



The Growth Capital Investor for Central and Eastern Europe

www.3tscapital.com

Investment and Risk Management in Private Equity and Venture Capital

Daniel Lynch, Managing Partner

28 August 2014



3TS Regional Fund - TCEE Growth Fund III

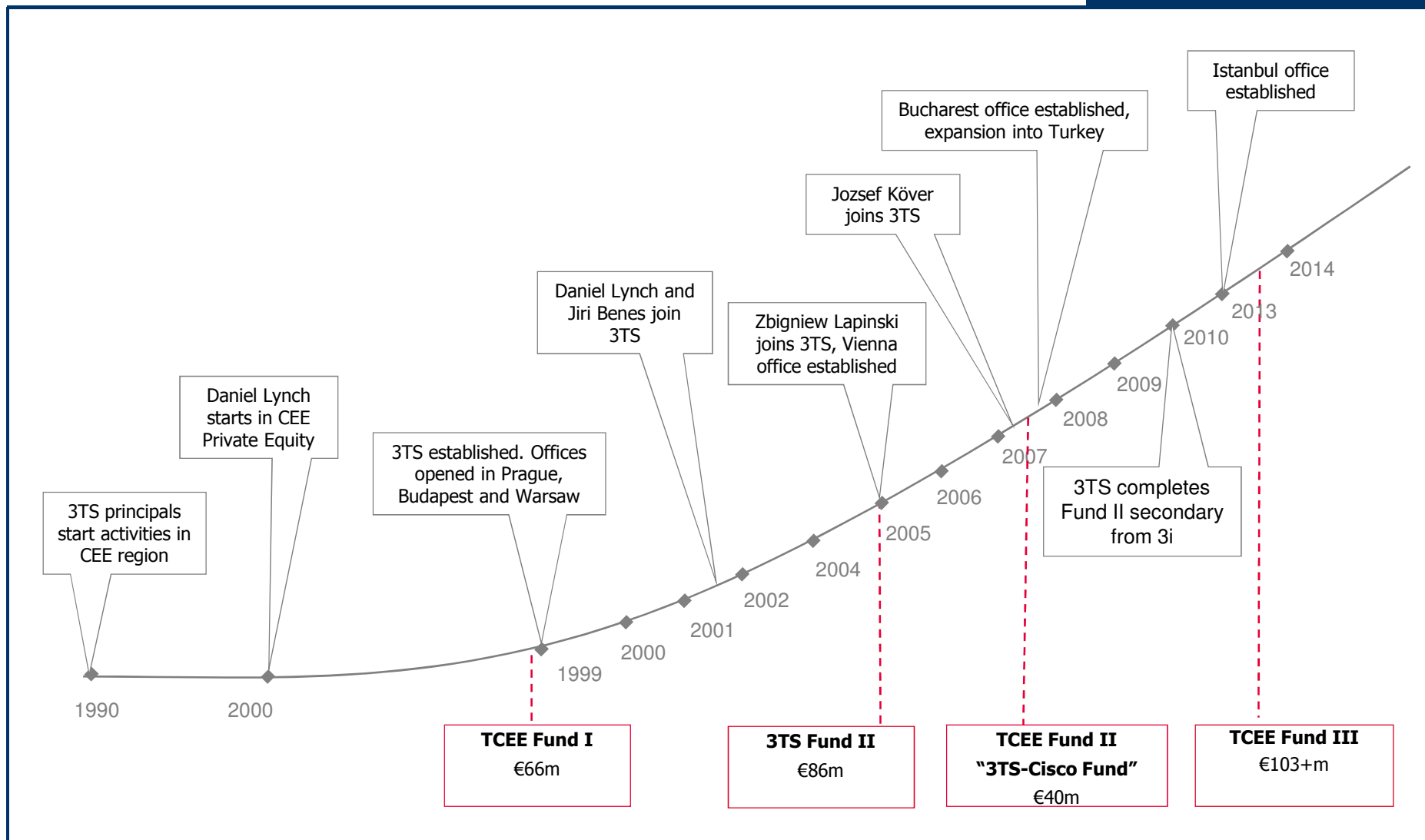
Targeting high growth companies in the **TMT** sectors (**T**echnology & Internet, **M**edia & Communications, **T**echnology Enabled Business and Consumer Services) in Central and Eastern Europe

- 3TS Team:** Team of 15 professionals in the offices across the CEE region. Hands-on approach.
- Equity Investments:** Initially €2 – 10m (max €15m/company incl. follow-ons); Growth capital and buyouts
- Portfolio Size:** 10-15 companies
- Portfolio Mix:** Balanced mix of countries, sub-sectors, stages and investment types; both Local Leaders and Global Challengers.
- Track Record:** More than 40 investments since inception, more than half successfully exited.





3TS History





3TS CAPITAL PARTNERS

Sample of Current and Past 3TS Companies



Web Services Software



Remote Access SaaS



Mobile Operator



E-Business Solutions



Content Monetization



Mobile Content Solutions



CATV Hardware



Online Media Agency



FSO Communication Lasers



Online Dating



Online HR Services



Document Management



Mobile Operator



FX Trading Platform



Software Ecommerce



CabelTV & ISP



Mobile Phone Repair



Mail Server Software



Online Insurance



eCommerce



Online Media



Online Tools



ITSM Cloud Platform



Social Media



CabelTV & ISP



Online Media



Investment strategy - Balanced TMT Portfolio

Local Leaders

- Proven business models and technologies
- Mainly media, online businesses, operators and technology enabled services
- 2-3x solid base case returns with limited downside risk - safer risk profile
- Higher returns possible in case of regional/international expansion
- 5 out of the 10 earlier TCEE Fund II investments, 48% of the capital

Global Challengers

- True world class innovation; global reach and ambition
- Mainly cloud/SaaS software applications, internet innovations, etc.
- 0-10x return potential, higher risk
- 5 out of the 10 earlier TCEE Fund II investments, 52% of the capital

Solid Return Outlook

- Based on the previous track record of the 3TS team, the strong 3TS competitive position in the CEE region and the balanced investment strategy of the fund, it is reasonable to expect that the fund net returns are likely to be in the 1.7-2.2 x cash-on-cash (or in the 15-20% net IRR range)

Deal Origination

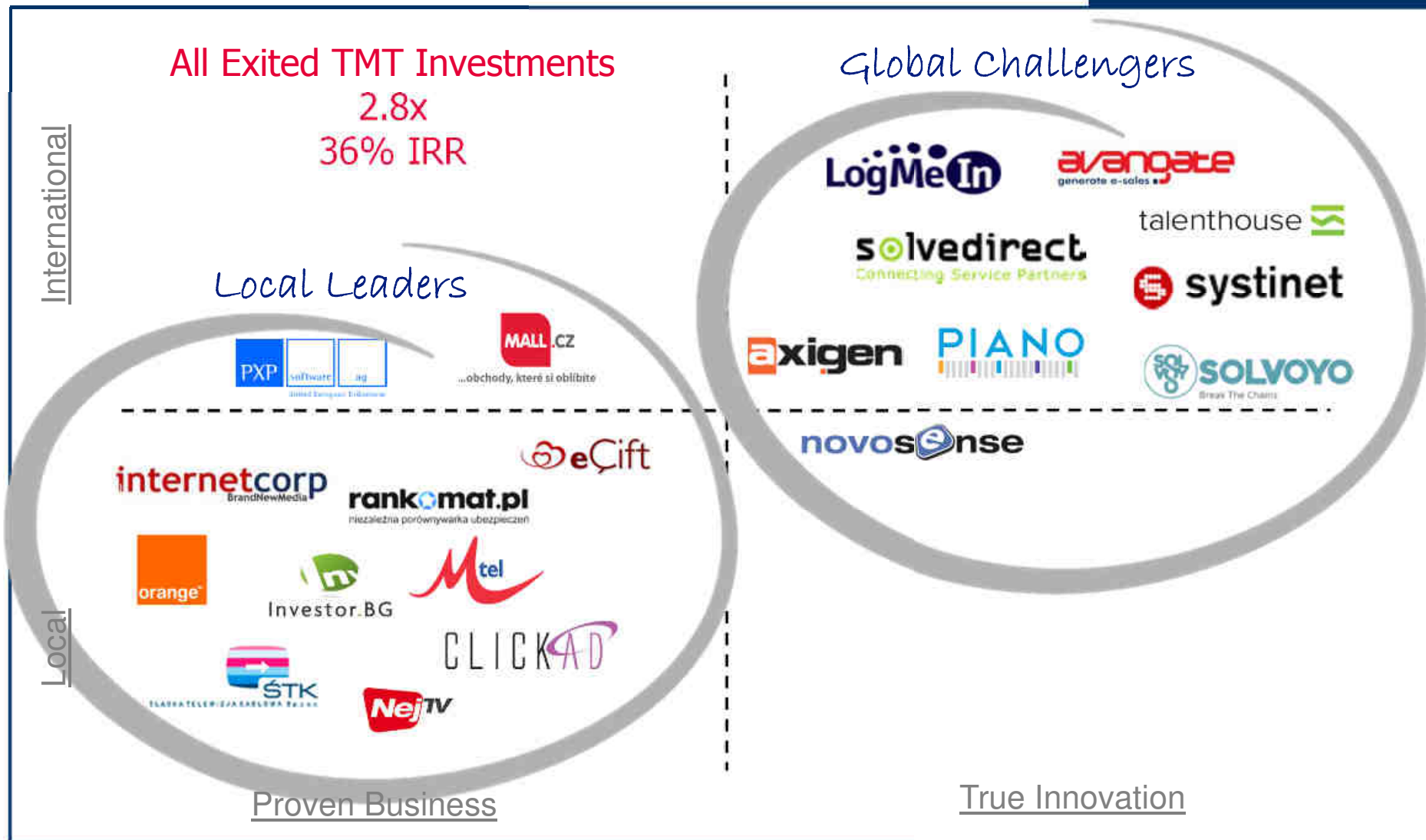
- Balanced across entire CEE region,
- Managed exposure to single sector, country or currency

Investment Stage

- Focus on expansion stage solid growth companies
- Earlier stage investments only in exceptional cases (known entrepreneurs, etc.)
- Sufficient follow on reserves



3TS Investment strategy - Balanced TMT Portfolio



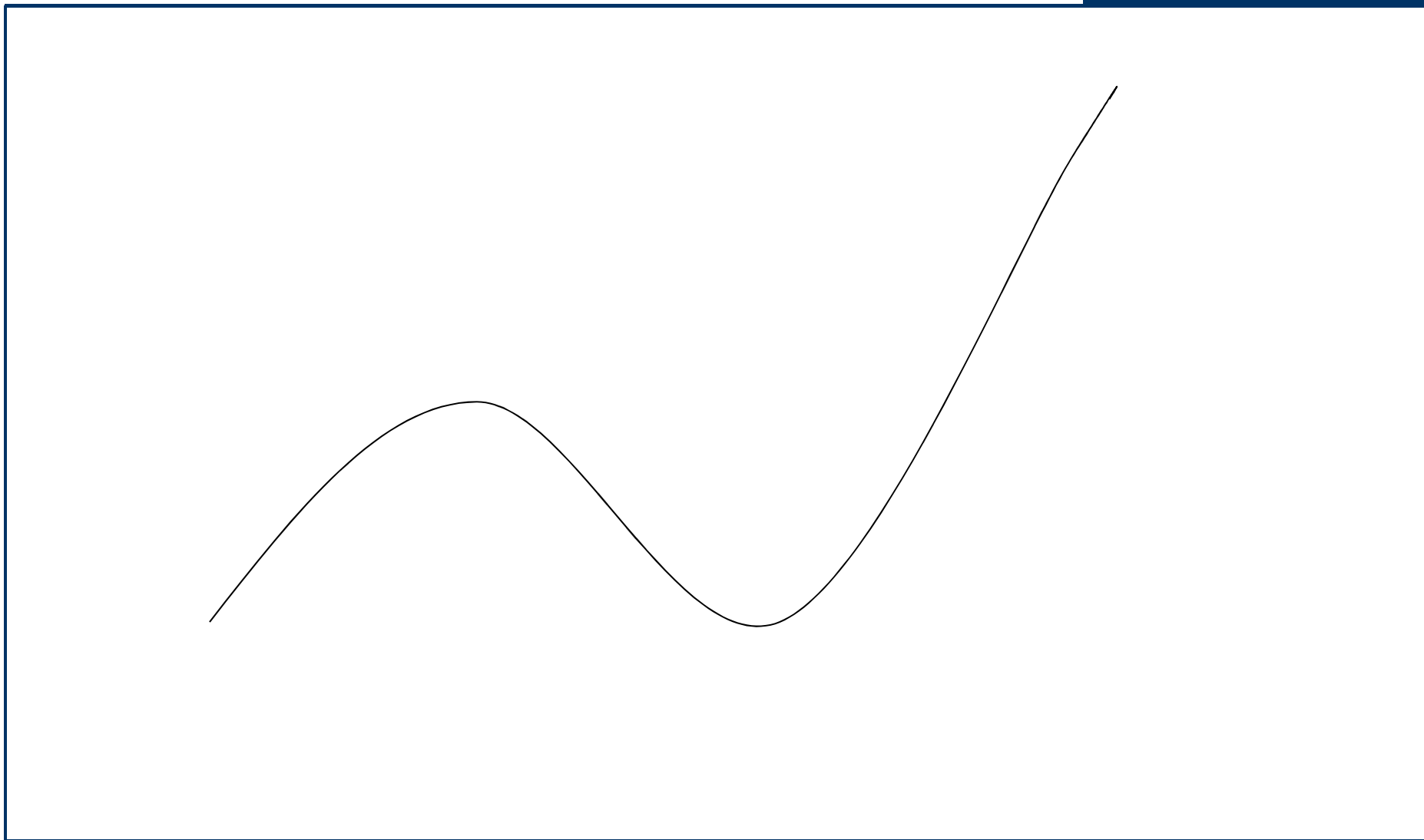


Balanced Strategy & Risk Mitigation

	Investment Type	Investment Stage	Geography	Currency/FX
Risk mitigation	<u>Global Challengers</u> - 50% of capital - 6-8 companies - higher risk, high return potential (0-10x) - Mainly CEE to US expansion	<u>Early</u> - 5-10% of capital - 1-2 companies	-Large region with 14 countries and 200M population - 3TS Team has invested in 11 countries - Current strong deal flow across 6-7 core countries - No more than 25% of capital in any one country	-EUR based fund - SLK, SLO & EST have EUR -PL, CZ, BG, RO & TR have own relatively stable currencies -Built-in hedge on the op-co level (€ pricing etc.)
	<u>Local Leaders</u> - 50% of capital - 4-6 companies - lower risk, lower but more predictable returns (2-4x)	<u>Expansion</u> - 70-90% of capital - 10-12 companies		
	+++	++	++	+-



Investment Hype Curve





3TS Investment Experience Covers Entire CEE

Bringing growth companies as Global Challengers to Western Europe, US, and Asia





Balanced Strategy & Risk Mitigation continued

	Sectors	Management	Investment Structure	3TS Team
	<ul style="list-style-type: none">-TMT/TEs sectors and subsectors where 3TS team has solid prior experience- Core focus on cloud/SaaS software applications, online media, internet tools/analytics, business services etc.-Solid corner stone investments in TMT operators, technology enabled services, etc.	<ul style="list-style-type: none">-Management audits part of due diligence process- Management augmentation key-Avoiding single entrepreneur/manager risk-Hands-on board members-Incentives aligned with 3TS/Fund goals	<ul style="list-style-type: none">-Both minority and majority investments mostly with strong shareholder rights and preferred structures-Riskier opportunities get smaller initial amounts until proven-Sufficient follow on reserves-Only exceptional use of leverage	<ul style="list-style-type: none">-Two senior complementary persons on each deal-Plus 1-2 juniors/analysts in support as needed-Effective use of external experts- Carried interest distributed to the broad team and based on actual performance
Risk mitigation	++	+	++	++



CEE sources of seed and early stage financing

		# Funds	Amount			# Funds	Amount
Poland	MCI Tech Ventures IIF Group						
Czech Republic	Credo Ventures Benson Oak		17	Baltics	BaltCap (JEREMIE) AMBIENT Sound Invest. EKO Investors	2	50 100 n/a
Slovakia	SAEF Future EIF JEREMIE	4	31	CEE Regional	Enterprise Investors VC 3TS Capital Partners		100 40
Hungary	JEREMIE Programs Docler iEurope Danube Fund	8	160 n/a 10 20	Occasionally or regularly CEE/Turkey	Earlybird Other Germanic VCs (e.g. BMP, Rocket) Hummingbird Sunstone		100 n/a 30 85
Romania	Catalyst Romania (JEREMIE)	1	25	Global VCs	Accel Kleiner Perkins Summit Intel Capital		
Bulgaria	NEVEQ (JEREMIE)	3	30 40				
Turkey	iLab Ventures 212 Ventures		n/a 25				

Investment Case - Avangate

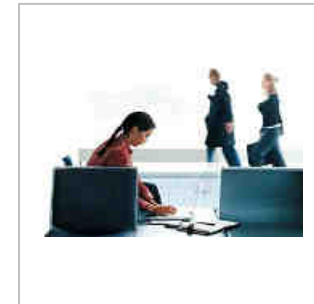


Company

Country: Romania (HQ in California USA)
 Sector: T&T – Electronic Software Dist.
 Web: www.avangate.com

\$m	2010	2012
Revenue	5.7	14.8
EBITDA	0.4	-2.5
Employees	65	110

- Avangate is an eCommerce solution provider trusted by small and mid-sized Software and SaaS companies to grow their revenue worldwide through the facilitation of their online sales channel across multiple countries, multiple revenue models and multiple currencies.



Investment

Fund: TCEE II	Amount: € 4.0 M	Valuation: € 4.0 M unrealised	Exit Strategy: Trade Sale
Date: 02/2011	Share: 20.43%	Co-Investor:	Returns:
Type: Expansion			

- Investment in Q1 2011 to support the international expansion of the Company including relocation of the headquarters to the USA.
- Invested alongside Romanian serial entrepreneur, Radu Georgescu, who sold his previous companies to Microsoft and Naspers.
- According to benchmarking by Forrester Research one of the most efficient eCommerce businesses in the space

3TS Impact

- Actively involved in hiring new CEO, CFO, Head of Sales, Marketing/Product Manager, NxD Directors.
- Support in strategy formulation, HQ move to the US and the planning of the global expansion
- First institutional investor giving financing and credibility to attract the US institutional investors
- Assisted with network for their European road show of new product brand "SkyCommerce".
- Active board work to strike a balance between high growth and cash preservation
- Supported the raising a € 2.8m working capital loan facility in Q4 2011 to take the company to full funding.





3TS Contact Information

Fund key contact details:

3TS Prague

3TS Capital Partners
Americka 23
CZ-12000 Prague 2
Czech Republic

Daniel Lynch, Managing *Partner, Prague*
T +420 225 990 856
dlynch@3tscapital.com