



Mergers & Acquisitions in 2016

Prepared by Navigator Capital & FORDATA

Experts' comments to the report
can be found on the website:
blog.fordata.pl

www.en.navigatorcapital.pl
www.fordata.pl/en

M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

Total number of transactions*

171 (2016)

The largest transaction**

EUR 2.85B

(Acquisition of 100% stake in Allegro by a group of private equity funds)

* based on public data, as of 16 December 2016

** 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 2016 we could observe a smaller number of M&A transactions on the Polish market in comparison to 2015. However the last quarter of the year was strong with two deals with value of over EUR 2b. Total number of deals amounted to 171 as of mid-December. Below please find attached description of this year's most considerable deals.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
Smyk Group	Coortland Investments (Bridgepoint Europe)	Empik Media & Fashion	244m

(18th January) Bridgepoint Europe venture capital fund has acquired Smyk Group, which is a toys and juvenile products retailer. Smyk has been present on the Polish market since 1952. It currently operates over 125 stores in Poland and plans on expanding in other CEE countries.

TARGET	BIDDER	SELLER	VALUE [EUR]
Duon Group (93% stake)	Fortum Holding	AKJ Investments, Capital Partners	103m

(11th February) Finnish state-owned energy company Fortum Holding has acquired nearly 112m shares which represent 93% stake in Duon Group, Polish WSE-listed energy company, in a tender offer. Duon is one of the largest Polish energy companies and the main competitor of the state-owned PGNiG Group. Company's main products are LPG-gas and electricity. It operates on the TPA (Third Party Access) basis.

TARGET	BIDDER	SELLER	VALUE [EUR]
GetBack	Ernest Investments	Idea Bank	192m

(15th March) Ernest Investments private equity fund has agreed to acquire 100% stake in a debt collection company, GetBack, from a WSE-listed bank Idea Bank, for a consideration of 192m EUR. GetBack operates in Polish and Romanian markets. The sale of its assets will help Idea Bank decrease its financing costs and strengthen its capital base.

TARGET	BIDDER	SELLER	VALUE [EUR]
EKO Holding	Eurocash Group	Pelican Ventures	Undisclosed

(18th March) The largest FCMG wholesaler in Poland, WSE-listed Eurocash Group, has completed an acquisition of EKO Holding for an undisclosed consideration. EKO Holding currently owns and operates 250 supermarkets, mainly in south-western Poland. The purpose of this acquisition is to enhance the Eurocash's supply chain efficiency, develop new competences and increase the scale of the company's operations. The company's board also hopes to achieve synergy effects and help compete with the discount stores.

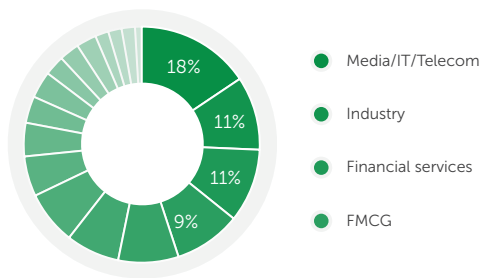
M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

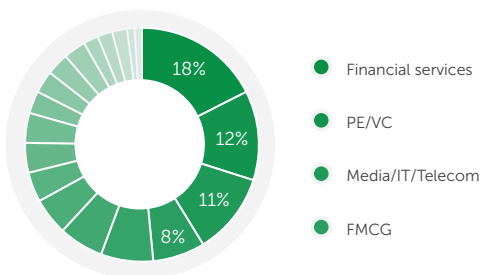
By sector

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

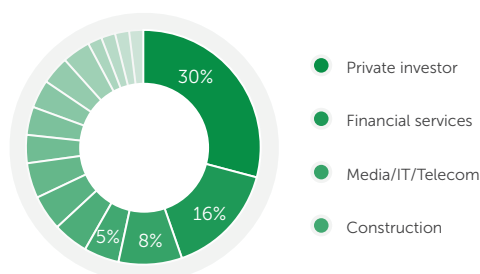
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Bank BPH	Alior Bank	GE Capital	Ca. 290m

(1st April) Alior Bank agreed to purchase 87.2% stake in the core business of Bank BPH from GE Capital Group for a consideration of ca. EUR 290m. After the deal, Alior Bank's asset base amount to ca. EUR 13.6b which will rank it 9th among the Polish banks. The bank expects that the yearly synergy effect will amount to EUR 68m on a pre-tax basis.

TARGET	BIDDER	SELLER	VALUE [EUR]
Ineos Styrenics	Synthos S.A.	Ineos Enterprises	80m

(6th May) Ineos Enterprises, a part of the Swiss group Ineos, agreed to sell its subsidiary, Ineos Styrenics to WSE-listed Synthos S.A. for a consideration of EUR 80m. Ineos Styrenics operates in Great Britain and is the world's largest manufacturer of expanded polystyrene (EPS). Synthos is the largest European producer of synthetic rubbers and one of the largest producers of EPS. Ineos Styrenics has 3 manufacturing plants, two of which are located in France and one in the Netherlands. The company currently employs ca. 250 people. Its EPS manufacturing capacity of 310 thousands of tons represents 20% of the European production capacity.

TARGET	BIDDER	SELLER	VALUE [EUR]
Krośnieńskie Huty Szkła "KROSNO" S.A.	Krosno Glass Sp. z o.o.	Official receiver	43m

(28th August) The fourteenth tender in the past seven years has finally brought a decision in the matter of purchase of KHS 'Krosno' S.A. The RSA based fund, Coast2Coast, bidded EUR 28.2m for the organized part of an enterprise with a 90-year tradition of glass manufacturing. In addition, Krosno Glass Sp. o.o. within a month had to pay for inventories and capital expenditures of the target since August 2014 and as a result the total value of the transaction increased to EUR 43m. KHS 'Krosno' S.A. employs approx. 2 200 workers and export its products to 60 countries.

TARGET	BIDDER	SELLER	VALUE [EUR]
Novago	China Everbright Intl	Abris Capital Partners	123m

(29th August) China Everbright International, a Chinese state-owned investment company operating in the environment protection industry, has agreed to acquire majority stake in Novago from the private equity fund Abris Capital Partners. The value of the deal amounted to EUR 123m. Novago is one of the leaders of the waste management industry in Poland. The company specializes in waste recycling, production of refuse-derived fuel and electricity. The 3% stake in Novago still remains in hands of the city of Mława. This deal was the largest Chinese FDI in Europe and one of the largest Chinese investments in the CEE region. During the process, Virtual Data Room system provided by FORDATA was used.

M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

TARGET	BIDDER	SELLER	VALUE [EUR]
AmRest Holdings SE (30% stake)	Cullinan S.a. r.l.	A group of investors	481m

(21st September) FCapital Dutch (by R. L. Cullinan SA), the largest shareholder of AmRest (the biggest listed company in the region operating a chain of restaurants), as result of a tender offer announced in July, acquired another 30% stake in the company. The price in the tender offer, after a few weeks, was increased from EUR 50.2 to EUR 59.5 per share, resulting in a transaction value exceeded PLN 381m and the share of the fund in the equity structure increased to 62%. The largest stake in the company (8%) has been sold by PTE PZU SA. After acquiring the control of AmRest the fund intends to support the development of the company through acquisition of the new brands and concepts, development of new products and services as well as existing brands and concepts in existing and new international markets.

TARGET	BIDDER	SELLER	VALUE [EUR]
Cia Metalic do Nordeste S.A.	Can-Pack S.A.	Companhia Siderurgica Nacional	Ca. 88m

(30th September) The Polish can manufacturer Can-Pack S.A. took over a subsidiary of the Brazilian steel group, Cia Metalic do Nordeste S.A. The price for 100% shares of the galvanized steel can manufacturer amounted to USD 98m. The target has been providing cans for beverage producers, mainly from the North and North-East of Brazil for 20 years and its market share is estimated at approx. 4%. Can-Pack capital group, including over 30 subsidiaries, employs more than 4 000 employees globally. In Poland the company is engaged in can production, bottle closures, glass containers and packages used in the food and chemical industry.

TARGET	BIDDER	SELLER	VALUE [EUR]
Raiffeisen-Leasing Polska S.A.	PKO Leasing S.A.	Raiffeisen Bank International AG	191m

(17th October) PKO Leasing, wholly-owned subsidiary of PKO Bank Polski, has conditionally agreed to acquire 100% stake in Raiffeisen Leasing Poland from Raiffeisen Bank International AG. The deal worth EUR 191m will be financed by the PKO Bank Polski with its own funds. According to the statement from PKO BP, the transaction concluded in such shape should not adversely affect the financial condition of the bank and the whole Group. After concluding the deal, PKO Leasing will become a sole leader of the leasing industry in Poland. Its market share should amount to over 13%. The company plans on integrating both entities in order to take advantage of the competitive edges and the complementarity of both business models.

M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

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.

Business Partners



Authorised Adviser



Contact

Jan Kospin Director
e: jan.kospin@navigatorcapital.pl t: +48 22 202 68 80

Navigator Capital S.A.
ul. Twarda 18, 00-105 Warsaw, Poland
t: +48 22 630 83 33 f: +48 22 630 83 30
e: biuro@navigatorcapital.pl www.en.navigatorcapital.pl

Alicja Kukla-Kowalska Key Account Manager
e: alicja.kukla@fordata.pl t: +48 533 354 054

FORDATA sp. z o.o.
Taczaka 24, 61-819 Poznań, Poland
t: +48 61 660 15 10 e: biuro@fordata.pl www.fordata.pl/en

TARGET	BIDDER	SELLER	VALUE [EUR]
Multimedia Polska	UPC	M2 Investments Ltd., Tri Media Holdings Ltd.	674.2m

(19th October) Liberty Global, owner of UPC – the leader of the polish cable television market, has announced a takeover of Multimedia Polska which is now the third largest cable television operator in Poland. The deal will not include insurance or energy assets of Multimedia Polska. Both companies combined had ca. 2.2m subscribers in June 2016. This transaction will allow UPC to further strengthen their position on the Polish market. Completion of the deal, which value amounts to EUR 674.2m, is subject to the approval of the Polish anti-monopoly authorities. It is probable, that the anti-monopoly office will conditionally agree to the transaction while simultaneously ordering UPC to divest part of the Multimedia's assets. Such solution has already been used with the acquisition of Aster by UPC in 2011.

TARGET	BIDDER	SELLER	VALUE [EUR]
Allegro	Cinven, Permira, Mid Europa Partners	Naspers	2.85b

(26th October) A Southern-African company Naspers has sold the 100% stake in Allegro Group to a group of Private Equity funds which includes Cinven, Permira and Mid Europa Partners for a consideration of 2.85b EUR. The amount paid places this deal among the largest deals on the Polish M&A market. Naspers controlled Allegro since 2008 when it was acquired for EUR 1.5b. Naspers has realized a rate of return exceeding 100%. Acquired Allegro Group includes, apart from Allegro, also Ceneo – a price comparison service. Allegro now boasts over 20m subscribed users who carry out 14m transactions each month.

TARGET	BIDDER	SELLER	VALUE [EUR]
Pekao S.A.	PZU S.A., Polski Fundusz Rozwoju	UniCredit S.p.A.	2.38b

(8th December) Polish state-owned insurance company PZU and Polski Fundusz Rozwoju (PFR) have reached an agreement with UniCredit Group regarding the sale of 32,8% stake in Pekao. PZU and PFR will jointly purchase the stake for EUR 2.38b, i.e. PLN 123 per share. According to the published statement, PZU will hold 20% of Pekao shares and the remaining 12,8% will be in possession of PFR. PZU has experience in acquisitions in the banking industry. The insurer acquired a minority package of Alior Bank shares in 2015. This year Alior Bank acquired Bank BPH. It remains unclear whether Pekao will merge with Alior Bank or will operate as a separate entity. This deal allows PZU to become the largest financial group in the region of Central and Eastern Europe.

Experts' comments



**Alicja
Kukla Kowalska**

Key Account Manager
FORDATA

Record number of transactions far behind us

Results of year 2016 confirmed that records in terms of number of transactions on the Polish transaction stage are already behind us. We anticipate that 2016 will close at a stable level of approx. 180 transactions. Admittedly, this is approx. 30% decrease compared to record results of 2015 but this is not a bad result compared to previous years - year 2013 closed at 135, and in 2014 - 158 transactions were closed. The results achieved in 2016 could be similar to 2015 if no change had arisen on the Polish political scene, which has brought a completely different approach to the domestic and European market, as well as high uncertainty which dampens the enthusiasm of investors.

Transactions still inexpensive, though Q4 brought two beads

For nearly two years we have been observing a decline trend in value of transactions in Poland. Transactions with a value less than 100 million zloty dominated those with disclosed price. Throughout the year, we have recorded only 11 transactions with a value exceeding EUR 100 million. Though, we have to admit that the end of the year surprised us very positively bringing two transactions with unprecedented value on the Polish market: sale of Allegro Group by Naspers group to Cinven, Permira and Mid Europa Partners funds for almost PLN 13 billion (USD 3.25 billion) and sale of 32.8% stake in Pekao by Unicredit to PZU and PFR for almost PLN 10 billion. In comparison with the last 4 years the largest transactions in a given year had a value from PLN 1.5 to 2.5 billion (except the acquisition of Polkomtel by Cyfrowy Polsat in 2013).

Companies from Media/IT/Telco sector dominated among targets, while financial institutions (17%) and PE/VC funds (12%) were most active among buyers.

Warehouse and hotel markets going forward

Despite challenges brought by the passing year, including change of government, introducing bank tax, Brexit, elections in the USA, Polish investment market in commercial real estate is doing exceptionally well. Mainly due to the industrial and hotel markets which have boomed in 2016. A significant increase of new warehouse space can be seen not only in large cities such as Warsaw and Poznan, but also - regionally - in larger provincial cities. Demand from tenants is the highest since many years and experts say that such a trend will continue. The hotel market was the most active among real estate markets this year. Nevertheless, Poland still lacks hotels. Representatives of real estate market confirm that those are always long-term investments and for their return they have to wait longer. We expect that in 2017 the commercial real estate industry in Poland will continue to be active and Polish market will be perceived as a safe place to invest.

What next in 2017

M&A market in Poland will continue to grow steadily in 2017, we anticipate similar results as in 2016. As well we expect an increase in foreign investments mainly from Asia. First swallows have already been seen this year - China Everbright fund made so far the biggest Chinese investment in Poland in June, buying from Abris Capital fund Novago sp. z o.o, a company engaged in waste management, for 123 million euros.

M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

We also expect that 2017 could bring a lot of interesting transactions from PE funds, which in year 2016 have looked for new investments and dominated on the buy side. Now it is already loud about the sale of Żabka retail chain by Mid Europa Partners and the stock debut of Dino supermarkets in which the Enterprise Investors fund has 49% stake. It should still be active in medical industry. Emotions rise among analysts who expected sale of Kompania Piwowarska or ABC Data. During next three years consolidation of the debt collection agencies sector should also proceed.

Factors that we can observe and which have a negative impact on the investment market should be mentioned as well. Weak zloty, growing interest rates, falling unemployment and a smaller flow of foreign investment opportunities hamper financing possibilities for entrepreneurs. While 2017 should still handle this trend, 2018 could be the year with a slowdown and reduced number of investments, even those with lower values.

Increasing efficiency and professionalism

Using technology to simplify the flow of confidential documents, for example Virtual Data Room has become synonymous with professional approach to any transaction. Sale of Novago to a Chinese investor could be a good example. Use of the VDR system not only guaranteed the confidentiality of conducted transaction but also improved the process of negotiations with the Asian investor.



Jan Kospin

Director
Navigator Capital Group

The last year was marked by slightly lower M&A activity, not only in Poland but also globally. Over 170 deals have been carried out by mid-December 2016. The last quarter turned out to be particularly interesting with a few transactions of significant value.

The situation on the Warsaw Stock Exchange has also reversed over the passing year – the broad market index has gained 12% since January, thus exceeding the growth dynamics of the German DAX and the US NASDAQ indices. Most rewarding for investors were the last few months which helped offset the negative returns of WIG from 2015.

2016 started with an unexpected downgrade of the credit rating of Poland (the first time in the history) by S&P, which introduced anxiety to the market, especially among foreign investors. This has also adversely affected the quotations of the Polish sovereign bonds. The attention of analysts was attracted by the low liquidity and the relatively attractive valuations on the Warsaw Stock Exchange which lead to the record number of tender offers in 2016. During the year there was some turmoil on the financial markets caused by the unexpected result of the BREXIT referendum in the United Kingdom and presidential election in the USA. The victory of Donald Trump however had greater repercussions on the foreign exchange markets and lead to depreciation of Polish Zloty – its value against the US dollar reached the lowest point in over a dozen of years. The end of the year brought some good news from the labour market – in November the registered unemployment rate amounted to 8,2% and was thus the lowest in 25 years.

The largest and most spectacular transactions of 2016 in Poland occurred in the last quarter. As a result of one of the largest acquisitions in the history of the domestic M&A market (3,25 billion USD), a group of private equity funds formed by Cinven, Permira and Mid Europa Partners became the new owner of Allegro. The problems of the banking sector in Italy forced UniCredit to liquidate one of its most valuable assets – Bank Pekao. In July the 10% stake in Bank Pekao was sold in an accelerated bookbuilding (ABB) transaction, while in December a consortium of PZU – PFR signed an agreement regarding almost 33% of the Polish bank shares. These transaction has brought UniCredit nearly 14 billion PLN. Other outstanding deals were the acquisition of Multimedia by UPC Polska for 3 billion PLN and the sale of Smyk by Empik to Bridgepoint Europe for over a billion PLN.

M&A Index Poland, 2016

by Navigator Capital & Fordata | December 2016

Sectors with the highest number of completed transactions in 2016 were IT and financial services. In addition, intensified efforts of consolidation could be observed in the industrial sector.

Private equity and venture capital funds have limited their activity compared to the previous year when they accounted for approximately 20% of all transactions on the buy-side. However, with the share of about 12% PE/VC still remain one of the most active investors. Numerous buyers have also represented the IT and the financial sector. The largest group of sellers is invariably formed by the private investors who are accountable for approximately 30% of all transactions. This may indicate a growing professionalization of the Polish M&A market and the progressive phenomenon of the sale of businesses by their founders who faced the problem of succession.

The level of activity on the M&A market in Poland might remain similar in the coming year. The relatively low valuations create conducive conditions for a moderately high M&A activity and low interest rates allow for obtaining cheap debt financing of acquisitions. Another factor that might have a beneficial effect on the M&A activity in Poland is the weak domestic currency, which makes valuations of Polish companies for foreign investors more attractive.

