The Importance of Global Investors for Creating Global Ventures in the Region

31st PODIM

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ABOUT PRIVATE EQUITY IN GENERAL
# Company and Investment Stages

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Seed</th>
<th>Early Stage</th>
<th>Expansion</th>
<th>Later Stage</th>
<th>Buyout</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age of Company</strong></td>
<td>0 - 1 years</td>
<td>&gt; 1 - 3 years</td>
<td>&lt; 3 - 10+ years</td>
<td>3 - 10+ years</td>
<td>~ 10 - 50 years</td>
</tr>
<tr>
<td><strong>Stage of Company</strong></td>
<td>Idea Formation, Startup</td>
<td>1st Stage of Development; Few Customers and Little to No Revenue</td>
<td>2nd or More Stage of Development</td>
<td>Expansion Capital for Growth</td>
<td>Established and low growth</td>
</tr>
</tbody>
</table>

*Source: National Venture Capital Association*
Three Pillars of a Deal

**Price**
- Stake
- Amount

**Structure**
- Legal framework
- Other aspects

**Governance**
- Shareholders and Board
- Board and Management
- Management and Company
Typical Investment Process

**Identify investment targets**
- Based on macro and industry trends
- Entrepreneur's vision
- Quality of management

**Negotiations and due diligence**
- Medium-term business plan
- Financial, tax and legal due diligence

**Documentation and funding**
- Establish legal framework
- Funding need for 12 (to ~18) months

**Business building**
- Hands-on approach with the management
- One common goal: create value
- Timeframe 3 to 5 years

**Exit**
- Strategic investor
- Financial investor
- Stock exchange
- MBO
- Expected annual return of ~25%
CASE STUDY
Historical background

• Founding
  – In 2000-ben, by Panos Gomopolous and eVision
  – Further investor eQuest (VC fund) – US$2 million

• Origin of the Vatera brand name
  – A beach on the island of Lesbos

• Operations in 5 countries
  – Poland, Czech Republic, Hungary, Greece, Turkey
The Investment

• iEurope acquires majority stake from shareholders
  – Esther Dyson as co-investor
  – Some key managers (CZ and HU) receive shares

• Transfer of assets and some liabilities, creation of new holding structure

• Reorganisation of operations
  – Focus needed: only HU and CZ remain
Period of Slow Growth

• Low internet penetration

• iEurope’s unrelenting belief in the viability of the business model
  – Online marketplaces are a success globally

• Wait and see, survival techniques
  – Resale of impounded leased cars
  – Stock clearances

• Bringing in experts to promote growth under the circumstances
Reorganisation of Management, Growth Picks Up

• Finally internet usage has started to grow in Hungary too
  – Shift in approach needed

• Build on proven members of the old management
  – Director of operations
  – Head of customer services
  – Lead developer

• Team additions
  – New managing director
Focus on Marketing...

• First detailed user study prepared in 2006 (by NRC)

• Applying offline marketing experience online
  – FMCG brand manager (Nestlé, Coca Cola)
  – Concentrating on analysing user activity

• Creating a buzz
  – Widespread use of the coined phrase “Vaterázz”
  – Auctions starting from HUF1
  – Items used by celebrities
  – Charity auctions
... as well as IT, Finance and MIS

- IT upgrade

- CFO with experience as an auditor and head of controlling at a multinational

- Upgrade of information tracking system (MIS), for
  - Data mining/analysis
  - Monthly reports (financial and operational)
  - Frequent reviews with the management
Regional Expansion: Slovakia

• Preparation for almost one year
  – Detailed strategic, marketing and financial plan

• Finding the country manager of key importance
  – Took longer than expected

• Filling up the shelves after launch
The Exit

• Appointment of well-known experts
  – Financial advisers: Concorde and Aelios Finance
  – Legal adviser: White & Case

• Maintained alternative route of raising new capital through private placement
  – Created a 5-year growth plan

• Conventional and unorthodox steps during due diligence and pricing

• IRR 59%, COC 13.x5
CASE STUDY FROM SLOVENIA
ATech

2003 2004 2005 2006 2007 2008

Revenue (EURk)

- Investment
- New incentive scheme
- New MIS
- New key employees - CFO - CTO - Sales
- New Head of Production
- Marketing and Sales separated
- Marketing study: new product launch
- Exit

23 employees

105 employees
ABOUT IEUROPE
iEurope’s Investors & Focus

iEurope Investors =

“Family Offices” and High Net Worth Individuals with Substantial Business Experience and Networks

iEurope Capital = Fund Management Company

Targeting Niche Investment Areas
Managing Multiple Funds and Relationships
Traditional Private Equity & Estate Investments
New iEurope Innovation Fund Focus

- IT and Media
- Technology-enabled Business Services
- Renewable Energy
- Health/Medical Equipment and Services
- Niche Industrial Technology
- Consumer Products/Services

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