

CONFIDENCE REBOUNDS AS ECONOMIC EXPECTATIONS IMPROVE

Investors increasingly believe in Central European (CE) private equity (PE). After a small dip in the last survey, respondents are again positive about the region's prospects, according to the latest Deloitte CE Private Equity Confidence Survey.

Respondents are more upbeat about the economy, which historically has influenced the index. This may be down to the ECB's fresh round of quantitative easing, with a third of deal-doers suggesting debt markets will be more liquid. This is more than twice the figure last time. "We are encouraged though not surprised that an impressive 43% of respondents expect deal doing to increase in the coming months," says Deloitte CE Partner and Private Equity Leader Garret Byrne. "With nearly a third of respondents feeling more optimistic about the economy, and lenders expected to put more money to work, we feel the market is likely to see an uptick in activity. People have more confidence in the market."

For the first time since the survey was launched, CE deal-doers expect to split their time fairly evenly between fundraising (30%), portfolio management (33%) and new investments (37%) over the next six months. "This is the highest level of fundraising intention we've seen," says Byrne. "The market is driven by local houses backing businesses close to them, so we expect the institutional investors will have a few high-quality, mid-market opportunities to choose from."

The focus on fundraising means houses are looking to furnish existing investors with distributions: 40% expect to focus on selling in the next six months, the highest level since the survey began. "Stock markets have been conducive to lucrative flotations, and CE houses may look to take advantage more in the coming months. With leverage expected to be more readily available, secondary buyouts may also be a viable exit route for certain assets," Byrne says.

Another noteworthy point to come out of the survey is that interest in investing in technology has grown nearly three-fold to 20% since 2013. "CE has truly proven itself as a hub for world-class technology businesses through a handful of lucrative venture stories in the last decade. Estonian software developers brought us Skype, while talent in the Czech Republic has created two of the world's most successful antivirus software firms, AVG and Avast," Byrne says.