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RESEARCH

2020 Central & Eastern Europe **PRIVATE EQUITY STATISTICS**

Statistics on Fundraising, Investments, & Divestments

June 2021

In partnership with

GIDE
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Invest Europe

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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 (CEE) in 2020 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 CEE due to the significant activity 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, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. These countries had a total population of about 159 million and registered a total GDP of €1.66 trillion in 2020.

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.

- > The European Data Cooperative (EDC) is a joint initiative developed by Invest Europe and its national association partners to collect Europe-wide industry activity on fundraising, investments and divestments.
- > The EDC platform is jointly owned and operated by the private equity and venture capital associations across Europe. Using one platform with a standardised methodology allows us to have consistent, robust pan-European statistics that are comparable across the region. As a result, we produce the most comprehensive overview of Europe's private equity and venture capital markets available, allowing us to better inform fund managers, investors, policymakers, regulators and other stakeholders. These efforts enhance Invest Europe's goal to be the most trusted and comprehensive source of European private equity and venture capital market data.
- > The EDC replaces Invest Europe's previous database PEREP_Analytics. All relevant

historic data was migrated to the EDC system.

- > All data since 2007 was restated and complemented with additional information. The compilation of the data is conducted in close coordination with data contributors and partnering national associations to ensure the best coverage and consistent application of methodology and definitions.
- > Invest Europe processes all available information at the time of the data collection cut-off to produce its annual statistics. Any differences between Invest Europe's statistics and those of other associations partnering in the EDC may be related to different reporting approaches, their own restatements and different timing of data collection cut-offs.

For further information and more comprehensive data, please contact Invest Europe Research (research@investeurope.eu) or visit www.investeurope.eu/research

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Foreword



Eric de Montgolfier
CEO, Invest Europe



Bill Watson
Chair, CEE Task Force, Invest Europe

Central and Eastern Europe occupies a unique position in the European investment landscape. A region with fast growing economies and increasing economic influence, CEE benefits from long-term trends in convergence and integration that make it an unmissable opportunity for investors. Together with our sponsors, Gide Loyrette Nouel, Invest Europe is pleased to present the 17th annual CEE Statistics report, highlighting the activity and trends in private equity in the region.

Like the rest of Europe, CEE's 2020 private equity activity levels were not immune to the effects of the COVID-19 crisis. However, behind the headline fall in investment value and incremental fundraising, private equity investment in CEE reached a record 566 companies in 2020, up 15% on 2019's previous record, and 46% above the annual average for 2015-2019. Venture capital investment, driving much of this activity, continued near record 2019 levels as developing local eco-systems and more available capital encouraged activity. The number of divestments in 2020 was one more than in 2019, demonstrating the continued attractiveness of the region. The region's managers remained very busy despite the constraints.

While this year's statistic report captures the numbers, there is considerably more behind the figures. Invest Europe's Private Equity in CEE report, published in February, shone a light on

many of the CEE investments that have provided outstanding returns in recent years. The Private Equity at Work report showed CEE private equity with one of the highest job creation records in Europe. In the press, the listing of software group UiPath, founded in Bucharest, earlier this year in New York at a \$28 billion "valuation" encapsulates the potential behind the growing venture capital activity in the region. The listing of private equity backed Allegro on the Warsaw Stock Exchange in October 2020, the largest e-commerce debut in Europe, propelled investors' imagination as to the potential from increasing digitalization in the region.

Today, private equity in CEE has more than three decades of experience and success behind it. Over that time, the industry has shown its ability to grow, develop and adapt. While this report presents the statistics, investors will find much more behind the numbers in this dynamic and integral part of Europe.

Eric de Montgolfier
CEO,
Invest Europe

Bill Watson
Chair,
CEE Task Force,
Invest Europe

Executive Summary

Fundraising activity

Total fundraising in Central and Eastern Europe (CEE) stood at €1 billion in 2020, a 33% decrease from 2019.

- > CEE's share of total European fundraising dropped from 1.4% in 2019 to 1% in 2020.
- > Government agencies remained the largest source of capital for CEE in 2020, similar to 2019.
- > CEE-based investors were the leading geographic source of CEE funds in 2020 at 51% of the total capital raised, below 2019's record level of 70% but above the prior five year average. CEE LPs dedicated 74% of these funds to CEE venture capital funds.
- > Non-CEE European investors contributed 36% of total CEE fundraising in 2020.
- > Among investment types, CEE venture capital funds raised €667 million - the second highest value ever for VC fundraising in CEE, making up 64% of the total capital raised.
- > CEE buyout funds raised €192 million in 2020, the lowest level since 2015, as none of the region's larger managers were in closing mode.
- > Growth capital funds raised €188 million, two thirds of 2019 levels, but above the previous five-year average.

Investment activity

Private equity investment in the CEE region reached a record 566 companies in 2020, 46% above the annual average for 2015-2019, and 15% above the previous year.

- > However, the total invested was €1.7 billion, a 36% decrease from the previous five-year average, and 49% below 2019. Mega buyout (>€300 million) transactions were absent; several usually occur annually.
- > The CEE region represented 1.9% of the European total, down from 3.3% in 2019.
- > As in prior years, CEE investment activity in 2020 was concentrated in a few countries. Poland was the leading destination by value with 26% of the region's total, followed by Estonia (21%), the Czech Republic (17%), Hungary (14%) and Croatia (9%). Hungary again saw the largest number of companies receiving private equity investment in 2020 at 236, or 42% of the CEE total.
- > CEE buyout investments accounted for €801 million in 2020, decreasing 61% year-on-year.
- > Growth capital investments were €500 million in 2020, a 39% drop year-on-year.
- > CEE venture capital investment reached its second highest annual value, €358 million in 2020 in a record 474 companies, just 4% below 2019.

Divestment activity

Private equity exits across CEE in 2020 reached €1.4 billion (measured at historical investment cost), 47% above 2019.

- > A total of 107 companies were divested in CEE in 2020, a similar level to the 106 divested in 2019.
- > CEE divestments comprised 5.8% of the total exit value in Europe in 2020, up from 2.6% in 2019.
- > Public offering jumped to be the most common CEE exit route in 2020 with a record €690 million at cost exited, or half of the region's total divestments, driven by large cost value exits.
- > Trade sale generated exits of €329 million at cost, or 24% of the regional total. It remained the most popular route by number with 41 companies exited (38% of the total) in 2020.
- > Sale to another private equity house ranked third with €135 million at cost, or 10% of the regional total.
- > Poland was the region's largest market for exits in 2020 with €954 million of divestments at cost - 70% of the CEE total - and the highest number of companies exited at 30, or 28% of the total. The Czech Republic ranked the second with €172 million at cost, or 13% of the regional total.

Fundraising Summary

All Private Equity

€1bn raised by

37 funds

Venture Capital

€667m raised by

25 funds

Buyout

€192m raised by

6 funds

Growth

€188m raised by

6 funds

> Total incremental fundraising in CEE reached €1 billion in 2020, a 33% decrease from 2019. By comparison, fundraising across all of Europe dropped 12% to €101 billion. CEE's share of total European fundraising decreased from 1.4% in 2019 to 1% in 2020. The number of funds achieving a final closing in 2020 was consistent with 2019 levels with 23 funds finishing their fundraising at a total of €1.3 billion of capital raised.

> Government agencies (including multilateral organisations), the leading source of funding in CEE over the last decade, were once again the largest source of capital in 2020, accounting for 42% of all capital raised in 2020 - similar to the 40% in 2019, although 30% down in absolute terms. Private individuals followed and accounted for 16% of all funds raised, up from 11% in 2019. Fund of funds grew in importance in 2020 to 12% of the total CEE fundraising, compared to 6% in 2019.

> Geographically, funding from CEE-based investors remained the leading source of funds in 2020, accounting for 51% of the total capital raised. In absolute terms, the funding halved compared with the prior year and amounted to €529 million. Fundraising sources from within CEE continued to be largely directed (74%) towards venture capital funds, across various CEE countries - particularly in Hungary, and to a lesser extent, Poland and the Czech Republic, Bulgaria and Croatia. European investors from outside the CEE region contributed 36% of total CEE fundraising in 2020, up from 23% in 2019. Funding from investors outside Europe remained at a minimal level, comprising just 3% of total fundraising in 2020.

> CEE venture capital funds raised €667 million, the region's second highest recorded level in absolute terms, representing 64% of total fundraising in 2020. While 16% below the record result achieved in 2019, the level of VC funds raised in 2020 is almost 50% higher than the average of the previous five years. The strong result is partially a result of local government (notably in Poland and Hungary) and multilateral agency initiatives supporting VC funds across various CEE countries. This upward trend in VC fundraising in the region in the 2017-2020 period has led to a sustained increase in venture capital investment activity over the last three years - a trend expected to continue in the coming years.

> CEE buyout funds raised just €192 million, accounting for 18% of the total capital raised for the region in 2020, the lowest level since 2015. This total partly reflects the fundraising cycle of the region's largest managers, which recorded their fundraisings in a strong 2018, and were not yet reporting closing of their next funds in 2020.

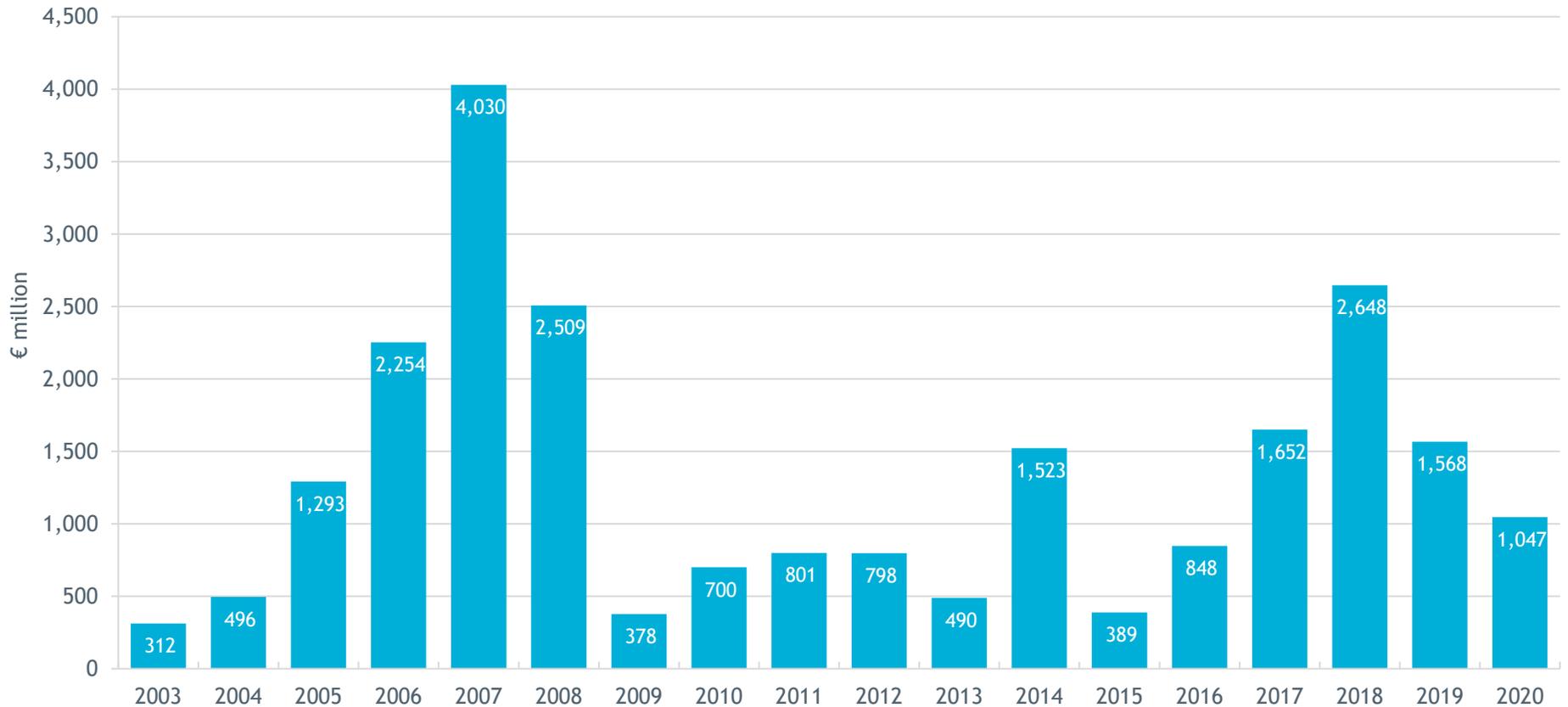
> Growth capital funds raised €188 million, representing 18% of the total capital raised for the CEE region in 2020. This was lower than 2019, but still well above the prior five-year average.

> Please note that the fundraising figures in this section only cover private equity funds that are dedicated to the CEE region plus pan-European or global funds that report a clearly defined CEE investment allocation. The universe of funds active in CEE is wider, as other pan-European and global managers have deployed capital in CEE. Their activity is covered by the investment and divestment sections of this report.

Note: Amount represents incremental funds raised.

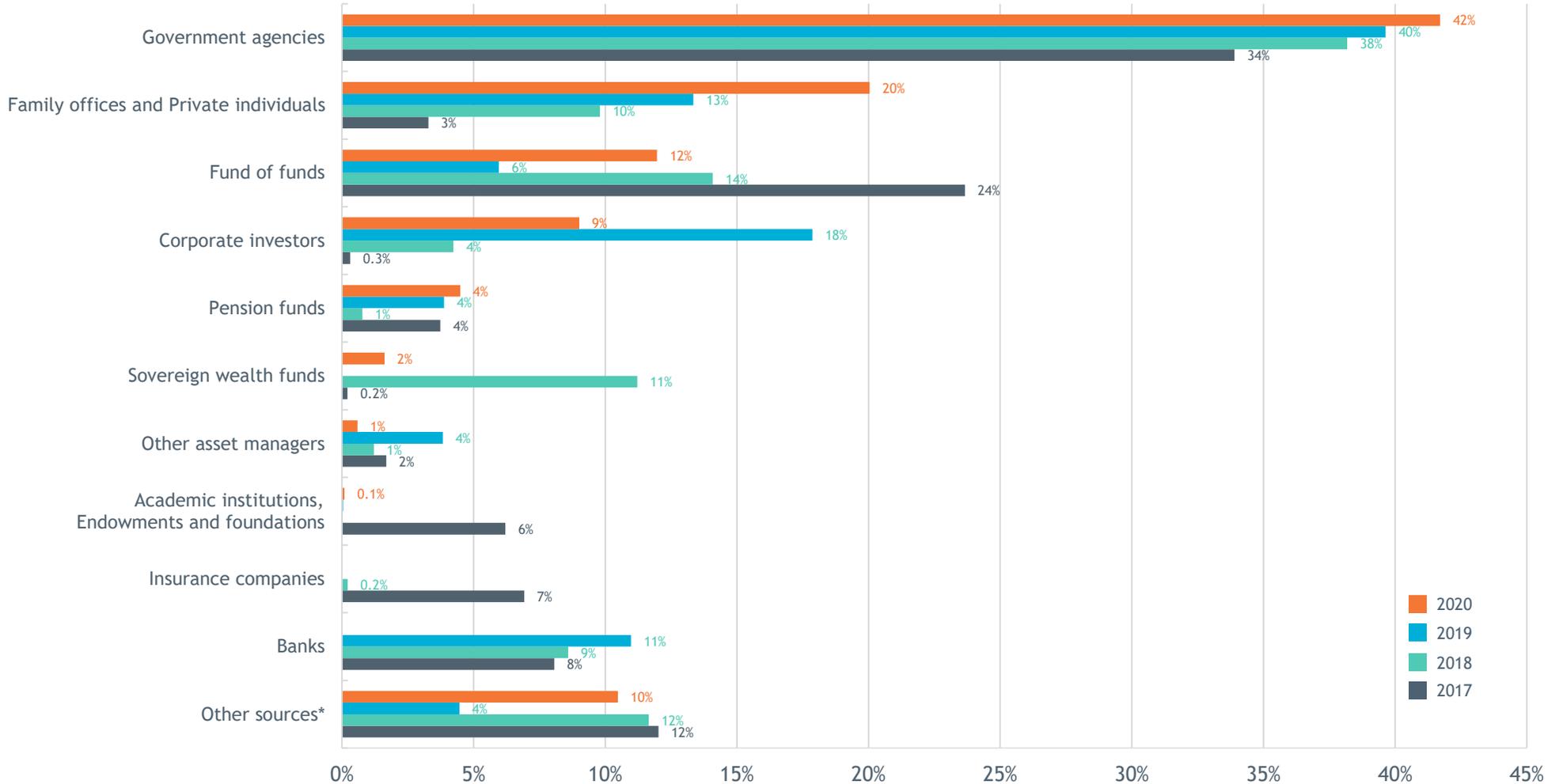
Fundraising Summary

Figure 1: Fundraising for CEE private equity, 2003-2020



Fundraising

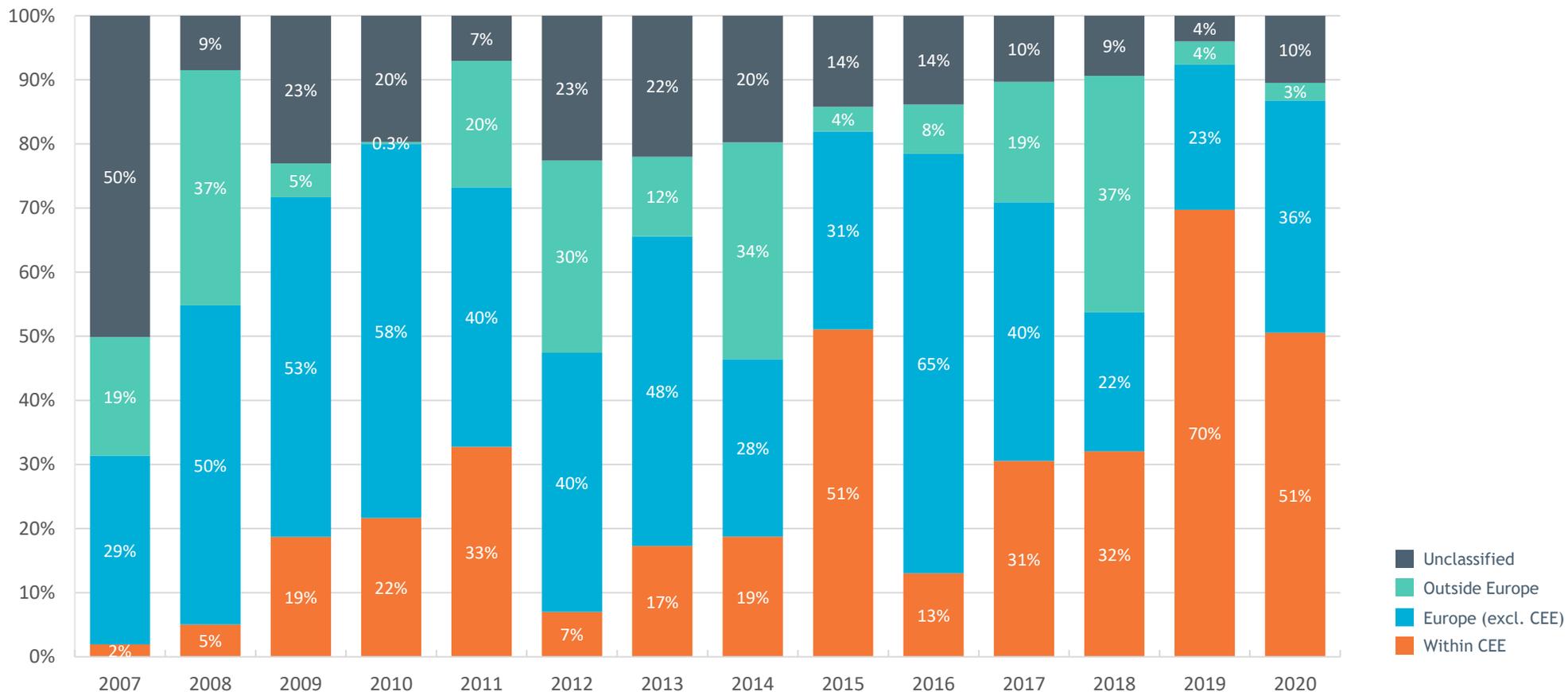
Figure 2: Sources of capital raised for CEE private equity in 2017-2020 (% of total)



*Other sources contain: Capital markets and Unclassified.

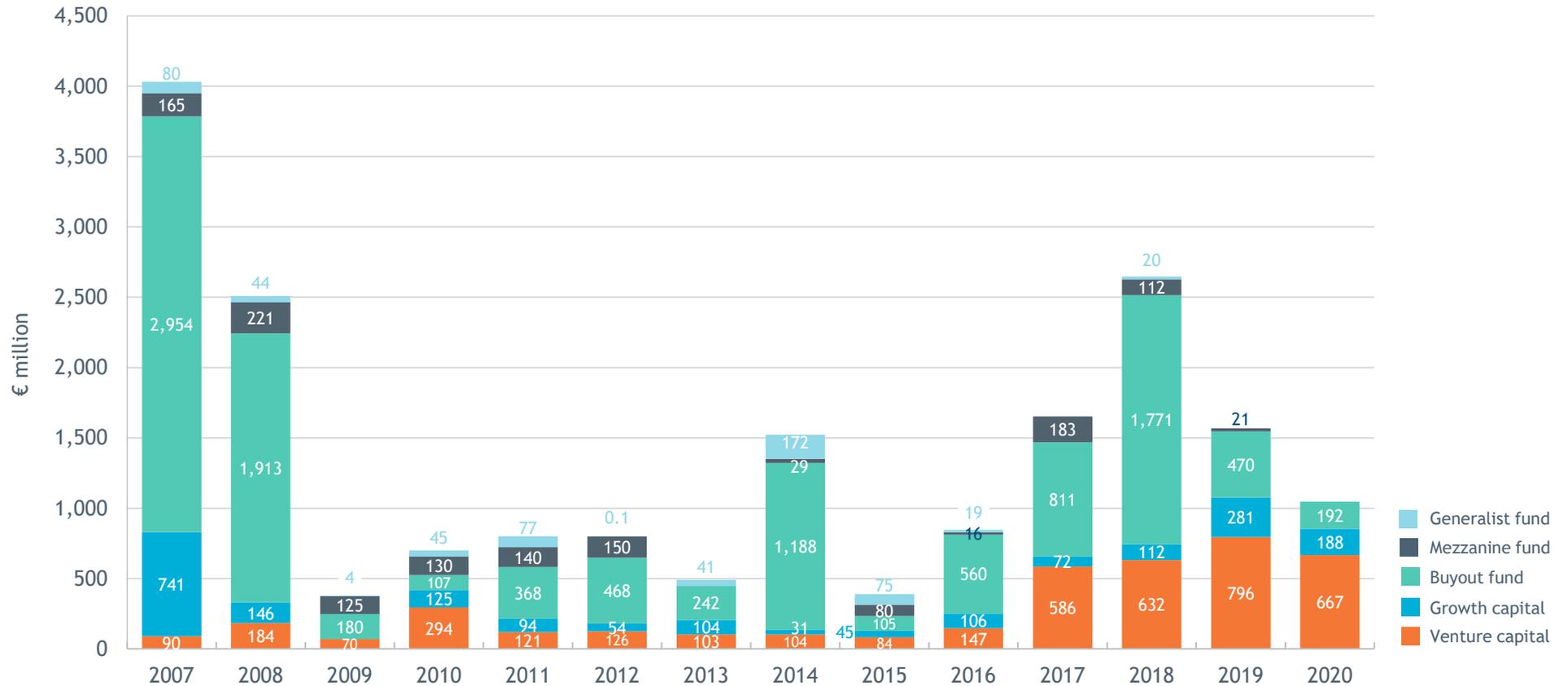
Fundraising

Figure 3: Geographic sources of funds raised for CEE private equity, 2007-2020



Fundraising

Figure 4: Fundraising by stage - incremental closings, 2007-2020



Fundraising

Table 1: CEE funds raised

Incremental closings during the year (in € thousands)

Fund stage focus	2019		2020	
	Amount	%	Amount	%
Early stage	248,599	15.9	420,440	40.2
Later stage venture	300,737	19.2	57,579	5.5
Venture (all stages)	246,544	15.7	188,741	18.0
Total venture	795,880	50.7	666,760	63.7
Growth capital	281,097	17.9	187,720	17.9
Buyout	469,975	30.0	192,212	18.4
Mezzanine	21,317	1.4	0	0.0
Generalist	0	0.0	0	0.0
Total funds raised for CEE	1,568,269	100.0	1,046,691	100.0
Total funds raised in Europe	114,454,569		100,503,036	

Table 2: CEE funds raised

Final closings during the year, cumulative amount raised since inception (in € thousands)

Fund stage focus	2019		2020	
	Amount	Number of funds	Amount	Number of funds
Early stage	267,988	10	367,596	9
Later stage venture	300,737	4	31,779	3
Venture (all stages)	213,338	4	101,067	3
Total venture	782,062	18	500,441	15
Growth capital	187,668	2	126,252	4
Buyout	478,386	4	722,542	4
Mezzanine	0	0	0	0
Generalist	0	0	0	0
Cumulative funds raised for CEE at final closings	1,448,117	24	1,349,235	23

Investments Summary

All Private Equity

€1.7bn into

566 companies

Venture Capital

€358m into

474 companies

Buyout

€801m into

34 companies

Growth

€500m into

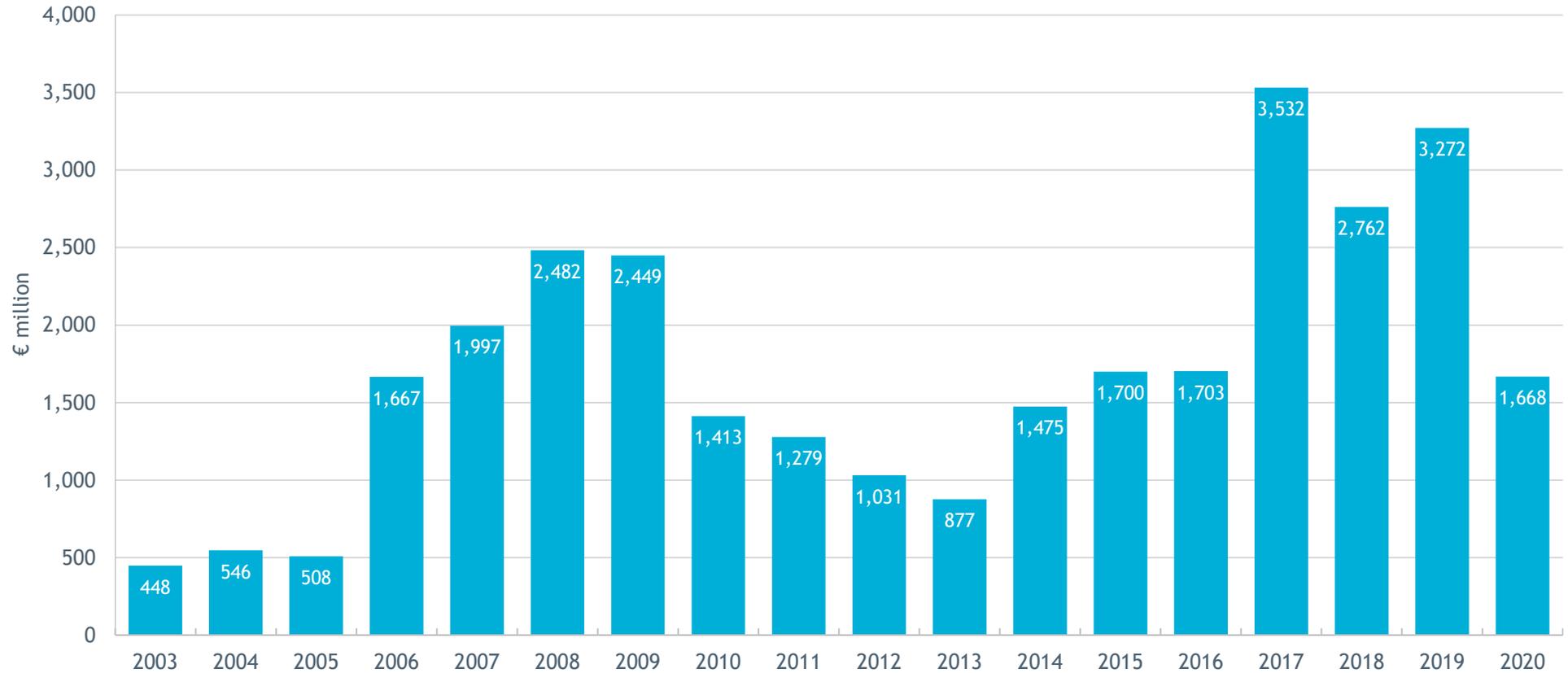
57 companies

- > Private equity investment in the CEE region reached a record 566 companies in 2020, 46% above the annual average for 2015-2019. The growth in number of companies was a result of the continued significant increase in venture capital funding each year since 2018. The total invested was €1.7 billion, a 36% decrease from the previous five-year average and 49% below 2019, mainly because of the absence in 2020 of mega buyout transactions; usually a few are seen each year. By comparison, Europe-wide investment value decreased 12% year-on-year to €88 billion in 2020, with the CEE region representing 1.9% of the European total, down from 3.3% in 2019.
- > CEE private equity investment measured as a percentage of the region's GDP decreased from 0.190% in 2019 to 0.101% in 2020. The region continues to lag Europe, where the average was over five times higher at 0.522% in 2020. A notable exception is Estonia at 1.282% - the best national result in Europe in 2020, driven by a single large transaction. Croatia, Hungary and the Czech Republic showed results above the CEE regional average (with Croatia and the Czech Republic each driven by a large transaction).
- > Poland was the leading destination with a quarter of the region's total investment value and home to almost a fifth of the companies receiving funding. By investment value, it was followed by Estonia with 21% of the CEE total, the Czech Republic (17%), Hungary (14%) and Croatia (9%). These five countries comprised 86% of the total CEE investment by value in 2020 and 73% by number of companies. Driven by VC investments, Hungary saw 236 companies receiving private equity investment in 2020, the largest number of deals recorded and 42% of the CEE total.
- > Annual investment results in the region and in individual countries can be influenced by a few large investments. In 2020, the four largest investments in the region accounted for 35% of the total regional investment. These deals were in Estonia, Croatia and the Czech Republic. By comparison, in 2019, the four largest investments accounted for 42% of the total invested, partly reflecting the smaller deal sizes seen in 2020.
- > In terms of sectors, Information and communication technology (ICT) was the largest sector at 44% of total value and 47% of number of companies in 2020. The share of value was driven by two large investments that accounted for 45% of the sector total. VC activity in this sector drove ICT's volume share. Biotech and healthcare ranked second with 14% of the total CEE investment value (with a single large transaction driving the value in this sector). Business products and services and consumer goods and services ranked third and fourth with 12% and 10% of the region total invested in each sector, respectively. Together these four sectors comprised 81% of the total CEE investment value in 2020.
- > CEE buyout investments accounted for €801 million in 2020, decreasing 61% year-on-year. At the same time, CEE venture capital investment reached a second highest annual value of €358 million in 2020. Please refer to the buyout and venture dedicated sections for more details.
- > The number of follow-on deals in 2020 increased to 51% of total investments, up from 47% in 2019. By value, follow-on investment represented 67% of the amount invested in CEE in 2020, up from 41% in 2019, again, driven by the absence of mega buyouts.

Note: One replacement capital investment and one rescue/turnaround investment also recorded in the total.

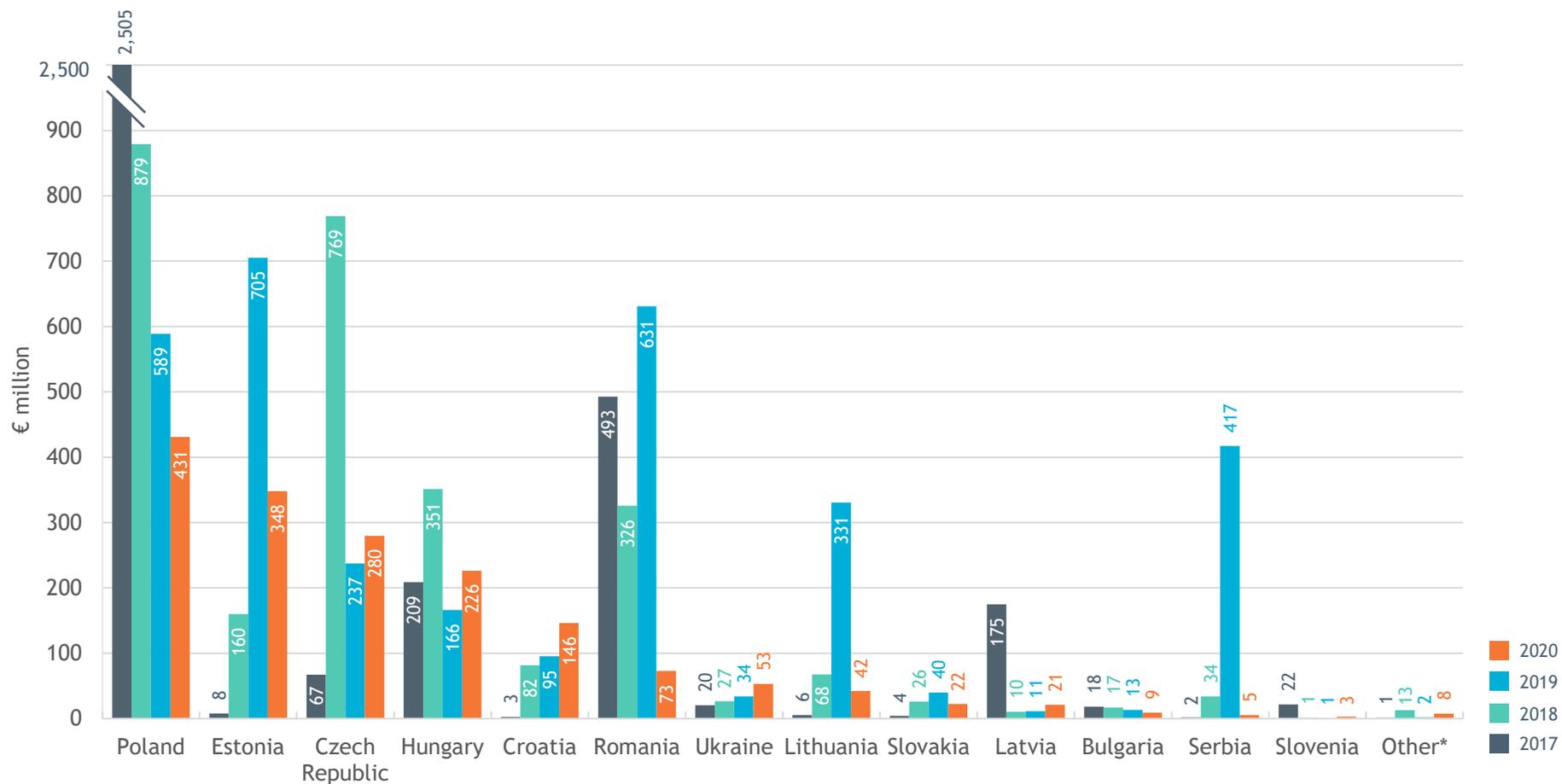
Investments Summary

Figure 5: Annual investment value in the CEE region, 2003-2020



Investments

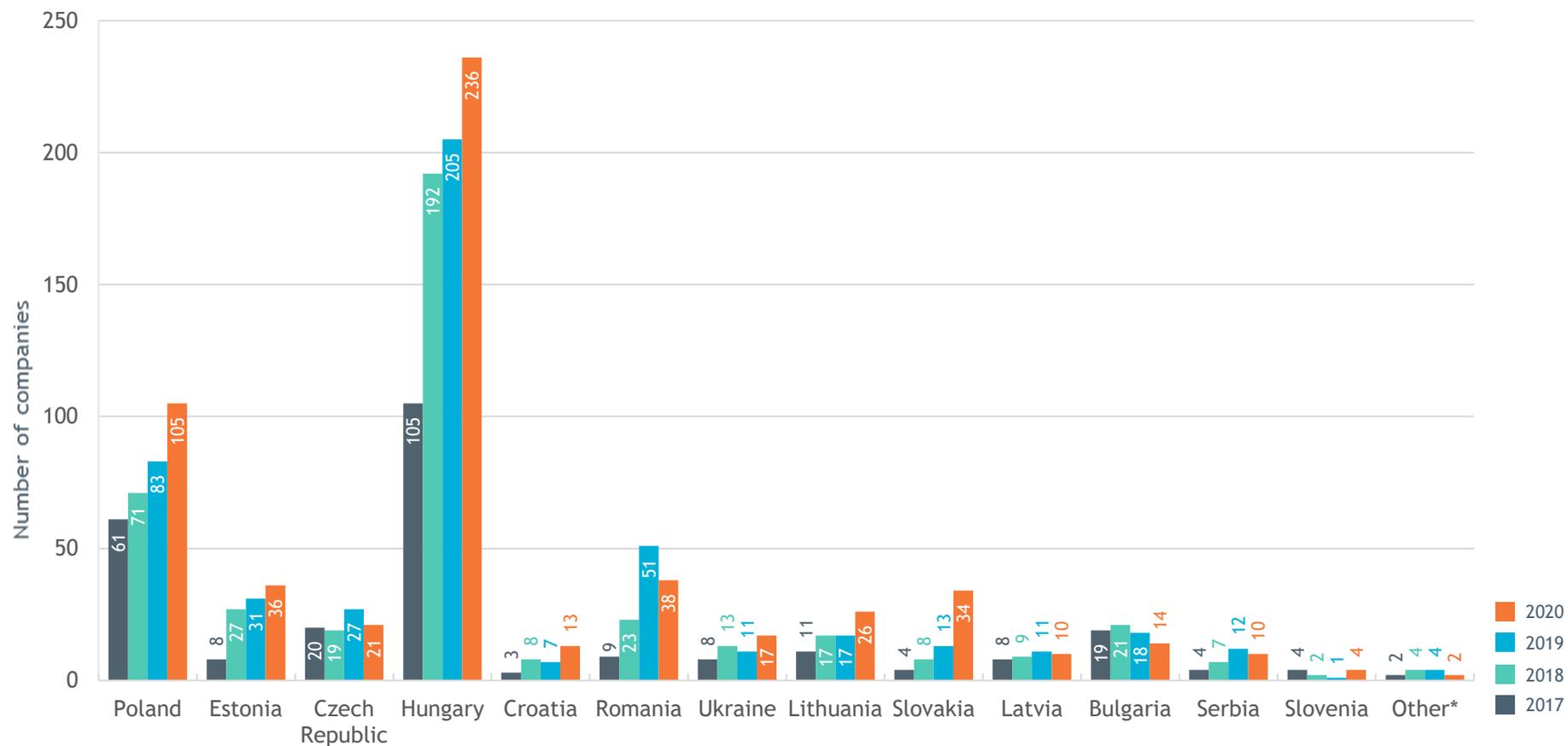
Figure 6: Annual investment value in CEE, 2017-2020



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

Investments

Figure 7: Annual investment in CEE, 2017-2020 (number of companies)



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

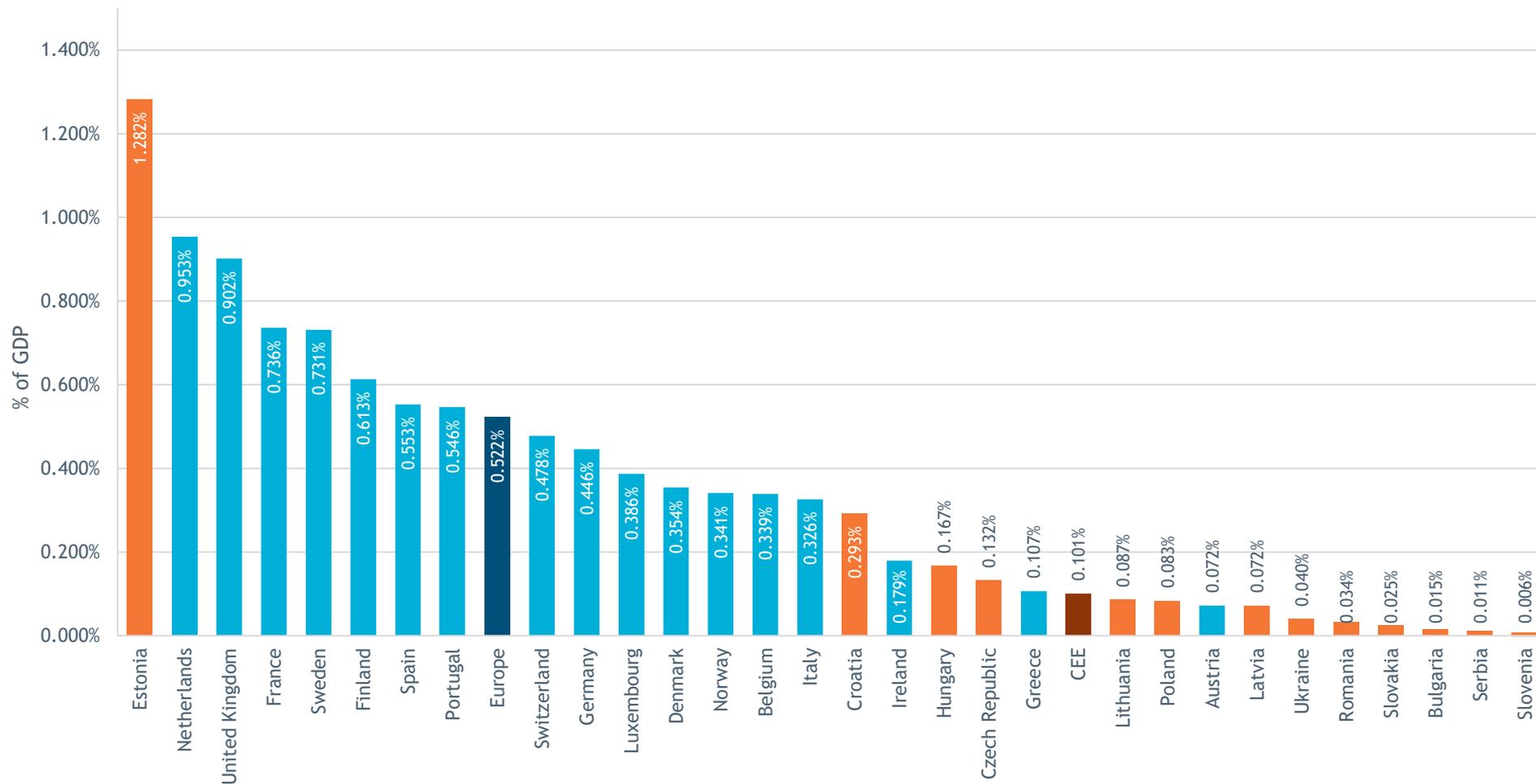
Investments

Table 3: Investment by sector, 2019-2020 (€ thousands)

	2019				2020			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
Agriculture	39,894	1.2	3	0.6	25,269	1.5	9	1.6
Business products and services	280,349	8.6	76	15.5	193,824	11.6	67	11.8
Chemicals and materials	22,913	0.7	4	0.8	1,400	0.1	1	0.2
ICT (Communications, computer and electronics)	1,425,766	43.6	230	46.8	739,181	44.3	265	46.8
Construction	2,163	0.1	3	0.6	6,465	0.4	8	1.4
Consumer goods and services	545,405	16.7	82	16.7	173,076	10.4	84	14.8
Energy and environment	30,075	0.9	19	3.9	83,636	5.0	26	4.6
Financial and insurance activities	688,791	21.0	24	4.9	92,314	5.5	23	4.1
Real estate	3,156	0.1	3	0.6	6,786	0.4	9	1.6
Biotech and healthcare	142,549	4.4	35	7.1	240,169	14.4	57	10.1
Transportation	91,111	2.8	12	2.4	102,521	6.1	15	2.7
Other	0	0.0	0	0.0	3,401	0.2	2	0.4
Total investment	3,272,172	100.0	491	100.0	1,668,042	100.0	566	100.0

Investments

Figure 8: Private equity investments as a percentage of GDP, 2020 (by country of destination of investment)



Investments

Table 4: Type of investment in CEE vs. Europe, 2020 (in € thousands)

	2020			
	Total CEE	% of total	Total Europe	% of total
Seed	91,046	5.5	681,002	0.8
Start-up	155,082	9.3	6,629,719	7.5
Later stage venture	111,404	6.7	4,673,260	5.3
Total venture	357,533	21.4	11,983,981	13.6
Growth	499,802	30.0	14,479,171	16.4
Rescue/Turnaround	7,314	0.4	851,175	1.0
Replacement capital	2,000	0.1	1,017,979	1.2
Buyout	801,393	48.0	59,729,789	67.8
Total	1,668,042	100.0	88,062,096	100.0

Table 5: Type of investment in CEE, 2019-2020 (in € thousands)

	2019		2020	
	Amount	Number of companies	Amount	Number of companies
Seed	53,150	203	91,046	274
Start-up	194,567	158	155,082	171
Later stage venture	123,928	27	111,404	33
Total venture	371,644	387	357,533	474
Growth	813,718	55	499,802	57
Rescue/Turnaround	2,001	2	7,314	1
Replacement capital	12,195	3	2,000	1
Buyout	2,072,613	46	801,393	34
Total	3,272,172	491	1,668,042	566

Investments

Table 6: Type of investments by CEE country, 2019-2020 (in € thousands)

2020

Stage focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	3,470	1,090	792	4,567	50,243	0	2,626	16,670	1,629	561	5,570	0	3,830	0
Start-up	3,125	3,750	9,015	7,933	49,880	1,842	2,647	45,091	7,590	1,270	13,645	2,200	7,093	0
Later stage venture	970	850	4,400	9,575	25,410	175	0	50,157	883	500	1,700	431	16,154	200
Total venture	7,565	5,690	14,207	22,075	125,532	2,017	5,273	111,918	10,101	2,331	20,915	2,631	27,077	200
Growth	1,699	117,379	25,000	85,933	40,883	1,500	4,572	123,850	60,876	3,000	1,500	128	26,148	7,335
Rescue/Turnaround	0	0	0	0	7,314	0	0	0	0	0	0	0	0	0
Replacement capital	0	0	0	0	0	0	0	0	2,000	0	0	0	0	0
Buyout	0	23,051	240,653	240,121	52,553	17,500	32,344	195,171	0	0	0	0	0	0
Total	9,264	146,120	279,860	348,128	226,283	21,017	42,189	430,939	72,977	5,331	22,415	2,759	53,225	7,535

2019

Stage focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	2,078	1,200	1,404	3,684	33,082	385	2,613	5,932	650	1,192	0	0	400	530
Start-up	1,450	450	9,768	10,125	71,163	5,396	1,750	51,138	16,881	1,861	16,247	0	7,005	1,332
Later stage venture	0	650	13,130	21,974	34,095	0	0	43,855	3,500	1,000	5,725	0	0	0
Total venture	3,528	2,300	24,301	35,783	138,340	5,781	4,363	100,925	21,031	4,053	21,972	0	7,405	1,862
Growth	8,025	18,151	125,502	8,573	27,581	3,745	117,717	92,777	374,490	0	9,756	780	26,621	0
Rescue/Turnaround	0	0	0	0	1	0	0	0	0	0	2,000	0	0	0
Replacement capital	0	0	0	0	0	0	350	11,845	0	0	0	0	0	0
Buyout	1,680	75,000	87,679	660,752	54	1,645	208,319	382,990	235,395	413,100	6,000	0	0	0
Total	13,233	95,451	237,482	705,109	165,976	11,171	330,749	588,536	630,915	417,153	39,728	780	34,026	1,862

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

Divestments Summary

All Private Equity

€1.4bn from

107 companies

Venture Capital

€57m from

57 companies

Buyout

€1bn from

22 companies

Growth

€250m from

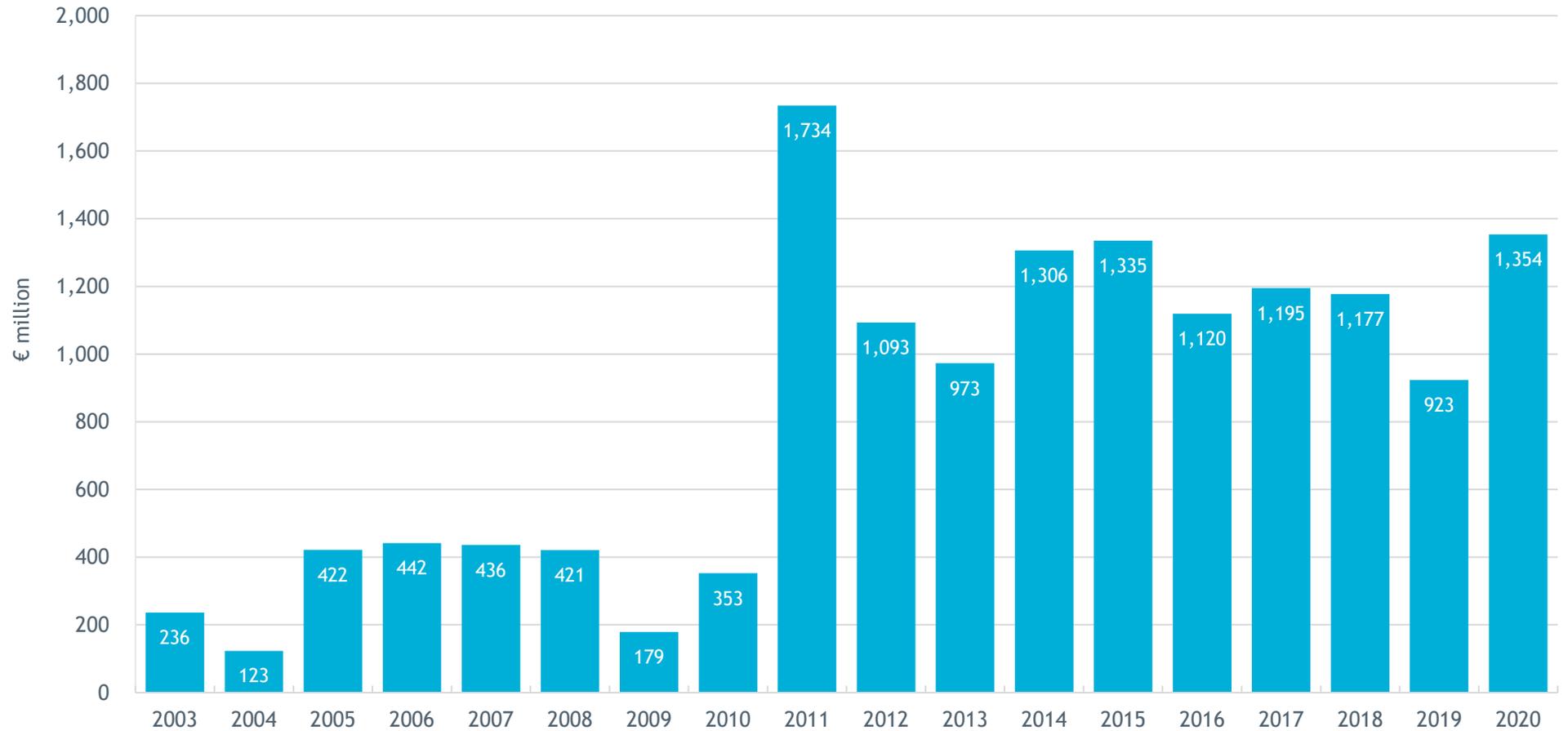
26 companies

- > Private equity exits across CEE in 2020 reached €1.4 billion, measured at historical investment cost, a year-on-year increase of 47%. By comparison, divestment values were down 34% in Europe as a whole from the year before, to €23 billion. CEE divestments comprised 5.8% of the total exit value in Europe in 2020, up from 2.6% in 2019. A total of 107 companies were divested in CEE in 2020, a similar to the 106 divested in 2019.
- > Poland was the region's largest market for exits in 2020 with €954 million of divestments at cost - 70% of the CEE total - and the highest number of companies exited at 30, or 28% of the total. The Czech Republic ranked second with €172 million at cost, or 13% of the regional total. The results in both countries, driven by one large transaction in each country, represented 83% of the total CEE divestment value and 36% of the total number of companies exited in 2020.
- > It should be noted that CEE exit values can be affected by a limited number of large deals. The exit activity in 2020 was heavily influenced by a record investment cost exit and a second exit above €100 million, this compares to an average investment cost per exit over the last five years of €10 million. These two deals comprised 55% of the CEE's overall exit value at cost compared to 2019 when the two largest transactions accounted for 38% of the region's total.
- > Public offering was the most common CEE exit route in 2020 with a record €690 million at cost, or a half of the regional total, reflecting the year's largest divestment being done using this method. The number of companies divested through public market remained stable at seven, compared with six in 2019. Trade sale was the second most common CEE exit route in 2020 with €329 million at cost, or 24% of the regional total. It remained the most popular by number of companies with 41 companies exited (38% of the total). Sale to another private equity house - the secondary market - ranked third by value in 2020 with €135 million at cost, or 10% of the regional total. The number of companies exited via the secondary market remained at 10 to account for 9% of total CEE companies sold in 2020. Write-offs remained at a minimal level, which is typical for the CEE region, accounting for 3% of the total CEE exit value at cost and comprising nine companies.
- > Consumer goods and services was the most important sector for exits in value terms in 2020 with €710 million divested at historical cost - 52% of the region's total value - comprising 26 companies exited, 24% of the total number. Notably, this sector includes the region's largest exit transaction in 2020. The second largest sector for divestments by value was financial and insurance activities with €180 million at historical cost - 13% of the CEE total by value. With 10 companies exited, it represented 9% the total number. Biotech and healthcare was the third most exited sector, with €168 million divested at cost, or 12% of the total CEE value, among eight companies (7% of the CEE total). Notably, the sector included the second largest exit transaction in CEE in 2020. ICT, traditionally a strong contributor to divestments, saw €155 million divested at cost, or 11% in total, boosted by one large transaction. The sector registered the highest number of companies exited at 36, or 34% of total value, reflecting the impact of venture investments.

Note: Exits categorised by investment stage at first investment in the portfolio company.
Total divestment figure includes all stages, such as replacement capital and rescue/turnaround.

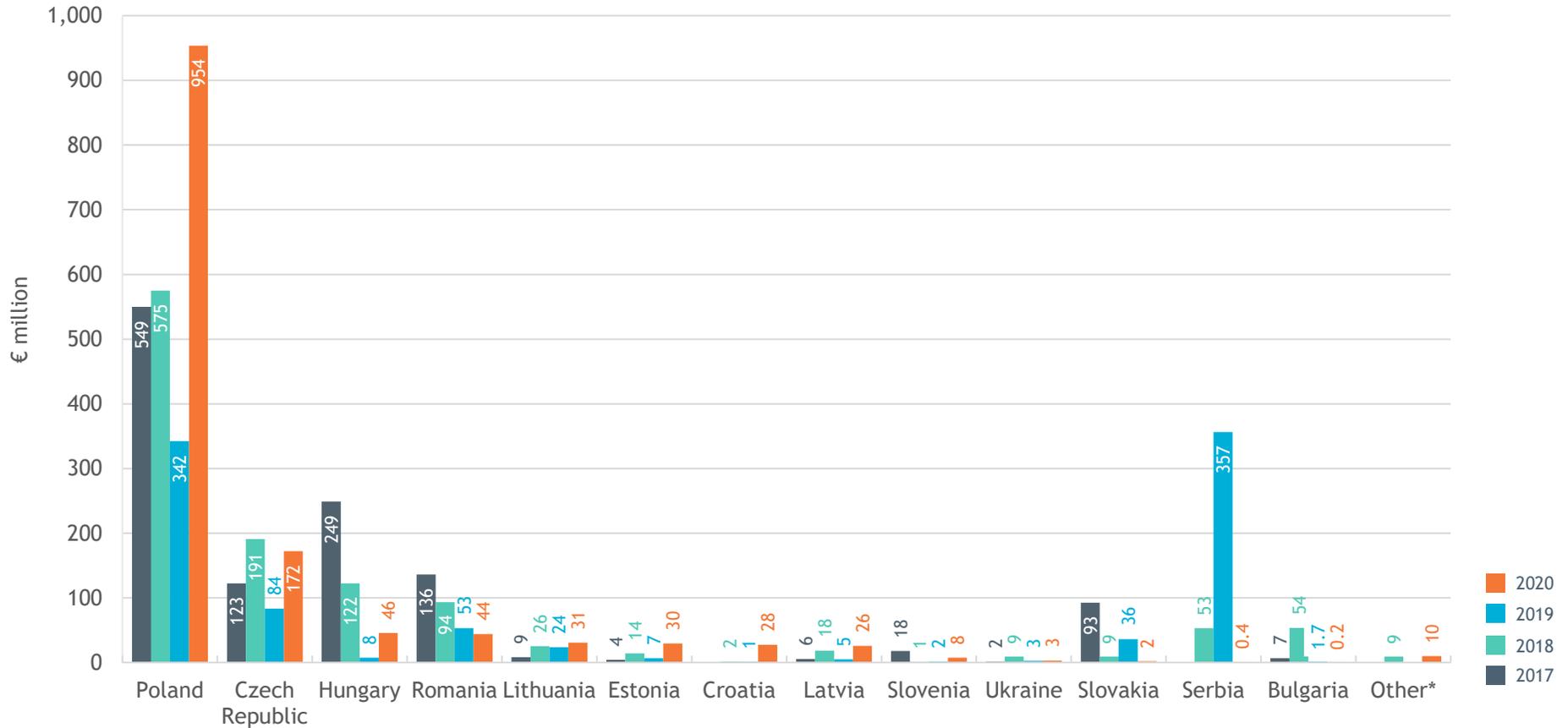
Divestments Summary

Figure 9: Divestment value in CEE, 2003-2020 (value at historical investment cost)



Divestments

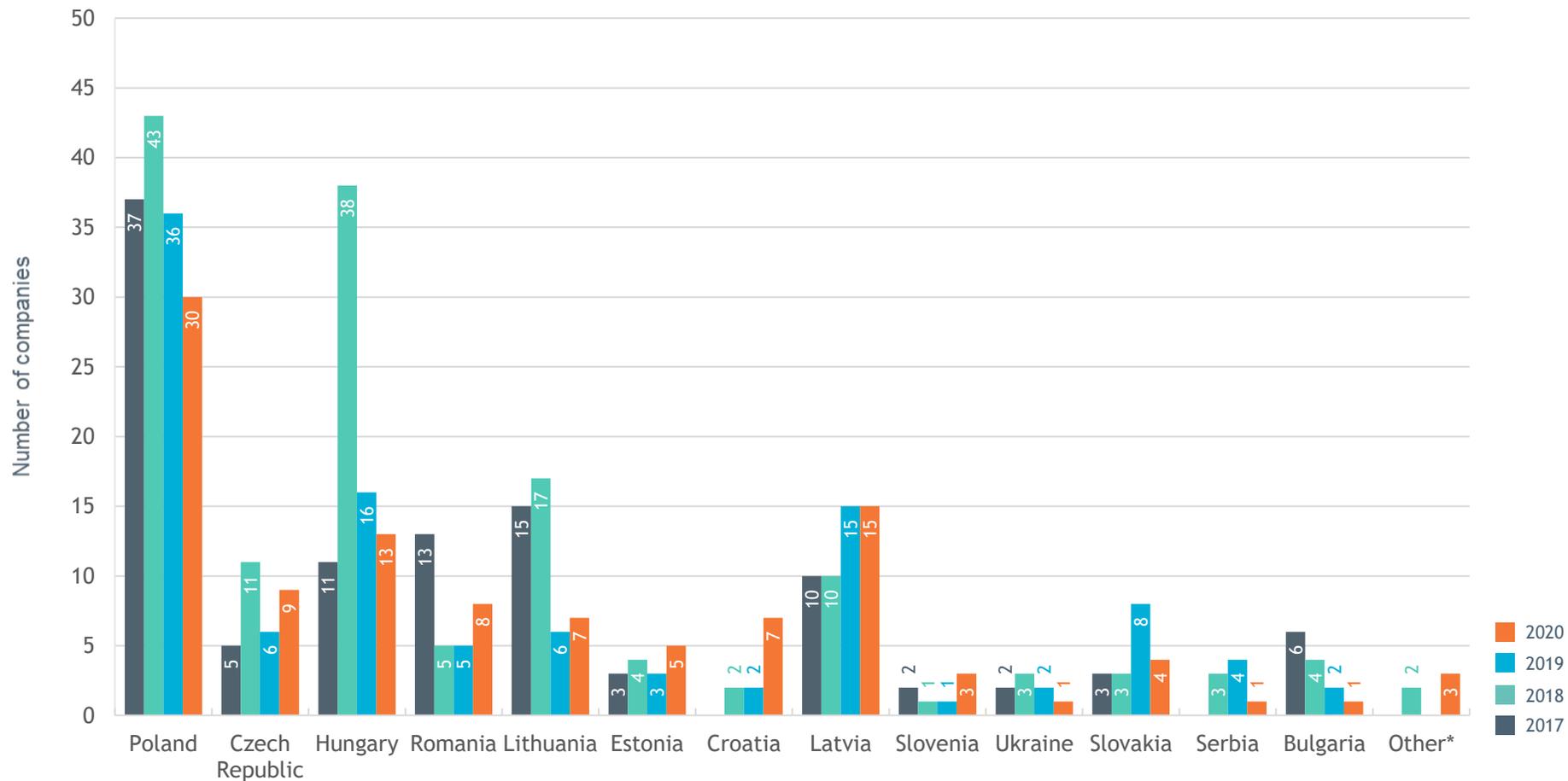
Figure 10: Divestment value by CEE country, 2017-2020 (value at historical investment cost)



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

Divestments

Figure 11: Divestments by CEE country, 2017-2020 (number of companies)



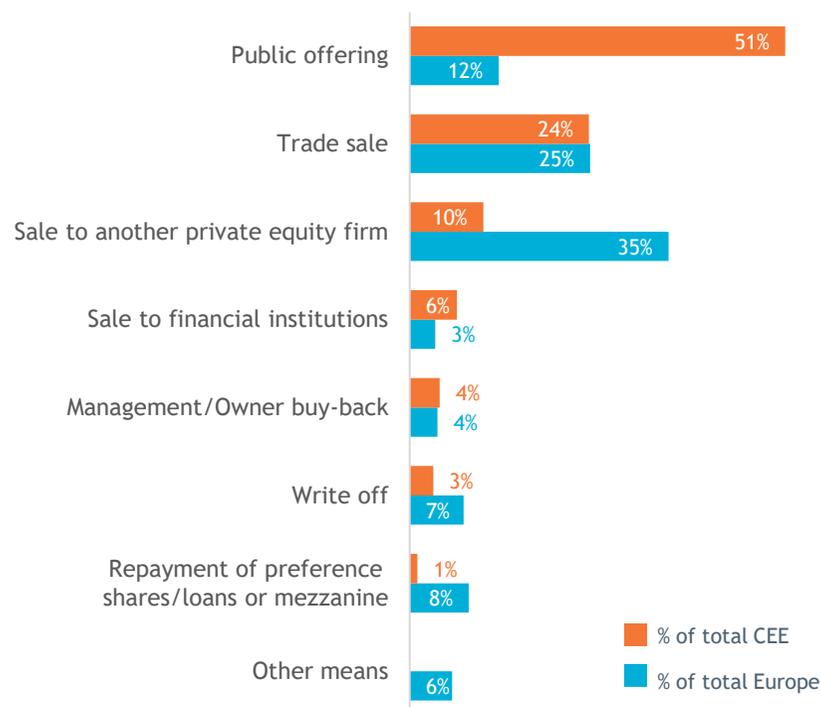
*Other consists of Bosnia & Herzegovina, Moldova, Montenegro and North Macedonia.

Divestments

Table 7: Divestments by exit route in CEE, 2019-2020
(value at historical investment cost in € thousands)

	2019		2020	
	Amount at cost	Number of companies	Amount at cost	Number of companies
Public offering	79,566	6	690,228	7
Trade sale	374,863	33	329,302	41
Sale to another private equity firm	323,035	10	135,143	10
Sale to financial institutions	23,349	6	86,385	4
Management/Owner buy-back	38,301	17	55,109	23
Write off	37,058	9	43,008	9
Repayment of preference shares/ loans or mezzanine	34,003	16	14,092	13
Other means	12,887	10	315	2
Total	923,062	106	1,353,583	107

Figure 12: Exit routes in CEE vs. total Europe, 2020
(% of value at historical investment cost)



Divestments

Table 8: CEE divestments by sector, 2019-2020 (value at historical investment cost, in € thousands)

	2019				2020			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Agriculture	0	0.0	0	0.0	550	0.0	1	0.9
Business products and services	151,384	16.4	21	19.8	61,839	4.6	14	13.1
Chemicals and materials	0	0.0	0	0.0	7,645	0.6	4	3.7
ICT (Communications, computer and electronics)	318,210	34.5	31	29.2	154,586	11.4	36	33.6
Construction	31,254	3.4	2	1.9	26,400	2.0	1	0.9
Consumer goods and services	245,859	26.6	32	30.2	709,610	52.4	26	24.3
Energy and environment	70,578	7.6	4	3.8	33,245	2.5	3	2.8
Financial and insurance activities	17,578	1.9	3	2.8	179,822	13.3	10	9.3
Real estate	0	0.0	0	0.0	0	0.0	0	0.0
Biotech and healthcare	77,105	8.4	8	7.5	167,727	12.4	8	7.5
Transportation	11,096	1.2	5	4.7	12,160	0.9	4	3.7
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total divestment	923,062	100.0	106	100.0	1,353,583	100.0	107	100.0

The CEE venture capital market

All venture

€358m into
474 companies

Seed

€91m into
274 companies

Start-up

€155m into
171 companies

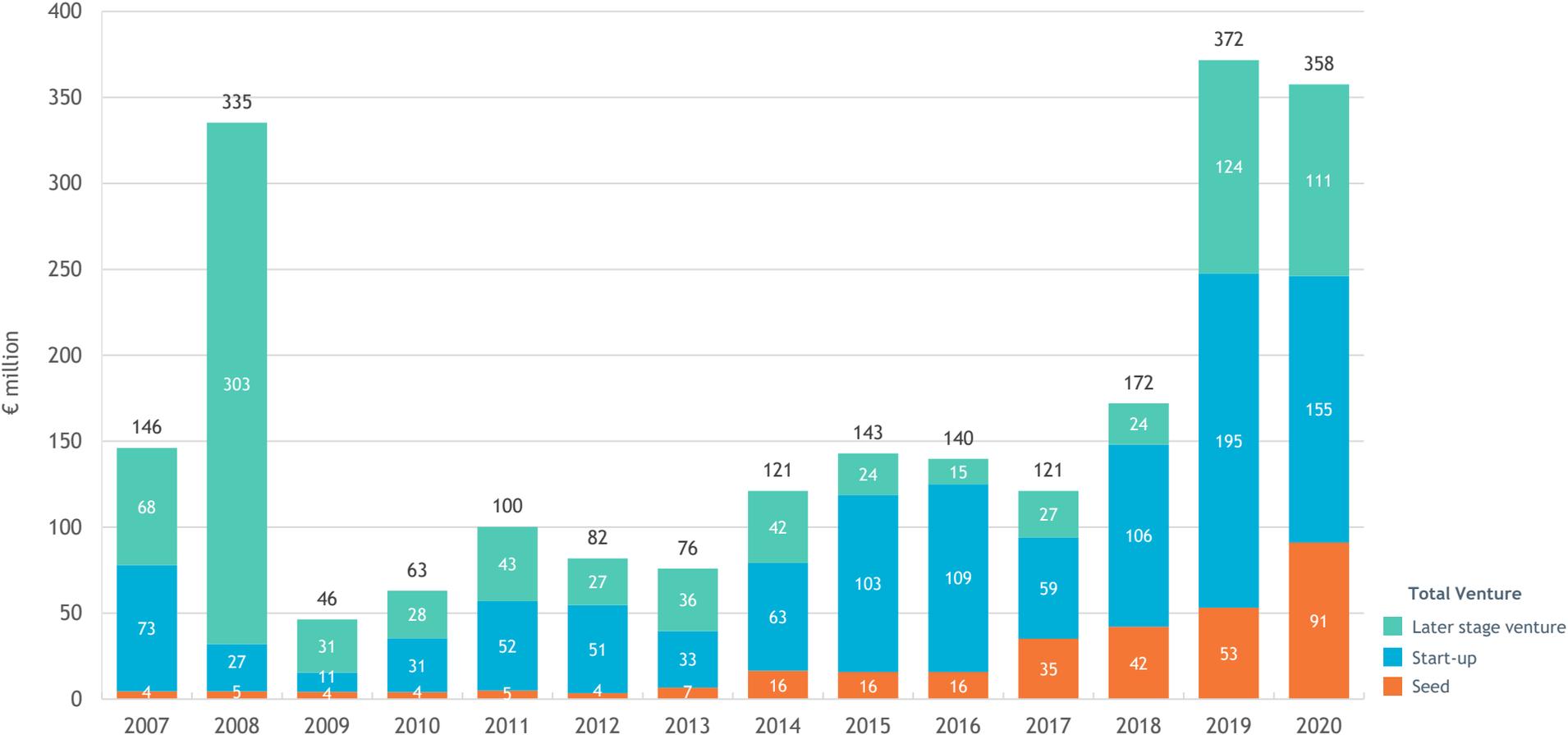
Later stage

€111m into
33 companies

- > CEE venture capital (VC) investment reached the second highest annual value recorded, €358 million in 2020, just 4% below the record 2019 level, invested in a record 474 companies. VC investments comprised 21% of the region's total private equity investments by value, up from 11% in 2019. This was driven by both strong VC investments and a decrease in the buyout and growth segments. The number of CEE companies receiving VC investments represented 84% of the total number of all CEE private equity financed companies in 2020. The continued strong growth in VC activity in CEE reflects a similar strength in 2017-2020 VC fundraising in the CEE region.
- > CEE represented 3% of the total European venture capital investment value in 2020, while the region accounted for 9.5% of the number of European companies receiving VC funding. The average VC investment per company in CEE was €0.75 million in 2020, declining year-on-year by 21% and representing less than a third of the European average of €2.4 million.
- > Coming off 2019's record levels in all VC categories, 2020 start-up stage investment continued to be the largest category of the VC market in CEE at €155 million, accounting for 43% of the region's total VC investment value in 2020, despite a 20% year-on-year decrease from 2019. The number of CEE start-ups receiving VC funding increased to 171, comprising 36% of the total VC investments in 2020. Later stage venture investment value decreased by 10% to €111 million, into 33 companies. Seed investments increased by 71% to a record €91 million. This was invested into all-time high of 274 companies, comprising 58% of the total VC-backed companies in 2020.
- > Hungary remained the leading destination for venture capital investment in CEE in 2020 with €126 million (35% of the regional total) and 220 companies receiving VC funding (46% of the total number of CEE VC-backed companies). Poland followed with €112 million, an all-time high for the country. This was invested into a record 82 companies. Together, these two countries accounted for 66% of CEE total venture capital investments by amount and 64% by number of companies in 2020.
- > Information and communication technology (ICT) companies in CEE continued to receive the most VC funding, with €208 million invested into 235 companies. ICT accounted for 58% of the region's total venture investment by value and 50% by number of companies. Business products and services was second with €38 million invested into 53 companies. Consumer goods and services followed with €34 million of investment into 72 companies. These three sectors together accounted for 78% of the total venture investments in CEE in 2020 by value and 76% by number of companies.
- > Divestment values in CEE venture capital in 2020 increased 36% to €57 million, measured at historical investment cost. The total number of VC-backed companies exited rose by 27% year-on-year to 57. Trade sale was the most prominent exit route, accounting for €33 million at cost and 21 companies, comprising 59% of the region's total VC exit value at cost and 37% by number of companies. The consumer goods and services sector remained the leading sector for venture capital divestments, comprising 47% of the total value and 21% of VC-backed companies exited. This was followed by the ICT sector, with 27% of the total divested value and the largest number of VC-backed companies exited at 30, accounting for 53% of the total.

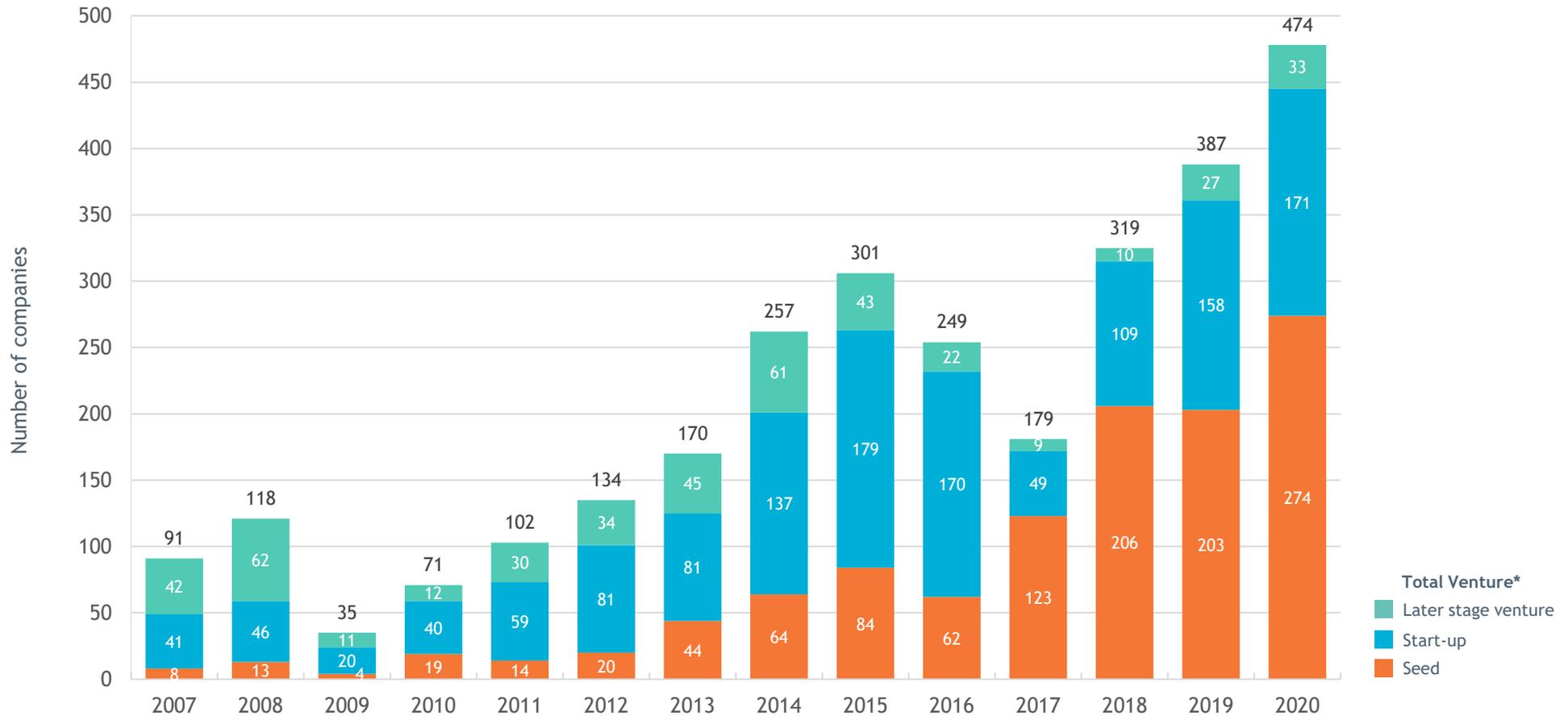
The CEE venture capital market

Figure 13: CEE venture capital investments by stage, 2007-2020 (in € million)



The CEE venture capital market

Figure 14: CEE venture capital investments by stage, 2007-2020 (number of companies)



* Total number of companies: Each company is only taken into account once, irrespective of how many stages of investments it received during the year. The methodology section provides further information.

The CEE venture capital market

Table 9: CEE venture capital investments by sector, 2019-2020 (in € thousands)

	2019				2020			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
Agriculture	153	0.0	1	0.3	3,154	0.9	5	1.1
Business products and services	65,537	17.6	48	12.4	37,906	10.6	53	11.2
Chemicals and materials	233	0.1	1	0.3	1,400	0.4	1	0.2
ICT (Communications, computer and electronics)	207,371	55.8	206	53.2	207,736	58.1	235	49.6
Construction	2,160	0.6	2	0.5	6,465	1.8	8	1.7
Consumer goods and services	26,393	7.1	59	15.2	33,912	9.5	72	15.2
Energy and environment	12,728	3.4	15	3.9	18,334	5.1	20	4.2
Financial and insurance activities	24,517	6.6	18	4.7	13,232	3.7	16	3.4
Real estate	30	0.0	1	0.3	4,803	1.3	8	1.7
Biotech and healthcare	8,823	2.4	26	6.7	24,125	6.7	44	9.3
Transportation	23,700	6.4	10	2.6	3,066	0.9	10	2.1
Other	0	0.0	0	0.0	3,401	1.0	2	0.4
Total investment	371,644	100.0	387	100.0	357,533	100.0	474	100.0

The CEE venture capital market

Table 10: CEE venture capital divestments by exit route, 2019-2020
(value at historical investment cost, in € thousands)

	2019				2020			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Trade sale	3,514	8.4	7	15.2	33,496	58.8	21	36.8
Public offering	1,809	4.3	3	6.5	13,978	24.5	3	5.3
Write off	903	2.2	7	15.2	1,274	2.2	7	12.3
Repayment of preference shares/ loans or mezzanine	1,369	3.3	5	10.9	1,283	2.3	3	5.3
Sale to another private equity firm	897	2.1	4	8.7	915	1.6	5	8.8
Sale to financial institutions	641	1.5	1	2.2	3,761	6.6	1	1.8
Management/Owner buy-back	23,396	55.8	11	23.9	1,931	3.4	15	26.3
Other means	9,433	22.5	8	17.4	315	0.6	2	3.5
Total divestment	41,962	100.0	45	100.0	56,953	100.0	57	100.0

The CEE buyout and growth market

Buyout & Growth

€1.3bn into
92 companies

Buyout

€801m into
34 companies

Growth

€500m into
57 companies

Other*

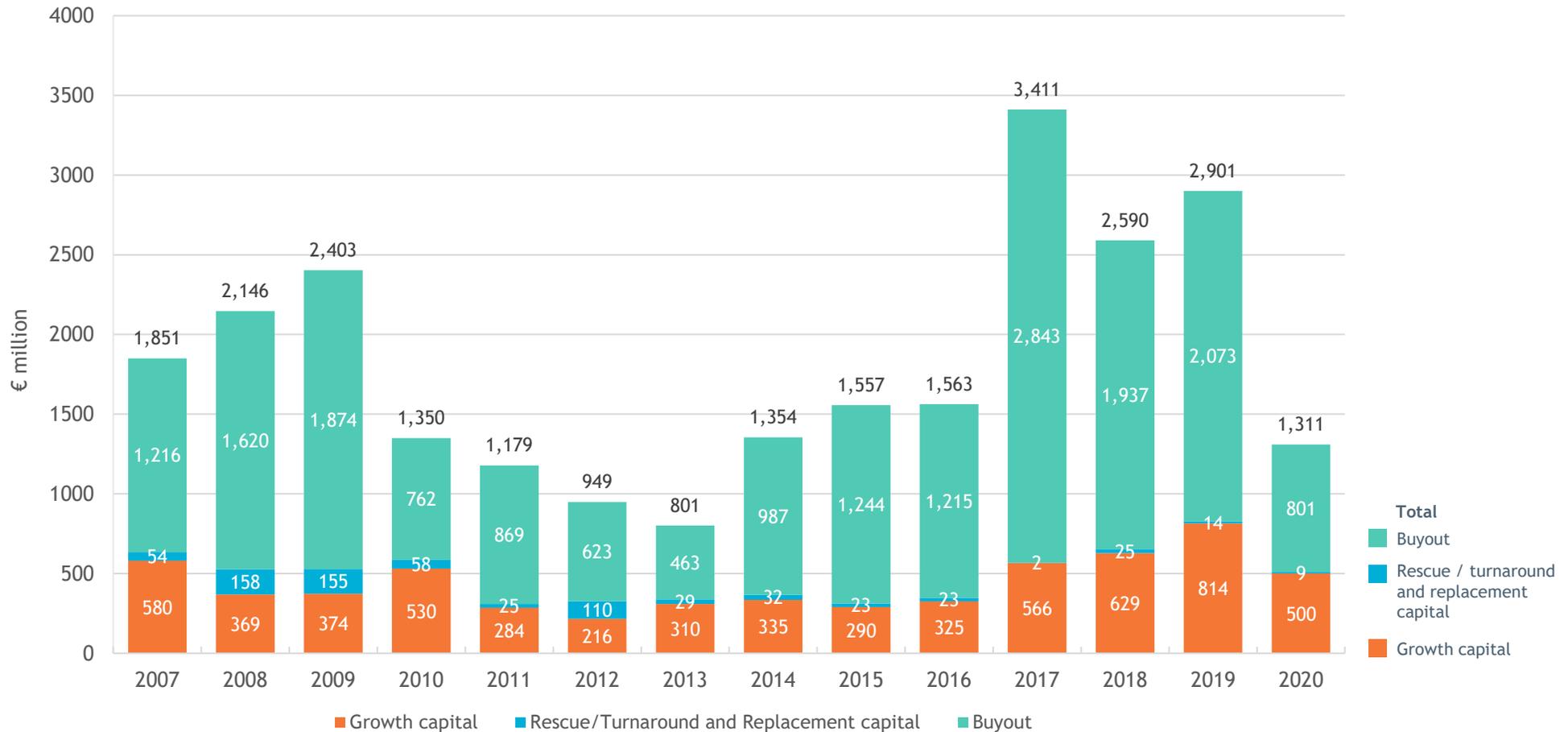
€9m into
2 companies

- > The total buyout and growth investment value in CEE was €1.3 billion in 2020, a 55% decrease from 2019, and the lowest level since 2013. While all sub-segments reported lower investment values and most fewer deals (which fell 12% compared to 2019 to 92 companies), the absence of any mega buyouts was the biggest contributor to the value decline. Excluding this category, buyout and growth value declined only 29% from 2019 levels. By comparison, buyout and growth investments across all of Europe decreased 15% year-on-year to €76 billion. CEE's share of the overall European buyout and growth segment decreased from 3% in 2019 to 2% in 2020 in terms of value and represented 3% by number of companies in both years.
- > At 79%, buyout and growth investments comprised the vast majority of the year's total CEE private equity investment by value. By number of companies funded, the segment comprised 16% of the total in 2020.
- > Buyout reported total investments at €801 million in 2020 million, decreasing 61% from 2019 level. The two largest investments, in Estonia and the Czech Republic, accounted for 50% of the total buyout amount. This was similar to 2019, when the two largest transactions, both mega buyouts, in Estonia and Serbia, comprised 51% of the total. The growth capital sub-segment fell to €500 million, a 39% decrease year-on-year, but continued to be the region's second most important investment type in 2020. 57 companies received growth funding in 2020, compared to 55 in 2019.
- > Estonia remained CEE's largest buyout and growth market in 2020 with €326 million invested into nine companies, accounting for 25% of the segment's annual value in the region and strongly driven by one large transaction. Poland followed with €319 million, invested into 23 companies. The next most sizeable countries were the Czech Republic (€266 million) and Croatia (€140 million), where the results were driven by a large transaction in each country. These four countries combined accounted for 80% of the 2020 CEE buyout and growth segment by value and 49% by number of companies.
- > ICT in CEE received the most buyout and growth investment in 2020, attracting €531 million or 41% of the segment's total value, mainly driven by two large transactions. This was followed by biotech and healthcare sector at €216 million - a result driven by a single large transaction - business products and services at €156 million, and consumer goods and services at €139 million
- > Exits in the CEE buyout and growth segment in 2020 totaled €1.3 billion, at historical investment cost, representing a 43% increase year-on-year. At the same time, the number of companies exited decreased from 59 in 2019 to 48 in 2020, driven mainly by a drop in buyout-backed companies. A large exit in Poland and a sizeable Czech Republic transaction accounted for 59% of the CEE's overall buyout and growth exit value at cost. For comparison, in 2019, the two largest transactions accounted for 40% of the region's segment total. Divestment by public offering represented the largest method by value in 2020 with 54% of the total segment's exit value at cost. It was followed by sale to trade buyers with 23% of the total exit value at cost.
- > The most exited sectors in the buyout and growth segment were consumer goods and services with €641 million or 51% of total value at historical cost, followed by financial and insurance activities (14% of total), and biotech and healthcare (13%).

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

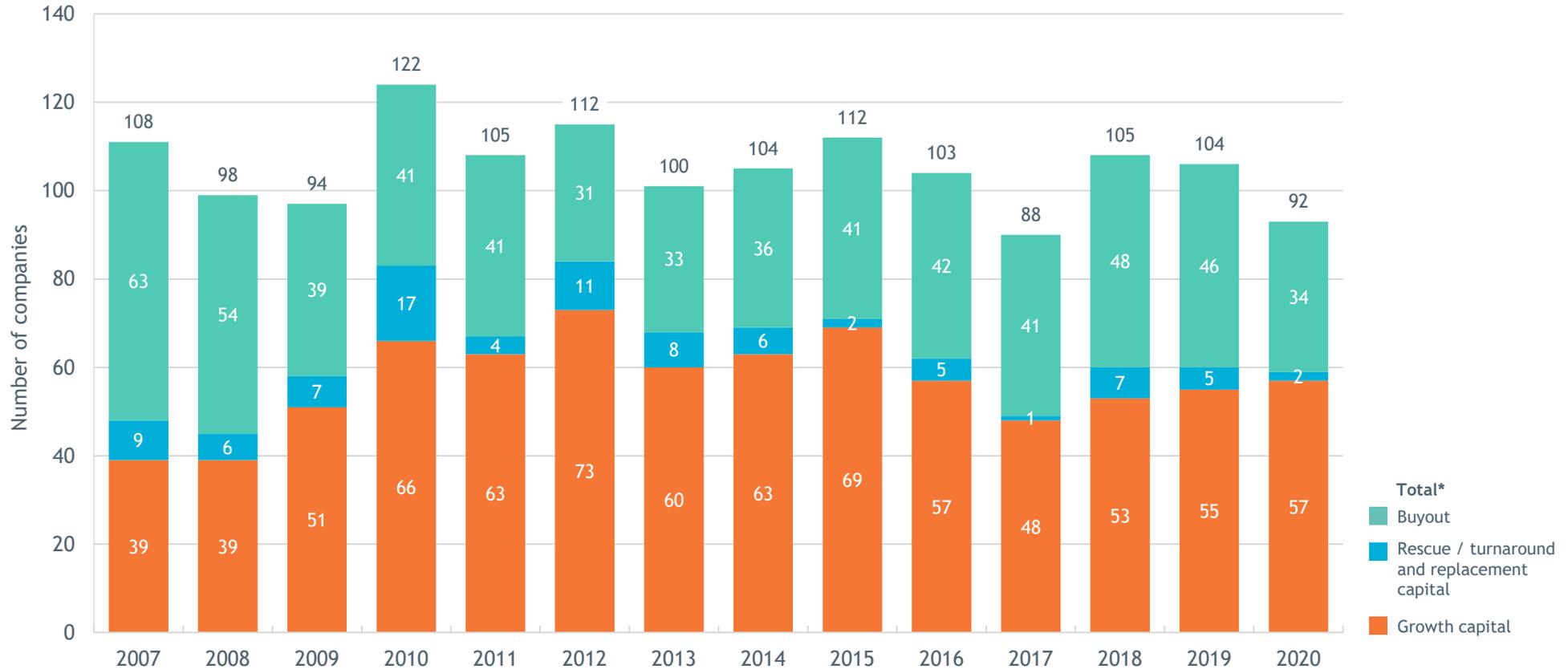
The CEE buyout and growth market

Figure 15: CEE buyout & growth investments by stage, 2007-2020 (in € million)



The CEE buyout and growth market

Figure 16: CEE buyout & growth investments by stage, 2007-2020 (number of companies)



* Total number of companies:

Each company is only taken into account once, irrespective of how many stages of investments it received during the year. The methodology section provides further information.

The CEE buyout and growth market

Table 11: Equity and transaction value by type of buyout, 2019-2020 (in € thousands)

2020							
	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	211,574	26.4	28	80.0	321,059	0.2	65.9
Mid-market	589,819	73.6	7	20.0	1,059,041	0.8	55.7
Large and mega	0	0.0	0	0.0	0	0.0	0.0
Total buyout*	801,393	100.0	34	100.0	1,380,099	100.0	

2019							
	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	279,741	13.5	34	72.3	438,008	8.7	63.9
Mid-market	763,087	36.8	11	23.4	945,363	18.9	80.7
Large and mega	1,029,786	49.7	2	4.3	3,624,799	72.4	28.4
Total buyout*	2,072,613	100.0	46	100.0	5,008,170	100.0	

Type of Transaction:

Transaction Value (€): Small <50m, Mid-market 50m<x<500m, Large 500m<x<1,000m, Mega x>1,000m

* Total number of companies:

Each company is only taken into account once, irrespective of how many stages of investments it received during the year. The methodology section provides further information.

The CEE buyout and growth market

Table 12: CEE buyout & growth investments by sector, 2019-2020 (in € thousands)

	2019				2020			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
Agriculture	39,741	1.4	2	1.9	22,115	1.7	4	4.3
Business products and services	214,812	7.4	28	26.9	155,918	11.9	14	15.2
Chemicals and materials	22,680	0.8	3	2.9	0	0.0	0	0.0
ICT (Communications, computer and electronics)	1,218,395	42.0	24	23.1	531,445	40.6	30	32.6
Construction	3	0.0	1	1.0	0	0.0	0	0.0
Consumer goods and services	519,012	17.9	23	22.1	139,164	10.6	12	13.0
Energy and environment	17,347	0.6	4	3.8	65,303	5.0	6	6.5
Financial and insurance activities	664,274	22.9	6	5.8	79,082	6.0	7	7.6
Real estate	3,126	0.1	2	1.9	1,983	0.2	1	1.1
Biotech and healthcare	133,726	4.6	9	8.7	216,045	16.5	13	14.1
Transportation	67,410	2.3	2	1.9	99,456	7.6	5	5.4
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total investment	2,900,527	100.0	104	100.0	1,310,509	100.0	92	100.0

The CEE buyout and growth market

Table 13: CEE buyout & growth divestments by exit route, 2019-2020
(value at historical investment cost, in € thousands)

	2019				2020			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Trade sale	369,706	42.0	25	42.4	286,256	22.8	18	36.0
Public offering	77,757	8.8	3	5.1	676,250	53.9	4	8.0
Write off	36,155	4.1	2	3.4	41,734	3.3	2	4.0
Repayment of preference shares/ loans or mezzanine	32,634	3.7	11	18.6	12,810	1.0	10	20.0
Sale to another private equity firm	322,138	36.6	6	10.2	134,228	10.7	5	10.0
Sale to financial institutions	22,708	2.6	4	6.8	82,624	6.6	3	6.0
Management/Owner buy-back	14,905	1.7	6	10.2	21,401	1.7	8	16.0
Other means	3,453	0.4	2	3.4	0	0.0	0	0.0
Total divestment	879,457	100.0	59	100.0	1,255,303	100.0	48	100.0

Appendix - Amendments of prior years' statistics

All data from 2007 to 2020 reported in this publication is based on the European Data Cooperative (EDC), which replaced Invest Europe's previous database from PEREP_Analytics. All relevant historic data was migrated to the EDC system in 2016. All data since 2007 has been restated and additional information was gathered during the transition and verification process. The EDC system, like its predecessor, is continually updated as new information is obtained to achieve the highest level of accuracy. However, the results depend on the timely, complete and accurate submissions of information from private equity fund managers.

Changes in amounts of funds raised, investments and divestments in certain years

- > To ensure the best coverage, the European Data Cooperative offers private equity firms the possibility to submit surveys, audit historical data and validate previously gathered data captured from public sources. In addition, more information on the CEE market has become available. This has enriched the dataset, as a substantial number of new private equity

firms have submitted data on their activity in the CEE region to the new EDC system. In addition, if fund managers corrected previous years' data, this was amended in the dataset and may include changes to the values and timing of fundraisings, investments and exits, as well as re-classifications of transactions by type.

- > In this 2020 edition, changes were only recorded in 2019 data. For fundraising and investment, values increase 10% in both activities due to new information received. The divestment amounts have only minor amendments based on corrections made by the data contributors.
- > Reclassified sector methodology.
- > The historical CEE data has been restated to match the new European sector classification profile. From 2016, certain industry sectors that historically were presented separately are now combined into one category. This refers to "ICT", which replaces communications plus computer and consumer electronics; "business and industrial products and services", which combines two previous

categories; and "consumer goods and services", which also combines two prior categories.

Invest Europe strongly recommends that readers use the most recent CEE statistics publication when analysing historical data to ensure the highest level of accuracy.

Appendix - Methodology

Investment

All amounts displayed in the investment section are equity values (if not mentioned otherwise).

Fundraising

The vast majority of private equity funds raised for CEE to date were 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
- > distressed 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 is the amount of capital invested by the private equity fund 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

Buyout fund: Funds acquiring companies by purchasing majority or controlling stakes, funding the transaction through a mix of equity and debt.

Generalist fund: Funds investing in all stages of private equity.

Growth fund: Funds that make private equity investments (often minority investments) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business.

Mezzanine fund: Funds using a hybrid of debt and equity funding, comprising equity-based options (such as warrants) and lower-priority (subordinated) debt.

Venture Capital

- > Early stage fund: Venture capital funds focused on investing in companies in the early stages of their lives.
- > Later stage fund: Venture capital funds providing capital for an operating company which may or may not be profitable. Typically in C or D rounds.
- > Venture fund (all stages): Venture capital funds focused on both early and later stage investments.

Types of investors

Corporate investor: Corporations manufacturing products or delivering non-financial services.

Endowment: An investment fund established by a foundation, university or cultural institution providing capital donations for specific needs or to further a company's operating process. They are generally structured so that the principal amount invested remains intact (for perpetuity, for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose).

Family office: An entity that provides services to one or more affluent families, including investment management and other services (accounting, tax, financial and legal advice etc.).

Foundations: A non-profit organisation through which private wealth is distributed for the public good. It can either donate funds and support other organisations, or provide the sole source of funding for their own charitable activities.

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.

Other asset manager: A financial institution (other than a bank, endowment, family office, foundation, insurance company or pension fund) managing a pool of capital by investing it across different asset classes with the purpose of generating financial returns. It may include private equity direct funds that occasionally do indirect investments, but excludes funds-of-funds that are a standalone option.

Pension funds: A pension fund that is regulated under private or public sector law.

Sovereign wealth funds: State-owned investment funds investing in foreign direct private equity funds to diversify their portfolio.

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 100%) as well as wholly independent funds.

Appendix - Definitions Investments

All amounts displayed in the investment section are equity values (if not mentioned otherwise).

Equity value: The amount of capital invested by the private equity fund 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.

Venture capital

Seed: Funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition or product design, also including market tests and creating prototypes. This funding will not be used to start mass production/distribution.

Start-up: Funding provided to companies, once the product or service is fully developed, to start mass production/distribution and to cover initial marketing. Companies may be in the process of being set up or may have been in business for a shorter time, but have not sold their product commercially yet. The destination of the capital would be mostly to cover capital expenditures and initial working capital.

Later stage funding: Funding provided for an operating company, which may or may not be profitable. Late stage venture tends to be funding companies already backed by VCs. Typically in C or D rounds.

Growth capital

A type of private equity investment (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business.

Buyout

Funding provided to acquire a company. It may use a significant amount of borrowed capital to meet the cost of acquisition. Typically by purchasing majority or controlling stakes.

Rescue / Turnaround

Funding made available to an existing business, which has experienced financial distress, with a view to re-establishing prosperity.

Replacement capital

Minority stake purchase from another private equity investment organisation or from another shareholder or shareholders.

Note: Total number of companies

The number of companies represents a distinct list of entities receiving investments throughout the reporting year. If a company receives two investments during the year, the number of companies will equal one, but the number of investments will equal two.

Appendix - Definitions Divestments

Management/Owner buy-back: The buyer of the company is its management team.

Public offering:

- > First divestment following flotation (IPO): The sale or distribution of a private company's shares to the public for the first time by listing the company on the stock exchange.
- > Sale of quoted equity post flotation: It includes sale of quoted shares only if connected to a former private equity investment, e.g. sale of quoted shares after a lock-up period.

Repayment of preference shares/loans or mezzanine: If the private equity firm provided loans or bought preference shares in the company at the time of 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.

Sale to another private equity firm: The buyer of the portfolio company is a private equity firm.

Sale to financial institution: A financial institution is an entity that provides financial services for its clients:

- > Depository institutions: deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies.
- > Contractual institutions: insurance companies and pension funds.
- > Investment institutions other than direct private equity firms.

Trade sale: The sale of a company's shares to industrial investors.

Write-off: The value of the investment is eliminated and the return to investors is zero or negative.

Note: Total number of companies

The number of companies represents a distinct list of entities subject to divestments throughout the reporting year. If a company recorded two divestments during the year, the number of companies will equal one, but the number of divestments will equal two.

About Gide Loyrette Nouel

Founded in Paris in 1920, Gide law firm operates today from 11 offices on four continents: Europe, with a focus on Central and Eastern Europe, as well as Asia, North America and Africa. With its 30 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) 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'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 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 or 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.

Contact details

Warsaw (Poland)



Dariusz Tokarczuk
Partner
tokarczuk@gide.com



Paweł Grześkowiak
Partner
grzeskowiak@gide.com

Paris (France)



Stanislas Dwernicki
Partner
dwernicki@gide.com



Hugues Moreau
Partner
moreau@gide.com

Brussels (Belgium)



Benoît Le Bret
Partner
lebre@gide.com

Istanbul (Turkey)



Bulent Ozdirekcan
Partner
ozdirekcan@gide.com



Arpat Senocak
Partner
senocak@gide.com



Central and Eastern European
Private Equity Statistics 2020

Invest Europe
Avenue Louise 81
B-1050 Brussels, Belgium

T +32 2 715 00 20
info@investeurope.eu
www.investeurope.eu