

M&A Index Poland

Q2 2019

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

Experts' comments to the 32th edition
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by Navigator Capital & FORDATA | July 2019

Total number of transactions*

63 (Q2 2019)

The largest transaction**

EUR 96 m

(The acquisition of 100% shares in the 3S Group by P4)

* 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 the second quarter of 2019, we witnessed 63 transactions on the Polish mergers and acquisitions market. It is by 15 more than in the second quarter of 2018. The largest transaction was the acquisition of 100% shares in the 3S Group by P4, a subsidiary of Play Communication.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Olimax	StillCanna	Private investor	21 m

(8th May) The Canadian company StillCanna, a producer of healing oil from hemp, took over the Polish company Olimax. Olimax is an entity specializing in the cultivation of Glyana - own hemp cultivar and consulting in the field of cultivation and processing technology of this plant. The transaction will provide the acquiring company with access to 1500 ha of hemp crops and CBD extractors. CBD is a cannabinoid, which is not psychoactive on the human body. Currently, it is being examined for its use in treatment of many diseases: Parkinson's disease, depression, heart disease and others.

TARGET	BIDDER	SELLER	VALUE [EUR]
L'biotica	Oceanic	Waterland, Private investors	Undisclosed

(9th May) Oceanic, the owner of the AA cosmetics brand, took over L'biotica from the Waterland fund and minority private shareholders. Oceanic operates several business lines, among others produces cosmetics for allergic skin, medical products as well as cosmetics in the private label formula. L'biotica offers cosmetics for body and hair care and dietary supplements. In 2017, the company generated EUR 12 m revenue and approx. EUR 1 m EBITDA. Oceanic's revenues in the same period amounted to EUR 52 m, and EBITDA – EUR 6 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
DreamCommerce	Value4Capital	Private investor	Undisclosed

(14th May) Value4Capital acquired a minority stake in DreamCommerce, the leading Polish supplier of SaaS platforms for e-commerce under the Shoper brand. The Shoper web application allows to create e-commerce sites integrated with Allegro, Ceneo and Subiekt websites. DreamCommerce revenues in 2018 amounted to EUR 5 m. The company achieved a high EBITDA margin of approx. 29%.

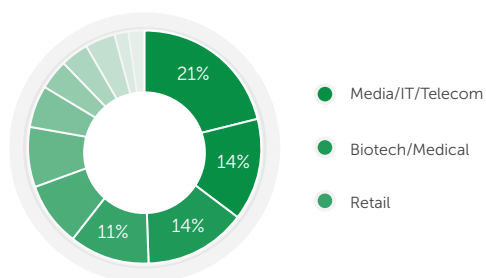
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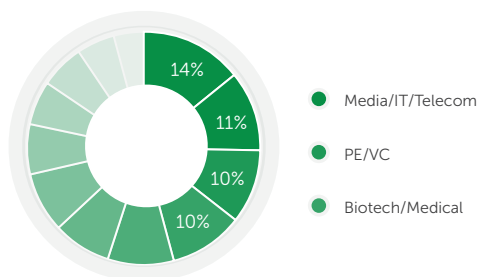
By sector

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

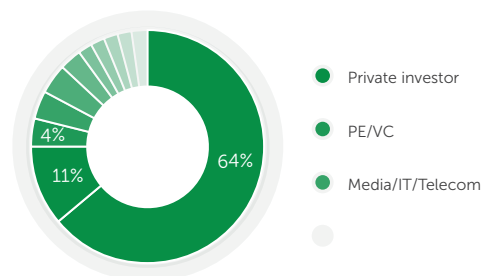
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Falck Centra Medyczne NZOZ Starowka	Grupa PZU	Falck Danmark	Undisclosed

(15th May) PZU Zdrowie acquired Falck Medical Centers, including NZOZ Starówka in Warsaw. Thanks to the transaction, the acquirer increased the number of its medical facilities by 32. Clinics are located in 14 cities in Poland. After the operational integration, 97 entities will operate under the brand of the PZU Zdrowie. The development in the private healthcare sector is one of the strategic goals of the PZU Group. The Falck Rescue and Medical Transport segment was not included in the transaction and will operate as part of the Falck Medycyna company.

TARGET	BIDDER	SELLER	VALUE [EUR]
Go Ahead	Live Nation Entertainment	Private investor	Undisclosed

(3th June) Live Nation, one of the world's largest concert promoters, acquired a Polish company with a similar business profile - Go Ahead. Go Ahead deals mainly with foreign artists. It is also the organizer of the Spring Break event, which aims to promote Polish artists. The acquisition will allow Live Nation to strengthen its presence in Poland by acquiring already existing structures, together with staff experienced in organizing mass events.

TARGET	BIDDER	SELLER	VALUE [EUR]
CS Group Polska	Innova Capital	Private investor	Undisclosed

(6th June) Innova Capital – polish private equity fund took over a stake in marketing agency CS Group Poland. CS Group provides Internet marketing services for small and medium enterprises. The offer of the acquired company includes: creating websites, SEO services, content marketing, e-mail marketing, advertising in social media and video marketing. The investor perceives the Internet advertising market as attractive and dynamically growing. Innova does not rule out further investments in this segment.

TARGET	BIDDER	SELLER	VALUE [EUR]
PrimeCar Management	PKO Leasing	Aviva PTE, PTE PZU, Aegon PTE, NN PTE	65 m

(11th June) The largest Polish entity in the car fleet management sector, PKO Leasing, from the PKO group, took over a significant rival from this market - Prime Car Management. The sellers were Aegon PTE, PZU PTE, Aviva PTE and NN PTE. Prime Car Management provides services in the field of leasing and long-term cars rental and services related to fleet service. Moreover, PKO Leasing provides leasing for agricultural machinery, medical equipment and heavy transport equipment. After the acquisition, PKO Leasing will significantly strengthen its leading position in the domestic passenger car leasing market. Prime Car Management operates under the brand Masterlease, which in 2018 generated revenues of EUR 147 m. The Due Diligence process was organized using the FORDATA Virtual Data Room system.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Blue Soft	Orange Polska	Tokajami Limited, Wellchosen Investments Limited	47

(12th June) Orange Polska, one of the largest providers of telecommunications services in Poland, has taken over the Polish provider of IT services in the area of application development, database systems and operations in the cloud - Blue Soft. The revenues of an IT company are generated mainly from the creation of dedicated applications and the provision of system services to large companies, especially in the area of banking and insurance. Orange does not plan to include the company in its internal structure, it will remain independent and allow the telecommunications company to expand the portfolio of services provided.

TARGET	BIDDER	SELLER	VALUE [EUR]
Agart-Pro	Dawn Foods	Private Investor	Undisclosed

(13th June) Dawn Foods, American company has applied to the Polish Office of Competition and Consumer Protection for permission to acquire Agart-Pro, a Polish distributor of ingredients for confectionery producers, ice cream parlors and bakeries. Agart-Pro operates on the basis of four branches in Poland using the supply chain optimization model. Dawn Foods is a company with a similar business profile to the acquired company, which operates in 105 countries using 57 plants. Agart-Pro realized in 2011 revenues of EUR 25 m and EUR 2 m EBITDA.

TARGET	BIDDER	SELLER	VALUE [EUR]
ABC Data	Also, MCI	OFE PZU Zlota Jesien, remained shareholders	12 m

(14th June) Also Holding and MCI Capital successfully completed tender offer for ABC Data shares commenced in December 2018. As a result of the tender offer, investors purchased a 37.1% stake in the company. Subsequently Also will take over the exclusive control over ABC Data in July 2019. ABC Data is a distributor of IT equipment, electronics and household appliances operating in eight countries in the Central and Eastern Europe Region. Revenues of the ABC Data Group in 2018 amounted to EUR 1 b. At the same time, the company recorded an EBITDA loss of EUR 8 m. Also is a Swiss platform offering services for companies in the IT sector, especially in the field of marketplace services in 18 European countries. In 2018, the Also Group recorded consolidated revenues of EUR 9 m.

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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]
3S	P4	Ambrosia CEE Holding S.a r.l. and three founders	96 m

(25 h June) P4, a subsidiary of Play Communication, signed a preliminary agreement for the acquisition of 100% shares in 3S from Katowice and indirect acquisition of its subsidiaries. The total value of 3S company and its subsidiaries amounts to EUR 96 m. 3S develops and provides fiber optic infrastructure and telecommunications services. The shares were sold by the founders and the fund of Ambrosia CEE Holding S.a.r.l. from the Enterprise Investors group, which in 2015 purchased 76% of shares for EUR 20 m. During the transaction, the FORDATA Virtual Data Room system was used.

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Experts' comments



**Alicja
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Senior Key Account Manager
FORDATA

The second quarter of 2019 ended with a total of **62 transactions** on the Polish M&A market, amounting to over 35% increase compared to the first quarter (46 transactions). In total, the half-year increase in relation to the analogical period of 2018 amounted to 10%. The market is fragmented and attractive to foreign investors.

Giants On Hold

In this quarter, we did not observe large transactions such as the takeover of DCT Gdańsk S.A. for the amount of PLN 5 billion in March 2019, or purchase of a 37% stake in Unipetrol by PKN Orlen (PLN 4.7 billion) in 2018 - we are still waiting for Orlen's announcement on the merger with Lotos and information on the post-investment plan of development and expansion of the companies. The largest transaction with disclosed value (PLN 410 million) in the second quarter was the acquisition of 100% shares in the 3S Group by P4, a subsidiary of Play Communication. We observed, however, the narrowing of the banking market, which, due to the merger of subsequent entities, has now fewer players.

The SME Sector Is Still In The Lead

The lack of large acquisitions did not affect the transaction's harvest. At present, small- and medium-sized transactions are still dominating on the Polish market, mainly from the TMT, health and food industries. In addition to major acquisitions of Mavit and Silver Dental Clinic by LuxMed, as well as the sale of Falck Medical Centers to the PZU Group, there are visible attempts to consolidate the biotechnology and cosmetics industries. Oceanic S.A. acquired L'biotica, a producer of dermocosmetics holding, among others, the Biovax brand in its portfolio. Then, Canadian StillCanna took over for PLN 68 mln the Polish leader in the production of cannabidiol oils, Olimax. Stemlab, operating under the auspices of Polski Bank Komórek Macierzystych, took over the Portuguese Bebécord (PLN 32 million), strengthening our position on the European arena in this area. In turn, Bielenda purchased the Body Boom brand - a manufacturer of natural peels - from Xrocket.

The Energy Market Is Still In Doubt

The European Union demands adaptation of economies in terms of reducing carbon emissions and increasing investments in renewable energy. At the European Economic Congress in Katowice, a lot was discussed about the current state of energy in Poland. Konrad Świrski from the Warsaw University of Technology pointed out that in other EU countries coal-fired power plants will be closed in the years 2035-2040. Poland is also obliged to do so, which may in the coming months and years translate into the takeover, restructuring or closure of several such power plants. Although Polish investments in the energy sector are still focused on fossil fuels, both transactions in from the previous quarter concerned the renewable energy segment. Innogy Polska S.A. purchased a minority stake of Foton Technik, a pioneer in the photovoltaic industry, while Pomerania Inwall, a project implementing a 94 MW wind farm, took over the Lithuanian Lietuvos Energija Renewables (PLN 127 million). At the end of June, Tauron also applied to UOKiK regarding the possibility of taking control over In.Ventus, which specializes in the development of wind farm projects in a „turnkey” system and wind farm management in Poland. This is undoubtedly another step to meet the requirements imposed by the EU on member states.

Virtual Data Room Is Doing Very Well

The reported popularity of Virtual Data Room systems in the described quarter was as big as 40%, which reassures the great importance of this solution on the domestic market. We are glad that FORDATA VDR system was used in many important investments. We helped our clients, among others, to finalize the purchase of a 100% stake in the Katowice 3S Group, the optical fiber manufacturer and telecommunications services provider, by Play Communications, and participated in the sale of the security segment of Konsalnet for the Seris Group. Our Data Room also helped in the process of taking over Prime Car Management shares by PKO Leasing.

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Jan Kospin

Director
Navigator Capital

In the second quarter of 2019, **63 transactions** were closed on the Polish M&A market. This is by **15** more than in the same period in 2018.

The largest transaction in terms of value in the last quarter was the acquisition of **100%** shares in the 3S Group by P4, a subsidiary of Play Communication for EUR 96 m. Acquisition of 3S Group shares will help P4 implement their strategy, which assumes the development of Play's own infrastructure.

For several quarters, we have been observing a strong consolidation of the private healthcare market. Analyzing the structure of transactions in the last quarter, it can be stated that entities active on this market so far continue their growth strategy through acquisitions. LuxMed, the entity that has been one of the most active acquirers till now, purchased two new entities in the last quarter: Mavit Centrum Medyczne, specializing in ophthalmic treatment and Silver Dental Clinic – a dental center in Piaseczno near Warsaw. The PZU Group, whose strategic goal is development in the field of medical services, has purchased a network of 32 branches under the name Falck Centra Medyczne. The Medicover Group, which in the first quarter of this year took over two other entities, in the last three months also acquired the company Smigiel Implant Master Clinic, specializing in implantology. Following the characteristics of the target companies, it can be stated that the leaders of the medical market want to develop in two directions: by increasing the scale, creating a network of branches throughout the country and through specialization taking over medical facilities and hospitals with a narrow profile of activity.

The e-commerce domain is also developing rapidly. Interesting transactions can be observed both on the side of web application providers for sellers and entities processing online payments. DreamCommerce, the provider of Shoper application, obtained an investor in the last quarter (Value4Capital fund). The Shoper web tool is an e-store application integrated with Allegro, Ceneo and Subiekt websites. It is worth notice that a similar transaction took place in the last quarter - Shoplo was taken over by SumUp, a British company that is a provider of payment terminals compatible with smartphones.

Among the target companies TMT sector - **21%**, biotechnology and health protection - **14%** as well as retail trade - **14%** enjoyed the greatest interest of investors. The TMT sector - **14%** and PE / VC funds – **11%** were the most active on the buyers' side. The largest group among the sellers of the company were private investors - **64%** and PE / VC funds - **11%** of transactions respectively.