

M&A Index Poland

M&A in Q2 2023

Total number of transactions*

96 (Q2 2023)

The largest transaction**

EUR 865 m

(Acquisition of STS Holding by Entain CEE)

* based on public data

** among transactions with disclosed prices

About the report:

The M&A Index Poland report is a position that has become a permanent fixture in the calendar of the industry summaries in Poland. The reports are prepared quarterly by a consulting firm **Navigator Capital** and **Fordata**, a leader in the field of IT solutions which support M&A transactions.

These reports are created to monitor the dynamics of Polish M&A market and to demonstrate the most interesting transactions. We also monitor the frequency of use of the Virtual Data Room during M&A processes in Poland.

01 . Introduction

In Q2 2023, **96 transactions** were recorded in the Polish M&A market, seven more than in the same period a year ago and one more than in Q1 2023. The largest transaction was the acquisition of STS Holding by Entain CEE.

02 . Selected transactions

Target	Bidder	Seller	Value [m EUR]
STS Holding	Entain CEE	Private Investor	865

STS Holding, a leading leader in the Polish stakeholder market, was acquired by Entain CEE, a joint venture that operates on the stakeholder market and is a part of Entain Group and a Bohemian investment fund EMMA Capital. Mateusz Juroszek will remain CEO of STS Holding S.A. and STS S.A. and will enter the office of the Board of Directors of Entain CEE. After the merger of these two entities, the management, structure, and development strategies in the Polish market will mostly stay unchanged. Because of the entrance to Entain Group, STS will be able to utilize the group's knowledge, solutions, technology, and capital access within the broad and international capital group. The overall value of the transaction will total around PLN 3,9 billion (gross value). The purchase is subordinate to acceptance from the antimonopoly bureau and is supposed to be finalized in the third quarter of 2023.

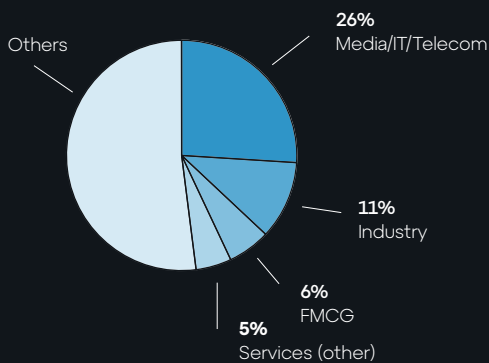
Target	Bidder	Seller	Value [m EUR]
R-GOL	Innova Capital	Private Investor	Not disclosed

Innova7 fund acquired a majority stake in the R-Gol company that distributes football accessories to football enthusiasts, professionalists, and clubs in the CEE region. The transaction will allow Innova Capital to expand its portfolio with another investment in the specialized field of e-commerce. At the same time, this will be the second transaction realized in the framework of the Innova7 fund. Increasing expenditures of Poles on sport caused this brand to become attractive for Private Equity funds. In the second quartal of 2023, the transaction in the football sector was also carried out by Avallon found, taking up shares in SAT sp. z o.o, which owns the S'portofino brand, while Snap Outdoor, which distributes mountain and climbing equipment, remains in Enterprise Investors' portfolio.

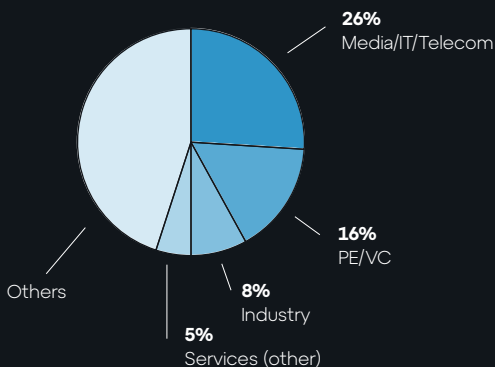
By sector

Transactions with the participation of Polish companies grouped by sectors (by number of transactions)

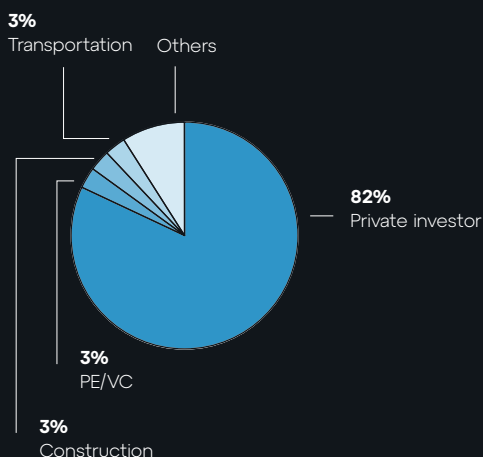
TARGET (%)



BIDDER (%)



SELLER (%)



Target	Bidder	Seller	Value [m EUR]
Skriware	Shape Robotics	Private Investor	Not disclosed

Skriware – a Polish company specializing in providing solutions for 3D printing and robotics for the educational sector, was acquired by the Danish company Shape Robotics, which also operates in this sector. By taking over the Polish business, the Danish company plans to acquire shares in the Polish market and obtain a better starting position in tenders organized by Polish educational institutions. It is worth to note that in January 2023, Skriware signed an agreement totaling around PLN 21,6m with the Ministry of Education to facilitate the Skriware Academy platform to schools participating in the governmental program „Laboratories of the Future.” The transaction finalization is planned for August 2023.

Target	Bidder	Seller	Value [m EUR]
Sewertronics	Halma plc	Private Investor	41

British company Halma plc acquired 100% of shares in Sewertronics sp. z o.o. for EUR 41m. Sewertronics sp. z o.o., with Headquarters in Rzeszow, utilizes innovative and patented ultraviolet LED technology for repairing and restoring sewerage pipelines. Meanwhile, Halma is a global group of technological companies, recorded on the London market and incorporated into the FTSE 100. The group comprises over 45 companies that employ over 7500 people in over 20 countries and operate in Europe, the USA, and Asia. Additional remuneration of up to EUR 18m may be payable upon fulfillment of certain conditions.

Target	Bidder	Seller	Value [m EUR]
Alumetal	Norsk Hydro	Private Investor	267

Norsk Hydro ASA, a Norwegian company dealing with bauxite extraction and aluminum processing, acquired Alumetal S.A. through a tender offer on the Warsaw Stock Exchange to buy back shares remaining in the hands of shareholders. Norsk Hydro operates in 40 countries, including Poland and Hungary. The capital group Alumetal operates in the foundry and steel industry in the production of secondary aluminum, i.e., the manufacture of aluminum casting alloys and primary alloys from aluminum scrap. Alumetal is a national leader and the second-largest manufacturer of secondary aluminum alloys in Europe. The company has been listed on the Warsaw Stock Exchange since 2014. In Hydro's June tender offer to sell 100% of Alumetal's shares at PLN 82 per share, more than 97% of all shares were subscribed. Hydro's share purchase transaction is expected to be finalized in July 2023. In early May, Hydro also received approval from the European Commission for the planned acquisition of Alumetal.

Target	Bidder	Seller	Value [m EUR]
PartyDeco	RIO ASI	Private Investor	Not disclosed

RIO ASI fund belonging to Rafal Brzoski acquired 51% of shares in Party-Deco, which has Headquarters in Szczecin. Party-Deco is the first formal RIO investment. It can be noted that this purchase is part of a strategy to acquire mature, promising companies and further support them in expanding into international markets. In this way, the fund intends to build companies operating internationally in attractive industry niches. PartyDeco is a manufacturer and seller of party accessories and decorations and is active in Poland and European countries. The investment is expected to provide the company with the capital it needs to increase its share in foreign markets, particularly in the US.

Target	Bidder	Seller	Value [m EUR]
Aktywa Inter-Welm	Grupa Cichy-Zasada	Inter-Welm	Not disclosed

Cichy-Zasada Group, the leader of the Polish dealership market, has announced its intention to acquire assets of Inter-Welm, based in Bielsko-Biala. The completion of the transaction is still awaiting approval from the Office of Competition and Consumer Protection (UOKIK). A part of the company that is subject to acquisition will be used by GCZ to continue the operations of the Audi car showroom in Bielsko-Biala, provide service and repair services, and sell spare parts. This acquisition is a continuation of the consolidation efforts undertaken by the Cichy-Zasada Group, which acquired 100% of the shares of Warsaw-based Skoda dealer, Auto-Wimar, in the previous quarter. The higher activity of entities in this market is also evidenced by the transaction concluded this quarter by the Bemo Group, which acquired assets of Szpot Sp. z o.o.

Target	Bidder	Seller	Value [m EUR]
Colt Recycling	Elemental Holding	Private Investor	Not disclosed

Elemental Holding Group has signed an agreement to acquire 100% of the shares in Colt Recycling and Colt Recycling Southeast. Colt Recycling is an American group engaged in e-waste recycling and IT asset disposal, operating on the East Coast of the USA. The acquired facilities process a total of 40 thousand tons of electronics annually, specializing in the recovery of precious metals, IT asset disposal services, and resale of used IT components. The acquisition of Colt Recycling continues Elemental Holding's expansion in the United States and North America. In the current quarter, Elemental Holding also completed the acquisition of Daniel Ball Converter Recycling, and previous transactions included entities such as PGM of Texas, Maryland Core, and Legend Smelting and Recycling. According to the company's announcements, Elemental plans to expand its operations to include the collection and recycling of lithium-ion batteries to acquire expertise in the recovery of metals such as lithium, nickel, and cobalt.

Navigator Capital

- Navigator Capital along with Dom Maklerski Navigator (Navigator Brokerage House) is the leading independent financial adviser, specializing in mergers and acquisitions and public and private issues of stocks and bonds.
- During 15 years of its market presence, Navigator Capital Group conducted over 100 transactions, of over PLN 15 billion total value.
- Through cooperation with international network of advisory firms associated in the Pandion Partners, Navigator Capital effectively handles international transactions.

Fordata

- Fordata is no. 1 Virtual Data Room on the European capital market. Based on Virtual Data Room technology, we support our clients in managing documents and communication during complex transactional processes.
- We support the largest M&A, IPO transactions, private equity investments, restructurings, projects associated with obtaining financing and privatizations in Poland and other countries of Central and Eastern Europe.
- Fordata systems increased safety and efficiency of over 1200 of different types of transactions with a total value of over PLN 42 billion.
- Fordata services are used by the industry leaders in Poland and abroad, including largest advisory companies, banks, legal advisors or Private Equity/Venture Capital funds, ie. Enterprise Investors, Enea SA, Home.pl, Grupa LOTOS, Grant Thornton, NFI Empik, ZELMER, Bank DNB, BOŚ Bank, Polimex Mostostal, Budimex, DM PKO Banku Polskiego, Deloitte Advisory, EY, KPMG Advisory, JSW, HAITONG and many others.



Business Partners



Authorised Adviser



Target	Bidder	Seller	Value [m EUR]
Goodspeed	Enterprise Investors	Private Investor	Not disclosed

Polish Enterprise Fund VIII, a private equity fund managed by Enterprise Investors, will acquire a minority stake in Goodspeed. The company is the largest provider of highly specialized logistics services for dietary catering and ready-made meals producers in Poland. As part of the investment, Polish Enterprise Fund VIII will acquire 49.8% of the company's shares. The founders of Goodspeed, Sylwester and Paweł Rypina, will remain majority shareholders and continue to operate within the company, expanding its operations in the Polish market. The value of the transaction has not been disclosed.

Target	Bidder	Seller	Value [m EUR]
TIM S.A.	Grupa Würth	Private Investor	223

Würth Group, a global leader in fastening and assembly solutions, has announced a public tender offer for shares of TIM S.A., a Polish company listed on the Warsaw Stock Exchange and a leading supplier offering a wide range of electrical products for businesses and professionals. TIM is the leader in the Polish B2B e-commerce market in this area, operating through the tim.pl portal and the social network "Łączy nas napięcie" ("Voltage Connects Us"). The TIM Capital Group also includes 3LP S.A. - a logistics center operator providing services for e-commerce entities. After the completion of the tender offer, TIM S.A. will become an integral part of the Electrical Wholesale business unit of the Würth Group, and the buyer's intention is to announce a mandatory share buyout and delist the company.

Target	Bidder	Seller	Value [m EUR]
Dermena Lab	Laboratorio Genove	Pharmena	9.3

Pharmena, a biotechnology company listed on the Warsaw Stock Exchange, has sold 100% of the shares of its subsidiary, Dermena Lab, along with its dermocosmetics business, to the Spanish company Laboratorio Genové for an initial price of PLN 41.7m (the price may be subject to adjustment based on the agreement between the parties). The funds obtained from the sale will be used by the company for work on other projects based on its patented active substance, 1-MNA. Pharmena's previous dermocosmetics business consisted of three product lines: Hair Care segment - dermocosmetics for people with weakened, excessively falling out hair and dandruff; Face Care segment - dermocosmetics for facial skincare; and Body Care segment - dermocosmetics for body care addressing various dermatological issues. Laboratorio Genové, headquartered in Spain, is an international dermatological company engaged in the development, production, and commercialization of pharmaceutical and dermocosmetic products, with a focus on anti-hair loss and anti-aging products.

Target	Bidder	Seller	Value [m EUR]
SAT	Avallon	Private Investor	Not disclosed

Private equity fund Avallon has invested in shares of SAT sp. z o.o., a Poznań-based company that owns the S'portofino brand. SAT has been operating in the market since 1990 as a distributor and representative of premium sports brands. It has created a brand of stores that combine sports and fashion, operating in the Polish market and 8 international markets. In 2022, the company recorded PLN 152 million in revenue. The company plans to expand its S'portofino offering to four more European countries. For Avallon MBO Fund III, this marks the seventh transaction in 2023. The transaction was conducted using the Fordata Virtual Data Room system.

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03 . Experts' comments

In the second quarter of 2023, we recorded 96 transactions, 7 more than in the same quarter of the previous year and 1 more than the result at the beginning of this year. In terms of the sector of parties involved, the TMT sector was the biggest buyer (26%), the TMT sector predominated among acquired entities (26%), while private investors were the most frequent sellers (82%). We are already observing that the second half of the year, and especially the last quarter of 2023, will be full of an increased number of completed transactions. Our predictions from the end of 2022 are so far coming true, it is active on the M&A market and we can see increased activity from foreign investors.

Friend-shoring: trend development in response to geopolitical changes in Europe

Pandemics and war have clearly demonstrated the fragility of supply chains. In order to ensure the smooth flow of goods within trusted and partner countries, the 'friend-shoring' model was developed. Friend-shoring involves seeking out and establishing strategic trade partnerships to ensure stability and trust in the flow of goods. In response to geopolitical changes in Europe, the friend-shoring trend has gained momentum. Friend-shoring enables cooperation between local players, suppliers and private equity funds, thus synergising business expertise and focusing exclusively on the CEE region. Among the corporations that have decided to relocate their operations to Poland, Polpharma in particular can be mentioned. This company took the initiative to dissociate itself from Asian suppliers of highly active substances by starting the construction of a modern production complex in Starogard Gdanski. Another example is MAN Truck & BUS, which moved its operations from Ukraine to Poland. As part of this move, the Polish factory in Starachowice will be used to produce electric harnesses for the MAN NHMR project. The merger of Bracia Sadownicy and Victoria Cymes, which joined forces, leaving both brands active, can also be considered in terms of the friend-shoring phenomenon.

Banks tighten lending criteria

We can anticipate a continuation of the trend of tightening lending criteria. Due to the apparent decrease in business demand for investment financing and the forecast global economic slowdown, banks are trying to minimise the risk of potential borrower insolvency. Mention should also be made of the difficulties faced by the banking market in relation to the CJEU ruling of 15 June 2023 on franc loans. According to The Polish Financial Supervision Authority estimates, the potential losses resulting from this ruling may amount to approximately PLN 100 million. If the court invalidates the loan agreement, the banks will not be entitled to claim remuneration for the capital provided. This is a serious blow to the banking sector, which may lead to an increase in the cost of services provided by banks.

Private equity funds are still looking around

Limited access to bank financing for smaller companies is opening up new opportunities for private equity investors in Poland, especially in sectors such as healthcare, new technologies, real estate and logistics and renewable energy. Private equity investments



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are becoming more attractive to companies than traditional loans. PE funds can accept more risk and offer flexible financing terms. Despite market uncertainty and a changing business environment, PE/VC funds remain committed (16% on the buy-side in Q2 2023) and are looking for promising investment projects. The trend of VC funding of start-ups has continued this year (last year was a record year, this year looks promising too).

ESG as a key factor in M&A deals?

Environmental, social and governance (ESG) factors have become increasingly important in M&A transactions, especially in the commercial real estate sector. Central and Eastern European countries offer a goldmine of innovation, coupled with an affordable labour force, liberal legislative and administrative trends, favourable business development and a favourable business environment. The ESG factor, managing a company in a sustainable manner is increasingly taken into account when valuing companies. Private equity funds, which currently have a strong influence on the M&A market in Central and Eastern Europe and invest huge sums, also check whether a company meets its environmental and social obligations when analysing its purchasing potential.

Growth of foreign investment in Poland: prospects for the coming months

Private capital continues to show strong interest in media assets, with particular attention now being paid to hot sub-sectors such as IT, technology, gaming and video. Observing the growing interest of foreign investors, as well as their current movements, the coming months may be favourable in terms of the value of foreign direct investment in Poland. This is confirmed by data from the Polish Investment and Trade Agency, which currently supports around 180 projects worth around EUR 12.93 billion, mainly in sectors such as business services, electromobility, automotive, electronics and chemicals. Also of particular note is the sector of technological solutions for electric cars, which is rapidly gaining importance.

Poland's transition to renewable energy: Investment and development of the RES industry

The situation in the energy sector in Poland is changing dynamically. It is estimated that by 2030, 50% of Poland's energy needs will be covered by renewable energy sources (RES). Offshore and onshore wind farms, hydrogen power plants and photovoltaics will play a special role here. We can also expect further foreign investment - Industriens Pension and Better Energy are planning to invest more than EUR 800 million in photovoltaics in Poland, Denmark and Sweden. Although this industry is constantly evolving, RES and hybrid solutions will certainly play a key role in the years to come. In the fluid transactional landscape of RES, whose activity is growing and will continue to grow, tools to guide acquisition processes, such as VDRs, have taken on added importance, becoming a system to support transactions.



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In the second quarter of 2023, 96 M&A transactions were announced in the Polish market, seven more than in the same period of the previous year. The number of recorded transactions was also higher than in the preceding quarter, where 95 transactions were witnessed. The achieved result confirms the good condition of the M&A market in Poland.

The largest acquisition transaction during this period was the acquisition of STS Holding, the leader in the Polish bookmaking industry with approximately 35% market share, by Entain CEE. The transaction was carried out through a public tender offer to purchase 100% of the company's shares, with an equity value of approximately PLN 3.9 billion. At the time of preparation of this report, this is the transaction with the highest disclosed value concluded in 2023.

The number of completed transactions indicates the sustained positive sentiment in the Polish M&A market, which is consistent with our predictions expressed in the previous report. Despite the ongoing war in Ukraine and the related economic and geopolitical situation, high activity in the transactional market continues. Changes in inflation expectations may also influence the M&A market by encouraging foreign investors to increase their activity in the Polish market.

Improved investor sentiment can also be observed on the Warsaw Stock Exchange, with the WIG index increasing by approximately 10% since the end of March. Despite the recorded growth, companies listed on the Polish stock exchange remain attractive targets for strategic investors, and we expect the upcoming periods to be characterized by a higher number of public tender offers than initial public offerings. In addition to the acquisition of STS, other significant transactions that follow this trend were completed in the second quarter. These include the acquisition of Alumetal S.A. by Norsk Hydro for approximately PLN 1.2 billion and the public tender offer announced by the Würth Group for shares of TIM S.A., an electronic equipment distributor, for an amount of approximately PLN 1 billion.

Private equity funds have also started making acquisitions, accounting for 16% of the buying side of the market, with their activity in the CEE region remaining at a record-high level. The higher activity of entities in this sector may be driven by the need to complement their portfolios after a period of higher economic uncertainty, during which some entities refrained from launching new investments. Among the most interesting transactions are those from the sports equipment distribution sector, in which funds such as Innova and Avallon have shown confidence by investing in R-GOL and SAT, respectively. For Avallon, the acquisition of the owner of Sportofino stores was not the only transaction in this quarter, as the fund also invested in Letniskowo, a producer of year-round mobile homes.

The past few months have also allowed for the observation of ongoing consolidation processes in the car dealership market, which has been characterized by high fragmentation thus far. In recent years, entities in this sector have benefited from market conditions related to vehicle availability, resulting in significantly higher margins. Consolidation movements are not only carried out by market leaders, such as Grupa Cichy-Zasada,



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which acquired shares in Auto-Wimar and assets of Inter-Welm, or Duda Cars acquiring Voyager Group, but also involve entities that were dealers of the Stellantis group and decided to seek investors as a result of the group's network restructuring.

Entities operating in the IT and Telecom sectors were most frequently acquired, accounting for 26% of the recorded transactions, followed by the industrial sector, which accounted for 11% of the transactions. Strategic investors from TMT sector stood out as the most active buyers, accounting for 26% of the transactions. Strategic investors, on the other hand, were dominated by entities from the IT industry. Among the sellers, private individuals were the majority at 82%, while financial investors significantly reduced their sales, representing only 3% of sellers (compared to 6% in the previous quarter).