



M&A Index Poland

4Q 2015

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

Experts' comments to the 18 edition
of the report can be found on the website:
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M&A Index Poland, 4Q 2015

by Navigator Capital & FORDATA | January 2016

Total number of transactions*

77 (4Q 2015)

The largest transaction**

EUR 349m

(Acquisition of LW Bogdanka by Enea Energy 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. For the past seven editions we are also focusing on the frequency of use of the Virtual Data Room during M&A processes in Poland.

Introduction

The fourth quarter of 2015 was outstanding in terms of the number of transactions on the Polish M&A Market with 77 deals completed. In comparison, in the previous quarter 66 transactions were carried out and 56 in the fourth quarter of 2014. It is an interesting result, given the uncertainty that prevailed among investors associated with falls on the WSE. The targets of the acquisitions were primarily service sector (excluding financial services) as well as the media, IT and telecom sectors' companies. Below please find attached description of the most considerable deals.

Selected transactions

TARGET	BIDDER	SELLER	VALUE [EUR]
FX Energy	Orlen Upstream	-	105m

(13th October) ORLEN Upstream, a wholly owned subsidiary of the Polish petroleum giant PKN ORLEN, which explores and produces crude oil and natural gas, has acquired USA based FX Energy, listed on NASDAQ. The American company provides services related to exploration and production of hydrocarbons with the main assets in Poland. The total transaction value including the assumption of FX Energy net debt will amount to ca. EUR 105m. The acquisition will increase the buyer's reserves by 8.4m barrels of oil equivalent.

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 of Medi-Lynx Cardiac Monitoring, 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 (McKinney, Texas, USA) would not exercise its preemptive right to acquire shares in Medi-Lynx.

TARGET	BIDDER	SELLER	VALUE [EUR]
LW Bogdanka (66% stake)	Energy Group Enea	-	349m

(19th October) Energy Group Enea, producer, distributor and seller of electricity in Poland, has received an approval for acquisition of Lubelski Węgiel Bogdanka, coal mining company. This creates one of the largest fuel and energy company in Poland. The deal is an important event in the Polish business also because one of the WIG20 index companies takes over another one listed in the same prestigious index of the WSE. The approval for that deal was dependent on the takeover of Katowicki Holding Węglowy by Enea, which helped the Polish public company to cope with its financial difficulties. In the tender offer, Enea acquired more than 66 % of the shares (versus the required 64.57 %) at 67.39 PLN per share.

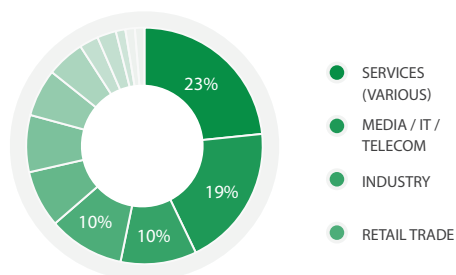
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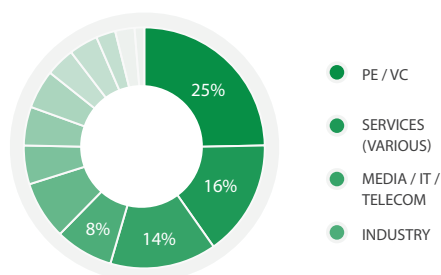
By sector

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

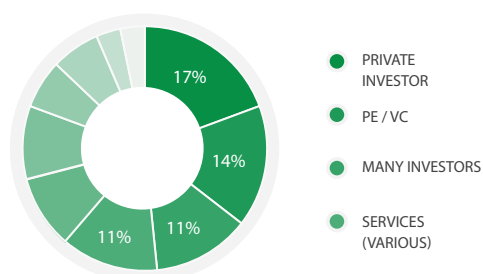
TARGET (%)



BIDDER (%)



SELLER (%)



TARGET	BIDDER	SELLER	VALUE [EUR]
Stary Browar shopping center	RREEF Investment GmbH	Fortis (Grażyna Kulczyk)	>235m

(23rd October) RREEF Investment, German investment fund that belongs to Deutsche Bank Group, has acquired Stary Browar shopping center in Poznan. The previous owner of Fortis was a private investor Grażyna Kulczyk. RREEF Investment invests also in real estate offices in Poland. In October 2014, the company bought Warsaw office block Metropolitan for EUR 190m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Apteki Gemini	Warburg Pincus	-	n/a

(2nd November) American private equity fund, Warburg Pincus, has acquired majority stake in Polish drugstore chain chain Apteki Gemini. The investor will support the company in its expansion on the Polish market. The partnership arrangement provides that strategy will be implemented by current management board.

TARGET	BIDDER	SELLER	VALUE [EUR]
Reydrob	Farmio	-	n/a

(6th November) Owner of the non-GMO eggs brand, Farmio, has acquired Reydrob, Polish poultry slaughterhouse. Reydrob makes the annual revenue of EUR 118m. The transaction is compatible with a Farmio strategy aiming to expand its activities in the Polish market.

TARGET	BIDDER	SELLER	VALUE [EUR]
Mika Tur (80% stake)	IS PE Investment Trust; MCI.PrivateVentures FIZ	-	15m

(9th November) MCI.TechVentures 1.0 fund, which is a part of Private Equity Managers Capital Group, and one of the leading private equity funds in Turkey, IS Private Equity Investment Trust, have acquired a 80% stake of Turkish travel service company Mika Tur. Mika Tur is the owner of the website Tatilbudur- leader on the e-travel market (ca. 20 million tourists annually). MCI.TechVentures bought almost the 60% stake, whereas 20% was purchased by financial investor from Turkey. In 2014 Mika Tur generated annual revenue of EUR 76m.

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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.

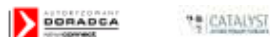
FORDATA

- 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 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.

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TARGET	BIDDER	SELLER	VALUE [EUR]
AMCO (75% stake)	Frutarom Industries	-	19m

(11th November) Israeli public company producing flavor and fine ingredients, which is listed on the stock exchange in Tel-Aviv and London, has acquired the 75% stake in Polish manufacturer of spice mixes, marinades and functional blends for the food industry, AMCO. The deal contains a call option for the rest of the stake after 2,5 year. The price would be based on the financial performance of the company. Thanks to the transaction Frutarom will increase its presence in Poland receiving an access to a modern production plant and R+D department. In the financial year ended 30th September 2015 AMCO achieved revenues of EUR 17m.

TARGET	BIDDER	SELLER	VALUE [EUR]
Bania Aquapark (56% stake)	Viriditas	Private investors	n/a

(16th November) Special purpose entity Viriditas, has acquired the 56% stake from 6 private investors 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 Viriditas financial advisor in that transaction.

TARGET	BIDDER	SELLER	VALUE [EUR]
Kicking Horse Energy	Orlen Upstream Canada	-	209m

(1st December) Orlen Upstream Canada, a wholly owned subsidiary of the Polish petroleum giant PKN ORLEN, which explores and produces crude oil and natural gas, has acquired Canadian based petroleum company Kicking Horse Energy. New assets significantly expand the exploration and production capabilities of PKN Orlen in Western Canada.

TARGET	BIDDER	SELLER	VALUE [EUR]
Enovatis	Grupa Wirtualna Polska	-	20m

(19th December) Wirtualna Polska Group, has acquired Enovatis company, the largest and fastest growing online travel agent (OTA) in Poland. The portfolio of the company includes three popular tourist portals: wakacje.pl, easygo.pl and wypoczynek.pl. In 2014 revenues of Enovatis amounted to EUR 6m and operating income to EUR 1.5m. This is the biggest transaction carried out by Wirtualna Polska after the merger with o2 in early 2014. The acquisition of Enovatis is the seventh transaction of Wirtualna Polska since its debut on the Warsaw Stock Exchange (May 2015).

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Experts' comments



Marta Kotwis

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

The last quarter of 2015 in the market of mergers and acquisitions in Poland was as intense as previous quarters. **In Q4 2015 a record number of 77 closed transactions was noted.** From quarter to quarter we have observed further growth - there is **an increase in the number of transactions at the level of almost 55%** in total compared to Q1 2015 (50 transactions in Q1, 55 in Q2, 66 in Q3).

In accordance with our predictions last year, we still see a lot of fragmentation in terms of transaction value - **transactions with disclosed price worth less than PLN 100 million are still dominant**, with 22 of those transactions recorded in Q4 2015. Most of the acquired companies were related to services.

The largest transaction was the acquisition of LW Bogdanka by Enea Energy Group for PLN 1.5bn, and the acquisition of Sary Browar - Shopping, Art and Business Centre in Poznań, part of the assets of Fortis, by a German fund RREEF Investment for EUR 290 million.

Higher rates of return than in Western Europe cause **high activity of funds especially on the side of buyers** (up to 25% of all transactions). We expect that this trend will continue. The vendor side of transactions is dominated by individuals, which confirms the phenomenon of succession being observed in Poland since the beginning of the year.

The last quarter of 2015 shows that the Polish transactional market continues to develop. More and more companies emphasize the importance of security of information shared during transactions. **The use of Virtual Data Room system is getting more popular in the transactional market** as it is the most comprehensive solution to protect confidential data. The available data shows that **in Q4 2015 almost 20% of transactions (15 out of 77) were carried out with the use of VDR system.** We believe that far more transactions were carried out with the use of VDR, but the information was not public.

On the global stage there are more and more records in terms of transaction value. In the fourth quarter there was the largest single transaction of 2015 - merger of pharmaceutical companies Pfizer and Allergan worth USD 183.7 billion. In general, 2015 is considered a record year with the score of USB 3.49 trillion (an increase of almost 25% compared to 2014).

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Jan Kospin

Director
Navigator Capital S.A.

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Only in the last quarter of 2015 **WIG dropped by more than 7%, while the German DAX increased by over 9% and the American NASDAQ by over 5%.** It seems that the main reasons of this situation concern the government changes in Poland. Political factors caused concerns among the investors on the WSE, which was reflected particularly in valuations of banks, as well as mining and energy companies. **Drop in valuations is accompanied by the depreciation of PLN to USD and EUR,** which in short term might support the Polish exports. However, in the long-term perspective this might adversely influence the country's public debt.

In the fourth quarter of 2015, target companies came primarily from the service sector (excluding financial services) and the firms which operate in the media, IT and telecom sectors. The buy-side is constantly dominated by PE/VC funds that notice significant potential in many Polish companies. The main sellers still remain private investors, which proves that succession trend became a common reality among Polish entrepreneurs.

The biggest deal in fourth quarter of 2015 was the acquisition of LW Bogdanka by Enea Energy Group for ca. EUR 349m. It is an interesting transaction since it involves two companies listed on WSE and included in the WIG20 index. Additionally it is a model example of vertical integration.