



Enterprise Investors

Private equity – that’s the way to do it

At Enterprise Investors we have the same primary objectives as all private equity firms: to raise capital in line with our investment strategy, our team’s capabilities and the market’s potential; to put this capital to work via investments in enterprises with strong growth prospects; and to realize the value created for our investors through portfolio exits. Our achievement in 2017 has been outstanding on all three fronts.

In September 2017 we announced the first and final closing of our ninth fund, Polish Enterprise Fund VIII, at EUR 498 million. The fund was raised in just three months and exceeded its original hard cap, with over 90% of the committed capital coming from investors in EI’s prior funds. We consider this to be strong testimony of our solid track record and proven investment strategy.

During 2017 we made two new buyout investments: Polish alcoholic drinks producer Jantoń and Slovak retail chain CBA Slovakia. In both cases we will build on our prior experience in the consumer and retail sectors while benefiting from the strong private consumption trends in the region. We also provided follow-on financing for three existing portfolio companies.

2017 was a year of record proceeds from realized transactions. Across ten full exits, one partial exit and dividend payouts we generated over EUR 1 billion of gross proceeds for investors in EI funds.

The death in August 2017 of Robert G. Faris, our firm’s co-founder and long-time chairman, marked a very sad watershed in Enterprise Investors’ history. We will remember him not only as an outstanding authority and mentor but also as a great friend.

Despite this loss, our remarkable achievements in 2017 allow us to look forward with optimism to 2018.

Investments

In July Polish Enterprise Fund VII (PEF VII) signed an agreement to acquire 100% of shares in **Jantoń**, Poland’s leading producer of alcoholic beverages based on grape and fruit wines. The transaction was concluded in September for an undisclosed sum. We believe that Jantoń will benefit from the evolution of Polish consumer preferences toward flavored alcoholic beverages with lower alcohol content.

In November PEF VII signed an agreement to acquire 100% of shares in **CBA Slovakia**, a leading independent food retailer in its home market. As part of the deal, EI is to provide EUR 16 million of additional equity funding to deleverage the business and finance expansion. The transaction will be completed in January 2018.

We are convinced that CBA Slovakia is a good platform to develop the proximity food retail market, which is steadily growing as consumers increasingly seek to shop near where they live or work.

<p>Polish Enterprise Fund VII</p> <p>Jantón Producer of low alcohol content beverages</p> <p>Undisclosed value MBO</p> <p>September 2017</p>	<p>Polish Enterprise Fund VII</p> <p>CBA Slovakia Supermarket chain</p> <p>Undisclosed value Buyout and growth financing</p> <p>signed November 2017</p>
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In addition to these two new acquisitions, in 2017 our funds made three follow-on investments. Polish Enterprise Fund VI (PEF VI) invested a further EUR 2.5 million in **Wento**, a renewable energy company developing wind and photovoltaic farms in Poland. The investment brings PEF VI's total investment in this company to EUR 48.9 million. PEF VII invested a further EUR 4.9 million in **Nu-Med**, a network of radiotherapy clinics, increasing its total investment in the company to EUR 42.2 million. Enterprise Venture Fund I (EVF) committed another EUR 2.0 million to **J.S. Hamilton Poland**, the country's second-largest provider of independent inspection and analytical services.

<p>Polish Enterprise Fund VI</p> <p>Wento Renewable energy company</p> <p>EUR 2.5 million Follow-on financing</p> <p>June 2017</p>	<p>Polish Enterprise Fund VII</p> <p>Nu-Med Radiotherapy clinics</p> <p>EUR 4.9 million Follow-on financing</p> <p>Jan./ Sep. 2017</p>	<p>Enterprise Venture Fund I</p> <p>J.S. Hamilton Poland Inspection and analytical services</p> <p>EUR 2.0 million Follow-on financing</p> <p>February 2017</p>
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The total equity value of the transactions completed by our funds last year is EUR 58.7 million.

Exits

The beginning of the year was marked by two major exits from portfolio companies operating in the food retail sector. In February we concluded the sale of **Profi Rom Food**, the largest supermarket chain in Romania, to a PE fund for a total equity value of EUR 533 million. In April, PEF VI sold its entire stake in **Dino**, one of the fastest-growing supermarket chains in Poland. The gross proceeds from the substantially oversubscribed IPO on the Warsaw Stock Exchange (WSE) amounted to EUR 376 million. This largest private equity-backed IPO in Central and Eastern Europe (CEE) to date was the 34th listing from EI's portfolio.

Our funds remained very active on the Warsaw and Prague stock exchanges throughout the year, completing three full exits and one partial exit. In June EVF sold its remaining 38.1% stake in **Polski Bank Komórek Macierzystych**, a leading cord blood bank in Europe. The transaction generated gross proceeds of EUR 22.7 million and the total gross proceeds generated by the investment reached EUR 34.8 million, yielding an 8.1x total gross multiple of cost.

In the same month CED Group (CEDG), a holding company controlled by PEF VI, signed an agreement based on which it reduced its stake in **Kofola**, a leading producer of branded non-alcoholic beverages in CEE. The shares were acquired by Kofola's founders and the company, while CEDG decreased its stake from 37.3% to 25.3%. The company also paid out a dividend. The gross proceeds from these transactions for PEF VI amounted to EUR 40.8 million.

In July EVF sold its entire 9.22% stake in **Elemental Holding**, a regional market leader in the recycling of non-ferrous metals and electro-waste, through a secondary transaction on the WSE. The transaction generated total gross proceeds of EUR 11.7 million, yielding a 1.5x total gross multiple of cost.

We also fully exited **Skarbiec Holding**, a leading investment fund management company in Poland. In September Polish Enterprise Fund V (PEF V), sold its remaining stake in Skarbiec through a secondary transaction on the WSE. The total gross proceeds generated by the investment reached EUR 116.7 million, yielding a 3.1x total gross multiple of cost.

In addition to our capital market transactions, in March PEF V sold its subsidiary that owned a 59.95% stake in **Harper Hygienics**, a Polish producer of cosmetic skin hygiene products listed on the WSE. The buyer, iCotton – a leading Latvian manufacturer of hygiene and cosmetic goods, committed to provide the company with additional financing and to launch a tender offer on the WSE to reach the required 66% threshold. The value of the transaction was EUR 1.

In December PEF VI sold 100% of shares in **Netrisk.hu**, Hungary's top online insurance broker, to MCI.EuroVentures of MCI Capital Group, a PE firm listed on the WSE. The value of the transaction was EUR 56.5 million.

The 2017 list of exits also includes three transactions for which the values were undisclosed. In March, EVF sold its stake in **Take Outdoors**, a leading European watersports company, to the company's founders. In May PEF VI exited **United Oilfield Services**, a service provider for the European oil and gas industry. PEF VI's stake was sold to a private investor. In December PEF V and PEF VI agreed to sell **Macon Group**. As a result, one of Romania's foremost manufacturers of construction materials will be acquired by a leading global industry player, Xella Group. The transaction is conditional upon obtaining antimonopoly approval in Romania.

Total gross proceeds, including dividends, from exits completed in the past year by EI-managed funds amount to EUR 1.1 billion.

Fundraising

In September we completed fundraising for **Polish Enterprise Fund VIII** (PEF VIII). The firm's ninth fund closed at EUR 498 million, exceeding the original hard cap of EUR 450 million. We held the first and final closing after just three months in the market. PEF VIII is the second largest fund in Enterprise Investors' history and the largest raised by EI since the global financial crisis. Over 90% of the committed capital came from limited partners in the firm's prior funds, with the remaining commitments provided by new investors.

The fund, like its predecessors, will invest in sectors driven by the convergence of CEE domestic consumption with the "old" EU, such as consumer products and retail, financial services and healthcare, where EI has substantial deal and exit experience. PEF VIII will also invest in sectors driven by CEE's growing internationalization and competitive cost position, e.g. industrial products and services or IT. The new fund will focus on mid-market buyouts and expansion financing for dynamic entrepreneurial companies. PEF VIII will make equity investments between EUR 20 million and EUR 75 million.

People

In July **Tomasz Ciborowski** was promoted to the position of partner responsible for exit transactions. Tomasz joined the company as a director in 2015 and became a vice president in 2016. During his time at the firm he has been involved in a number of successful transactions, including a trade sale of Profi Rom Food and an IPO of Dino. Prior to joining EI, for eight years Tomasz Ciborowski was the head of equity capital markets at Bank Zachodni WBK. He also worked for HSBC's corporate finance division in Warsaw and London.

In October we welcomed **Vjačeslav Lypko** as the firm's new investment director and country representative for the Czech Republic. Prior to joining EI Vjačeslav was a manager at EY Czech Republic, where he was responsible for corporate finance, transaction advisory and financial restructuring projects across the CEE region. Vjačeslav also spent one year at EY in London with the Financial Institutions Group.

Other initiatives and events

Similarly to previous years, in 2017 we took part in many initiatives set up for entrepreneurs and managers, such as rankings of the most dynamically developing companies in the Czech Republic (Štiky Českého byznysu), Hungary (Pegazus Díj), Romania (Campioni în Business) and Slovakia (Diamanty Slovenského Biznisu). These annual events recognize and award the growth leaders in their respective geographical markets.

Summary of investments

Since its founding in 1990, Enterprise Investors has raised nine funds with total capital exceeding EUR 2.5 billion. Until the end of 2017, the funds managed by Enterprise Investors invested EUR 1.8 billion in 139 companies across a range of industries. This figure includes EUR 1.2 billion invested in 117 companies in Poland and EUR 600 million in 22 companies in the CEE region. The funds managed by Enterprise Investors have exited 126 companies, achieving total gross proceeds of EUR 3.6 billion, of which EUR 1.5 billion has been generated by investments outside of Poland. EI funds currently hold shares in 13 companies.

**We would like to thank you for your support
and we wish you every success in 2018.**

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