

# Experience in Financing Private Equity Funds in Central and Eastern Europe: Case Studies

**Kanako Sekine**  
Director, Equity Funds

**Alessandra Pasian**  
Principal Banker, Equity Funds

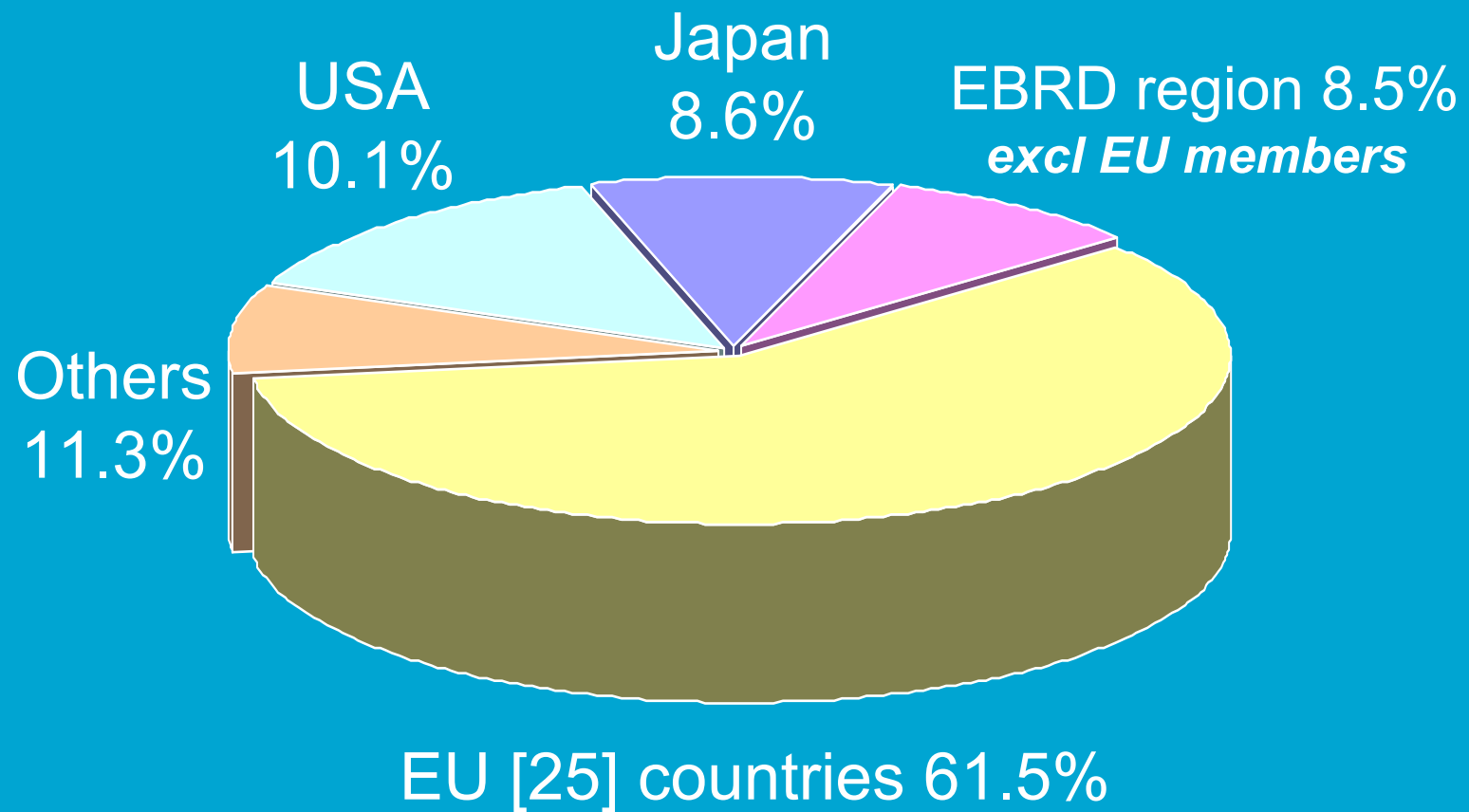


## What is the EBRD?

- AAA-rated international financial institution founded in 1991, owned by 60 national and 2 supranational shareholders
- EBRD promotes transition to market economies in 27 countries from central Europe to central Asia
- The largest lender and private equity investor in this Region



# Shareholding of the EBRD



# What are the EBRD's objectives?

- To promote transition to market economies by investing mainly in the private sector
- To mobilise significant foreign direct investment
- To support privatisation, restructuring and better municipal services to improve people's lives
- To encourage environmentally sound and sustainable development

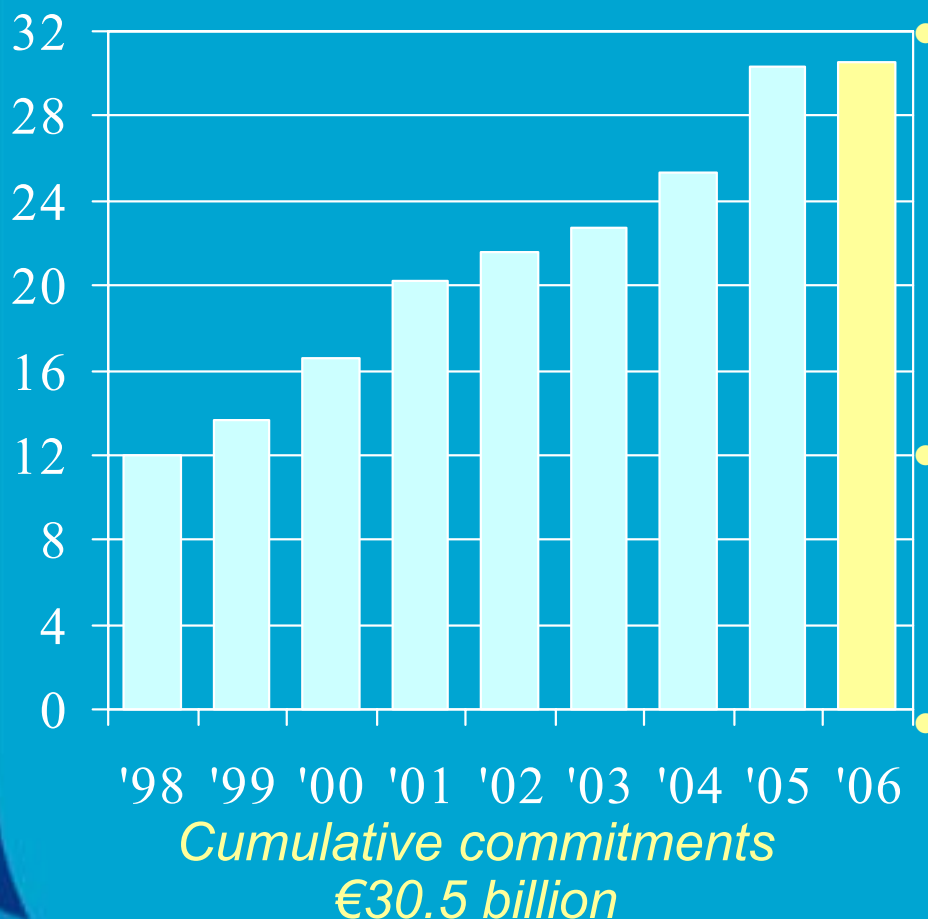


## A unique profile

- Versatile financial instruments: providing debt, equity and guarantees
- Risk appetite: extending the financial capabilities of the private sector by mitigating political risks
- Legal know-how: in-depth knowledge of the region's legal systems and experience in resolving problems



# Committed and growing



- Regional focus: supporting investors and local companies in 27 countries of CEE and CIS

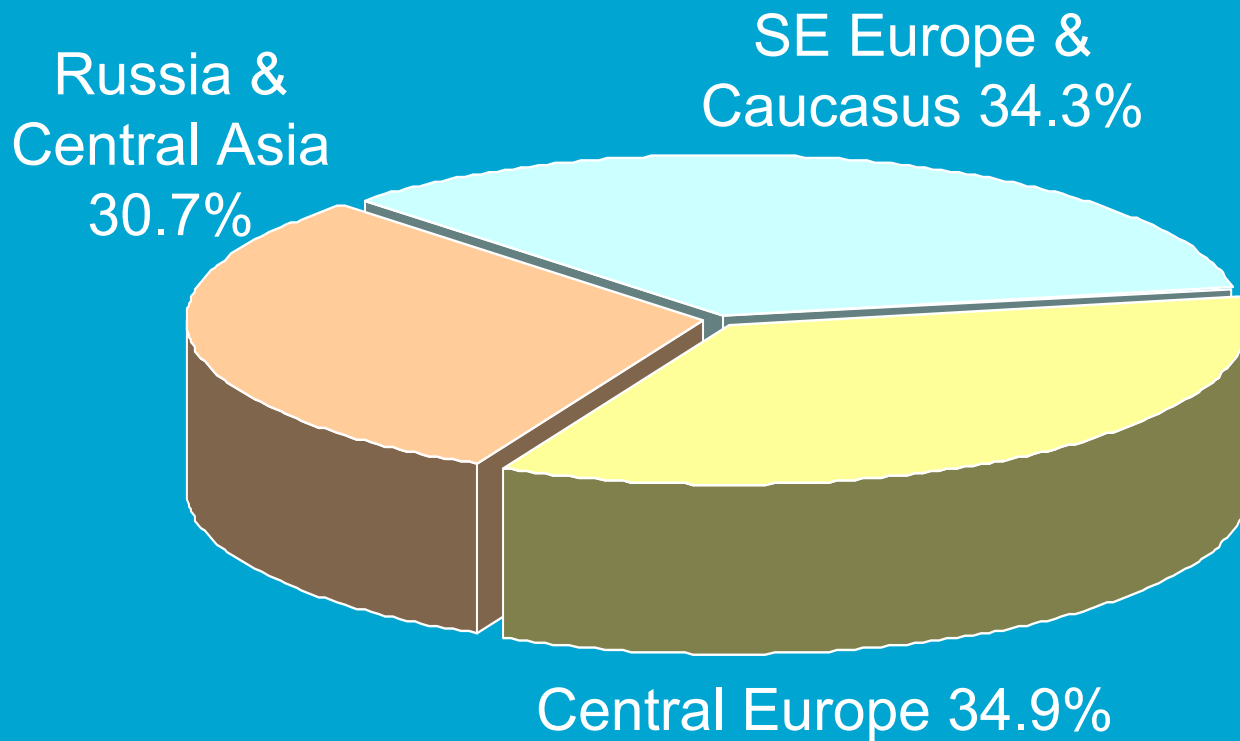
- Asset base: over 1500 transactions worth €30 billion signed since 1991

- Capital base: €20 billion dedicated exclusively to this Region



# Active in all countries of operations

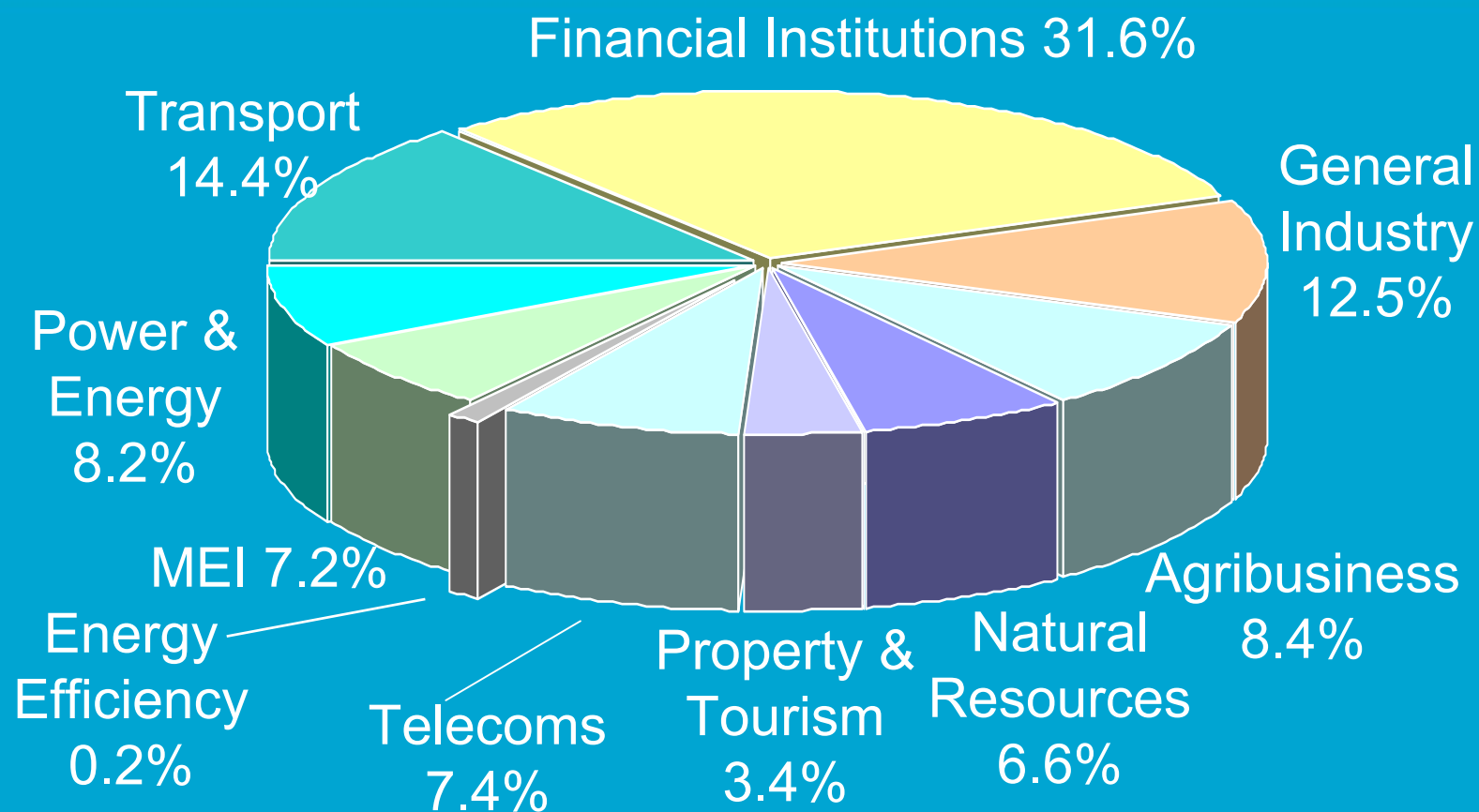
*Cumulative commitments €30.5 billion*



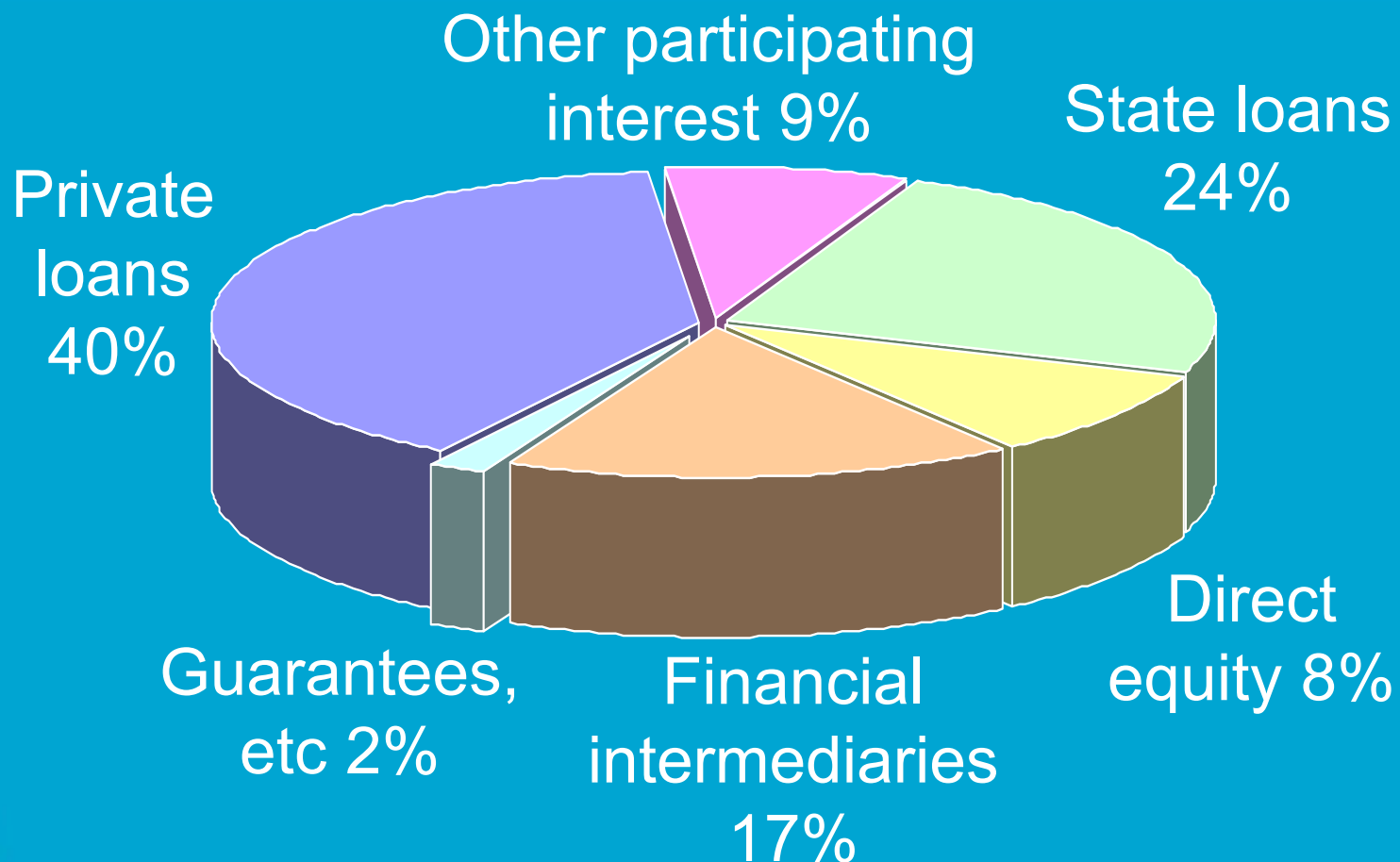
June 2006

[www.ebrd.com](http://www.ebrd.com)

# EBRD portfolio by sector



# EBRD portfolio by facility type



June 2006

[www.ebrd.com](http://www.ebrd.com)

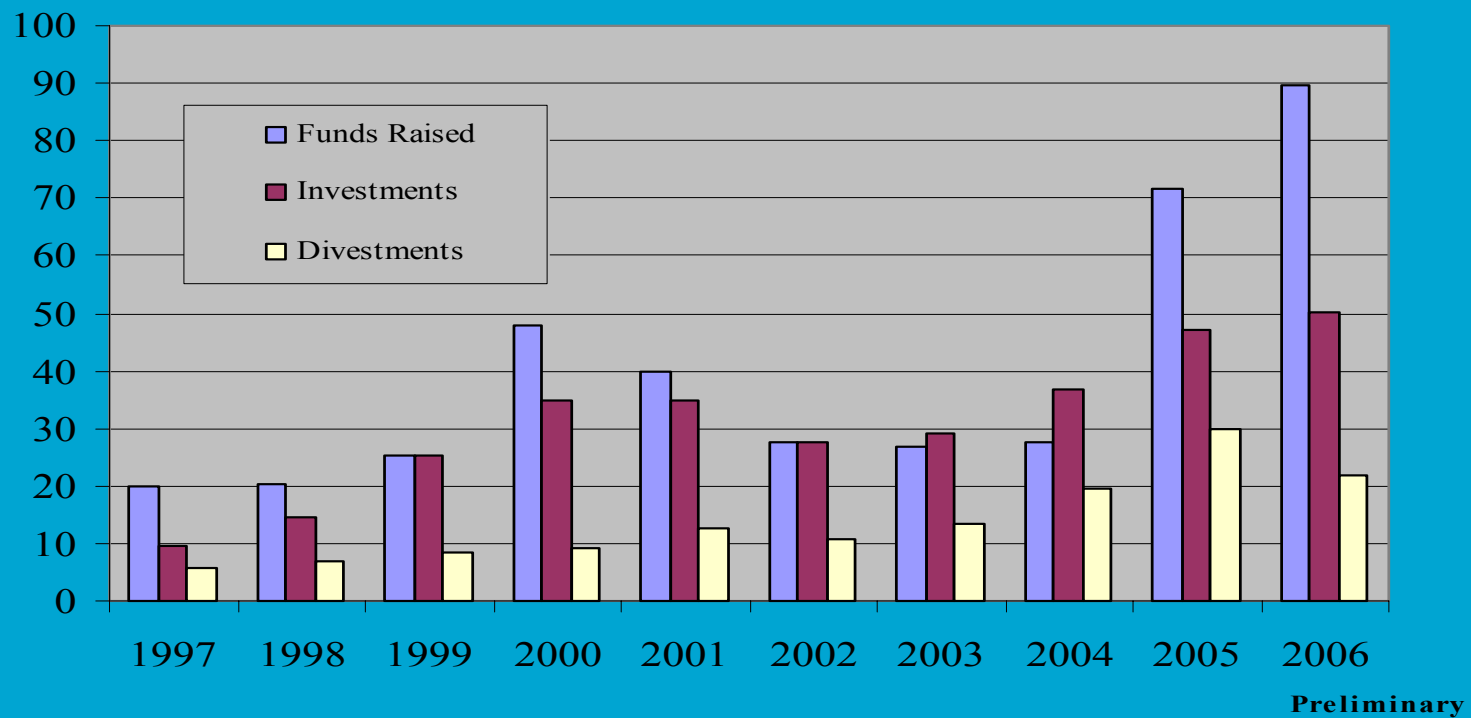
# PRIVATE EQUITY OVERVIEW



# EUROPE OVERVIEW

## EVOLUTION ACTIVITY FLOWS

€ billion

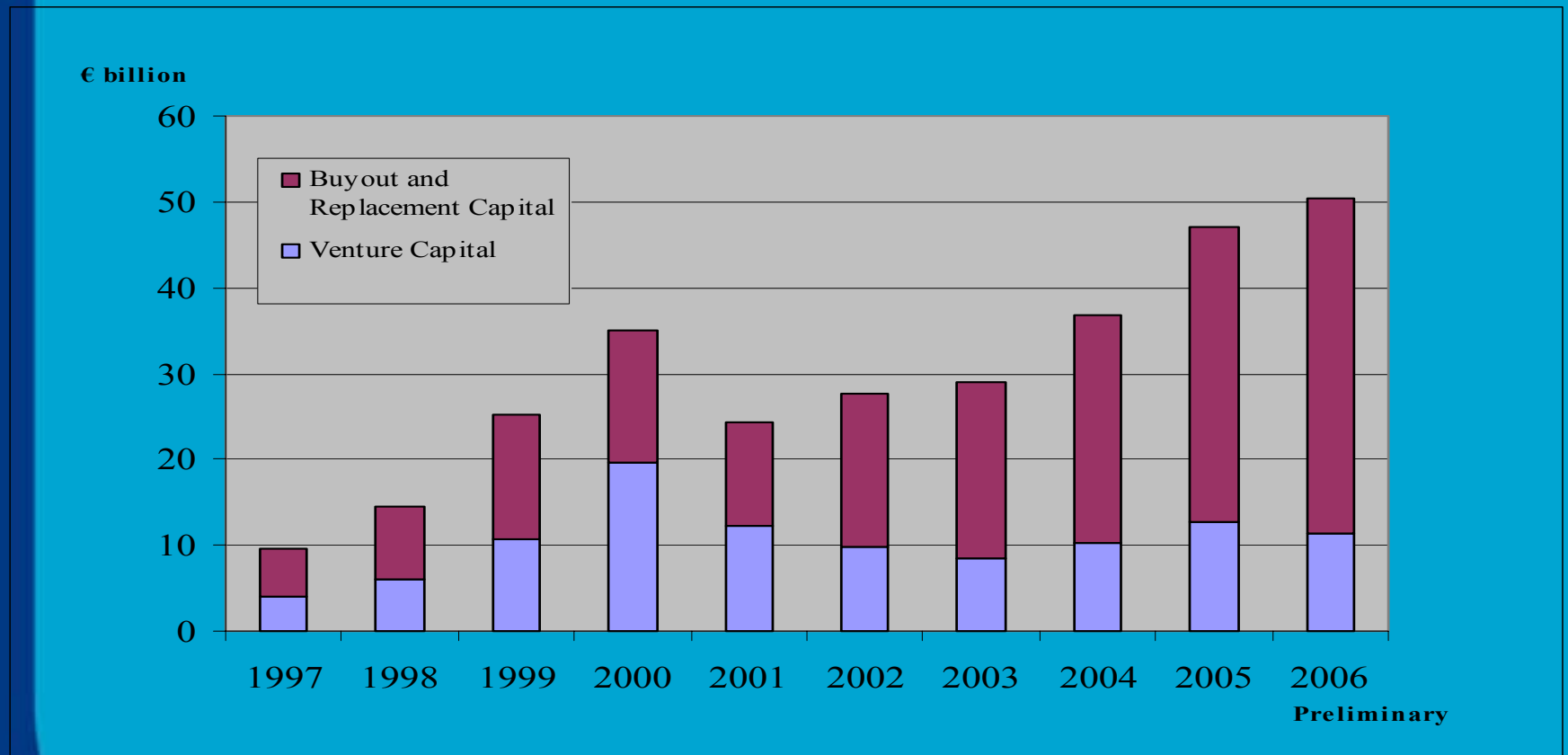


Source: 2006 European Private Equity Survey Conducted by Thomson Financial and PricewaterhouseCoopers on behalf of EVCA



# EUROPE OVERVIEW

## INVESTED AMOUNT

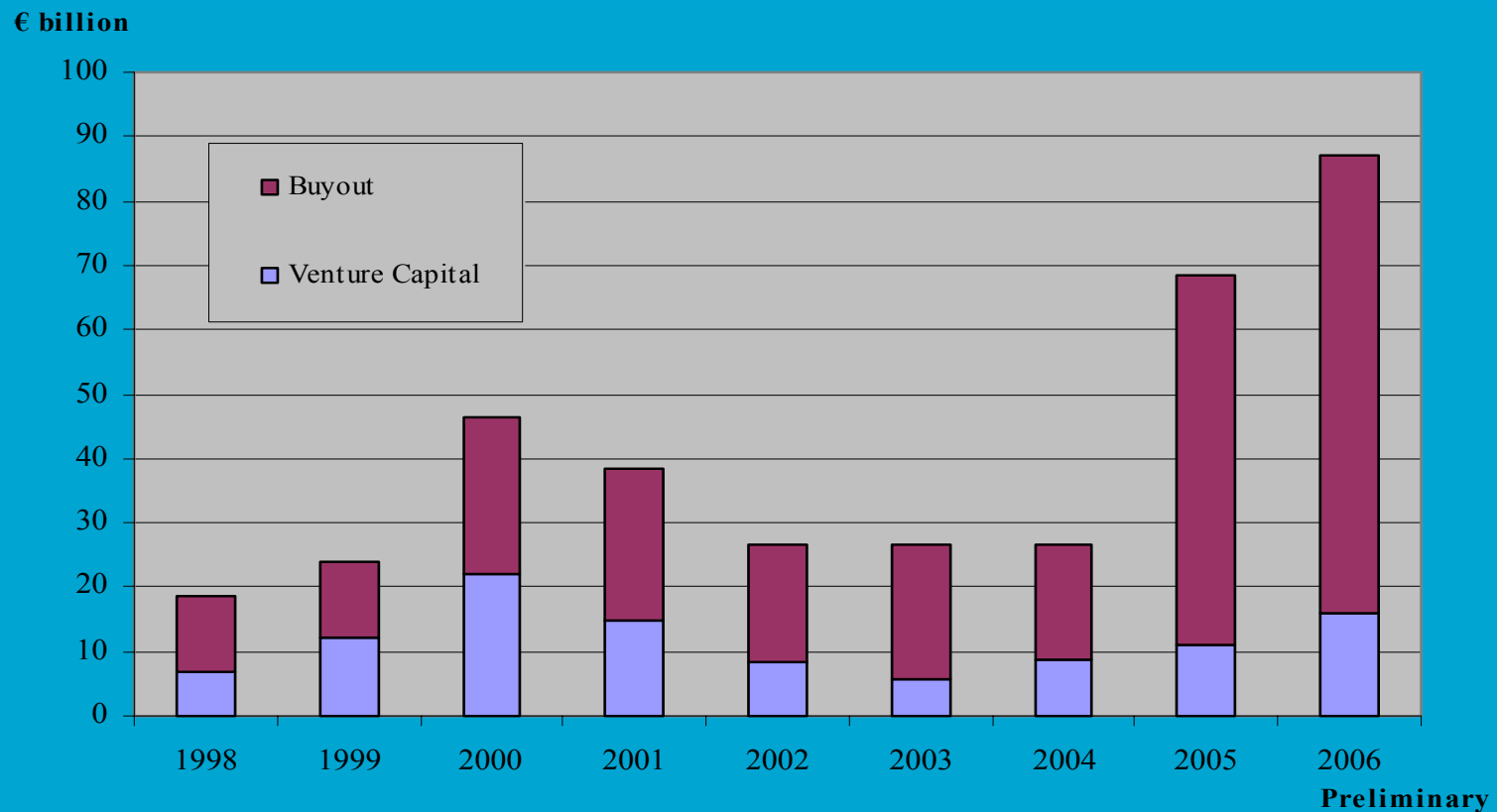


Source: 2006 European Private Equity Survey Conducted by Thomson Financial and PricewaterhouseCoopers on behalf of EVCA



# EUROPE OVERVIEW

## AMOUNT RAISED\*



**\*Graph excludes non-classified amounts**

Source: 2006 European Private Equity Survey Conducted by Thomson Financial and PricewaterhouseCoopers on behalf of EVCA and EVCA



# EBRD in Private Equity

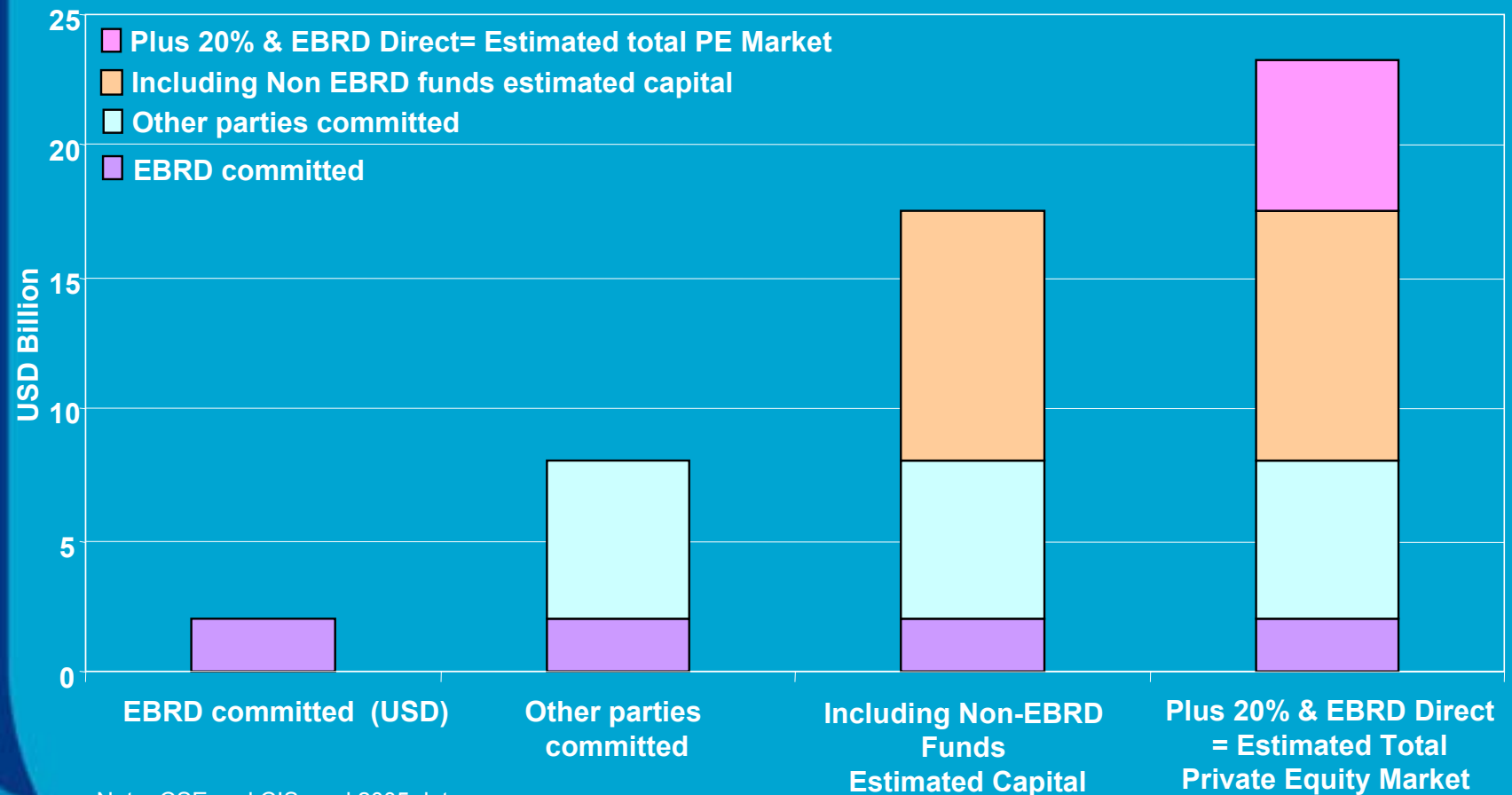
- EBRD's portfolio of funds:
  - Investment in 99 funds
  - 63 fund managers
  - USD 2.3 billion in commitments (Eur 2.0 bn)
  - 851 underlying investments; 537 exited\*
- Largest funds investment program dedicated to the region
- Helped to create new funds and secure TC funds when necessary

Note: excludes real estate funds

\*Gross / company level data is to end 2005 (otherwise, data on this slide is December 2006 data)



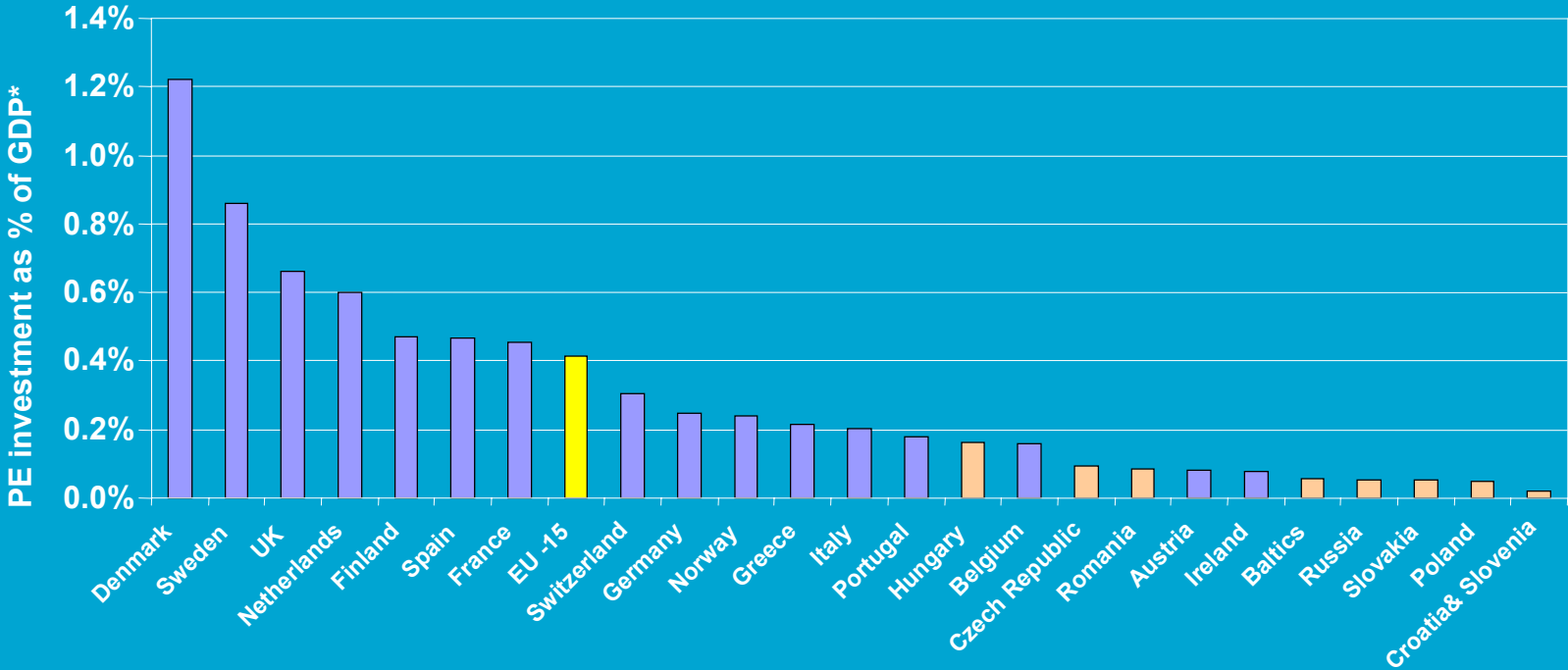
# Estimated Size of Private Equity Market



Note: CSE and CIS, end 2005 data



# Scale of Private Equity

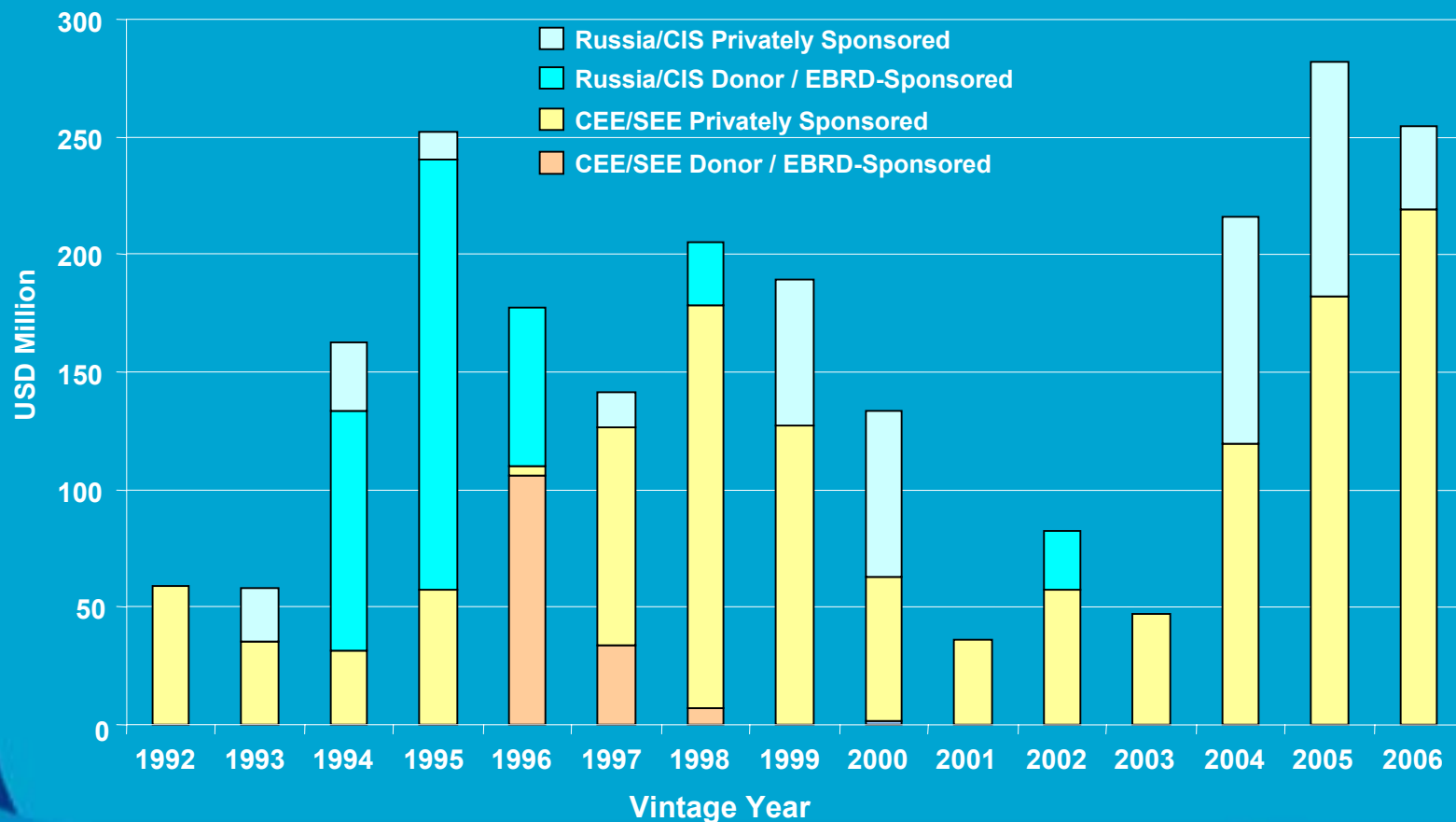


Source: EVCA/Thompson Financial , EBRD estimates. 2005 data.



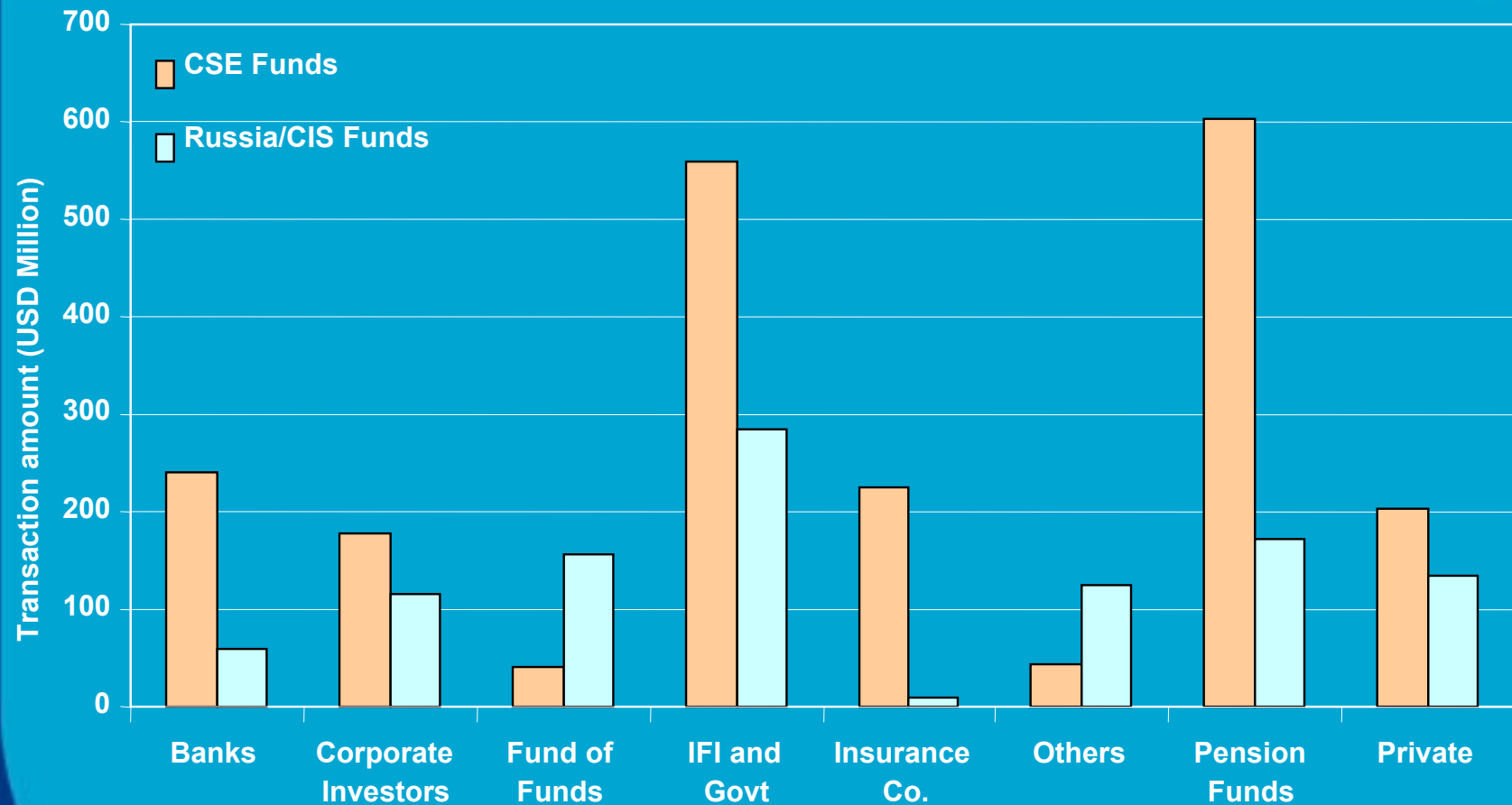
# EBRD Commitments Over Time

- Seven funds signed in 2006 for USD 254 million



Note: CSE and CIS, excludes property funds

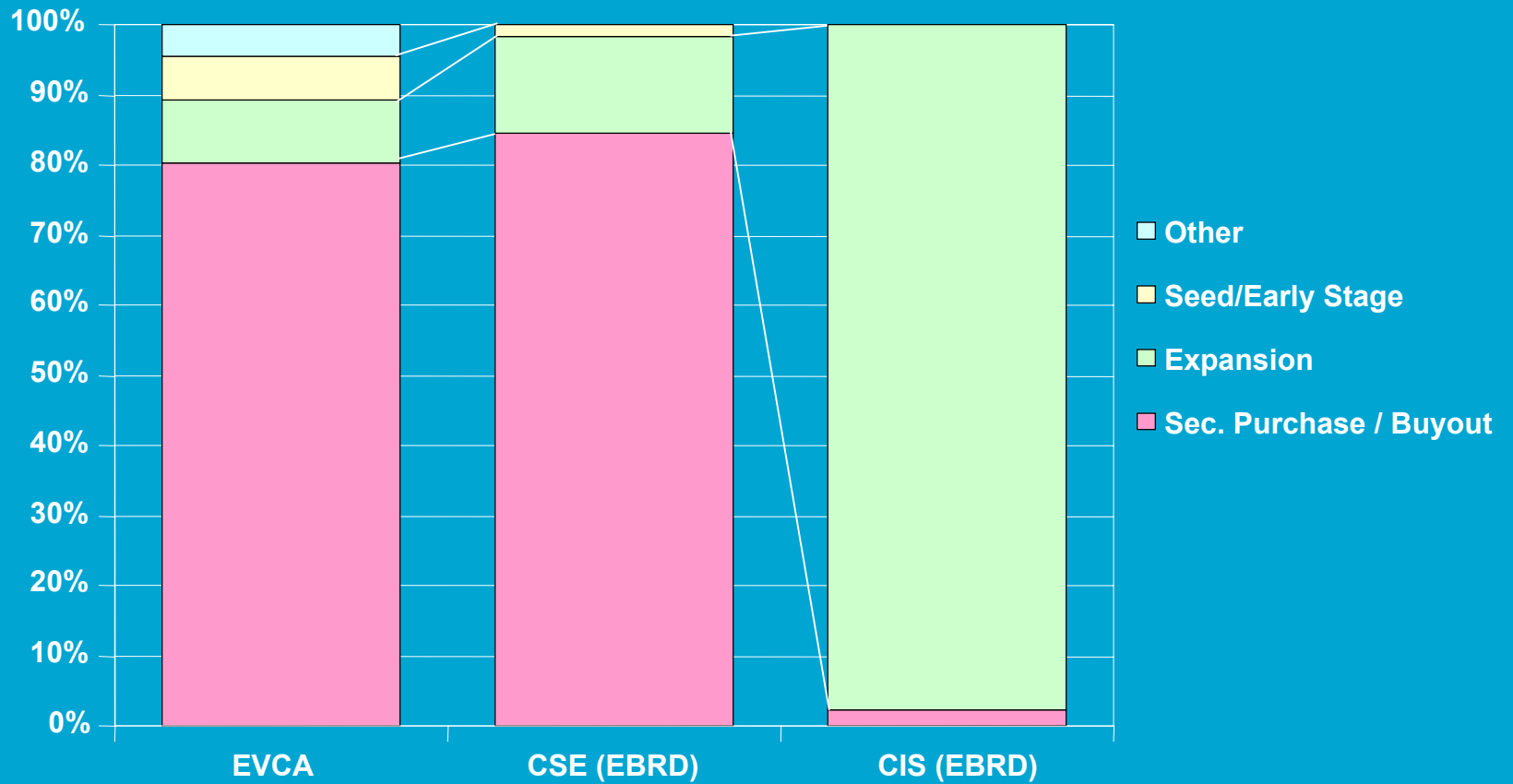
# Investors by Type by Region: 2004 and 2005



Note: Includes EBRD (in IFI / Govt)



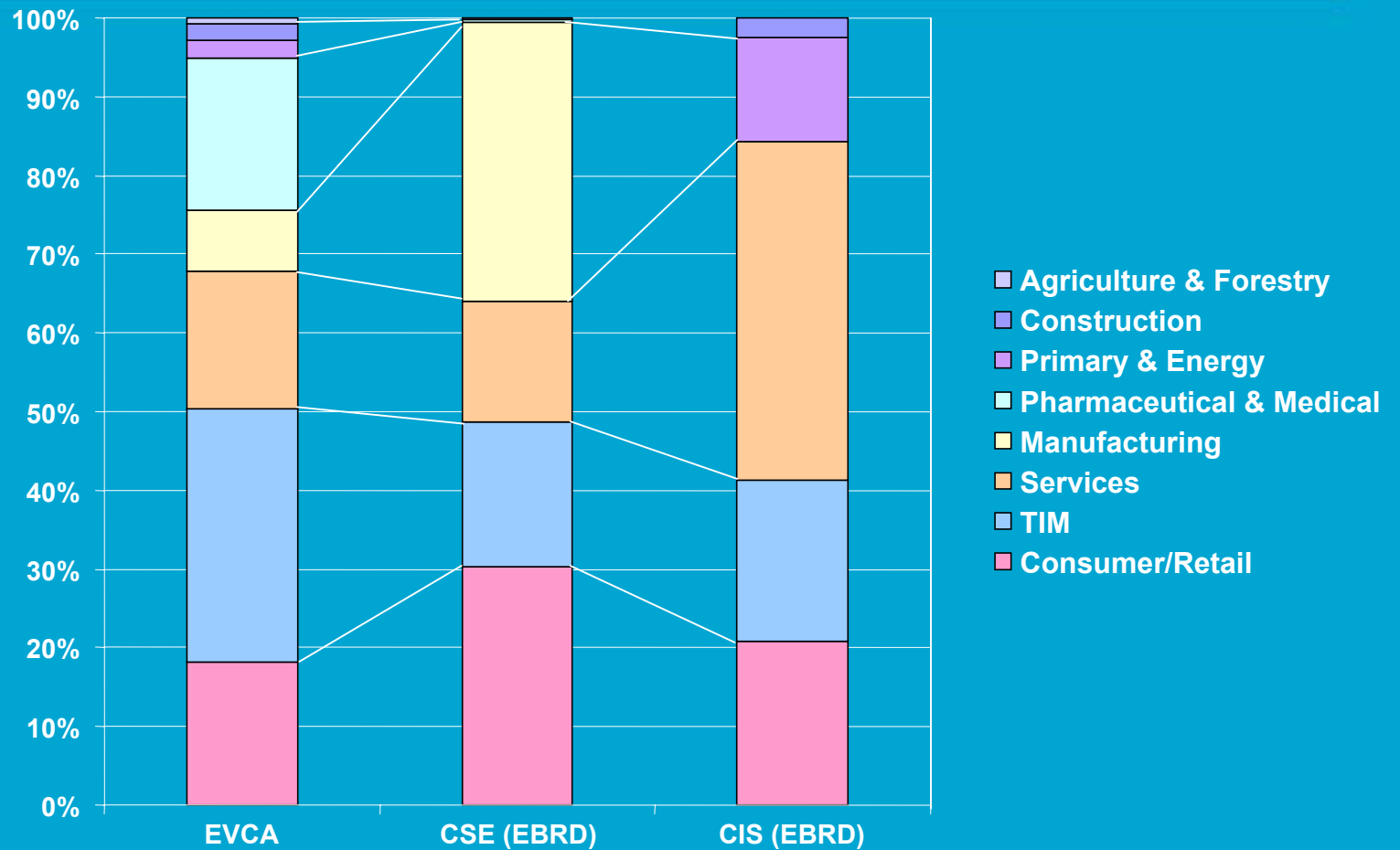
# 2005 Investment Stage vs EVCA



Note: by investment cost of investments made in 2005



# 2005 Investment Sectors vs EVCA



Note: by investment cost of investments made in 2005



# EBRD Horizon Returns: All Funds

	Returns as at December 31 2005	One Year	Three Years	Five Years	Ten Years	Since Inception
USD	EBRD Private Equity Portfolio*	58.5%	38.7%	20.1%	13.2%	12.2%
	S&P 500**	6.3%	12.9%	1.3%	3.8%	4.2%
	Cambridge Emerging Markets Venture Capital & Private Equity Index	21.9%	19.2%	5.0%	4.1%	N/A
EUR	EBRD Private Equity Portfolio*	82.6%	31.4%	13.5%	11.6%	10.8%
	EVCA, All Private Equity	33.8%	6.3%	2.0%	11.4%	10.3%
	FTSE Emerging Markets Eastern Europe**	77.0%	49.7%	27.2%	21.1%	N/A

Source: Cambridge Associates, EVCA, Bloomberg and EBRD

\* EBRD portfolio pooled end-to-end return, net of fees, expenses, and carried interest. Excludes property funds, and includes liquidated partnerships.

\*\* Calculated assuming the same investment (cash flow) pattern of EBRD's portfolio of private equity funds since the relevant horizon



# CASE STUDIES



# Case Study I

## Sponsored Fund: Romanian Post Privatization Fund

- **VINTAGE: 1996**
- **FUND SIZE: EUR 44,000,000**
- **TC FUNDS: EUR 10,000,000**
- **INVESTORS: EBRD (57%), EU (34%), GP (9%)**
- **FUND STRATEGY: SMEs located in Romania**



## Case Study I

### Sponsored Fund: Romanian Post Privatization Fund

- **INVESTED AMOUNT: EUR 38,200,000**
- **TC FUNDS USED: EUR 9,500,000**
  - **Management Fees: EUR 4,000,000**
  - **Consultants: EUR 5,500,000**
- **NO OF INVESTEE COMPANIES: 12**



# Case Study I

## Sponsored Fund: Romanian Post Privatization Fund

### TC IMPACT ON FUND RETURNS:

- GROSS IRR: 21%
- NET IRR (of TC): 12%



## Case Study I

### Sponsored Fund: Romanian Post Privatization Fund

#### LESSON LEARNED:

- Identify fund managers locally based with track record and sufficient resources to promote management support
- Investment strategies to reflect the realities of the market
- TC funds locked for long-term projects
- Returns on equity funds on a full cost basis (net of TC)
- Active participation by EBRD



## **Case Study II**

### **Follow-on Fund: GED Eastern Fund II**

- **VINTAGE: 2006**
- **FUND SIZE: EUR 150,000,000**
- **TC FUNDS: none**
- **SPONSORS: 3 international institutions**
- **INVESTORS: more than 30 international investors**



## **Case Study II**

### **Follow-on Fund: GED Eastern Fund II**

- **COMMITTED AMOUNT: EUR 17,000,000**
- **NO OF INVESTEE COMPANIES: 3 during first year of activity**



## **Case Study II**

### **Follow-on Fund: GED Eastern Fund II**

- **FUND STRATEGY: SMEs located in Romania and Bulgaria**
- **LOCAL PRESENCE: 2 offices (Bucharest and Sofia) with 11 professionals**



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