



M&A Index Poland

Q1 2017

Prepared by Navigator Capital & FORDATA

Experts' comments to the 23th edition
of the report can be found on the website:
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M&A Index Poland, 1Q 2017

by Navigator Capital & FORDATA | April 2017

Total number of transactions*

53 (1Q 2017)

The largest transaction**

EUR 1.0B

(Acquisition of Żabka by CVC Capital Partners)

* 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 first quarter of 2017 turned out to be slightly better than the first quarter of previous year in terms of M&A activity in Poland with 53 transactions reported in comparison to 46 in the first quarter of 2016. This quarter, we have once again witnessed a large transaction with value of approximately one billion euro. Below we have presented a description of the most interesting deals.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
FFiL Śnieżka (powder paints business).	Teknos	FFiL Śnieżka	Undisclosed

(16th January) WSE-listed Fabryka Farb i Lakierów Śnieżka signed an agreement to sell the powder paints business to Teknos Group. The transaction value was not disclosed, however it was indicated that the value of powder paints related assets for sale under the Proximal brand did not exceed 1% of the Seller's assets (ca. EUR 79m). The purpose of the transaction is to increase the Bidder's ability in the fields of R&D and production, shorten the supply chain and strengthen its position on the Polish market.

TARGET	BIDDER	SELLER	VALUE [EUR]
Torf Corporation Fabryka Leków (70% stake)	Resource Partners	Wojciech Piasecki	Undisclosed

(20th January) Private equity fund Resource Partners acquired 70% stake in Torf Corporation Fabryka Leków. The value of the transaction was not disclosed, although the value of the cosmetics manufacturer under the Tołpa brand is estimated at about EUR 46.5m. The remaining 30% stake will remain in hands of current CEO - Wojciech Piasecki and Ryszard Gumiński – the company's Director General who will keep their positions. The new owner intends to focus on developing private label production for Western European cosmetics manufacturers.

TARGET	BIDDER	SELLER	VALUE [EUR]
Polimex-Mostostal	Enea, Energa, PGE, PGNiG Technologie	(share issue)	Ca. 70m

(31st January) The Polish antimonopoly authorities granted a consent for Energa, Enea, PGE and PGNiG Technologie to acquire the majority stake in Polimex-Mostostal. On the 20th January these companies acquired 37.5m shares each as a result of the capital increase (private subscription excluding pre-emptive rights for current shareholders) paying EUR 0.47 per share (PLN 2.00). As a result of this transaction the Bidders increased their capital involvement in Polimex-Mostostal's by 59 p.p., which currently stands at 65.9%.

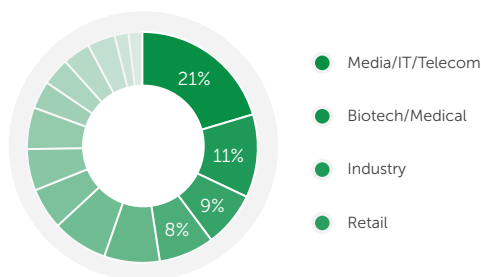
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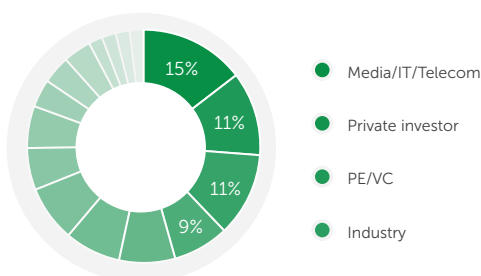
By sector

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

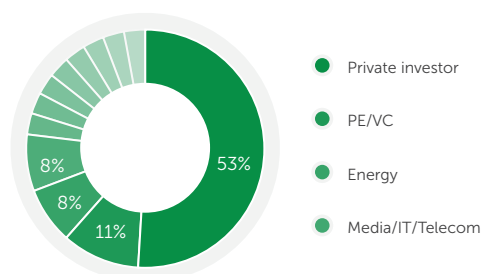
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Kolporter (payment terminals business)	Centrum Rozliczeń Elektronicznych Polskie ePłatności	Kolporter	Undisclosed

(2nd February) Polskie ePłatności signed a preliminary and conditional agreement to acquire Kolporter's payment terminals business. The department offers multifunctional terminals for credit card payments, mobile top-ups and bill payments. The deal will expand Polskie ePłatności chain by about 30 thousand terminals. It is the first of the series of deals announced by the Bidder who plans to consolidate the electronic payment sector in Poland after being acquired by Innova Capital at the beginning of last year.

TARGET	BIDDER	SELLER	VALUE [EUR]
Multicycle	Kross	n/a	Undisclosed

(20th February) The Polish bicycle company Kross acquired assets of the Dutch company Multicycle, which focuses on manufacturing high quality urban and trekking bikes, as well as top-end electrical bicycles. At the end of the last year the Dutch company was put into liquidation and suspended current activity. The company based in Przasnysz manufactures approx. 300,000 bicycles a year and exports to 40 countries. After closing the deal the Bidder expects synergies to materialize in sales and distribution of bikes and accessories manufactured under its own brand.

TARGET	BIDDER	SELLER	VALUE [EUR]
Żabka Polska	CVC Capital Partners	Mid Europa Partners	Ca.1.0b

(21st February) Żabka Polska, the owner of the largest convenience store chain in Poland operating under the Żabka brand and proximity supermarkets operating under Freshmarket brand, was sold to CVC Capital Partners. It was the second investment of the PE fund in Poland, after the acquisition of PKP Energetyka in 2015. The value of the transaction amounted to EUR 1.0b, of which EUR 625.9m was provided by Bank Pekao, UniCredit and ING. So far it has been the largest transaction in the history of the Polish retail market as well as the largest PE fund exit transaction in Poland. Mid Europa Partners acquired Żabka from Penta in 2011 for EUR 400m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Sequoia (56% stake)	Maspex Group	J. Wypych A. Pakieła-Rajtkowska	Undisclosed

(24th February) Maspex Group, which owned a 44% stake in Sequoia seeks UOKiK consent to acquire the remaining stake in the pharmaceutical manufacturer. For the Group based in Wadowice it will be the 19th acquisition, and the 9th on the Polish market. The Bidder sees the possibility of realizing synergies in the area of sales and marketing. Sequoia operates in the area of dietary supplements, FSMP and OTC medicines directing its offer to pregnant women, infants and children.

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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.
- In recent years Navigator has completed over 60 transactions. Navigator Partners' market experience includes deals worth over PLN 6,2b (EUR 1.6b).
- 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 34 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]
iAlbatros Poland	Sodexo Mobility and Expense Limited	iAlbatros Group	Ca. 45m

(10th March) As a result of fulfilling the conditions precedent, a leading player in the European travel business market, iAlbatros Group will sell its indirect subsidiary, iAlbatros Poland to a British company Sodexo Mobility and Expense Limited. Thanks to this transaction as well as the acquisition of Xpenditure (electronic expense management system), Sodexo plans to create a comprehensive and user-friendly travel and business expense management solution for both companies and business travelers.

TARGET	BIDDER	SELLER	VALUE [EUR]
Konsalnet	China Security & Fire	Value4Capital	110m

(17th March) China Security & Fire has signed a preliminary agreement to purchase the second largest player on the security market in Poland. The deal value amounted to EUR 110m. As a result of the transaction, the Chinese investor listed on Shanghai Stock Exchange will gain access to the EU security market. What is more, it also plans to spend even more on assets purchases in Australia and Thailand. The Bidder has an advanced technical security systems and plans to increase market share through organic growth as well as further acquisitions. Transaction was supported by Virtual Data Room system provided by FORDATA.

TARGET	BIDDER	SELLER	VALUE [EUR]
Legia Warszawa (40% stake)	Dariusz Mioduski	B. Leśnodorski M. Wandzel	9m

(20th March) Dariusz Mioduski has agreed on the buyout of his business partners - Bogusław Leśnodorski (20%) and Maciej Wandzel (20%), and became the sole shareholder of the Legia Warsaw club. The sellers resigned from their positions on the management board and Mioduski with Leśnodorski switched their roles - the first one became a new CEO of the club while the latter a new chairman of the supervisory board. According to the unofficial sources, the value of the transaction amounted to nearly EUR 9m.

Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

According to our forecast, Polish M&A market continued to grow steadily in Q1 2017 - we recorded a total number of 53 transactions (5% decrease compared to 4Q 2016 and 15% increase compared to Q1 2016). Value of transactions were also similar to those from the end of the year - small and medium-sized deals dominated, but those with a value of over 100 million euro were definitely more than in the first three quarters of 2016 (5 in Q1 2017, 5 in total in first 3 quarters of 2016).

Increasing number of large transactions

Worth noticing is the fact that the number of transactions with a value of over 100 million euro is slowly increasing. We have seen this already at the end of the year, when there were 6 such processes recorded. Biggest and long-awaited by the market was the sale of supermarket chains Żabka and Freshmarket by Mid Europa Partners (MEP) to funds controlled by CVC Capital Partners. Value of this transaction is estimated at approximately 4,3 billion zloty. According to MEP statement, it's been the largest private equity divestment in Poland so far.

PE / VC funds are starting divestments

Not only MEP was selling this quarter. While funds were focused on investments in 2016, the first quarter shows that time of divestment begins timidly. Enterprise Investors (Dino markets, itWorks), Value4Capital (Konsalnet), and funds as VC Exporior Venture Funds and SpeedUp Group, which were selling Zencard startups to PKO BP (a platform for resellers to create loyalty programs), also shrank their portfolios.

Asia in offensive

According to our forecast, the number of Asian investments in Poland is increasing. After Novago in 2016, SuperDrob and Konsalnet have also acquired Asian investors. In all three transactions, at Due Diligence stage made by investors, sellers used Virtual Data Room offered by FORDATA. Charoen Pokphand Foods (CPF), a giant Thai poultry and swine producer, is the investor in poultry group from Karczew, which acquired 33% of new shares for 49.5 million euro. In Konsalnet, 110 million euro was invested by Chinese security company China Security & Fire, known for its security equipment. We see continued interest in the food, industry and energy sector from Asian investors. We expect further acquisitions on the Polish market by the end of 2017.

Virtual Data Room tempts investors

According to Forbes report, Virtual Data Room industry is currently one of the "hot industries to watch". Experts predicts that the market will grow for the next 5 years, and in 2017 will reach 1 trillion dollar. Good trend for this sector is also confirmed by information from the Polish market - publicly available data show that 25% of transactions were organized using the Virtual Data Room in 1Q 2017, including those prestigious and cross-border ones. This demonstrates growing professionalism of the industry, the awareness of information security and the need for proper standards of transaction execution. According to our observations, a growing number of Polish customers choose FORDATA's Virtual Data Room, not only due to information security, but also due to security of stored personal data (GDPR compliance), acceleration of the transaction time compare to traditional due diligence, and the awareness of Polish brand offering VDR solution at world level.

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Jan Kospin

Director
Navigator Capital Group

In the 1st quarter of 2017 **53** M&A transactions were carried out in Poland. This is **3** less than in the previous quarter and **7** more than in the 1st quarter of 2016. Once again we registered the transaction exceeding EUR 1b.

The largest transaction in the 1st quarter of 2017 r. was the sale of the Poland's biggest convenience store chain "Zabka" and the proximity chain "Freshmarket", which belonged to the PE fund Mid Europa Partners. The bidder was one of the leading PE fund in the world - CVC Capital Partners, for whom it was the second, after PKP Energetyka, investment in Poland. The value of the transaction amounted to approx. EUR 1 b. This transaction was the biggest divestment of the PE fund in the history of Poland.

One of the most interesting transactions on the Polish M&A market in the first quarter of 2017 was the takeover of the Dutch seller of premium city bicycles and high class electric bicycles – Multicycle, which was in bankruptcy since November last year. The bidder was the largest Polish bicycle manufacturer, Kross. Taking over the 40-year-old Dutch brand will enable the Polish company to develop into one of the most attractive bicycles markets in the world and will provide synergies in the sale and distribution of bicycles and accessories.

The target's side (acquired companies) was dominated by Media/IT/Telecom – **21%**. On the bidder's side, the most active also were Media/IT/Telecom companies – **15%** as well as private investors and PE funds with a share of **11% each**. Among sellers, in the lead were PE funds and private investors, who made up ca. **50%** of cases.

Over the past three months the value of WIG index on the WSE has increased by 14%, which confirms the positive approach of the investors to the Polish stock exchange since the end of 2016. In March the value of the index has temporarily exceeded 60.000 points. Among WIG20 Index companies in the last quarter the highest increases were registered by Lotos and Alior Bank. Moreover, we may treat optimistically the growth of the individual investors in turnover on the main market of the WSE.

On the currency market we could observe very strong appreciation of the Polish Zloty against the major currencies.