



**CZECHINVEST**

Investment and Business Development Agency

# M&A REPORT

Quarterly M&A overview in the Czech Republic



**Q2**  
2015

## M&A REPORT – Q2 2015

### Steady flow of deals

on the European  
M&A market

### M&A – Regional News

The M&A activity on the European market picked up and we could see a very healthy amount of transactions. So far the year 2015 is in par with the very successful previous year regarding the value of the deals. Positive news is that the market is growing not only in terms of value, but also in terms of number of total transactions.

The United Kingdom was the dominant country regarding M&A activity in Q2 2015. The most significant mega-deal made in the UK was acquisition of the UK-based BG Group by Royal Dutch Shell approximately for EUR 72bn. Another interesting transaction was announced in Telco sector where Finland's Nokia acquired French Alcatel-Lucent for EUR 15.6bn. In the Netherlands, package-delivery company TNT Express NV was acquired by American FedEx for EUR 4.4bn.

Similar trend prevails also in the CEE region and activity on the M&A market in Q2 2015 was very steady. In Slovakia, Czech producer of non-alcoholic beverages Kofola continues its expansion by acquiring Slovak mineral water producer WAD GROUP for an undisclosed sum. The company WAD Group owns 40% stake in Water Holding, whose portfolio includes companies such as Slovenské pramene a žriedla, Stredoslovenské žriedla a Zlatá studňa. In Telco industry, German telecommunications company Deutsche Telekom acquired remaining 49% stake in Slovak Telekom from Slovak government for EUR 900 million. In Slovenia, Dutch brewing company Heineken acquired 51% stake in Slovenia's leading brewer Pivovarna Laško for EUR 114 million. Completion of the acquisition is subject to approval by relevant authorities.

**180**

Number of Listed M&A  
Projects by Trade Bulletin  
in Q2 2015

**4**

Number of Transactions  
Approved by the Office  
for the Protection  
of Competition in Q2 2015

### Czech Republic – Latest developments

The second quarter of the year brought an increased activity to the Czech Republic as well. The investors have enough funds to pursue acquisitions and the interest rates remain at low levels. Furthermore, the Czech economy grew by 4.2% in Q1 2015. The favorable economic conditions and positive outlook triggered the M&A activity on the Czech market.

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. Investors in the Czech Republic showed an increasing confidence in the future economic development as they were more active also in cross-border deals. The second quarter of the year 2015 brought a high number of transactions. In total there were 180 deals in Q2 2015. Compared to the previous quarter, the number of deals increased sharply by almost 80% from 101 in Q1 2015 to 180 in Q2 2015.

The most active sector in the second quarter of the year was Industry & Services with 52 transactions, closely followed by Real Estates (48 transactions) and Retail & Consumer Goods & Entertainment (43 transactions). Another major deal in real estates sector was closed in Prague, where Atrium European Real Estate Limited acquired a 75% stake in the shopping mall Akrády Pankrác for a total consideration of EUR 162 million. Atrium is a leading owner, operator and developer of shopping centers in CEE region.

*"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."*

### Q2 2015 in Numbers

**52** Industrial  
Products & Services



**8** Healthcare



**5** Energy



**4** Agro & Raw  
Materials



**43** Retail & Consumer  
Goods & Entertainment



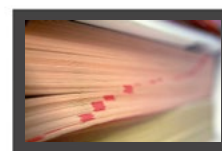
**4** Financial Institutions



**48** Real Estate

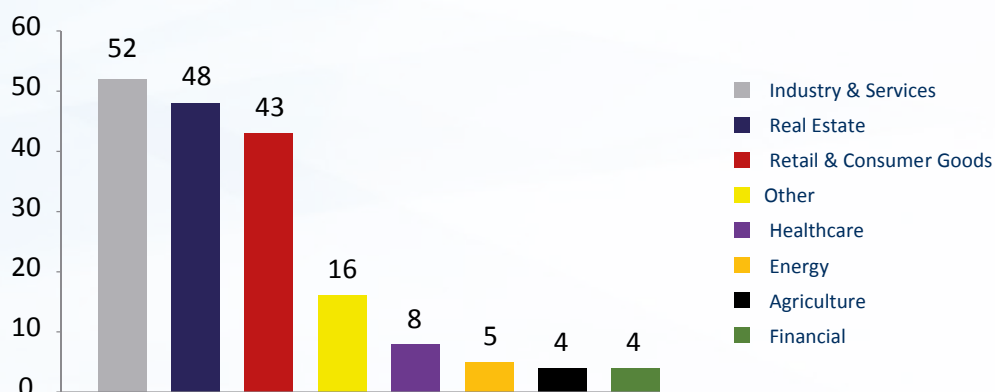


**16** Other



Source: CzechInvest 2015; Trade Bulletin, data as of 30<sup>th</sup> June 2015

## Structure by Sector – Number of Projects



Source: CzechInvest 2015; Trade Bulletin, data as of 30<sup>th</sup> June 2015

### €103.2 million

Total value of acquisition  
of 80% stake in AWT  
by PKP CARGO Group

### €70 million

Approximate value  
of acquisition  
of Pivovary Lobkowicz  
Group by Zdenek Radil

## Listed Deals of the Quarter

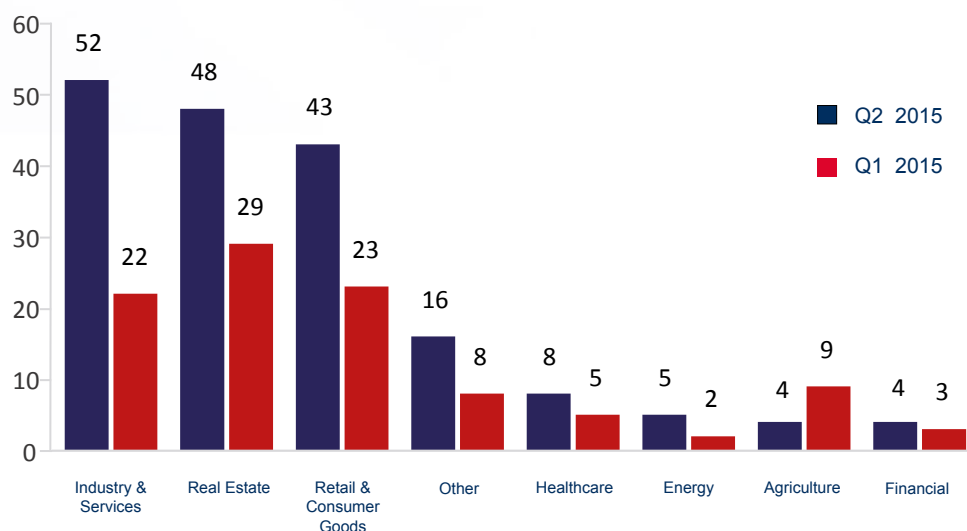
At the end of May, Poland-based PKP CARGO Group completed the acquisition of 80% stake in Czech Advanced World Transport (AWT), the second largest rail freight carrier in the Czech Republic. The value of the transaction was EUR 103.2 million. A minority stake of AWT remains in the hands of Minezit SE. PKP CARGO Group is one of the leading players on the European rail freight transport market. The transaction has been approved by the relevant competition authorities in Slovakia, Germany, Poland and the Czech Republic.

An interesting transaction was announced in the food industry. The CEO of Pivovary Lobkowicz Group (PLG) Zdenek Radil will acquire 79.4% stake in the company from Palace Capital and GO Solar for the total amount of approximately EUR 70 million. PLG is the fifth largest brewer in the Czech Republic with a share of between 4 and 5 percent of the domestic market. The transaction should be completed by the end of August 2015.

There were several noteworthy transactions that led to consolidation on the toy market in Q2 2015. Czech Republic's Wormelen Group, led by entrepreneur Petr Homolka, purchased Czech toy retailer Sparkys for an undisclosed sum. Following the acquisition, Wormelen purchased Czech company Alltoys which runs Bambule toyshops and also announced the acquisition of HM Studio. After completion of acquisition of HM Studio, Wormelen Group will become the market leader, owning 88 toyshops in the Czech Republic with turnover of approximately EUR 55 million.

Sources: CzechInvest, ČIANEWS, ČTK, e15.cz, iHned.cz, idnes.cz, reuters.com, awt.eu

Time period	Total number of transactions
Q2 2015	180
Q1 2015	101
Q4 2014	166
Q3 2014	144
Q2 2014	129



Source: CzechInvest 2015 Trade Bulletin, data as of 30<sup>th</sup> June 2015



## Mergermarket Insight



The second quarter of 2015 proved to be the slowest three-month period for M&A activity in the Czech Republic for the past five years.

There were just nine disclosed deals compared to 22 the previous quarter and 23 in Q2 2014.

Q2 saw a significant decline in M&A activity in the Czech Republic with total disclosed deal volume falling to EUR 261m compared to EUR 1.3bn in Q1.

The main reason for this difference was that in Q1 the sale of PPF's 24% stake in insurer Generali PPF Holding BV to Assicurazioni Generali SpA of Italy for EUR 1.2bn distorted the figures.

Interestingly, the top three deals, and five of the top 10 deals, over the past three months involved private Czech individuals as buyers. A further key trend was the dominance of domestic deals, with nine of the top 10 bidders being Czech.

The largest disclosed value deals were the acquisition of a 30% stake in energy company Sokolovska uhelna for EUR 146m, chief executive Zdenek Radil's acquisition of brewing group Pivovary Lobkowicz for EUR 96m and Pavel Hubacek's acquisition of financial services company Creditas for EUR 18m.

The only foreign buyer among the top 10 deals during Q2 was UK-based ZenithOptimedia acquiring B2B Group, the online marketing company.

Three sectors - consumer, industrials and chemicals, and energy, mining and utilities - equally accounted for two-thirds of the number of deals in Q2, although energy, mining and utilities accounted for more than half of the total value volume.

*Katka Krosnar*

## Deals by Sector in Q2 2015

Sector	Value (€m)	Number of Deals
Energy, Mining & Utilities	146	2
Consumer	96	2
Financial Services	18	1
Construction		1
Industrials & Chemicals		2
Media		1
<b>Total</b>	<b>261</b>	<b>9</b>

Source: Mergermarket – data correct as of 08<sup>th</sup> July 2015

## Czech M&A Transactions in Q2 2015

Announcement Date	Target	Target Dominant Sector	Bidder	Bidder Dominant Geography	Seller	Seller Dominant Geography	Deal Value (€m)
20.V.15	Sokolovska uhelna, pravni nastupce as (30% Stake)	Energy, Mining & Utilities	Mr. Frantisek Stepanek (Private Investor); and Mr. Jaroslav Rokos (Private Investor)	Czech Republic	Mr. Jan Krouzecky (Private Investor)	Czech Republic	146
4.VI.15	Pivovary Lobkowicz Group as	Consumer	Mr. Zdenek Radil (Private Investor)	Czech Republic	Mr. Martin Burda (Private Investor); and Mr. Grzegorz Hota (Private Investor)	Czech Republic	96
9.VI.15	Creditas	Financial Services	Mr. Pavel Hubacek (Private Investor)	Czech Republic			18
11.V.15	B2B GROUP sro	Media	ZenithOptimedia Limited	United Kingdom			-
1.V.15	Jihlavan as	Industrials & Chemicals	Czech Aerospace Industries sro	Czech Republic	Hobeggo Europe Limited	United Kingdom	-
1.V.15	NC Line sro	Industrials & Chemicals	Sulwit Line sro	Czech Republic	Mr. Antonin Witos (Private Investor); Mr. Petr Sulek (Private Investor); and Mr. Petr Sokol (Private Investor)	Czech Republic	-
23.IV.15	Sparkys sro	Consumer	Mr. Petr Homolka (Private Investor)	Czech Republic	Mr. Sebastian Pawlowski (Private Investor); and Ms Katharine Butler (Private Investor)	Czech Republic	-
8.IV.15	KAMEN Zbraslav spol sro	Construction	Mr. Tomas Nezbeda (Private Investor)	Czech Republic	Asamer Baustoff AG	Austria	-
1.IV.15	Goodwill Energy sro	Energy, Mining & Utilities	Prazska Energetika as	Czech Republic	SV SOLAR sro; and NWT Holding Limited	Czech Republic	-

Source: Mergermarket – data correct as of 08<sup>th</sup> July 2015

24

Active Members  
by June 30<sup>th</sup>, 2015

2

New Projects  
in Q2 2015

1

Project in Pipeline  
by June 30<sup>th</sup>, 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
- Nano Textile
- IT
- Automotive
- Construction
- Textile
- Food & Beverages

Source: CzechLink 2015

## New CzechLink members in Q2 2015

Market	Activity	Legal Form	Equity offer	Headcount	Tot. Earnings (ths)	EBIT (ths)	EBITDA (ths)
Furniture industry	Veneer splicing, coating of furniture profiles by paper, polypropylene or veneer and production of finished furniture (bed frames and drawers)	LLC	100%	82	91,460 CZK	326 CZK	2,007 CZK
					3,521 EUR	13 EUR	77 EUR
					4,675 USD	17 USD	103 USD
Heating, ventilation and air conditioning (HVAC)	Manufacturing of air heaters for industrial facilities, supermarkets and warehouses. Production of gate curtains and infrared air heaters.	LLC	50% /Minority	26	37,493 CZK	394 CZK	1,331 CZK
					1,443 EUR	15 EUR	51 EUR
					1,916 USD	20 USD	68 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's Services

- Business intelligence
- Consultancy on available financial support for investment projects (investment incentives, EU structural funds)
- Identification of green/brownfield sites, production facilities and offices
- Identification of potential acquisition, joint-venture and supply partners
- Tailor-made visits to the Czech Republic
- Liaison with government bodies
- Aftercare services

*All CzechInvest's services are provided free of charge.*

### CONTACT INFORMATION

#### **CzechInvest – Investment and Business Development Agency**

Stepanska 15  
120 00 Prague 2  
Czech Republic

**PHONE:** +420 296 342 413

**E-MAIL:** [czechlink@czechinvest.org](mailto:czechlink@czechinvest.org)

**[www.czechinvest.org](http://www.czechinvest.org)**

**This material is distributed free of charge.**

Investment and Business Development Agency CzechInvest is a government organization funded by the Ministry of Industry and Trade of the Czech Republic

**Date of issue:** July 2015