

ZEW-Workshop
Financing Entrepreneurship and Innovation
in Science-based Industries

Recent Developments in the German
Venture Capital Market

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What is Venture Capital?

The answer is pretty difficult. After all Venture Capital is characterized by ...

- ... young and innovative target firms with growth options and capital needs.
- ... equity participation of a professional capital firm with a minority share.
- ... limited time of participation (5 - 10 years) with an planned exit to realize capital gains.
- ... no current service of the equity.
- ... active management support of the target firms.



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Survey of the “milestones” in the VC-Market before 1990:

- ⇒ **1965**: Start-up of the German VC-Market by establishing the “Deutsche Beteiligungsgesellschaft mbH” under the Leadership of the Deutsche Bank
- ⇒ **1971**: Establishment of the ERP-Program
- ⇒ **1975**: Foundation of the “Deutsche Wagnisfinanzierungsgesellschaft mbH” (WFG)
- ⇒ **1983**: Foundation of the first genuine VC-Companies
- ⇒ **1987**: Establishment of the “UBGG”, a law to promote the equity market for small companies
- ⇒ **1989**: Establishment of the BJTU-Scheme



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Survey of the “milestones” in the VC-Market after 1989:

- ⇒ **1989**: German Reunification; new investment field in Eastern Germany
(in 1995: VC-Investmentvolume 743 Mio. DM in 497 participations)
- ⇒ **1997**: Start of the “Neue Markt” who provides a new exit mechanism
- ⇒ **1997**: Release of the “Dritte Finanzmarktförderungsgesetz” with modifications in the law for “Unternehmensbeteiligungsgesellschaften” (UBGG), in the law for investment funds (KAGG) and in the law for limited liability companies (§32a GmbHG)

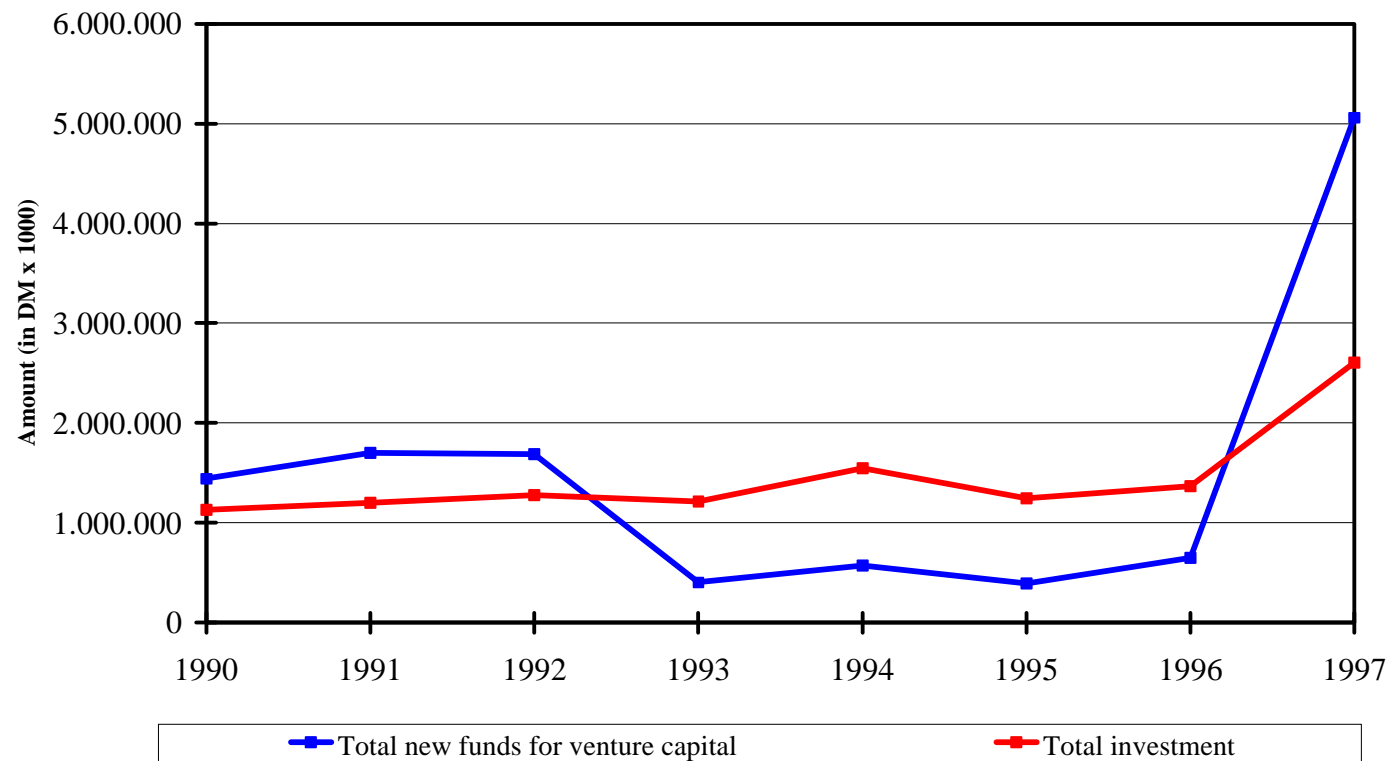


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Total new funds and total investment



Source: evca yearbooks, 1990 - 1997

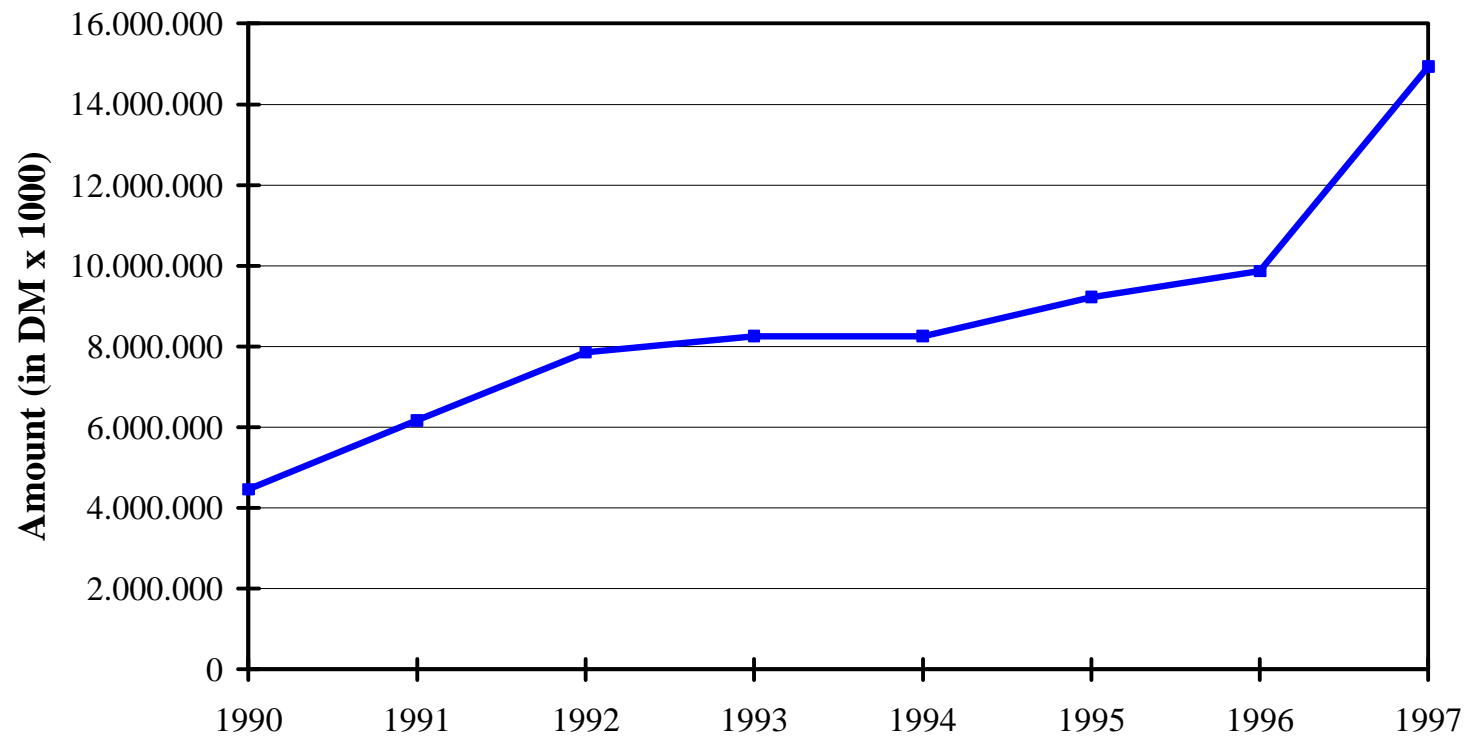


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Cumulative funds raised



Source: evca yearbooks, 1990 - 1997

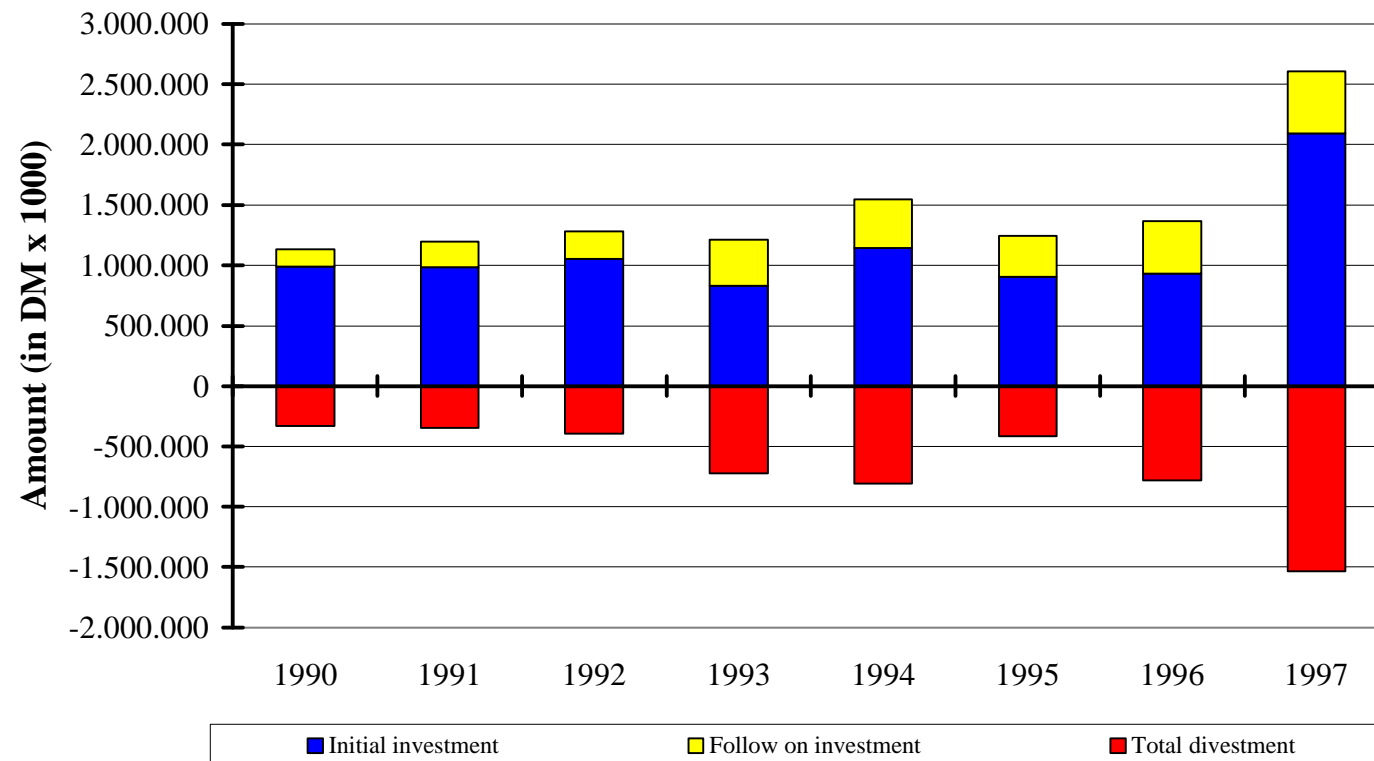


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Investments



Source: evca yearbooks, 1990 - 1997

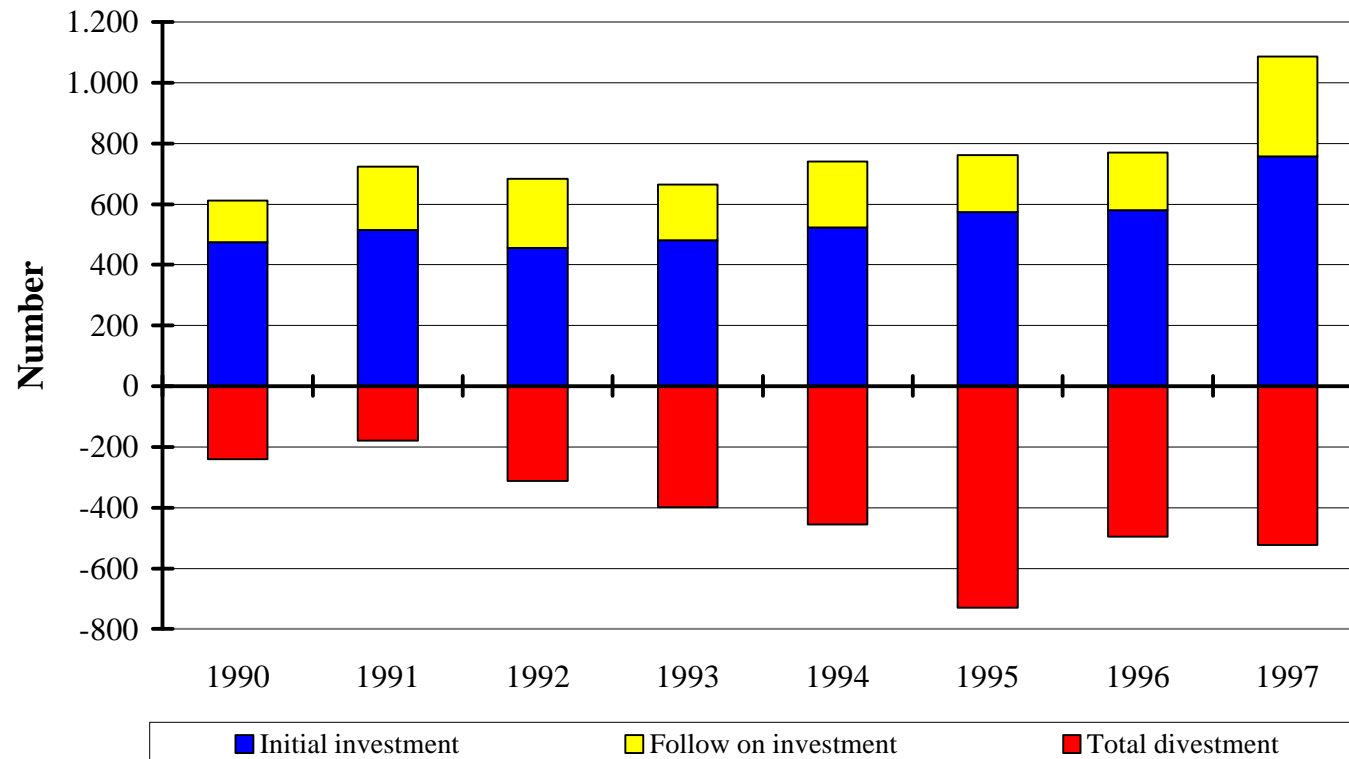


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Number of Investments



Source: evca yearbooks, 1990 - 1997

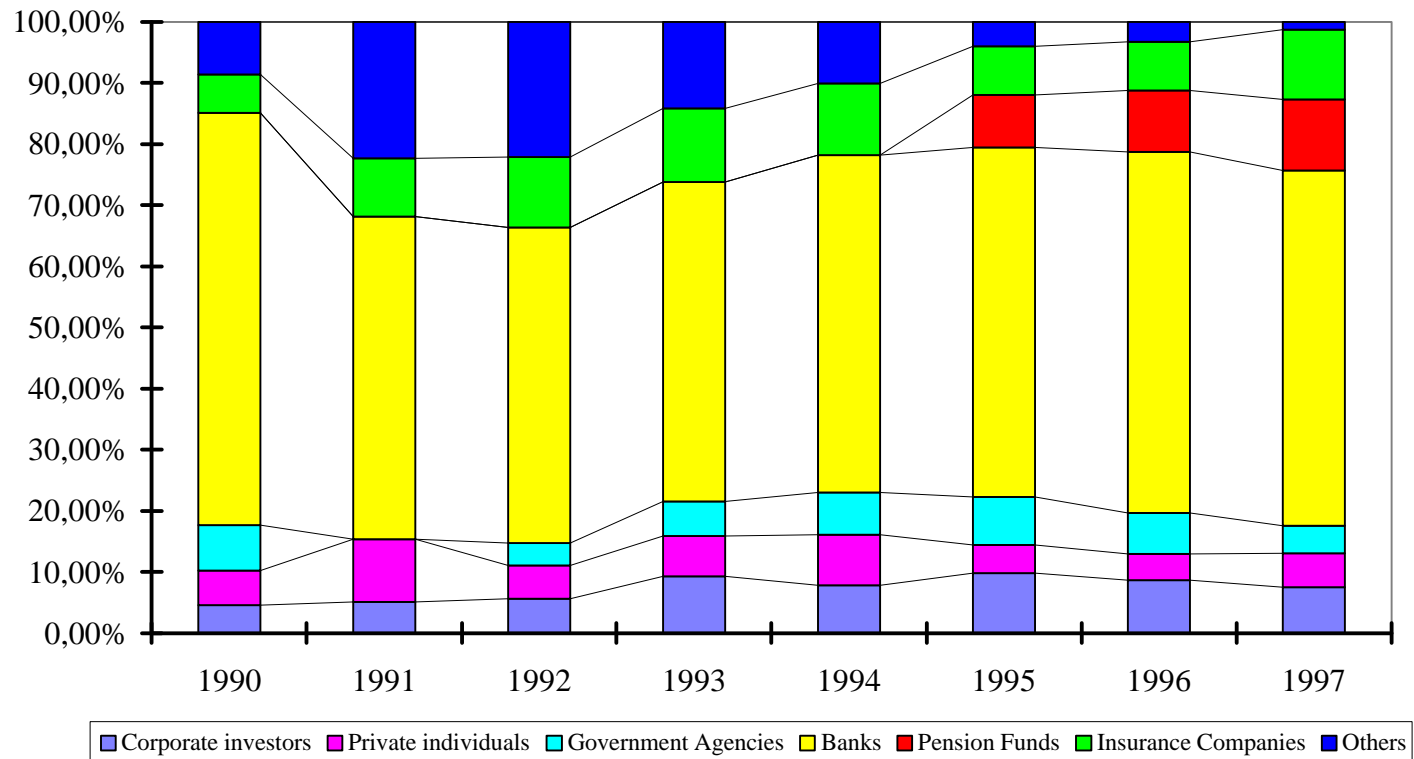


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Venture Capital raised by type of investor



Source: evca yearbooks, 1990 - 1997

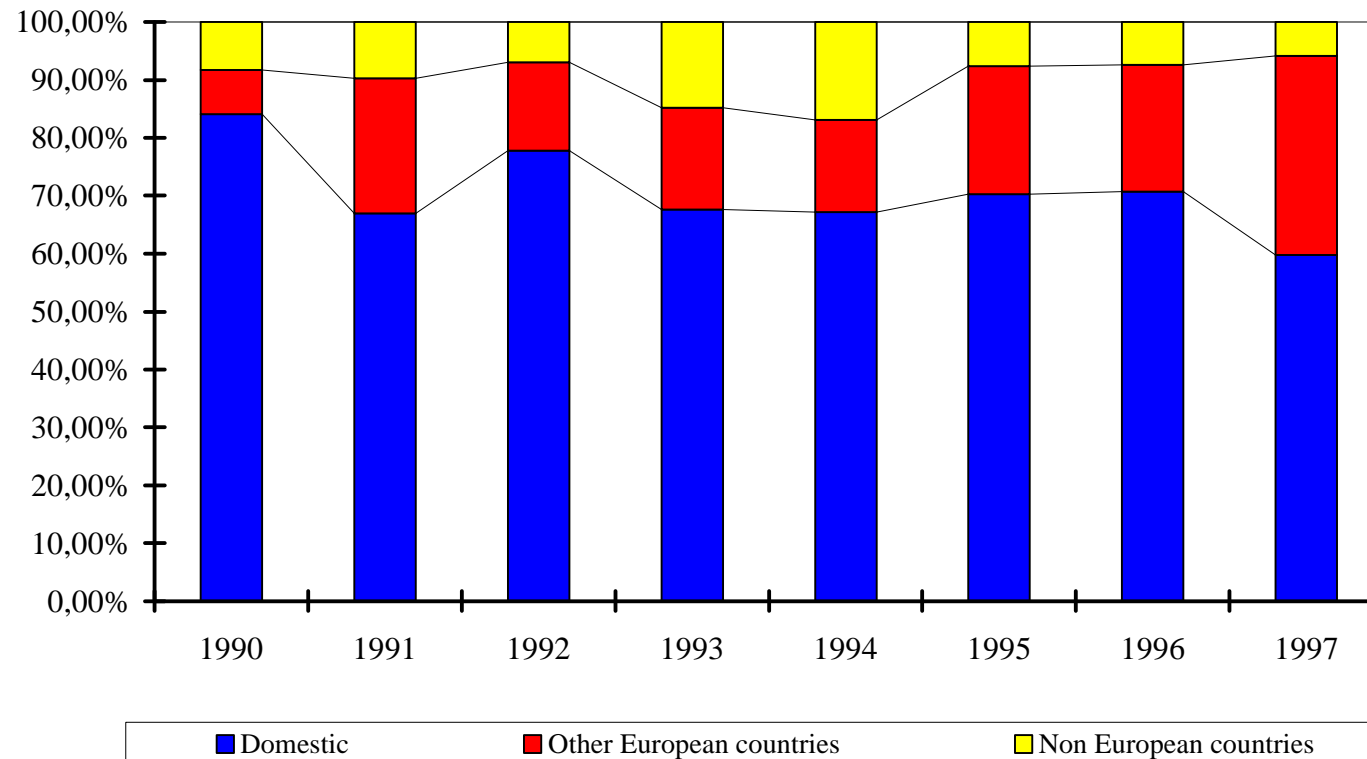


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Geographical breakdown of private equity



Source: evca yearbooks, 1990 - 1997

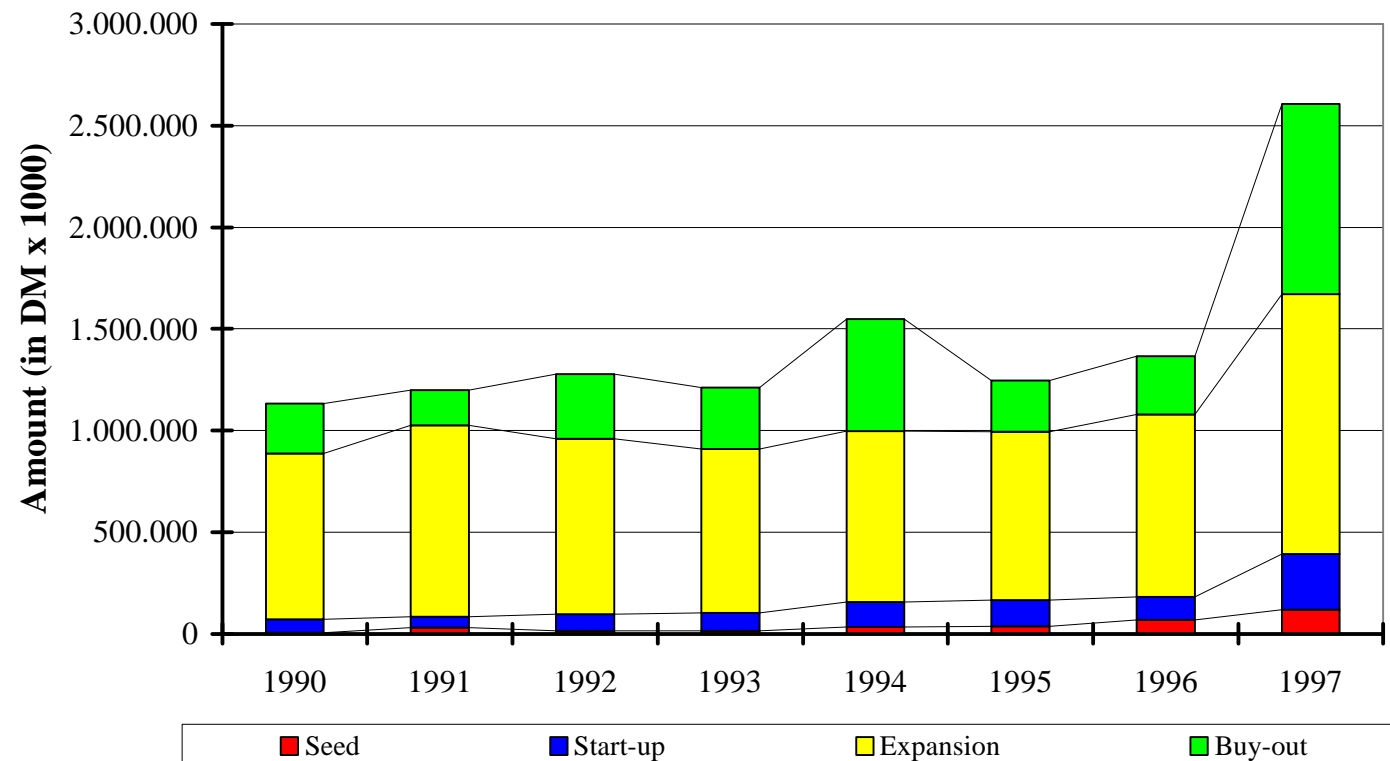


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Stage distribution of investment



Source: evca yearbooks, 1990 -1997

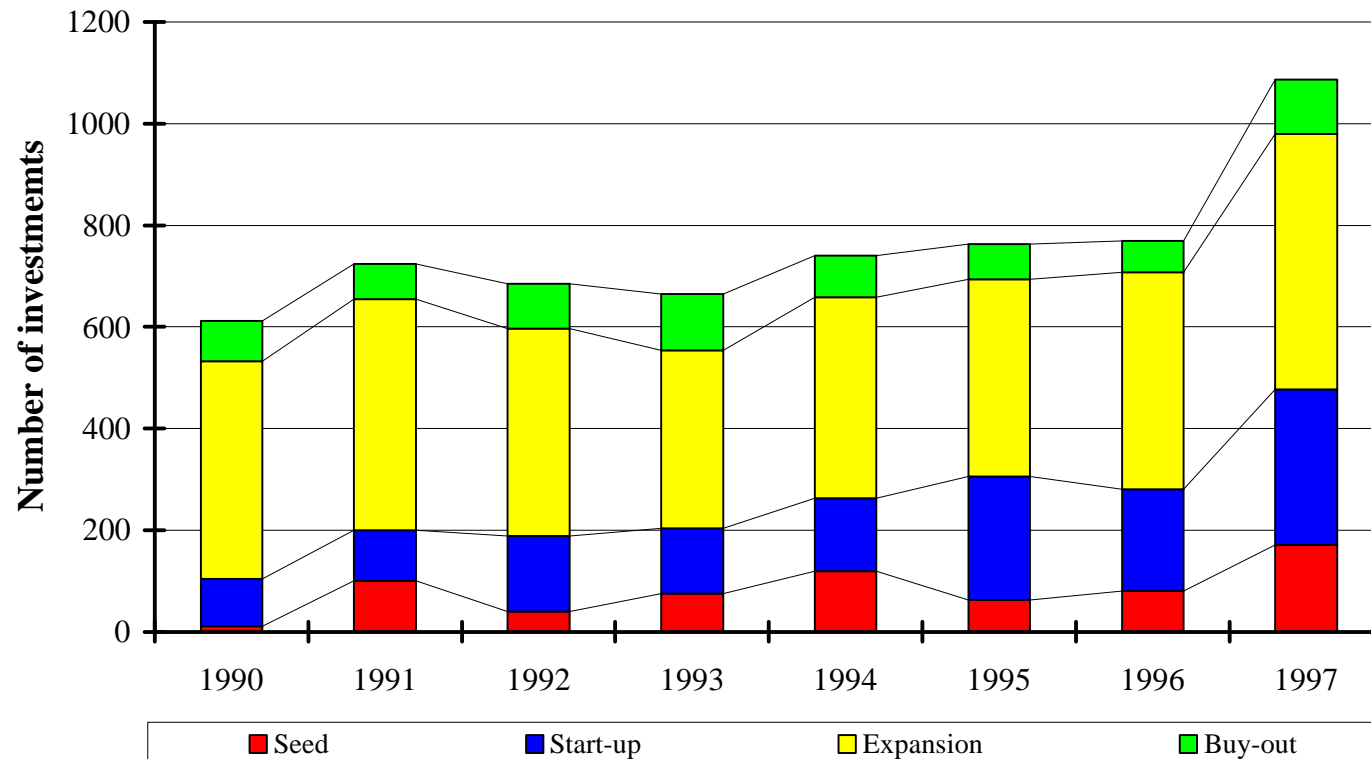


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Stage distributions of investment



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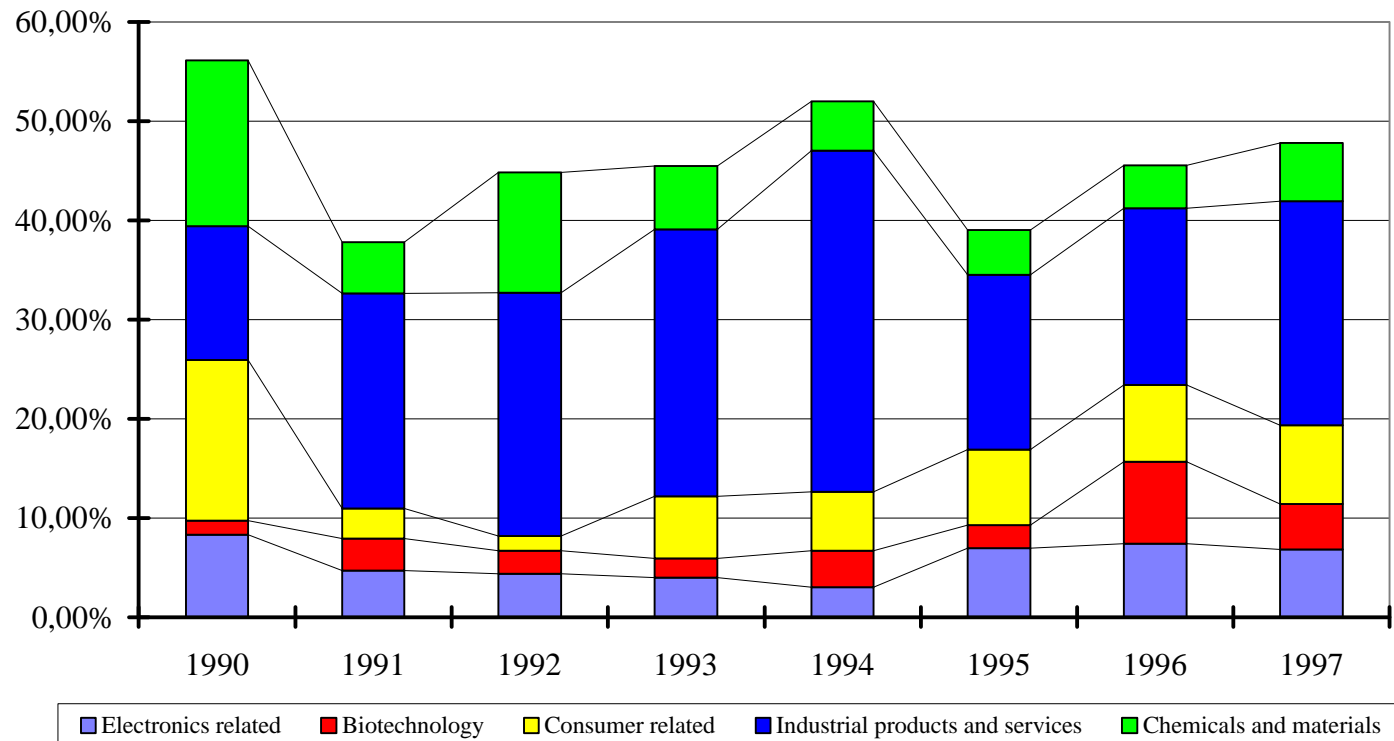


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Sectoral distribution; 5 selected sectors



Source: evca yearbooks, 1990 -1997

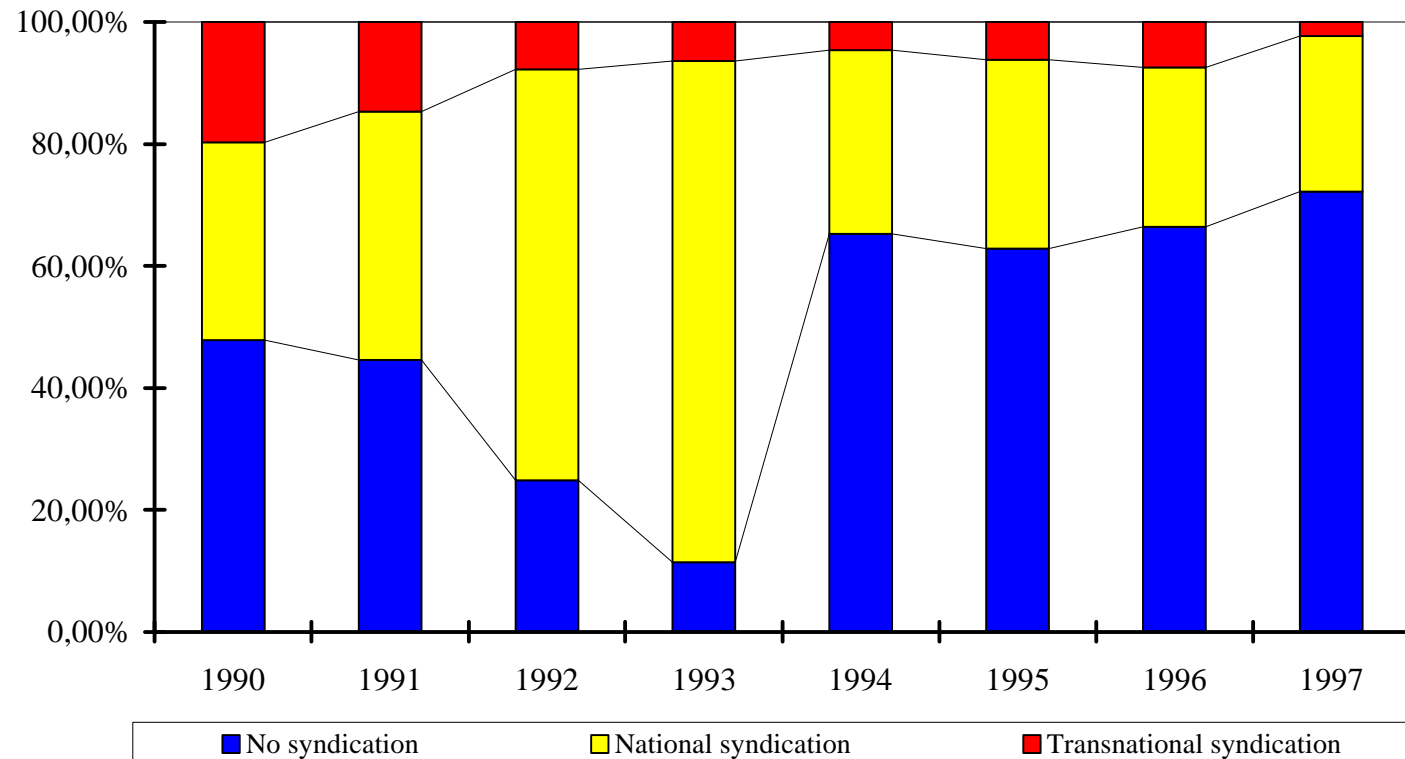


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Syndication of investments



Source: evca yearbooks, 1990 - 1997

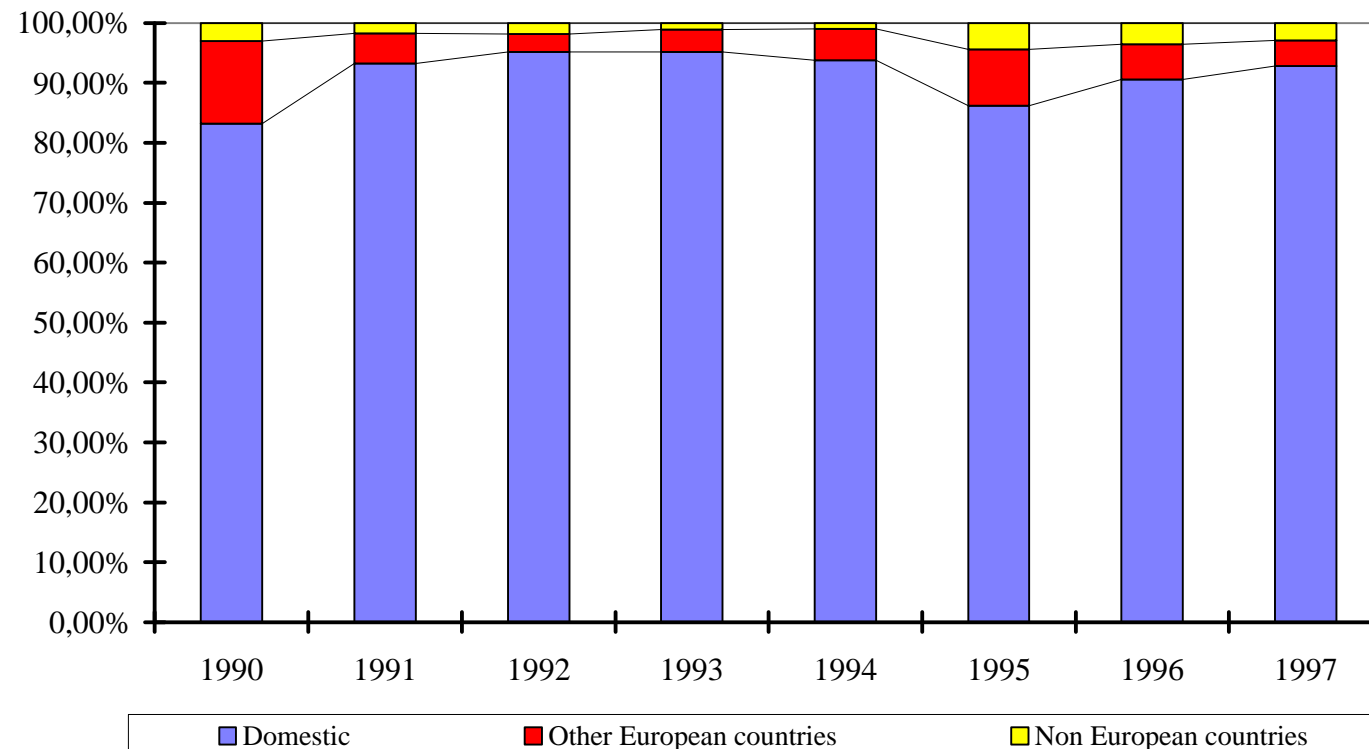


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Geographical distribution of investments



Source: evca yearbooks, 1990 - 1997

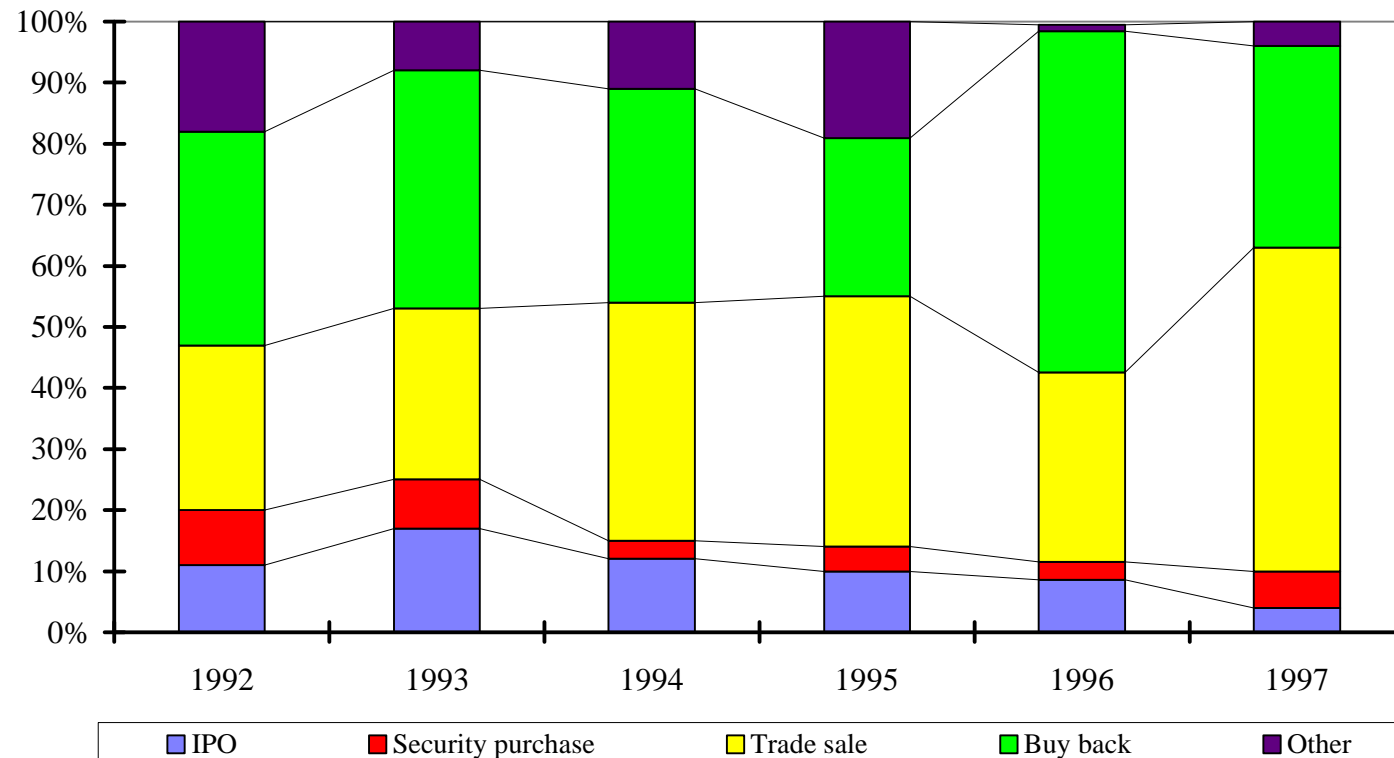


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Share of exitways by amount



Source: BVK-Statistics, 1992 - 1997

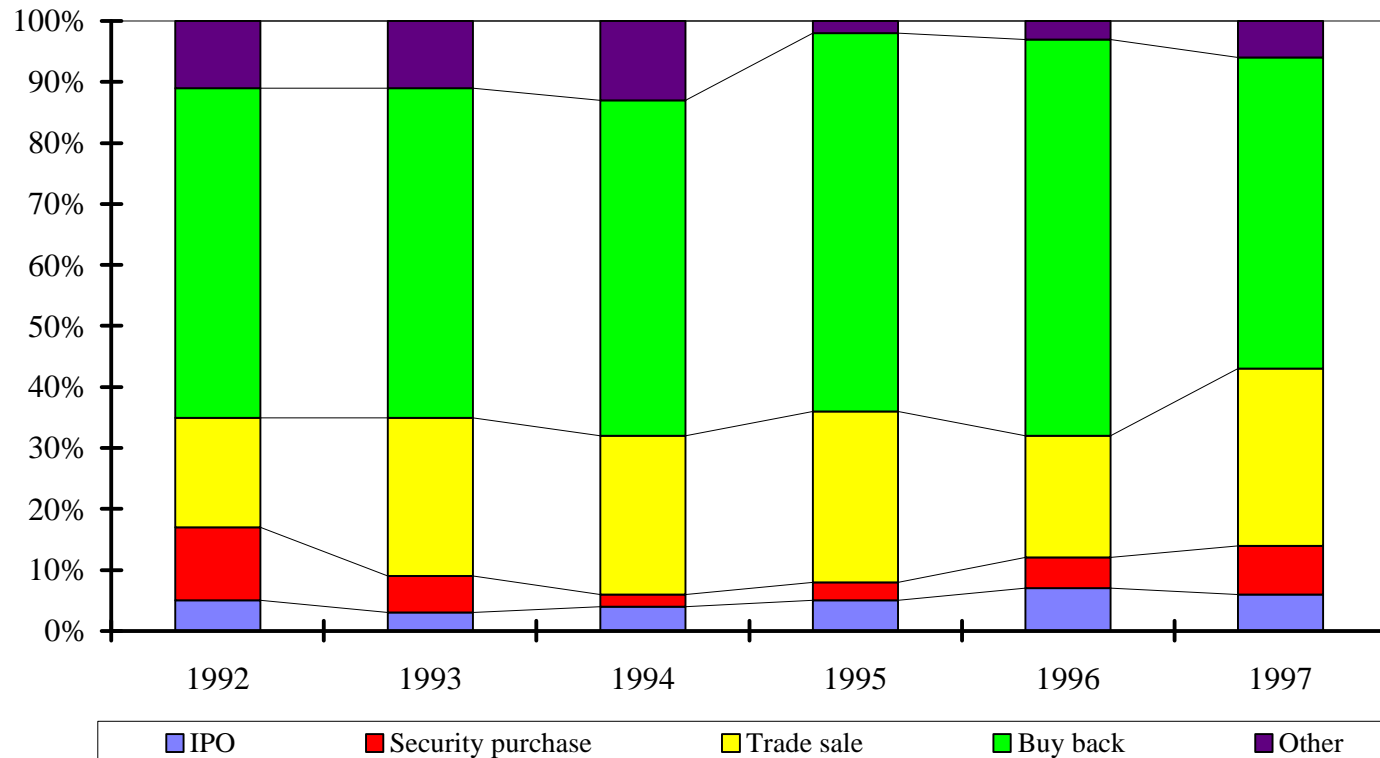


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Share of exitways by numbers



Source: BVK-Statistics, 1992 - 1997



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