



BVCA Private Equity *and*
Venture Capital Report on
Investment Activity 2009



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Foreword

As private equity and venture capital firms emerge from the worst recession since the 1930s, it is not surprising investment levels have fallen below their historical norms. The slowdown in activity has struck all areas, from the large buyouts bracket to the early-stage investment level.

Yet the industry has shown an admirable capacity to adapt swiftly to radically different times, a strength that is encouraging for the future.

A decline in deal flow is to be expected. The last two years have not been kind to anyone, and private equity and venture capital are no exception. Instead of making investments, the dominant theme of the past 12 months has been even more enhanced portfolio management, where one of the industry's greatest qualities, its operational expertise, has been put to work.

Rebuilding the economy will be no easy task. It needs extra investment and entrepreneurial zeal. Private equity and venture capital can deliver these in virtues through transforming companies, creating jobs and spurring innovation.

Simon Walker

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Introduction

Private Equity and Venture Capital firms invested £7.5 billion globally in 2009, compared to £19.5bn invested in 2008 and £31.6bn in 2007. In 2009, 987 companies received private equity or venture capital backing, in contrast to 1,672 in 2008 and 1,680 in 2007.

These figures reflect BVCA members' concentration on active portfolio management during the worsening of credit conditions through 2009 and the deepening of recession.

Venture capital investment in the UK fell to £296m in 2009, a drop from the £359m invested in 2008 and significant decline from 2007, which saw £434m invested. The number of companies financed fell from 455 in 2008, to 388 in 2009.

Regionally, London and the South East saw investment levels fall to just over £1.8bn, compared to £4.9bn last year. Proportionally, Scotland maintained its strong investment levels, with 11% of the total amount invested in the UK, down from 12% in 2008.

Appendix 1 Underlying data tables

Table 1. Global investment activity of BVCA members

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of BVCA members	193	208	214	192	179	168	164	164	155	135	128	117
% of survey respondents	100	99	100	100	100	100	100	98	97	96	95	94
Total amount invested (£m)	7,505	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	987	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		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
United Kingdom	834	1,278	1,330	84	76	79	2,957	8,556	11,972	39	42	38
United States	40	150	73	4	9	4	1,918	1,741	3,910	26	9	12
Cont. Europe	103	214	248	11	13	15	2,567	8,206	13,988	34	41	44
Other overseas	10	30	29	1	2	2	63	1,522	1,764	1	8	6
Total	987	1,672	1,680	100	100	100	7,505	20,025	31,634	100	100	100

Table 2b. 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
United Kingdom	221	180	199	234	834	26	22	24	28	100	885	635	441	997	2,957	30	21	15	34	100
United States	11	10	6	13	40	28	25	15	32	100	1,006	145	260	506	1,918	52	8	14	26	100
Cont. Europe	21	21	27	34	103	20	20	26	34	100	771	161	682	953	2,567	30	6	27	37	100
Other overseas	2	3	2	3	10	20	30	20	30	100	0	6	6	50	63	1	10	10	79	100
Total	255	214	234	284	987	25	22	24	29	100	2,662	947	1,389	2,507	7,505	35	13	19	33	100

Table 3. Overseas investment by financing stage

Financing stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Seed	0	21	3	0	5	1	0	19	1	0	-	-
Start-up	6	17	20	4	4	6	4	65	133	-	1	1
Early stage	22	78	59	14	19	16	24	186	115	1	2	1
Later stage venture	18	n/a	n/a	11	n/a	n/a	63	n/a	n/a	1	n/a	n/a
Total Venture Capital	46	116	82	29	28	23	91	270	249	2	3	2
Expansion capital	39	97	91	25	24	25	1,017	1,270	1,440	22	11	7
Bridge loan	5	7	13	3	2	4	52	36	204	1	-	1
Total expansion	44	104	104	28	26	29	1,069	1,306	1,644	24	11	8
Replacement capital	3			2	6	8	249	0		5	0	
Secondary buy-out	2	24	30	1	0	0	348	2,262	2,931	8	20	15
PIPE	3	2	7	2	0	2	16	120	1,640	-	1	8
Refinancing bank debt	8	4	2	5	1	1	104	161	6	2	1	-
Total replacement capital	16	30	39	10	7	11	716	2,543	4,578	16	22	23
Management buy-out	26	64	121	17	16	32	1,619	5,937	12,633	36	52	64
Management buy-in	2	3	0	1	1	0	561	36	0	12	-	0
Total MBO / MBI	28	67	121	18	17	32	2,180	5,973	12,633	48	52	64
Public to private	1			1			1			-		
Rescue/turnaround	5	87	17	3	22	5	301	1,377	558	7	12	3
Other	18			11			189			4		
Total other stage	24	87	17	15	22	5	491	1,377	558	11	12	3
Grand total	153	394	350	100	100	100	4,547	11,469	19,662	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment wit

2. - indicates a value of greater than 0 but less than 0.5.

3. 'Other late stage' includes to Public to Private deals, rescue/turnaround deals, etc. 'Public to private' is synonymous to 'Venture purchase of quoted shares' which was used in the 07 and 06 survey.

4. 'PIPE' in 2008 is synonymous to 'Other purchase of quoted shares' which was used in the 07 and 06 surveys.

Table 4. UK investment by financing stage

Financing stage	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Seed	37	67	69	4	5	5	5	12	16	-	-	-
Start-up	55	103	138	6	8	10	10	160	174	-	2	1
Early stage	204	285	295	23	21	20	137	187	244	5	2	2
Later stage venture	92	n/a	n/a	10	n/a	n/a	144	n/a	n/a	5	n/a	n/a
Total Venture Capital	388	455	502	43	34	35	296	359	434	10	4	3
Expansion capital	314	482	452	34	36	30	1,064	2,050	947	36	24	8
Bridge loan	21	27	22	2	2	2	10	17	190	-	-	2
Total expansion	335	509	474	36	38	32	1,074	2,067	1,137	36	24	10
Replacement capital	6	27		1	2		5	141	2,549	-	2	
Secondary buy-out	6	42	77	1	3	5	25	767		1	9	21
PIPE	3	2	27	-	-	2	8	4	91	-	-	1
Refinancing bank debt	15	21	7	2	2	0	216	199	29	7	2	-
Total replacement capital	30	92	111	4	7	7	254	1,111	2,669	8	13	22
Management buy-out	63	158	227	7	12	16	1,051	3,048	7,173	36	36	60
Management buy-in	8	17	37	1	1	3	16	86	347	1	1	3
Total MBO / MBI	71	175	264	8	13	19	1,067	3,133	7,520	37	37	63
Public to private	3			-			21			1		
Rescue/turnaround	22	111	95	2	8	7	14	1,886	212	-	22	2
Other	51			6			231			8		
Total other stage	76	111	95	8	8	7	266	1,886	212	9	22	2
Grand total	834	1,278	1,330	99	100	100	2,957	8,556	11,972	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will add up to more than the total number of companies invested in. This is due to some companies receiving more than one investment wit

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4. 'PIPE' in 2008 is synonymous to 'Other purchase of quoted shares' which was used in the 07 and 06 surveys.

Table 5a. MBOs by investment size band (UK)

Size (by amount of private equity invested)	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Small (<£10m)	42	110	240	67	71	77	75	35	707	7	1	10
Mid-sized (£10m - £100m)	19	41	63	30	26	20	455	1,795	2,359	43	59	32
Large (>£100m)	2	4	9	3	3	3	521	1,209	4,307	50	40	58
Total	63	155	312	100	100	100	1,051	3,039	7,373	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will 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. Eg. 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 in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

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

Table 5b. MBIs by investment size band (UK)

Size (by amount of private equity invested)	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Small (<£10m)	8	14	31	100	82	83	16	15	75	100	18	22
Mid-sized (£10m - £100m)	0	3	6	0	18	17	0	70	167	0	82	48
Large (>£100m)	0	0	0	0	0	0	0	0	106	0	0	30
Total	8	17	37	100	100	100	16	85	348	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will 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. Eg. 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 in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. Size-bandings are based on amount of equity invested by BVCA private equity firm 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)

Financing stage	Average amount invested (£000s)		
	2009	2008	2007
Seed	135	160	265
Start-up	182	1,277	1,042
Other early stage	672	516	430
Late stage venture	1,565	n/a	n/a
Total early stage	763	636	865
Expansion	3,389	2,482	1,117
Bridge financing	476	464	5,593
Total expansion	3,206	2,396	1,290
Replacement capital	833	3,601	24,512
Secondary buy-out	4,167	13,937	
PIPE	2,667	2,050	4,187
Refinancing bank debt	14,400	5,841	2,019
Total replacement capital	8,467	8,536	17,111
MBO	16,683	6,431	11,476
MBI	2,000	4,499	7,722
Total MBO/MBI	15,028	6,357	11,224
Public to private	7,000		
Rescue/turnaround	636	10,720	1,591
Other	4,529		
Other late stage	3,500	10,720	1,591
Grand total	3,546	3,844	9,002

Table 7. Investment by industry sector (UK)

Industry & Sector	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Oil & Gas	22	53	28	3	4	2	323	983	277	11	12	2
Oil & Gas Producers	7	5	5	1	-	-	35	6	147	1	-	1
Oil Equipment, Services & Distribution	9	8	7	1	1	1	287	918	108	10	11	1
Alternative Energy	6	40	16	1	3	1	1	59	22	-	1	-
Basic Materials	16	27	34	1	2	3	53	76	67	2	2	1
Chemicals	12	22	31	1	2	2	52	63	53	2	1	-
Forestry & Paper	1	0	1	-	0	-	0	0	2	0	0	-
Industrial Metals & Mining	3	5	2	-	-	-	1	13	12	-	-	-
Mining	0	0	0	0	0	0	0	0	0	0	0	0
Industrials	146	246	281	17	19	21	439	2,464	1,980	15	27	17
Construction & Materials	18	41	44	2	3	3	22	108	194	1	1	2
Aerospace & Defence	3	8	10	-	1	1	15	21	68	1	-	1
General Industrials	10	6	12	1	-	1	5	29	27	-	-	-
Electronic & Electrical Equipment	32	52	57	4	4	4	9	183	155	-	2	1
Industrial Engineering	16	46	40	2	4	3	128	151	113	4	2	1
Industrial Transportation	7	14	18	1	1	1	2	567	349	-	7	3
Support Services	60	79	100	7	6	8	258	1,405	1,074	9	14	9
Consumer Goods	48	66	51	5	4	4	436	336	415	15	5	4
Automobiles & Parts	1	6	4	-	-	-	0	4	11	0	-	-
Beverages	7	5	5	1	-	-	36	3	25	1	-	-
Food Producers	11	16	28	1	1	2	188	72	241	6	1	2
Household Goods & Home Construction	12	13	2	1	1	-	16	161	30	1	2	-
Leisure Goods	6	13	12	1	1	1	12	23	108	-	-	1
Personal Goods	11	13	0	1	1	0	184	73	0	6	1	0
Tobacco	0	0	0	0	0	0	0	0	0	0	0	0
Health Care	159	234	210	19	18	16	300	1,294	899	10	13	7
Health Care Equipment & Services	84	142	122	10	11	9	205	1,182	741	7	12	6
Pharmaceuticals & Biotechnology	75	92	88	9	7	7	95	112	158	3	1	1
Consumer Services	127	189	273	15	15	19	682	1,856	6,079	23	22	49
Food & Drug Retailers	2	12	18	-	1	1	15	160	88	1	2	1
General Retailers	38	62	123	5	5	9	269	495	1,647	9	6	14
Media	43	38	73	5	3	5	307	265	2,890	10	3	22
Travel & Leisure	44	77	59	5	6	4	91	936	1,454	3	11	12
Telecommunications	26	30	25	3	3	2	19	40	71	1	1	1
Fixed Line Telecommunications	4	9	0	-	1	0	1	15	0	-	-	0
Mobile Telecommunications	22	21	25	3	2	2	18	25	71	1	-	1
Utilities	13	5	20	2	-	2	32	77	63	1	1	1
Electricity	13	0	19	2	0	1	32	0	58	1	0	-
Gas, Water & Multiutilities	0	5	1	0	-	-	0	77	5	0	1	-
Financials	32	73	87	4	4	8	340	913	1,596	11	11	14
Banks	0	1	0	0	-	0	0	2	0	0	-	0
Non-life Insurance	8	13	11	1	1	1	24	264	467	1	3	4
Life Insurance	0	1	3	0	-	-	0	10	3	0	-	-
Real Estate Investment & Services	3	6	7	-	-	1	2	12	128	-	-	1
Real Estate Investment Trusts	0	2		0	-		0	5		0	-	
Financial Services	14	43	53	2	2	4	281	610	977	10	7	8
Equity Investment Instruments	5	7	13	1	1	1	5	10	21	-	-	-
Non-equity Investment Instruments	2	0	0	-	0	0	28	0	0	1	0	0
Technology	237	355	321	30	28	24	292	517	525	10	6	5
Software & Computer Services	181	297	250	23	23	19	180	440	342	6	5	3
Technology Hardware & Equipment	56	58	71	7	5	5	112	77	183	4	1	2
Other	8	n/a	n/a	1	n/a	n/a	41	n/a	n/a	1	n/a	n/a
Grand total	834	1,278	1,330	100	100	100	2,957	8,556	11,972	100	100	100

1. As of 30/12/05, the original FTSE Global Classification System (GCS), historically used for this table, has been replaced by the new Industry Classification Benchmark (ICB). The ICB is the new definitive industry classification standard created jointly by FTSE Group and Dow Jones Indexes. It is significantly different from the original FTSE GCS and therefore impossible to compare to data prior to 2005.

2. Some changes were made to the ICB in March 2008. 'General Financials' is now called 'Financial Services', 'Household Goods' is now 'Household Goods & Home Construction' and 'Industrial Metals' is now 'Industrial Metals & Mining'. 'Real Estate' has now been split into two separate categories - 'Real Estate Investment & Services' and 'Real Estate Investment Trusts'. 'Alternative Energy' is an additional category and therefore does not have values for 2005 and 2006 and are denoted as n/a for these years.

3. - indicates a value of greater than 0 but less than 0.5.

Table 8. Technology investment (UK)

Industry sector	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Communications	33	44	34	7	8	6	51	81	203	13	13	24
Computer:												
- hardware	23	19	17	5	4	3	27	14	40	7	2	5
- internet	26	5	33	6	1	6	6	1	27	2	0	3
- semiconductors	14	9	23	3	2	4	13	10	37	3	2	4
- software	111	237	180	24	46	35	46	310	213	12	50	26
Other electronics related	26	39	45	6	8	9	7	54	35	2	9	4
Biotechnology	35	48	49	8	10	9	28	30	76	7	5	9
Medical:												
- instruments	41	34	59	9	7	11	25	31	47	6	5	6
- pharmaceuticals	32	44	36	7	8	7	36	73	71	9	12	9
- health care	14	13	21	3	3	4	18	12	51	5	2	6
Other	99	13	30	22	3	6	137	3	35	34	-	4
Total	454	505	527	100	100	100	394	619	835	100	100	100

1. - indicates a value of greater than 0 but less than 0.5.

Table 9. Technology investment by financing stage in 2009 (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
Communications	24	10	1	1	0	33	16	2	0	33	0	51
Computer:												
- hardware	14	6	0	3	1	23	3	2	0	21	1	27
- internet	22	4	0	0	0	26	5	1	0	0	0	6
- semiconductors	10	10	0	0	0	14	6	7	0	0	0	13
- software	68	47	0	2	4	111	23	21	0	1	1	46
Other electronics related	18	7	1	1	1	26	3	3	1	0	0	7
Biotechnology	36	7	1	0	0	35	22	5	0	1	1	28
Medical:												
- instruments	37	10	0	0	1	41	14	10	0	0	1	25
- pharmaceuticals	26	5	3	1	3	32	12	2	5	14	3	36
- health care	12	2	0	0	1	14	11	6	0	0	1	18
Other	54	36	2	8	6	99	16	104	2	8	7	137
Total	321	144	8	16	17	454	131	163	8	78	15	394

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will 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. E.g. 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 in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. Sectors have been amalgamated where there are instances of single deals, in order to preserve confidentiality.

3. In 2008 the categorization of 'technology' was based on a manual coding process which itself was based on the definition of technology as defined in the glossary of the investment activity survey. The coding was based on the old activity description along with a precise description. Additionally the portfolio company had to have been defined as 'high tech'.

Table 10. Investment in 'Cleantech' companies by stage (UK)

Stage of investment	Number of companies		Amount invested (£m)	
	2009	% of companies	2009	% of amount invested
Venture capital	56	52	20	16
Expansion	30	29	72	58
Replacement capital	2	2	3	2
MBO/I	8	8	7	6
Other stage	9	9	22	18
Total	105	100	124	100

1. In 2009 the definition of cleantech was narrowed to companies which "represent 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."

Table 11. Investment by region (UK)

Region	Number of companies			% of companies			Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
South East	199	190	220	24	15	17	1,162	1,266	2,493	39	15	21
London	190	297	334	22	24	24	647	3,590	5,730	23	42	48
South East & London	389	487	554	46	39	41	1,809	4,856	8,223	62	57	69
South West	66	76	82	8	6	6	115	196	198	4	2	2
East of England	36	74	104	4	6	8	66	495	531	2	6	4
West Midlands	45	85	82	5	7	6	74	418	416	3	5	3
East Midlands	36	67	65	4	5	5	132	556	802	4	6	8
Yorkshire & The Humber	56	119	108	7	9	8	70	473	499	2	6	4
North West	55	171	154	7	13	12	124	321	600	4	4	5
North East	47	55	51	6	4	4	188	68	156	6	1	1
Scotland	39	75	73	5	6	5	315	1,052	393	11	12	3
Wales	52	44	36	6	3	3	63	112	128	2	1	1
Northern Ireland	13	25	21	2	2	2	1	9	26	-	-	-
Total	834	1,278	1,330	100	100	100	2,957	8,556	11,972	100	100	100

1. - indicates a value of greater than 0 but less than 0.5.

Table 12. Investment activity by region compared with 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		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
South East	337,385	319,900	306,920	199	190	220	0.59	0.59	0.72
London	339,185	321,600	309,225	190	297	334	0.56	0.92	1.08
South East & London	676,570	641,500	616,145	389	487	554	0.57	0.76	0.90
South West	202,545	191,100	183,420	66	76	82	0.33	0.40	0.45
East of England	217,930	204,700	196,480	36	74	104	0.17	0.36	0.53
West Midlands	177,195	167,100	164,810	45	85	82	0.25	0.51	0.50
East Midlands	147,980	139,100	134,195	36	67	65	0.24	0.48	0.48
Yorkshire & The Humber	152,470	145,200	139,970	56	119	108	0.37	0.82	0.77
North West	211,915	194,700	186,045	55	171	154	0.26	0.88	0.83
North East	57,425	52,300	49,435	47	55	51	0.82	1.05	1.03
Scotland	145,745	141,900	136,890	39	75	73	0.27	0.53	0.53
Wales	92,005	87,300	84,995	52	44	36	0.57	0.50	0.42
Northern Ireland	70,620	66,200	64,365	13	25	21	0.18	0.38	0.33
Total	2,152,400	2,031,100	1,956,750	834	1,278	1,330	0.39	0.63	0.68

Source for 2006, 2007 and 2008: 'Business Start Ups and Closures: VAT Registrations and De-registrations. (<http://stats.berr.gov.uk>).
Source for 2009: 'Number of VAT based enterprises in 2009 (<http://www.statistics.gov.uk>).

NOTE: Due to a change in the methodology used by BERR for calculating the number of VAT registered business in the U.K., the figures within this table have been re-stated for 2005 and 2006 and therefore will differ from those published in previous reports.

Table 13. Investment stage analysis by region – by number of companies (UK)

Region	Venture capital						Expansion						Replacement capital						MBO/MBI						Other stage					
	Number			%			Number			%			Number			%			Number			%			Number			%		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
South East	101	74	88	26	17	17	82	61	92	25	12	19	11	18	16	37	20	15	13	35	32	18	20	12	18	11	11	22	10	12
London	92	78	110	24	18	22	74	130	115	22	26	24	6	22	26	20	24	22	13	43	70	18	24	25	16	36	33	21	32	35
South East & London	193	152	198	50	35	39	156	191	207	47	38	43	17	40	42	57	44	37	26	78	102	37	44	37	34	47	44	43	42	46
South West	30	25	29	8	5	6	27	35	31	8	7	7	1	6	13	3	7	12	6	10	12	8	6	5	7	4	4	9	4	4
East of England	22	29	50	6	6	10	14	35	39	4	7	8	0	4	9	0	4	8	2	7	18	3	4	7	1	4	4	1	4	4
West Midlands	26	45	32	7	10	6	9	22	27	3	4	6	2	7	8	7	8	7	9	8	19	13	5	7	5	4	2	7	4	2
East Midlands	16	11	18	4	2	4	15	34	22	4	7	5	1	4	10	3	4	9	4	14	18	6	8	7	2	15	5	3	14	5
Yorkshire & The Humber	13	28	19	3	6	4	36	60	51	11	11	11	1	2	6	3	2	5	4	18	29	6	10	11	3	15	5	4	14	5
North West	16	79	77	4	17	15	30	54	34	9	11	7	2	15	11	7	16	10	4	22	33	6	13	13	7	11	17	9	10	18
North East	21	22	19	5	5	4	17	24	16	5	5	3	2	5	3	7	5	3	6	4	12	8	2	5	5	2	6	7	2	6
Scotland	18	33	34	5	7	7	8	27	30	2	5	6	3	6	5	10	7	5	7	6	8	10	3	3	5	7	3	7	6	3
Wales	28	13	17	7	3	3	16	21	8	5	4	2	1	1	1	3	1	1	3	8	12	4	5	5	5	1	4	7	1	4
Northern Ireland	5	18	9	1	4	2	7	6	9	2	1	2	0	2	3	0	2	3	0	0	1	0	0	-	2	1	1	3	1	1
Total	388	455	502	100	100	100	335	509	474	100	100	100	30	92	111	100	100	100	71	175	264	100	100	100	76	111	95	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will 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. Eg. 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 in the overall total. This only affects 'number of companies' not 'amounts invested' and is with effect from 2005 figures onwards only.

2. - indicates a value of greater than 0 but less than 0.5.

Table 14. Investment stage analysis by region – by amount invested (UK)

Region	Venture capital						Expansion						Replacement capital						MBO/MBI						Other stage					
	Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%			Amount (£m)			%		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
South East	65	64	131	22	18	30	521	236	358	48	11	32	215	125	776	84	11	29	321	801	1,225	31	26	15	40	40	3	15	2	2
London	177	172	141	60	47	34	273	1,278	314	25	62	28	10	487	1,263	4	43	47	153	1,088	3,973	15	35	53	34	565	39	13	30	18
South East & London	242	236	272	82	65	64	794	1,514	672	73	73	60	225	612	2,039	88	54	76	474	1,889	5,198	46	61	68	74	605	42	28	32	20
South West	14	12	28	5	3	6	33	41	20	3	2	2	0	41	66	0	4	2	67	101	78	6	3	1	1	1	6	-	-	3
East of England	6	20	45	2	6	10	13	61	55	1	3	5	0	78	53	0	7	2	45	56	302	4	2	4	2	280	76	1	15	35
West Midlands	9	12	6	3	3	1	10	46	39	1	2	3	11	230	177	5	21	7	37	77	192	3	2	3	7	53	2	3	3	1
East Midlands	3	9	19	1	3	4	83	72	79	8	3	7	0	16	199	0	1	7	24	217	500	2	7	7	22	242	5	8	13	3
Yorkshire & The Humber	2	5	12	1	1	3	54	226	48	5	11	4	2	0	47	1	0	2	6	220	387	1	7	5	6	22	5	2	1	2
North West	4	23	21	1	6	5	53	70	39	5	3	3	13	76	49	5	7	2	31	140	455	3	4	6	23	12	36	9	1	17
North East	6	10	7	2	3	1	7	16	26	1	1	2	2	1	0	1	-	0	57	41	104	5	1	1	116	0	19	43	0	9
Scotland	4	24	14	1	7	3	18	9	142	2	-	12	0	53	34	0	5	1	280	313	200	26	10	3	13	653	3	5	34	2
Wales	5	2	7	2	1	2	9	10	3	1	-	-	1	1	0	-	-	0	46	79	102	4	3	1	2	20	16	1	1	8
Northern Ireland	1	7	4	-	2	1	-	1	15	-	-	1	0	1	5	0	-	-	0	0	1	0	0	-	0	0	1	0	0	-
Total	297	360	435	100	100	100	1,074	2,066	1,138	100	100	100	254	1,109	2,669	100	99	100	1,067	3,133	7,519	100	100	99	266	1,888	211	100	100	100

1. Change in methodology: from 2005, the number of companies in some financing stage categories, and their subtotals, will 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.

2. - indicates a value of greater than 0 but less than 0.5.

Table 15. Industry sector analysis by region in 2009 – by number of companies (UK)

Region	Oil & gas, basic materials & industrials		Consumer goods		Health care & consumer services		Telecoms, utilities & financials		Technology		Other	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
South East	38	19	11	23	95	30	23	32	57	22	1	17
London	25	13	16	35	73	23	28	41	58	22	0	0
South East & London	63	32	27	58	168	53	51	73	115	44	1	17
South West	15	8	1	2	25	8	4	5	26	10	0	0
East of England	3	2	2	4	9	3	3	4	22	8	0	0
West Midlands	13	7	4	8	19	6	2	3	13	5	0	0
East Midlands	8	4	3	6	18	6	0	0	7	3	1	17
Yorkshire & The Humber	18	9	5	10	7	2	0	0	23	9	3	50
North West	22	11	0	0	22	7	5	7	9	3	0	0
North East	17	9	2	4	16	5	2	3	13	5	0	0
Scotland	21	11	0	0	7	2	2	3	10	4	1	17
Wales	13	7	4	8	21	7	1	1	14	5	0	0
Northern Ireland	1	1	0	0	2	1	1	1	10	4	0	0
Total	194	100	48	100	314	100	71	100	262	100	6	100

Table 16. Industry sector analysis by region in 2009 – by amount invested

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)	%
South East	197	24	222	51	374	38	298	75	70	23	2	5
London	134	16	112	25	284	29	53	14	64	22	0	0
South East & London	331	40	334	76	658	67	351	89	134	45	2	5
South West	14	2	1	-	50	5	5	1	45	15	0	0
East of England	2	-	5	1	6	1	1	-	52	18	0	0
West Midlands	29	4	3	1	32	3	6	2	4	2	0	0
East Midlands	21	3	51	12	42	4	0	0	3	1	15	37
Yorkshire & The Humber	13	2	6	1	22	2	0	0	5	2	23	57
North West	66	8	0	0	20	2	16	4	23	8	0	0
North East	5	1	37	8	142	14	1	-	4	1	0	0
Scotland	287	34	0	0	3	-	11	3	14	5	1	1
Wales	48	6	1	-	7	1	1	-	7	2	0	0
Northern Ireland	1	-	0	0	1	-	1	-	1	-	0	0
Total	817	100	438	100	983	100	393	100	292	100	41	100

1. - indicates a value of greater than 0 but less than 0.5.

Table 17. Investment by type of private equity organisation

Type of private equity organisation	Amount invested (£m)			% of amount invested		
	2009	2008	2007	2009	2008	2007
Organisations which invest own or parent company money (Captives)	38	872	1,042	1	10	9
Organisations which manage funds (Independents)	2,668	6,225	9,817	90	73	82
Organisations which do both (Semi-captives)	251	1,459	1,113	8	17	9
Total	2,957	8,556	11,972	100	100	100

Table 18. Funds raised by source

Type of source	Amount raised (£m)			% of amount raised			
	2009	2008	2007	2009	2008	2007	
Pension funds:							
	UK	271	1,456	1,132	9	6	4
	Overseas	265	6,958	5,560	9	29	19
Total		536	8,414	6,692	18	35	23
Insurance companies:							
	UK	130	148	635	4	1	2
	Overseas	150	711	1,777	6	3	7
Total		280	859	2,412	10	4	9
Corporate investors:							
	UK	65	169	270	3	1	1
	Overseas	332	1,644	370	11	7	1
Total		397	1,813	640	14	8	2
Banks:							
	UK	90	378	1,188	3	2	4
	Overseas	101	598	4,380	4	3	15
Total		191	976	5,568	7	5	19
Funds of funds:							
	UK	161	1,105	2,067	6	5	7
	Overseas	369	2,843	4,065	13	12	14
Total		530	3,948	6,132	18	17	21
Government agencies:							
	UK	163	334	59	6	1	-
	Overseas	14	806	2,988	0	3	10
Total		177	1,140	3,047	6	4	10
Academic institutions:							
	UK	12	11	20	0	-	-
	Overseas	54	794	361	2	3	1
Total		66	805	381	2	3	1
Private individuals:							
	UK	102	1,394	985	3	6	3
	Overseas	11	862	1,486	1	4	5
Total		113	2,256	2,471	4	10	8
Sovereign wealth funds:							
	UK	30	n/a	n/a	1	n/a	n/a
	Overseas	150			5		
Total		180	n/a	n/a	6	n/a	n/a
Other sources:							
	UK	155	652	931	5	3	3
	Overseas	290	2,276	984	10	10	3
Total		445	2,928	1,915	15	13	6
Total from UK sources		1,179	5,647	7,287	40	25	24
Total from overseas sources		1,736	17,492	21,971	60	74	75
Grand total		2,915	23,139	29,258	100	100	100
Invested directly for parent through a captive vehicle							
	Captive	n/a	197	962			
	Semi-captive	n/a	1,713	466			
Capital gains, dividend income and loan interest		687	304	1,073			
Amount returned to investors		n/a	0	1			

1. - indicates a value of greater than 0 but less than 0.5.

Table 19. Funds raised by country

Country	Amount raised (£m)			% of amount raised		
	2009	2008	2007	2009	2008	2007
UK	1,225	5,646	7,288	42	24	25
France	124	762	536	4	3	2
Germany	78	136	1,040	3	1	4
Ireland	35	n/a	n/a	1	n/a	n/a
Netherlands	67	582	873	2	3	3
Sweden	107	n/a	n/a	4	n/a	n/a
Switzerland	69	n/a	n/a	2	n/a	n/a
Rest of Europe	249	2,409	3,600	9	10	12
US	631			22		
Canada	21	10,360	12,176	1	45	42
Australia	15	n/a	n/a	1	n/a	n/a
China	150	n/a	n/a	5	n/a	n/a
Japan	9	n/a	n/a	-	n/a	n/a
Middle East	5	n/a	n/a	-	n/a	n/a
Africa	3	n/a	n/a	-	n/a	n/a
Other	128	3,244	3,745	4	14	13
Total	2,915	23,139	29,258	100	100	100

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

2. - indicates a value of greater than 0 but less than 0.5.

Table 20. Funds raised by investment focus in 2009

Country	Amount raised (£m)			% of amount raised		
	2009	2008	2007	2009	2008	2007
Venture Capital	559	n/a	n/a	19	n/a	n/a
Small MBO (includes development capital)	495	n/a	n/a	17	n/a	n/a
Mid MBO	1,609	n/a	n/a	55	n/a	n/a
Large MBO	218	n/a	n/a	7	n/a	n/a
Other	34	n/a	n/a	1	n/a	n/a
Total	2,915	n/a	n/a	100	n/a	n/a

1. - indicates a value of greater than 0 but less than 0.5.

Table 21. Divestments in 2008

Type of divestment	Amount divested		Number of divestments		Number of companies	
	£m	%	No	%	No	%
Divestment on flotation	18	1	10	1	4	1
Sale of quoted equity	147	4	87	8	48	9
Trade sale	1,073	27	148	14	73	14
Sale to another private equity firm	219	6	18	2	15	3
Sale to financial institutions	65	2	137	13	48	9
Sale to management (buy-back)	190	5	64	6	42	8
Divestment by other means (not including loan repayments)	777	20	167	16	91	17
Repayment of preference shares/loans	314	8	233	23	88	17
Write-off	1,075	27	180	17	114	22
Total	3,878	100	1,044	100	523	100

Appendix 2 Methodology

In early 2010, BVCA Benchmark collected data on investments made by full members of the BVCA during the calendar year 2009. A 100% 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, conducted by PricewaterhouseCoopers, certain criteria were applied to the data received and are outlined below and in the following appendices.

Other amendments in methodology

Overseas investments

The wording in the 2006 BVCA questionnaire was enhanced to include investments 'made' or 'advised by' the office of the BVCA full member firm, 'regardless of whether the investing fund is UK or overseas-based'. This means that the 2006 figures relate not only to those investments undertaken by BVCA full member firms, but also to those undertaken through an overseas office, where the UK office was the lead adviser and regardless of where the investment fund was domiciled. As a result, more cross-border investments have been included in the BVCA data and therefore reflects more accurately the activity of BVCA full members, particularly those that invest out of pan-European or global funds.

Industry sectors

As of 30 December 2005, the FTSE Global Classification System (GCS) has been replaced by the new Industry Classification Benchmark (ICB). The ICB is the new definitive industry classification standard created jointly by FTSE Group and Dow Jones Indices. It is significantly different from the original FTSE GCS and therefore not possible to compare to previous years' data in this report. Please see Appendix 3 for more information.

Financing stages

From 2005 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' and is with effect from 2005 figures onwards only.

From 2008, 'PIPE' deals are synonymous to 'other purchase of quoted shares' which were used in the 2007 and 2006 surveys. Also from 2008, 'other late stage' includes 'public to privates deals', 'rescue/turnaround deals' etc. Public to private is synonymous with 'venture purchase of quoted shares' which was used in the 2007 and 2006 surveys.

Technology classification: methodology

There is as yet no widely accepted definition of a 'technology' firm. For the purposes of this report, PricewaterhouseCoopers used both the ICB and EVCA classification systems as a basis to establish a more comprehensive grouping of companies that are strongly classified under the ICB sector codes 9530 (software and computer services) and 9570 (technology hardware & equipment) and the EVCA sectors of 'biotechnology', 'computers', 'medical' and 'electronics related'. Companies falling into EVCA sub-sectors such as 'publishing and media' under 'communications' and 'computer retailers' under 'computers' were included from other sectors dependent on new technologies where they were involved in the development side of these technologies. Thus industrial companies which merely utilized an innovative technique to produce traditional goods were excluded, while those which specialized in producing cutting edge materials were included.

Funds raised

Included in funds raised in this report are:

1. UK private equity firms with funds managed principally from the UK, for both UK and overseas investment.
2. Funds managed by the overseas headquarters of international private equity firms (which have UK-based offices that are BVCA members) are excluded as they are not managed from the UK.

Foreign currency conversion

Where PricewaterhouseCoopers was provided with investment information in foreign currencies, the amounts were converted into Sterling using the daily average exchange rates for 2009, calculated from figures supplied by the European Central Bank.

Appendix 3 Private equity definitions

The term 'private equity' is the term 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. Below are descriptions of the different stages of private equity investment that are used in this report, along with the different types of private equity firms.

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

Start-up: Financing provided to companies for use in product development and initial marketing. Companies may be in the process of being set-up 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.

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.

Appendix 4 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 speciality 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.

Appendix 5 UK regions

The 'Standard Statistical Regions', provided by the Office for National Statistics, used in this report in previous years were replaced by 'Government Office Regions' (GORs) in 1996/7. This resulted in some changes in the regional boundaries in England. Tables (li-ii in Appendix 1) use the old Standard Statistical Regions for data from 1984 to 1998. The new GORs have been used since 1998. Scotland, Wales and Northern Ireland are not subdivided into GORs, but are listed with them as regions in UK-wide statistical comparisons.

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

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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