

# NVP

Nederlandse Vereniging  
van Participatiemaatschappijen

THE DUTCH  
PRIVATE EQUITY AND  
VENTURE CAPITAL MARKET  
IN 2013

**ENTERPRISING  
CAPITAL**

APRIL 2014



# ABOUT THIS PUBLICATION

The Nederlandse Vereniging van Participatiemaatschappijen (NVP), together with the Corporate Finance team of PwC Advisory, surveys all private equity and venture capital activity in the Netherlands. Results are processed through a pan-European cooperative called PEREP\_Analytics. This platform is supported by the European Private Equity & Venture Capital Association (EVCA), NVP and other European private equity and venture capital associations.

This publication distinguishes between activity by private equity and venture capital firms based in the Netherlands (industry analysis) and activity in Dutch portfolio companies by foreign or domestic private equity and venture capital firms (market analysis). The main body of the text always refers to industry analysis, highlighted parts to market analysis.

Data are collected through a survey and reliable public sources and cover about 95% of the industry and market activity.

Bear in mind that only the original value of equity stakes is taken into account. Other publications often also include bank or other leveraged financing and therefore arrive at other numbers.

Improved methodology made it necessary to make minor adjustments to all the pre-2013 data. This may cause some discrepancies with data presented in previous publications of Enterprising Capital.

More detailed data are available at [nvp.nl](http://nvp.nl) for academics and others. These are aggregated statistics not traceable to any individual firms and or companies.

The NVP would like to thank all those who responded to our survey, enabling us to have such a high response rate again, and the Corporate Finance team of PwC advisory for their enduring commitment.

## ENTERPRISING CAPITAL

### THE DUTCH PRIVATE EQUITY AND VENTURE CAPITAL MARKET IN 2013

APRIL 2014

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# DUTCH PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY

**1,472** companies backed worldwide

**1,307** companies backed in the Netherlands  
with a total turnover of €66 billion

**€ 989 million** of investments  
of which 84% in the Netherlands

**€ 150 million** of venture capital investments

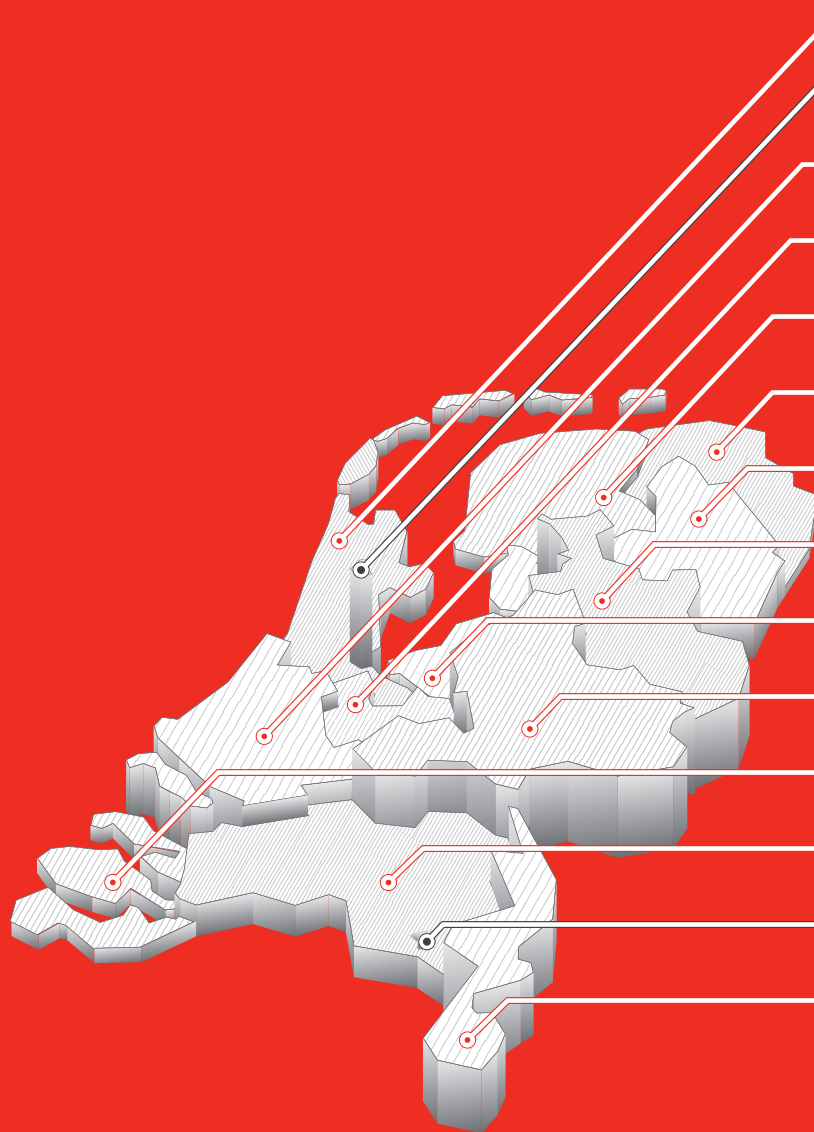
**€ 575 million** of buyout investments

**€ 768 million** amount of new funds raised

**€ 29.8 billion** of funds under management  
(including co-investment mandates)



## REGIONAL SPREAD OF INVESTMENTS



	2011		2012		2013		
<b>Noord-Holland</b>	2.8	2	0.3	1	0.9	2	venture capital
	416.0	6	20.5	3	134.8	3	private equity
	418.8	8	20.8	4	135.7	5	all investments
<b>Amsterdam Metropolitan area</b>	32.8	26	85.6	36	66.1	52	venture capital
	449.3	27	218.1	32	897.2	29	private equity
	482.1	53	303.7	68	963.3	81	all investments
<b>Zuid-Holland</b>	26.9	15	49.2	18	25.2	19	venture capital
	911.0	20	254.5	25	312.3	24	private equity
	937.9	35	303.6	43	337.5	44	all investments
<b>Utrecht</b>	30.8	7	6.7	8	40.9	13	venture capital
	200.3	13	181.6	10	548.1	12	private equity
	231.1	20	188.4	18	589.0	25	all investments
<b>Friesland</b>	0	0	0.2	1	0	0	venture capital
	3	1	0	0	34.2	3	private equity
	3	1	0.2	1	34.2	3	all investments
<b>Groningen</b>	4.3	5	2.4	1	1.1	1	venture capital
	0	0	0	0	15.5	1	private equity
	4.3	5	2.4	1	16.6	2	all investments
<b>Drenthe</b>	0	0	0	0	0	0	venture capital
	140.0	1	0.6	1	42.6	4	private equity
	140.0	1	0.6	1	42.6	4	all investments
<b>Overijssel</b>	14.0	11	3.0	9	6.8	10	venture capital
	35.4	12	118.6	11	58.4	8	private equity
	49.4	23	121.6	20	65.3	18	all investments
<b>Flevoland</b>	0.7	1	0.6	3	0.4	3	venture capital
	0	0	25.9	1	0	0	private equity
	0.7	1	26.5	4	0.4	3	all investments
<b>Gelderland</b>	7.9	37	10.6	39	13.7	43	venture capital
	92.2	31	30.4	21	18.7	20	private equity
	100.2	68	41.0	60	32.3	63	all investments
<b>Zeeland</b>	0	0	0	0	5.8	2	venture capital
	113.6	3	3.6	1	6.8	3	private equity
	113.6	3	3.6	1	12.5	5	all investments
<b>Noord-Brabant</b>	29.8	5	3.7	4	11.7	7	venture capital
	192.7	14	218.9	12	23.8	5	private equity
	222.5	19	222.6	16	35.5	12	all investments
<b>Eindhoven Regional Partnership</b>	6.1	4	5.2	2	9.6	3	venture capital
	70.9	5	30.2	6	6.8	4	private equity
	77.0	9	35.4	8	16.4	7	all investments
<b>Limburg</b>	4.8	8	3.8	19	3.7	16	venture capital
	57.6	8	21.0	8	21.7	7	private equity
	62.4	16	24.8	27	25.4	23	all investments
<b>Unknown</b>	9.5	28	9.7	21	7.7	19	venture capital
	57.9	34	75.1	22	57.8	22	private equity
	67.4	62	84.8	43	65.5	41	all investments

invested amount  
number of companies  
invested amount  
number of companies  
invested amount  
number of companies

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# SUMMARY

**NUMBER OF INVESTMENTS STEADY BUT DOWN IN VALUE** The investments by Dutch private equity and venture capital firms dropped in 2013 from €1.4 billion to €989 million. This amount was invested in 352 companies. A total of €1 billion in portfolio companies' shares was sold or otherwise divested and €768 million of new funds were raised. In 2012 this was €881 million and €1.33 billion respectively

**SLIGHT INCREASE IN START-UP INVESTMENTS** In 2013 a total of €150 million was invested in 210 companies by a Dutch venture capitalist<sup>1</sup> whereas in 2012 this was €169 million in 190 companies. Of note is the role of the Regional Development Funds (RDFs) as they do 52% of the number of venture capital investments. Over the whole a trend towards more start-up financing seems discernable.

**MOST INVESTMENTS IN SMES, BIGGEST INVESTMENTS BY INTERNATIONAL PLAYERS** Dutch private equity and venture capital firms largely stayed away from big investments in 2013. International private equity firms did do a number of big investments. Those can be found in the market statistics. In 90% of all cases an investment is less than €5 million, typical for an SME of about €2.5 million EBITDA.

**RENEWED STRENGTH IN PORTFOLIO COMPANIES** Even though the volume of investments has been relatively stable compared to previous years, an above average number of investments failed to materialise in 2013, in many cases because buyer and seller could not agree upon an appropriate term sheet. Dutch private equity and venture capital firms divested €1 billion out of 155 companies in 2013. A little more than in 2012 when this was €900 million out of 196 companies. The number of write-offs is relatively high, but they represent only a modest part of the total value of divestments. In 16% of cases a company was sold to a strategic partner. The most used divestment method was repayment of preference shares and or loans (including shareholder loans and cumulative preferred stock) with 45% of cases. This shows that it is possible to refinance a portfolio company out of its cash flow and can be interpreted as a positive sign, also for the future of the company.

**DROP IN FUND RAISING** Dutch private equity and venture capital firms raised €768 million of new funds in 2013, a drop from the €1.3 billion in 2012. Fund raising for venture capital has reached a historic low, especially for the early stage.

Dutch private equity and venture capital firms had about €29.8<sup>2</sup> billion of capital under management in 2013.

**MARKET ANALYSIS** A total of 336 Dutch companies received €2.4 billion worth of investments from domestic or foreign private equity and venture capital firms in 2013, more than in 2012 when this was €1.4 billion for 315 companies. A number of large investments by international private equity parties is mostly responsible for this rise.

Last year €1 billion was divested from 155 Dutch companies by domestic or foreign private equity and venture capital firms. In 2012 this was €881 million out of 196 companies.

<sup>1</sup> Seed, start and later stage venture.

<sup>2</sup> Including significant co-investment mandates.

# GENERAL MARKET DEVELOPMENTS

## 1

**UNEASY MARKET WITH OUTLIERS FROM ABROAD** Dutch private equity and venture capital firms invested €989 million in 352 companies in 2013. A drop of about 30% compared to 2012 when this was €1.4 billion in 348 companies. Dutch private equity and venture capital firms refrained from very large investments in 2013 whereas foreign firms did do a number of them (see the market analysis). This is partly explained by the fact that a large number of investments did not come to a final deal in 2013. The number of companies invested in hardly fell and is in line with previous years. In 90% of all cases investments were less than €5 million, making private equity and venture capital an important source of growth and innovation funding for SMEs.

In 2013 a total of €1 billion<sup>3</sup> worth of portfolio companies was sold or otherwise divested whereas in 2012 this was €881 million. Of note is that less portfolio companies were divested, 155 companies in 2013 compared to 196 in 2012, but that the average divested amount rose from €4.5 million to €6.6 million. The large number of write-offs approaches the record of 2009, but luckily their value represents only a modest part of total divestments, contrary to 2009.

The fact that so many investment processes took up so much time, but could not be completed successfully, points to difficulties in the market. Buyers' and sellers' price perceptions differed widely and were often not able to come together to close a deal. However this sentiment is very different per market segment. For the upper part of the (mid)market, where mostly big international players are active, debt financing is readily available and multiples paid for companies are high. For the lower mid and SME market the situation is quite the contrary.

Investments in 336 Dutch companies

**MARKET ANALYSIS** A total of €2.4 billion worth of investments went from domestic and foreign private equity and venture capital firms to 336 Dutch companies in 2013. In 2012 this was €1.4 billion for 315 companies. This change can be mostly attributed to a number of large investments by foreign private equity firms in Dutch companies.

A total of €1.9 billion was divested out of 157 Dutch companies by domestic or foreign private equity and venture capital funds in 2013. In 2012 this was €1.6 billion out of 197 companies. In 16% of all divestments a strategic buyer was involved. Few Dutch companies used public market to part ways with a private equity or venture capital firm.

90% of investments < €5 million

Growth in number of venture investments

**GROWTH IN NUMBER INVESTMENTS IN START-UPS** Dutch venture capital firms invested €150 million of venture capital in 210 young companies. In 2012 this was €168 million in 190 companies. The number and the total amount of seed investments, the youngest of companies, grew from 6 companies that got €2.2 million in 2012 to 11 companies that got €3.5 million. Remarkable is the fact that half of all venture investments are done by Regional Development Funds (RDFs). The fact that the average amount invested per company by the RDFs is much smaller suggests that they do not compete with regular venture capital firms. But sometimes RDFs co-invest for a period with another venture capitalist.

The regional spread of investments shows that investments concentrate in certain regions<sup>4</sup>. This can be partly explained by the fact that some regions house more head offices (branches are not registered). However broadly speaking one can say that the investments done by RDFs take place in areas where other venture capitalists are less active.

Significant differences in regional spread of investments

Lot of activity, too few closings

<sup>3</sup> The fact that divestments for the first time top investments is primarily due to the steady improvement of the PEREP\_Analytics platform since operations began in 2007.

<sup>4</sup> See pages 6 and 7

**MARKET ANALYSIS** A total of 190 young Dutch companies received €194 million of venture capital from a domestic or foreign venture capitalist in 2013. In 2012 this number was €181 million for 162 companies.

**NO LARGE INVESTMENTS** The average amount invested per company by Dutch private equity and venture capital firms in 2013 was €2.8 million. This is a decrease compared to 2012 when this was €4 million. Volumes in the long run have remained stable with 352 companies. The drop in total investments is therefore mainly attributable to the fact that Dutch private equity and venture capital firms did not do any large investments in 2013. In 2013 Dutch firms (excluding Dutch branch offices) only did one investment of more than €50 million whereas in previous years this was far more common.

Foreign firms do big investments

#### **DROP IN FUND RAISING, ESPECIALLY FOR VENTURE CAPITAL**

In 2013 €768 million of new funds were raised, significantly less than in 2012, primarily because only smaller buyout and venture funds were raising. Pension funds contributed 6%, funds-in-funds 22%, banks 3% and family offices and private individuals 41% of this total. Remarkable is the fact that family offices and private individuals (again) invested such a large percentage in Dutch private equity and venture capital funds whereas further in the past this category was a small source of funds at best. Of this category about 90% comes from family offices.

Family offices invest more in asset class

Private equity and venture capital funds who are part of a larger whole, captives (often a bank), raised €244 million from their parent. Banks played a very modest role in fund raising for independent private equity and venture capital firms.

Of the funds raised about 56% came from the Netherlands, 18% from the rest of Europe and outside of Europe 23%. The rest is unknown.

Venture capital fund raising has reached an all-time low. In 2011 €136 million was raised, in 2012 €189 million but €75 million in 2013. Probably this is mainly due to postponed fund raising because of the fact that the Dutch Venture Initiative (DVI) was not yet fully operational in 2013. The 2013 number does not even compare to the €782 million raised for venture capital in 2007.

Strong decline in venture capital fund raising

#### **STRENGTH IN PORTFOLIOS AND STABLE SALE OF COMPANIES**

Dutch private equity and venture capital firms sold or otherwise divested €1 billion from 155 portfolio companies in 2013. Slightly more in total amount than in 2012 but significantly less in the number of companies (196 in 2012).

The most important route of sale or other divestment was repayment of preference shares and or loans (including shareholder loans and cumulative preferred stock) with 45%. The division preference shares and loans is about 50/50. The fact that a portfolio company can refinance itself with its cash flow is a positive sign and points towards strong portfolio performance. Public capital markets are seldom used to fully divest portfolio companies but are increasingly a method through which specialised venture capital firms find appropriate investors to attract extra investment for their portfolio companies.

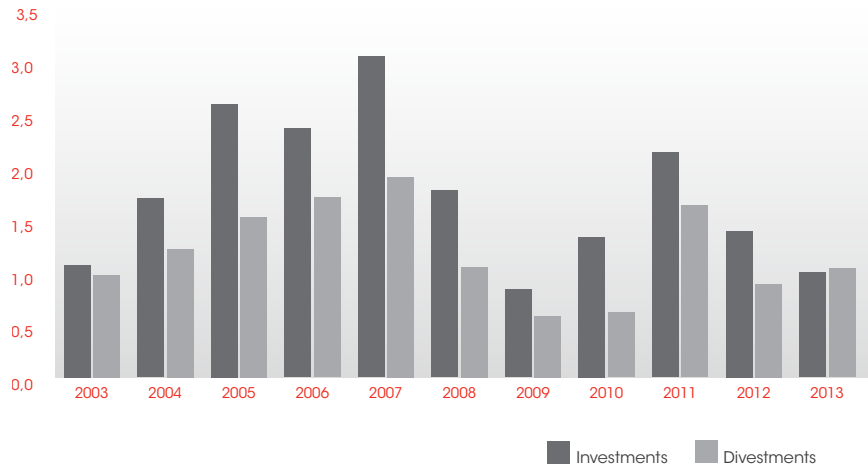
In 2013 a total of 110 million, or 11%, was written-off by Dutch private equity and venture capital firms from 39 portfolio companies. In 2012 this was 28% with €248 million. But whereas 2012 saw some large write-offs, 2013 saw more relatively small write-offs.

**MARKET ANALYSIS** A total of €85 million was written-off by foreign or domestic private equity and venture capital firms on 37 Dutch companies. This was 4.6% of total divestments of €1.9 billion whereas in 2012 this was 14% and 47% in 2009.

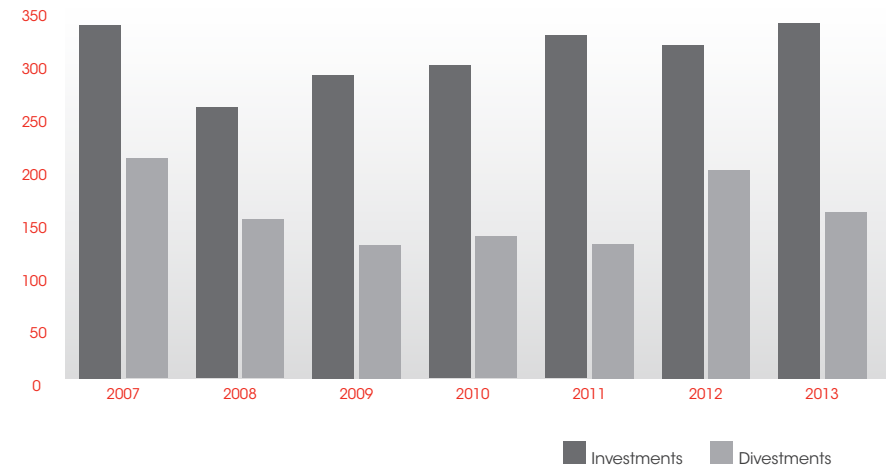
In 2013 a total of €764 million, or 40%, was divested through a public capital market by foreign private equity firms.



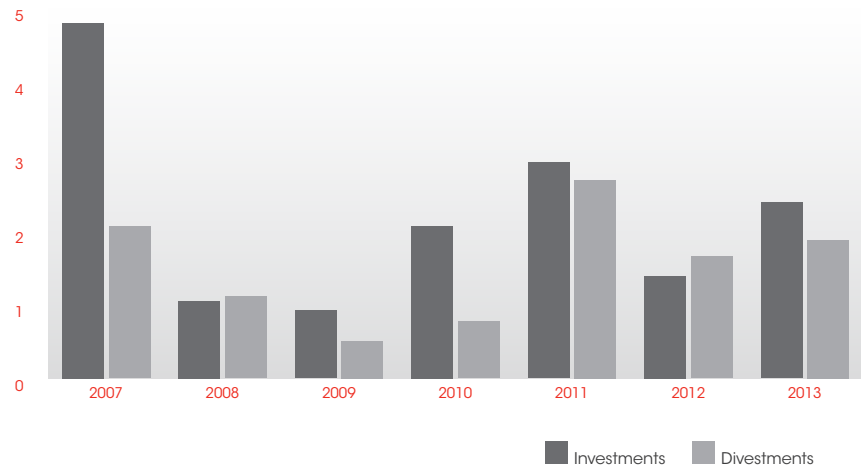
**1.1 Investments and divestments by Dutch private equity and venture capital firms 2003-2013 in € billion (industry analysis)**



**1.3 Investments and divestments in Dutch companies number of companies 2007-2013 (market analysis)**



**1.2 Investments and divestments in Dutch companies 2007-2013 in € billion (market analysis)**



**1.4 Number of investments split by investment size 2009-2013 (industry analysis)**

Investment Size	2009		2010		2011		2012		2013	
€ 0 to € 1 million	268	66.7%	279	66.7%	264	60.8%	297	65.1%	301	65.9%
€ 1 to € 5 million	101	25.1%	92	22.0%	103	23.7%	100	21.9%	114	24.9%
€ 5 to € 10 million	18	4.5%	17	4.1%	22	5.1%	29	6.4%	19	4.2%
€ 10 to € 25 million	8	2.0%	15	3.6%	23	5.3%	19	4.2%	17	3.7%
€ 25 to € 50 million	5	1.2%	10	2.4%	12	2.8%	8	1.8%	4	0.9%
€ 50 to € 100 million	2	0.5%	3	0.7%	6	1.4%	2	0.4%	1	0.2%
> € 100 million	0	0.0%	2	0.5%	4	0.9%	1	0.2%	1	0.2%
<b>Total</b>	<b>402</b>	<b>100%</b>	<b>418</b>	<b>100%</b>	<b>434</b>	<b>100%</b>	<b>456</b>	<b>100%</b>	<b>457</b>	<b>100%</b>

Note: The total number of investments is greater than the total of companies invested in. This is because it is possible to have multiple investments per year in one company. For example in 2013: 457 investments in 352 companies.

### 1.5 Sources of Funds Raised 2010-2013 (industry analysis)

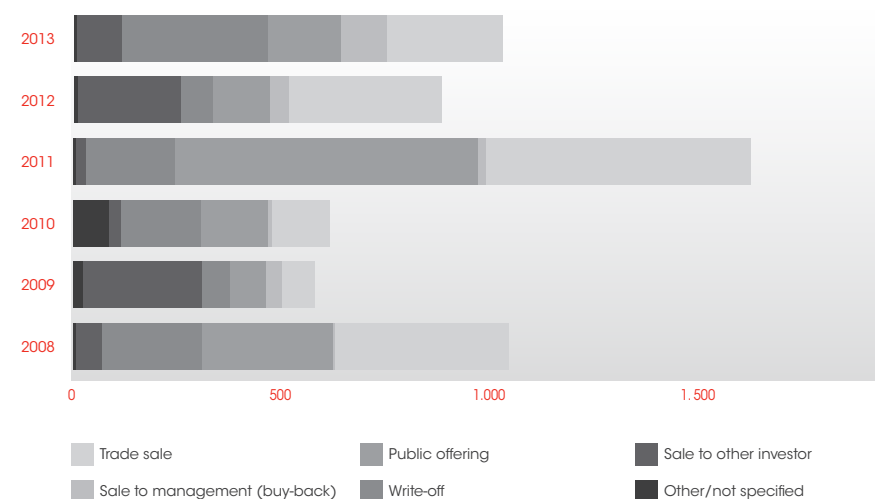
x € miljoen	2010		2011		2012		2013	
	Value	%	Value	%	Value	%	Value	%
Banks	116	9%	348	15%	283	23%	22	3%
Pension Funds	336	25%	456	20%	119	9%	49	6%
Capital Markets	0	0%	-	0%	-	0%	-	0%
Insurance Companies	75	6%	92	4%	95	8%	30	4%
Non-financial Institutions	0	0%	118	5%	27	2%	15	2%
Funds in Funds	256	19%	395	18%	260	21%	170	22%
Public Sector	83	6%	96	4%	64	5%	104	14%
Private persons and family offices	316	24%	422	19%	358	29%	314	41%
Academic Institutions	5	0%	2	0%	-	0%	-	0%
Sovereign Wealth Funds	133	10%	242	11%	2	0%	1	0%
Other	0	0%	76	3%	42	3%	63	8%
<b>Total</b>	<b>1,321</b>	<b>100%</b>	<b>2,247</b>	<b>100%</b>	<b>1,249</b>	<b>100%</b>	<b>768</b>	<b>100%</b>

### 1.6 Allocation of funds raised 2010-2013 (industry analysis)

x € 1.000	2010		2011		2012		2013	
	Value	%	Value	%	Value	%	Value	%
High-Tech Early-Stage	12,000	1.0%	18,270	0.8%	12,000	1.0%	0	0%
Non High-Tech Early-Stage	0	0%	0	0%	4,000	0.3%	0	0%
Unknown Early-Stage	14,750	1.2%	29,760	1.3%	8,000	0.6%	21,000	2.7%
<b>Total Early Stage</b>	<b>26,750</b>	<b>2.2%</b>	<b>48,030</b>	<b>2.1%</b>	<b>24,000</b>	<b>1.9%</b>	<b>21,000</b>	<b>2.7%</b>
High-Tech Later Stage Venture	0	0%	35,790	1.6%	0	0%	0	0%
Non High-Tech Later Stage Venture	0	0%	0	0%	0	0%	0	0%
Unknown Later Stage Venture	0	0%	50,000	2.2%	86,500	6.9%	8,900	1.2%
<b>Total Later Stage Venture</b>	<b>0</b>	<b>0%</b>	<b>85,790</b>	<b>3.8%</b>	<b>86,500</b>	<b>6.9%</b>	<b>8,900</b>	<b>1.2%</b>
Unknown Venture	80,000	6.5%	2,000	0.1%	60,610	4.8%	44,610	5.8%
<b>Venture Capital</b>	<b>106,750</b>	<b>8.7%</b>	<b>135,820</b>	<b>6.0%</b>	<b>171,110</b>	<b>13.7%</b>	<b>74,510</b>	<b>9.7%</b>
High-Tech Growth	18,000	1.5%	51,880	2.3%	0	0%	10,000	1.3%
Non High-Tech Growth	36,000	2.9%	99,500	4.4%	11,000	0.9%	98,200	12.8%
Unknown Groei	34,450	2.8%	179,200	7.9%	0	0%	113,000	14.7%
<b>Total Growth</b>	<b>88,450</b>	<b>7.2%</b>	<b>330,580</b>	<b>14.6%</b>	<b>11,000</b>	<b>0.9%</b>	<b>221,200</b>	<b>28.8%</b>
<b>Buyout</b>	<b>859,500</b>	<b>70.4%</b>	<b>1,558,000</b>	<b>68.9%</b>	<b>887,600</b>	<b>71.0%</b>	<b>263,200</b>	<b>34.3%</b>
Unknown Allocation	167,020	13.7%	237,630	10.5%	181,190	14.5%	209,080	27.2%
<b>Total Funds Raised</b>	<b>1,221,720</b>	<b>100%</b>	<b>2,262,030</b>	<b>100%</b>	<b>1,250,900</b>	<b>100%</b>	<b>767,990</b>	<b>100%</b>

Note: Unknown can be generalist fund too

### 1.7 Method of divestment in € million 2008-2013 (industry analysis)



### 1.8 Methods of divestment in numbers 2008-2013 (industry analysis)

Method of divestment	2008	2009	2010	2011	2012	2013
Trade sale*	39.8%	14.0%	22.5%	39.2%	41.5%	27.1%
Public offering**	0.7%	6.7%	1.8%	1.1%	5.3%	10.6%
Sale to other investor***	30.2%	14.6%	26.3%	44.8%	15.3%	17.0%
Sale to management (buy-back)	22.9%	11.7%	30.9%	13.2%	8.7%	33.9%
Write-off	5.9%	49.1%	4.6%	1.3%	28.1%	10.7%
Other/not specified	0.6%	4.0%	13.9%	0.4%	1.1%	0.7%

Method of divestment	2008	2009	2010	2011	2012	2013
Trade sale*	59	35	30	33	25	25
Public offering**	5	8	2	4	5	6
Sale to other investor***	24	9	12	24	20	9
Sale to management (buy-back)	70	56	66	53	92	73
Write-off	16	38	26	14	46	39
Other/not specified	5	9	4	4	13	7

\* Usually sale to strategic buyers.

\*\* Both IPO and sale of quoted equity.

\*\*\* Both sale to another private equity or venture capital firm or other financial institution.

# DEVELOPMENTS PER FINANCING PHASE

## 2

A company has different financing needs during its different phases of development. Private equity and venture capital firms can play a role in every phase. In the early stage there are different forms of venture capital (e.g. seed, early and later stage venture) and later on there can be for instance a (management) buyout or growth financing. Private equity can also play a role in financing the turnaround or rescue of a company.

**INVESTMENTS IN VENTURE CAPITAL STABLE, SLIGHT DECREASE IN TOTAL INVESTMENTS** In 2013 a total of €150 million worth of venture capital was invested in 210 companies. In 2012 this was €169 million in 190 companies.

The number of investments in start-ups and later stage ventures by Dutch venture capitalists grew slightly. It seems that there is a trend towards more investments in the early stage and less in the later stage. The amount invested in start-ups grew but is spread out of more companies. In 2012 a total of 124 start-ups got €88 million of venture capital whereas in 2013 this was €91 million for 145 companies. Investment in later stage ventures dropped from €78 million in 61 companies in 2012 to €55 million for 54 companies in 2013.

Both the number and total amount of seed investments rose in 2013. From 6 companies that got a total of €2.2 million in 2012, to 11 companies that got €3.5 million. This could indicate that government policy aimed at stimulating seed investments has been successful. But measurement errors cannot be excluded when dealing with such small numbers.

RDFs important for start-ups, take up own role

Growth in number of venture capital investments. Far removed from boom

Drop in growth capital

Corporate venture capital is a small but growing subsector of venture capital. To stimulate innovation large corporations increasingly decide to adopt the venture capital model.

The Regional Development Funds (RDFs) play an important role in seed and start-up financing. Their aim is to stimulate the regional economic infrastructure and have a government as shareholder. In 2013 they invested in 146 companies, of which 105 companies received a form of venture capital. Although they only invested a total of €51 million (5.1% of total investments), this was 50% of the companies in which venture capital was invested in (53% of investments, including follow-up investment). RDFs do not or hardly compete with regular venture capitalists because their focus is far more on high risk small investments. Next to that they usually do not finance a company beyond a certain financing round.

Dutch private equity firms financed 13 rescue/turnaround investments worth in total €50 million in 2013. This was €33 million for the 15 companies in 2012.

**MARKET ANALYSIS** In 2013 a total of 13 Dutch companies got €6.8 million of seed financing from a foreign or domestic venture capitalist whereas in 2012 this were 6 companies and €2.2 million. In 2013 a total of 14 Dutch companies received a rescue/turnaround financing from a foreign or domestic private equity fund worth in total €87 million whereas in 2012 this was €66 million for the same number of companies.

**INVESTMENTS TO GROW** In 2013 a total of €181 million was invested in 73 companies specifically as growth capital. In 2012 this was €223 million in 78 companies. These are investments in mature companies for whom debt alone is not the right instrument to finance growth. Often private equity firms take minority stakes and use only equity financing.

**MARKET ANALYSIS** In 2013 a total of 71 Dutch companies received €191 million of growth financing from foreign or domestic private equity firms. In 2012 this was €231 million for 70 companies.

**INITIAL AND FOLLOW ON INVESTMENTS BOTH KEEP STEADY**

**PACE** In 2013 a total of 152 companies got an initial investment, worth in total €453 million<sup>5</sup>, from a Dutch private equity or venture capital fund. In 2012 this was €521 for 140 companies.

A total of €536 million went to 205 companies who had already gotten an earlier investment from a Dutch private equity or venture capital fund. In 2012 this was €862 million for 214 companies.

**MARKET ANALYSIS** In 2013 a total of 149 Dutch companies got €1.5 billion worth of initial financing from a foreign or domestic private equity or venture capital fund. In 2012 it were 140 companies and €639 million of initial investments.

Follow on investments totalled €536 million for 205 Dutch companies in 2013. In 2012 this was 862 million for 214 Dutch companies.

**BASE CLOSE TO HOME** Dutch private equity and venture capital firms mostly invest domestically. In 2013 about 85% of the amount invested was in the Netherlands. Comparable with 2012 when this was 82%. Another 11% is invested in the rest of Europe and only 4% outside of Europe, e.g. life science investments in the U.S.

Focus on local market

SMEs are mainstay

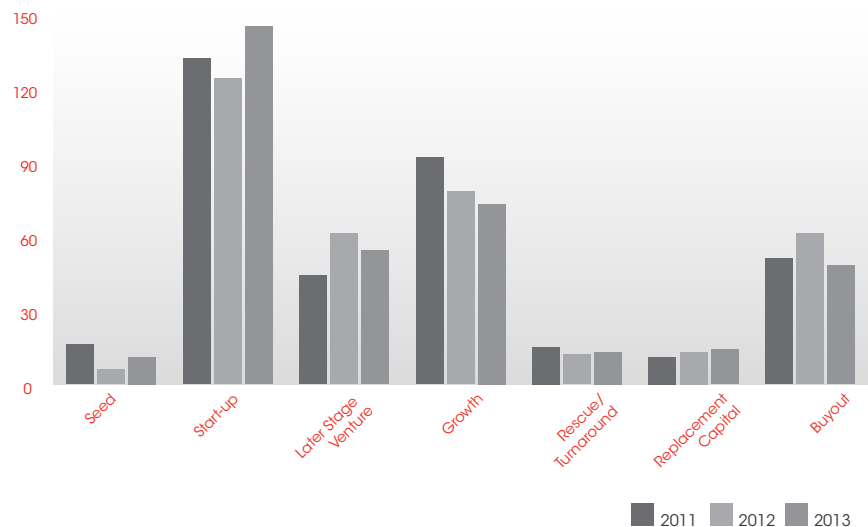
**NO LARGE BUYOUT BY DUTCH FIRMS** The number of companies that got a buyout from a Dutch private equity firm dropped from 61 in 2012 to 48 in 2013. In 2012 they represented €926 million and €575 million in 2013. The reason for this drop is the fact that Dutch private equity firms did not do any large buyouts in 2013. Of the 48 companies that received a buyout in 2013, only one was financed by a Dutch private equity player (excluding branch offices of international players) with more than €50 million equity. In 2012 this happened several times. Other buyouts involved less than €50 million equity.

**SMES ARE BREAD AND BUTTER OF THE INDUSTRY** Dutch private equity and venture capitalists are mainly focused on SMEs. Of all of the investments made in 2013, 91% was less than €5 million. Including debt financing a total transaction value would run up to about €10 million and companies with an EBITDA of about €2.5 million. Note that most venture and growth financing does not, or hardly, involve debt. The number of 91% is representative for the long run.

**MARKET ANALYSIS** A total of 6 Dutch companies got an investment of more than €50 million equity from a foreign or domestic private equity firm in 2013.

<sup>5</sup> Available in the data on [nvp.nl](http://nvp.nl)

**2.1 Investments per financing phase**  
Number of companies 2011-2013 (industry analysis)



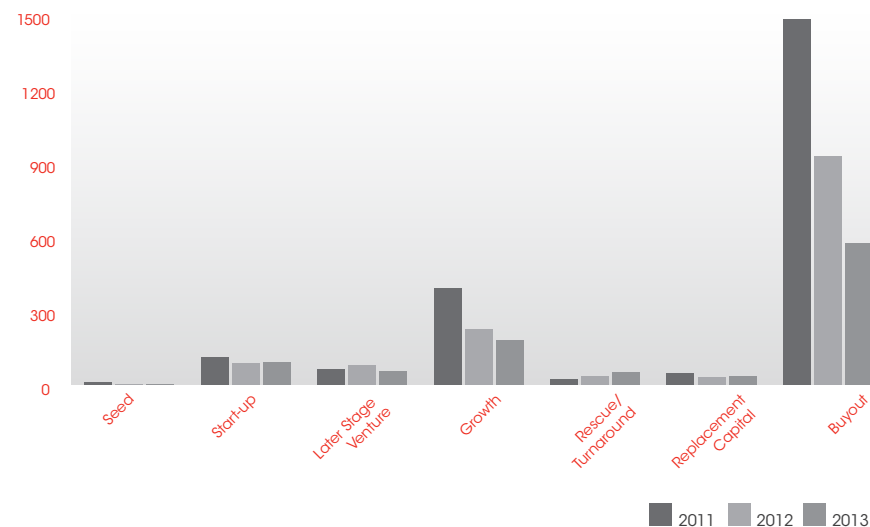
**2.2 Investments per financing phase, excluding Investments by Regional Development Funds 2010-2013 (industry analysis)**

x € 1,000	2010		2011		2012		2013	
	Investment	%	Investment	%	Investment	%	Investment	%
Seed	1,000	0.1%	7,819	0.4%	1,503	0.1%	1,417	0.2%
Start-up	96,041	7.4%	99,493	4.8%	76,043	5.6%	71,148	7.6%
Later Stage Venture	55,171	4.3%	62,276	3.0%	73,282	5.4%	48,155	5.1%
<b>Total Venture</b>	<b>152,212</b>	<b>11.8%</b>	<b>169,588</b>	<b>8.1%</b>	<b>150,828</b>	<b>11.2%</b>	<b>120,720</b>	<b>12.9%</b>
Growth	208,374	16.1%	371,682	17.8%	213,642	15.8%	164,248	17.5%
Rescue/Turnaround	30,626	2.4%	19,748	0.9%	29,620	2.2%	46,194	4.9%
Replacement Capital	195,537	15.1%	48,224	2.3%	31,684	2.3%	32,623	3.5%
Buyout	704,794	54.6%	1,475,692	70.8%	925,377	68.5%	573,931	61.2%
<b>Total Investments</b>	<b>1,291,542</b>	<b>100.0%</b>	<b>2,084,934</b>	<b>100.0%</b>	<b>1,351,150</b>	<b>100.0%</b>	<b>937,715</b>	<b>100.0%</b>

Number of Companies	2009		2010		2011		2012	
	Count	%	Count	%	Count	%	Count	%
Seed	1	0.5%	11	4.6%	4	1.7%	3	1.3%
Start-up	72	34.0%	71	29.5%	58	24.6%	71	31.6%
Later Stage Venture	43	20.3%	40	16.6%	47	19.9%	47	20.9%
<b>Total Venture</b>	<b>116</b>	<b>54.7%</b>	<b>121</b>	<b>50.2%</b>	<b>108</b>	<b>45.8%</b>	<b>121</b>	<b>53.8%</b>
Growth	36	17.0%	56	23.2%	56	23.7%	47	20.9%
Rescue/Turnaround	8	3.8%	8	3.3%	6	2.5%	5	2.2%
Replacement Capital	28	13.2%	11	4.6%	13	5.5%	12	5.3%
Buyout	28	13.2%	46	19.1%	59	25.0%	46	20.4%
<b>Total Companies</b>	<b>212</b>	<b>100.0%</b>	<b>241</b>	<b>100.0%</b>	<b>236</b>	<b>100.0%</b>	<b>225</b>	<b>100.0%</b>

**2.3 Investments per financing phase**  
Invested amount in € million 2011-2013 (industry analysis)



**2.4 Investments by Regional Development Funds (ROMs) 2010-2013**

x € 1,000	2010		2011		2012		2013	
	Investment	%	Investment	%	Investment	%	Investment	%
Seed	25	0.1%	1,385	3.4%	738	2.4%	2,111	4.1%
Start-up	12,549	35.0%	13,186	32.0%	11,494	37.1%	19,692	38.5%
Later Stage Venture	1,059	3.0%	1,366	3.3%	5,205	16.8%	7,273	14.2%
<b>Total Venture</b>	<b>13,633</b>	<b>38.0%</b>	<b>15,938</b>	<b>38.7%</b>	<b>17,438</b>	<b>56.2%</b>	<b>29,076</b>	<b>56.9%</b>
Growth	13,429	37.5%	17,890	43.5%	9,516	30.7%	16,584	32.4%
Rescue/Turnaround	3,837	10.7%	2,985	7.3%	3,655	11.8%	3,620	7.1%
Replacement Capital	25	0.1%	0	0.0%	0	0.0%	345	0.7%
Buyout	4,925	13.7%	4,353	10.6%	400	1.3%	1,487	2.9%
<b>Total Investments</b>	<b>35,850</b>	<b>100.0%</b>	<b>41,165</b>	<b>100.0%</b>	<b>31,008</b>	<b>100.0%</b>	<b>51,112</b>	<b>100%</b>

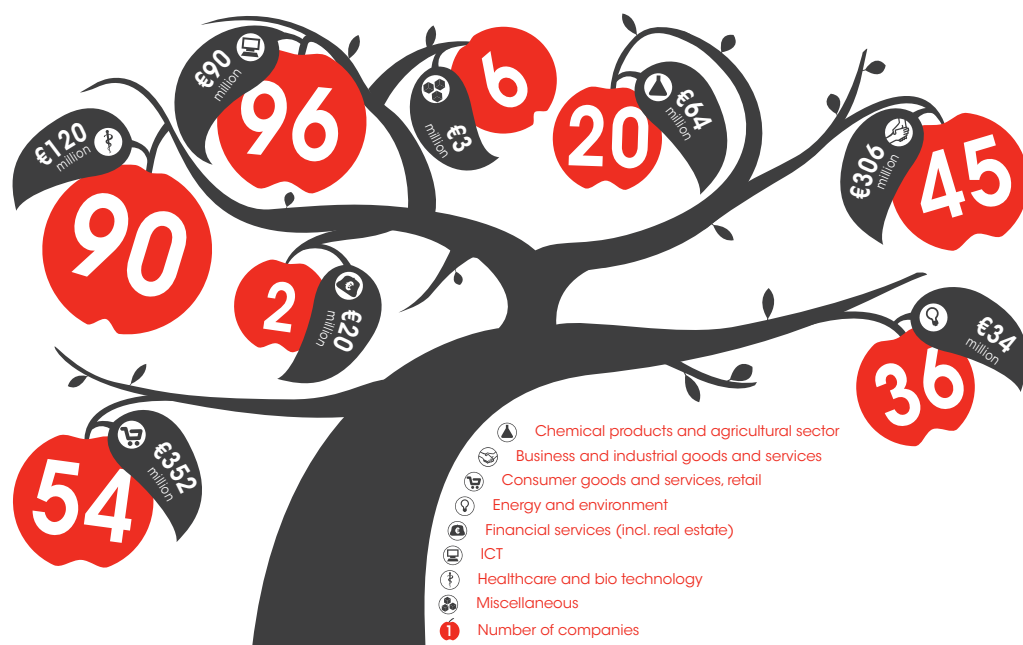
Number of Companies	2010		2011		2012		2013	
	Count	%	Count	%	Count	%	Count	%
Seed	1	0.8%	8	6.2%	3	2.5%	9	6.2%
Start-up	67	56.8%	67	51.5%	69	58.5%	83	56.8%
Later Stage Venture	10	8.5%	6	4.6%	16	13.6%	13	8.9%
<b>Total Venture</b>	<b>78</b>	<b>66.1%</b>	<b>81</b>	<b>62.3%</b>	<b>88</b>	<b>74.6%</b>	<b>105</b>	<b>71.9%</b>
Growth	23	19.5%	37	28.5%	22	18.6%	29	19.9%
Rescue/Turnaround	7	5.9%	7	5.4%	6	5.1%	8	5.5%
Replacement Capital	1	0.8%	0	0.0%	0	0.0%	2	1.4%
Buyout	9	7.6%	5	3.8%	2	1.7%	2	1.4%
<b>Total Companies</b>	<b>118</b>	<b>100.0%</b>	<b>130</b>	<b>100.0%</b>	<b>118</b>	<b>100.0%</b>	<b>146</b>	<b>100%</b>

# DEVELOPMENTS PER SECTOR

## 3

### MOST INVESTMENTS IN CONSUMER GOODS, SERVICES AND RETAIL

A total of €356 million was invested in the sector consumer goods, services and retail in 2013. This was 35.6% of total investments by Dutch private equity and venture capital firms. In 2012 this was €335 million, 24% of total. Together with business and industrial goods and services these are the sectors Dutch private equity and venture capital firms traditionally invest most in.



### 3.1 Investments by sector 2010-2013 (industry analysis)

X € 1.000	2010	2011	2012	2013				
<b>Chemical products and agricultural sector</b>	236.5	17.8%	110.5	5.2%	99.8	7.2%	64.0	6.5%
- Agricultural sector	38.3	2.9%	15.9	0.7%	5.0	0.4%	26.4	2.7%
- Chemical products and materials	198.3	14.9%	94.6	4.4%	94.8	6.9%	37.6	3.8%
<b>Business and industrial goods and services</b>	287.7	21.7%	668.0	31.4%	335.8	24.3%	305.5	30.9%
- Business and industrial goods	88.3	6.6%	349.4	16.4%	239.3	17.3%	152.1	15.4%
- Business and industrial services	199.5	15.0%	318.7	15.0%	96.5	7.0%	153.3	15.5%
<b>Consumer goods and services, retail</b>	359.6	25.8%	947.2	40.4%	330.6	23.9%	352.2	35.6%
- Consumer goods and retail	311.5	23.5%	483.1	22.7%	295.2	21.4%	174.7	17.7%
- Other consumerservices	30.4	2.3%	376.5	17.7%	35.3	2.6%	177.5	17.9%
<b>Energy and environment</b>	17.8	1.3%	87.5	4.1%	111.9	8.1%	34.0	3.4%
<b>Financial services (incl. real estate)</b>	108.8	8.2%	30.8	1.4%	32.3	2.3%	20.0	2.0%
- Financial services	108.5	8.2%	30.8	1.4%	29.3	2.1%	20.0	2.0%
- Real estate	0.4	0.0%	0.0	0.0%	3.0	0.2%	0.0	0.0%
<b>ICT</b>	150.0	11.3%	149.8	7.0%	87.0	6.3%	90.0	9.1%
- Communication	77.3	5.8%	105.2	4.9%	3.1	0.2%	22.9	2.3%
- Computer and consumerelectronics	72.7	5.5%	44.6	2.1%	83.9	6.1%	67.1	6.8%
<b>Healthcare and bio technology</b>	129.3	9.7%	210.8	9.9%	188.0	13.6%	119.7	12.1%
<b>Miscellaneous</b>	1,382.8	4.2%	2,135.1	0.4%	196.8	14.2%	3.5	0.4%
- Construction	34.7	2.6%	1.4	0.1%	12.5	0.9%	1.1	0.1%
- Transport	17.4	1.3%	5.5	0.3%	181.7	13.1%	1.0	0.1%
- Unknown	3.4	0.3%	2.2	0.1%	2.6	0.2%	1.5	0.2%
<b>Total</b>	<b>1,327.4</b>	<b>100%</b>	<b>2,126.1</b>	<b>100%</b>	<b>1,382.2</b>	<b>100%</b>	<b>988.8</b>	<b>100%</b>

Rise in clean tech investments, 24% to high tech companies

### PRIVATE EQUITY AND VENTURE CAPITAL TAKES ITS SHARE IN HIGH AND CLEAN TECH

In 2013 €154 million, 15% of total, was invested in 81 high tech companies<sup>6</sup>. This is a slight drop compared to 2012 when this was €182 million for 86 companies. With €37 million invested in 23 companies in 2013 we see a rise in the clean tech investments compared to €25 million in 24 companies in 2012.

<sup>6</sup> Available in the data on [nvp.nl](http://nvp.nl)

# OUTLOOK

## 4

**OPPORTUNITIES ABOUND IN THE NETHERLANDS** The number of transactions reached a high last year. This is good news, especially for the SME segment where the bulk of the activity takes place. Large international players saw good investments in the Netherlands and seized their opportunities. Dutch firms on the other hand often saw themselves wound up in long negotiations where in the end the deal botched. Apparently buyers and sellers could not find a common ground. That is why relatively little activity was recorded on the upper end of the SME market.

The previous year therefore was mainly one of contrasts. The global private equity markets appears to be back at a pre-crisis mood. The average mood in the SME market was less jubilant. Interesting propositions are not easy to spot, debt is modestly available and deals take long to materialise, if they do at all. Certain venture capitalists have found public markets to be an interesting route again to add equity to their portfolio companies whereas for most other private equity and venture capitalists this is not the case. Whether these contrasts lessen in the coming year is to be seen. Dutch firms perhaps should specialise more and more actively chase deals. But sellers should also have realistic expectations. Venture capital fund raising is in dire need of improvement after this very disappointing year. Especially since venture capital is so crucial to enabling innovation.

Regulation might offer a slight, unexpected, relief to some problems. As of the 22nd of July the AIFMD (Alternative Investment Fund Managers Directive) and the EVCFR (European Venture Capital Funds Regulation) kick in to full gear. This makes almost the whole of private equity and venture capital a regulated sector. Venture capitalists who raise funds with a EuVECA label under the EVCFR will get the benefits of the single European market, which will make fund raising easier. Next to that 2014 will see the Dutch Venture Initiative (DVI) fully operational which will mean a major boost to venture capital fund raising.

Private equity and venture capital create value. Numerous academic studies have shown this to be true. That is why they are an important source of return for investors. Through large international private equity firms Dutch institutional investors already invest considerably in the Dutch market. But for instance Dutch pension funds who would like to invest more in Dutch SMEs should turn to Dutch private equity and venture capital firms more. This helps Dutch entrepreneurs, supports innovation and delivers excellent returns.

Private equity and venture capital are ready and have the means to invest. The previous year has shown that there are opportunities abound in the Netherlands, opportunities that will have to be seized in 2014.

Philip Houben  
Chair NVP

# GLOSSARY

**BUYOUT** Financing of a takeover whereby part of the stock is bought by present management (management buyout, MBO), or new management (buy-in, MBI).

**CAPTIVE (FUND)** Private equity or venture capital firm part of a larger enterprise or institution, for instance a bank, insurer or multinational. For funding a captive is dependent upon its parent.

**DIVESTMENT** Sale or partial loss of a portfolio company through various ways.

**EVCA** European Private Equity & Venture Capital Association.

**EXIT** Synonymous to divestment but usually excludes write-offs.

**FINANCING PHASE** Part of the cycle a company is in when it receives an investment. For instance seed, start-up, later stage venture, growth or turnaround.

**FUND IN FUNDS** Is an investor that attracts funds from other investors and invests in private equity and venture capital funds, not directly in portfolio companies.

**GROWTH FINANCING** Investment aimed at expanding production and sales, usually for companies with a certain maturity to distinguish from later stage venture.

**PRIVATE EQUITY FIRM** Investments firms that invest in mature non-listed companies.

**SECONDARY BUYOUT** The portfolio company is both bought and sold by a different private equity firm.

**SEED INVESTMENT** Financing of ideas and initial research before there is an actual company.

**SOVEREIGN WEALTH FUND** Institutional investor owned by a state.

**START-UP INVESTMENT** Financing for product development and initial marketing of a young company.

**REGIONAL DEVELOPMENT FUND** Regionale Ontwikkelingsmaatschappijen (ROMs) are entities with a government as a limited partner and are aimed at stimulating a local economy.

**RESCUE/TURNAROUND INVESTMENT** Financing a company that is making a loss with the aim of restructuring it to regain its profitability.

**REPLACEMENT CAPITAL** When one investor swaps stock with another investor without additional money put into a portfolio company.

**VENTURE CAPITAL** Investments firms that invest in immature non-listed companies

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