


M&A Barometer 2015

Central and Southeast Europe



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- ▶ Acquisitions of minority stakes below 15%
- ▶ A majority shareholder's further acquisition of a minority interest
- ▶ Real estate transactions (except when the target or buyer was a real estate company or real estate fund)
- ▶ Capital market transactions (except for transactions that resulted in a change of control)
- ▶ Acquisitions of licenses
- ▶ Joint venture agreements
- ▶ Greenfield investments
- ▶ IPOs
- ▶ Privatizations
- ▶ Multicountry deals (the value of these deals was ignored in each country, but the number was counted in)
- ▶ Internal reorganizations

Introduction

In our *M&A Barometer*, we analyze the prevailing trend in 11 Central and Southeast European (CSE) countries (Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). The total number of transactions was 1,281, which decreased by 1.8% in 2015 compared with 2014. The estimated size of the CSE M&A market increased by 12.0% compared with 2014.

More specifically, similarly to last year, we observed a majority of domestic transactions - in the case of 49% of all deals, the buyer and the target originated from the same country (five percentage points lower than in 2014). Also noteworthy is the fact that the proportion of transactions closed by strategic investors increased by 11 percentage points from 67% in 2014 to 78% in 2015 and the most active target industry was IT, while in terms of value, the largest transaction occurred in the banking and financial services sector.

CSE highlights 2015

1,281



Number of closed transactions

43.1b



Estimated market size (US\$)

Top three countries by number of transactions



- 1) Turkey
- 2) Poland
- 3) Czech Republic

Top three most active industries in CSE (by volume)

184



IT deals

167



Manufacturing

121



Services

Top three most active industries in CSE (by average deal value)

US\$213m



Banking and financial services

US\$107m



Transportation and logistics

US\$83m



Telecommunications and media

US\$361.3m

Average size of deals over US\$100m

US\$17.9m

Average size of deals below US\$100m

5.4%

Proportion of deals over US\$100m, as percentage of total deal volume

39.6%*

Disclosure rate of transaction value or deal size

*By applying this disclosure rate, we estimated the total transaction value of the M&A market for each country.

Number of M&A transactions in CSE

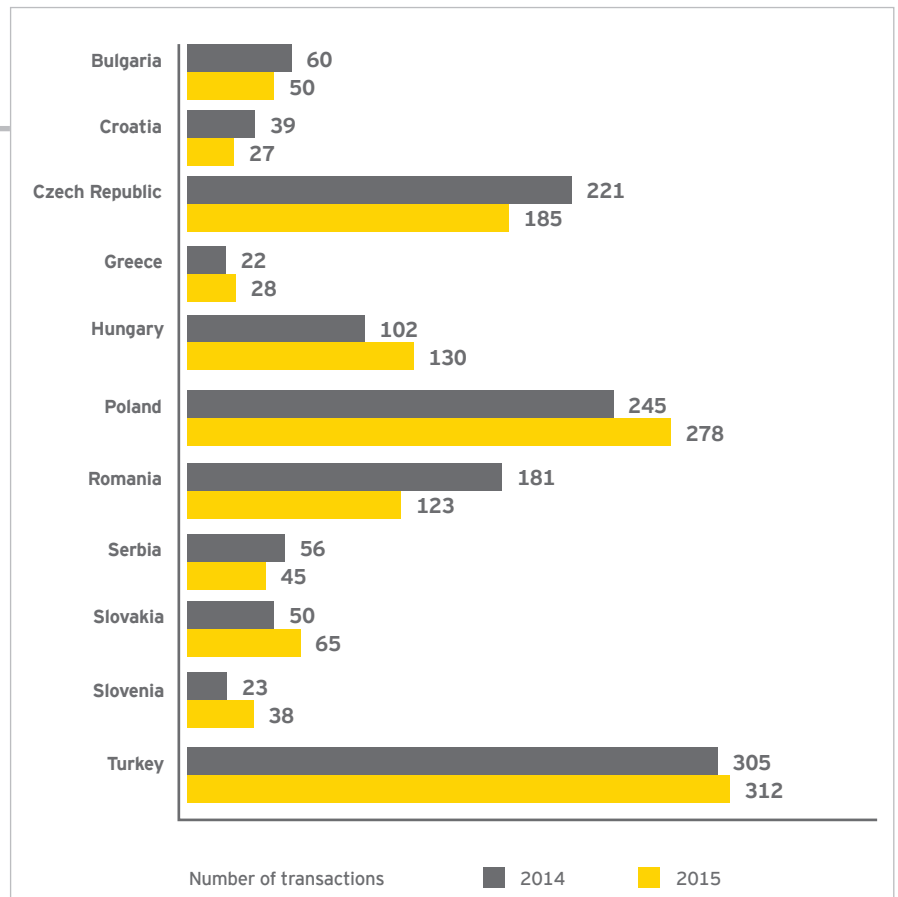
Turkey was the most active country in terms of deal volume in 2015, closing 312 transactions during the respective period.

It was followed by Poland and the Czech Republic, closing 278 and 185 deals respectively.

The total number of transactions was 1,281 in the region in 2015, a representing 1.8% decline compared with 2014.

Although the overall transaction volume was slightly below that of 2014, six of the countries experienced increased M&A activity in terms of the number of transactions in 2015.

The minor decrease was mainly caused by the significant drop in the volume of deals in Romania and Croatia, where the number of closed deals were 123 and 27 respectively, representing a 32.0% and 30.8% decrease compared with 2014.



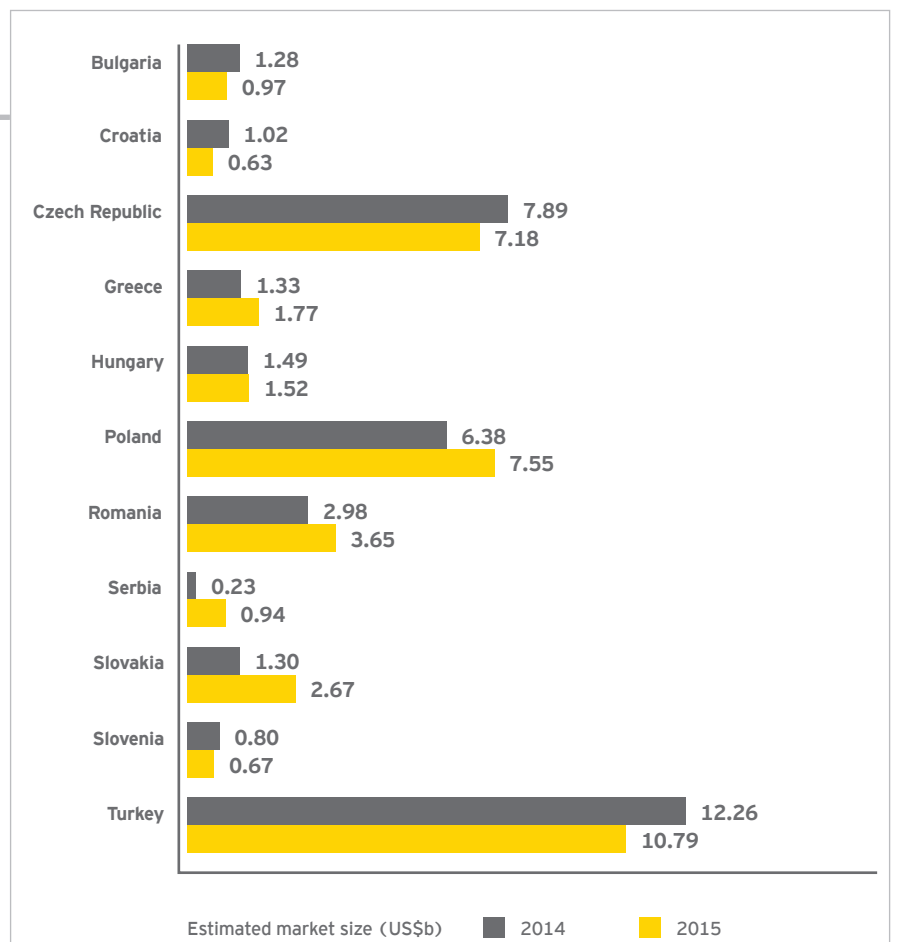
Estimated transactions value of the CSE market

The total 2015 estimated transaction value in the CSE market was US\$43.1b, up by 12.0% from the previous year. This increase can mainly be attributed to the increase in the average deal size of transactions.

Turkey ranked first with an estimated value of US\$10.8b, followed by Poland (US\$7.6b) and the Czech Republic (US\$7.2b).

Serbia experienced the highest growth in 2015 (314.9%), when the market increased to US\$0.9b from US\$0.2b in 2014.

The estimated market size also increased in Slovakia, Greece, Romania, Poland and Hungary, but it decreased in Croatia, Bulgaria, Slovenia, Turkey and the Czech Republic.

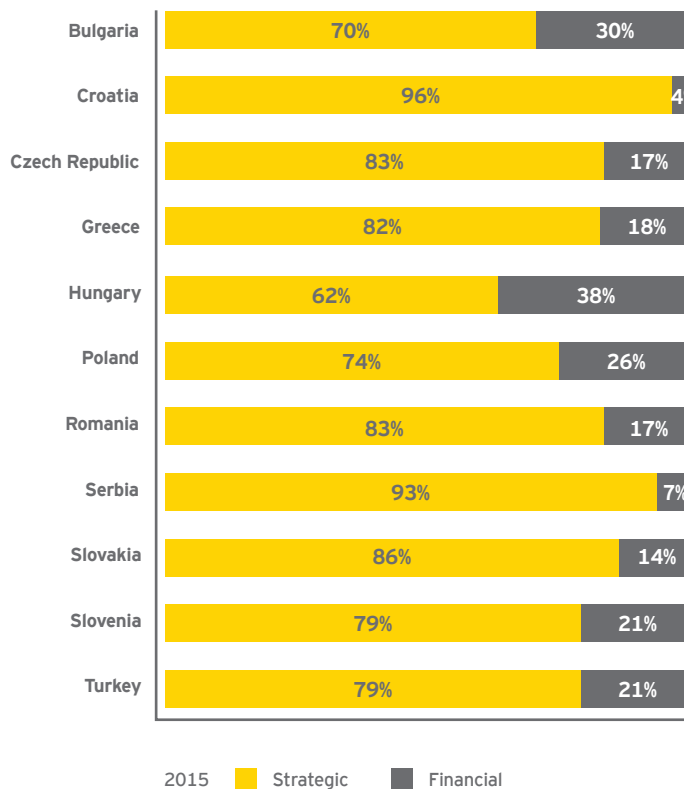


Investor population - strategic and financial

The vast majority of deals were closed by strategic investors in all countries, resulting in an overall proportion of 78% in the region.

The highest ratio was reached by Croatia, where 96% of acquisitions were performed by strategic investors, followed by Serbia (93%) and Slovakia (86%).

The share of financial investors was the highest in Hungary and Bulgaria, where financial deals were responsible for 38% and 30% of the market.



Direction of transactions

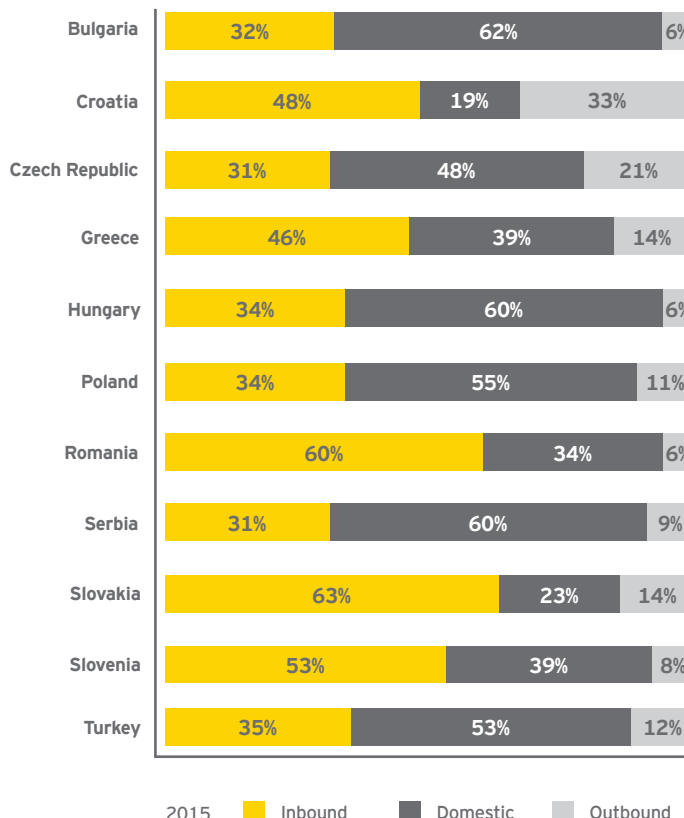
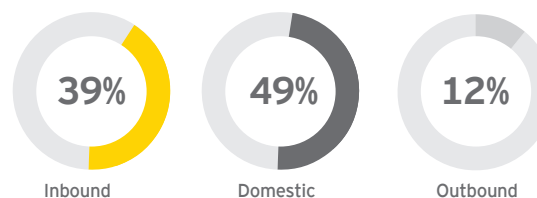
Domestic transactions represented the majority of CSE transaction market in 2015 as, in 49% of the total number of deals, the buyer and the target originated from the same country. This represents a decrease compared with 2014, while both inbound and outbound transactions were more active than in the previous year, with a share increase of by three percentage points and one percentage point.

Domestic transactions were most popular in Bulgaria (62%), Hungary (60%) and Serbia (60%).

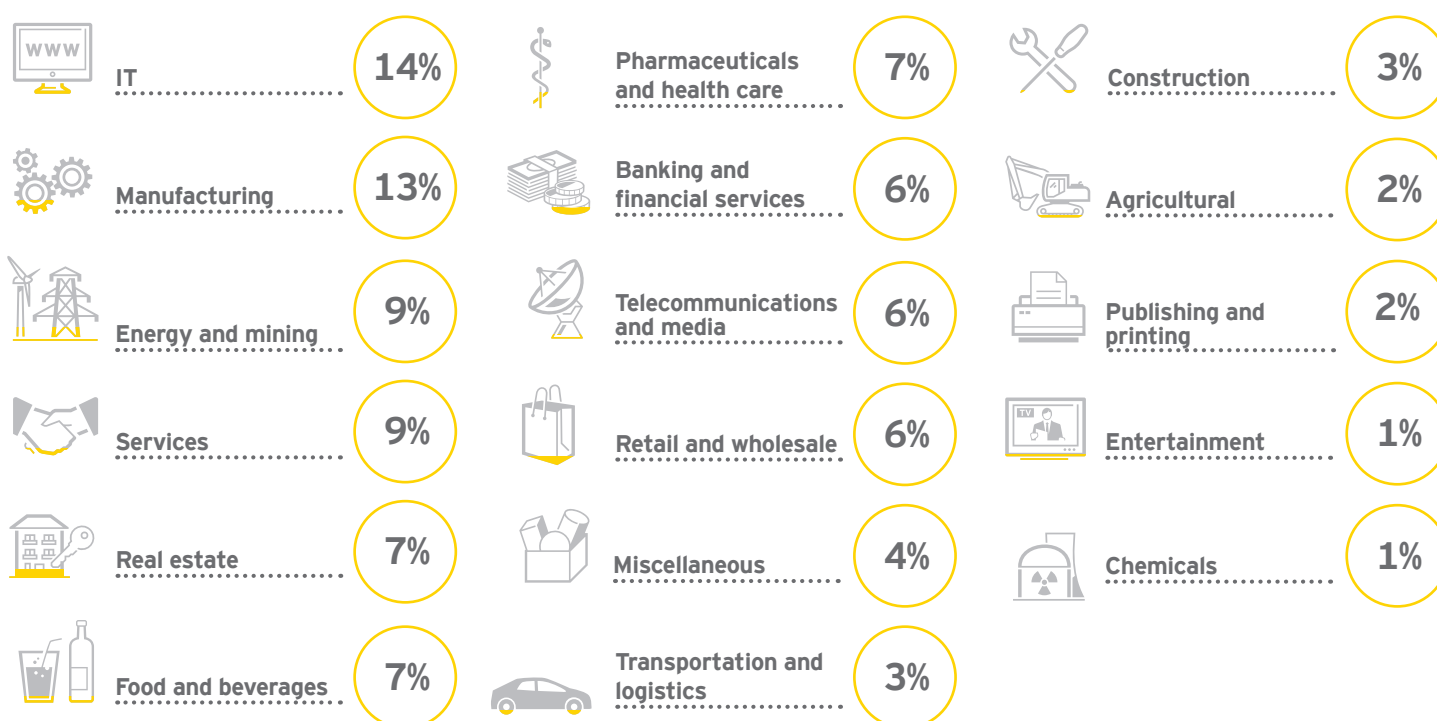
Turkey and the Czech Republic had the most outbound transactions (each with 38 deals), followed by Poland (30).

The proportional share of outbound transactions was the highest in Croatia (33%) and the Czech Republic (21%).

The proportional share of inbound transactions was the highest in Slovakia (63%), followed by Romania (60%).



Sector analysis



The most active sectors in each country (by deal volume)

Target country	Bulgaria	Croatia	Czech Republic	Greece	Hungary	Poland	Romania	Serbia	Slovakia	Slovenia	Turkey
Industry	IT	Manufacturing	Services	Banking and financial services, IT	IT	Manufacturing	Energy and mining, IT	Manufacturing	Banking and financial services	Manufacturing	IT

IT and technology

The IT sector was the most active target industry (by number of transactions), accounting for 184 deals and 14% of all transactions in 2015. The largest transaction in this sector was the acquisition of the Turkish yemksepeti.com by Delivery Hero for US\$589m.

Another large transaction in the IT sector was the acquisition of the Polish hosting and internet services provider home.pl S.A. by the Germany-based Progress 1&1 Internet AG for US\$135m.

The average value of deals with a disclosed deal value in this sector was US\$15m in 2015.

Manufacturing

The manufacturing sector closed 167 deals in 2015. The largest deals in this sector included the Czech company CGS Holding's acquisition by the Sweden-based Trelleborg AB for US\$1,262m, the acquisition by CRH of all the Romanian assets of Lafarge for an estimated value of US\$439m, the Bulgarian

ceramic tile floor manufacturer KAI group's acquisition by Mohawk Industries Inc. for US\$193m and the acquisition of the Romanian tissue paper producer Pehart Tec by Abris Capital Partners for US\$112m.

The average deal value in this sector was US\$36m.

Services

The services sector closed 121 transactions in 2015. Some of the largest transactions included the Poland-based AmRest Holding SE's acquisition by Finaccess Mexico DA de CV for US\$331m and Hungarian company Accor-Pannonia Hotels Ltd's acquisition by Orbis SA for US\$169m. The average value of disclosed deals in this sector was US\$17m.

Energy and mining

In the energy and mining sector, 115 deals were closed in 2015. The largest transactions in this sector included the Greek company S&B Industrial Minerals SA's acquisition by the French Imerys Sa for US\$634m, E.ON Italia Spa's Coal and

Gas Business's acquisition by the Czech company EPH a.s. for US\$592m and PKP Energetyka S.A.'s acquisition by the UK-based financial investor CVC Capital Partners for US\$537m.

Food and beverages

The food and beverages sector closed 90 transactions in 2015. The largest transactions in this sector included the acquisition of the Serbian company Danube Foods Group by Mid Europa Partners LLP for US\$657m and the Hungarian company Partner in Pet Food's (PPF) acquisition by the financial investor Pamplona Capital Management US\$343m.

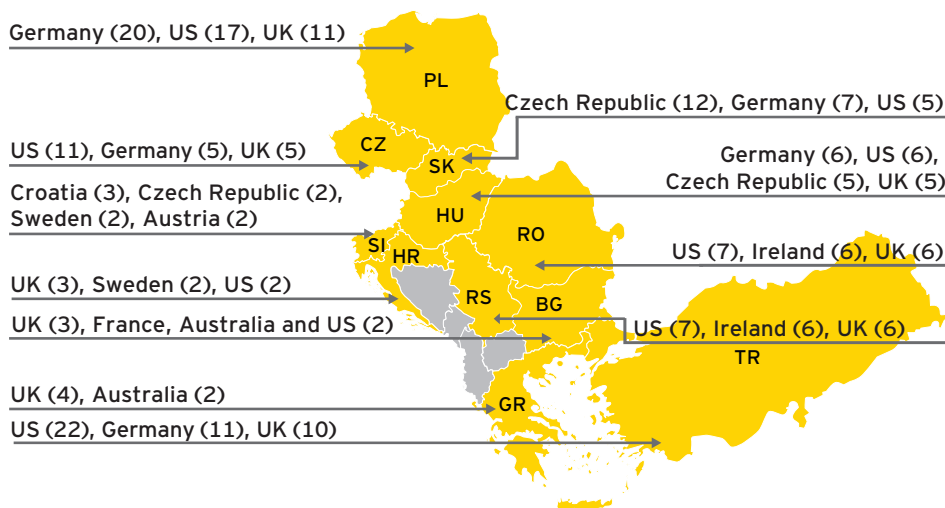
In terms of value, the largest transactions occurred in the banking and financial services, manufacturing and telecommunications and media sectors.

Each country had its own favored industry; however, IT ranked first in most countries, while manufacturing and banking and financial services were also active sectors.

Foreign interest

Although there were fewer foreign inbound deals compared with domestic deals, in terms of the origin of foreign capital invested in CSE by M&A transactions, Western European and non-European investors continued to lead against investors from CSE countries in 2015.

The US was the most active in 2015, closing 62 deals in the region, followed by Germany (49) and the UK (45).



The 10 largest transactions in CSE in 2015 (US\$m)

Target	Country of target	Buyer	Country of buyer	Value
Finansbank	Turkey	Qatar National Bank	Qatar	2,940
CGS Holding a.s.	Czech Republic	Trelleborg AB	Sweden	1,262
Slovak Telekom as	Slovakia	Deutsche Telekom AG	Germany	1,025
Kumport Limanı (Subsidiary of Fina Liman)	Turkey	COSCO Pacific, China Merchants Holdings International, CIC Capital	China	940
UniCredit Tiriac Bank	Romania	UniCredit SpA	Italy	771
Danube Foods Group	Serbia	Mid Europa Partners LLP	UK	657
Pharmathen S.A.	Greece	BC Partners Limited	UK	643
S&B Industrial Minerals SA	Greece	Imerys SA	France	634
TVN SA	Poland	Scripps Networks Interactive Inc	US	613
E.On Italia S.p.A., Coal and Gas Business	Italy	EPH a.s.	Czech Republic	592

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