EUROPEAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

Press Release

Private equity supports four thousand European companies in 2009

Geneva, 10 March 2010,

2009 was a year of internal diligence and stewardship for the European private equity and venture capital industry, as investors concentrated on supporting existing portfolio of companies against a backdrop of recession and macro-economic uncertainty.

The €21bn of new equity invested during 2009 represents just 29% of the 2007 figure at the top of the boom. Even so, more than 4,000 companies benefited from private equity investment, just 17% fewer than in 2007. Around half, by both amount and number, were follow-on investments to support existing companies.

A virtual absence of mega buyouts accounts for much of the decline in investments since the boom, with just three investments over the €1bn transaction value mark during the year. By contrast, the number of growth capital investments increased by 23%, surpassing the number of buyouts. Of all companies receiving private equity finance, just less than half (44%) were early stage companies. Private equity also played an active role in rescuing companies in distress, with an increase of 83% in the number of turnaround investments.

The amount divested at cost by private equity firms was 29% lower than in 2008, which itself was half that of the boom year of 2007. Write-offs, which had been running at very low levels through 2008, increased from a total of €870m in 2008 to €3.2bn in 2009.

Meanwhile, the cyclicality of the market for new fundraisings reached its lowest ebb, with just 184 funds reaching incremental closings, compared with 316 in 2008 and 338 in 2007. The total amount raised last year - €13bn – was less than the largest two funds raised in 2008. However, if the outliers that closed at or above €1bn in 2007-2009 are discounted, the average size of buyout, growth and mezzanine funds that reached final closes in 2009 is in line with the average size of funds closed in the previous two years.

Commenting on the figures Javier Echarri, secretary general of EVCA, said:
"Private equity and venture capital firms spent 2009 ensuring their European portfolio companies could weather the economic storm and march out of recession in fighting spirit. However private equity firms face pressures from both ends of the investment chain as institutional investors struggle to make fresh commitments to new fundraisings. The industry is therefore taking some strain, on the one-hand to patiently support Europe's business, while on the other, waiting for the exit and fundraising cycle to re-engage.

"Even so, in the depths of macro-economic uncertainties not seen for generations, private equity and venture capital firms financed around 2,000 seed and start-up companies, and as many companies again across the core of Europe's middle-market. Meanwhile, the increase in write-offs, albeit from a low base, shows the seriousness of the wider economic situation.

"Europe's policymakers have major financial challenges to manage in the coming years, as budgets are rebalanced and regulations re-set. Today's data shows they can do so in the confidence that the private equity financing market is diligently, responsibly and supportively serving the best interests of Europe's 25,000 private equity-backed companies through difficult days."

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Notes to editors

Investments

- The total value of investments in 2009 fell 61% from the previous year, as a consequence of lower entry values and fewer large deals. The number of companies invested fell just a quarter, with private equity providing finance to 4,188 European companies through initial or follow-on investments
- Activity remained relatively more robust in the venture market. Early stage venture capital investments fell by a third, with later stage deals falling 60%.
- The number of growth deals increased by more than 20% and surpassed the number of buyout deals.
- Private equity firms invested in 126 turnaround investments, an increase of 83% on 2008.
- Within the buyout market, small buyouts accounted for 87% of deals, while mid-market companies accounted for close to 13% of the total.

- Mega and large buyout deals, which were already scarce in 2008 became even rarer in 2009 with only 3 deals with a transaction value of more than €1bn, and only three deals with value of between € 500m and €1bn. However two of the three €1bn plus investments took place in the final quarter of the year.
- The proportion of companies receiving follow-on investments from private equity firms increased further to almost 56% in 2009, compared to 48% in 2008 and only 45% in 2007.
- By amount life science outranked business and industrial products as the most invested sector by amount (14%), followed closely by communications (13%).
- In terms of businesses financed, life science was at par with computer and consumer electronics, accounting for 17% of the total each. Most of these companies received venture financing (85% in life science and 84% in computer & consumer electronics)

Divestments

- The decrease in the amount divested at cost slowed in 2009, with the value of exits falling 29% during 2009, following a drop in 2008 of 50%. The number of businesses divested fell 21%.
- Write-offs which ran at low levels during 2008 increased from €870m in 272 companies, to €3.2bn in 381 companies.
- Write-offs accounted for a third of the divestments at cost, and more than one-fifth of the companies exited
- Excluding write-offs, 1,215 companies were exited for €6.6bn in 2009. 42% of these exits by amount were trade sales, while sales to other private equity firms accounted for 14% of the total. Consumer goods and retail, communications and business and industrial products were the most divested sectors in 2009, accounting for 22%, 15% and 13% of the total amount respectively. In terms of companies exited, business and industrial products came first with 19% of the total, followed by computer and consumer electronics (16%).

Fundraising

- Just 184 funds had a closing in 2009 (first, intermediary or final), compared to 316 in 2008 and 338 in 2007
- €13bn was raised in 2009, representing around 75% of the two largest funds raised in 2008.
- Buyout fundraising was the most affected by the crisis, with a drop of 77% by number and 86% in the total amount raised.
- The average size of buyout funds decreased by 41%. However, if we eliminate the outliers that closed at or above €1bn in 2007-2009, the average size of buyout, growth and mezzanine funds that reached final closes in 2009 is very much in line with the average size of funds closed in the previous two years

- Despite a 53% decrease in their commitments compared to 2008, banks became the main source of capital for private equity funds in 2009. This is due to a very large extent, to the dramatic drop in pension funds commitments (-94%) and funds of funds commitments (-88%).
- Most of the funds that reached a final closing were venture funds (34 venture funds against 15 buyout funds). Final closings of mezzanine funds remained stable.

About European Private Equity & Venture Capital Association

EVCA is the voice of European private equity and venture capital. We promote and protect the interests of close to 1,300 members, thereby ensuring they can conduct their business effectively EVCA engages policymakers and promotes the industry among key stakeholders, including institutional investors, entrepreneurs and employee representatives. EVCA develops professional standards and research reports, as well as holding professional training and networking events. EVCA covers the whole range of private equity, from early-stage venture capital to the largest buyouts.

For more information, please visit www.evca.eu.

About PEREP_Analytics

PEREP_Analytics™ is a fully functional, centralized non-commercial pan-European private equity database. All National and Regional Associations in Europe have been invited to join the European Private Equity and Venture Capital Association (EVCA) in this exercise. The vision is to turn PEREP_Analytics™ into the framework of a Private Equity Research Exchange Platform among cooperating national and regional associations and the EVCA where a triple-win scenario can be secured for members, national private equity associations and EVCA. Full confidentiality of the underlying data is preserved by the associations involved in the exercise. No further third parties have access to the data.

For more information, please visit: www.perepanalytics.eu