Facts & Figures

BVK Statistics 2008

The year 2008 in figures

1. Overview

2008

2007

€ 35.1 billion

Capital under management

€ 31.9 billion

€ 1.9 billion

Fundraising

€ 5.7 billion

€ 6.4 billion

Investments (industry statistics)

€ 7.5 billion

€ 8.4 billion

Investments (market statistics)

€ 10.6 billion

€ 31.9 billion

Portfolio

€ 27.1 billion

6,409

Portfolio companies

6,279

1. The companies comprised in this statistic employed a total of 1,900 employees in 2008, 1,125 of which were professionals/investment managers. Companies received about 38,300 enquiries from companies seeking funding.
2. Total assets under management by companies amounted to € 35.1 billion by the end of 2008. Fundraising generated € 1.9 billion, € 1.3 billion of that came from independent fundraising among external investors. At 49%, the majority of new funds came from Germany. The most important sources for capital were industrial companies, which provided about 30% of funds.
3. Investments by Germany-based private equity and venture capital firms reached € 6.4 billion, after € 7.5 billion in 2007. The number of companies being financed remained largely stable at 1,194 after 1,175 in the previous year. The total portfolio volume at year-end amounted to € 31.1 billion, with the number of private equity firms in portfolio reaching 6,409.
4. About € 8.4 billion were invested in Germany, about 21% less than in 2007, as € 10.6 billion was invested. Private equity firms in Germany invested about € 5.9 billion of that amount, while additional € 2.5 billion came from foreign private equity firms.
5. At 76%, investments in Germany mainly focused on buy-outs, as was the case in previous years. Seed/start-up financing totalled 5%, expansion financing came in at 16% and other financing accounted for 3%.
6. Industries with the highest inflow of capital were business and industrial products (24%), chemicals and materials (17%), construction (13%) and consumer goods and retail (9%).
7. German companies reported divestments of € 1.6 billion. Trade sales dominated at 35%, sales to other private equity firms 30% and divestment by IPO/sale of quoted equity 9%.

2.Comments and methodology

Since 2008, BVK has been conducting its statistics with the EVCA European Private Equity and Venture Capital Association and other private equity associations based on the new pan-European statistics platform PEREP Analytics. PEREP Analytics is a non-commercial joint project run by the cooperating associations with the objective of ensuring that European private equity market data is recorded and analyzed using the same standards.

The data recorded includes details contributed directly by private equity firms and material researched from publically available sources and data derived about private equity activities. This means that the method to record data has changed compared to the methodology applied in the BVK statistics until 2007. Subsequently, the comparability of the current figures with the figures from earlier BVK statistics is only limited.

Data is recorded by BVK members as well as by other German and foreign private equity firms operating in Germany. A differentiation is made between the industry statistics, which reflect investments made by private equity firms based in Germany, and market statistics, which map the investments in German companies irrespective of the origin of the backing private equity firm.

As far as investments and exits are concerned, statistics only record private equity firm's equity and quasi-equity/mezzanine capital. Third party funds (e.g. banks) and all kinds of debt capital finance are not within the scope of the statistic. This relates especially to buy-out transactions, in which funds invested by private equity firms are considered in statistics instead of including the volume of the entire transaction.

Investments and exits are recorded based on deal-by-deal information. The objective of this approach is to eliminate double-counting as a result of syndication by ensuring that multiple investments or exits during the year are only allocated to one company for the full year. Erfasst werden sowohl von Beteiligungsgesellschaften direkt zur Verfügung gestellte Angaben als auch aus öffentlich zugänglichen Quellen recherchierte und abgeleitete Daten zu den europäischen Private Equity-Aktivitäten. Damit unterscheidet sich die Erfassungsmethode von der bisher genutzten Methodik der BVK-Statistik bis zum Jahr 2007, weshalb die Vergleichbarkeit der aktuellen Daten mit Daten aus früheren BVK-Statistiken nur eingeschränkt möglich ist.

3.Private equity firms in Germany

The membership of BVK increased from 197 private equity firms to 212 in 2008. The upward trend therefore continued and BVK was able to increase its membership for the fourth consecutive year. In addition to private equity firms which are already members of BVK, estimates assume that there are another 30 private equity firms actively engaged in Germany.

At year-end private equity firms registered with BVK based in Germany employed a total of 1,900 people, 1,125 of which were professionals/investment managers. The number of reported enquiries from companies seeking capital remained almost unchanged at about 38,300 (38,900), which underlines the continuingly high demand for equity finance from German companies.

4.Funds under management and fundraising

Fund capital under management by German private equity firms was included to its full extent. In addition to that, only the portfolio managed in Germany (invested capital at year-end) by international private equity firms and their German subsidiaries with pan-European funds was recorded, opposed to considering the entire fund volume. International private equity firms with a BVK membership as well as other international investors operating in Germany have capital under management well exceeding € 100 billion, even if only a part of that amount is invested in Germany.

Fundraising by German private equity firms in 2008 reached € 1,945 million, marking a massive downturn by two-thirds compared to the previous year figure of € 5,662 million.

The upward trend recorded since 2004 was not continued. 2008 only saw few funds being closed. This can of course be attributed to uncertain economic conditions on the back of the financial and economic crisis, as well as the fact that many companies were already able to close new funds in the period 2005 to 2007, which in turn meant that only a limited number of companies were engaged in fundraising in 2008. Two-thirds, i.e. € 1,289 million, were raised by independent fundraising by institutional and private investors. This constitutes a massive decline compared to the previous year, when independent German funds raised € 4,246 million. On the other hand, 2007 saw an above average number of large funds being closed as a result of buoyant optimism on capital markets, contributing to the 2007 record result.

In previous year buy-out funds dominated fundraising, but in 2008 only 42% were raised for buy-outs. Early stage funds raised € 379 million (20%), which amounts to a decline of one-third compared to previous year volumes. Funds focusing on expansion/development raised € 565 million (29%) after € 904 million in 2007.

Bundesverband Deutscher Kapitalbeteiligungsgesellschaften

Details on investors and their origin are available for half of the capital raised. According to that, the most important investors for German private equity firms were as follows: industrial companies, private investors, the public sector and financial institutions. Funds were almost completely contributed by German investors.

5.Portfolio

The portfolio is calculated by carrying forward annual investments and divestments, while the number of portfolio companies is computed by only including initial investments and full exits made by private equity firms.

In the course of 2008, the portfolio increased from € 27,080 million to € 31,916 million. Last year saw investments of € 6,393 million and divestments of € 1,557 million. The number of German and foreign portfolio companies of private equity firms based in Germany amounted to about 6,400 by year-end.

6.Investments

In 2008, investments by German private equity firms (industry statistics) amounted to € 6,393 million. This marks a decline by 14% compared to the previous year when investments amounted to € 7,452 million. € 5,923 million were invested into German companies by German private equity firms. Including the investments by foreign private equity firms of € 2,466 million, investments in Germany (market statistics) totalled € 8,389 million after € 10,595 million in 2007. The volume of capital invested in Germany therefore declined by 21%.

If not indicated otherwise, the following statements refer to industry statistics on private equity firms based in Germany.

Stage distribution of investments

The focus of annual investments has been on buy-outs since 2001. In 2008, 76% of investments (industry statistics) were attributable to this market segment. Buy-out investments totalled € 4,826 million and therefore remained below the previous year's volume of € 6,173 million.At the same time, the number of transactions fell to 130 after 157 in the previous year.

Seed and start-up investments were largely unaffected by the financial and economic crisis. At € 439 million (7%) they were up slightly against previous year levels of € 427 million. The number of companies receiving funding increased from 483 to 592.

Investments in expansion financing also saw an increase. At € 877 million (14 %) they exceeded previous year levels (€ 639 million) by 37%. This increase is mainly due to the rise in expansion finance for buy-out companies as part of their activities, up from € 89 million to € 240 million. In 2008, many buy-out companies furnished their portfolio companies with new equity to insulate them against the impacts of the financial and economic crisis. About 4% of investments were attributable to turnaround funding and replacement capital.

Sectoral distribution of investments

In 2008, private equity firms based in Germany mainly invested in companies from the industries chemicals and materials (20 %), business and industrial products (19%), construction (16 %) and consumer goods and retail (7 %). Germany-based private equity firms invested a total of € 621 million in high-tech companies and € 1,293 million in cleantech companies. The industries with the largest number of financed companies were business and industrial products (210 companies), computer and consumer electronics (181) and life sciences (176).

Industries recording the highest investments of funds based on the investments in German companies (market statistics), were business and industrial products (24%), chemicals and materials (17%), construction (13%) and consumer goods and retail (9%).

Geographical distribution of investments

Investment by private equity firms based in Germany may have declined from € 7,452 million in 2007 to now € 6,393 million, but the volume of funds invested by these company's in Germany increased from € 5,480 million to € 5,923 million, while foreign investments dropped from € 1,972 million to € 470 million. In 2007, there were a number of larger buy-outs abroad by Germany-based companies, which was not the case in 2008. As a result the proportion of foreign investments fell from 26% to 7%.

Of the € 5,923 million invested in Germany, almost half (48%) was accounted for by the German state of North Rhine-Westphalia, which was home to a number of larger buy-out transactions. This was followed by Bavaria with 15%, the state of Hesse with 10% and Baden-Württemberg with 9%.

These four states continue to top the list of investments into German companies (market statistics) when the origin of the funding private equity firm is not relevant. The majority of companies were funded in Bavaria (238 companies) and Baden-Württemberg (231), followed by North Rhine Westphalia (113), Schleswig-Holstein (106) and Berlin (66).

Initial and follow-on investments

Of the € 6,393 million invested by private equity firms based in Germany in the course of 2008, € 4,020 million i.e. 63% were invested in 388 companies, which received funding for the first-time. Further € 1,455 million were invested as part of follow-up investments.

Syndication of investments

The volume of syndicated funding amounted to € 3,833 million, which marks a syndication ratio of 60% based on the volume. Compared to 2007, this meant there was a marginally higher proportion of investments with co-investment partners.

Economic key figures of companies

Private equity firms were also surveyed on the headcount and the sales of the German companies they invested into in 2008 and the total number of portfolio companies they held. The details provided by private equity firms were completed by additionally analyzing the key figures of other published buy-out transactions in Germany.

According to that, German portfolio companies held by private equity firms generated annual sales of € 212.1 billion by the end of 2008 and employed about 1.2 million people. These figures reflect the great economic significance of private equity as a result of the great number of small and medium-sized private equity funded companies and the considerable number of large-caps held in portfolios. German companies receiving funding on the course of 2008, generated annual sales totalling € 47.6 billion and employed around 278,300 employees. This figure includes companies receiving initial funding as well as follow-on funding.

Data on headcount was available for 775 companies and sales figures were accessible for 415 companies. According to that, 16% of the investment volume went to companies fewer than 100 employees. 42% was invested in companies with 100 to 999 employee and about 43% to companies with in excess of 1,000 employees. This impression is reversed in an analysis of the distribution of investments according to the number of funded companies: 70% of the funded companies have fewer than 100 employees. Less than one third of companies employ more than 100 people, only 7% of which employ more than 1,000 employees.

According to sales volumes of the funded companies, more than half of investment volumes went to companies with annual sales in excess of € 500 million. In contrast, only 13% of investments went to companies generating sales of less than € 50 million, 9% to companies with sales between € 50 million and € 100 million, and 20% in companies with sales between € 100 million to € 500 million. This impression is again distorted if the number of companies receiving investments is considered. In terms of the number of companies, the focus was on small and medium-sized companies: 76 % of the funded companies generated sales below € 50 million in 2008. In contrast only 17% of companies generated three figure sales.

7.Divestments

The volumes stated for exits refer to the initial investments at cost and do not consider any changes in value.

The volume of divestments by private equity firms based in Germany (industry statistics) almost halved compared to the previous year, down from € 2,909 million to € 1,557 million. This is mainly attributable to the increasingly dramatic situation on capital markets as well as clear signs of restraint in the M&A market which made the successful sale of interest either difficult or impossible. As a result the number of companies German private equity firms divested from either in full or in part fell from 697 to 575.

In exit volume terms, trade sales dominated at 35%, sales to other private equity firms came to 30% and divestments by IPO/sale of quoted equity amounted to 9%. While the number of trade sales dropped from 89 to 74, sales to private equity firms increased from 10 to 29. Total losses were down from € 139 million and 151 companies to € 118 million and 136 companies. As a result of declining share prices both declined the number of exits by IPO (from 7 to 3) and through the sale of shares (from 34 to 10).