

RESEARCH

2021 Central & Eastern Europe **PRIVATE EQUITY STATISTICS**

Statistics on Fundraising, Investments, & Divestments

June 2022

In partnership with

GIDE
GIDE LOYRETTE NOUËL

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Version

Presentation as of 22/06/2022

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 2021 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 162 million and registered a total GDP of €1.82 trillion in 2021.

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.

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Contents

Foreword	6	3. DIVESTMENTS		5. BUYOUT AND GROWTH	
Executive Summary	7	Summary	22	Summary	33
1. FUNDRAISING		Annual divestment values	23	By stage	34
Summary	8	By country	24	By sector	37
Fundraising for CEE	9	By exit route	26	By exit route	38
Sources of capital	10	By sector	27		
Geographic sources	11	4. VENTURE CAPITAL		6. APPENDIX	
By stage	12	Summary	28	Amendments of prior years' statistics	39
Fund stage focus	13	By stage	29	Methodology	40
2. INVESTMENTS		By sector	31	Definitions Fundraising	41
Summary	14	By exit route	32	Definitions Investments	42
Annual investment values	15			Definitions Divestments	43
By country	16				
By sector	18				
As percentage of GDP	19				
Types of investment	20				

Foreword



Eric de Montgolfier
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Russia's invasion of Ukraine has brought a different focus on the Central and Eastern Europe region (CEE). The efforts of Ukrainians to defend their country have captured the world's admiration and unleashed an unprecedented level of support from much of the region and many other countries. Showing its strength, the private capital community in Ukraine has continued to work to safeguard existing investments and seek opportunities to prudently deploy capital.

As the rest of the region adjusts, CEE remains a dynamic market. With entrepreneurial start-ups, maturing businesses with international ambitions, and highly educated individuals, the ongoing investment potential creates opportunity among the challenges.

Invest Europe's 2021 Central & Eastern Europe Private Equity Statistics, in partnership with Gide Loyrette Nouel, shows the continued step up in activity of private capital in the region as it backs ever more companies with ever more monies.

We report that private equity and venture capital investment reached a new record for the region of €4.15 billion in 2021, more than double the amount invested in 2020. This funding went to a record 672 companies, an 11% increase on 2020's record level. That performance was driven by a

leap in growth investments, as well as a significant step up in venture capital activity, demonstrating the innovation taking place throughout CEE.

Past investments are delivering strong results. A record 173 CEE companies were divested in 2021, led by growth in venture capital exits. Strong performance continues to pull in investors, with fundraising increasing by 33% from 2020 levels to €1.75 billion, the second highest total since the financial crisis. The bottom line is that CEE private capital continues to reach new heights as it takes its place as a key part of the European landscape.

The events of 2022 will have consequences but also create opportunities for European business, including CEE private capital. Coming off a strong 2021, the region's private equity and venture capital industry is well prepared to continue to be a catalyst for company transformation, economic growth and social development. With experienced managers and a well-developed deal infrastructure, the region is set to continue to deliver on its potential.

Eric de Montgolfier
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Executive Summary

Fundraising activity

Total fundraising in Central and Eastern Europe (CEE) reached €1.75 billion in 2021, a 33% increase from 2020, and the second best total since the 2009 financial crisis.

- > Government agencies remained the largest source of capital for CEE in 2021, followed by corporate investors, funds of funds and private individuals.
- > CEE-based investors were the leading geographic source of CEE funds in 2021 at 48% of the total capital raised, above the prior five-year average of 39%. Fundraising sources from within CEE continued to be largely directed (59%) towards venture capital funds.
- > Non-CEE European investors contributed 38% of total CEE fundraising in 2021, similar to 2020.
- > Among investment strategies, CEE venture capital funds raised €832 million in 2021, their highest recorded fundraising level in absolute terms, making up 47% of the total capital raised.
- > CEE buyout funds raised €403 million, 23% of the total capital raised. Although this was twice the value raised in 2020, it was just around half of the previous five-year average.
- > Growth capital funds raised €493 million, 25% up on 2020 value and their highest amount raised since 2008.
- > CEE's share of total European fundraising increased from 1.2% in 2020 to 1.5% in 2021.

Investment activity

Private equity investment in the CEE region more than doubled in 2021 to reach its highest recorded annual value, €4.15 billion.

- > A record 672 companies were funded in 2021, a result of a significant increase in growth investments as well as the continued increase in venture capital activity. This is the fourth consecutive annual increase.
- > As in prior years, CEE investment activity in 2021 was concentrated in a few countries. Poland remained the leading destination with nearly a third of the region's total investment value and 15% of the companies receiving funding. It was followed by the Czech Republic with 18% of the CEE total value, Estonia (12%) and Slovenia (10%). Hungary again saw the largest number of companies receiving private equity investment in 2021 at 241, or 36% of the CEE total, led by its strong venture capital investment funding.
- > CEE buyout investments were €1.67 billion in 2021, increasing 78% year-on-year.
- > Growth capital funding reached a record value at €1.82 billion, financing an all-time high of 90 companies.
- > CEE venture capital investment reached record levels of value and number of companies: €659 million invested in 541 companies.
- > The CEE region represented 3.0% of the European investment total, up from 2.0% in 2020.

Divestment activity

Exits measured at historical investment cost reached €1.50 billion, the third highest annual amount, but down 14% from the record 2020.

- > A record 173 companies were divested in CEE in 2021, a 49% increase from 2020. The growth was driven by increased VC divestments following the sector's increased investment activity in prior years.
- > Public offering remained the most common CEE exit route in 2021 with €484 million exited at cost, a third of the regional total, driven by two large exits.
- > Trade sale was the second most common exit route in 2021 with €303 million exited at cost, or 20% of the regional total.
- > Management/owner buy-back, the third in value terms with €196 million, was the most popular route by number with 52 companies exited (30% of the total) in 2021.
- > Poland was the region's largest market for exits in 2021 with €441 million of divestments at cost - almost a third of the CEE total - and the highest number of companies exited at 43, or a quarter of the total. Lithuania ranked second with €312 million at cost, or 21% of the regional total, with two exits accounting for about 88% of the total cost value.
- > CEE divestments comprised 3.6% of the total exit value in Europe in 2021, down from 6.8% in 2020.

Fundraising Summary

All Private Equity

€1.752bn raised by

38 funds

Venture Capital

€832m raised by

25 funds

Buyout

€403m raised by

5 funds

Growth

€493m raised by

7 funds

> Total incremental fundraising in CEE reached €1.75 billion in 2021. It was a year-on-year increase of 33% and 9% above the previous five-year average, as well as the second best year since the financial crisis in 2009. By comparison, fundraising across all of Europe grew by 7% to €118 billion, the highest level ever recorded. CEE's share of total European fundraising increased from 1.2% in 2020 to 1.5% in 2021. The number of CEE funds achieving a final closing in 2021 slightly declined compared to 2020 levels with 19 funds finishing their fundraising at a total of €1.30 billion of capital raised.

> Government agencies (including multilateral organisations), the leading source of funding in CEE over the last decade, remained the largest source of capital in 2021, accounting for 39% of all capital raised in 2021. In absolute terms, funding from government agencies amounted to €691 million, 36% up from 2020. Corporate investors accounted for 14%, funds of funds and private individuals followed and accounted for 9% of all funds raised each.

> Geographically, funding from CEE-based investors remained the leading source of funds in 2021, accounting for 48% of the total capital raised. In absolute terms CEE-located LPs invested €841 million, mostly driven by government agency-led initiatives in Hungary, and institutional and private investors from the Baltics and the Czech Republic. Funds raised from within CEE continued to be largely directed (59%) towards venture capital funds. European investors from outside the CEE region contributed 38% of total CEE fundraising in 2021, similar to 2020. Funding from investors outside Europe remained at a low level, comprising just 7% of total fundraising in 2021, similar to the 6% in 2020.

> CEE venture capital funds raised €832 million, their highest recorded level in absolute terms, representing 47% of total fundraising in 2021. The strong result is supported by national government and multilateral agency initiatives promoting the development of VC funds. The upward trend in VC fundraising in the region, which started in 2017, has led to a sustained increase in venture capital investment activity - a trend anticipated to continue.

> CEE buyout funds raised €403 million, accounting for 23% of the total capital raised for the region in 2021. While doubling from 2020, CEE buyout funds still raised just around half of the previous five-year average. This total partly reflects the fundraising cycle of the region's largest managers, many recording their buyout fundraisings in a strong 2018 and now preparing to return to the market.

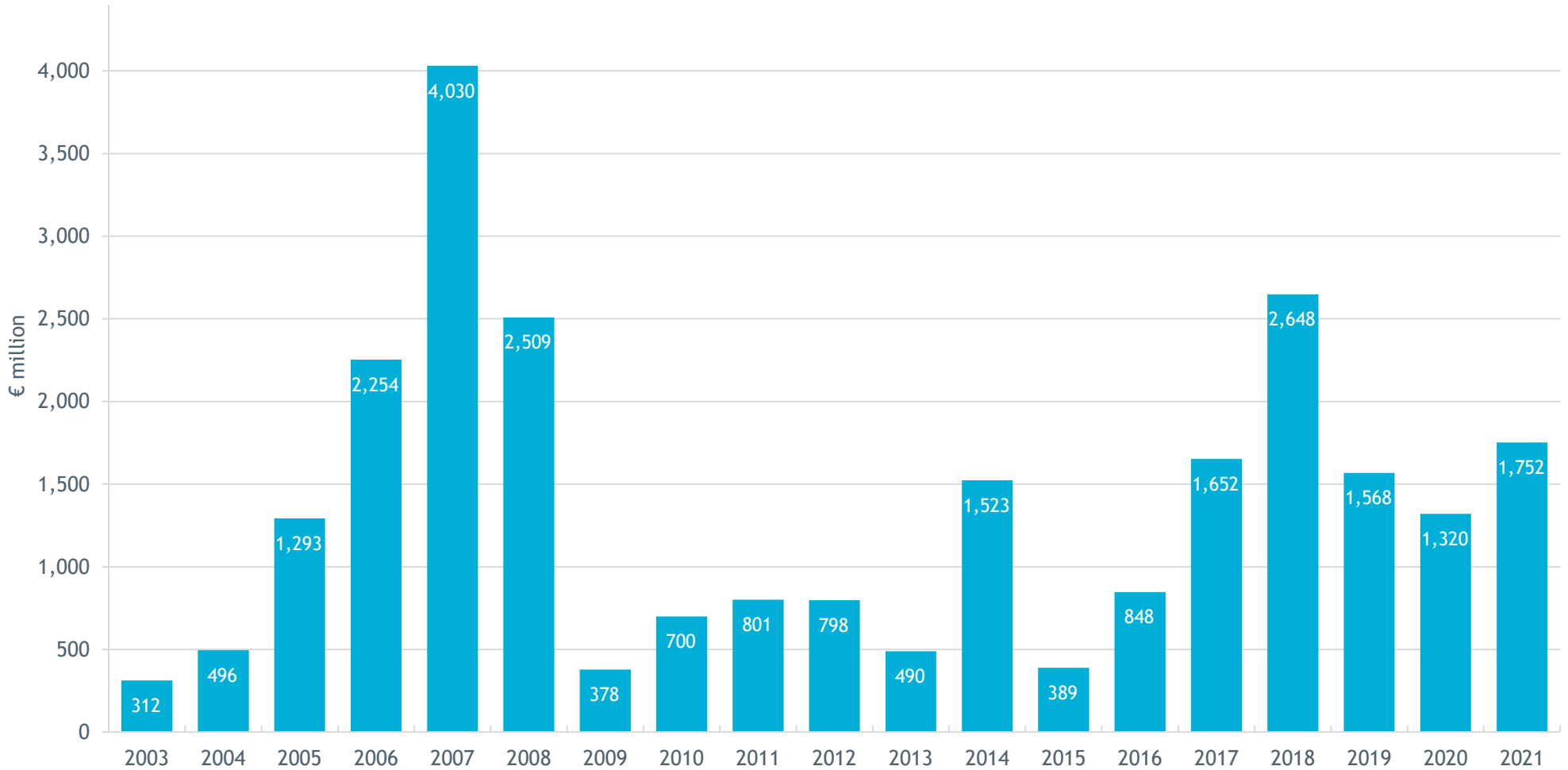
> Growth capital fundraising increased by a quarter to €493 million, representing 28% of the total capital raised for the CEE region in 2021, continuing its steady growth since 2018 and reaching the highest result since 2008.

> 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. One generalist fund was also recorded in the total.

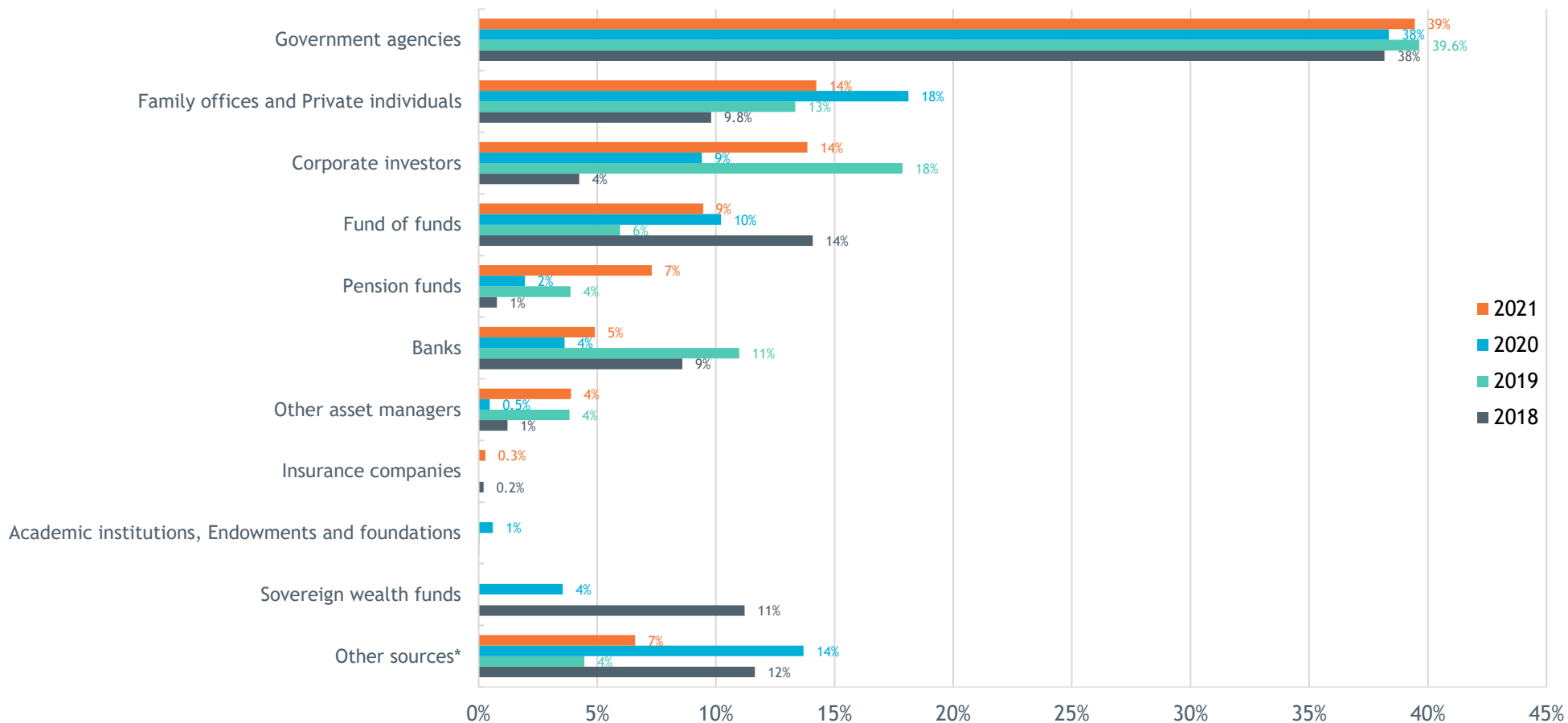
Fundraising Summary

Figure 1: Fundraising for CEE private equity, 2003-2021



Fundraising

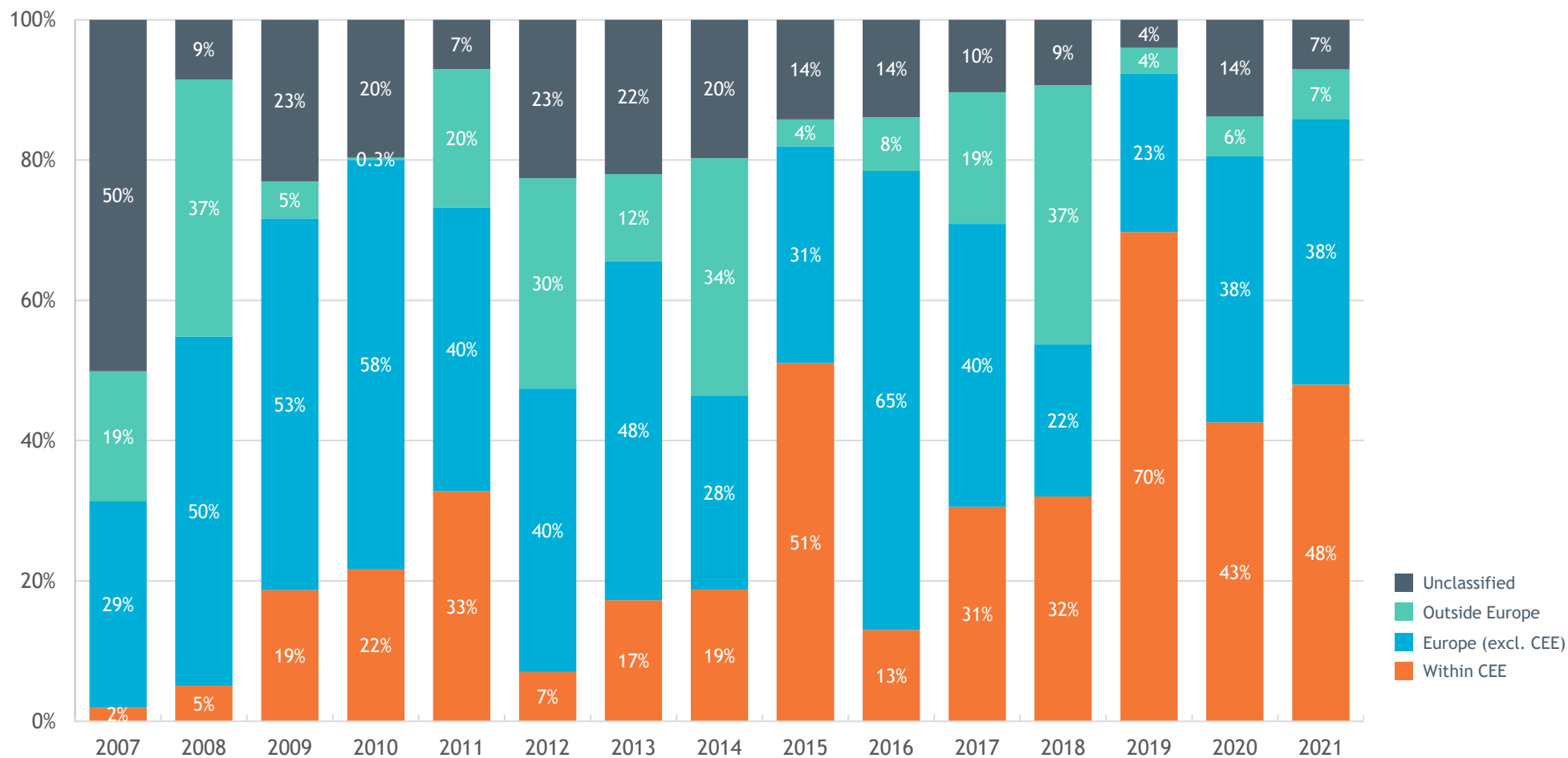
Figure 2: Sources of capital raised for CEE private equity in 2018-2021 (% of total)



*Other sources contain: Capital markets and Unclassified.

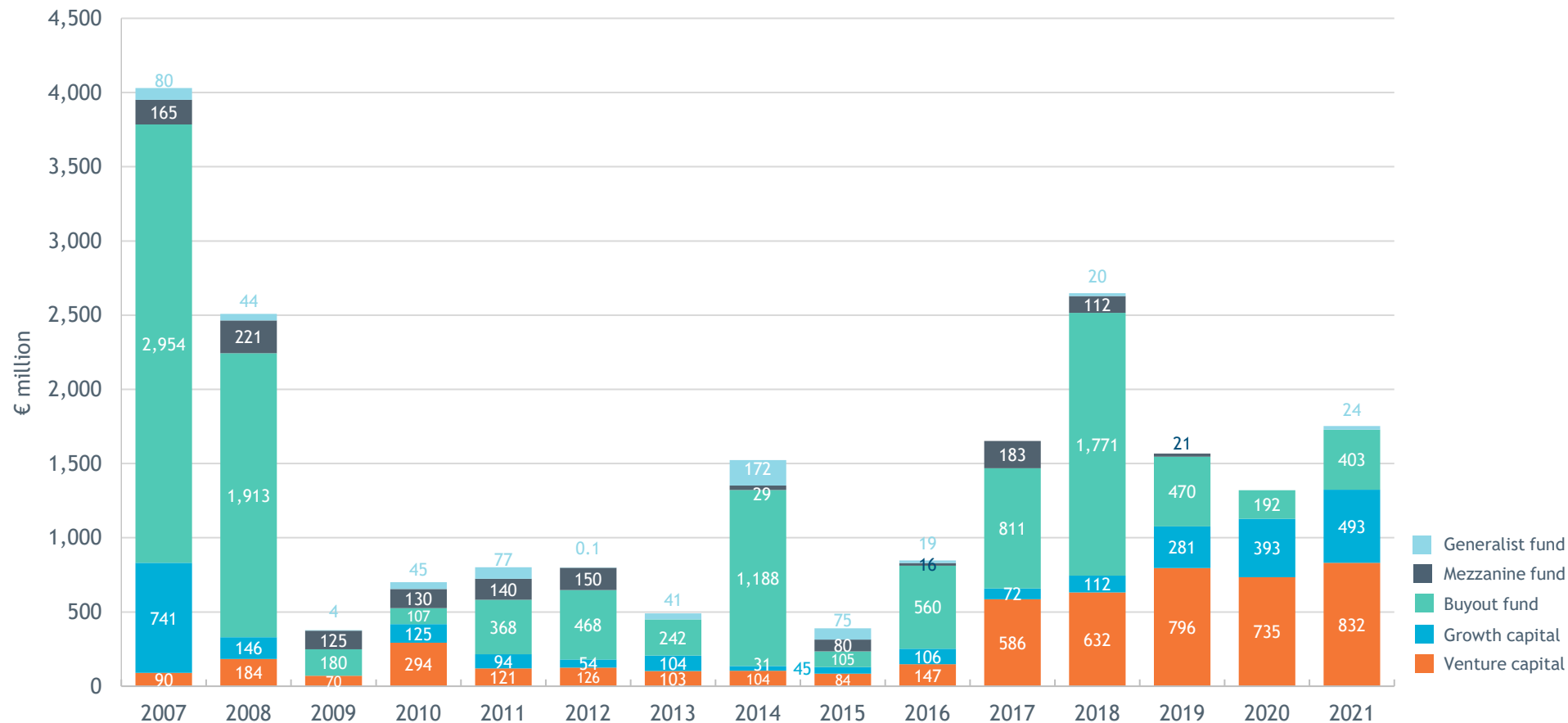
Fundraising

Figure 3: Geographic sources of funds raised for CEE private equity, 2007-2021



Fundraising

Figure 4: Fundraising by stage - incremental closings, 2007-2021



Fundraising

Table 1: CEE funds raised

Incremental closings during the year (in € thousands)

Fund stage focus	2020		2021	
	Amount	%	Amount	%
Early stage	448,371	34.0	413,634	23.6
Later stage venture	101,901	7.7	142,804	8.2
Venture (all stages)	184,680	14.0	275,163	15.7
Total venture	734,952	55.7	831,601	47.5
Growth capital	393,220	29.8	492,858	28.1
Buyout	192,212	14.6	403,434	23.0
Mezzanine	0	0.0	0	0.0
Generalist	0	0.0	24,209	1.4
Total funds raised for CEE	1,320,384	100	1,752,102	100
Total funds raised in Europe	110,375,273		117,715,923	

Table 2: CEE funds raised

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

Fund stage focus	2020		2021	
	Amount	Number of funds	Amount	Number of funds
Early stage	359,620	10	511,950	9
Later stage venture	31,779	3	123,320	4
Venture (all stages)	91,567	3	30,000	1
Total venture	482,965	16	665,270	14
Growth capital	276,252	5	261,650	2
Buyout	722,542	4	372,605	3
Mezzanine	0	0	0	0
Generalist	0	0	0	0
Cumulative funds raised for CEE at final closings	1,481,759	25	1,299,525	19

Investments Summary

All Private Equity

€4.150bn into
672 companies

Venture Capital

€659m into
541 companies

Buyout

€1.671bn into
42 companies

Growth

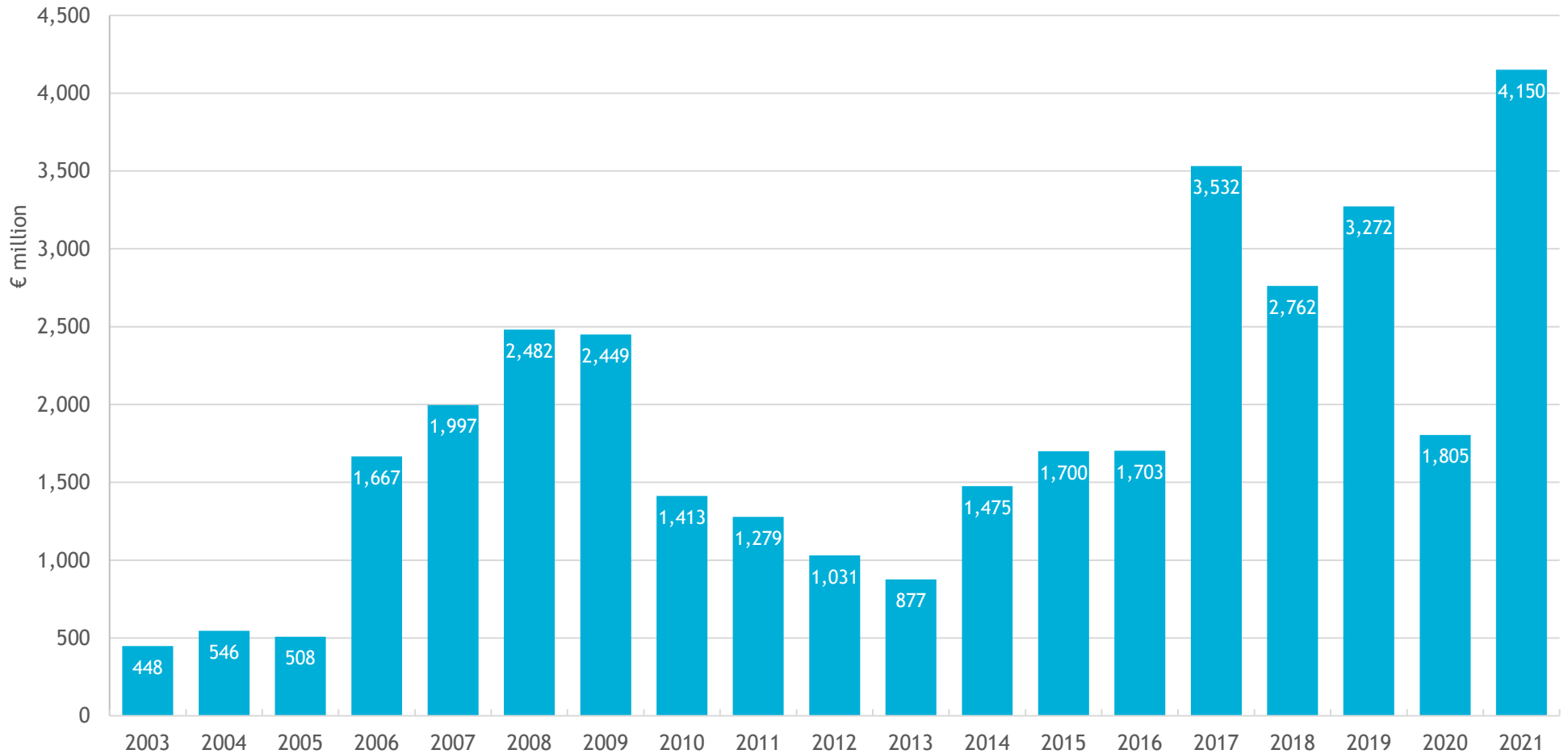
€1.818bn into
90 companies

- > Private equity investment in the CEE region more than doubled in 2021, reaching its highest recorded annual value at €4.15 billion, funding a record 672 companies. The number of companies was 11% above the previous year, a result of a significant increase in growth funding, as well as the continued increase in venture capital funding - a trend started in 2018. By comparison, Europe-wide investment value increased 51% year-on-year to an all-time record €138 billion in 2021, with the CEE region representing 3.0% of the European total, up from 2.0% in 2020.
- > CEE private equity investment measured as a percentage of the region's GDP increased from 0.108% in 2020 to 0.228% in 2021. This remains around a third of the European average of 0.749% in 2021, as the CEE continues to lag Europe on this measure. A notable exception is Estonia at 1.574%, the best country result in Europe in 2021 as well as Slovenia at 0,791%, in both cases driven by one large transaction. Lithuania, Croatia and the Czech Republic showed results above the CEE regional average, in each case driven by one or two large transactions.
- > Poland remained the leading destination with almost a third of the region's total investment value and 15% of the companies receiving funding. By investment value, it was followed by the Czech Republic with 18% of the CEE total, Estonia (12%) and Slovenia (10%). These four countries combined comprised 68% of the total CEE investment by value and 29% of the companies receiving private equity investment in 2021. Hungary again saw the largest number of companies receiving private equity investment in 2021 at 241, comprising 36% of the CEE total, driven mainly by VC investments.
- > Annual investment totals in the region and in individual countries are often influenced by a few large investments. In 2021, the four largest investments accounted for 44% of the total regional investment. These deals were in Poland, the Czech Republic, Slovenia and Estonia. By comparison, in 2020, the four largest investments accounted for 50% of the total amount invested in the region.
- > In terms of sectors, information and communication technology (ICT) was the largest sector at 38% of total value and 47% of companies in 2021. The share of value was driven by two large investments that accounted for almost half of the sector total. VC activity drove ICT's volume share. Consumer goods and services, traditionally important for the CEE region, ranked second with 33% of the total CEE investment value, driven by the region's largest single deal of the year. Biotech and healthcare ranked third with 12% of the total, driven by a single large transaction. Together these three sectors comprised 83% of the total CEE investment value in 2021.
- > CEE buyout investments accounted for €1.67 billion in 2021, increasing 78% year-on-year, but remaining some 7% below the five year average. Growth capital funding reached a record value at €1.82 billion, almost a four-time increase year-on-year. At the same time, CEE venture capital saw €659 million invested, a record value and a 67% increase year-on-year. The buyout and venture dedicated sections of this report provide more details.
- > Based on preliminary analysis, the number of follow-on deals in 2021 increased to 77% of total investments, up from 66% in 2020. By value, follow-on investment represented 66% of the amount invested in CEE in 2021, up from 51% in 2020.

Note: One replacement capital investment and four rescue/turnaround investments also recorded in the total.
Number of companies for All Private Equity do not equal individual category totals: see Appendix.

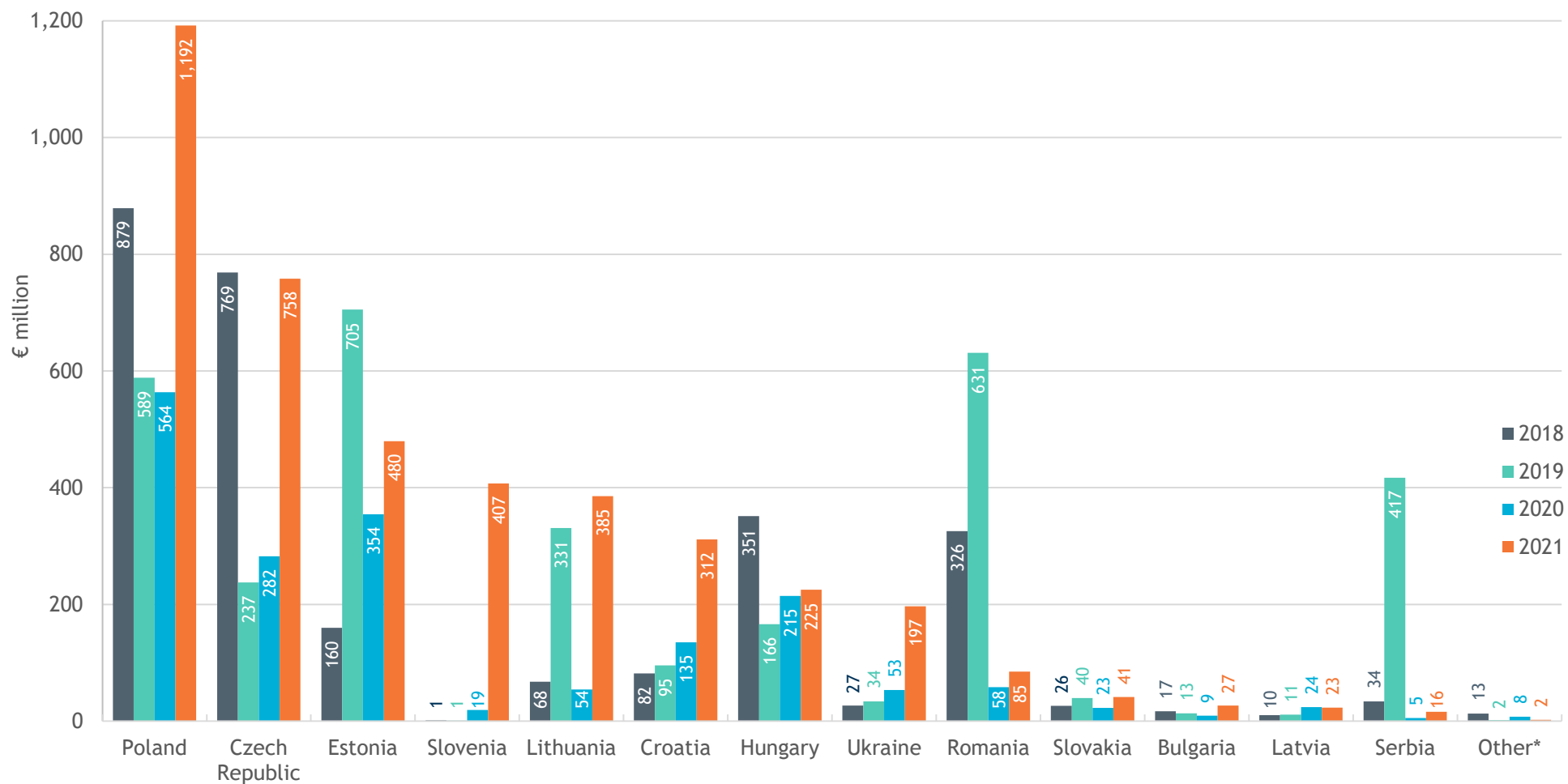
Investments Summary

Figure 5: Annual investment value in the CEE region, 2003-2021



Investments

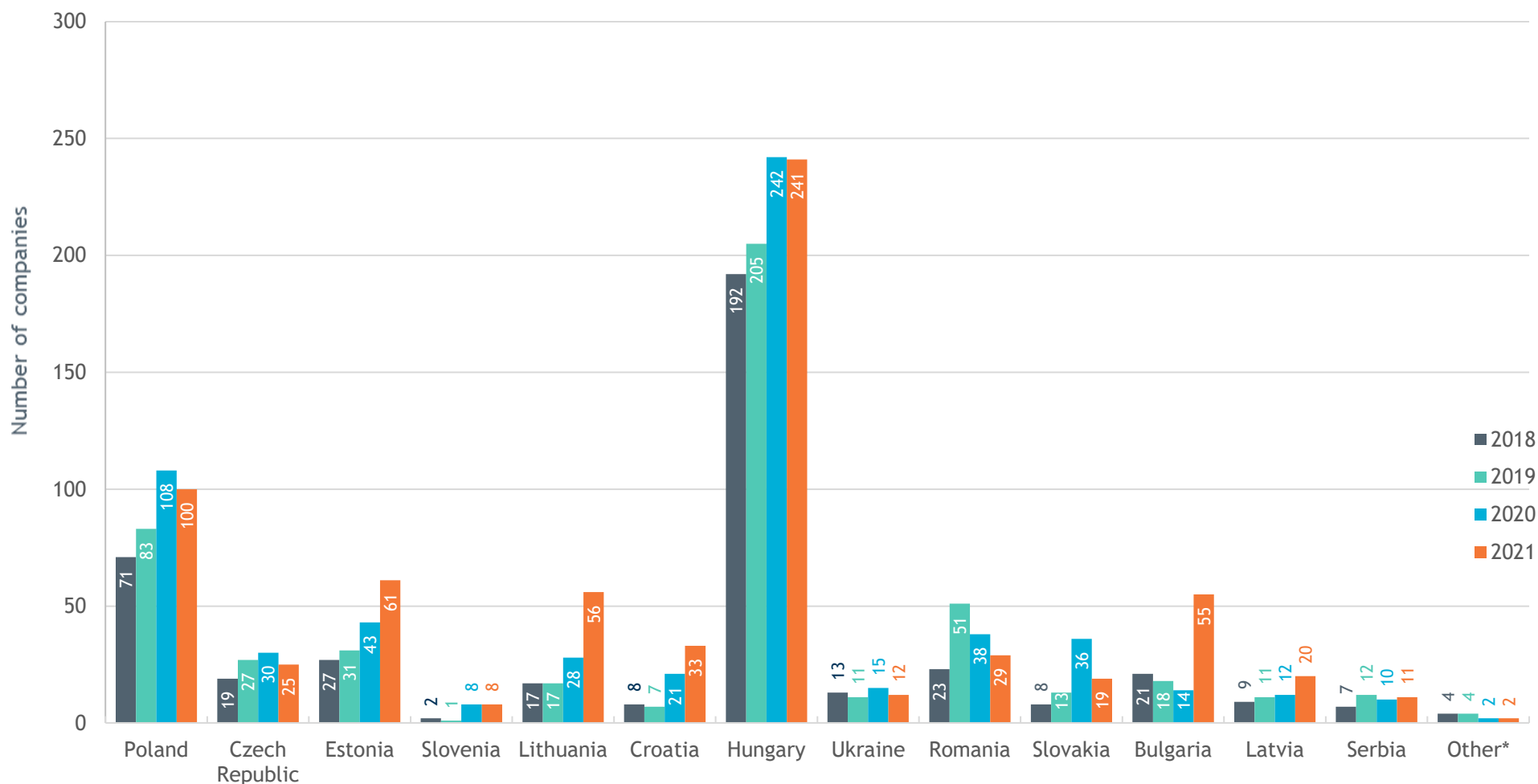
Figure 6: Annual investment value in CEE, 2018-2021



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

Investments

Figure 7: Annual investment in CEE, 2018-2021 (number of companies)



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

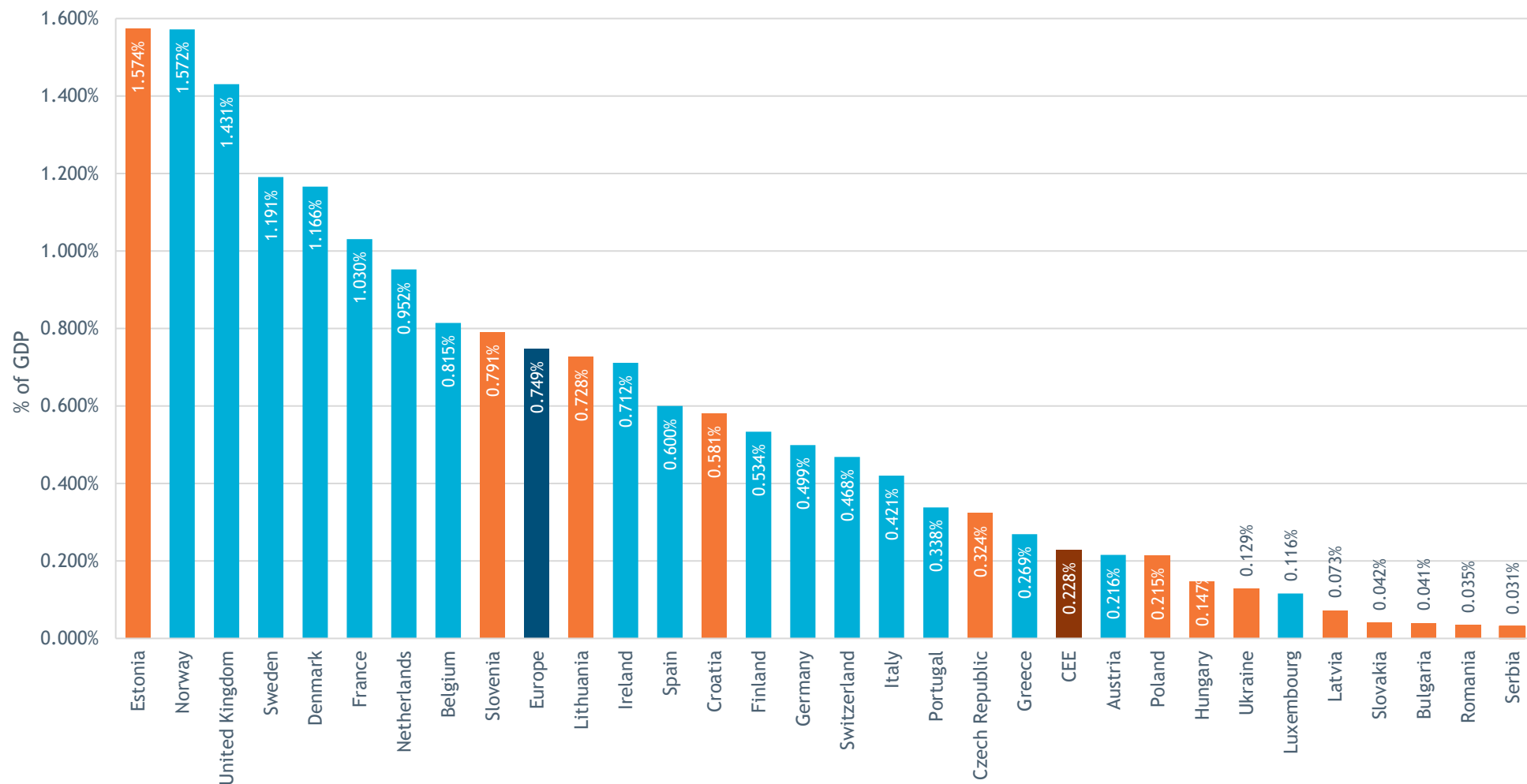
Investments

Table 3: Investment by sector, 2020-2021 (€ thousands)

	2020				2021			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
All private equity								
Agriculture	25,269	1.4	9	1.5	13,881	0.3	12	1.8
Business products and services	195,188	10.8	72	11.9	113,758	2.7	65	9.7
Chemicals and materials	1,400	0.1	1	0.2	15,220	0.4	5	0.7
ICT (Communications, computer and electronics)	745,214	41.3	283	46.6	1,596,357	38.5	319	47.5
Construction	7,411	0.4	9	1.5	10,857	0.3	6	0.9
Consumer goods and services	186,470	10.3	92	15.2	1,353,954	32.6	129	19.2
Energy and environment	85,472	4.7	29	4.8	165,856	4.0	29	4.3
Financial and insurance activities	89,880	5.0	27	4.4	76,875	1.9	34	5.1
Real estate	6,786	0.4	9	1.5	11,507	0.3	8	1.2
Biotech and healthcare	369,529	20.5	62	10.2	478,588	11.5	55	8.2
Transportation	91,945	5.1	14	2.3	313,475	7.6	10	1.5
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total amount invested	1,804,565	100	607	100	4,150,328	100	672	100

Investments

Figure 8: Private equity investments as a percentage of GDP, 2021 (by country of destination of investment)



Investments

Table 4: Type of investment in CEE vs. Europe, 2021 (in € thousands)

	2021			
	Total CEE	% of total	Total Europe	% of total
Seed	88,842	2.1	1,217,954	0.9
Start-up	359,616	8.7	7,102,525	5.2
Later stage venture	210,475	5.1	12,069,546	8.8
Total venture	658,933	15.9	20,390,026	14.8
Growth capital	1,817,590	43.8	35,092,867	25.5
Rescue/Turnaround	2,129	0.1	240,705	0.2
Replacement capital	600	0.0	3,168,086	2.3
Buyout	1,671,075	40.3	78,877,484	57.3
Total investment	4,150,328	100	137,769,168	100

Table 5: Type of investment in CEE, 2020-2021 (in € thousands)

	2020		2021	
	Amount	Number of companies	Amount	Number of companies
Seed	113,551	305	88,842	285
Start-up	141,678	178	359,616	222
Later stage venture	139,656	36	210,475	40
Total venture	394,885	512	658,933	541
Growth capital	462,990	58	1,817,590	90
Rescue/Turnaround	7,314	1	2,129	4
Replacement capital	2,000	1	600	1
Buyout	937,375	37	1,671,075	42
Total investment	1,804,565	607	4,150,328	672

Investments

Table 6: Type of investments by CEE country, 2020-2021 (in € thousands)

2021

Stage focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	8,359	6,378	6,074	23,253	20,154	518	7,379	9,273	6,150	307	0	599	398	0
Start-up	18,331	3,000	88,283	29,284	39,613	9,052	32,818	100,342	5,883	15,225	12,535	0	5,250	0
Later stage venture	0	22,800	10,750	65,377	59,933	0	7,705	5,948	19,501	500	17,512	250	83	117
Total venture	26,690	32,178	105,107	117,914	119,700	9,570	47,903	115,563	31,534	16,031	30,047	849	5,731	117
Growth capital	0	142,950	638,877	336,479	50,265	11,603	253,055	150,685	23,698	0	11,134	7,675	191,169	0
Rescue/Turnaround	0	0	0	0	2,129	0	0	0	0	0	0	0	0	0
Replacement capital	0	0	0	0	0	0	0	0	600	0	0	0	0	0
Buyout	0	136,442	14,104	25,337	53,212	1,850	84,500	925,700	29,139	0	0	398,791	0	2,000
Total	26,690	311,570	758,088	479,731	225,306	23,022	385,457	1,191,948	84,971	16,031	41,181	407,316	196,900	2,117

2020

Stage focus	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	3,470	4,467	3,453	12,169	50,704	1,463	2,626	23,410	1,629	561	5,470	300	3,830	0
Start-up	3,125	4,300	8,924	8,337	47,557	1,842	2,864	32,631	7,590	1,270	13,845	2,300	7,093	0
Later stage venture	970	850	4,400	7,915	26,190	175	3,926	82,730	883	500	300	431	10,187	200
Total venture	7,565	9,617	16,776	28,421	124,451	3,480	9,415	138,771	10,101	2,331	19,615	3,031	21,110	200
Growth capital	1,699	102,564	25,000	85,933	29,760	3,302	12,579	110,407	45,958	3,000	3,211	128	32,115	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	53,235	17,500	32,344	314,471	0	0	0	16,000	0	0
Total	9,264	135,232	282,430	354,474	214,760	24,282	54,338	563,649	58,059	5,331	22,826	19,159	53,225	7,535

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

Divestments Summary

All Private Equity

€1.497bn from
173 companies

Venture Capital

€142m from
100 companies

Buyout

€1.038bn from
37 companies

Growth

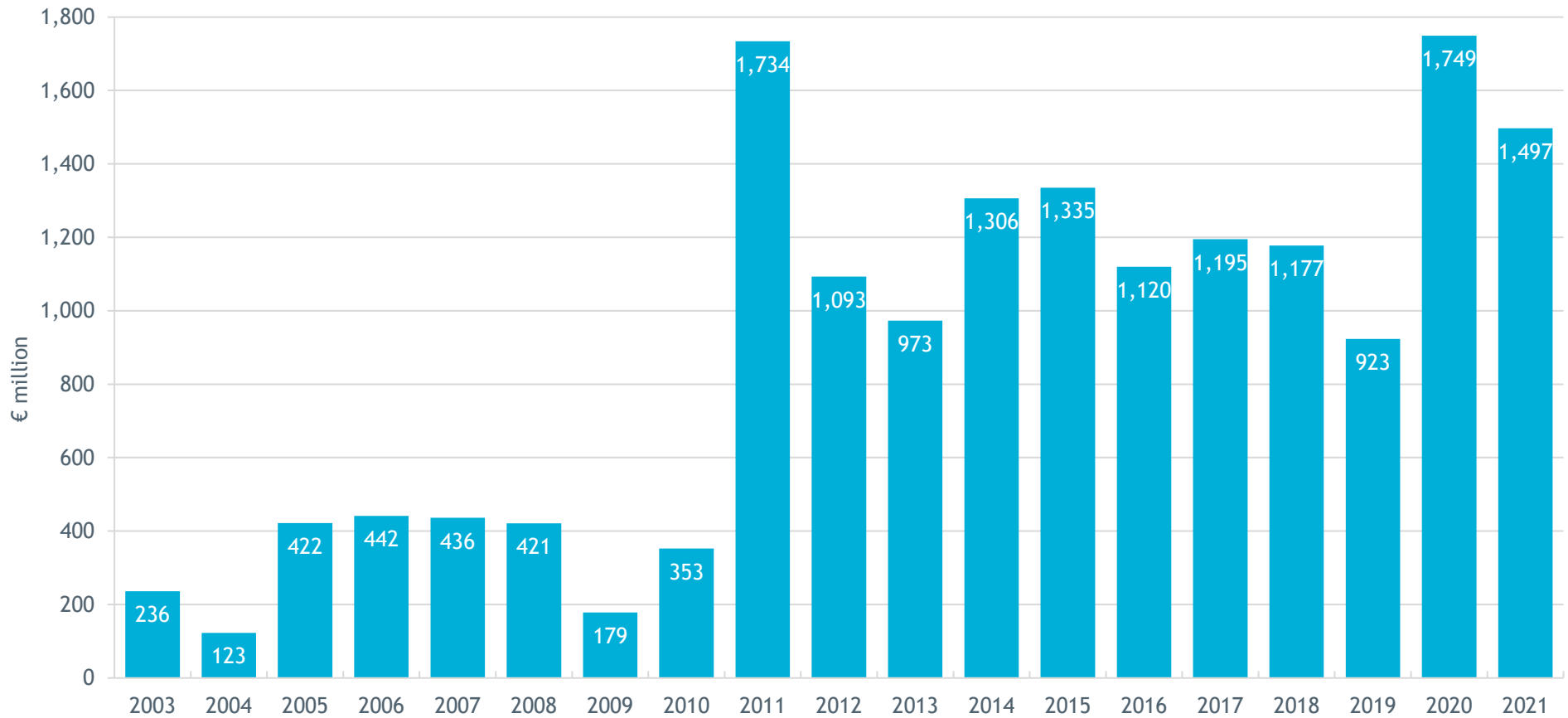
€272m from
31 companies

- > Private equity exits across CEE in 2021 reached €1.5 billion, measured at historical investment cost, the third highest annual divestment level ever for the CEE region, but 14% down from the record value in 2020. By comparison, divestment values increased by 59% in Europe as a whole from the year before to €41 billion. CEE divestments comprised 3.6% of the total exit value in Europe in 2021, down from 6.8% in 2020. A record 173 companies were divested in CEE in 2021, a 49% increase from 2020. The growth was driven by a significant increase in the number of VC exited companies, reflecting the increased investment activity in this sector in prior years.
- > Poland was the region's largest market for exits in 2021 with €441 million of divestments at cost - almost a third of the CEE total - and the highest number of companies exited at 43, a quarter of the total. Lithuania ranked second with €312 million at cost, or 21% of the regional total. The Czech Republic was in third place with €209 million exits at cost, 14% of the total. The exits in these three countries represented 64% of the total CEE divestment value and 36% of the total number of companies exited in 2021.
- > It should be noted that CEE exit values can be affected by a few large deals. In 2021, the three largest exits, all above €100 million at cost, accounted for 35% of the CEE's overall exit value at cost. Those transactions took place in the Czech Republic, Lithuania and Poland. For comparison, in 2020 the two largest transactions accounted for 51% of the region's total.
- > Public offering was the most common CEE exit route in 2021 with €484 million exited at cost, a third of the regional total, reflecting two large divestments using this method. The number of companies divested through public market remained stable at seven. Trade sale was the second most common CEE exit route in 2021 with €303 million at cost, 20% of the regional total and 47 companies exited. Management / owner buy-back ranked third by value in 2021 with €196 million at cost and was driven by a single relatively large transaction. At the same time, this route saw the highest number of companies exited at 52. It was followed by sale to financial institutions with €190 million, driven by the region's largest exit in 2021. Write-offs remained at a minimal level, which is typical for the CEE region, accounting for 0.3% of the total CEE exit value at cost and comprising 22 companies.
- > Consumer goods and services was the most important sector for exits in value terms in 2021 with €422 million divested at historical cost - 28% of the region's total value - comprising 40 companies exited, 23% of the total number. ICT, traditionally a strong contributor to divestments, saw €350 million divested at cost, or 23% of the total. The sector registered the highest number of companies exited at 61, or 35% of the total number, reflecting the impact of venture investments. Business products and services was the third most exited sector, with €230 million divested at cost, or 15% of the total CEE value, comprising 24 companies (14% of the CEE total). The fourth largest sector for divestments by value was financial and insurance activities with €224 million at historical cost - 15% of the CEE total by value. With six companies exited, it represented 3% the total number. Notably, the sector included the largest exit transaction in CEE in 2021.

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.
Number of companies for All Private Equity do not equal individual category totals: see Appendix.

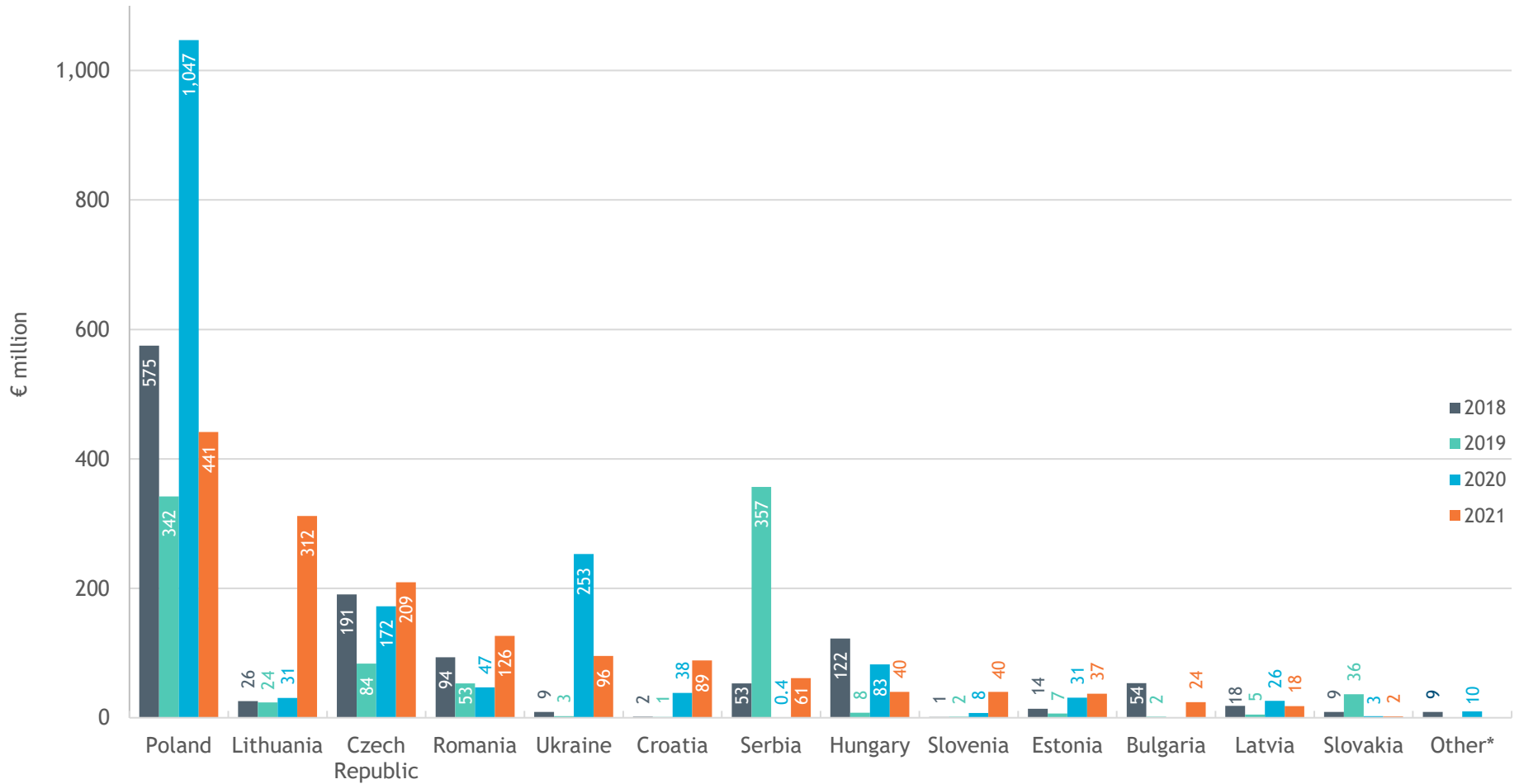
Divestments Summary

Figure 9: Divestment value in CEE, 2003-2021 (value at historical investment cost)



Divestments

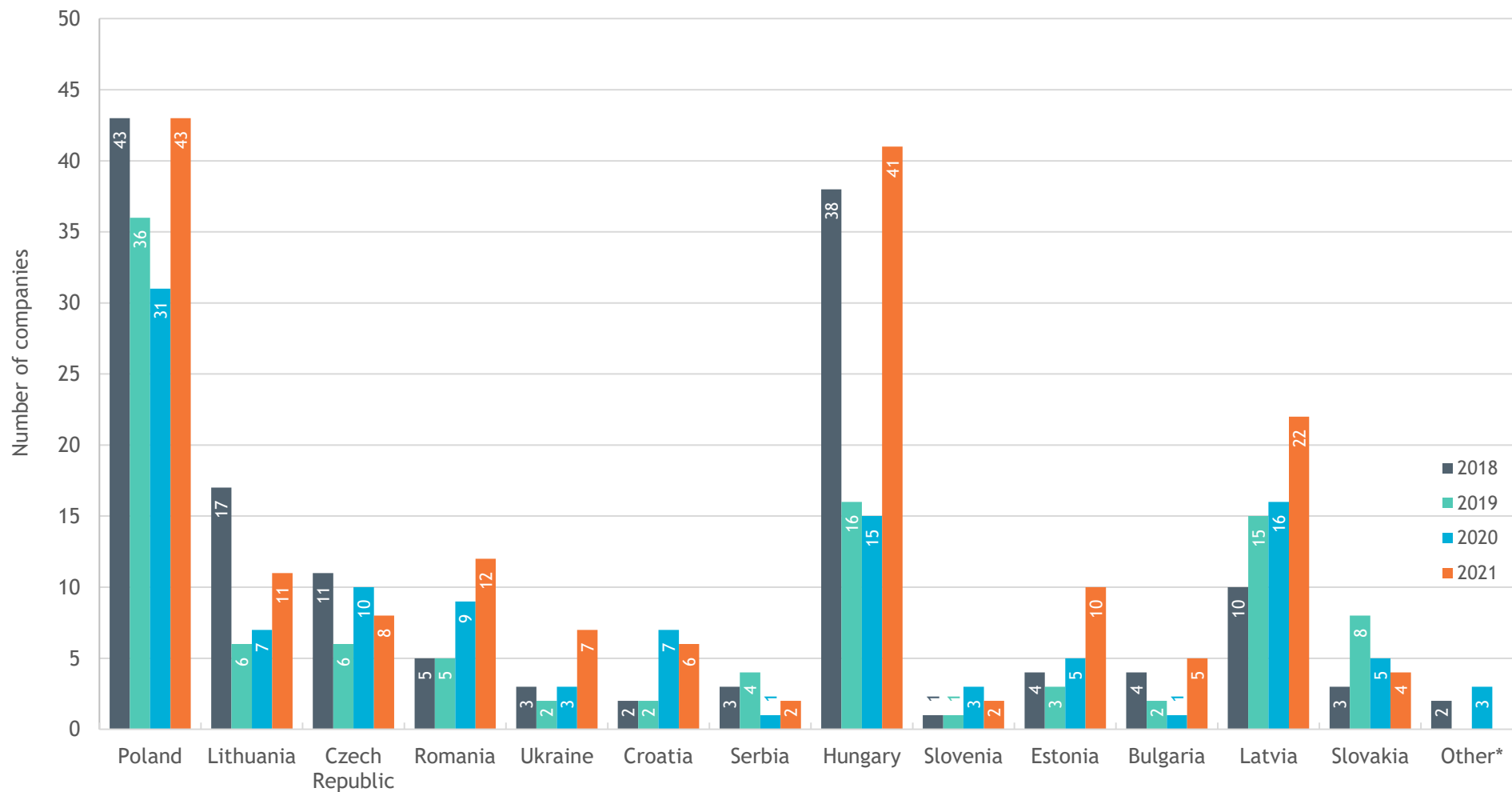
Figure 10: Divestment value by CEE country, 2018-2021 (value at historical investment cost)



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

Divestments

Figure 11: Divestments by CEE country, 2018-2021 (number of companies)



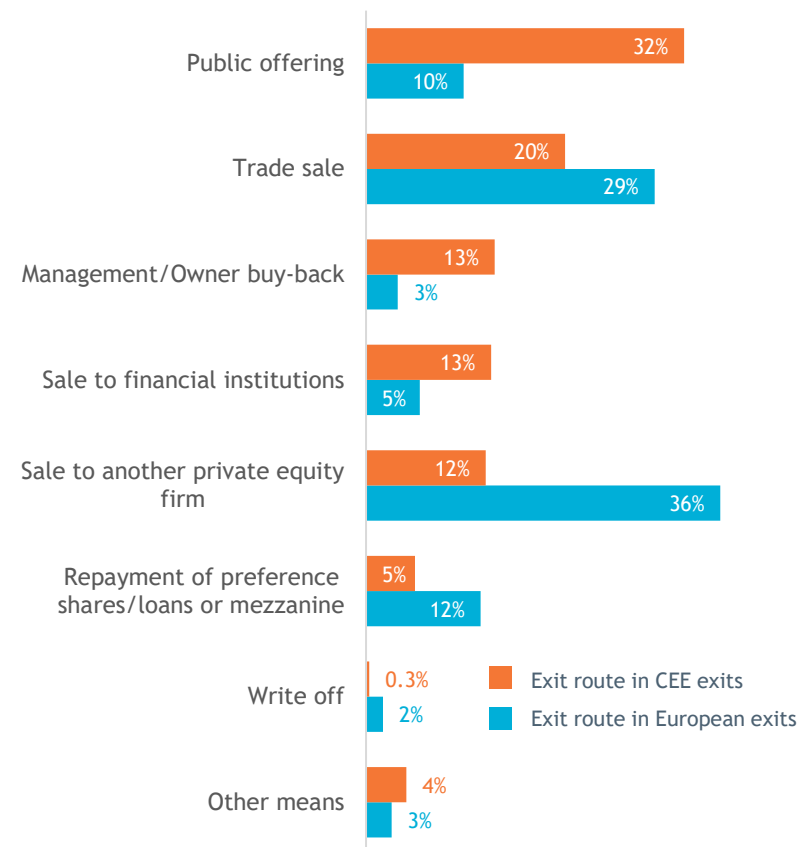
*Other consists of Bosnia & Herzegovina, Moldova, Montenegro and North Macedonia.

Divestments

Table 7: Divestments by exit route in CEE, 2020-2021
(value at historical investment cost in € thousands)

	2020		2021	
	Amount at cost	Number of companies	Amount at cost	Number of companies
Public offering	750,485	7	484,225	7
Trade sale	599,910	43	303,278	47
Management/Owner buy-back	55,109	23	195,835	52
Sale to financial institutions	110,059	4	190,467	3
Sale to another private equity firm	162,725	11	182,316	16
Repayment of preference shares/loans or mezzanine	26,618	16	74,458	28
Write off	43,595	11	4,989	22
Other means	485	3	61,208	2
Total divestment	1,748,984	116	1,496,775	173

Figure 12: Exit routes in CEE vs. total Europe, 2021
(% of value at historical investment cost)



Divestments

Table 8: CEE divestments by sector, 2020-2021 (value at historical investment cost, in € thousands)

	All private equity							
	2020				2021			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Agriculture	550	0.0	1	0.9	46,623	3.1	3	1.7
Business products and services	64,838	3.7	16	13.8	230,295	15.4	24	13.9
Chemicals and materials	7,645	0.4	4	3.4	41,629	2.8	4	2.3
ICT (Communications, computer and electronics)	423,824	24.2	40	34.5	350,493	23.4	61	35.3
Construction	26,400	1.5	1	0.9	0	0.0	0	0.0
Consumer goods and services	785,127	44.9	28	24.1	421,807	28.2	40	23.1
Energy and environment	33,245	1.9	3	2.6	49,738	3.3	10	5.8
Financial and insurance activities	195,677	11.2	10	8.6	224,072	15.0	6	3.5
Real estate	0	0.0	0	0.0	0	0.0	0	0.0
Biotech and healthcare	179,790	10.3	8	6.9	52,206	3.5	15	8.7
Transportation	12,160	0.7	4	3.4	79,912	5.3	10	5.8
Other	19,730	1.1	1	0.9	0	0.0	0	0.0
Total divestment	1,748,984	100	116	100	1,496,775	100	173	100

The CEE venture capital market

All Venture

€659m into
541 companies

Seed

€89m into
285 companies

Start-up

€360m into
222 companies

Later stage

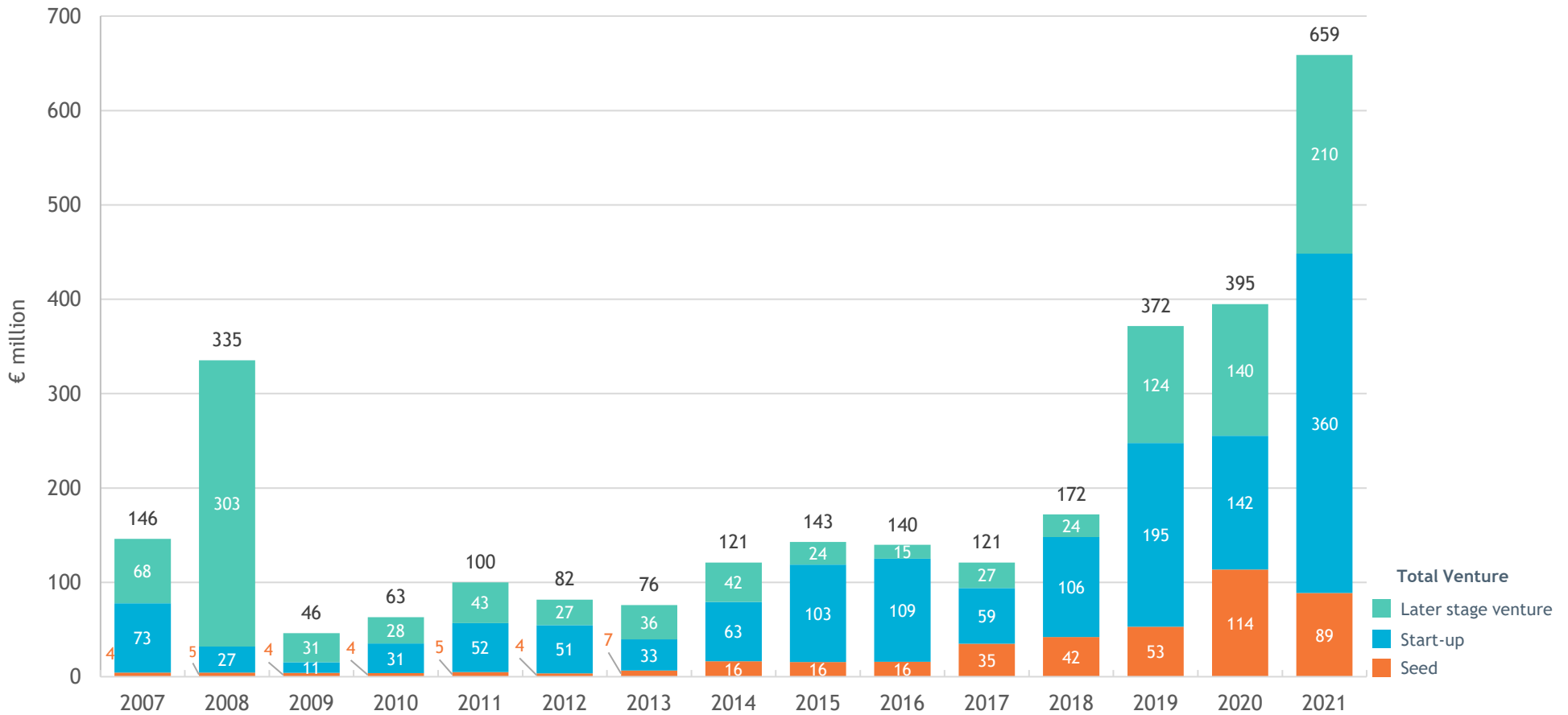
€210m into
40 companies

- > CEE venture capital (VC) investment reached a record annual value of €659 million in 2021, 67% above 2020 level, invested in a record 541 companies. A strong increase in the buyout and growth segment meant VC investments share of the region's total private equity investments by value was down to 16% in 2021 from 22% in 2020. The number of CEE companies receiving VC investments represented 81% of the total number of all CEE private equity financed companies in 2021. The continued strong growth in VC activity in CEE reflects a similar strength in VC fundraising in the region in the last five years.
- > CEE represented 3.2% of the total European venture capital investment value in 2021, while the region accounted for 10.1% of the European companies receiving VC funding. The average VC investment per company in CEE was €1.2 million in 2021, increasing year-on-year by 58% but representing just a third of the European average of €3.8 million.
- > Start-up stage investments more than doubled year-on-year to a record €360 million, accounting for 55% of the region's total VC investment value in 2021. The number of CEE start-ups receiving VC funding increased to a record 222, comprising 41% of the total VC investments in 2021. Later stage venture investment value increased by 51% to €210 million going into 40 companies. Seed investments decreased by 22% to €89 million. This was invested into 285 companies, comprising 53% of the total VC-backed companies in 2021.
- > Hungary remained the leading destination for venture capital investment in CEE in 2021 with €120 million (18% of the regional total) invested in 202 companies (37% of the total CEE VC-backed investments). Estonia (€118 million into 49 companies), Poland (€116 million into 72 companies), and the Czech Republic (€105 million into 22) were not far off, with Estonia and the Czech Republic recording their all-time highs both in value and volume terms. Together, these four countries accounted for 70% of CEE total venture capital investments by amount and 64% by number of companies in 2021.
- > Information and communication technology (ICT) companies in CEE continued to receive the most VC funding, more than doubling to €504 million invested into 292 companies. ICT accounted for 76% of the region's total venture investment by value and 54% by number of companies. Consumer goods and services was far second with €38 million invested into 88 companies. Business products and services followed with €36 million of investment into 46 companies. These three sectors together accounted for 88% of the total venture investments in CEE in 2021 by value and 79% by number.
- > Divestment values in CEE venture capital in 2021 more than doubled to a record €142 million, measured at historical investment cost. The total number of VC-backed companies exited rose by 64% year-on-year to a record 100. Divestment by public offering was the most prominent exit route, accounting for €74 million at cost, comprising 52% of the region's total VC exit value at cost, a result of a single large exit. The ICT sector was the leading sector for venture capital divestments, comprising 65% of the total value and 47% of VC-backed companies exited.

Note: Number of companies for All Venture do not equal individual category totals: see Appendix.

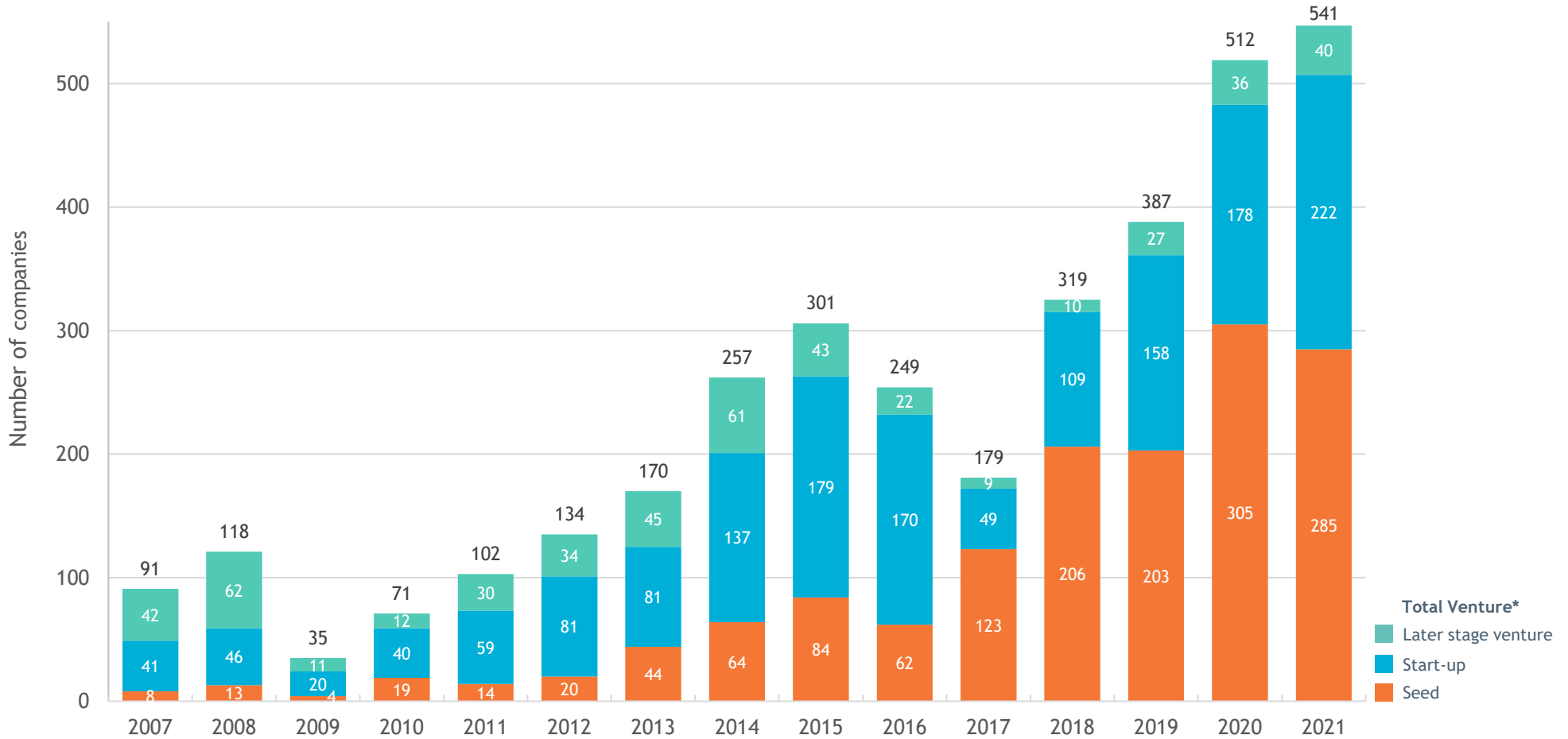
The CEE venture capital market

Figure 13: CEE venture capital investments by stage, 2007-2021 (in € million)



The CEE venture capital market

Figure 14: CEE venture capital investments by stage, 2007-2021 (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, 2020-2021 (in € thousands)

Venture capital	2020				2021			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
Agriculture	3,154	0.8	5	1.0	418	0.1	3	0.6
Business products and services	39,178	9.9	55	10.7	35,981	5.5	46	8.5
Chemicals and materials	1,400	0.4	1	0.2	2,206	0.3	3	0.6
ICT (Communications, computer and electronics)	238,022	60.3	254	49.6	503,825	76.5	292	54.0
Construction	7,411	1.9	9	1.8	441	0.1	2	0.4
Consumer goods and services	34,106	8.6	77	15.0	38,051	5.8	88	16.3
Energy and environment	20,808	5.3	24	4.7	21,959	3.3	24	4.4
Financial and insurance activities	19,446	4.9	22	4.3	13,144	2.0	28	5.2
Real estate	4,803	1.2	8	1.6	9,645	1.5	5	0.9
Biotech and healthcare	23,490	5.9	47	9.2	29,789	4.5	41	7.6
Transportation	3,066	0.8	10	2.0	3,475	0.5	9	1.7
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total investment	394,885	100	512	100	658,933	100	541	100

The CEE venture capital market

Table 10: CEE venture capital divestments by exit route, 2020-2021
(value at historical investment cost, in € thousands)

Venture capital	2020				2021			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Trade sale	34,626	58.8	20	32.8	35,452	24.9	19	18.6
Public offering	13,978	23.7	3	4.9	73,692	51.8	1	1.0
Write off	1,860	3.2	9	14.8	4,989	3.5	22	21.6
Repayment of preference shares/ loans or mezzanine	1,323	2.2	5	8.2	1,915	1.3	10	9.8
Sale to another private equity firm	915	1.6	5	8.2	6,124	4.3	6	5.9
Sale to financial institutions	3,761	6.4	1	1.6	45	0.0	1	1.0
Management/Owner buy-back	1,931	3.3	15	24.6	19,484	13.7	42	41.2
Other means	485	0.8	3	4.9	498	0.4	1	1.0
Total divestment	58,879	100	61	100	142,197	100	100	100

The CEE buyout and growth market

Buyout & Growth

€3.491bn into
134 companies

Buyout

€1.671bn into
42 companies

Growth

€1.818bn into
90 companies

Other*

€2.7m into
5 companies

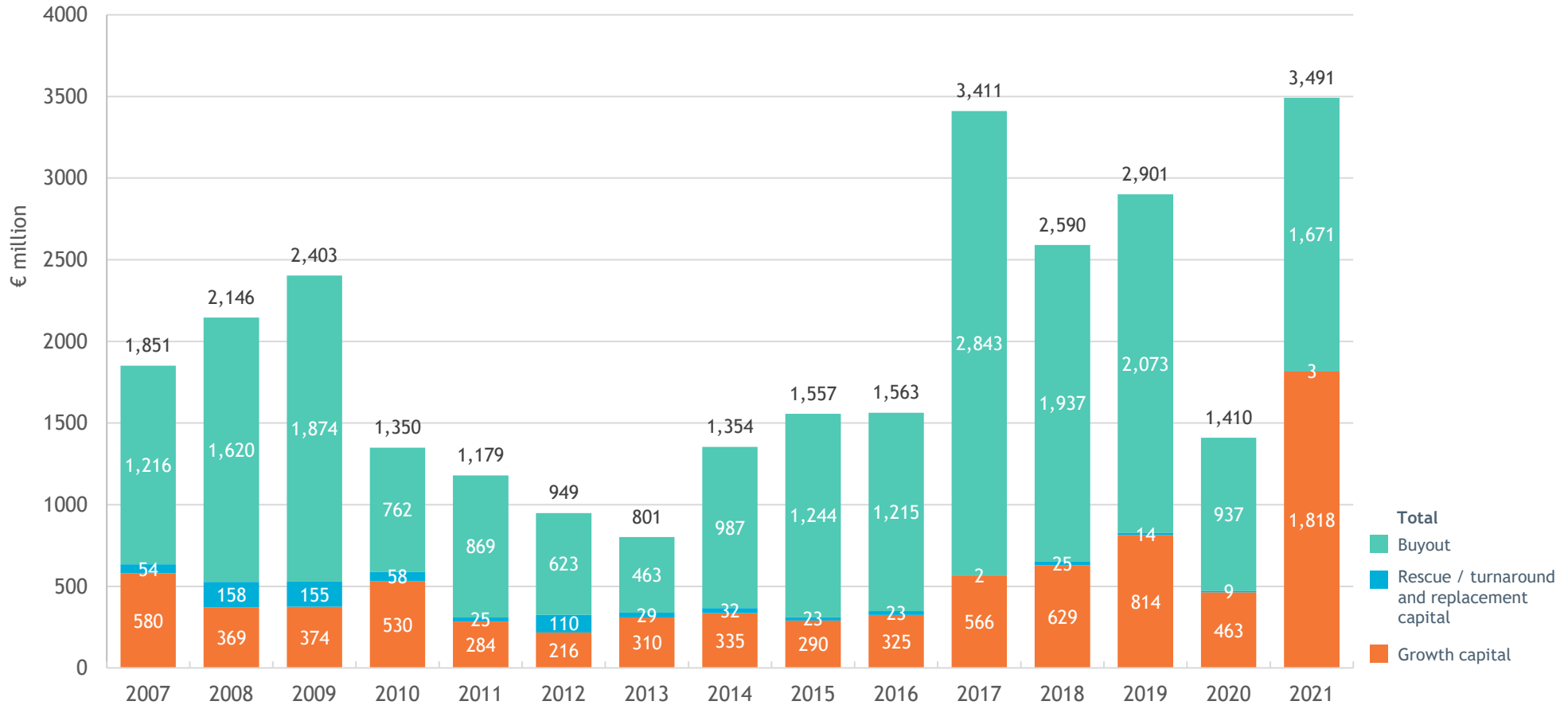
- > The total buyout and growth segment investment value in CEE more than doubled in 2021 to €3.49 billion, its highest level recorded. This capital was invested into 134 companies, a 40% increase year-on-year and an all-time high for the region, a result of a significant increase in growth funding. By comparison, buyout and growth investments across all of Europe increased by 48% year-on-year to €117 billion. CEE's share of the overall European buyout and growth segment increased from 1.8% in 2020 to 3.0% in 2021 in terms of value and represented 3.7% by number of companies.
- > At 84%, 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 20% of the total in 2021, reflecting the large number of lower value venture investments.
- > The buyout sub-segment reported total investments of €1.67 billion in 2021, rising 78% from 2020 levels. The two largest investments, both mega-buyouts, in Poland and Slovenia, accounted for 61% of the total buyout amount, while in 2020 the two largest investments, in Estonia and the Czech Republic, comprised 43% of total.
- > The growth capital sub-segment quadrupled to €1.82 billion, the highest level ever and was the region's most sizeable investment type in 2021. This was a result of a few significant transactions, with the three largest accounting for 58% of the total growth amount. A record 90 companies received growth funding in 2021, a 55% increase year-on-year.
- > Poland was CEE's largest buyout and growth market in 2021 with €1.1 billion invested into 29 companies, accounting for 31% of the segment's annual value and strongly driven by one mega buyout transaction (>€300 million). The Czech Republic followed with €653 million, invested into 4 companies, including one large growth transaction. The next most sizeable countries were Slovenia (€406 million), driven by one mega buyout investment, Estonia (€362 million) and Lithuania (€338 million), where the results were driven by one large growth transaction in each country. These five countries combined accounted for 81% of the 2021 CEE buyout and growth segment investment by value and 43% by number of companies.
- > Consumer goods and services in CEE received the most buyout and growth investment in 2021, attracting €1.3 billion or 38% of the segment's total value, driven by a single large transaction. This was followed by the ICT sector at €1.1 billion - a result of the two large transactions, and biotech and healthcare at €449 million, which also saw a single large investment.
- > Exits in the CEE buyout and growth segment in 2021 totaled €1.35 billion, at historical investment cost, down 20% year-on-year. At the same time, the number of companies exited increased from 55 in 2020 to 74 in 2021. Three large exits in the Czech Republic, Lithuania and Poland, accounted for 39% of the CEE's overall buyout and growth exit value at cost. By comparison in 2020 the two largest transactions accounted for 53% of the segment total. Divestment by public offering represented the largest method by value in 2021 with 30% of the total segment's exit value at cost. It was followed by sale to trade buyers with 20% of the total exit value at cost.
- > The sectors with the most buyout and growth exits were consumer goods and services with €406 million or 30.0% of total value at historical cost, followed by ICT (19.0% of total), business products and services (16.2%) and financial and insurance activities (15.4%).

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.

Number of companies for Buyout & Growth do not equal individual category totals: see Appendix.

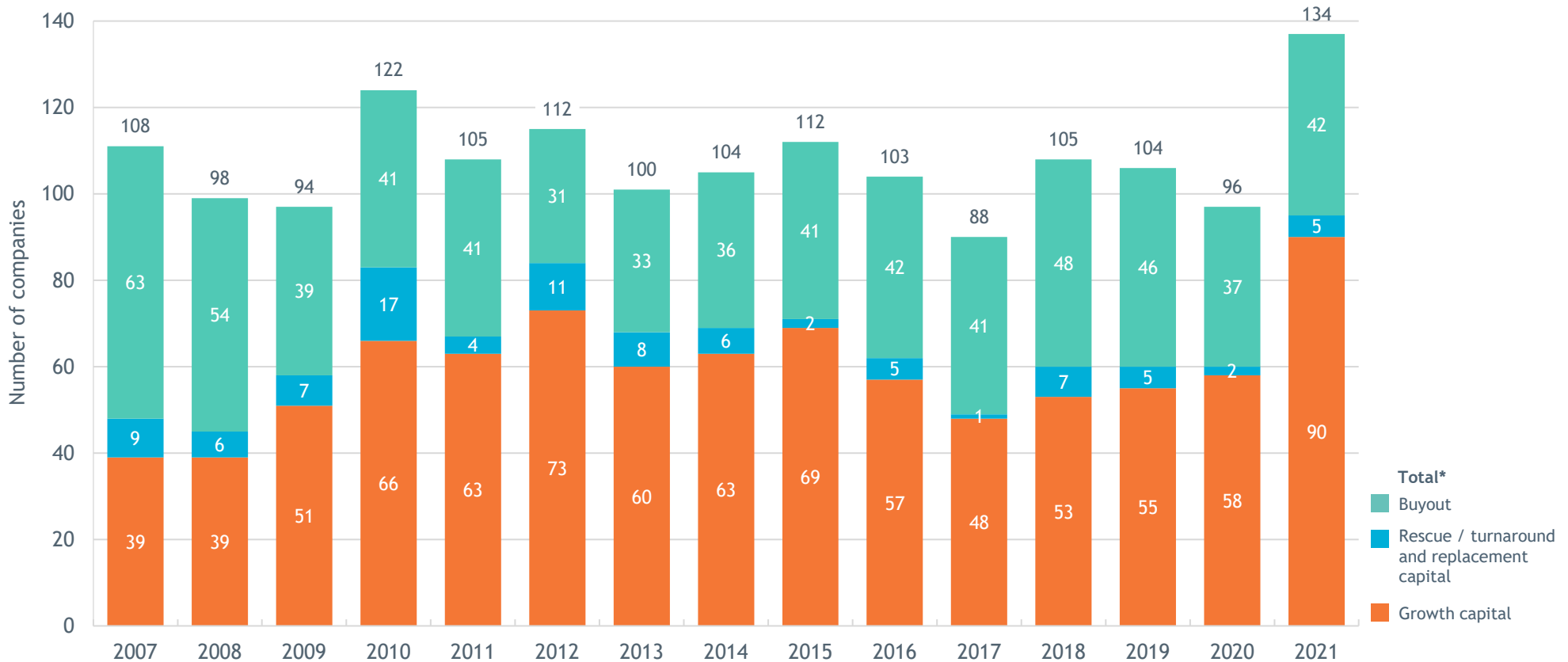
The CEE buyout and growth market

Figure 15: CEE buyout & growth investments by stage, 2007-2021 (in € million)



The CEE buyout and growth market

Figure 16: CEE buyout & growth investments by stage, 2007-2021 (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, 2020-2021 (in € thousands)

2021							
	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	257,915	15.4	35	79.5	485,443	16.0	53.1
Mid-market	397,970	23.8	7	15.9	838,908	27.6	47.4
Large and mega	1,015,190	60.8	2	4.5	1,718,190	56.5	59.1
Total buyout*	1,671,075	100	42	100	3,042,541	100	

2020							
	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (in %)
Small	227,587	24.3	29	78.4	379,379	22.6	60.0
Mid-market	709,788	75.7	8	21.6	1,299,014	77.4	54.6
Large and mega	-	0.0	-	0.0	-	0.0	0.0
Total buyout*	937,375	100	37	100	1,678,393	100	

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, 2020-2021 (in € thousands)

Buyout & Growth*								
	2020				2021			
	Amount	%	Number of companies	%	Amount	%	Number of companies	%
Agriculture	22,115	1.6	4	4.2	13,463	0.4	9	6.7
Business products and services	156,010	11.1	17	17.7	77,777	2.2	19	14.2
Chemicals and materials	0	0.0	0	0.0	13,014	0.4	2	1.5
ICT (Communications, computer and electronics)	507,192	36.0	30	31.3	1,092,532	31.3	28	20.9
Construction	0	0.0	0	0.0	10,415	0.3	4	3.0
Consumer goods and services	152,364	10.8	15	15.6	1,315,903	37.7	43	32.1
Energy and environment	64,664	4.6	5	5.2	143,897	4.1	5	3.7
Financial and insurance activities	70,434	5.0	5	5.2	63,730	1.8	6	4.5
Real estate	1,983	0.1	1	1.0	1,862	0.1	3	2.2
Biotech and healthcare	346,039	24.5	15	15.6	448,800	12.9	14	10.4
Transportation	88,879	6.3	4	4.2	310,000	8.9	1	0.7
Other	0	0.0	0	0.0	0	0.0	0	0.0
Total amount invested	1,409,680	100	96	100	3,491,394	100	134	100

* Considering Buyout, Growth, Replacement capital, Rescue/Turnaround, anything except Venture.

The CEE buyout and growth market

Table 13: CEE buyout & growth divestments by exit route, 2020-2021
(value at historical investment cost, in € thousands)

	2020				2021			
	Amount at cost	%	Number of companies	%	Amount at cost	%	Number of companies	%
Trade sale	565,284	33.4	23	40.4	267,826	19.8	28	36.8
Public offering	736,507	43.6	4	7.0	410,533	30.3	7	9.2
Write off	41,734	2.5	2	3.5	0	0.0	0	0.0
Repayment of preference shares/ loans or mezzanine	25,295	1.5	11	19.3	72,544	5.4	18	23.7
Sale to another private equity firm	161,809	9.6	6	10.5	176,192	13.0	10	13.2
Sale to financial institutions	106,298	6.3	3	5.3	190,422	14.1	2	2.6
Management/Owner buy-back	53,178	3.1	8	14.0	176,351	13.0	10	13.2
Other means	0	0.0	0	0.0	60,710	4.5	1	1.3
Total divestment	1,690,105	100	55	100	1,354,578	100	74	100

* Considering Buyout, Growth, Replacement capital, Rescue/Turnaround, anything except Venture.

Appendix - Amendments of prior years' statistics

- > To ensure the best coverage, EDC is continually updated. It offers private equity firms the possibility to submit surveys, audit historical data and validate previously gathered data captured from public sources. If fund managers correct previous years' data, this is amended in the dataset and results in changes to the reported values and timing of fundraisings, investments and exits, as well as re-classifications of transactions by type compared to prior reports.
 - > In this 2021 edition, changes were only recorded in 2020 data. Fundraising and divestment values increased 26% and 29%, respectively, due to the new information received. The investment amounts have minor amendments and increased by 8% based on corrections made by the data contributors.
- 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).

Thus, for the purposes of this report, domestic fundraising ('Within CEE' category) includes capital raised from CEE-based LPs, regardless of the location of the CEE dedicated 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.

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