

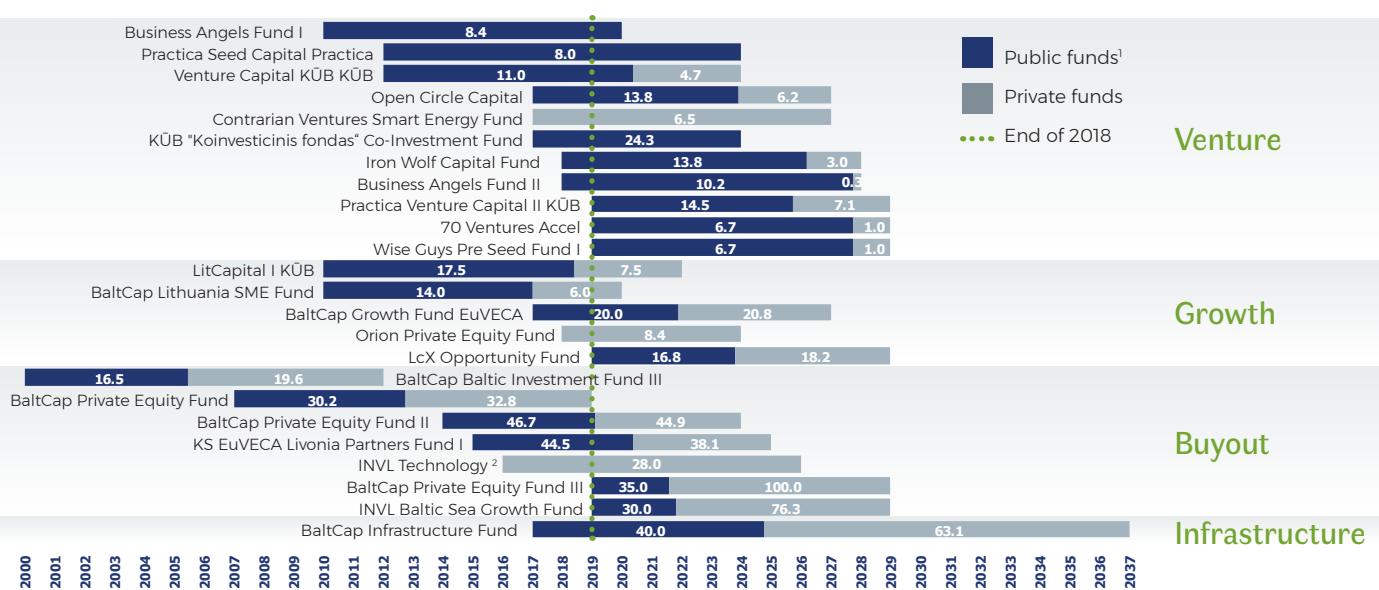
# Lithuanian Private Equity and Venture Capital Market Overview 2019

## Key developments

- Total funds raised by PE/VC firms in Lithuania reached 0.5B EUR at the end of 2018. Approximately half of the funding is coming from public sector investors and international institutions (EIF/EIB, EBRD, INVEGA) and the rest from Baltic private investors. Capital raised in 2018 amounted to 97M EUR compared to a record high of 130M EUR raised in 2017.
- Funds had more than 200M EUR of capital available for investments at the end of 2018.
- In 2018, 3 new funds commenced their activities, while 7 more are expected to start operating in 2019.
- 16 new investments were made and 2 portfolio companies received follow-up investments in 2018 with an amount invested reaching 24M EUR.
- 22 portfolio companies were exited in 2018. The exits amounted to 9M EUR (investment value at cost), which is around 3x increase as compared to previous year.

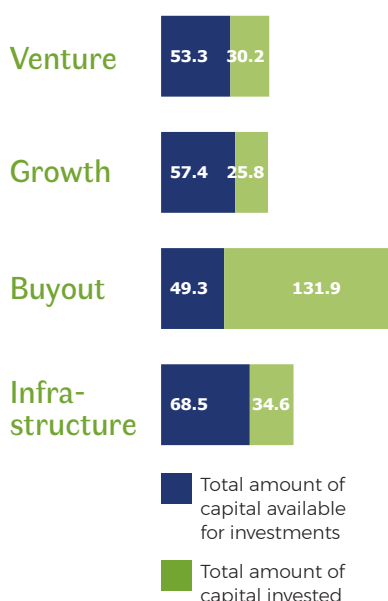
## PE/VC Funding landscape as at 31st December 2018

### Funds raised by funding source and fund period, (EUR M)



## Capital available for investments by fund's strategy

### As of 31st December 2018 (EUR M)



### New funds in 2018

**Iron Wolf Capital Fund** was established with a targeted size of 25M EUR having received investment from INVEGA and will start investing in the 1st half of 2019. It will invest in high-growth, small and medium-sized enterprises that are engaged or plan to be engaged in research, development and innovation (R&D) activities in the field of smart specialization.

**Orion Private Equity Fund** with a targeted size of 15M EUR was established with a focus on small and medium-sized enterprises operating in technology-intensive and higher-value-added manufacturing sectors, IT, infrastructure service, medical and food production, and export-oriented industries.

**Business Angels Fund II** fund with a size of 10.5M EUR was established to invest into small and medium-sized innovative and export orientated start-up and seed companies in Lithuania alongside business angels.

### New funds expected in 2019

**INVL Baltic Sea Growth Fund** focused on exploiting growth opportunities in mature companies that can compete on the global market. Target fund size – 200M EUR.

BaltCap has started fundraising for **BaltCap Private Equity Fund III** which will invest in small to mid-cap companies in the Baltics. Target fund size – 135M EUR.

**Practica Venture Capital II KÜB** was established with a focus on innovation and technology driven early ventures with investments of 0.2-2M EUR. Targeted fund size – 40M EUR.

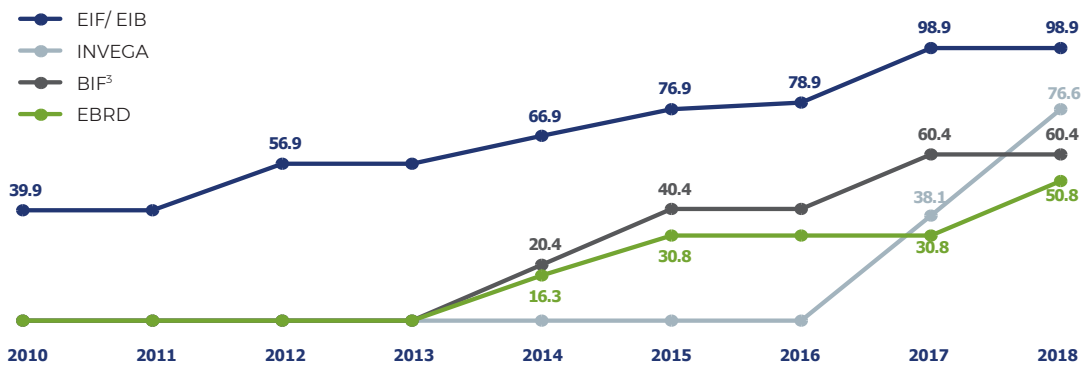
**LcX Opportunity Fund** is to be established by LitCap and will focus on growth companies with investments of 2-4M EUR.

**70 Ventures Accel fund** and **Wise Guys Pre Seed Fund I** will be established to provide training and business development knowledge to emerging companies and to invest in them later. Expected fund size – 4.8M EUR each. Both fund managers also established seed funds (expected fund size – 2.9M EUR each) dedicated to financing their portfolio companies in subsequent rounds of investments.

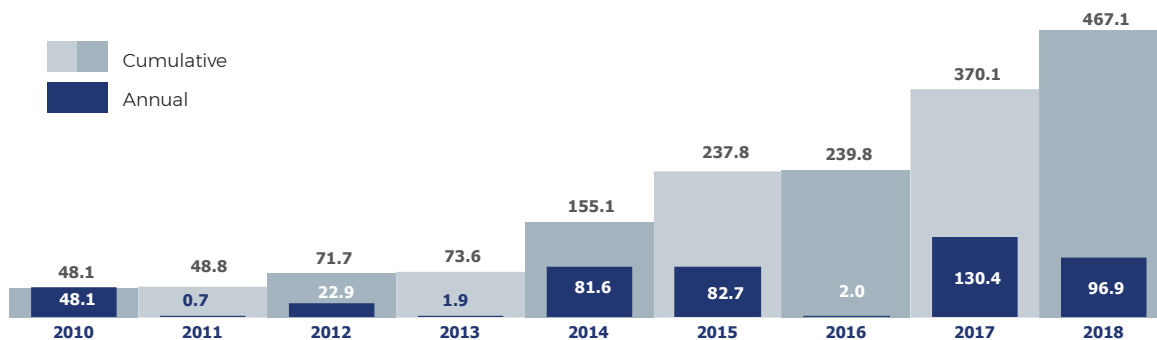
1. Comprised of funding from EBRD, EIF/EIB, BIF and INVEGA.  
2. Capital managed as at 31st December 2018.

## PE/VC fundraising

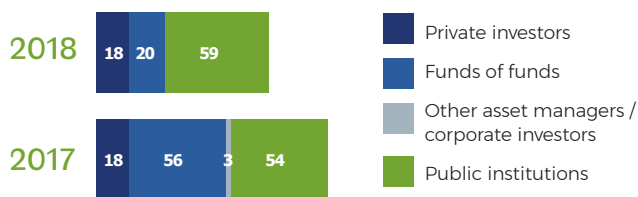
Financing committed by public institutions to currently operational funds since 2010 (EUR M)



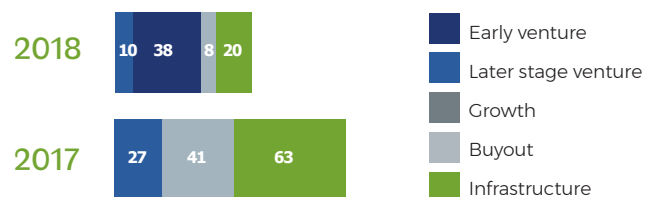
## Total capital raised by PE/VC funds, EUR M



## Capital raised by investor type, EUR M



## Capital raised by fund's stage, EUR M



In 2017 record high amount of 130M EUR was raised out of which 104M EUR by BaltCap.

In 2018 funds were raised by the following managers: 40M EUR by BaltCap, 22M EUR by Practica Capital, 16.8M EUR by Iron

Wolf Capital, 10M EUR by Business Angel Fund II and 8M EUR by Orion Private Equity.

## Funds portfolio companies



	2017	2018
<b>Total Turnover, EUR M</b>	325.1	384.5
<b>Total annual investments, EUR M</b>	19.2	28.2
<b>Active portfolio companies</b>	99	81 <sup>4</sup>
<b>Total employees</b>	4,565	5,325



**271.9**  
Taxes<sup>5</sup> paid  
in 2018,  
EUR M

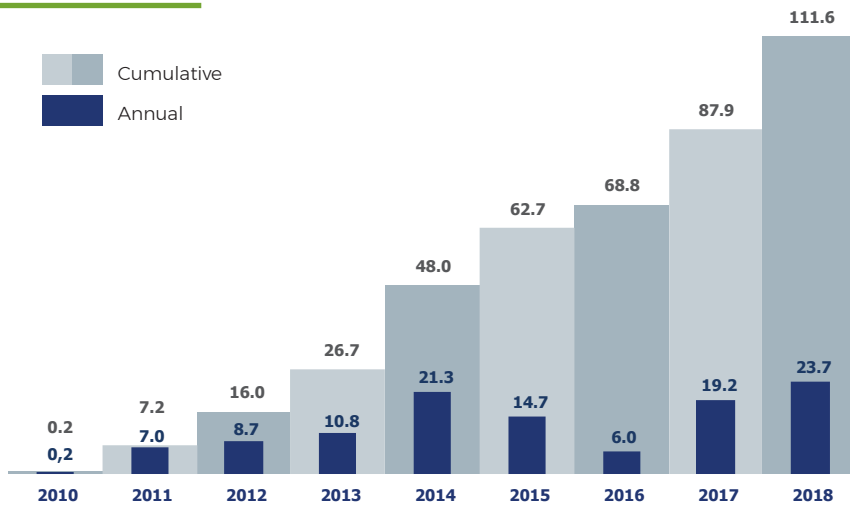
Number of companies in the portfolio mainly decreased due to increased number of funds either realizing or writing off their investments in 2018.

3. BIF Amount does not include BMP Mezzanine Fund and Karma Ventures VC Fund, which received funding of 15M EUR and 25M EUR respectively, due to market definition specifics of this market overview.

4. Only companies reported by survey participants were considered.

5. Taxes paid include: VAT, Social Insurance, Personal Income Tax and Income Tax.

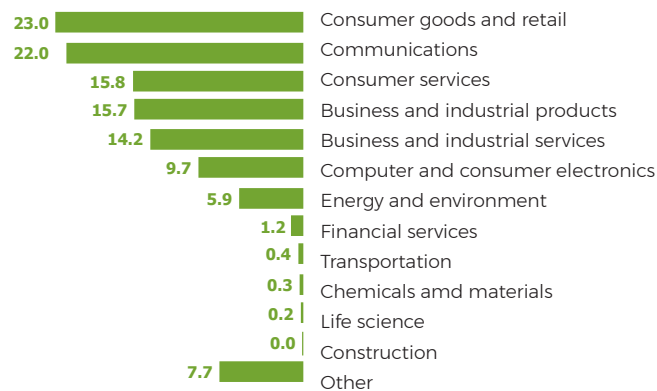
## Investments



In 2018, 10 investments into venture stage companies (total amount of 1.1M EUR) and 8 investments in growth, buyout and infrastructure segments (22.6M EUR) were made.

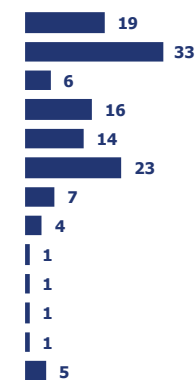
## Investments by industry

EUR M (2010-2018)



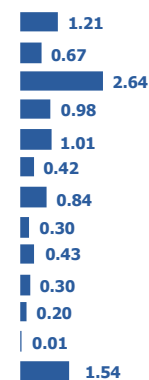
## # of companies

(2010-2018)



## Average investment

(2010-2018), EUR M

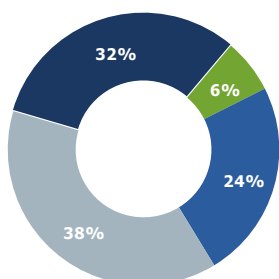


In 2018, venture and growth funds made 14 out of 18 of PE/VC investments in Lithuania. Average early venture stage investment size was 0.11M

EUR, while average growth stage investment size was 1.56M EUR. Buyout and infrastructure capital investments averaged 4.09M EUR in 2018.

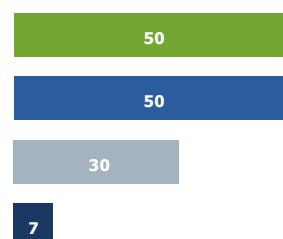
## Value of investments

EUR M (2010-2018)



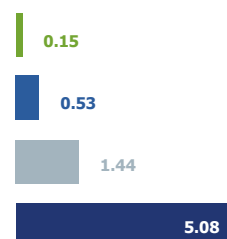
## # of companies

(2010-2018)



## Average investment

(2010-2018), EUR M



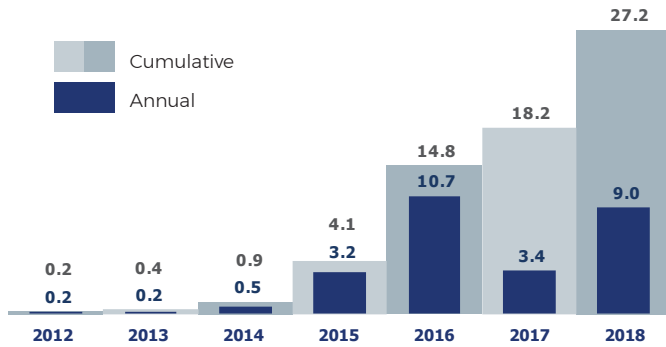
■ Early ventures  
■ Late ventures  
■ Growth  
■ Buyout / Infrastructure

## Investment type, by sector

- The most popular sector for early venture and growth investments was computer and consumer electronics (85.2% and 65.9%, respectively).
- In 2018 there were no investments made into late venture companies.
- In 2018 66.3% of 16.3M EUR buyout investments were made in consumer goods and retail sector companies. Remaining buyout investments were focused on business and industrial services.

## Divestments<sup>6</sup>

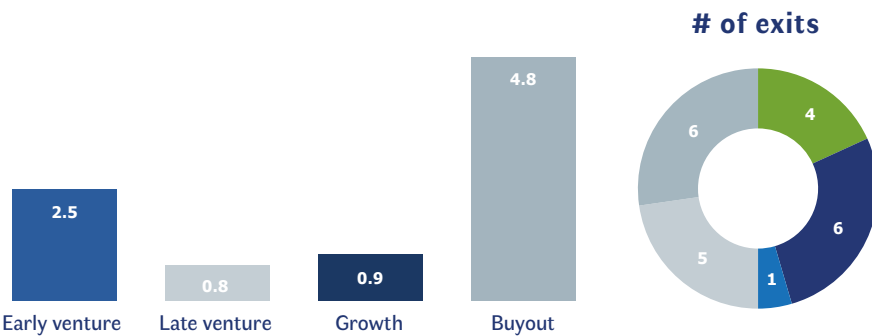
### Divestments value at cost (2012-2018), EUR M



The largest exit in 2018 was made by BaltCap, which constituted more than half of the total sum divested by PE/VC funds in 2018.

Buyout represented 53.9% of the total amount divested at cost. However, venture stage companies were the most frequent exits – 72.7% of total number of exits in 2018.

The number of exits is expected to increase in the upcoming year due to a number of funds reaching their termination year and, thus, aiming to realize their investments.



- Sale to trade buyers
- Capital distribution
- Sale to another private equity firm
- Write off
- Management/Owner buy-back

The most prominent exit route by amount was Management/Owner buy-back and Capital distribution (each representing 27.3% of total number of exits). 5 of the 22 exits were write-offs by fund managers aiming to clean their portfolios.

## Divestments overview, 2018

- Early venture divestments were of a lower value ranging from 29k EUR to 225k EUR. The largest early venture exit was made by Practica Capital.
- Late venture and growth divestments were relatively small (0.24M EUR on average).
- The largest number of exits (12) were made by Practica Capital, which was followed by BaltCap (6).

## Top sectors where exits were made:

- Business and industrial services (exit value – 4.9M EUR),
- Business and industrial products (exit value – 1.5M EUR),
- Consumer goods and retail (exit value – 0.6M EUR),
- Communications (exit value – 1M EUR),
- Others (exit value – 1M EUR).

## Top Deals by value by PE/VC in Lithuania in 2018



\*BaltCap sold Caffeine Roasters to Reitan Convenience.



Livonia partners bought a 33% equity stake in Freor LT, UAB.



LitCapital acquired 60% equity stake in Audimas.



\*Baltic Coffee Holding (owned by BaltCap), a Latvia-headquartered vending and coffee services company acquired Lithuanian peer Pardavimo automatai.



\*INVL Baltic Sea Growth Fund acquired 70% stake in InMedica, domestic chain of primary health care centres, from BaltCap, making it a first secondary transaction\* in Lithuania.



BaltCap sold the largest transport infrastructure consultancy company in Lithuania, Kelprojektas group to Swedish consultancy group Tyréns.

## Top Deals by global PE/VC in the Baltics in 2018



\*Blackstone to acquire 60% majority stake in Luminor in a deal worth 1BN EUR.



Odyssey Europe AS acquired 100% shares of listed gaming group Olympic Entertainment Group.



German automaker Daimler bought 9.7% stake in ride on demand service provider Taxify.

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<sup>6</sup>. All amounts are at cost.  
\* Announced in 2018, not closed.

## 2019 Outlook

As the amounts of capital available for investments topped 200M EUR at the end of 2018, fund managers such as BaltCap and INVL as well as early venture funds with significant dry powder at their disposal will be actively looking for acquisitions in the respective sectors. Increase in the number of new VC fund managers, is likely to contribute to increase in competition and valuations for new VC investments.

Certain funds are approaching their termination dates, therefore, a number of exits can be expected in foreseeable future.

## Market overview methodology summary

### Scope of the Market Overview

This Market Overview was prepared by Lithuanian Venture Capital Association (VCA) in cooperation with Deloitte Lithuania.

The Market Overview presents latest developments and historical trends of Lithuanian Private Equity and Venture Capital (PE/VC) market. Key areas of the Market Overview are:

- Raised capital by the PE/VC funds
- Investments made by PE/VC funds in their portfolio companies
- Realized investments previously made (Divestments) by PE/VC funds

### Geographic definition

As the Market Overview was focused on Lithuanian PE/VC landscape, data was collected and analysed only in relation to the PE/VC funds that in their investment mandate define Lithuania as one of the primary investment locations. If PE/VC fund have not made any investments in Lithuania yet, had a mandate to invest in Lithuania but did not have any available capital to invest we have not included such fund in the Market Overview. Only PE/VC fund that had personnel dedicated to investments in Lithuania were included in the Market Overview.

### PE/VC fund definition

Companies established at any legal form and incorporated in any jurisdiction were considered as PE/VC funds if its primary purpose was investing in or buying out companies from pre-seed to buyout stage that are engaged in operating activities or infrastructure investments (excluding real estate development companies or holding companies). Companies were defined as PE/VC fund only if they had an independent management. It was considered that company's management is independent if the majority of the managed funds (assets) of the fund is not directly or indirectly owned by the that fund's management. Publicly traded investment funds/companies were also excluded from the analysis.

Based on PE/VC fund definition and geographic definition the following funds were excluded from the Market overview: INVL technology, BMP Mezzanine Fund, Karma Ventures Fund and Co-Investment Fund.

### Investment definition

Investments by PE/VC funds in portfolio companies include direct equity investments as well as debt and mezzanine type of instruments.

### Divestment definition

In this Market Overview divestments from portfolio companies were defined at cost basis meaning PE/VC funds divestments per portfolio company could not exceed cumulative investment amount in the same company. All cash received from portfolio companies to the fund in excess of cumulative investment amount made by the fund to the company were considered as fund profit and were not accounted as divestment inflows in this Market Overview.

### Sources of data (members, non-members, public and Deloitte databases)

Majority of the data for this Market Overview was collected directly from Lithuanian PE/VC funds, via survey, majority of which were the members of VCA. Some additional data was collected from public sources as well as databases that the preparing parties had access to. The accuracy and completeness of the provided data was not verified or audited. No assurance for the quality or accuracy of the data can be provided.

### Previous period data

Some graphs in the Market Overview include data from Lithuanian PE/VC market reports of the previous years. Data from the previous years have not been reviewed and it may not be fully comparable to 2018.

Data showed in Fund's Capital raised graph does not match with previous year Market overview report. In the last year report amount of capital raised in 2014 totaled to 160.5M EUR, in 2015 was 74.1M EUR and in 2016 - 66.2M EUR, in 2017 - 142.4M EUR. Differences arise due to BMP Mezzanine Fund, Karma Ventures Fund and Invega Co-Investment Fund. BMP Mezzanine Fund and Karma Ventures Fund were excluded due to their primary geographic focus. Co-Investment Fund was excluded due to management that is dependent on funds provider. These funds were excluded from the 'Capital available for investments', 'Funds raised' and 'Funds managed' sections.

We did not perform a review on investments. Amounts of capital invested as shown in VCA previous Market overview reports were used for the period 2010-2017.

## Public financing related definitions

- BIF – Baltic Innovation Fund is a Fund-of-Fund initiative launched by EIF in close co-operation with the governments of Latvia, Lithuania and Estonia to enhance equity investments made into Small and Medium sized enterprises. Initiative was financed by EIF committing 52M EUR, INVEGA (Lithuania), KredEX (Estonia) and Altum (Latvia) each committing 26M EUR.
- EBRD – European Bank for Reconstruction and Development.
- EIB – European Investment Bank.
- EIF – European Investment Fund supports Europe's SMEs.
- INVEGA – financial entity incorporated by the State of Lithuania with intent to provide support for SMEs. INVEGA financing also includes Co-Investment Funds (Co-Investment I, Co-Investment II, Co-Investment RDI) managed by UAB Kofinansavimas.

In the chart PE/VC market development - Financing committed by public institutions to currently operational funds since 2010 (EUR M) out of 99M EUR indicated as EIF/EIB funding 59M EUR are provided by JEREMIE initiative (Funding for LitCapital I KÜB, Lithuanian SME Fund, Practica Seed Capital KÜB, KÜB Verslo Angelų Fondas I and Practica Venture Capital KÜB). JEREMIE initiative was set up by the Government of Lithuania by using European Union structural funds.

## Survey participants list

Bellow is a list of PE/VC funds that provided data for the survey:

1. Contrarian Ventures Smart Energy Fund powered by Lietuvos Energija, KÜB;
2. Open Circle Capital Fund;
3. BaltCap Growth Fund EuVECA;
4. BaltCap Infrastructure Fund;
5. BaltCap Private Equity Fund;
6. BaltCap Private Equity Fund II;
7. BaltCap Co-investment Fund;
8. BaltCap Baltic Investment Fund III;

9. BaltCap Lithuania SME Fund;
10. INVL Baltic Sea Growth Fund;
11. Special closed-end type private capital investment company INVL Technology;
12. LitCapital I KÜB;
13. KS EuVECA Livonia Partners Fund I;
14. KS Livonia Partners EIF Co-Investment Fund;
15. Orion Private Equity Fund;
16. Practica Seed Capital KÜB;
17. Practica Venture Capital KÜB;
18. Practica Venture Capital II KÜB;
19. Iron wolf capital fund;
20. Verslo angelų fondas.

Some data from other PE/VC funds was added to the analysis if provided or if available publicly.

## Other assumptions, disclosures and limitations

- Information about Open Circle Capital Fund revenue, number of employees and taxes paid of some of the investments was missing and may not be complete.
- A few funds provided investments split by date, size and stage, but it could not be allocated according to the relevant sectors.
- Venture investments definition includes: pre-seed, seed, start-up, early stage venture and later stage venture investments.
- Capital available for investments by fund's stage focus chart includes funds that were established prior to 2019, and does not include funds that were planned to start their operations in 2019 or listed companies.
- KS EuVECA Livonia Partners Fund I includes KÜB Livonia Partners EIF Co-Investment Fund, with 10M EUR financing raised from public sources.
- BaltCap Private Equity Fund includes BaltCap Co-Investment Fund, with 10M EUR financing raised from public sources.

## About VCA and Deloitte

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### About VCA

Lithuanian Private Equity and Venture Capital Association (LT VCA) was established by UAB LitCapital Asset Management, BaltCap UAB and UAB SEB Venture Capital in May 2009. Private Equity (PE) and venture capital (VC) investments have been present in Lithuania since the beginning of 90s. Currently, we have 30 active companies / members covering different types of venture capital business activities: fund management companies, consulting firms, lawyers, public institutions etc., who support and advise investors and entrepreneurs in the structuring and management of their partnerships. The members consist of 8 full members and 22 associate member.

Apart from its services on behalf of members (monitoring of legal, regulatory and tax issues, research studies and statistics, training, development and communication, etc.), LT VCA serves as a central platform for representation and promotion of the VC business to institutional investors, opinion leaders, and public policy makers. The association helps to improve financing of the economy, for small business in particular, as well as promote economic growth and entrepreneurial spirit. LT VCA is open to cooperation with venture capital funds, asset management funds, investment funds, business angels, legal offices, financial consultants and all other players involved in the market of direct investments