



M&A Barometer 2017

Central and Southeast Europe
March 2018

M&A Barometer

The 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 trends in 11 Central and Southeast European (CSE) countries (Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). The total number of transactions was 1,132 in 2017, a 2.8% decrease compared with 2016; however, the value of the CSE M&A market increased by 6.6% compared with the previous year.

As with previous year, we observed a majority of domestic transactions: in 47% of all deals, the buyer and the target originated from the same country (one percentage point lower than in 2016). Also noteworthy is the fact that the proportion of transactions closed by strategic investors shows a decrease of six percentage points, at 72% of total deal volume, and the most active target industry was real estate, while in terms of value, the largest transaction occurred in the energy and mining sector.

CSE highlights

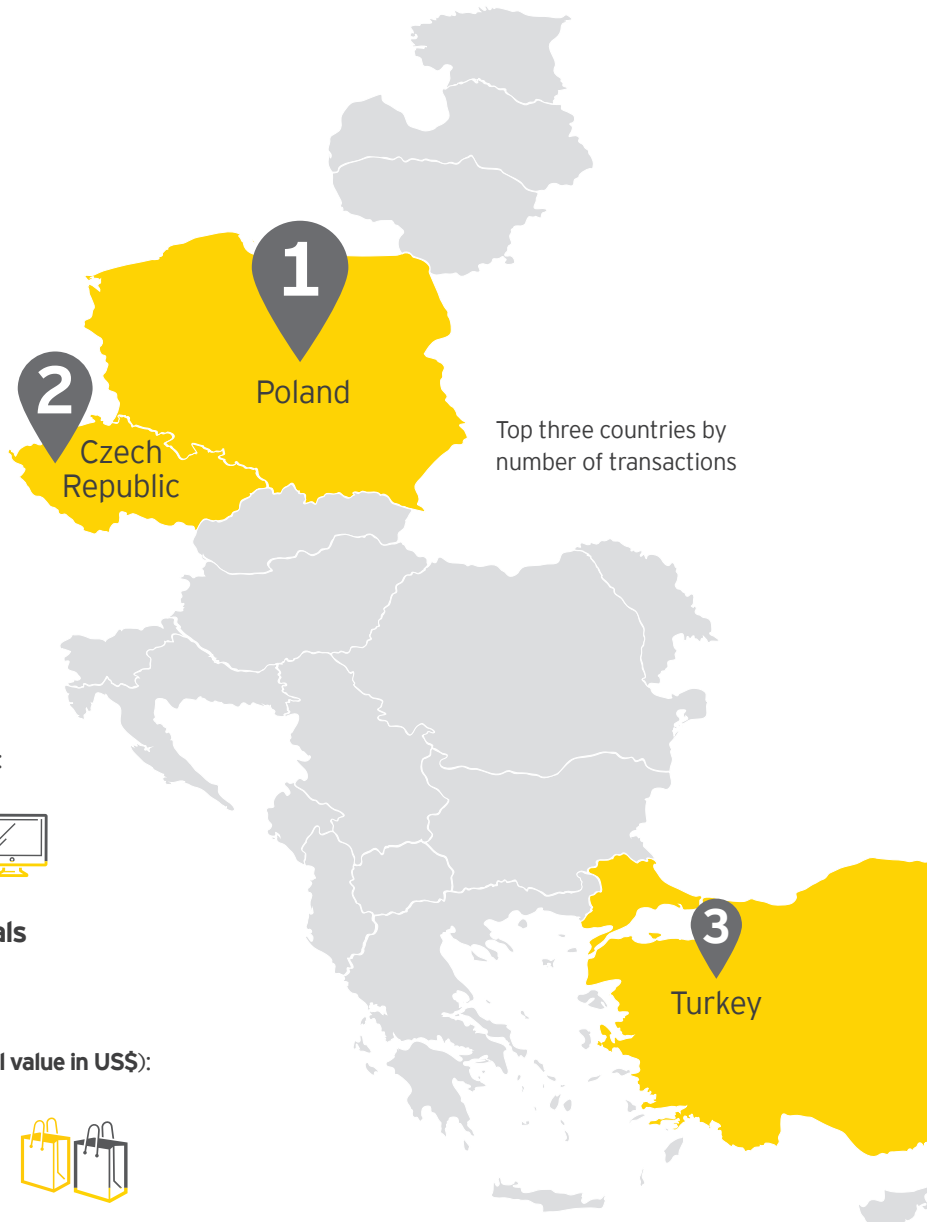
2017

1,132

Number of closed transactions

50.9b

Estimated market size in US\$



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



161 deals
Real estate



135 deals
Manufacturing



126 deals
IT

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



146m
Energy and mining



136m
Transportation and logistics



118m
Retail and wholesale

300.5m

Average value of deals above US\$100m

23.8m

Average value of deals below US\$100m

7.8%

The percentage of deals above US\$100m

37.5%*

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.

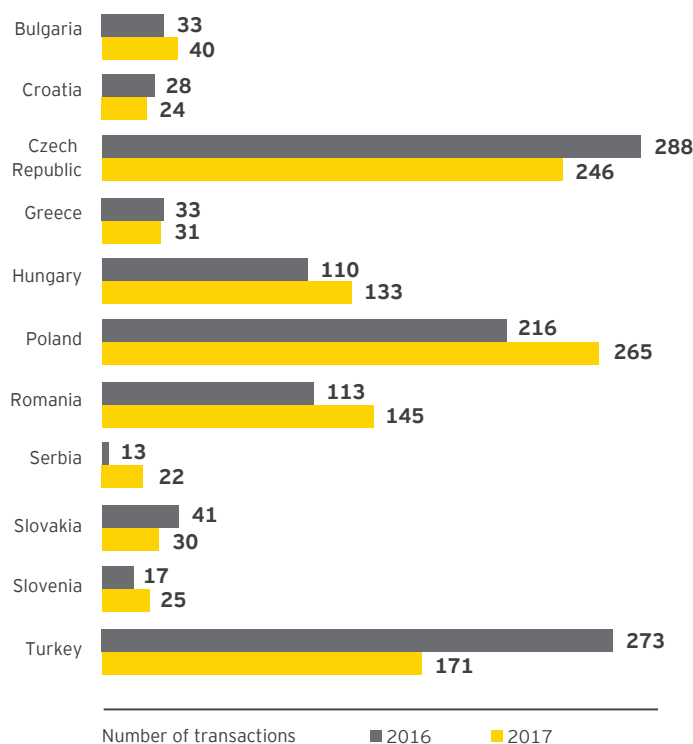
Number of M&A transactions in CSE

Poland was the most active country in terms of deal volume in 2017, closing 265 transactions during the respective period.

It was followed by the Czech Republic and Turkey, closing 246 and 171 deals respectively.

Although in 2017 the total number of transactions in the CSE market was 1,132, which represents a 2.8% decline compared with 2016, six of the countries - Bulgaria, Hungary, Poland, Romania, Serbia and Slovenia - experienced increased M&A activity in terms of the number of transactions in 2017.

The slight decrease was mainly caused by the significant drop in the volume of deals in Turkey, where the number of closed deals was 171, representing a 37.4% decrease compared with 2016.



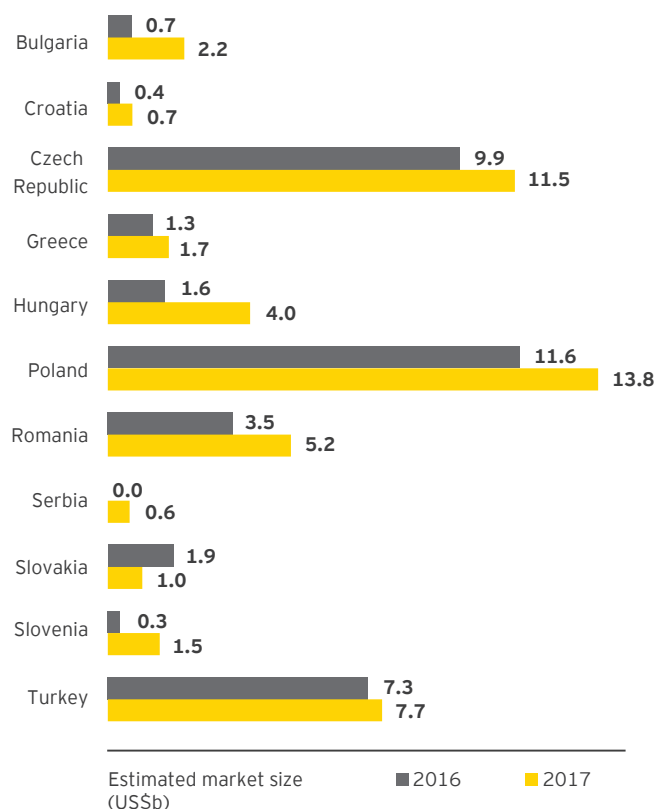
Estimated transaction value of the CSE market

The total 2017 estimated transaction value in the CSE market was US\$50.9b, 6.6% higher than in the previous year. This increase can mainly be attributed to the rise in the average value of deals below US\$100m from US\$17.7m in 2016 to US\$23.8m in 2017.

Poland ranked first with an estimated value of US\$13.8b, followed by the Czech Republic (US\$11.5b) and Turkey (US\$7.7b).

Serbia and Slovenia experienced the highest growth in 2017, where the market increased from US\$0.04b to US\$0.6b and from US\$0.3b to US\$1.5b respectively.

The only country where a decrease occurred in the market value was Slovakia, falling by 47.1% from US\$1.9b in 2016 to US\$1.0b in 2017.

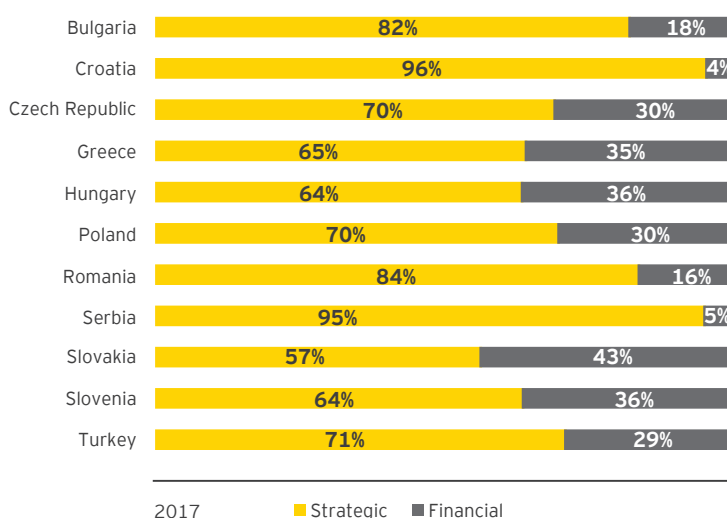


Investor population – strategic and financial

The vast majority of deals were closed by strategic investors in all countries, resulting in a decreased proportion of 72% in the Region compared with 78% in 2016.

In Croatia, 96% of the acquisitions were performed by strategic investors, followed by Serbia (95%) and Romania (84%).

The share of financial investors was the highest in Slovakia, in Hungary and in Slovenia, where financial deals were responsible for 43%, 36% and 36% of the market respectively.



Direction of transactions

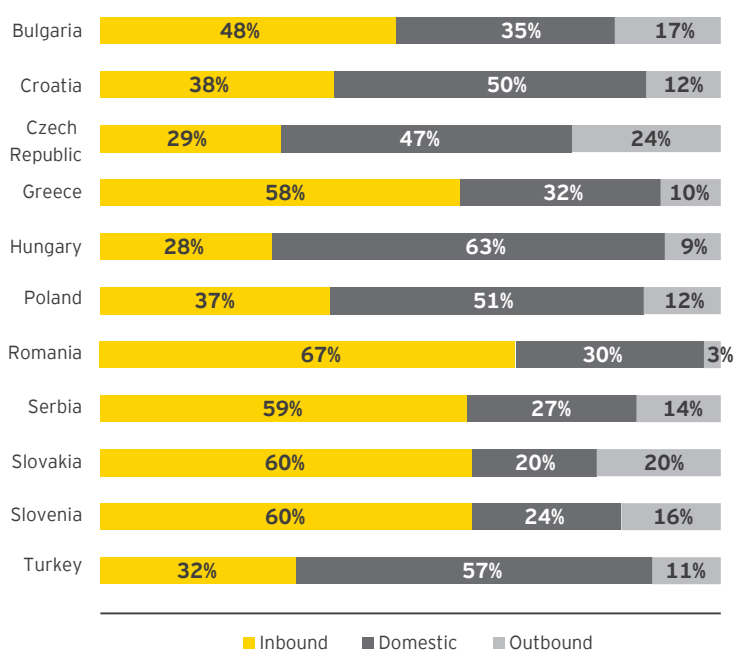
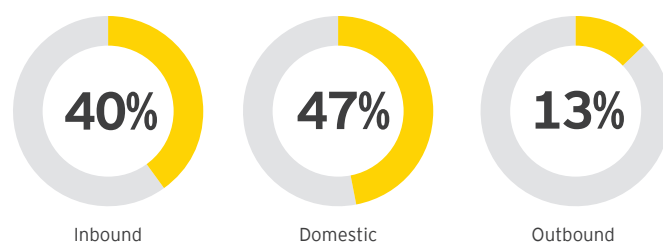
Domestic transactions represented the majority of deals in the CSE market in 2017 as in 47% of the total number of deals, the buyer and the target originated from the same country. This represents five percentage point decrease compared with 2016. Share of outbound transactions increased from 12% in 2016 to 13% in 2017.

Domestic transactions were most popular in Hungary (63%).

The Czech Republic and Poland had the most outbound transactions with 59 and 33 deals respectively, followed by Turkey with 19 deals.

The share of outbound transactions was the highest in the Czech Republic (24%) and in Slovakia (20%).

The share of inbound transactions was the highest in Romania (67%), and in Slovakia and Slovenia (each with 60%).



Sector analysis



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

Target country	Industry
Bulgaria	Food and beverages, manufacturing, IT
Croatia	Services, real estate, energy and mining, banking and financial services, telecom and media, transportation and logistics
Czech Republic	Real estate
Greece	IT
Hungary	Real estate
Poland	Real estate
Romania	Manufacturing, IT
Serbia	Manufacturing
Slovakia	Retail and wholesale
Slovenia	Manufacturing
Turkey	IT

Real estate

The real estate sector was the most active target industry (by number of transactions), amounting to 161 deals and 14% of all transactions in 2017. The largest transaction in this sector was the acquisition of 28 retail properties, consisting of retail centers, power parks, supermarkets and DIY stores, by the Netherlands-based Chariot Top Group for US\$1,189m. Other large transactions in 2017 included the acquisition of 11 shopping centers in the Czech Republic, Hungary, Poland and Romania by CPI Property Group for US\$690m and the acquisition of Magnolia Park shopping center in Poland by the German real estate investor Union Investment Real Estate for US\$447m. The average value of deals with a disclosed deal value in this sector was US\$98m in 2017.

Manufacturing

The manufacturing sector closed 135 deals in 2017. The largest deals in this sector included the acquisition of the

railway vehicles manufacturer Skoda Transportation by the Czech investment firm PPF Group for US\$489m and the acquisition of EcoPack and EcoPaper, the leading integrated packaging and paper group in Romania by DS Smith Plc. for US\$245m. The average deal value in this sector was US\$55m.

IT

The IT sector closed 126 transactions in 2017. The largest transactions included the acquisition of the Czech translation and localization company Moravia IT by the UK-based intellectual property support services provider RWS for US\$320m and the sale of significant minority stake of appr. 30% in one of the leading global cybersecurity technology companies Bitdefender Holding B.V. to Vitruvian Partners for US\$180m. The average deal value of disclosed deals in this sector was US\$20m.

Food and beverages

A total of 89 deals were closed in the food and beverages sector in 2017. The largest transactions included the 79.5% stake purchase in the Turkish poultry company Banvit by the Brazilian food processor BRF and Qatar's sovereign wealth fund, Qatar Investment Authority (QIA), for US\$270m, as well as the sale of the Polish frozen fruits and fruit juices producer Hortex by Argan Capital to Mid Europa Partners for US\$233m and the acquisition of the Bulgaria-based bottled water and distributor Devin AD by the family-owned Spadel for US\$125m. The average deal value in this sector was US\$49m.

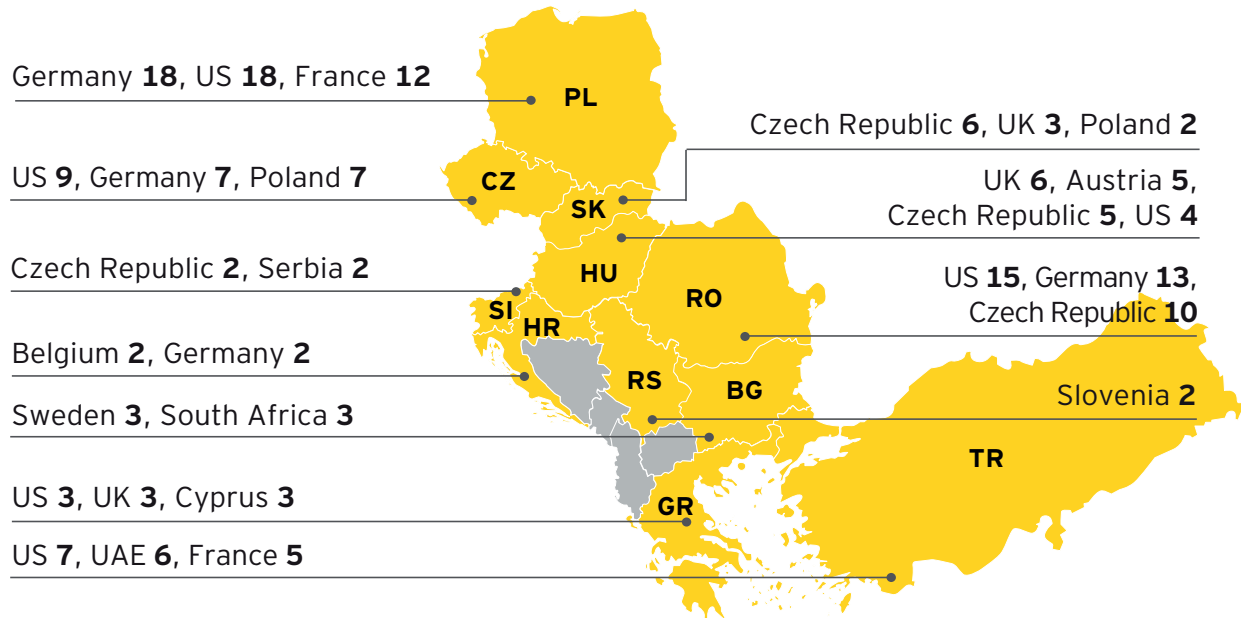
Energy and mining

The energy and mining sector closed 84 transactions in 2017. Some of the largest transactions in this sector included the sale of OMV Petrol Ofisi by the international integrated oil and gas company OMV to Vitol Investment for US\$1,441m and the acquisition of EDF Polska engaged in the production, transmission and distribution of electricity by PGE Polska Grupa Energetyczna SA for US\$1,132m. The average value of deals with a disclosed deal value in this sector was US\$146m.

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, Western European and non-European investors continued to lead against investors from CSE countries in 2017.

The United States (US) was the most active in 2017, closing 56 deals in the Region, followed by Germany and the United Kingdom (UK) with 45 and 35 deals respectively.



The 10 largest transactions in CSE in 2017 (US\$m)

Target	Country of target	Buyer	Country of buyer	Value
OMV Petrol Ofisi	Turkey	Vitol Investment	Netherlands	1,441.0
Portfolio of 28 retail properties	Poland	Chariot Top Group	Netherlands	1,190.0
EDF Polska S.A.	Poland	PGE Polska Grupa Energetyczna SA	Poland	1,132.0
Zabka Polska	Poland	CVC Capital Partners, EBRD	UK	1,061.8
Mersin International Port	Turkey	IFM Investors	Australia	869.0
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
Skoda Transportation a.s	Czech Republic	PPF Group NV	Czech Republic	488.5

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