



Bundesverband Deutscher
Kapitalbeteiligungsgesellschaften

Press Releases

BVK Annual Statistics 2004 - Private Equity Market With Positive signs

15. Februar 2005

- Germany in international top group
- Fund raising still weak

“The consolidation of the private equity market has come to an end. The results of the year 2004 show that the German market is making progress again”, says Dr. Thomas W. Kuehr, Chairman of the BVK Board. According to Kuehr there is no doubt about the economic impact of private equity. In 2004, private equity backed companies made annual turnovers of 114.4 billion Euro with about 638,000 employees. Compared to the international markets, Germany remains in the top group following the USA and the UK.

In 2004, all respondents to the present statistics invested 3.8 billion Euro into 950 companies, about 56 per cent more than the year before (2.4 billion Euro). This increase is to be attributed to the strong fourth quarter (1.4 billion Euro). Compared with the year 2003, the portfolio (all invested funds) has been increasing by 13 per cent to 20.3 billion Euro as per 31 Dec 2004.

Compared with 2003, all investment stages (early and later stage venture capital, buy outs) scored increases in amounts. Buy outs continued to dominate the market (71.3 per cent; 2003: 70.7 per cent). In 2004, almost three quarters of all buy out investments were leveraged buy outs. “The continuing strength of buy outs shows the growing importance of the German market for domestic and international buy out companies”, says Dr. Holger Frommann, Managing Director of the BVK. “It also indicates that investments continue to focus on the later stage segment”, he continues. Venture capital investments (seed, start ups, expansion and other later stage scenarios) set a new record in the fourth quarter at 324.1 million Euro which has been the best result since the third quarter 2002. Over the year, venture capital investments increased by 52 per cent from 707.9 million Euro (2003) to 1,079.4 million Euro (2004).

Sectors and Regions –Shifts continue

The continuing shift towards big buy out transactions led to the preference of traditional sectors: The majority of funds was invested into Medical/Health Related (19.8 per cent), Services (17.9 per cent) and Consumer Goods (10.9 per cent). Most of the financed companies are to be found in technology orientated sectors like Computers, Mechanical Engineering, Health Care, Trade and Biotechnology.

72.3 per cent of all funds were invested in Germany. This is less than in 2003 (82.3 per cent) but nevertheless the domestic private equity market remains in the focus of investments. 25.1 per cent of all investments went to other European countries, 2.6 per cent were invested in countries outside Europe.

Total losses sink drastically / Fund raising weaker than in 2003

Over the past year, total losses sank drastically from 40.2 per cent to 27.2 per cent. “Total losses seem to find its level at the long-term average.”, says Kuehr. “And there is a growing tendency towards positive exit channels.” This includes trade sales (25.1 per cent) and secondary sales (20.7 per cent), i. e. sales to other private equity and venture capital companies. All in all, exits increased significantly to 1.5 billion Euro in 2004.



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Fund raising sank by 69 per cent to 2.0 billion Euro (6.4 billion Euro). “The main reason for this decline is that in 2003 the raising of funds included the closing of a pan-European fund at 5.1 billion Euro.”, explains Frommann. “That did not happen in 2004. All in all, independent fund raising in Germany has almost doubled in comparison with the year 2003 now totalling almost 550 million Euro.” Dominant investors in 2004 were Insurance Companies (30.5 per cent), Banks (19.5 per cent) and Public Investors (16.4 per cent). Like in the year before, most funds were meant for buy out funds (49.1 per cent). The percentage of funds for early stage and expansion investments increased significantly to 30.9 per cent.

2005 – The Year Ahead

After three difficult years, the German private equity market demonstrates new strength illustrated by investments totalling 3.8 billion Euro. “More and more companies favour private equity and venture capital investments. BASLE II and banks hesitating to grant loans will give the market new impetus”, says Kuehr. But an improvement of the general economic situation is vital for a lasting recovery of the private equity market.

For the BVK improved tax regimes and the recently launched public support funds focussing on the venture capital segment are positive indications for a further stabilisation of the market. “The biggest challenge is to revive the raising of funds in the short term”, Frommann explains. To raise new funds and to reconvince German institutional investors of private equity will be the decisive factor for the success of the market.

For early stage investments, the BVK foresees difficult times to continue. “The decline of the new economy has left its traces”, says Kuehr. “In the foreseeable future venture capital companies will be cautious with their investments in this stage.” German Mittelstand will continue to be in the focus of investments due to its weak equity resources and its number of established and expanding companies.

[Complete 2004 statistics \(PDF file, Germany only, english version will follow shortly\)](#)

[Statistics of the 4th quarter 2004 \(PDF-File, Germany only\)](#)