



Bundesverband Deutscher
Kapitalbeteiligungsgesellschaften

Press Releases

2005 - A Positive Year for the German Private Equity Industry

14. Februar 2006

The BVK Bundesverband Deutscher Kapitalbeteiligungsgesellschaften - German Private Equity and Venture Capital Association e.V. is content with the development of the German private equity market in 2005. At today's press conference, Prof. Dr. Michael Gross, vice-chairman of the BVK Board, summarised the results of the BVK's annual statistics: "New investments did not break a record, but fundraising in Germany has started anew. Moreover, portfolio sales have developed in a positive way."

Investments on the increase

Gross continued that „in 2005, private equity companies invested a total of 3.0 billion Euro in 983 companies. Thus, new investments fell off by 19 per cent compared with the year 2004 (3.7 billion Euro). However, an upward trend started in the third quarter of the passed year.“ With 1.9 billion Euro, the lion share of new investments was made in the fourth quarter - 66 per cent in several big buy-outs. 34 per cent were venture capital investments, particularly later stage projects. Altogether, buy-out transactions made up 58 per cent of all investments in 2005 which is less than in previous years when they made up 70 per cent, each. With 1.8 billion Euro, buy-out investments were about one third less than the 2004 amount totalling 2.7 billion Euro. Venture capital investments, however, increased to 1.3 billion Euro (1.1 billion Euro). In 2005, divestments totalled 1.9 billion Euro. The total portfolio raised to 21.5 billion Euro allocated to 5,723 small and medium-size companies.

Fundraising gains strength

In 2005, new funds raised totalled 7.2 billion Euro which means an increase by 262 per cent compared with the previous year (2.0 billion Euro). Taking off the 4.3 billion Euro of the included pan-European fund, new funds raised totalled 2.9 billion Euro, of which 1.3 billion Euro were raised during a very active fourth quarter. Neglecting the pan-European fund, German private equity funds raised 45 per cent more money than in the previous year. Compared with 2004, the independent fundraising quadrupled to 1.9 billion Euro. „We are pleased to state that 23 independent funds were successful in raising funds in 2005“, said Dr. Holger Frommann, BVK Managing Director. „This positive result is especially owed to the ERP/EIF Fund.“ In the second half of the year 2005, German institutional investors showed growing interest in German funds.

Early stage: A ray of hope?

In 2005, early stage investments dropped to 304.9 million Euro (2004: 353.5 million Euro). „An increasing number of financed companies in the second half was a clear sign for an upturn.“, said Gross. „We see the positive impact of the ERP-Start Fonds and the High tech-Gründerfonds as well as of the German Länders' EFRE co-financed venture capital funds. The fact that new funds provide money for new investments and the imaginations inspired by the stock market activities find expression here.“

A look at the sectoral distribution of new investments shows that the lion share went to communication (11.9 per cent), consumer goods (11.2 per cent), other services (9.6 per cent), engineering (9.3 per cent) and industrial automation (8.2 per cent). Owing to a big buy-out, other industries accounted for 13.7 per cent. 70 per cent of all investments went to companies in Germany, 27 per cent to companies in other European countries. Within Germany, the preferred regions were Baden-Wuerttemberg, North Rhine-Westphalia, Berlin-Brandenburg and Bavaria which in total accounted for 71 per cent of all investments made in Germany.



Exit structure keeps on normalising

In the fourth quarter 2005 alone, exits amounted to 530.0 million Euro. The annual amount totalled 1.9 billion Euro, i.e. 26 per cent more than in 2004 (1.5 billion Euro). Due to the consolidation of the private equity industry which came to an end in 2004, total losses once more fell significantly to 10 per cent (2004: 27 per cent) of the exit volume. „This way, we went back to normal again“, said Frommann. Like in 2004, the so-called positive exit alternatives were used in an increasing way. Sales to other private equity companies and trade sales accounted for 21 per cent, each, sales of shares following an IPO accounted for 17 per cent and repayments of silent partnerships or shareholder loans for 14 per cent. Thus, the structure of exit channels shows a mean variation. Moreover, eight exits through IPOs at the German stock exchange (at the Entry Standard as well) have been reported in 2005.

Private equity industry biggest employer

Small and medium-size companies in particular could benefit from the investments made in the passed year. At the end of 2005, the 5,723 companies in the portfolios of German private equity companies employed about 703,500 employees and earned a cumulative annual turnover of 134.0 billion Euro. Adding the figures of the buy-out companies which are not included in the statistics on investments, private equity financed companies in Germany had a total of 797,100 employees and earned 170.3 billion Euro at the end of 2005 “which is more than 2 per cent of all wage earners in Germany and around 8 per cent of the gross domestic product“, explained Frommann. „The private equity industry is the biggest private employer in Germany.“

Key Figures

31 Dec 2005

31 Dec 2004

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54.2 billion € Capital under Management 45.0 billion €

7.2 billion € New Funds raised 2.0 billion €

3.1 billion € New Investments 3.8 billion €

21.5 billion € Portfolio 20.3 billion €

5.723 Portfolio companies 5.563

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Prof. Dr. Michael Gross, Vice-Chairman of the BVK Board



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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.