

# Central and Eastern Europe Statistics 2004

# Special Paper

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Edited by the EVCA Central and  
Eastern Europe Task Force

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European Private Equity &  
Venture Capital  
Association

### **About EVCA**

The European Private Equity and Venture Capital Association (EVCA) was established in 1983 and is based in Brussels. EVCA represents the European private equity sector and promotes the asset class both within Europe and throughout the world.

With well over 900 members in Europe, EVCA's role includes representing the interests of the industry to regulators and standard setters; developing professional standards; providing industry research; professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics.

EVCA's activities cover the whole range of private equity: venture capital (from seed and start-up to development capital), buyouts and buyins.

### **The EVCA Central and Eastern Europe Task Force**

EVCA created the Central and Eastern Europe Task Force in 2003 as a platform from which to launch initiatives for the benefit of EVCA members in Central and Eastern Europe. These initiatives are specifically aimed at the development and promotion of private equity and venture capital in the region. The Task Force was responsible for editing and publishing *Central and Eastern Europe Success Stories* in October 2004.

In addition, the Task Force has successfully included Central and Eastern Europe topics of interest in other EVCA publications and conferences.

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## Introduction

This document provides an update of annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2004. Similar statistics for 2003 were published in EVCA's *Central and Eastern Europe Success Stories* (October 2004). The statistics contained here are based mostly on the "market" approach wherein EVCA compiled information to show activity in a particular country, rather than the activity of fund managers based in that country. EVCA believes this more accurately shows the overall investment trends and activities in the Central European markets. All data provided is based on replies to the EVCA annual statistics survey presented in the EVCA Yearbook 2005.

For the purposes of this publication, Central and Eastern Europe (CEE) comprises the countries of Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

## Fundraising

Fundraising for CEE picked up dramatically in 2004, with a total of €496 million raised, a 59% increase compared to 2003. Notably, the vast majority of funding across the CEE region is sourced from non-domestic investors.

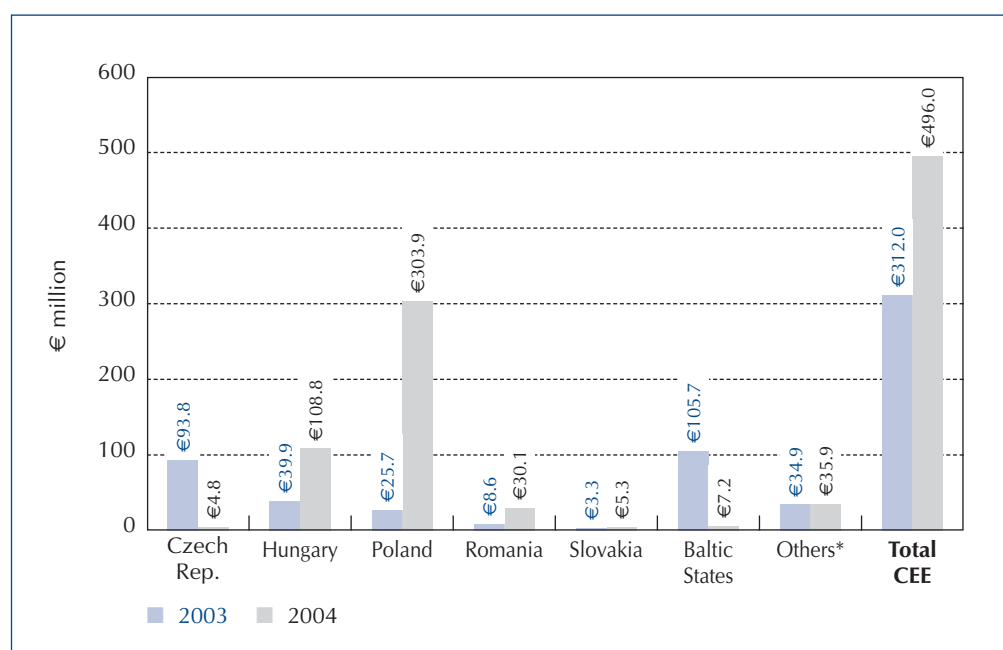
Table 1: Fundraising for CEE private equity by region, 2004

€ '000	Czech Republic	Hungary	Poland	Romania	Slovakia	Baltic States	Other*	Total CEE
Domestic	4,839	39,013	407	-	2,438	3,426	22,724	72,847
Other European	-	69,812	224,438	15,051	531	3,425	-	313,257
Non-European	-	-	79,036	15,051	2,287	363	13,178	109,915
<b>Total 2004</b>	<b>4,839</b>	<b>108,825</b>	<b>303,881</b>	<b>30,102</b>	<b>5,256</b>	<b>7,214</b>	<b>35,902</b>	<b>496,019</b>

\* Croatia and Slovenia

Source: EVCA

Figure 1: Fundraising for CEE private equity, 2003-2004



\* Croatia and Slovenia

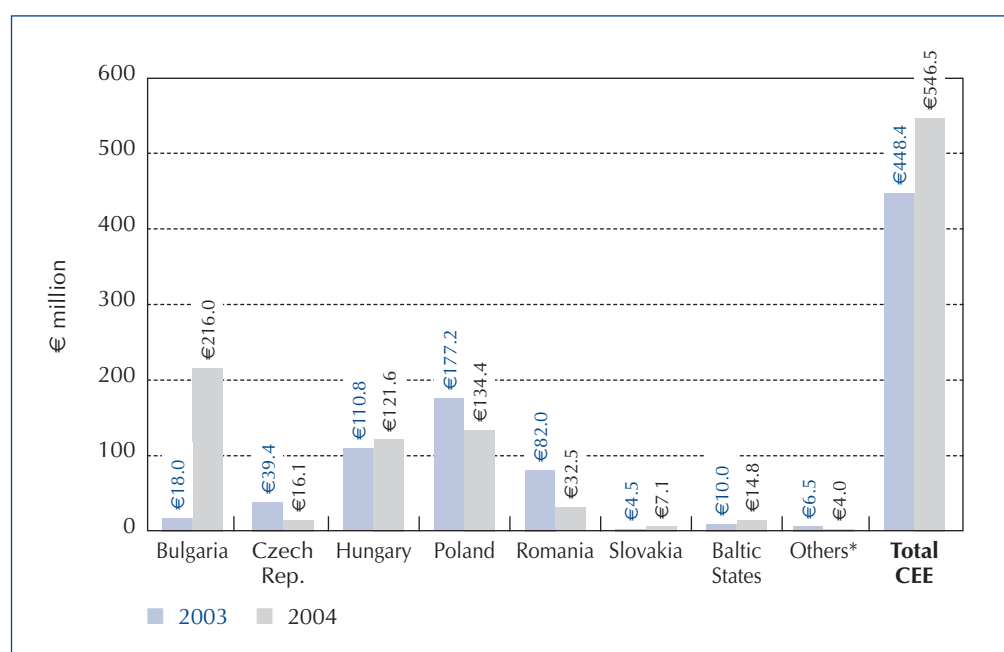
Source: EVCA

Please note that the data above is limited to capital raised by funds based in the CEE region and is shown as raised by the country from which the fund manager reports. The data does not include those funds that have declared an investment allocation to CEE and are not located in the region.

## Investment Activity

Investment levels increased significantly in 2004 with a total €547 million invested across the CEE region. This is an overall increase of 22% compared to 2003. However, the investments trends by country varied. Bulgaria had the highest level of investment activity by amount, primarily due to the completion of two of the largest private equity transactions to date in the CEE region. Many of the private equity fund managers active in the CEE region participated in those transactions. Hungary and Latvia also showed increases in investments by amount, while activity in Poland, the Czech Republic and Romania decreased compared to 2003.

Figure 2: Annual Investment volume in CEE, 2003-2004



\* Croatia and Slovenia

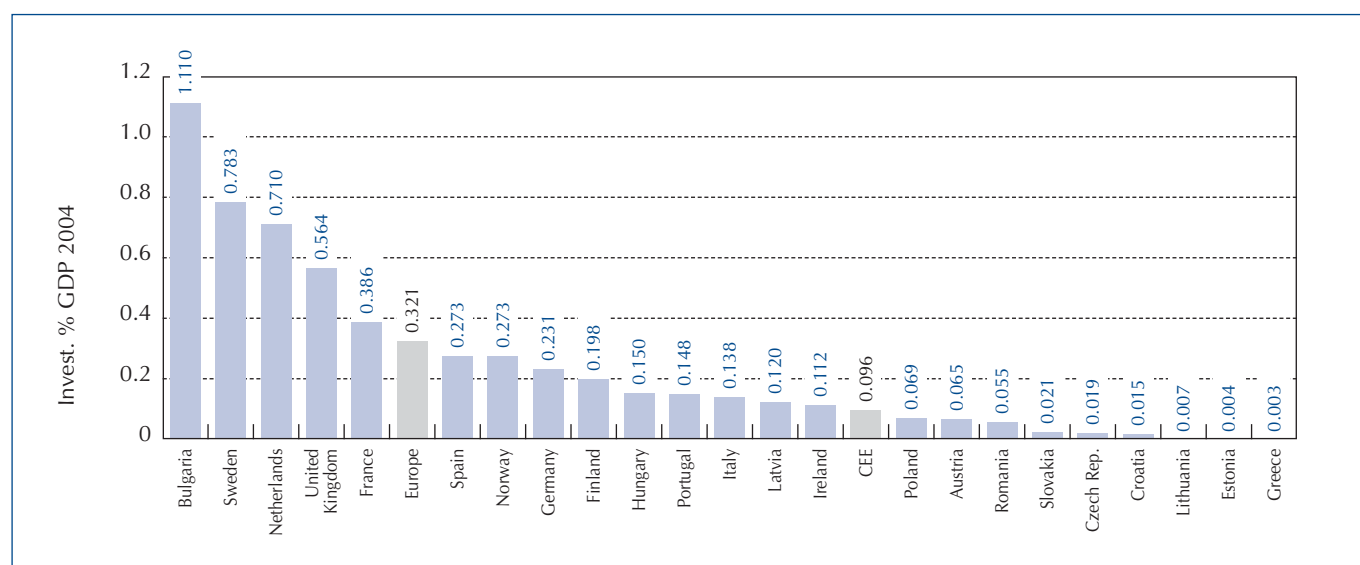
Source: EVCA

Table 2: Investments as a percentage of GDP in CEE, 2003-2004

€ '000	2003 Total Investment	2004 Total Investment	Invest % of GDP 2003	Invest. % GDP 2004
Bulgaria	18,043	215,976	0.101%	1.110%
Hungary	110,755	121,562	0.154%	0.150%
Latvia	2,692	13,261	0.031%	0.120%
Poland	177,213	134,437	0.098%	0.069%
Romania	82,020	32,543	0.159%	0.055%
Slovakia	4,479	7,059	0.016%	0.021%
Czech Rep,	39,422	16,074	0.052%	0.019%
Croatia	2,799	4,021	0.011%	0.015%
Lithuania	5,647	1,182	0.036%	0.007%
Estonia	1,661	365	0.022%	0.004%
Slovenia	3,714	-	0.015%	0.000%
<b>Total</b>	<b>448,445</b>	<b>546,480</b>	<b>0.088%</b>	<b>0.096%</b>

Source: EVCA, Eurostat (GDP)

Figure 3: Private equity investments as a percentage of GDP for Europe, CEE and selected European countries, 2004\*



\* By country of destination of investment

Source: EVCA, Eurostat (GDP)

## Types of Investment

As in 2003, the largest portion of invested capital went into buyout transactions, followed by expansion capital investments and replacement capital. Notably, there were no reported seed stage investments and a significant reduction of start-up investments. It is fair to say that the equity gap seen across Europe is even more visible in the CEE region.

Table 3: Type of investment in CEE vs. Europe, 2004

€ '000	Total CEE	% of total	Total Europe	% of total
Seed	-	0.0%	147,771	0.4%
Start-up	6,158	1.1%	2,232,680	6.0%
Expansion	211,725	38.7%	7,899,694	21.4%
Replacement Capital	105,383	19.3%	904,910	2.5%
Buyout	223,214	40.9%	25,767,130	69.7%
<b>Total 2004</b>	<b>546,480</b>	<b>100.0%</b>	<b>36,952,185</b>	<b>100.0%</b>
<b>Total 2003</b>	<b>448,445</b>		<b>29,212,495</b>	

Source: EVCA

Table 4: Type of investment by CEE country, 2004

€ '000	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia	Baltic States	Others*
Seed	-	-	-	-	-	-	-	-
Start-up	-	2,245	501	-	-	947	706	1,759
Expansion	3,421	13,829	120,561	44,100	7,339	6,112	14,102	2,262
Replacement Capital	20,684	-	-	59,494	25,204	-	-	-
Buyout	191,871	-	500	30,843	-	-	-	-
<b>Total 2004</b>	<b>215,976</b>	<b>16,074</b>	<b>121,562</b>	<b>134,437</b>	<b>32,543</b>	<b>7,059</b>	<b>14,808</b>	<b>4,021</b>
<b>Total 2003</b>	<b>18,043</b>	<b>39,422</b>	<b>110,755</b>	<b>177,213</b>	<b>82,020</b>	<b>4,479</b>	<b>10,000</b>	<b>6,513</b>

\* Croatia and Slovenia

Source: EVCA

## Exits

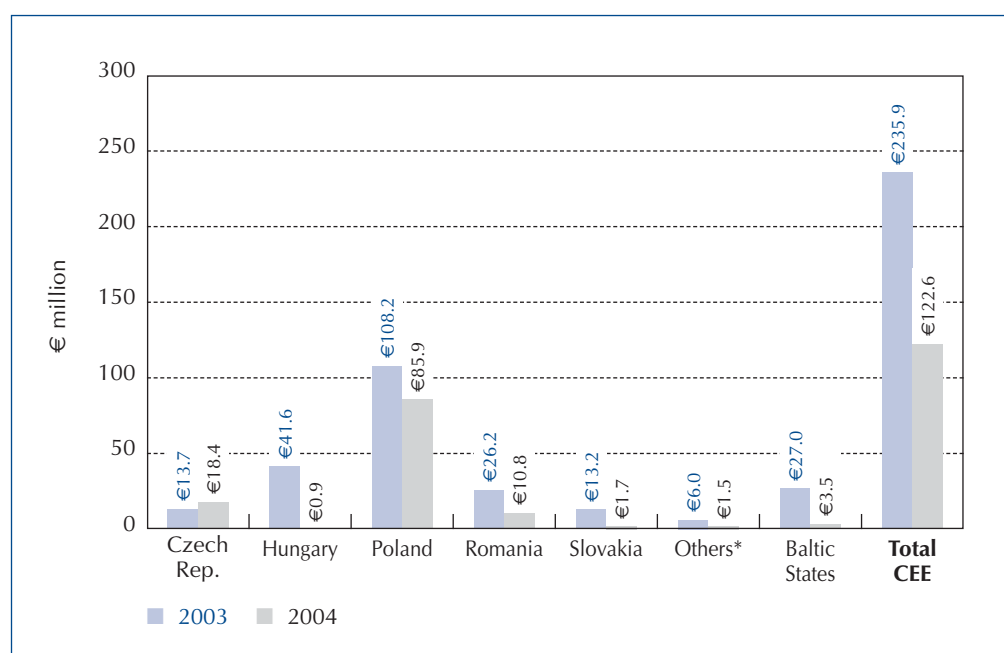
Measured by investment cost, the level of exit activity decreased significantly in 2004 as compared to 2003. The statistics, however, do not measure the actual proceeds received upon exit and therefore do not fully show the trends in terms of capital returned to investors. Divestments through trade sales, sale to management, repayment of principal loans and by other means showed the largest decreases year to year. Exits through the public markets and in secondary sales to other venture capitalists in 2004 were similar to 2003 levels and write-offs showed a slight increase. Comparing to European-wide exit trends, CEE has a higher proportion of total exits resulting from trade sales, public market exits and write-offs in 2004.

Table 5: Exits in CEE vs. total Europe, 2004

Exit value at investment cost, € '000	Total CEE	% of total 2004	Total Europe	% of total 2004
Divestment by trade sale	42,041	34.3%	4,628,477	23.6%
Divestment by public market	26,198	21.4%	2,306,318	11.8%
Divestment by write-off	21,310	17.4%	1,904,884	9.7%
Repayment of principal loans	4,582	3.7%	4,165,981	21.3%
Sale to another venture capitalist	5,826	4.8%	2,555,307	13.1%
Sale to financial institution	4,708	3.8%	577,563	3.0%
Sale to management (MBO)	14,283	11.7%	945,748	4.8%
Divestment by other means	3,613	2.9%	2,478,200	12.7%
<b>Total 2004</b>	<b>122,561</b>	<b>100.0%</b>	<b>19,562,478</b>	<b>100.0%</b>
<b>Total 2003</b>	<b>235,907</b>		<b>13,626,128</b>	

Source: EVCA

Figure 4: Divestments at cost by CEE country, 2003-2004



\* Croatia and Slovenia

Source: EVCA



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