



Bundesverband Deutscher  
Kapitalbeteiligungsgesellschaften

## Press Releases

# German Companies Widely Benefit from Private Equity

26. Oktober 2005

BVK presents study on economic impact of private equity

Private equity takes an essential part in the economic success of numerous German companies and the country's economic growth. This is the outcome of two publications on the economic impact of private equity presented by Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – German Private Equity and Venture Capital Association e.V. (BVK):

“Der Einfluss von Private Equity-Gesellschaften auf die Portfoliounternehmen und die deutsche Wirtschaft” (The Economic Impact of Private Equity Firms on Portfolio Companies and the German Economy) – a common study carried out by BVK and PricewaterhouseCoopers (PwC), and “Mit Private Equity zum Erfolg – 31 Unternehmen im Porträt” (With Private Equity on the Road to Success – 31 Portraits).

“Both studies vividly show that private equity financed companies grow faster, invest more funds and create more jobs than the average.”, states Thomas U.W. Puetter, Chairman of the BVK Board.

## Solid equity equipment, higher growth, more jobs

In their study “Der Einfluss von Private Equity-Gesellschaften auf die Portfoliounternehmen und die deutsche Wirtschaft” BVK and PwC surveyed the economic development of private equity financed companies of various ages belonging to the venture capital and buy-out fields between 2000 and 2004. They examined the effects of private equity investment with the example of economic data such as turnover, employment and investments as well as subjective company evaluations: Between 2000 and 2004, all relevant companies increased their turnovers by an average of 10 per cent p.a.; seed and start-up companies reached growth rates of 94 or 121 per cent and could almost double their turnovers. But it were not only turnovers that rose; the private equity backed companies could refer to considerable increases in profitability. Between 2000 and 2004, the EBIT of the examined start-up, expansion and turnaround financed companies grew by 44 to 57 per cent.

Moreover, private equity backed companies create more jobs than the average: In the 4-year-survey period the number of employees increased by more than 20 per cent with annual growth rates between 2 and 11 per cent. “In the same period, the number of employees subject to social insurance in Germany fell by 5.7 per cent. Contrary to the general trend private equity backed companies create new jobs.” says Puetter. Companies in seed, start-up and expansion stages could refer to especially high growth rates of 25 per cent, each.

Between 2000 and 2004, the companies under review had an average equity ratio of 28 to 30 per cent. “Private equity backed companies do not know the lack of equity equipment prevailing in the German economy. For years German companies have equity equipment rates of about 18 per cent.”, adds Dr Holger Frommann, BVK Managing Director. “With their high equity equipment rates private equity backed companies open up new investment scopes for further growth.”

## Companies appreciate cooperation with private equity firms

In addition to financial indicators the reviewed companies positively assessed the entrepreneurial advantages of private equity financing, for the majority of them it was the essential driving force for growth, some of them it even saved from insolvency. Two thirds responded that they would have grown more slowly if it had not been for private equity; more than 17 per cent would have faced insolvency. “In times when its becomes more and more complicated to get bank loans, private equity turns out to be the



Bundesverband Deutscher  
Kapitalbeteiligungsgesellschaften

essential if not even saving alternative. Many companies would not have been founded or reorganized or have found successors if it had not been for private equity.", says Puetter. More than 90 per cent of the reviewed companies appreciate private equity financing to be important or very important for their growth.

In addition to funds private equity firms provide their know how and experience and support the companies' managements by working in their boards and committees. What makes them so valuable for the companies apart from providing funds is their role as competent discussions partners (65 per cent of the reviewed companies), financial advisers (46 per cent), support of management / in decision taking (39 per cent), imparting of contacts (34 per cent) and support in the development of strategies (30 per cent). "The study proves that private equity firms contribute much more than just funds to the successful development of a company.", Puetter adds.

### **Portraits prove study findings**

In its second publication "Mit Private Equity zum Erfolg – 31 Unternehmen im Porträt" the BVK presents the success stories of 31 private equity backed German companies. "The examples of these companies substantiate the positive influence of private equity on their development and confirm the findings of the common BVK/PwC study.", says Puetter. The portraits give an insight into the cooperation between private equity investors and their portfolio companies by describing various scenarios: Young start-up companies as well as established companies, successions and buy-outs in various industrial sectors. "The large variety of examples proves the manifold investment opportunities for private equity independent from the size, stage of development or sectoral classification of a company." Puetter emphasizes.

Private equity is the driving force of the German economy. That is why the BVK for long has been fighting for an improvement of the tax and legal conditions for private equity in Germany. "The review and the companies' responses prove the positive effect of private equity. At present, the private equity location Germany is only partially competitive to other European countries.", explains Frommann.

### **About the BVK**

The BVK Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – German Private Equity and Venture Capital Association e.V. (BVK) was founded in 1989 in Berlin. It represents German private equity and venture capital firms as well as international firms operating in Germany. Its main task is to represent its members' interests and to foster public understanding of the work and role of private equity investors as reliable partners for companies, initiators of economic growth and a factor of stability for the German economy.

### **Press Contact**

Bundesverband Deutscher Kapitalbeteiligungsgesellschaften –  
German Private Equity and Venture Capital Association e.V. (BVK)

**Thomas U.W. Puetter, Chairman of the BVK Board**  
**Dr Holger Frommann, Managing Director**

Reinhardtstrasse 27 C

10117 Berlin

Germany

Phone: +49.30.306982-0

Fax: +49.30.306982-20

E-Mail: [bvk@bvk-ev.de](mailto:bvk@bvk-ev.de)

Internet: [www.bvk-ev.de](http://www.bvk-ev.de)