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The Croatian Annual PE&VC Investment Awards Conference

6th July 2022
Hotel Westin, Zagreb and livestream
www.bestinvest.hr

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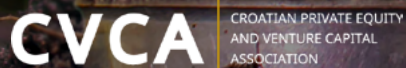
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WELCOME BACK TO BESTINVEST CROATIA!



BestInvest Croatia as an investment and business awards conference continues. For the second year in a row, we bring together investors and entrepreneurs who have achieved business success by working together in line with our slogan – *Support the best & transform the rest*. I can say that with confidence, because behind every private equity and venture capital investment is recognition for the best entrepreneurial projects with global market access and high growth potential. Such business successes, by their own example and impact, directly influence economic development, positive transformation and long-term sustainability of the entire Croatian economy and society as a whole.

My statements are not a matter of personal impression, but facts backed up by concrete figures. During the crisis caused by the pandemic, when the whole world turned upside down, our industry did not give up. Unlike many other industries and national economies, it grew and progressed strongly. In the paralyzing pandemic of 2020, annual growth was over 50%. Last year, private equity and venture capital investments growth accelerated to 140% on the annual basis!

I am presenting official statistics (Invest Europe) stating that direct investment by private equity and venture capital in Croatia in 2021 amounted to EUR 312 million. The official methodology for collecting the statistics does not include bank financing of the transaction, individual indirect investments and some of our globally successful scaleups that have moved their official headquarters outside the borders of our country. According to our internal data, we at the Croatian Private Equity and Venture Capital Association (CVCA) estimate that we attracted more than EUR 800 million of private equity and venture capital investment in Croatia last year.

However, when we step outside the figures and look at the contribution of the private equity and venture capital industry to our economy and society as a whole, and above all, to our everyday lives, it seems that we have achieved even more than the figures show. To illustrate, let me provide you with an example of how the private equity and venture capital industry is transforming our lives and impacting the everyday experience of most Croatian citizens. Let's focus on a moment on a typical day that most of us have.

Imagine waking up, drinking your first coffee in the morning, and sending a WhatsApp message to a family member or a colleague. Many may not know that our giant from Vodnjan – Infobip, Croatia's first official unicorn, worth more than a billion dollars, is behind WhatsApp in terms of technology. The morning continues with an excellent breakfast in the bakery of choice – whether it is Mlinar or Pan-Pek, it does not matter. As you can rightly guess, behind both Mlinar and Pan-Pek, there is a private equity investor.

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Further, it is not hard to imagine being late for work and scheduling Bolt for transport. Once again, this company has grown thanks to venture capital. As the day continues, you order lunch at work by Wolt. You guessed it, venture capital is behind this company too. You go home and stop at a nearby shop – Studenac, Lonia or Tommy, it does not matter, because private equity capital is behind every one of them. To get or stay in shape, you go for a workout - in the equipment you bought at Intersport. You guessed it; a private equity fund also owns Intersport.

Your child has a maths test, and you want to help, but you're not sure how to check his assignments quickly and efficiently. Well, it is much easier with the Photomath app, so you can scan the assignment with your smartphone and check the solution. Of course, Photomath is also funded by venture capital and is a successful Croatian scaleup company. At the end of the day, you switch on the TV and watch the Nova TV news. Of course, this company is also owned by private equity capital.

This example confirms that the Croatian economy today is fundamentally different from ten years ago. The investment climate is better, the laws are better, and our reputation as a startup nation in the world is the best. In terms of unicorns per capita, Croatia is becoming the world leader, catching up with current world leader Estonia and long-time leader Israel. This would not have happened without private equity and venture capital investment!

As I stressed last year, I still believe that the best investment years are ahead of us, as is the transformation of the Croatian economy, which we are promoting through investment support for the best entrepreneurial projects. The private equity and venture capital investment model has proven to be resilient to all the black swans surrounding us: pandemics, energy crises and geopolitical conflicts. We grew in the crisis caused by the pandemic, and we believe that the global crisis caused by the war in Ukraine will not stop us.

The resilience of the private equity and venture capital industry can be partially explained by the long-term commitments and investment life cycle. Turning back to the figures, members of the Croatian Private Equity and Venture Capital Association (CVCA) jointly manage over EUR 3 billion, and they include all PE/VC funds with headquarters or representative offices in Croatia. There is no doubt that the Croatian private equity and venture capital industry has grown to be a transformative force for our economy and society.



Mirna Marovic

President of the Croatian Private Equity and Venture Capital Association (CVCA)

CONFERENCE PROGRAMME

8:30 – 9:00 **REGISTRATION AND WELCOME COFFEE**

Please come early to take advantage of networking before the official start of the conference.

9:00 – 9:10 **CONFERENCE CHAIR WELCOME ADDRESS**

Mirna Marovic, President Croatian Private Equity and Venture Capital Association (CVCA)

9:10 – 9:45 **KEYNOTE ADDRESS**

Miljan Zdrale, Head of Agribusiness, CSEE EBRD, Department of Banking/ Industry, Trade and Agribusiness, CSEE, European Bank for Reconstruction and Development (EBRD)

Tamara Perko, President of the Board, Croatian Bank for Reconstruction and Development (HBOR)

Davor Huska, Director of the Directorate for Finance and Information and Telecommunication Systems, Ministry of Regional Development and European Union Funds, acting as a delegate of the Minister

Natasa Mikus Zigman, State Secretary of the Ministry of Economy and Sustainable Development, acting as delegate of the Prime Minister of the Republic of Croatia

9:45 – 10:20 **BESTINVEST.HR AWARD CEREMONY**

Award ceremony with a short presentation of the nominees by the expert jury in six categories:

1. PRIVATE EQUITY INVESTMENT OF THE YEAR

(awarded by Ivana Gazic, President of the Board, Zagreb Stock Exchange and Velimir Srica, University Professor Emeritus / member European Academy of Sciences and Arts / Management and IT Consultant)

2. VENTURE CAPITAL INVESTMENT OF THE YEAR

(awarded by Hajdi Cenan, President CroStart Up / VicePresident, CroAI and Leo Mrsic, PhD, Director, AlgebraLAB / Vice Dean for Research and Development, Algebra)

3. FUNDRAISING OF THE YEAR

(awarded by Professor Marijana Ivanov, PhD, Faculty of Economics / VicePresident, Croatian Exporters and Hrvoje Serdarusic, Financial Analyst, serdarusic.com)

4. FOUNDER OF THE YEAR

(awarded by Zeljko Krizmanic, Coordinator Bird Incubator and Bernard Ivezic, Editor of the Startup Report by Jutarnji list, journalist Jutarnji list)

5. INVESTOR OF THE YEAR

(awarded by Goran Saravanja, Chief Economist, Croatian Chamber of Economy)

6. EXIT OF THE YEAR

(awarded by Morana Plejic, Head of Progress market, Zagreb Stock Exchange (ZSE) and Ognjan Despot, Head of CEE, Funderbeam)

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CONFERENCE PROGRAMME

- 10:20 – 10:30 PRIVATE EQUITY CASE STUDY**
How to prepare the company to attract leading players from the industry?
Case study of bringing leading Japanese investors to Sesvete

Kresimir Secak, General Manager Nipro PharmaPackaging Croatia,
Global Operations Excellence Director
Ivan Zec, Partner, Blue Sea Capital
Mila Cicek, Director, Blue Sea Capital
- 10:30 – 10:50 COFFEE BREAK**
Take advantage of networking with the leading private equity and venture capital investors, as well as the founders of successful startups and scaleups.
- 10:50 – 11:30 PANEL DISCUSSION: PRIVATE EQUITY INVESTORS**
Aleksandar Dragicevic, Principal, MidEuropa
Slaven Kordic, Invera Equity Partners
Marko Galic, Partner, Provectus Capital Partner
Vanja Vlak, Direktor, Prosperus Invest
Kresimir Gjenero, Partner, Mezzanine Partners
Moderator: Vladimir Nisevic, Editor in Chief of The Poslovni dnevnik
- 11:30 – 12:10 PANEL DISCUSSION: VENTURE CAPITAL INVESTORS**
Valeri Petrov, Partner, Eleven Ventures
Domagoj Oreb, Managing Partner, Feelsgood Capital Partners
Stevica Kuharski, Principal, Fil Rouge Capital
Ljudevit Stantic, Investment Associate, South Central Ventures
Moderator: Mirna Marovic, President, CVCA
- 12:10 – 12:40 PANEL DISCUSSION: FEMALE FOUNDERS**
Nika Pintar, CEO & Co-founder, Cidrani
Hajdi Cenan, CEO & Co-founder, airt
Tana Zimmermann, CEO & Co-founder, Bazaar.hr and Bazaar.rs
Sabine Gradistanac Skrgatic, CEO & Co-founder, BE-ON
Moderator: Bernard Ivezic, Editor of the Startup Report, journalist Jutarnji list
- 12:40 – 13:10 PANEL DISCUSSION: FOUNDERS**
Domagoj Boljar, COO & Co-Founder, Miret
Mislav Malenica, CEO & Founder, Mindsiths
Matija Zulj, CEO & Co-Founder, AGRIVI
Roko Zivkovic, Co-Founder, Metamorfoza Ltd. (Museum of Illusions)
Moderator: Renata Brkic, Managing Partner, Feelsgood Capital Partners
- 13:10 – 13:20 CONFERENCE CHAIR'S CLOSING REMARKS**
Mirna Marovic, President, CVCA
- 13:30 LUNCH** *Event organiser reserves the right to modify the preliminary conference programme.*

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SPEAKERS

CONFERENCE OPENING



Mirna Marovic

*President, Croatian Private Equity and Venture Capital Association (CVCA),
Managing Director, VentureXchange Ltd.*

CEREMONIAL CONFERENCE OPENING



Miljan Zdrale

*Head of Agribusiness,
CSEE EBRD, Banking
Division/ Industry,
Commerce and
Agribusiness*



Tamara Perko

*President of the Board,
Croatian Bank for
Reconstruction and
Development (HBOR)*



Davor Huska

*Director of the Directorate for
Finance and Information and
Telecommunication Systems,
Ministry of Regional Development
and European Union Funds*



Natasa Mikus Zigman

*State Secretary of the Ministry
of Economy and Sustainable
Development*

PRIVATE EQUITY CASE STUDY



Kresimir Secak

*General Manager Nipro
PharmaPackaging
Croatia, Global Operations
Excellence Director*



Ivan Zec

*Partner,
Blue Sea Capital*



Mila Cicek

*Director,
Blue Sea Capital*

SPEAKERS

PANEL DISCUSSION: PRIVATE EQUITY INVESTORS



Aleksandar Dragicevic

*Principal,
MidEuropa*



Slaven Kordic

*Managing Partner,
Invera Equity Partners*



Marko Galic

*Partner,
Provectus Capital Partners*



Vanja Vlak

*Director,
Prosperus Invest*



Kresimir Gjenero

*Partner,
Mezzanine Partners*



Vladimir Nisevic

*Editor in Chief of
The Poslovni dnevnik*

PANEL DISCUSSION: VENTURE CAPITAL INVESTORS



Valeri Petrov

*Partner,
Eleven Ventures*



Domagoj Oreb

*Managing Partner,
Feelsgood Capital*



Stevica Kuharski

*Principal,
Fil Rouge Capital*



Ljudevit Stantic

*Investment Associate,
South Central Ventures*



Mirna Marovic

*President, Croatian Private Equity and
Venture Capital Association (CVCA),
Managing Director, VentureXchange Ltd.*

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SPEAKERS

PANEL DISCUSSION: FEMALE FOUNDERS



Nika Pintar

*CEO & Co-founder,
Microdrinks / Cidrani*



Hajdi Cenani

*CEO & Co-founder,
airt*



Tana Zimmermann

*CEO & Co-founder,
Bazzar.hr and Bazzar.rs*



Sabine Gradistanac Skrgatic

*CEO & Co-founder,
BE-ON*



Bernard Ivezić

*Editor of the Startup Report by
Jutarnji list, journalist Jutarnji list*

PANEL DISCUSSION: FOUNDERS



Domagoj Boljar

*COO & Co-Founder,
Miret*



Mislav Malenica

*CEO & Founder,
Mindsiths*



Matija Zulj

*CEO & Founder,
AGRIVI*



Roko Zivkovic

*Co-Founder, Metamorfoza Ltd.
(Museum of Illusions)*



Renata Brkic

*Managing Partner,
Feelsgood Capital Partners*

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AWARDS BY CATEGORY



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PRIVATE EQUITY INVESTMENT OF THE YEAR (2021)



Provectus Capital Partners (PCP) acquired Keindl Sport, the leading regional sports equipment wholesaler & retailer. Following the PCP investment, Keindl Sport engaged in retail expansion strategy, by opening three new stores and acquiring three specialty bicycle retailers: SV Sport and On-off in Croatia and Energija in Slovenia.

SPECIALTY RETAIL (BICYCLES & OUTDOOR)



Provectus Capital Partners created Adria Dental Group (ADG) - the largest dental group in Adria region - via a series of acquisitions of leading dental clinics and laboratories in Croatia: (i) Polyclinic Arena (Zagreb); (ii) Salona Dental Polyclinic and Dental Laboratory VT (Split); and (iii) Rident and Ridental (Rijeka & Poreč). ADG has 350+ employees, 60+ high-tech dental offices and 140+ specialists across all branches of dental medicine.

PRIVATE DENTAL CARE



Invera Equity Partners (Invera), an equity fund management company, has finalized its investment in Metamorfoza Ltd. (Croatia), including wholly (100%) owned subsidiaries in Hungary and the United States. The IEP thus acquired a majority (65%) stake in the company and undertook to increase the company's capital in the amount of EUR 3 million. Metamorfoza Ltd. is behind a very successful global franchise Museum of Illusions, Croatian design and product successfully scaled to several countries and cities globally.

ENTERTAINMENT



Croatian private equity fund Prosperus Growth has entered a strategic partnership with Neos, a Croatian company specializing in the most technologically advanced IT solutions.

IT



Provectus Capital Partners created Aviva Medical Group (AMG) – the largest healthcare provider which operates on private market in Croatia. The group consists of (i) Aviva Poliklinika, (prevention, diagnosis, treatment, and rehabilitation); (ii) Dijagnostika 2000 Polyclinic (focus on radiology); (iii) Uro Centar Polyclinic (focus on urology); and (iv) Special Hospital Nemec (focus on orthopedics). AMG has 170+ employees, of which 80+ doctors in 24 medical departments.

PRIVATE HEALTHCARE



Rohatyn Group (TRG), a US asset management fund, sold Pet Network International to private-equity fund, A&M Capital Europe. Pet Network International was formed by the merger of several retail chains specializing in the sale of pet products that Rohatyn Group purchased in 2018.

PET CARE RETAIL GROUP

VENTURE CAPITAL INVESTMENT OF THE YEAR (2021)



Photomath successfully raised USD 23 million Series B round led by lead investor Menlo ventures in February 2021.

MATH LEARNING APP



Cognism has raised USD 10 million in March 2021 from Verve Ventures and AXA Venture Partners in Series C.

SALES INTELLIGENCE PLATFORM



On November 2, 2021, Rimac was announced CEO of Bugatti Rimac, a joint partnership between the Rimac Group, Bugatti, and Porsche AG. Porsche has further increased its investment into Rimac Automobili, expanding its stake in the business to 24% with an additional EUR 70 million. Porsche bought a 10% stake of the business in 2018, before increasing it to 15.5% in 2019.

ELECTRIC HYPERCAR MANUFACTURER



Gideon (ex-Gideon Brothers) raised a USD 31 million Series A round led by Koch Disruptive Technologies in June 2021.

AUTONOMOUS MOBILE ROBOTS



Top Digital Agency (TDA) is a global B2B platform that helps businesses quickly outsource their digital projects. TDA raised a total of EUR 5.2 million in funding over 3 rounds. The latest funding was raised on Aug 25, 2021, from a Series A round. TDA's most recent investors are Feelsgood and Fil Rouge Capital (FRC).

INTERNET MARKETING SERVICE



Lebesgue is an AI – powered digital marketing consultant. It helps e-commerce stores make smarter marketing decisions and boost ROI by analyzing all their core metrics and providing actionable insights. Lebesgue's latest funding round was a Seed VC for USD 0.56 million on March 19, 2021.

SOFTWARE DEVELOPMENT



Croatian venture capital fund Feelsgood invested EUR 0.745 million in Agrivi in December 2021 closing the financing round which was launched in 2020 when South Central Ventures, European Investment fund, Croatian Bank of Reconstruction and Development (HBOR), Fil Rouge Capital and AgriTech Hub invested in Agrivi.

AGRITECH



Memgraph has raised USD 9.3 million in October 2021 in Seed round from M12 - Microsoft's Venture Fund.

FULLY-FEATURED GRAPH APPLICATION PLATFORM

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EXIT OF THE YEAR (2021)



Croatian private equity fund Inspire Investments exited its investment in data center Kriz, Croatian company APIS IT bought the company, meaning the strategic partner made an acquisition.



Blue Sea Capital, a regional private equity fund, has successfully completed the sale of its 100 percent ownership stake in Piramida, a leading Croatian manufacturer of glass pharmaceutical packaging, to Nipro Pharma Packaging International NV, a subsidiary of Nipro Corporation which has its headquarters in Japan.



The company Pervanovo, which is owned by Pervanovo Invest, a Croatian entrepreneur from Sweden Darko Pervan, has taken over publicly-traded company, Drvna industrija Spacva (in which Quaestus Private Equity Capital II fund had 75.81% stake).

FUNDRAISING OF THE YEAR (2021)



Feelsgood Capital Partners is the first Croatian venture capital fund for investments with social effect. It has an investment capital portfolio of EUR 30 million. The European Investment Fund (EIF) is one of the largest investors in Feelsgood Capital Partners.

Feelsgood invested in several Croatian companies including domestic startup for financial advice and lending BE-ON with EUR 1.3 million, Zagreb-based AI startup Mindsmiths (EUR 1.2 million), and in local farm management software solutions provider Agrivi (EUR 0.745 million).

FOUNDER OF THE YEAR (2021)



Stjepan Buljat
Cognism

B2B DATA SPECIJALIST



Damir Sabol
Photomath

MATH LEARNING APP



Matija Kopic
Gideon

AUTONOMOUS MOBILE ROBOTS



Tana Zimmermann
Bazaar.hr and Bazaar.rs

E-COMMERCE



Matija Zulj
Agrivi

AGRITECH



Mate Rimac
Rimac Automobili

AUTO-INDUSTRY



Josip Begic
Lebesgue

SOFTWARE DEVELOPMENT



Marin Bek
Ascalia

AI ALGORITHMS



Tomislav Pamukovic, Roko Zivkovic
Metamorfoza Ltd. (Museum of Illusions)

ENTERTAINMENT



Domagoj Boljar, Hrvoje Boljar
Miret

FOOTWEAR MANUFACTURING



Aleksandar Laznica
IntechOpen

OPEN ACCESS SCIENCE PUBLISHING



Mislav Malenica
Mindsmiths

AI

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INVESTOR GODINE (2021)



Provectus Capital Partners (PCP) has raised EUR 94 million for its Adriatic Structured Equity Fund (ASEF), making it the largest fund based in Adria region. The LP base consists of 19 leading institutional investors, including Luxembourg based European Investment Fund (EIF), Croatian Bank for Reconstruction and Development (HBOR), regional pension funds, insurance companies and other international institutional investors.

Since Feb 2021, the fund has made a total of 14 investments, in three platforms (speciality retail, private healthcare and private dental care) and eleven add-on acquisitions to strengthen the platforms.



Fil Rouge Capital (FRC) completed the first closing in April 2019 under the Croatian Venture Capital Initiative (CVCi). CVCi was launched by the Croatian Ministry of Regional Development and EU Funds and the EIF to accelerate the development of the Croatian venture capital market

Fil Rouge Capital has so far invested in 100+ Croatian startups, making them one of the most active market participants in the CEE region (2nd most active and 9th largest VC fund in Eastern Europe).



Prosperus Invest has successfully completed the first closing for their third fund, Prosperus Growth, in December 2020 fundraising EUR 70 million for investment in the Croatian growth companies under CROGIP program co-sponsored by the European Investment Fund (EIF) and the Croatian Bank for Reconstruction and Development (HBOR).

Prosperus has made several investments into the Croatian tech companies in 2021.



Enterprise Investors is the oldest and one of the largest private equity funds in CEE, active since 1990 and raising nine funds with total capital exceeding EUR 2.5 billion.

Enterprise Investors acquired 2 Croatian companies: retail chain Studenac and chain of bakeries Pan-Pek, as well as Intersport operating in Slovenia and Croatia. Enterprise Investors has made several add-on acquisitions in the Croatian retail sector via its portfolio company Studenac.



South Central Ventures is dedicated to investments in startups, small and medium globally-oriented technology companies in SEE Europe is focused on tech companies in the Balkans. South Central Ventures successfully fundraised their third fund – South Central Technology Fund III – with first closing at EUR 70 million fund, dedicated primarily to early stage and growth investments for companies originating from Croatia, Slovenia, Serbia and other neighbouring countries.

South Central Ventures invested in Cognism, AdScanner, Agrivi and DaiBau.



Invera Equity Partners is a private equity fund management company seeking to acquire controlling interests and take companies to new levels of corporate strategy, market access, and technology. Over the last 20 years Invera has been exclusively working with SMEs in Southeast Europe.

Invera Equity Partners invested in Metamorfoza Ltd. (Museum of Illusions), as well as Marles Slovenia, a mobile homes producer.

AWARD COMMITTEE MEMBERS



Hajdi Cenani

*President,
Cro StartUP | VP CroAI*



Ognjan Despot

*Head of CEE region,
Funderbeam*



Ivana Gazic

*President of the Management
Board, Zagreb Stock Exchange*



Marijana Ivanov, PhD

*Professor at Faculty of Economics /
Vice-President, Croatian Exporters
Association*



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Leo Mrsic, PhD

*Vice Dean for Science and Research,
Algebra / Director, AlgebraLab*



Morana Plejic

*Head of the Progress Market,
Zagreb Stock Exchange*



Hrvoje Serdarušić

*Hrvoje Serdarušić, Financial Analyst,
serdarušić.com*



Goran Saravanja

*Chief Economist,
Croatian Chamber of Commerce*



Velimir Srica, PhD

*University Professor Emeritus / member
European Academy of Sciences and Arts /
Management and IT Consultant*

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CROATIAN PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY

Before we describe the private equity and venture capital industry, it is necessary to define it more precisely. Primarily because there is no uniform terminology in the media and the public. In fact, you will rarely see the terms private equity and venture capital funds in the media. The word "fund" or "investment fund" is most often mentioned, which puts this subgroup of the fund industry in the same basket as all other investment funds. The terminology risk capital fund is also used, which stems from the fact that Croatian legislators named private equity and venture capital funds that way, taking the literal translation of that term in certain roman-languages speaking countries.

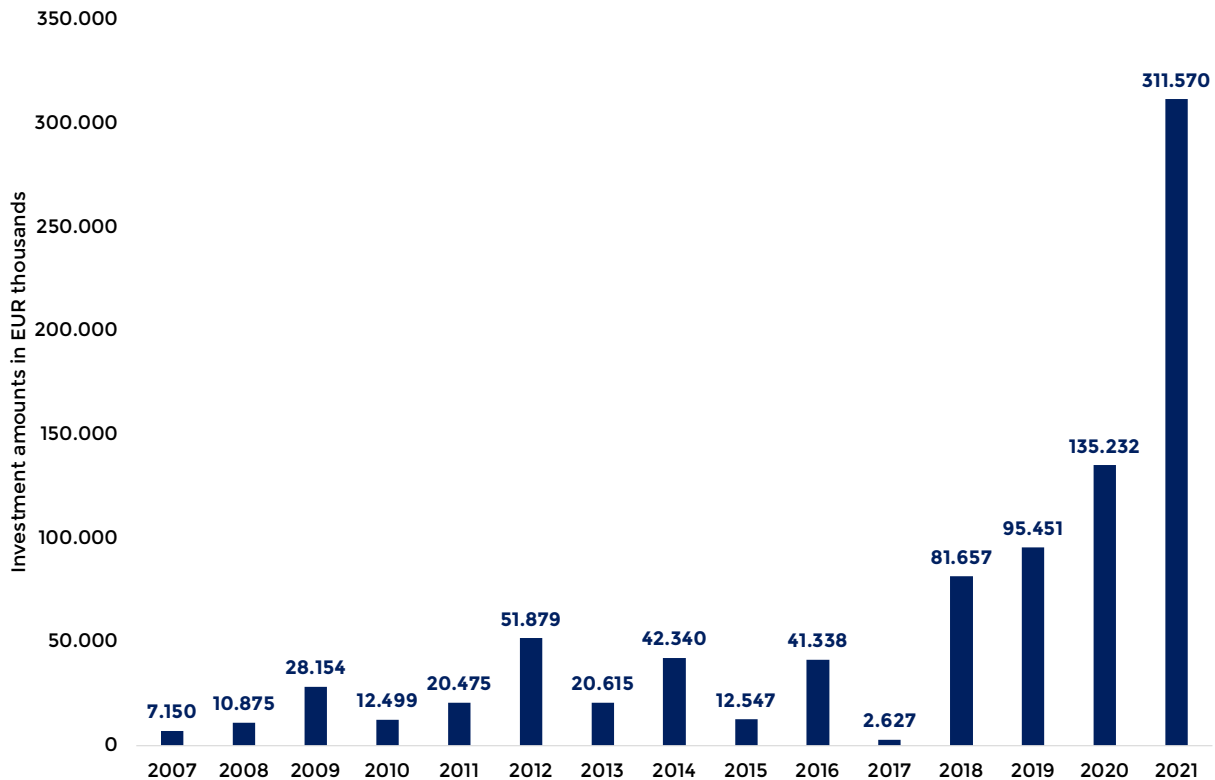
Private equity and venture capital funds are funds that invest in propulsive companies, with high growth potential, which, as a rule, are not listed on the stock exchange. So, we are talking about private companies. Venture capital investments represent investments in young, high-potential companies led by entrepreneurs and typically driven by technological innovation. We popularly call these companies startups or scaleups. Venture capital funds invest in companies in the very early stage of development (seed stage), when the commercialization of the product has not yet begun, up to the already advanced stage of development (later stage venture) for scaleups that are present on the market with their product and continue further expansion.

Private equity in the broader sense of the definition also includes venture capital investments. In the narrower sense, private equity investments include growth capital, mezzanine, turnaround and buyout investment strategies. Private equity investments, in the narrower sense, are investments in established and mature companies that want to internationalize, professionalize or develop their products and services, and also realize the potential for rapid growth.

Numerous Croatian companies have also attracted investments from private equity and venture capital funds. The fourth generation of these funds, which have been operating in Croatia since 1997, is currently starting. All new funds have fresh capital to invest in propulsive Croatian companies, which can be crucial for economic development and recovery, especially if other financing sources, such as banking ones, are more difficult to access.

The Croatian private equity and venture capital industry is growing almost exponentially. According to statistics collected by Invest Europe, and CVCA participates as a partner, private equity and venture capital funds have invested EUR 874 million in Croatian companies from 2007 to 2021. Of this amount, 43% was invested in the consumer goods and services sector and 22% in the ICT sector. However, it should be emphasized that only in the last four years (2018-2021) EUR 624 million were invested, and that investment amounts are growing year by year, from EUR 82 million in 2018, and EUR 95 million in 2019, over EUR 135 million in 2020, up to a record EUR 312 million in 2021.

Figure 1. Private equity & venture capital investments in Croatia (2007 - 2021)

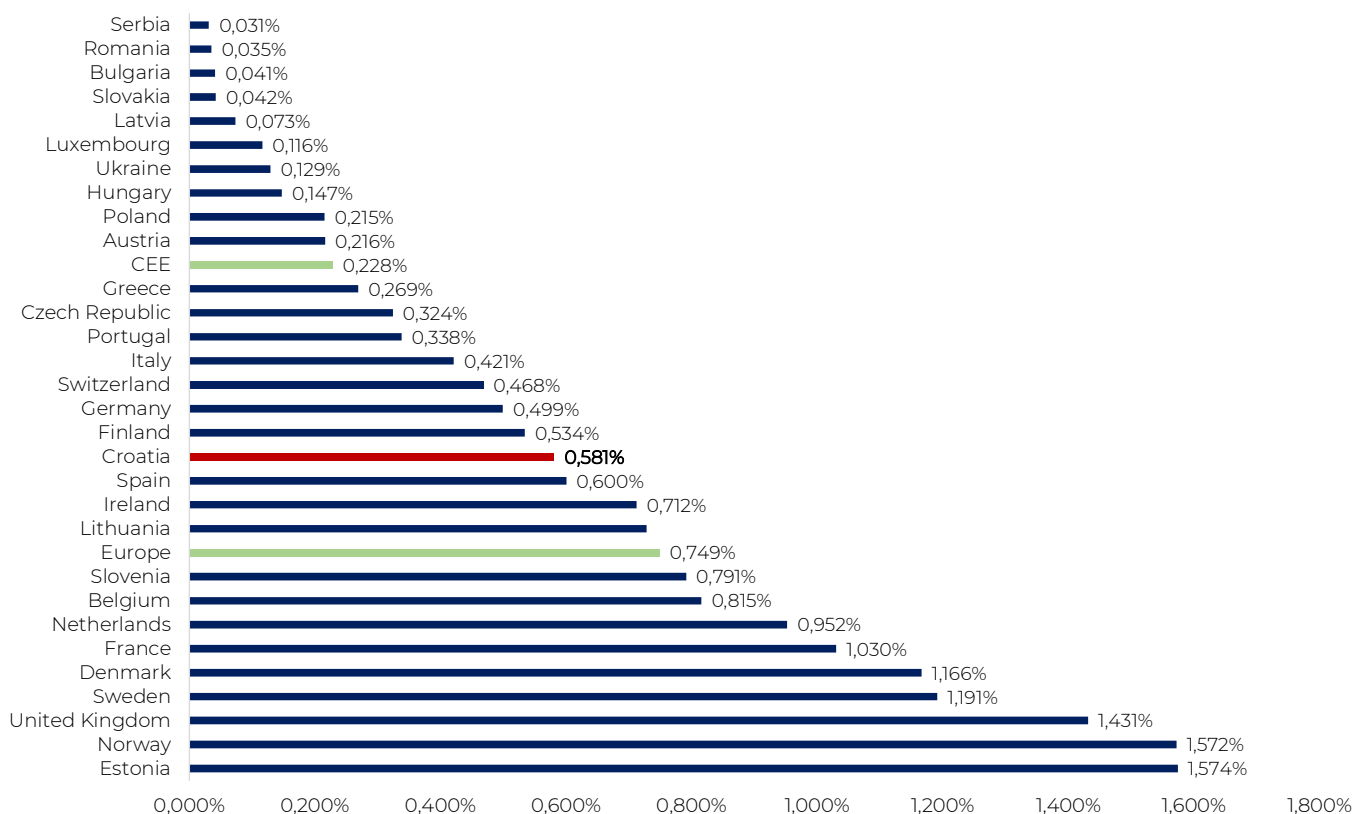


Source: Invest Europe, European Data Cooperative (EDC), data gathering platform in which CVCA participates

The chart in Figure 1 shows the almost exponential growth of private equity and venture capital investments in Croatia from 2007 to 2021. It can be seen that until 2018 the level of private equity and venture capital investments was relatively low, and the market was underdeveloped. In the last four years, we have experienced a boom in private equity and venture capital investments, to which both the pandemic and the energy crisis seem to have given an additional wind in the back.

The chart in Figure 2 compares the performance of Croatia with other European countries in attracting private equity and venture capital investments. To be able to compare the investment sizes of economies that are different in size, performance is measured as the amount of private equity and venture capital investment as a percentage of GDP. In 2021, Croatia attracted EUR 312 million of private equity and venture capital investments, representing 0.581% of GDP. Compared to the region, we are in an excellent position, because Croatia is even two and a half times better than the average country in the region (CEE), where on average private equity and venture capital investments were at the level of 0.228% of BPD. But on the other hand, Croatia lags behind the European average, because the average European country (including CEE) attracted private equity and venture capital investments in the amount of 0.749% of BPD. If we look at the countries of the region, it is evident that neighbouring Slovenia has come close to this European average. Also, Figure 2 shows that Estonia is the European record holder for attracting private equity and venture capital, which in 2021 amounted to as much as 1.574% of GDP.

Figure 2. Private equity & venture capital investments as % of GDP in 2021



Source: Invest Europe, European Data Cooperative (EDC), data gathering platform in which CVCA participates

There are several reasons why Estonia has successfully developed into a new global leading startup nation. The beginnings of this success story date back to Skype, founded in 2003, which became a unicorn in 2005. The founders and employees of Skype continued to invest in Estonian startups and scaleups, which resulted in the creation of new unicorns (Bolt, Wise). Something similar is also happening in Croatia with our two current unicorns, Infobip and Rimac. It shows the potential of the private equity and venture capital industry to transform the economy as a whole.

Apart from the official statistics, the unofficial ones give even more reasons for optimism. Although CVCA participates as a data contributor to Invest Europe in data collection, the data collection methodology prevents all private equity and venture capital investments from being visible in official statistics. Invest Europe shows the financing of private equity and venture capital funds exclusively. Banks often participate in private equity transactions, whose participation may represent around 50% of the total amount of the transaction, and bank financing is excluded from Invest Europe figures. Furthermore, Invest Europe figures do not consider Croatian-born companies headquartered elsewhere. Many of our successful startups and scaleups have moved their headquarters to countries that are more attractive to investors. Although the development team and at least one of the founders remained in Croatia, such investments will rarely be seen in official statistics. In addition, the effect of indirect investments through an already existing portfolio company is often lost, especially if it is a portfolio company outside Croatia's borders. Ultimately, the collected data depends on the voluntary cooperation of the fund managers to participate in the data collection.

Therefore, in addition to official Invest Europe statistics, CVCA prepares its own statistics, which it also shares and checks with Invest Europe, and collects based on its proprietary sources, public announcements, and access to several commercial databases. According to our unofficial statistics, the amount of private equity and venture capital investments in 2021 exceeded EUR 800 million, counting the total value of transactions (including bank financing, if any). We arrived at this amount by checking every single private equity and venture capital transaction in detail.

There are, therefore, reasons for optimism, and the trends in 2022 show that the exponential growth of private equity and venture capital investments will continue. For example, we recently had two new records officially announced in just one day - the first day of June. First, we were all delighted by the mega news that Rimac Automobili collected an investment of a dizzying EUR 500 million from SoftBank Investment Advisers (Vision Fund II), the world's most significant venture capital and technology investor, from Goldman Sachs Asset Management, a world-renowned financial investor, and from existing investors Porche and InvestIndustrial. After that, another record was announced in the media - one of the world's most significant private equity funds, CVC Capital Partners, will take over the retail company Tommy with the aim of ambitious expansion into the region, and the takeover is estimated at EUR 310 million. These two transactions put us on the radar screen of the world's largest venture capital and private equity investors! It is crucial that each of us contributes as much as we can to build an ecosystem of excellence and entrepreneurship in Croatia, and these are two giant steps on that path.

IMPORTANT ROLE OF HBOR IN SUPPORTING PE/VC INDUSTRY



Tamara Perko,
President of the
Management Board,
Croatian Bank for
Reconstruction and
Development (HBOR)

Significant results of HBOR's efforts over years in the development of the venture capital market in Croatia

The venture capital and private equity scene in Croatia has been developing in the last 15 years and becomes an alternative to traditional sources of corporate financing. This is evidenced by the latest data: the assets of domestic companies managing the venture capital and private equity funds amount to EUR 3.2 billion. In spite of such figures, Croatia lags significantly behind other European countries in this type of financial industry, which means that there is a large potential for further growth and development. The Croatian Bank for Reconstruction and Development (HBOR), which has been encouraging actively the development of alternative financing offer for entrepreneurs for several years, also contributes to the development of alternative sources of financing.

HBOR's key role in the development of capital market – support for the establishment of five new funds

“In the countries that are at our stage of the capital market development, there are not enough private investors for venture capital funds to develop on their own or to develop fast enough without large investors and institutional support. In the last few years behind us, very significant progress has been made in this area, and I can proudly say that HBOR has played one of the key roles in this. In the last three years, the establishment of 5 funds was made possible by HBOR: the first Croatian venture capital fund, three funds for companies in the mature phase and one for technology transfer, being also the first multinational platform for technology transfer in the European Union”, said Tamara Perko, President of the Management Board of HBOR.

In the area of financing companies at an early stage, it is necessary to emphasise HBOR's support for the establishment of Fil Rouge Capital, the largest venture capital fund in Croatia, which has a capital of about EUR 46 million. A major part of the financial injection was contributed by the European Investment Fund (EIF) from ESIF funds that the Ministry of Regional Development and the EU Funds provided to the management of the EIF, and besides HBOR, several other investors invested in the fund. Fil Rouge Capital started to work in July 2019, and its results so far have been very promising. Up to now, funds have been invested in more than 100 projects.

As for the financing of companies in a mature stage of development, last year HBOR and the EIF enabled the establishment of three private equity funds. Based on the criteria of the CROGIP initiative, and its internal procedures, the EIF selected three funds in which CROGIP initiative funds were invested – Adriatic Structured Equity Fund, Croatian Mezzanine Debt Fund and Prosperus Growth Fund. The funds are active and have already made a number of investments.

SUPPORT THE BEST & TRANSFORM THE REST

The establishment of the fifth fund is underway: the Technology Transfer Fund as the result of HBOR's cooperation with the EIF and the colleagues from the Slovene Export and Development Bank (SID Bank). The fund is intended to finance the commercialisation of innovative technological and scientific solutions of Croatian and Slovenian universities, research institutes and value centres. This is extremely important because Croatia does not lag behind in the development of patents and new solutions, but it does lag behind in their application in the economy. The Croatian market lacks a link in the financing, due to which many valuable patents and technological solutions never experience commercialisation, and the goal of this fund, which is expected to be established by the end of the year, is to compensate for this shortfall.

The total size of these five funds can reach the amount that exceeds EUR 300 million. Although HBOR points out that they are proud of these results, they emphasise that the needs of the market has not been met yet and that there is still a lot of work ahead of them.

Market shortfall of more than EUR 110 million per year

Market research conducted this year with the support of the EIAH (European Investment Advisory Hub) by a team of consultants led by PwC assessed the space and the needs of the market. The research showed a marked gap of EUR 111 million per year in the coming four years (2023-2026): EUR 89 million for PE financing and EUR 22 million for VC financing. This indicates the difference, i.e. the gap between the supply of capital investment financing in the Croatian market and the demand for this method of financing.

A similar research conducted in 2017 and 2018 showed a gap/shortfall in the Croatian market of altogether EUR 130 million per year over the coming 5 years, EUR 86 million per year for PE and EUR 43 million per year for VC.

“Large shifts in the venture capital market are visible: a significant reduction in the market gap of as much as 50 percent has been achieved, however, due to the pandemic and market disruptions, the demand for PE financing has further increased, and it will be necessary to compensate for the current shortfall of almost EUR 90 million per year over the next 5 years. At the moment, entrepreneurs, who need funding to develop their businesses, still largely rely on either their own equity or loan funding that requires collateral, usually in the form of immovable or movable property, which is very often insufficient or has already been burdened by liens on previously raised loans. This is why it will be important to continue taking steps in the development of alternative ways of providing finance for our entrepreneurs”, stressed Tamara Perko.



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Ognjan Despot,
Head of CEE region,
Funderbeam

"Funderbeam is a global digital platform that enables startups and developing businesses to raise capital under more favourable conditions than venture capital and other forms of investment at that stage of business development. On the other hand, Funderbeam enables ordinary citizens to become part of successful business stories as small investors, which is a significant change in the world of investments, since until now such investments were reserved only for large institutional investors," explained Ognjan Despot, director of Funderbeam for Central and Eastern Europe (CEE) and reminded that Croatian companies have already collected more than six million euros in investments through Funderbeam, while the total investments through Funderbeam are more than EUR 50 million.



FUNDERBEAM

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CROATIAN PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIATION (CVCA)

Croatian Private Equity and Venture Capital Association (CVCA) aims to facilitate the creation of a conducive environment for private equity and venture capital investments in Croatia and the region. In addition, CVCA seeks to encourage the development and promotion of investment culture in general. Besides being active in Croatia, CVCA promotes the development of the region's private equity and venture capital industry (SEE and CEE).

Croatian Private Equity and Venture Capital Association (CVCA) brings together all private equity and venture capital funds with their headquarters or representative office in Croatia. Regular CVCA members include Blue Sea Capital, CEE Equity Partners, Enterprise Investors, Feelsgood Capital, Fil Rouge Capital, HMID, Inspire Investments, Invera Equity Partners, Maverick, Mezzanine Partners, Prosperus Invest, Provectus Capital, and South Central Ventures. CVCA members manage the capital of over EUR 3 billion. Associate CVCA members include VentureXchange, law firm Bradavica Maric Wahl Cesarec (BMWV), and Alpha Capitalis.

The private equity and venture capital funds currently operating in Croatia represent the fourth generation of such funds, which have been present in Croatia since 1997. The new generation of Croatian funds includes the first Croatian venture capital fund, Fil Rouge Capital, which started operating in 2019. In 2020, three new private equity (growth capital) funds started with investments under the management companies Invera Equity Partners, Provectus Capital Partners and Prosperus Invest. In 2021, Feelsgood Capital Partners launched the first Croatian venture capital fund for investments with a social impact. In 2022, the Croatian Mezzanine Debt Fund, the management company Mezzanine Partners, whose strategy is to invest in quasi-equity instruments, i.e. subordinated debt, also started operating. In addition to domestic funds, regional and foreign funds have been operating in Croatia for the past few years, contributing significant amounts of capital. Blue Sea Capital, CEE Private Equity Partners, Enterprise Investors and South Central Ventures have their representative offices in Croatia.

With the emergence of new private equity and venture capital funds in Croatia, there will undoubtedly be the development of new, solid and innovative companies that will successfully scale up to the regional and global markets. Private equity and venture capital funds bring to entrepreneurs and companies they invest in much more than just capital. In addition to capital, private equity and venture capital funds contribute with the know-how to scale up successfully with their expertise, knowledge, support and industry expertise.

Private equity and venture capital investments are extremely important for the Croatian economy, as they invest in propulsive Croatian companies with the potential to grow quickly and create new jobs. Private equity and venture capital investments aim to turn prospective Croatian companies towards more global trends and markets, and by listing

current and future Croatian unicorns on world stock exchanges. Private equity and venture capital investments represent the economy we want as a society, an economy that will take us as a society into the circle of the most developed countries.

Looking ahead, Croatia's private equity and venture capital industry will continue to grow and support the most propulsive part of the Croatian economy. At CVCA, we have actively supported the private equity and venture capital market since 2004. We are thrilled to finally witness how the market has flourished and will continue to develop in the future. It has never been a more exciting time to be a part of the private equity and venture capital community.

Are you interested in joining? Please contact us or fill in the membership application form on our website. CVCA membership is open to all private equity and venture capital community members. In addition to private equity and venture capital funds, membership is open to investment and pension funds, banks, law firms, accounting and other advisory firms, and individual members interested in the industry.

CVCA

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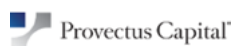


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