BVCA Private Equity *and* Venture Capital Report on ***Investment Activity* 2010**

bvca The **voice** of long-term investment

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Summary

As the global economy emerged from the worst recession since the 1930s, so too did private equity, with activity picking up strongly in 2010. Data from BVCA members show that private equity and venture capital firms invested £20.4bn globally last year, up from £12.6bn in 2009. Almost a thousand companies benefitted from the funding and expertise of BVCA members as they backed private sector firms to drive economic growth.

Within that total, the industry saw mixed fortunes. Venture capital investors continue to finance a significant number of early stage companies, both in the UK and abroad (479 in total for 2010, compared with 429 for 2009), accounting for 45% of all companies that received funding by BVCA members in 2010. Yet amounts of venture capital investment remained relatively subdued, with investments in UK companies falling to £313mn last year from £454mn in 2009, and overseas investments down from £219mn in 2009 to £198mn in 2010. Expansion funding, in contrast, picked up substantially from £2.4bn in 2009 to £3.5bn last year, as BVCA members continued to support cash-constrained companies. Buyout activity also picked up significantly, with the value of UK deals rising to £4.7bn in 2010 from just £1.7bn in the previous year. Regionally, London and the South East continued to dominate UK investments and accounted for over half of the total amount invested in the UK; London in particular saw a substantial boost in investment, which reached £3.5bn in 2010, up from £1.7bn in 2009. However, the most pronounced growth rates were seen in Northern Ireland, the South West and the North of England. Northern Ireland in particular experienced a dramatic increase with £163mn of investment in 2010 compared to £12mn in the previous year, while the South West saw investment levels of £739mn, up from £139mn in 2009. Some areas, however, did not fare so well. Scotland, the East of England, the East Midlands and Wales saw falls in amounts invested, with Scotland experiencing the biggest decline, down to only £171mn of investment in 2010 compared with £443mn in 2009.

While the UK economic recovery has been slow and patchy, BVCA members have also continued to invest widely around the globe. The UK, and London in particular, has unrivalled networks of skilled lawyers, accountants and other technical expertise that make the UK a great place to invest from, even if the deals are overseas. And, for the fourth year in a row, BVCA member firms invested more overseas than they did domestically. This is further confirmation of the UK's leading position as a global hub for private equity and venture capital.

While investment activity recovered strongly, fundraising lagged behind investment during 2010. But fundraising still picked up from its recent low of £3bn in 2009, with BVCA members raising £6.6bn from investors last year. In part, the reason that fundraising has lagged investment reflects private equity and venture capital firms nurturing their existing portfolio of companies through the recession, and subsequently looking to deploy the pre-existing dry powder that had accumulated. And with financial market sentiment still fragile and economic conditions less than robust, it may take time for fundraising to fully recover. But if the industry can continue its track record of building better businesses, and deliver returns from existing portfolios, opportunities could abound in the years ahead. BVCA members stand ready to keep on driving economic growth, which in turn should deliver good returns to investors.

Colin Ellis, Chief Economist & Head of Research

Data Tables[1]

Table 1. Global Investment Activity of BVCA Members

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of BVCA members	194	193	208	214	192	179	168	164	164	155	135	128	117
% of survey respondents	97	100	99	100	100	100	100	100	98	97	96	95	94
Total amount invested (£m)	20,447	12,629	20,025	31,634	21,853	11,676	9,679	6,357	5,466	6,164	8,256	7,847	4,919
Number of companies financed	1,073	976	1,672	1,680	1,630	1,535	1,566	1,493	1,459	1,597	1,523	1,358	1,332

Table 2a. Investment by Country

Country	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
UK	823	791	1,278	77	81	76	8,237	4,790	8,556	40	38	42
US	49	50	150	5	5	9	2,038	3,541	1,741	10	28	9
Europe	175	120	214	16	12	13	8,778	4,087	8,206	43	32	41
Rest of World	26	15	30	2	2	2	1,394	211	1,522	7	2	8
Total	1,073	976	1,672	100	100	100	20,447	12,629	20,025	100	100	100

Table 2b. 2010 Quarterly Investment by Country

Country	Number of companies					% of companies					Amount invested (£m)					% of amount invested				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
UK	259	201	178	185	823	31	24	22	22	100	2,824	2,304	1,270	1,840	8,237	34	28	15	22	100
US	14	13	11	11	49	29	27	22	22	100	40	291	817	890	2,038	2	14	40	44	100
Europe	50	44	35	46	175	29	25	20	26	100	731	1,941	2,242	3,862	8,778	8	22	26	44	100
Rest of World	9	6	6	5	26	35	23	23	19	100	112	499	155	628	1,394	8	36	11	45	100
Total	332	264	230	247	1,073	31	25	21	23	100	3,708	5,035	4,484	7,220	20,447	18	25	22	35	100

1. All figures in this report have been rounded to the nearest integer. For this reason individual figures may not sum to totals.

Table 3. Overseas Investment by Financing Stage

Financing Stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Seed	0	0	21	0	0	5	0	0	19	0	0	-
Start-up	3	7	17	1	4	4	25	87	65	-	1	1
Early Stage	40	29	78	15	15	19	54	52	186	-	1	2
Later stage VC	39	28	n/a	15	15	n/a	119	80	n/a	1	1	n/a
Total Venture Capital	82	64	116	31	34	28	198	219	270	2	3	3
Expansion/Growth Capital	97	53	97	37	28	24	1,812	1,389	1,270	15	18	11
Bridge Financing	10	5	7	4	3	2	12	55	36	-	1	-
Total Expansion	107	58	104	41	30	26	1,824	1,443	1,306	15	18	11
Replacement Capital	1	3	24	-	2	6	-	604	0	-	8	0
Secondary Buyout	15	2		6	1	0	1,906	545	2,262	16	7	20
PIPE	0	4	2	0	2	0	0	265	120	0	3	1
Refinancing Bank Debt	4	9	4	2	5	1	46	207	161	-	3	1
Total Replacement Capital	20	18	30	8	9	7	1,952	1,622	2,543	16	21	22
Management buyout (MBO)	42	25	64	16	13	16	7,312	2,863	5,937	60	37	52
Management buy-in (MBI)	2	2	3	1	1	1	9	561	36	-	7	-
Total MBO/MBI	44	27	67	17	14	17	7,321	3,424	5,973	60	44	52
Public to Private	4	6	87	2	4	22	702	303	1,377	6	4	12
Rescue/Turnaround	2			1			19			-		
Other	5	18		2	9		193	828		2	11	
Total Other Late Stage	11	24	87	4	13	22	914	1,131	1,377	7	14	12
Total	250	185	394	100	100	100	12,209	7,839	11,469	100	100	100

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. – indicates a value greater than 0 but less than 0.5

3. Some financing stages have been amalgamated where there are instances of single deals, in order to preserve confidentiality.

Table 4. UK Investment by Financing Stage

Financing Stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Seed	39	37	67	4	4	5	10	14	12	-	-	-
Start-up	65	57	103	7	7	8	46	125	160	1	3	2
Early Stage	219	191	285	24	22	21	168	164	187	2	3	2
Later stage VC	74	80	n/a	8	9	n/a	89	151	n/a	1	3	n/a
Total Venture Capital	397	365	455	44	43	34	313	454	359	4	9	4
Expansion/Growth Capital	328	296	482	36	35	36	1,651	1,055	2,050	20	22	24
Bridge Financing	6	21	27	1	2	2	2	15	17	-	-	-
Total Expansion	334	317	509	37	37	38	1,653	1,070	2,067	20	22	24
Replacement Capital	11	6	27	1	1	2	20	19	141	-	-	2
Secondary Buyout	19	6	42	2	1	3	924	148	767	11	3	9
PIPE	0	2	2	0	-	-	0	8	4	0	-	-
Refinancing Bank Debt	10	14	21	1	2	2	43	312	199	1	7	2
Total Replacement Capital	40	28	92	4	3	7	987	486	1,111	12	10	13
Management buyout (MBO)	94	63	158	10	7	12	4,713	1,729	3,048	57	36	36
Management buy-in (MBI)	9	8	17	1	1	1	39	22	86	-	-	1
Total MBO/MBI	103	71	175	11	8	13	4,752	1,751	3,133	58	37	37
Public to Private	3	3	111	-	-	8	327	78	1,886	4	2	22
Rescue/Turnaround	16	22		2	3		92	279		1	6	
Other	7	51		1	6		113	671		1	14	
Total Other Late Stage	26	76	111	3	9	8	533	1,029	1,886	6	21	22
Total	823	791	1,278	100	100	100	8,237	4,790	8,556	100	100	100

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. – indicates a value greater than 0 but less than 0.5

3. Some financing stages have been amalgamated where there are instances of single deals, in order to preserve confidentiality

Table 5a. MBOs by Investment Size (UK)

Size	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Small (<£10m)	42	39	110	45	62	71	147	90	35	3	5	1
Mid-sized (£10m - £100m)	39	20	41	41	32	26	1,137	495	1,795	24	29	59
Large (>£100m)	13	4	4	14	6	3	3,429	1,145	1,209	73	66	40
Total	94	63	155	100	100	100	4,713	1,729	3,039	100	100	100

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. Size bandings are based on amount of equity invested by BVCA private equity members, not the total transaction size.

Table 5b. MBIs by Investment Size (UK)

<table>
<tr><th>Size</th><th colspan="3">Number of companies</th><th colspan="3">% of companies</th><th colspan="3">Amount invested (£m)</th><th colspan="3">% of amount invested</th></tr>
<tr><th></th><th>2010</th><th>2009</th><th>2008</th><th>2010</th><th>2009</th><th>2008</th><th>2010</th><th>2009</th><th>2008</th><th>2010</th><th>2009</th><th>2008</th></tr>
<tr><td>Small (<£10m)</td><td rowspan="2">9</td><td>8</td><td>14</td><td rowspan="2">100</td><td>100</td><td>82</td><td rowspan="2">39</td><td>22</td><td>15</td><td rowspan="2">100</td><td>100</td><td>18</td></tr>
<tr><td>Mid-sized (£10m - £100m)</td><td>0</td><td>3</td><td>0</td><td>18</td><td>0</td><td>70</td><td>0</td><td>82</td></tr>
<tr><td>Large (>£100m)</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Total</td><td>9</td><td>8</td><td>17</td><td>100</td><td>100</td><td>100</td><td>39</td><td>22</td><td>85</td><td>100</td><td>100</td><td>100</td></tr>
</table>

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. Size bandings are based on amount of equity invested by BVCA private equity members, not the total transaction size.

3. Some size bandings have been amalgamated where there are instances of single deals, in order to preserve confidentiality

Table 6. Average Amount Invested by Stage (UK)

<table>
<tr><th>Financing Stage</th><th colspan="3">Average Amount Invested, £000s</th></tr>
<tr><th></th><th>2010</th><th>2009</th><th>2008</th></tr>
<tr><td>Seed</td><td>259</td><td>376</td><td>179</td></tr>
<tr><td>Start-up</td><td>707</td><td>2,192</td><td>1,553</td></tr>
<tr><td>Early Stage</td><td>768</td><td>859</td><td>656</td></tr>
<tr><td>Later stage VC</td><td>1,203</td><td>1,886</td><td>n/a</td></tr>
<tr><td>Total Early Stage</td><td>789</td><td>1,243</td><td>789</td></tr>
<tr><td>Expansion/Growth Capital</td><td>5,033</td><td>3,565</td><td>4,253</td></tr>
<tr><td>Bridge financing</td><td>308</td><td>713</td><td>630</td></tr>
<tr><td>Total Expansion</td><td>4,948</td><td>3,376</td><td>4,061</td></tr>
<tr><td>Replacement Capital</td><td>1,795</td><td>3,117</td><td>5,222</td></tr>
<tr><td>Secondary Buyout</td><td>48,644</td><td>24,669</td><td>18,262</td></tr>
<tr><td>PIPE</td><td>0</td><td>3,850</td><td>2,000</td></tr>
<tr><td>Refinancing Bank Debt</td><td>4,264</td><td>22,261</td><td>9,476</td></tr>
<tr><td>Total Replacement Capital</td><td>24,665</td><td>17,360</td><td>12,076</td></tr>
<tr><td>Management buyout(MBO)</td><td>50,138</td><td>27,449</td><td>19,291</td></tr>
<tr><td>Management buy-in(MBI)</td><td>4,389</td><td>2,767</td><td>5,059</td></tr>
<tr><td>Total MBO/MBI</td><td>46,140</td><td>24,668</td><td>17,903</td></tr>
<tr><td>Public to Private</td><td>109,036</td><td>26,073</td><td rowspan="3">16,991</td></tr>
<tr><td>Rescue/Turnaround</td><td>5,751</td><td>12,684</td></tr>
<tr><td>Other</td><td>16,200</td><td>13,163</td></tr>
<tr><td>Total Other Late Stage</td><td>20,482</td><td>13,534</td><td>16,991</td></tr>
<tr><td>Total</td><td>9,153</td><td>5,589</td><td>6,695</td></tr>
</table>

Table 7. Investment by Industry Sector (UK)

Industry Sector	Number of companies			% of companies			Amount invested			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Basic Materials - Chemicals	15	15	22	2	2	2	6	54	63	-	1	1
Basic Materials - Forestry & Paper	0	3	0	0	-	0	0	4	0	0	-	0
Basic Materials - Industrial Metals & Mining	0		5	0		-	0		13	0		-
Basic Materials - Mining	0	0	0	0	0	0	0	0	0	0	0	0
Total Basic Materials	15	18	27	2	2	2	6	58	76	-	1	1
Consumer Goods - Beverages	17	6	5	2	1	-	57	37	3	1	1	-
Consumer Goods - Food Producers		11	16		1	1		190	72		4	1
Consumer Goods - Household Goods & Home Construction	9	11	13	1	1	1	331	191	161	4	4	2
Consumer Goods - Automobiles & Parts	8	7	6	1	1	-	115	10	4	1	-	-
Consumer Goods - Leisure Goods	9		13	1		1	50		23	1		-
Consumer Goods - Personal Goods	11	9	13	1	1	1	87	188	73	1	4	1
Consumer Goods - Tobacco	0	0	0	0	0	0	0	0	0	0	0	0
Total Consumer Goods	54	44	66	7	6	5	640	616	336	8	13	4
Consumer Services - Food & Drug Retailers	4	42	12	-	5	1	5	233	160	-	5	2
Consumer Services - General Retailers	46		62	6		5	1,584		495	19		6
Consumer Services - Media	33	44	38	4	6	3	204	340	265	2	7	3
Consumer Services - Travel & Leisure	37	42	77	4	5	6	652	185	936	8	4	11
Total Consumer Services	120	128	189	15	16	15	2,445	758	1,856	30	16	22
Financials - Financial Services	19	10	43	2	1	2	812	352	610	10	7	7
Financials - Banks	0	0	1	0	0	-	0	0	2	0	0	-
Financials - Life Insurance	0	0	1	0	0	-	0	0	10	0	0	-
Financials - Non-Life Insurance	8	7	13	1	1	1	260	63	264	3	1	3
Financials - Equity Investment Instruments	7	4	7	1	1	1	68	7	10	1	-	-
Financials - Non-equity Investment Instruments		2	0		-	0		28	0		1	0
Financials - Real Estate Investment Trusts	9	4	2	1	-	-	54	34	5	1	1	-
Financials - Real Estate Investment & Services			6			-			12			-
Total Financials	43	27	73	5	3	4	1,193	484	913	14	10	11
Health Care - Equipment & Services	71	76	142	9	10	11	713	165	1,182	9	3	14
Health Care - Pharmaceuticals & Biotechnology	68	66	92	8	8	7	455	146	112	6	3	1
Total Health Care	139	142	234	17	18	18	1,168	310	1,294	14	6	15
Industrials - Aerospace & Defense	5	4	8	1	1	1	192	16	21	2	-	-
Industrials - Construction & Materials	19	16	41	2	2	3	97	52	108	1	1	1
Industrials - Electronic & Electrical Equipment	31	33	52	4	4	4	32	14	183	-	-	2
Industrials - Engineering	18	17	46	2	2	4	90	165	151	1	3	2
Industrials - General Industrials	17	9	6	2	1	-	34	93	29	-	2	0
Industrials - Support Services	63	59	79	8	7	6	594	260	1,405	7	5	16
Industrials - Transportation	10	8	14	1	1	1	35	352	567	-	7	7
Total Industrials	163	146	246	20	18	19	1,073	950	2,464	13	20	29
Oil & Gas - Alternative Energy	18	6	40	2	1	3	29	7	59	-	-	1
Oil & Gas - Oil & Gas Producers	7	11	5	1	1	-	96	140	6	1	3	-
Oil & Gas - Oil Equipment, Services & Distribution	15	10	8	2	1	1	109	375	918	1	8	11
Total Oil & Gas	40	27	53	5	3	4	234	522	983	3	11	12
Technology - Hardware & Equipment	54	47	58	7	6	5	120	135	77	1	3	1
Technology - Software & Computer Services	165	169	297	20	21	23	899	824	440	11	17	5
Total Technology	219	216	355	27	27	28	1,019	959	517	12	20	6
Telecommunications - Fixed Line	5	4	9	1	1	1	118	3	15	1	-	-
Telecommunications - Mobile	10	18	21	1	2	2	28	18	25	-	-	-
Total Telecommunications	15	22	30	2	3	2	146	21	40	2	-	0
Utilities - Electricity	5	13	0	1	2	0	23	42	0	-	1	0
Utilities - Gas, Water & Multiutilities	5	1	5	1	-	0	241	-	77	3	-	1
Total Utilities	10	14	5	1	2	0	264	42	77	3	1	1
Other	5	7	n/a	1	1	n/a	49	68	n/a	1	1	n/a
Total	823	791	1278	100	100	100	8,237	4,790	8,556	100	100	100

1. – indicates a value greater than 0 but less than 0.5
2. The Industry Classification Benchmark (ICB) has been used to classify individual company investments by industry and subsector.
3. Some sectors have been amalgamated where there are instances of single deals, in order to preserve confidentiality

Table 8. Technology Investment (UK)

Industry Sector	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Mobile Telecommunications	9	13	44	2	3	8	5	8	81	-	1	13
Fixed Line Telecommunications	1	3		-	1		-	1		-	-	
Computer:												
Computer Hardware	4	13	19	1	3	4	1	14	14	-	3	2
Internet	33	27	5	8	6	1	34	23	1	2	4	0
Semiconductors	15	12	9	3	3	2	37	28	10	2	5	2
Software	92	97	237	21	23	46	521	111	310	29	20	50
Other Electronics	24	26	39	6	6	8	28	11	54	2	2	9
Biotechnology	41	33	48	9	8	10	20	27	30	1	5	5
Medical:												
Medical Equipment	25	34	34	6	8	7	15	34	31	1	6	5
Pharmaceuticals	17	25	44	4	6	8	58	30	73	3	5	12
Health Care	15	13	13	3	3	3	16	9	12	1	2	2
Other	158	127	13	36	30	3	1,046	267	3	59	47	-
Total	434	423	505	100	100	100	1,780	563	619	100	100	100

1. – indicates a value greater than 0 but less than 0.5
2. Technology classification is included in the appendix (p 14)

Table 9. 2010 Technology Investment by Stage (UK)

Industry sector	Number of companies						Amount invested (£m)					
	Venture capital	Expansion	Replacement capital	MBO/I	Other stage	Total	Venture capital	Expansion	Replacement capital	MBO/I	Other stage	Total
Mobile Telecommunications	5	5	0	0	0	9	3	3	0	0	0	5
Fixed Line Telecommunications	1	0	0	0	0	1	-	0	0	0	0	-
Computer:												
Computer Hardware	4	1	0	0	0	4	1	-	0	0	0	1
Internet	25	10	0	0	0	33	20	13	0	0	0	34
Semiconductors	16	4	0	0	0	15	32	5	0	0	0	37
Software	62	30	1	5	2	92	37	38	-	354	91	521
Other Electronics	19	8	0	0	0	24	10	17	0	0	0	28
Biotechnology	44	8	0	0	0	41	17	3	0	0	0	20
Medical:												
Medical Equipment	21	7	1	0	0	25	12	3	-	0	0	15
Pharmaceuticals	8	9	0	2	0	17	3	6	0	50	0	58
Health Care	14	1	0	2	0	15	12	-	0	4	0	16
Other	112	55	3	12	4	158	80	119	21	820	7	1,046
Total	331	138	5	21	6	434	226	207	21	1,228	98	1,780

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.
2. – indicates a value greater than 0 but less than 0.5
3. Technology classification is included in the appendix (p 14)

Table 10. Investment in 'Cleantech' Companies by Stage (UK)

Region	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Venture	86	57	n/a	64	52	n/a	69	40	n/a	13	24	n/a
Expansion	39	33	n/a	29	30	n/a	137	78	n/a	26	47	n/a
Replacement Capital		3	n/a		3	n/a		7	n/a		4	n/a
MBO/MBI	7	8	n/a	5	7	n/a	256	6	n/a	49	4	n/a
Other	2	9	n/a	1	8	n/a	56	33	n/a	11	20	n/a
Total	134	110	n/a	100	100	n/a	518	164	n/a	100	100	n/a

1. Cleantech is defined in the appendix (p 14)

Table 11. Investment by Region (UK)

Region	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
London	212	186	297	26	24	24	3,469	1,690	3,590	42	35	42
South East	125	167	190	15	21	15	1,160	1,275	1,266	14	27	15
South East & London	337	353	487	41	45	39	4,629	2,965	4,856	56	62	57
South West	46	60	76	6	8	6	739	139	196	9	3	2
East of England	47	39	74	6	5	6	78	150	495	1	3	6
West Midlands	72	45	85	9	6	7	910	368	418	11	8	5
East Midlands	37	37	67	4	5	5	76	126	556	1	3	6
Yorkshire & The Humber	50	53	119	6	7	9	479	148	473	6	3	6
North West	66	57	171	8	7	13	607	189	321	7	4	4
North East	46	42	55	6	5	4	346	185	68	4	4	1
Scotland	61	38	75	7	5	6	171	443	1,052	2	9	12
Wales	41	53	44	5	7	3	39	67	112	-	1	1
Northern Ireland	20	14	25	2	2	2	163	12	9	2	-	-
Total	823	791	1,278	100	100	100	8,237	4,790	8,556	100	100	100

1. – indicates a value greater than 0 but less than 0.5

Table 12. Investment activity by region compared to total number of VAT registered businesses

Region	Number of VAT registered businesses			Number of private equity backed companies			Companies invested in per 1,000 of total VAT registered businesses		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
London	392,540	337,385	321,600	212	186	297	0.54	0.47	0.92
South East	394,505	339,185	319,900	125	167	190	0.32	0.42	0.59
South East & London	787,045	676,570	641,500	337	353	487	0.43	0.45	0.76
South West	239,425	202,545	191,100	46	60	76	0.19	0.25	0.40
East of England	253,120	217,930	204,700	47	39	74	0.19	0.15	0.36
West Midlands	210,065	177,195	167,100	72	45	85	0.34	0.21	0.51
East Midlands	174,700	147,980	139,100	37	37	67	0.21	0.21	0.48
Yorkshire & The Humber	187,810	152,470	145,200	50	53	119	0.27	0.28	0.82
North West	255,705	211,915	194,700	66	57	171	0.26	0.22	0.88
North East	75,975	57,425	52,300	46	42	55	0.61	0.55	1.05
Scotland	193,305	92,005	141,900	61	38	75	0.32	0.20	0.53
Wales	112,810	145,745	87,300	41	53	44	0.36	0.47	0.50
Northern Ireland	84,270	70,620	66,200	20	14	25	0.24	0.17	0.38
Total	2,574,230	2,152,400	2,031,100	823	791	1,278	0.32	0.31	0.63

Source for 2008: 'Business Start Ups and Closures: VAT Registrations and De-registrations. (*http://stats.berr.gov.uk*)
Source for 2009 and 2010: 'Number of VAT based enterprises [2009/2010]' (*http://www.statistics.gov.uk*)

Table 13. Investment Stage Analysis by Region (UK) – Number of Companies

Region	Venture capital						Expansion						Replacement capital						MBO/MBI						Other stage					
	Number			%			Number			%			Number			%			Number			%			Number			%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
London	93	90	78	23	25	18	88	71	130	26	22	26	8	6	22	20	21	24	28	13	43	27	18	24	8	17	36	31	22	32
South East	70	81	74	18	22	17	47	65	61	14	21	12	6	9	18	15	32	20	23	15	35	22	21	20	2	16	11	8	21	10
South East & London	163	171	152	41	47	35	135	136	191	40	43	38	14	15	40	35	54	44	51	28	78	50	39	44	10	33	47	38	43	42
South West	22	28	25	6	8	5	18	26	35	5	8	7	2	1	6	5	4	7	7	5	10	7	7	6	1	6	4	4	8	4
East of England	27	25	29	7	7	6	21	15	35	6	5	7	5	0	4	13	0	4	1	2	7	1	3	4	1	2	4	4	3	4
West Midlands	43	22	45	11	6	10	19	11	22	6	3	4	1	2	7	3	7	8	13	9	8	13	13	5	2	5	4	8	7	4
East Midlands	18	18	11	5	5	2	15	16	34	4	5	7	0	1	4	0	4	4	4	4	14	4	6	8	3	2	15	12	3	14
Yorkshire & The Humber	13	13	28	3	4	6	27	34	60	8	11	11	6	1	2	15	4	2	5	4	18	5	6	10	1	2	15	4	3	14
North West	31	16	79	8	4	17	31	31	54	9	10	11	5	2	15	13	7	16	7	4	22	7	6	13	2	7	11	8	9	10
North East	16	18	22	4	5	5	24	17	24	7	5	5	1	2	5	3	7	5	6	5	4	6	7	2	1	5	2	4	7	2
Scotland	24	17	33	6	5	7	25	8	27	4	5	5	4	3	6	10	4	7	6	7	6	6	4	3	3	6	7	12	8	6
Wales	26	30	13	7	8	3	13	17	21	7	3	4	1	1	1	3	11	1	2	3	8	2	10	5	1	5	1	4	7	1
Northern Ireland	14	7	18	4	2	4	6	6	6	2	2	1	1	0	2	3	0	2	1	0	0	1	0	0	1	3	1	4	4	1
Total	397	365	455	100	100	100	334	317	509	100	100	100	987	486	92	100	100	100	103	71	175	100	100	100	26	76	111	100	100	100

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. – indicates a value greater than 0 but less than 0.5

Table 14. Investment Stage Analysis by Region – Amount invested (UK)

Region	Venture capital						Expansion						Replacement capital						MBO/MBI						Other stage					
	Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
London	90	222	172	29	49	47	826	262	1,278	50	24	62	189	74	487	19	15	43	2,047	692	1,088	43	39	35	317	441	565	59	43	30
South East	58	76	64	18	17	18	141	391	236	9	37	11	330	232	125	33	48	11	625	363	801	13	21	26	7	212	40	1	21	2
South East & London	148	299	236	47	66	65	967	653	1,514	59	61	73	520	306	612	53	63	54	2,672	1,054	1,889	56	60	61	323	653	605	61	63	32
South West	38	29	12	12	6	3	172	61	41	10	6	2	10	4	41	1	1	4	486	39	101	10	2	3	33	5	1	6	-	-
East of England	33	78	20	10	17	6	35	25	61	2	2	3	4	0	78	-	0	7	1	45	56	-	3	2	4	2	280	1	-	15
West Midlands	37	5	12	12	1	3	118	89	46	7	8	2	12	67	230	1	14	21	623	81	77	13	5	2	119	127	53	22	12	3
East Midlands	3	8	9	1	2	3	31	69	72	2	6	3	0	-	16	0	-	1	38	23	217	1	1	7	5	25	242	1	2	13
Yorkshire & The Humber	4	5	5	1	1	1	76	56	226	5	5	11	355	2	0	36	-	0	44	84	220	1	5	7	-	-	22	0	-	1
North West	15	10	23	5	2	6	185	76	70	11	7	3	12	13	76	1	3	7	401	41	140	8	2	4	-	49	12	-	5	1
North East	6	5	10	2	1	3	22	8	16	1	1	1	19	2	1	2	-	-	300	53	41	6	3	1	-	116	0	-	11	0
Scotland	17	7	24	5	2	7	31	19	9	2	2	-	54	91	53	6	19	5	25	283	313	1	16	10	38	43	653	7	4	34
Wales	8	6	2	2	1	1	8	12	10	1	1	-	-	1	1	-	-	-	12	46	79	-	3	3	10	2	20	2	-	1
Northern Ireland	5	2	7	2	-	2	7	3	1	-	-	-	-	0	1	-	0	-	151	0	0	3	0	0	-	7	0	-	1	0
Total	313	454	360	100	100	100	1,653	1,070	2,066	100	100	100	987	486	1,109	100	100	99	4,752	1,751	3,133	100	100	100	533	1,029	1,888	100	100	100

1. The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. Please refer to the appendix for further information.

2. – indicates a value greater than 0 but less than 0.5

Table 15. 2010 Industry Sector Analysis by Region (UK) – Number of Companies

Region	Oil & gas, basic materials & industrials		Consumer goods		Health care & consumer services		Telecoms, utilities & financials		Technology		Other	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
London	34	16	11	20	80	31	27	40	60	27	0	0
South East	35	16	5	9	40	15	9	13	34	16	2	40
South East & London	69	32	16	30	120	46	36	53	94	43	2	40
South West	10	5	6	11	13	5	3	4	14	6	0	0
East of England	8	4	3	6	11	4	0	0	25	11	0	0
West Midlands	20	9	4	7	27	10	5	7	14	6	2	40
East Midlands	10	5	4	7	8	3	5	7	10	5	0	0
Yorkshire and The Humber	27	12	3	6	12	5	1	1	7	3	0	0
North West	21	10	2	4	23	9	7	10	12	5	1	20
North East	22	10	6	11	9	3	4	6	5	2	0	0
Scotland	18	8	4	7	12	5	6	9	21	10	0	0
Wales	10	5	4	7	18	7	1	1	8	4	0	0
Northern Ireland	3	1	2	4	6	2	0	0	9	4	0	0
Total	218	100	54	100	259	100	68	100	219	100	5	100

Table 16. 2010 Industry Sector Analysis by Region (UK) – Amount Invested £m

Region	Oil & gas, basic materials & industrials		Consumer goods		Health care & consumer services		Telecoms, utilities & financials		Technology		Other	
	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%
London	178	14	190	30	1,505	42	1,144	71	453	44	0	0
South East	239	18	1	-	522	14	311	19	85	8	1	2
South East & London	416	32	191	30	2,027	56	1,455	91	538	53	1	2
South West	92	7	66	10	543	15	16	1	23	2	0	0
East of England	27	2	7	1	7	-	0	0	36	4	0	0
West Midlands	203	15	15	2	251	7	35	2	359	35	48	98
East Midlands	17	1	16	3	7	-	31	2	4	-	0	0
Yorkshire & The Humber	109	8	38	6	330	9	1	-	1	-	0	0
North West	188	14	5	1	393	11	7	-	15	1	-	-
North East	22	2	297	46	5	-	20	1	2	-	0	0
Wales	81	6	3	-	26	1	39	2	22	2	0	0
Scotland	2	-	1	-	22	1	-	-	14	1	0	0
Northern Ireland	156	12	-	-	1	-	0	0	6	1	0	0
Total	1,314	100	640	100	3,613	100	1,604	100	1,019	100	49	100

1. – indicates a value greater than 0 but less than 0.5

Table 17. UK Investment by type of PE organisation

Type of private equity organisation	Amount invested (£m)			% of amount invested		
	2010	2009	2008	2010	2009	2008
Organisations which manage funds (Independents)	6,128	3,150	6,225	74	66	73
Organisations which do both (Semi-captives)	1,212	1,343	1,459	15	28	17
Organisations which invest own or parent company money (Captives)	898	297	872	11	6	10
Total	8,237	4,790	8,556	100	100	100

Table 18. Funds Raised by Source

Type of source		Amount raised (£m)			% of amount raised		
		2010	2009	2008	2010	2009	2008
Pension Funds	UK	495	271	1,456	8	9	6
	Overseas	1,134	280	6,958	17	9	29
	Total	1,630	550	8,414	25	18	35
Insurance Companies	UK	276	130	148	4	4	1
	Overseas	163	150	711	2	5	3
	Total	440	280	859	7	9	4
Corporate Investors	UK	175	146	169	3	5	1
	Overseas	673	252	1,644	10	8	7
	Total	848	398	1,813	13	13	8
Banks	UK	29	90	378	-	3	2
	Overseas	84	100	598	1	3	3
	Total	113	190	976	2	6	5
Family Offices	UK	1,046	27	n/a	16	1	n/a
	Overseas	115	34	n/a	2	1	n/a
	Total	1,161	60	n/a	18	2	n/a
Funds of Funds	UK	179	175	1,105	3	6	5
	Overseas	552	355	2,843	8	12	12
	Total	731	531	3,948	11	18	17
Government Agencies	UK	212	163	334	3	5	1
	Overseas	208	27	806	3	1	3
	Total	420	191	1,140	6	6	4
Academic Institutions	UK	22	12	11	-	-	-
	Overseas	151	54	794	2	2	3
	Total	172	66	805	3	2	3
Private Individuals	UK	275	138	1,394	4	5	6
	Overseas	26	15	862	-	-	4
	Total	300	153	2,256	5	5	10
Capital Markets	UK	65	5	n/a	1	-	n/a
	Overseas	0	0	n/a	0	0	n/a
	Total	65	5	n/a	1	-	n/a
Sovereign Wealth Funds	UK	0	0	n/a	0	0	n/a
	Overseas	36	180		1	6	
	Total	36	180	n/a	1	6	n/a
Others	UK	108	156	652	2	5	3
	Overseas	570	227	2,276	9	8	10
	Total	678	383	2,928	10	13	13
Total UK		2,882	1,312	5,647	100	44	25
Total Overseas		3,712	1,674	17,492	100	56	74
Grand Total		6,594	2,987	23,139	100	100	100

1. – indicates a value greater than 0 but less than 0.5

Table 19. Funds Raised by Country

Country	Amount raised (£m)			% of amount raised		
	2010	2009	2008	2010	2009	2008
UK	2,882	1,312	5,646	44	44	24
France	102	124	762	2	4	3
Germany	109	78	136	2	3	1
Ireland	108	35	n/a	2	1	n/a
Netherlands	50	67	582	1	2	3
Sweden	79	107	n/a	1	4	n/a
Switzerland	206	69	n/a	3	2	n/a
Rest of Europe	486	249	2,409	7	8	10
United States	1,654	631	10,360	25	21	45
Canada	156	21		2	1	
Australia	42	15	n/a	1	1	n/a
China	133	150	n/a	2	5	n/a
Japan	44	9	n/a	1	0	n/a
Middle East	280	35	n/a	4	1	n/a
Africa	46	3	n/a	1	0	n/a
Other	218	83	3,244	3	3	14
Total	6,594	2,987	23,139	100	100	100

1. UK includes Bermuda, Cayman Islands, Channel Islands and British Virgin Islands

Table 20. Funds Raised by Investment Focus

Country	Amount raised (£m)			% of amount raised		
	2010	2009	2008	2010	2009	2008
Large MBO	0	218	n/a	0	7	n/a
Middle MBO	4,589	1,611	n/a	70	54	n/a
Small MBO	1,218	495	n/a	18	17	n/a
VC	478	650	n/a	7	22	n/a
Generalist	199	n/a	n/a	3	n/a	n/a
Development	65	n/a	n/a	1	n/a	n/a
Early	46	n/a	n/a	1	n/a	n/a
Other	0	14	n/a	0	-	n/a
Total	6,594	2,987	n/a	100	100	n/a

1. – indicates a value greater than 0 but less than 0.5

Table 21. 2010 Divestments

Type of divestment	Amount divested		Number of divestments		Number of companies	
	£m	%	Number	%	Number	%
Divestment on Flotation (IPO)	2,041	21	15	3	23	3
Repayment of Preference Shares/Loans	384	4	93	16	195	24
Sale of quoted equity post flotation	1,567	16	39	7	55	7
Sale to another Private Equity firm	1,462	15	52	9	62	8
Sale to Financial Institution	464	5	41	7	41	5
Sale to Management (Buy-back)	282	3	57	10	70	9
Trade Sale	2,253	23	121	21	165	20
Write Offs	1,146	12	92	16	124	15
Others	132	1	62	11	88	11
Total	9,730	100	572	100	823	100

Appendix Methodology and Definitions

In early 2011, BVCA's Benchmark data collection system collected data on investments made by BVCA private equity and venture capital members during the calendar year 2010. A 97% response rate was achieved, which included virtually every major private equity firm in the UK. In order to ensure only qualifying investments were included in the analysis certain criteria were applied to the data received and are outlined below:

Overseas Investments

The BVCA survey includes all investments 'made' or 'advised by' the BVCA full member firm, 'regardless of whether the investing fund is UK or overseas-based'. This means that the figures relate to investments undertaken by BVCA full member firms based in the UK, and also to those undertaken through an overseas office where the UK office was the lead adviser, regardless of where the investment fund was domiciled. As a result, more cross-border investments have been included in the BVCA data which therefore reflect more accurately the activity of BVCA full members, particularly those that invest through pan-European or global funds.

Industry Sectors

The Industry Classification Benchmark (ICB) is used throughout this report to classify individual company investments by industry and subsector.

Financing Stages

The number of companies in some financing stage categories and their subtotals add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment within the year at different financing stages. For example, if a company receives a round of start-up finance and then further rounds of expansion finance later in the same year, that company will be counted once in each of the start-up and expansion categories (therefore appearing to be counted twice), but only counted as one investment in the overall total. This only affects 'number of companies' not 'amounts invested'.

Technology Classification

There is as yet no universally accepted definition of a 'technology' company. For the purposes of this report, investments defined by BVCA member firms as 'high-tech' are included in tables 8 and 9.

Cleantech Classification

Cleantech represents a diverse range of products, services and processes which are intended to provide superior performance at lower costs, while greatly reducing or eliminating negative ecological impact, at the same time as improving the productive and responsible use of natural resources. For the purposes of this report, investments defined by BVCA member firms as 'cleantech' are included in table 10.

Foreign Currency Conversion

Where BVCA collected investment information in foreign currencies, the amounts were converted into Sterling using the annual average exchange rates for 2010, calculated from figures supplied by Bloomberg.

Private Equity Definitions

The term private equity is generally used in Europe to cover the industry as a whole, including both buyouts and venture capital. Venture capital is a subcategory covering the start-up to expansion stages of investment.

Private equity describes equity investments in unquoted companies, often accompanied by the provision of loans and other capital bearing an equity-type risk.

2009 Data

2009 data have been revised to reflect new information and/or to correct errors.

Types of Private Equity Firms

The definitions below need to be interpreted with caution. In recent years, several larger private equity firms that historically invested funds from a single in-house source have begun to raise and manage external sources.

Independents: These can either be firms, funds or investment trusts, either publicly listed or private, which raise their capital from external sources.

Captives: These organisations invest their own money, and/or manage or invest funds on behalf of a parent organisation. In the latter case, the private equity firm would be a wholly owned subsidiary or division of the parent, usually a financial institution.

Semi-captives: These organisations invest funds on behalf of a parent company, or their own funds, in addition to investing funds raised within the last five years from external sources.

Stages of Investment

Seed: Financing that allows a business concept to be developed, perhaps involving the production of a business plan, prototypes and additional research, prior to bringing a product to market and commencing large-scale manufacturing.

Start-up: Financing provided to companies for use in product development and initial marketing. Companies may be in the process of being setup or may have been in business for a short time, but have not yet sold their product commercially.

Other early stage: Financing provided to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They may not yet be generating profits.

Late stage venture: Financing provided to companies that have reached a fairly stable growth rate; that is, not growing as fast as the rates attained in the early stage. These companies may or may not be profitable, but are more likely to be than in previous stages of development.

Expansion: Sometimes known as 'development' or 'growth' capital, provided for the growth and expansion of an operating company which is trading profitably. Capital may be used to finance increased production capacity, market or product development, and/or to provide additional working capital.

Bridge financing: Financing made available to a company in the period of transition from being privately owned to being publicly quoted.

Replacement capital: Minority stake purchase from another private equity investment organisation or from another shareholder or shareholders.

Refinancing bank debt: Funds provided to enable a company to repay existing bank debt.

PIPE: Private investment in public companies (minority stake only).

Rescue/Turnaround: Financing made available to existing businesses which have experienced trading difficulties, with a view to re-establishing prosperity.

Management buyout (MBO): Funds provided to enable current operating management and investors to acquire an existing product line or business. Institutional buyouts (IBOs), leveraged buyouts (LBOs) and other types of similar financing are included under MBOs for the purposes of this report.

Management buy-in (MBI): Funds provided to enable an external manager or group of managers to buy into a company.

Public to private: Purchase of quoted shares with the purpose of de-listing the company.

Secondary buyout: Purchase of a company from another private equity investment organisation.

Fundraising

The following apply to the fundraising section:

1. Funds managed by UK private equity firms for both UK and overseas investment are included.
2. Funds managed by the overseas headquarters of international private equity firms (which have UK-based offices that are BVCA members) are excluded.

UK Regions

The standard Government Office Region (GORs) classification is used throughout this report to classify the location of individual company investments. The composition of GORs is listed below.

North East
Cleveland
Durham
Northumberland
Tyne and Wear

East Midlands
Derbyshire
Leicestershire
Lincolnshire
Northamptonshire
Nottinghamshire

South East
Berkshire
Buckinghamshire
East Sussex
Hampshire
Isle of Wight
Kent
Oxfordshire
Surrey
West Sussex

North West
Cumbria
Cheshire
Greater Manchester
Lancashire
Merseyside

West Midlands
Hereford and Worcester
Shropshire
Staffordshire
Warwickshire
West Midlands

London

Yorkshire and The Humber
Humberside
North Yorkshire
South Yorkshire
West Yorkshire

East of England
Cambridgeshire
Norfolk
Suffolk
Bedfordshire
Essex
Hertfordshire

South West
Avon
Cornwall
Devon
Dorset
Gloucestershire
Somerset
Wiltshire

Industry classifications

Economic Group	Sectors	Subsectors
Oil and Gas	Oil and gas, Oil and gas producers Oil equipment, services and distribution Alternative energy	Exploration and production, integrated oil and gas. Oil equipment, and services pipelines. Renewable energy equipment, alternative fuels.
Basic Materials	Chemicals Forestry and paper Industrial metals and mining Mining	Commodity and speciality chemicals. Forestry, paper. Aluminium, non-ferrous metals, iron and steel. Coal, diamonds and gemstones, general mining, gold mining, platinum and precious metals.
Industrials	Construction and materials Aerospace and defence General industrials Electronic and electrical equipment Industrial engineering Industrial transportation Support services	Building materials and fixtures, heavy construction. Aerospace, defence. Containers and packaging, diversified industrials. Electrical components and equipment, electronic equipment. Commercial vehicles and trucks, industrial machinery. Delivery services, marine transportation, railroads, transportation services, trucking. Business support services, business training and employment agencies, financial administration, industrial suppliers, waste and disposal services.
Economic Group	Sectors	Subsectors
Consumer goods	Automobiles and parts Beverages Food producers Household goods Leisure goods Personal goods Tobacco	Automobiles, auto parts, tyres. Brewers, distillers and vintners, soft drinks. Farming and fishing, food products. Durable household products, non-durable household products, furnishings, home construction. Consumer electronics, recreational products, toys. Clothing and accessories, footwear, personal products. Tobacco.
Basic materials	Chemicals Forestry and paper Industrial metals Mining	Commodity and specialty chemicals. Forestry, paper. Aluminium, non-ferrous metals, steel. Coal, diamonds and gemstones, general mining, gold mining, platinum and precious metals.
Healthcare	Healthcare equipment and services Pharmaceuticals and biotechnology	Health care providers, medical equipment, medical supplies. Biotechnology, pharmaceuticals.
Consumer Services	Food and drug retailers General retailers Media Travel and leisure	Drug retailers, food retailers and wholesalers. Apparel retailers, broadline retailers, home improvement retailers, specialised consumer services, specialty retailers. Broadcasting and entertainment, media agencies, publishing. Airlines, gambling, hotels, recreational services, restaurants and bars, travel and tourism.
Economic Group	Sectors	Subsectors
Telecommunications	Fixed-line telecommunications Mobile telecommunications	Fixed-line telecommunications. Mobile telecommunications.
Utilities	Electricity Gas, water and multi-utilities	Electricity. Gas distribution, multiutilities, water.
Financials	Banks Non-life insurance Life insurance Real estate General financial Equity investment instruments Non-equity investment instruments	Banks. Full line insurance, insurance brokers, property and casualty insurance, reinsurance. Life insurance. Real estate holding and development, real estate investment trusts. Asset managers, consumer finance, specialty finance, investment services, mortgage finance. Equity investment instruments. Non-equity investment instruments.
Technology	Software and computer services Technology hardware and equipment	Computer services, internet, software. Computer hardware, electronic office equipment, semiconductors, telecommunications equipment.

Disclaimer

The data provided has been collected from different sources. BVCA has taken steps to ensure the reliability of the information presented. However, BVCA cannot guarantee the ultimate accuracy of the data and therefore BVCA does not accept responsibility for any decision made or action taken based on the information provided.

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