



M&A Index Poland in 2017

Prepared by [Navigator Capital](#) & [FORDATA](#)

Experts' comments to the report
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M&A Index Poland, 2017

by Navigator Capital & FORDATA | December 2017

Total number of transactions*

204 (2017)

The largest transaction**

EUR 1 B

(Acquisition of 100% stake in Żabka by CVC Capital Partners from Mid Europa Partners)

* based on public data

** among transactions with disclosed prices

About the report:

The M&A Index Poland report is a position that has become a permanent fixture in the calendar of the industry summaries in Poland. The reports are prepared quarterly by a consulting firm **Navigator Capital** and **FORDATA**, a leader in the field of IT solutions which support M&A transactions.

These reports are created to monitor the dynamics of Polish M&A market and to demonstrate the most interesting transactions. We also monitor the frequency of use of the Virtual Data Room during M&A processes in Poland.

Introduction

In 2017 we have witnessed 204 transactions on the Polish M&A market, which is 16 more than last year. The largest deal of the year was the acquisition of Żabka by CVC Capital Partners fund. The value of this deal amounted to ca. 1 B EUR.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Torf Corporation Fabryka Leków (70% stake)	Resource Partners	Wojciech Piasecki	Undisclosed

(20th January) Private equity fund Resource Partners acquired 70% stake in Torf Corporation Fabryka Leków. The value of the transaction was not disclosed, although the value of the cosmetics manufacturer under the Tołpa brand is estimated at about EUR 46.5 M. The 30% stake will remain in hands of current CEO - Wojciech Piasecki and Ryszard Gumiński – the company's Director General who will keep their positions. The new owner intends to focus on developing private label production for Western European cosmetics manufacturers.

TARGET	BIDDER	SELLER	VALUE [EUR]
Żabka Polska	CVC Capital Partners	Mid Europa Partners	Ca. 1.0 B

(21st February) Żabka Polska, the owner of the largest convenience store chain in Poland operating under the Żabka brand and proximity supermarkets operating under Freshmarket brand, was sold to CVC Capital Partners. It was the second investment of the PE fund in Poland, after the acquisition of PKP Energetyka in 2015. The value of the transaction amounted to EUR 1.0 B, of which EUR 625.9 M was provided by Bank Pekao, UniCredit and ING. So far it has been the largest transaction in the history of the Polish retail market as well as the largest PE fund exit transaction in Poland. Mid Europa Partners acquired Żabka from Penta in 2011 for EUR 400 M.

TARGET	BIDDER	SELLER	VALUE [EUR]
Drukarnia Expres	Idea Box SA	Private investor	Undisclosed

(25th April) Idea Box – Private Equity fund owned by Leszek Czarnecki acquired Drukarnia Expres located in Inowrocław. The company specializes in manufacturing of smooth cardboard and corrugated cardboard packaging. Transaction is a part of consolidation plan on the packaging market in order to create an entity with revenues of around PLN 100 M per year in 3-5 years. According to press reports, the fund is preparing to take over 3 more companies in the industry, whose names have not been known yet.

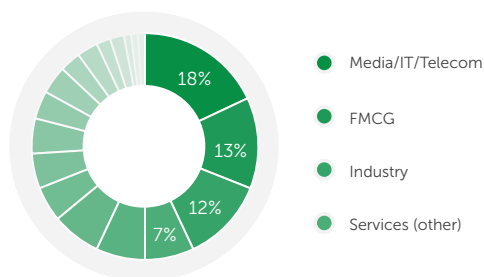
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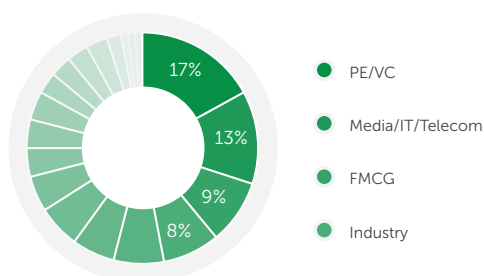
By sector

Transactions with the participation of Polish companies grouped by sectors (by number of transactions)

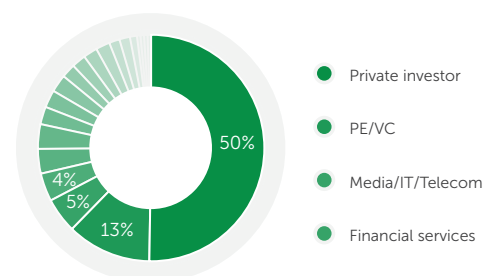
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
EuroStyl S.A.	Dom Development S.A.	Forum IV FIZ	62 M

(17th May) Dom Development S.A. signed a preliminary agreement on acquisition of 100% shares of EuroStyl S.A.. The transaction will allow the Dom Development company to expand their activity to the Tri-City region (Gdańsk, Gdynia and Sopot). The acquiring company has only been present in Warsaw and Wrocław so far. The acquisition of Euro Styl allows Dom Development to gain attractive land plots and a brand recognizable on the local market.

TARGET	BIDDER	SELLER	VALUE [EUR]
EDF Poland	PGE	EDF International SAS EDF Investment II B.V.	0.58 B

(19th May) PGE has signed a transitional agreement with EDF in Poland. Transaction value has been set to EUR 1.07 B, of which EUR 0.58 B is equity, and EUR 0.49 B is net debt. The acquisition of the Polish assets of EDF is a strategic transaction for the PGE capital group. The main purpose of this step is to establish a leading position in the heating energy market. The consolidated EBITDA generated by the EDF assets in Poland amounted to EUR 262 M in 2016.

TARGET	BIDDER	SELLER	VALUE [EUR]
Langendorf GmbH	Wielton S.A.	Private investors	Ca. 5.3 M

(23rd May) Wielton signed agreement regarding the acquisition of 100% stake in Langendorf GmbH headquartered in Germany. The acquisition will be conducted in two steps. In the first phase Wielton will acquire 80% stake in Langendorf for EUR 5.3 M. The price may change depending on the company's financial results for the business year 2016/2017. The remaining 20% of equity will be purchased by Wielton in four instalments over the period from 2019 to 2022. The acquisition of the Langendorf will strengthen Wielton's presence on the German market and diversify its semi-trailers offer.

TARGET	BIDDER	SELLER	VALUE [EUR]
RUCH S.A.	Igor Chalupec	Eaton Park Capital Management	Undisclosed

(29th May) Loverose, a Cyprus-registered company representing Mr. Igor Chalupec, the chairman of RUCH S.A., signed a Lol regarding the acquisition of the kiosk chain with Eaton Park Capital Management (present owner of the company). The exit from the investment is associated with the full closure of the Eaton Park fund. RUCH is a chain of ca. 2 000 kiosks and convenience stores (SUPERAC). The revenue of the company in 2016 amounted to over EUR 0.3 B.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Bytom	Vistula Group	Shares tender offer	Undisclosed

(5th June) The management boards of Vistula Group and Bytom have taken resolutions regarding merger of the companies. Vistula Group will be the acquiring party and will issue shares for Bytom's present shareholders. In 2016 Vistula Group generated revenue of ca. EUR 143 M, EUR 15 M EBITDA and ca. EUR 9 M of net income. In the same period, Bytom earned EUR 36 M revenue, EUR 4 M EBITDA and ca. EUR 3 M of net income. The main aim of the merger of the two competing companies is to gain a better product segmentation position. The possible synergies resulting from the merger and cost savings may stem from purchasing, logistics and renting retail surfaces.

TARGET	BIDDER	SELLER	VALUE [EUR]
Macrologis S.A.	Asseco Business Solutions	Shares tender offer	Ca. 26 M

(16th June) Asseco Business Solutions (Asseco BS) purchased in a tender offer ca. 1.7m of Macrologis S.A. shares, which represents ca. 88% of company's equity and votes on the general shareholder's meeting. Altogether with its subsidiaries, Asseco BS owns over 1.8m shares of Macrologis S.A., which equals over 96% of company's equity and votes on the general shareholders' meeting. Macrologis is a provider of ERP system for M&S companies. Within the Asseco capital group, the Asseco BS is the competence center of ERP systems, software for M&S companies and mobile systems supporting management processes.

TARGET	BIDDER	SELLER	VALUE [EUR]
Stella Pack	Coast-2-Coast	Private investor	Undisclosed

(19th July) Bounty Brands - a South African portfolio company of Cost2Coast PE fund, took over the Polish producer of waste bags, plastic products and other plastic household articles - Stella Pack. Nearly 40% of Stella Pack's revenue comes from sales on foreign markets. In 2016, the company's revenues amounted to EUR 52 M. The company is a leader in its industry among the countries of Central and Eastern Europe.

TARGET	BIDDER	SELLER	VALUE [EUR]
Zakłady Mięsne Silesia	CEDROB	Private investor	Undisclosed

(25th July) The efforts to consolidate the meat market continue. CEDROB decided to acquire next entity - ZM Silesia, a capital group managing „Duda” brand with own logistic centre. Due to numerous acquisitions in the past years CEDROB has expanded its business and is currently the biggest meat producer on the Polish market. In the last quarter the Ukrainian giant MHP launched the investment process in the Kutnowskie Zakłady Drobiarski „Exdrob”, which had been struggling with financial problems in the last few years. The acquisition will allow the company to build its position in the EU, not only by export, but also by owning assets.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Delicpol	Continental Bakeries	Resource Partners	Undisclosed

(21st August) After 5 years Resource Partners fund exits from its investment in Delicpol. The company, which is the leader of the Polish private label chocolate-coated biscuits with jelly market, will be taken over by a strategic investor – Continental Bakeries from the Netherlands. During its period under Resource Partners, Delicpol has increased revenues by over 15% and doubled its exports which now amount to ca. 30% of sales. The acquisition of Delicpol should allow Continental Bakeries to enter the CEE market. The value of the deal has not been disclosed.

TARGET	BIDDER	SELLER	VALUE [EUR]
Wosana	Cooperatief Avallon MBO II	Private investor	Undisclosed

(6th September) The Avallon Fund, an expert in MBOs, is going to enter the fast-growing beverage market. The current minority stakeholders (managing officers of the company) will join the financial investor. Wosana is a producer of mineral water and juice, both under its own brands and in white-label mode. The beverage segments has been consolidating for some time already.

TARGET	BIDDER	SELLER	VALUE [EUR]
Mila	Eurocash	Argus Capital	83.3 M

(15th September) Acquisition of 100% in share capital in retail chain Mila is a part of the Eurocash Group's strategy. In its portfolio Eurocash owns Cash & Carry, Delikatesy Centrum, Lewiatan, "abc" stores, Inmedio and frisco.pl. At the end of 2016, Mila had 188 outlets with sales amounting to EUR 349 M and EBITDA of EUR 1.1 M. Apart from this transaction, a tender offer for 100% of Emperia Holding's shares was launched by Lithuanian MAXIMA GRUPĖ, which supports the consolidating trend on the Polish food retail market.

TARGET	BIDDER	SELLER	VALUE [EUR]
Flavourtec	Tar Heel Capital	Private Investor	Undisclosed

(16th September) PE Fund Tar Heel Capital has acquired 50% stake in Flavourtec, one of the leading European manufacturers of liquids for e-cigarettes. During the last five years, Flavourtec developed rapidly with yearly revenue now exceeding EUR 5 M. In 2015 Flavourtec launched a new production facility, with an area of over 1200m², in Gdansk, which can easily be adapted to double company's production capacity. This deal should allow Flavourtec to continue its growth and strengthen its market position by using the fund's potential and support.

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Navigator Capital

- Navigator Capital along with Dom Maklerski Navigator (Navigator Brokerage House) is the leading independent financial adviser, specializing in mergers and acquisitions and public and private issues of stocks and bonds.
- During 11 years of its market presence, Navigator Capital Group conducted over 70 transactions, of over 6 billion PLN total value.
- Through cooperation with international network of advisory firms associated in the Pandion Partners, Navigator Capital effectively handles international transactions.

FORDATA

- FORDATA is a pioneer on the Polish capital market. Based on Virtual Data Room technology, we support our clients in managing documents and communication during complex transactional processes.
- We support the largest M&A, IPO transactions, private equity investments, restructurings, projects associated with obtaining financing and privatizations in Poland and other countries of Central and Eastern Europe.
- FORDATA systems increased safety and efficiency of hundreds of different types of transactions with a total value of over PLN 35 billion
- FORDATA services are used by the industry leaders in Poland and abroad, including largest advisory companies, banks, legal advisors or Private Equity/Venture Capital funds, ie. Enterprise Investors, Enea SA, Home.pl, Grupa LOTOS, PZU SA, Grant Thornton, NFI Empik, ZELMER, Bank DNB, BOŚ Bank, Polimex Mostostal, Budimex, DM PKO Banku Polskiego, Deloitte Advisory, EY, KPMG Advisory, JSW, HAITONG and many others.



Business Partners



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TARGET	BIDDER	SELLER	VALUE [EUR]
Tempo Finanse	Everest Finanse	ESO Capital	13 M

(9th November) Everest Finanse, owner of Bocian Pożyczki brand, has acquired Tempo Finanse from a PE fund ESO Capital. This is the first transaction on the Polish market, in which a whole consumer loan company is acquired, rather than its portfolio. This acquisition is a part of Everest Finanse's strategy. As a result of this deal, Everest Finanse will increase its market share to ca. 10%. The value of the deal amounted to EUR 13 M. Navigator Capital acted as the financial advisor to the buyer.

TARGET	BIDDER	SELLER	VALUE [EUR]
Grupa Hortex	Mid Europa Partners	Argan Capital	Undisclosed

(13th November) PE fund Mid Europa Partners has acquired Hortex Group from funds advised by Argan Capital. The deal has long been expected to be completed. The deal value has not been disclosed. Hortex is one of the leading consumer goods players in Poland, especially in fruit juice and frozen foods sectors, with a strong brand. Mid Europa Partners is one of the leading PE investors in CEE with EUR 4.6 B of funds raised and managed. Its portfolio companies include Allegro, Polskie Koleje Linowe and Diagnostyka medical laboratories. Mid Europa Partners aims to further develop Hortex Group by building on its brand, heritage and strengthening competitiveness of its product portfolio.

TARGET	BIDDER	SELLER	VALUE [EUR]
Dat Vi Phu	Grupa Adamed	Investor prywatny	41.5 M

(28th November) Adamed Group, one of the innovation leaders in the Polish pharmaceuticals sector, has acquired the controlling stake in Dat Vi Phu. Dat Vi Phu manufactures a wide range of medicinal products for both the Vietnamese and neighbouring markets. This acquisition should be a launch pad for the dynamic expansion of the Adamed Group into the Asia-Pacific region. Dat Vi Phu manufactures about 300 medicinal products and is one of the fastest-growing companies on the Vietnamese market. Adamed Group is currently present in 40 countries. The investment in Dat Vi Phu is perceived as an opportunity for the continued dynamic development of the Adamed Group. In 2016 Adamed Group recorded a 15% increase in export revenues and plans to constantly increase its foreign sales.

TARGET	BIDDER	SELLER	VALUE [EUR]
Netia, stacje telewizyjne, ColtexST	Grupa Polsat	Mennica Polska FIP 11 FIZAN, ZPR Media Investor prywatny	180 M

(4th December) Cyfrowy Polsat placed purchase orders for a combined block of approximately 32% of shares in WSE-quoted Netia, one of the largest Polish telecom companies. Cyfrowy Polsat also intends to announce a tender offer in order to achieve a stake of no more than 66% of the total number of votes at the General Meeting of Netia. Polsat Group has recently been very active on the M&A market. Company has completed an acquisition of a few TV stations from ZPR Media, which include i.a. Eska TV, Eska Rock TV oraz Vox Music TV. The value of the deal amounted to EUR 180 M. Less than a month earlier, Polsat Group has also acquired a cable TV services distributor Coltex ST, which operates in Gdańsk, Łódź and Lublin areas. This acquisition should allow Polsat to improve its market position.

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Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

According to data as at December 15th, a total of **204 mergers** and acquisitions were carried out in 2017 in Poland – it is approximately **9%** more than in the entire year 2016. We expect, that the amount of transactions may still increase by as **much as 5%** by the end of the year. In 2018 a similar dynamics will be maintained as in 2017, but in 2019 a downturn is expected to appear.

The recovery in the market for one more year

As the amount of transactions indicates, we can observe invigoration of the market. The trend is stable, but still a long way off the highs set in 2015 (247 transactions). The low interest rates are conducive to investments on our home market, and the economic instability of the entrepreneurs, observed at the beginning of 2017, has significantly decreased. Generally, it appears that the factors hampering the investors' enthusiasm at the beginning of this year (such as uncertainty on the Polish political scene, growing shortages of qualified staff, weak zloty, reduced foreign investment flow) have lost their significance. We expect that the situation to remain broadly stable in 2018, although the experts anticipate a rate hike in 2019, thus tightened credit availability, which will thereby have a negative influence on investments.

Minor transactions, more mid-caps

In terms of transaction value, in 2017 small transactions prevailed, but the percentage of average transactions, the so called mid-caps, has also increased– this trend has been continuing for the past 2 years and we do not expect it to change in 2018. Also the amount of major deals worth over EUR 100 million remains stable – among transactions with the disclosed price in 2017, we recorded 11 large transactions (just like in 2016), including 4 with a value over PLN 1 billion. While in 2016, we had two mega transactions (sale of Allegro and sale of the PEKAO share package, both worth over PLN 10 billion), in 2017 the largest one - sale of Żabka market chain to CVC Capital Partners - reached the value of PLN 4.3 billion.

Very active PE Funds

According to our forecast, PE Funds were very active in the past year - both on the buy-side (they constituted as much as **17%** of the investors), as well as on the sell-side (**13%** of sold companies). Enterprise Investors sold the most – they disposed of as many as six of its companies (Dino supermarket chain, itWorks, Skarbiec Holding, Elemental Holding, United Oilfield Services, Polish Stem Cell Bank) and Resource Partners with two divestments on their account (supermarket chain Mila and a healthy food producer Melvit). On the buy-side prevails the South African fund Coast2Coast, who purchased 4 Polish companies, including three from food industry (Profi, Uni-Top Optima, Bezgluten) and packaging manufacturer Stella Pack. Since 2015 Coast2Coast has already invested in 6 Polish companies.

Private entrepreneurs take lead on the sell-side

In 2017 private entrepreneurs were the largest group on the sell-side – responsible for a half of closed transactions. This situation is strongly connected to the increasingly common phenomenon observed by us since 2015 – the sale of enterprises by their founders who faced the problem of succession. We forecast that the phenomenon will continue in 2018, although this year will be the final moment to sell companies established in the early 90's.

Asian investors are taking over more and more boldly

Throughout 2017, transactions between Polish entities prevailed. Foreign investors accounted for **27%** of buyers and mainly represented European countries. We noted further transactions with Asian investors: poultry group Superdrob acquired Thai concern Charoen Pokphand Foods (CPF) as an investor, while the Chinese food giant WH Group through the American company Smithfield Foods, which it owns, took over shares of slaughterhouses belonging to Pini Polonia. The Chinese in Poland also have shares in such companies with production facilities like Animex, Agri Plus and Agri Plus Feed. This year shows that the Chinese are buying Polish entities more and more boldly. We anticipate that in 2018 we will witness further Asian investments in the domestic market.

Virtual Data Room industry is increasingly important nowadays. Based on available market inputs, **33%** of transactions were organized using the Virtual Data Room in 2017, including those prestigious and cross-border ones. This demonstrates the evolution of Virtual Data Rooms that have revolutionised the due diligence process for M&A deals and related transactions within the financial and legal sectors over the past 10 years.

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Karol Szykowny, CFA

Director
Navigator Capital

In 2017 (until the publication date of this report) there were ca. **204 transactions** on the Polish M&A market, which is **16** more than in the comparable period of 2016.

The biggest deal of the year was the acquisition of Żabka convenience-stores chain by a fund managed by CVC Capital Partners from Mid Europa Partners. The value of the transaction amounted to ca. **EUR 1 B**.

The consolidation of Polish FMCG market is worth particular attention. In 2017 8 companies from meat processing segment were acquired, with CEDROB acting as the leader of consolidation efforts in this segment. In July it acquired Zakłady Mięsne Silesia and gained a new entity in its capital group by the acquisition of JAMA company by Gobarto. The segment of mineral water and beverages is consolidating as well, with 5 deals closed this year. With no doubt, one of the most awaited transactions was the sale of the Hortex Group by Argan Capital. Mid Europa Partners were on the buy-side of this deal.

The increased activity of Private Equity funds in Poland in 2017 should not be left out as well. PE/VC funds completed over 30 acquisition and 24 exits from investments on the Polish market within last 12 months. The most significant transactions with participation of this group of investors was i.a. sale of Mila supermarkets' chain to the Eurocash Group by Argus Capital. The value of the transaction amounted to ca. EUR 82 M. On the buy side the South-African fund Coast2Coast can be distinguished as one of the most active entities. It added 4 Polish companies to its portfolio this year: packaging producer Stella Pack and companies from food market Bezgluten, Profi and Uni-Top Optima.

In 2017 as many as 19 Polish companies decided to expand abroad by acquisitions. One of the most interesting transactions of that kind were the acquisition of 100% shares of German company Langendorf by Wielton for EUR 5.2 M. It was the third foreign deal closed by the Wielton Group. In November, Adamed Group acquired a Vietnamese drug producer Dat Vi Phu for EUR 41.5 M. The pharmaceutical company wants to develop its product portfolio and boost sales dynamics on foreign markets. The foreign acquisitions can be treated as a sign that Polish companies are ready to face competition on global markets and are willing to strengthen their potential.

As far as the transactions' structure is concerned, most of the ownership changes were made among Media/IT/Telecom companies – **18%** and FMCG – **13%**. On the buy side dominated Private Equity/Venture Capital funds – **17%**, companies from Media/IT/Telecom branch – **13%**, and FMCG companies – **9%**. The largest group of sellers were private investors followed by Private Equity/Venture Capital funds, which made up **13%** of the entities on the sell side.

After the period of strong growth during the first half of the year, the WIG Index remained on a rather high level of 62 000 p. Since the beginning of the year WIG Index grew by ca. **20%**. Among the WIG20 companies, PKO BP and Energa exhibited the strongest growth (ca. **57%** and ca. **52%** respectively).

The Zloty has strengthened against the main currencies. As for 8th December the USD/PLN exchange rate dropped by ca. **14%**, and the EUR/PLN exchange rate by ca. **5%** in comparison to the quotations from 31.12.2016