

German Venture Capital: better than its reputation

- **New figures highlight potential of German Venture Capital market**
- **Investors gather at annual VC Investors Day in Munich**

Munich, 24 January 2011. German Venture Capital Funds have generated comparable or better returns than their US counterparts, as new data presented by three of Germany's largest venture capital firms Earlybird, Target Partners and Wellington Partners shows.

The three VC firms analysed today's most recent data provided by the "Private Equity Analyzer online database" that is hosted by the Munich based independent benchmarking specialist CEPRES. As part of a recently completed survey, the Database now gives an unprecedented overview of the international VC industry. The analysis shows that venture capital investments in German portfolio companies with investments dated between 1998 and 2010 generated an average gross return of 11.4 percent. In the same time period, US companies achieved an average gross return of 7.7 percent. The analysis was based on data from 496 VC investments in Germany as well as profiles of 6940 venture investments in the US.

Excellent growth prospects for German VC industry

"Contrary to general perception, Germany has been a fertile ground for very successful VC investments over the past 12 years, even when compared to the USA", commented Rolf Dienst, General Partner at Wellington. "The German VC industry might not be big, but it is in excellent shape."

Good reason to invite investors to the founding event of the "German Venture Capital Day". The event in Munich attracted 70 participants from

countries such as France, UK or the United States and was dominated by a strong and positive sentiment. The investors' positive outlook results from a favourable investment climate, excellent growth prospects and an upswing in M&A activity supported by more robust capital markets.

German "cherry picking" explains better return

After the bursting of the dotcom bubble in 2000, the sector in Germany was subject to severe consolidation. Between 1999 and 2009 the number of funds operating in Germany fell from 125 to less than 30. This is a decrease of 77 percent compared to only 15 percent in the US, leading to a significant imbalance of supply and demand in Germany. Against this background, Hendrik Brandis, Managing Partner of Earlybird believes that Germany has become one of the most attractive countries for VC investments worldwide: "The remaining funds encounter an unparalleled favourable environment for VC investments and can cherry pick the most promising among numerous investment opportunities." And whilst the German market is set to prosper, a consolidation in the US market cannot be ruled out.

The industry leaders' optimism is supported by positive feedback from foreign investors attending the "German Venture Capital Day": "Investors across the globe recognize Germany for its tradition of innovation and technological leadership. In combination with strong VC support and the right funding, this lays the groundwork for a much larger number of innovative companies in the future," Kurt Mueller, Partner at Target Partners added.

German VC industry welcomes more competition

Whilst the small VC market in Germany allows Venture Capital firms to pick the best deals, the current undercapitalization of the market has severe consequences for general economic development: For example, while in Germany only 2.7 registered patents actually lead to a start-up this figure amounts to 7.8 in the US. "We are still not reaping the benefit of Germany's

outstanding innovation capacity", said Rolf Dienst, General Partner at Wellington. "German research is among the best globally, not least because research funding in the country is outstanding", confirmed Mueller.

From a general economic perspective, it is therefore desirable that the German VC industry grows, in order to compensate for the undercapitalization of the start-up market. This would not only boost the development of the innovative SME sector. "It would also help create additional employment and economic growth", said Brandis. "Today a small group shares a small cake. Given the general positive economic outlook, there are prospects for a bigger VC industry to share this cake. This is why we welcome more competition."

About Cepres:

CEPRES GmbH, the Center of Private Equity Research, is a pioneer in the areas of private equity information-, portfolio structuring- and funding-services. The chair of banking and finance at the Johann Wolfgang Goethe-University of Frankfurt am Main as well as the chair of the Department of Finance at the Technical University of Munich belong to its shareholder base.

In that context, CEPRES is running a global network on funds aggregating one of the most valuable datasets in the private equity world. This community combines return data on more than 1,300 funds and 30,000 private equity financed companies from Europe, the US and Asia. Also most German VC-firms cooperate with CEPRES to generate a VC industry benchmark. Pension-funds, insurances, family-offices, and private equity/VC funds are community members and get exclusive access to the unique benchmarking tool "The Private Equity Analyzer" and to funding or portfolio structuring services.

About Wellington Partners

Wellington Partners is one of the most successful pan-European venture capital firms. With some € 800 million under management and offices in London, Munich, Palo Alto and Zurich, the firm invests into companies throughout Europe that have the potential to become global leaders, in the areas of Digital Media, Technology and Life Sciences.

Since 1998, Wellington has invested in more than 100 companies, including publicly traded Actelion, Wavelight, Evolva and XING and successful privately held companies like Alando (acquired by eBay) and Grandis (acquired by Novartis). For more information please visit www.wellington-partners.com.

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