

M&A Index Poland

Q2 2018

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

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M&A Index Poland, 2Q 2018

by Navigator Capital & FORDATA | July 2018

Total number of transactions*

48 (2Q 2018)

The largest transaction**

EUR 763 m

(Acquisition by Bank BGŻ BNP Paribas of core business of Raiffeisen Polbank)

* 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 2Q 2018 the number of the transactions on the Polish M&A market was lower than in a corresponding period of the last year (57 in 2Q 2017). The largest deal of the quarter was acquisition of the core business of Raiffeisen Polbank by Bank BGŻ BNP Paribas for ca EUR 763 m. Private investors made up over one third of the sell side. The financial institutions made up a large fraction of both sell side and targets (16% and 15% respectively), which mirrors a large number of transactions within the financial sector in the last

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Core business of Raiffeisen Polbank	Bank BGŻ BNP Paribas	Raiffeisen Bank International	763 m

(10th April) BGŻ BNP Paribas Bank acquired core business areas of Raiffeisen Polbank, including: SMEs, corporate banking, retail banking, Private Banking, foreign currency denominated mortgages, exposures to wind energy companies and other business units. The value of the transaction amounted to EUR 763 m, which corresponded to P/BV multiple at 0.87. BGŻ BNP Paribas Bank is the sixth largest bank in Poland. The acquisition of the rival's business will allow it to get closer to the top five of Polish banks, among which are PKO BP, Bank Pekao, Bank Zachodni WBK, mBank and ING Bank Śląski

TARGET	BIDDER	SELLER	VALUE [EUR]
Emperia Holding	Maxima Grupe	Aviva OFE, AXA OFE, ALTUS TFI, IPOPEMA 72 FIZAN, NN PTE	280 m

(14th April) Maxima Grupe acquired 94% shares of Emperia Holding through a tender offer. The total value of the transaction amounted to ca. 272 m EUR. In the next step, the minority package remaining stake was squeezed-out with a total value of the package at EUR 8 m. Emperia Holding is the owner of supermarket chain Stokrotka, real estate manager Elpro Development and Infinite IT Solutions – ERP software provider. The total revenue of the Group in 2017 amounted to ca. EUR 611 m, EBITDA to EUR 22 m, and the net profit to ca. 8 M EUR. Maxima is leader of retail sales in the Baltic countries. In addition it runs business in Bulgaria and Poland (supermarket chain Aldik). The revenue of the group in 2017 amounted to ca. EUR 2.8 b, and the net profit - ca. EUR 75.2 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Korona Candles	GALA Kerzen	Private investor	Undisclosed

(26th April) The German candles manufacturer GALA Kerzen, a portfolio company of a private equity fund Equistone Partners Europe, acquired Korona Candles, one of the World's leading scented candles manufacturer in the private label sales model. The acquisition in Poland is, among Indian Ramesh Candles and German JewelCandles, the third acquisition of GALA Kerzen this year. Korona Candles owns manufacturing sites in Poland and the USA. The revenue of the group exceed EUR 100 m annully.

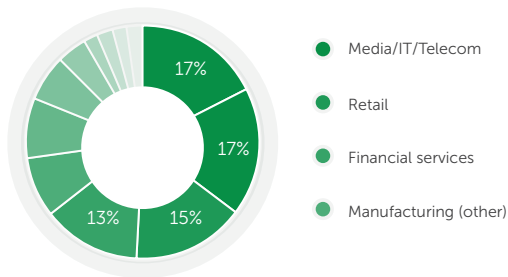
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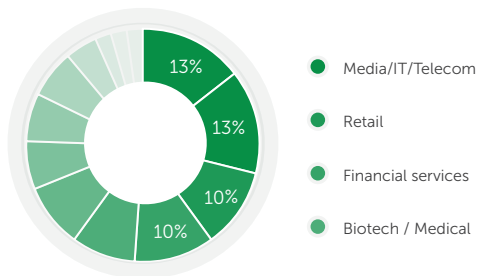
By sector

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

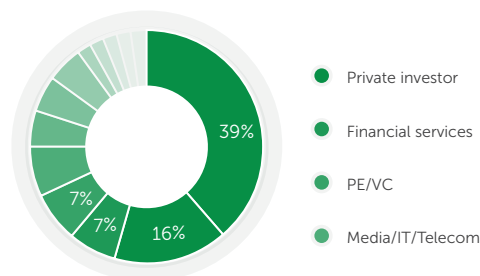
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
HTL-Strefa	Investindustrial	EQT	Undisclosed

(16th May) The Swedish private equity fund EQT decided to exit its investment in the Polish blood sampling medical devices manufacturer HTL-Strefa. The company is the worldwide leader in this segment with 44% market share. Investindustrial, a private equity fund concentrating on consumer goods and medical products and services companies, was the acquiring party in this transaction. HTL-Strefa will be included in the structures of the Artsana Group (a portfolio company of Investindustrial) through its merger with PIC Solutions. The revenue of HTL-Strefa in the financial year 2017 amounted to ca. EUR 80 m and EBITDA to ca. EUR 21 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Eleven Sports Network	Cyfrowy Polsat	Eleven Sports Network LTD	38 m

(25th May) Polsat TV, owned by Cyfrowy Polsat Group, has acquired a controlling stake in Eleven Sports Network - a company producing and distributing sports programs in Poland, owning rights to broadcast a number of major sports events. The Cyfrowy Polsat Group will act as a strategic investor whose goal will be to strengthen ESN as the most dynamically developing entity on the sports TV market. The aim of the transaction is also to expand the distribution of Eleven Sports channels on various platforms and to strengthen the position of the Cyfrowy Polsat Group on the TV market. In the first quarter of 2018 Cyfrowy Polsat Group had 5.74 million subscribers, which translated into EUR 548 m of revenue and EUR 64 m of net profit.

TARGET	BIDDER	SELLER	VALUE [EUR]
Proplan Plant Protection Company	Ciech	Private Investor	ca. 33 m

(13th June) Ciech has acquired 75% of shares in Proplan - a producer of generic plant protection products present on 3 continents and having over 120 active product registrations. The transaction is an important element of the Group's diversification strategy and helps strengthen Ciech's position on the market of plant protection chemicals. The takeover of control over the Spanish company will enable Ciech to access new markets, in particular Spain, southern Europe, and Africa. In 2017, Proplan achieved EUR 16 m in revenue with high profitability (EBITDA margin above 20%).

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TARGET	BIDDER	SELLER	VALUE [EUR]
Gothaer TU	Vienna Insurance Group	Gothaer Finanzholding AG	Undisclosed

(7th June) The Austrian insurer, Vienna Insurance Group, has acquired 100% of Gothaer TU shares, insurance company which manages two million insurance contracts in Poland. Gothaer TU sells its products mainly through agents and brokers. In 2017, the company generated a written premium in the amount of EUR 146 m. The transaction will allow to increase the share of VIg in the property insurance market from 6.2% to 7.8%, which significantly brings the Group closer to achieving the strategic goal of 10% share in the Polish market.

TARGET	BIDDER	SELLER	VALUE [EUR]
Genomed	Diagnostyka	MCI.CreditVentures 2.0. FIZ	Undisclosed

(11th June) Diagnostyka, a leading provider of laboratory medical services belonging to the Mid Europa Partners private equity fund, has acquired from the MCI.CreditVentures 2.0 FIZ fund a minority stake of Genomed shares. Genomed specializes in genetic diagnostics as well as DNA sequencing and syntheses. Diagnostics is the largest network of laboratories in Poland with over 130 branches and over 60 million markings per year. The transaction is another investment of Diagnostyka in the field of genetic testing after Centra Diagnostyki Genetycznej Genesis joined the Group in the first quarter of 2018.

TARGET	BIDDER	SELLER	VALUE [EUR]
Plano Pack	Akomex	Private Investor	Undisclosed

(13th June) The Akomex Group controlled by Highlander Partners fund, a leading Polish manufacturer of packaging for the food and pharmaceutical industries, has acquired the Danish rival - Plano Pack. Plano Pack has been operating on the packaging market for 20 years. The transaction is part of the Akomex Group's foreign expansion strategy, and its main goal is to strengthen Akomex's position on the Western European food packaging market. The merger of Akomex and Plano Pack will allow supply chain synergies and expansion the products offer.

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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.



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TARGET	BIDDER	SELLER	VALUE [EUR]
Karl Vögele	CCC	Private Investor	ca. 8.7 m

(18th June) NG2 Suisse - a subsidiary of the CCC Group has acquired 70% of shares in Karl Vögele, a footwear company with almost 100 years of tradition in the Swiss market, which at the end of 2017 had a network of over 200 stores. Acquiring a brand with high recognition and reputation will allow CCC to take a significant position on the Swiss market. In the previous year, Karl Vögele was able to boast about a 10% share in the local footwear industry. The transaction is a continuation of the foreign expansion strategy implemented by the CCC Group. In 2017, revenues of the CCC group amounted to EUR 0.98 b, which translated into net profit of approx. EUR 71 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
DotCard (DotPay/eCard)	Nets	MCI Capital (75.4%), Saltus TUW (24.6%)	73 m

(20th June) MCI fund along with Saltus TUW sold their stake in the DotCard company to the Danish e-payment operator Nets. DotPay provides services of e-payment processing mainly for e-commerce customers and is one of the leaders on this market in Poland. eCard provides a wide range of payment services, including: internet and mobile payments, call center, periodical payments, prepaid phone cards and premium SMS services. The total profit for the MCI fund amounted to EUR 60 m, which is the best result in its track record. The transaction is the largest acquisition of fintech company that has been conducted on Polish market. Nets provides services related to proceeding cashless payments mainly in Norway, Denmark, Italy, Slovenia and Hungary. The acquisition of DotCard gives the company a strong exposure to the Polish market.

Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

The activity on the Polish M&A market, despite the announced moderate dynamics, slightly slowed down. In the Q2 2018, there were **48 transactions** recorded, compared to **50 in the Q1 2018** and **57** in the corresponding period last year. Strong interest of investors attracted IT/ Media/Telecom sectors and the financial services sector in our region, establishing the widest field of mergers and acquisitions in the last quarter.

Private entrepreneurs dominate

Again, the largest percentage of sellers were private entrepreneurs, comparing to the results of the first quarter (when they accounted for over 70% of offerors) which was only **39%**. However, we expect that the situation will "return to normal" and in the second half of the year the percentage of sold private companies will increase significantly. The most desirable industries were **Media/IT/ Telecom (17%)**, **retail (17%)** and **financial services (15%)**, and the largest transactions took place in the banking and retail sectors.

PE funds in search of interesting assets

Despite high activity in the last year, many funds do not stop at shopping and will continue to take over in the second half of this year. It is worth noting that in recent years many Private Equity (PE) funds have gathered capital for investments and are currently looking for interesting assets. It is expected that the availability of low-cost debt financing will result in increased activity and the development of PE funds will accelerate in Poland. A good example is Mid Europa Partners, which consistently implements the strategy of development and growth through subsequent purchase transactions in Poland and the CEE region. Diagnostyka, a leading provider of laboratory medical services belonging to the Mid Europa Partners PE fund, has acquired from the MCI.CreditVentures 2.0 FIZ fund a minority stake of Genomed shares. Genomed specializes in genetic diagnostics as well as DNA sequencing and syntheses. The transaction is another investment of Diagnostyka in the field of genetic testing after Centra Diagnostyki Genetycznej Genesis joined the Group in the first quarter of 2018.

Increasing number of large transactions, although midcaps still dominate

Transaction values remain similar as in the last quarter - among those with the revealed price dominate the medium-sized so-called midcaps (value PLN 100-400 million) and large transactions (the largest transaction of the last quarter was the acquisition by Bank BGŻ Paribas of the main business part of Raiffeisen Polbank for ca. EUR 763 m. The Polish market is still highly fragmented and we can see a progressive trend of industries consolidation, which explains the fact, that an important part of our acquisition transactions are carried out by local entities from Polish companies and PE funds which are established in Poland. It is expected that in the second half of the year there will be two or three large transactions which will generate a global media coverage, but the vast majority of acquisitions will be in midcaps sector, just like it was last year.

The involvement of foreign investors is growing

From the beginning of 2018 transactions conducted between Polish entities prevailed. In the last quarter, Polish companies accounted for **65%** of buyers and **63%** of sellers. The involvement of foreign parties on the buy-side was revived and amounted to **35%** (an increase of **8%** in relation to 1Q). This group is still dominated by European companies, although three players are from China, Kuwait and the USA. There is a growing interest in Polish assets from Asian investors, primarily Chinese investors, although the time of decision-making and uncertainty about the European economy seem to be a difficulty here. However Poland is considered the second, after Ukraine, richest area in the possibilities for restructuring transactions, mainly due to difficulties with the regulation of renewable energy and the system of "green certificates".

The popularity of Virtual Data Room on the Polish M&A market remains at a satisfactory level. According to the most recent generally available data, in the second quarter of 2018 as much as **37%** of transactions were organized using the technology of VDR (compared to 46% in 1Q). This is not surprising. VDR is a synonym of secure management of confidential information and a guarantor of a professionally conducted transaction, which has become particularly important after the entry of the GDPR and the tightening up the rules on the protection of personal data.

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Director
Navigator Capital

In the 2nd quarter of 2018 there were **48 transactions** on the Polish M&A market, which is by 9 less than in a corresponding period of 2017.

The largest deal of the last quarter was acquisition of the core business of Raiffeisen Polbank by Bank BGŻ BNP Paribas for ca. 763 M EUR. The acquired divisions included: services for SME, corporate banking, retail banking and foreign currency denominated mortgages. Bank BGŻ BNP Paribas is the sixth largest bank in Poland. Other acquisitions within Polish financial services sector are also worth noting. In the last quarter three transactions were closed on the insurance market. Entities from Vienna Insurance Group acquired Gothaer TU and Towarzystwo Ubezpieczeń Wzajemnych TUW, aiming to increase Group's market share in Poland to ca. 10%. Generali acquired Concordia Capital, which will allow the Group to enter agricultural insurance sector and diversify distribution channels and regional exposures.

In the 2nd quarter of 2018 we witnessed some interesting transactions being a part of retail nets' consolidation. The successful tender offer of Maxima Grupe for Emperia Holding's shares was the largest deal within the sector. Emperia is the owner of a chain of 400 shops in Poland operating under Stokrotka brand. The transaction will allow the Lithuanian entity to increase its clients' base in Poland. Before the transaction, Maxima Grupe was present in Poland and operated 30 supermarkets in the largest Polish cities under the Aldik brand. Apart from horizontal integration, in the last quarter we witnessed some acquisitions aimed to ensure vertical integration. The CCC Group has acquired shops operating in Poland and Romania under its' brand basing on franchising model. In addition to this, the Polish shoes manufacturer acquired its Swiss competitor, Karl Vögele company, which will allow the Group to enter the local market and strengthen its presence on the West European markets.

In the last quarter, some significant deals were closed in the online and wireless payment sectors. In connection to the increasing significance of cashless payments and development of e-commerce, the companies providing online payment services gain in importance. The most significant transaction in this sector is the exit of MCI and Saltus TUW from investment in DotCard, which owns DotPay, e-payments processing company and eCard, offering a wide range of services related to cashless payments processing. The value of the transaction was ca. EUR 73 m, which is a new record among the Polish fintech companies. Another company, PayTel specializing in mobile payments was acquired by Portugese SIBS-SGPS Group, owning a portfolio of companies providing complex and specialized services related to wireless and cashless payments.

As far as the structure of transactions is concerned, the majority of the targets operated in the Media/IT/Telecom (**17%**) and Retail (**17%**) sectors. The buy side was dominated by Media/IT/Telecom companies (**13%**) and Retail (**13%**) companies. Private investors amounted up to ca. one third of the sell side. The second largest group of sellers were companies from Financial Services sector (**16%**).