

# M&A Barometer 2016

Central and Southeast Europe

# M&A Barometer

**EY M&A Barometer** is a summary and analysis of publicly disclosed information accumulated from reputable databases.

M&A activity and data includes private-to-private transactions and excludes:

- ▶ Acquisitions of minority stakes below 15%
- ▶ 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
- ▶ Multi-country deals (the value of these deals was ignored in each country, but the number was included)
- ▶ Internal reorganizations

## Introduction

In our *M&A Barometer* we analyze the prevailing trends in 11 Central and Southeast European (CSE) countries (Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). The total number of transactions was 1,165 in 2016, showing a 9.1% decrease compared with 2015, however the estimated size of the CSE M&A market increased by 10.7% compared with the previous year.

More specifically, similarly to last year, we observed a majority of domestic transactions – 52% of all deals, the buyer and the target originated from the same country (three percentage points higher than in 2015). Also noteworthy is the fact that the proportion of transactions closed by strategic investors remained unchanged at 78% of total deal volume, and the most active target industry was IT, while in terms of value the largest transaction occurred in the food and beverages sector.

# CSE highlights

## 2016

**1,165**

Closed transactions

**47.7b**

Estimated market size in US\$



Top three most active industries in CSE (by volume):



**189 deals**  
IT



**148 deals**  
Manufacturing



**104 deals**  
Services

Top three most active industries in CSE (by average deal value in US\$):



**US\$344m**  
Food and  
beverages



**US\$175m**  
Banking and  
financial services



**US\$113m**  
Telecommunications  
and media

**385.2m**

Average deal size of deals  
over US\$100m

**17.7m**

Average deal size of deals  
below US\$100m

**3.9%**

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

**30.9%\***

Disclosure rate of transaction  
value or deal size

\*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

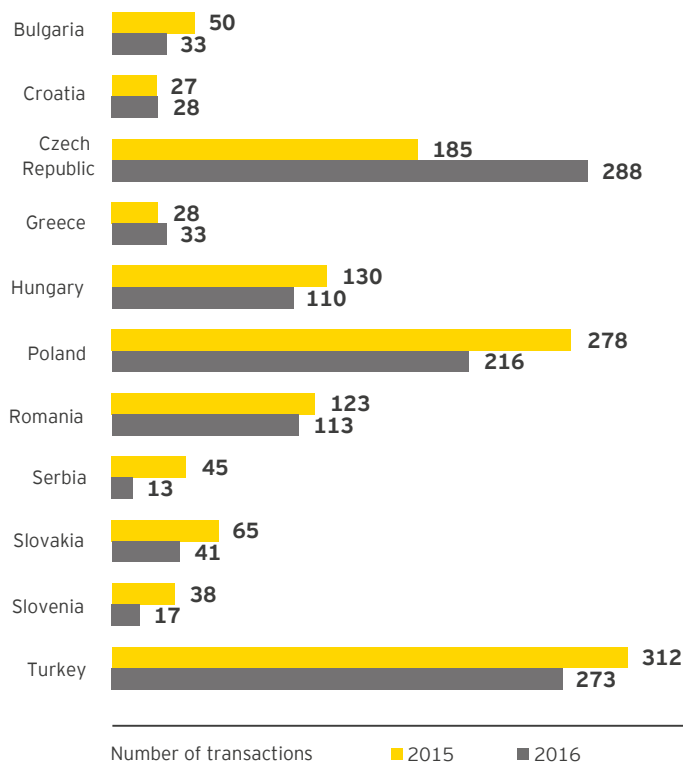
The Czech Republic was the most active country in terms of deal volume in 2016, closing 288 transactions during the respective period.

It was followed by Turkey and Poland, closing 273 and 216 deals respectively.

The total number of transactions was 1,165 in the CSE Region in 2016, representing a 9.1% decline compared with 2015.

The decrease was mainly caused by a drop in deal volume in certain countries including Poland, Turkey, Serbia, Slovenia and Slovakia.

Only three of the countries – the Czech Republic, Croatia and Greece – experienced an increase in M&A activity in terms of the number of transactions in 2016.



## Estimated transactions value of the CSE market

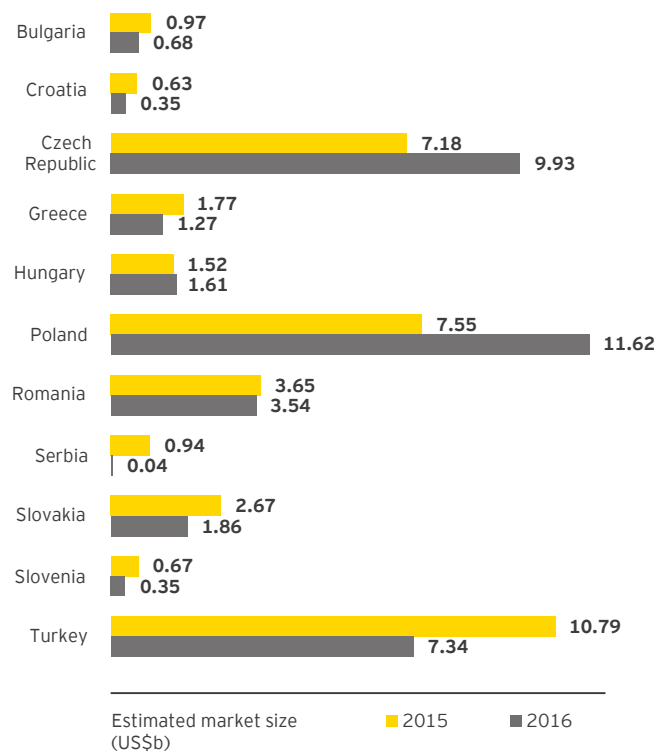
In 2016, the total estimated transaction value in the CSE market was US\$47.7b, an increase of 10.7% on the previous year. This increase can mainly be attributed to the rise in the average size of deals to above US\$100m from US\$361m in 2015 to US\$385m in 2016 and mega deals over US\$1.000m with an increased average of US\$3.324m.

Poland ranked first with an estimated value of US\$11.6b, followed by the Czech Republic US\$9.9b and Turkey US\$7.3b.

Poland experienced the highest growth in 2016 (53.9%), where the market increased from US\$7.6b in 2015.

The estimated market size also increased in the Czech Republic and Hungary.

The largest decrease occurred in Serbia where the estimated market size fell down by 96% from 2015. The significant drop was due to long lasting transaction and approval processes that result in protracted deals to be closed in 2017.

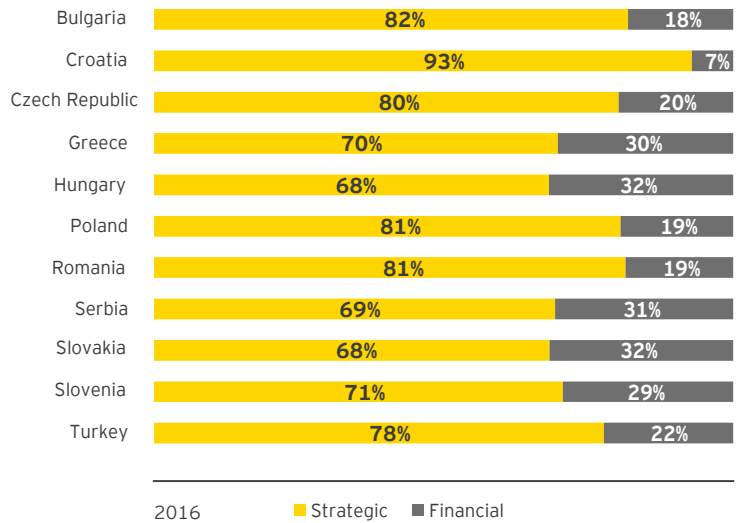


## Investor population – strategic and financial

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

In Croatia, 93% of the acquisitions were performed by strategic investors, followed by Bulgaria (82%), Poland (81%) and Romania (81%).

The share of financial investors was the highest in Hungary and in Slovakia, where financial deals were responsible for 32% of the market, followed by Serbia with 31%.



## Direction of transactions

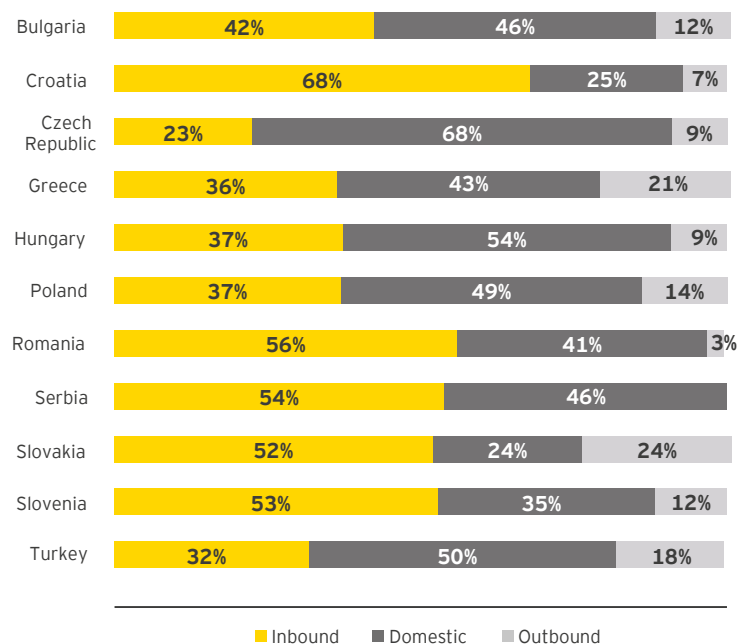
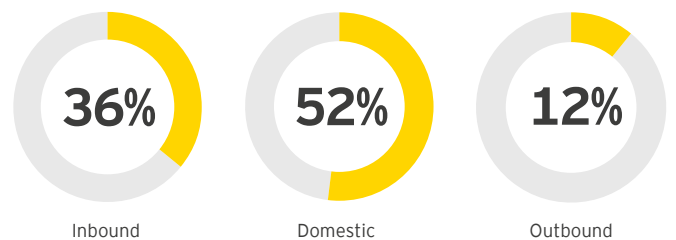
Domestic transactions represented the majority of CSE transactions on the market in 2016, as in 52% of the total number of deals. This represents a three percentage points increase compared to 2015. The share of outbound transactions were similar to the previous year's results.

Domestic transactions were most popular in the Czech Republic (68%) and Hungary (54%).

Turkey and Poland had the most outbound transactions with 48 and 30 deals respectively, followed by the Czech Republic with 26 deals.

The proportional share of outbound transactions was the highest in Slovakia (24%) and in Greece (21%).

The proportional share of inbound transactions was the highest in Croatia (68%), followed by Romania (56%).



# Sector analysis



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

Target country	Industry
Bulgaria	IT
Croatia	Food and beverages, retail and wholesale, services, real estate
Czech Republic	IT
Greece	Real estate, energy and mining
Hungary	Manufacturing
Poland	IT
Romania	Manufacturing
Serbia	Construction
Slovakia	Banking and financial services
Slovenia	Retail and wholesale
Turkey	IT

### IT

The IT sector was the most active target industry (by number of transactions), accounting for 189 deals and 16% of all transactions in 2016. The largest transactions in this sector included the acquisition of the Polish Allegro SA by the Cinven, Permira and Mid Europa Partners consortium\* for US\$3,250m and the acquisition of AVG Technologies N.V. by AVAST Software s.r.o., the Czech industry-leading developer of security software, for US\$1,365m. Another large transaction in the IT sector was the acquisition of the cloud-based live video streaming service provider UStream by IBM for ca. US\$130m, according to public sources.

The average value of deals with a disclosed deal value in this sector was US\$78m in 2016.

### Manufacturing

The manufacturing sector closed 148 deals in 2016. The largest deals in this sector included the acquisition of the glass container business of Yalos Holdings Overseas Limited by BA Vidro S.A. for US\$540m and the acquisition of Dawlance, Pakistan's market-leading home appliance brand, by the Turkish Arçelik A.Ş. for US\$258m.

The average deal value in this sector was US\$65m.

### Services

The services sector closed 104 transactions in 2016. Some of the largest transactions included Finaccess Mexico SA de CV's acquisition of a 30.14% stake in the Poland-based AmRest Holding SE for US\$424m. Abris Capital Partners acquired majority stake in Green Group, the leading recycling business in Romania and South-Eastern Europe, for US\$57m. The average deal value of disclosed deals in this sector was US\$25m.

### Energy and mining

Ninety-five deals were closed in the energy and mining sector in 2016. The largest transactions in this sector included the acquisition of 30% interest in EP Infrastructure, the holding company of regulated infrastructure assets in Slovakia and the Czech Republic, by Macquarie Infrastructure and Real Assets Limited for US\$1,648m and the 30% stake acquisition of the Allianz Group in E.ON's energy distribution business in Romania for US\$286m. The average deal value of this sector was US\$87m.

### Banking and financial services

The banking and financial services sector closed 87 transactions in 2016. The largest transactions in this sector included UniCredit S.p.A.'s disposal of a 32.8% stake in Bank Pekao S.A.\* to PZU S.A. and Polish Development Fund S.A. for US\$2,555m, and CEFC China Energy Company Limited's 40% stake acquisition in J&T Finance Group SE for US\$800m, where CEFC China acted as a financial investor.

Average value of deals with disclosed deal value in this sector was US\$175m.

### Sectors across the CSE Region

Each country had its own favored industry, however IT ranked first in most countries, while manufacturing, retail & wholesale and real estate were also active sectors.

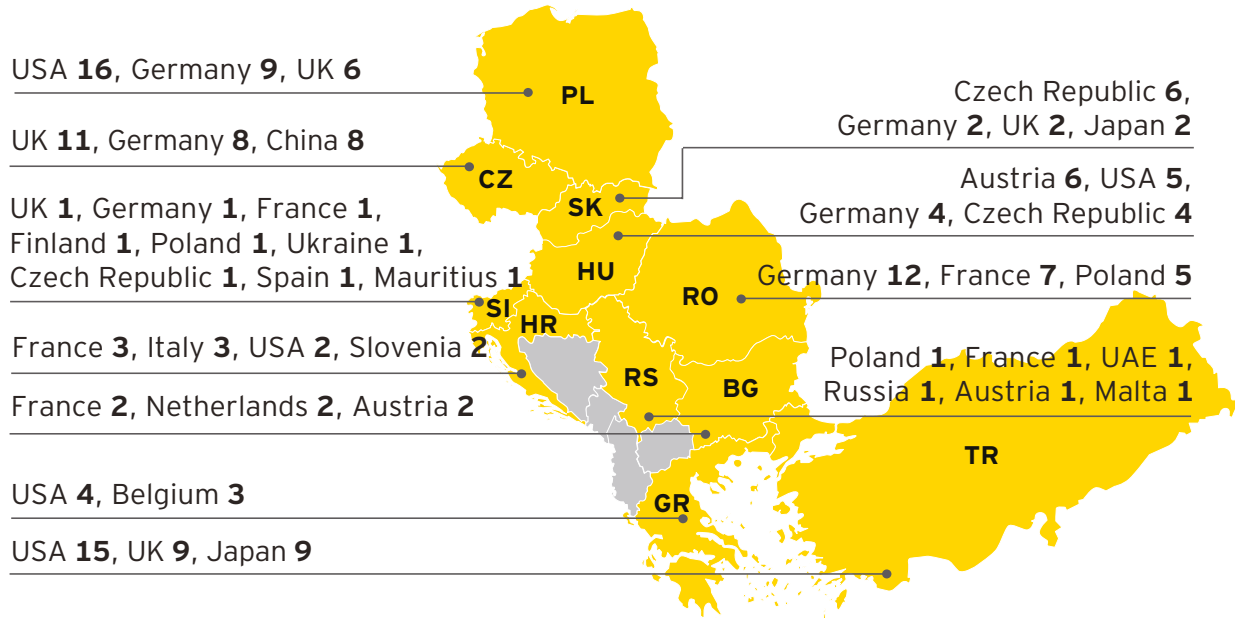
In terms of value, the largest transaction occurred in the food and beverages sector in 2016, where the Japanese Asahi Group Holding's bought a group of Eastern-European beer brands\* from Anheuser-Busch InBev for US\$7.8b.

\*Transactions are subject to customary regulatory and antitrust approvals, and are expected to be completed in 2017.

# 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 2016.

The US was the most active in 2016, closing 45 deals in the region followed by Germany (33) and the UK (31).



## The ten largest transactions in CSE in 2016 (US\$m)

Target	Country of target	Buyer	Country of buyer	Value
CEE Business of Anheuser-Busch InBev*	Czech Republic, Poland, Hungary, Slovakia, Romania	Asahi Group Holdings	Japan	7,800
Allegro S.A.*	Poland	Cinven, Permira, Mid Europa Partners	United Kingdom	3,250
PointPark Properties s.r.o.	Czech Republic	GIC Private Limited	Singapore	2,675
Pekao S.A.*	Poland	PZU S.A., Polish Development Fund S.A.	Poland	2,555
EP Infrastructure, a.s.	Czech Republic	Macquarie Infrastructure and Real Assets	Australia	1,648
AVG Technologies N.V.	Netherlands	AVAST Software s.r.o.	Czech Republic	1,365
J&T Finance Group SE	Slovakia	CEFC China Energy Company Limited	China	800
Multimedia Polska S.A.*	Poland	UPC Polska	United Kingdom	765
Mars Entertainment Group	Turkey	CJ-CGV	South-Korea	689
KMG International N.V.	Romania	CEFC China Energy Company Limited	China	680

\* Transactions are subject to customary regulatory and antitrust approvals and are expected to be completed in 2017.

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