



M&A Barometer H1 2017

Central and Southeast Europe

M&A Barometer

EY M&A Barometer is a summary and analysis of publicly disclosed information accumulated from reputable databases.

M&A activity and data includes private to private transactions and excludes:

- ▶ Acquisitions of minority stakes below 15%
- ▶ Majority shareholder's further acquisition of a minority interest
- ▶ Real estate transactions (except when the target or buyer was a real estate company or real estate fund)
- ▶ Capital market transactions (except for transactions that resulted in a change of control)
- ▶ Acquisitions of licenses
- ▶ Joint venture agreements
- ▶ Greenfield investments
- ▶ IPOs
- ▶ Privatizations
- ▶ Multi-country deals (the value of these deals was ignored in each country, but the number was included)
- ▶ Internal reorganizations

Introduction

In our *M&A Barometer*, we analyze the prevailing trend in 11 Central and Southeast European (CSE) countries (Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). Although most of the countries have experienced decreased M&A activity in terms of the total number of transactions, the estimated market size increased significantly due to a range of factors.

The total number of transactions decreased by 27.8% in H1 2017 compared with H1 2016, but deals were closed with greater transaction values. The average value of deals below US\$100m increased to US\$19.1m in H1 2017 from US\$13.6m in H1 2016, while the average value of deals above US\$100m increased by 84% compared with the same period in the previous year, reaching US\$402m.

More specifically, we observed an increase in the number of inbound transactions as their share of the total increased from 32% in H1 2016 to 40% in H1 2017. Also noteworthy is the fact that transactions were dominated by strategic investors, and the most active target industry was the real estate sector, based on the number of transactions, while the largest transaction was closed in the energy and mining sector.

CSE highlights

H1 2017

473

Closed transactions

19.9b

Estimated market size in US\$



Top three most active industries in CSE (by volume):



80 deals
Real estate



55 deals
Manufacturing



51 deals
IT

Top three most active industries in CSE (by average deal value in US\$):



364.9m
Chemicals



176.8m
Energy and mining



135.0m
Retail and wholesale

402m

Average value of deals above US\$100m

19.1m

Average value of deals below US\$100m

6.1%

Number of deals above US\$100m, as a percentage of total deal volume

37.8%*

Disclosure rate of transaction value or deal size

*Applying this disclosure rate, we estimated the total transaction value of the M&A market for each country.

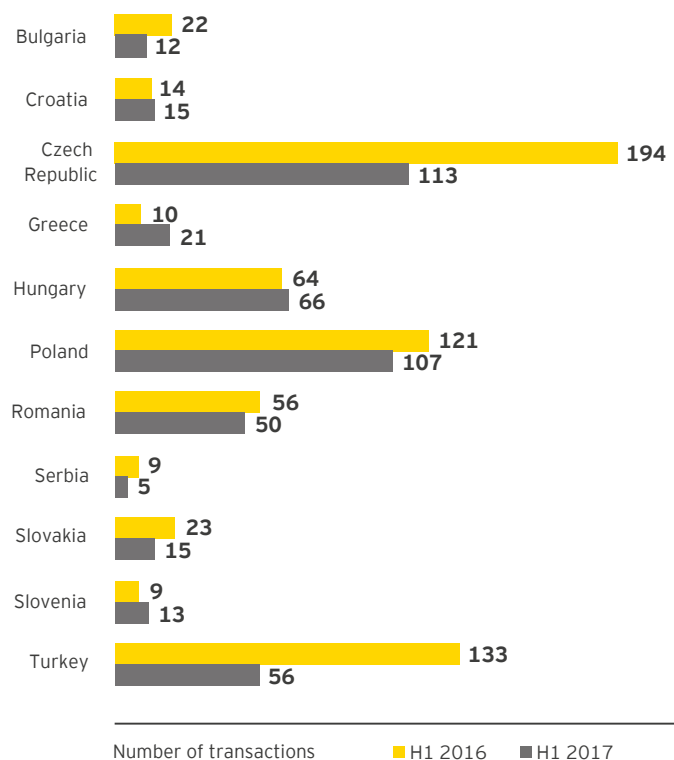
Number of M&A transactions in CSE

The Czech Republic was the most active country in terms of deal volume in H1 2017, closing 113 transactions during the respective period. It was followed by Poland and Hungary closing 107 and 66 deals respectively.

The total number of transactions decreased in the region, from 655 deals in H1 2016 to 473 in H1 2017, representing a 27.8% decline.

Only four of the countries – Croatia, Greece, Hungary and Slovenia – experienced slightly increased M&A activity in terms of number of transactions, but these could not offset the decrease in larger countries.

Strengthening M&A activity was especially visible in the real estate sector.



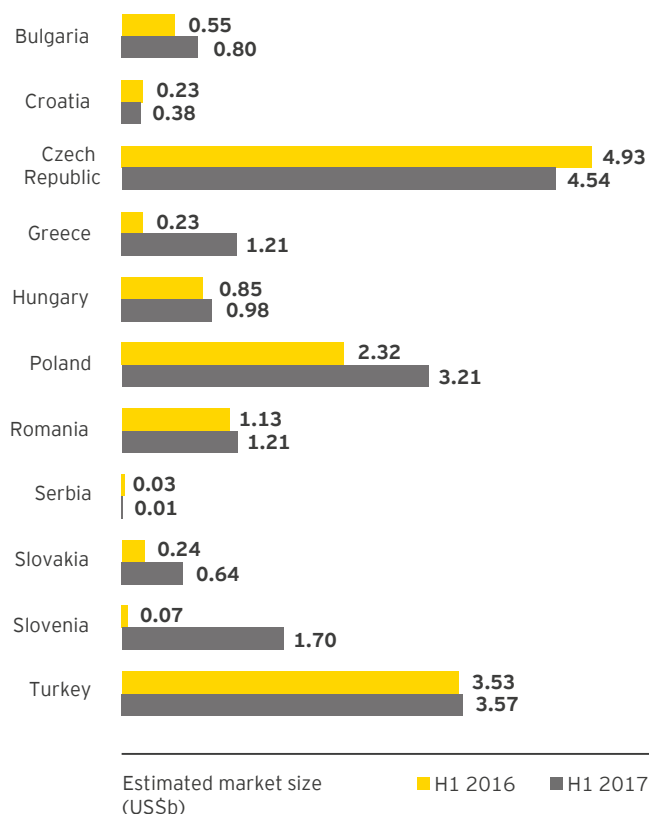
Estimated transaction value of the CSE market

The total H1 2017 estimated transaction value in the CSE market was US\$19.9b, 42.4% higher than the previous year. This increase is mainly due to larger transactions, resulting in higher average value of deals both above and below US\$100m. In H1 2017, two megadeals were closed with values above US\$1b in Turkey and in Poland.

The Czech Republic ranked first with an estimated value of US\$4.5b, followed by Turkey (US\$3.6b) and Poland (US\$3.2b).

Although the market size slightly decreased in the Czech Republic by 8% in H1 2017 compared with the same period in the previous year, it maintained its leading position.

Slovenia experienced the highest growth in H1 2017, where the market increased to US\$1.7b from US\$0.1b in H1 2016.

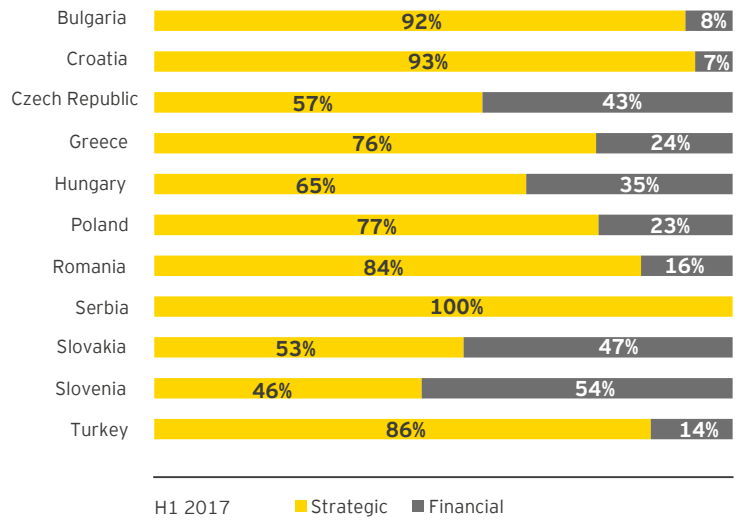


Investor population – strategic and financial

The vast majority of deals were closed by strategic investors in all countries except Slovenia, resulting in an overall proportion of 72% in the region.

Besides Slovenia, the share of financial investors was the highest in Slovakia and the Czech Republic, where financial investors accounted for 54%, 47% and 43% of the market respectively.

The share of financial investors in Slovenia was high due to the increase in the number of transactions executed by private equity firms specializing in industrial technology and production companies.



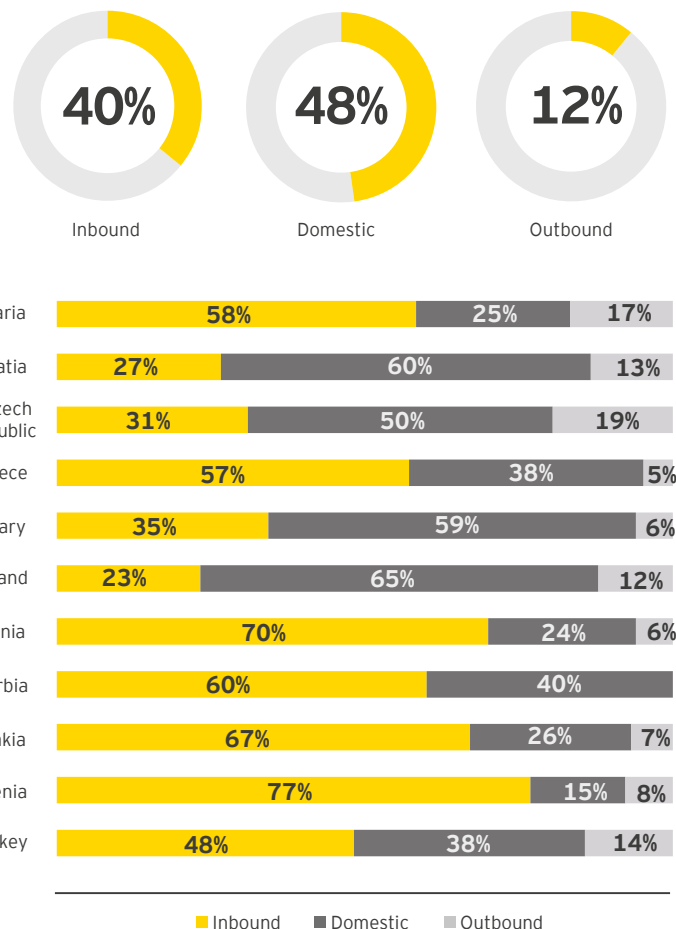
Direction of transactions

The CSE market was once again dominated by domestic transactions in H1 2017, as in 48% of the total number of deals, the buyer and the target originated from the same country. This represents a nine percentage point decrease compared with H1 2016. Domestic transactions were the most popular in Poland (65%), Croatia (60%) and Hungary (59%).

Inbound transactions became more popular as their share increased from 32% in H1 2016 to 40% in H1 2017. The Czech Republic and Romania had the most inbound transactions, both with 35 deals. The proportional share of inbound transactions was the highest in Slovenia (77%), followed by Romania (70%) and Slovakia (67%).

Outbound transactions are still in the minority as in previous years, with their share slightly increasing by one percentage point to 12%.

The Czech Republic had the highest number of outbound transactions (22 deals) – followed by Poland (13) and Turkey (8). Proportionally, Bulgaria had the second-largest ratio of outbound transactions (17%) after the Czech Republic (19%).



Sector analysis



The most active sectors in each country (by deal volume)

Target country	Industry
Bulgaria	Food and beverages
Croatia	Energy and mining, services, telecom and media
Czech Republic	Real estate
Greece	Real estate, IT
Hungary	Real estate
Poland	Real estate
Romania	IT
Serbia	Manufacturing
Slovakia	Real estate, manufacturing
Slovenia	Manufacturing
Turkey	Energy and mining

Real estate

The real estate sector was the most active target industry (by number of transactions), with 80 deals, accounting for 17% of all transactions in H1 2017. The largest transaction in this sector was CPI Property Group's acquisition of a retail real estate portfolio consisting of 11 properties in Hungary, Poland, Romania and the Czech Republic for US\$689.7m.

Another large transaction from the real estate sector was the sale of the Olympia shopping center in the Czech Republic by the UK-based Rockspring and the Austria-based ECE Real Estate Partners to Deutsche EuroShop for US\$405.0m.

Manufacturing

There were 55 deals closed in the manufacturing sector in H1 2017. The largest deals included the majority stake acquisition in Korozo Ambalaj, the leading Turkish producer of flexible packaging, by Actera, EBRD and Esas Holding for US\$340m and the sale of the Slovenian car parts maker Cimos d.d. to TCH, part of Italy's investment firm Palladio Holding Group, for approximately US\$121m. The average deal value in this sector was US\$41.9m.

IT

There were 51 transactions in the IT sector in H1 2017. One of the largest transactions in this sector was the 38.2% share purchase in the Greek Neurosoft Software Production by OPAP Investment Ltd. for US\$38.3m. Another was the US\$30m fund-raising for the Romanian tech start-up UiPath, which is engaged in robotic process automation, led by US venture capital fund Accel Partners, and there was also the transaction of Polish Macrologic acquiring an 88.3% stake in its local peer Asseco Business Solutions for US\$26.5m. The average deal value in this sector was US\$8.5m.

Services

There were 42 closed transactions in the services sector in H1 2017. The largest transactions included EXIN Partners' 75% stake purchase in the Greek Ethniki Hellenic General Insurance S.A. for US\$810.1m and the US-based private equity firm Advent International's 62.9% stake acquisition in the Polish postal operator Integer.pl for US\$61.6m. The average deal value of disclosed deals in this sector was US\$99.2m.

Food and beverages

Forty deals were closed in the food and beverages sector in H1 2017. The largest transactions included the 79.5% stake purchase in the Turkish poultry company Banvit by the Brazilian food processor BRF SA and Qatar's sovereign wealth fund, Qatar Investment Authority (QIA), for US\$270.2m, as well as the sale of Advent International's interest in Devin AD, the leading producer and distributor of bottled water in Bulgaria, to the family-owned Spadel for US\$125m. In this sector, the average deal value was US\$48.3m.

In terms of value, the largest transactions occurred in the energy and mining and retail and wholesale sectors.

Each country had its own favored industry; however, real estate ranked first in most countries, while manufacturing and energy and mining were active sectors too.

Foreign interest

Although there were fewer foreign inbound deals compared with domestic deals, in terms of the origin of foreign capital invested in CSE by M&A transactions, US-based and Western European investors continued to lead against CSE countries in H1 2017.

The US was the most active in H1 2017, closing 25 deals in the region, followed by the UK (17), Germany (16), the Czech Republic (16) and France (12).

US **6**, Italy **3**, France **2**,
Germany **2**, Czech Republic **2**

US **6**, Germany **5**, France **3**,
Hong Kong **3**, Poland **3**

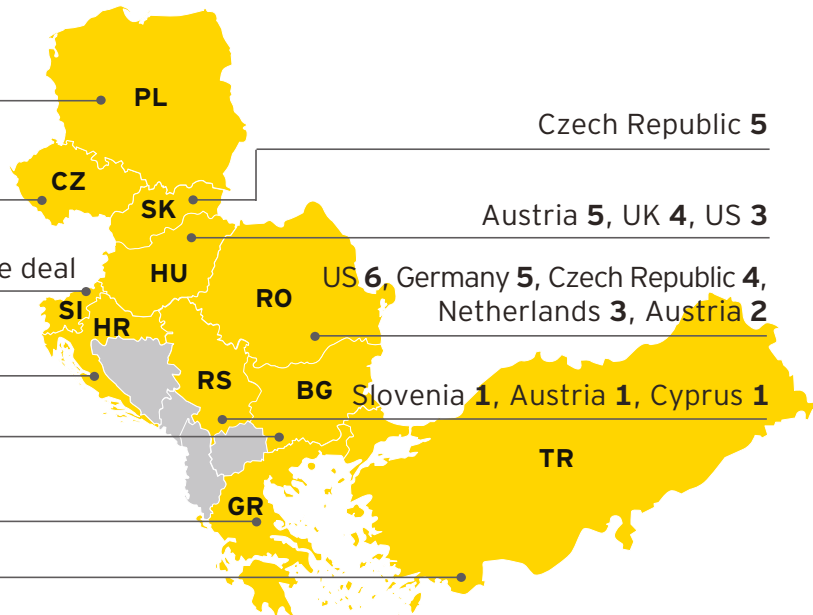
Ten different countries with one deal

Slovenia **1**, Germany **1**,
Netherlands **1**, UK **1**

Belgium **2**

US **3**, UK **2**, Israel **2**, Cyprus **2**

France **4**, Netherlands **3**, UK **3**



The ten largest transactions in CSE in H1 2017 (US\$m)

Target	Country of target	Buyer	Country of buyer	Value
OMV Petrol Ofisi	Turkey	Vitol Investment	Netherlands	1,441.0
Zabka Polska	Poland	CVC Capital Partners, EBRD	UK	1,061.8
The Ethniki Hellenic General Insurance Company S.A.	Greece	Exin Partners	Niger	810.1
Helios Group	Slovenia	Kansai Paint Co., Ltd.	Japan	728.0
Retail real estate portfolio of 11 shopping centers	Czech Republic, Hungary, Poland, Romania	CPI Property Group	Czech Republic	689.7
United Bulgarian Bank & Interlease	Bulgaria	KBC Group	Belgium	638.0
E-Distributie Muntenia S.A., Enel Energie Muntenia S.A.	Romania	Enel Investment Holding B.V	Netherlands	423.5
Olympia Center	Czech Republic	Deutsche EuroShop AG	Germany	405.0
Langage and South Humber Bank power plants	UK	Energeticky a Prumyslovy Holding as	Czech Republic	402.0
Alpha medical, s. r. o.	Slovakia, Czech Republic, Poland	Unilabs SA	UK	370.0

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