

The background is a dark blue field filled with various financial data elements. It includes line graphs with fluctuating lines, bar charts, and scattered numerical values such as '0.00%', '0.05%', '6.89', '0.73', and 'MIND'. The overall aesthetic is that of a digital financial dashboard or stock market display.

# **From Venture Capital to Capital Markets: Early Stage Investment to IPO Exit**

**Upgrade in Belgrade 2012**

**David Schoch**  
**President, Serbian Private Equity Association**

**Wednesday, November 21<sup>st</sup>, 2012**

# Serbian Private Equity Association



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- **Vision:** to be the focal point for all companies and individuals in the Private Equity and Venture Capital landscape
  - **Mission:** to act as an advocate for private equity and venture capital, and be a forum for all the firms and professionals active in the Serbian private equity market
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# SPEA – Our Membership



karanovic/nikolic



**European Bank**  
for Reconstruction and Development



# Today's Case Study

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- Four key technology companies from Central and Eastern Europe
- Primarily funded by private equity funds focused on the region
- Each a strong success story in technology and IT
- Each IPO'd on a public exchange, either the NYSE, NASDAQ or London Stock Exchange

# Overview of Companies

Company	Description	Website	Founded	IPO'd	Exchange	Symbol
Yandex	Russian search engine -similar to Google	<a href="http://www.yandex.com">www.yandex.com</a>	Technology created in 1993, company founded 2000	May 24th, 2011	NASDAQ	YNDX
AVG Technologies	Anti-virus software	<a href="http://www.avg.com">www.avg.com</a>	1991	February 2nd, 2012	NYSE	AVG
EPAM	Software outsourcing	<a href="http://www.epam.com">www.epam.com</a>	1993	Feb 8 <sup>th</sup> , 2012	NYSE	EPAM
<a href="http://www.mail.ru">Mail.ru</a>	Free Russian webmail	<a href="http://www.mail.ru">www.mail.ru</a>	1998	Nov 4th, 2010	LSE	MAIL

# YANDEX – Company Overview



- The company is the leading internet company in Russia
- The official launch date of the yandex.ru search engine was September 23, 1997
- operates the most popular search engine and the most visited website in Russia
- Generated 63.3% of all search traffic in Russia in 2011 and 60.6% in December 2011 (Google has ~22%)
- Yandex sites attracted 45 million unique visitors in December 2011
- They operate in the Ukraine, Kazakhstan, Belarus and Turkey
- Employees: 3,607 full time

# YANDEX – Founding Information

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## Founders:

- Arkady Volozh, CEO
- Ilya Segalovich, Chief Technology Officer

## Key principals were:

- Tiger Global Holdings Management
- Barings Vostok Management: bought 36% for just over US\$5M in 2000



# YANDEX – Founding Information



Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering					Shares Beneficially Owned After Offering					
	Class A Shares		Class B Shares		Total Voting Power (1)	Shares Being Offered	Class A Shares		Class B Shares		Total Voting Power (1)
	Number of Shares	%	Number of Shares	%			Number of Shares	%	Number of Shares	%	
<b>Directors and Senior Management:</b>											
Arkady Volozh <sup>(2)</sup>	0	*	44,572,300	20.64%	19.77%						
Ilya Segalovich	0	*	9,324,000	4.32%	4.14%						
Alfred Fenaughty <sup>(3)</sup>	0	*	1,400,000	*	*						
John Boynton <sup>(4)</sup>	28,000	*	3,552,137	1.64%	1.58%						
Ben Cole <sup>(5)</sup>	0	*	6,543,334	3.03%	2.90%						
Esther Dyson	0	*	173,620	*	*						
Elena Ivashentseva <sup>(6)</sup>	16,463,739	18.74%	52,199,300	24.17%	23.89%						
Charles Ryan <sup>(7)</sup>	7,148,607	8.14%	8,426,821	23.90%	4.06%						
Alexander Voloshin <sup>(8)</sup>	21,875	*	0	*	*						
Alexander Shulgin <sup>(9)</sup>	87,500	*	0	*	*						
All current directors and senior management as a group (10 persons) <sup>(10)</sup>	23,749,721	27.03%	126,191,512	58.43%	57.03%						
<b>Principal Shareholders:</b>											
Tiger Global Holding Coöperatief <sup>(11)</sup>	62,291,254	70.90%	0	*	2.76%						
Baring Vostok Private Equity Funds <sup>(12)</sup>	16,463,739	18.74%	52,199,300	24.17%	23.89%						



# Yandex – IPO Data

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- IPO'd May 24<sup>th</sup>, 2011 on the NASDAQ
  - Proposed range US\$20-22/share - 23x future earnings
  - Offering price was US\$25
  - Stock reached as high as US\$38.84 on 1<sup>st</sup> day of trading
  - 17 times oversubscribed
  - Raised US\$1.3 billion
  - Sold 52.2 million shares for a 16.2% stake
  - Market cap after 1<sup>st</sup> day of trading was US\$8 billion
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# Yandex – Performance Data

■ **YNDX** Last: \$21.42 Change: ↑ 0.56 (2.68%) Volume: 451,474 Time: 2:48 PM YANDEX NV



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■ Volume/day

# AVG – Company Overview

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- AVG Technologies (formerly named Grisoft) is a Czech company formed in 1991 by Jan Gritzbach and Tomas Hofer, with corporate offices in Europe and the United States
- The company specializes in computer security software
- Products: home, business and mobile security

# AVG – Founding Information

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## Founders:

- Jan Gritzbach
- Tomas Hofer

## Key principals were:

- Benson Oak Capital acquired the company in 2001
- In '05, Intel Capital and Enterprise Investors invested \$52 million into AVG
- TA Associates, bought a minority stake in Sept '09 for US\$200M

# AVG - IPO Data

Name of Beneficial Owner	Beneficial Ownership Prior to This Offering <sup>(1)</sup>		Shares Being Offered	Beneficial Ownership After This Offering <sup>(1)</sup>		Total Equity Holdings After This Offering <sup>(2)</sup>	
	Number of Shares Beneficially Owned	Percent		Number of Shares Beneficially Owned	Percent	Number of Shares	Percent
<b>5% shareholders</b>							
PEF V Information Technology II S.à.r.l. <sup>(3)</sup>	16,200,000	33.75					
Grisoft Holdings B.V. <sup>(4)</sup>	9,316,224	19.41					
Intel Capital (Cayman) Corporation <sup>(5)</sup>	7,200,000	15.00					
TA AVG Luxembourg S.à.r.l. <sup>(6)</sup>	15,283,776	31.84					

AVG went public on February 2, 2012 at \$16 per share Profit margins trended down in March, June and September as follows: 23%, 17%, 10%, and expected revenue for the December quarter of \$71.5 million is flat relative to the September 2011 quarter.

AVG had paid out \$558 million in shareholder holders dividends, mostly financed from recent debt, similar to what private equity companies do (if possible) when they take control, leaving AVG with a negative book value. And half of the IPO will go to shareholders.

# AVG - IPO Data

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- IPO'd February 2<sup>nd</sup>, 2012 on the NYSE
- Planned US\$136 million IPO with a market capitalization of US\$923 million
- \$16-18 price range. The stock priced at \$16, but closed at \$13 after its first day of trading
- Raised US\$128M, a bit under company expectations

# AVG - Performance Data

■ AVG Last: \$12.00 Change: ↓ -0.01 (-0.08%) Volume: 339,113 Time: 3:59 PM AVG TECHNOLOGIES N V



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■ Volume/day



# EPAM – Company Overview

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- EPAM Systems, Inc. is a leading global software engineering and IT consulting provider with delivery centers throughout Central and Eastern Europe
- Founded by Arkadiy Dobkin in Belarus, EPAM has been in the outsourcing business since 1993. Now it employs 7,000 IT professionals, and has offices in the US, Belarus, Hungary, Russia, Ukraine, UK, Germany, Kazakhstan, Sweden, Switzerland, and Poland

# EPAM – Founding Information

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## Founders:

- Arkadiy Dobkin, President and CEO

## Key Principals:

- Private equity firm Siguler Guff bought an equity stake in EPAM in 2006
- In 2008 the company further raised US\$50 million for a minority stake from Renaissance Investment Management, Da Vinci Capital and Euroventures Capital

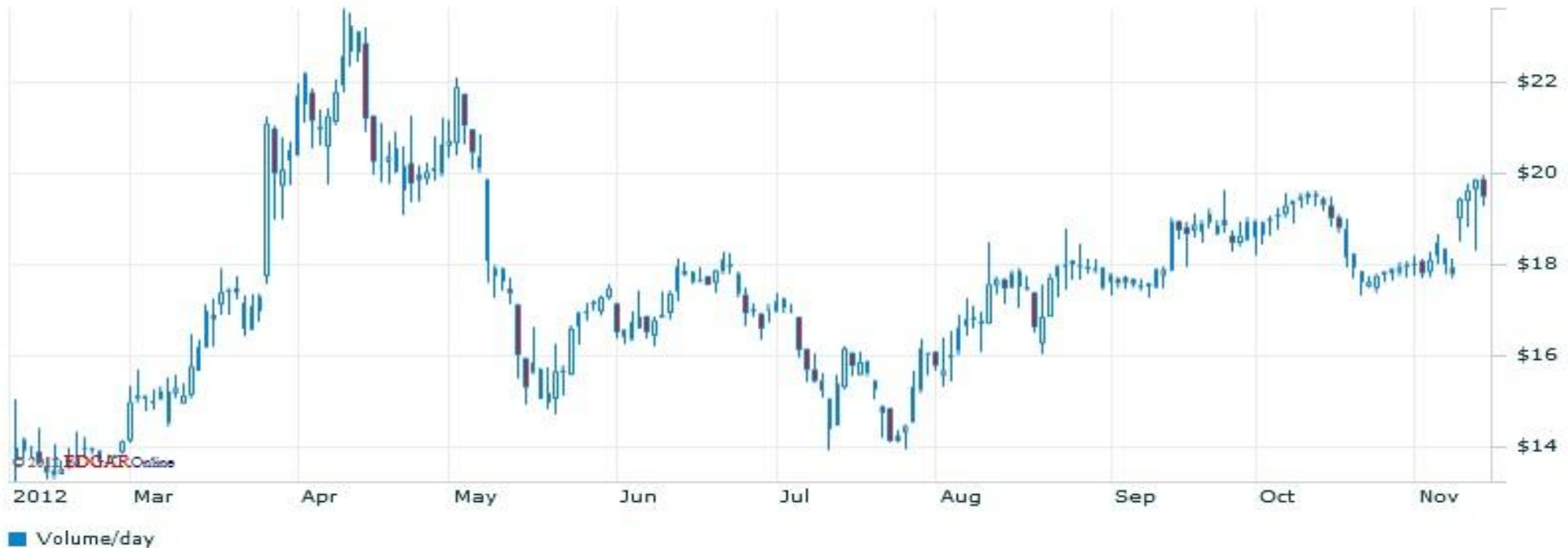
# EPAM - IPO Data

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- EPAM Systems IPO'd on February 8, 2012 on the NYSE
- EPAM scheduled a US\$126 million IPO with a market capitalization of US\$697 million at a price range mid-point of US\$17
- The company raised US\$72M by offering 6M shares at \$12
- This was below the range of US\$16 to US\$18 that was expected

# EPAM - Performance Data

■ EPAM Last: \$19.49 Change: ↓ -0.38 (-1.91%) Volume: 140,645 Time: 4:00 PM EPAM SYS INC



# MAIL.RU – Company Overview

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- **Mail.ru** is the largest free e-mail service in Russia, launched in 1998
- Mail.Ru Group is the largest Internet company in the Russian-speaking world and the leading Internet company in Russia based on global monthly unique users
- Main services: blogs, File hosting services, image hosting, online games, instant messaging, social networking...
- Employees: 1,833 full time employees
- Has minority holdings in Facebook, Groupon and Zynga

# MAIL.RU – Founding Information

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- The business was originally owned by Port.ru, a company founded in 1998 by Eugene Goland, Michael Zaitsev and Alexey Krivenkov as spin-off from DataArt
- It received an initial investment of US\$1 million from the well-known investor (and fencing champion) James Melcher
- In 2001, Yuri Milner, who was managing NetBridge persuaded the well-known entrepreneur Igor Linshits (Neftyanoi) to back a merger of the Mail.ru business with NetBridge
- In 2006, Linshits sold his estimated 30%+ stake to the Tiger Fund and Digital Sky Technologies (Milner) for more than US\$100 million
- In January 2007 30% of Mail.ru was bought by South African company Naspers Ltd for \$165 million

# MAIL.RU - IPO Data

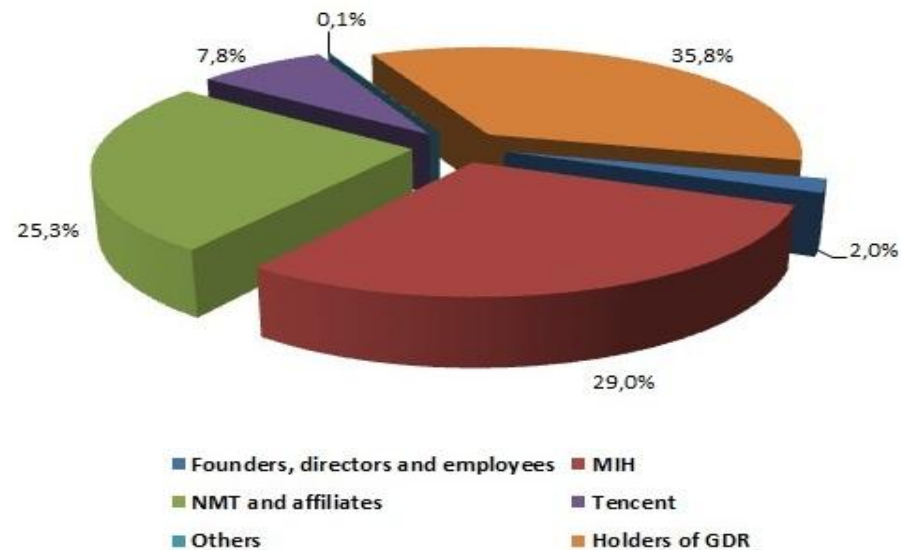
- 
- IPO'd on November 4<sup>th</sup>, 2010 on the London Stock Exchange
  - They offered 32.93 million shares (17 percent of the company) targeting US\$27.7 per share, seeking to raise US\$916 million
  - Raised US\$912 million in one of the largest initial public offerings in 2010 for the LSE
  - The offering was 20 times oversubscribed
  - After the first day of trading the company had a market cap of US\$5.71 billion



# MAIL.RU - IPO Data

## Shareholder Capital

Shareholder structure as of 18.09.2012  
economic interest (%)



96,068,000 Class A shares and 113,036,211 Ordinary shares outstanding

# MAIL.RU - Performance Data



# Summary

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## **Combined figures of the four companies:**

- 2011 revenues: US\$1.736 billion
- 2011 net income: US\$355.7 million
- Funds raised by IPO: US\$2.412 billion
- Total market cap: US\$15.35 billion
  
- **Key question: which Serbian Internet superstar is next??**
- Nordeus
- Superspace.rs
- Limundo.rs