

Private Equity for 2008 in the main centres of activity in Europe

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For the first time, Grant Thornton has gathered the 5 most important European countries together to perform the study “Private Equity for 2008 in the Main Centres of Activity in Europe” and has presented it at Grant Thornton’s London office the 9 June 2009. It is the first time the major associations have collaborated to produce a common statistics study.

The study shows that in the context of the credit crunch the activity remains resilient in 2008 and shows a positive trend in terms of numbers of investments in each country, except for United Kingdom which declined by 9%.

PRIVATE EQUITY FUNDS RAISED 25%* LESS THAN IN 2007

European private equity funds raised an aggregate of €48.9 billion (*) in 2008, representing a 25% decline versus 2007.

This study shows that only France bucked the downward trend, with fundraising increasing to €12.7 billion, a 27% increase from 2007 when €10 billion was committed to private equity funds due to fewer significant fundraisings.

By contrast, the amount of private equity funds raised in the United Kingdom (UK) dropped by 21% from €36.9 billion in 2007 to €29.1 billion in 2008 - a far cry from the record €43.2 billion raised in 2006.

Banks, Insurance companies pension funds and funds of funds are the four main subscribers which represent nearly 60% of funds collected.

Domestic funding accounted for 77% of the private equity funds raised in Germany while by contrast in United Kingdom private equity funds received 76 % of their 2008 funds from non domestic sources.

INVESTMENTS IN TERM OF NUMBER OF COMPANIES INCREASED (+1% TO +18%) ALTHOUGH IN THE UK THE NUMBER OF DEALS FELL BY 8% COMPARED TO 2007.

Italy saw an exceptional surge in amount invested last year compared to all other countries in the study which saw declining amounts invested - United Kingdom: -38% to about €24.6 billion, France: -20% to about €10 billion, Germany: -14% to about €7.1 billion and Spain -32% to about €3 billion.

In France Germany and Italy, buyout remains the largest stage of investments by value (from 53% to 76%). Whereas early stage and capital expansion remain significant in terms of number of investment made (from 60% in Italy to 96% in Spain).

In most countries the majority of deals (in excess of 75%) are done in domestic markets. The exception is the UK, where only 43% are UK companies. However, the average size of non domestic deals tends to be higher (€37 million compare to €8 millions).

THE VALUE OF PRIVATE EQUITY DIVESTMENTS DROPPED SHARPLY ACROSS EUROPE BY VALUE (-20% TO -56%) AND BY NUMBER OF DIVESTMENTS (-9% TO -34%)

The UK recorded a 20% decline to €13.7 billion, while France saw a 44% drop to €3.2 billion, Germany a 39% drop to €1.8 billion and Italy a 55% drop to €1.2 billion and the most important drop is seen in Spain by 56% to €0.7 billion.

The collapse of initial public offerings (IPOs) and falling appetite for secondary buyouts dramatically curbed the exit opportunities for private equity firms. They will continue to focus on portfolio management for the foreseeable future.

Write offs were a relatively more important means of divestment in 2008 in all countries: France with 6%, Germany with 8%, Italy with 13%, UK with 16%, and an exceptional increase for Spain with 22%.

Ends

(*) aggregated figures. These totals may include some double-counting. The statistics were compiled by the national venture capital associations comprising: AFIC, AIFI, ASCRI, BVCA and BVK.



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Notes to editors

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