

BELEX IPO 2012

Equity Capital Markets

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Presentation Topics

1. About Us
2. Current Capital Markets Environment
3. Pre-requisites for an IPO
4. Private Equity as a First Step into the Capital Markets



ERSTE GROUP

Section 1

About Us

Overview of Erste Group

A Leading Financial Services Group in CEE/SEE

- Based in Austria, we are **one of the leading financial services groups in Central and Eastern Europe** and are present in the Czech Republic, Slovakia, Poland, Hungary, Slovenia, Croatia, Serbia, Montenegro, Moldova, Romania, Ukraine and Turkey
- We provide the full range of retail, commercial and investment banking services
- We operate successfully in the **most dynamic economies in the region**, striving to satisfy the comprehensive needs of 17 million clients



Group Corporate & Investment Banking

Investment Banking Presence across the Region

- Local coverage and execution capabilities across the region
- Dedicated investment banking professionals on the ground
 - 30 bankers in Vienna
 - 20 bankers in Prague
 - 20 bankers across the rest of the region, including London
- Seamless collaboration and **sector expertise** throughout the region



ECM team overview

- Vienna**
 - 14 dedicated ECM bankers
 - Pan-regional coverage, co-ordination
 - Main ECM execution hub
- Prague**
 - 5 dedicated ECM bankers
 - ECM execution hub
- Bucharest**
 - 2 dedicated ECM bankers
- Istanbul**
 - 1 dedicated ECM banker

ECM support

- Equity Research analysts throughout the whole CEE region
- Sales teams in Vienna, London, Warsaw and other CEE capitals

Selected credentials

Equity Capital Markets

<p>Government Romania</p> <p>15% SPO Bucharest</p> <p>Joint Bookrunner n/a</p> <p>Pending</p>	<p>Romanian Government</p> <p>SPO Bucharest</p> <p>BCR as Joint Bookrunner RON 165m</p> <p>2012</p>	<p>Österreichische Staatsdruckerei AG</p> <p>Listing on the Vienna Stock Exchange</p> <p>Listing Agent n/a</p> <p>2011</p>	<p>Kapsch TrafficCom AG</p> <p>Rights Issue Vienna</p> <p>Joint Lead Manager EUR 49m</p> <p>2011</p>	<p>OMV AG</p> <p>Rights Issue Vienna</p> <p>Co-Lead Manager EUR 750m</p> <p>2011</p>	<p>United Power Technology AG</p> <p>IPO Frankfurt</p> <p>Co-lead Manager EUR 21m</p> <p>2011</p>	<p>Nomos Bank</p> <p>IPO London</p> <p>Co-Manager EUR 718m</p> <p>2011</p>
<p>AMAG Austria Metall AG</p> <p>IPO Vienna</p> <p>Co-Lead Manager EUR 420m</p> <p>2011</p>	<p>AmRest Holdings SE</p> <p>ECM (Equity Origination) Warsaw</p> <p>Listing Agent PLN 220m</p> <p>2011</p>	<p>Intercell AG</p> <p>Convertible Bond Vienna</p> <p>Sole Bookrunner EUR 33m</p> <p>2011</p>	<p>Do & Co</p> <p>Rights Issue</p> <p>Co-Lead Manager EUR 68m</p> <p>2010</p>	<p>Verbundgesellschaft</p> <p>Rights Issue</p> <p>Co-Lead Manager EUR 1bn</p> <p>2010</p>	<p>Fortuna</p> <p>IPO Warsaw / Prague</p> <p>Joint Lead Manager EUR 78m</p> <p>2010</p>	<p>Kulczyk Oil Ventures</p> <p>IPO Warsaw</p> <p>Joint Lead Manager PLN 315m</p> <p>2010</p>
<p>Berling Group SA</p> <p>IPO Warsaw</p> <p>Sole Bookrunner PLN 43m</p> <p>2010</p>	<p>Citigroup Inc.</p> <p>Capital Increase New York</p> <p>Co-Lead Manager USD 17bn</p> <p>2009</p>	<p>Infineon</p> <p>Rights Issue Frankfurt</p> <p>Selling Agent EUR 750m</p> <p>2009</p>	<p>Erste Group Bank AG</p> <p>Rights Issue Public Offering Austria, Czech Republic, Romania</p> <p>Joint Global Coordinator & Bookrunner</p> <p>2009</p>	<p>Vienna Insurance Group</p> <p>Rights Issue Joint Global Coordinator & Bookrunner</p> <p>EUR 1.14 bn</p> <p>2009</p>	<p>Opera</p> <p>Public Offering of Investment Certificates Lead Manager & Bookrunner Erste Group</p> <p>PLN90mn</p> <p>2009</p>	<p>New World Resources</p> <p>Initial Public Offering (IPO) Regional Lead and Co-Lead Manager</p> <p>GBP 1.3bn</p> <p>2008</p>

Erste Group Investment Banking

by Investment Banking product



ERSTE GROUP

M & A	<p>Private company</p> <p>Confidential</p> <p>Cleantech</p> <p>Sale of a leading global cleantech company</p> <p>Amount undisclosed</p> <p>Pending</p>	<p>Private company</p> <p>Confidential</p> <p>Mining</p> <p>Sale of Serbian mining assets</p> <p>Amount undisclosed</p> <p>Pending</p>	<p>Owner of KMV</p> <p>MATTONI</p> <p>Real estate</p> <p>Buy-side advisory</p> <p>Amount undisclosed</p> <p>2012</p>	<p>City of Prague</p> <p>Utilities</p> <p>Valuation of Prague-based natural gas distribution and sales utility</p> <p>Amount undisclosed</p> <p>2012</p>	<p>Ashmore</p> <p>carnex</p> <p>Food & Beverage</p> <p>Sale of leading Serbian meat processing company</p> <p>Amount undisclosed</p> <p>2011</p>	<p>Let's Print Holding AG</p> <p>LEYKAM</p> <p>LET'S PRINT</p> <p>Advised Leykam Let's Print on the acquisition of part of Goldmann Druck</p> <p>Amount undisclosed</p> <p>2011</p>	<p>Roxel</p> <p>Paper</p> <p>Advised Roxel on the acquisition of Brigl & Bergmeister</p> <p>Amount undisclosed</p> <p>2011</p>	<p>Lafarge</p> <p>Building materials</p> <p>Advised on the merger of CE operations into a JV with STRABAG</p> <p>Amount undisclosed</p> <p>2010</p>	<p>CVC Capital Partners</p> <p>Private equity</p> <p>Buy-side advisory on Anheuser-Busch InBev's CEE brewing assets</p> <p>EUR 1,493m</p> <p>2009</p>
LF	<p>Unterland</p> <p>Flexible Packaging</p> <p>Term- and OeKB Facilities</p> <p>Mandated Lead Arranger</p> <p>EUR 37m</p> <p>2012</p>	<p>Mid Europa Partners</p> <p>Telecommunication</p> <p>Dividend recapitalisation</p> <p>Mandated Lead Arranger</p> <p>CZK 9.1bn</p> <p>2012</p>	<p>DTEK Holdings</p> <p>Energy</p> <p>Stand-by facility</p> <p>Mandated Lead Arranger</p> <p>EUR 100m</p> <p>2011</p>	<p>Stock Spirits Group</p> <p>Food & Beverage</p> <p>Senior facilities</p> <p>Mandated Lead Arranger</p> <p>EUR 220m</p> <p>2011</p>	<p>Farmakom</p> <p>Conglomerate</p> <p>Original Participant in IFC A/B Facility</p> <p>EUR 70m</p> <p>2011</p>	<p>Resource Partners</p> <p>Retail</p> <p>Senior facilities</p> <p>Mandated Lead Arranger</p> <p>Amount not disclosed</p> <p>2011</p>	<p>Private Investors</p> <p>Telecommunications</p> <p>Senior facilities</p> <p>Joint Lead Arranger</p> <p>Amount not disclosed</p> <p>2011</p>	<p>Mid Europa Partners</p> <p>Retail</p> <p>Senior facilities</p> <p>Mandated Lead Arranger</p> <p>PLN 690m</p> <p>2011</p>	<p>Advent International</p> <p>Food & Beverage</p> <p>Senior facility</p> <p>Mandated Lead Arranger</p> <p>EUR 146m</p> <p>2011</p>
ECM	<p>DIE ERSTE österreichisch Spar-Casse Privatstiftung</p> <p>Private Placement</p> <p>Bookrunner</p> <p>EUR 235m</p> <p>2012</p>	<p>Romanian Government</p> <p>IPO</p> <p>Bucharest</p> <p>BCR as Joint Bookrunner</p> <p>RON 165m</p> <p>2012</p>	<p>Österreichische Staatsdruckerei AG</p> <p>Listing on the Vienna Stock Exchange</p> <p>Lead Manager</p> <p>n/a</p> <p>2011</p>	<p>Kapsch TrafficCom AG</p> <p>Rights Issue</p> <p>Vienna</p> <p>Joint Lead Manager</p> <p>EUR 49m</p> <p>2011</p>	<p>OMV AG</p> <p>Rights Issue</p> <p>Vienna</p> <p>Co-Lead Manager</p> <p>EUR 750m</p> <p>2011</p>	<p>United Power Techn. AG</p> <p>IPO</p> <p>Frankfurt</p> <p>Co-lead Manager</p> <p>EUR 21m</p> <p>2011</p>	<p>Nomos Bank</p> <p>IPO</p> <p>London</p> <p>Co-Manager</p> <p>EUR 718m</p> <p>2011</p>	<p>AMAG</p> <p>IPO</p> <p>Vienna</p> <p>Co-Lead Manager</p> <p>EUR 420m</p> <p>2011</p>	<p>AmRest Holdings SE</p> <p>ECM (Equity Origination)</p> <p>Warsaw</p> <p>Listing Agent</p> <p>PLN 220m</p> <p>2011</p>
DCM	<p>Andritz</p> <p>7y Fixed Rate Bond</p> <p>EUR 350m</p> <p>2012</p>	<p>Borealis</p> <p>7y Fixed Rate Bond</p> <p>EUR 125m</p> <p>2012</p>	<p>Constantia Flexibles Group</p> <p>5y Senior Unsecured</p> <p>EUR 150m</p> <p>2012</p>	<p>KTM Power Sports AG</p> <p>5y Fixed Rate Bond</p> <p>EUR 85m</p> <p>2012</p>	<p>Telekom Austria AG</p> <p>10y Fixed Rate Bond</p> <p>EUR 750m</p> <p>2012</p>	<p>Telefonica</p> <p>5y Fixed Rate Bond</p> <p>CZK 1,250m</p> <p>2012</p>	<p>Scholz Gruppe</p> <p>5y Fixed Rate Bond</p> <p>EUR 150m</p> <p>2012</p>	<p>Miba</p> <p>7y Fixed Rate Bond</p> <p>EUR 75m</p> <p>2012</p>	<p>Czech Railways</p> <p>5y Fixed Rate Bond</p> <p>EUR 300m</p> <p>2011</p>
LCM	<p>Porsche Holding GmbH</p> <p>Bonded Loan</p> <p>Joint Lead Arranger</p> <p>EUR 215m</p> <p>2012</p>	<p>Telekom Srbija a.d.</p> <p>Term Facilities Agreement</p> <p>Underwriter and Mandated Lead Arranger</p> <p>EUR 470m</p> <p>2012</p>	<p>Wienerberger AG</p> <p>Revolving Facility Agreement</p> <p>Bookrunner and Mandated Lead Arranger</p> <p>EUR 250m</p> <p>2012</p>	<p>CONSTANTIA PACKAGING GMBH</p> <p>Revolving Facility Agreement</p> <p>Mandated Lead Arranger and Facility Agent</p> <p>EUR 150m</p> <p>2012</p>	<p>Semperit AG Holding</p> <p>Revolving Facility Agreement</p> <p>Bookrunner and Mandated Lead Arranger</p> <p>EUR 180m</p> <p>2012</p>	<p>Casinos Austria AG</p> <p>Syndicated Forward Start Facility</p> <p>Sole MLA & Bookrunner, and Facility Agent</p> <p>Amount undisclosed</p> <p>2011</p>	<p>XXXL Capital Management GmbH</p> <p>Bonded Loan</p> <p>Mandated Lead Arranger & Bookrunner</p> <p>EUR 135m</p> <p>2011</p>	<p>Poslovni Sistem Mercator</p> <p>Senior Syndicated Term Loan Facility</p> <p>Arranger, Bookrunner, and Documentation Agent</p> <p>EUR 130m</p> <p>2011</p>	<p>AMAG Holding GmbH</p> <p>Loan Facility</p> <p>Joint Mandated Lead Arranger & Bookrunner</p> <p>EUR 200m</p> <p>2011</p>

M&A: Mergers & Acquisitions; LF: Leveraged Finance; ECM: Equity Capital Markets; DCM: Debt Capital Markets; LCM: Loan Capital Markets - Syndications

Section 2

Current Capital Markets Environment

Equity Capital Markets Development

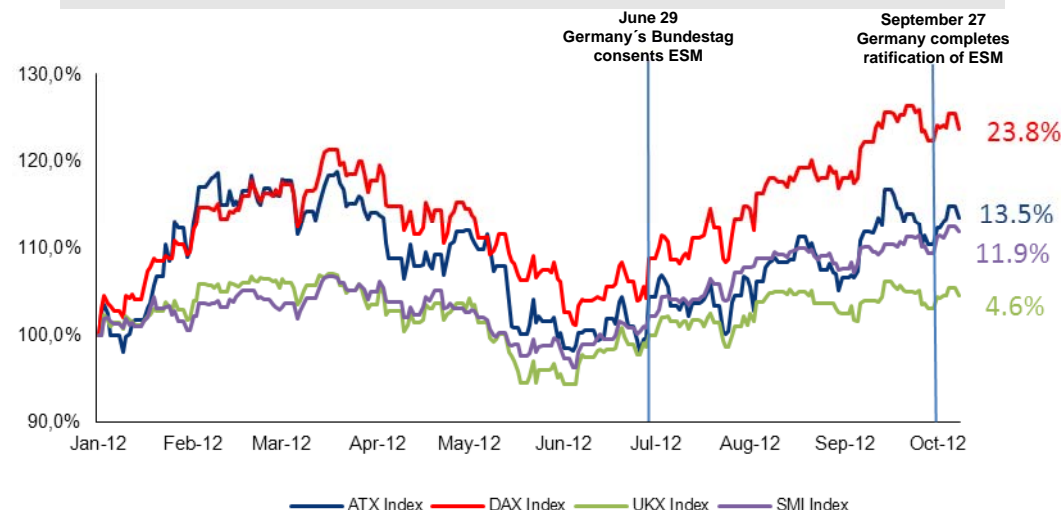
Current Market Sentiment - CEE picture



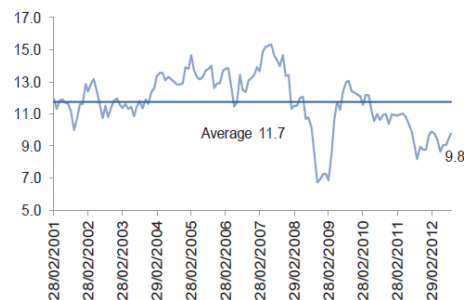
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- Overall, we expect the environment for equity markets to remain positive, the improving sentiment and a more risk-taking approach should mostly prevail.
- Investment funds hold substantial liquidity and recent transactions on the European/German IPO market (e.g. EUR 500m IPO of Talanx) support further deals (Telefonica O2-IPO planned).
- But momentum should be a bit weaker once the news on central bank measures fade out.
- Concerns on sovereign risk and global growth will remain a valid argument and should be weighing on markets again a bit more in 4Q.
- Fundamentally, equity markets may have been running a bit ahead of themselves. Fundamental weakness is still evident and there is no clear sight on any bottoming out yet.
- Valuations are not stretched in comparison to historical levels, but have reached more demanding altitudes when compared to growth expectations.

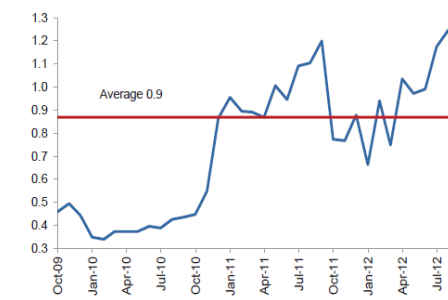
Index Chart (ytd 8.October 2012)



Forward P/E region



Valuation to growth (12M forward)



Source: Erste Group Research

Source: Factset

Equity Capital Markets Development

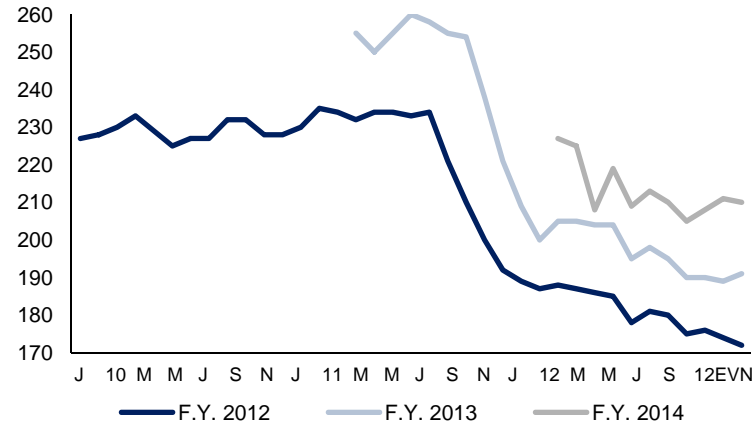
Current Market Sentiment - CEE picture



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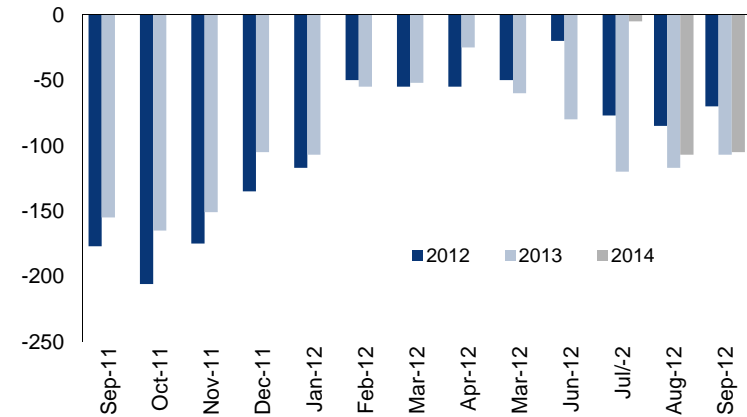
The earnings trend is still heading south slightly, particularly for FY12, with earnings revision rates remaining soundly in negative territory.

Earnings consensus trend region



Source: Factset

Earnings revisions region

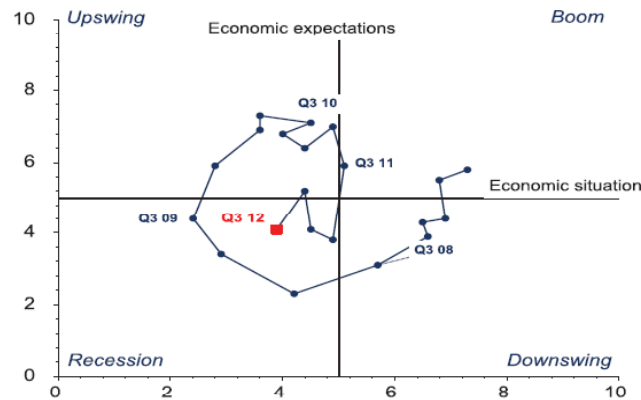


Sentiment is getting sour again, also as measured by the ZEW CEE indicator.

It seems too early to play on fundamental recovery, although the past quarters suggested so.

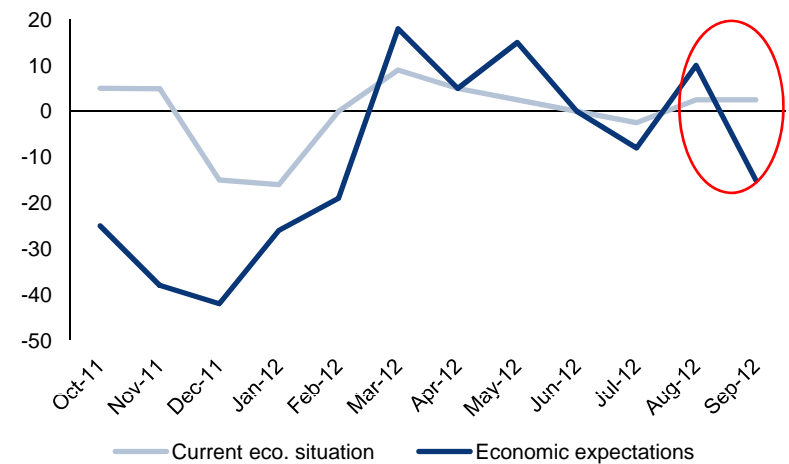
Poland becoming less shiny.

Ifo business clock Eastern Europe



Source: Datastream

ZEW CEE current vs. expectations



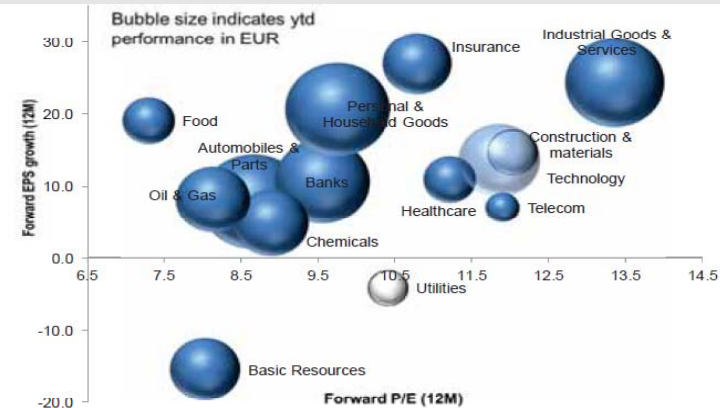
Source: Erste Group Research

Equity Capital Markets Development

A Sectors View in CEE

- Strong performers were personal goods, as well as industrials.
- Insurance appears to be attractively placed, offering a substantial growth outlook, without having performed that strongly so far.
- For the conservative exposure, telecoms should be an attractive place. While not being overly sexy in terms of its growth to valuation combination they have a sound dividend potential.

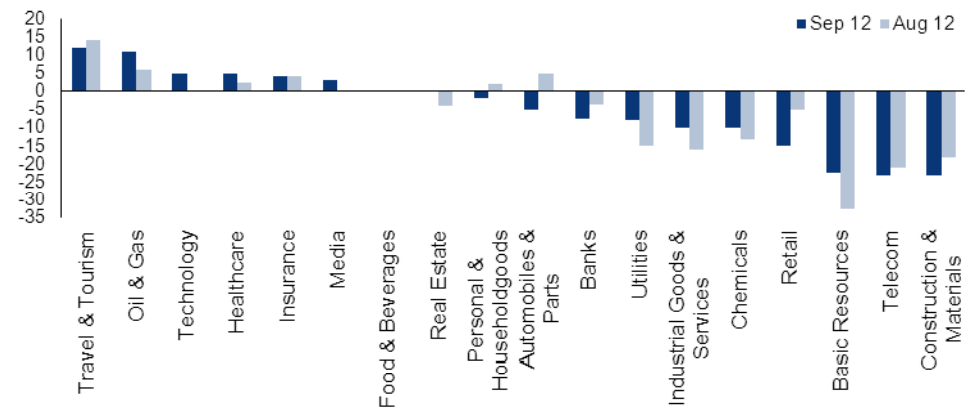
Earnings revisions region



*based on Erste Group Research coverage, white color indicates negative performance;
Source: Emerging Portfolio Research

- In the case that the recent central bank actions are followed by further positive news flow, banks should be an obvious beneficiary of this.

Earnings revisions region



Source: Erste Group Research

Source: Factse, own calculations

Equity Capital Markets Development

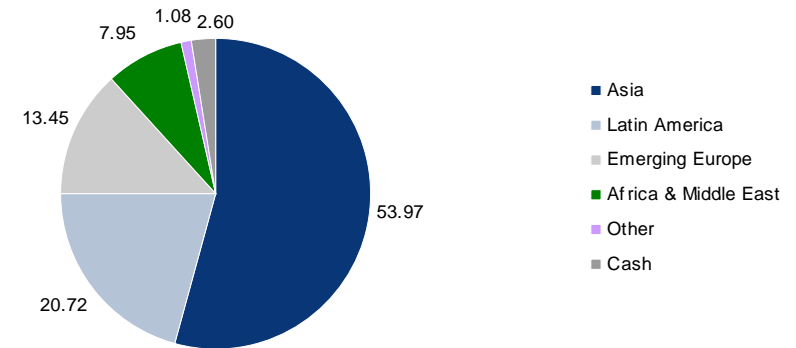
Fund Flows in Emerging Europe



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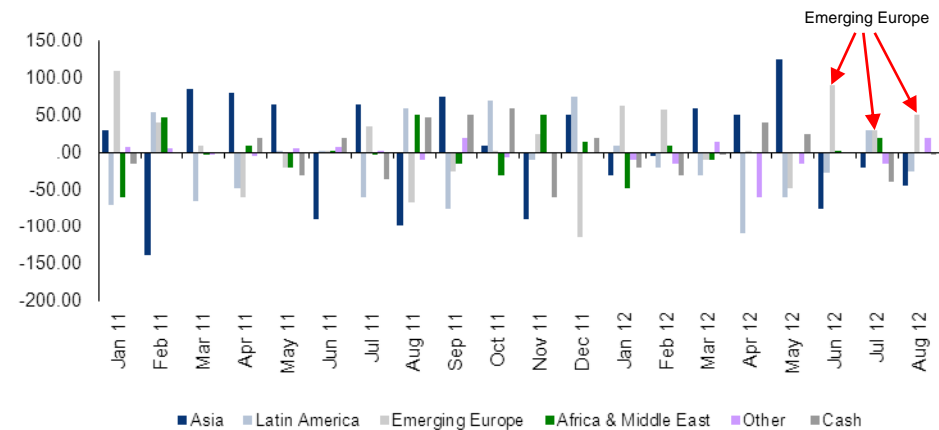
- Global Emerging Market funds became a bit heavier on the emerging Europe side, gaining half a percentage point. This was the third gain in weight in a row. Again, Asia got lighter, as did Latin America.
- Among emerging Europe dedicated funds, it was the Czech Republic that gained the strongest in terms of weight (60bp), while Russia and Ukraine were the biggest losers. Poland lost as much as Hungary gained in weight (~30bp). Turkey remained unchanged.

Emerging Europe – Weight in Global Emerging Market Funds



Source: Emerging Portfolio Research

Change in weighting – Emerging Europe in Global Emerging Market Funds



Source: Emerging Portfolio Research

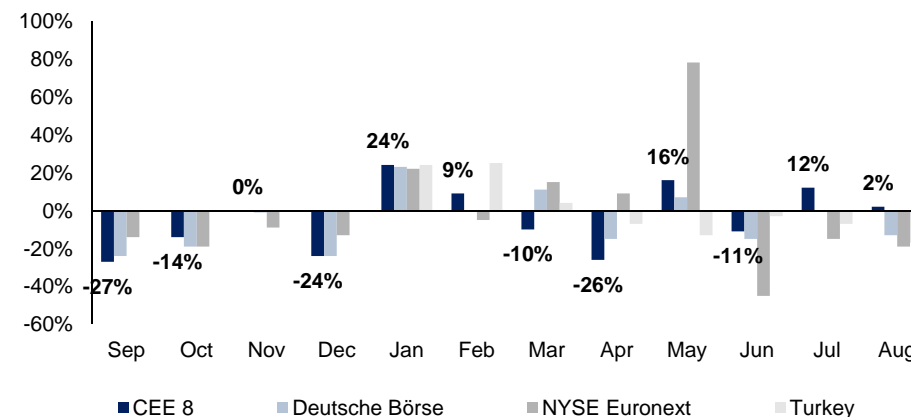
Source: Erste Group Research

Equity Capital Markets Development

Stock Exchange Turnover

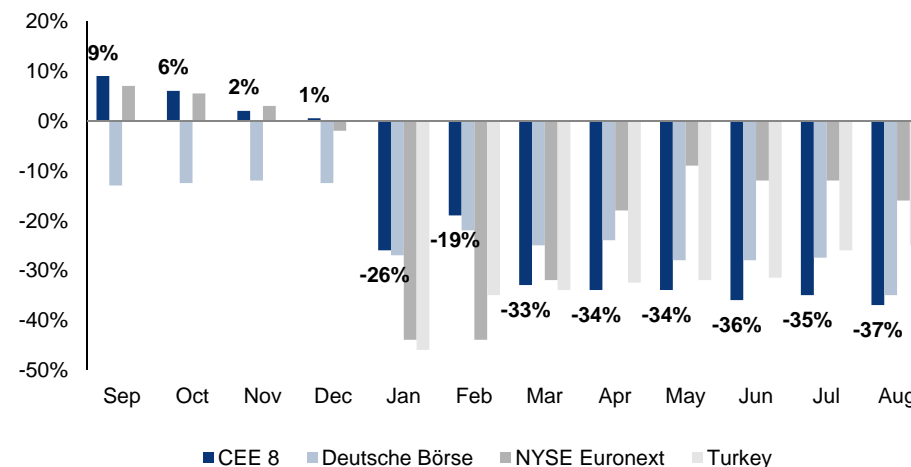
- Though the CEE 8 turnover increased moderately m/m, turnover is still down 37% y/y. Even Turkey, which used to be known as the market high liquidity, is seeing falling turnover figures.
- It is only Poland and Turkey that are still holding up relatively well.

Stock Exchange Turnover m/m



CEE8 = A, BG; CZ; HU; PL; RO; SLO; SK; Source: FESE

Stock Exchange Turnover accumulated y/y



Source: Erste Group Research

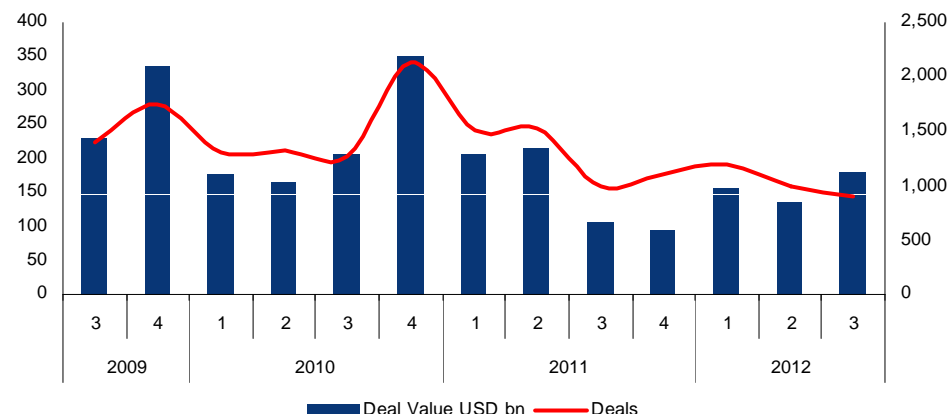
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Global ECM Activity

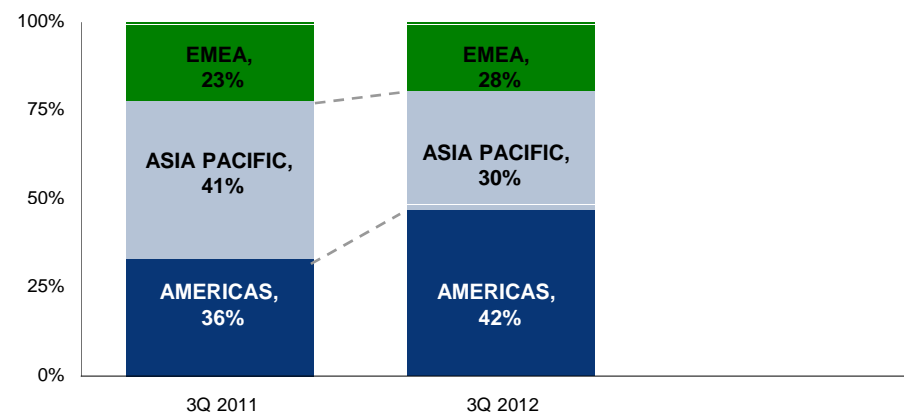
Summary

- Global ECM volume totalled \$183.6bn in 3Q 2012, up 35% on the previous quarter and up 77% on 3Q 2011 (\$103.7bn).
- Despite the quarterly increase, first nine month volume for global ECM was \$480.1bn, down 10% on the same 2011 period (\$530.7bn)
- Accelerated Offerings raised \$237.8bn in the first nine months of 2012, the second highest volume on record behind the same 2009 period (\$240.6bn)
- Finance continued to lead the ECM sector ranking in the first nine months of 2012 despite volume dropping 14% to \$89.7bn via 269 deals
- Insurance had the largest year-on-year volume increase (84%) thanks to AIG's \$20.7bn follow on priced on September 10th, the largest US ECM deal on record and the largest in the insurance sector globally on record.
- Telecoms also had a large increase with volume up 80% to \$14.8bn in the first nine months of 2012
- Privatization volume totalled \$58.5bn in the first nine months of 2012, more than double the \$23.8bn raised during the same 2011 period underpinned by large deals from AIG, Japan Airlines and Oberbank in September

Global ECM Volume by Quarter (1.Jan – 30.Sep)



ECM Volume by World Region



Source: Dealogic

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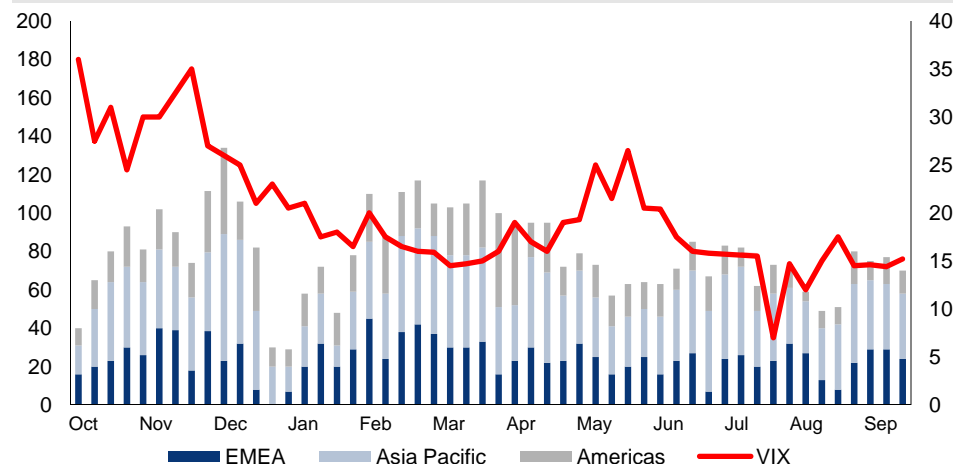
Global ECM Activity

Summary

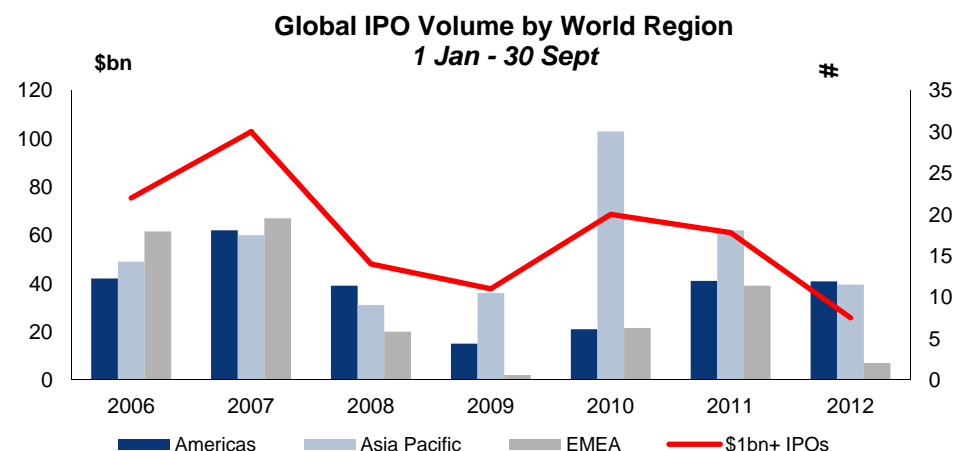
- Market volatility decreased in 3Q as the VIX fell from its late May 2012 high. 75 deals priced on average each week in September, up from 57 per week in August and level with 75 in July
- Global IPO volume stood at \$87.6bn via 580 deals in the first nine months of 2012, down 39% in volume and 45% in activity on the same 2011 period (\$142.7bn via 1,051 deals).
- Just eight \$1bn+ IPOs were priced in the first nine months of 2012, raising a combined \$38.0bn, down from 18 in the same period last year raising \$49.6bn
- Asia Pacific IPO volume reached \$17.0bn in 3Q 2012 and was one of the two regions to record an increase on 3Q 2011 (up 12% from \$15.1bn) despite a 27% drop in activity. Total IPO volume for the first nine months of 2012 was down 39% on the same 2011 period.
- The Americas 3Q 2012 IPO volume stood at \$9.0bn via 33 deals, up 87% on 3Q 2011 (\$4.8bn via 63 deals). The increase was largely due to the \$4.0bn Grupo Financiero Santander Mexico SAB de CV transaction
- Japan Airlines' \$8.5bn IPO, which priced at the top of its range via five bookrunners, was the largest IPO of 3Q 2012 and the third largest by a Japanese issuer on record. It was also the largest privatization IPO since the \$18.1bn General Motors Co deal in November 2010
- In Europe the long term planned IPO of the third biggest German insurer Talanx and their good performance in the aftermarket provides some tailwind for further issuance activity

Source: Dealogic

Weekly Number of Global ECM Deals and VIX



Global IPO Volume by World Region



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Priced Deals in Europe



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European IPOs priced ytd

Price Date	Issue Name	Proceeds (USD mn)	Offer Price (USD)	Macro Industry	Domicile Country	Primary Shares	Secondary Shares	Performance to date	Pricing relative to Price Range				
									below	bottom	top	above	
01/18/2012	RusPetro Plc	250.1	2.06	Energy	United Kingdom	100%	0%	-21%					
02/01/2012	AVG Technologies N.V.	128.0	16.00	Technology	Netherlands	50%	50%	-39%					
02/17/2012	Inside Secure SA	104.4	10.93	Technology	France	100%	0%	-77%					
02/29/2012	Alcentra European Floating Rate Incon	128.9	1.60	Financials	United Kingdom	100%	0%	2%					
03/20/2012	Ziggo B.V.	1,063.4	24.46	Teleco Services	Netherlands	0%	100%	47%					
03/20/2012	DKSH Holding Ltd(DKSH Management	991.5	52.69	Industrials	Switzerland	0%	100%	23%					
03/29/2012	GasLog Ltd.	329.0	14.00	Transportation	Monaco	100%	0%	-13%					
03/29/2012	DBV Technologies S.A.	53.8	11.76	Healthcare	France	100%	0%	-1%					
04/10/2012	RusForest AB	67.0	0.17	Materials	Sweden	100%	0%	-58%					
04/11/2012	OA0 Abrau-Durso	135.1	183.85	Consumer Non-Cyclicals	Russian Federation	100%	0%	27%					
04/24/2012	Brunello Cucinelli S.p.A.	208.7	10.23	Consumer Cyclicals	Italy	39%	61%	88%					
05/10/2012	Edwards Group Ltd.	100.0	8.00	Industrials	United Kingdom	100%	0%	-7%					
08/09/2012	Manchester United Ltd.	233.3	14.00	Consumer Cyclicals	United Kingdom	50%	50%	-8%					
09/03/2012	Eland Oil & Gas Ltd	186.9	1.58	Energy	United Kingdom	100%	0%	10%					
09/25/2012	Clinigen Group plc	89.1	2.66	Healthcare	United Kingdom	20%	80%	18%					
10/01/2012	Talanx AG	602.7	23.62	Financials	Germany	100%	0%	9%					
10/02/2012	Luxfer Holdings PLC	80.0	10.00	Materials	United Kingdom	80%	20%	4%					
10/04/2012	Fleetmatics Group PLC	152.7	17.00	Technology	Ireland	80%	20%	29%					
10/11/2012	Direct Line Insurance Group plc	1,271.8	2.83	Financials	United Kingdom	0%	100%	7%					
10/12/2012	MD Medical Group Investments Plc	312.2	12.06	Healthcare	Russian Federation	48%	52%	0%					
Average						68%	32%	2%					

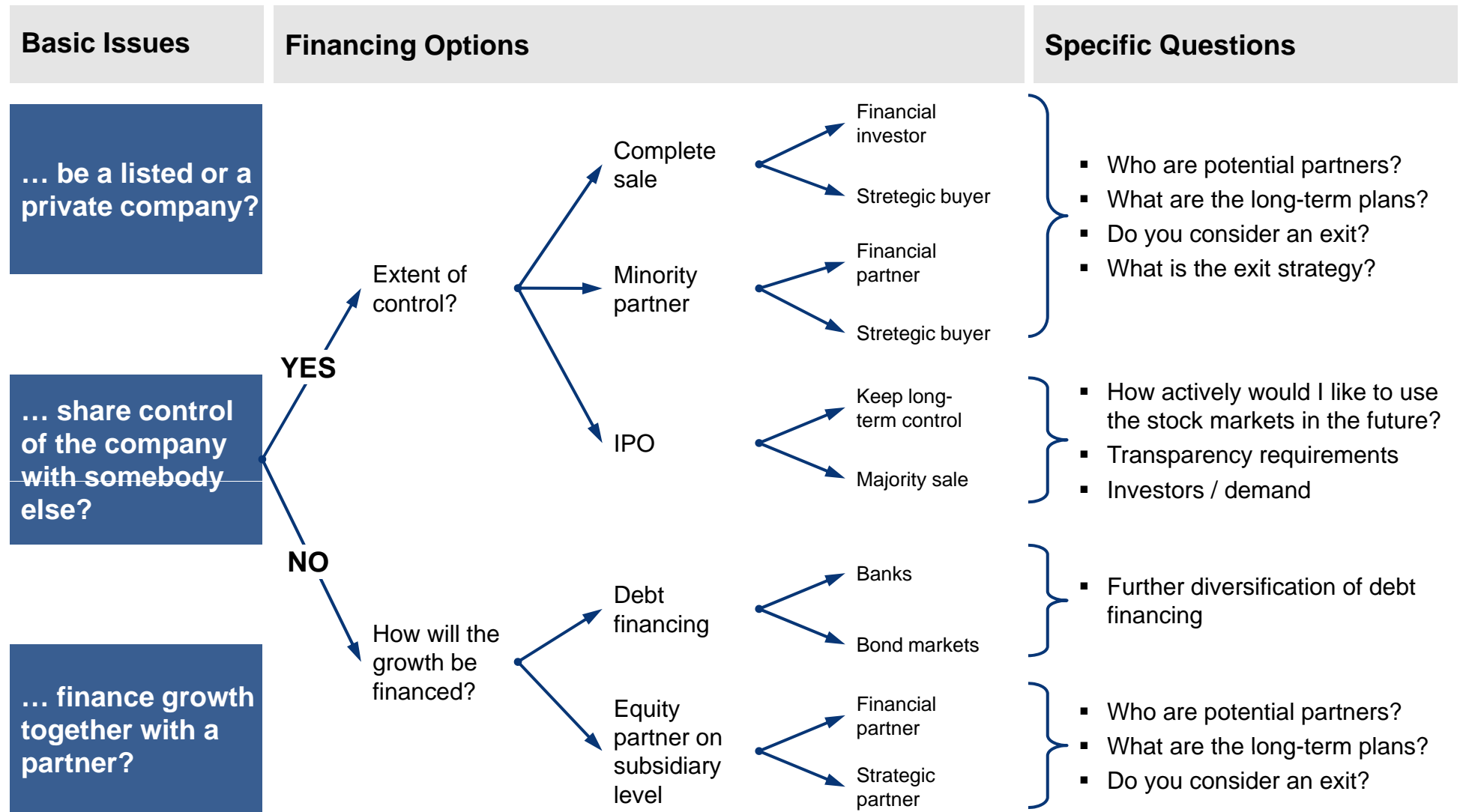
- IPO transaction volumes are still at low levels on year-on-year comparison, but in the last two months the market picked up momentum.
- In Germany **Talanx AG** (3 largest insurer in Germany) closed the approx. EUR 500mn IPO in October.
- **Direct Line** priced its approx. USD 1.3bn IPO, the offering was multiple times covered at and above the announced price.
- **MD Medical Group**, a private healthcare provider in Russia, also priced its more than \$ 300mn London GDR IPO.
- **Telefónica Deutschland (O2)** has announced that the roadshow and bookbuilding for the EUR 1.5bn IPO starts today.
- Pricing is still very much challenged by investors high risk awareness. Primary shares component dominate transactions.

Section 3

Pre-requisites for an IPO

Is the IPO the right Thing to do?

I would like to....



IPO – Pros and Cons

Deciding to go public is one of the most important decisions in a company's life.

An IPO is not a walk in the park.

Being a listed company even less.

But it will make your company better than ever before!

Pros

- + The IPO opens a long-term sustainable source of financing.
- + strengthening the equity base shifts the company to a higher level in its expansion plans.
- + The share can be used as acquisition currency.
- + Investors will constantly challenge the management to push the company to the limits.
- + The IPO offers the possibility to stay independent.
- + Positive spill-over effects on products or services
- + higher attractiveness for employees (MSOPs, ESOPs)
- + banks like it!

Cons

- Tough hurdles to be taken
 - financially
 - legally
 - story wise
 - organisationally
 - reporting wise
- Ongoing publicity / investor relations
- High amount of documentation needed

“Must Haves” for a successful IPO (1)

The management can make or brake an IPO.

1) Get the right management in place

- No vacancies in the top management, at least CEO + CFO
- Experienced in the industry and with investors
- Convincing
- Ready to communicate with the financial community
- Strong 2nd management level

Investors have thousands of different investment vehicles to choose from.

Can you offer anything the others cannot?

2) Sharpen your strategy and build the story

- Attractive industry
- Clearly defined unique position in this industry
- Sustainable competitive advantage
- Cost leadership vs. quality leadership
- Use of proceeds out of IPO perfectly fitting into the strategy
- Get rid of non-core assets
- ...and put it all in a professional business plan / info memo before contacting investment banks

“Must Haves” for a successful IPO (2)

Being a listed company without a professional financial reporting is like diving without flippers....

3) Establish a state-of-the art financial reporting

- International accounting standards
- Segmentation fitting structure and strategy
- Get ready for quarterly reporting!
- Establish a modern management information system and learn to use it

All the companies out there produce the same: CASH.

Maximise it.

4) Switch to value-based management and show resilience

- Get used to EVA (“Economic Value Added”) and ROCE (“Return on Capital Employed”)
- Define a set of core target ratios and communicate them constantly to the market
- Do not forget the balance sheet as source of value creation
- Your business model should be water-proof in the long run (i.e. “resilient”)

Before facing the lions it is a good idea to play with a jackal....

5) Practise with pre-IPO investors

- Private Equity sponsors offer “smart money” and are ideal sparring partner to prepare for the IPO
-and definitely there are some nice investment bankers left who will help you!

Section 4

Private Equity as a First Step into the Capital Markets

Private Equity (PE)

Financing Friend or Foe?

Private Equity is again very active.

Global funds and specialised funds (region / topic) can be found throughout CEE.

Banks are also ready to finance Private Equity deals again.

However, start-up financing (Venture Capital) is still difficult to pull through.

What is Private Equity (PE)?

- **Pure equity investments, but often (heavily) leveraging the investment**
- **PE companies need right of say and control**
 - Majority interest or
 - **Distinct right of say and control with minority interest**
 - **Strict ongoing controlling**, supervisory function, to have a say in strategic decisions
- Expected return: > 20% p.a.
- Volume of EUR 10 Mio. to EUR 50 Mio. / investment; much larger deals by global firms
- Duration: approx. 5 years
- Exit via IPO, trade sale or buy back
- Timeframe from the point of initial contact to investment: 3 to 6 months

Which companies are PE companies looking for?

- Clear USP in an attractive market
- Rapid growth or stable cash flows (e.g. for infrastructure funds) to reach high value appreciation
- Industry focus varies from fund to fund
- Strong management