

# M&A Index Poland

Q4 2017

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

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Experts' comments to the 26<sup>th</sup> edition  
of the report can be found on the website:  
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# M&A Index Poland, 4Q 2017

by Navigator Capital & FORDATA | January 2018

## Total number of transactions\*

59 (4Q 2017)

## The largest transaction\*\*

ca. 0.58 B EUR

(Acquisition of 37.5% shares of Synthos by Michał Sotowow)

\* 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 fourth quarter of 2017 the number of the transactions on the Polish M&A market was bigger than in a corresponding period last year (59 vs 56 in 4Q 2016). The largest deal of the last three months was the acquisition of 37.5% stake in Synthos by Michał Sotowow for a total amount of EUR 0.58 B.

Two thirds of the sell side participants were private investors, which is a proof of attractiveness of the Polish SMEs. The activity of the Private Equity investors on the domestic market remains strong.

## Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Flavourtec	Tar Heel Capital	Private Investor	Undisclosed

(16<sup>th</sup> September) PE Fund Tar Heel Capital has acquired 50% stake in Flavourtec, one of the leading european manufacturers of liquids for e-cigarettes. During the last five years, Flavourtec developed rapidly with yearly revenue now exceeding EUR 5 M. In 2015 Flavourtec launched a new production facility, with an area of over 1200m<sup>2</sup>, in Gdansk, which can easily be adapted to double company's production capacity. This deal should allow Flavourtec to continue its growth and strengthen its market position by using the fund's potential and support.

TARGET	BIDDER	SELLER	VALUE [EUR]
Profi Sp. z o.o	Bounty Brands (C2C Capital)	Private Investor	Undisclosed

(25<sup>th</sup> October) Bounty Brands, a company controlled by the private investment fund Coast2Coast, operating in the FMCG sector, announced the acquisition of Profi, Poland's prominent producer of pates and ready-to-eat soups. This is another stage of the Bounty Brands expansion in the region and the third fund transaction in Poland in the last two years. Previous acquisitions of Bounty Brands in Poland included the acquisition of Sonko, a leader on the market of rice wafers and healthy snacks, and Stella Pack, a leading Polish producer and distributor of recyclable garbage bags and other household plastic goods. FORDATA VDR has been used to secure flow of information and data confidentiality during this M&A process.

TARGET	BIDDER	SELLER	VALUE [EUR]
Tempo Finance	Everest Finance	ESO Capital	13 M

(9<sup>th</sup> November) Everest Finance, owner of Bocian Pożyczki brand, has acquired Tempo Finance from a PE fund ESO Capital. This is the first transaction on the Polish market, in which a whole consumer loan company is acquired, rather than its portfolio. This acquisition is a part of Everest Finance's strategy. As a result of this deal, Everest Finance will increase its market share to ca. 10%. The value of the deal amounted to EUR 13 M. Navigator Capital acted as the financial advisor to the buyer.

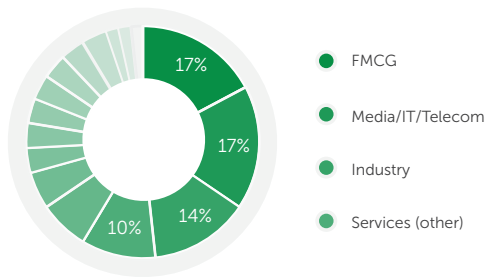
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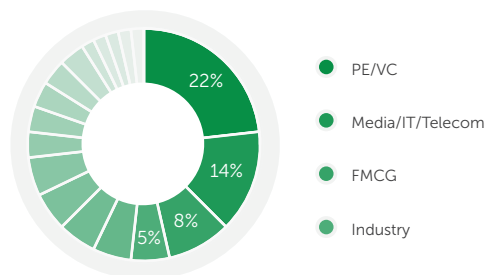
## By sector

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

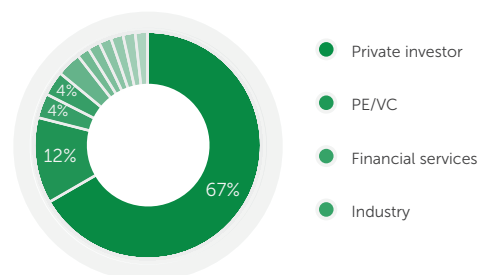
### TARGET (%)



### BIDDER (%)



### SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
WB Electronics	Polish Development Fund	Private investor	30M

(13<sup>th</sup> November) Polish Development Fund acquired 24% shares in WB Electronics – the largest Polish private company offering services to entities from the defence sector. The new capital will support development projects. The company provides technological solutions (integrated command support systems, software and hardware, systems integration) for armies around the World: in the US, India, Malaysia, Sweden, Hungary and the North African countries. Due to its good financial standing and effective management, the transaction is strictly a capital investment which makes it unique among other PDF investments (most of which are restructuring projects).

TARGET	BIDDER	SELLER	VALUE [EUR]
Grupa Hortex	Mid Europa Partners	Argan Capital	Undisclosed

(13<sup>th</sup> November) PE fund Mid Europa Partners has acquired Hortex Group from funds advised by Argan Capital. The deal has long been expected to be completed. The deal value has not been disclosed. Hortex is one of the leading consumer goods players in Poland, especially in fruit juice and frozen foods sectors, with a strong brand. Mid Europa Partners is one of the leading PE investors in CEE with EUR 4.6 B of funds raised and managed. Its portfolio companies include Allegro, Polskie Koleje Linowe and Diagnostyka medical laboratories. Mid Europa Partners aims to further develop Hortex Group by building on its brand, heritage and strengthening competitiveness of its product portfolio.

TARGET	BIDDER	SELLER	VALUE [EUR]
Bezgluten	Bounty Brands (C2C)	Private investor	Undisclosed

(16<sup>th</sup> November) Bounty Brands, a company managing a portfolio of FMCG brands belonging to Coast2Coast, acquired Bezgluten – the second largest manufacturer of gluten-free products in Poland. In 2016 the revenue of the company amounted to ca. EUR 5.2 M. Obtaining a financial investor will allow the company to open to new markets and expand its product portfolio. In the last quarter Bounty Brands acquired also two other Polish companies: a manufacturer of halvah and sesame crackers Unitop-Optima and Profi – a meat processing company. Earlier Sonko and Stella Pack were added to the fund's portfolio. The value of the transactions has not been disclosed.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Dat Vi Phu	Grupa Adamed	Private investor	41.5 M

(28<sup>th</sup> November) Adamed Group, one of the innovation leaders in the Polish pharmaceuticals sector, has acquired the controlling stake in Dat Vi Phu. Dat Vi Phu manufactures a wide range of medicinal products for both the Vietnamese and neighbouring markets. This acquisition should be a launch pad for the dynamic expansion of the Adamed Group into the Asia-Pacific region. Dat Vi Phu manufactures about 300 medicinal products and is one of the fastest-growing companies on the Vietnamese market. Adamed Group is currently present in 40 countries. The investment in Dat Vi Phu is perceived as an opportunity for the continued dynamic development of the Adamed Group. In 2016 Adamed Group recorded a 15% increase in export revenues and plans to constantly increase its foreign sales.

TARGET	BIDDER	SELLER	VALUE [EUR]
Netia, TV stations, ColtexST	Polsat Group	Mennica Polska FIP 11 FIZAN, ZPR Media Private Investor	180 M

(4<sup>th</sup> December) Cyfrowy Polsat placed purchase orders for a combined block of approximately 32% of shares in WSE-quoted Netia, one of the largest Polish telecom companies. Cyfrowy Polsat also intends to announce a tender offer in order to achieve a stake of no more than 66% of the total number of votes at the General Meeting of Netia. Polsat Group has recently been very active on the M&A market. Company has completed an acquisition of a few TV stations from ZRP Media, which include i.a. Eska TV, Eska Rock TV and Vox Music TV. The value of the deal amounted to EUR 180 M. Less than a month earlier, Polsat Group has also acquired a cable TV services distributor Coltex ST, which operates in Gdańsk, Łódź and Lublin areas. This acquisition should allow Polsat to improve its market position and allow for a vertical integration of its distribution channel.

TARGET	BIDDER	SELLER	VALUE [EUR]
Deutsche Bank Polska S.A.	Bank Zachodni WBK S.A.	Deutsche Bank AG	305 M

(14<sup>th</sup> December) Bank Zachodni BZ WBK signed an investment agreement on acquisition of several divisions of Deutsche Bank Polska, including retail, private and business banking and DB Securities for EUR 305 M. Foreign-currency and mortgage loans along with corporate and investment banking divisions were excluded from the transaction. The assets of BZ WBK will increase by ca. EUR 4.35 B, amounting to EUR 40.2 B in total. After obtaining regulatory approvals and reaching operating compatibility, the closure of the transaction is planned for 4Q 2018. The acquisition is intended to strengthen BZ WBK's position in the HNWI, private banking and SME segments.

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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.



### Business Partners



### Authorised Adviser



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TARGET	BIDDER	SELLER	VALUE [EUR]
<a href="#">Synthos S.A.</a>	FTF Galleon S.A. (Michał Sotowow)	Minority shareholders, Aviva OFE	0.58 B

(19<sup>th</sup> December) FTF Galleon, a company controlled by Michał Sotowow, exceeded in a tender offer the threshold of 90% shares ownership in chemical manufacturer Synthos. This will allow for buy-back of all outstanding minority shares and withdrawal of the company from the Warsaw Stock Exchange. In the tender offer FTF Galleon was aiming to purchase the remaining 37.5% stake in the company. Michał Sotowow entered Synthos in December 2004, when he acquired 15% of Dwory's shares for EUR 17.7 M. From that point on the investor had been increasing his holdings. In 2007 Dwory acquired a company in Czech Republic and after the transaction was renamed as Synthos. The price in the tender offer was set at EUR 1.13, and increased to EUR 1.16 per share. According to Sotowow, the presence of the company on the stock exchange bears measurable benefits only at a precise stage of corporate development and under particular shareholders' structure. Synthos will need further investments to be able to face international competition.

TARGET	BIDDER	SELLER	VALUE [EUR]
<a href="#">ŁukPasz Sp. z o.o., slaughterhouse in Lublin, hatchery in Turka</a>	SuperDrob Zakłady Drobiarsko-Mięsne S.A.	Indykpol S.A.	ca. 46 M

(20<sup>th</sup> December) SuperDrob Group has signed a preliminary agreement with Indykpol on the purchase of the poultry slaughterhouse in Lublin and the hatchery in Turka. The price for the assets and 50% stake in ŁukPasz will total to EUR 45.7 M. The acquisition of the slaughterhouse and hatchery will allow the group to increase production capacity, which will result in an ability to offer more products on a broader market. In 2017 SuperDrob initiated the cooperation with a global agri-food brand Charoen Pokphand Foods from Thailand, which acquired a minority stake (33% shares) in SuperDrob S.A.

TARGET	BIDDER	SELLER	VALUE [EUR]
<a href="#">Lily O'Brien's</a>	Colian	Cartlye Group, Private Investor	34 M

(22<sup>th</sup> December) Colian, Polish producer of confectionery, purchased 100% shares of Lily O'Brien's, an Irish brand specializing in high-quality pralines. The transaction will allow the Polish corporation to enhance its position on Irish, British, American and Australian markets. Colian strategy includes growth by foreign acquisitions. Under the scope of its interest lie companies which have built a strong brand in the confectionery, beverage and specialties segments. The purchase of Lily O'Brien's is the second foreign acquisition of the Colian Group. In 2016 Elizabeth Shaw, British producer of chocolates and biscuits joined the Group. The latest acquisition was financed with company's own funds. Within the next 5 years Colian will loan to Lily O'Brien's EUR 0.7 M and GBP 4.7 M (ca. EUR 6 M in total) for the repurchase of the outstanding debt.

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## Experts' comments



**Alicja  
Kukla-Kowalska**

Key Account Manager  
FORDATA

### Q4 again the most active in the whole year

The fourth quarter of 2017 was more spectacular in terms of the number of transactions compared to the same period in 2016, while the results confirmed the rule, which we have been observing for 5 years, that the fourth quarter closes the most transactions throughout the year. In Q4 2017, **59 transactions** were carried out, which consist 28% of all transactions that took place in 2017 (compared with 36%, 31% and 30%, respectively, in 2014-2016).

### Transaction values without any surprises

In the fourth quarter, as in the whole 2017, small transactions prevailed. There is also a noticeable increase in the percentage of medium and large transactions, in the last three months of the year 2017 we recorded 12 transactions with a value exceeding PLN 100 million - including 7 MidCaps. The largest transaction of the last quarter was the acquisition of 37.5% stake in Synthos chemical substances producer, in a tender offer by Michał Sotowow. The total value of the transaction amounted to ca. EUR 580 M.

### Moderate involvement of foreign investors

In the 4Q 2017 transactions between Polish entities prevailed on the market. Polish companies accounted for **68% of buyers and 78% of sellers**. Foreign buyers' involvement remains stable at **32%** (up 4% versus 3Q). European companies are still a leader of this group.

### Private entrepreneurs still take lead on the sell-side

The largest group of the sellers in 4Q 2017, as in the whole of 2017, were private investors. In Q4 they were responsible for two-thirds of completed transactions (**67%** compared to 32% in the corresponding period of 2016). The second most-selling group was **PE Funds - 12%**. One of the most interesting examples of the divestiture by sale was the sale of Hortex by Argan Capital to Mid Europa Partners – an independent private equity player in Central and Eastern Europe. It is worth noting the high activity of funds also on the buy-side. The majority of transaction took place in the **PE/VC funds (22%), Media/IT/Telecom (14%) and FMCG (8%)**.

### M&A market boom in the banking sector comes to Poland

In the past year, there have been spectacular mergers and acquisitions in the banking sector. In June last year, PZU and PFR (Polish Development Fund) acquired significant packets of the Bank Pekao SA. shares. However, in 2017, the Bank Pekao acquisition worth EUR 769 M was not the only transaction of its kind. In mid-December Santander and its subsidiary Bank Zachodni WBK acquired Deutsche Bank's retail banking business in Poland for an estimated total consideration of EUR 305 million (including retail, private and business banking and DB Securities). The sale of the Polish part of Deutsche Bank has been discussed for a year once the Reuters agency reported that the bank's German headquarters were considering selling its bank in Poland.

The year 2018 may bring the bank merger and acquisition wave. The key incentive is desire for increase in the scale of the operations and the strategic decisions of the owners. We expect the banking sector in Poland to undergo further consolidation. It is a self-propelling mechanism that for many players is the fastest way to improve the business effectiveness by increasing the scale of operations.

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**Alicja  
Kukla-Kowalska**

Key Account Manager  
FORDATA

## The companies' awareness of Information Security is growing

The new EU regulations (GDPR/RODO), which since May 2018 will definitely tighten up the regulations regarding its existing data privacy law and will introduce a restrictive regime with sanction violations for infringement of the provisions adopted. In result, many Polish entities are mobilized to raise the rank of information security in organizations. This approach is reflected in the transaction industry, where the subject of security was not always paramount. The last quarter showed that this situation is changing, and the Virtual Data Room service, which guarantees appropriate security and safety standards in transactions, has become its essential component.

According to available data, **45% of transactions** finalized in the Q4 2017 was conducted involving Virtual Data Room system, which has been recorded as a historically high level result so far.

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**Karol Szykowny,**  
CFA

Director  
Navigator Capital

In the last quarter of 2017 **59 M&A transactions** were carried out which is by 3 more than in the comparable period of 2016.

The largest deal of the quarter was the acquisition of 37.5% stake in Synthos, chemical substances producer, in a tender offer by Michał Sotowow. The total value of the transaction amounted to **ca. EUR 580 M**. As a result of the acquisition, Michał Sotowow will be able to delist Synthos from the Warsaw Stock Exchange. Synthos is currently the last company owned by Sołowow which is still listed on the WSE. In the last few years he managed to withdraw Barlinek (floor panels manufacturer) and Rovese (ceramic tiles manufacturer) from the WSE.

**Consolidation trends are still strong in the FMCG sector.** During the last quarter we have witnessed next 3 acquisitions in the meat processing industry. ZM Henryk Kania has acquired Staropolskie Specjały, Profi has been acquired by a Coast2Coast portfolio company Bounty Brands and SuperDrob has purchased Indykpol's assets. We have also observed a few transactions in the confectionery industry. Previously mentioned Coast2Coast owned Bounty Brands has acquired two companies from this sector – Unitop-Optima and Bezgluten. One of the most interesting deals in this quarter was another confectionery acquisition – purchase of the Irish brand Lily O'Brien's by Colian, Polish confectionery manufacturer, which is the second acquisition of Colian in Great Britain. Colian's strategy includes growth by acquiring well-known foreign brands. One of the most talked-about deals of the quarter has been the sale of Hortex by Argan Capital to Mid Europa Partners. The owners have been involved with Hortex for 20 years. The value of the deal has not been disclosed.

**Private Equity and Venture Capital funds** remain active on the Polish M&A market. Apart from the acquisitions in the food industry, it is worth noting that Tar Heel Capital fund has acquired 50% stake in Flavourtec, which is a manufacturer of e-cigarette liquids. PE/VC funds are also active in another consolidating sector which is retail. In the 4th quarter of 2017 Enterprise Investors has acquired CBA, a Slovakia-based retail stores chain which manages 16 supermarkets, 25 discount stores and 300 grocery stores.

Cyfrowy Polsat Group has carried out a number of acquisitions of total value amounting to **ca. EUR 180 M**. Its acquisitions include purchase of **32% stake in Netia**, one of the leading cable TV providers in Poland. Cyfrowy Polsat's acquisition enabled the company to vertically integrate its distribution network and expand its TV channels portfolio.

As far as the structure of transactions is concerned, the majority of the targets operated in the Media/IT/Telecom (17%) and FMCG (17%) sectors. The buy side was dominated by the PE/VC funds (22%) and Media/IT/Telecom companies (14%). Private investors amounted up to ca. two thirds of the sellers. The second largest group of sellers remained PE/VC funds (12%).

After the strong growth in the 1st half of 2017, WIG-index remains on a relatively high level of 64 000 pts. During the last quarter **WIG-index has declined by about 0.85%**. Among the WIG-20 companies, quotations of Eurocash and Enea rose the most (46% and 29% respectively). In the 4Q 2017 USD/PLN exchange rate fell by ca. 6%, and EUR/PLN by ca. 3.5%.