

# M&A REPORT

Quarterly M&A overview in the Czech Republic



**Q4**  
2014

# M&A REPORT – Q4 2014

## Mid-sized transactions

will drive the growth in the CEE region

**166**

Number of Listed M&A Projects by Trade Bulletin in Q4 2014

**13**

Number of Transactions Approved by the Office for the Protection of Competition in Q4 2014

## M&A – Regional News

The value of global mergers and acquisitions in 2014 reached its high since the economic crisis. Improving confidence in the European economic growth has driven a high number of transactions in the last quarter of 2014. Furthermore, increased corporate earnings and credit availability provide a positive M&A outlook for the following year.

The CEE region has seen several megadeals throughout year 2014. These transactions brought greater confidence in the M&A market and they will trigger higher activity in the middle-market in the future. The appetite to do M&A remains strong and although the market conditions are still in favor of large acquisitions, the future growth will be driven predominantly by mid-sized transactions.

In Slovenia, Czech producer of non-alcoholic beverages Kofola reached an agreement with Pivovarna Lasko to acquire a majority stake in Slovenian manufacturer of bottled mineral water Radenska. After the largest transaction of Kofola's history amounting to EUR 65 million, the company will own 75,3% of shares of Radenska. Another interesting deal was announced in logistics sector. UPS, a global leader in logistics based in the USA, agreed to acquire pharmaceutical logistics company Poltraf from Poland-based investment fund Ortie. The financial terms of the deal remained undisclosed. In Romania, Banca Transilvania strengthened its position by acquiring Volksbank Romania for an undisclosed sum. The Romanian branch of the Austrian bank Volksbank ranked ninth in the top 10 largest banks in Romania by assets at the end of 2013.

## Czech Republic – Latest developments

The last quarter of the year showed growing confidence in economic revival in the Czech Republic. A majority of investors believe that the future flow of deals will remain stable in the following year as many companies expect to pursue acquisitions. The willingness to do M&A is strong in the Czech Republic, however the investors may struggle to find suitable acquisition targets.

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 last quarter of the year brought several large transactions that were subject to approval by the Office for the Protection of Competition. In total there were 166 deals in Q4 2014. Compared to the previous quarter, the number of deals increased by almost 15% from 144 in Q3 2014 to 166 in Q4 2014.

Once again, the busiest sector regarding mergers and acquisitions were Real Estates (42 transactions). The real estates were followed by Retail and Consumer Goods & Entertainment (39 transactions) and Industry & Services (32 transactions). The number of transactions in the remaining analyzed sectors increased compared to the previous quarter.

*"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."*

## Q4 2014 in Numbers

**32** Industrial Products & Services



**7** Healthcare



**3** Energy



**12** Agro & Raw Materials



**39** Retail & Consumer Goods & Entertainment



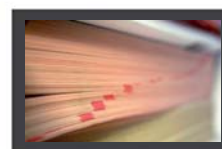
**13** Financial Institutions



**42** Real Estate

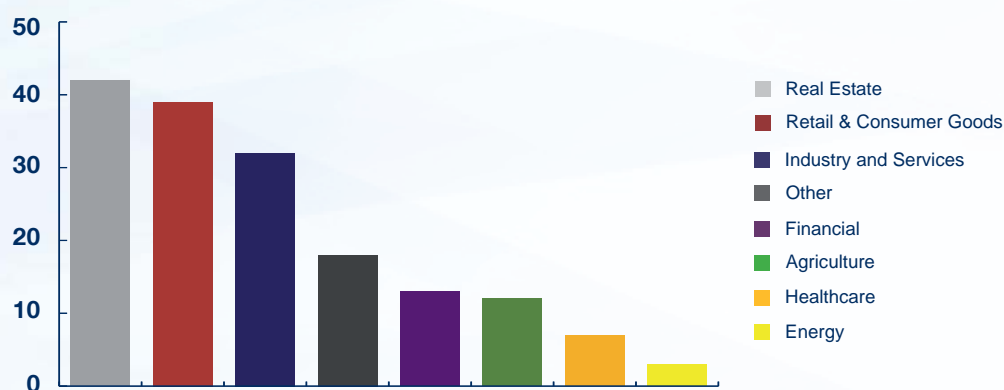


**18** Other



Source: CzechInvest 2014; Trade Bulletin, data as of 31 December 2014

## Structure by Sector – Number of Projects



Source: CzechInvest 2014; Trade Bulletin, data as of 31 December 2014

### €220 million

Total value of acquisition of 95% stake in AAA Auto Group by Abris Capital Partners

## Listed Deals of the Quarter

The Czech M&A market witnessed several large transactions during the last quarter of the year. The deals below represent a sample of the transactions closed in Q4 2014.

In October, Poland-based private equity fund Abris Capital Partners signed an agreement to acquire a majority stake in AAA Auto Group, a major car dealer in the CEE region. Abris will take over 95% of the shares. The value of the transaction amounted to EUR 220 million. The transaction was approved by the Office for the Protection of Competition in the Czech Republic, however it still awaits clearance from the anti-monopoly bodies in Slovakia, Russia and Hungary.

In energy sector, Czech electricity company CEZ acquired a majority stake in EVC, a company that is engaged in designing energy efficient structures and implementing energy savings projects. The acquisition is a part of a strategy shift in order to provide wider array of services to the customers. Through its subsidiary CEZ Energetické služby, the company will control 75% stake of EVC. The transaction was approved by the Office for the Protection of Competition. The financial details of the deal remained undisclosed.

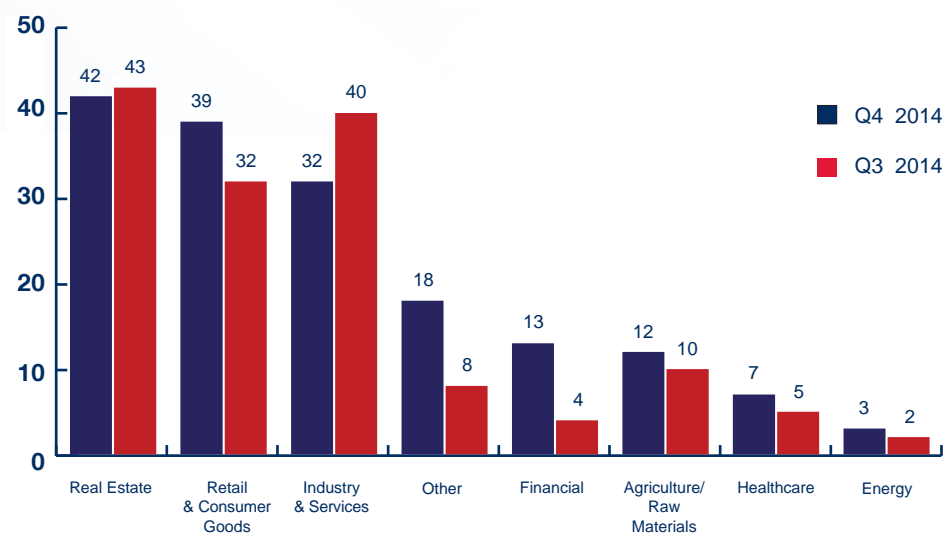
In December, Albatros Media purchased a 100% stake in publishing house Fragment, one of the major publishing houses in the Czech and Slovak Republics focused on books for kids and youth. After the acquisition, the yearly turnover of Albatros Media will increase by 30% to approximately EUR 22 million. Albatros Media controls publishing houses such as Computer Press, BizBooks or CPress. The financial details of the transaction remained undisclosed.

Sources: CzechInvest, E15, ČTK, iHned.cz, aaaauto.cz, cez.cz, albatrosmedia.cz

### €22 million

Approximate yearly turnover of Albatros Media after acquisition of Fragment

Time period	Total number of transactions
Q4 2014	166
Q3 2014	144
Q2 2014	129
Q1 2014	82
<b>Total</b>	<b>521</b>



Source: CzechInvest 2014; Trade Bulletin, data as of 31 December 2014

## Mergermarket Insight



The volume of M&A activity in the Czech Republic remained low in the fourth quarter of 2014.

There were 14 transactions closed over this period and while the total disclosed value of EUR 143m was three times higher than that in the previous quarter, the total volume was otherwise significantly lower than in recent months, according to Mergermarket data.

The number of transactions closed was also the lowest for any quarter since Q2 2012. A year earlier, in Q4 2013, 22 transactions were closed with a total disclosed volume of EUR 2.6bn.

The industrials and chemicals segment was the most active over the last three months of 2014, accounting for five transactions and more than one third of the number of deals. This was followed by the pharma, medical and biotechnology segment with three deals and the financial sector with two.

Nine of the deals involved local buyers while the others involved buyers from Russia, the United Kingdom, Canada, Italy and Luxembourg.

The largest deal was the sale of Czech precious metal processing company Safina to Russian company Renova, a deal worth EUR 47m. The next largest disclosed deals, the sale of farmland operator Spojene Farmy to CPI Property group and the sale of Rexel CZ, the electrical components retailer, to Czech company Elektro SMS, were worth EUR 44m and EUR 40m respectively.

Other deals closed over the period included the sale of rope manufacturer Lanex to local private investor Rudolf Bochenek and the sale of industrial components supplier Koma Commercial to Brammer of the United Kingdom.

Continuing the trend of exits by international strategic owners, sellers included companies from the United Kingdom, Slovenia and Spain.

*Katka Krosnar*



## Deals by sector in Q4 2014

Sector	Value (€m)	Number of Deals
Industrials & Chemicals	53	5
Pharma, Medical & Biotech		3
Financial Services		2
Energy, Mining & Utilities	47	1
Consumer	44	1
Business Services		1
Leisure		1
<b>Total</b>	<b>144</b>	<b>14</b>

Source: Mergermarket – data correct as of 08 January 2015

## Deals by country of origin in Q4 2014

Sector	Value (€m)	Number of Deals
Czech Republic	49	9
Russia	47	1
Luxembourg	44	1
United Kingdom	4	1
Canada		1
Italy		1
<b>Total</b>	<b>144</b>	<b>14</b>

Source: Mergermarket – data correct as of 08 January 2015

## Selected Czech M&A transactions in Q4 2014

Announcement Date	Target	Target Dominant Sector	Bidder	Bidder Dominant Geography	Seller	Seller Dominant Geography	Deal Value (€m)
19. XI. 14	Safina as	Energy, Mining & Utilities	Renova Group of Companies	Russia	Safichem Group AG	Switzerland	47
2. X. 14	Spojene Farmy AS	Consumer	CPI Property Group	Luxembourg			44
19. XI. 14	REXEL CZ sro (13 stores)	Industrials & Chemicals	ELEKTRO S.M.S spol s.r.o	Czech Republic	REXEL CZ s.r.o	Czech Republic	40
6. X. 14	Lanex AS	Industrials & Chemicals	Rudolf Bochenek (Private Investor)	Czech Republic	Arx Equity Partners	Czech Republic	9
31. X. 14	KOMA Commercial s.r.o	Industrials & Chemicals	Brammer Plc	United Kingdom			4

Source: Mergermarket – data correct as of 08 January 2015

## Top 5 Czech M&A Transactions in 2014

Announcement Date	Target	Target Dominant Sector	Bidder	Bidder Dominant Geography	Seller	Seller Dominant Geography	Deal Value (€m)
19. VI. 14	Energeticky a Prumyslový Holding as (40% Stake)	Energy, Mining & Utilities	Energeticky a Prumyslový Holding as	Czech Republic	PPF Group NV	Netherlands	1,100
2. VI. 14	O2 Czech Republic (27.93% Stake)	Telecommunications	PPF Group NV	Netherlands			931
10. II. 14	T-Mobile Czech Republic AS (39.23% Stake)	Telecommunications	Deutsche Telekom AG	Germany	Mid Europa Partners LLP	United Kingdom	828
5. II. 14	AVAST Software as	Technology	CVC Capital Partners Limited; and Summit Partners LP	USA			739
4. IV. 14	Evráz Vitkovice Steel as	Industrials & Chemicals	Martinley Holdings Limited; Vitect Services Limited; Nabara Holdings Limited; Dawnaly Investments Limited; and Hayston Investments Limited	Czech Republic	EVRAZ Plc	United Kingdom	209

Source: Mergermarket – data correct as of 08 January 2015

## 23

Active Members  
by December 31<sup>st</sup>,  
2014

## 2

New Projects  
in Q4 2014

## 1

Project in Pipeline  
by December 31<sup>st</sup>,  
2014

## 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.

Up-to-date list of participants is available on the project website:

<http://www.czechinvest.org/en/czechlink-ma-platform>

For more information, please visit <http://www.czechinvest.org/en/czechlink-ma-platform> or contact us at [czechlink@czechinvest.org](mailto:czechlink@czechinvest.org).

### Current Sectors in CzechLink

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

Source: CzechLink 2014

## New CzechLink members in Q4 2014

Market	Activity	Legal Form	Equity offer	Headcount	Tot. Earnings (ths)	EBIT (ths)	EBITDA (ths)
Machinery	CNC machining and production of cutting tools (milling machines, drills)	LLC	Majority/Minority	30	60,939 CZK	8,294 CZK	12,501 CZK
					2,346 EUR	319 EUR	481 EUR
					3,115 USD	424 USD	639 USD
Shipbuilding	Construction of boat hulls for all types of smaller surface vessels, production of steel structures, pontoons, house boats and yachts	JSC	Minority	40	81,063 CZK	-8 140 CZK	-4,339 CZK
					3,121 EUR	-313 EUR	-167 EUR
					4,143 USD	-416 USD	-222 USD

Source: CzechLink 2014

**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, 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

Although western economies are still waiting to see real economic recovery, the companies are trying to enhance their business and penetrate new markets while looking for new opportunities which are just around the corner. The M&A transactions in the region have been relatively low in recent quarters, however it is still an attractive way to enhance revenues and profits for companies.

There is a growing optimism among investors and with relatively easy access to financing we expect to see a busy year of 2014 in terms of mergers and acquisitions in the CEE region.

### 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

- Full information assistance
- Information on possibilities of support for small and medium-sized enterprises
- Introduction of aid programmes financed by the EU and by the state
- Administration of a business-property database
- Support for suppliers – administration of a database of Czech supplier firms
- Mediation of state investment aid
- Provision of aftercare services to foreign investors already operating in the Czech Republic, assurance of support for reinvestments

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

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CzechInvest, Investment and Business Development Agency is a government organization under the Czech Ministry of Industry and Trade.

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