

M&A Index Poland

Q1 2018

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

Experts' comments to the 27th edition
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M&A Index Poland, 1Q 2018

by Navigator Capital & FORDATA | April 2018

Total number of transactions*

50 (1Q 2018)

The largest transaction**

PLN 277 M

(Acquisition of 100% shares in Robyg by an subsidiary of Goldman Sachs)

* 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 the 1Q 2018 the number of the transactions on the Polish M&A market was lower than in a corresponding period last year (53 in 1Q 2017). The largest deal was acquisition by an entity related to Goldman Sachs of the Warsaw-based real estate developer Robyg for ca. EUR 277 M. Almost three quarters of the sell-side participants were private investors, which is a sign of attractiveness of the Polish S&ME sector. The activity of the PE/VC funds on the domestic market remains high (12% of the buy-side).

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Angel Care	MEDI-system	Angel Group Poland	Undisclosed

(4th January) MEDI-system, an entity owned by the French senior-care centers chain ORPEA, acquired the first Polish complex senior care facility Angel Care in Wrocław. MEDI-system is the largest Polish chain of senior care facilities, including 9 objects, mainly within the Warsaw agglomeration. Angel Care was owned by a real estate development group Angel Poland. The facility provides top-end senior care services in form of either assisted living or all-day care formula. It also operates a specialized Dementia Care Center. Angel Care is able to provide housing for ca. 100 patients.

TARGET	BIDDER	SELLER	VALUE [EUR]
Böhm Plast-Technik	PZL Sędziszów, Private Investor	n.d.	Undisclosed

(22nd January) PZL Sędziszów together with a Czech private investor, acquired Böhm Plast-Technik, an expert in injection molding of automotive parts. The acquisition was aimed to guarantee to the Polish car filters' producer an access to the newest technologies of plastic molding. It was an important step in the corporate strategy in respect of meeting technical requirements of electro-mobile branch. The acquisition will allow the Polish company to enter Tier 1 market demanding manufacturers to provide direct installation modules.

TARGET	BIDDER	SELLER	VALUE [EUR]
Gekoplast	Karton	TFI Capital Partners (73,7%), Minority Stakeholders	Ca. 22 M

(24th January) The Italian Karton Group acquired in a successful tender offer 99.3% stake in Gekoplast, owned in 73.7% by TFI Capital Partners. Karton Group is the leading manufacturer of polyethylene packaging in Europe. The company uses the most advanced technologies in plastic panels production. Gekoplast has become a leader in the plastic panels production in the CEE region due to investment amounting to ca. EUE 12 M within last few years. In 2016 the revenue on Gekoplast amounted to ca. EUR 22 M and the EBITDA EUR 3M. The value of the transaction amounted to ca. EUR 22 M.

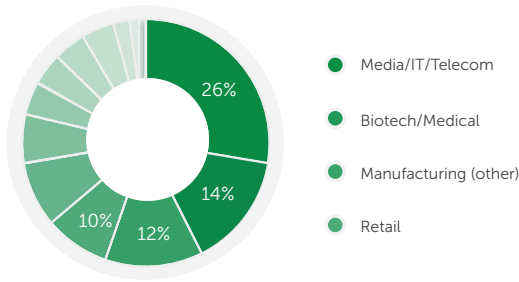
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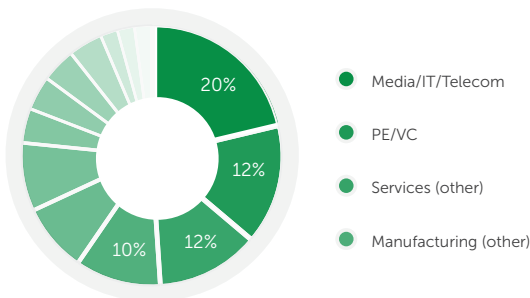
By sector

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

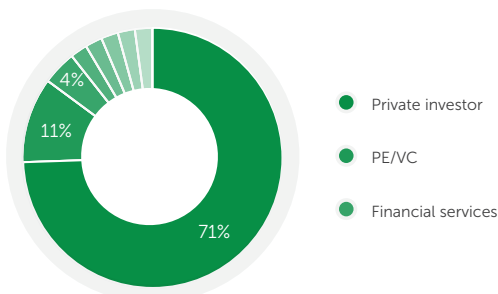
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Bask	Brainly	Private investor	Undisclosed

(26th January) Brainly, a Polish start-up operating a mutual-learning platform, acquired Bask. Bask provides a few-minutes-long films giving answers to the questions posted by the students. The acquisition will enable Brainly to expand its offer by a new functionality. Brainly has been appreciated by the Venture Capital funds. Since 2009 the platform has obtained financing in total amount of ca. USD 38.5 M. Among the Venture Capitalists that supported the Polish start-up were: Naspers, Kulczyk Investments and Point Nine. The platform is operating in 35 countries.

TARGET	BIDDER	SELLER	VALUE [EUR]
Ostromecko Mineral Waters	FoodCare	Private Investor	Undisclosed

(28th January) Food Care, an owner of Frugo and Black brands, has expanded its offer by Ostromecko Mineral Waters brand. Food Care is a leader on Polish FMCG market. Wiesław Włodarski, the owner of the acquiring company, had been seeking for a mineral water brand for some time. He assumes the full revenue capacity of Ostromecko to be ca. PLN 120 M annually. The mineral waters market in Poland is now in an upward trend. In 2017 we witnessed two similar transactions: acquisition of Kinga Pienińska by OSHEE and take-over of Bulgarian Aquarex by Maspex Wadowice.

TARGET	BIDDER	SELLER	VALUE [EUR]
Robyg	Bricks Acquisitions (Goldman Sachs Group)	AVIVA OFE, AEGON OFE, PKO BP Bankowy OFE, PZU OFE, NN OFE, GENERALI OFE, BZ WBK TFI, Private Investors	277 M

(5th February) Bricks Acquisitions, a subsidiary of Goldman Sachs, acquired within a tender offer 100% stake in the Warsaw-based real-estate developer Robyg. In the next step it acquired the remaining minority stake in the squeeze-out process. Robyg operates primarily in Warsaw and in Gdańsk (northern Poland), focusing on the housing real estate. In 2017 the Group sold ca. 3.47 k. flats, reaching the record high revenue of ca. EUR 32.3 M. Goldman Sachs declares its willingness to cooperate within the long period with its engagement as the strategic investor.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Stylis Dubai	Nowy Styl	Private investor	Undisclosed

(5th February) Nowy Styl, a manufacturer of hotel and office furniture, acquired 60% stake in the Stylis Dubai. The entities have been cooperating for six years, having furnished 21 four and five-star hotels with ca. 6 k rooms. The purchase of the majority stake will strengthen the position of Nowy Styl on the Middle East markets. The revenue of the company in 2016 totaled ca. M 143,5 EUR what translated into EUR 14,4 M in net income.

TARGET	BIDDER	SELLER	VALUE [EUR]
Gzella Group	Sokotów	Private Investor	Undisclosed

(12th February) Sokotów Group, belonging to Danish Crown corporation, acquired a manufacturer of meat products - Gzella Group. The transaction will increase the capacity of the Sokotów Group by ca. 6k tons meat products monthly, give it an access to a logistic center and a distribution chain of small brand shops in central and northern Poland. Sokotów is one of the largest Polish processed meat producers. In the period January 2015 - September 2016 the Group's revenue totaled ca. EUR 1.31 B.

TARGET	BIDDER	SELLER	VALUE [EUR]
Piotr i Paweł	TFI Capital Partners	Private Investor	Undisclosed

(23rd February) The PE fund managed by TFI Capital Partners has acquired the retail chain Piotr i Paweł. The transaction should allow the acquired company to gain financial stability and support it in the further search for the strategic investor. TFI Capital Partners assessed, that the retail chain Piotr i Paweł with 145 shops in the largest Polish cities is attractive in respect of the unique character of its brand and the commitment of its clients. The investor believes in the growth potential of the chain and its appeal to the potential strategic investors. In the beginning of the year the company struggled to maintain the proper level of the working capital and to provide the sufficient deliveries. The acquisition of a financial investor should enable the further growth of the company.

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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 11 years of its market presence, Navigator Capital Group conducted over 70 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 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.



Business Partners



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TARGET	BIDDER	SELLER	VALUE [EUR]
Velvet Care	Abris Capital Partners	Avallon	Undisclosed

(28th February) The PE fund Abris Capital acquired from Avallon MBO fund a majority stake in the Velvet Care company – a leading provider of paper hygienic materials on the Polish market. The company has been very popular among customers for years thanks to its strong and recognizable brand. Abris Capital declares willingness to help the Velvet Care to gain the leading position on the CEE market. Avallon exited the investment after 5 years, during which it invested together with the company's managers ca. EUR 60 M into development initiatives. Within the first three quarters of 2017 the company's revenue totaled ca. EUR 72 M and the net income amounted ca. EUR 4 M PLN.

TARGET	BIDDER	SELLER	VALUE [EUR]
Pay Lane	Polskie ePłatności	Private Investor	Undisclosed

(5th March) Polskie ePłatności, a company owned by the PE fund Innova, acquired PayLane, a provider of on-line payment services. Owing to this transaction, the acquiring entity will enter the internet payments market. Until now, PeP has been focusing on off-line non-cash payments. In 2017 the company acquired from a retail group Kolporter its electronic services' department which doubled the number of PeP's payment terminals in service up to 65 k terminals in use.

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Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

According to our forecasts, M&A market in Poland **in the 1Q 2018 continued to grow steadily**, although a minor decrease has occurred. We recorded a total of **50 transactions** (down 15% compared to 4Q 2017 and 6% compared to 1Q 2017). Transactions values were smaller than those at the end of the year – small and medium-sized ones prevailed. In months to come we expect revived activity in the mid-market segment (50 – 200 mln EUR) due to the supply of interesting companies, less competition for these assets and thereof relatively attractive prices.

It's PE Funds time

Companies supported by PE Funds spread their wings, thus boosting the economic flow. We are currently seeing **the greater number of transactions with the value over 250 mln EUR**. PE funds are present in every area of the Polish economy - their portfolios are dominated by companies from the Media / IT / Telecom industry, and subsequently, from the retail and industrial sectors. Despite high activity during the previous year, many funds are not satisfied with only buying – they will continue to take over in 2018. Mid Europa Partners, as an example, plans more purchase in Poland and within CEE region. On the other hand, Enterprise Investors is planning to allocate for investments in Poland most of funds acquired in September 2017 (498 bln EUR). In turn, the Advent International fund together with the co-investor announced the call for 100% of shares in Integer.pl S.A. and InPost S.A.

Private entrepreneurs dominate

The sell-side's consisted of **private investors in 71%**, so almost three quarters, which proves the attractiveness of Polish companies from the SME sector. A particularly noteworthy transaction is the acquisition of a financial investor in the form of funds managed by TFI Capital Partners through the Piotr i Paweł market chain. Majority of transactions **(26%)** took place within **Media/IT/Telecom branch. Companies from this branch (20%) and PE/VC funds (12%)** dominated on the buy-side.

Limited involvement of foreign investors

In 1Q transactions conducted between Polish entities prevailed. **Polish companies accounted for 74% of the buy-side and 80% of the sell-side**. The involvement of foreign parties on the buy-side remains **on broadly stable level of 26%** (down by 6% versus 4Q last year). European companies form a majority within this group, although two parties derive from USA. A worth noticing transaction is the sale of 60% shares in the family company Tasomix to the Dutch company ForFarmers N.V.. Entering into a transaction for ForFarmers means a joint venture with Tasomix. Due Diligence process was conducted with use of FORDATA Virtual Data Room technology.

Poland as one of the most attractive in CEE region on the M&A market in 2018!

According to the law firm Wolf-Theiss, Poland, right after Austria and Czech Republic, has been recognized as one of the most popular places on the Middle-East Europe M&A market in 2018 in technology and Media/IT/Telecom branches, banking, financing services and energy industry. Significant interest in technology companies is being forecasted, which is not surprising given the high-class specialists. Investment opportunities are to be expected on the financial services market, as a result of Brexit - Poland has become the leading candidate for the takeover of investors leaving London.

The publicly available data reveal that **in 1Q 2018 as much as 46% of transactions were organized using the Virtual Data Room system**, which is the largest result recorded by us so far. We are pleased that the use of VDR is now a synonym of professional approach to transactions and good practice in the Polish M&A industry.

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Karol Szykowny,
CFA

Director
Navigator Capital

In 1Q 2018 we have observed ca. **50 transactions** on the Polish M&A market, which is **by 3 less than in a corresponding period of 2017**.

The largest deal of the quarter was the acquisition of 98% stake in Warsaw-based developer Robygn in a tender offer by Bricks Acquisitions, a subsidiary of Goldman Sachs. In the next step, the entity acquired the remaining 2% by conducting squeeze out. The total value of the transaction amounted to **ca. EUR 277 M**. The transaction was meant to initiate a long-lasting cooperation between the developer and strategic investor. For the last twelve months the Polish real estate development market have been consolidating. In 2017 we witnessed several interesting acquisitions. In the 2nd quarter 2017 Archicom acquired mLocum and Dom Development purchased Euro Styl. Later on a consortium of financial investors acquired majority stake in LC Corp from entities related to Leszek Czarnecki. In October Griffin Premium, a company listed on the Warsaw Stock Exchange, was acquired by Globalworth, a real estate investment company based in Great Britain.

In the 1st quarter of 2018 we observed a several interesting foreign acquisitions made by Polish enterprises. PZL Sędziszów, a domestic producer of automotive filters, acquired a majority stake in Böhm Plast-Technik, an expert in injection molding products for automotive industry. Brainly, a Polish start-up operating a mutual learning platform acquired Bask. This was its second take-over after the Open Study in 2016. This time Brainly expanded its offer by a-few-minutes-long films providing answers to the questions posted by the students. Nowy Styl, a domestic manufacturer of office and hotel furniture acquired a majority stake in its business partner on the Middle East market – Stylis Dubai. The transaction should strengthen the position of the Polish manufacturer on the Middle East markets and open him a way to acquiring new customers.

The Private Equity/Venture Capital remain active on the Polish market. Abris Capital acquired Velvet Care company from the MBO Avallon fund, hoping to benefit from its potential to become a leader on the CEE hygienic materials market. TFI Capital Partners decided to support the Piotr i Paweł-a retail chain which has been struggling with worsening trading conditions due to discount chains' domination on the retail market. Private Venture Partners (PVP) acquired a majority stake in Avenir Medical, an owner of retail chain and internet shop under the brand Twoje Soczewki – a distributor of correction lenses.

The IT/Telecomm sector is still pivotal for the domestic M&A market. Polish companies from the new technologies sector are developing dynamically. Tomasz Pruszczyński together with 21 Partners fund acquired a majority stake in the e-mail marketing provider –Sare, aiming to take over the company. Grupa Pracuj acquired Coders Lab- a programming school. That move should contribute to the Group's ability to cross-sell recruitment and training services. Polskie ePłatności took over PayLane, an internet payments' operator, gaining an access to an on-line transactions processing platform and entering the internet services segment.

As far as the structure of transactions is concerned, the majority of the targets operated in the Media/IT/Telecom – **26%** and **14%** biotechnology/helthcare. The buy side was dominated by Media/IT/Telecom companies – **20%** and the Private Equity/Venture Capital - **12%** funds. Private investors amounted up to **ca. 71%**. The second largest group of sellers remained PE/VC funds– **11%**.

In the 1st quarter of 2018 the sentiment on the Polish stock exchange was chilled. In the first three months of 2018 **the WIG dropped by ca. 10%**. Despite the relative drop, WIG reached its historical maximum of 67 933,05 on January the 23rd. CD Projekt shares grew in tje 1Q 2018 the most from the WIG20 companies - by ca. 13%.

The Polish Zloty moves ambiguously against the world's leading currencies. Since the beginning of the year it has dropped against the euro by ca. 0,7% and risen relative to dollar by ca. 1,86%.