



Bundesverband Deutscher
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Press Releases

BVK: German private equity market continues to recover

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The German private equity market started recovering in the second half of 2009 and is continuing this trend. In the first quarter of 2010, € 1,285 million were invested in Germany, almost the same as in the previous quarter (€ 1,258 million). Compared to the first quarter of the previous year (€ 346 million), which was considerably affected by the financial and economic crisis, investments increased almost fourfold. This emerges in the statistics published today by the German Private Equity and Venture Capital Association (BVK) for the German private equity market in the first quarter 2010. Although the market has still not yet fully recovered from the effects of the financial and economic crisis, it is showing clear signs of a return to normality.

Large transactions were again among the reasons for a positive quarterly result. These were still almost non-existent until autumn last year. But already at the end of 2009, the market began to recover, as Germany started reporting large buy-outs again. The majority of investments in the past quarter once more related to buy-outs (€ 714 million). Minority investments (growth and replacement capital) totaled € 432 million. The venture capital market however still provided very little momentum. Investments were down on the previous quarter in this segment. Venture capital investments came to a total of € 132 million, approximately the same as in the second and third quarters of the previous year, but remained at least one third below the € 213 million of the previous quarter.

Divestment activities of private equity firms also showed signs of recovery after the financial crisis. The exit volume in the first quarter amounted to € 773 million and exceeded all quarters of the previous year except the strong last quarter. Private equity firms used the IPO window, which opened for a short time at the beginning of the year, for the IPO of some investments. With 56% divestments via the stock exchange therefore accounted for the majority of the exit volume. Another third was generated through sales to other private equity firms.

BVK expects the market environment to recover further during the course of the year. This is supported by the latest results of the German Private Equity Barometer, the sentiment indicator developed by BVK in cooperation with KfW for the German private equity market. It recorded a considerably improved sentiment in the first quarter, particularly due to the much more optimistic view on economic developments. The sentiment indicator was pushed up even further by the interviewed private equity firms displaying much more optimistic expectations on their business developments as well as their current situation. Apart from anticipating an improved economic environment, they also considered the exit situation to be more positive.

"Current figures prove that private equity has become an important financing alternative for German companies, which we must secure and expand. We generally welcome the intended EU regulations, as regulation creates legal security. However, it should not become too bureaucratic and weaken private equity as a form of finance – many German companies that would no longer be able to tap the capital and know-how of private equity firms would be the losers in this case," says Dörte Höppner, Managing Director of BVK. "Especially venture capital would suffer from over-regulation," explains Ms. Höppner. "Germany relies on this market segment, as it provides the basis for growth and innovation. The already low investments in this segment would drop even further with terrible consequences for Germany as a high-tech country."