Poznań/Warsaw, 4th July 2017

**M&A Index Poland,**

Mergers and acquisitions in Poland in Q2 2017

Experts from FORDATA, a leader in the field of Virtual Data Room solutions which supports the implementation of complex transactional processes, monitor the M&A market in Poland and Europe, together with the consulting company Navigator Capital. Any conclusions from the collected data on the Polish transactional scene are published quarterly in **a series of M&A Index Poland reports**.

A comment by **Alicja Kukla-Kowalska, Key Account Manager from FORDATA**, which summarizes mergers and acquisitions transactions in Q2 2017.

Despite the expected recovery, activity on the Polish M&A market is still moderate. In the 2nd quarter 2017, there were 57 transactions carried out, compared to 53 in the 1 st quarter and 53 in the same period last year. It is consistent with the overall situation on the M&A market across the CEE region, which noted the worst results in all regions during the first half of 2017. The industry expects to revive soon but in our opinion it will be necessary to wait for it.

Private investors still dominate

Once again, the largest percentage of sellers were private entrepreneurs, however compared to the 1st quarter (when they accounted for over 50% of the offerings) there was only 35%. Nonetheless, we expect the situation to go back on track and that the percentage of private companies that will be sold in the future will increase significantly. The most desirable industries are Media/IT/Telco (25%), Healthcare (16%) and Energy (14%). The largest transactions took place in the energy and real estate sectors. This is not a surprise, since at the beginning of the year it was expected that banks, developers, IT, Media and Telecom would be taken over.

Private Equity Funds are selling

PE activity on the sell-side is constantly increasing. In the 2nd quarter of 2017, PE funds represented 16% of the sellers (compared to 11% in the 1st quarter) and were the second most active group on this side of the transaction. Enterprise Investors was the most active seller once again. After Dino and itWorks they have finalized sales of Skarbiec Holding, United Oilfield Services and Polski Bank Komórek Macierzystych. Abris is following closely – after Novago, they have successfully sold another portfolio company, Mykogen, a leading producer of mushroom substrate. The buyer was the Belgian company Greenyard, a global leader in the market of fresh and processed fruit and vegetables, flowers and plants and growing media. Virtual Data Room technology has helped streamline negotiations with a foreign investor.

The number of mid-caps grows

The value of transactions remains the same as in the previous quarters. Among deals with disclosed price small (less than PLN 100 million) and average (value of PLN 100-400 million) transactions dominate. Small deals are still dominant, although there is an increase in mid-caps, which are the backbone of Polish economy. We expect the situation to be similar in the second half of 2017.

Polish companies on the sell, as well as a buy-side

In the 2nd quarter Polish companies were dominant both on the sell and the buy-side. Foreign investors accounted for 31% and represented mainly European countries. However, we anticipate that in the second half of the year there will be several cross-border transactions worth noticing. Poland is a good bridgehead for Asian companies for further expansion. In addition, large transactions from 2016 put Poland on the radar of foreign funds. We are not yet their *must have*, but we are definitely being closely watched.

Poland on the radar of foreign funds

Foreign investors flow that is seen in Poland (including new funds), is the result of changes that have taken place in Europe and globally. Many markets have closed. The British market remains uncertain due to Brexit, and depreciation of pound; Turkey is no longer attractive, and the Russian market is closed. The amount of capital has not decreased, but the markets have narrowed, so capital goes where it is relatively safe. Money that could have been invested in other markets, flows to our country. Investments in Poland are undoubtedly favoured by the macroeconomic situation, which is stable and definitely better perceived than after the 2015 election. Economic growth and a well-functioning banking system have to be pointed as positive factors as well. Investment risk is perceived as in Western Europe.

From the other side, legal changes in Poland being introduced for the past several months, perceived by many experts as unconstitutional and harmful to the economy, discourage investors. Therefore, they are monitoring our market and checking every piece of information in the foreign press about the legal and economic situation in Poland.

Polish companies starting to buy abroad

We forecast that Polish capital will start to take over companies in Europe. Large transactions will also be seen here. Capital in Poland (over 1 trillion Polish zloty of savings in households) is held on deposits, and it is just a matter of time and good intentions to finally invest it. In the 2nd quarter of 2017, 10 such transactions were conducted – we were buying and investing mainly in the Western Europe (Germany, France).

**About the author:**

**FORDATA** is a pioneer on the Polish capital market. We help our customers in managing documents and communication during complex and confidential deals, using our own IT systems based on the Virtual Data Room technology. We support the largest M&A transactions, IPOs, restructurings, capital raising projects and privatizations in Poland and other Central and Eastern European countries. Our systems have increased the efficiency and security of hundreds transactions of different types, with a total value of over PLN 32 billion. We cooperate with market leaders, including largest advisory companies, banks, legal advisors or Private Equity/Venture Capital funds, ie. Private Equity 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.

In March 2017 **FORDATA** was awarded the prize **Professional Service Provider** during CEE M&A Awards Gala. Awards recognize companies and individuals for the exceptional achievements and the highest quality service on mergers and acquisitions market.

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