



Bundesverband Deutscher
Kapitalbeteiligungsgesellschaften

Press Releases

BVK: Normality reestablished in the German private equity market

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In the first half of 2010 private equity investments in Germany reached a total of € 2,243 million. This represented more than triple the level of investment in the same period in the previous year (€ 669 million) and amounted to almost the sum total of investments made in 2009 (€ 2,738 million). All three market sectors (venture capital, minority investments and buy-outs) were able to partly record significant advances. This signals a further stabilisation of the recovery in the market that started in the second half of 2009. In the second quarter of 2010 investments in Germany ran to a total of € 673 million. This figure emerges from the statistics for the German private equity market in the second quarter of 2010 released today by the German Private Equity and Venture Capital Association (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften - BVK). In the light of developments so far this year it is to be assumed that the total level of investments made in 2009 will be exceeded by the end of the third quarter.

The effects of the financial and economic crisis will continue to exert an influence on private equity activities for some time to come, but the stable increase observable over the last four quarters provides further evidence of a continuing return to normality - that is, a sustainable market recovery without any repetition of the exaggerated effects seen in 2008. Whilst it is true to say that the result does not match that of the first quarter (€ 1,569 million), it does represent almost double the result of the same quarter in the previous year (€ 353 million). The decline in investments in the quarter just gone does not therefore represent a market setback. For, whereas the previous quarter saw two large transactions contributing to its positive result - amounting to some two-thirds of the sum of investments - the second quarter witnessed no transactions of comparable size.

Half of the total investments in the quarter just gone were allocated to majority investments (buy-outs). Its amount of € 333 million does lag significantly behind the previous quarter's results (€ 797 million): however, the latter were dominated by one very large transaction. In contrast, venture capital investments grew strongly from € 134 million to their current level of € 163 million - and this in spite of a decline in the number of financed companies. This can be attributed in particular to an increase in start-up financing. With the exception of the last quarter of 2009 the venture capital segment thus recorded its best results since the start of 2009.

The year to date has seen all three market sectors notch up growth in relation to 2009. It is true that venture capital investments, at a total of € 297 million, were only slightly up on the previous year's results (€ 293 million). However, here it must be stated that the correction in 2009 was also less pronounced than it was, for example, in the buy-out sector. In contrast, the buy-out sector saw a more clearly defined increase in investment from € 205 million to € 1,130 million, and minority investments (growth, turnaround, replacement) increased from € 202 million to € 816 million.

"It is capital from private equity companies that is supporting the German recovery," says Dörte Höppner, managing director of the BVK. According to a BVK survey conducted amongst its members almost € 33 billion is available for investment in medium-sized and large German companies alone, of which 4 billion € is intended to growth investments of medium-sized companies and 29 billion is allotted to majority takeovers (buy-outs): for example, succession settlements in medium-sized businesses or the accompaniment into independence of individual corporate divisions. This availability of long-term investment capital is being met by rising demand on the part of companies. "For many companies private equity capital can in the current situation be a key driver of growth," Höppner says.

Detailed statistics on the German private equity market for the second quarter of 2010 can be downloaded at www.bvkap.de.