



Bundesverband Deutscher
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Press Releases

BVK Statistics: Private Equity Market continues to gain strength over first six months

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- Buyouts dominate
- Total losses dropped
- Investments increased by 40 percent compared to previous period

Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – German Private Equity and Venture Capital Association e.V. (BVK) presents its statistics of the German Private Equity Market for the 2nd Quarter and the first six months 2004. “Increasing investments, a successful fund raising, less total losses – the market continues to gain strength as the presented data clearly prove”, says Dr. Thomas W. Kuehr, Chairman of the BVK Board, in Berlin.

In the second quarter, companies covered by this statistics invested much more than in the first quarter 2004 and the second quarter 2003: Out of 923.2 million Euro that were invested (1st quarter 2004: 514.1 million Euro; 2nd quarter 2003: 409.6 million Euro) 896.0 million Euro were invested directly in companies and 27.2 million Euro in other venture capital and private equity funds. 793.5 million Euro were initial investments in 138 companies, 102.5 million Euro were follow-on investments in 124 companies. Over the past six months investments totalled 1,410.1 million Euro, i.e. an increase by almost 40% compared to the previous period (1,013.2 million Euro). As per 30 June 2004, the portfolio of the companies covered by the presented statistics totalled 18.7 billion Euro invested in 5,528 companies.

Diversified development of stage distribution

Strongest segment in the 2nd quarter were buyout investments making up three quarters of all investments. With 676.7 million Euro buyouts once more outdid venture capital investments. In the first six months 2004, buyout transactions amounted to 927.0 million Euro which is about one third more than in 2003 (317.1 million Euro). Early stage investments saw a slight increase to 162.5 million Euro (1st half 2003: 154.4 million Euro). Comparing the quarterly figures, early stage investments slightly decreased by 13% to 75.7 million Euro. Although expansions fell from 174.5 million Euro in the 1st quarter to 126.2 million Euro they exceeded the quarterly results of the previous year. Other Services were one of the two biggest transactions (buyout) of the quarter was realised were the sectoral focus of the 2nd quarter 2004. With regard to the first six months of the year 2004 this sector maintained its hold on the market with 21.8%. With regard to amount and percentage, Other Services were followed by medical/health, trade, communication technologies, mechanical engineering and biotechnology. In the 2nd quarter the members of the BVK invested 824.4 million Euro or 92% in Germany. Of the remaining 8% 4.7% were invested in European countries and 3.3% in non-European countries. Considering investments in Germany, Bavaria (40.2%) and Baden-Wuerttemberg (35.4%) were in the lead because of big buyouts realised in these two Länder, followed by Hesse (10.7%) and Northrhine-Westfalia (5.5%). In the first six months, Bavaria (44.2%), Baden-Wuerttemberg (24.9%), Northrhine-Westfalia (10.1%) and Hesse (7.3%) received most of the investments.

Sinking total losses prove market recovery

With regard to exits total losses continued to sink over the first six months 2004 from 41% in the same period 2003 to now 17.9%. 316.7 million Euro of all divestments (368.2 million Euro) were trade sales,



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total losses accounted for 51.5 million Euro. “The structure of divestments – permanently sinking numbers of total losses and a tendency towards trade sales – is a clear indicator for the recovery of the private equity market.”, says Dr. Holger Frommann, Managing Director of the BVK. “Total losses have reached their lowest level since the 1st quarter 2001.” In the 2nd quarter (33.2%) and in the first six months (43.7%) trade sales turned out to be the main exit channel. Sales to other private equity and venture companies made up 9.3%, each, in the 2nd quarter as well as in the first six months.

Fundraising: Improved legal certainty shows positive effects

In the 2nd quarter BVK members raised 494.5 million Euro which means an increase compared to the 1st quarter (145.2 million Euro) and the 2nd quarter 2003 (269.0 million Euro). Three companies were successful in independent fundraising totalling 357.5 million Euro. “The positive development in this field is the result of grown legal certainty. The passed law on carried interest and the half income taxation show first effects.” Says Kuehr.

Moderate growth expected

The BVK paints an all in all positive picture for the months to come and expects the market to grow moderately till the end of the year. “The improvement of the environmental conditions for private equity investors resulted in more certainty in the filed of funds in particular.”, says Frommann. “Nevertheless, much remained to be done to make Germany competitive on international level. It should be tried to get the ERP/EIF Fund going and institutional investors should be convinced to give up their restraints.”

To download the BVK Statistics of the 2nd quarter please click

BVK Statistik 2. Quartal 2004 (PDF)