

# M&A REPORT

Quarterly M&A overview in the Czech Republic



**Q1**  
2015

## M&A REPORT – Q1 2015

### Significant decrease

in the number of deals  
in the CEE region

101

Number of Listed M&A  
Projects by Trade Bulletin  
in Q1 2015

3

Number of Transactions  
Approved by the Office  
for the Protection  
of Competition in Q1 2015

### M&A – Regional News

After a very successful year of 2014 regarding M&A, Europe experienced a slight decrease in the number of transactions carried out in the first quarter of 2015. Volatile macroeconomic conditions slowed down the European M&A Market, however the key factors that drove the M&A activity last year are still present. We expect that 2015 will provide a good environment for M&A, however it might prove difficult to outperform the previous year.

In terms of value, the United Kingdom was the dominant country, followed by Germany, Italy and France. The top European deals of the quarter included the purchase of British mobile operator EE by BTG Group plc from Deutsche Telekom AG of Germany and Orange SA of France for approximately EUR 17 billion and also acquisition of British Rexam Plc by U.S. drinks can producer Ball Corp for about EUR 6 billion.

Despite lower M&A activity, several interesting deals were closed in the CEE region. Czech Karlovarske mineralni vody (KMV) continues its European expansion by acquiring Ásványvíz Zrt., a leading manufacturer of bottled water in Hungary from Nestlé Waters. Czech Republic's KMV is the largest producer of mineral and spring waters in CEE. In telecom sector, Slovenia's dominant fixed and wireless operator Telekom Slovenije acquired a 100% in Debitel, Slovenia's fourth largest mobile operator. The transaction still has to be cleared by relevant authorities. In Poland, American leading provider of lifestyle content for television Scripps Networks Interactive acquired 52.7% stake in Poland's TVN, one of the leading media companies in Poland for EUR 584 million. Scripps Networks Interactive will also assume EUR 840 million of debt, making the total value of the transaction worth of approximately EUR 1.42 billion.

### Czech Republic – Latest developments

The beginning of the year in the Czech Republic showed a significant drop in the number of mergers and acquisitions. The market is still awaiting large transactions. Nevertheless, thanks to sufficient amount of own resources a high number of companies aim to pursue acquisitions in 2015 both in the Czech Republic and abroad.

The statistical data used in this report were prepared by CzechInvest from the Trade Bulletin. Due to this fact, a time lag occurs between the announcement and the listing of a transaction, the time lag differs from case to case. Also, a high number of transactions are carried out for tax optimization purposes. The first quarter of the year showed a sharp decrease in the number of transactions compared to the previous quarter. However, a year-to-year comparison shows a slight increase in the M&A activity. In total there were 101 deals in Q1 2015. Compared to the previous quarter, the number of deals dropped by almost 40% from 166 in Q4 2014 to 101 in Q1 2015.

The most targeted sector at the beginning of the year were Real Estates (29 transactions). A very interesting deal in real estates sector was closed in Prague, where German fund Union Investment Real Estate GmbH acquired a majority stake in the Czech Republic's most lucrative shopping mall, Palladium. The transaction became the largest property deal ever recorded in the Czech Republic. The real estates were followed by Retail and Consumer Goods & Entertainment (23 transactions) and Industry & Services (22 transactions).

*\*the higher volumes compared to Mergermarket are caused by the nature of Trade Bulletin which publishes all the changes in companies' structure that have to be reported. The high numbers of real estate sector are due to tax optimization when using a corporate ID. Also, the Trade Bulletin does not cover acquisition through trade of shares.*

### Q1 2015 in Numbers

22 Industrial  
Products & Services



5 Healthcare



2 Energy



9 Agro & Raw  
Materials



23 Retail & Consumer  
Goods & Entertainment



3 Financial Institutions



29 Real Estate

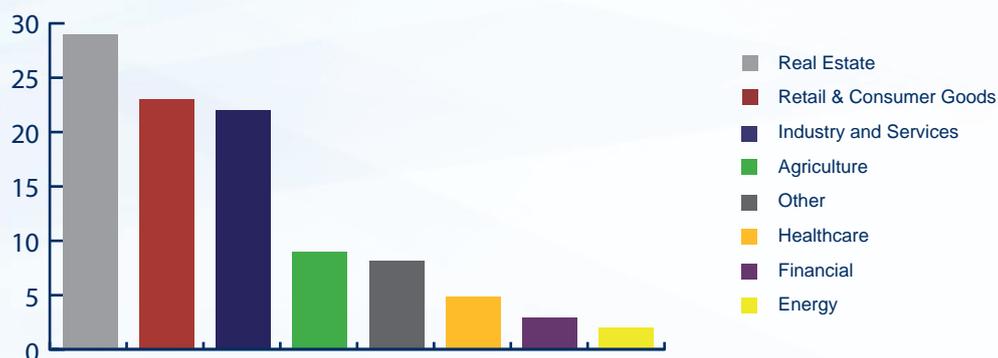


8 Other



Source: CzechInvest 2015; Trade Bulletin, data as of 31 March 2015

## Structure by Sector – Number of Projects



Source: CzechInvest 2015; Trade Bulletin, data as of 31 March 2015

### €48.5 million

Total value of acquisition of 75% stake in Ekol by Xi'An Shaangu Power

### €11 million

Approximate value of acquisition of Medicoever by Euroclinicum

## Listed Deals of the Quarter

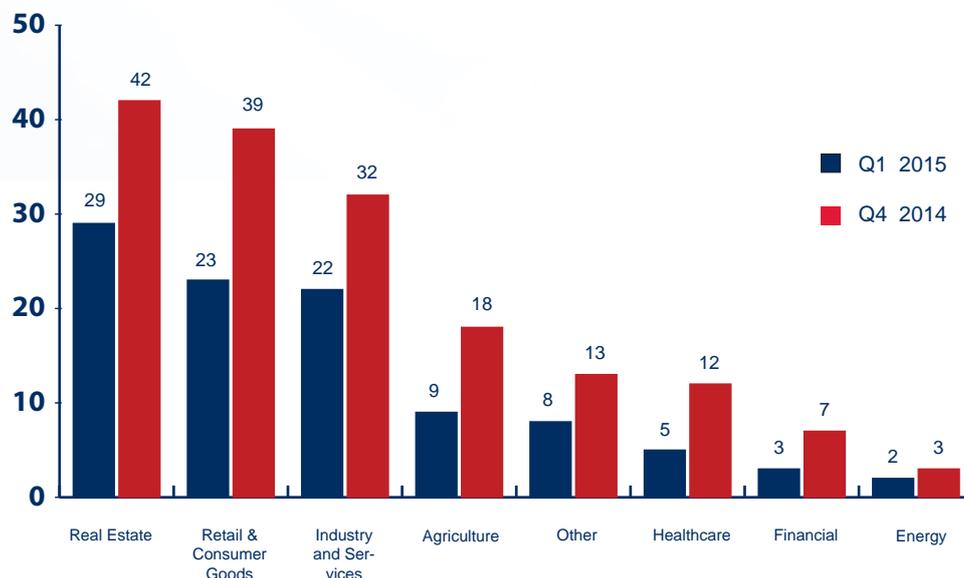
At the end of January, Chinese engineering company Xi'An Shaangu Power acquired a 75% stake in Ekol, one of the leading Czech turbine manufacturers. The company also owns a right of first refusal for the remaining 25% stake of the company that can be exercised within three to six years following the acquisition. The value of the transaction was approximately EUR 48.5 million. ShaanGu is the largest Chinese producer of industrial compressors and a leading integrated solution and service provider for turbo-machinery. The company's turnover amounted to 805 million Euro in 2013.

In banking sector, UniCredit Bank Czech Republic and Slovakia has acquired Transfinance, a specialist company in corporate operating finance (factoring and forfaiting) in Central and Eastern Europe. The company was fully owned by Polish mBank S.A, Warsaw, a subsidiary of Commerzbank AG. Thanks to the acquisition UniCredit Bank will be able to expand its product range by adding factoring to its corporate banking services.

An interesting transaction was carried out in the healthcare sector, where Euroclinicum has acquired occupational medicine provider Medicoever/Mediconet. The transaction includes three clinics in Prague and one in Brno. The value of the transaction is estimated approximately at EUR 11 million. Czech Republic's Euroclinicum is a healthcare group that manages private medical facilities (hospitals, outpatient clinics, laboratories, pharmacies and specialized providers of occupational health).

Sources: CzechInvest, E15, ČTK, iHned.cz, ekolbrno.com, unicreditbank.cz, euroclinicum.cz

Time period	Total number of transactions
Q1 2015	101
Q4 2014	166
Q3 2014	144
Q2 2014	129
Q1 2014	82



Source: CzechInvest 2015 Trade Bulletin, data as of 31 March 2015

## Mergermarket Insight



The number of M&A deals in the Czech Republic fell for the third consecutive quarter in Q1 2015.

There were 16 transactions closed over this period but while the number of deals was the lowest in almost two years, the total disclosed value of EUR 1.3bn was significantly higher than that in the previous two quarters, according to Mergermarket data.

The value volume was boosted by the sale of PPF's 24% stake in insurer Generali PPF Holding BV to Assicurazioni Generali SpA of Italy for EUR 1.2bn.

The top four deals over the three months were all cross-border transactions involving western European and Chinese bidders or targets. The next largest deal involving a Czech company was energy holding EPH's acquisition of energy company E.ON's Italian coal and gas assets for EUR 500m. These were followed by the sale of industrial company Ekol to Xi'an Shaangu Power of China and the sale of food delivery companies DameJidlo and JidloTed.cz to Germany's Delivery Hero Holding for EUR 48m and EUR 10m respectively.

The only local deal in the top five with disclosed value was the sale of Medcover, the chain of health care centres, to Czech privately owned healthcare group Euroclinicum.

In terms of deal value, financial services dominated M&A activity over the first quarter with two transactions, followed by the industrials and chemicals segment accounting for six deals, the technology segment, pharma, medical and biotechnology segment and the consumer segment. The business services sector saw three deals but the total volume was undisclosed.

The Czech Republic accounted for more than one quarter of the EUR 4.8bn total deal value and 23% of the total number of disclosed deals in the central and eastern Europe region (excluding Russia).

*Katka Krosnar*

## Selected M&A Transactions in Central and Eastern Europe in Q1 2015 (Excluding Russia)

Announcement Date	Target	Target Dominant Geography	Bidder	Bidder Dominant Geography	Seller	Seller Dominant Geography	Deal Value (€m)
16. I. 15	Generali PPF Holding BV (24% Stake)	Czech Republic	Assicurazioni Generali SpA	Italy	PPF Group NV	Netherlands	1,246
16. III. 15	TVN SA (50.78% Stake)	Poland	Scripps Networks Interactive Inc	USA	International Trading and Investments Holdings SA; and Groupe Canal+ SA	France	1,059
30. III. 15	Globe Trade Center SA (33.5% Stake)	Poland	Lone Star Funds	USA			988
30. III. 15	Partner in Pet Food	Hungary	Pamplona Capital Management LLP	United Kingdom	Advent International Corporation	USA	300

Source: Mergermarket – data correct as of 08 April 2015

## Top 5 Czech M&A Transactions in Q1 2015

Announcement Date	Target	Target Dominant Sector	Bidder	Bidder Dominant Geography	Seller	Seller dominant Geography	Deal Value (€m)
16. I. 15	Generali PPF Holding BV (24% Stake)	Financial Services	Assicurazioni Generali SpA	Italy	PPF Group NV	Netherlands	1,246
12. I. 15	E.ON SE (Italian coal and gas generation assets)	Energy, Mining & Utilities	Energeticky a Prumyslovy Holding a.s.	Czech Republic	E.ON SE	Germany	500
23. I. 15	Ekol spol. s.r.o.	Industrials & Chemicals	Xi'an Shaangu Power Co Ltd	China			48
8. I. 15	DameJidlo; and JidloTed.cz	Technology	Delivery Hero Holding GmbH	Germany			10
13. I. 15	Medicover s.r.o.	Pharma, Medical & Biotech	EUROCLINICUM a.s.	Czech Republic	Medicover Holding SA	Luxembourg	9

Source: Mergermarket – data correct as of 08 April 2015

## Czech Deals by Sector in Q1 2015

Sector	Value (€m)	Number of Deals
Financial Services	1 246	2
Industrials & Chemicals	58	6
Technology	10	1
Pharma, Medical & Biotech	9	1
Consumer	7	1
Business Services		3
Energy, Mining & Utilities		1
Media		1
<b>Total</b>	<b>1 330</b>	<b>16</b>

Source: Mergermarket – data correct as of 08 April 2015

25

Active Members  
by March 31st, 2015

2

New Projects  
in Q1 2015

2

Projects in Pipeline  
by March 31st, 2015

## CzechLink

CzechLink is a tool that helps to identify potential M&A targets for foreign investors. CzechLink is managed by CzechInvest, the Investment and Business Development Agency of the Czech Republic. Local companies wishing to participate in the CzechLink project undergo a business evaluation and financial analysis which enable us to efficiently match them with investors' needs, thus accelerating the process of identifying suitable potential acquisition targets.

Project details and up-to-date list of participants is available on the project website:  
<http://www.czechinvest.org/en/czechlink-ma-platform>

For more information please contact us at [czechlink@czechinvest.org](mailto:czechlink@czechinvest.org).

### Current Sectors in CzechLink

- Machinery, Power and Heavy Machinery
- Household
- Healthcare
- Nano Textile
- Automotive
- Construction
- IT
- Food & Beverages

*Source: CzechLink 2015*

## New CzechLink members in Q1 2015

Market	Activity	Legal Form	Equity offer	Headcount	Tot. Earnings (ths)	EBIT (ths)	EBITDA (ths)
Construction industry	Producer of desing light fittings, which are made from ecological materials such as aeroceramics, ecolit, porcelain or special plaster	LLC	Majority/ Minority	14	12,714 CZK	12 CZK	659 CZK
					489 EUR	0,5 EUR	25 EUR
					650 USD	1 USD	34 USD
IT Industry	Developer of ERP systems for manufacturing enterprises predominantly from food industry (dairies, meat processing plants, bakeries).	JSC	100%/ Majority	21	22,318 CZK	2,892 CZK	6,128 CZK
					859 EUR	111 EUR	236 EUR
					1,141 USD	148 USD	313 USD

*Source: CzechLink 2015*

*Disclaimer: The sources used for this report were: Mergermarket Monthly M&A Insider, Allen & Overy M&A Index, Deloitte M&A Index, Zephyr Monthly M&A Report, E&Y Capital Confidence Barometer, E&Y Capital Insights, Bloomberg, Reuters, PRNewswire, Office for the Protection of Competition, Trade Bulletin, interpretation of the data is based on CzechInvest expertise*

## M&A Report – Background from CzechInvest

### Shift Forward in Services

The global economy has been steadily developing and structural changes in Europe have also been noticed by CzechInvest. The large number of new projects has slowly declined but new interest in M&A opportunities both from foreign investors and local companies is on the rise.

CzechInvest has accepted this challenge to assist local companies in their search for foreign capital, to develop new possibilities that will boost the Czech economy, as we believe in the potential offered by the local business environment.

### Continued cooperation with MERGERMARKET

We are proud to continue our partnership with MergerMarket. Thanks to this fact we are able to provide another and a very reliable source of data from the M&A environment. The different nature of the original sources brings a much more complex overview of the actual situation on the market.

Thank you!

### CEE – Region of Interest

The year 2014 have brought the long awaited recovery and increased activity on the M&A market in the CEE region. We have seen several megadeals throughout the year as well as mid-sized transactions. The appetite to do M&As in 2015 remains strong as companies focus on investing available capital and taking advantage of relatively easily accessible external financing for acquisitions. Although we might witness several large deals this year, the M&A activity will be most likely driven by middle market transactions. The growing confidence in future economic development creates a favorable environment for M&As in CEE in 2015.

### Target Area – Czech Republic

The Czech Republic is a relatively small market both in geographical terms and term of M&A when a single large transaction can cause bias in the statistics. Thanks to its proximity – both to the western and eastern European markets – foreign investors can find opportunities which are still very close to their operations in the western Europe but at the same time offering expansion into the whole CEE region. Local business and industrial environment is very well developed and offering ready-made solutions.



## CzechInvest Provides

- Detailed, sector-specific market intelligence and value propositions
- Customised business cases
- Identification of business properties and sites suitable for investment
- Tailored visits to the Czech Republic
- Access to investment incentives and EU funds
- Information and advice on doing business in the Czech Republic, regulations and taxation
- Identification of potential business partners, suppliers and acquisition targets
- Referrals to professional associations (lawyers, bankers, accountants, etc.)
- Aftercare service

*CzechInvest's services are free of charge.*

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