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Central and Eastern European Private Equity Statistics 2015

August 2016

Our partner:

GIDE

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About this report

- > This report was compiled with the help of Invest Europe's Central and Eastern Europe Task Force. It provides annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2015 and prior years. The statistics contained herein are based solely on the “market approach”, wherein information is compiled to show activity in a particular country, regardless of the origin or location of private equity fund managers. This contrasts with the “industry approach” that shows the activity of fund managers based in a particular country, and which is not applied in this paper. Invest Europe believes using the market approach gives a more accurate picture of the overall investment trends and activities in the markets of Central & Eastern Europe (CEE) due to the predominance of regional funds and fund managers. For the purposes of this publication, CEE comprises the countries of Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. These countries have a total population of about 170 million and registered a total GDP of €1.3 trillion in 2015.
 - > We refer readers to the methodology and definitions sections at the back of this document to aid in understanding the data and terminology used throughout the text.
 - > For further information and more comprehensive data contact Invest Europe Research (research@investeurope.eu) or visit www.investeurope.eu/research.
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Executive Summary

Fundraising

Following a strong fundraising year in 2014, in the year 2015 a more modest €418 million of private equity funding was raised for the CEE region. This contrasts with a stable level of funds raised across all of Europe in 2015 versus the previous year. The CEE region accounted for less than 2% of all private equity fundraising in Europe in 2015, reflecting a year with a limited number of fund managers in the market, especially from the region's larger firms.

Multilateral agencies and national public sources comprised 36% of funds raised in 2015 and continued to be the leading source of capital for CEE, similar to the past few years. Other key sources of funds in 2015 were other asset managers and private individuals, non-typical sources of capital for the CEE region.

CEE venture funds raised €166 million in 2015, a level similar to 2014, and accounted for nearly 40% of all new capital raised across CEE in 2015. Buyout funds raised just €107 million, a significant drop from the year before, due to the region's larger buyout fund managers not being in the market for new funds in 2015.

Investment activity

Private equity investment in the CEE region in 2015 reached €1.6 billion, surpassing the previous year by nearly 25%, and reaching the highest level since 2009. The number of CEE companies receiving private equity financing in 2015 was stable compared to the prior year and totalled 312.

The CEE investment growth in 2015 surpassed the overall 14% year-on-year increase in investments for Europe overall. CEE investments comprised 3.4% of the total European private equity investment market in 2015.

The main destinations of private equity financing in the CEE region in 2015 were Poland (54% of total value), Serbia (14% of total), Hungary (10% of total) and Romania (9% of total). These four countries made up 87% of total CEE investments by value in 2015.

Buyout investments accounted for most of the private equity investment value growth in CEE in 2015, totalling €1.3 billion and increasing 36% year on year.

Exit activity

Private equity exit activity across the CEE region reached €1.2 billion (measured at historical investment cost), nearly the same level as in 2014 and the third highest level ever in terms of value. CEE divestments comprised 3.1% of total divestment value across all of Europe.

By number of companies, CEE achieved a record level of 97 divestments in 2015, well above the number of 74 achieved in 2014. The increase was driven primarily by a growth in the number of venture-backed company exits.

Poland was the most active country in terms of exits in 2015, accounting for 65% of divestments by value at historical cost and 46% of divestments by number of companies.

Trade sale was the most prominent exit route in CEE in 2015, accounting for 51% of divestment value (at historical cost). Sale to another private equity house (the so-called "secondary") was the second most used exit route in CEE in 2015 with 22% of total divestment value at cost. Public market exits made a strong showing across CEE in 2015, comprising 17% of total exit value at cost.

Fundraising Summary

Following a strong fundraising year in 2014, in the year 2015 a more modest €418 million of private equity funding was raised for the CEE region. This contrasts with a stable level of funds raised across all of Europe in 2015 versus the previous year. The CEE region accounted for less than 2% of all private equity fundraising in Europe in 2015.

Multilateral agencies and national public sources comprised 36% of funds raised in 2015 and continued to be the leading source of capital for CEE, similar to the past few years. Other key sources of funds in 2015 were other asset managers and private individuals, non-typical sources of capital for the CEE region.

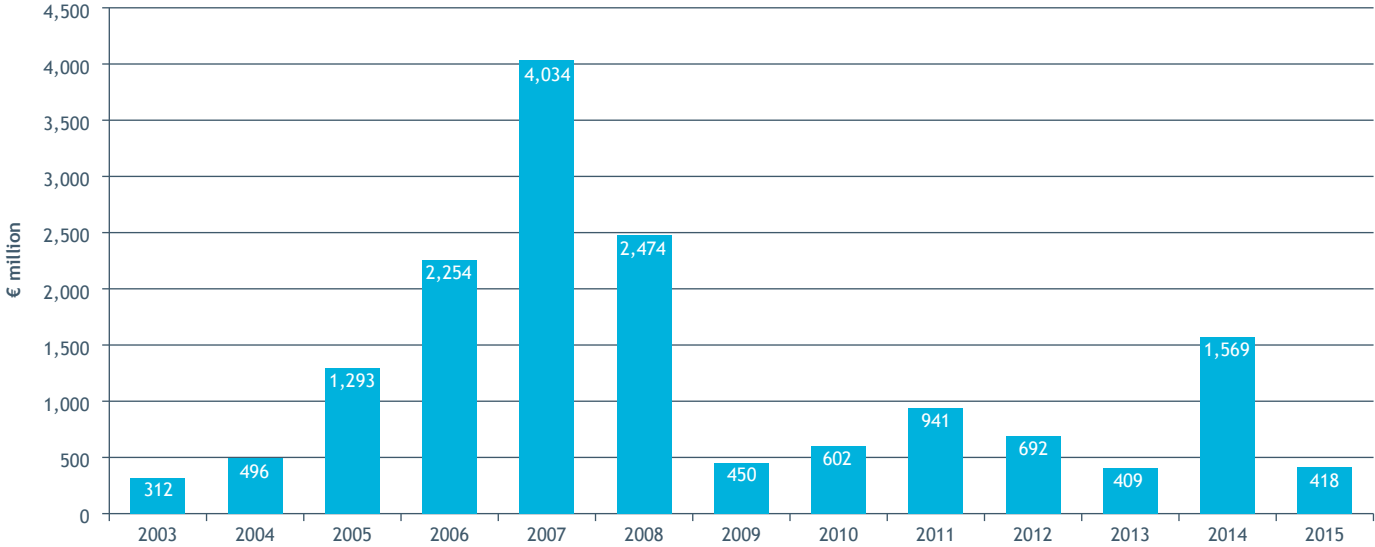
From a geographic perspective, funding sources within the CEE region contributed the largest amount of capital raised in 2015, at 57% of the total raised. This is an unusually high proportion of funding from within the region and was comprised of a broad range of sources, concentrated largely in Poland, Czech Republic and the Baltic States.

CEE venture funds raised €166 million in 2015, a level similar to 2014, and accounted for nearly 40% of all new capital raised across CEE in 2015. Buyout funds raised just €107 million, a significant drop from the year before, due to the region's larger buyout fund managers not being in the market for new funds in 2015.

The figures in this section only include private equity funds dedicated to the CEE countries and pan-European or global funds that have a clearly defined investment allocation to the CEE region. However, the universe of funds active in CEE is wider than demonstrated by these figures as other pan-European and global managers have also deployed capital in CEE, including in 2015 as covered by the investment activity section of this report.

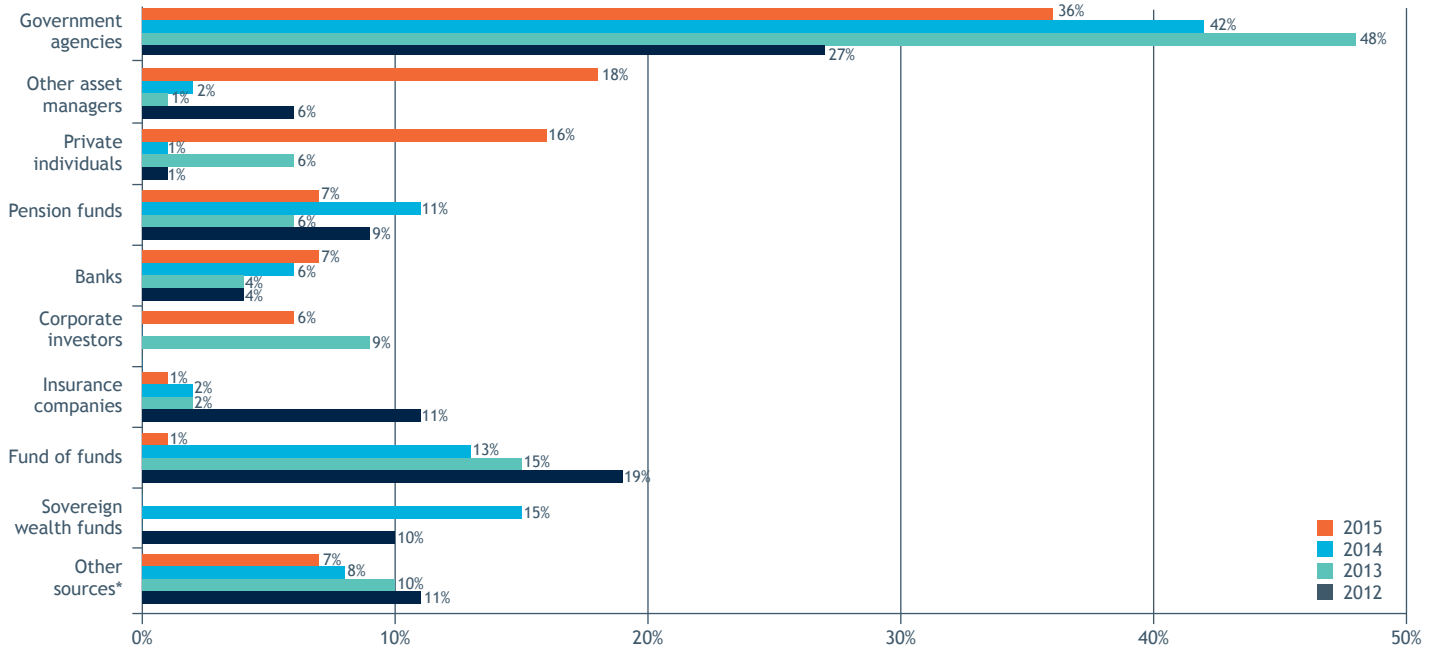
Fundraising Summary

Figure 1: Fundraising for CEE private equity, 2003-2015



Fundraising

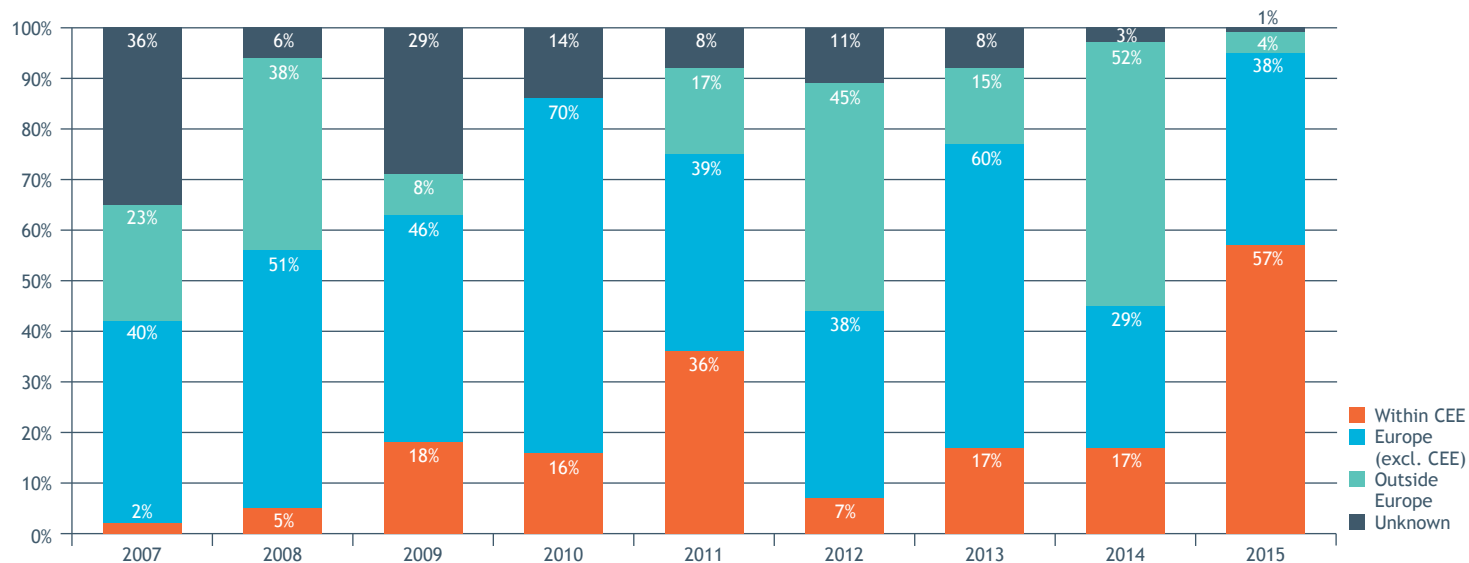
Figure 2: Sources of capital raised for CEE private equity in 2011-2015 (% of total)



*Other sources contain: Academic institutions, Capital markets, Endowments and foundations, Family offices and Unknown.

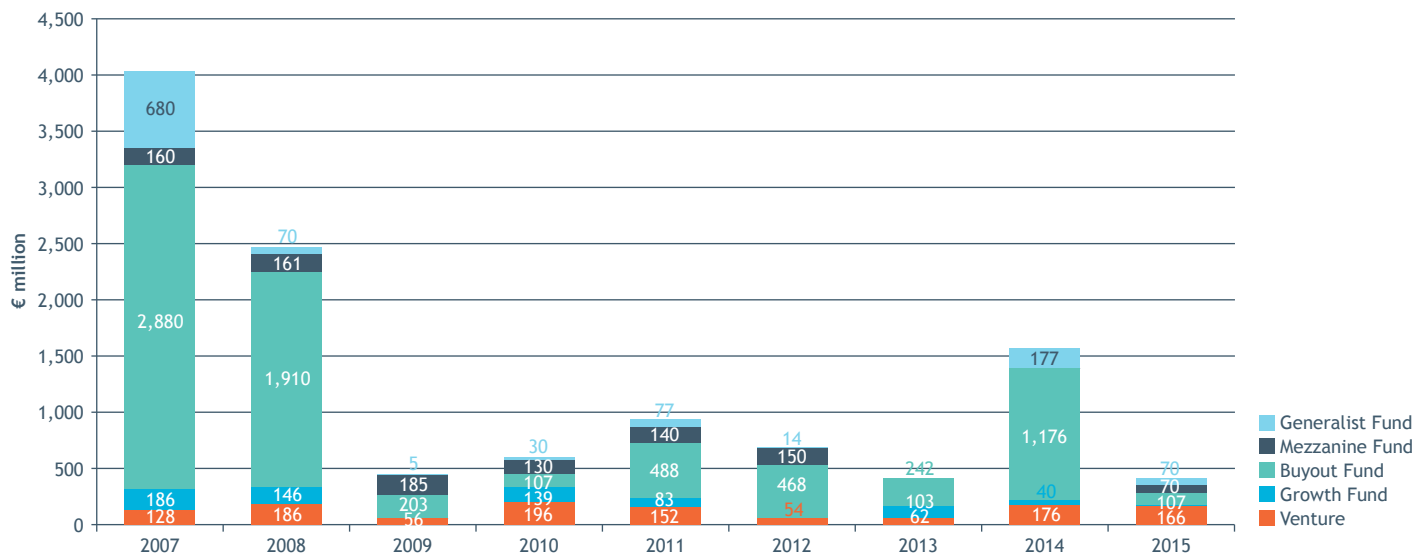
Fundraising

Figure 3: Geographic sources of funds raised for CEE private equity, 2007-2015



Fundraising

Figure 5: Fundraising by stage - incremental closings, 2007-2015



Fundraising

Table 1: CEE funds raised - incremental closings during the year
(in € thousands)

Fund stage focus	2014		2015	
	Amount	%	Amount	%
Early-stage	40,330	2.6	49,100	11.8
Later stage venture	73,770	4.7	40,280	9.6
Balanced	61,520	3.9	76,400	18.3
Total venture	175,620	11.2	165,780	39.7
Growth capital	40,000	2.5	5,000	1.2
Buyout	1,176,290	75.0	107,090	25.6
Mezzanine	0	0.0	70,000	16.8
Generalist	176,760	11.3	69,700	16.7
Total funds raised for CEE	1,568,670	100.0	417,570	100.0
Total funds raised in Europe	47,971,100		47,568,290	

Table 2: CEE funds raised - final closings in the year by independent funds - cumulative amount raised since inception (in € thousands)

Fund stage focus	2014		2015	
	Amount	Number of funds	Amount	Number of funds
Early-stage	4,700	1	0	0
Later stage venture	18,360	1	0	0
Balanced	15,730	1	0	0
Total venture	38,790	3	0	0
Growth capital	0	0	108,000	1
Buyout	807,800	1	99,600	1
Mezzanine	0	0	70,000	1
Generalist	80,200	3	0	0
Independent funds raised	926,790	7	277,600	3

Investments Summary

Private equity investment in the CEE region in 2015 reached €1.6 billion, surpassing the previous year by nearly 25%, and reaching the highest level since 2009. The number of CEE companies receiving private equity financing in 2015 was stable compared to the prior year and totalled 312.

The CEE investments growth in 2015 surpassed the overall 14% year-on-year increase in investments for Europe overall. CEE investments comprised 3.4% of total European private equity investment market in 2015.

CEE private equity investment measured as a percentage of GDP was 0.127% on average for the region in 2015 and remained below the European average of 0.302%. This gap continued despite the impressive investment performance in CEE in 2015. Notably, Serbia again ranked near the top end of Europe in this measure, reaching 0.696% of GDP invested, again driven by one large transaction in that market.

The main destinations of private equity financing in the CEE region in 2015 were Poland (54% of total value), Serbia (14% of total), Hungary (10% of total) and Romania (9% of total). These four countries made up 85% of total CEE investments by value in 2015. By number of companies financed, Poland, Hungary, the three Baltic countries and Slovakia made up 91% of the total companies receiving private equity financing in 2015.

The annual investment result in CEE can be influenced by specific large transactions and in 2015 two larger deals accounted for 37% of the total investment result in the region, similar to the impact of larger deals in 2014.

By sector, the energy and environment sector was the leading area of CEE investments in 2015, making up 32% of the total. This was followed by consumer goods and retail that comprised 29% of total investments. Communications, historically a leading sector in the region, made up only 5% of total investments in 2015.

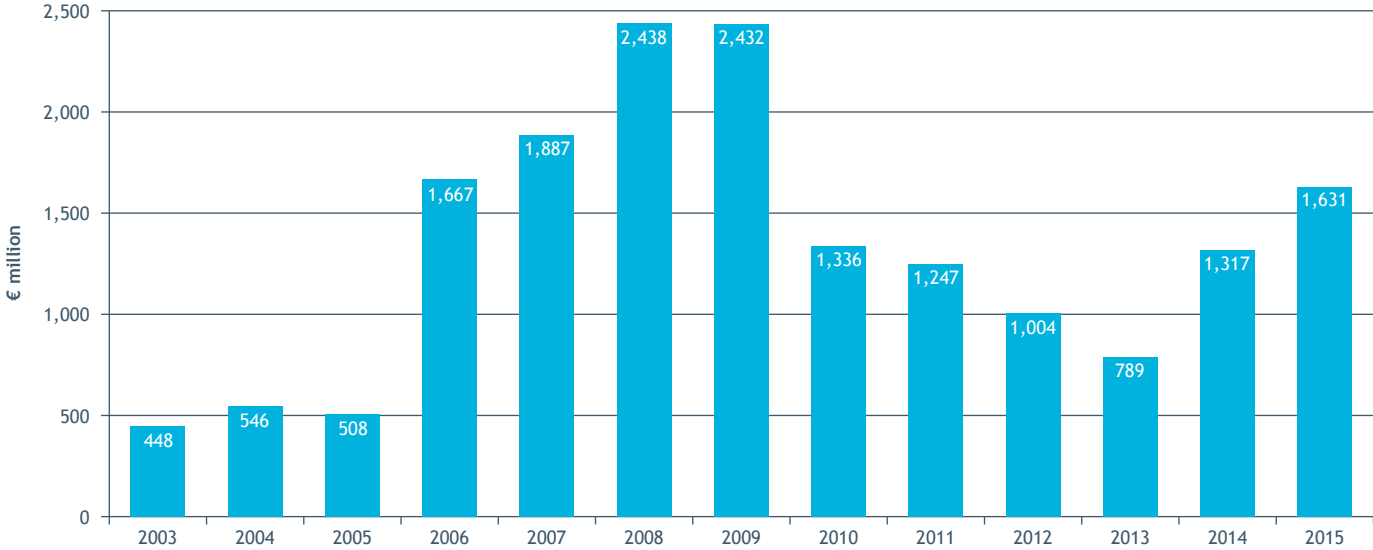
Buyouts accounted for most of the private equity investment growth in CEE in 2015, registering €1.3 billion and increasing 36% year on year. Buyouts comprised 78% of total private equity investments in CEE, similar to the 77% level seen across all of Europe in 2015. The number of CEE companies receiving buyout financing was 40 in 2015 vs 31 in 2014.

Growth investments in CEE remained stable at €229 million in 2015 with 47 companies financed.

Venture investments in CEE totalled €84 million in 2015, some 16% below 2014, mainly because of less activity in the later-stage venture segment. However, the number of companies financed by venture investments was 222 in 2015, just under the all-time high of 228 achieved in 2014.

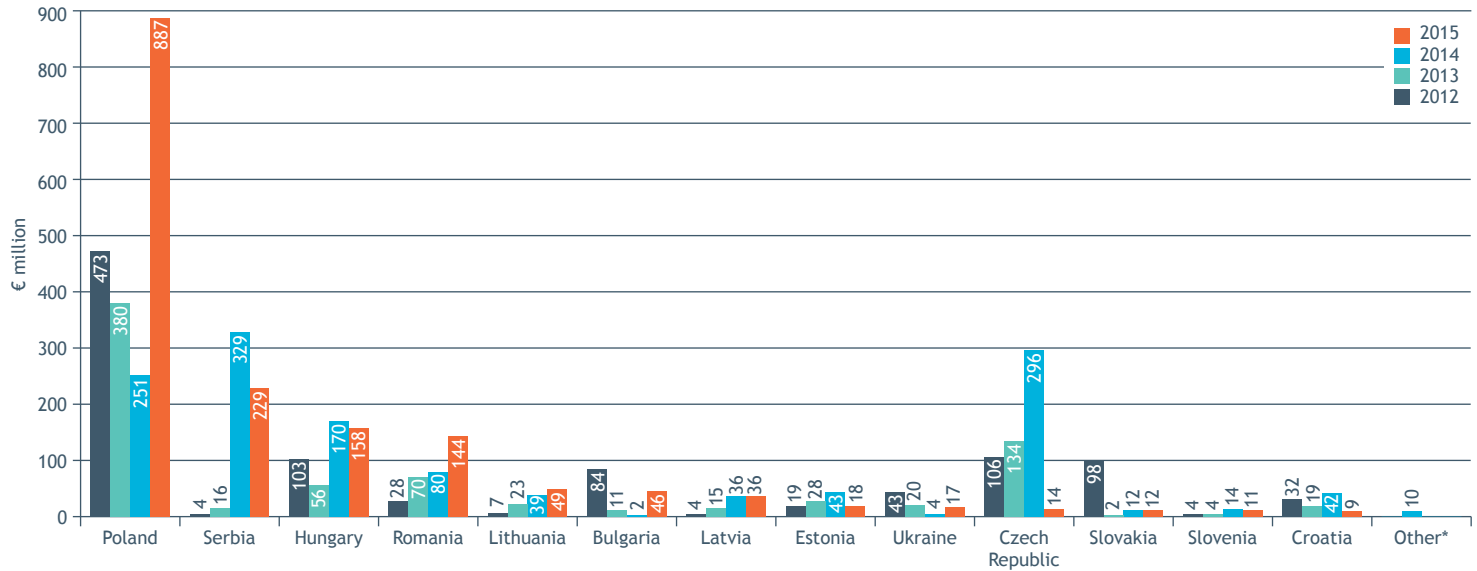
Investments

Figure 6: Annual investment value in the CEE region, 2003-2015



Investments

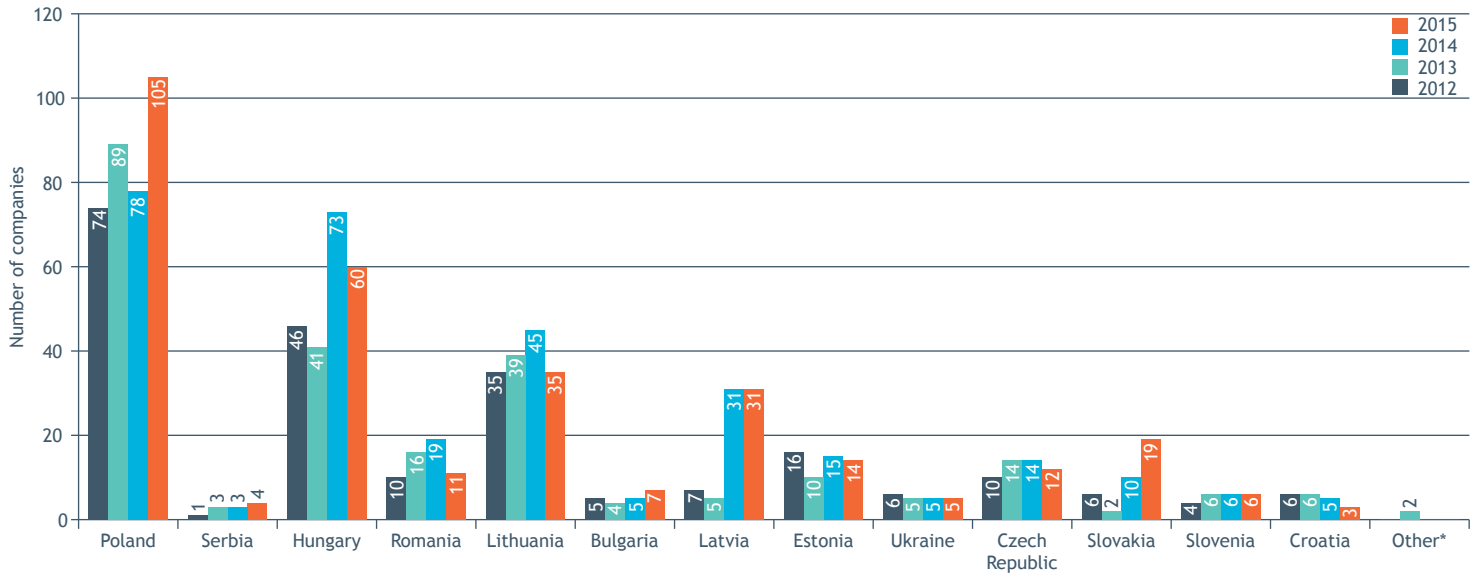
Figure 7: Annual investment value in CEE, 2012-2015



* Other consists of Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Investments

Figure 8: Annual investments in CEE, 2012-2015 (number of companies)



* Other consists of Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

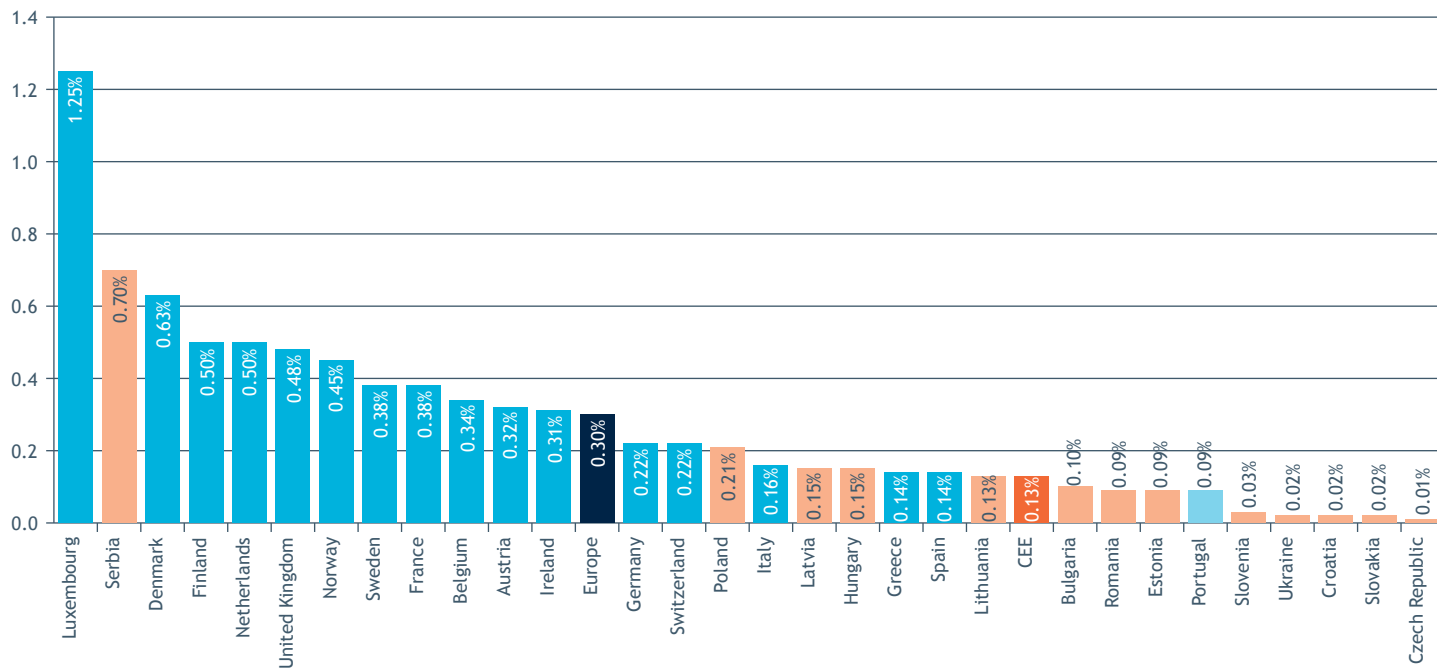
Investments

Table 3: Investments by sector, 2014-2015

	2014				2015			
	Amount (€ thousands)	%	Number of companies	%	Amount (€ thousands)	%	Number of companies	%
Agriculture	56,269	4.3	6	1.9	37,904	2.3	8	2.6
Business and industrial products	55,858	4.2	28	9.1	88,748	5.4	30	9.6
Business and industrial services	27,003	2.0	27	8.7	43,431	2.7	24	7.7
Chemicals and materials	1,133	0.1	9	2.9	1,104	0.1	8	2.6
Communications	492,688	37.4	50	16.2	73,657	4.5	42	13.5
Computer and consumer electronics	244,953	18.6	60	19.4	74,396	4.6	63	20.2
Construction	2,405	0.2	1	0.3	70	0.0	1	0.3
Consumer goods and retail	80,999	6.1	34	11.0	470,853	28.9	52	16.7
Consumer services	112,746	8.6	25	8.1	32,120	2.0	22	7.1
Energy and environment	119,062	9.0	18	5.8	523,997	32.1	14	4.5
Financial services	17,212	1.3	16	5.2	88,233	5.4	11	3.5
Life sciences	88,283	6.7	32	10.4	134,193	8.2	29	9.3
Real estate	1,158	0.1	1	0.3	7,388	0.5	2	0.6
Transportation	17,616	1.3	2	0.6	55,040	3.4	6	1.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total investment in year	1,317,384	100.0	309	100.0	1,631,135	100.0	312	100.0

Investments

Figure 10: Private equity investments as a percentage of GDP, 2015 (by country of destination of investment)



Investments

Table 4: Type of investment in CEE vs. Europe, 2015 (in € thousands)

	Total CEE	% of total	Total Europe	% of total
Seed	10,287	0.6	117,233	0.2
Start-up	54,655	3.4	2,009,506	4.2
Later-stage venture	19,285	1.2	1,678,382	3.5
Total venture	84,227	5.2	3,805,121	8.0
Growth	229,021	14.0	6,475,316	13.6
Rescue/Turnaround	0	0.0	255,071	0.5
Replacement capital	40,225	2.5	586,237	1.2
Buyout	1,277,662	78.3	36,317,141	76.6
Total 2015	1,631,135	100.0	47,438,886	100.0
Total 2014	1,317,384		41,788,056	

Table 5: Type of investment in CEE, 2014-2015 (in € thousands)

	2014		2015	
	Amount	Number of companies	Amount	Number of companies
Seed	9,415	50	10,287	59
Start-up	49,100	119	54,655	127
Later-stage venture	41,701	63	19,285	40
Total venture	100,217	228	84,227	222
Growth	234,103	45	229,021	47
Rescue/Turnaround	23,696	4	0	0
Replacement capital	22,107	2	40,225	3
Buyout	937,262	31	1,277,662	40
Total	1,317,384	309	1,631,135	312

Investments

Table 6: Type of investment by CEE country, 2014-2015 (in € thousands)

2015

Stage Focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	0	0	300	310	3,001	251	1,307	2,924	455	0	1,740	0	0	0
Start-up	1,100	1,200	1,263	2,937	18,729	5,149	7,958	10,251	0	423	4,444	1,200	0	0
Later stage venture	0	0	105	470	3,223	1,225	603	6,411	1,374	0	2,750	150	2,973	0
Total venture	1,100	1,200	1,669	3,717	24,953	6,625	9,868	19,586	1,829	423	8,934	1,350	2,973	0
Growth	4,700	7,849	8,750	6,847	38,348	28,953	35,546	79,289	2,265	0	3,000	93	13,381	0
Rescue/Turnaround	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement capital	0	0	0	0	0	0	0	40,225	0	0	0	0	0	0
Buyout	40,322	0	3,407	7,269	95,000	0	3,499	748,307	140,200	228,657	0	10,000	1,001	0
Total	46,122	9,049	13,825	17,833	158,301	35,578	48,913	887,407	144,294	229,080	11,934	11,443	17,355	0

2014

Stage Focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	1,178	0	0	1,192	1,496	310	1,570	1,820	0	0	800	1,050	0	0
Start-up	758	0	2,933	1,119	22,174	3,700	4,952	8,764	1,825	0	900	1,250	724	0
Later stage venture	397	300	2,634	5,139	8,477	1,547	3,224	11,910	3,478	0	3,000	200	1,396	0
Total venture	2,333	300	5,567	7,450	32,146	5,557	9,746	22,494	5,303	0	4,700	2,500	2,121	0
Growth	0	19,000	29,386	15,500	27,412	25,700	24,561	65,410	24,144	0	800	0	2,190	0
Rescue/Turnaround	0	22,636	0	0	0	0	0	0	1,060	0	0	0	0	0
Replacement capital	0	0	0	20,000	0	0	0	2,107	0	0	0	0	0	0
Buyout	0	0	261,001	0	110,375	4,970	4,537	161,388	49,182	328,575	6,000	11,234	0	0
Total	2,333	41,936	295,954	42,950	169,933	36,227	38,845	251,400	79,689	328,575	11,500	13,734	4,310	0

* Other consists of Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Exits Summary

Private equity exit activity across the CEE region reached €1.2 billion (measured at historical investment cost), nearly the same level as in 2014 and the third highest level ever in terms of value.

In terms of number of companies divested, CEE achieved a record level of 97 in 2015 that was well above the number of 74 achieved in 2014. The increase was driven primarily by a growth in the number of venture-backed company exits.

The value of CEE divestments in 2015 (measured at historical cost) comprised 3.1% of total divestments across all of Europe. While exits by value in CEE decreased 2.4% in 2015 versus 2014, it decreased 4.6% across all of Europe.

Poland was the most active country in terms of exits in 2015, accounting for 65% of divestments by value at historical cost and 45% of divestments by number of companies. Bulgaria was second most active in terms of divestment value, comprising 14% of the CEE total. Hungary was second most active by number of companies exited with 16% of the CEE total.

The exit activity in 2015 was influenced by 4 large exits, which together comprised 40% of the total divestment value at historical cost and took place in Bulgaria and Poland.

Trade sale was the most prominent exit route in CEE in 2015, accounting for 51% of divestment value (at historical cost). By comparison, trade sales were also the leading exit route across all of Europe but accounted for just 29% of total divestments.

Sale to another private equity house (the so-called “secondary”) was the second most used exit route in CEE in 2015 with 22% of total divestment value at cost, but still below the European comparative figure of 27%.

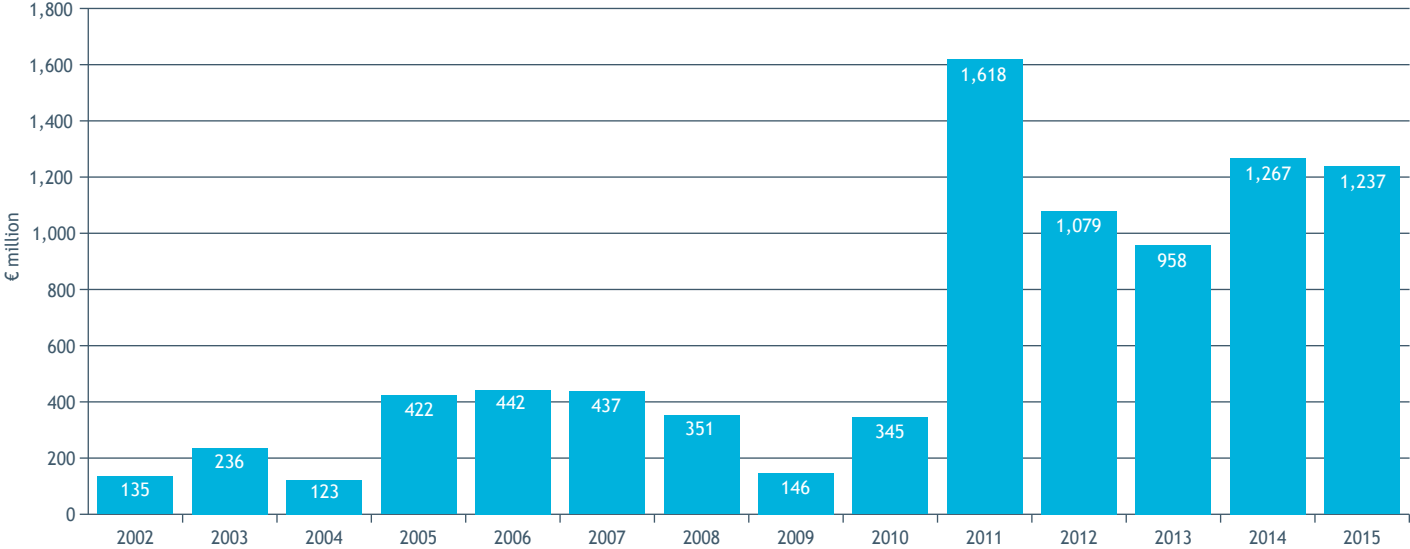
Public market exits made a strong showing across CEE in 2015, comprising 17% of total exit value at cost, a significant increase from the levels seen in prior years in the region.

Write-offs returned to their traditionally low level in 2015, with just one CEE company exit falling into this category and accounting for less than 1% of total divestment value at historical cost.

Consumer goods, retail and consumer services taken together accounted for the largest sectoral focus of CEE exits, comprising 36% of total divestment value at historical cost in 2015. Other notable sectors of exit activity were the communications sector and financial services, accounting for 20% and 15% of exit value at cost, respectively.

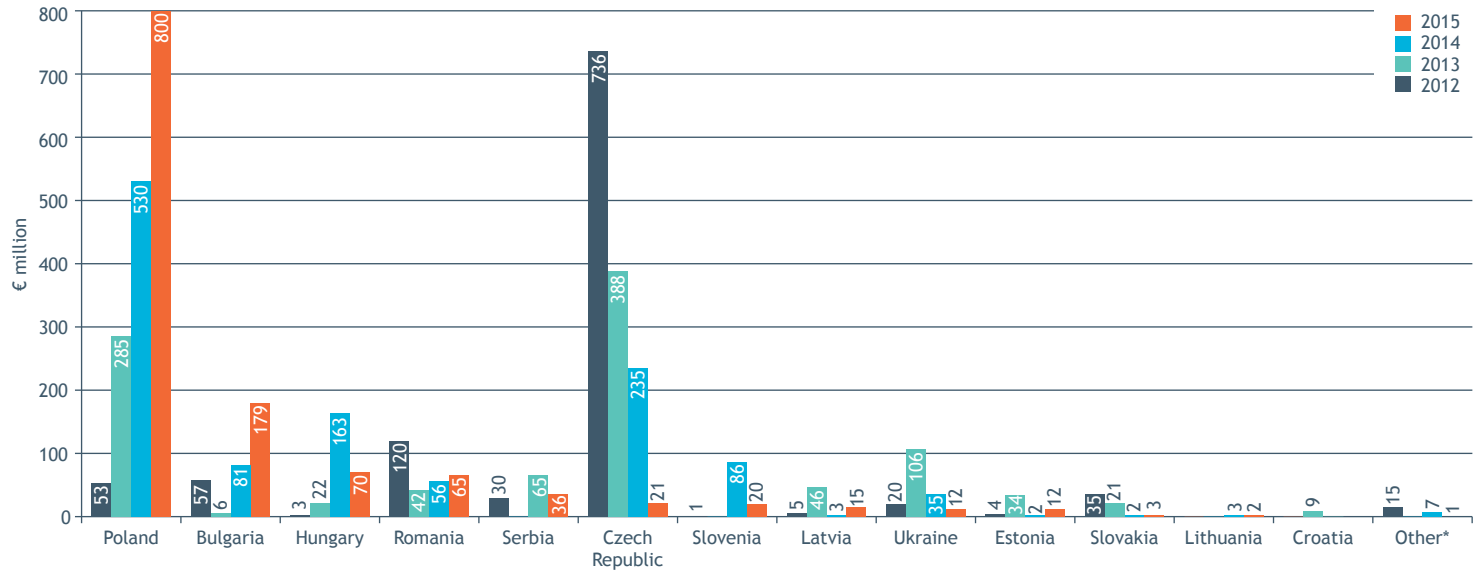
Exits Summary

Figure 11: Divestment value in CEE, 2003-2015 (exit value at investment cost)



Exits

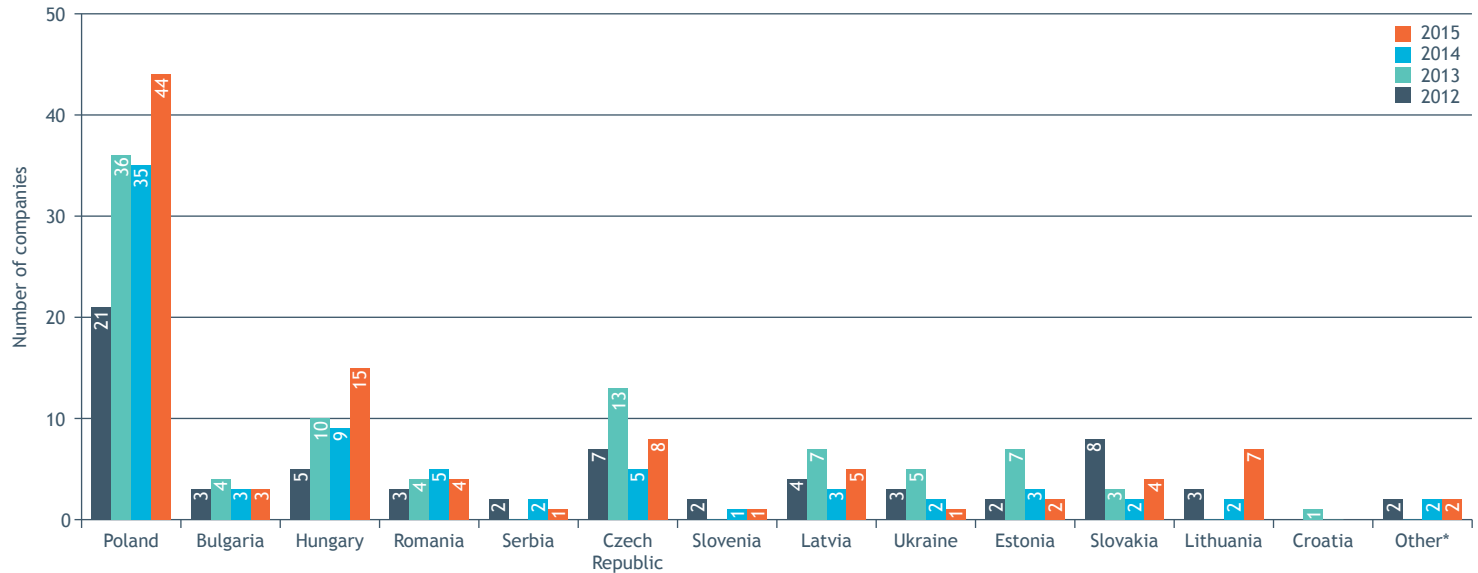
Figure 12: Divestments at cost by CEE country, 2012-2015 (exit value at investment cost)



* Other consists of Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Exits

Figure 13: Divestments at cost by CEE country, 2012-2015 (number of companies)



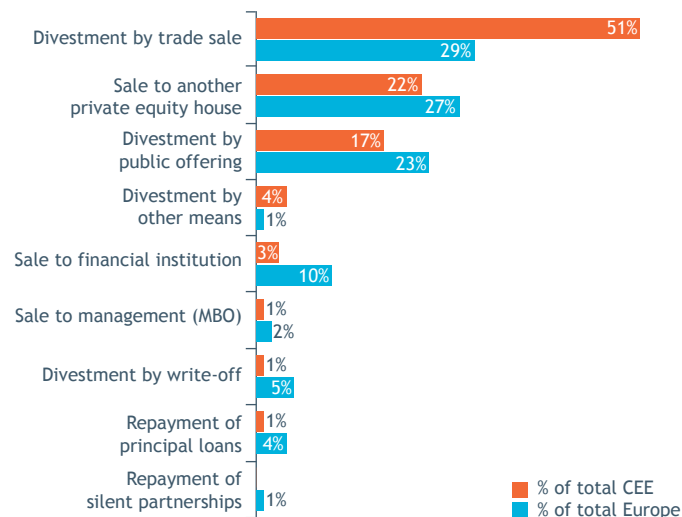
* Other consists of Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Exits

Table 7: Exits in CEE, 2014-2015 (in € thousands)

	2014		2015	
	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	367,598	24	634,198	39
Divestment by public offering	67,852	11	205,813	7
<i>Divestment on flotation (IPO)</i>	48,422	5	34,273	2
<i>Sale of quoted equity</i>	19,430	6	171,540	5
Divestment by write-off	105,118	3	7,050	1
Repayment of silent partnerships	0	0	477	1
Repayment of principal loans	25,208	8	6,414	12
Sale to another private equity house	271,746	4	278,005	7
Sale to financial institution	337,685	5	37,084	5
Sale to management (MBO)	61,210	17	16,623	20
Divestment by other means	30,964	4	51,438	6
Total CEE	1,267,382	74	1,237,102	97
Total Europe	38,667,725	2,432	40,458,754	2,487

Figure 14: Exits routes in CEE vs. total Europe, 2015 (% of exit value at investment cost)



Exits

Table 8: CEE divestments by sector, 2014-2015 (exit value at investment cost)

	2014				2015			
	Amount (€ thousands)	%	Number of companies	%	Amount (€ thousands)	%	Number of companies	%
Agriculture	0	-	0	-	0	-	0	-
Business and industrial products	113,956	9.0	14	18.9	111,221	9.0	15	15.6
Business and industrial services	27,191	2.1	4	5.4	37,025	3.0	5	5.2
Chemicals and materials	7,740	0.6	5	6.8	33,381	2.7	2	2.1
Communications	587,800	46.4	9	12.2	251,415	20.3	15	15.6
Computer and consumer electronics	23,556	1.9	10	13.5	35,262	2.9	10	10.4
Construction	1,400	0.1	1	1.4	499	0.0	1	1.0
Consumer goods and retail	143,566	11.3	8	10.8	302,101	24.4	14	14.6
Consumer services	3,922	0.3	2	2.7	139,426	11.3	3	3.1
Energy and environment	15,026	1.2	5	6.8	56,071	4.5	9	9.4
Financial services	69,708	5.5	5	6.8	187,313	15.2	10	10.4
Life sciences	232,586	18.4	9	12.2	73,899	6.0	9	9.4
Real estate	0	-	0	-	2,270	0.2	1	1.0
Transportation	40,929	3.2	2	2.7	5,836	0.5	2	2.1
Unknown	0	-	0	-	0	-	0	-
Total divestment in year	1,267,382	100.0	74	100.0	1,235,720	100.0	96	100.0

The CEE venture capital market

CEE venture capital investments totalled €84 million in 2015, a 16% decrease versus the prior year, but in line with the prior five year annual average. At the same time, the number of CEE companies that received venture financing was stable at an impressive 222 in 2015 compared to 228 in 2014, which was an all-time high.

The CEE share of total European venture investment value was 2.2% in 2015 compared with 2.7% in 2014. Meanwhile, the CEE region accounted for 7.8% of total European companies receiving venture capital financing in 2014 versus 6.5% the previous year.

The venture capital sector accounted for 5% of the CEE region's total private equity investments by value and 72% by number of companies.

The average venture capital investment per company in CEE was €0.38 million in 2015. For comparison, the average venture capital investment per company across the whole of Europe in 2015 was €1.3 million.

Start-up investments continued to make up the largest part of the CEE venture market in 2015, comprising 65% of investment value and 57% of companies financed in the total venture segment.

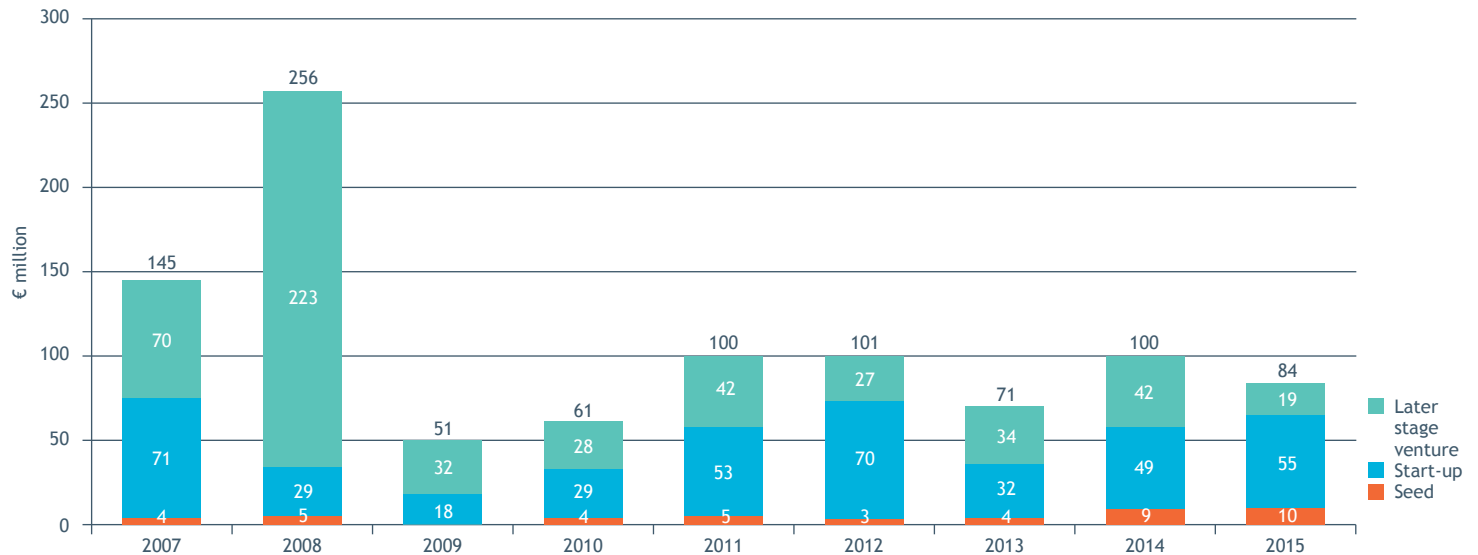
By country, the most active venture market in CEE in 2015 continued to be Hungary, attracting €25 million or 30% of the year's venture investments by value, whereas Poland attracted €20 million or 23% of the total. These two countries also comprised the leading markets by number of companies financed with venture capital, at 62 in Poland and 57 in Hungary, together making up over half of the region's venture financed companies during the year.

By sector, computer and consumer electronics was the leader, attracting 26% of total venture investments by value in 2015 in CEE. Following that, communications accounted for 15%, life sciences for 12% and consumer goods & retail for 11%.

Investments in the CEE venture capital sector grew 17% in 2015 to reach €49 million in value measured at historical cost. Furthermore, the number of venture-backed companies exited in 2015 increased significantly to 39 from 19 the year prior. The most prominent exit route was trade sale, which accounted for 82% of exits by value at historical cost. The most exited sector was by far communications, with 71% of total CEE venture exit value at historical cost in 2015.

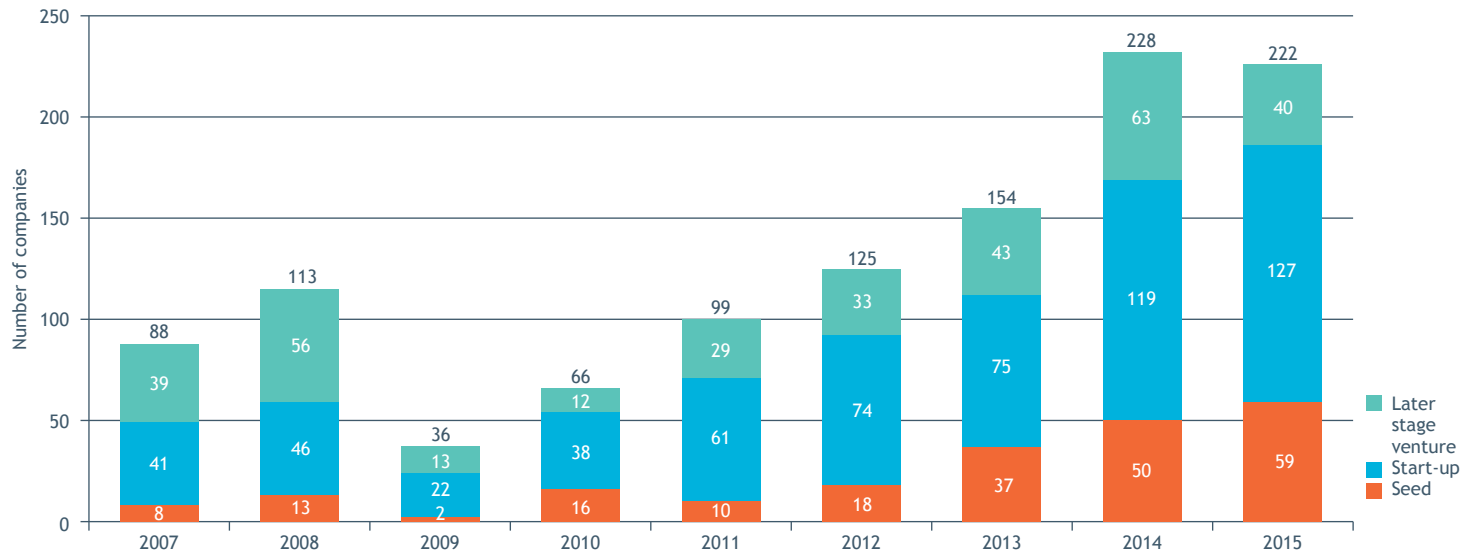
The CEE venture capital market

Figure 15: CEE venture capital investments by stage, 2007-2015



The CEE venture capital market

Figure 16: CEE venture capital investments by stage, 2007-2015 (number of companies)



The CEE venture capital market

Table 9: CEE venture capital investments by sector, 2014-2015

	2014				2015			
	Amount (€ thousands)	%	Number of companies	%	Amount (€ thousands)	%	Number of companies	%
Agriculture	419	0.4	2	0.9	2,462	2.8	5	2.2
Business and industrial products	7,935	7.3	19	7.6	5,603	6.1	18	7.3
Business and industrial services	9,635	8.2	20	7.4	6,946	7.0	18	6.8
Chemicals and materials	1,133	0.9	9	3.2	1,104	1.1	8	3.0
Communications	21,119	15.0	37	11.7	12,633	11.2	35	11.4
Computer and consumer electronics	18,897	11.9	53	14.4	21,854	16.2	50	14.0
Construction	0	-	0	-	70	0.1	1	0.3
Consumer goods and retail	13,772	8.0	26	6.6	9,430	6.5	32	8.2
Consumer services: other	10,832	5.9	15	3.7	7,373	4.9	16	4.0
Energy and environment	4,263	2.3	10	2.4	756	0.5	7	1.7
Financial services	3,696	1.9	13	3.0	2,440	1.6	5	1.2
Life sciences	7,244	3.6	22	4.8	10,425	6.3	24	5.4
Real estate	1,158	0.6	1	0.2	119	0.1	1	0.2
Transportation	114	0.1	1	0.2	3,012	1.8	2	0.5
Unknown	0	-	0	-	0	-	0	-
Total investment	100,217	100.0	228	100.0	84,227	100.0	222	100.0

The CEE venture capital market

Table 10: CEE venture capital divestments by exit route, 2014-2015 (exit value at investment cost, in € thousands)

	2014		2015	
	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	24,728	6	39,609	16
Divestment by public offering	1,400	1	0	0
<i>Divestment on flotation (IPO)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Sale of quoted equity</i>	<i>1,400</i>	<i>1</i>	<i>0</i>	<i>0</i>
Divestment by write-off	1,892	2	0	0
Repayment of silent partnerships	0	0	477	1
Repayment of principal loans	843	3	1,943	5
Sale to another private equity house	0	0	0	0
Sale to financial institution	7,250	1	0	0
Sale to management (MBO)	5,437	7	4,018	14
Divestment by other means	0	0	2,570	3
Total divestment in year	41,550	19	48,616	39

The CEE buyout and growth market

Total buyout & growth investments in the CEE region in 2015 increased to €1.5 billion invested into 90 companies. This represents a 27% increase in value compared with 2014, along with an 11% increase in the number of CEE companies financed.

CEE's share of the overall European buyout & growth segment in 2015 measured by value of investments was 3.5%, compared to 3.2% in 2014.

Buyout was the largest sub-segment, registering €1.3 billion of investment value in 2015 across the CEE region, and was the largest growth driver compared to 2014, showing an increase of €340 million year-on-year. The number of companies financed with buyouts grew significantly in 2015 to 40 from 31 the year before. The results in the buyout segment were influenced by two large-sized transactions that together accounted for €600 million of investment, one in Poland and one in Serbia.

Within buyout, mid-market transactions were again the key focus in 2015 in CEE, registering €701 million invested across 8 companies, with one transaction comprising more than half of the value. By number of companies, small buyouts led with 31 CEE companies involved in €376 million of small buyout transactions in 2015. In the large and mega buyout segment, there was just one large buyout in 2015 compared to one mega buyout in 2014.

Growth investments were stable in 2015 compared to 2014 and amounted to €229 million among 47 companies.

The main countries in the CEE buyout & growth segment in 2015 were Poland with €867 million, Serbia with €229 million, Romania with €142 million and Hungary with €133 million. These four countries accounted for just under 90% of total buyout & growth investments in CEE in 2015.

The sectors attracting the most CEE buyout & growth investment in 2015 were energy & environment (€523 million, 34% of total), consumer goods & retail (€461 million, 30% of total) and life sciences (€124 million, 8% of total).

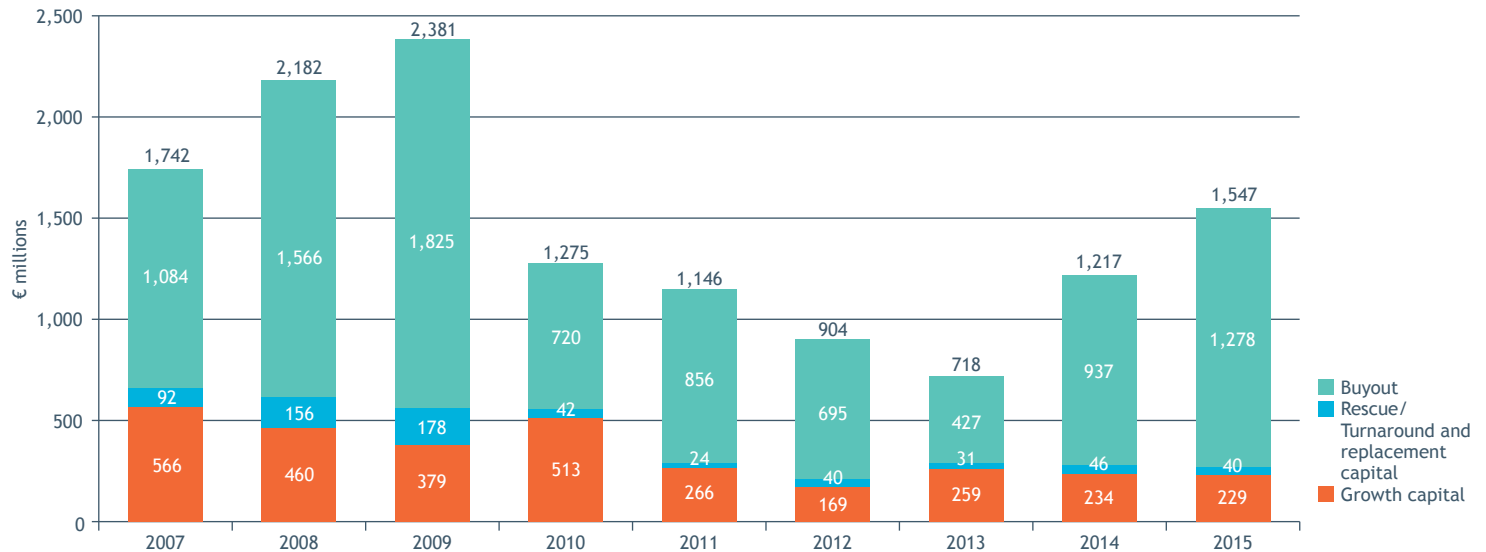
Exits in the buyout & growth segment in CEE were largely stable in 2015 compared to 2014 and amounted to €1.2 billion (measured at historical investment cost) among 58 companies. The most popular exit routes were trade sales (50% of total value at cost), sale to another private equity house (23% of total value at cost) and public markets (17% of total value at cost).

The most exited sectors in the buyout & growth segment in CEE during 2015 were consumer goods & retail (€300 million, 25% of total), communications (€217 million, 18% of total), financial services (€186 million, 16% of total) and consumer services (€139 million, 12% of total). All the preceding amounts are stated at historical cost.

Note: For the purposes of this section and unless otherwise stated, “**buyout & growth**” refers collectively to buyouts, growth capital, rescue/turnaround and replacement capital transaction. This definition is consistent with prior years' editions of this paper.

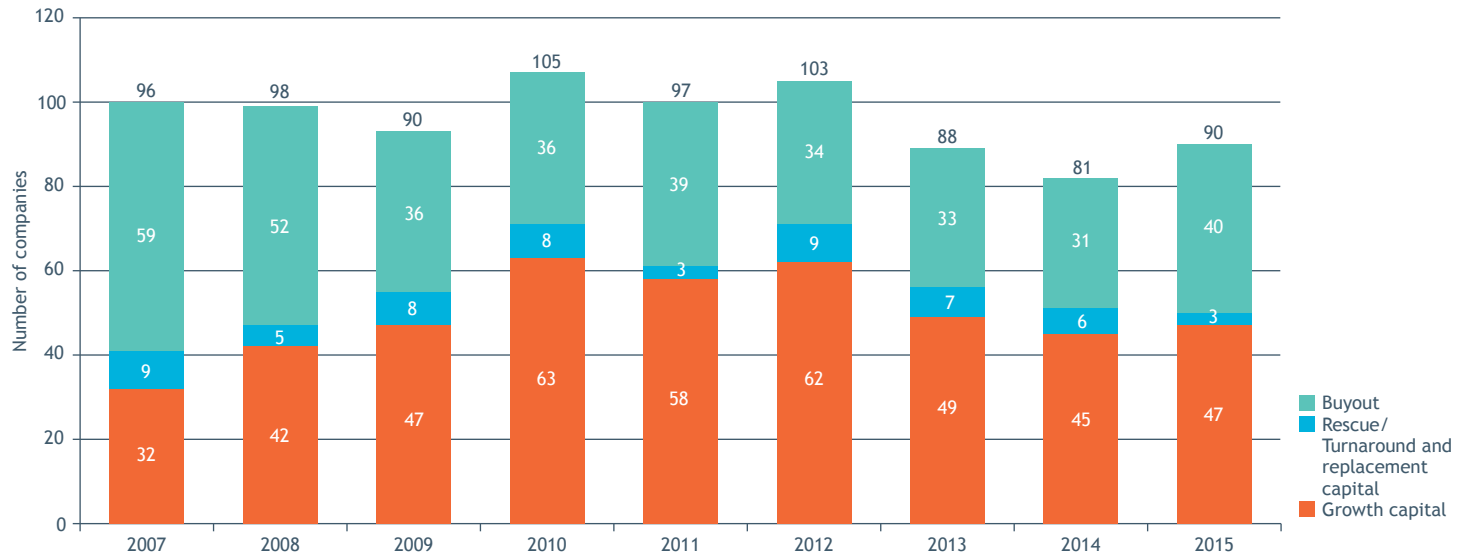
The CEE buyout and growth market

Figure 18: CEE buyout & growth investments by type, 2007-2015 (in € millions)



The CEE buyout and growth market

Figure 19: CEE buyout & growth investments by type, 2007-2015 (number of companies)



The CEE buyout and growth market

Table 11: Equity and transaction value by type of buyout, 2014-2015 (in € thousands)

2015

	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	376,101	30%	31	78%	497,661	21%	76%
Mid-market	700,561	55%	8	20%	1,262,793	54%	56%
Large and mega	201,000	16%	1	2%	575,000	25%	35%
Total buyout	1,277,662	100%	40	100%	2,335,454	100%	

2014

	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	265,826	28%	26	84%	395,320	18%	67%
Mid-market	348,436	37%	4	13%	772,536	36%	45%
Large and mega	323,000	35%	1	3%	1,000,000	46%	32%
Total buyout	937,262	100%	31	100%	2,167,856	100%	

Type of Transaction: Transaction Value (€):

Small <50m
 Mid-market 50m<x<500m
 Large 500m<x<1000m
 Mega x>1000m

The CEE buyout and growth market

Table 12: CEE buyout & growth investments by sector, 2014-2015

	2014				2015			
	Amount (€ thousands)	%	Number of companies	%	Amount (€ thousands)	%	Number of companies	%
Agriculture	55,850	4.6	4	4.9	35,442	2.3	3	3.3
Business and industrial products	47,923	3.9	9	11.1	83,145	5.4	12	13.3
Business and industrial services	17,368	1.4	7	8.6	36,485	2.4	6	6.7
Chemicals and materials	0	0.0	0	0.0	0	0.0	0	0.0
Communications	471,568	38.7	13	16.0	61,024	3.9	7	7.8
Computer and consumer electronics	226,056	18.6	7	8.6	52,541	3.4	13	14.4
Construction	2,405	0.2	1	1.2	0	0.0	0	0.0
Consumer goods and retail	67,226	5.5	8	9.9	461,424	29.8	20	22.2
Consumer services: other	101,915	8.4	10	12.3	24,747	1.6	6	6.7
Energy and environment	114,799	9.4	8	9.9	523,241	33.8	7	7.8
Financial services	13,516	1.1	3	3.7	85,793	5.5	6	6.7
Life sciences	81,039	6.7	10	12.3	123,768	8.0	5	5.6
Real estate	0	0.0	0	0.0	7,269	0.5	1	1.1
Transportation	17,502	1.4	1	1.2	52,028	3.4	4	4.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total investment	1,217,167	100.0	81	100.0	1,546,908	100.0	90	100.0

The CEE buyout and growth market

Table 13: CEE buyout & growth divestments by exit route, 2014-2015
(exit value at investment cost, in € thousands)

	2014		2015	
	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	342,870	18	594,588	23
Divestment by public offering	66,452	10	205,813	7
<i>Divestment on flotation (IPO)</i>	48,422	5	34,273	2
<i>Sale of quoted equity</i>	18,030	5	171,540	5
Divestment by write-off	103,226	1	7,050	1
Repayment of silent partnerships	0	0	0	0
Repayment of principal loans	24,365	5	4,471	7
Sale to another private equity house	271,746	4	278,005	7
Sale to financial institution	330,435	4	37,084	5
Sale to management (MBO)	55,773	10	12,606	6
Divestment by other means	30,964	4	48,869	3
Total divestment in year	1,225,831	55	1,188,486	58

Appendix - Amendments of prior years' statistics

All data from 2007 through 2015 reported in this publication is based on the PEREP_Analytics database, which is continuously updated and therefore subject to change. Continual updating achieves the highest level of accuracy. However, the results depend on the timely, complete and accurate submissions of information from private equity fund managers. In order to ensure the highest standards of data quality, all data collected by PEREP_Analytics since 2007 was reviewed and if necessary restated for this publication.

The data contained in this report does not contain major re-statements of prior years' statistics. Nearly all changes to prior years' results are in 2014 only and the most material amendment is the reduction of fundraising in 2014 by €96 million in the generalist fund category. Other changes are deemed non-material. The 2014 restatements include new information on active Latvia-based investors that have an impact on the Baltic region venture market. Additional information also became available for Estonia, Serbia, Croatia and Bulgaria.

Appendix - Methodology

Fundraising

The vast majority of private equity funds for CEE are raised for the region as a whole rather than for any specific country. Therefore, fundraising is presented in this paper as a total pool of capital raised for the region. Moreover, fundraising is limited to capital raised by funds that have declared CEE to be their target region. The data does not include those funds that may allocate a portion of their capital to the CEE region but whose primary focus is elsewhere.

The funds included in the statistics are:

- > private equity funds making direct private equity investments
- > mezzanine private equity funds
- > direct co-investment funds
- > rescue/turnaround funds

The following funds are excluded from the statistics:

- > infrastructure funds
- > real estate funds
- > distress debt funds
- > primary funds-of-funds
- > secondary funds-of-funds

Geographical sources of funds

Capital raised from an LP located in the same country as the fund it commits to is usually considered to be domestically raised according to the Invest Europe classification. However, the CEE fundraising data includes private equity funds located outside of CEE but fully dedicated to the CEE region (e.g. a UK-based fund focused on the CEE region).

For the purposes of this report, domestic fundraising (“Within CEE” category) only includes capital raised from CEE-based LPs, regardless of the location of the private equity fund itself. We believe this gives the most accurate picture of actual commitments made by CEE-based LPs to CEE-focused funds.

Industry statistics are an aggregation of figures according to the country of the private equity firm’s office in charge of the investment or divestment. At the European level, this relates to investments or divestments made by European private equity firms regardless of the location of the portfolio company.

Market statistics are an aggregation of figures according to the location of the portfolio company. At the European level, this relates to investments or divestments in European companies regardless of the location of the private equity firm.

Equity value: The amount of capital invested to acquire shares in an enterprise. The equity value includes equity, quasi-equity, mezzanine, unsecured debt and secured debt provided by the private equity firm. No co-investments by LPs are included.

Divestment amounts (including write-offs) are recorded at cost (i.e. the total amount divested is equal to the total amount invested earlier).

Appendix - Definitions Fundraising

Fund stage focus

- > **Balanced fund:** A venture capital fund focused on both early-stage and development financing, with no particular concentration on either.
- > **Buyout fund:** A fund whose strategy is predominantly to acquire controlling stakes in established companies.
- > **Early-stage fund:** A venture capital fund focused on investing in companies in their primary development stage.
- > **Generalist fund:** A fund with either a stated focus of investing in all stages of venture capital and private equity investment, or with a broad area of investment activity.
- > **Growth fund:** Funds whose strategy is to invest in relatively mature companies that are looking for capital to expand or restructure operations.
- > **Later-stage fund:** A venture capital fund focused on investing in later-stage companies in need of expansion capital.
- > **Mezzanine fund:** A fund that provides (generally subordinated) debt to facilitate the financing of buyouts, frequently alongside a right to some of the equity upside.

Types of investors

- > **Corporate investor:** Corporations that deliver non-financial products and services.
- > **Endowment:** An institution that is bestowed money (and possibly other assets) via a donation with the stipulation to invest it and use the gains for specific objectives so that the principal remains intact.
- > **Family office:** An office that provides investment management and other financial services to one or several families.
- > **Foundation:** A non-profit organisation through which private wealth is contributed and distributed for public or charitable purposes.
- > **Fund of funds:** A private equity fund that primarily takes equity positions in other funds.
- > **Government agencies:** Country, regional, governmental and European agencies or institutions for innovation and development (including structures such as the EBRD or EIF).
- > **Other asset managers:** Financial institutions (other than bank, endowment, family office, foundation, insurance company or pension fund) managing a pool of capital by investing it across asset classes to generate financial returns.
- > **Pension fund:** A pension fund that is regulated under private or public sector law.
- > **Sovereign wealth fund:** State-owned investment fund managing a pool of money derived from a country's reserves.

Independent and captive funds

- > **Captive funds:** Funds that are 100% owned by the parent organisation.
- > **Independent funds:** Semi-captive funds (those in which the parent owns less than

Appendix - Definitions Investments

Venture capital

- > **Seed:** Financing provided to research, assess and develop an initial concept before a business has reached the start-up phase.
 - > **Start-up:** Financing provided to companies for product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially.
 - > **Later-stage financing:** Financing provided for the expansion of an operating company, which may or may not be breaking even or trading profitably. Later-stage venture tends to finance companies already backed by venture capital firms.
-

Growth

- > A type of private equity investment - most often a minority investment but not necessarily - in relatively mature companies that are looking for capital to expand operations, restructure operations or enter new markets.
-

Buyout

- > Financing provided to acquire a company. It may use a significant amount of borrowed money to meet the cost of acquisition.
-

Rescue/Turnaround

- > Financing made available to an existing business, which has experienced trading difficulties, with a view to re-establishing prosperity.
-

Replacement capital

- > The purchase of a minority stake of existing shares in a company from another private equity firm or from another shareholder or shareholders.
-

Appendix - Definitions Exits

- > **Initial public offering (IPO):** The sale or distribution of a company's shares to the public for the first time by listing the company on the stock exchange.
- > **Repayment of principal loans:** If a private equity firm provided loans or purchased preference shares in the company at the time of the investment, then their repayment according to the amortisation schedule represents a decrease of the financial claim of the firm into the company, and hence a divestment.
- > **Repayment of silent partnership:** A silent partnership is a type of mezzanine financing instrument. It is similar to a long-term bank loan but, in contrast to a loan, a silent partnership is subject to a subordination clause, so that in the event of insolvency all other creditors are paid before the silent partner. The company has to repay the partnership and has to pay interest and possibly a profit-related compensation. The subordination clause gives the capital the status of equity despite its loan character. This financing instrument is frequently used in Germany.
- > **Sale of quoted equity:** The sale of quoted shares only if connected to a former private equity investment, e.g. sale of quoted shares after a lock-up period.
- > **Sale to another private equity firm:** The sale of company shares to another direct private equity firm.
- > **Sale to financial institution:** The sale of a company's shares to banks, insurance companies, pension funds, endowments, foundations and other asset managers other than private equity firms.
- > **Trade sale:** The sale of a company's shares to an industrial investor.
- > **Write-off:** The total or partial write-down of a portfolio company's value to zero or a symbolic amount (sale for a nominal amount) with the consequent exit from the company or reduction of the shares owned. The value of the investment is eliminated and the return to investors is a full or partial loss.

About Gide Loyrette Nouel

Founded in Paris in 1920, Gide Loyrette Nouel operates today from 14 offices on four continents: Europe, with a focus on Central and Eastern Europe, as well as Asia, North America and Africa. With its 20 years of experience in Central and Eastern Europe, Gide is well-established as a law firm in this area, known for advising on all aspects of business and finance law.

Gide has marked its presence throughout Central and Eastern Europe, with offices in Warsaw (since 1991), Moscow (since 1993), and Istanbul (since 1997). Our local teams can also call upon our Central and Eastern Europe Desk, as well as a network of local partner firms.

Central and Eastern Europe, although perceived by investors as one market, comprises many different jurisdictions. Therefore, setting up and doing business in this region requires an in-depth knowledge of local regulations and specific market conditions. The organisation of Gide Loyrette Nouel's business in this region allows it to perfectly meet the needs and expectations of institutions, investors and other companies operating on the CEE market.

Private Equity

Gide Loyrette Nouel has an extensive private equity practice and is one of the leading legal teams advising on all forms of private equity transactions. The Private Equity Group's expertise covers increasingly complex corporate, financial, regulatory, tax and contractual legal issues that affect private equity funds, their sponsors and investors. We have experience in all types of private equity investment vehicles, including leveraged buyout funds, venture capital funds and real estate funds, and we advise numerous international and local investors, sponsors, management teams and industrial players on all forms of transactions involving private equity and real estate funds, from the provision of capital to start-up businesses and early-stage financing over the acquisition of properties to the largest pan-European LBOs.

We also offer full assistance in the context of recapitalisation transactions, build-ups and exits. The Private Equity Group has a recognised expertise in assisting numerous investment bankers, senior, mezzanine and "bridge" lenders with arranging complex bank financing projects for LBOs and real estate transactions.

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