

M&A Index Poland

Mergers and acquisitions in Poland in 2015

Prepared by **Navigator Capital** & **FORDATA**

M&A Index Poland, 2015

by Navigator Capital & Fordata | December 2015

Total number of transactions*

223 (2015)

The largest transaction**

EUR 584m

(Acquisition of TVN by Scripps Networks Interactive from ITI Group and Canal+ Group)

* 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.

Introduction

In 2015 we could observe numerous M&A transactions in the Polish market. Total number of deals exceeded 220. Private investors were the most active group on the seller's side, while PE/VC funds dominated the buyer's side. Below please find attached description of the most considerable deals.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
PZU Lietuva	Gjensidige Forsikring	PZU SA	66m

(3rd February) Norwegian insurance company Gjensidige Forsikring acquired 99.9% stake of PZU Lietuva. Transaction is a result of an agreement with regulator, obliging PZU to sell a portion of Lithuanian assets after acquisition of Lietuvos Draudimas from British RSA. Total deal value eventually amounted to EUR 66M. After transaction, market shares of PZU Group on the property and personal insurance market are: 30.3% in Lithuania (Lietuvos Draudimas), 25.3% in Latvia (AAS Balta) and 13.9% in Estonia (Estonian branch of Lietuvos Draudimas). Moreover, PZU Life Lithuania has a 4.5% market share in the life insurance market in that country. Transaction was supported by FORDATA Virtual Data Room system.

TARGET	BIDDER	SELLER	VALUE [EUR]
Echo Investment	Griffin / PIMCO	Michał Sotowow	268m

(13th March) Luxembourg-based Griffin Real Estate and PIMCO acquired a 41.6% controlling stake of real estate developer Echo Investment from Polish businessman Michał Sotowow (PLN 6.5 per share). Bidder announced tender offer for shares at minimal price eligible (PLN 6.75 per share) aiming at 66.0% of equity. The Buyer does not intend to make the company private. Synthos, Rovese and Barlinek remain in Michał Sotowow's portfolio.

TARGET	BIDDER	SELLER	VALUE [EUR]
TVN	Scripps Networks Interactive	ITI / Canal+	584m

(16th March) Southbanks Media, subsidiary of American media holding Scripps Interactive Inc., acquired 52.7% stake in TVN SA from ITI Group and Canal+. According to Scripps Network's board of directors, the transaction was a part of group's strategy of multinational expansion. Target company was withdrawn from the Warsaw Stock Exchange at the end of September. Total deal price amounted EUR 584M. Additionally, the Americans also acquired liabilities arising from previous bond issues by Polish Television Holding and TVN with a nominal value respectively EUR 300M and EUR 540M.

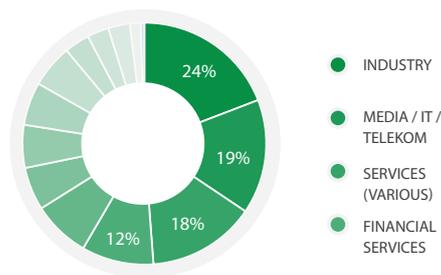
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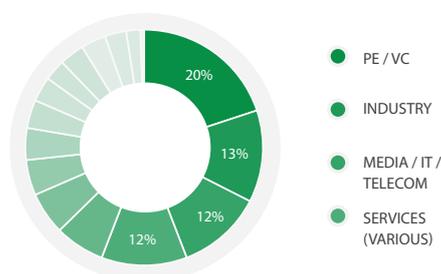
By sector

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

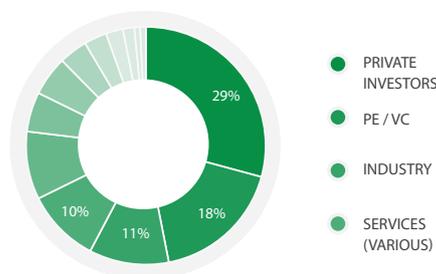
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Fruehauf Expansion (65,3% stake)	Wielton	MBO Partenaires	10m

(22nd May) Wielton S.A., the leading Polish truck trailers and semitrailers manufacturer has acquired a 65.3% stake in Fruehauf Expansion, a French-based entity of similar operations profile. The sellers were a private equity fund MBO Partenaires and individual investors. The remaining shares belong to Mr. Francis Doblin, the Company's CEO. The acquisition is partially financed by bank consortium of BGŻ BNP Paribas and BGK. Navigator Capital was a financial advisor to Wielton.

TARGET	BIDDER	SELLER	VALUE [EUR]
Alior Bank (25,3% stake)	PZU	Carlo Tassara SpA	396m

(30th May) Powszechny Zakład Ubezpieczeń S.A. has acquired a 25.3% stake in WSE-listed Alior Bank S.A., a dynamically developing retail and commercial bank. The transaction price was fixed with a minor discount to the WSE stock price on the closing date. The payment will be divided into 3 tranches. PZU aims to develop in the Polish banking segment and distribute its products by the new sales channel.

TARGET	BIDDER	SELLER	VALUE [EUR]
home.pl	1&1 Internet	Alpha Associates; Value4Capital	153m

(10th July) German internet services and online applications provider 1&1 Inter, the subsidiary of United Internet, has acquired shares of the Polish hosting services provider home.pl. The sellers were Alpha Associates and Value4Capital private equity funds. Polish Antimonopoly Authorities (UOKiK) prolonged decision time till the end of December due to the complicated nature of transaction. EBITDA of home.pl is expected to exceed EUR 2M in 2015. The IRR rate of return done by the Value4Capital fund on the investment has exceeded 40%. The management board of home.pl should remain in function after the acquisition.

TARGET	BIDDER	SELLER	VALUE [EUR]
PKP Energetyka	CVC Capital Partners	Polskie Koleje Państwowe	476m

(23rd July) British private equity fund, CVC Capital Partners, acquired PKP Energetyka, the energy supplier for Polish railway and other entities. The seller, Polskie Koleje Państwowe, intends to invest the income from the sale in the development of its' other businesses, mainly passenger services. The sales process was highly competitive, with such bidders as PZU, PGE, Tauron, Enea, PE KKR Infracapital and EQT funds. Deal value amounted EUR 476M.

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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.
- In recent years Navigator has completed over 35 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.
- Navigator Capital and Dom Maklerski Navigator create a strategic alliance with Biuro Maklerskie Banku BPH (Brokerage Office of Bank BPH) concerning services related to shares (IPO & SPO) and debt instruments (bonds) public issues.

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 32 billion.
- FORDATA services are used by the industry leaders in Poland and abroad, including Enterprise Investors, NFI Empik, ZELMER, Bank DNB, BOŚ Bank, Polimex Mostostal, Budimex, PKO BP Brokerage House, Deloitte Advisory, E&Y, PwC, KPMG Advisory, Śnieżka, Enea, JSW, Espirito Santo Investment Bank and many others.

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TARGET	BIDDER	SELLER	VALUE [EUR]
AmRest Holdings (31.71% stake)	Inmobiliaria Tabga	Warburg Pincus	274m

(24th July) Mexican holding group Inmobiliaria Tabga, which specializes in restaurant industry, has agreed to acquire 31.7% of shares of the AmRest Holding from the Warburg Pincus private equity fund. The AmRest holding is quoted on the Warsaw Stock Exchange. AmRest manages KFC, Pizza Hut and Starbucks restaurants in Poland and the CEE region since 1993. AmRest was present in Warburg Pincus fund portfolio since 2010.

TARGET	BIDDER	SELLER	VALUE [EUR]
Medi-Lynx Cardiac Monitoring (75% stake)	MEDICALgorithmics	Andrew Bogdan (private investor)	30m

(15th October) MEDICALgorithmics S.A., Polish publically traded cardiac monitoring company, has made a conditional agreement for acquisition Medi-Lynx Cardiac Monitoring, LLC, American company that performs arrhythmia diagnostic technology in the USA through the PocketECG system- provided by MEDICALgorithmics. The deal was concluded under the condition precedent that the company AMI Monitoring, Inc. (McKinney, Texas, USA) would not exercise its right of first refusal to acquire shares in Medi-Lynx.

TARGET	BIDDER	SELLER	VALUE [EUR]
LW Bogdanka	Grupa Energetyczna Enea	Various	349m

(19th October) Energy Group Enea SA, producer, distributor and seller of electricity in Poland, has received approval for acquisition of Lubelski Węgiel Bogdanka, coal mining company. Following the transaction conducted by tender offer on Warsaw Stock Exchange, Enea has a 66.0% stake in the mine. The approval for that deal was dependent on the takeover of Katowicki Holding Węglowy by Enea, which helped Polish public company to cope with its financial difficulties.

TARGET	BIDDER	SELLER	VALUE [EUR]
Bania Aquapark	Viriditas	Private Investors	n/a

(16th November) Special purpose entity Viriditas, which was set up by Piotr Kamiński, ex-vice-president of the bank PKO BP and the WSE, has acquired the 56.0% stake from 6 natural persons in Aqua Park Bania (Poland). In the near future Viriditas is going to increase its stake to 64.0%. The remaining shares belong to founder of the complex Józef Dziubasik and other private investors. In 2013 Aquapark Bania had EUR 7.4M of revenues and EUR 2.6M of net profit. Navigator Capital was a financial advisor in that transaction.

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Experts' comments



Marta Kotwis

Key Account Director,
Member of the Board
FORDATA sp. z o.o.

Despite the modest value of transactions being concluded in Poland, our country stands out positively in comparison with countries from Central and Eastern Europe that have been lagging behind in 2015. As a result of the embargo imposed on Russia, the conflict between Russia and Ukraine and associated reduced investor confidence, the CEE region recorded declines both in terms of quantity and value of transactions. Yet, in the last two years we have seen a record increase in the number of transactions concluded in Poland along with the decline in their value. We expect **the fourth quarter to close the year with approx. 220 transactions, which is 40% compared to an already very strong previous year** (158 transactions in 2014 compared to 135 transactions in 2013). The situation in terms of transaction value is a little worse. After the privatization boom in the years 2008-2013, **transactions with a value of up to PLN 100 million are dominant now in Poland**. Those up to EUR 100 million represent a small percentage of the total (less than 10%). The statistics are inflated by a few transactions (the largest are: the acquisition of 52.7% stake in TVN S.A. by Scripps Networks for PLN 2.416 billion and the acquisition of PKP Energetyka S.A. by CVC Capital Partners for PLN 1.41 billion) but you can count them on the fingers of one hand. In Poland in 2015 investment funds were quite active. They have raised capital for new investments in the region as one can get higher return rates than in the Western Europe. I expect that their activity will be intensified in 2016. The Polish and CEE market in 2015 can be described as the one with moderate rate of return and risk compared to the emerging markets in other regions of the world. In other words we can expect some stabilisation on the market. We anticipate that **real estate, Telekom, IT, and health care will remain active in 2016. You can also expect reshuffle in the financial sector**. We encourage all CF advisors to read the new Capital Transaction Best Practices. I hope that the guidance contained therein will improve your work in 2016.



Piotr Jankowski

Senior Account Executive
FORDATA sp. z o.o.

A totally opposite situation to the one in CEE can be observed on the global stage which has achieved a record-breaking value of transactions (the largest transaction and deals were concluded in the United States with the merger of two pharmaceutical companies Pfizer and Allergan worth USD 183.7 billion). In my opinion, **2015 has been a record-breaking on the global scale with a result of USD 3.49 trillion** (an increase of almost 25% compared to 2014). Cheap money may encourage investors to increased activity in Poland. However, there are also risk factors like political turmoil, which may result in withdrawal of investors from the regulated market (stock exchange, treasury bonds). Investors will either choose private markets (resulting in an increased activity of M&A in Poland) or other countries, relatively safer, but less profitable. As long as the political situation in Poland does not change investors will be tempted to stay here also by depreciation of Polish zloty. Many transactions initiated or planned for 2015 will continue in 2016. The trend worth paying attention to is the succession that constantly rises. We believe that **the sharing economy, IT industry and the solutions related to energy efficiency as well as cloud-based solutions with a strong focus on information security/data protection, for example Virtual Data Room, are the ones that will gain popularity**. The use of VDR technology in transactions in Poland has already been increasing from month to month

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Experts' comments



Jan Kospin

Director
Navigator Capital S.A.

Year 2015 was characterized by high activity in the Polish M&A market, which is reflected both in the number and value of transactions, the highest since the financial crisis in 2008. **In total, over 220 deals were carried out in Poland in this year.**

Revival in the M&A market was not accompanied by improved sentiment on the Warsaw Stock Exchange (WSE). **The WIG index lost more than 12% in the period from January to December. At the same time, the German DAX rose by more than 5%, and the US Nasdaq by 6%.**

In 2015 Polish Stock Exchange was influenced by many factors. One of the most important seems to be the alarming figures coming from the Chinese economy, which has made its mark on the global indices, affecting among others a strong sell-off in commodity markets. Moreover, investors are still concerned about the unresolved conflict in Ukraine and uncontrolled influx of immigrants into Europe, which causes disputes among the countries of the European Union. Furthermore, one should consider the government change in Poland that have been conducted recently. Political factors have caused concerns among the investors on the WSE, which was reflected particularly in valuations of banks, as well as mining and energy companies. Investors fear the political pressure on the management boards of energy companies that may be forced to support the unprofitable coal mining sector, which is a strongly controversial movement from the business point of view. **Even the positive macroeconomic data did not help Warsaw Stock Exchange, e.g. a falling unemployment rate**, which, according to a survey of the Ministry of Labour and Social Policy, amounted only to 9.7% in November, which is the lowest value since late 2008. At the moment it is difficult to predict when will the situation on the Warsaw Stock Exchange settle down. The future dynamics of the indices may be heavily dependent on the political moves, which now seem confusing, e.g. in the case of contradictory announcements regarding extraction tax, affecting valuation of KGHM.

In the past year, we have witnessed a number of significant and interesting transactions. The largest of these was the acquisition of 52.7% shares of TVN by Scripps Network Interactive for over PLN 584M, and then the Polish media giant's withdrawal from the WSE. Moreover, the American buyer also acquired liabilities arising from previous bond issues with a nominal value respectively EUR 300M and EUR 556M. Other outstanding deals were the acquisition of LW Bogdanka SA by Energy Group Enea for almost PLN 350M and a takeover of PKP Energetyka by private equity fund CVC for ca. PLN 476M. Among other interesting transactions, we should indicate the acquisition by Wielton, a company listed on the WSE, a leading Polish manufacturer of truck semi-trailers and curtains, the majority stake in Fruehauf Expansion, its direct competitor in the French market. This transaction displays a growing trend of Polish companies expanding into EU markets by taking over their western competitors. We can proudly announce that Navigator Capital was Wielton's advisor by this transaction.

In 2015, the most active vendors in the Polish market were private persons and, on the other side, the most active buyers were PE/VC funds. This may indicate the increasingly common practice of the sale of businesses by their founders, who were faced with the problem of succession.

We are moderately optimistic regarding the situation on the M&A market in 2016. One of the key factor contributing to the increase in the number of M&A in Poland is certainly a growing maturity in many sectors of the economy, forcing the consolidation of operating companies. One thing is for sure - the following year will be very interesting.