Bundesverband Deutscher Kapitalbeteiligungsgesellschaften

Press Releases

BVK: Calm private equity market in 1st quarter

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- Private equity firms still cautious
- Record results of previous quarter not reached

Investments in the German private equity market in the first quarter 2005 totalled 418.7 million Euro but did not reach the results of the first quarter 2004, says the Statistics of the 1st Quarter 2005 presented today by Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – German Private Equity and Venture Capital Association e.V. (BVK). “Investments reached their lowest results since the 3rd quarter 2003, but traditionally the first quarter of a year is the weakest with regard to investments”, explains Thomas Puetter, acting Chairman of the BVK Board. Private equity investments in the previous quarter totalled 1.4 billion Euro thus marking a preliminary record. “Many firms and especially buyout firms had finished their transactions before the end of last year, a fact which showed its effects on the activities at the beginning of the year 2005.”, adds Dr. Holger Frommann, Managing Director of BVK.

407.2 million Euro of the total amount of investments of 418.7 million Euro were directly invested into companies while the remaining 11.5 million Euro were invested into other venture capital and private equity funds. The portfolio (i. e. all invested funds) of private equity firms at the end of the first quarter totalled 20.1 billion Euro invested into 5,549 companies. A look at the invested amounts shows that all segments, early and later stage venture capital and buyouts, had to accept decreases compared to the results of last year quarters. Buyouts continued to dominate the market although their percentage sank from 77.5 per cent in the previous quarter to now 52.3 per cent. “Small and medium-size buyouts dominate the market. And there was only one big buyout transaction”, says Frommann. Buyout investments dropped correspondingly from 1,118 million Euro in the previous quarter to 212.8 million Euro in this year’s first quarter. “In 2004, buyout investments in the first quarter were very low, too. For the remaining three quarters of the current year we expect a growing number of bigger buyout transactions.”, adds Puetter.

Established companies will remain in the focus of investments. Venture capital (seed, start up, expansion and other later stage) investments could increase their share of private equity investments to 47.7 per cent b ut the amount of 194.4 million Euro is 25 per cent less than last year’s 1st quarter result and 40 per cent less than in the previous quarter. Early and later stage venture capital had to accept decreases. Reasons were the effects of the yearly investment cycle with traditionally low amounts at the beginning of each year. “The number of financed companies was smaller than last year and unlike 2004 there were hardly no big expansion investments.”, explains Frommann.

Sectors and regions influenced by single transactions

The sectoral and regional distribution of investments in the 1st quarter was mainly influenced by the only big buyout transaction in that period. Consumer goods ranked first with 37.8 per cent of the invested amounts followed by the sectors industrial automation and products (9.9 per cent), medical related (9.0 per cent) and energy (8.6 per cent). With regard to the number of financed companies computer (37 companies) and medical (24 companies) sectors ranked first.

344.5 million Euro or 84.6 per cent of the total amount invested in the first quarter were spent in Germany where Baden-Wurttemberg took the lead with 46.7 per cent followed by Bavaria (14.9 per cent), Rhineland-Palatinate (9.0 per cent) and Thuringia (8.8 per cent). With regard to the number of financed companies Bavaria (38 companies) ranks first followed by Baden-Wurttemberg (29 companies)

– both regions being traditional strongholds of the German private equity market.

Exit amounts increased, total losses decreased

Thanks to some bigger sales exit amounts reached their highest results after the 4th quarter 2002. Divestments find their level at the long-term average and continue the development started in 2004. Like in 2004, secondary purchases made up the lion share with 40.3 per cent, IPOs accounted for 17.7 per cent and trade sale for 13.7 per cent followed by total losses with 11.6 per cent and a drastically dropped amount of 66.0 million Euro compared to the 3rd and 4th quarters of 2004. “We see another approach of total losses in general and exits in particular towards a long-term normal level. Moreover, we hope that the revival at the stock exchanges and in the M&A market will continue.”, Puetter comments.

Fund raising remains low

In the 1st quarter 2005, funds raised totalled 234.9 million Euro which is less than in the previous quarter (409.3 million Euro) but more than in the 1st quarter 2004 (145.2 million Euro). Three firms successfully raised 92.5 million Euro of independent funds. “Many funds have started raising funds and will probably close their funds in the current year. Anyhow, it is difficult to give a prognosis since many investors are still very cautious.” Frommann comments.

Outlook on 2005

Based on the successful year 2004 BVK expects a stabilisation of investment activities for the current year provided that the entire economic situation will show considerable improvements. “We see good chances that the buyout and the venture capital segments will reach last year’s results. There is an undiminished demand for private equity in all segments.”, foresees Puetter. The outcome of the present raising of funds will be of decisive influence on the atmosphere of venture capital firms in particular. “Raising new funds remains the great challenge. Some successfully closed funds could be a good impetus for the market.” Frommann is confident.

For the Statistics of the 1st Quarter 2005 please click here (PDF-file).