

October 2020

# Quarterly Review

**972,000**  
people employed  
in the UK by companies  
backed by private equity  
and venture capital



British  
Private Equity &  
Venture Capital  
Association



## Report on Investment Activity

Private equity and venture capital invested more than £10 billion into UK businesses in 2019, reveals the BVCA's annual report on investment, fundraising and exit activity.



## Performance Measurement Survey

UK private equity and venture capital funds generated 10-year returns of 14.2% in 2019, outperforming both the FTSE 100 and FTSE 250, shows the BVCA's latest fund performance analysis.

# Supporting UK business

Welcome to the BVCA's inaugural *Quarterly Review*, a new publication designed to demonstrate the significant impact of private equity and venture capital on the UK economy using the latest data and research.

This is an extraordinary time for companies across the country. COVID-19 and the impending end of the Brexit transition period are both unique events, and the two combined have created an unprecedented environment of uncertainty and trepidation.

The need for investment is huge. The need for business expertise is huge. On the following pages, using the BVCA's own research, we will be showing how private equity and venture capital can play its part in fuelling the recovery.

With almost 4,300 UK businesses currently backed by our industry, it already has a significant footprint in the country's economy. Last year we invested more than £10 billion into around 1,200 companies. Eighty-seven percent of these – more than 1,000 – were small and medium-sized enterprises, operating in a range of sectors across the UK. We saw more than £1.3 billion invested into the North of England, £1.1 billion in the South West, and £1 billion in the Midlands.

All these facts and more can be found in our *Report on Investment Activity*, an annual study of UK deals, fundraisings and exits, and from which selected highlights are presented here. Private equity and venture capital are about more than just investment of course. Their success has always depended on a long-term philosophy and close engagement with management teams to improve businesses and drive innovation. In so doing, the value of the company is enhanced so that when it comes time for the private equity

or venture capital fund to sell its stake, it is able to make a return on its investment to the benefit of institutional investors across the world.

Over the last 10 years, private equity and venture capital funds managed in the UK have generated a return of 14.2%. In comparison, the FTSE 100 delivered 7.4% and the FTSE 250 12%. These results – presented in our annual *Performance Measurement Survey* – show why institutional investors from across the world continue to invest in our industry.

Both of the studies provide robust evidence of how private equity and venture capital are driving business growth and industrial progress, and making a significant contribution to returns for the benefit of millions of pensioners and other savers. These attributes will be crucial in powering the economic recovery, and ensuring the UK remains a global leader for innovation, business and investment.



**Michael Moore**  
Director General, BVCA



# Fund performance

UK private equity and venture capital funds generated 10-year returns of 14.2% in 2019, outperforming both the FTSE 100 and FTSE 250, in yet further evidence of how the industry consistently outperform the public markets.

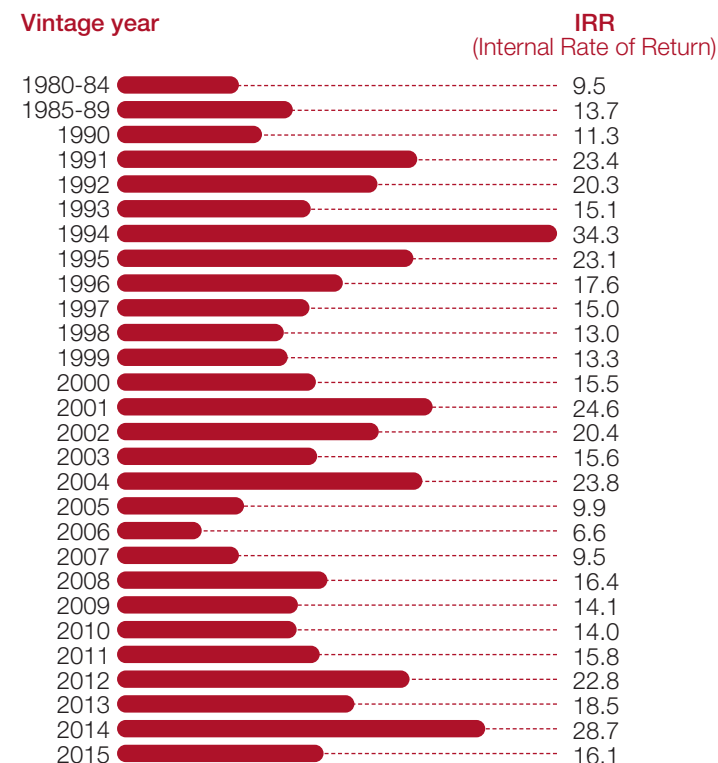
Published in September, the summary analysis of our *Performance Measurement Survey* uses aggregated data collected directly from BVCA members on fund performance and compares these to relevant benchmarks.

The latest edition shows that compared to our industry's return of 14.2% over the last decade, the FTSE 100 produced returns of 7.4% whilst the FTSE 250 delivered 12%. Importantly, all of these figures are net of fees. Given the long-term nature of private equity

and venture capital, looking at the performance over the full lifecycle of a fund – called 'since inception' – is a particularly useful way of analysing returns. Here, the results are equally impressive. Our survey shows that since 2008, the industry has delivered an Internal Rate of Return (IRR) of 14% or more every year, with the figure standing at 14.6% as of 31 December 2019.

The full version of the BVCA's *Performance Measurement Survey* will be published later this year, and will contain a range of other performance metrics, including fund multiples, DPI (the total amount distributed to investors as a percentage of paid-in capital) and TVPI (the total amount distributed plus the residual value attributable to investors as a percentage of paid-in capital).

## Since inception return by vintage year to December 2019



# Investment activity 2019

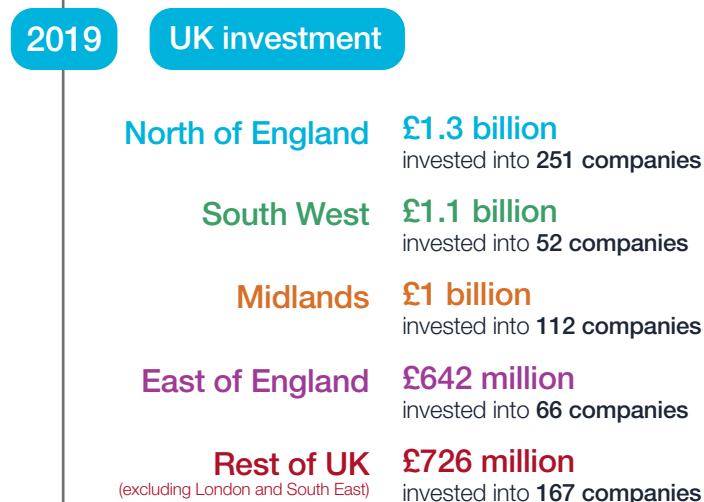
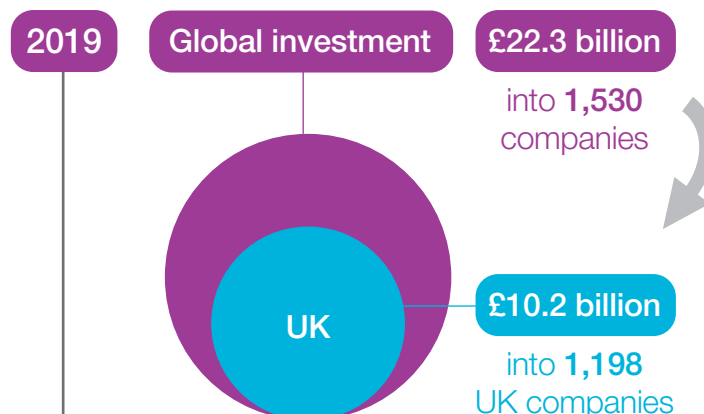
UK private equity and venture capital funds invested a total of £22.3 billion globally in 2019, backing 1,530 companies, the largest totals since 2007 and 2008 respectively, reveals the BVCA's *Report on Investment Activity*.

One of our annual flagship studies, the report<sup>1</sup> collects data directly from BVCA members on their deals, fundraisings and exits over the past year.

In the UK alone, the data reveals that private equity and venture capital invested £10.2 billion into 1,198 companies last year, 87% of which are small and medium-sized enterprises. This means there are currently around 4,290 companies backed by our industry, employing an estimated 972,000 people.

Importantly, the report demonstrates that private equity and venture capital is a vital source of finance and operational expertise for businesses across the country. Whilst London and the South East dominate both deal volume and investment, 2019 saw significant investment around the UK, including £1.3 billion in the North of England, £1.1 billion in the South West and £1 billion in the Midlands.

Note (1) Figures include investments by BVCA full member firms based in the UK, and those completed through an overseas office where the UK office was the lead adviser.



Note (1): Companies with less than 250 employees

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**4,290**

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## Venture spotlight

VC investment in the UK  
more than doubled in  
three years

**2017: £463 million**

**2018: £626 million**

**2019: £958 million**

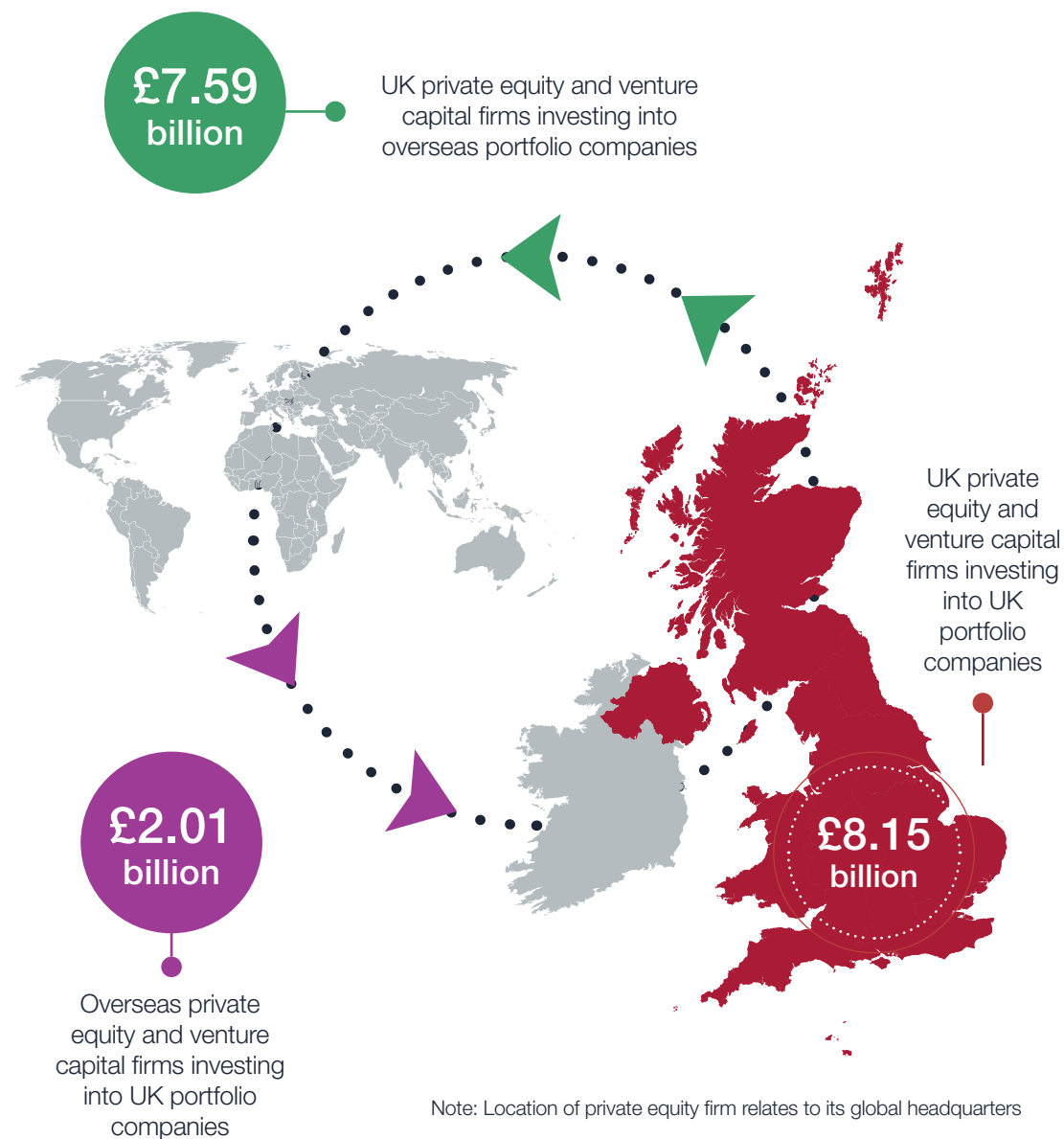


# Investment flows

Of the £10.2 billion that was invested into UK business by private equity and venture capital funds in 2019, approximately 20% – or just over £2 billion – came from overseas.

The vast majority of that investment came from firms based in North America, around 90%, whilst the remaining 10% came from those in Europe and the rest of the world.

Underlining the importance of the UK as a global hub for investment, domestic firms invested £7.59 billion overseas last year, with 56% heading to Europe, 34% to North America and 10% to businesses in the rest of the world.



Note: Location of private equity firm relates to its global headquarters

Note: Excludes overseas private equity and venture capital firms investing into overseas portfolio companies

# Fundraising in 2019

UK-based private equity and venture capital funds raised a total of £47.59 billion in 2019, a 39% increase on the 2018 figure of £34.12 billion and a 44% increase on 2017 of £33 billion<sup>(1)</sup>. This capital is deployed both internationally and domestically in the UK and is invested over time.

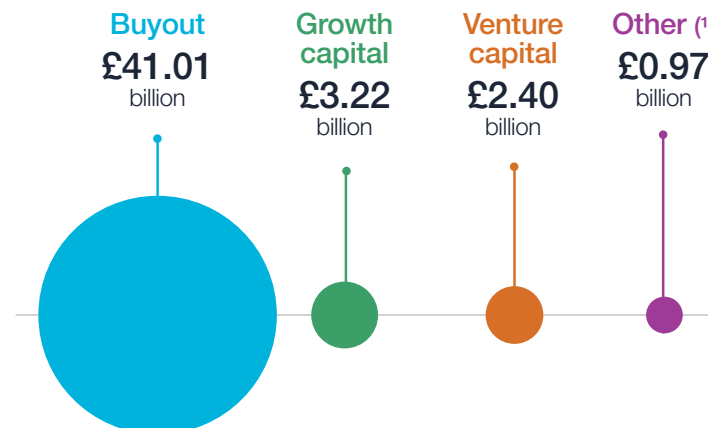
Both venture capital and buyout funds significantly increased on the totals raised in 2018, and venture's continued growth is particularly noteworthy. In 2017, UK VC funds raised a total of £770 million. In 2019, that figure has more than trebled to £2.4 billion, itself more than double the £1.1 billion secured in 2018.

## UK funds raised 2017-2019

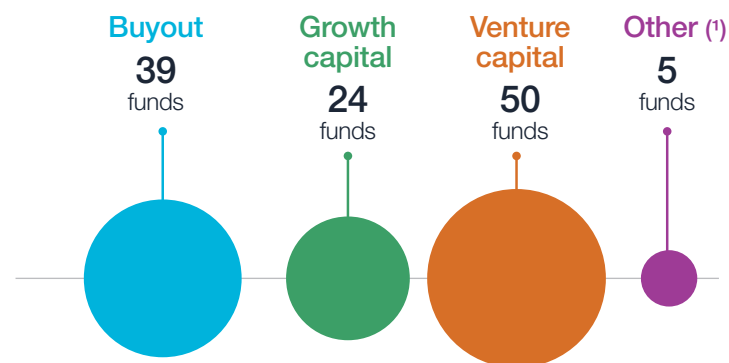


Note (1) Figures include funds managed in the UK for domestic and overseas investments, and funds managed by UK-based offices of international private equity and venture capital firms.

## Amounts raised in 2019



## Number of funds by stage focus<sup>2</sup> in 2019



Note (1) Other includes generalist and replacement capital funds

Note (2) Fund vehicles investing in parallel have been treated as separate funds in this analysis

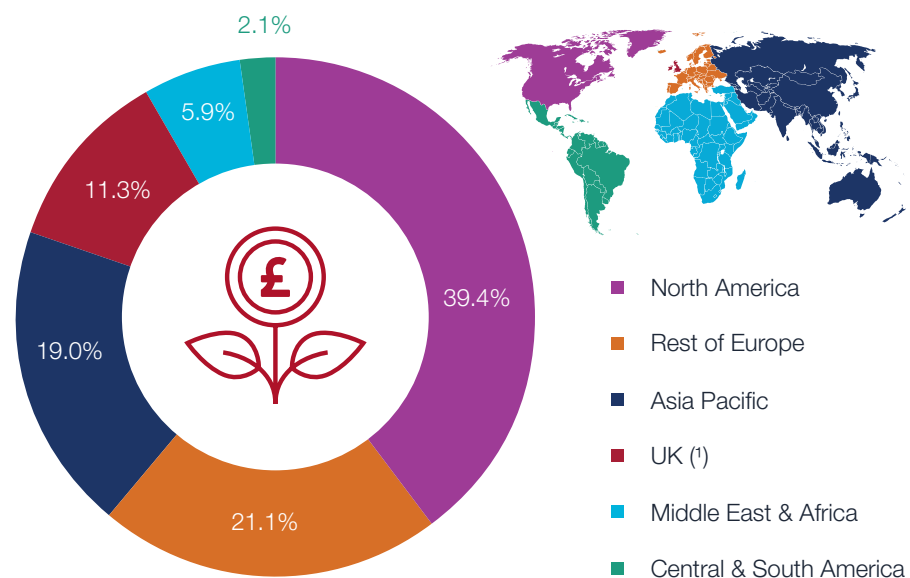


The striking growth in fundraising shown in the BVCA's *Report on Investment Activity* is testament to the UK's position as a global leader for private equity and venture capital. Almost 89% - £42.2 billion - of the capital raised came from institutions outside of the UK, with £18.77 billion coming from North America.

Pension funds are the largest type of investor, representing 38% of all capital raised, followed by sovereign wealth funds (14%) and fund-of-funds (11%).

## Fundraising geographic breakdown

Source of funds in 2019 – % of total amount



Note: (1) UK includes Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Guernsey, Isle of Man and Jersey

Note: 1.2% of total funds raised by an unclassified location of investor





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