



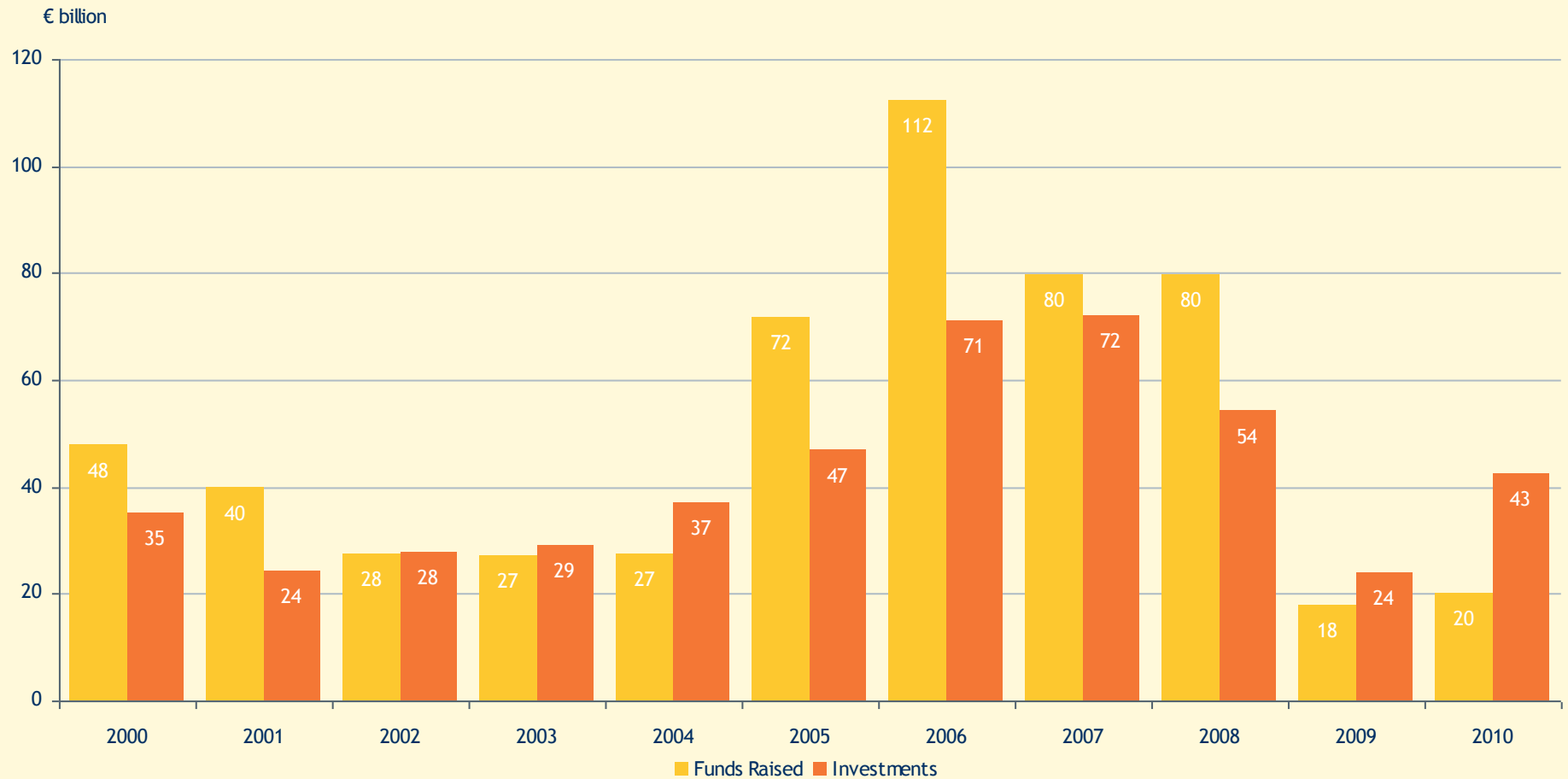
# 2010 Pan-European Private Equity and Venture Capital Activity

CREATING LASTING VALUE

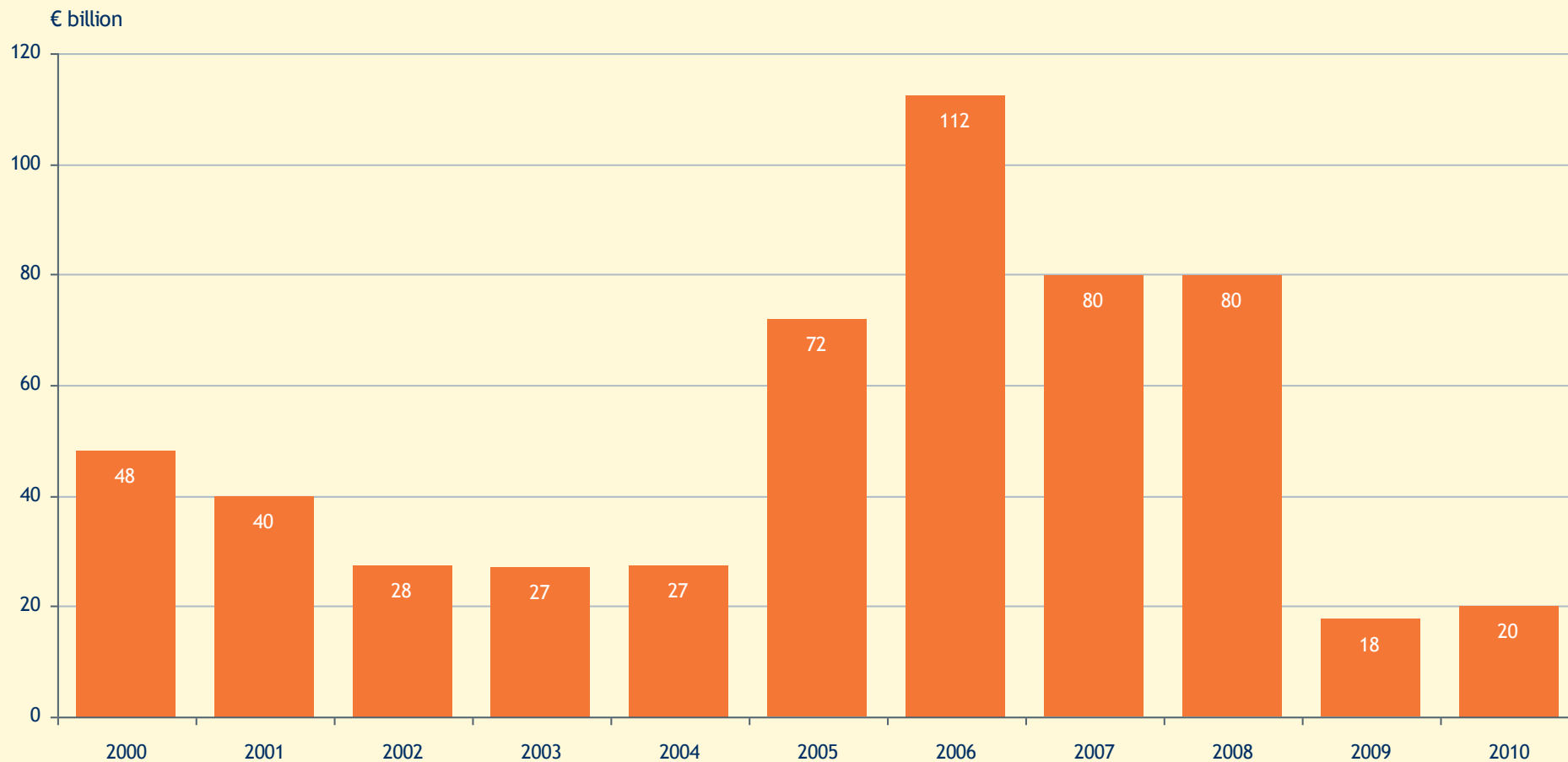
## About the European Private Equity & Venture Capital Association

- EVCA is the voice of European private equity and venture capital.
- We promote and protect the interests of our more than 1,300 members, to ensure they can conduct their business effectively.
- EVCA engages policymakers and promotes the industry among key stakeholders, including institutional investors, entrepreneurs and employee representatives.
- EVCA develops professional standards, research reports and holds professional training and networking events.
- EVCA covers the whole range of private equity, from early-stage venture capital to the largest buyouts.

## Funds raised and investments

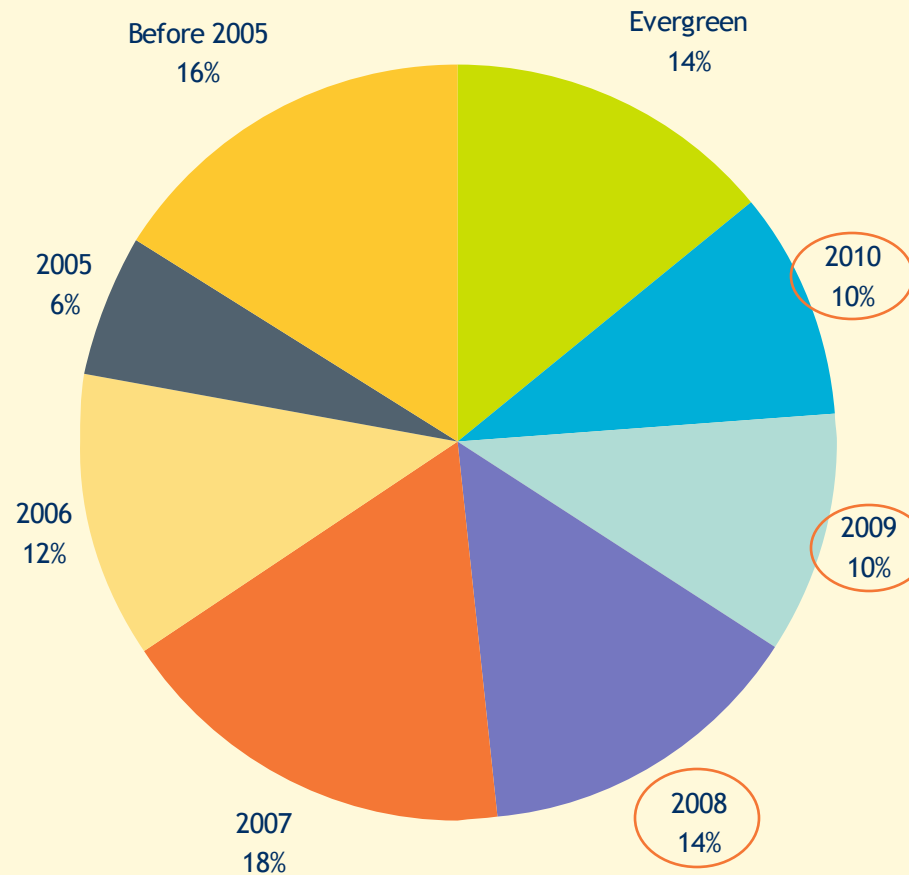


## Private equity funds raised - evolution (industry statistics - incremental closings during year)

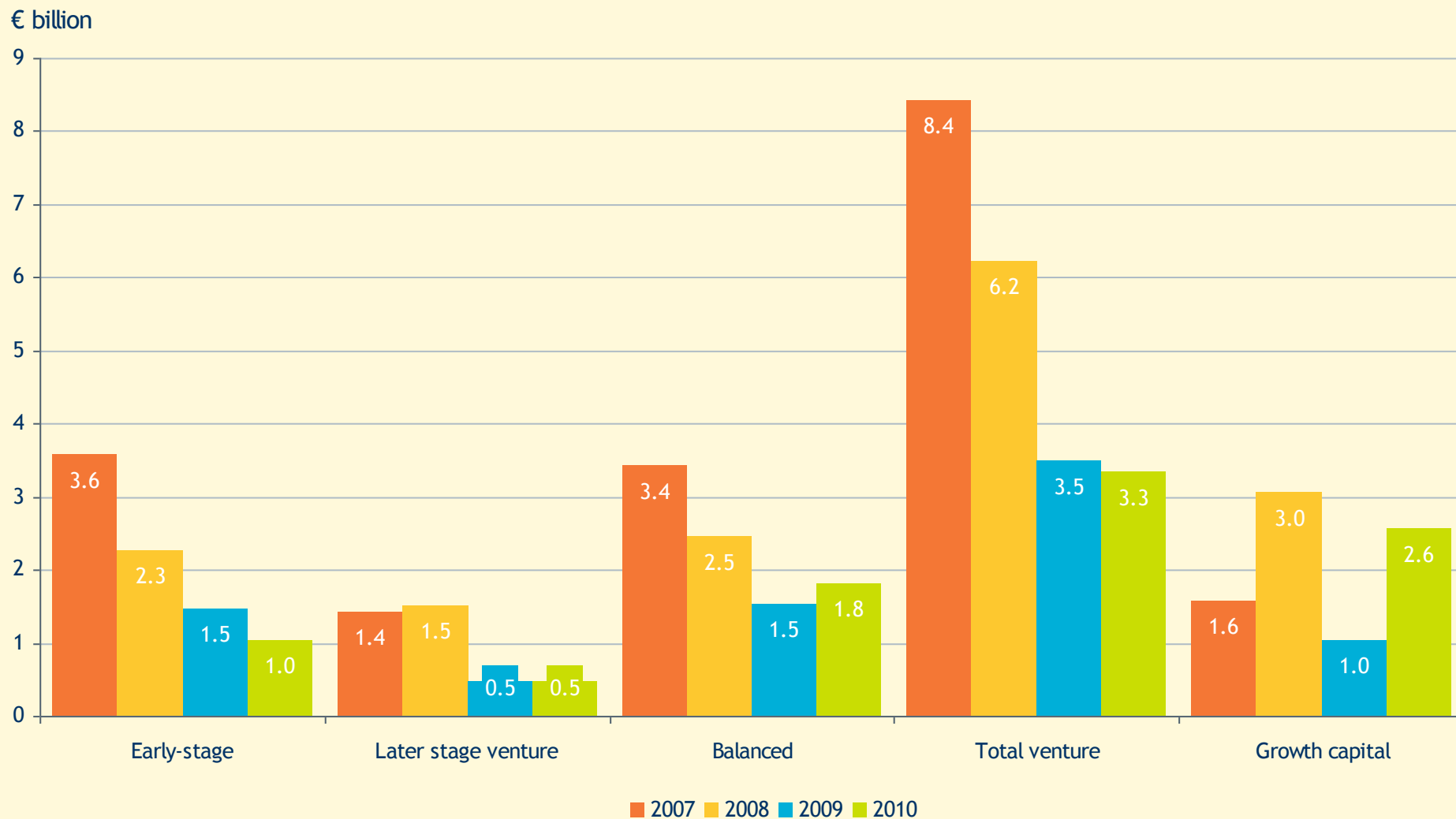


## More GPs expected to fundraise in 2011

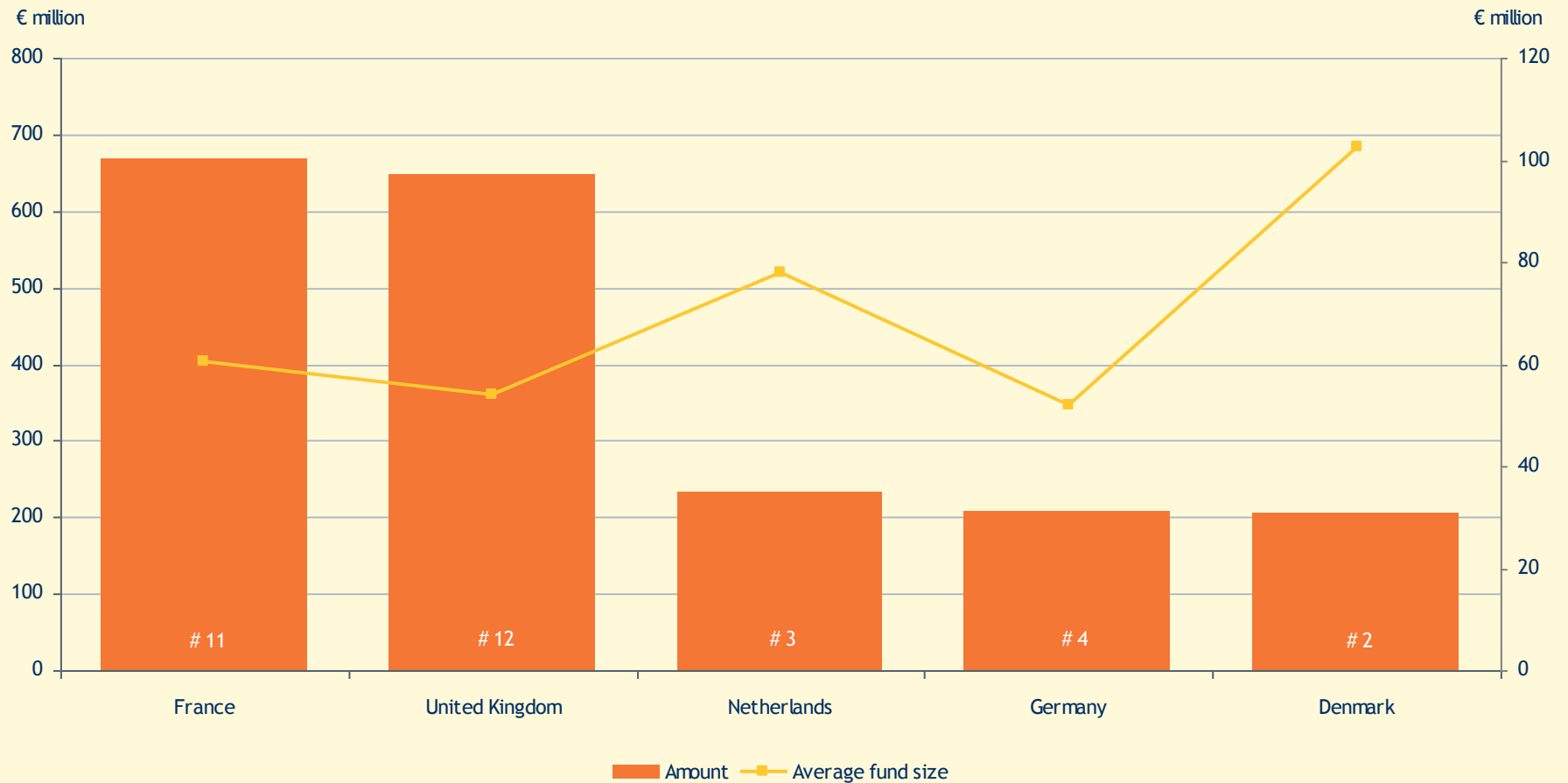
### European private equity firms by vintage year of latest fund raised



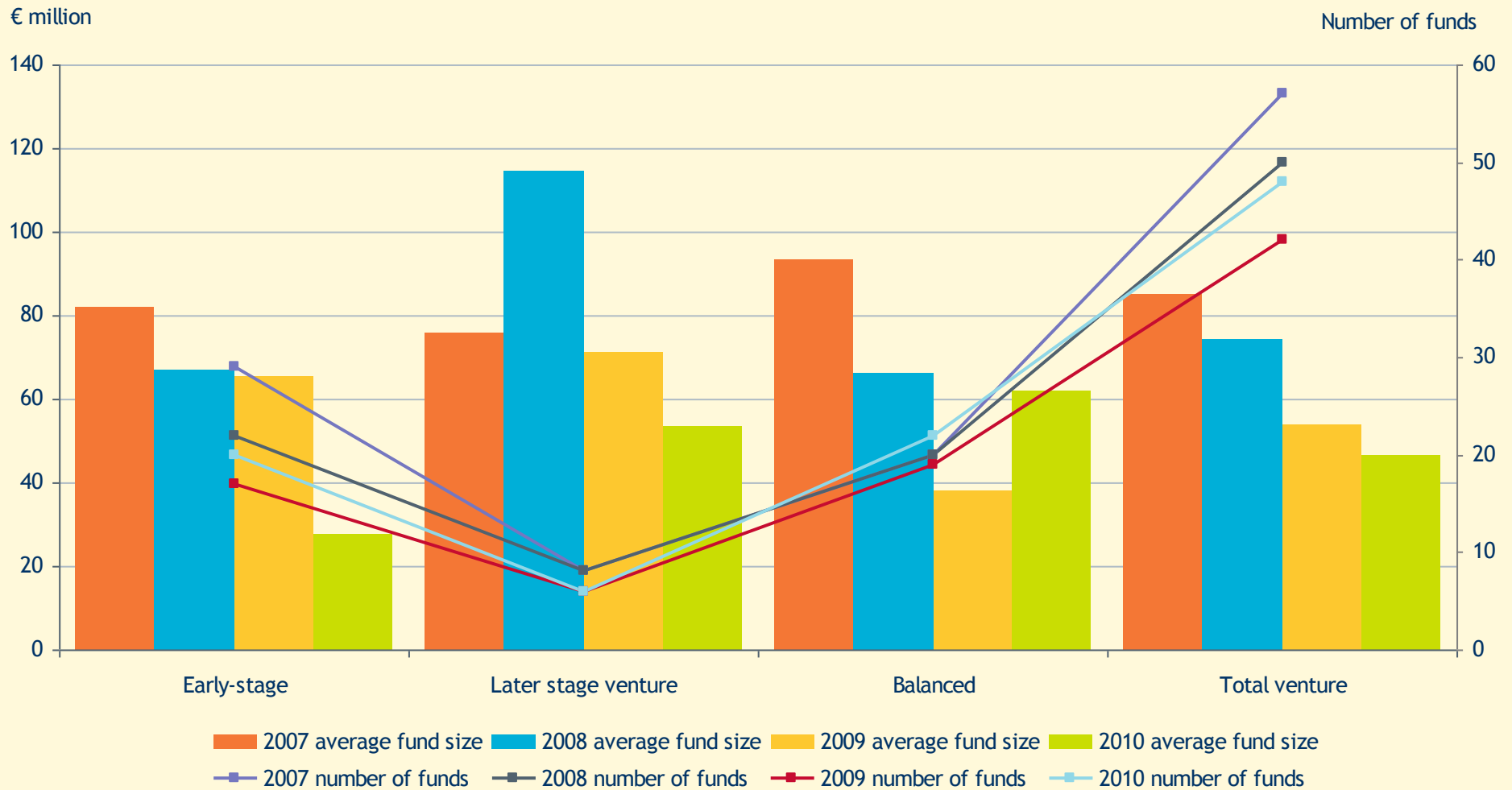
## Funds raised by fund stage focus (incremental closings during year)



## Funds raised in 2010 - independent venture fundraising (cumulative amount at final closing - top 5 countries)

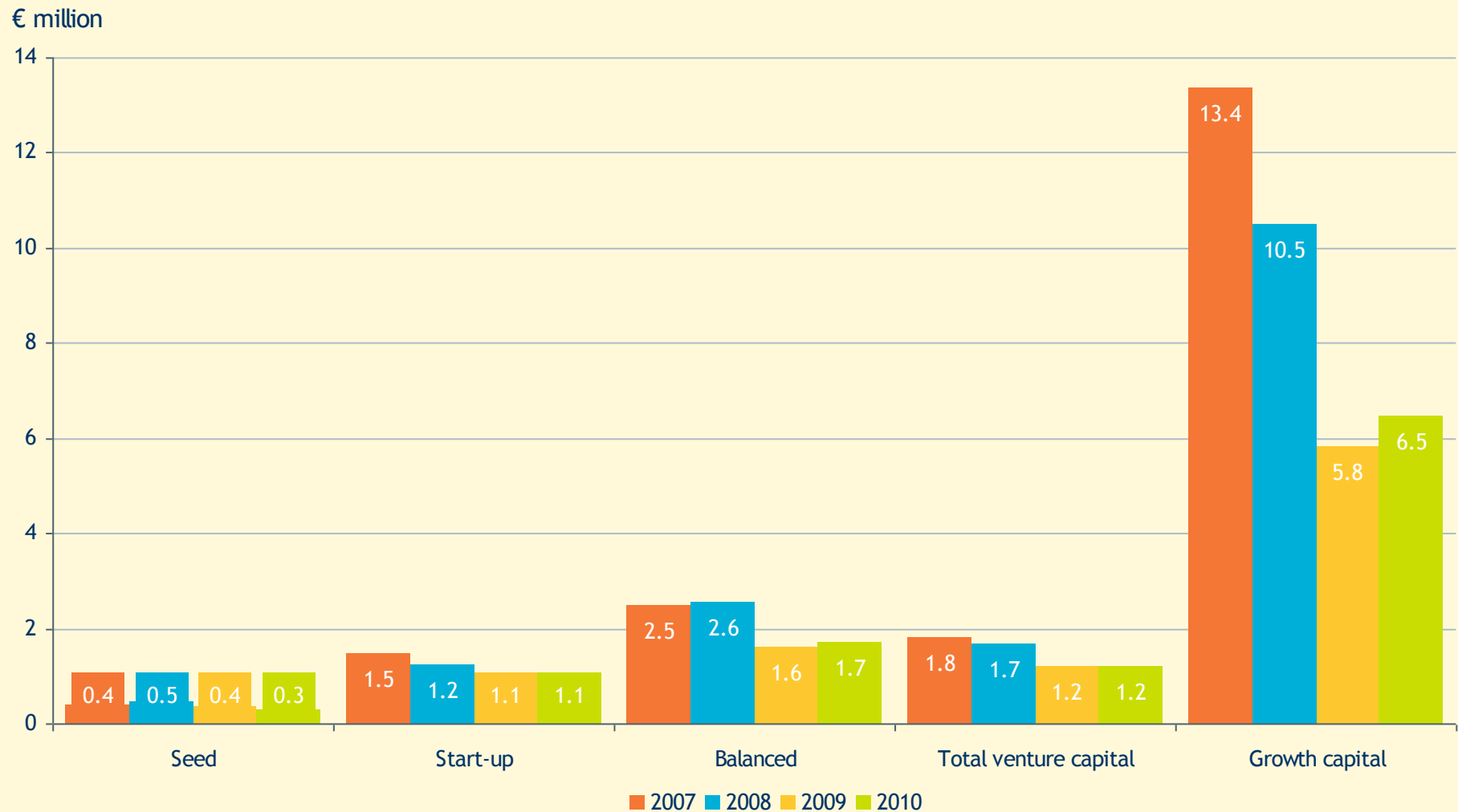


## VC fund average size has become sub-optimal

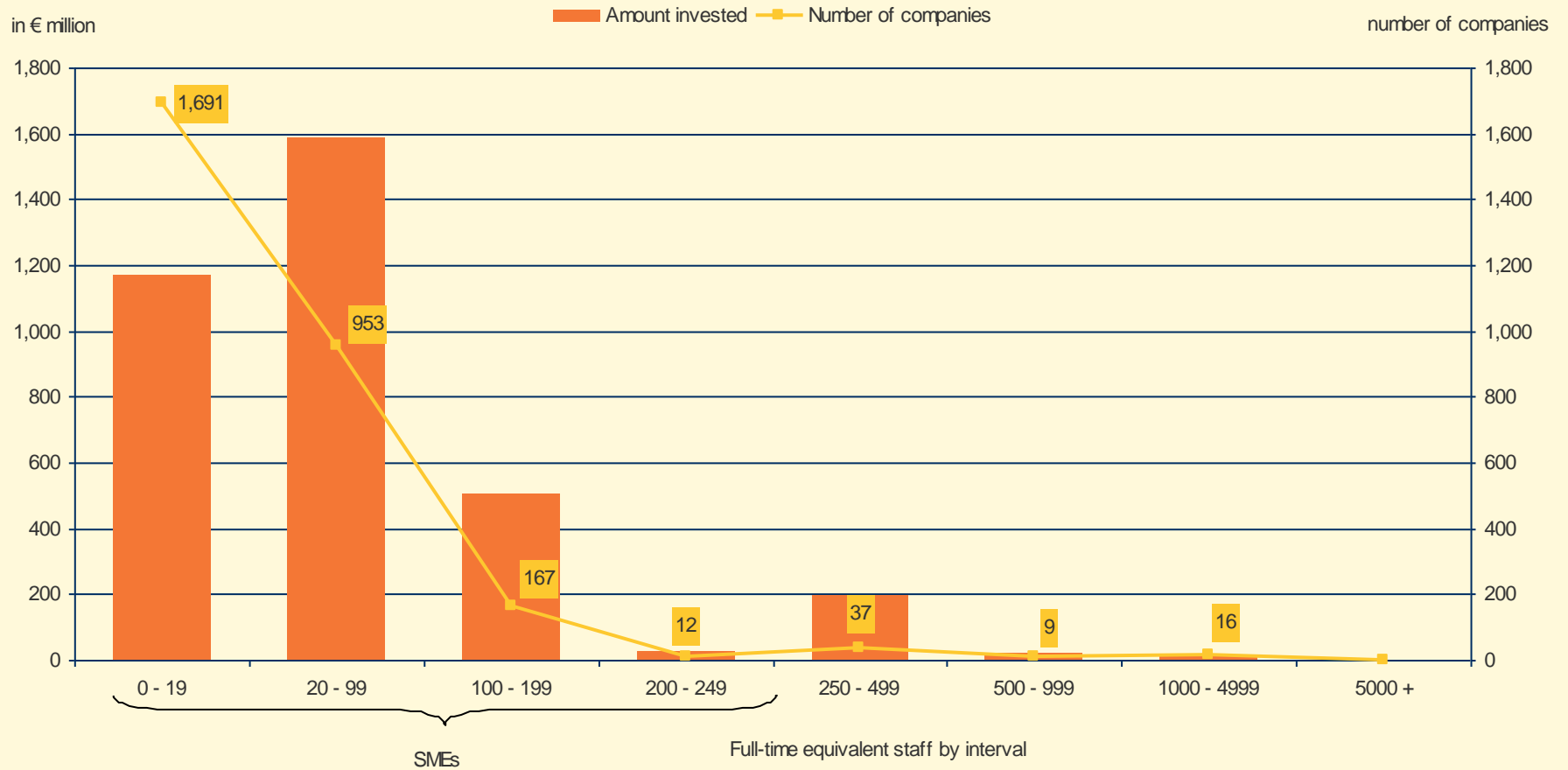




## Average size of investment per company



# 2010 Venture investments by number of employees (market statistics)



## Extremely strong fundamentals for European VC

- A growing number of **serial entrepreneurs**
- **World class R&D** and centres of excellence producing cutting edge technology
- An established and experienced **investor community** - from early-stage onwards
- A political will at EU-level to achieve '**smart growth**' by harnessing innovation

## Need initiatives to encourage private investors

- The European Commission is currently considering an EVCA proposal to create a **funds-of-funds scheme** in order to attract private sector capital into European venture
- VCs must be able to **raise funds freely**, through a pan-European fund passport.
- To revise and modernise the **public procurement** legislative framework
- Europe must encourage **long term investment**, particularly in value-creating asset classes

## Introducing Solvency II

- A raft of capital requirement related regulations aimed at institutional investors will encourage **short-termism** and drive investment away from long-term growth
- **A comprehensive risk measurement framework for defining capital requirements for insurance companies.**  
Two different approaches foreseen:
  - I. **An internal model:** developed by an insurer to analyse and quantify risks, to determine economic capital required to cover them.
  - II. **Standard model:** a highly conservative standard approximation for insurers that do not measure their risks. PE included in 'Other equities' category, subject to a base shock test of 49%.

Solvency II will set the tone for comparable regulatory regimes (e.g. Basel III, CRD IV) that will ultimately encompass c.75% of LP base.

## EVCA strategy - two pronged approach

- **Creation of Risk Measurement Guidelines**

Proactive EVCA initiative to help institutional investors cope with new risk-based rules by providing a framework for quantifying and measuring PE/VC risk (for internal models)

- **Political advocacy: Promotion of long term investment**

A campaign to explain that punitive treatment of long term asset classes is not in the interests of Europe's pensioners, savers, companies or citizens.

## Europe needs more Venture Capital and Private Equity

1. Private equity and venture capital was not a cause of the crisis
2. PE/VC did not systemically wind-down: its investment model and capital structure remained robust throughout
3. PE/VC is now regulated at an EU-level
4. PE/VC continued to support 20,000 companies, with a tiny default rate
5. PE/VC is a proven ally in the regeneration of Europe, by investing in SMEs, innovation and helping to restructure industries.

THANK YOU



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