

Private equity activity slows during 2008

Geneva, 12 March 2009

Private equity activity slowed during 2008 in response to widespread uncertainty across financial markets, according to preliminary data for 2008 released today at EVCA's Investors' Forum 2009 in Geneva.

The statistics, which cover fundraising, investment and divestment activity, showed that private equity funds raised €65.3bn last year, a fall of 20% on the €81.4bn raised in 2007.

In 2008, 128 funds reached a final close, down from 144 in 2007. Average fund sizes also fell, from €496.9m in 2007 to €425.7m.

Venture capital fundraisings proved particularly robust, with 47 funds reaching final closing compared with 37 the previous year, with an average fund size of €84.7m. Early-stage venture funds saw successful final closings increase from 15 in 2007 to 21 in 2008.

Growth capital funds also saw a large increase, with ten funds raising nearly €3bn, compared to nine funds raising €2bn in 2007.

At the same time, the number and value of **buyout** funds fell from 62 that raised €56.5bn in 2007 to 53 funds raising €44.4bn last year.

In terms of sources of capital, pension funds were by far the largest contributor, accounting for 23% of all funds raised or €15.2bn, compared with 17% and €13.9bn in 2007. At the same time bank commitments halved from just over €9bn to €3.8 bn.

Regionally, Southern Europe and the UK accounted for the largest drop-offs in funding contributions, with Southern European contributions falling from 13% to 1.6% of the total, and UK contributions falling from 17.5% to 11.3%.

Investments

The amount invested by private equity firms fell around 27% in 2008 to €52.4bn and by 12% by number of companies financed to 4,593, mainly driven by a drop-off in activity during the final quarter of the year.

The number of larger deals experienced the steepest decline, with those between €150m and €300m equity value falling from 57 to 26, and those above €300m from 23 to 14.

By region, investments in UK-based companies suffered the steepest decline, with a fall of 39% by amount, followed by the Nordic region (-34%), and France and Benelux (-32%). While in the UK the number of deals completed was relatively stable, the number of companies financed in the Nordic region and France/Benelux was also down on 2007.

Two sectors attracted more capital than the year before: energy and environment, and computer and consumer electronics. Financial services deals continued to account for a small proportion, falling from 4.9% of amount invested to 4.4% over the year.

Divestments

The sale of equity stakes, measured at cost, halved during 2008, from €26.6bn in 2007 to €13.1bn, with trade sales and secondary buyouts representing two-thirds of the exits. The public markets were effectively closed with just nine new listings, six of which were venture-backed companies and three buyout-backed.

By sector, private equity firms exited more companies in the business and industrial products, and computer and electronics (together representing 37% of the companies exited in 2008). By amount, the business and industrial products sector was joined by consumer goods and retail, together accounting for 32% of the total amount divested in 2008.

Commenting on the figures, Javier Echarri, Secretary General of EVCA, said: "The fact that institutional investors continued to commit significant sums to private equity funds during 2008, amounting to nearly €80bn of 'dry powder' in Europe, means the industry is well-placed to find attractive investment opportunities at a time when other sources of corporate finance are scarce.

“With capital markets all but closed and so much uncertainty in the wider economy, it is no surprise that there was a significant slump in both investment and divestment activity towards the end of last year. As holding periods increase, private equity will demonstrate its capacity to support portfolio companies, with a combination of capital and skills, through the downturn.”

Professor Kaserer, chairman of the PEREP_Analytics Governing Body said: “These preliminary figures give an early insight into activity trends within the European private equity market. While there has been a significant fall in investment and divestment activity, fundraising remained robust through 2008, particularly for the venture market. By value, the total amount amount raised in 2008 was –as in the year before - concentrated in the hands of a small number of large firms.”

The figures were compiled by PEREP_Analytics, an independent data-gathering organisation, and are preliminary; final figures for 2008 will be published in June 2009. This year a separate category was created for growth capital activity in addition to venture and buyouts.

Ends

Notes to Editors:

European Private Equity & Venture Capital Association

EVCA is the voice of European private equity and venture capital.

We promote and protect the interests of our more than 1,300 members, to ensure 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, research reports and holds 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

PEREP_Analytics is a fully functional, centralized non-commercial pan-European private equity database with its own staff, internal resources and website where quantitative and qualitative data will be collected for bridging:

- the needs of all stakeholders of market approach statistics
- the need for accurate, consistent and timely data
- the need for timely specific ad hoc analyses and social and economic impact research
- the intrinsic private equity market evolution where cross-border transactions are becoming the norm rather than the exception
- the general needs of private equity statistics by international organizations, governments, investors, other stakeholders

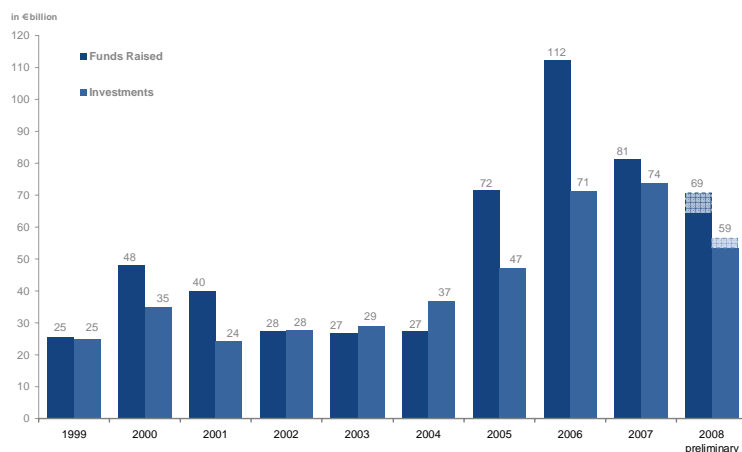
All National and Regional Associations in Europe have been invited to join the European Private Equity and Venture Capital Association (EVCA) in this exercise. The vision is to turn PEREP_Analytics™ into the framework of a Private Equity Research Exchange Platform among cooperating national and regional associations and the EVCA where a triple-win scenario can be secured for members, national private equity associations and EVCA. (www.perepanalytics.eu)

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Figure 1. Ten-year trends in European private equity activity

Private equity activity flows in Europe



Source: PEREP_Analytics for 2007-2008;
Thomson Reuters/PwC for previous years
Europe, industry statistics



Table 1. Independent funds at final closings in 2007-2008

Fundraising profile

Full amount raised at 2007 and 2008 final closings for independent funds

FUND STAGE	2007			2008		
	Amount (mil €)	Nr funds	Avg Fund size	Amount (mil €)	Nr funds	Avg Fund size
Early-Stage	1,290	15	86.0	1,611	21	76.7
Later Stage Venture	52	2	25.8	1,227	9	136.4
Balanced	1,797	20	89.9	1,142	17	67.2
All venture	3,139	37	84.8	3,980	47	84.7
Growth	1,984	9	220.5	2,988	10	298.8
<i>Of which > €1 bn</i>	-	-	-	2,000	2	1,000.0
Buyouts	56,541	62	912.0	44,362	53	837.0
<i>Of which > €1 bn</i>	43,508	12	3,625.7	30,610	9	3,401.1
Mezzanine	4,212	6	702.0	806	3	268.7
Generalist	5,676	30	189.2	2,358	15	157.2
Independent funds	71,552	144	496.9	54,495	128	425.7

Source: PEREP_Analytics



**Table 2. Top funds raised by size in 2007-2008
(with fund closings ≥ €1 billion)**

Funds closed at more than €1 bn in 2007-2008
Management firms ranked by amount at final closing

2007
Apax Partners Worldwide
The Carlyle Group
Terra Firma Capital Partners
Marfin Investment Group (MIG)
Doughty Hanson & Co
Barclays Private Equity
Intermediate Capital Group
Lion Capital
Duke Street Capital
IK Investment Partners
Mid Europa Partners
AXA Private Equity

12 funds contributing 61% to total funds closed

Source: PEREP_Analytics

2008
Advent International
PAI Partners
Bridgepoint
Nordic Capital
Bain Capital
Altor Equity Partners
TowerBrook Capital Partners LLP
Exponent Private Equity
Summit Partners
Ares Life Sciences

11 funds contributing 60% to total funds closed



Table 3. Investment by stages in 2007- 2008 (market statistics)

Investments by stage of financing

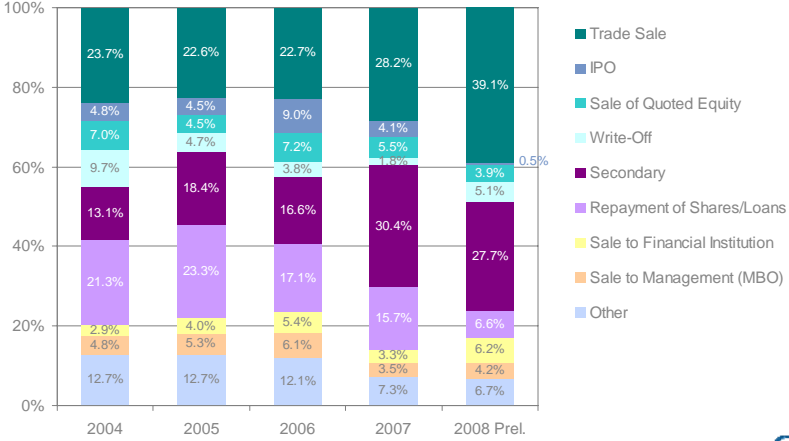
INVESTMENTS BY STAGE	By amount invested (equity value in €millions)		By number of companies	
	2007	2008	2007	2008
Mega buyouts	12,754	7,530	23	14
Large buyouts	13,811	5,744	57	26
Mid-market buyouts	24,840	17,108	466	367
Small buyouts	5,518	3,722	869	641
All buyouts	56,924	34,103	1,334	973
Replacement capital	3,096	1,899	159	183
Growth capital	3,262	8,100	379	615
Rescue/Turnaround	151	228	56	55
All venture	8,731	8,046	3,603	3,175
Later stage venture	6,344	5,341	1,535	1,346
Early stage	2,387	2,705	2,068	1,829
Total	72,165	52,376	5,207	4,593

Source: PEREP_Analytics;
Europe, market statistics



Graph 2. Divestments by exit method, 5-year trend

€13 Billion European Divestment at Cost



Source: PEREP_Analytics for 2007-2008 figures, industry statistics
Divestments are at cost, not proceeds

