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EMEA Private Equity Market Snapshot

Essential tools for strategic decisions

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Editor's Note

Welcome to the 30th issue of **the EMEA Private Equity Market Snapshot** (PEMS), a quarterly publication focusing on the Private Equity (PE) market in Europe, the Middle East and Africa (EMEA) from S&P Global Market Intelligence.

Results from an annual survey conducted among Private Equity (PE) and Venture Capital (VC) firms indicate that investors have an overall positive outlook for 2022 markets. Investors anticipate that deal-making will continue to increase along 2021 trends. Over half of respondents anticipate fundraising will remain the same, and 36% think it will grow, which is up from last year's predictions.

Information Technology (IT) and Healthcare still lead in sectors attracting the most activity, but ESG concerns are taking an increasingly central role. Concerns about COVID-19 still linger, but they have diminished significantly from the previous year. Investors are now more concerned about the risks of inflation and rising interest rates. The survey also asked firms about their digitization efforts, and while technology adoption remains somewhat slow in some areas, more investors are using digital tools to find opportunities for growth and remain competitive.

The second half of this report examines PE/VC activity in the Central and Eastern European region (CEE) from 2015-2021. After a stagnant 2020, deal-making rebounded in 2021 to €2.3bn. Poland saw the highest growth in aggregate deal value, while Estonia became increasingly attractive to tech investors. By contrast, Russian investment firms have increasingly invested outside of the country, and foreign investors are reluctant to take on the risks associated with political and economic instability in the country.

We look forward to receiving feedback and suggestions on regions or sectors of interest for future analysis. To subscribe or comment on the complimentary EMEA PEMS, please email market.intelligence@spglobal.com

Authors

Ilja Hauerhof
Associate Director,
Product & Market
Development EMEA

S&P Global Market
Intelligence

Ksenija Morozova
Data Associate,
Investments Data

S&P Global Market
Intelligence

Ewa Skornas
Senior Associate,
Investments Data

S&P Global Market
Intelligence

Elisabeth Bautista Suarez
Senior Associate,
Investments Data

S&P Global Market
Intelligence

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Deal-making to Continue Apace in 2022

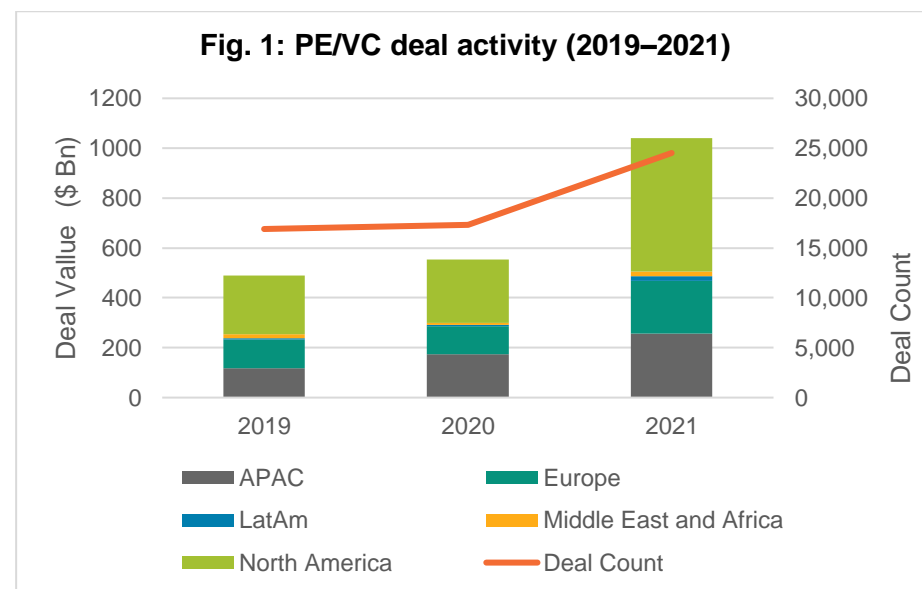
For the fifth consecutive year, S&P Global Market Intelligence conducted an annual survey among PE and VC practitioners to measure industry outlooks for the upcoming 12 months.¹ The study centered mostly on General Partners' (GP) expectations around deal-making, fundraising, investment strategy, threats to the growth of portfolio companies, and the approach to Environmental, Social and Governance (ESG) factors. This year we also included a question on investors' advances on their digitization and automation journey.

2021 was a record year for the PE industry as investment activity surpassed the trillion-dollar mark for the first time. In total, 24,520 deals were closed, with an aggregate deal value worth \$1.04 trillion, nearly double the amount from the year before. At the same time, deal volume grew by 41.6% over 2020, proving that investors' predictions of improved deal-making in 2021 came to fruition. Each region benefited from an investment spree, with Latin America (LatAm) and North America (NA) witnessing the highest uptick in aggregate deal value year-on-year. Indeed, LatAm grew by an outstanding 225%, to \$19.5 billion in 2021 from almost \$6 billion in 2020, with the top 12 deals accounting for a third of the total deal value in the region. North America registered a 111% increase in aggregate deal value on the previous year and accounted for half of the total transaction value (\$534 billion).

Going into 2022, PE investors remain largely bullish on the investment activity outlook. On average, 56% of respondents believe deal activity will improve in the next 12 months. Thirty-seven percent think it will remain the same, a slight increase over 2021 when only 27% of investors expected deal activity to remain flat. In the context of elevated investment levels, this likely suggests that investors are growing

¹ The survey was conducted over the period of 15 weeks between October 4, 2021, and January 16, 2022. In total we received 357 responses from PE and VC investors globally. 48% of respondents were senior level professionals. 43% were Private Equity Firms, 29% were Venture Capital firms and 28% were firms doing both Private Equity and Venture Capital investments. Geographically, 45% of respondents were from Europe, 19% were from North America, 15% were from APAC, 8% were from the Middle East & Africa and 13% were from Latin America.

wary of risks such as inflation, rising interest rates and high valuations that could put the brakes on this unprecedented pace of transactions.²

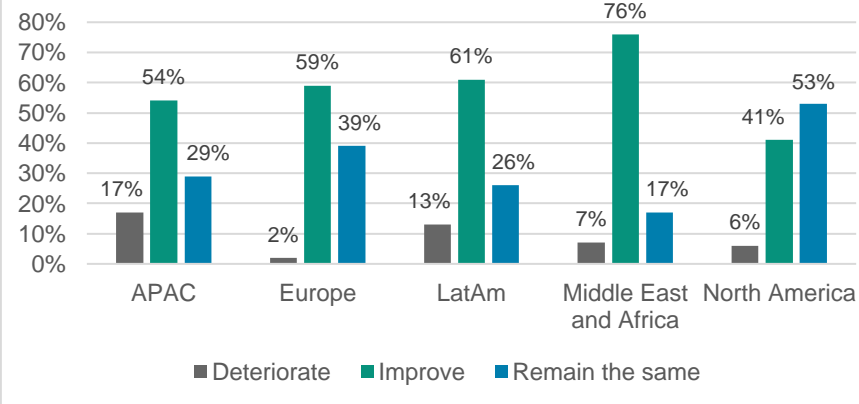


Source: S&P Global Market Intelligence. For illustrative purposes only.

European investors appear to have the most confidence about the industry's outlook, with 98% predicting that deal-making activity will either improve or remain the same. By contrast, Asia-Pacific (APAC) respondents maintain the most cautious view. Almost 17% of PE professionals from that region anticipate the investment landscape will deteriorate in 2022.

² Private equity managers expect another boom year in 2022. (As of 13/01/2022). S&P Global Market Intelligence Retrieved from: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/private-equity-managers-expect-another-boom-year-in-2022-68394243>

Fig. 2 : In 2022, I expect that Private Equity/ Venture Capital deal activity in my location will:



Source: S&P Global Market Intelligence. For illustrative purposes only.

Fundraising hit a new record in 2021 with established fund managers riding the wave

Like deal-making, fundraising also saw an upward growth trajectory in 2021 as money flew abundantly into private markets. In total, 2,543 funds held a final close, a 14% increase on the previous year's tally. On aggregate those funds raised \$845.5 billion capital across various strategies, with growth capital funds seeing the largest upsurge. According to Preqin data,³ aggregate capital raised by growth funds hit a new record of \$136 billion, up by 60% on the previous year and exceeding the 5-year average of \$114 billion. VC fundraising also saw an increased level of activity, with an aggregate capital raised up 23% on the previous year.

Out of those PE firms that have been fundraising in the last 12 months, a quarter indicated that convincing Limited Partners (LPs) about the investment strategy and source of competitive advantage is the biggest challenge faced during the process. This is of particular concern for

LatAm investors: 38% of respondents from the region say that convincing LPs about the right strategy and ability to deploy capital effectively is the biggest fundraising challenge their firm is facing. Conversely, only 18% of North American respondents see it as a hindrance, the smallest percentage across all regions. Twenty percent of all survey participants think that large LPs pouring capital into fewer funds with established LP-GP relationships is the second most common challenge, a sentiment felt most by European investors (23%). Notably, 40% of respondents from North America and 26% from Europe claim that they don't face any major challenges, while only 11% of LatAm investors and 13% of Middle East investors feel the same. Eighteen percent of APAC investors say that LPs demanding diversification and fierce competition against larger firms pose other significant fundraising challenges.

When it comes to the fundraising outlook, half of the respondents expect fundraising conditions to remain the same and another 36% believe they will improve; among Middle East and Africa investors the percentage is as high as 52%, which indicates a very positive outlook for 2022. Only 13% of respondents anticipate fundraising conditions will deteriorate.

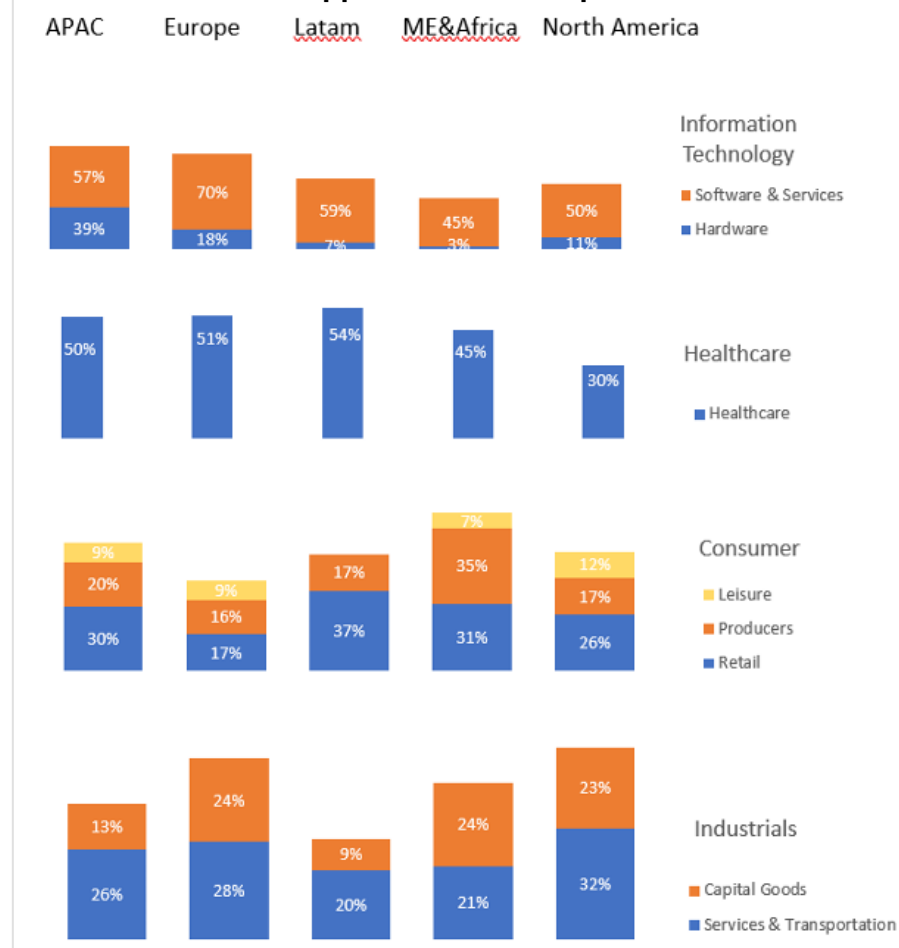
³ Preqin Pro, (as of 07/02/2022). <http://www.preqin.com>

Looking at the investment strategy from the sector perspective, Information Technology (IT) remains the top industry of choice, with 63% of investors planning to deploy capital in this sector. This is up from 51% in 2021, indicating that its attractiveness continues to grow year-on-year. Investor strategy is backed by robust numbers: in 2021, IT accounted for nearly half of total deals completed (46%) and a third of total deal value (37%).⁴ The most favored industry group within the sector across regions, according to our respondents, is by far Software & Services (61%), while only 17% plan to invest in Hardware.

Healthcare follows IT as the second top industry, up to 47% from 43% in 2021, attracting more investors as the sector continues to offer opportunities, especially in the Healthcare Technology industry.⁵ In 2021, deal activity in Healthcare continued gaining momentum, not only in terms of deal count but also deal value, which reached \$340 billion; Healthcare Technology deal counts contributed the most to the sector's dynamism.⁶

Contenders for the third sector of choice are the Consumer (35%) and Industrials (34%) sectors. Both sectors' attractiveness has increased from last year (30% and 26% respectively). However, in 2021, the Consumer sector saw the sharpest rise in deal value of all sectors, tripling to \$180.8 billion in 2021 from \$63.3 billion in 2020.⁷ PE/VC firms considering investment in the Consumer sector plan intend to focus on the Consumer Retail (24%) and Consumer Producers sub-sectors (18%), while taking rather a cautious approach to Consumer Leisure (8%).

Fig. 3: In the next 12 months, I expected my firm to primarily focus on opportunities in: Top 4 Sectors



Source: S&P Global Market Intelligence. For illustrative purposes only.⁸

⁴ S&P Capital IQ Pro Platform (as of 27/01/2022). www.capitaliq.spglobal.com

⁵ Investing in the next generation of healthcare opportunities. (As of 7/10/2021). FT Adviser. Retrieved from: <https://www.ftadviser.com/investments/2021/10/07/investing-in-the-next-generation-of-healthcare-opportunities/>

⁶ M&A Year in Review 2021. S&P Global Market intelligence. Retrieved from: <https://pages.marketintelligence.spglobal.com/2021-Year-in-Review-Investment-Banking-Infographic.htm>

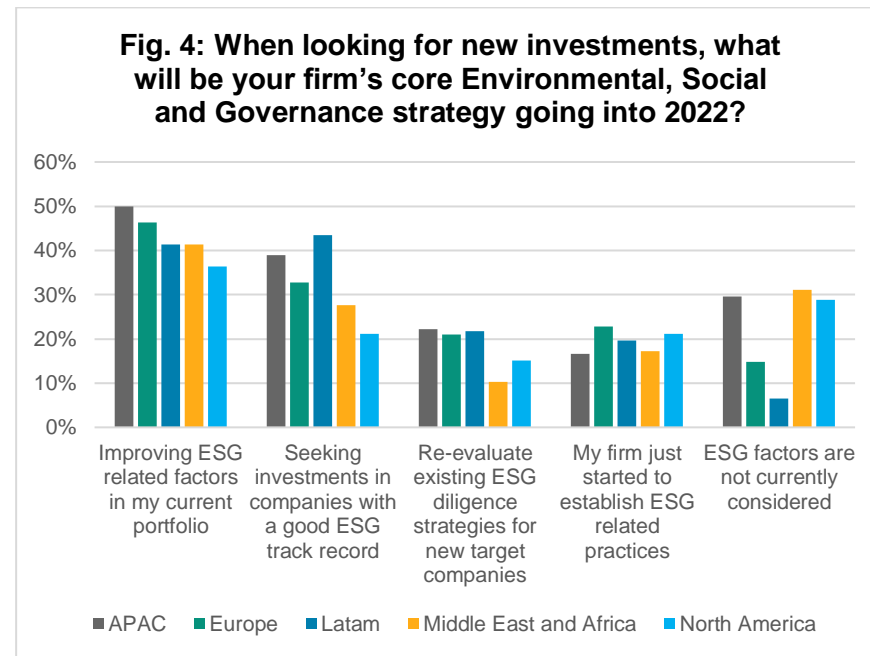
⁷ S&P Capital IQ Pro Platform (as of 27/01/2022).

⁸ Multiple selections were allowed. Example: 70% of all Europe-based investors responded that they are planning of making investments in Software & Services.

It has been a positive year for ESG with a broad recognition of ESG's importance from all stakeholders and acknowledgement of its role in value creation.⁹ Many PE investors now consider ESG factors when building and managing their portfolio. Forty-four percent of respondents indicated they are planning to focus on improving ESG related factors in their portfolio companies this year, and 32% are seeking investments with a good ESG track record, up from 29% in 2021. Globally, the number of companies that are beginning to implement ESG-related practices has decreased since the previous year, indicating that many companies are already well into their ESG journey. LatAm investors especially seem to have accelerated the adoption of ESG principles: the number seeking investments in companies with a good ESG track record has nearly doubled from last year, to 43% from 25%, while the number of firms that are not considering ESG factors has decreased considerably, to only 7% from 19% in 2021. However, the overall number of firms not considering ESG factors when looking for new investments remained unchanged from last year at approximately 20%. ESG still clearly faces challenges in its implementation, such as the lack of standardized performance reporting, and will certainly require time before all companies can be on board. Despite this, stakeholders are expecting 2022 to be a year of action on ESG issues, not just for climate change as expected but also for rising concerns over social issues.¹⁰

⁹ PE Pulse: Five takeaways from 4Q 2021. (As of 20/01/2022). EY. Retrieved from: https://www.ey.com/en_us/private-equity/pulse

¹⁰ Key Trends that will drive the ESG agenda in 2022. (As of 31/01/2022). S&P Global. Retrieved from: <https://www.spglobal.com/esg/insights/key-esg-trends-in-2022>



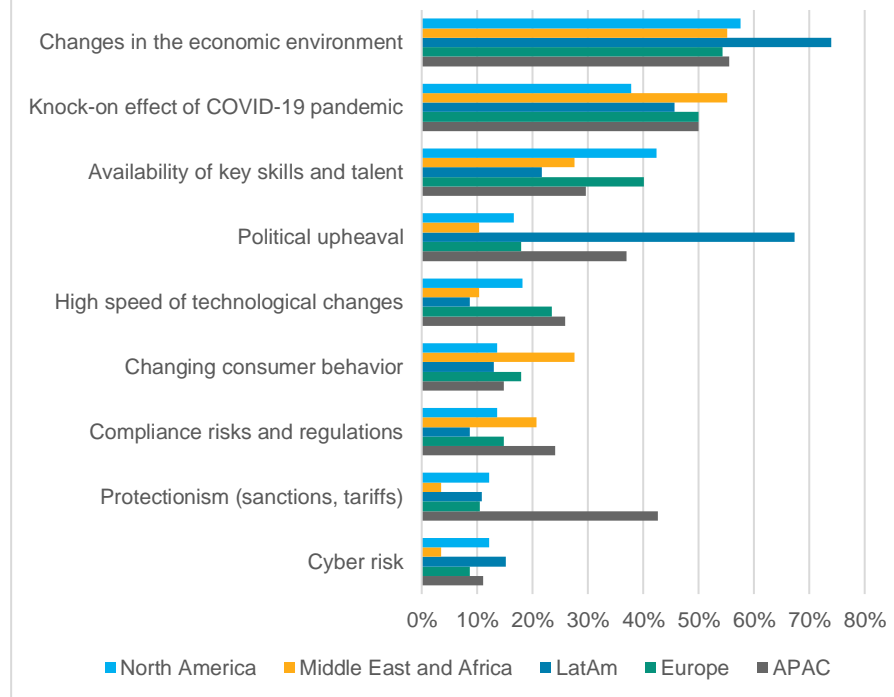
Source: S&P Global Market Intelligence. For illustrative purposes only.

Economic environment at the forefront of risk concerns

Going into 2022, PE/VC investors are mainly concerned about the changes to the economic environment. More than half of respondents (58%) highlighted it as the top risk factor to their portfolio. The economic effects of the pandemic continue to linger; however, as PE/VC firms have gained more experience with its impact, it has become less of a concern, dropping to second place this year (48%). The third risk factor concerning PE/VC firms this year has changed considerably from last year. Concerns about the availability of skills and talent as a threat to the growth of portfolio companies have doubled from last year, climbing to 36% from only 17% in 2021. More than 40% of both European and North

American investors are concerned about the availability of key skills and talent, the highest number across all regions. Labor shortages in the wake of the pandemic are undoubtedly playing a role in the overall picture. Political upheaval (26%) and the high speed of technological changes (20%) round off the top five risk factors. Environmental issues and regulations, lack of financing and raw materials, logistics and high valuations are other topics of concern on investors' minds. Changes in consumer behavior is no longer one of the top five factors of concern, decreasing to 17% this year from 26% in 2021 as firms now have a better gauge of consumer reactions to the pandemic and have adjusted their strategies accordingly.

Fig. 5: What factor(s) do you believe will pose the greatest risk to your firm's portfolio over the next 12 months?



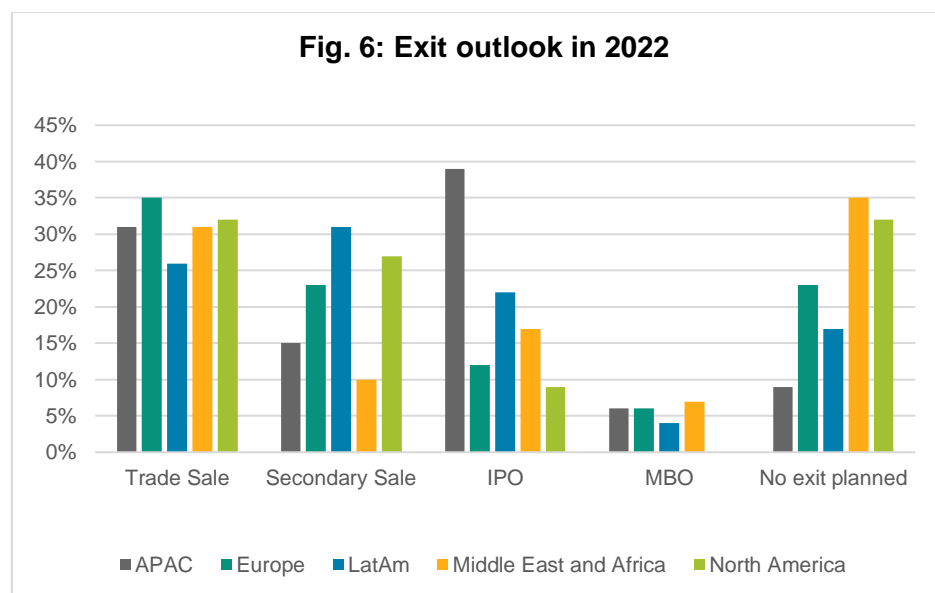
Source: S&P Global Market Intelligence. For illustrative purposes only.

Exit activity bounces back and set for another active year

More than three-quarters of firms (77%) say they are planning to exit their portfolio companies, marking an increase from last year (66%). APAC investors are the most enthusiastic at 91%. 2021 was an exceptional year for exits: not only did the number of exits increase by 34% from 2020, but exit value also increased by 57%. North America largely led this increase, accounting for 76% of the total deal value.¹¹ Another active year is

¹¹ S&P Capital IQ Pro Platform (as of 25/01/2022). Screening results include only M&A Exits not IPOs.

anticipated¹² as sponsors continue to take advantage of favorable exit conditions and new dynamics such as the rise of Special Purpose Acquisition Companies (SPACs).¹³ In terms of exit methods, trade sale will still be the most preferable route, attracting a third of respondents (32%) versus a quarter last year. IPOs remain the first choice of exit methods among APAC investors (39%), and it is also increasingly attractive to LatAm investors, rising to 22% from only 4% last year. The number of IPOs in LatAm in 2021 was on par with 2020, a leveling out of the steep increases seen in 2019, with most of them taking place in Brazil.¹⁴



Source: S&P Global Market Intelligence. For illustrative purposes only.

¹² Robust private equity exits may set record year. (As of 16/11/2021). S&P Capital IQ Pro. Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=67618330>

Private Equity firms gradually catching the digitalization train

Digital innovation and transformation across existing workflows are imperative for PE firms wishing to maintain a competitive edge among peers. Going into 2022, all regions are clearly at different stages of digital technology adoption. Overall, 41% of respondents say that their firms are in the early implementation stage, mainly focusing on using Customer Relationship Management (CRM) solutions and digital platforms for reporting. In terms of advanced digitization, 14% declare their organizations have advanced to the point of leveraging data science for automated deal sourcing and due diligence, while only 7% of respondents said that digital technologies have been fully implemented into their playbook. European firms seem to lead the pack, with 27% saying they have either fully implemented digital technologies or are in the advanced stages; by comparison, only 20% of North American investors are in the same stage. Across all regions, digitalization is high up on PE agendas and awareness has risen significantly. 22% of respondents say their firms are exploring digital technologies while 7% say their firms are close to making the final decision. Changes is slowest in the Middle East and Africa where 18% of investors have yet to embark on digital revolution at all.

Conclusion

PE/VC investors are optimistic about 2022, with a majority betting on the current rapid pace of investment and fundraising to continue given the huge amount of available dry powder and the strong interest in the asset class.

However, many are cautious of the growing inflation and rate hikes that may impede the unprecedented rate of investment activity. IT and Healthcare sectors will continue to be in high demand, with ESG

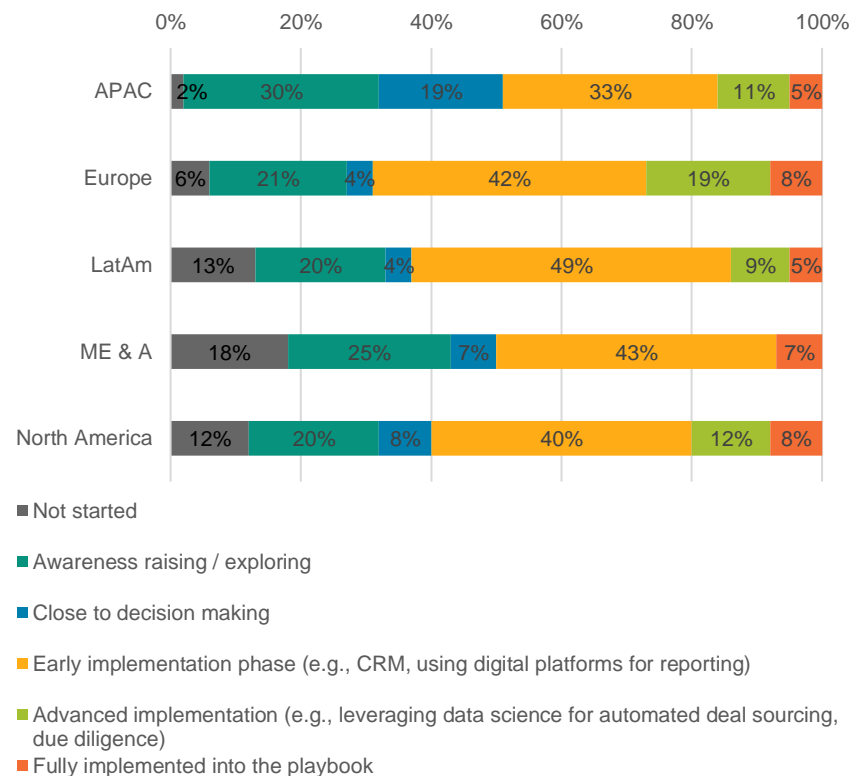
¹³ PE-backed SPACs in 2021 soar past last year's tally. (As of 09/09/2021). S&P Global Market Intelligence. Retrieved from:

<https://www.capitaliq.spglobal.com/web/client?auth=inherit#news/article?id=66494139>

¹⁴ S&P Capital IQ Pro Platform (as of 14/02/2022).

considerations taking an increasingly central role in the investment decision process and beyond. Another prevailing theme for the upcoming months to grow in significance will be digitalization. Although PE firms have been slow to join the digital technology revolution, many are catching up and implementing advanced data and analytics tools to identify new growth opportunities and remain competitive. 2022 is likely to be an active year for private equity exits, and many investors are preparing to divest their portfolio companies. SPACs are playing a new role in the market dynamics, particularly in the U.S. Whether the exit activity will be on par with that of 2021 remains to be seen and may hinge on looming economic risks.

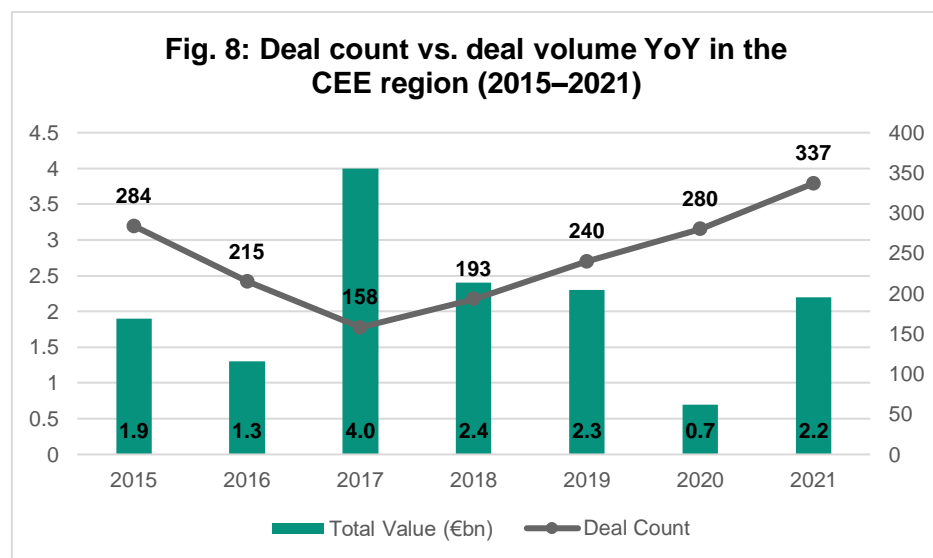
Fig. 7: Looking at digital transformation and automation efforts across workflows, in your opinion, where does your organization currently stand in this journey?



Source: S&P Global Market Intelligence. For illustrative purposes only.

PE/VC Investment Landscape in CEE

Positioned in the heart of Europe, the Central and Eastern European region (CEE)¹⁵ offers easy access to the EU single market and its own market of continually increasing consumer demand. Well-educated, skilled professionals are supported by experienced local general partners in the environment where innovation is embraced by the government.¹⁶



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

After relatively subdued deal-making activity in 2020, the aggregate deal value in the CEE region hit €2.3bn in 2021, an increase of 214% YoY but still not as high as the €4bn reported in 2017 (Fig. 8). In total, 337 transactions were closed in 2021, the highest tally since 2015 and 40% above the five-year average of 241 transactions per year. Poland was the most invested country by deal count and accounted for 31% of all completed deals in the region between 2015–2021.

Poland leads the CEE region in terms of deal value, with a total reported transaction value of €5.8 in the same period (Fig. 9). It is important to note that in the region, PE/VC deal activity reporting is often driven by a few one-off mega deals. The biggest deal with Poland’s online marketplace, Allegro Group sp. z o.o.,¹⁷ accounted for almost €3bn in 2017. Similarly, Czechia reached an aggregate deal value of €4.7bn (Fig. 9), but this was largely a result of two mega deals in 2019 and 2020: an acquisition of the majority stake of Czech Grid Holding, a.s.¹⁸ and Zentiva Group, a.s.¹⁹ Both deals combined accounted for 83% of the country’s total deal value in the study period.

¹⁵ For the purpose of this article, Central and Eastern Europe, as per OECD definition, covers Albania, Bulgaria, Croatia, the Czechia, Hungary, Poland, Romania, the Slovakia, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania.

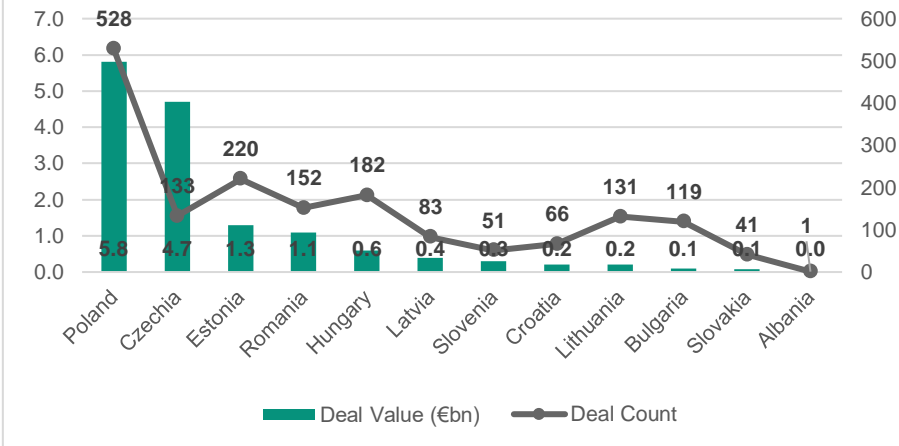
¹⁶ Invest Europe, “Private Equity in CEE: Creating Value and Continued Growth.” Published on Feb 11, 2021. Retrieved from: <https://www.investeurope.eu/about-private-equity/private-equity-impact/private-equity-in-cee/>

¹⁷ Allegro Group Sp. z o.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=235259>

¹⁸ Czech Grid Holding, a.s., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1571829>

¹⁹ Zentiva Group, a.s., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1454797>

Fig. 9: Deal count vs. deal value per country in the CEE region (2015–2021)



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Looking at more recent data, the number of deals in 2021 for Poland is 91. This represents just 15% of the 528 deals made in the country between 2015–2021, but it accounts for 27% of all the deals in the CEE in 2021, placing Poland in the lead position in the CEE PE/VC market. While Polish companies received just €440m in 2021, that nevertheless represents a healthy growth of 142% YoY. Notably, 2021 was also a good year for Romanian firms, which received more than €190m in funding, or 8% of the CEE market, a 1168% growth YoY. The two largest deals amounted to €108m between two FinTech firms: Fintech OS SRL²⁰ and PayPoint Services Romania SRL.²¹

Based on the Global PE/VC survey conducted by Market Intelligence in the end of 2021, we see that ESG is becoming an increasingly relevant investment strategy in CEE. 35% of respondents in the region said that in 2022 they were looking to invest in companies with a good ESG track

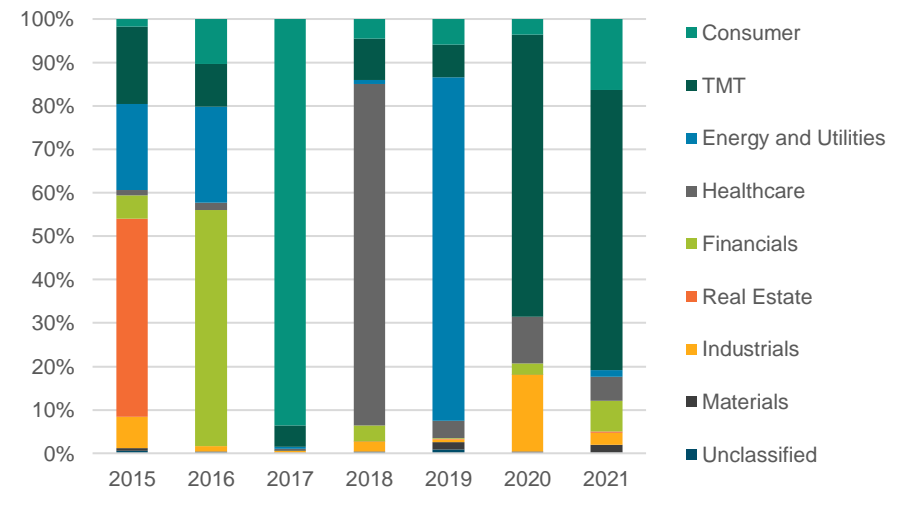
²⁰ Fintech OS SRL, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=13461070>

record. In addition, 43% reported that their firms have started to establish ESG-related practices, which is up from 22% in 2020.

Industry trends in CEE

In the past two years, the Technology, Media & Telecommunications sector has gained more traction in the CEE, receiving more than €1.4bn in PE/VC funding (Fig. 10). The sector accounted for 65% of all investments in 2021, a 212% growth YoY in deal value. On the other hand, the Real Estate sector has been declining since it reached its highest point in 2015, and today accounts for the lowest market share in terms of deal value in the region over the whole study period.

Fig. 10: Sector trends in CEE by deal value



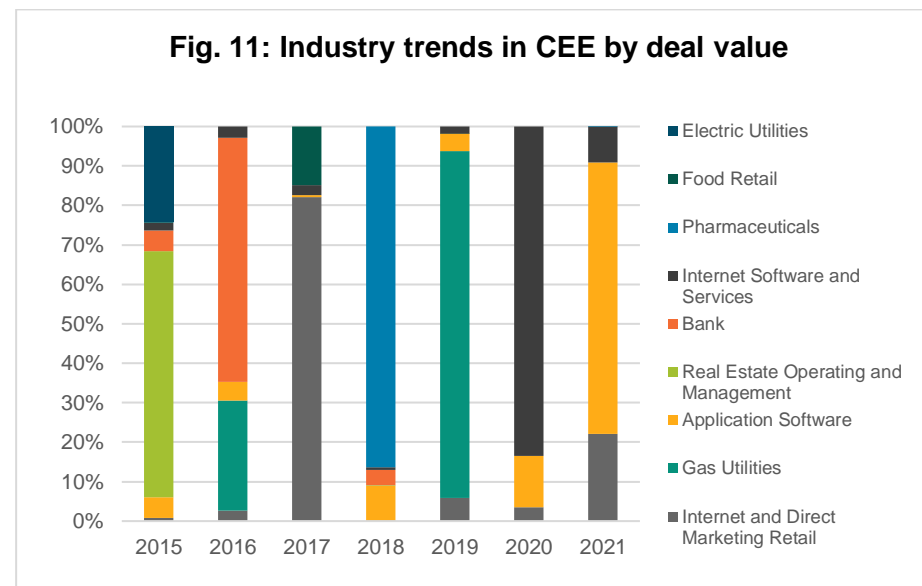
Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Within the Technology, Media & Telecommunications sector, the Application Software industry amassed the highest deal volume of

²¹ PayPoint Services Romania SRL, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1773226>

PE/VC investments in the CEE region in 2021, with a reported total of €950m in funding received (Fig. 11). The biggest deal of the year involved Estonian taxi and food delivery firm Bolt Technology OÜ²² with a total value exceeding €620m. The second largest deal comes from the Internet and Direct Marketing industry, where Czech consumer retail firm VELKÁ PECKA s.r.o.²³ received €290m over two funding series in six months.

In the last two years, the Internet Software and Services industry has also been popular with PE/VC investors, receiving in total more than €399m of reported funding. The two biggest deals in the period were responsible for 60% of the total deal value: where Croatia’s CRM solutions firm INFOBIP d.o.o. received €170m²⁴ in Series A funding, and Poland’s e-learning platform Brainly Spółka²⁵ received €66m in PE/VC funding.



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

CEE is gaining traction with foreign sponsors

From 2015–2020, the majority of sponsors YoY in CEE deals were domestic PE/VCs at 61% on average. However, in 2021, foreign sponsors accounted for 56% of the total number of investors participating in transactions, a 168% growth over 2020. 2021 also marks the first year when the number of foreign PE/VCs participating in CEE transactions exceeded the number of domestic sponsors. However, that change does not translate into a higher deal value but rather represents a growth in deal count (Fig. 12).

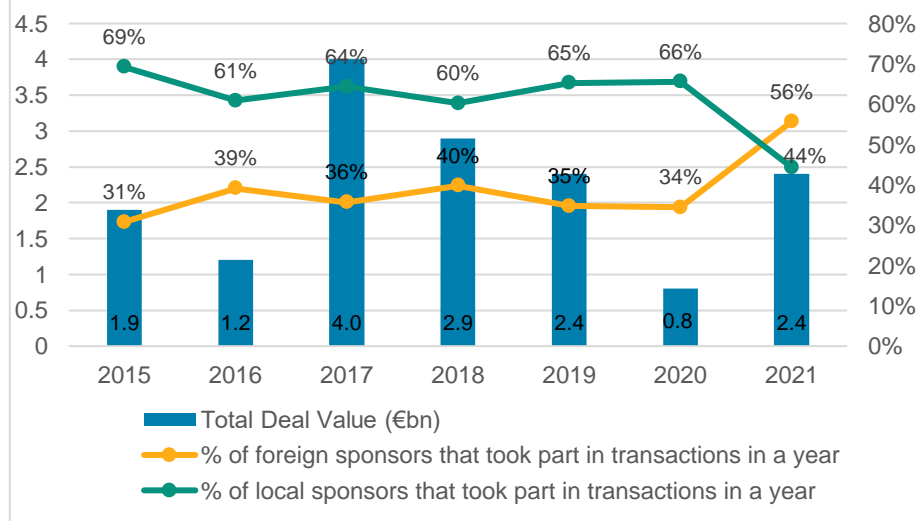
²² Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017>

²³ VELKÁ PECKA s.r.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5307807>

²⁴ INFOBIP d.o.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#offering/capitalOfferingProfile?ID=2184426>

²⁵ Brainly Spółka, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&#offering/capitalOfferingProfile?ID=2270275>

Fig. 12: Local vs. foreign sponsor participation in CEE transactions



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Based on the reported transactions data in the CEE from 2015–2021, out of local sponsors the PE/VC firm with most investments in the region is Eleven Ventures, with 88% of the transactions happening in their home country of Bulgaria. Estonian firm Wise Guys Holding OÜ is the second in the list, with the majority of their investments located in Estonia and Lithuania (Table 1). Another Estonian sponsor, AS BaltCap, focuses mainly on Baltic states. Although Estonia has a population of just over 1.3 million people, Estonian PE/VC firms have a strong presence in the CEE market. Considering the size of the Polish PE/VC market it is surprising to find Polish sponsors at the bottom of the list, with Venture

²⁶ Scanmed S.A., S&P Capital IQ. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=696082591&companyId=117746051>

INC ASI S.A. and Inovo Venture Partners participating mostly in domestic transactions.

The largest reported deal in CEE by a domestic investor was completed in 2021, when Poland-based Abris Capital Partners acquired 100% of the Polish healthcare network operator Scanmed A.S. for €76m.²⁶ The largest deal where both foreign and domestic sponsors participated also happened in 2021, with VELKÁ PECKA s.r.o.²⁷ receiving €290m in two reported transactions.

| Sponsor Name | Sponsor Country | Deal Count |
|-------------------------------------|-----------------|------------|
| Eleven Ventures | Bulgaria | 56 |
| Wise Guys Holding OÜ | Estonia | 48 |
| Practica Capital UAB | Lithuania | 33 |
| GB & Partners Investment Management | Hungary | 32 |
| Gapminder Venture Partners BV | Romania | 30 |
| Fil Rouge Capital FRC | Croatia | 27 |
| Credo Ventures | Czechia | 26 |
| ROCA X | Romania | 24 |
| AS BaltCap | Estonia | 23 |
| Szechenyi Tokealap-kezele Zrt. | Hungary | 23 |
| Venture INC ASI S.A. | Poland | 23 |
| Inovo Venture Partners | Poland | 23 |

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region and reflects sponsors with a 23+ deal count.

U.S. and UK based sponsors participated in 28% and 19%, respectively, of all transactions in the CEE from 2015–2021. The most active U.S. sponsor is Y Combinator Management LLC, which participated in 16 transactions, of which the majority were made in Hungary and Poland. Of the UK’s sponsors, Startupbootcamp Holding Ltd²⁸ was the most active in the region, having participated in 14 reported transactions during this period. However, the firm that participated in the highest number of

²⁷ VELKÁ PECKA s.r.o., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5307807>

²⁸ Startupbootcamp Holding Ltd., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5841406>

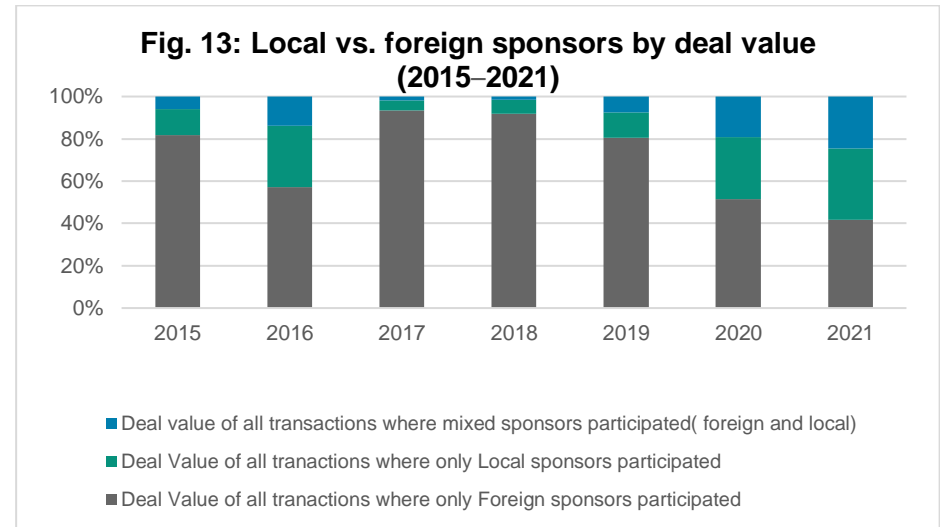
transactions was 3TS Capital Partners²⁹ from Finland, which participated in 20 transactions in total.

| Sponsor Name | Sponsor Country | Deal Count |
|------------------------------|-----------------|------------|
| 3TS Capital Partners Ltd. | Finland | 20 |
| Y Combinator Management LLC | United States | 16 |
| Startupbootcamp Holding Ltd. | United Kingdom | 14 |
| Speedinvest GmbH | Austria | 13 |
| Accession Capital Partners | Austria | 13 |
| Seedcamp Investments LLP | United Kingdom | 12 |
| Mid Europa Partners LLP | United Kingdom | 12 |
| Techstars Central, LLC | United States | 11 |

Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region and reflects sponsors with a 10+ deal count (retrieved from Capital IQ).

When it comes to reported deal value, foreign investors were clearly in the lead in the period of 2015–2019; however, in 2020 domestic sponsors started bringing more money into the transactions, which increased the value of mixed transactions (Fig. 13). As with Poland’s Allegro, foreign investors continue to be a major force behind mega deals (buyouts) in the region, and they are increasingly investing alongside domestic buyers in the smaller transactions’ brackets (Growth, VC later stage).

²⁹ 3TS Capital Partners Ltd., S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5742184>

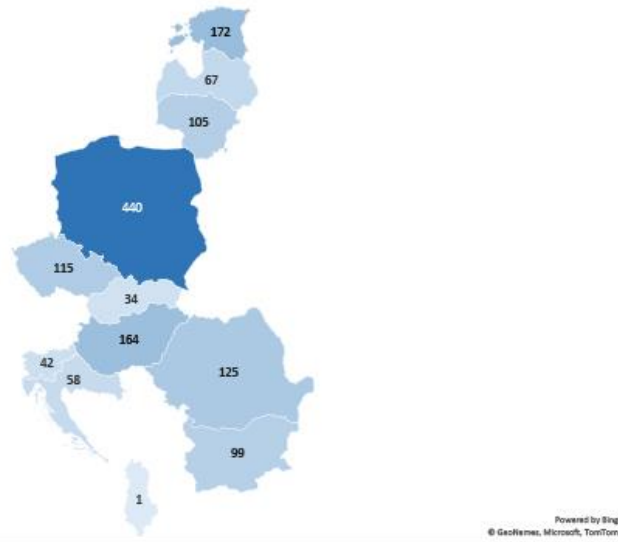


Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

Keeping an eye on Estonia

Between 2015 and 2021, 172 Estonian firms received PE/VC backing. Despite the small size of its population, (just over 1.3 million), this country proves to be highly attractive to PE/VC investors (Fig. 14). The deal count in 2021 showed a growth of 73% over 2020, which translates to a 1547% growth in deal value during the same timeframe.

Fig. 14: Countries with most PE/VC investments in CEE



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets based in the CEE region.

The deals made in 2021 alone had higher deal value than all the deals from 2015–2020 combined. The most notable ones were Bolt Technology OÜ³⁰ (€620m), Skeleton Technologies OÜ³¹ (€70m) and Veriff OÜ³² (€58m). In 2021, Estonia's total deal value was €929.4m, which corresponds to 43% of aggregate deal value in the CEE region. In comparison, Poland's deal value in 2021 amounted to €440m, which accounts for only 20% of aggregate deal value.

³⁰ Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017>

³¹ Skeleton Technologies OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#offering/capitalOfferingProfile?ID=2243361>

³² Veriff OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#offering/capitalOfferingProfile?ID=2654747>

³³ Kristo Kaarmann, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/officerBio?ID=4641918&SNL=True&Type=0&KP=1002931601>

Estonia proves to be a country with ambitious and highly skilled start-up founders, and the country has also produced a number of well-known unicorns. One of those unicorns is London's Wise PLC, a FinTech developed by Estonian founders Kristo Kaarmann³³ and Taavet Hinrikus³⁴ and which is now traded on the LSE. Another is Bolt Technology OÜ, which is challenging Uber for CEE market share. Bolt's current post-money valuation stands at over €7.4bn.³⁵

Expectations for Estonian start-ups remain high. There were more than 220 reported transactions in the country between 2015–2021, amounting to a reported aggregate value of almost €1.3bn. The recent successes of the firms named have attracted the attention of investors to the country and its start-ups. The government has introduced education programs aimed at encouraging young people to develop programming skills,³⁶ and they have also introduced initiatives to promote a healthy economic environment and ensure Estonia ranks high on the Ease of Doing Business index.³⁷

Estonian sponsors are actively investing in the CEE region, participating in 242 transactions between 2015–2021; the most active firms were Wise Guys Holding OÜ and AS BaltCap who participated in 48 and 23 transactions, respectively. As for foreign investors, the most active one in Estonia was Finland's Icebreaker with seven transactions, while Jersey's TMT Investments PLC and the UK's Passion Capital Investments LLP tied for second with six transactions each.

³⁴ Taavet Hinrikus, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/officerBio?ID=4641918&SNL=True&Type=0&KP=1002727329>

³⁵ Bolt Technology OÜ, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=5277017>

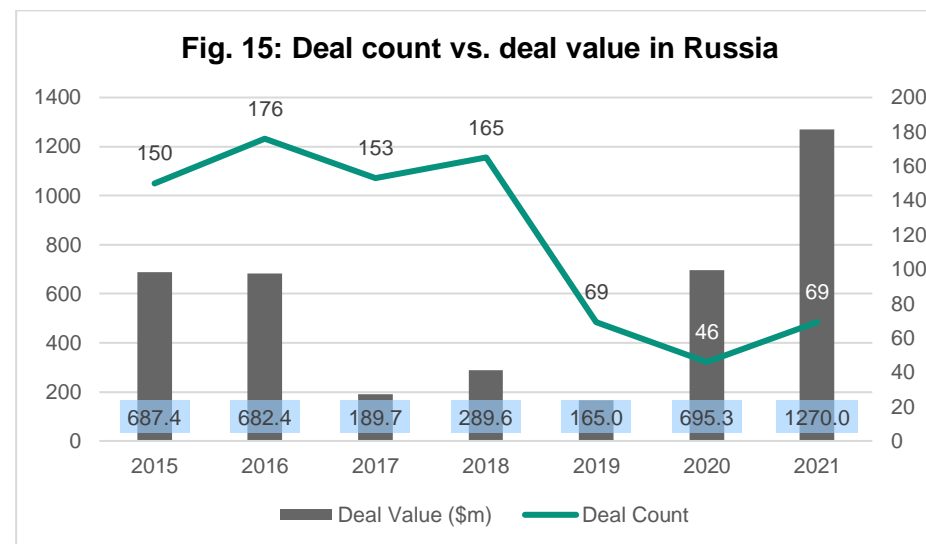
³⁶ <https://www.hitsa.ee/it-education/educational-programmes/progetiger>

³⁷ <https://www.pwc.com/ee/et/publications/DoingBusinessinEstonia/Doing%20Business%202019.pdf>

Russia's PE/VC market: An Overview

Despite the increase in reported deal value in Russia during 2020–2021, the total deal count has been considerably lower than in the previous years. In addition, the majority of transactions by deal value in Russia were M&As (whole or majority), which represented a reported deal value of over \$1.5bn during the period of 2015–2021, out of the total \$4bn. The Russian private equity market underperformed in comparison to smaller countries like Poland and Czechia, where the deal value in the same period exceeded \$6.5bn and \$5.3bn, respectively.

In the last two years, the reported total deal count was only 115, but deal value reached almost \$2bn, which is a 332% growth in comparison with the deal value of the 2019–2020 period (Fig. 15). The biggest reported deal in 2021 was the acquisition of chemicals producer Hexion PSR,³⁸ where two private equity firms each acquired 50% of the firm in a deal worth \$337m. Similarly, in 2020, 72% of the total reported value came from the acquisition of chemicals producer LLC Korund,³⁹ which was purchased for \$500m by a group of investors.

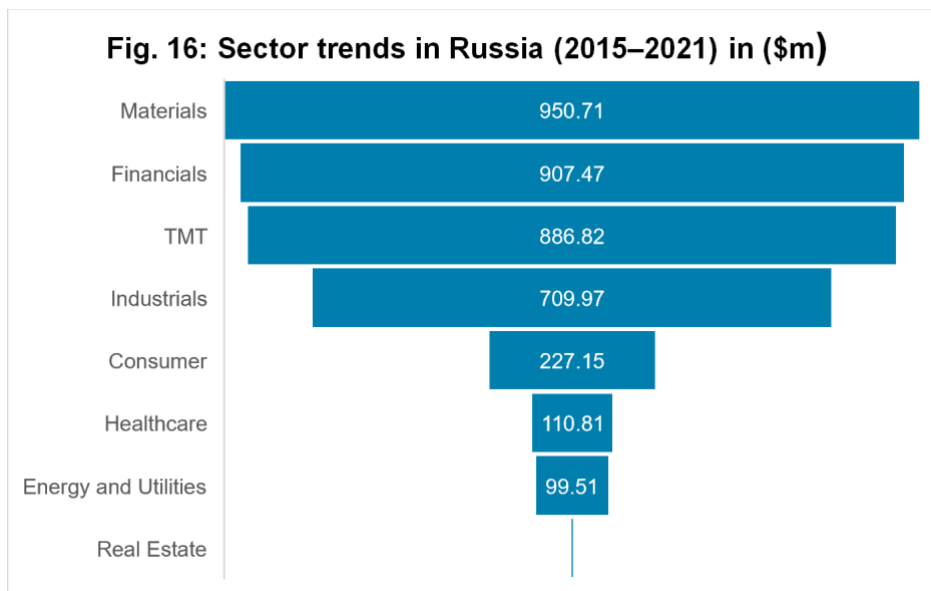


Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

As a result of these two deals, the Materials sector is the most invested-in sector in Russia during the study period (Fig. 16), led by firms in the Commodity Chemicals industry.

³⁸ Hexion PSR, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1768832>

³⁹ LLC Korund, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1796620>

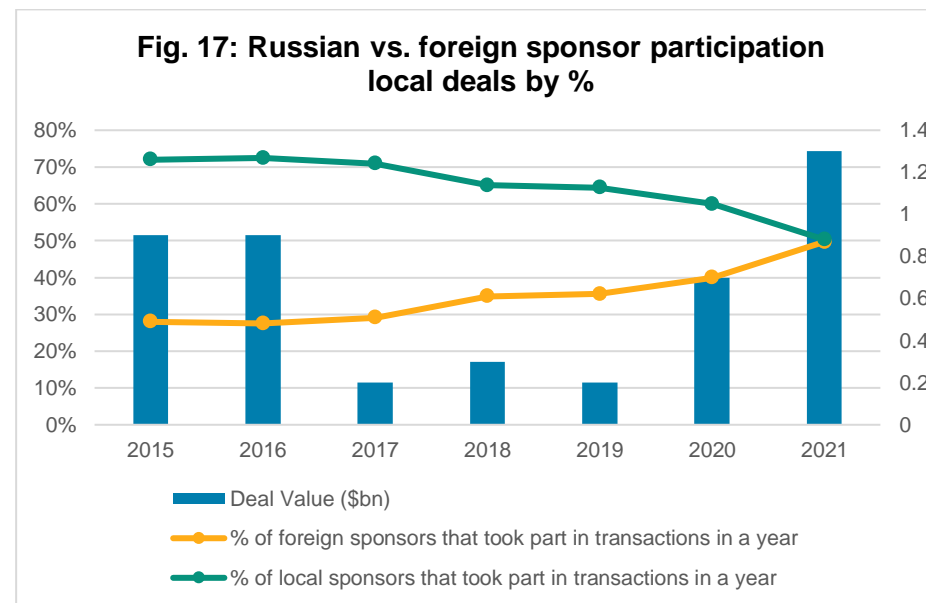


Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

Foreign sponsor participation in transactions involving Russian companies has been slowly increasing, and in 2021 foreign sponsors participated in the same number of transactions as domestic sponsors (Fig. 17). However, it is important to note that the deal count has remained relatively low for the past three years (Fig. 15). One of the reasons for the low deal count could be that companies, even those in the start-up stages, prefer to relocate out of Russia because their clients are reluctant to take on the risks related to the political and economic instability of the country.⁴⁰

⁴⁰ <https://vc.ru/migrate/370539-teper-ne-vazhno-kuda-glavnoe-otkuda-o-vyrossem-sprose-na-relokaciyu-iz-rossii-govoryat-kompanii-evakuatory-biznesa>

⁴¹ Internet Initiatives Development Fund Invest, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5842710>



Source: S&P Global Market Intelligence. Data based on reported transactions completed between 2015–2021 with targets headquartered in Russia.

In the past three years the most active sponsor by reported deal count was Internet Initiatives Development Fund Invest;⁴¹ however, their aggregate deal value was just over \$3m. Baring Vostok⁴² participated in ten deals in the same period and their total value exceeds \$497m.

⁴² Baring Vostok Capital Partners Limited, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=4155919>

| Sponsor Name | Deal Count |
|--|------------|
| Internet Initiatives Development Fund Invest | 19 |
| Baring Vostok Capital Partners Limited | 10 |
| RVC (OJSC), Investment Arm | 8 |
| VEB Ventures | 8 |
| Winter Capital Partners | 7 |
| Tealtech Capital Venture Fund | 7 |
| AddVenture | 6 |
| Elbrus Capital Investment Adviser | 6 |
| Skolkovo Ventures LLC | 6 |

Data is based on reported transactions completed within the 2019–2021 period in Russia and reflects sponsors with a 6+ deal count (retrieved from Capital IQ).

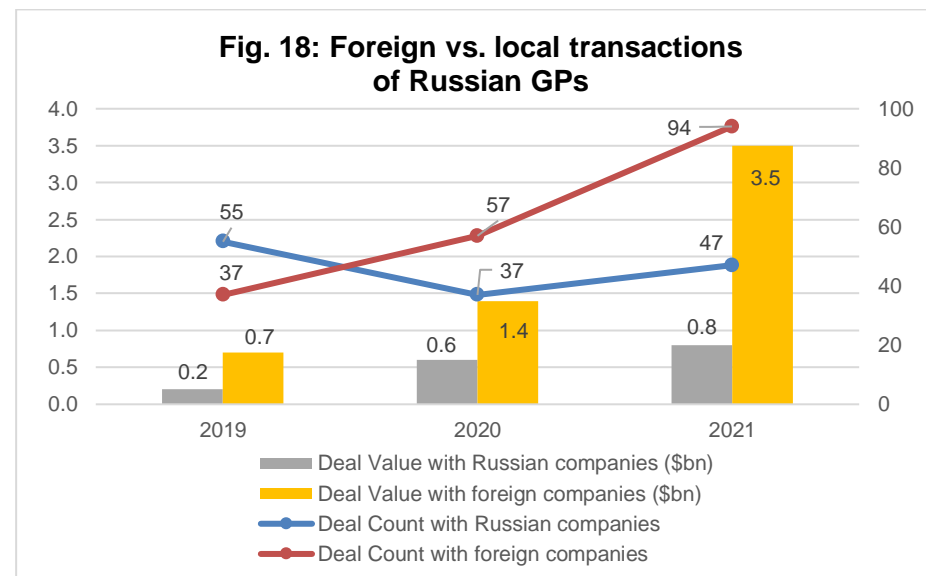
The most active foreign sponsor is Sweden’s VNV Global AB,⁴³ which participated in seven deals valued at over \$83m. Starta Ventures,⁴⁴ from the U.S., participated in five deals with a reported aggregate deal value of \$1m.

| Sponsor Name | Deal Count |
|----------------------------|------------|
| VNV Global AB (publ) | 7 |
| Starta Ventures | 5 |
| Flashpoint Venture Capital | 4 |
| FinSight Ventures | 4 |
| iTech Capital | 4 |

Data is based on reported transactions completed within the 2019–2021 period in Russia and reflects sponsors with a 4+ deal count (retrieved from Capital IQ).

Based on the reported transactions between 2019–2021, even Russia-based PE/VC firms seem to prefer investing abroad, as both deal count and deal value show notable growth in 2020 and 2021 (Fig.18). The majority of Russian sponsors participated in deals involving firms based in the U.S.

⁴³ VNV Global AB, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=4138806>

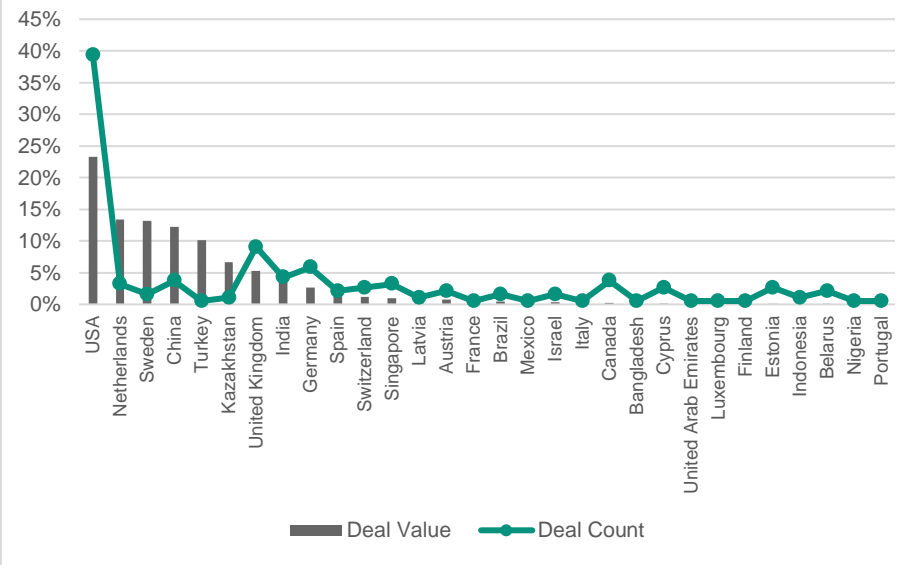


Screener includes the number of transactions and deal value within the 2019–2021 period. Data is based on reported completed transactions in the period.

When looking in isolation at all foreign locations where Russian sponsors participate, we find that 23% of the total deal value and 39.4% of the total deal count happens in the U.S. The Netherlands comes second in terms of deal value, and the UK comes second in terms of deal count (Fig. 19).

⁴⁴ Starta Ventures, S&P Capital IQ Pro. (As of February 17, 2022). Retrieved from: <https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/profile?id=5846633>

Fig. 19: Foreign investments by Russian GPs by country in % of total (deals between 2019–2021)



Screeener includes the number of transactions and deal value within the 2019–2021 period. Data is based on reported completed transactions in the period.

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P. +1 212 438 8701

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