

M&A Index Poland

Q4 2018

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

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by Navigator Capital & FORDATA | January 2019

Total number of transactions*

62 (Q4 2018)

The largest transaction**

EUR 1 B

(Acquisition of ca. 37% shares of Unipetrol 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 the 4Q of 2018 we have witnessed 62 transactions on the Polish M&A market, which is by 3 more than in the corresponding period last year. The largest transaction of the last quarter was take over of ca. 37% share of Czech Unipetrol by PKN Orlen for ca. EUR 1 b.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Unipetrol	PKN Orlen	Paulinino (Grupa J&T) minority shareholders	ca. 1 b

(1st October) In 2018 PKN Orlen acquired ca. 37% shares of the Czech Unipetrol, becoming the sole owner of the company. The acquisition process were initiated by a tender offer closed in February. The remaining 6% shares was purchased by a squeeze-out carried out in October. Unipetrol is the leading Czech manufacturer of refined petroleum and petrochemical products, providing mainly fuel oils, asphalts, liquid petrochemical products. Moreover, Unipetrol operates the largest petrol station chain in the Czech Republic, Benzina, consisting of 405 points. The revenue of Unipetrol in 2017 amounted to ca. EUR 4.6 b, and EBITDA – to ca. EUR 0.6 b. The acquisition of the total control on Unipetrol will allow PKN Orlen to strengthen its position on the competitive European market and develop the petrochemical part of the business.

TARGET	BIDDER	SELLER	VALUE [EUR]
PayUp Polska S.A.	Polskie ePłatności	Eurocash	ca. 26 m

(2nd October) Polskie ePłatności, a portfolio company of Innova Capital's private equity fund, acquired PayUp Polska, a company fully owned by Eurocash Group. Polskie ePłatności is one of the biggest Polish operators of payment terminals. The acquired company focuses on processing cashless transactions, additionally, it provides other services associated with payment terminals, such as topping up mobile balance and cash back services. The deal is another step in consolidation of the polish payment processing market. In previous years Polskie ePłatności acquired PayLane and Kolporter's e-services department. PayUp's POS terminals are present in stores owned by Eurocash Group, as well as in independent entities. In the financial year 2017, the target company generated EUR 102 m revenue. The estimated deal value amounts to EUR 26 m, however, the ultimate value is dependent on future financial results of PayUp Polska.

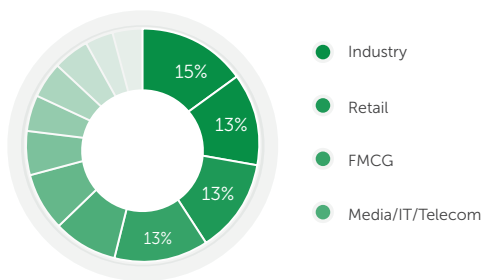
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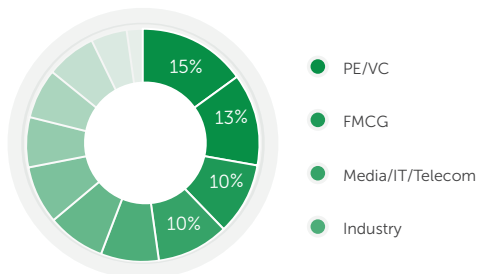
By sector

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

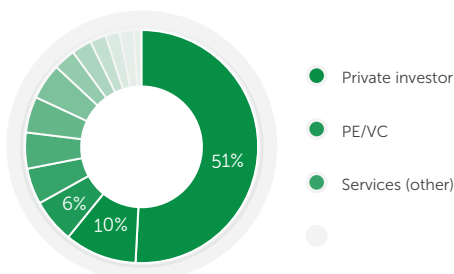
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Aludesign	Tar Heel Capital	Private Investors	ca. 29 m

(12th October) An investment fund belonging to the Tar Heel Capital acquired Aludesign, a manufacturer of aluminium elements, mainly for clients operating in furniture sector. 95% of revenue of the company is generated on the foreign markets. The investment fund was appealed to the company by its production diversification potential. In future Aludesign will be able to offer its products to entities operating within the lightening, medical and automotive sector. Within the last three years the company has invested in the production plant ca. EUR 2.6 m, which allowed to increase the production efficiency significantly. In 2017 the revenue of the company amounted to ca. EUR 12.8 m, and the EBITDA margin remained on the stable level of ca. 20%.

TARGET	BIDDER	SELLER	VALUE [EUR]
Euro Bank	Millennium Bank	Societe Generale	431 m

(5th November) Bank Millennium has announced the signing of an agreement regarding the takeover of 99.79% stake of Euro Bank from the French group Societe Generale. Closing of the transaction worth approximately EUR 431 m is planned for the second quarter of 2019. The value of synergies resulting mainly from the optimization of the branch network and consolidation of back office functions, IT systems and marketing activities is estimated at EUR 153 m, while the costs of integration will amount to approx. EUR 82 m. The acquisition of Euro Bank will also allow Bank Millennium to increase its scale of operations, enable it to acquire competences in the franchise model and strengthen its presence in smaller cities.

TARGET	BIDDER	SELLER	VALUE [EUR]
Browar Namystów	Żywiec Group	Private Investor	ca. 117 m

(13th November) Grupa Żywiec, affiliated with the Dutch concern Heineken, took over the Namystów Brewery, a regional brewing company owned by the Gostomski family, producing approximately 1.7 m hl of beer annually. Thanks to the transaction, Grupa Żywiec complemented its portfolio with new, promising brands whose potential could be fully realized thanks to the Group's experience and competences. The takeover of Namystów Brewery will allow to reach a wider group of customers and will enable better use of consumer trends in the beer market. The Namystów brewery runs production in two plants located in Namystów and Braniewo, and its portfolio includes such brands as Namystów, Kufłowe, Zamkowe and Braniewo.

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TARGET	BIDDER	SELLER	VALUE [EUR]
Kom-Eko	Value4Capital	Royalton Partners	Undisclosed

(22th November) Value4Capital, an investment fund focusing on mature businesses' MBOs in Poland and CEE, acquired Kom-Eko headquartered in Lublin. The company was sold by an investment fund related to Royalton Partners Group. Kom-Eko operates in the Lublin area in the east of Poland and provides waste collection, sorting and processing services. The acquisition was co-financed by European Investment Bank Group. The transaction will enable the company to carry out significant investment in a dry waste sorting technology, allowing to increase waste recycling efficiency.

TARGET	BIDDER	SELLER	VALUE [EUR]
OSHEE Polska	Innova Capital	Private Investors	Undisclosed

(26th November) Innova Capital, one of the leading Central European private equity fund, acquired 33% of shares in OSHEE Polska. The target company is a leader of polish functional beverages market. It is present in 45 countries on 6 continents. In a financial year 2017 OSHEE Polska posted EUR 58 m revenue. The assistance of financial investor will provide further development opportunities for the target company. OSHEE Polska aims to acquire several companies from FMCG industry and hopes that support from Innova Capital will facilitate the process. The founders of OSHEE Polska will stay as majority shareholders and they will still be sitting on the board.

TARGET	BIDDER	SELLER	VALUE [EUR]
eBilet	Allegro	Private Investor	Undisclosed

(5th December) Allegro, the largest Polish e-commerce platform, has invested in eBilet, a company leading in the ticket sales market in Poland. eBilet offers comprehensive services for online transactions and supports the organizers in marketing activities. Thanks to the transaction, Allegro will feature tickets for cultural and entertainment events, providing the portal's customers with convenient access and the opportunity to use the Allegro Smart service when purchasing them. Through the takeover of eBilet, Allegro marked its presence on the rapidly growing online ticket sales market, the size of which is estimated at over EUR 164 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 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]
New Presence Jewels	Apart	Private Investor	Undisclosed

(6th December) Apart, the Polish leader in the jewellery market, took over its Czech competitor - the Presence chain of jewellery stores. Presence has over 20 stores and operates an online store as well. The network assortment includes about 800 jewelry products and watches. This move will allow the Polish company to expand into the Czech market, and in the longer term to launch an e-commerce platform in this country in 2019. At present, three Presence stores operate under the brand of Apart. In 2017, the sale of Apart was about EUR 153 m, and the net profit - about EUR 19 m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Puro Hotels	Piechocki Family	n/d	Undisclosed

(10th December) The Piechocki family, shareholders of LPP, invested in the hotel chain Puro. Currently, Puro Hotels has 6 facilities in Poland in the largest cities with approx. 815 rooms. In the near future, two new hotels in Łódź and Warsaw are planned to be open. Investors believe in the development potential of the hotel industry in Poland and decided to invest their capital surpluses there. For Puro Hotels, the issue of new shares will be an opportunity to finance development projects, thus increasing its market competitiveness.

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Experts' comments



**Alicja
Kukla-Kowalska**

Key Account Manager
FORDATA

In the Q4 2018, a larger number of transactions were recorded on the Polish M&A market – **62 transactions**, compared to the same period last year (59 in the Q4 2017). In total, 211 transactions were recorded last year (similarly as in 2017). The largest deal of the last quarter was the acquisition of 37% of Czech Unipetrol shares by PKN Orlen for the amount of approx. EUR 1 billion. More than half of the sellers of shares were private entrepreneurs, which indicates the high attractiveness of Polish companies from the SME sector.

Big interest in companies from the SME sector

Similarly to the previous quarter, more than 50% of sellers were private entrepreneurs, which proves further attractiveness of Polish companies from the SME sector. In terms of transaction value, in the previous quarter mainly small transactions dominated, followed by Mid-Caps along with large transactions. Among transactions with the disclosed price in Q4 2018, we recorded 11 small transactions, 5 Mid-Caps and 5 large transactions, including 2 worth over PLN 1 billion (including PKN Orlen's transaction with the highest value).

Q4 - for many years the most active in the whole year

The fourth quarter of 2018 was more spectacular in terms of the number of transactions compared to the same period in 2017. However, the results achieved confirm the rule that we have been observing for the last 6 years – the fourth quarter closes the most transactions throughout the year. In Q4 2018, **62 transactions** were recorded, which is **29%** of all processes that took place in 2018 (for comparison in 2014-17 it was 36%, 31%, 30%, 28% respectively).

Decrease in the involvement of foreign investors

In the fourth quarter, transactions concluded between Polish entities prevailed. Polish companies accounted for 74% of buyers and 61% of sellers (compared to 68% and 78% in the same period of 2017). The involvement of foreign entities on the buyers' side has decreased, and its level is only **26%** (a decrease of 17% compared to 3Q). European companies are still predominant in this group. The most desired industries are **Industry (15%), FMCG (13%) and Retail (13%)**.

Energy sector – expect a lot

The merger market in the energy sector will definitely be noisy. In accordance with the schedule planned by PKN Orlen in the third quarter of 2019, after obtaining the consent of the European Commission, the procedure related to taking over Lotos will be held. If it comes to a merger, we will have a significant player in the fuel market in Central Europe, and perhaps in the entire European Union. PKN Orlen is currently undergoing due diligence before taking over capital control over Grupa Lotos.

High M&A activity in Poland

Looking at the situation on the domestic market, we expect in 2019 M&A transactions with a value and number at a level close to the previous year. Low interest rates and a positive economic climate in our region is conducive to further investments. According to economists, everything indicates that the interest rate will not increase next year, and the next quarters of 2019 will bring a continuation of the positive trend.

The publicly available data show that in Q4 2018 as much as **48% of transactions were organized using the Virtual Data Room system** (45% of transactions were recorded in the same period last year), which confirms the continued popularity of Virtual Data Room on the Polish M&A markets. This is influenced by the changing preferences of customers towards innovative solutions.

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Karol Szykowny,
CFA

Director
Navigator Capital

In the last quarter of 2018, **62** mergers and acquisitions were conducted on the Polish market. This is by **3** more than in the corresponding period of 2017.

The biggest transaction in terms of value was the purchase of 37% shares in Czech Unipetrol conducted by PKN Orlen for the amount of approx. **EUR 1 b**. As a result, PKN Orlen became the sole shareholder of the company, allowing it to strengthen the competitiveness of the group on the demanding European market. Moreover, the deal will help Orlen to gain the market share in petrochemical business.

During the fourth quarter of 2018, industrial companies enjoyed the greatest interest of investors. An example of such a transaction is the purchase of Aludesign, a producer of aluminum castings, by Tar Heel Capital, a private equity fund. The aforementioned trend is also indicated by the acquisition of ANT by BBS Automation. The German bidder, which is a portfolio company of the EQT Partners fund, hopes that the acquisition of the Polish industrial software supplier will strengthen its market position and attract new customers. Another interesting transaction in this sector is the purchase of Unilogo by the Canadian group CCL Industries. The acquirer is a global leader in the provision of confectioning services. The investment in Poland will allow it to increase production capacity of the sleeve and printed labels.

The last three months showed that the consolidation of the retail sector goes on. Most transactions within this market are aimed to integrate the value chain and optimize costs. The new business conditions of the industry forces companies to look for added value through vertical integration of distribution channels and increase the scale of operations. A transaction with this characteristic is the acquisition made by United Beverages, one of the largest alcohol distributors in Poland. The company has taken over System, a firm that operates 'As' retail chain of approximately 90 stores in north-western Poland, selling alcohol, cigarettes, and sweets. Jantoni, a producer of alcoholic beverages, acquired Wina Maktowicz, a wine distributor and a provider of training and consulting services in the area of gastronomy. This transaction will allow the bidder to gain access to a group of conscious clients, that are looking for new, high-quality alcoholic beverages.

Considering the transaction structure, the largest number of deals were recorded among companies from the industrial sector - **15%**, retail and the FMCG sector - **13%** each. The buy-side was dominated by Private Equity/Venture Capital funds - **15%** and enterprises from the FMCG sector - **13%**. About half of all sellers were private investors. The second most-selling group was PE/VC funds - **10%**.