

M&A Index Poland

Q1 2019

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

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by Navigator Capital & FORDATA | April 2019

Total number of transactions*

46 (Q1 2019)

The largest transaction**

ca. EUR 1.16 b

(Acquisition of DCT Gdansk S.A by PFR, PSA International and IFM Investors)

* 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 first quarter of 2019, we saw 46 transactions on the Polish mergers and acquisitions market. This is by 4 less than in the first quarter of 2018. The largest transaction was the takeover by a group of investors, including the Polish Development Fund, of the DCT Gdansk container terminal.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
PayPro	Nets	Private investor	Undisclosed

(9th January) The Danish company Nets took over PayPro, a payment service provider and owner of Przelewy24 payment platform. Nets is specialized in online payment services and credit card services and operates mainly in the Scandinavian and Baltic countries. In addition to handling payments, its portfolio also includes a number of accompanying services, such as fraud protection, mobile wallet, recurring payments and corporate customer services. The acquisition of PayPro is already the second after Dotpay / eCard acquisition of the Danish company on the Polish market. In the near future, Nets may become one of the strongest players in the field of online payments on the Polish market.

TARGET	BIDDER	SELLER	VALUE [EUR]
Orbis (33% stake)	AccorHotels	Minority	338 m

(23rd January) As a result of the successful tender offer, the French AccorHotels took over 33% of shares in Orbis S.A. AccorHotels has been a stakeholder in Orbis since 2000 and has gradually increased its involvement in the company over the past years. Orbis owns and operates 130 hotels in the CEE region. The Group's strategy is based on owning hotels in the largest cities in Poland and in the capitals of the CEE countries in which the company operates so far. The consolidated revenues of the Orbis Group in 2017 amounted to EUR 349 m, and EBITDA to EUR 111 m. Following the closing of the tender offer, AccorHotels held 85% shares of Orbis S.A.

TARGET	BIDDER	SELLER	VALUE [EUR]
Jurajska	Hortex	Bewa	Undisclosed

(1st February) The Hortex Group took over the brand of Jurajska mineral water from Bewa. The management of Hortex identifies a development opportunity in the mineral water segment, which is worth in Poland about EUR 930 m. The water intake used by the company is located in the Kraków-Częstochowa Upland. Due to the tradition and recognition of the brand, the company has a chance to increase its market share. The revenues of Jurajska in 2017 amounted to EUR 24 m, and the net profit – EUR 0.91 m.

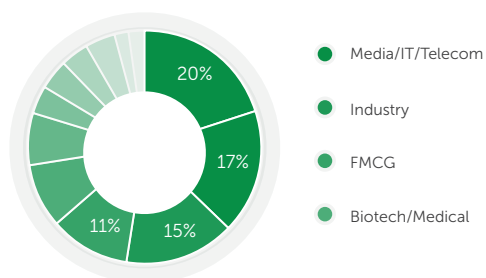
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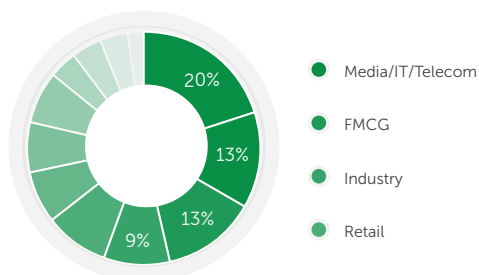
By sector

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

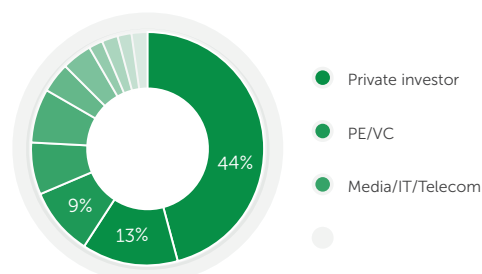
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Poli-Farbe Vegyipari	FFIL Śnieżka	Lampo Korlátolt	25 m

(11th February) Fabryka Farb i Lakierów Śnieżka took over 80% of shares in the Hungarian company Poli-Farbe Vegyipari from the company Lampo Korlátolt Felelősségű Társaság for approx EUR 25 m. The acquired company has got a stable market position, having in its portfolio one of the most recognizable brands on the market, and recently opened a modern factory which cost amounted to approximately EUR 3 m. In 2017, Poli-Farbe's revenues amounted to approximately EUR 35 m, while EBITDA amounted to EUR 4 m. In addition, the company has two subsidiaries in Slovakia and Romania. The acquisition is part of the implementation of FFIL Śnieżka's strategy of expanding to the markets of Central and Eastern Europe. The most well-known Polish producer of paints and varnishes has also subsidiaries in Ukraine and Belarus.

TARGET	BIDDER	SELLER	VALUE [EUR]
Shoplo	SumUp	Private investor	Undisclosed

(12th February) SumUp, the British fin-tech took over the Polish company Shoplo, the supplier of e-commerce tools for enterprises. SumUp is a provider of mobile payment terminals compatible with smartphones. The takeover of Shoplo will allow the acquiring company to access Internet channels and to integrate sales with such platforms as Facebook, eBay or Etsy. The Warsaw-based company also has the know-how in the field of online tools development, which was an important asset of the investment.

TARGET	BIDDER	SELLER	VALUE [EUR]
Neomedic	Medicover	Innova Capital	71 m

(15th February) Neomedic, obstetrics and gynecological hospitals, which since 2012 have been held in the portfolio of Innova Capital fund (66.7% of shares) have been sold to the second largest medical company in Poland, listed on the Swedish exchange, Medicover for approximately EUR 71 m EUR. The expected revenues of Neomedic for 2018 are nearly EUR 28 m. The acquired entity operates 2 hospitals in Krakow and one in Nowy Sącz, in which 7600 newborns were born in the last year. The Medicover Group provides private medical care services and Poland is its largest market. It achieved revenues of EUR 580 m in 2017 and is very active on the mergers and acquisitions market.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Krosno-Glass	Private investor	Coast2Coast	Undisclosed

(15th February) Krosno-Glass, a portfolio company of the Coast2Coast private equity fund, was acquired in the form of a managerial buyout (MBO) by the current president of the company, Paweł Szymański, who has been managing the company for over 2 years. The purchase was financed by CVI Dom Maklerski and Noble Funds as well as own funds of the investor. The sale of Krosno-Glass by Coast2Coast is associated with the fund's withdrawal from investment in Poland. The fund has been the owner of the company since 2016 and since then has restructured the plant, increasing production capacity and modernizing current lines. In 2018, revenues of Krosno-Glass amounted to approx. EUR 58 m. The company plans to implement the strategy for 2018 - 2023, investing in further restructuring of EUR 47 m. Krosno-Glass is one of the largest glassworks in Poland, offering its products on over 70 markets around the world.

TARGET	BIDDER	SELLER	VALUE [EUR]
Platinum Wines	Jantoń	Private Investors	Undisclosed

(27th February) Jantoń, supported by the Enterprise Investors fund, has taken over Platinum Wines, one of the largest wholesale distributors of grape wines in Poland. The company imports wines from countries such as Bulgaria, Moldova, Georgia and Chile. The acquiring company wants to become the leader on the grape wine market in Poland in the coming years. The consumption of wine in the country is still low, and the share of its sales in the entire alcohol market amounts to around 7%. The management and owners of Jantoń recognize the growth potential of the wine segment. Last year, the company took over the Selection of Win Maktowicz, which addresses its offer to a narrow group of clients with high requirements.

TARGET	BIDDER	SELLER	VALUE [EUR]
Bartek (56% stake)	Wojas	Private Investor	Undisclosed

(4th March) 56% shares of Bartek S.A., the largest Polish company producing footwear for children, were taken over by Wojas- one of the largest and most well-known Polish producers of footwear and leather goods, which has 180 showrooms in Poland, Slovakia, the Czech Republic, Belarus and Hungary and employs almost 1,500 people in Poland. The acquisition of Bartek will be an option for Wojas to expand into new segments of the market. Bartek recorded revenue of EUR 14 m in 2017. In turn, Wojas in 2017 recorded EUR 56 m EUR revenue and EUR 3 m of net profit. The transaction value has not been disclosed.

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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]
DCT Gdansk S.A.	PSA International, IFM Investors, Polish Development Fund	MTAAS Fund Macquarie Infrastructure and Real Assets Australian Super Statewide Superannuation	1.16 b

(19th March) A group of investors, among others Polish Development Fund (PFR) bought from the funds of the Macquarie Group DCT Gdansk, the largest and the only one deep-water container terminal in Poland, which is adapted to serve the largest transport vessels. The share of PFR in this investment is about 30%. In 2018, DCT gave service to nearly 2 m of containers. PFR plans to invest up to EUR 0.47 m until 2023. After the implementation of the strategic investment the DCT is expected to be able to service 4.5 m of containers. DCT Gdansk generates annual profits of EUR 23 m, EUR 100 m of revenue and EUR 70 m of EBITDA.

TARGET	BIDDER	SELLER	VALUE [EUR]
Drukarnia Embe Press	Innova Capital	Private investor	Undisclosed

(29 th March) Innova Capital fund announced the acquisition of 80% of shares in Drukarnia Embe Press. The acquired entity is a supplier of labels and packaging for food and drink products, employing 180 people in Lublin. The current owners, who currently own 20% of shares in Drukarnia Embe Press, will remain in the Supervisory Board and will support further development of the company. The printing house has been present on the market for 30 years and sells its products in Germany, Denmark, the Czech Republic, Hungary and Slovakia. The company's sales in 2017 amounted to EUR 13 m.

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Experts' comments



**Alicja
Kukla-Kowalska**

Senior Key Account Manager
FORDATA

As predicted, the M&A market in Poland in the Q1 2019 continued to grow steadily, although there was a slight slowdown. The volume of transactions decreased - we recorded a total of **46 transactions** (a 26% decrease compared to Q4 2018 and an 8% increase compared to Q1 2018). Transactions values were smaller than those at the end of the year - among those with the disclosed value, small and medium deals prevailed.

The largest transaction of the last quarter was the takeover by the Polish Development Fund, PSA International and IFM Investors of 100% shares in the largest container terminal in Poland - **DCT Gdansk S.A. for approximately EUR 1.2 billion**. Almost a half (44%) of the sellers of shares were private entrepreneurs, which still testifies to the high attractiveness of Polish companies from the SME sector. The technology sector, media and telecom as well as the industrial sector and FMCG enjoyed a lot of investors' interest.

Polish M&A waiting for the inflow of investment activity

Expected high M&A activity in Poland is still ahead of us. According to earlier forecasts of economists, in 2019 we expect M&A transactions with a value and number at a level close to last year. The first quarter closed with **46 transactions** (4 transactions less than in the corresponding period of the previous year). This is a good result, considering the 17% decline in the global M&A market as a result of the slowdown in the economic growth rate (source: "Emerging Europe M & A Report 2018/2019").

The value and number of mergers and acquisitions in Poland do not go hand in hand

In contrast to the M&A market in global terms, where the number and value of transactions are closely related, in Poland the correlation coefficient is quite low (*according to IMAA Institute, it states for 0.63*). Among single mega transactions over PLN 1 billion there were 3 deals with the revealed price. Over PLN 1 billion has been paid by: Griffin and PIMCO funds for taking control over the Polcom Group, the AccorHotels Group for the Orbis share package and the aforementioned investor groups (including PFR) for the takeover of DCT Gdansk.

Growing involvement of foreign investors

In the Q1 2019, transactions between Polish entities continued to dominate, although an increase in the involvement of foreign entities is noticeable. Investors from outside Poland constituted **39%** of buyers (increase by 13% in relation to Q4 2018). This group is still dominated by European companies, although two entities from the USA and Singapore appeared. As expected, we are observing considerable interest in the food sector and progressive consolidation in the processing and production of sausages. The most desirable industries are **Media/IT/Telecom (20%), Industry (17%) and the FMCG industry (15%)**. A significant transactions were acquisition of Business Link - the largest coworking network in Poland by Skanska or the sale of 100% shares in the Hoop Polska brand by Kofola ČeskoSlovensko to the ZMB Capital - the owner of Ustroniana. In case of these two transactions, **due diligence** was organized with Virtual Data Room technology provided by **FORDATA**.

Popularity of Virtual Data Room on the Polish M&A market growing at a dizzying pace

The publicly available data show that in Q1 2019 as much as **50%** of transactions were organized using the Virtual Data Room technology (46% of transactions were recorded in the same period last year), which is the largest result reported by us so far. We are glad that the popularity of Virtual Data Room on the Polish M&A market is growing, and VDR is today a synonym of a professional approach to the transaction.

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Karol Szykowny,
CFA

Director
Navigator Capital

In the first quarter of 2019, **46** merger and acquisition transactions were closed on the Polish market. This is by **4** less than in the same period in 2018.

The largest transaction in terms of value in the last quarter was the purchase of 100% shares in the Polish container terminal DCT Gdansk by a group of investors, including the Polish Development Fund. As a result, PFR became the owner of 30% of shares in the company and plans to invest in the amount of EUR 465 million, which will be able to double its capacity. The value of the transaction amounted to approximately EUR 1.2 billion.

In the last quarter, enterprises providing services to industry gathered the most interest of investors. An example of such a transaction is the purchase of Poli-Farbe Vegyipari, a Hungarian manufacturer of paints and varnishes, by Fabryka Farb i Lakierów Śnieżka. It will allow Śnieżka to extend its activities to new European countries - Hungary, Romania and Slovakia, and develop in accordance with the adopted strategy of development in the CEE region. The acquisition of EMMSA Deutschland by Electra M & E is also part of the trend of foreign development of Polish enterprises providing industrial products and services. The acquisition of a German enterprise is a great chance for the Polish company to expand into the German market, where there is a big demand for engineering services for the industry.

As in previous periods, companies from the TMT sector were very active in the area of mergers and acquisitions. Acquisitions on this market are related to the desire to acquire new product solutions and to increase the customer base. In the past quarter, we observed several interesting transactions aimed at obtaining solutions addressed to business clients. The company providing accounting software BrainShareIT has been taken over by Norwegian Visme, which plans to improve the efficiency of its processes and gain position of the European leader in the field of cloud accounting. Another transaction of this type was the takeover of Shoplo by a British provider of payment portals compatible with smartphones - SumUp. The acquisition will allow the company from the Great Britain to enter the segment of e-commerce services and obtain solutions integrated with the largest marketplace platforms, such as Facebook, eBay and etsy.

The most appealing targets in this quarter came from the following sectors: Media/IT/Telecom - **20%**, industry - **17%** and FMCG - **15%**. The most active sectors on the buy-side were Media/IT/Telecom - **20%**, FMCG - **13%** and industry - **13%** of transactions. The largest group among the sellers were private investors - **44%** and PE/VC funds - **13%** of transactions.