

M&A Index Poland

Q2 2020

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

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by Navigator Capital & FORDATA | July 2020

Total number of transactions*

52 (Q2 2020)

The largest transaction**

EUR 644 m

(Acquisition of Energa Group by PKN Orlen)

* 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 Q2 2020, we witnessed 52 transactions on the merger and acquisition market. This is 11 less than in Q2 2019. The largest transaction in this area was the takeover of Energa for the amount of approx. EUR 644 m by PKN Orlen.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Polski Standard Płatności	Mastercard	Banking syndicate	Undisclosed

(17th April) The minority stake of Polski Standard Płatności, a BLIK mobile payment operator, was acquired by the international leader of the electronic payments market, Mastercard. A consortium of banks: Alior, Millennium, ING, mBank, PKO BP and Santander decided to start this cooperation already in 2018, in which they are looking for the new development opportunities and a possibility to expand into international markets. In Poland, nearly 90% of clients of financial institutions have the opportunity to use BLIK. The advantages of the system, such as transaction security and the possibility of immediate cash transfer combined with cooperation with the industry leader may give the company a chance for significant success on a global scale.

TARGET	BIDDER	SELLER	VALUE [EUR]
Virgin Mobile Polska	P4	VMCEE	13.4 m

(23rd April) Investment funds Delta Partners and Dirlango Trading signed a preliminary agreement for the sale of shares of Virgin Mobile operator to the Polish telecommunications giant, P4, owner of the Play network. Thanks to this transaction, Play will increase the number of its customers by nearly 400 thousand. According to Virgin's founder, Łukasz Wejchert, such transactions in the telecommunications industry are inevitable and allow traditional operators to acquire new customers for their services. Virgin Mobile used the infrastructure provided by P4.

TARGET	BIDDER	SELLER	VALUE [EUR]
Energa	PKN Orlen	Polish Treasury	644 m

(28th April) PKN Orlen, a Polish fuel and energy company, took over, by way of a tender offer, 80% of Energa Group shares at PLN 8.35 per share. Under the agreement signed, Orlen undertook to maintain the employment policy in the Company and to continue strategic investments. The acquisition of the Gdańsk - based company is part of the current strategy of PKN Orlen, which assumes the creation of a multienergy concern that is in line with global trends and will have the international development potential. Apart from the continuation of the current activity of the company, new investments in renewable energy sources are also planned, e.g. offshore wind farms.

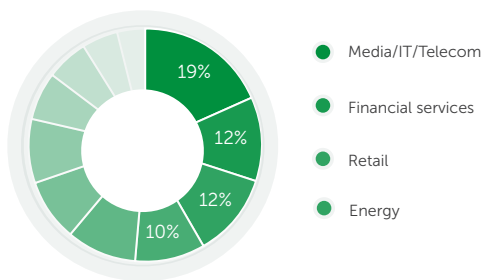
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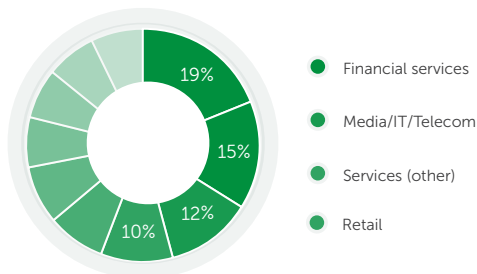
By sector

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

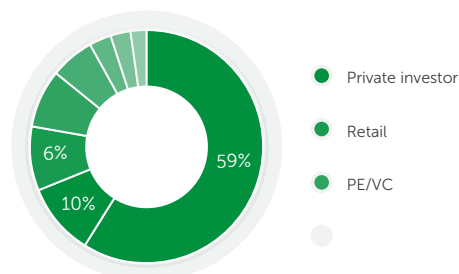
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Interia Group	Cyfrowy Polsat	Bauer Media Invest	98 m

(1st May) Interia Group, one of the largest media groups in Poland, was acquired by Cyfrowy Polsat from the German Bauer Media Group. It is a strategic investment of Polsat, which will significantly improve its position on the media market in Poland, and additionally tries to increase its share in the growing online advertising market. Interia is to be one of the main advertising platforms for products offered by other members of the group - Telewizja Polsat, Polkomtel, Ipla or Netia. Interia reaches almost 60% of Internet users in Poland, about 19 m of real users use its services and the number of page views is about 1.3 billion per month. The Interia Group includes services such as maxmodels.pl, styl.pl or PCFormat.pl.

TARGET	BIDDER	SELLER	VALUE [EUR]
XTB	Private investor	Enterprise Investors	Undisclosed

(6th May) One of the largest private equity funds operating on the Polish market, Enterprise Investors, sold the entire stake of the owned shares (17%) held at X-Trade Brokers, a leading brokerage house. The sale of shares took place after the publication of the company's results for the 1Q of 2020, which performer to be the best in history, which was undoubtedly due to the increased activity of individual investors caused by the financial crisis. The company's share price soared to historical highs, reaching the price of PLN 13.3. XTB's revenues for the first quarter of 2020 increased on the year-on-year basis by over 650% and amounted to EUR 71 m, and net profit increased by 23,000% to EUR 41 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Domiporta	Auto Centrum	Agora	Undisclosed

(9th June) Agora, a company listed on the main floor of the Warsaw Stock Exchange and a major player on the Polish media market, has sold its subsidiary Domiporta, which managed a websites that mediated in the rental and sale of real estate and car vehicles. The sale of the website was forced by the worsened financial situation of the Agora Group caused by the COVID-19 pandemic. Thus, the Group had to revise its strategy for the coming years and start looking for savings. The buyer was Auto Centrum, a company owned by Merkurs Market, with a revenue of about EUR 13.5 m and a net profit of EUR 0.6 m.

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TARGET	BIDDER	SELLER	VALUE [EUR]
eMILA	Anwim	Private investor	Undisclosed

(15th June) Anwim, company managing Moya's petrol station, has reached an agreement with the owners of eMILA unmanned stations to take over the company. This step will allow Anwim, a company generating EUR 836 m in revenues and EUR 5.4 m in net profit, to further develop and consistently implement the strategy of increasing shares on the Polish oil market. In turn, eMILA, the acquired entity was established in 2014 and managed 30 unmanned petrol stations located mainly in the large Polish cities, recording EUR 83.7 m revenue and EUR 0.16 m of net profit in 2018.

TARGET	BIDDER	SELLER	VALUE [EUR]
KFGN	Pratia (Neuca)	Private investor	Undisclosed

(17th June) Pratia, a part of the Neuca group listed on the Warsaw Stock Exchange, took over 40% of shares in the German KFGN. This is another foreign investment of the Polish company on the clinical research market this year. Currently, the Neuca Group company manages 20 research centres in Poland and Ukraine. Thanks to the transaction announced in June, Pratia will be granted access to the German market by KFGN, a company which has so far conducted about 700 clinical trials in the centres located all over Germany. In the next stages of cooperation, Pratia plans to take over 100% of shares in the German company.

TARGET	BIDDER	SELLER	VALUE [EUR]
Tesco Poland	Sailing Group AS	Tesco	209 m

(18th June) Sailing Group AS, owner of the Danish store chain Netto, has entered into an agreement with the British Tesco Group to take over hypermarkets in Poland, belonging to Tesco Poland. Thanks to the sale of unprofitable stores, the Tesco Group will be able to focus on conducting its operations in other countries of Central and Eastern Europe, which are important for the strategy of the British group. On the other hand, Netto Polska will significantly increase its share in the Polish retail market, almost doubling the number of stores. This is one of the largest transactions on the retail market in recent years, with a value of approximately EUR 209 m.

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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 12 years of its market presence, Navigator Capital Group conducted over 100 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 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, PGNiG, Enea SA, Home.pl, Grupa LOTOS, PZU SA, Orange SA, Grant Thornton, NFI Empik, ZELMER, Bank DNB, Bank Pocztowy, Polimex Mostostal, Budimex, DM PKO Banku Polskiego, Deloitte Advisory, EY, KPMG Advisory, JSW, HAITONG, Knight Frank and many others.



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TARGET	BIDDER	SELLER	VALUE (EUR)
ZM Henryk Kania assets	Cedrob	Private investor	23 m

(19th June) Cedrob, a market leader in the meat preparations in Poland, took over the assets of ZM Henryk Kania for approximately EUR 23 m, after it was declared bankrupt by the District Court in Katowice. In 2018, ZMHK generated approximately EUR 260 m in sales revenue, generating a profit of EUR 15 m. When, in 2019, the media found out about the alleged irregularities in the company, it was deprived of bank financing and its liquidity problems began, which eventually led to bankruptcy. After taking over Kania's assets, Cedrob will significantly strengthen its market position.

Experts' comments



**Alicja
Kukla-Kowalska**

Head of Sales EMEA
FORDATA

In the second quarter of 2020, we had **52** mergers and acquisitions on the Polish market, i.e. only **3** less than in the previous quarter and **11** less than in 2Q 2019. Compared to the first quarter of this year, the sectoral composition of the parties involved has not changed. The financial sector still bought the most (**19%**), the TMT sector prevailed among the acquired entities (**19%**), while private investors sold the most often (**59%**). Was the pandemic visible in the transaction structure in the second quarter?

Pandemic did not translate into sales

We still cannot say that the pandemic has started the trend of distressed assets buying to the expected extent. The analysis of transactions carried out in our Virtual Data Room system shows that the vast majority of projects are processes implementing long-term strategies and transactions suspended at the time of introduction of restrictions. Although interest in the subject of restructuring and the acquisition of non-performing assets has increased over the past three months, companies have not decided to sell in the face of the crisis to the extent that would indicate a trend.

Buyers have dug in their positions

Buyers looked for strengthening their opportunities in consolidation, expansion of business and acquisition of subcontractors to secure cooperation and unify strategies. The financial sector (increase by 4% compared to the previous period), which once again overtook the TMT sector, and the service sector (increase from 9% in Q1 to 12%) dominated. Tatrzański Bank Spółdzielczy bought two banks - ETNO Bank Spółdzielczy and Bank Spółdzielczy Muszyna-Krynica Zdrój, SKOK Poznaniak took over SKOK Beskidy, while SGB Bank took over BS Przemków, which due to bad capital situation was restructured by the BFG. Compared to the previous period, the share of the biotechnology and medical industries dropped dramatically (from **11%** to just **3%**), despite the fact that the global cooperation of companies from this sector has strengthened in connection with the pandemic. Last quarter, we only recorded two transactions - the purchase of Medical Marketplace by Cannabis Poland and the takeover of KFGN by Pratia.

The TMT sector is unsinkable

In the TMT industry, among buyers there was an increase by **2%** compared to the previous quarter. Consolidation and technology investments in the media and e-commerce industry have become visible, accounting for half of all acquisitions. Cyfrowy Polsat acquired BCAST, an operator with its own broadcasting infrastructure, Telewizja Polsat acquired the Interia Group, while P4 acquired Virgin Mobile Polska. However, it is this sector that has remained the most attractive to investors, noting an increase from **13%** in Q1 to **19%** in Q2. In addition to the companies mentioned above, the acquired entities were reinforced, among others, by Glass Cannon Games (acquired by the growing Premium Fund Group), Sputnik Software and Cube ID. The acquisition of Polski Standard Płatności by Mastercard was finalized in April. This transaction was carried out in the FORDATA system.

Treasury companies are still regrouping

The finalization of Orlen-Lotos transactions is still uncertain, however, other transactions involving Treasury companies, which were active in the past quarter, especially in the energy sector, were also heard. Węglokoks SA took over Huta Pokój Profile, while PKN Orlen acquired Energa and Ruch. The focus in the entire sector is primarily on renewable sources. In connection with the pandemic, Condor's sale to LOT was suspended, although the management of the German carrier did not completely cancel the transaction. Meanwhile, LOT intends to sell its shares in Nordica to Estonia's state in order to reduce the number of connections.

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**Alicja
Kukla-Kowalska**

Head of Sales EMEA
FORDATA

Good time for digital implementations

During the pandemic, closed and isolated entrepreneurs did not lose their minds and used this time for transformation and restructuring of companies, remote work, savings in renting premises, replacing delegations with online meetings and so on. The world has gone into virtual reality. Similarly, projects that have been conducted virtually in VDR for many years have become even more anchored in this reality. **50%** of transactions used Virtual Data Rooms in the last quarter.



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Karol Szykowny
CFA

Director
Navigator Capital

In the second quarter of 2020, **52** transactions were closed on the Polish market. This is by **11** less than in the same period in 2019.

The largest transaction in terms of value in the last quarter was the acquisition of the Grupa Kapitałowa Energa, a leading supplier of energy services, operating mainly in northern Poland by the PKN Orlen, one of the leaders in the fuel industry in Central and Eastern Europe. The purchase price of shares in tender offer to minority shareholders and the State Treasury was approximately EUR 644 m. Thanks to this transaction, PKN Orlen will strengthen its position on the energy suppliers market, and the merged companies will be able to fully use the investment potential. The acquisition is significant from the strategy point of view of the Płock based company, which, following the global trends in the energy industry, plans to create a multi-energy group with development potential on the international market and strengthen its position on the renewable energy or electromobility market. In the second quarter, we also observed other acquisitions of state-owned companies, including acquisition of Ruch, one of the oldest and most recognizable press salons owners on the Polish market, by PKN Orlen, from Alior Bank. Thanks to this transaction, Orlen will gain access to the retail market and gastronomy market by using Ruch's assets.

The last quarter on the mergers and acquisitions market in Poland was characterized by a similar number of the transactions in relation to previous periods analyzed. Confirmation of current trends the sectoral structure has a high share of companies from the Media / IT / Telecom industry, both on the side of the buyers - **19%** and on the side of the sellers - **15%**. A noteworthy transaction in this area was the acquisition of the Interia Group from the German Bauer Media, which was made by a tycoon on the Polish telecommunications services market, listed on the Warsaw Stock Exchange Cyfrowy Polsat. The amount of the transaction was over EUR 93 m and was one of the highest observed in this quarter. Thanks to this acquisition, Polsat Group will be able to increase its share in the online advertising market, where the Interia Group has a significant position, as well as use the Interia platform to promote products of other entities of the group. Play still maintains a strong position of a consolidator in the TMT sector, which after the acquisition of 3S, one of the leaders in the data center market, has invested over EUR 14 m in the acquisition of 100% shares in the mobile operator Virgin Mobile Polska. Thanks to this transaction, the company will expand its customer base by nearly 400 ths. people.

The consolidation trend is continued also in the energy industry, which due to numerous regulations introduced by international institutions and the impending transformation is undergoing significant structural changes, which is mainly visible through the growing importance of the renewable energy. In addition to the aforementioned takeover of Energa, in the second quarter we witnessed numerous acquisitions on the solar and solar farm market, including by the British infrastructure fund Aberdeen Standard Investments. The change in the energy mix and the gradual withdrawal from coal forces investments in renewable energy sources, which means that in the coming years the potential of this sector will increase significantly.

The largest share in the number of acquired entities had the Media/IT/Telecom sector - **19%**, financial - **12%**, retail - **12%** and energy - **10%**. The buyers were most active on the financial sector - **19%**, Media / IT / Telecom - **15%**, services - **10%** and retail - **10%**. The largest group among the selling companies were private investors - **59%**, companies in the retail sector - **10%** and PE / VC funds - **6%**.