

# Central and South Eastern Europe - M&A Barometer H1 2013

## Introduction

EY's M&A Barometer is a summary and analysis of publicly disclosed information accumulated from reputable databases, such as DealWatch and Zephyr.

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

- ▶ Acquisitions of minority stakes below 15%
- ▶ Majority shareholder further acquisition of minority interest
- ▶ Real estate transactions (except when the target and/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 (value of these deals was ignored in each country, but the number was counted in)
- ▶ Internal reorganizations

In our Mergers & Acquisitions (M&A) Barometer we analyze the prevailing trend in 11 Central and South Eastern European (CSE) countries (Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). Although the countries under review vary in size, background and economic growth, most of them have experienced an increased M&A activity in terms of volume in H1 2013 compared to H1 2012, while the M&A market had shown a decrease in only 3 countries. Total volume in CSE increased by 20.7%, however a 41.8% decline in estimated value can be observed in H1 2013 compared to H1 2012.

More specifically, we observed a majority of domestic transactions, 59% of all deals. Also noteworthy is the fact that transactions were dominated by strategic investors and the most active target industry was Manufacturing while in terms of value the largest transactions occurred in Banking & Financial Services, Retail & Wholesale and Chemicals.

### Highlights - H1 2012

- ▶ Top 3 countries by number of transactions: Turkey, Bulgaria, Poland
- ▶ Number of closed transactions: 659
- ▶ Estimated market size: USD 13.11bn
- ▶ Top three most active industries in CSE (by volume):
  1. Manufacturing (97 deals)
  2. Retail & Wholesale (62 deals)
  3. IT (62 deals)
- ▶ Top three most active industries in CSE (by value):
  1. Banking & Financial Services
  2. Retail & Wholesale
  3. Chemicals
- ▶ Average deal size of deals over USD 100m: USD 322.7m
- ▶ Average deal size of deals below USD 100m: USD 10.9m
- ▶ Number of deals over USD 100m, as % of total deal volume: 2.6%
- ▶ Disclosure rate of transaction value or deal size: 36.3%\*

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

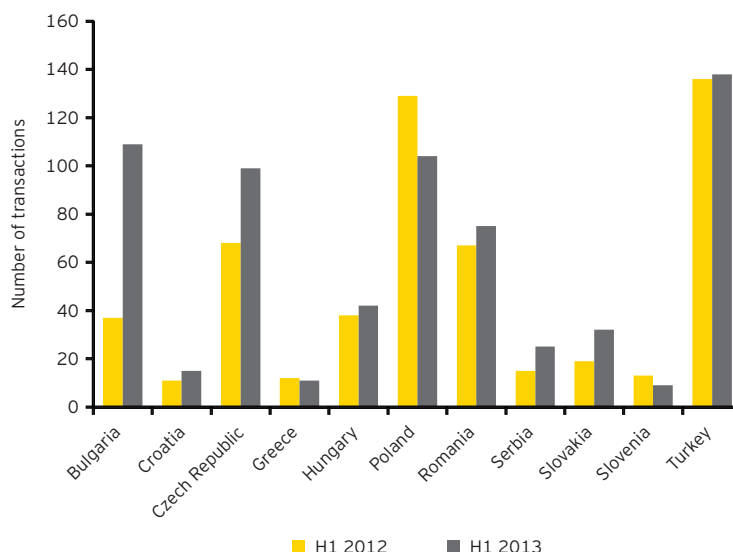


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## Number of M&A transactions in CSE

Turkey was the most active country in terms of deal volume in H1 2013 closing 138 transactions during the respective period. It was followed by Bulgaria and Poland closing 109 and 104 deals respectively.

Total number of transactions increased in the region from 546 deals in H1 2012 to 659 in H1 2013 representing a 20.7% growth year on year. Also, M&A market had shown an increase from H1 2012 to H1 2013 in most countries, based on the number of transactions, except for Greece, Poland and Slovenia.

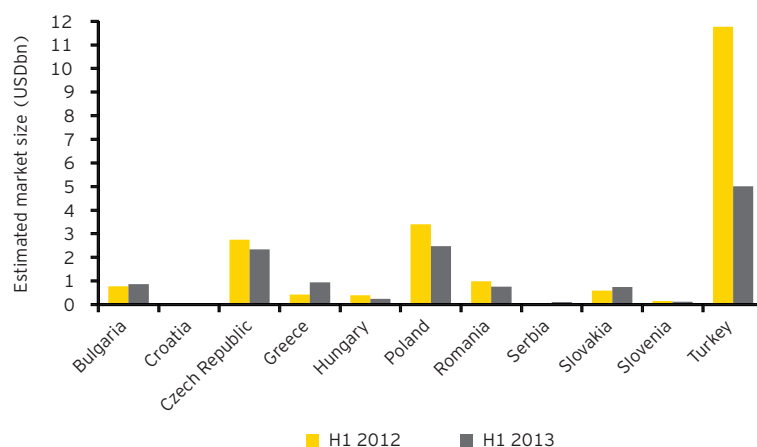


## Estimated transactions value of the market

Total H1 2013 estimated transaction value in CSE market was USD 13.11bn, down 41.8% from the previous year. This heavy decline can mainly be attributed to an USD 6.8bn drop in Turkey's estimated market value due to lack of similar mega transactions that appeared in H1 2012.

Despite the fallback, Turkey ranked first with an estimated value of USD 5bn and was followed by Poland (USD 2.48bn) and Czech Republic (USD 2.34bn).

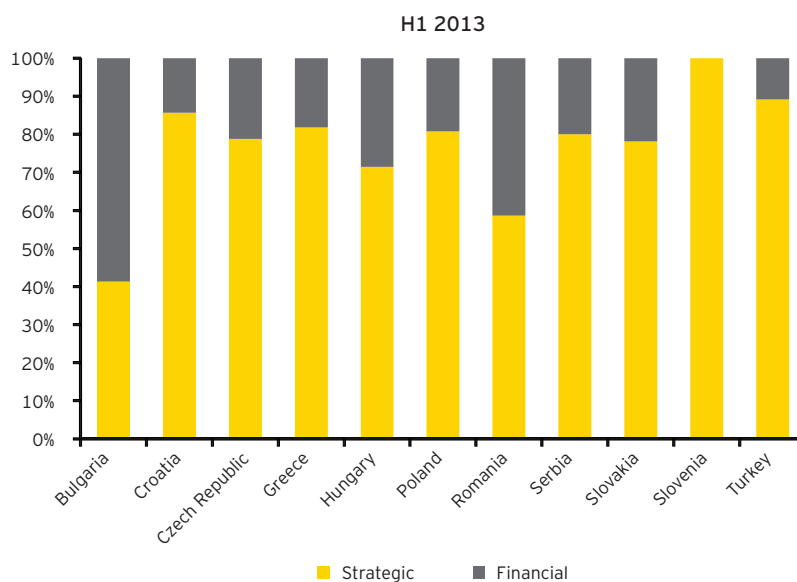
The significant increase in Greece is mainly due to one large transaction with a value of USD 0.7bn, giving 75% of Greece's market.



## Investor population - Strategic and financial

Based on number of transactions, the vast majority of deals were closed by strategic investors in all countries, resulting in overall proportion of 73% in the region, which is 11 % points lower compared to H1 2012.

Share of financial investors was the highest in Bulgaria, followed by Romania, Hungary and Slovakia.



## Direction of transactions

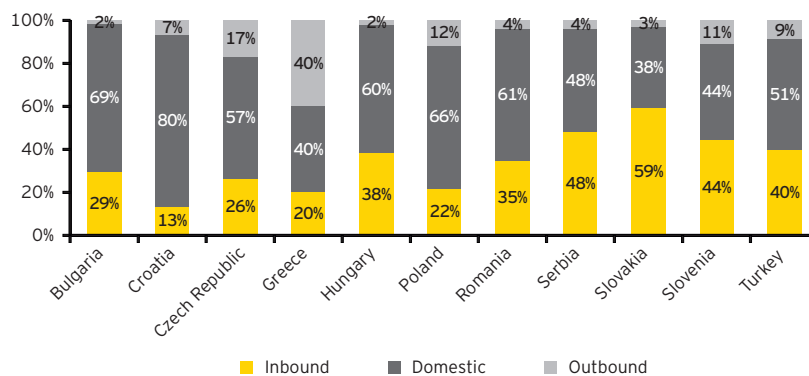
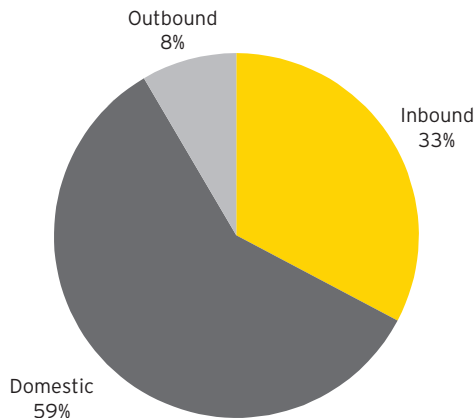
The CSE transaction market was once again dominated by domestic transactions in H1 2013 (59% of total number of deals) which represents 4 % points increase compared to H1 2012, while outbound transactions decreased by 1 % point year on year.

Domestic transactions were most popular in Croatia, Bulgaria, Poland, Hungary and Romania.

The Czech Republic had the most number of outbound transactions (17) - which mainly targeted Slovakia (7 deals) - followed by Poland (12) and Turkey (12). The proportional share of outbound transactions was the highest in Greece, the Czech Republic and Poland.

Proportional share of inbound transactions was the highest in Slovakia, followed by Serbia, Slovenia and Turkey.

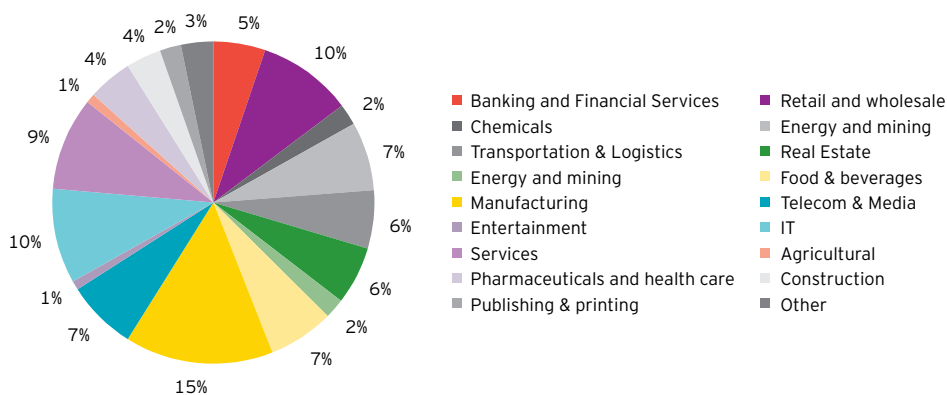
Transacting within the region, the most active were Czech Republic (12) and Poland (11).



## Sector analysis

The Manufacturing sector was the most active target industry (by number of transactions), accounting for 97 deals in H1 2013. This was followed by Retail & Wholesale and IT.

In terms of value, the largest transactions occurred in the Banking & Financial Services, in Retail & Wholesale and in Chemicals sectors.



Each country had its own favored industry, however Manufacturing and IT ranked first in most countries.

Target Country	Industry
Bulgaria	Retail & Wholesale
Croatia	Services
Czech Republic	Manufacturing
Greece	Transportation
Hungary	IT and Telecom & Media
Poland	Manufacturing
Romania	Food & Beverages
Serbia	Manufacturing
Slovakia	Manufacturing
Slovenia	Banking & Financial Services
Turkey	IT

## Foreign interest

Although there were fewer foreign inbound deals compared to domestic deals, in terms of origin of foreign capital invested in CSE by M&A transactions, Western European and non European investors continued to lead versus CSE countries in H1 2013.

Germany was the most active in H1 2013, closing 31 deals in the region followed by the United States (26) and UK (16).

Germany (5), USA (4), UK (2), Austria (2), Netherlands (2)

USA (6), Germany (5), Switzerland (5), UK (2)

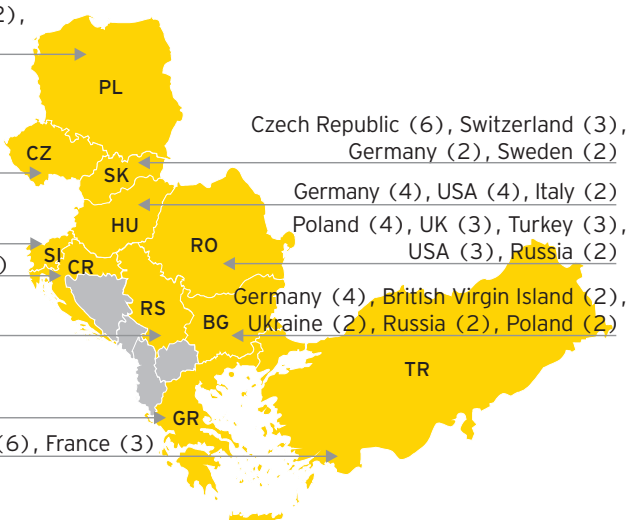
Germany (2), UK (1)

South Africa (1), Germany (1)

Croatia (2), Netherlands (2), Russia (2), Germany (1)

Switzerland (1), Turkey (1)

Germany (10), USA (7), UK (6), France (3)



Czech Republic (6), Switzerland (3), Germany (2), Sweden (2)

Germany (4), USA (4), Italy (2)

Poland (4), UK (3), Turkey (3), USA (3), Russia (2)

Germany (4), British Virgin Island (2), Ukraine (2), Russia (2), Poland (2)

## Ten largest transactions in CSE in H1 2013 (USDm)

Target company	Country of target	Buyer	Country of buyer	Value
Yapi Kredi Sigorta	Turkey	Allianz SE	Germany	913
Follie (travel retail business)	Greece	Dufry ag	Switzerland	703
Zakłady Azotowe Pulawy	Poland	Zakłady Azotowe w Tarnowie Mościcach	Poland	594
Stredoslovenská energetika	Slovakia	Energetický a Průmyslový Holding a.s.	Czech Republic	516*
Alternatif Bank	Turkey	Commercial Bank of Qatar	Qatar	432
Dong Energy (Polish wind power assets)	Poland	Energa Hydro Sp. z o.o.; Polska Grupa Energetyczna S.A.	Poland	320
Beymen Magazacilik	Turkey	Altinyildiz	Turkey	287
Iberdrola Renewables Polska	Poland	Energa Hydro Sp. z o.o.; Polska Grupa Energetyczna S.A.	Poland	272
Veolia Transdev Central Europe	Slovenia, Serbia, Czech Republic, Slovakia, Poland, Croatia	Deutsche Bahn	Germany	263
Chvaletice Power Plant	Czech Republic	Litvínovská uhelná a.s.	Czech Republic	207

\* Signed but not closed

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