



Bundesverband Deutscher
Kapitalbeteiligungsgesellschaften

Press Releases

BVK e.V.: German Buy-out Market Follows Europe's Growth Trend

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- Buy-outs make up almost three quarters of all private equity investments
- Secondary buy-outs increased

Buy-outs made an essential contribution to the new growth of the German private equity market states a study on the German Buy-out Market 2004 presented by Bundesverband Deutscher Kapitalbeteiligungsgesellschaften - German Private Equity and Venture Capital Association e.V. (BVK). The study analysed investments of private equity firms in 60 (last year: 51) captured buy-outs.

Buy-out transactions account for 2.7 billion Euro which are almost three quarters of all private equity investments made in 2004 totalling 3.8 billion Euro. With this result, buy-outs consolidated their dominating role in the German private equity market. Compared to 2003, investments into buy-outs increased by 57 per cent, into the entire market by 56 per cent. "For five years the German buy-out market has been growing thus helping Germany to consolidate its reputation to be attractive for private equity investors' transactions", says Thomas Puetter, acting Chairman of the BVK Board.

Leveraged Buy-outs on the advance

Apart from take-overs in the classical German Mittelstand secondary transactions, i. e. sales from private equity firms to private equity firms, pushed the market ahead. "Buy-out investors restructure companies and exploit their financial means and their know-how to create new growth and value improvement potentials.", adds Dr. Holger Frommann, BVK Managing Director. Especially leveraged buy-outs (LBOs) continued to grow and made up almost three quarters of all buy-out investments with their 2.0 billion Euro. 670 million Euro were invested into MBOs and 50 million Euro into MBIs. "With this, Germany follows Europe's trend. In the UK, France and Italy buy-outs and LBOs in particular have been playing a dominating role for years.", Puetter emphasizes.

Focus on Traditional Branches

With regard to numbers of investments mechanical engineering (17), consumers goods (7) and medical (5) were the leading branches while amounts focused on the following branches: medical (22.2 per cent), consumer goods (14.2 per cent) and others (13.5 per cent) with consideration of some bigger transactions.

Almost one third of all funds was invested in other European countries and in the UK and in Belgium in particular. Like in 2003, Germany saw a regional concentration to four länder where almost all domestically allocated funds were invested: Northrhine-Westfalia (31.4 per cent), Bavaria (29.3 per cent), Lower Saxony (15.2. per cent) and Baden-Wurtemberg (14.7 per cent). "Regions with a well developed industrial structure and an established Mittelstand like the above mentioned always attract private equity investors to invest there.", explains Puetter.

Average Investments Increased

58 per cent, the lion share of all investments in 2004, went to companies with more than 1,000 employees. With regard to numbers the majority of buy-outs was effected in companies with 200 to 499 employees, with regard to turnovers companies with annual turnovers of 10 to 50 or more than 100 million Euro took the lead. Numerous big investments made the average amount invested per company



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increase to 44.8 million Euro (2003: 33.5 million Euro). In 38 cases of all buy-out transactions investments were less than 15 million Euro; in 7 cases more than 100 million Euro were invested.

Low Exit Level

Some bigger sales made exits reach 519.5 million Euro. Most important exit channels were secondary buy-outs (56.1 per cent) and trade sales (32.2 per cent). "Because of missing opportunities to sell companies through the IPO and M&A markets private equity firms concentrated on secondary buy-outs. For 2005, we expect the exit market to relieve because of more IPOs and the return of strategic buyers.", Puetter says.

Outlook: Indicators for Growth

"The results of 2004 mark a peak in the German and European buy-out markets. Private equity investors established themselves to be welcome buyers but it remains to be seen whether the strong growth trend will continue in 2005.", forecasts Frommann. The German market will remain a top address for German and international private equity investors since big companies continue to sell margin activities and the Mittelstand more and more accepts private equity firms. "Germany will continue to offer numerous investment opportunities in the future. Many buy-out companies have launched new funds and will keep an eye on the German market.", Puetter concludes.