

M&A Index Poland

Q3 2018

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

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by Navigator Capital & FORDATA | October 2018

Total number of transactions*

51 (3Q 2018)

The largest transaction**

ca. EUR 300 M

(The take-over of Solaris Bus & Coach by Construcciones y Auxiliar de Ferrocarriles, in terms of Enterprise Value)

* 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 third quarter of 2018 turned out to be better than the third quarter of the previous year in terms of M&A activity in Poland with 51 transactions reported in comparison to 42 in the third quarter of 2017. The biggest transaction was the acquisition of Solaris Bus & Coach by Spain-based manufacturer Construcciones y Auxiliar de Ferrocarriles (CAF). Private investors constituted more than half of all sellers. Last quarter, many divestments done by private equity funds could be observed. Media/IT/Telecom industry was a particularly active player, being in both top among targets as well as sellers.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Solaris Group	CAF	Private Investor	ca. 300 M (EV)

(5th July) The Spanish CAF Group acquired 100% stake in Solaris Group, a Polish manufacturer of city buses, trolley buses and trams and the European leader of the city communication vehicles market. According to the agreement between PFR (Polish National Development Fund) and the CAF Group, 35% stake in the Solaris Group will be acquired by PFR within a few months since the closing of the transaction between the present owners and the CAF Group. Solaris has been present on the market for 22 years, employing presently ca. 2 500 people in its manufacturing sites in Bolechów and Środa Wielkopolska. In 2017 the revenue of the Group amounted to ca. EUR 0.47 m and was generated mainly in Poland, Germany, Italy, Scandinavian and Baltic Countries. The CAF Group is listed on the stock exchange in Madrid and offers mainly rolling stocks: trains, trams, subway carriages and locomotives. The revenue of the CAF Group amounted to ca. EUR 1.5 b in 2017. The acquisition of the Solaris Group will allow for the product diversification particularly in the field of electric buses and e-mobility.

TARGET	BIDDER	SELLER	VALUE [EUR]
Fibar Group	Nice	Kulczyk Investments, Private Investors	58 M

(12th July) Nice Group acquired the Polish Fibar Group, which is the owner of FIBARO brand. FIBARO provides innovative smart home and internet of things solutions in over 100 countries worldwide. The activity of the headquartered in Italy Nice focuses on home automatics and home safety solutions. The transaction will allow to broaden the offer of both entities through combination of existing solutions and new opportunities in the field of research and development activity. The revenue of Fibar Group in 2017 amounted to ca. EUR 26 m, and the net profit to ca. EUR 3.5 m. The revenue of the Nice Group in the corresponding period amounted to ca. EUR 360 m.

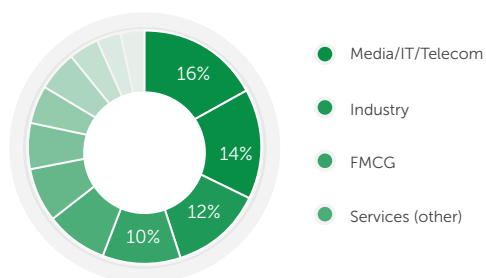
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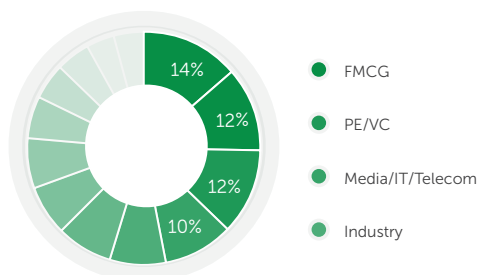
By sector

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

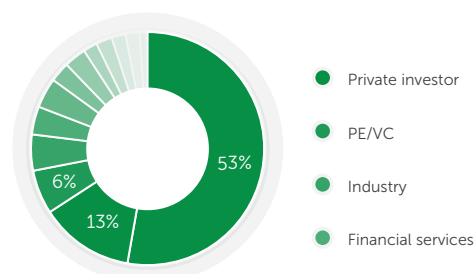
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
ITP	Abris Capital Partners	Private Investor	Undisclosed

(13th July) A fund belonging to Abris Capital Partners acquired stake in ITP, a Polish company offering products and services in field of conventional and aesthetics medicine, beauty, wellness and fitness. ITP has been established in 2006, and growing fast since then. The company owns Neauvia brand, a provider of hyaluronic acid dermal fillers. ITP operates in 45 countries, having a strong market position in the CEE and Middle East regions. The next strategic step of the company will be, after obtaining regulatory consents, entering the two World's largest aesthetics medicine markets – China and the US. In 2015 ITP acquired the Swiss manufacturer and distributor of hyaluronic fillers MatexLab, which allowed it to build a strong position on the Western markets and guarantee synergies within the capital group.

TARGET	BIDDER	SELLER	VALUE [EUR]
BitCraft	Netguru	Private Investor	Undisclosed

(23rd July) Netguru, an IT company, which produces software for website and mobile apps and provides IT advisory services for enterprises, has acquired Bitcraft, a software house established in 2014. Foreign clients are the main source of Netguru's revenue. The same is true for Bitcraft, which completed many projects for American and European clients. The primary focus of the target company is tailor-made software and user interface design. The entire Bitcraft team, including the founders, will join Netguru. The bidder intention is to consolidate the Polish software design market. This strategy was implemented last year, when Netguru took over VORM, a design and technology consultancy firm. Netguru is expected to report about EUR 9.3 m revenue for 2017.

TARGET	BIDDER	SELLER	VALUE [EUR]
Aligator Polska	Polska Siec Handlowa Nasz Sklep	PGD Polska	Undisclosed

(27th July) Aligator, a convenience stores chain, has been purchased by PSH Nasz Sklep, a subsidiary of Specjal Group. Shops are located in South-Western Poland, mainly in the province of Lower Silesia. The main focus of the chain is sale of foods and alcohols. PSH Nasz Sklep is focused on franchising, with more than 3500 shops operating under its brands countrywide. Moreover the chain possesses 45 of its own stores. Having taken into account the acquisition, all brands of this chain will generate EUR 2.33 b revenue in 2018.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Sushi Shop Group	AmRest Holdings SE	Nexicap Partners Gregory Marciano	240 M (EV)

(27th July) AmRest SE, listed on the Warsaw Stock Exchange operator of bars and restaurants, fully acquired Sushi Shop, a French chain of sushi restaurants. Sushi Shop is a portfolio company of Nexicap Partners, a private equity fund. Thanks to the deal the company will strengthen its presence in the sushi segment. The target specializes in delivery and take-away activities. These two channels account for 87% of the sales. The acquisition will also increase the number of restaurants under management by AmRest by 165. Sushi Shop Group's restaurants are located in Western Europe, mainly in France. The estimated deal value is EUR 240 m, of which EUR 13 m will be paid in shares. Additional EUR 10 m can be received under the earn-out provision. In 2017 Sushi Group generated EUR 130 m revenue.

TARGET	BIDDER	SELLER	VALUE [EUR]
GermanFLAVOURS	Flavourtec	Private Investor	Undisclosed

(24th August) Flavourtec, a leading manufacturer of e-cigarette liquids, took over German-FLAVOURS, its German counterpart, which is both a producer and distributor of e-cigarette liquids. The target operates in Europe and the USA. The deal was backed by TarHeel Capital, a private equity fund which acquired stake in Flavourtec in October 2017. The acquired production plant will be the third in its portfolio. The other two are located in Gdansk, Poland. The acquisition of GermanFLAVOURS is the continuation of the international expansion, which was initiated earlier this year. At the beginning of 2018, Flavourtec has taken over one of the biggest distributors of e-cigarette liquids in Benelux.

TARGET	BIDDER	SELLER	VALUE [EUR]
Igloocar	Petit Forestier	Private Investor	Undisclosed

(3th September) A France-based company, Petit Forestier, which leases refrigerated vehicles, fully acquired Igloocar, a Polish manufacturer of refrigerated truck bodies. Igloocar employs 230 workers and in 2017 its reported revenue amounted to EUR 15.3 m. The deal is in line with Petit Forestier's strategy. Its subsidiary, Lecapitaine, is also involved in manufacturing of refrigerated truck bodies. The company hopes that the combination of French subsidiary's know how and experience and Igloocar's brand in CEE will yield synergy effects.

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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.



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TARGET	BIDDER	SELLER	VALUE [EUR]
Valmos OU	Sklejka-Pisz Paged	Kaamos Group Hakera OU	Undisclosed

(4th September) Valmos, an Estonian manufacturer of the wood veneer and a portfolio company of Kaamos Group fund has been acquired by Sklejka-Pisz Paged. The Polish enterprise is one of the sixth largest plywood producers in Europe. It owns four production plants, which annual output is around 250k square meters of the final product. The acquired company is the leader of the Estonian market. In 2017 the enterprise expanded its operations into manufacturing of the birch veneer, which is input in the production process of Sklejka-Pisz Paged.

TARGET	BIDDER	SELLER	VALUE [EUR]
Konspol Group	Cargill	Private Investor	Undisclosed

(13th September) The American Cargill concern acquired Konspol. The acquired company, being involved in poultry breeding and processing, owns manufacturing sites in Nowy Sącz and Stupca in the south of Poland, a fodder production site, a slaughterhouse and five breeding sites. The revenue of the Konspol Group within last few years remained on stable level of ca. EUR 70 m. Cargill is provider of foods, agricultural products and financial services. It operates in 70 countries. The acquisition of Konspol was its fourth transaction in Poland. The existing operations of the company in Poland include fodders, starch syrup, gluten and ethyl alcohol production, grains and oleaginous plants trading as well as import of raw materials and foods. The transaction will allow to broaden the operations of the company by addition of meat processing business.

TARGET	BIDDER	SELLER	VALUE [EUR]
Lawrence David	Wielton	Private Investor	ca. 29 M

(17th September) The Polish manufacturer of semitrailers Wielton acquired 75% stake in British Lawrence David, being one of the main manufacturers of the semitrailers in Great Britain. Remaining 25% stake will be acquired after the end of the 2021/2022 financial period. In the financial period 2017/2018 the company achieved ca. EUR 83 m (GBP 74 m) revenue and ca. EUR 4 m (GBP 3.5 m) EBITDA. The transaction is the fourth acquisition of Wielton Group outside Poland. It will allow to further broaden the company's offer of specialist semitrailers and to strengthen its presence on the Western markets.

Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
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Taking under consideration the results, achieved in individual quarters of 2018, in the Q3 we recorded the highest number of transactions so far – **51** (50 for Q1, 48 for Q2). The technology, media and telecom as well as the industrial sectors enjoyed a lot of investors' interest. Solaris Bus & Coach takeover by Spanish company CAF for approximately EUR 300 M (in terms of Enterprise Value) was the largest transaction of the prior quarter. While the acquisition itself was not a surprise for us, the interesting twist of the campaign turned out to be the fact that the Polish Development Fund is taking over 35% of the carrier's shares, ensuring that the potential of Solaris in Poland will be maintained.

Increased involvement of private investors

More than half of the sellers were private investors (an increase by **14%** compared to Q2), which proves further attractiveness of Polish companies from the SMEs sector. According to experts, many enterprises in Poland, mainly small and medium-sized, remain in hands of private capital. Therefore, the question should be asked whether the ongoing consolidation will continue, or perhaps as a response to the ongoing processes, medium-sized enterprises will be merged to defend against takeovers by global players and exert more influence on the Polish and European market. The most desirable sectors are **Media/IT/Telecom (16%)**, **Industry (14%)** and **FMCG (12%)**.

Decrease in the involvement of Polish investors

Transactions between Polish entities still prevailed in Q3, although a decrease in their amount has been noted. Polish companies accounted for **57%** of buyers (**65%** in Q2) and **31%** sellers (**63%** Q2). The engagement of foreign entities on the buyers' side increased and amounted to **43%** in Q3 (an increase of **8%** compared to Q2). European companies still dominate in this group. An interesting example on the Polish smart home industry market is the acquisition of Polish company Fibar Group by an Italian manufacturer of solutions in the field of home automation and home security – Nice Group. For this worldwide recognisable brand Nice has paid EUR 58 M. It is a huge opportunity for further development of Polish smart home system and other Internet of Things solutions. Due diligence was organized using the Virtual Data Room technology provided by FORDATA.

Private Equity funds on running

According to the forecasts from the second quarter, many funds (including Mid Europa Partners) do not stop at buying and continue acquisitions. Companies supported by the PE Funds stretch their wings, thus boosting the economic circulation. Nowadays PE funds are present in every area of the Polish economy - their portfolios are dominated by companies from the **Media/IT/Telecom** sector, and subsequently, from the industrial sector. The vast majority of PE funds confirms further purchase plans and new investments rather than sales in the next quarter. The mood among investors is still rather optimistic, but they are watching closely economic plans in Poland. A great example is the fund owned by Abris Capital Partners, which took over the stake of shares of the Polish ITP company operating on the aesthetic medicine market. There was also a large takeover of 38% of Unilink shares - the largest player on the policy distribution market by the Enterprise Investors Fund. In the latter case, the due diligence process was reorganized using the FORDATA VDR.

Growing popularity of Virtual Data Room

The popularity of Virtual Data Room on the Polish M&A market remains stable. The use of Virtual Data Room technology during the transaction, which guarantees secure access to confidential documents to the other party of the process, is the subject of growing interest, especially after the entry into force of the RODO. The publicly available data show that in the third quarter of 2018 as much as **37%** of transactions were organized using this technology (as in the prior quarter).

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Karol Szykowny, CFA

Navigator Capital

In the 3rd quarter of 2018, there were **51 M&A transactions** closed on the Polish market. This is 9 more than in the corresponding period of 2017.

The largest deal of the last quarter was the sale of 100% stake in Solaris Group to the Spanish manufacturer of rolling stock – CAF Group. The strategic investor also entered into an agreement with the Polish Development Fund (PFR) to sell 35% stake in the Group to the Polish public entity within the following months after receiving relevant regulatory consents. The Solaris Group is one of the leading manufacturers of urban transportation vehicles, with focus on buses, in Europe. Within the last years the Group developed a new business line of electric buses and e-mobility solutions. The transaction will allow to strengthen the presence of the both entities on the European markets and powerful expansion into non-European markets. The Enterprise Value in this transaction amounted to ca. EUR 300 m. The most probable reason for the sale of the entity by the former owners, the Olszewski family, were succession problems and the need to secure the growth and further development potential for the company in the future.

Two other transactions with the deal value over PLN 1 b (EUR 233 m) are worth notice. One of them was the acquisition of the German leader of the specialist fertilizers market COMPO Expert by the Azoty Group. The second one was the takeover of Sushi Shop restaurants chain by AmRest. The occurrence of large transactions is a sign of maturity of Polish business entities and growing potential for their international development.

In the last quarter PE/VC investments funds were very active on the Polish M&A market. Within their scope of interest were luxury goods companies and providers of B2B services. The financial investors were obtained i.a. by ITP – a company operating on the aesthetics medicine, conventional medicine beauty, fitness and wellness markets and Reesco – a provider of interior design and fit-out services for the business clients. Such investment arise from the increasing wealth of Polish society and more intensive development of national business, which translates to the boost in demand for B2B services.

As far as the structure of transactions is concerned, the most of target companies operate in Media/IT/Telecom sector – **16%** and in industrial branches – **14%**. The buy-side was dominated by FMCG companies - **14%** and PE/VC funds – **12%**. The half of all sellers were private investors. The second largest group within this category were PE/VC funds – **13%**.

In the 3rd quarter of 2018 the WIG index strengthened by ca. **5%** since the beginning of the quarter. The Polish zloty appreciated against the World's dominant currencies. Within the last three months it appreciated against euro by ca. **2.8%** and against dollar – by ca. **2.5%**.