

M&A Index Poland

Q3 2021

Prepared by **Navigator Capital** & **FORDATA**

Experts' comments to the 41st edition of the report can be found on the website:

fordatagroup.com/blog

Total number of transactions*

68 (Q3 2021)

The largest transaction**

EUR 1 525 m

(Acquisition of 100% of shares of UPC Polska by Play Communications)

* 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 Q3 2021, we witnessed **68** transactions on the Polish M&A market. This is 6 fewer than in Q3 2020. The largest transaction was the acquisition of a telecoms operator, **UPC Polska, by Play Communications**, an industry operator subsidiary of French group **Iliad SA**.

Selected transactions

Target	Bidder	Seller	Value [EUR]
FreshMail	Vercom	Private Investor	6.05 m

(6th July) Vercom, a company focused on creating communication platforms in the cloud (CPaaS - Communication Platform-as-a-Service) listed on the Warsaw Stock Exchange, acquired 100% stake in FreshMail, an e-mail marketing company. The acquisition was financed, among others, from capital raised from investors during the IPO carried out in May. The final value of the transaction may change, as the contract provides for an increase in the amount paid by the buyer by a maximum of EUR 0.44 million if certain milestones are completed by the end of 2022. Vercom identifies both revenue and cost synergies resulting from the acquisition of 6.5 thousand FreshMail's customers, thanks to the possibility of cross-selling. The acquisition is another step leading to an increase in the scale of operations and the implementation of the capital group's development plans.

Target	Bidder	Seller	Value [EUR]
Mispol	Partner in Pet Food	NDX Group	Not disclosed

(29th July) The Lithuanian NDX Group has announced the sale of its portfolio company, Mispol, to the Hungarian Partner in Pet Food group. This is the second transaction between these entities in the last months, after the sale of the Swedish company Doggy AB by the NDX Group in September 2020. Partner in Pet Food is a European leader in the animal food industry, developing dynamically through acquisitions. The acquisition of Mispol, a company widely recognized on the Polish market, will allow PPF to effectively expand geographically in Poland.

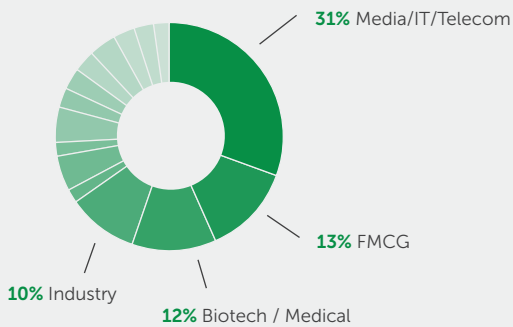
Target	Bidder	Seller	Value [EUR]
Rakoczy Stal	Hargassner	Private investor	Not disclosed

(10th August) Rakoczy Stal, a producer of technologically advanced pellet, eco-pea coal and coal boilers established in Stalowa Wola, was taken over by the Austrian Hargassner group, with over 35 years of experience in the industry. The acquisition of an entity that has enjoyed a perfect reputation in Poland for years and stands out from other companies with a wide product offer on the markets of Western Europe, where it has been present for over a decade, will enable the Hargassner Group not only to have access to a modern production plant and qualified staff, but also to carry out further market expansion under the brand name Rakoczy Stal, using the technology of the company from Stalowa Wola and the rich business experience of the Austrian company. Navigator Capital acted as the Rakoczy Stal's sole advisor in the sale process.

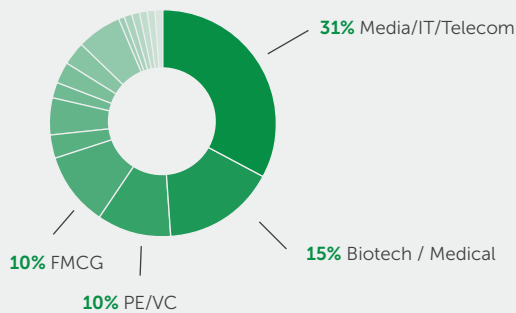
By sector

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

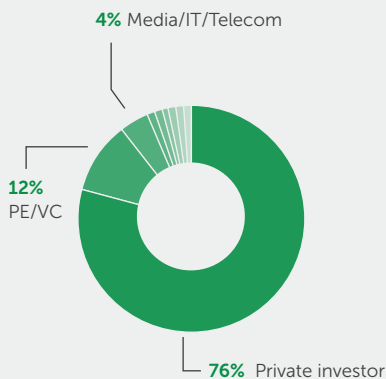
TARGET (%)



BIDDER (%)



SELLER (%)



Target	Bidder	Seller	Value [EUR]
Shoplo	Shoper	SumUp	3.8 m

(18th August) Shoper, FinTech with 15 years of experience, has acquired a 100% stake in Shoplo, a Polish startup that allows people to quickly start selling online, for EUR 3.8 m. The acquisition, which will add nearly 5,000 companies to the buyer's customer pool, is another step in the company's ambitious strategy to serve more than 50,000 online stores by the end of 2026. The acquired startup is the third most popular online store provider, delivering services to SMEs in the SaaS model. The GMV of stores operating on the platform amounted to EUR 116.99 m in 2020 and EUR 78.65 m in the first half of 2021, and the company itself generated a turnover of EUR 1.46 m and EUR 0.87 m, respectively.

Target	Bidder	Seller	Value [EUR]
Costa Express	Coca-Cola HBC (Poland&Baltics)	Costa Coffee Polska	Not disclosed

(25th August) Expanding its offer in the hot drinks segment on the Polish market, Coca-Cola HBC acquired the Costa Express brand, which is directed primarily to the HoReCa segment and offices. Thanks to the acquisition, the American giant will be able to offer Polish customers a product prepared in barista quality on the still growing coffee consumer market in the country. According to representatives of both companies, this transaction is a good example of a partnership, in which Costa Coffee's expert knowledge complements Coca-Cola HBC's experience in introducing and developing beverage products on the Polish market. The transaction was carried out using the FORDATA VDR system.

Target	Bidder	Seller	Value [EUR]
Elana PET	LERG	Boryszew	6.7 m

(31st August) As a result of a strategic options review conducted in May, the listed on WSE Boryszew group decided to sell Elana PET, considered a non-strategic asset. The entity whose main activity is the purchase and recycling of plastic was taken over by LERG SA, the national leader in the production of synthetic resin, conducting activities aimed at diversifying its activities and transforming it into a chemical group dominating the Polish market and increasing its presence on other European markets. They diversified their portfolio, among others, through the acquisition of CIECH Żywiec in the first quarter of 2021.

Target	Bidder	Seller	Value [EUR]
Yestersen	Fabryki Mebli Forte	Private Investor	0.98 m

(10th September) Fabryka Mebli Forte, a Polish family-owned manufacturer listed on the Warsaw Stock Exchange, has funded Yestersen, a homegrown e-commerce furniture platform operating in the segment of selling unique furniture. The capital raised from the minority investor will help the company develop its own brand, expand its premium offering and make further investments in technology. Yestersen expects its revenues in 2021 to reach approximately EUR 4.14 - 4.58 m.

Target	Bidder	Seller	Value [EUR]
PAD-RES	JV Kajima Europe & Griffin Real Estate	Private investor	Not disclosed

(14th September) Joint Venture between Kajima Europe and Griffin Real Estate, has agreed to purchase a 72% stake in Polish clean energy asset developer PAD-RES. The pan-European real estate investment and development firm and a leading private equity investment firm, plan to focus their efforts on further developing the PAD-RES portfolio, which will include investments in solar and wind projects at various stages of development, with operational renewable capacity in excess of 500MW. The project portfolio will position the platform at the forefront of the emerging renewable energy sector in the country. The JV, which will provide equity and development funding for the platform, is focused on growing the existing portfolio and acquiring new projects in the coming years with an eye on leveraging greenfield opportunities.

Target	Bidder	Seller	Value [EUR]
Genbook	Booksy	Private investor	Not disclosed

(15th September) Polish service appointment software company Booksy has acquired industry platform Genbook. The acquisition will allow retailers using Genbook to access a larger portfolio of customers through system integration. The \$65 million acquisition of the monthly bookings business will further increase the scale of the company's operations and strengthen its position in an attractive market. Since 2018, Booksy has continued its industry consolidation strategy with the acquisitions of European market players Lavito and Versum, and former US rival GoPanache. In the coming months, Booksy will conduct an operational integration of both platforms and as announced by the Board, the company is keenly looking at further investment opportunities.

Target	Bidder	Seller	Value [EUR]
Legend Smelting and Recycling	Elemental Holding	Private investor	Not disclosed

(17th September) Polish company investing in urban mining and recycling businesses, Elemental Holding, has acquired 100% of shares in Legend Smelting and Recycling, a US company. The acquired company operates in the field of catalytic converters and non-ferrous metals recycling, which is a perfect fit for Elemental's portfolio. The acquisition, in line with the company's strategy, is another step in the transformation of the holding into a global company in the field of green metals, electronics recycling and e-mobility metals. This is yet another transaction by the company, which recently completed the acquisitions of PGM of Texas and Maryland Core. The holding company was supported by PFR TFI in funding the transaction.

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 15 years of its market presence, Navigator Capital Group conducted over 100 transactions, of over 15 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]
Kino Polska	Canal+ Luxembourg	Private investor	Not disclosed

(20th September) The Canal+ Group, a media concern with approximately 22 million subscribers in over 40 countries, acquired 70% of SPI International, the owner of 42 TV channels. Due to the fact that SPI International was the majority shareholder of Kino Polska TV listed on the WSE, holding 65.15% of the company's shares, after the transaction, Canal+ will become the largest shareholder of Kino Polska TV with 45.6% stake. The next step in the acquisition process will be to carry out a tender offer by Canal+ for shares of the Kino Polska TV company, as required by law. The buyer issued a press release in which he informed that the operating strategy of the companies acquired with SPI International will not change and there will be no change of management, assuming that the possibility of using the knowledge and experience of the acquired entities' management will generate synergistic effects, enabling to achieve the ambitious goal of increasing the level of subscribers to 30 million by 2025.

Target	Bidder	Seller	Value [EUR]
UPC Polska	Play Communications	Liberty Global	1 525 m

(22nd September) Play Communications, a telecommunications network operator that is part of Iliad Group, announced the success of negotiations regarding the acquisition of UPC Polska, an entity offering access to television, the Internet and mobile telephony. The transaction, completed at a multiplier of 9.3x EBITDAaL, will be finalized after obtaining the regulatory approval of the European Commission. Thanks to the acquisition, Play Communications will increase its user base to 17 million people, and will also accelerate the investment in fiber-optic networks process.

Experts' comments

From the perspective of the first half of this year, the number of transactions recorded in the third quarter of 2021 is a short break in the intense year of M&A investments. We recorded a **decline by 14 transactions** compared to the record-breaking second quarter (82) and by 8 transactions compared to the first quarter (76), however, this is still a high result and should by no means serve as a predictor of a downward trend in the coming months. So how did the last quarter look in terms of sectors?

TMT continues its dominance in the third quarter

This year, the TMT sector took the lead among the targets of transactions with 21 entities sold for the third time in a row, which in the third quarter accounted for approximately **31%** of all companies acquired on the Polish market. This is **2%** more than in the previous quarter and **6%** more than last year. While in the second quarter, half of purchases in this sector concerned companies developing software, in the last quarter there were already ³/₅. A popular supplier of email marketing tools, Freshmail, was acquired by Vercom for over EUR 5,87 million, which is meant to allow the buyer to strengthen its global position in the CPaaS segment. On the other hand, Pro4people, a company specializing in developing medtech software, was passed into the hands of the American technology company Star. Importantly, almost all acquisitions in this sector took place as part of the consolidation of individual TMT segments, which may be influenced, among other factors, by a shortage of IT specialists in the global market, thus leading to acquisitions. As far as media are concerned, Netia and Kino Polska were purchased by Cyfrowy Polsat and Canal+ Luxembourg, respectively. Polish entities bought four times abroad, including Booksy, which through the acquisition of the US' Genbook strengthened its already firm position on the international market. Polish companies, on the other hand, found twice as many foreign customers.

TMT, Bio/Med and PE/VC in the lead of buyers

21 of all buyers in the last quarter were TMT companies, i.e. **31%**, which is another increase observed this year - from **23%** in the second quarter and **9%** in the first quarter. We saw a record number of software development companies that were interested in buying - as many as 13, which is exactly the number of target companies in this segment. Therefore, one can speak of an exceptionally strong consolidation, comparable to that observed in the previous years in the financial industry.

Bio/med was in second place with **15%** of buyers, which is a return to the good condition seen in the first quarter. They made 11 acquisitions in the last three months, 8 more than in the previous quarter. Medicover, which made as many as 5 purchases, including Quanfit and FITARENA, significantly increased its base of sports facilities. On an annual basis, the result is the same as in quarterly terms – an increase by 8 acquisitions - of which only one transaction concerned a biotechnology company: it was the purchase of the Italian EXOM Group by Neuca.



Marcin Rajewicz

Account Manager at FORDATA
Real Estate expert

How active was the international market?

The analysis of the sellers' structure shows that private investors were - no surprise - parties in almost half (**48%**) of the transaction. Nevertheless, compared to the previous quarter, their market share decreased by **11%**. Sales transactions in this sector mostly concerned the TMT sector - 14 companies - and the FMCG sector - 8 companies. The remaining selling entities were dominated by PE/VC funds (**10%**), FMCG companies (**7%**), TMT and industry (**6%**) and the energy sector (**4%**). The local government made one sale transaction, also in the energy sector - Zgorzelec ZPEC passed into the hands of Szczecińska Energetyka Ciepła energy company, which set itself the goal of reliable and stable heat supply to the inhabitants of Zgorzelec. The transaction is of a cross-border nature due to the letter of intent signed in 2020 by the authorities of Goerlitz and Zgorzelec regarding the merger of the heating plants of both cities and plans to achieve zero emissions by 2030.

A reshuffle in the real estate industry

While in 2020 FORDATA mainly served developers and owners of industrial and warehouse space in the Real Estate segment, the new trend was confirmed in the last quarter. The analysis of transactions made in the Virtual Data Room system shows that there has been an increase in the importance of investments covering residential projects as well as entire housing estates. Growing interest - also from foreign entities - is pushing up the prices of residential space per square meter. It also proves the increased awareness of the RE sector in the field of digital tools enabling the optimization of the sales process. Looking at the cross-sectional view, in the last quarter, up to **45% of entities used the VDR system in the M&A industry.**





Artur Wilk

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In the third quarter of 2021, **68 M&A transactions** took place on the Polish market. Compared to the previous year, the number of transactions has not changed significantly.

The transaction with the highest value among those announced in the third quarter of 2021 is the **acquisition of UPC Polska by Play Communications**. The company being the subject of the sale is a telecommunications operator offering its customers access to television, the Internet and mobile telephony, belonging to the Liberty Group, while the buyer is one of the leading Polish telecommunications operators, part of the Iliad capital group based in France. The value of the transaction is estimated at **EUR 1.52 billion**, with UPC's valuation of 9.3x EBITDAaL. The buyer expects that the transaction will generate synergistic benefits and the inclusion of them in the valuation implies a transaction multiplier of 7x EBITDAaL. The acquisition of UPC will enable Play to strengthen its position on the local telecommunications market by acquiring new customers, increasing the user base of the company's services to **17 million**. In the press release, the company also informed about the positive impact of the acquisition on the development of the fiber optic line. In order to finalize the transaction, it is necessary to obtain the consent of the European Commission, which will analyze whether the acquisition does not violate antitrust regulations. The process should be completed in the first half of 2022.

In the third quarter of 2021, there were **6 transactions less** than in the corresponding period of the previous year. This fact is closely related to the anomalies observed in the previous year, when, after the weak Q2, caused by the restrictions related to the COVID pandemic and the delay of some transaction processes, there was a strong rebound in the number of transactions concluded in Q3 2020. Due to the high base effect, the reported result in the current quarter is lower, which does not mean that the M&A market is slowing down. Favorable financing conditions and rising inflation generate high interest in investments in the M&A market, so we expect a significant number of transactions in the fourth quarter of this year and beyond.

In the analyzed period the sellers' structure was dominated by private investors, who were responsible for almost $\frac{3}{4}$ of the recorded transactions. This level is higher than the average level observed in the past by several percentage points. Such a market structure is influenced not only by the consolidation trends observed for years or the succession problems of Polish entrepreneurs, but also by the trend of shortening the supply chain or diversification of activities by large entities. In the current quarter, similarly to the previous one, there was a significant activity of Private Equity funds, which accounted for approx. **10% of transactions** on the selling side.

The medical services sector is still characterized by a strong consolidation trend, in which especially clinic chains as Medicover or Lux Med Group are active. In the last three months, Medicover announced the acquisition of as many as five entities, showing that the consolidation strategy of the still fragmented industry will be continued also in the coming months.

The companies operating in the **IT industries - 31%**, **FMCG - 13%** and **biotechnology / health care - 12%** of transactions were most frequently acquired in the last quarter. The most active buyers were strategic investors from the following sectors: **IT - 31%**, **biotechnology / healthcare - 15%**, **PE/VC - 10%** and **FMCG - 10%**. Among sellers dominated **private investors - 76%** and **PE/VC funds - 12%** of transactions.