

M&A Barometer H1 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 and/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 trend in 11 Central and South Eastern European (CSE) countries (Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey). Most of the countries have experienced a decreased M&A activity in terms of total number of transactions that increased by 1.2% in H1 2016 compared to H1 2015. A 38% decrease in the average deal size of deals over US\$100m is observed, however the average deal size of more frequent deals below US\$100m increased by 19.3%. This resulted in a 14.3% decrease in the estimated M&A market size value.

Specifically, we observed a majority of domestic and inbound transactions of all deals with 57% and 32% share, respectively. Also noteworthy is the fact that transactions were dominated by strategic investors, and the most active target industry was IT while in terms of value the largest transactions occurred in the entertainment and real estate sector.

CSE Highlights

H1 2016

655

Closed transactions

14.1bn

Estimated market size in US\$

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



121 deals
IT



75 deals
Manufacturing



62 deals
Services

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



140.8m
Entertainment



78.5m
Real estate



49.6m
Retail and
wholesale



218m

Average deal size of deals over US\$100m

13.6m

Average deal size of deals below US\$100m

2.3%

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

27.9%*

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 H1 2016, closing 194 transactions during the respective period.

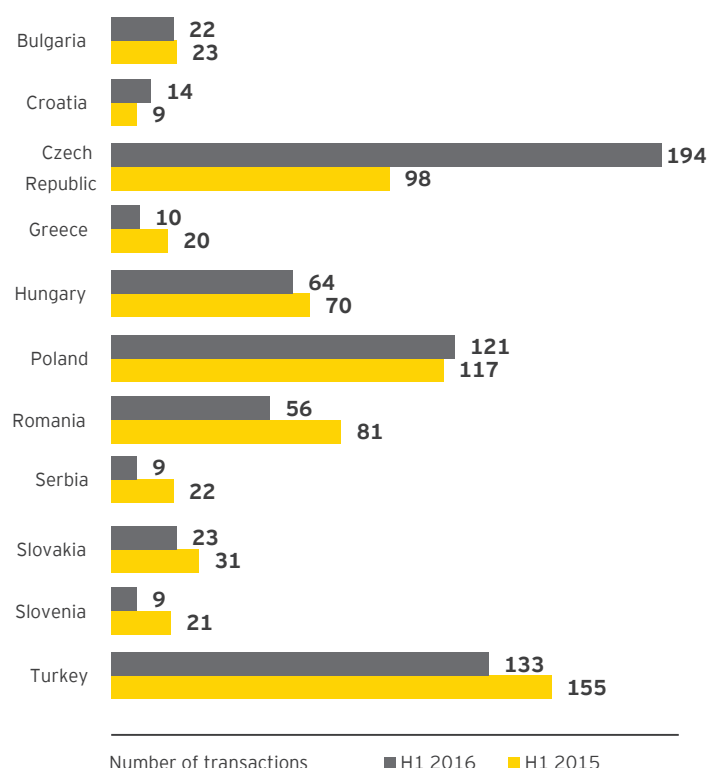
It was followed by Turkey and Poland closing 133 and 121 deals respectively.

The total number of transactions increased in the region from 647 deals in H1 2015 to 655 in H1 2016 representing a 1.2% increase.

Although the overall transaction volume increased in H1 2016, eight of the countries experienced decreased M&A activity in terms of the number of transactions.

The increased overall activity was driven by the significant growth in the volume of deals in the Czech Republic where the increase was 98.0% compared to H1 2015. This was driven mainly by domestic players trying to consolidate sectors where they are already present and the trend was fueled by continuing environment of low interest rates, strong economic growth and a weak Czech crown.

Strengthening M&A activity was especially visible in real estate, IT and pharmaceutical and healthcare sectors.



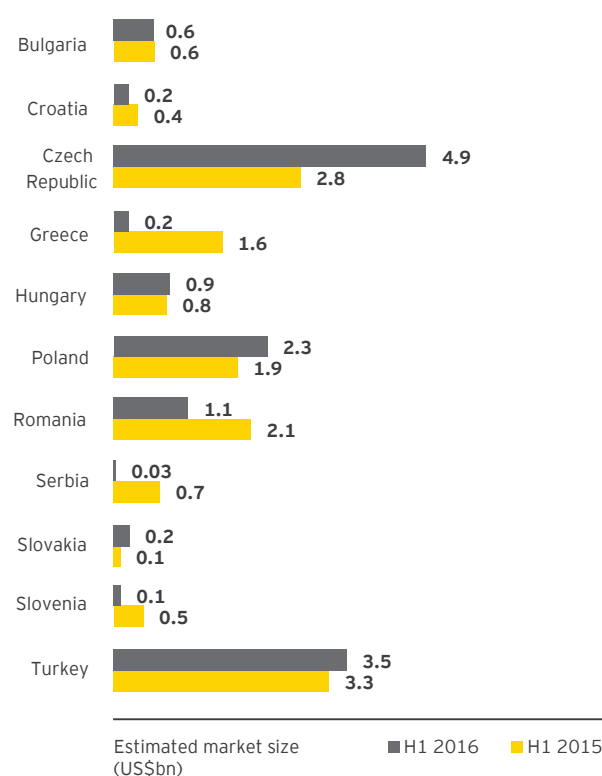
Estimated transactions value of the CSE market

The total H1 2016 estimated transaction value in the CSE market was US\$14.1b, 14.3% lower than in the previous year. This drop is mainly due to less mega deals over US\$1bn in this period.

The Czech Republic ranked first with an estimated value of US\$4.9b, followed by Turkey (US\$3.5b) and Poland (US\$2.3b).

The Czech market witnessed exceptionally strong growth also in terms of deal value in H1 2016, and despite lack of deals over US\$100m, the estimated transaction value increased by 74.1% compared to H1 2015.

Slovakia experienced the highest growth in H1 2016 (135.8%), where the market increased to US\$0.24b in H1 2016 from US\$0.10b in H1 2015.

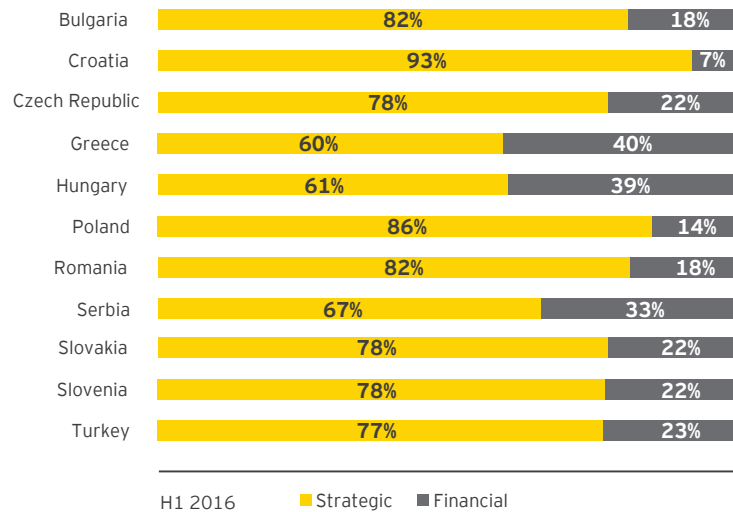


Investor population - Strategic and financial

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

The share of financial investors was the highest in Greece where financial investors were responsible for 40% of the market, followed by Hungary (39%) and Serbia (33%).

The share of financial investors in Greece was high due to the increase in the number of transactions executed by Greek private equity and venture capital firms in H1 2016. While in Hungary, the reason for the comparatively high share of financial deals was the enhanced activity of Joint European Resources for Micro to Medium Enterprises (JEREMIE) venture funds that closed their investment phase in May.



Direction of transactions

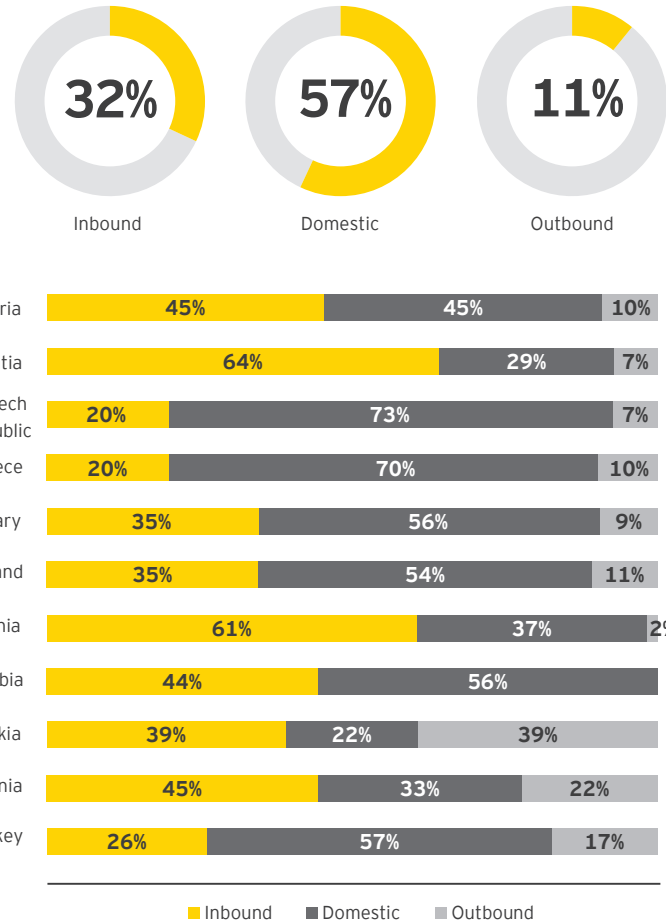
The CSE transaction market was again dominated by domestic transactions in H1 2016 as in 57% of the total number of deals the buyer and the target originated from the same country. This represents a 9 percentage point increase compared to H1 2015.

Outbound transactions were unpopular as in the previous year as their share stagnated at 11%.

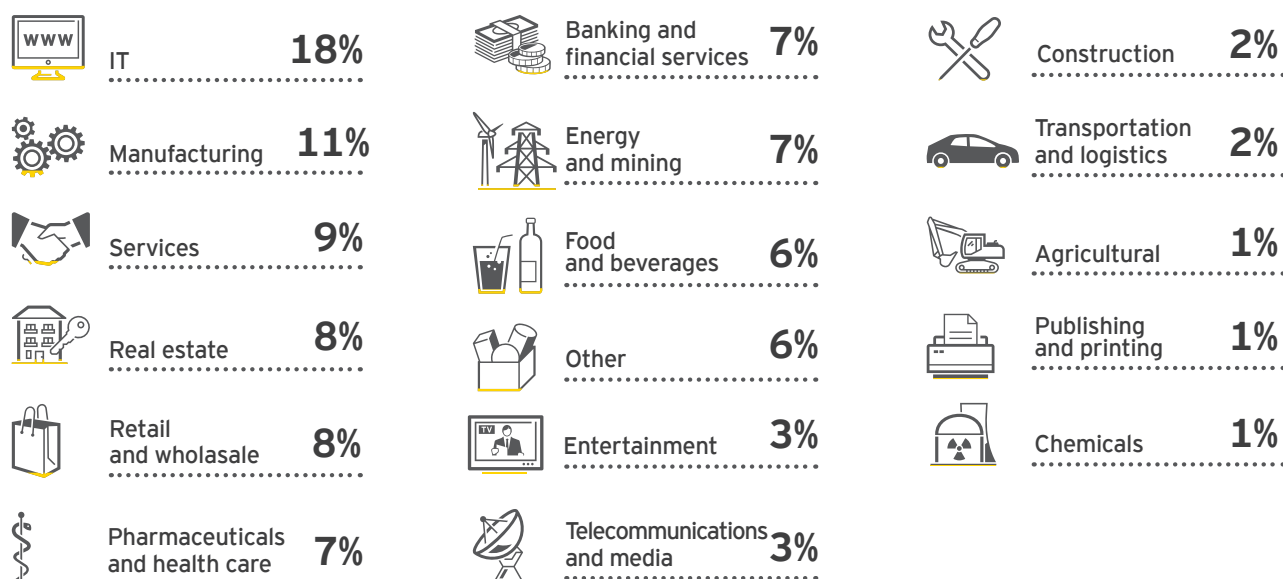
Domestic transactions were the most popular in the Czech Republic (73%), Turkey (57%), Hungary (56%) and in Serbia (56%).

Turkey had the most number of outbound transactions (23 deals) - followed by the Czech Republic (14) and Poland (13). The proportional share of outbound transactions was the highest in Slovakia (39%), Slovenia (22%) and Turkey (17%).

The proportional share of inbound transactions was the highest in Croatia (64%), followed by Romania (61%), Bulgaria (45%) and Slovenia (45%).



Sector analysis



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

Target Country	Industry
Bulgaria	IT
Croatia	Services
Czech Republic	IT
Greece	Retail and wholesale/Food and beverages
Hungary	Manufacturing
Poland	IT
Romania	Manufacturing
Serbia	IT/Construction/Services
Slovakia	IT/Pharmaceuticals and health care
Slovenia	Services/Manufacturing
Turkey	IT

IT and technology

The IT sector was the most active target industry (by number of transactions), with 121 deals, and accounted for 18% of all transactions in H1 2016. The largest transaction in this sector was IBM's acquisition of Ustream, the Hungary based online video and live streaming platform, for ca. US\$130m according to market sources.

Another large transaction from the IT sector was Rockaway's acquisition of the Czech Invia.cz AS for ca. US\$84.9m according to market sources. The average value of deals with a disclosed deal value in this sector was US\$10.9m in H1 2016.

Manufacturing

There were 75 deals closed in the manufacturing sector H1 2016. The largest deals included the acquisition of

Dawlance by Arcelik for US\$258m, Kalenobel Ambalaj's acquisition by Mondi Group for US\$100m and Polinas Plastik's acquisition by Ismet Ambalaj for US\$41m. The average deal value in this sector was US\$32.3m.

Services

There were 62 transactions in the services sector in H1 2016. These included Job Air Technic AS's acquisition by Czechoslovak Group AS for US\$33m, the largest services transaction in the region, Travel Service AS's acquisition by the China based CEFC China Energy Company Limited for US\$30m and Grand Hotel Adriatic DD's acquisition by Teri-Trgovina DOO for US\$13m. The average deal value of disclosed deals in this sector was US\$8.1m.

Real estate

There were 51 closed transactions in the real estate sector in H1 2016. The largest transactions in this sector included the Polish Echo Prime Properties BV acquisition by Redefine Properties Ltd. for US\$395m, Rönensans Holding's acquisition by International Finance Corporation (IFC) for US\$215m and Alem Real Estate's acquisition by Ömer Hüseyin Alfardan for US\$70m. The average deal value of disclosed deals in this sector was US\$78.5m.

Retail and wholesale

50 deals were closed in the retail and wholesale sector in H1 2016. The largest transactions in this sector included SMYK Sp. z o.o.'s acquisition by Bridgepoint Capital Group Ltd. for US\$264m and Kipa's acquisition by Migros for US\$104m.

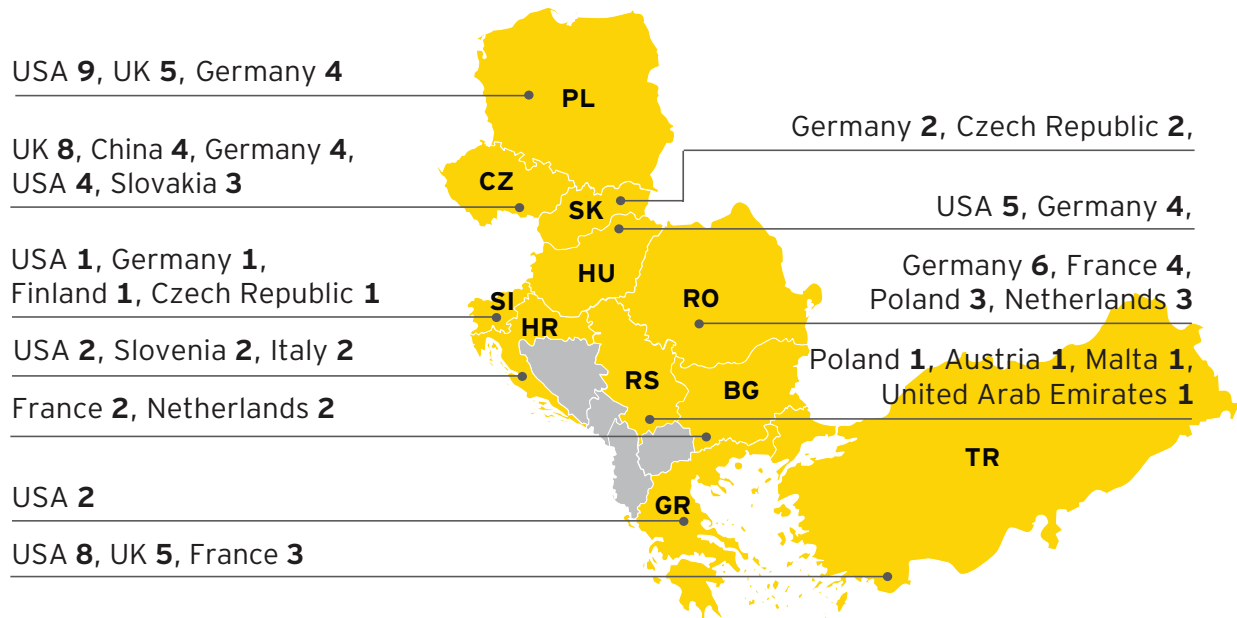
In terms of value, the largest transactions occurred in the Entertainment and Real estate sector.

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

Foreign interest

Although there were fewer foreign inbound deals compared to domestic deals, in terms of the origin of foreign capital invested in CSE by M&A transactions, US based and Western European investors continued to lead against CSE countries in H1 2016.

The United States was the most active in H1 2016, closing 30 deals in the region followed by United Kingdom (22), Germany (22), France (14) and the Italy (10).



The 10 largest transactions in CSE in H1 2016 (US\$m)

Target	Country of target	Buyer	Country of buyer	Value
Mars Entertainment Group	Turkey	CJ-CGV and Other Investors	South Korea	687.0
Echo Prime Properties BV	Poland	Redefine Properties Ltd.	South Africa	394.9
SMYK Sp. z.o.o.	Poland	Bridgepoint Capital Group Ltd.	United Kingdom	264.1
Dawlance	Pakistan	Arcelik	Turkey	258.0
Rönesans Holding	Turkey	International Finance Corporation (IFC)	United States	215.0
getBACK SA	Poland	Abris Capital Partners	Poland	214.3
Hotel Villa Magna	Spain	Dogus Holding	Turkey	196.0
Finox Holding	Switzerland	Gedeon Richter Plc	Hungary	193.8
Scitec Holding	Hungary	Ascendis Health	South Africa	170.0
Ustream	Hungary	IBM	US	130.0

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

This news release has been issued by EYGM Limited, a member of the global EY organization that also does not provide any services to clients.

© 2016 EYGM Limited.
All Rights Reserved.

EYG no. 03274-162Gbl
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com



EY
ACCOUNTANCY FIRM OF THE YEAR
WINNER 2015

Contacts

CSE

Robin Jowitt, Head of M&A
robin.jowitt@tr.ey.com

Baltics

Guntars Krols
guntars.krols@lv.ey.com

Bulgaria

Diana Nikolaeva
diana.nikolaeva@bg.ey.com

Croatia

Lena Habus
lena.habus@hr.ey.com

Cyprus

Stelios Demetriou
stelios.demetriou@cy.ey.com

Czech Republic

Petr Kříž
petr.kriz@cz.ey.com

Hungary

Margaret Dezse
margaret.dezse@hu.ey.com

Greece

Tassos Iossiphides
tassos.iossiphides@gr.ey.com

Malta

Ronald Attard
ronald.attard@mt.ey.com

Romania

Florin Vasilica
florin.vasilica@ro.ey.com

Poland

Bartłomiej Smolarek
bartlomiej.smolarek@pl.ey.com

Serbia

Robin Jowitt
robin.jowitt@tr.ey.com

Slovakia

Matej Bosnak
matej.bosnak@sk.ey.com

Slovenia

Luka Vesnaver
luka.vesnaver@si.ey.com

Turkey

Musfik Cantekinler
musfik.cantekinler@tr.ey.com