



M&A Index Poland

Q3 2017

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

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M&A Index Poland, 3Q 2017

by Navigator Capital & FORDATA | October 2017

Total number of transactions*

42 (3Q 2017)

The largest transaction**

ca. EUR 112.4 M

(Secondary offering of 51.2% LC Corp stake by key shareholders.)

* 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

The third quarter of 2017 turned out to be much better than the third quarter of the previous year in terms of M&A activity in Poland with 42 transactions reported in comparison to 33 in the third quarter of 2016. The biggest transaction was the secondary offering of a block of LC Corp's shares by its main shareholders. PE investments' closures were quite common in the last quarter. There are also two consolidating segments worth notice within the food industry: meat and beverage.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Recupyl	Eneris	Undisclosed	Undisclosed

(18th July) The Polish group operating on utilities, waste management and renewable energy markets, acquired the French Recupyl. The transaction has created good development perspectives for the investor by acquiring R&D entity in France, industrial plant in Grenoble and majority stake in Recupyl Polska (the company recycles batteries and accumulators). This deal is another example of Polish companies' expansion to the European market.

TARGET	BIDDER	SELLER	VALUE [EUR]
JDR Cable Systems (Holdings) Ltd.	Grupa TELE-FONIKA Kable S.A.	Vision Capital	Undisclosed

(18th July) TELE-FONIKA Kable will take over the Scottish company JDR Cable Systems. The transaction is subject to approval by the Polish antimonopoly authorities. Tele-Fonika Kable Group is one of the leaders in the global cable market, with manufacturing facilities in Europe and distribution network in many countries around the world. JDR Cable Systems is a provider of submarine cables used on mining platforms and in renewable energy sector. PE fund Vision Capital is the majority shareholder of the company.

TARGET	BIDDER	SELLER	VALUE [EUR]
Stella Pack	Coast-2-Coast	Private investor	Undisclosed

(19th July) Bounty Brands - a South African portfolio company of Cost2Coast PE fund, took over the Polish producer of waste bags, plastic products and other plastic household articles - Stella Pack. Nearly 40% of Stella Pack's revenue comes from sales on foreign markets. In 2016, the company's revenues amounted to EUR 52 M. The company is a leader in its industry among the countries of Central and Eastern Europe.

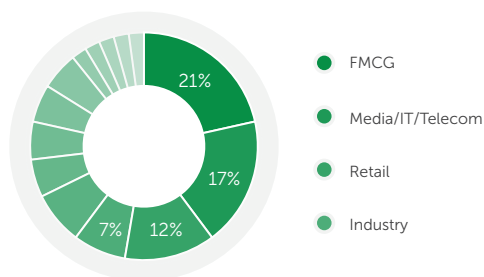
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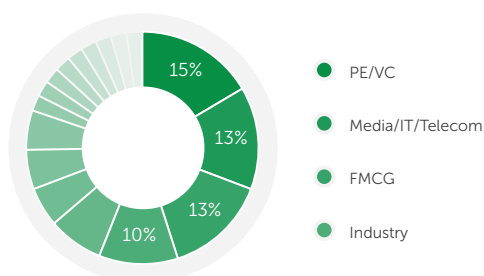
By sector

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

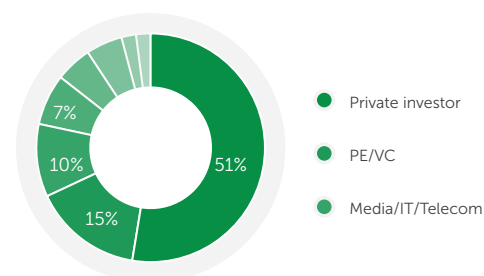
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Zakłady Mięsne Silesia	CEDROB	Private investor	Undisclosed

(25th July) The efforts to consolidate the meat market continue. CEDROB decided to acquire next entity – ZM Silesia, a capital group managing „Duda” brand with own logistic centre. Due to numerous acquisitions in the past years CEDROB has expanded its business and is currently the biggest meat producer on the Polish market.

In the last quarter the Ukrainian giant MHP launched the investment process in the Kutnowskie Zakłady Drobiarski „Exdrob”, which had been struggling with financial problems in the last few years. The acquisition will allow the company to build its position in the EU, not only by export, but also by owning assets.

TARGET	BIDDER	SELLER	VALUE [EUR]
Comfort S.A.	GOLDBECK Bauelemente Bielefeld SE	Private investor	Undisclosed

(24th August) GOLDBECK has applied to the Polish Office of Competition and Consumers Protection for an approval to acquire 100% of the shares in Comfort. Goldbeck is a German company that operates in the property and construction industry. The Group's revenues in 2016 amounted to EUR 2 B. Comfort is one of the leading manufacturers of reinforced concrete prefabricated panels in Poland, with revenues amounting to EUR 27 M.

TARGET	BIDDER	SELLER	VALUE [EUR]
Przedsiębiorstwo Przemysłu Paszowego „Bacutil ”	Agrifirm Polska	Private investor	Undisclosed

(31st August) The Dutch company Agrifirm has increased its exposure to the Polish market. The acquisition of Bacutil, a company operating in the eastern part of the country, which focuses on poultry feeds production, enables the full coverage of Poland and contributes to becoming one of the TOP 3 animal feeds manufacturers in Poland. Royal Agrifirm Group is a leading global provider of farming products. It operates in 16 countries on 3 continents.

TARGET	BIDDER	SELLER	VALUE [EUR]
Candellux	OEM International	Private investor	Undisclosed

(31st August) OEM International has taken over the Polish company Candellux, which is active in the lighting market. In 2016, the company achieved sales of EUR 4 M. OEM International is a leading supplier of components and systems for the largest industrial automation customers in Europe. The company has 25 branches in 13 countries in Europe. The company is listed on Stockholm Stock Exchange.

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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.
- In recent years Navigator has completed over 60 transactions. Navigator Partners' market experience includes deals worth over PLN 6,2b (EUR 1.6b).
- 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 34 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]
Wosana	Cooperatief Avallon MBO II	Private investor	Undisclosed

(6th September) The Avallon Fund, an expert in MBOs, is going to enter the fastgrowing beverage market. The current minority stakeholders (managing officers of the company) will join the financial investor. Wosana is a producer of mineral water and juice, both under its own brands and in private labels mode. The beverage segment has been consolidating for some time already. The Argan Capital Fund is told to be willing to sell Hortex. Oshee, a company from isotonic beverages segment, has acquired Kinga Pienińska brand (mineral water).

TARGET	BIDDER	SELLER	VALUE [EUR]
LC Corp (51,2%)	Altus TFI, Quercus TFI, PZU PTE	Leszek Czarnecki, LC Corp BV, Open Finance, Getin Noble Bank, Open Life TU Życie	ca. 112 M

(11th September) Open Finance announced in a current report a sale of block of LC Corp shares within a consortium. Leszek Czarnecki is the main shareholder in all of the companies selling together 51.2% LC Corp's shares. Smaller blocks were purchased in the secondary offering by Altus TFI, Quercus TFI and PZU PTE. The price per share was EUR 0.49.

TARGET	BIDDER	SELLER	VALUE [EUR]
Mila	Eurocash	Argus Capital	83.3 M

(15th September) Acquisition of 100% in share capital in retail chain Mila is a part of the Eurocash Group's strategy. In its portfolio Eurocash owns Cash & Carry, Delikatesy Centrum, Lewiatan, "abc" stores, Inmedio and frisco.pl. At the end of 2016, Mila had 188 outlets with sales amounting to EUR 349 M and EBITDA of EUR 1.1 M. Apart from this transaction, in last quarter Alma Market was acquired by French Immomok, which confirms the trend of consolidation of the Polish retail industry.

Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

In comparison to the results achieved in each quarter of 2017, during the 3Q 2017 the lowest number of transactions has been recorded so far - 42 (1Q-53, 2Q-57). The downfall also occurred in the third quarter of the previous year (33 transactions versus 46 in 1Q and 53 in 2Q). The decrease by as much as 26% down is smaller than last year, but still significant. A similar situation persists throughout the EMEA region, which is the only region in the world to witness a decline in transaction volume (1-3%). Neither number nor values of transactions astound us - the largest transaction of the quarter reached the lowest value since 2013.

We expect a strong recovery in the Q4. For 5 years, we have observed that most transactions are being closed at the end of the year. Last year we also saw record value transactions in the 4Q. And how will it be this time?

No major deals approaching

The biggest surprise of this quarter is the value of its largest transaction. 51% of shares in the LC Corp developer company were acquired by entities related to Leszek Czarnecki's estate for "mere" PLN 481 million. For the record, the value of the biggest transaction on the Polish market in Q3 so far exceeded PLN 1 billion. Over the past 5 years, this condition was not fulfilled only in Q3 2013, when Orlen took over TriOil Resources for PLN 562.9 million.

Looking at the pipeline, there are no potential major deals to be finalized before the end of 2017. The small and medium transactions conducted between Polish entities will lead the field. Taking under consideration the initiated negotiations, we can expect a high percentage of transactions in the pharmaceutical industry and healthcare, real estate and new technologies. Also, there is still a lot going on in the food industry in particular, the meat sector is attractive both in terms of the consolidation of domestic brands on the Polish market and the search for investors from outside Europe. There are speculations about IPO of the Techland - one of the biggest Polish game producers, the acquisition of INEA by infrastructure fund or private equity fund, and there are expectation to finalize the purchase of Multimedia by UPC (transaction value of USD 760 million).

Moderate involvement of foreign investors

In the 3Q 2017 transactions between Polish entities prevailed on the market. Polish companies accounted for 71% of buyers and 83% of sellers. Foreign buyers' involvement remains stable at 28% (up 3% versus 2Q). European companies are still a leader of this group.

Private entrepreneurs still take lead on the sell-side

According to our forecast, the percentage of private business owners increased on the sell-side and returned to the value observed at the beginning of the year (increase from 27% to 52% Q2/Q3). The majority of transactions took place in the FMCG and Media/IT/Telecom (respectively 21% and 17%). Buyers are dominated by PE / VC (15%) and Media/IT/Telecom (13%). Funds continue to sell, although the amount of divestments has decreased compared to 2Q. Enterprise Investors made an exit from Elemental Holdings, and the most interesting move of this quarter was the sale of Mila supermarket chain by Argus Capital to Eurocash for PLN 350 million.

It was also the second largest transaction of this quarter. FORDATA's Virtual Data Room technology has helped to organize the due diligence process.

Virtual Data Room as standard

FORDATA Virtual Data Room technology use provides safe and secure management of confidential documentation and its share to other parties of the process. Virtual Data Room became a standard tool during complex, confidential deals and the tendency of its use remains stable. According to available data, 33% of transactions finalized in the Q3 2017 was conducted involving Virtual Data Room system.

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Jan Kospin

Director
Navigator Capital Group

In the 3Q 2017 there were **42 transactions** on the Polish M&A market. It is by **9** less than in the previous quarter and by **9** more than in 3Q 2016.

The largest transaction in 3Q 2017 was the secondary offering of over **51%** block of LC Corp's shares. The group of shareholders related to Leszek Czarnecki sold its' shares to financial investors (Quercus TFI, Altus TFI, PZU PTE).

Consolidation in two food segments is worth attention. In the last quarter we witnessed two transactions on both meat and beverage markets. CEDROB, Polish leader of poultry market, acquired ZM Silesia. Another Polish firm, Kutnowskie Zakłady Drobiarskie Exdrob, was acquired by Ukrainian group MHP. The company from Ukraine gained a location within the EU. On the beverage market there was also a significant transaction: Avallon Fund (a PE investor) launched a MBO process to acquire WOSANA. The producer of isotonic beverages Oshee decided to enter the prospective mineral waters market by buying Kinga Pienińska brand.

The last quarter was also abundant in PE/VC funds closures. Within the last three months five such transactions were closed. The most distinctive from them was sale of supermarket chain Mila to Eurocash by Argus Capital. The acquirer purchased for ca. **82 M EUR** about 190 shops in central and western Poland.

As far as the structure of transactions is concerned, the most of targets operates in and **FMCG (21%)** and **Media/IT/Telecom (17%)** sectors. The bid side was dominated by companies from **Private Equity/ Venture Capital (15%)**, **FMCG (13%)** and **Media/IT/Telecom 13%**. About half of the sell side participants were private investors. The second largest group on the sell-side were **Private Equity/Venture Capital funds (15%)**.

The bull sentiment on the WSE persists. In the last quarter WIG crossed the level of 64 000 p. and rose by ca. **4,5%**. Quotations of JSW's stocks rose the most among the largest Polish listed companies – by ca. **30%**. The second place goes to ENERGA – with ca. **28%** stock price growth.

In the 3Q 2017 USD/PLN exchange rate fell by ca. **1.6%**, and EUR/PLN rose by ca. **1.7%**.