



# CEE Expert Report



Edition #7  
An ever-changing  
but resilient region



## Report overview

As always around this time of the year, we are back with our series centered on M&A in the CEE region. The past months have been quite challenging in the markets, and as a result the region has been impacted by a downturn in economic activity. But in accordance with the main theme of this report – „An ever-changing but resilient region”, we are noticing more and more positive forecasts and opinions regarding M&A market activity. But the real question remains - what does the future really hold? Have the past months given us reasons for this cautious optimism? We decided to take a look not only at the M&A markets, but also at the bigger picture in order to get the best possible insight into the causes, upcoming trends and much more.

I am grateful to present to you the 7th edition of our report, created together with Experts from Czechia, Romania and Poland. At FORDATA, partnership is one of the greatest values.

As always, I am encouraging you to join the discussion and share your thoughts under the **#ceeexpertreport** tag.

**Aleksandra Prusator**

Member of Board,  
Sales & Marketing Director at FORDATA



## Summary

The report provides a cautiously optimistic outlook for the M&A market in Central and Eastern Europe despite global economic challenges. The region has been impacted by a downturn in economic activity, particularly in the manufacturing sector, highlighting the interconnectedness of these economies. Nevertheless, there is an expectation of increased M&A activity driven by market consolidation and better alignment of price expectations between buyers and sellers.

Several key trends are shaping the M&A landscape in the CEE region. Post-pandemic consumer shifts, such as mixed-use real estate and a surge in travel and tourism ("revenge traveling"), are influencing investment decisions. Environmental, Social, and Governance (ESG) considerations are increasingly important across all sectors, differentiating companies in the eyes of investors. Political elections, potential shifts in investment policies, changes in interest rates, and inflation are expected to significantly impact the M&A landscape. Traditional sectors like IT, Telco, Energy, and Healthcare remain strong, while non-traditional sectors, such as football club takeovers, are emerging as attractive investment areas.

Private equity funds hold substantial capital reserves but are in a "waiting game" for more favorable pricing conditions, potentially leading to a surge in activity once market conditions stabilize. The integration of AI and other professionalization trends within M&A processes offers avenues for efficiency and innovation.

Despite challenges such as high interest rates and difficult financing conditions, the CEE region has shown resilience. Strategic investments and the adaptability of markets are positioning the region as a dynamic arena for M&A activities. Positive economic forecasts, strategic locations, and strong economic fundamentals make the CEE an attractive destination for both domestic and foreign investors.

In conclusion, while the CEE M&A market faces economic and geopolitical hurdles, its underlying strengths and opportunities present a compelling case for optimism. The region's adaptability, strategic investments, and focus on emerging trends and technologies are expected to drive robust M&A activity in the coming months and years.

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**#ceeexpertreport** tag

- **Cautious Optimism:** Despite global economic downturns, the CEE region maintains a cautiously optimistic outlook for M&A activity.
- **Resilience and Adaptability:** The CEE market shows resilience and adaptability, particularly in response to economic and geopolitical challenges.
- **Sectoral Diversity:** Key sectors like IT, Telco, Energy, and Health Care remain strong, with emerging interest in non-traditional sectors like sports.
- **Strategic Investments:** Strategic investments and consolidation opportunities continue to drive M&A activity.
- **Private Equity:** Private equity funds play a significant role, with substantial capital reserves waiting for favorable market conditions.
- **Sustainability:** Increasing importance of ESG considerations across sectors.
- **Economic Policies:** Geopolitical changes and economic policies, including interest rates and inflation, significantly impact the M&A landscape.
- **Post-Pandemic Trends:** Consumer trends, such as mixed-use real estate and "revenge traveling," influence investment decisions.



## CEE Market Barometer in 1H2023

01 .

Romania's resilient growth driven by mega-deals and renewables amid sector shifts

04 .

Non-traditional sectors arising

02 .

Anticipated rebound among economic optimism.

05 .

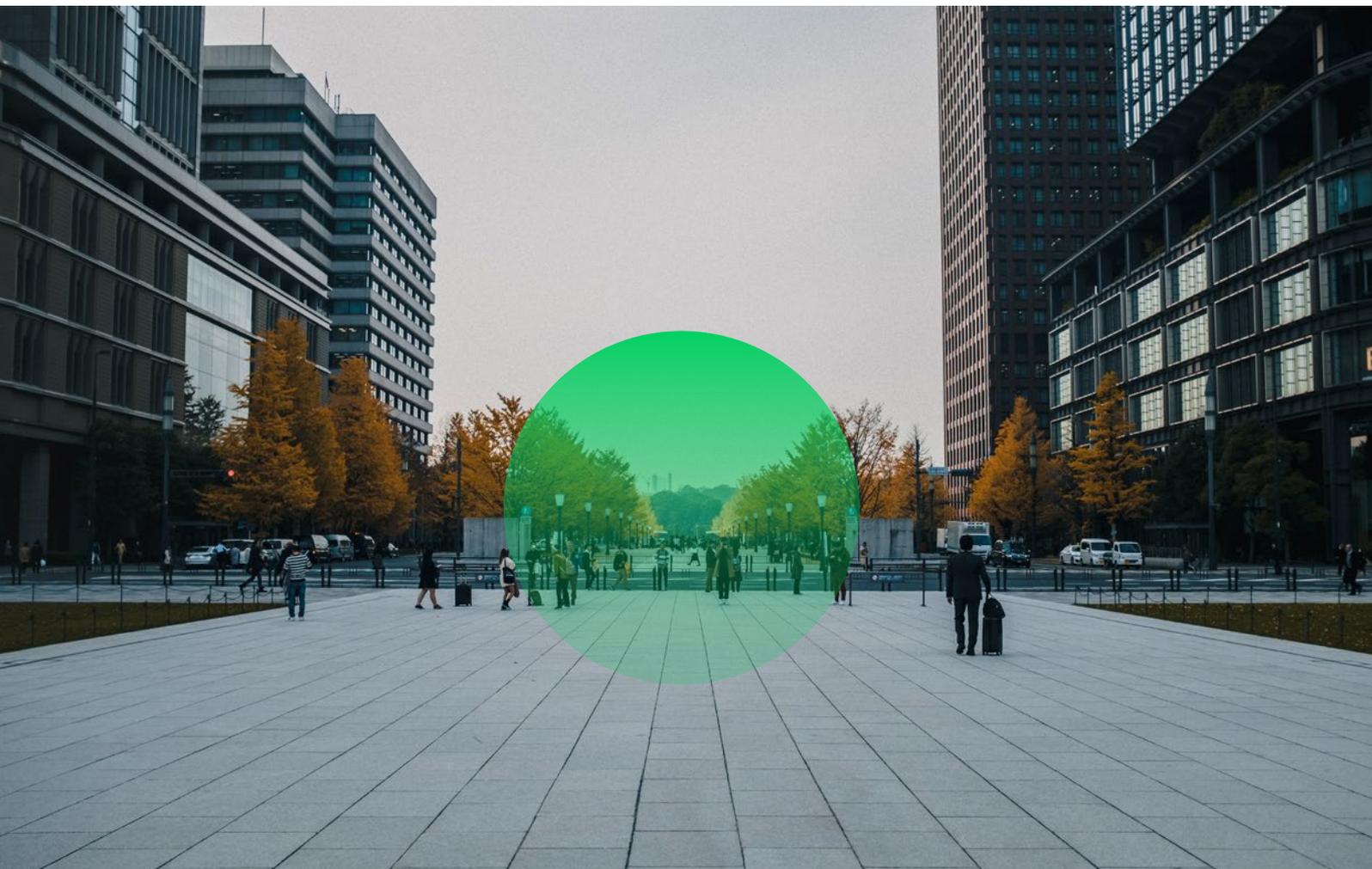
Opportunities are coming

03 .

Looking forward, not back.

06 .

ESG, geopolitical changes and "revenge travelling"





## Adinel Tudor

Managing Partner at Kogaion Investments

Proven deal originator, just in the past 3 years over 10 deals originated and coordinated either buy side or sell side. Adinel Tudor founded one of the leading boutique M&A advisory firms in Romania and is a serial entrepreneur and investor in various startups.

As an entrepreneur, Adinel founded or invested in several companies, such as: The Vets, the leading chain of vet clinics in Romania; Spectrum group of companies (Spectrum Tech, Spectrum Tech Industry & Spectrum Tech Inovativ), photovoltaic energy developer; Gaia Connect Inc., technology company aiming to disrupt the personal emergency response systems market; BuyBooks.ro, online books retailer

Accumulated over 10 years of experience in marketing management and advisory, with Leo Burnett, Red Bull and Trout & Partners.

Before talking about the near future, I believe it's important to start with the brief retrospective of the past two years, consecutive years of growth in the total value of M&A deals. In 2022, the Romanian M&A market went against the trend in CEE & Western Europe, posting a growth, both in the number of transactions, as well as in the value. Last year though, in the first 10-11 months of the year the slope was downward compared to 2022, but a fantastic end of year, marked by a number of mega-deals, propelled the total value of M&A deals higher than in 2022, exceeding 6.5 billion euros, marking a second year against the regional trend.

Looking at the first five months of this year, which are always a good predictor for the end of year statistics, at least from a timing point of view, we are seeing a few notable trends in the market.

First of all, there are sectors that cooled off dramatically, both in terms of appetite and valuation. One such example is the TMT sector, where a combination of battered valuations of large industry players, especially on the US stock market (I'm looking especially at SaaS, Professional Software, RPA subsectors), and Romanian market-specific context (for example, the consolidation in telecom space happening for the past 3-4 years) lead to decreased interest in M&A. There are notable exceptions in the space, especially venture capital funding, but we believe that for the rest of this year TMT will not be the spearhead in terms of number and value of transactions that it used to be in 2020-2022.

Secondly, there are sectors with constant demand, even with ballooning valuations, which are heavily reliant on State/ EU aid mechanisms. Here, the most notable industry, which kept and keeps most M&A/ Energy teams busy, is renewable energy. There have been dozens of transactions in the past years and we're expecting the hunger for deals, as long as there's the hope of NRRP funding, to remain robust. A key watch-out for the entire sector is the high dependency on regulation.

And finally, the mega-deals. For the past 3-4 years, all the market statistics have been skewed by the outliers, the mega deals in energy, banking, commercial real estate, telecommunications and retail. Coming after all the years before 2020, when mega deals were very few and far in between, the mega-deals (equity tickets North of 0.5 bln Euro) have become “normal” and expected every year, mainly due to Romanian economy growth and the alignment of investment/ divestment cycles.

Looking forward towards the end of the year, we can state with a fair degree of certainty the following two predictions: we will see attempts to sell the local operations of at least one bank within top 5 (maybe even two); and the demand will stay robust and we will see a good number of transactions in renewable energy, financial services (for example insurance) and other B2B services. The somehow likely things to happen are the potential sale of the Romanian operations of a large telecom company and, judging by the investment cycle, the potential testing of a deal appetite for a large private health operator.

In conclusion, looking at 2024 we are cautiously optimistic – it will be again on the shoulder of large transactions to lift the market higher than 2023. Without at least two mega-deals happening, the total value of the M&A deals in 2024 could be lower than 2023, most likely by a single digit percentage.

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## **Izabela Zielińska-Barłózek**

Partner at Wolf Theiss

Izabela Zielińska-Barłózek leads the Corporate and M&A team at Wolf Theiss Poland, specializing in M&A transactions for over 20 years. She also delivers ongoing advice on corporate law and has taken part in many corporate restructuring projects involving mergers, divisions and reorganizations. In her long-standing practice, she has assisted with and coordinated the acquisition and sale of enterprises, assets as well as shares in companies, frequently on a global scale. Her clients feature companies in various sectors such as industrials, engineering, manufacturing, TMT, FMCG as well as private equity. Izabela is regularly listed among Poland's top M&A practitioners by Chambers Global, Chambers Europe, The Legal 500 and IFLR1000, and has been recognized by IFLR1000 among its Women Leaders.



## **Maciej A. Szewczyk**

Partner at Wolf Theiss

Maciej A. Szewczyk is a partner in the Corporate M&A team at Wolf Theiss Poland. He is a dual-qualified M&A lawyer, admitted as a Polish attorney-at-law, and a solicitor of the Senior Courts of England and Wales (currently not practising). He specializes in M&A, including private equity, as well as corporate and commercial law. With over 16 years of professional experience, he has taken part in numerous complex and noticeable transactions, both domestic and multi-jurisdictional. Maciej regularly contributes to international and local publications in his specialist field. Over the years, he has been also recommended in multiple international legal directories such as The Legal 500, Chambers and Partners, IFLR1000, MergerLinks and Mergermarket.

The M&A market in Poland, like much of the CEE region, experienced a slowdown in 2023 and the first quarter of 2024. This period was challenging, marked by a decline in the value of transactions compared to the robust activity seen in 2021-2022. The activity of local strategic buyers in 2023 did not compensate for a general lack of large scale inbound M&As nor for slow down in PE activity. The economic uncertainties, geopolitical tensions, and fluctuating market conditions contributed to a cautious approach by investors. Despite these challenges, there are some good signs that the market is poised for recovery as businesses adapt to the changing environment.

### The waiting game of private equity funds

A notable trend in the current M&A landscape is the behaviour of private equity (PE) funds. There is a common perception that investors, particularly PE funds, are sitting on substantial capital reserves. At the same time many of the funds have reached the end of their investment periods and are under pressure to exit their investments. However, both buyers and sellers seem to be waiting for more favourable pricing conditions, leading to a prolonged waiting game. The key question is when this standoff will end, with many analysts predicting that the resolution will come sooner rather than later.

### Legal sector anticipates market rebound

Law firms globally are preparing for a resurgence in M&A activity. Despite the recent slow-down, there is a growing feeling (an unspoken consensus even) that the market is nearing the end of this downtrend. Law firms are ramping up their capacities to handle an expected increase in transaction flow in the coming months. This preparation underscores the competitive nature of the M&A landscape, where no firm wants to be left behind as new projects emerge.

### Positive economic prospects

Economic forecasts for Poland and the CEE region are rather optimistic. Inflation rates have decreased from their post-pandemic highs involved in the jumps for natural resource prices, and there is anticipation of potential interest rate reductions in the foreseeable future. The Polish economy is expected to grow substantially, creating a favourable environment for M&A activity. These positive economic indicators are likely to boost investor confidence and stimulate both domestic and cross-border transactions.

The M&A market in Poland is expected to get back on the path of robust growth, supported by favourable economic conditions, a strategic location, and a dynamic business environment.

### Attractive environment for foreign investors

Poland presents a very stable and attractive market for foreign investors, especially when compared to the situation of German economy. The country offers a strategic location, a large consumer market, and strong economic fundamentals. Foreign investors can achieve synergies and create win-win situations by investing in Poland. One effective strategy for de-risking transactions is the use of transactional insurance policies, which can facilitate investments and provide a safety net for both foreign and domestic investors. Over last few years these have fought their way up to the mainstream, turning from a novelty into a rather standard element of many transactions.

### Outlook for the future

The M&A market in Poland is expected to get back on the path of robust growth, supported by favourable economic conditions, a strategic location, and a dynamic business environment. The continued influx of foreign investment, the rise of technology and innovation, and the growing importance of sustainability will be key drivers. Additionally, the role of private equity and the evolving regulatory landscape will shape future M&A activities. Companies and investors should stay attuned to these trends to capitalize on opportunities and navigate challenges in the Polish M&A market.

NEXT: **Ruxandra Pietreanu** →





## Ruxandra Pietreanu

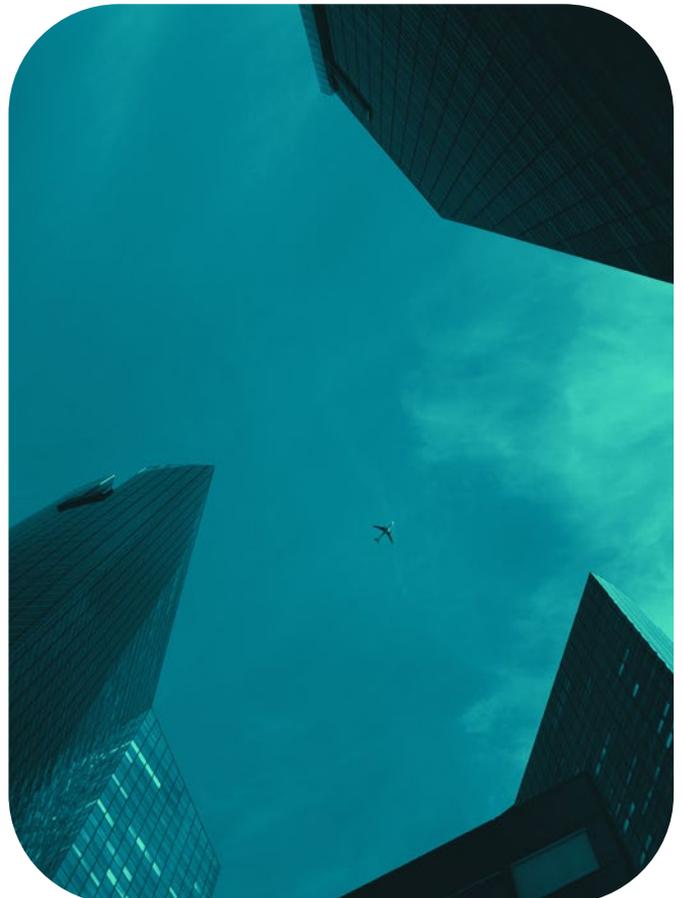
Managing Partner at Path2Capital

Ruxandra Pietreanu – Managing Partner of Path-Finder Corporate Finance – has more than 20 years of experience in corporate finance and investment field. During this period, she has been involved in a large number of projects – covering Mergers & Acquisitions, growth capital raising, as well as debt raising – serving mid-sized and large companies in various sector among which: IT/Technology, healthcare, financial services, media, manufacturing and business services.

### 2024 M&A market in Romania: looking forward, not back

Romania M&A market remained resilient in a challenging regional market environment and continued its upward trend, outperforming established markets in 2023, when 241 transactions with a total estimated value of US\$ 7.1bn have been recorded. This accounted for a 6.1% increase by estimated value on a year-on-year basis (US\$ 6.6 billion in 2022) and a 6.2% reduction compared to the transaction count of 2022 (257) (source: EY)

However, new year, new deals count. The Q1 deals volume remained at a similar level as compared to similar period in 2023. Despite couple of mega-deals that have been signed last year have been completed (Unicredit – Alpha Bank merger) or are expected to be completed this year (Ahold Delhaize closing the EUR 1.3 bn acquisition of Profi) influencing the overall values, we remain moderate in respect of number of transactions to be closed this year.



We noticed things are moving at a slower pace on the mid-market segment, with buyers being more cautious and taking longer times to analyse deals. While I would have expected local companies to take a more active role in the development of M&A market, most leaders are still reluctant to consider acquisition opportunities and prefer to concentrate on organic development.

Our team currently has 10 active deals in different sectors including healthcare and veterinary services, technology, energy and B2B services. Strategic buyers are involved in most of these transactions.

I see the remaining 2024 market activity being driven by the following factors:

- Consolidation opportunities that still exist in some segments, such as veterinary services, that have attracted attention of both strategic and financial investors;
- Significant number of opportunities that exist in the small to mid-sized companies segment, that is still under the radar for most investors;
- Local companies, either independent or PE backed, that will adapt and transform their development models as to deliver value via acquisitions;
- New EIF-supported PE funds becoming active this year and looking to execute their first transactions.

While I would have expected local companies to take a more active role in the development of M&A market, most leaders are still reluctant to consider acquisition opportunities and prefer to concentrate on organic development.



## Michal Tesař

NEWTON Business Development,  
a.s., a member of Pandions Partners

Michal has been active in the CEE M&A activity for about 20 years. He is a Partner & Co-owner of NEWTON Business Development, a Prague based investment boutique, part of Pandion Partners which is an M&A-focused international advisory Group with 25 members around the globe. Michal is not only leading the M&A practice, but also the Public Infrastructure Advisory segment at NEWTON. Besides, he is a Director at Pandion Partners responsible for expansion, where he has doubled the Group in the span of 3 years. The most interesting transaction he did in last years was acquisition of MVV Energie CZ – a district heating company with 15 locations - by Cube Infrastructure, including advisory for bank financing of this takeover.

### CEE market from Czech perspective

The Czech economy is the last one to recover to pre-COVID levels in the EU. Its very slow growth, combined with high inflation, created an unfavourable environment for M&A activity in general. Regardless of such conditions, the market is doing quite well. Last year was dominated by several big transactions, led by the takeover of Meopta Optika by Carlyle for about EUR 700m, followed by the acquisition of the telecom company Nej.cz by CETIN and the e-commerce logistics company Packeta by CVC & Emma Capital. The specific Czech state-led takeovers in the energy sector started with Net4Gas in 2023 and continued with ČEZ's acquisition of GasNet this year.

As inflation has eased, the interest rates important for financing transactions have stepped back from record levels. However, the rate decline is still soft, and banks are still quite cautious about financing new deals. We can see a strong appetite among local financial investors to use their dry powder, but not at the prices known before the interest rate jump two years ago.

Alongside persisting attractive sectors like IT, Telco, Energy, and Health Care, we can see new non-traditional sectors arising. A very interesting example is football. It started with the acquisition of Viktoria Plzeň by Austrian FCVP GmbH in 2023. This was followed by the takeover of SK Slavia by Pavel Tykač, owner of the energy group Seven, and the takeover of FC Slovan Liberec by Ondřej Kania, a young successful businessman from the education sector. Currently, a sale process of SK Hradec Králové, owned by the municipality, is ongoing. Increasing professional work with club fans, plus newly tendered marketing and broadcasting rights, has boosted the revenues of the clubs to new record highs. This attracts new owners who want to participate in such positive development, alongside the specific social and status benefits resulting from such ownership.

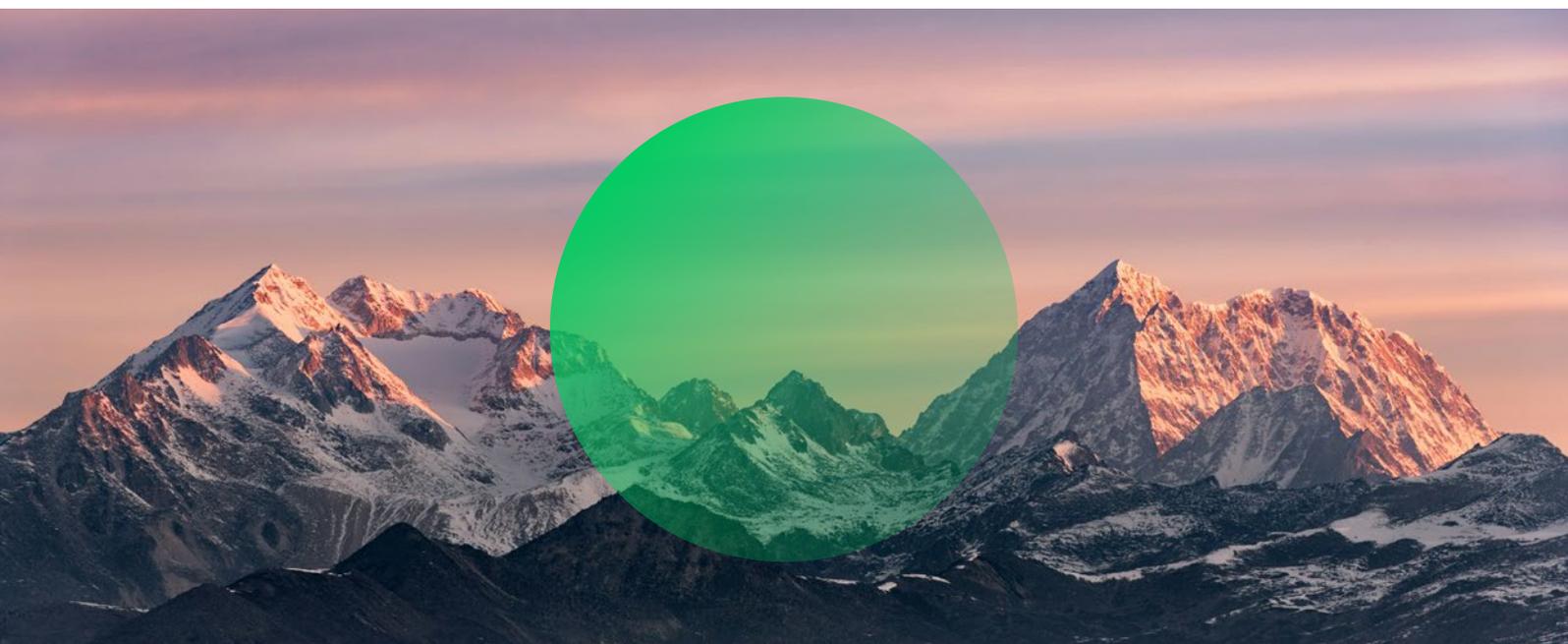
The rate decline is still soft, and banks are still quite cautious about financing new deals. We can see a strong appetite among local financial investors to use their dry powder, but not at the prices known before the interest rate jump two years ago.

There is also ongoing significant outbound activity by already traditional Czech buyers in Europe. The most active is Daniel Křetínský with two fresh groundbreaking acquisitions - the UK's very traditional IDS/Royal Mail and the German steel giant ThyssenKrupp. Three combined gas power plants were taken over by Seven in the UK, and the Slovak utility GGE was bought by UNICAPITAL.

Even if geopolitical risks are discouraging some international investors from stepping into the CEE region, there are also winners from such developments. Namely, the defense industry is fueled by the arms race caused by the war in Ukraine. Czech defense groups are scouting and acquiring not only in Europe, like the takeover of Austrian Steyr Arms by RSBC and Italian Armi Perazzi by Czechoslovak Group, but also overseas, like the acquisition of Sellier & Bellot by Colt from the Brazilian owners or the ongoing takeover of the US-based Kinetic Group from Vista Outdoor by Czechoslovak Group.

Economic conditions for stronger M&A activity are slowly improving not only in the CEE region but from a European perspective as well. Thus, I fully believe in more intensive activity in the market in the second half of this year, followed by 2025.

NEXT: **Bogdan Chirita** →





## Bogdan Chirita

Partner at Value4Capital

Bogdan is a Partner of Value4Capital, a Poland and Central European focused private equity firm. He accumulated valuable experience and was exposed to all spectrum of financial projects through his tenure of 7 years in audit and transaction advisory at world leading audit and consulting companies, Deloitte and EY. Bogdan joined V4C in 2012, to focus on Romanian and Balkan transactions. Bogdan has led V4C sourcing efforts in this region and participated in all the team's investments outside Poland since he joined the firm, including the pioneering exit of MedLife. Bogdan led the firm's two recent Romanian investment, GoMag and Clarfon. Also, he has been appointed to the Board of Doktor24 in Hungary and worked closely with management as they grew the business through organic expansion and acquisitions.

**Has this year in the M&A industry brought any surprises for you? If so, what kind? Or has it been in line with your predictions?**

The M&A landscape has been wavering for the first five months of 2024 as returning to a high interest rate environment doubled by geopolitical concerns for CEE and more globally have taken front page. Lack of predictability has put some of the processes on hold or delayed the coming to market of new ones.

**Looking at the current market landscape, are you pessimistic or optimistic? Why? What are the specific reasons for your approach?**

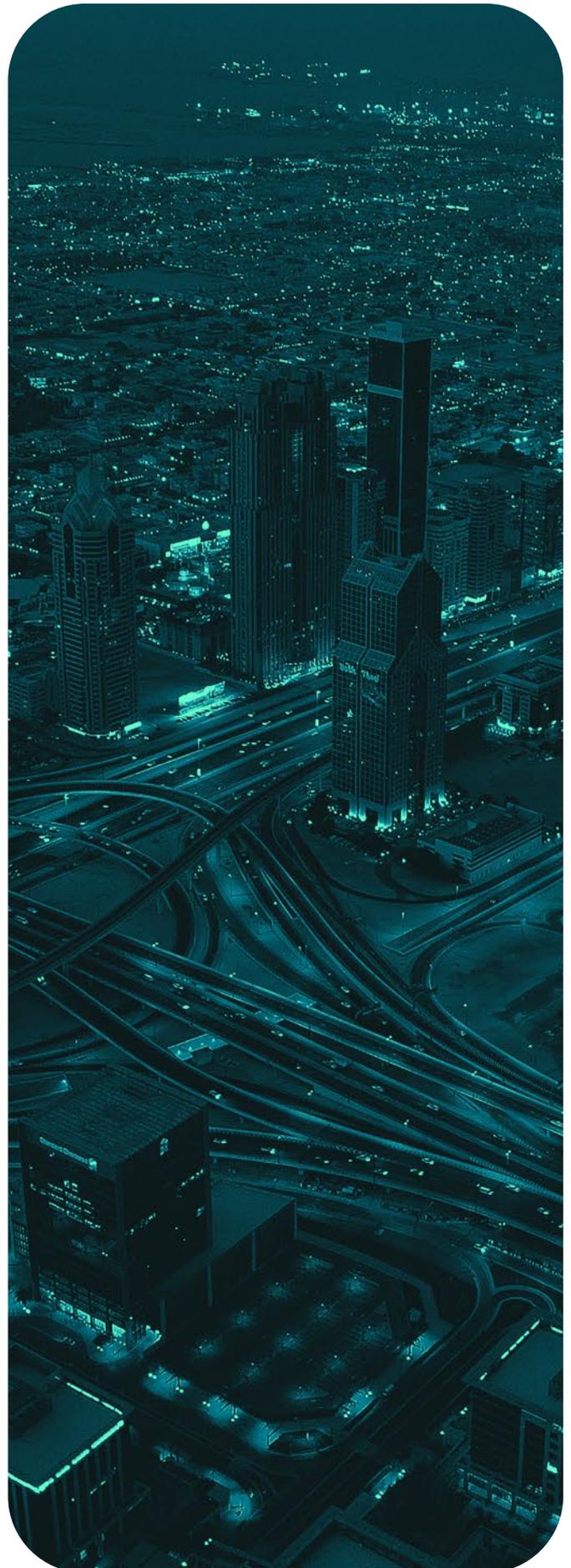
We are cautiously optimistic that some of the reasons that tempered deals would find some resolution in the next 6-12 months. Specifically, Romania has had, for the last couple of years, a very good press and managed to garner renewed interest from European and global investors. The end of an election year and adjustment to new economic realities (higher for longer interest rate environment) will contribute to bridging valuation expectations from buyers and sellers, resulting in a better deal environment.

**What predictions do you have for the M&A market for the coming six months? You can be specific.**

We expect that activity would pick-up for the last part of 2024 and well into 2025 as the amount of dry powder for European PEs and to a certain extent CEE ones as well remains at high levels. Opportunities would come to the market in order to be financed by the capital of a whole set of active financial investors (VCs, PEs, Mezz and long term debt funds accompanied by various family offices).

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## Piotr Miszczyk

Business Development Manager EMEA,  
FORDATA

Piotr joined FORDATA in 2019 as a business development specialist and client advisor. He is currently engaged in market analysis with a focus on international consultative sales for IT solutions with CEE expertise. Piotr's main area of research are the changes and specifics of each analyzed market within the EU. He is involved in M&A trends analysis, focusing on the Central-European segments of commercial real estate investments and PE/VC. At FORDATA, Piotr professes in consultative responding to current business needs, providing solution propositions to all sides involved in various types of transactions

Much like the rest of Europe, CEE has been moving in line with global trends, experiencing a downturn in economic activity. This comes as no surprise, given the broader economic challenges that have been affecting markets worldwide. Notably, the manufacturing sector, particularly in France and Germany, has seen declines that have had a ripple effect on Slovakia and the Czech Republic, where the automotive industry plays a significant role in their economies, contributing to 12% and 17% of their GDP, respectively.

Despite these challenges, the sentiment among experts in the CEE region - ranging from advisors and companies planning M&A moves to private equity/venture capital funds, investors, and lawyers remains cautiously optimistic. This optimism is grounded in the expectation of increased M&A activity, driven by the alignment of sellers' and buyers' price expectations and a general trend towards market consolidation.

### **Surprises and predictions**

This year has unfolded largely as expected, without major surprises in the M&A industry. The cautious optimism shared by many is a reflection of the adaptability and resilience of the CEE market. However, the manufacturing sector's downturn, particularly in key economies like Germany, has been a notable development, underscoring the interconnectedness of the region's economies.



Looking ahead, several trends are expected to shape the M&A landscape in the CEE region.

- Post-pandemic consumer trends - the shift towards mixed-use real estates, driven by a reluctance to return to traditional office settings, and the phenomenon of "revenge traveling," indicating a surge in travel and tourism activities, are likely to influence investment decisions in these sectors.
- ESG implementation considerations are becoming increasingly important, not just in real estate but across all sectors, serving as a differentiator for companies in the eyes of investors.
- Geopolitical changes and economic policies with numerous countries undergoing elections and potential shifts in investment policies, coupled with changes in interest rates and inflation, the M&A landscape could see significant impacts.
- The CEE region's growing maturity, lower capital acquisition costs, especially in IT, and opportunities for consolidation present a fertile ground for specialized funds and investors looking for high-quality transactions.

# The cautious optimism shared by many is a reflection of the adaptability and resilience of the CEE market.

## What's ahead? Optimism with a note of caution

The cautiously optimistic outlook for the M&A market in the CEE region is well-founded. Despite facing challenges such as high interest rates and difficult financing conditions, the region's markets have shown resilience and adaptability. The integration of AI and professionalization trends within the M&A processes, as highlighted in previous reports, continue to offer avenues for efficiency and innovation.



In conclusion, while the M&A landscape in the CEE region faces its share of challenges, the underlying strengths and opportunities present a compelling case for optimism. The adaptability of the market, coupled with strategic investments in emerging trends and technologies, positions the CEE region as an attractive and dynamic arena for M&A activities in the months ahead.

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Thank you for reading the 7th edition of the **FORDATA CEE Expert Report**.

We hope that you will share this report with professionals from your circle. Our goal is to connect experts in different fields and from different countries, and create a lively platform for discussion on the CEE economy. Please follow FORDATA LinkedIn page and the **#ceeexpertreport** tag to join us. FORDATA has been a European Virtual Data Room software provider since 2009. We help companies and experts securely share confidential documents and information in various processes. Our aim is to promote best business practices, bring closer the topic of online security and make data sharing in the B2B sector faster, secure and more convenient.

FORDATA has prepared detailed quarterly reports on Polish M&A market since 2013. Together with invited experts, we published The Code of Best Transactional Practices and The Code of Best Restructuring Practices as part of our For Better Data Flow campaign in 2015 and 2016.