

About half of the latest fund has already been committed, while the remainder will be funnelled to managers over the next

two years, according to Mr Lally.

He said that one of the key elements of the private equity funds are their diversity.

"If each manager, on average, purchases 25 companies, and you've made five or six commitments to these managers, then you're into 150 or 170 companies," said Mr Lally.

"The fact that these companies are bought over a four- or five-year time

period, that is pretty attractive for investors."

He added that the appetite for the funds was strong, despite uncertainty in the wider markets, and that private equity gives investors "comfort".

"Investors are reluctant to write a big cheque and put it into the market on a given day," said Mr Lally.

"There's a lot of political risk, a lot of uncertainty."

With a wall of international money from Asia and Europe apparently waiting to invest in the Irish property market, and particularly in Dublin, Mr Lally said that while a lot of investors had made strong returns from Ireland in the past four or five years, those returns have started to tail off.

He said that when Key Capital pitches its next real estate investment fund in the autumn, one of its arguments will be that it may be time to reduce exposure to the Irish market and return to investing on a global scale.

Key Capital's last real estate fund raised €40m.

Mr Lally declined to say specifically how much the firm is targeting to raise for the new fund, but that it would probably expect to secure at least as much as that €40m.