

## THE PRIVATE EQUITY SECTOR IN SPAIN EXPECTS TO CLOSE THE YEAR WITH 1.500-2.000 MILLION EUROS OF INVESTMENT

### Besides the current credit restrictions, LBO transactions maintain its levels respect to 2008 in volume and number of deals

- At 30<sup>th</sup> of September 2009, the estimated **investment volume** totalled 1.041 million euros, a 49% less than in the same period 2008 and with a clear predominance of expansion stage deals.
- The **number of deals** decreased 13% (576) respect to last year (664).
- After 3 intense years in **fundraising** activity, it reached 552 million euros, a 72% less than in the year 2008.
- The total **divestment** volume reached 324 million euros, a 44% less than 2008 as a result of the current situation of pricing adjustment.

*Madrid, 14th of October 2009.* -The Spanish Venture Capital and Private Equity Association (ASCRI) in collaboration with Webcapitalriesgo.com, presented the data of the Private Equity sector in Spain in the third term 2009 at the CapCorp Congress, celebrated in Madrid the 14<sup>th</sup> and 15<sup>th</sup> of October. According to these statistics, the **total investment volume** reached **1.040 million euros**, 49% less than last year. This decrease is mainly caused by the fall of the number of transactions between 10 and 100 million euros.

The **number of deals** also decreased, reaching **576** deals (13% less respect to the same period 2008). Out of all these deals, 439 entailed less than 1 million euros of investment. Besides de dynamism of the middle market segment, the number of deals continues falling down: 20 transactions surpassing 10 million euros, opposed to 40 transactions in 2008. Some important deals in this period were Itínere by Cajastur, Grupo Recoletas by Mercapital, Generis by Magnum, Palacios by Proa and Talde or Grupo Siro by Madrigal.

**Expansion stage** transactions represented 58.9% of the total number of deals and 42% of the total investment volume. Nevertheless, this stage decreased 60% respect to the same period 2008. LBO transactions registered similar levels to 2008 in volume and number of deals.

The **average investment per transaction** was 1.8 million euros (3.2 million euros in 2008 and 6 million euros in 2007). Out of all the closed deals this year, the 90% entailed 5 million of equity per transaction.

The most favoured **sectors** according to the volume invested were Healthcare (21%), Consumer Products (20%) and Other (11%). It is worthy of mention the decrease of the volume invested in Energy & Natural Resources, falling down from 32.7% in 2008 to 8% in 2009.

Catalonia heads the investment **map** by volume of investment, followed by Castilla León and Madrid. According to the number of deals, Catalonia and Madrid concentrated the majority, with 26% and 21% of the total, respectively.

**Fundraising** activity was the most affected variable, reaching **552 million euros** (72% less than in the same period 2008). The most active funds were Nauta Capital and Eland, and also the Madrigal follow up investments.

Regarding **divestments**, after three years with records, they decreased again in volume (**324 million euros**, fall of 44% respect to 2008) and in number of transactions (175 deals and 8% fall). The average stay in the backed companies is 5 years.

The main **divestment mechanism**, according to the volume, was Trade sale (36.5%), Owners buy- back (19.8%) and Sale to another Private Equity entity (12.4%).

### **Outlook 2009**

The different economic indicators point to slow signs of recovery in most countries, but Spain will recover later than the rest of Europe. The fourth term of the year started with some movement. The sector could close the year with 1.500-2.000 million euros of investment. Nevertheless, it will take more time to return to the records reached in 2005 / 2007, with 4.000 million euros invested.

### **Note for the editor:**

The principal mission of The Spanish Private Equity & Venture Capital Association (ASCRI) is to develop and promote the investment in unquoted companies. The association has 105 full members, that represent 90% of the private equity activity located in Spain, and 45 associated members, with a total of 150 members.

José Martí Pellón, Professor in the Universidad Complutense of Madrid, has studied this activity in Spain since 1984. He has published more than 20 books and many articles.

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