Private Equity
Trends in CEE
5/6/2018

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Worldwide trends

European trends

CEE trends
2018 – A Year for New Records
2018 – A Year for New Records

**Worldwide**, notable increase in value (+18%), decrease in volume of deals (-19%)

- 3,774 deals valued at US$890.6bn, up 18% by value with 898 fewer deals compared to 4,672 deals worth US$754.7bn in Q1 2017

**In Europe**, notable increase in value (+22%), decrease in volume of deals (-22%)

- 1,409 deals valued at US$256.4bn, up 21.6% by value with 406 fewer deals compared to 1,815 deals worth US$211bn in Q1 2017

*Source: Mergermarket*
2018 – A Year for New Records

Very similar trends in the CEE region – opening quarter in 2018 as good or better than Q1+Q2 in 2016 and 2017

Traditionally Q1 is the weakest quarter = trend-wise the 2018 showing might be even more remarkable
2018 – A Year for New Records

Valuations on the rise – multipliers hitting nearly 11x EBITDA (fine print: in the US)

*Source: Bain*
Global PE “dry powder” also hitting record highs

*Source: Bain*
2018 – A Year for New Records

Russian companies were the most prolific targets after signing off on 64 deals over the three months, but were sixth by value (USD 90 million), suggesting investors opted for lower aggregate valuations over individual high-value deals.

<table>
<thead>
<tr>
<th>Announced date</th>
<th>No of deals</th>
<th>Total deal value (mil USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2018</td>
<td>108</td>
<td>4,196</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>101</td>
<td>2,810</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>97</td>
<td>101</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>89</td>
<td>749</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>121</td>
<td>5,867</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>153</td>
<td>4,092</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>102</td>
<td>198</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>115</td>
<td>1,594</td>
</tr>
<tr>
<td>Q1 2016</td>
<td>111</td>
<td>687</td>
</tr>
</tbody>
</table>

*Source: Bureau van Dijk*
Global Trends and CEE
Global Trend Takeaways

“The crisis is over” predictions seem to be holding water – deal value high overall, valuations are soaring but the deal count is decreasing

// Big bets?

PE houses delivering record high returns – equals more investors turning to PE, new fund creation

// Too much optimism?

Political instability (e.g. Brexit) does not seem to play a role

// Resilience to policy risks
Global Trends Resonating in CEE

Austerity measures going away, GDP growing sharply in CEE (4.4% in Q1 2018)

/ Higher consumer spending

No major upset due to policy changes (privatizations on hold, introduction of Lex Agrokor)

/ Resilience to policy changes

”Trend delay” in CEE compared to global and Europe-wide indicators give reasons for more optimism for deal flow in the Balkans

/ An emerging market still
CEE Industry Focus
CEE Industry Focus

CEE + Russia sector focus

Q1 sector breakdown not very indicative of overall trends (e.g. the Telenor deal accounts for 90% of the sector)

but

Consumer stands out (and likely to grow more and more quickly with macro indicators rising).
CEE Industry Focus

/ Consumer
Likely the hottest sector in the CEE for the next 2-3 years, due to increase in consumer spending, CEE region spending habits

/ Telecom
Diminishing returns in the more traditional categories (fixed and mobile), lack of support for privatization (too late anyway), increasing significance of content platforms, OTT and underlying internet infrastructure
/ Digital
Major buzz around digital, and in different aspects – industry focus, regulatory challenges, pressure from strategic players, to bet big or not bet at all

/ Financial services
Consolidation in final stages, no major deals in the pipeline, privatizations on hold
CEE Industry Focus

Chinese interest in Capital Goods & Engineering, followed by TMT remains high

Competition for deals from Chinese investors is expected to be stable to slightly increasing according to PE professionals. On the other hand, Chinese companies have reduced returns, especially in relation to private foreign investors in China – this affects PE driving activity of Chinese investors.
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