

M&A Index Poland

1Q 2022

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

Experts' comments to the 43th edition of the report can be found on the website:

fordatagroup.com/blog

Total number of transactions*

86 (1Q2021)

The largest transaction**

EUR 548 m

(Acquisition of 100% of shares of Lotos Paliwa by MOL)

* 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 Q1 2022, we witnessed **86 transactions** on the Polish M&A market. This is 10 more than in Q1 2021. The largest transaction was the acquisition of Lotos Paliwa by a Hungarian Group MOL.

Selected transactions

Target	Bidder	Seller	Value [EUR]
Marmorin	SCHOCK	Private Investor	Not disclosed

(5 January) Marmorin, a family-owned company producing high-end dolomite marble fittings, has been acquired by SCHOCK, a German player in the same industry. As SCHOCK's management said, the transaction would not have been possible had it not become a portfolio company of the private equity fund Triton in 2021, as the fund provided favorable conditions for growth through acquisitions. With the investment in Marmorin, SCHOCK has not only gained access to a qualified workforce of approximately 200 people and a production capacity - product synergies are also possible, as Marmorin's product range consists mainly of marble ranges, while for SCHOCK the predominant material used in the production process is carbon fiber. In addition, the acquisition is expected to facilitate SCHOCK's growth in the demanding US market.

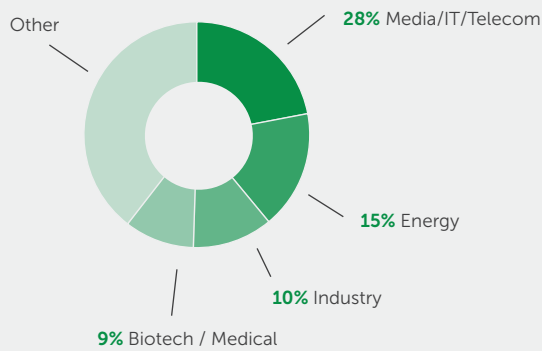
Target	Bidder	Seller	Value [EUR]
Emitel	Cordiant Digital Infrastructure	Alinda Capital Partners	415m

(5 January) Emitel, a company with a portfolio of around 500 mobile network masts and TV signal transmitters, has become an acquisition target from Cordiant Digital Infrastructure, a private equity fund with assets under management of around USD 3 billion. Once the regulatory requirements are met and approval is obtained from the Office of Competition and Consumer Protection (UOKiK), this will be another financial investor taking over Emitel. After being sold by Telekomunikacja Polska over a decade ago, it was owned by Montagu Private Equity, which sold its stake to Alinda Capital Partners in 2014. The deal is extremely interesting because two years ago, on a wave of interest in the WSE (GPW) among both financial and individual investors triggered by record low interest rates, an initial public offering of the company's shares was under serious consideration. Cordiant Digital Infrastructure said that a significant role in the decision-making process was played by the fact that Emitel is the market leader in Poland, with infrastructure across the country. Growth prospects in the areas of telecommunications infrastructure construction as well as smart city and data centres are considered incredibly attractive.

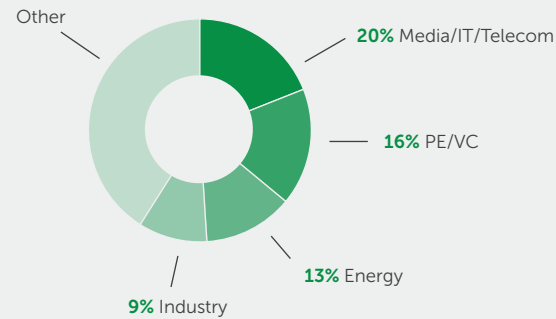
By sector

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

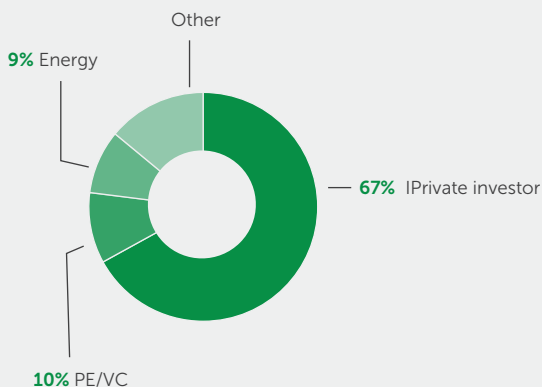
TARGET (%)



BIDDER (%)



SELLER (%)



Target	Bidder	Seller	Value [EUR]
Lotos	MOL, Saudi Aramco, Unimot, Rossi Biofuel Zrt	Lotos Group	Not disclosed

(12 January) In connection with the planned merger of Lotos and PKN Orlen, in order to avoid excessive market concentration, it became necessary to sell some of the assets controlled by Lotos to external entities. For this purpose, as many as 5 transactions were carried out in which Lotos Paliwa, Lotos Asphalt (30%), Lotos Terminale, Lotos Air BP Polska (50%) and Lotos Biopaliwa were sold. The buyers were MOL, Saudi Aramco, Unimot and Rossi Biofuel. Under the transaction, MOL became the owner of 417 Lotos stations and Unimot took over the fuel depots. At the same time, PKN Orlen signed a commitment to buy 185 MOL stations in Slovakia and Hungary. An additional element of the deal with Saudi Aramco was an agreement on oil supplies from Saudi Arabia. Up to 45% of oil will be imported by Orlen from this location.

Target	Bidder	Seller	Value [EUR]
DPC, Dentaurus, Medicadent	Innova Capital	Private Investor	Not disclosed

(1 February) The Polish private equity fund Innova Capital, which has almost 30 years of experience, has announced that it has made three investments this quarter. Shares in three dental clinic chains were purchased - the Lithuanian DPC, as well as the Poland based Dentaurus and Medicadent. The transactions are related to Innova Capital's observation of a significant fragmentation of the dental services market in Central and Eastern Europe, where large chains with several dozen clinics are not present. The fund, which as a result of the transaction already has 19 clinics (12 in Lithuania, 6 in Poland and 1 in the UK), aims to make further transactions within the industry in the coming quarters in order to concentrate the sector.

Target	Bidder	Seller	Value [EUR]
eSKY	MCI Capital	Private Investor	34m

(2 February) Private equity fund MCI Capital announced its investment in eSKY. The transaction, pursuant to which MCI Capital holds 55% stake in eSKY, is worth ca PLN 158m and comprises the purchase of shares from the current owners for PLN 137.7m and the acquisition of a new issue for up to PLN 20m. eSKY is an airline ticket booking platform established in Poland, which is considered to be the market leader in the CEE region. Recently, it has also expanded abroad, so eSKY services are currently available in 60 countries around the world, both in Europe, Asia and Africa. This is yet another investment of MCI in the travel industry - currently Travelata is in its investment portfolio. The transaction was conducted with the use of **FORDATA Virtual Data Room**.

Target	Bidder	Seller	Value [EUR]
Maced	Assisi Pet Care	Resource Partners	Not disclosed

(14 February) Assisi Pet Care, a UK joint venture founded in 2020, has made its first overseas investment, following the acquisitions of Hollings Ltd. and Town and Country Petfoods in its local market. Maced, a family-owned dog food manufacturer based in Poznan and with plants in Polanow and Gardna, became an investment target. As a result of the transaction, the Assisi Group has increased the number of its plants to five, while also improving its presence in key markets, as over the years Maced has gained a good reputation not only in Poland, but also in Germany and the United States. Maced's CEO will remain in place to support the integration of the company into the Assisi Group.

Target	Bidder	Seller	Value [EUR]
Code Factory Consulting Group, Virtual Mind, Virtual M, The Big Three 912, Chmurowisko	Software Mind	Private Investor	Not disclosed

(26 February) Software Mind, an IT company owned by the private equity fund Enterprise Investors and the WSE-listed company Ailleron, is consistently pursuing its growth strategy through acquisitions. The first quarter of this year saw five transactions made by the company. The great diversity in terms of location is worth noting - Software Mind acquired entities located in Romania, the United States, Argentina and Poland, as well as finalised the acquisition in Moldova, which was announced in 2021. In the case of Virtual M and The Big Three 912, the acquisition involved a 70% stake, while the IoT and cloud service provider's Cloudworks 59.01% stake was acquired.

Target	Bidder	Seller	Value [EUR]
Growag	Recaro	Private Investor	Not disclosed

(2 March) Growag, a Polish manufacturer of railway car accessories, including seats, has become the investment target of Recaro, a German manufacturer of airplane and gaming seats. The cooperation is aimed at expanding the know-how and creating a base for innovation for the buyer, as well as the growth and global expansion of Growag, which will remain an independent brand within the buyer's group. Growag specializes in the production of durable and light seats, popular especially on the Eastern European market. The company joined the group whose consolidated sales in 2020 amounted to over EUR 300 million. The transaction was carried out using the **FORDATA Virtual Data Room** system.

Target	Bidder	Seller	Value [EUR]
Stella Pack	Sarantis	Private Investor	Not disclosed

(March 3) Known on the European market, Stella Pack, a Polish manufacturer of household goods based on its own environmental patents, incl. garbage bags made of regrulate, joined the Sarantis Group based in Athens, the owner of, among others Sarantis Polska. The acquisition, covering 100% of the share capital, will allow the group to strengthen its position in the Eastern European market and to use ecological solutions and the experience of Stella Pack there. The transaction was carried out using the **FORDATA Virtual Data Room** system.

Target	Bidder	Seller	Value [EUR]
Alfa Brokers	Renomia	Private Investor	Not disclosed

(11 March) Alfa Brokers, an insurance broker based in Torun, has been acquired by Czech Renomia - a subsidiary of Gallagher, in which Gallagher holds a 30% stake. Alfa Brokers is a medium-sized insurance broker, historically ranked between the second and third dozens of largest entities in the sector in Poland in terms of scale of operations. It has 31 years of experience in the industry, providing risk assessment advice and tailor-made insurance solutions for numerous companies listed on the Warsaw Stock Exchange. The acquisition is in line with the strategy of Galagher, one of the world's largest insurance brokers listed on the NYSE. By acquiring a stake in Renomia, it aimed to create a platform for dynamic growth in Central and Eastern European countries. By acquiring Alfa Brokers, the Renomia and Gallagher brands will significantly strengthen their presence in Poland.

Target	Bidder	Seller	Value [EUR]
Rockfin	Jet Investment	Tar Heel Capital	Not disclosed

(17 March) Jet Investment, a Czech private equity fund, has acquired through the Jet2 fund Rockfin, previously owned by another financial investor, Tar Heel Capital. Rockfin is a manufacturer of components used primarily in nuclear and gas power plants, as well as in hydrogen power. The entity is extremely diversified, generating only 20% of its revenues in Poland. Due to the increasing environmental awareness of society and significant infrastructural investments aimed at reducing the carbon intensity of the economy, the company's financial results during the period when it was part of Tar Heel Capital's portfolio increased significantly, by approximately 3.5 times.

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, 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



Contact

Artur Wilk, Manager
e: artur.wilk@navigatorcapital.pl
t: +48 881 700 119

Navigator Capital S.A.
ul. Twarda 18, 00-105 Warsaw, Poland
t: +48 22 630 83 33 f: +48 22 630 83 30
e: biuro@navigatorcapital.pl navigatorcapital.pl/en

Marcin Rajewicz Account Manager,
e: marcin.rajewicz@fordata.pl
t: +48 533 354 054

FORDATA sp. z o.o.
Taczaka 24, 61-819 Poznań, Poland
t: +48 533 354 054 e: office@fordatagroup.com
fordatagroup.com

Target	Bidder	Seller	Value [EUR]
Trimo	Recticel	Innova Capital	164.3 m

(22 March) Trimo, a Slovenian company that used to specialise in insulation, has become a takeover target from Recticel, a listed Belgian entity in the same industry. The transaction value of more than €164m is set at 9.5x normalised EBITDA for 2021. Trimo has 60 years of experience in the industry, offering insulation and, following Innova Capital's investment in 2016, prefabricated modular wall systems to reduce construction time, which have become a core product range in the company's portfolio. With the investment, Recticel gained access to plants in Trebnje in Slovenia and Simanovci in Serbia, employing 480 specialists, expanded its product portfolio and increased its presence in the attractive CEE market. The acquisition is also expected to increase the margins generated by the group.

Target	Bidder	Seller	Value [EUR]
Bellevue Polska	Medicover	Private Investor	Not disclosed

(18 March) As in previous periods, the Swedish Medicover group was very active in the M&A market. In February, it acquired 12 further fitness clubs, continuing the consolidation of the sector, while a particularly noteworthy transaction was the purchase of Bellevue Polska, a company which operates 20 Lynx Optique franchise boutiques in Poland. As a result of the acquisition of the premium optician, Medicover Optyk's outlet base will increase by as much as 167%, guaranteeing customers an increase in the availability of medical services in an area considered to be of the most important as, according to Medicover, patient access to opticians during the Covid-19 pandemic was significantly reduced in Poland.

Experts' comments

From 2019 on, the number of transactions listed in the first quarters on the Polish M&A market has only grown. In 2022, we already saw an almost two-fold increase in volume compared to Q1 2019 (86 compared to 46). This is a good prognostic for the entire year, also due to the traditionally higher number of acquisitions at the end of the year than in the first quarter. However, the high result in 2022 may include not only the leading industries (such as the still dominant TMT sector) but, to some extent, also distressed companies. At the moment, it is difficult to estimate what impact on this inflation and increases in energy prices will have.

TMT - bravely into another year

The TMT sector recorded 24 acquisitions in the analyzed period, mainly on the part of software producers, constituting as much as 28% of all targets. Over the last six months, the industry has shown great stability (28 acquisitions, i.e. 27% in Q4 2021) and there is no indication that this trend will reverse in the near future. As in previous quarters, consolidation acquisitions dominate. The share of the PE/VC sector was limited to 3 acquisitions this time: the American Bain Capital acquired Inetum, Abris took over Orbitvu, and the British Cordiant acquired the radio telecommunications operator Emitel. The TMT industry also dominated on the buyers' side - with a 20% share in the last quarter compared to 25% in the previous quarter. Such a good result (17 transactions in total) was greatly influenced by the high activity of the developer Software Mind, which as part of its expansion took over one Polish and four foreign companies, incl. American The Big Three 912 and Virtual M.

Revival in the energy sector

The high sales result in the energy sector - 15% of all targets - was mainly influenced by the sale of five Lotos companies, mainly to investors from Saudi Arabia and Hungary. MOL acquired Lotos Paliwa, Saudi Aramco - Lotos Asphalt and Lotos-Air BP Polska. In total, in the last quarter we observed 13 acquisitions in the industry, which is 4 more than in the previous quarter and as many as 10 more than in the previous year. The currently fragmented Polish energy market, especially renewable energy, will be subject to an increasingly dynamic consolidation driven by the EU regulations and a reduction in the import of Russian raw materials.

Rebound in the PE / VC industry

In Q4 2021, we saw a clear decline in the activity of PE/VC funds - to 8 out of 17 acquisitions y/y. Just as the new year broke, the number of acquisitions increased significantly - to 14 - accounting for 16% of all purchases. Possible declines in the coming quarters will be possible, but they will rather result from the investment cycle and not from the tense geopolitical situation. The CEE region is still perceived as prospective, with funds holding substantial cash reserves for investment opportunities. The acquisition targets in the analyzed period were mainly TMT companies - 8 acquisitions - and from the medical sector - 4 acquisitions. The dominant fund Innova Capital portfolio was supplemented by 3 companies from the dental industry: Polish Medicadent and Dentaurus, and DPC, the largest chain of dental clinics in Lithuania.



Marcin Rajewicz

Account Manager at FORDATA
Real Estate expert

The war in Ukraine and the Polish M&A

In connection with the Russian invasion of Ukraine, it is likely - albeit on a much smaller scale - that some of the planned transactions will be suspended, as happened two years ago with the outbreak of the Covid-19 pandemic, but also forced sales: incl. both distressed assets and companies with Russian capital. For example, in March the media spread the news about the Go Sport store chain's decision to sell by its Russian owners.

Especially foreign investors, apart from standard due diligence, will look more closely at supply chains and other links between target companies and the Russian economy, both for economic and image-related reasons. Some of them will not want to conclude contracts with entities providing services in the territory of the Russian Federation or having partners operating on that market. Today, about 1,000 companies with Russian capital operate on the Polish market.

It is also not known how Polish entrepreneurs will react to changes in fuel and energy prices. Much will depend on the amount of aid addressed to companies in a difficult situation, as well as the direction and pace of changes in the energy policy. In the long term, Poland may become an important investment target for companies currently withdrawing business from Russia and Belarus, as well as a strong base from which the reconstruction of Ukraine will be carried out.

VDR supports international transactions

More than half of the transactions registered in the first quarter of 2022 - as many as 45 - engaged at least one foreign entity as a party. Virtual Data Room, as a standard tool used in international M&A transactions, not only serves as a platform for the exchange of transaction documentation, but also performs an analytical function, allowing better assessment of investors' intentions based on their activity in the system. As a VDR supplier, FORDATA supported in the analyzed period, among others the sale of Stella Pack, a leading Polish manufacturer of household goods, to the Greek competitor - Sarantis, as well as the manufacturer of equipment for railway wagons Growag, to the German company Recaro, both of which are described in more detail in this report.





Artur Wilk

M&A Manager
at Navigator Capital

In Q1 2022, 86 M&A transactions took place on the Polish market. Compared to the previous year, the number of announced transactions increased by **10**.

The transaction with the highest value among those announced in Q1 2022 is MOL's purchase of a 100% stake in Lotos Paliwa for over PLN 2.5bn (around 550m EUR). Under the transaction, MOL will acquire 417 Lotos stations, significantly increasing its presence on the Polish market. In the case of Lotos Group, another transaction worth over 1 billion PLN (exactly 253 m EUR) has been recorded. It concerned the purchase of 30% of shares in Lotos Asphalt by Saudi Aramco, an oil producer from Saudi Arabia. This is an element of the agreement signed between Saudi Aramco and PKN Orlen providing for long-term cooperation in the scope of fuel supply. The values of other asset sold by Lotos Group have not been made public. The completion of M&A processes was a prerequisite for obtaining approval for the long-announced merger of Lotos Group and PKN Orlen.

In Q1 2022, the number of recorded transactions increased by 13%. This is partly due to the significant M&A market activity of several entities. The planned merger between PKN Orlen and Lotos necessitated as many as 6 transactions to reduce the concentration of the fuel sector in Poland, and parts of the Lotos business were bought by MOL, Saudi Aramco, Unimot and Rossi Biofuel. There was also significant activity from Software Mind and the Chinese Tencent. Due to the ongoing war in Ukraine, the operating risk of doing business has increased, which translates into a higher rate of return, so called hurdle rate, expected by investors. Estimating the impact of the ongoing war on the M&A market is extremely difficult, as a significant number of companies that do not operate in Ukraine, Belarus or Russia and do not employ Ukrainian staff are not directly affected by the prevailing situation. Analysing the stock exchange price history of the main indices, which are at higher levels than before 24 February, it is possible to come to a conclusion that investors do not consider the armed conflict as a major risk factor. One should also bear in mind the growing inflation, resulting in the tightening of monetary policy by the National Bank of Poland. It results in less accessible transaction financing, as well as reduced valuations of companies due to growing cost of debt. However, it does not seem that this will lead to a long-term decrease in activity on the M&A market.

Private investors were responsible for almost exactly 2/3 of recorded sales transactions in Q1. Their dominance among sellers has been maintained for a long time, while a slight decrease in comparison with previous quarters is visible. Private equity funds were once again active, accounting for approximately 10% of transactions on the sell side.

Consolidation processes are currently observed not only in the medical industry, dominated by Medcover and LUX MED, but also in the computer software industry. Of particular interest is the development strategy of Software Mind, which in the last three months has made acquisitions of entities operating in the same industry both in North and South America, as well as in Europe. As reported by the company in press releases, further consolidation of the sector and geographical diversification of the company's portfolio are possible in the coming quarters. Foreign expansion on this scale is possible

thanks to the Enterprise Investors PE fund, which significantly recapitalised the company after acquiring part of the shares from Ailleron in 2021, and also supports the company with its experience in M&A processes and the integration of investment targets.

The most targets were acquired in the following sectors: **IT - 28%**, **energy - 15%** and **industry - 10%** of transactions. The most active buyers were strategic investors from the following sectors: **IT - 20%**, **energy - 13%**, **industry - 9%** and **financial services - 8%**. In **16%** of transactions the financial investor, **PE/VC fund**, was a buyer. Among the sellers, **private investors** significantly dominated - **67%** and **PE/VC funds - 10%** of the transactions.

