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PRIVATE EQUITY OPPORTUNITIES IN THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

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Abstract:
Private equity industry has been evolving over recent years and its importance has significantly risen and in spite of the economic recession and debt crisis period it offers an alternative for investors and new further opportunities for the entrepreneurs struggling to finance their business activities. The paper will deal with contemporary issues of PE financing,aiming at the contemporary situation in PE market in Central and Eastern Europe region comparing with certain data on PE in Europe and the USA, what exit strategies are and what results have been accomplished so far in CEE region. The survey results prove that PE companies add the value to PE portfolio companies until exit is executed.

Keywords: private equity, mergers and acquisitions, PE funds, CEE region.

1. INTRODUCTION

The importance of the private equity in the financial world has been evolving over recent years and in spite of the economic recession and debt crisis period it offers an alternative for investors and new further opportunities for the entrepreneurs struggling to finance their business activities especially when they are unable to obtain the bank loans. Private equity are in general buyout firms. A private equity firm establishes private equity funds which are large pools of private capital made available to private companies or investors for developing new products and technologies, expanding working capital, making acquisitions or strengthening a company's balance sheet. The frequent targets for investors are the companies with significant prospects of growth but already with a good position in the market. Private-equity (PE) firms strive to add value to the companies they buy in order to make them even more profitable. For example, they might bring in a new management team, add complementary companies, cut costs aggressively and then sell for a high profit possible.

Today the term of private equity is used also for groups that manage no money in the fund but which manage only money of the partners or well-off friends. In the world the annual value of the private equity sector is approximately 2.4 trillion dollars. This is managed by thousands of funds that invest money that were given to the banks, pension funds and insurance companies. Private equity in successful scenarious works as a leverage that enhances the companies' returns.

2. THEORETICAL BACKGROUND

2.1. Private equity

The discovery of the America was one of the first private equity deals, when the Spanish royal sovereigns Ferdinand a Isabella financed Columbus journey. Their return on investment that they expected to receive was the share on the future gains. Today their capital would be called „*venture capital* " though. The discrepancy between venture and private equity capital is the targeted company that is a potential recepient of the investment. The private equity company focuses on the companies that have been operating in the market over several years unlike the venture capital company is aimed at the companies with higher risk and at their early stage of development, in majority in order to benefit from new or fast growing technology. From the perspective of the financing there is almost no difference in comparing banks and private equity, they both finance businesses that are functioning and offering a stable return. Majority of private equity companies have stable rules where the money from the fund can be invested.According to the vicepresident Enterprise Investments (EI) for Czech and Slovak Republic Mr. Jakubek: "investing into the weapons, alcohol or hazardeous games is absolutely abolished since the biggest pension fund in the USA is the biggest investor of the Private Equity Group - EI in Central and Eastern Europe (CEE)" (Trend, 2012).

Over the past two decades „private equity" has become a more distinctive feature in the investment field. Private equity were the interest of research for many years (DePamphilis, 2010; Gottschalg, 2007; Kocis, et al., 2009; Kaplan & Strömberg, 2008; Robinson & Sensoy, 2011; Rosenbaum & Pearl, 2009; Thompson, 2010) and many others. According to Prof. DePamphilis: "*Acquirer returns are often positive when targets are privately owned (or subsidiaries of public companies) and slightly negative when targets are publicly traded (i.e. so-called listing effects) regardless of country*" (DePamphilis, 2010, p. 32) supported by empirical support of Faccio, McConnel and Stolin (2006); Draper and Paudyal (2006); Moeller, Schlingemann and Stultz (2005); Fuller, Netter and Stegemoller (2002). Professor

DePamphilis: stated further: "*Acquirer returns on equity financed acquisition of public or private firms are frequently more than all-cash financed deals in European Union countries"* supported by empirical research of Martynova and Renneboog (2008) and "*acquirer returns on equity financed acquisition of private firms often exceed significantly cash deals, particularly when the target is difficult to value."* supported in research of Chang (1998); Officer, Poulsen, and Stegemoller (2009). Profesor DePamphilis in his book (2010) continues to conclude that 1) *„Smaller acquirers may realize higher returns than larger acquirers."* proven also in research of Moeller, Schlingemann and Stultz (2004, 2005); Gorton, Kahl, and Rosen (2009); 2) „*Relatively small deals may generate higher acquirer returns than larger ones."* also subject of empirical research of Hackbarth and Morellec (2008), Frick and Torres (2002).

Few institutions have gathered experience and tools that would enable them to invest into non-listed companies. Typically PE comprises four main parties with common interest, the private equity firm itself, (general partner, GP), investors (limited partners, LPs), private equity fund and the companies, altogether that are important parts of the private equity fund.

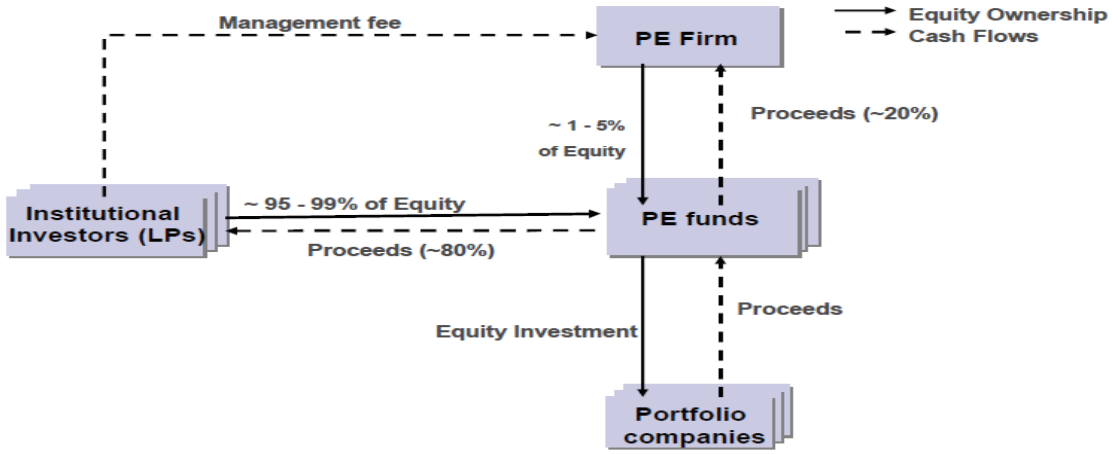
Private equity fund

A private equity (PE) firm usually does not have sufficient amounts of own capital resources for acquisition of other companies, a private equity company with such goals is in a big need of obtaining capital from other resources. The debt can be used for financing a certain part of the entire share of the targeted company (max. 70–80 %). Share issuance is not used therefore private equity creates the fund, that have proven to be a good way of obtaining capital resources. These funds are managed by private equity general partners, principals, associates, analysts, in-house or third party marketers (enhancing capital sources from institutional investors (pension funds, endowment funds, etc.) or high-net-worth individuals.

The fund is a legal entity, the pact between general partner and limited partners. The asset manager runs the private investment fund. The purpose of the private equity fund is to benefit from the asset manager's professional knowledge and from the investors' capital. The private equity fund is in operations within 10 years that can be prolonged based on the partners' agreement. At the end of the operating period the fund is self liquidated. There are also „*evergreen*" funds in existence with unlimited life, whose investors have the right „*opt-out* " enabling them to refuse investment in certain companies or in the portfolio of companies.

The general partner (GP) together with limited liability partners create the fund. The GP manages the fund and bears the substantial part of responsibility of this partnership. Limited liability partners are donors of the capital. An unwritten law is the rule of „99/1", that is the ratio of the limited liability partners' invested capital and GP's invested capital.

Picture 1: The main participants of the private equity investments and their financial relations



Source: Gottschalg, 2007.

According to the professor Gottschalg whenever PE fund receives the income from investment reduced by the fees for managing the fund, it is adequately distributed among LPs as so called "*carried interest*" in the form of cash dividends or stock dividends (e.g. common, preferred or convertible preferred stock). GPs are compensated in various forms by LPs: firstly, a) as an annual fee for asset management that is usually from 1 % to 3 % of the invested capital under their management (it decreases when the life cycle of the fund is approaching its final stage; secondly, GPs may earn the fee for each transaction that is performed, it is a firm amount or an agreed percentage from the value of business transaction; finally they may receive a share from the fund income in the form of "*carried interest*", that represents usually 20 % of all net gains, often it is meant only from net gains that reached certain level of return.

The residual is distributed among LPs. During the life cycle of the private equity fund it can be observed that in the first stage the profit is not distributed, because the companies of the investment portfolio are still in debt and net cash flow is used for paying off the debt, this stage is still the period of recruiting other investors. After 2–3 years (in the case of "*quick flips*" even earlier), assuming the first sales of the companies occur or when the debt is sufficiently paid off and return on investment is growing, companies may afford to declare and pay dividends.

The hedge funds are frequently and incorrectly considered to be private equity funds. The basic difference between PE fund and hedge fund is in the form of financing and form of the return on investment. The hedge fund allows investors relatively free entry/exit in /from the fund. Unlike in the PE fund investors are committed to be members of the funds during the entire life of the fund. The hedge fund investor purchases his/her share in the fund and later he/she claims his /her profit when leaving the fund by selling his/her share in the fund. The PE fund investor invests a certain amount of capital into the PE fund, which is utilized by GP during its life (investor is obliged to supply capital resources within several weeks). Distribution of profit is not planned or alocated in various volumes. Investors' expected profit of the PE fund is higher by 4% than the one of the hedge fund (percentage expresses internal rate of return IRR) according to professors Mathonet and Meyer in their book (Mathonet, Meyer, 2007). The most frequent methods used for assessment of the investment are DCF - discounted cash flows, IRR -internal rate of return, modified IRR, and it differs depending on the perspective of LP, GP or targeted companies. When a limited liability partner is going to make a decision where to invest it is important to know what method was used for calculation of average return on the investment. (Kocis, Bachman, Austin & Nickels, 2009).

All managers in the portfolio of the targeted companies contributing in the equity are rewarded in the form of stock options when the company achieves performance improvement and growth results, are therefore motivated to accomplish an increased profitability and other financial objectives of LBO company. The financial sponsors and company top management have common interests resulting in making their best effort of achieving excellent performance. This program of motivation is frequently a key factor that makes a LBO company different from a publicly traded company.

After takeover a sponsor launches implementation of a hundred-day-plan, within which in 100 days it is necessary to implement all changes planned by private equity before, such as changes in management, in strategy, company organization, partial sale of the company, or other forms of restructuralizations. Acording to the survey of the Profesor Gottschalg (2007) initial changes and measurements implemented in the first year of the private equity firm presence were a) growth with the use of other acquisitions (53 %), b) changes in management (43 %), c) divesting, dismissing or relocation of workforce, outsorcing (33 %), d) new marketing, new product prices, new approach to research and development (27 %), e) enlarging line of products (22 %), f) strategy changes (20 %), g) organizational changes (18 %), h) geographical expansion (18 %), i) GP acts as manager (18 %), j) cost reductions (16 %), k) new IT system (15 %), l) merge of the businesses via joint-venture (5 %).

PE firms rely on portfolio operations teams to realize revenue enhancement and cost-efficiency synergies across their portfolios. Operations teams are also credited with quickly professionalizing and optimizing existing policies, procedures and systems across the range of firms' portfolio holdings, including financial accounting and controls; reporting procedures and systems and IT infrastructure.

The private equity firm tries to make its money back on its initial investment to give returns to investors and therefore the main objective is that the buyout company would be sold for a significant profit. So it terminates its presence in the buyout company by selling the buyout company. There are also numeral investments that finish by bancrupt. In the Study 13 Guo and Hotchkiss (2008) stated that there were 15 % cases of bancrupting companies in transactions in 1990–2006. As it can be seen in the table 2. the most frequent exit strategy is the strategic sale, because for the strategic buyer the company has even higher value being already capable of creating strong synergy by combining this company with existing company. The second position belongs to the sale to another sponsor, suitable when management forsees the potential of another growth for this targeted company or when the PE fund life is almost finished. IPO is less attractive form due to its demands, as e.g. required reported information, a lot of management time for implementation, difficult timing, and a risk of incorrect pricing for IPO. The advantage is that not the entire package of offered share has to be sold, a private equity can keep majority of shares and by this it does not lose the controlling power. The original investors have a possibility to „*cash-out*“ its share, so the targeted company borrows money and repurchase their share. This is possible when the company has already paid off its original debt. Purchase by other LBO firm occurs as well, but it is actually the form of a strategic sale as LBO companies use this way for their growth and selected companies match the strategies of LBO company. If the main iniciator of LBO transaction is the original management then we speak about management buyout MBO. Exits are a normal part of this kind of investment and it should be interpreted as having achieved a goal defined, or as completing a project.

Table 1: Forms of exits of private equity investments in varios periods worldwide

	1970–84	1985–89	1990–94	1995–99	2000–02	2003–05	2006–07	All periods
Bancrupt	7	6	5	8	6	4	3	6
IPO	28	25	22	11	8	10	1	13
Strategic sale	32	34	38	39	39	41	38	39
Takeover by other PE	6	13	17	24	30	30	22	24
Purchase of LBO by a firm	2	3	3	5	5	6	14	5
MBO	1	1	1	2	2	1	1	2
Others	24	18	14	11	10	8	21	11
Total	100	100	100	100	100	100	100	100

Source: DePamphilis, 2010.

Over 375 largest European businesses with entry enterprise value (EV) greater than €150m, were analysed and these results were summarized in the European 2010 study that provided a view into the PE performance, methods and exits over the last six years. In the North American study the analysis covered 440 largest businesses with entry EV > US$150m).

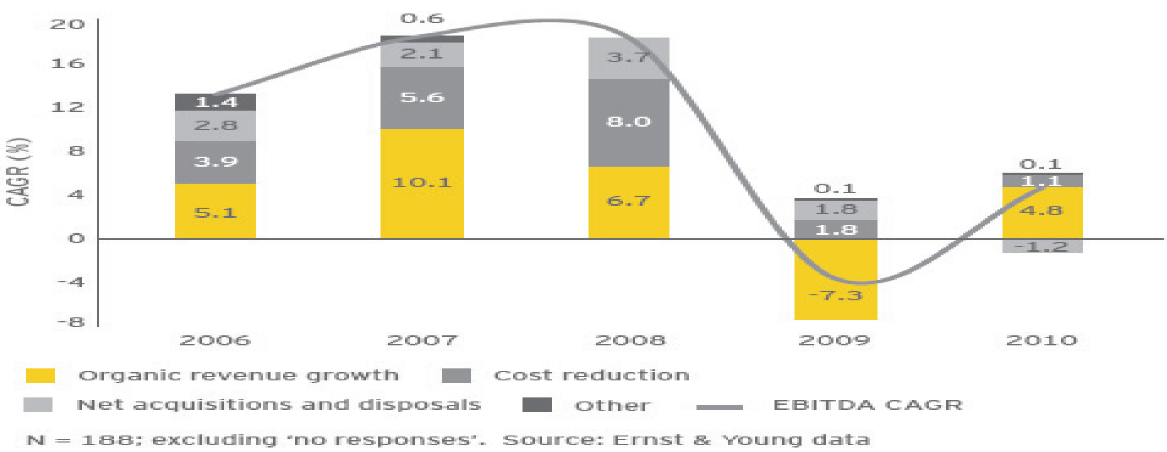
Table 2: The results of the North American and European exits

	Number of exits: North America	Europe
2010	118	57
2009	76	31
2008	51	32

Source: EVCA study.

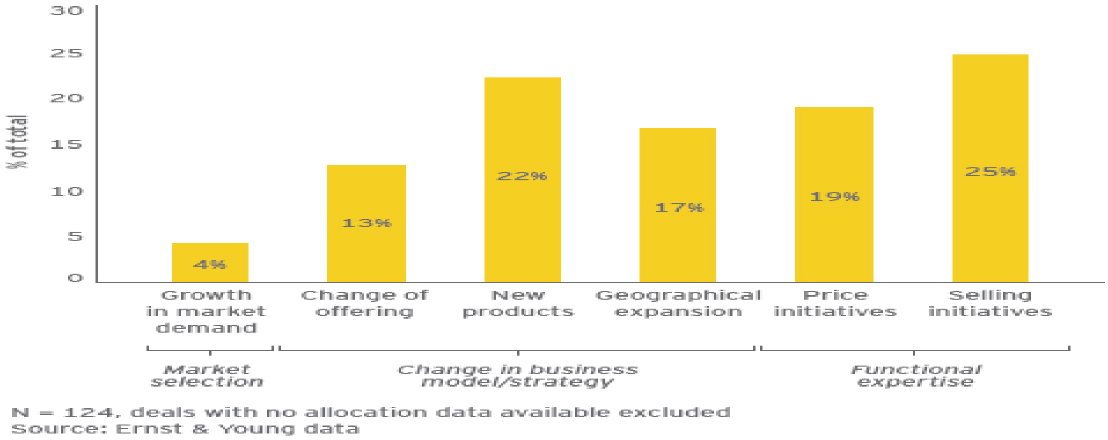
The return of Initial Public Offerings (IPOs) increased, as a total of 11 portfolio companies exited via IPO across Europe – the highest number since 2006. Another key driver of increased exit activity includes the return of secondary buyouts.

Picture 2: Sources of EBITDA growth 2006 - 10, by year of exit



According to E&Y survey Private Equity companies apply several strategies to accomplish organic revenue growth such as „changing a company's offering by, for example, repositioning it in the market, developing and selling new products and expanding geographically" and the conclusion achieved was that PE ownership is leading to fundamental changes in its portfolio companies. „The more fundamental changes that PE investors are able to achieve in portfolio companies, the greater the impact on profit growth" (E&Y survey). It also shows that PE equity adds the value to the companies unlike the arguments of critics of PE companies are heard, as seen and proven by numbers achieved (see in the picture 2.)

Picture 3: Drivers of organic revenue EBITDA growth: PE exits 2007–2010



The success and growth of the company can be achieved when top teams are backed or identified before the deal and put in place on completion. PE's active ownership and ability to replace executives, if needed, is the driver of improved performance of the companies it backs. A lot of time was devoted by PE before investment into the targeted company so that PE could observe the management at work; building strong relationships with the management team in order that PE might understand their strengths and ambitions. At the same time also any weaknesses were identified and the way how to cope with them.

3. PRIVATE EQUITY IN CENTRAL AND EASTERN EUROPE

3.1. Period 2005–2010

Central and Eastern European states (the CEE) were an investing objective during the credit crunch period for investments of private equity and venture capital. €2,5bn of private equity was invested in the region in 2009, the similar amount was invested in previous years, comparing the investment levels of 2008 and 2007. But private equity investment decreased significantly in 2010, in the amount of €1,3bn in the region it reached about 50 % of the investments of the level in past three years. In Europe as a whole, private equity investments in 2009 declined to the level of 60 % of the previous year, but in 2010 investment activity increased by some 80 %. In 2009, as a result, investment in CEE-based companies accounted for nearly 11 % of total private equity investment across Europe in 2009, comparing the year 2008 it is a 6 %-increase. In 2010 altogether investment activity in the CEE region represented 3 % of total investment value in Europe, which is 8 %-decrease comparing the year 2009.

Table 3: Investment value in the CEE region

	Annual investment value in the CEE region (2003–2010) in millions of €							
	2003	2004	2005	2006	2007	2008	2009	2010
€	448	546	508	1667	2344	2480	2447	1292

In spite of the decline in value of investments, the number of deals completed went up. More than 160 companies received private equity backing in 2010, which is a rise by nearly 30 % comparing the results in 2009, when 123 companies were financed by private equity.

Five countries in the CEE region - the Czech Republic, Poland, Romania, Hungary and Bulgaria received 93 % of the total investment value which represents 73 % out of 123 companies financed in 2009. There was nearly 60 % of the total CEE investment value absorbed by companies in the Czech Republic alone and it was the result of a small number of large investments in companies headquartered in the Czech Republic but active in several CEE countries. The year 2010 in the CEE region was similar as far as concetration of the investment activity is related, larger countries Poland, the Czech Republic, Romania, Ukraine, Bulgaria and Hungary received 94 % of the total investment value of the year 2010, which accounted for 68 % out of 160 companies financed in 2010. Poland with €657m of investment was the largest CEE private equity target absorbing more than 50 % of the total investment of the CEE region, more than doubled amount that was received in 2009. Slovakia historically recorded very few completed deals since 2007, but it was the second most active market in CEE region with 19 deals in the year 2010. (2007 – 3, 2008 – 1, 2009 – 1, 2010 – 19 completed deals.) Majority of the deals, 11 were venture capital. Similar suprising results Estonia achieved (18 completed deals, 12 in the venture segment). In 2009 there was an increase in buyouts in the CEE region about 20 %, to the level of €1.8bn of the total amount invested, whereas growth capital investments declined by 50 %, to €391m. More than 100 companies of the CEE region were financed in buyout and growth segment in 2010. Divestments from private equity – backed companies in CEE in 2009 plunged by 48 % comparing the level achieved in 2008, the amount of divestments that declined was measured using the cost of investment. Private equity firms across the region decided to hold on to their investments rather than sell in the relatively more difficult market environment.

The world class PE funds are not typically seen in Slovakia, big world PE as Carlyle Group, TPG Capital or 3i usually operate with starting investments of 150–200 mil. EUR, there are not many of such companies in Slovakia. Several big PE companies entered into Slovak companies through the Slovak subsidiaries of international companies.

Table 4: Presence of big PE in Slovak companies

Warburg Pincus NewYork	2007 2008	Centrum.cz Holding	(internet portals operator Centrum.cz and Centrum .sk Atlas.cz and sk
Apax Partners	2006	CME	Media company, that owns tele-visions Nova, Markiza and Doma
Consortium of PE funds governed by Columbia Capital and M/C Venture Partners	2008	GTS Central Europe GTS Nextra, Slovak daughter	Telecomunications operator
Malta Tuffieh PE Fund	2011	85% share in CS Cargo Group	The biggest Central Europe logistic company that is also strong in Slovakia
London's CVC Capital Partners 8th biggest PE in the world		Leaf Slovakia Levice	Producers of candies and sweets
Swiss Centralway Holding		Second-car dealers Autobazars.eu, controlled also Ceknito, pricemania/sk	Shares in the second-hand car sale

Source: processed by the autor (Trend, 2012, p.13).

Slovakia have received investment capital the most frequently in the following industry: energetics, health industry, reality, banking, and retailing.

3.2. Period 2010–2011

While Europe's developed markets saw marked declines in activity, some of the region's emerging markets showed a life. In Poland, three PE-backed companies went public, raising US$ 201.3m adding to the four which had debuted in 2010. The largest of these was Warsaw-based Kruk SA, backed by Enterprise Investors. The company, which operates in the receivables management space and was acquired in 2003, raised US$134.9m in an April offering, and returned a reported 8x the sponsor's initial equity investment.

For the third year running, PE portfolios have continued to age rapidly. In December 2009, the average holding period of investments was 3.6 years; by December 2010, it was 4.2 years. PE firms continued to find attractive investment opportunities across the region, particularly in the mid-market and large buy-out segments. Although exit activity was subdued in 2009, the overall health of CEE portfolios held up comparatively well. The PE industry continues to evolve and react to challenging economic conditions.

Table 5: Exits in CEE versus Total Europe - years 2009, 2010

Exits in CEE versus Total Europe - years 2009, 2010							
Exit value at investment costs (in € x 1000)	2009 Total CEE		2010 Total CEE		% of total in 2010	Total Europe	% of total
€/* number of companies							
Divestment by the trade sale	6326	9	15496	3	38.6	4,253,987	2.4
Divestment by public offering	17541	5	493		0.5	1,985,461	0.4
Divestment of flotation (IPO)	3267		0		0.0	998,639	.2
Sale of quoted equity	4274		493		0.5	986,821	.2
Divestment by write-offs	261	3	2721		27.6	4,084,283	1.5
Repayment of silent partnerships	0	0	0	0	0.0	111,514	
Repayment of principal loans	615	4	582	3	0.5	601,576	
Sale to another PE house	1456		5039	2	1	8,95	2.9
Sale to financial institutions	3043	5	81	2	0.1	451,562	.4
Sale to management MBO	692	6	0096	6	10.0	832,796	.4
Divestment by other means	986	6	923	1	1.0	438,466	
Total	31919	38	99531	5	100.0	19,028,618	100.0

Source: EVCA/PEREP Analytics, 2011.

Private equity recorded increased exit activity and improved returns in 2010, and in the first half of the year 2011, b) was found that EBITDA growth drove returns and c) right management from the start was discovered to be critical for superior returns. If there was a focus on emphasizing value creation in the portfolio, executing on the defined investment strategy and creating a professionalized back-office function there were prerequizites fulfilled for the success of the companies.

Global IPO markets started strong in 2011, but new issuance decreased dramatically in the second part of the year. Through November, more than two-thirds of the US$155.8b raised in 1,100+ IPOs had priced in the first half of the year. PE-backed IPOs were going up in the first half of 2011, continuing in the rise from 2010, which saw 168 PE-backed companies raise almost US$37b. Seventy companies raised US$31.4b in the first six months of 2011, which was the best result recorded.

The succesful start was reversed as investors‘ concerns about sovereign debt issues in Europe, Standard & Poor's downgrade of the US and corporate governance concerns in Asia combined to bring the IPO markets to halt. PE firms have raised only US$5.5b between July and November 2011, which was 79 %- decline from the first half of the year 2011. In spite of the challenging environment, pricing for PE-backed deals generally improved comparing it with 2010, a number of large deals took place in the first part of the year. Overall, PE-backed deals have accounted for 24 % of the global proceeds raised in 2011, the highest percentage on record.

Investments for the Visegrad Four (74 % - Czech Republic, Hungary, Poland and Slovakia) is primarily due to two factors. First, these countries have largely overcome the crisis and are now on track to macro-economic stability and reform. Secondly, they are much bigger markets than others in Central Europe and their prosperity is largely driven by German investment activities. Interest in other clusters within the wider region appears to be highly fragmented. By contrast, 6 % of investment in the Balkans (BG, MK, RO) and 9 % in Adriatics (BA, HR, SI, RS) are fragile from a macro-economic perspective because of the spillover effects of the Greek crisis. The influence of the issues affecting the Greek banking sector and its high risk margins is causing most difficulties for recovery in the Balkan countries. The Baltics (0 %) are performing well from a macro-economic perspective, but because they are much smaller markets they have fewer opportunities to attract investment from abroad. (EVCA study, 2011).

According to the survey of the Deloitte company in the private equity area the confidence of managers and investors of Central European region was growing and was almost on the level of times of the year 2008 before the financial crisis. In Slovakia, according to the director of the department of the financial consulting Maroš Sokolovský in Deloitte company, the year 2010 brought a stabilization after years 2008 and 2009. This trend could be observed in Slovakia where some private equity players started acquisition activity in the areas where there was no activity before or they try to improve companies‘ performance in the existing portfolio. The present problems of the EU due to Greece and other countries‘ high public debts had an impact on macroeconomic enviroment, and thus, also an originally expected increased number of transactions in the region of Central Europe were negatively influenced in the second half of the year 2011. The uncertain economic climate is having an impact on confidence. In October 2011 the index of confidence among the PE players in CEE declined radically almost to the historical minimum from the year 2003. The following factors are considered as the reasons of this fall a) the limitated use of the bank resources for financing the acquisitions, b) uncertainty in measuring the fair values of the companies after the problems in Eurozone, c) uncertain economic future (Trend, 2012).

4. CONCLUSION

Private equity firms have become attractive investment vehicles for wealthy individuals and institutions also crisis significantly affects the behaviour of investors. So far results are favourable for PE companies according to European study research survey. The gross return on the PE exits shows over 3x the public market return. These results were acomplished becasue PE have outperformed public companies on all key value drivers: +2.1 % in EBITDA growth, +0.1 % in employment growth and +0.7 % in productivity growth and valuation multiples. Corporates had not staged a major comeback on the M&A market, in spite of having built up significant cash reserves.” However, PE has been proving that its active ownership enables it to create stronger and more profitable businesses and that its industry remains robust. PE business model is an active form of ownership that drives growth in the companies it backs through fundamental and transformative change. This is good for the economy as a whole but also for PE, that has consistently out-performed the public markets as a result. PE buyers are setting the quality threshold higher on deals sourced from PE portfolios in response to LP concerns around how much value can be added to companies by successive PE owners. PE investors know that the companies in PE portfolios have to be further developing, have to attract investors by their profitability, sustainability in order to exit succesfully. The year 2011 brought negative economic climate with the debt crises in Europe and in the USA. LPs are more cautious, corporates have not yet staged a major comeback on the M&A market, despite having built up significant cash reserves. They show interest in sectors such as IT and healthcare, but corporates will remain highly selective in the acquisitions they undertake. LPs are also increasingly looking for evidence of operational improvement in PE portfolio companies. The LPs more often invest directly into private companies and predict that PE companies will be decresing. In the time of financial distress it also can be observed that PE companies hold longer investment in companies, sometimes the difference between PE fund and hedge fund are disappearing.

According to Reuters private equity firms are expected to devote even more money and resources in emerging markets. PE investments into emerging markets increased 110 % between 2009 and 2010, and the trend has no signs of slowing, such as countries of BRIC and MENA specifically, but also surrounding frontier markets like Peru, Nigeria and Vietnam.

The fund investment process has professionalized significantly over the last few years, the knowledge management helps to promote knowledge in the managing the companies by PE companies. In the information age it is necessary to realize that the manager equipped with the proper knowledge is crucial for efficient and effective managing the company. Knowledge management efforts typically focus on organizational objectives such as improved performance PE portfolios, their competitive advantage, innovation, the sharing of lessons learned, integration and continuous improvement of the company porfolios. New modern forms of obtaining capital and also professionalized processes of management assist LPs who endowed with knowledge are able to conduct much more thorough due diligence on new PE funds than they used to do in the past, are able to drill down into each PE manager's ability to add value. Those able to demonstrate a well-defined strategy of choosing the right markets to invest in and successful execution of value creation plans in their portfolio companies should continue to attract good levels of LP capital and this is also the advice for those companies which would like to be the targeted companies for the capital from PE fund.

The results of CEE regions in spite of its size is still attractive for investors, PE or venture capital investors will find the CEE region attractive although with smaller targets for their investments which may be correct decision for the time when money is scarce and limited. The faster the situation in Eurozone will stabilize the quicker proces of recovery in economic activities can be expected.

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