

M&A Index Poland

1Q 2023

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

Experts' comments to the 47th edition of the report can be found on the website:

fordatagroup.com/blog

Total number of transactions*

95 (Q1 2023)

The largest transaction**

EUR 150 m

(Investment in R. Power by
Three Seas Initiative Investment Fund)

* 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 2023, 95 transactions were recorded in the Polish M&A market, nine more than in the same period a year ago. The largest transaction was the investment in R.Power committed by Three Seas Initiative Investment Fund.

Selected transactions

Target	Bidder	Seller	Value [EUR]
Almus	Velvet Care	Private Investor	Not disclosed

(January 4) Velvet Care, the private equity-owned leading paper manufacturer in Central and Eastern Europe, made another acquisition to consolidate the market. The previous acquisition was the takeover of the Czech Moracell three years ago. This time the target of the investment was Almus, a competitor based just a few dozen kilometres from Velvet Care's main plant. Almus is a family-owned company that has been producing Almusso toilet paper and paper towels distributed mainly in the Central and Eastern European markets since 1997. Following the approval of the transaction by the OCCP, Velvet Care will increase consolidated revenues to approximately PLN 1.5bn, continuing its ambitious plan to realise PLN 2bn in revenues by 2025. The Group's processing capacity, meanwhile, will increase by approximately 40%, to 250,000 tonnes per year.

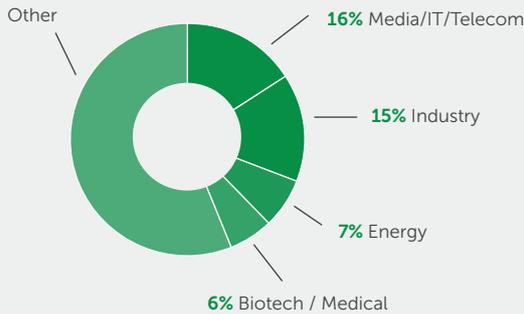
Target	Bidder	Seller	Value [EUR]
SCF Natural	Krajowa Grupa Spożywcza	Grupa Azoty	Not disclosed

(January 7) At the beginning of the year, the first acquisition by the state-owned Krajowa Grupa Spożywcza was announced. The target of the acquisition was SCF Natural, a hop processing plant located in Suchodoly in the Krasnostaw district and owned by Grupa Azoty. The motivation for the transaction was the cessation of operations at SCF Natural by Grupa Azoty, which wanted to focus on its core operating businesses. Press releases reported plans to resume buying hops from local farmers and processing them within just a few days of the formal closing of the transaction. The Minister of Agriculture, who is responsible for the National Food Group's M&A activity, reported that talks are being held with other entities that could join the Group's ranks, with grocery shop chains being of particular interest.

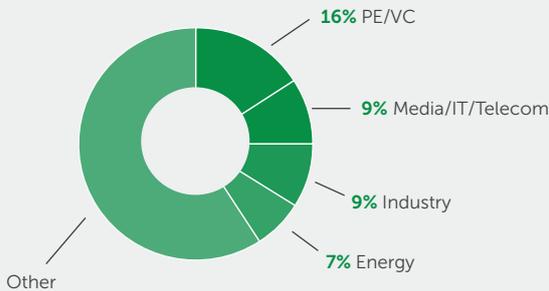
By sector

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

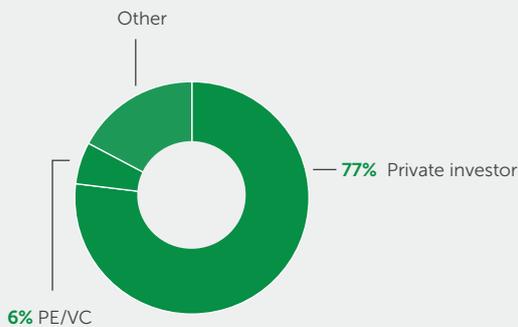
TARGET (%)



BIDDER (%)



SELLER (%)



Target	Bidder	Seller	Value [EUR]
TES Vsetin	Avallon, Genesis Capital	ARX Capital Partners	Not disclosed

(January 16) Private equity funds Avallon and Genesis Capital have completed the acquisition of a Czech manufacturer of electrical machinery and components from another financial investor, ARX Capital Partners. The value of the transaction was not made public. The acquisition target is particularly present in the area of components used in the energy sector. Customers include entities in the wind power segment, as well as hydroelectric and nuclear power. Representatives of the automotive and shipbuilding industries also appear among the company's customers. TES Vsetin has more than a century of experience, providing a comprehensive service from project preparation to plant certification. The company employs 550 specialists and exports its products to 65 countries. The investors conveyed in the announcement that their goal is to build a European leader in the electrical machinery and components segment. This is to be possible through both organic growth and through market consolidation.

Target	Bidder	Seller	Value [EUR]
Lenso	ZEISS Group	Private Investor	Not disclosed

(January 18) The ZEISS Group, a leading global player in the optical technology market, manufacturing, among other things, high-end lenses, has decided to increase its presence in Poland. The target of the acquisition has become Lenso, a company from Poznan, Poland, which deals with 3D measurement techniques. Lenso offers its customers industrial tomographs, optical measuring machines and dimensional analysis software. Lenso will become part of Zeiss Industrial Quality Solutions, one of the Group's four main departments. The financial terms of the are not publicly available. The parties to the transaction are confident that the combination of the two companies' know-how will allow them to become market leaders in metrology and quality control in Poland.

Target	Bidder	Seller	Value [EUR]
Krobath Bad Heizung	Sunex	Private Investor	4.3 m

(January 20) Sunex, one of the leaders of the local heating market with its range of heat pumps, solar collectors and photovoltaics, as well as components for heating equipment, has made its first significant investment outside Poland. In accordance with a letter of intent signed in Q3 2022, an investment was made in Austria, with the acquisition of 100% of the shares in Krobath Bad Heizung. The acquisition of the entity (which generated EUR 17 million in the previous financial year, which translated into EUR 0.7 million EBITDA) will allow the creation of potential synergies, contributing to maintaining its position as one of the leaders in the Polish market, and will also provide a platform for the company's foreign expansion into the markets of German-speaking countries.

Target	Bidder	Seller	Value [EUR]
Graal	Lisner	Abris Capital	Not disclosed

(February 18) Lisner, the German leader of the fish market in Poland, has decided to take over its biggest competitor, Graal. This is another ownership change at the fish processing company, which has been in existence since 1989, after delisting from the Stock Exchange in 2017 and becoming a portfolio company of Abris Capital. The transaction will allow Lisner not only to get rid of its main competitor, but also to gain competence in product areas where Lisner has not been present so far, namely fish preserves and marinades. It is important to note that the transaction does not affect Graal's fresh and smoked fish operations, which are conducted through the Koral subsidiary under the Superfish brand. In 2021, Lisner reported revenues of PLN 0.99bn, while Graal reported revenues of PLN 1.26bn. The transaction is subject to approval from the OCC.

JV Investor 1	JV Investor 2	Value [EUR]
Propinquus	Pamapol	Not disclosed

(March 6) An agreement was signed in March under which Propinquus, managed by Robert Maktowicz and his sons, and Pamapol, listed on the WSE, will establish a joint venture to produce food. The memorandum of association specifies that Pamapol will have 60% of shares in the newly created entity, while the Maktowicz family will own the remaining 40%. The agreement provides for the contribution of the "Maktowicz i Synowie" trademark to the company and food production, initially at Pamapol production facilities, and later at a production plant owned or leased by the company. The project assumes the use of experience and expertise of an unquestionable culinary authority such as Robert Maktowicz and Pamapol's know-how in the field of food production, in order to create new food products.

Navigator Capital Advisory acted as exclusive transaction advisor to Propinquus.

Target	Bidder	Seller	Value [EUR]
XBS Group	Value4Capital, Genesis Capital	Private Investor	Not disclosed

(March 8) A Polish logistics systems operator with more than 20 years of experience in the industry has become an acquisition target from two financial investors. It should be emphasised that the transaction was an MBO and, in addition to private equity funds, the company's managers appeared as buyers. XBS Group operates from six modern warehouses with a total area of more than 60,000 square metres and employs 250 people. The Group comprises four entities, providing warehousing, transportation, merchandising, contract management, as well as sales support and process support monitoring. XBS Group's customers include supermarkets, petrol stations and shops operating in the e-commerce channel.

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 PLN 15 billion 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 40 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.



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Target	Bidder	Seller	Value [EUR]
Renters.pl	Enterprise Investors	Private Investor, bValue	Up to 19 m

(March 9) Enterprise Investors, a leading Polish private equity fund, has made an investment in Renters.pl, taking an 80% stake in the company. Renters.pl is the second largest player in the rapidly growing short-term flat rental market. Founded in 2018, the company started by managing a base of 15 flats in Świnoujście, while a year later it made its first acquisition, taking over Little Home. Currently, the company manages more than 2,000 rental flats, most of which are located in Warsaw, Krakow and Gdansk. The company also cooperates with one of the largest global players in the hotel market, Marriott. In 2022, revenues from Renters.pl bookings amounted to approximately PLN 130 million. Following the transaction, Kamil Krzyzanowski will remain as president of the company.

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

(March 10) Heiztechnik, a manufacturer of technologically advanced heat pumps and ecological boilers based in Skaryszewy, has received a majority investor in the form of Hargassner International, an Austrian group in the HVAC segment, already present in Poland thanks to the acquisition of Rakoczy two years ago. Hargassner has 35 years of experience in the heating industry and has unique know-how to enable Heiztechnik's dynamic growth. The parties to the transaction also plan to significantly increase the company's manufacturing capacity, allowing it to effectively fill the demand for heat pumps. Navigator Capital was the exclusive transaction advisor to Heiztechnik in the process of selling a majority stake to Hargassner.

Target	Bidder	Seller	Value [EUR]
Hymon Fotowoltaika	Cerceda	Private investor	Not disclosed

(March 14) Cerceda, a joint venture between Griffin Capital Partners and Kajima Europe, has made another acquisition in the renewables market following its investment in PAD RES two years ago. Hymon Fotowoltaika, one of the leaders in the photovoltaic construction segment, became the target of the acquisition. The transaction of undisclosed value involved a 70% stake in the company, while the remaining 30% will be held by Jacek Strzesak, the company's founder, who will be a member of the supervisory board following the change in ownership. One of the minority investors who decided to sell the shares was 5in9 Global, a company controlled by Robert Lewandowski. Since its inception in 2011, Hymon Fotowoltaika has completed more than 70,000 photovoltaic installations with a total capacity of 472 MW, and also distributes heat pumps.

Experts' comments

In the first quarter of the year, we observed **95 mergers and acquisitions** - 9 more than a year ago and as much as 19 more than in the same period of 2021. This is the first such active Q1 in the history of the ranking. The record volume, however, should not be surprising - the past, also record-breaking, year was rich in transactions despite numerous economic and geopolitical challenges, which resulted in a large number of transactions ending after the new year. On the other hand, the Polish M&A market is on its way to maturity, which will increase the activity of buyers and sellers. What was the structure of the M&A market in the past three months?

Growth of the consumer sector

The most visible change in the first three months of 2023 was the more than two-fold increase in the FMCG sector - from 7 acquisitions in the fourth quarter of last year to as many as 16 in the analyzed period. The sector accounted for approximately 17% of all acquisitions, one more than the TMT industry, which has been virtually unmatched in terms of buyer interest over the past four years. The difference is even more visible in the annual perspective - it is an increase of over 200%. The character of the FMCG market in 2022 was mainly influenced by the war in Ukraine and the related shortages of raw materials, inflationary pressure and the development of e-commerce. According to the forecasts of the GfK Polonia Households Panel, this market may grow by approx. 8% in 2023, despite the reduced purchasing power of consumers.

The industry is going up

Also in the industrial production sector, we have seen a significant increase in volume over the past three months, from 7 to 14 acquisitions, which accounted for approximately 15% of all targets. In the annual perspective, the sector recorded 5 more purchase transactions. At the beginning of the year, Zeus, an Irish company dealing with global packaging supply chain solutions, acquired Polpack, a leading supplier of packaging materials and packaging machines on the Polish market, strengthening its position in continental Europe. In turn, Mostostal Kraków, a company owned by Budimex, took over PPUH Konstalex, a manufacturer of large-size steel structures. The biggest challenges for the industry in 2023 will include reducing energy intensity, rising raw material prices and maintaining competitiveness. In the following quarters, these factors may have an impact on the increased consolidation of companies that are worse off in difficult economic conditions.

PE/VC funds are not slowing down

After a six-month pause - most likely caused by market uncertainty - which significantly limited the process of expanding the portfolio of companies, PE/VC funds on the buyers' side recorded a rebound in the fourth quarter of 2022 - an increase from 7 to 13 acquisitions - and maintained a high volume after the new year - 15 acquisitions in Q1 2023. The situation on the part of the selling entities was different,



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though not surprising. 5 sales transactions in 1Q 2023 and 4 sales transactions in 1Q 2022 indicate a certain trend according to which the number of sales transactions in 1Q is significantly lower than their volume in the remaining three quarters of the year. This situation probably results from the characteristics of the investment cycle. In the case of Polish M&A, the war in Ukraine mainly affected the temporary halt in purchasing processes in the middle of last year, but not the volume. In 2022, 38 PE/VC funds made purchases on the domestic market, while sales were made by 35 entities. In the year-on-year comparison, these figures amounted to 33 and 30 transactions, respectively. In the last quarter, the structure of the acquired companies was extremely fragmented, and companies from the industrial, energy and production sectors enjoyed the greatest interest - 2 purchase transactions each.

Valuations the biggest challenge in 2023?

The Polish market and - more broadly - the CEE markets are struggling with a number of problems, including attempts to adjust prices to the growing costs of maintaining a business and resistance to local (national and regional) political and economic turmoil. The valuations will be influenced by the companies' range of operations, the length and, at the same time, the resilience of their supply chain, as well as the level of demand fluctuation risk. More affluent and highly scaled companies may in this situation take advantage of the acquisition and consolidation opportunities. While so far we have not observed a flood of distressed assets on the Polish market in relation with the pandemic, the fact that we are at the bottom of the business cycle may contribute to this trend. In a fluid transactional landscape, whose activity is constantly growing, tools for conducting acquisition processes, such as VDR, gained additional importance, becoming a market standard as systems supporting transactions in a continuous mode.





Karol Szykowny, CFA

Director
Navigator Capital

In Q1, we observed **95** M&A transactions announced on the Polish market. Once again, we witnessed an increase in the number of transactions on year-on-year basis, this time the number of deals rose by 6. Interestingly, there was also an increase of 3 transactions compared to the previous quarter, and so far last three months of the calendar year were usually associated with the highest M&A activity.

Among the acquisition processes announced in Q1 this year, Three Seas Initiative Investment Fund S.A.'s investment in R.Power was the largest among the deals with disclosed value. The transaction amounted to €150 million and may be increased by a further €100 million in future periods.

The number of 95 transactions completed during the quarter is undoubtedly impressive, significantly higher than the historical average. In view of this, it is reasonable to look at the prospects for further development of the M&A market in Poland with optimism. It is noticeable that investors decide to return to processes suspended by uncertainties related to the geopolitical and macroeconomic situation. The decline in inflation expectations may reinforce this trend.

Financial investors have been significantly active in recent months. Last year's spike in uncertainty prompted PE funds to consider both new investments as well as acquiring complementary entities to their portfolio companies. The cross-section of industries in which PE activity was observed was extremely broad. The Enterprise Investors fund acquired an 80% stake in Renters.pl, providing funds for further dynamic growth of one of the leading managers of short-term rental properties. Avallon, on the other hand, in cooperation with Genesis Capital, decided to acquire TES Vsetin, a company active in the electrical sector, supplying players in the energy and automotive industries. Genesis Capital's strategy of investing jointly with another fund, thereby reducing risk, is extremely interesting - the same formula was used to acquire XBS Group in partnership with Value4Capital.

Industry is a sector in which the number of transactions has increased significantly compared to previous periods. Investors were particularly interested in entities that are beneficiaries of rising energy prices, offering ecological solutions to reduce the consumption of fossil fuels. The acquisition of a 70% stake in Hymon Fotowoltaika by Griffin Capital Partners and Kajima Europe attracted considerable media interest, due to the person of Robert Lewandowski, who was previously a minority investor in the acquired entity. Hymon is involved in the implementation of photovoltaic installations and the distribution of heat pumps from reputable suppliers. The latter sector is specialised in by Heiztechnik, which has gained the interest of the Austrian Hargassner Group, which is to support the company in its expansion by taking a majority stake. Polish companies not only decided to sell the business, but acquisitions were also observed. Thus, through acquisitions in Austria, Sunex wants to build its position in the DACH region and realise potential product synergies, increasing shareholder value.

Entities operating in the following industries were most frequently acquired: IT - **16%**, industry - **15%** and FMCG - **12%** of transactions. Among buyers, financial investors in the form of PE/VC funds were the most active, accounting for **16%** of transactions. Strategic investors, on the other hand, were dominated by entities from the IT and industrial sectors - **9%** each, and FMCG and other services - **8%** of announced deals each. Among sellers, private sellers accounted for **77%** and PE/VC funds for **6%** of deals.