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 (**Technology & Internet**, **Media & Communications**, **Technology 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

1990
- 3TS principals start activities in CEE region

2000
- Daniel Lynch starts in CEE Private Equity
- 3TS established. Offices opened in Prague, Budapest and Warsaw
- Daniel Lynch and Jiri Benes join 3TS

1999
- Zbigniew Lapinski joins 3TS, Vienna office established

2001
- Bucharest office established, expansion into Turkey

2002
- Jozsef Köver joins 3TS
- 3TS Fund II €86m

2004
- Daniel Lynch starts in CEE Private Equity
- 3TS completes Fund II secondary from 3i

2005
- Zbigniew Lapinski joins 3TS, Vienna office established
- TCEE Fund II “3TS-Cisco Fund” €40m

2006
- 3TS Fund II €86m

2007
- TCEE Fund II €66m

2008
- 3TS completes Fund II secondary from 3i

2009
- Jozsef Köver joins 3TS
- Istanbul office established

2010
- 3TS Fund II €86m

2013
- Jozsef Köver joins 3TS

2014
- TCEE Fund III €103+m

2015
- Istanbul office established
Sample of Current and Past 3TS Companies
### 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

All Exited TMT Investments
2.8x
36% IRR

Global Challengers
- LogMeIn
- avangate
- talenthouse
- systinet
- solvedirect
- solvoyo
- axigen
- PIANO
- novosense

Local Leaders
- PXP
- MALL.CZ
- internetcorp
- rankomat.pl
- eCift
- orange
- Investor.BG
- Mtel
- CLICKAD
- STK
- NejTV

Proven Business

True Innovation
### Investment Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Currency/FX</th>
</tr>
</thead>
</table>
| **Global Challengers** | - 50% of capital  
- 6-8 companies  
- higher risk, high return potential (0-10x)  
- Mainly CEE to US expansion | - EUR based fund  
- SLK, SLO & EST have EUR  
- PL, CZ, BG, RO & TR have own relatively stable currencies |
| **Local Leaders**       | - 50% of capital  
- 4-6 companies  
- lower risk, lower but more predictable returns (2-4x) | 

### Investment Stage

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Risk mitigation</th>
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</table>
| **Early** | - 5-10% of capital  
- 1-2 companies | +++             |
| **Expansion** | - 70-90% of capital  
- 10-12 companies | ++              |
| **Late** | - 10-20% of capital  
- 1-2 companies | ++              |

### Geography

- 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

### Risk mitigation

- Balanced Strategy & Risk Mitigation
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

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Management</th>
<th>Investment Structure</th>
<th>3TS Team</th>
</tr>
</thead>
</table>
| - 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. | - 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 | - 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 | - 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:

- **Sectors**: TMT/TES sectors and subsectors where 3TS team has solid prior experience.
- **Investment Structure**: 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.
- **3TS Team**: 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.
### CEE sources of seed and early stage financing

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

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.

<table>
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<tbody>
<tr>
<td>Web: <a href="http://www.avangate.com">www.avangate.com</a></td>
<td></td>
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Revenue | 2010 | 14.8 |
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<tr>
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<tbody>
<tr>
<td>2012</td>
<td>5.7</td>
<td></td>
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EBITDA   | 2010 | -2.5 |
<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>2012</td>
<td>0.4</td>
<td></td>
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</table>

Employees | 2010 | 110 |
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>65</td>
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Investment

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

Fund: TCEE II

Date: 02/2011

Type: Expansion

Amount: € 4.0 M

Valuation: € 4.0 M unrealised

Co-Investor: 20.43%

Exit Strategy: Trade Sale

Returns:

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:

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