



Bundesverband Deutscher  
Kapitalbeteiligungsgesellschaften

## Press Releases

# BVK Statistics on Venture Capital 2004: Recovery of the Venture Capital Market

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Investments into newly founded and growing young and established companies have been increasing since 2000 and continued to do so in 2004. This proves the Statistics on Venture Capital 2004 published today by Bundesverband Deutscher Kapitalbeteiligungsgesellschaften - German Private Equity and Venture Capital Association e.V. (BVK).

In 2004, the 80 companies covered by the present statistics invested 1,079.4 million Euro into 890 small and medium-size companies (in 2003 it were 707,9 million Euro into 825 companies) i.e. an increase in amount by 53 per cent and in the number companies by 8 per cent. With regard to the capital invested in the entire private equity market (venture capital plus buy outs) totalling 3.8 billion Euro the percentage of venture capital slightly sank to 28.7 per cent (in 2003: 29.4 per cent). **Considerable growth of early and later stage venture capital**

"The venture capital market has passed three difficult years. In the first quarter 2003 venture capital investments reached their lowest value. Since then, later stage venture capital investments have been constantly growing while the early stage sector stagnated" says Thomas Puetter, acting Chairman of the BVK Board. After the boom in the year 2000 when early stage investments into young and technology orientated companies totalled 1.6 billion Euro investments drastically dropped to 292.4 million Euro in 2003. After 3 years, this sector could record another increase in 2004 when investments made up 353.5 million Euro. Especially the 4 th quarter saw more investments. Later stage investments too had dropped drastically to 415.5 million Euro but could reach a plus in 2004 totalling 725.9 million Euro. All in all, later stage venture capital increased in 2004 by almost 75 per cent, early stage venture capital by 21 per cent. **Changing investment patterns favour expansion**

"Later stage investments pushed ahead the entire venture capital market", summarises Dr. Holger Frommann, BVK Managing Director. "This sector positively reflects changes in companies' investment patterns." The number of big expansion and replacement investments into established medium-size companies, in numerous cases with the help of mezzanine capital has increased considerably. And Puetter adds" Meanwhile, more and more established medium-size companies use private equity for investments." Expansion investments alone grew from 373.8 million Euro in 2003 to 611.9 million Euro in 2004; replacement capital rose from 4.3 to 92.5 million Euro.

A typical venture capital investment: Small, technology orientated company, in Southern Germany

The biggest investments went into traditional sectors such as mechanical engineering and industrial automation so that the percentage of venture capital investments into IT and communication technologies, biotechnology and medical related sank from 55 per cent to 49 per cent. Nevertheless, technology orientated companies remained in the focus of investment activities: In the early stage sector they accounted for almost 76 per cent. Regional focuses were Bavaria (24.7 per cent) and Baden-Wurtemberg and Northrhine-Westfalia (20 per cent, each).

## Venture capital essential for start ups

It is no surprise that in the majority of cases the financed companies are small ones with up to 100 employees (83 per cent) and an annual turnover of up to 10 million Euro (81 per cent). BVK estimates that venture capital backed companies in 2004 had 119,000 employees and an annual turnover of 9.3



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billion Euro. Seed and start ups accounted for 9,900 employees and an turnover of 660 million Euro, alone.

### **Exits improved slightly**

Exits increased from 772.6 million Euro in 2003 to 1,022.9 million Euro in 2004. Total losses proved again to be the main exit channel totalling 399.9 million Euro 266.3 million Euro or 71 per cent of which were early stage commitments. "Because of greater default risks of very young and newly established companies the amounts and percentage of total losses are significantly higher than in other market segments", explains Frommann. Trade sales accounted for 20 per cent and repayments for 14.5 per cent. Although there are some indications for improvement the exit situation in the venture capital sector remains complicated since strategical buyers are missing.

### **Prospects**

"We are optimistic that the venture capital market will continue to recover. Essential impetus will come from the later stage sector. For us, the established Mittelstand has great potential. Early stage and seed investments in particular will remain problematic", summarizes Puetter. BVK expects the ERP-EIF Fund and the ERP Start Fund to improve the financing of start up and seed companies. Initial effects should become evident in the running year.

[Early stage-Venture Capital 2004 in Zahlen \(PDF\)](#)

[Venture Capital 2004 in Zahlen \(PDF\)](#)