

M&A Index Poland

Q2 2017

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

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M&A Index Poland, 2Q 2017

by Navigator Capital & FORDATA | July 2017

Total number of transactions*

57 (2Q 2017)

The largest transaction**

EUR 0.58B

(Acquisition of EDF's assets by PGE S.A.)

* 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

The second quarter of 2017 turned out to be slightly better than the second quarter of the previous year in terms of M&A activity in Poland with 57 transactions reported in comparison to 53 in the second quarter of 2016. The biggest deal was closed on the energy market (ca. EUR 0.58 B). We could also witness consolidating efforts on the real estate market: the acquisition of Euro Styl by Dom Development and the acquisition of mLokum by Archicom.

Selected transactions

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 Leszek Czarnecki's plan to consolidate the packaging market in order to create an entity with revenue of around PLN 100 M per year in the coming 3-5 years. According to press reports, the fund is preparing to take over 3 more companies in the industry, which names have not been disclosed yet.

TARGET	BIDDER	SELLER	VALUE [EUR]
Pini Polska Sp.z.o.o. Hamburger Pini Sp.z.o.o. Royal Chicken Sp.z.o.o.	Smithfield Foods Inc.	Private investor	Undisclosed

(26th April) The Polish Competition and Consumer Protection Office gave a consent to Smithfield Foods, Inc. to acquire 100% stake in the companies Pini Polska Sp. z o.o., Hamburger Pini Sp. z o.o. and Royal Chicken Sp. z o.o. Smithfield Foods, Inc. (USA) is a subsidiary of WH Group Limited. Smithfield Foods is represented on the Polish market by a group of firms, including Smithfield Polska, Animex Foods and Agri Plus. The group operates on the fresh meat and processed meat markets. The acquisition will strengthen the vertical integration of the Smithfield's distribution chain in Poland. Moreover, it will provide new food processing capacities in response to the growing demand for high quality meat products in Poland and globally.

TARGET	BIDDER	SELLER	VALUE [EUR]
Euro Styl S.A.	Dom Development S.A.	Private investor	EUR 62 M

(17th May) Dom Development S.A. signed a preliminary agreement on acquisition of 100% shares of Euro Styl S.A.. The transaction will allow Dom Development to expand its 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.

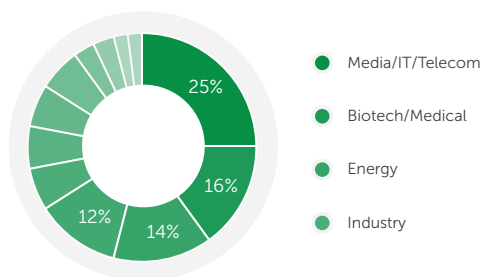
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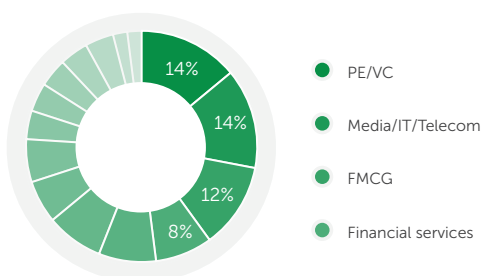
By sector

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

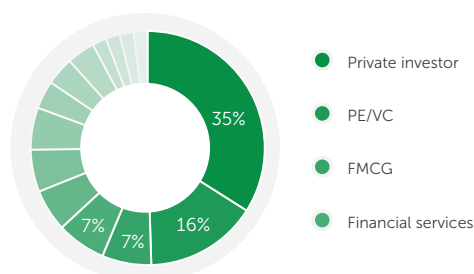
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
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 Chatupiec	Eaton Park Capital Management	Undisclosed

(29th May) Loverose, a Cyprus-registered company representing Mr. Igor Chalupiec, the chairman of RUCH S.A., signed a letter of intent 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 K kiosks and convenience stores (SUPERAC). The revenue of the company in 2016 amounted to over EUR 0.3 B.

TARGET	BIDDER	SELLER	VALUE [EUR]
Link Sp.z.o.o. Link Services Sp.z.o.o.	Waberer's International Zrt.	n/a	EUR 50 M

(5th June) Waberer's International - Hungarian transportation company will take over the Polish company LINK for EUR 50 M. Waberer's has a fleet of 3,500 vehicles (the largest fleet in Europe), and LINK - 1,500. The purpose of this merger is to achieve synergies, increase access to IT technology by LINK, and strengthen Waberer's leadership position in the European market. The transaction will be financed entirely from Waberer's own resources. For the purpose of financing the transaction, the Waberer's company carried out a new share issue on the Budapest Stock Exchange.

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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.
- In recent years Navigator has completed over 60 transactions. Navigator Partners' market experience includes deals worth over PLN 6,2b (EUR 1.6b).
- 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 34 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.



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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 in 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]
Mykogen Polska S.A.	Greenyard Foods NV	Abris Capital Partners	Ca. EUR 93 M

(14th June) The Private Equity management firm Abris Capital and the Belgian leader of global fresh and processed fruit and vegetables, plants and flowers and growing media markets Greenyard signed a preliminary agreement on acquisition of 100% shares of Mykogen S.A. Mykogen is a manufacturer of mushrooms substrate. After a merger with Polish company Fungis in 2016, the company took the leader's place on the Polish market with ca. 20% share of Polish market. The annual revenue of the merged companies should amount to ca. EUR 33 M, and the capacities to 100 K tones/year. VDR services for the transaction process were provided by FORDATA.

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

(16th June) Asseco Business Solutions (Asseco BS) purchased in a tender offer ca. 1.7 M of Macrologic S.A. shares, which represent ca. 88% of company's equity and votes on the general shareholders' meeting. Altogether with its subsidiaries, Asseco BS owns over 1.8 M shares of Macrologic S.A., which equals over 96% of company's equity and votes on the general shareholders' meeting. Macrologic 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.

Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

Despite the expected recovery, activity on the Polish M&A market is still moderate. In the 2nd quarter 2017, there were **57 transactions** carried out, compared to 53 in the 1st quarter and 53 in the same period last year. It is consistent with the overall situation on the M&A market across the CEE region, which noted the worst results in all regions during the first half of 2017. The industry expects to revive soon but in our opinion it will be necessary to wait for it.

Private investors still dominate

Once again, the largest percentage of sellers were private entrepreneurs, however compared to the 1st quarter (when they accounted for over 50% of the offerings) there was only **35%**. Nonetheless, we expect the situation to go back on track and that the percentage of private companies that will be sold in the future will increase significantly. The most desirable industries are Media/IT/Telco (**25%**), Healthcare (**16%**) and Energy (**14%**). The largest transactions took place in the energy and real estate sectors. This is not a surprise, since at the beginning of the year it was expected that banks, developers, IT, Media and Telecom would be taken over.

Private Equity Funds are selling

PE activity on the sell-side is constantly increasing. In the 2nd quarter of 2017, PE funds represented **16%** of the sellers (compared to 11% in the 1st quarter) and were the second most active group on this side of the transaction. Enterprise Investors was the most active seller once again. After Dino and itWorks they have finalized sales of Skarbiec Holding, United Oilfield Services and Polski Bank Komórek Macierzystych. Abris is following closely - after Novago, they have successfully sold another portfolio company, Mykogen, a leading producer of mushrooms. The buyer was the Belgian company Greenyard, a global leader in the market of fresh and processed fruit and vegetables, flowers and plants and growing media. **Virtual Data Room technology has helped streamline negotiations with a foreign investor.**

The number of mid-caps grows

The value of transactions remains the same as in the previous quarters. Among deals with disclosed price small (less than PLN 100 million) and average (value of PLN 100-400 million) transactions dominate. Small deals are still dominant, although there is an increase in mid-caps, which are the backbone of Polish economy. We expect the situation to be similar in the second half of 2017.

Polish companies on the sell, as well as buy-side

In the 2nd quarter Polish companies were dominant both on the sell and the buy-side. Foreign investors accounted for **31%** and represented mainly European countries. However, we anticipate that in the second half of the year there will be several cross-border transactions worth noticing. Poland is a good bridgehead for Asian companies for further expansion. In addition, large transactions from 2016 put Poland *on the radar* of foreign funds. We are not yet their *must have*, but we are definitely being closely watched.

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Poland on the radar of foreign funds

Foreign investors flow that is seen in Poland (including new funds), is the result of changes that have taken place in Europe and globally. Many markets have closed. The British market remains uncertain due to Brexit, and depreciation of pound; Turkey is no longer attractive, and the Russian market is closed. The amount of capital has not decreased, but the markets have narrowed, so capital goes where it is relatively safe. Money that could have been invested in other markets, flows to our country. Investments in Poland are undoubtedly favoured by the macroeconomic situation, which is stable and definitely better perceived than after the 2015 election. Economic growth and a well-functioning banking system have to be pointed as positive factors as well. Investment risk is perceived as in Western Europe.

From the other side, legal changes in Poland being introduced for the past several months, perceived by many experts as unconstitutional and harmful to the economy, discourage investors. Therefore, they are monitoring our market and checking every piece of information in the foreign press about the legal and economic situation in Poland.

Polish companies starting to buy abroad

We forecast that Polish capital will start to take over companies in Europe. Large transactions will also be seen here. Capital in Poland (over 1 trillion Polish zloty of savings in households) is held on deposits, and it is just a matter of time and good intentions to finally invest it. In the 2nd quarter of 2017, 10 such transactions were conducted - we were buying and investing mainly in the Western Europe (Germany, France).

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Jan Kospin

Director
Navigator Capital Group

In the 2Q 2017, **57 M&A transactions** were closed on the Polish market. This count is by **4** more than a quarter before and also by **4** more than in the corresponding period previous year.

The acquisition of French EDF Group's assets by PGE S.A. for ca. EUR 0.58 B was the biggest deal in the 2Q 2017. The assets included 8 heat and power stations in the largest agglomerations and nearly 400 km of heating network. Having closed the deal, PGE will become the leading provider of heating energy in Poland. The sale of the assets is in line with EDF's strategy assuming sale assets of total value of EUR 40 B in the period 2015-2020.

Another deal of large significance is the biggest in history transaction between Polish developers: acquisition of Euro Styl (a company operating in Polish tri-city area) by Dom Development for around EUR 62 M. The second largest developer on the Polish market has purchased the company from Forum IV FIZ fund, representing a private person. Dom Development has been operating in Wroclaw and Warsaw so far. The purchase of Euro Styl is the first step towards company's entry to new local markets in Poland. Within the sector, there was also another interesting transaction carried out: Wroclaw-based Archicom acquired mLokum (a developer in the Polish market) from mBank for ca. EUR 21 M.

As far as the structure of transactions is concerned, the most of targets operated in Media/IT/Telecom (**25%**), Biotech/Medical (**16%**) and Energy (**14%**) sectors. The bid side was dominated by Private Equity/Venture Capital funds (**14%**) and the companies from Media/IT/Telecom sector (**14%**). The two largest groups on the sell-side were private investors (**35%**) and Private Equity/Venture Capital funds (**16%**).

The bullish sentiment on the WSE persists. In the last quarter WIG rose by ca. 4% and remains on the level of ca. 61 000 points. PZU S.A.'s stocks rose the most among Polish blue chips – by ca. 30%. The second place goes to mBank – with ca. 25% stock price growth.

In the 2Q 2017 Polish Zloty strengthened against the leading currencies. The PLN/USD exchange rate rose by ca. 6%, and PLN/EUR by ca. 0.5%.