



Bundesverband Deutscher  
Kapitalbeteiligungsgesellschaften

## Press Releases

# BVK: Private Equity Market on Hold

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In the second quarter of 2009, the German private equity market was unable to disengage itself from the continuing effects of the financial and economic crisis. At €280 million, investments in Germany remained at nearly 90% below the comparable figure for the previous year. This emerges from the statistics for the German private equity market published today by the German Private Equity and Venture Capital Association (BVK). The reluctance to invest in the private equity sector thus continues, albeit to a lesser degree. Even though in the first quarter the early-stage investments (seed, start-up funding) still proved to be relatively stable in a sinking market, they have now, just like later-stage funding and growth investments, had to come to terms with more significant losses. In contrast, buyout investments saw marginal growth, albeit at a low level. For the second six months of the year, however, the BVK is predicting an increase in investments. €280 million represents another fall compared to the last quarter (€323 million). The number of companies receiving financing also fell slightly from 310 to 298. In the same quarter of the previous year 490 companies received funding of €2,293 million. As was the case in the first quarter, foreign investment by German private equity firms exceeded that of foreign firms in Germany. Of the €280 million, €186 million came from private equity firms based in Germany and €94 million from foreign firms. By contrast, German private equity firms invested €107 million abroad. A fall in investment affected both venture capital investments (seed, start-up, later stage venture capital), with a fall from €151 million to €103 million, and growth funds, which declined from €77 million to €50 million. Buyout investments remained steady, but at a low level. After slumping down in the first quarter, they rose slightly in the second from €72 million to their current level of €82 million. At the same time, the number of buyouts fell, as did the number of funded startups. However, the figures in all other areas remained the same or even rose slightly.

In the first six months of 2009, €602 million were invested in Germany - following on from €4,036 million in the same period last year. All segments of the market were hit by losses. Venture capital investments almost halved to €255 million, growth financing fell from €615 million to €127 million and buyout investments from €2,755 million to €155 million.

The investment activities of the capital investment companies are suffering in the current climate. The reason for this, apart from differing assessments of valuations between buyers and vendors, is the continued reluctance of the banks to offer debt funding to transactions. The private equity firms have a large enough amount of equity in their funds, but the caution being shown by banks is making even small and medium-sized transactions very difficult to set up. In the venture capital sector, the continuing economic downturn and absence of any light at the end of the tunnel mean that the priorities of the firms seem now to lie primarily in securing the future of existing holdings and less in undertaking new commitments.

There is a continued absence of larger investments, in particular of buyouts and larger growth financings. At the same time, the second quarter and the beginning of the third have seen the announcement of some transactions that give rise to the hope of an end to the decline, with the prospect of a return to higher investment levels in the latter half of the year. However, as long as there is no fundamental upturn in the economy, a comprehensive market recovery may not occur this year.