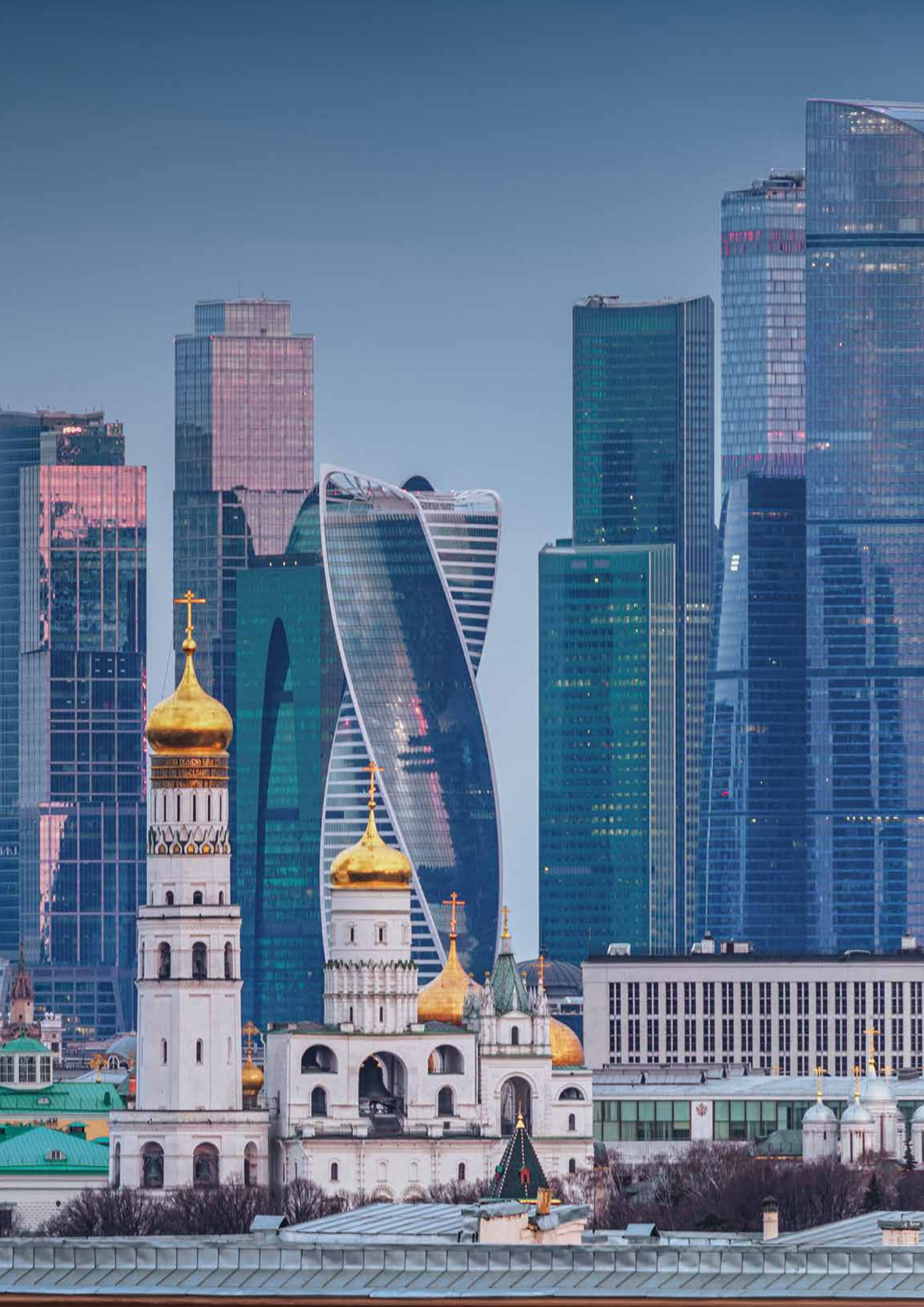




Investing in CEE

Inbound M&A report
2021/2022



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Strong inbound dealmaking bodes well for M&A in 2022

Dealmakers set aside concerns about Covid-19, rising inflation and volatile energy markets to drive M&A deal value in the Central and Eastern Europe (CEE) region to the highest level seen for five years in 2021. Total deal value jumped 41% year-on-year to reach €67.5bn, while volume rose 32%. The overall picture is one of strong growth and resilience, but a more detailed analysis of the data reveals some remarkable hotspots.

Private equity dealmaking is one of these. Our research shows that buyouts in the CEE region in 2021 surged 63% year-on-year to reach a total of €10.4bn – the highest level seen since 2015. PE volume also saw strong growth, with the number of deals in 2021 more than 46% higher than in the previous year.

US-based private equity investors are increasingly prominent – testifying to the attractiveness of the CEE market. Indeed, US private equity accounted for two thirds of the value of the top ten PE transactions in 2021. Regional private equity firms were also active throughout the year. While these may not (yet) have the firepower of the largest US firms, they are increasingly active: for example, three of the top five private equity companies in terms of deal volume in 2021 are based in the CEE region.

Inbound cross-border dealmaking from outside the region also rose sharply in 2021. The value of transactions by dealmakers from outside CEE jumped 36% to reach €32.5bn. This is the highest inbound deal value since 2016. Inbound deal

volume, meanwhile, saw a 34% increase with 371 deals – the highest level of dealmaking by volume since 2017.

Access to high-quality targets is the number one attraction for overseas acquirers. Nowhere is this clearer than in the CEE region's burgeoning tech sector, which saw phenomenal inbound interest in 2021 with deal volume up 86% year-on-year. Total deal value, meanwhile, rocketed to €10.1bn, up from €2.5bn in 2021. These levels of volume and value are the highest ever seen for inbound tech dealmaking in Central and Eastern Europe – and they are a strong vote of confidence in the region.

Challenges lie ahead – not least those posed by new Covid-19 variants, tightening monetary policy and volatile energy prices. But as this study shows, acquirers are taking all of this in their stride as they look to expand their businesses and tap into the region's compelling growth story. The region boasts a diversified economy, from strong IT capabilities to a growing class of middle-income consumers and large levels of natural resources. And while wages are growing in the region, they remain lower than in Western countries – providing an attractive area of investment and expansion as businesses seek to reshape their supply chains in the wake of the upheaval caused by the pandemic.



Michel Kiviatkowski
CEE Leader of Financial Advisory
Mazars

Methodology

Mergermarket deal data includes transactions with a deal value greater than or equal to US\$5m, except for some minority stake acquisitions where a higher threshold applies. If the consideration is undisclosed, deals are included on the basis of a reported or estimated deal value greater than or equal to US\$5m.

In the case of minority stake deals, transactions are included where the stake acquired is greater than or equal to 30% of the entire share capital, and the deal value is at least US\$5m. Where the stake acquired is less than 30% the deal will only be included if the deal value is at least US\$100m, provided there is also evidence of an advisory mandate; or at least US\$500m in the absence of evidence of an advisory mandate.

Mergermarket data includes property transactions where a property company, with the exception of a property holding company, is acquired or merged with another entity. It does not include property/real estate transactions restricted to land, buildings, portfolios or sale and leaseback agreements.



The M&A market in Central and Eastern Europe

The dealmaking landscape

2021 saw robust dealmaking across the CEE region, despite concerns about Covid-19, soaring energy prices and looming geopolitical hazards

The year 2021 proved to be a challenging one for M&A. The full macroeconomic impact of the Covid-19 pandemic continues to be felt as resurgent domestic demand collided with constraints in global supply chains. Labour shortages and higher commodity prices weighed on economies, as did surging energy prices in the latter part of the year. Against this background, inflationary pressures in the CEE region, as elsewhere, continued to build.

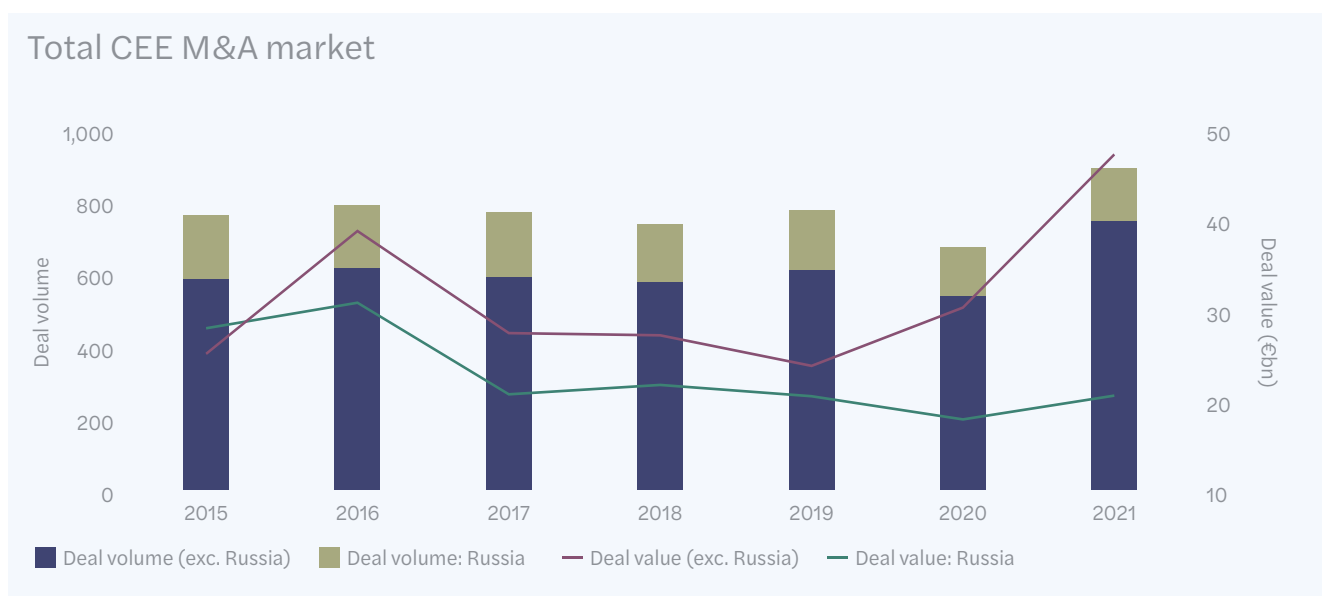
Dealmakers, including inbound investors, were not deterred by this apparently unpromising background. Deal volume and value both increased in 2021. The number of M&A deals in the CEE region rose to 889 in 2021, up 32% on the previous year. Total deal value was also higher, with transactions totalling €67.5bn. This represents an increase of 41% compared with 2020 and it is the highest total transaction value since 2016.

Pent-up demand for deals is one of the drivers, says Margarit Arnaudov, Head of Advisory at Mazars in Bulgaria: “The first months of the Covid-19 pandemic up to Q3-2020 were difficult for dealmakers. Now investors are ready to do M&A deals again. In addition

to this, there is a lot of liquidity from the EU and US markets both from banks and funds. Overarching this is the trend towards consolidation in some of the more mature sectors in the CEE region, such as retail, construction, and media.”

Inbound investment accounted for 62% of the aggregate value of transactions carried out in the CEE region (including Russia) in 2021, up from 56% in 2020, confirming the attractiveness and relative stability of the market. By contrast, domestic investors’ share of the total fell to 38% from 44% in 2020. Rising borrowing costs in CEE countries outside the Eurozone are likely to be among the factors weighing on domestic investors – central banks in the Czech Republic, Hungary, Poland, Romania, Ukraine and Russia all hiked rates during 2021. By contrast, both Eurozone and US rates over this period were unchanged.

As the largest economy in the region, Russia saw the highest level of M&A deal value of any country, with a total of €20.4bn. The country saw three of the top ten deals of the year in the region – the largest of these was the €5.8bn merger between two petrochemical

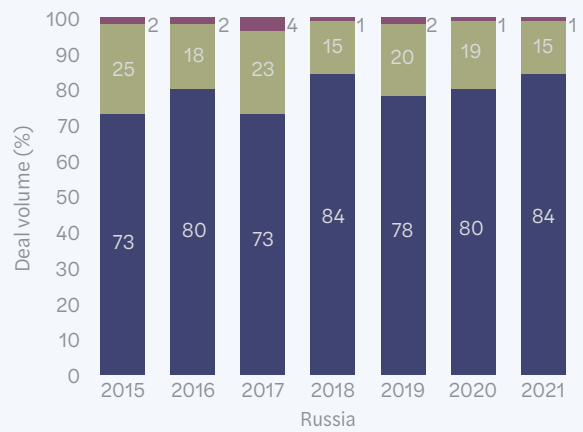
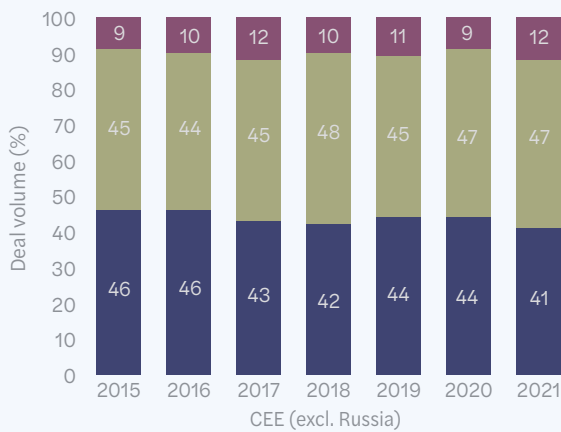


firms, SIBUR Holding and TAIF. The combination has created one of the world's top five producers of rubber and polyolefin products. The deal is the largest deal in Russia's energy and utilities sector since 2016.

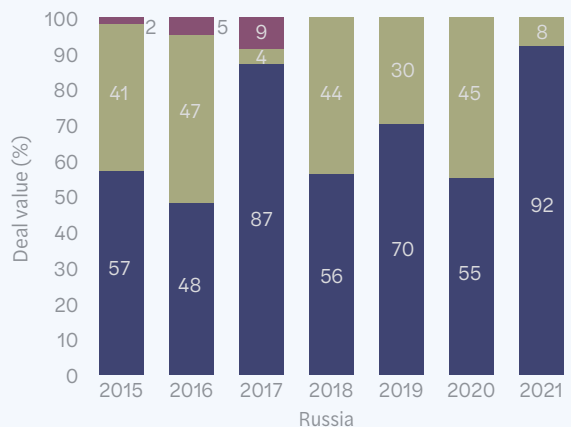
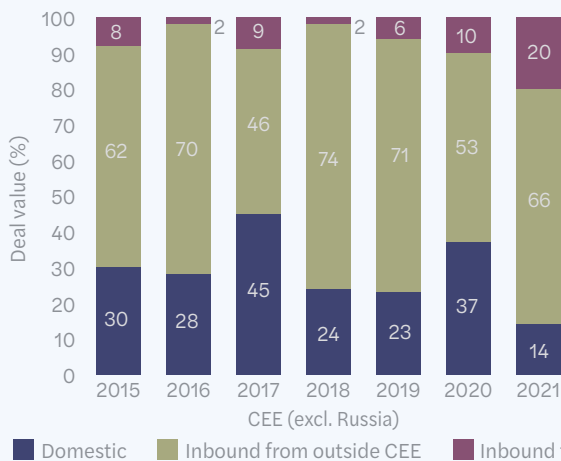
Poland is the CEE region's second-largest economy and it was the dominant target geography in terms

of volume, garnering 192 transactions in 2021. The biggest deal involving a Polish target was the acquisition by Germany-based Allianz SE, Europe's biggest insurer, of the Polish operations of Aviva for €2.5bn. The deal consolidates Allianz SE's leading position in terms of profitability in the CEE region.

CEE M&A volume – inbound vs. domestic



CEE M&A value – inbound vs. domestic



■ Domestic ■ Inbound from outside CEE ■ Inbound from within CEE

The M&A market in Central and Eastern Europe

The dealmaking landscape

Top 10 M&A deals in CEE (excluding Russia) in 2021*

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (€m)
10/08/2021	Avast PLC	Technology	Czech Republic	NortonLifeLock Inc.	USA	6,646
03/12/2021	Immofinanz AG (78.6% Stake)	Real estate	Austria	CPI Property Group	Czech Republic	4,617
08/01/2021	CA Immobilien Anlagen AG (71.76% Stake)	Real estate	Austria	Starwood Capital Group	USA	4,302
26/03/2021	Aviva Poland	Financial services	Poland	Allianz SE	Germany	2,500
26/02/2021	Polkomtel Infrastruktura sp. z o.o. (99.99% Stake)	Telecommunications	Poland	Cellnex Telecom, SA	Spain	1,574
22/09/2021	UPC Polska Sp. z o.o.	Telecommunications	Poland	PLAY Communications S.A.	France	1,517
15/11/2021	Raiffeisenbank (Bulgaria) EAD (100% Stake)	Financial services	Bulgaria	KBC Groep NV	Belgium	1,015
22/01/2021	Home Credit a.s.; Home Credit Slovakia AS; Air Bank, a.s.	Financial services	Czech Republic	MONETA Money Bank, a.s.	Czech Republic	992
04/11/2021	Mall Group AS (100% Stake); WE DO CZ s.r.o (100% Stake)	Technology	Czech Republic	Allegro.eu	Poland	925
02/11/2021	Exxon Mobil Corporation (XIX Neptun Deep Block) (50% Stake)	Energy & utilities	Romania	S.N.G.N. RomGaz S.A.	Romania	914

*Based on deals with disclosed values

The next two largest Polish deals all involved TMT targets. The biggest of these transactions was the acquisition of Poland-based telecommunications infrastructure business Polkomtel Infrastruktura by Spain's Cellnex Telecom SA for €1.6bn in a deal which will see Cellnex take control of 7,000 telecommunication towers, voice and data transmission, and fibre links.

Staying with Polish telecom targets, 2021 saw France-based PLAY Communications acquire cable

TV, broadband and VoIP telephone provider UPC Polska for €1.5bn. The deal comes only a year after PLAY, formerly based in Poland, was acquired by French telecoms firm Iliad.

The Czech Republic, the CEE region's fourth-largest economy, was where the largest deal of the year in the region took place – the acquisition of Czech Republic-based computer security software giant Avast by US-based NortonLifeLock in a deal worth €6.6bn.

Top 10 M&A deals in Russia in 2021*

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (€m)
23/04/2021	TAIF Group (100% Stake)	Energy & utilities	Russia	SIBUR Holding OJSC	Russia	5,805
15/04/2021	PAO Rospadskaya (90.9% Stake)	Energy & utilities	Russia	PAO Rospadskaya (Existing shareholders)	Russia	1,900
16/07/2021	Eurocement Group ZAO	Construction	Russia	Mikhailovsky KSM	Russia	1,835
09/03/2021	Chelyabinsk Pipe Rolling Plant (ChTPZ, ChelPipe) (100% Stake)	Industrials	Russia	TMK OAO	Russia	953
18/05/2021	OJSC Publishing House Prosveshcheniye (75% Stake)	Professional services	Russia	State Development Corporation VEB, RF; Sberbank OAO; Russian Direct Investment Fund	Russia	898
18/11/2021	Magnit PJSC (12.36% Stake)	Retail and consumer goods	Russia	Marathon Group	Russia	869
08/02/2021	Sibanthracite Group (100% Stake)	Energy & utilities	Russia	Siban Holding LLC	Russia	831
06/09/2021	JSC National Tower Company	Technology	Russia	Service-Telecom LLC	Russia	817
28/12/2021	Meretoyakhaneftegaz CJSC (50% Stake)	Energy & utilities	Russia	Lukoil OAO	Russia	624
29/09/2021	Sigma Holding OOO (50% Stake)	Real estate	Russia	PIK Group	Russia	532

*Based on deals with disclosed values

The third-biggest M&A deal of 2021 (excluding Russia), was the €4.3bn investment by US-based Starwood Capital in Austrian property firm CA Immobilien Anlagen for a 71.76% stake. CA Immo's core business is leasing, managing and developing office buildings in Germany and the CEE region. Commercial real estate is increasingly attractive to inbound investors, particularly given the growing interest in Central and Eastern Europe as a destination for nearshoring and business process outsourcing (BPO).

“Now, investors are ready to do M&A deals again.”

Margarit Arnaudov

Head of Advisory, Mazars in Bulgaria

The M&A market in Central and Eastern Europe

Around the CEE region

The CEE's diverse markets and abundant targets are increasingly attractive to both domestic and inbound investors

The top four countries in terms of M&A deal volume in 2021 were Poland (with a total of 192 deals), Russia (146), Austria (119) and the Czech Republic (86). These are the same four countries that took the top spots for volume in 2020. Turning to total deal value, Russia came in first with disclosed transactions totalling €20.4bn, up 15% versus 2020. Austria, Poland and the Czech Republic took second, third and fourth places respectively. The Czech Republic stands out, with total deal value up nearly fourfold year-on-year to €10.3bn, largely on the strength of a single tech deal.

Poland

Poland is ranked number one for deal volume and number three for value, with disclosed transactions in 2021 totalling €12.2bn, an uptick of 10% versus the previous year. Poland is in many respects the powerhouse of the CEE region. While it is not the biggest economy in the region (Russia's is almost three times bigger), Poland remains the top choice for investors, thanks to its location at the heart of Europe, the openness of its markets (including capital markets) and its membership in the European Union.

There were three Polish deals in the top ten largest transactions of the year for the region (excluding Russia): the sale of French insurance firm Aviva's Polish assets to German insurer Allianz SE for a deal value of €2.5bn, the acquisition of Polkomtel Infrastruktura by Spanish telecoms infrastructure giant Cellnex for €1.6bn, and PLAY Communications' €1.5bn takeover of telco UPC. These deals, along with over 180 others, helped to propel Poland's total M&A volume up by 47% on 2020.

Poland attracted criticism towards the end of 2021 after enacting legislation that threatened foreign ownership of media entities, including TV channels. However, the so-called "Lex TVN" law was rapidly overturned by presidential veto. Looking ahead, the IMF predicts that Poland's economy will grow 5.1% in 2022 (the same as 2021). This is a higher rate of growth than for Central and Eastern Europe overall, which is expected to grow at 3.8% in 2022 versus 4.9% in 2021.

Russia

Russia M&A value rose by 15% year-on-year to total €20.4bn – once again allowing Russia to take the number one spot in terms of deal value in the region. By deal volume, however, Russia slid from first to

second place, even as the number of transactions increased 8% to 146.

The largest deal of the year in Russia by far, and one which accounted for almost a quarter of overall deal value, was an energy and utilities transaction: the sale of TAIF Group to SIBUR for a total deal value of €5.8bn. The second-biggest deal, also in energy and utilities, was UK-headquartered steel and mining firm Evraz's spin-off of a 90.9% stake in coal firm PAO Raspadskaya, worth €1.9bn.

Focusing on sector performance, energy and utilities stands out in terms of overall value with deals amounting to €9.8bn in 2021 – although more than half of this total was accounted for by the SIBUR acquisition mentioned above. In terms of deal volume, there were 18 deals in the sector, a slight annual drop from 20 transactions the previous year.

The picture is similar with construction, which was the second most valuable sector in 2021. Again, much of the total deal value for this sector – €2.3bn – was made up by a single deal, the acquisition of Eurocement Group for €1.8bn. This deal accounted for 78% of overall value in the construction sector, as there were only five transactions in the sector in 2021, three of which did not have disclosed deal values.

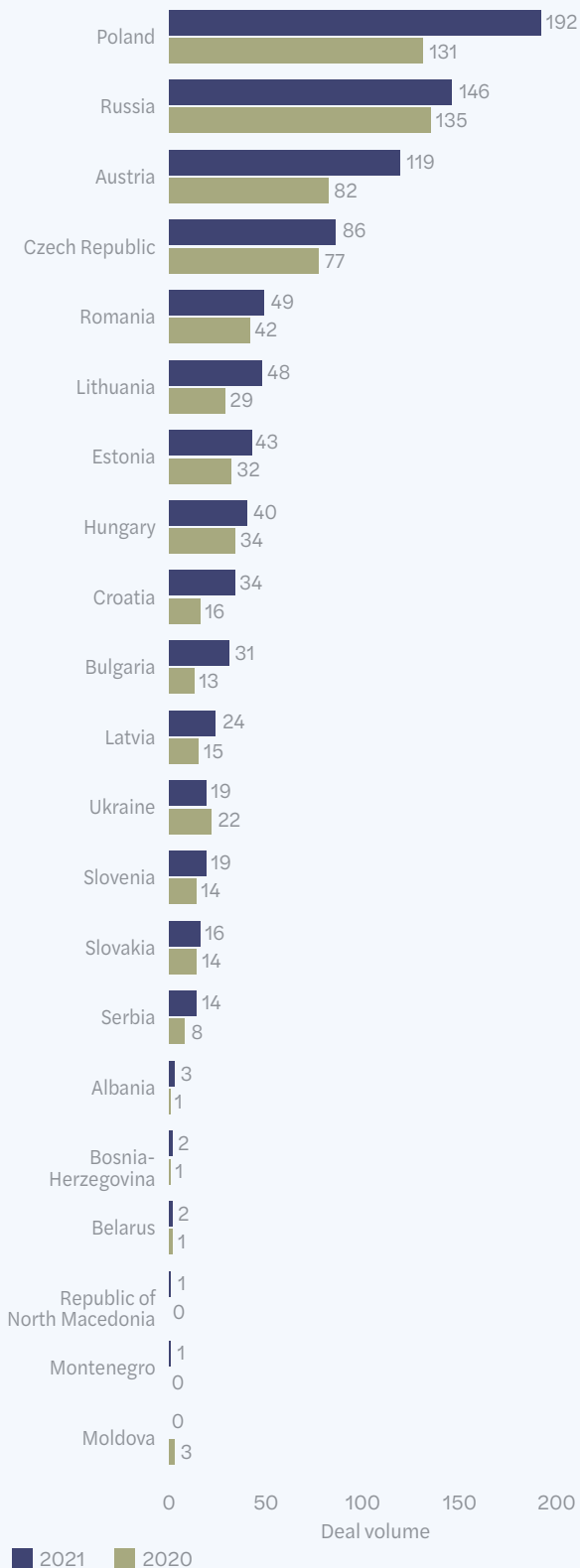
The sector that recorded the largest increase in terms of value was professional services, which recorded a more than 20-fold increase from €43m in 2020 to €966m in 2021. This was largely thanks to the acquisition of a 75% stake in educational publisher OJSC Publishing House Prosveshcheniye by State Development Corporation VEB.RF in a deal worth €898m. In terms of volume, the best-performing sector in 2021 was technology, which recorded 37 deals – an increase of 85% compared to 2020.

Austria

With per-capita GDP of more than US\$48,000, Austria is the most affluent country in CEE by a wide margin. Austria ranked third in the region by volume (with 119 deals) and second by value, with transactions in 2021 totalling €12.9bn – up 33% on 2020's deal total of €9.7bn.

Austria's total deal value in 2021 was significantly boosted by two major real estate transactions: Czech Republic-based CPI Property's €4.6bn offer for a 78.6% stake in real estate business Immofinanz and

CEE M&A volume by country, 2021 vs. 2020



CEE M&A value (€m) by country, 2021 vs. 2020



The M&A market in Central and Eastern Europe

Around the CEE region

the €4.3bn acquisition of CA Immobilien Anlagen by private equity firm Starwood Capital Group for €4.3bn. The latter was the biggest private equity deal seen in the CEE region in 2021.

Also of note in 2021 was the birth of Austria's first tech unicorns – among them cryptocurrency trading platform Bitpanda. The company's latest funding round raised €224m from backers including Valar Ventures, Jump Capital, private investor Alan Howard, LeadBlock Partners, and REDO Ventures. Bitpanda is valued at more than US\$4bn. Staying with unicorns, Vienna-based online tutor marketplace GoStudent raised €205m, taking the edtech start-up's valuation to €1.4bn.

Austrian businesses have proved to be resilient during the Covid pandemic with fewer restructuring situations than expected, says Günther Mayrleitner, Partner with Mazars Austria: "The number of insolvencies was expected to rise, but we see the opposite effect. Corporate insolvencies were 39% lower than the pre-Covid average in 2021. However, 40% of the insolvencies in 2021 occurred in the fourth quarter. Far-reaching state support has helped to save companies from insolvency. Catch-up effects are to be expected once the support expires."

Czech Republic

The Czech Republic saw a sharp rise in value across 2021 – jumping by a massive 358% to €10.3bn. Volume ticked up by a more modest 12% to 86 transactions, putting the country in fourth place by deal count.

The steep increase in value was largely thanks to the fact that the country was the target of the region's two largest tech deals. One of these – the biggest deal of 2021 – was the acquisition of Avast by US-based NortonLifeLock for €6.6bn.

The other significant Czech tech transaction of the year saw the sale of e-commerce brands Mall Group and WE|DO CZ by Poland-based online shopping platform Allegro.eu for €925m.

"2021 was an astonishing year in terms of M&A activity," says Lukáš Hruboň, Head of Transaction Advisory at Mazars in the Czech Republic. "One of the most active sectors was SW development in general and fintech, in particular, which the Czech Republic is quite strong at. We have two hubs – in Prague and Brno – and the start-up scene is very active there. We also saw a lot of activity in real estate and e-commerce is very attractive. Besides traditional manufacturing, construction and general services, we have seen transactions in the logistics, healthcare and energy

sectors and have been involved with a lot more of these. On top of this, there is ongoing consolidation in the banking industry, with the bigger banks looking to grow via acquisitions."

One of the challenges facing the Czech economy is tighter monetary policy. The Czech Republic is an EU member state, but it lies outside the Eurozone. In common with other non-Euro CEE states, the Czech central bank is pushing up base rates. "Further increases are expected," Hruboň says. "One of the challenges will be getting acquisition loans denominated in Czech Koruna (CZK) at favourable prices." Access to labour is another challenge. This has been exacerbated by movement restrictions related to the Covid-19 developments affecting mobility with Ukraine – a key source of migrant labour into the Czech Republic – as well as countries such as Romania and Bulgaria.

Romania

There were 49 deals for Romania-based targets in 2021, a 17% increase versus 2020. Deal value at €2.7bn was up 58% compared with the previous year. The largest deal was ExxonMobil's sale of a 50% stake in the offshore XIX Neptun Deep Block concession, located in the Black Sea, to natural gas firm Romgaz. The €914m deal comprised almost half of the year's total value.

Another significant transaction was the acquisition of a 49.25% stake in Globalworth Real Estate by existing shareholders Aroundtown and CPI Property Group – both Luxembourg-based property firms – for €773.6m.

Romania was also the target of one of the largest private equity deals in the CEE region in 2021, the €250m acquisition by UK-based PE firm Novalpina Capital of Bucharest-based MaxBet SRL, which is active in slot machine gambling.

"Romania's M&A market is increasingly mature," says Răzvan Butucaru, Partner and Advisory Leader at Mazars in Romania. "We see growing interest in all sectors, along with the rise of local private equity funds. This is good for Romania and for the region as a whole." An example of Romania's maturity is the ability of dealmakers to tap into wider capital markets, Butucaru says: "Up until now, businesses financed 100% from the banks. Now they have learned that there is the Bucharest Stock Exchange, equity and strategic investors. They are more open to different kinds of financing."

Against this background, there is increasing optimism that the country's recently formed left-



right coalition government will draw a line under the political turmoil that beset Romania in 2021. This could play a critical role in boosting the country's attractiveness for inbound investors.

Bulgaria

After a very quiet 2020, M&A activity in Bulgaria has picked up the pace again in 2021. Bulgaria recorded a total of 31 M&A deals in 2021, up 138% compared with 2020 – the sharpest rise in deal volume seen by any country in the CEE region over the past year. Meanwhile, total deal value leapt by 149% to €1.6bn.

Targets in Bulgaria's fragmented financial services sector were a major focus for inbound investors in 2021. Indeed, Bulgaria was the target of two of the CEE region's top ten inbound financial services deals, including the region's second-biggest financial services transaction of the year: the €1bn acquisition by Belgium-based bank KBC Groep of the Bulgarian business of Raiffeisenbank, the Austria-based group of cooperative banks.

KBC Groep was also the name behind another major financial services deal, the €78m acquisition of the Bulgarian pension and insurance business of Netherlands-based NN Group. Staying with insurance, 2021 also saw the acquisition by the European Bank for Reconstruction and Development (EBRD), and Eurohold, of a minority stake in Euroins Insurance Group for €42m. Euroins is one of the

largest independent non-life insurance groups in central, eastern and south-eastern Europe.

“We have seen much greater levels of activity in 2021 compared to 2020, with quite a lot of interest from both Western European countries and the US,” says Margarit Arnaudov, Head of Advisory at Mazars in Bulgaria. “As well as an increase in the number of smaller deals, we have also seen some bigger deals in the financial services sector. Players are either exiting or trying to consolidate within the CEE region.”

Bulgaria is one of the most stable countries in the CEE in terms of debt and budget deficits. Meanwhile, the country's recently elected government is expected to support increased foreign direct investment, reversing FDI declines seen in recent years. One of the big challenges for 2022 will be boosting vaccination uptake in the country, which is currently among the lowest in the CEE region.

Adria region

The Adria region comprises Albania, Bosnia-Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia, Serbia and Slovenia. These eight countries – the core of the former Yugoslavia with the exception of Albania – have a population of more than 23 million and a combined GDP of approximately US\$252bn.

In 2021, the Adria region saw a total of 74 deals worth €4.4bn, representing a substantial increase in volume

The M&A market in Central and Eastern Europe

Around the CEE region

(85%) and deal value (245%) compared with 2020. There were ten deals worth in excess of €100m across the region. The biggest of these was the acquisition of Slovenia's Nova Kreditna Banka Maribor by Hungary-based OTP Bank for a total deal value of €900m. Slovenia was also the target of one of the biggest private equity transactions seen in the CEE region in 2021 – the acquisition of Ljubljana-based medical laser specialist Fotona by British buyout firm Vitruvian Partners LLP for €700m.

“We are seeing a continued trend where IP and technology are the main transaction drivers,” says Andrija Garofulić, Partner at Mazars in the Adria region. “Companies in our region are maturing and becoming of interest to foreign investors. This is especially relevant in the technology sector. On top of this, the volume of tech companies, start-ups and incubators available for acquisition is increasing.”

Close cultural and economic ties between the countries that constitute Adria make it a strong candidate for investors with a clear regional strategy. “Our countries have a lot of things in common, which makes Adria a good starting point,” says Garofulić. “You set up an office, then spread your activities across many countries.”

Hungary

Hungary saw a total of 40 transactions in 2021, up from 34 the previous year. Of these deals, only ten had values that were disclosed, giving a transaction total of €549m.

The largest of these saw the formation of a joint venture (JV) based in Hungary between Japanese industrial firm Toray and South Korea-based LG Chem. The JV will manufacture battery separator film for use in lithium-ion batteries used in electric vehicles (EV). Under this arrangement, LG Chem will invest €323m for a 50% stake in the JV, which will produce film for use in batteries manufactured by its parent organisation LG Group in the US and Europe. The deal is part of LG's strategy of vertically integrating battery material and production and is coming at a time of accelerating demand for zero-emission vehicles and shifting energy production.

Inbound investment is not always easy in Hungary. Under its “eastern opening” policy, the government has nurtured closer ties with China and has encouraged Chinese involvement in large greenfield projects. But overall inbound M&A has been less welcomed. Indeed, the government has renationalised some formerly privatised assets.

“The mid-market SME-type deals that we used to see a lot of several years ago are less common,” says Balázs Gál, Head of Advisory at Mazars in Hungary. “Now we have a few large deals on one hand and lots of small deals with start-ups and early-growth phase companies on the other. There's a lot of volume, but deal values are smaller.”

One feature of 2021 was an increase in the number of firms requesting valuations. “We are doing quite a lot of these – many are related to the companies' own portfolios,” says Péter Aczél, Manager, Transaction Services at Mazars in Hungary. “Firms want to understand the situation in their companies, and to know if the value is still there, or whether any impairment should be calculated. They want to know if they should try to sell, or whether they need to restructure.”

Slovakia

Slovakia saw a total of 16 M&A transactions in 2021 – two deals more than in 2020. Disclosed M&A deal value for the year was €69m, a significant increase on the €6m seen in the previous year.

Despite the relatively low volume of dealmaking, Slovakia's M&A market has much to offer. Start-ups and scale-ups are growing in strength, fuelled by a younger generation of entrepreneurs looking to partner with private equity or tap into state-managed funds. “Our main focus is on SMEs and scale-ups,” says Igor Mišík, Senior Manager at Mazars in Slovakia. “SMEs with a long-term strategy and growth focus are looking to secure the future through acquisitions. Those not negatively affected by Covid in 2021 had surplus cash – in many cases, those companies did conglomerate acquisitions, because they saw opportunities coming out of the blue and just seized them.”

Rising valuations are a fact of life in Slovakia as they are in the rest of the CEE region, observes Mišík: “Buyers need to be cleverer post-acquisition and look for additional synergies. Ongoing Covid restrictions and the ending of government subsidies means there will be a shake-out in some sectors, and this will reveal how well acquirers managed to restructure their business model.”

Higher energy prices in 2022 could also pose challenges, potentially leading to distressed opportunities. “Companies that did not hedge their energy prices could be easy prey for those who did,” Mišík says.

One sector that could do well in 2022 is healthcare, predicts Mišík: “The pandemic has left state healthcare personnel exhausted and demotivated.



This could lead to exodus of personnel to private healthcare facilities putting even more pressure on the state healthcare system. Non-urgent operations were put on hold during Covid peaks making already long waiting periods even longer. This, combined with often under-average quality of treatment, makes patients turn more regularly to private healthcare. ”

Ukraine

GDP growth in Ukraine broke into positive territory in 2021, rising to an estimated 3.5% following a contraction of 4% in 2020. IMF data suggests that the economic outlook for the country will continue to improve in 2022, albeit modestly, with GDP projected to rise to 3.6%.

Dealmaking appetite in Ukraine was subdued in 2021, with Covid-related disruption and concerns about the slow pace of promised government reforms continuing to weigh on both inbound and domestic M&A. Transactions dropped to 19, down from 22 in the previous year, while total disclosed deal value fell from €132m to €99m.

“Investors are still cautious,” says Yevgeniya Kopystyanska, Partner at Mazars in Ukraine. “There are many discussions about the government’s initiatives to improve capital markets. But

regulation is lagging behind and the stock exchange is not seen as attractive. At the moment, the trust of both investors and the population is at quite a low level.”

Tense relations with neighbouring Russia are adding to the climate of uncertainty, although the impact of this on markets has so far been muted. “We don’t see our clients significantly curtailing their investment budgets and the currency remains at a reasonable level,” Kopystyanska says. “And we don’t see any evidence that current tensions are affecting asset prices. Valuations are driven more by asset availability than by geopolitical factors.”

For dealmakers, Ukraine offers opportunities across a number of sectors, among them technology, agriculture, mining, metallurgy, hospitality and leisure, and real estate. Inbound investors are most active in the technology sector. Privatisation is a key deal driver and further government sell-offs are expected – particularly given the successful privatisation of the state-owned alcohol industry. “Privatisation is still an attractive area, and it is possible the government will open more doors to investors,” Kopystyanska says. “But it is slow and there is a lot of red tape.”

The M&A market in Central and Eastern Europe

Private equity in CEE

Central and Eastern Europe is a rich hunting ground for PE investors in search of high-quality targets

Private equity buyouts in the CEE region soared to a five-year high in 2021. Fuelled by record reserves of dry powder in both domestic and international markets, overall deal value leapt 63% to reach a total of €10.4bn – the highest level on record since 2015. Volume also rose sharply, up 46% with 130 deals in 2021 versus 70 in the previous year. Against this background, the value of exits nosedived to €5bn from €8bn in the previous year. However, the number of deals ticked up by 14% year-on-year to reach 69 transactions.

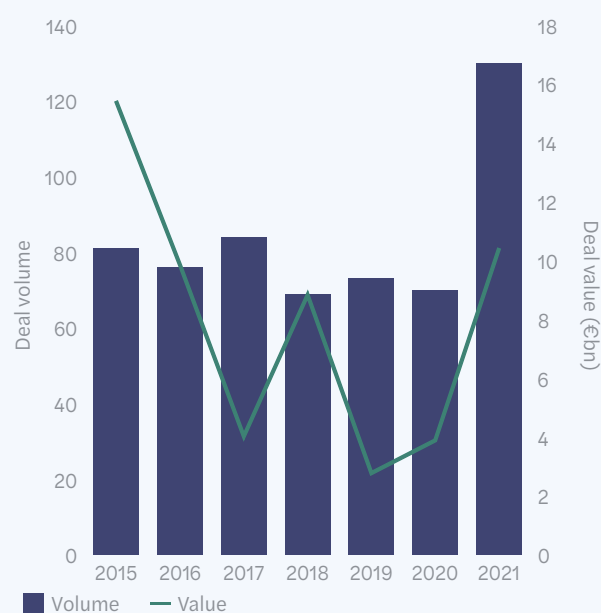
One of the most notable features of private equity dealmaking in the CEE region in 2021 was the prominence of US-based funds. Indeed, US bidders were involved in four of the top ten PE transactions. These included the acquisition of a 71.76% stake in Austrian commercial real estate specialist, CA Immobilien Anlagen AG, by Starwood Capital Group for €4.3bn – the biggest private equity deal of 2021.

Additional top ten deals involving US private equity were the €600m acquisition of a 15% stake in Estonia-based micro-mobility firm Bolt Technology, the sale of Croatia-based pet goods retail chain Pet Network International to Alvarez & Marsal Capital for €260m, and the acquisition of a 6.41% stake in Austria-based trading platform Bitpanda by US investors including venture capital fund, Valar Ventures.

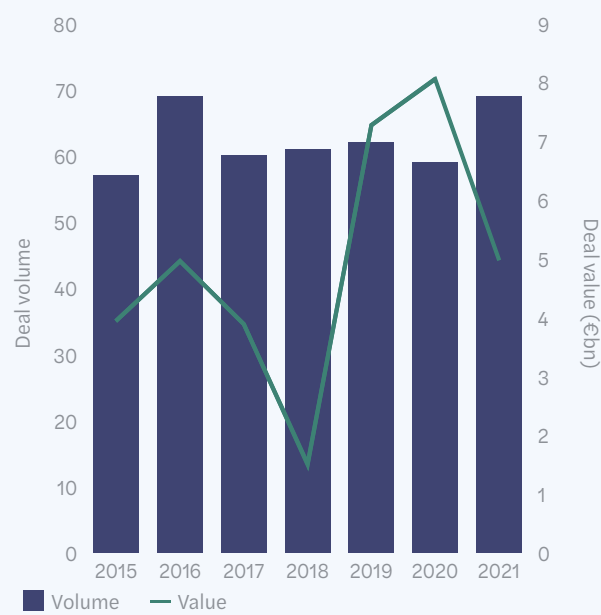
Both push and pull factors are in play. On the push side, competition for high-quality targets in the US market are forcing American private equity investors to search further afield. On the pull side, the quality and diversity of targets available in the CEE region is attracting PE investors in increasing numbers.

“Private equity penetration is widespread,” says Lukáš Hruboň, Head of Transaction Advisory at Mazars in the Czech Republic. “Targets include financial services, healthcare, e-commerce and fintech. However, PE investors tend to avoid industries which require a lot of subsidies, capital expenditure and time to develop, or which have a higher risk profile, such as gambling.”

CEE private equity M&A buyouts



CEE private equity M&A exits



Top PE firms investing in CEE by number of M&A deals, 2020-21

PE firm	Deal volume
Innova Capital Sp z o.o.	17
BaltCap	16
MCI Capital S.A.	14
Mid Europa Partners LLP	13
Baring Vostok Capital Partners Limited	13
Enterprise Investors Sp. z o.o.	13

Top PE firms investing in CEE by total value of M&A deals, 2020-21

PE firm	Deal value (€m)
Starwood Capital Group	4,302
Tollerton Investments Ltd	3,687
Novator Partners LLP	3,687
VTB Capital Private Equity	2,415
TPG Capital LP	2,415

Note:

The Private Equity Activity Tables reflect the activity of buyout firms, venture capitalists, investment firms, financial institutions and all parties whose activities wholly involve, or include, making private equity investments. Please note that the values in the 'Value' column do NOT reflect the equity contribution of the investors but represent the total values of deals they were involved in.

Although the top end of private equity dealmaking in CEE was dominated by inbound activity, CEE-based private equity houses in Warsaw, Prague, Vienna, Moscow, Budapest, Bucharest and Zagreb are increasingly a force to be reckoned with. For example, Polish private equity firm Cornerstone Investment Management and Czech real estate developer and investor Crestyl were involved in the sixth-biggest deal of 2021, the €338m acquisition of residential property developer Spravia. In fact, the top five most active PE firms in the CEE region in terms of the number deals in the 2020-21 period were all CEE-based funds.

“PE investors tend to avoid industries which require a lot of subsidies, capital expenditure and time to develop.”

Lukáš Hruboň

Head of Transaction Advisory,
Mazars in the Czech Republic

The M&A market in Central and Eastern Europe

Market trends during Covid-19

The pandemic continues to create opportunities as well as challenges for dealmakers

The Covid pandemic has unleashed government spending on a scale seldom seen in peacetime. The keystone of the European Union's response to the Covid crisis is the Recovery and Resilience Facility (RRF), a package of measures worth €723.8bn that is designed not only to shore up economies and help recovery, but also to deliver on policy objectives including climate neutrality and digital transformation.

Although the RRF is only directly applicable to the 12 CEE countries that are also EU members, the sheer scale of the funding – which includes loans of €385.8bn and grants of €338bn – will create trickle down effects across the wider CEE region.

All of this comes on top of the EU's €1 trillion European Green Deal, announced just before the onset of the Covid pandemic in 2019. The aim of the Green Deal is to make Europe climate-neutral by 2050 and it includes backing for green initiatives – including renewables, grid upgrades and digitalisation of the energy system. This is a potential game changer for EU member states in the CEE region, particularly those that currently rely on coal-fired power generation and who face growing pressure to decarbonise.

It is still too early to calculate the extent to which Covid-related economic contraction will be counterbalanced by stimulus spending. What is not in doubt is the extent to which new business practices brought about by the pandemic are likely to benefit the CEE region. Nearshoring is one of them, with back office operations and manufacturing that were formerly carried out further abroad being brought back to Europe.

Covid has also had an impact on the way that M&A deals are done. "With no meetings in person, negotiations and signing contracts is a bit more challenging. But after a year or two, we have learned to overcome that," says Lukáš Hruboň, Head of Transaction Advisory at Mazars in the Czech Republic.

Due diligence is changing too. "There is a greater focus on earnouts to get some certainty in cases where the pandemic has affected the performance of the target," says Răzvan Butucaru, Partner and Advisory Leader at Mazars in Romania. Meanwhile, acquirers need to tread carefully in the increasing number of cases where the target company has benefited from a government grant. Balázs Gál, Head of Advisory at Mazars in Hungary, says: "Grants may need to be paid back in full, or the deal structured in such a way that the acquisition is completed after the maintenance period of the grant has expired."

"Grants may need to be paid back in full, or the deal structured in such a way that the acquisition is completed after the maintenance period of the grant has expired."

Balázs Gál
Head of Advisory, Mazars in Hungary

"There is a greater focus on earnouts to get some certainty in cases where the pandemic has affected the performance of the target."

Răzvan Butucaru
Partner, Advisory Leader, Mazars in Romania

The M&A market in Central and Eastern Europe

CEE vs. other emerging markets

The CEE region's low level of volatility sets it apart from other emerging markets

Emerging markets staged a strong recovery in 2021 following the pandemic-driven dip in 2020. The Middle East witnessed the largest year-on-year increase in the number of transactions, with deals up 65% compared to 2020. Latin America also saw deal volume rise sharply. Performance in the CEE region also increased substantially compared to the previous year, jumping up by 32%.

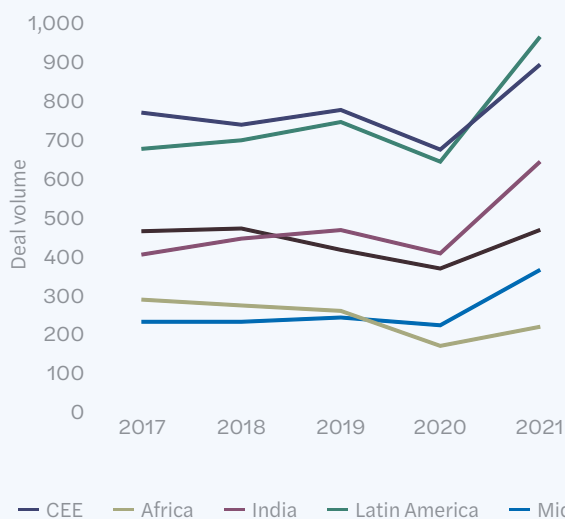
Turning to deal value, the CEE region saw an overall increase of 41% in 2021. Africa recorded the largest rise (787%), although this was due largely to an outsize deal in South Africa. Deal value in India grew by 30%. The Middle East – up 23% year-on-year – showed the smallest increase.

While the CEE is in many ways outgrowing its emerging market label, the region faces its fair share of disparities. One of these is the divide between countries that are members of the European Union

and those that are not. For CEE countries currently outside the EU – such as Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro and Serbia – accession to the EU would make all the difference. “Being outside or inside the EU has an impact on the confidence of investors,” says Teit Gjini, Managing Partner at Mazars in Albania.

A further disparity is that which exists between Eurozone and non-Eurozone countries. This disparity is likely to be amplified in the months ahead, with central banks in some non-Eurozone states pursuing increasingly aggressive monetary policies as they seek to rein in rising inflation.

Total M&A market deal volume by region



Total M&A market deal value by region



Cross-border M&A in Central and Eastern Europe

The inbound picture

Central and Eastern Europe is an increasingly attractive destination for international investors – a point confirmed by our deal data

Inbound deal activity to CEE in 2021 demonstrates the continued attractiveness of the market to buyers based outside of the region. There were notable rises in both the volume and value of cross-border M&A transactions, with the value of disclosed inbound transactions (including Russia) jumping 36% to reach €32.5bn – the highest annual deal value since 2016. Deal volume was also significantly higher – a total of 371 inbound M&A transactions, an increase of 34% compared with 2020, and the highest level of dealmaking by volume since 2015.

Strong fundamentals are the key to the attractiveness of the CEE region. “The region

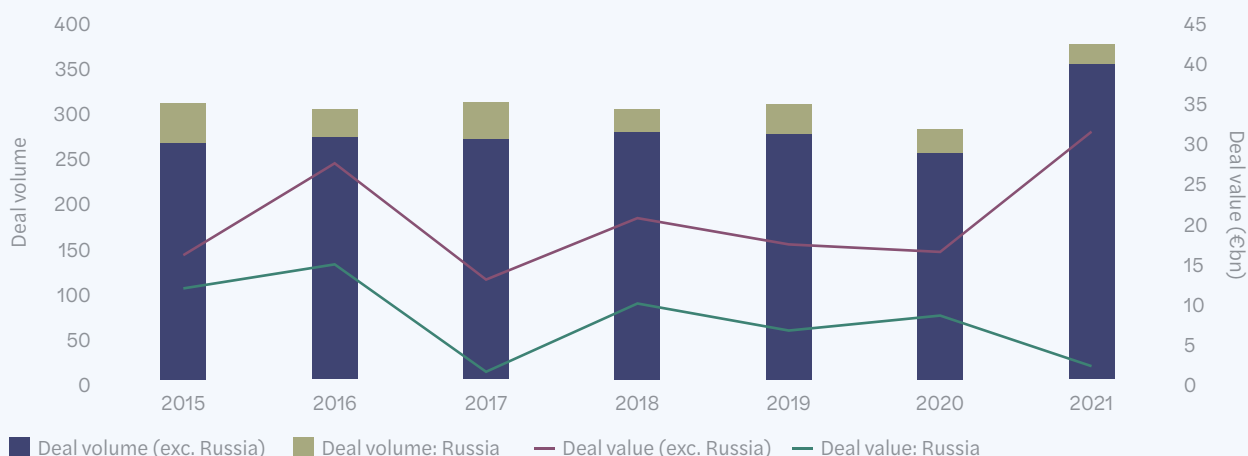
offers a favourable ratio of quality and cost of labour, surplus of investment cash and low interest rates. On top of this, it provides opportunities that are missing in the domestic markets of inbound investors. GDP growth in the CEE region is still higher than Western European countries,” says Igor Mišík, Senior Manager at Mazars in Slovakia, adding, “CEE countries are getting closer to Western European living standards – but there’s still a gap, which means that opportunities remain in the consumer sphere. We have active companies in sectors where the CEE region has a sustainable, competitive advantage – meaning smaller-scale custom production and support functions.”

Top 10 M&A deals inbound to CEE (excluding Russia) in 2021*

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (€m)
10/08/2021	Avast PLC	Technology	Czech Republic	NortonLifeLock Inc.	USA	6,646
08/01/2021	CA Immobilien Anlagen AG (71.76% Stake)	Real estate	Austria	Starwood Capital Group	USA	4,302
26/03/2021	Aviva Poland	Financial services	Poland	Allianz SE	Germany	2,500
26/02/2021	Polkomtel Infrastruktura sp. z o.o. (99.99% Stake)	Telecommunications	Poland	Cellnex Telecom, SA	Spain	1,574
22/09/2021	UPC Polska Sp. z o.o.	Telecommunications	Poland	PLAY Communications S.A.	France	1,517
15/11/2021	Raiffeisenbank (Bulgaria) EAD (100% Stake)	Financial services	Bulgaria	KBC Groep NV	Belgium	1,015
12/03/2021	Gren Group	Energy & utilities	Estonia	Partners Group Holding AG	Switzerland	800
14/04/2021	Globalworth Real Estate Investments Ltd (49.25% Stake)	Real estate	Romania	Zakiono Enterprises Limited	Cyprus	774
24/08/2021	Fotona d.o.o.	Healthcare & pharmaceuticals	Slovenia	Vitruvian Partners LLP	United Kingdom	700
29/03/2021	Fortenova Group d.d. (Frozen Food Business)	Food and beverage	Croatia	Nomad Foods Limited	United Kingdom	615

*Based on deals with disclosed values

M&A inbound deals to CEE



Top 10 M&A deals inbound to Russia in 2021 *

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (€m)
08/12/2021	Russian Forest Products Group (75% Stake)	Construction	Russia	Iida Group	Japan	464
12/01/2021	Korund-Tsian CJSC	Industrials	Russia	Gem Capital; Industry Partners Corporation	Cyprus	370
27/08/2021	APK Don, OOO	Agriculture	Russia	Charoen Pokphand Foods Public Company Limited	Thailand	252
23/06/2021	En+ Group plc (2.6% Stake)	Industrials	Russia	Mubadala Investment Company PJSC	United Arab Emirates	165
17/09/2021	Asian-Pacific Bank PJSC (ATB)	Financial services	Russia	Pioneer Capital Invest LLP	Kazakhstan	164
16/06/2021	Astellas Pharma Inc. (Fleximon, Unidox, De Nol, Suprax, and Orbenine products)	Healthcare & pharmaceuticals	Russia	CHEPLAPHARM Arzneimittel GmbH	Germany	95
29/09/2021	Irrico Group (100% Stake)	Agriculture	Russia	Signet Capital Management Limited	United Kingdom	56
04/06/2021	Incrin Ltd	Transport and logistics	Russia	VNV Global AB; Russian Direct Investment Fund; Addventure; Flashpoint Venture Capital; Mubadala Investment Company PJSC	United Arab Emirates	29
16/06/2021	OTM OOO	Technology	Russia	Veon Ltd	Netherlands	23
15/09/2021	Bad Pixel (100% Stake)	Technology	Russia	tinyBuild, Inc.	USA	14

*Based on deals with disclosed values

Cross-border M&A in Central and Eastern Europe

The inbound picture

Russia – the region’s biggest economy by far – was notably less prominent as a destination for inbound M&A in 2021 than it was in 2020. Transactions targeting Russia accounted for 33% of overall inbound M&A deal value in the CEE region in 2020. To put this in perspective, this proportion fell to just 5% in 2021. Meanwhile, the number of overseas acquisitions in Russia fell to its lowest level since 2015 with 22 inbound deals accounting for 6% of overall volume in the CEE region, down from 9% in 2020.

The Czech Republic saw the biggest inbound M&A deal by far in 2021 – also the largest transaction overall. This was the strategic acquisition of Prague-based computer security software giant Avast by its US-based cybersecurity rival, NortonLifeLock, in a deal worth €6.6bn.

Austria-based commercial real estate business CA Immobilien Anlagen was the target of the second-biggest inbound deal of 2021, worth €4.3bn. This also involved a US-based acquirer, but in this case, it was a private equity firm – Starwood Capital Group – rather than a strategic buyer.

The next three biggest inbound deals of 2021 all involved targets in Poland. These were the acquisition of Aviva Poland by Germany-based insurer and asset manager Allianz SE for €2.5bn, the sale of telecommunications infrastructure firm Polkomtel Infrastruktura to Spain-based wireless telecoms infrastructure firm Cellnex for €1.6bn, and the acquisition for €1.5bn of UPC Polska, one of the largest internet service providers in Poland, by France-based PLAY Communications. The PLAY deal is notable as it represents the continued strategy on the part of French telco Iliad to consolidate the Polish market – PLAY was a Polish telecoms provider acquired by the French firm in 2020 for €3.7bn.

Insurance and telecoms aside, inbound investors are also increasingly looking to nearshoring opportunities in CEE countries – and Poland is often seen as a point of entry. “Poland’s place within Europe means that it is a good location for production that has been transferred to China, Turkey and elsewhere over the past decades,” says Jacek Byrt, Partner and Head of Financial Advisory

at Mazars in Poland. “Transport costs are lower and there is less risk of Covid-related blockages. On top of that, highly skilled labour, a large internal market and developed networks of suppliers are additional reasons why our clients are considering relocating their production in Poland.”

A notable feature of the inbound top ten of 2021 is the increasing prominence of private equity acquirers. Three of the top ten transactions in 2021 – including the second-biggest deal – involved overseas PE investors. By contrast, 2020 saw only one private equity acquisition in the top ten.

Top bidders

The US and Germany led the inbound investment charge in 2021 in terms of deal volume, repeating the pattern seen in 2020 – but this time in greater numbers. Delving into the details, US bidders stand out, clocking up a total of 65 inbound deals in 2021 compared with 43 deals in 2020. Moving closer to home, German acquirers accounted for 58 deals. Again, this is higher than the previous year’s deal total of 40.

Both geopolitical and economic drivers are behind the growing US appetite for CEE targets, says Margarit Arnaudov, Head of Advisory at Mazars in Bulgaria: “The CEE was a bit left behind under the previous US administration, but that is changing under Biden and the region is now getting more attention. There is also the fact that US companies have a lot of cash that needs to be invested. The CEE has the advantage of being a stable European region that offers growth opportunities that are not available elsewhere.”

US investors are not only flocking to the CEE in ever greater numbers, but they are also investing more money than ever. US acquirers in 2021 poured a total of €13.6bn into acquiring targets in the CEE. To put this in context, this represents an increase of nearly 700% compared to 2020’s deal total of €1.7bn.

Germany was the second-biggest inbound bidder by value after the US, but at some distance. German acquirers invested €3.9bn in CEE targets in 2021, a significant increase on 2020’s €451m. The largest of these was insurance giant Allianz’s acquisition of UK-based Aviva’s Polish business in a €2.5bn transaction.

Top inbound bidders in 2021 by volume

Country	Deal volume
USA	65
Germany	58
France	37
United Kingdom	35
Netherlands	24
Sweden	22
Switzerland	17
Finland	12
Belgium	11
Norway	8

Top inbound bidders in 2021 by value

Country	Deal value (€m)
USA	13,617
Germany	3,879
France	2,825
United Kingdom	2,078
Netherlands	1,839
Spain	1,744
Cyprus	1,144
Belgium	1,129
Switzerland	827
Japan	659



Cross-border M&A in Central and Eastern Europe

The inbound picture

France ranked third with a total deal value of €2.8bn – considerably lower than the €4.5bn recorded in 2020. A significant proportion of this total disclosed value in 2021 was due a single transaction, the acquisition of UPC Polska by PLAY for €1.5bn.

Looking at the number of deals, UK-based firms came in fourth place in terms of investment in CEE. The largest of these transactions saw UK-based private equity firm Vitruvian Partners take over Slovenia-based medical laser company Fotona for €700m. The other, a strategic deal, was the sale of the frozen food business of Croatia's Fortenova Group to UK-based Nomad Foods Limited for €615m – expanding the reach of the British frozen food giant into the markets of the Adria region, including Croatia, Serbia and Bosnia-Herzegovina.

Top destinations

Poland stands out as the favourite destination for inbound investors in 2021 both in terms of volume and value. Poland attracted a total of 98 inbound deals in 2021, up from 66 in 2020. Austria took second place with 74 deals – again, higher than the 2020 total of 49 – while the Czech Republic ranked third by volume with a total of 27 deals in 2021.

Turning to inbound deal value, Poland's total of €8.5bn was up nearly 17% compared with 2020. The Czech Republic also scored very highly with inbound M&A value totalling €7.9bn, although most of this (84%) was accounted for by a single deal – the acquisition of the Czech cybersecurity giant Avast by US-based NortonLifeLock Inc for €6.6bn.

Austria also generated significant deal value in 2021, garnering inbound transactions worth €6.7bn, more than double 2020's €2.7bn.

Bulgaria was another country that saw a sharp uptick in total transaction value, with inbound dealmaking leaping 125% to reach €1.4bn in 2021. However, as with the Czech Republic, one deal dominated: in the case of Bulgaria, this was the acquisition of Raiffeisenbank's Bulgarian business by Belgian bank KBC Groep for €1bn.

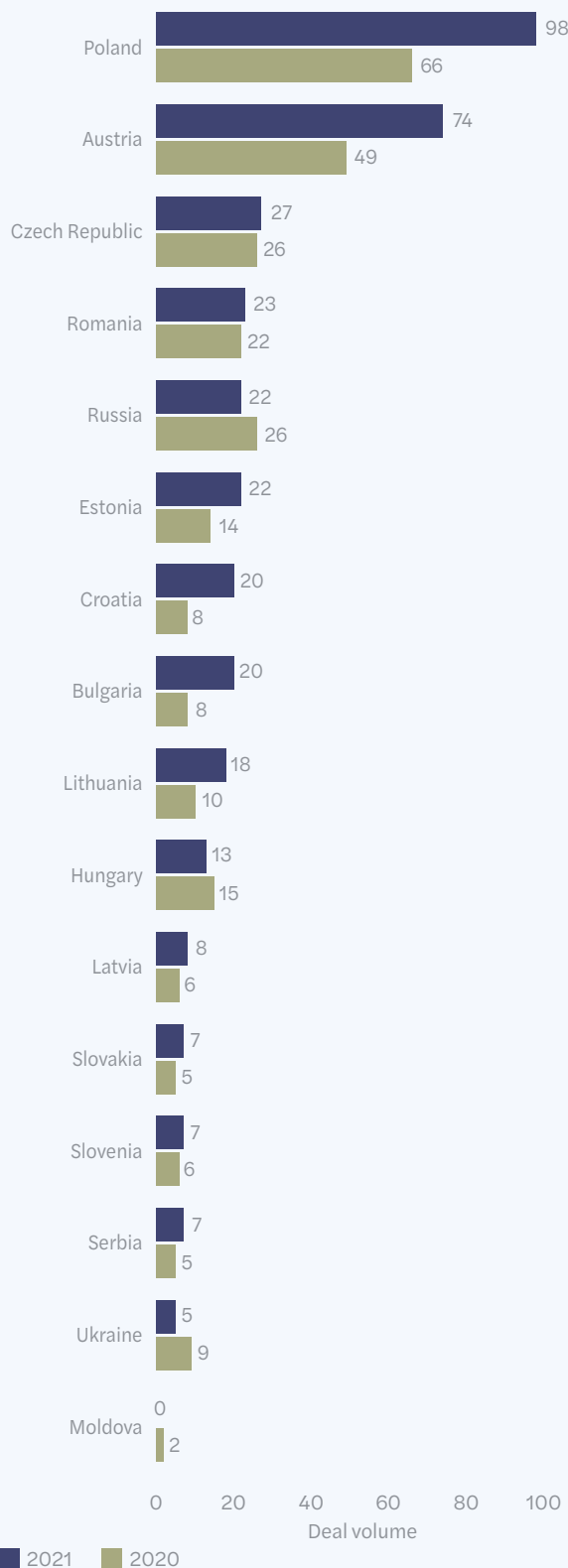
“This was an enormous deal for the market with Raiffeisenbank selling at a 1.7 multiple of equity – which compared to other consolidations in the financial sector was quite a successful sale. I think that this trend will continue,” says Margarit Arnaudov, Head of Advisory at Mazars in Bulgaria. “At the same time, I would also focus on IT. Bulgarian IT is booming and it is one of the fastest-developing IT sectors in Europe. The entities are rather fragmented, with good small companies that are mainly Bulgarian-owned. We are already seeing Bulgarian IT companies being consolidated by international groups. This is just the start, and I think this will be one of the leading trends in the next three years.”

“Bulgarian IT is booming and it is one of the fastest-developing IT sectors in Europe.”

Margarit Arnaudov

Head of Advisory, Mazars in Bulgaria

M&A volume inbound to CEE by country, 2020 vs. 2021 (from outside CEE)



M&A value (€m) inbound to CEE by country, 2020 vs. 2021 (from outside CEE)

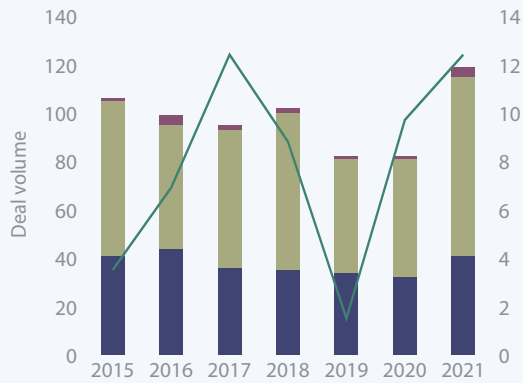


Cross-border M&A in Central and Eastern Europe

The inbound picture

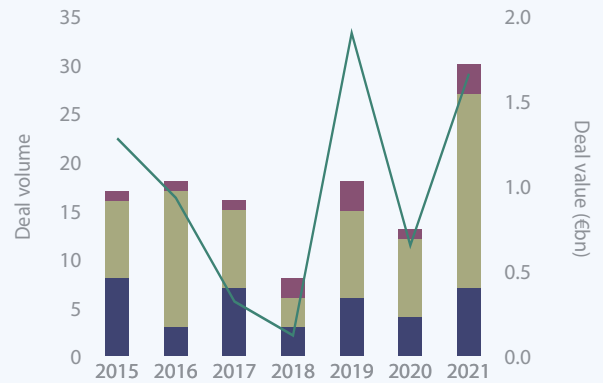
Austria M&A

Inbound and Domestic deals



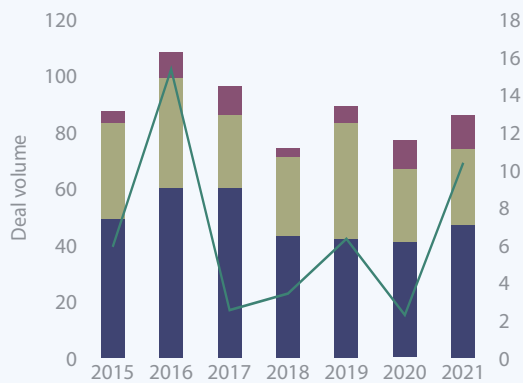
Bulgaria M&A

Inbound and Domestic deals



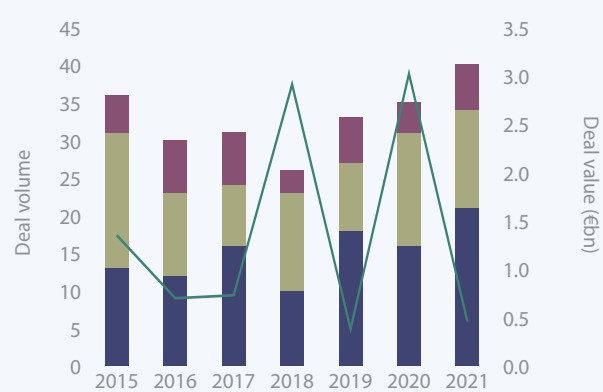
Czech Republic M&A

Inbound and Domestic deals



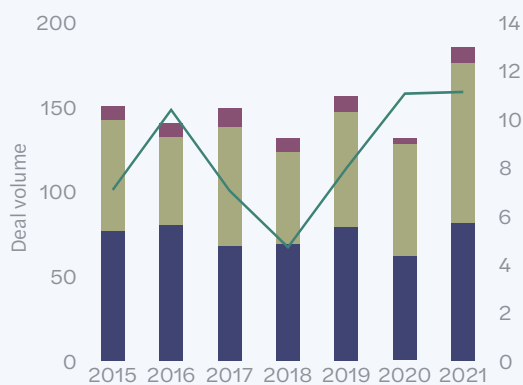
Hungary M&A

Inbound and Domestic deals



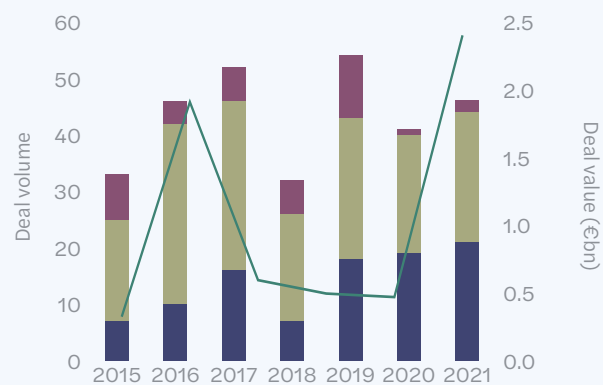
Poland M&A

Inbound and Domestic deals



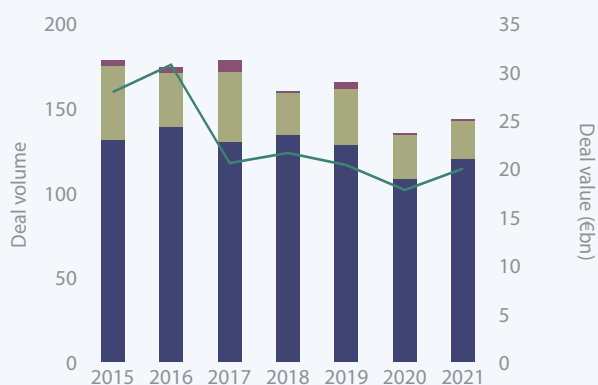
Romania M&A

Inbound and Domestic deals

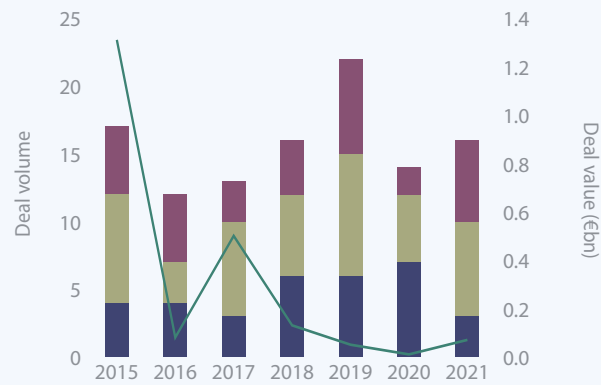


■ Domestic ■ Inbound from outside CEE ■ Inbound from within CEE — Value

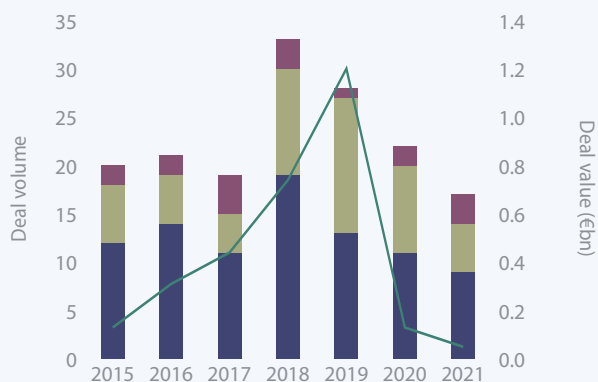
Russia M&A Inbound and Domestic deals



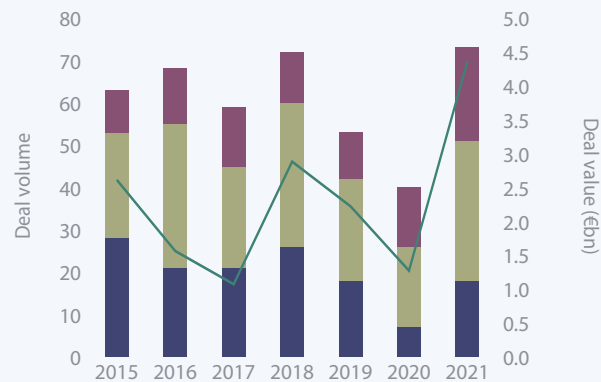
Slovakia M&A Inbound and Domestic deals



Ukraine M&A inbound deals involving non-CEE buyers



Adriatic region M&A inbound deals involving non-CEE buyers



Adriatic region M&A inbound deal volume involving non-CEE buyers (by country)

Year	Republic of North						
	Albania	Bosnia & Herzegovina	Croatia	Montenegro	Macedonia	Serbia	Slovenia
2015			8	2	1	5	9
2016	2	1	13	2		4	12
2017		2	5		2	9	6
2018	1	3	8	1	3	8	10
2019	1		4	1		10	8
2020			8			5	6
2021			20			7	7

Cross-border M&A in Central and Eastern Europe

Sector focus

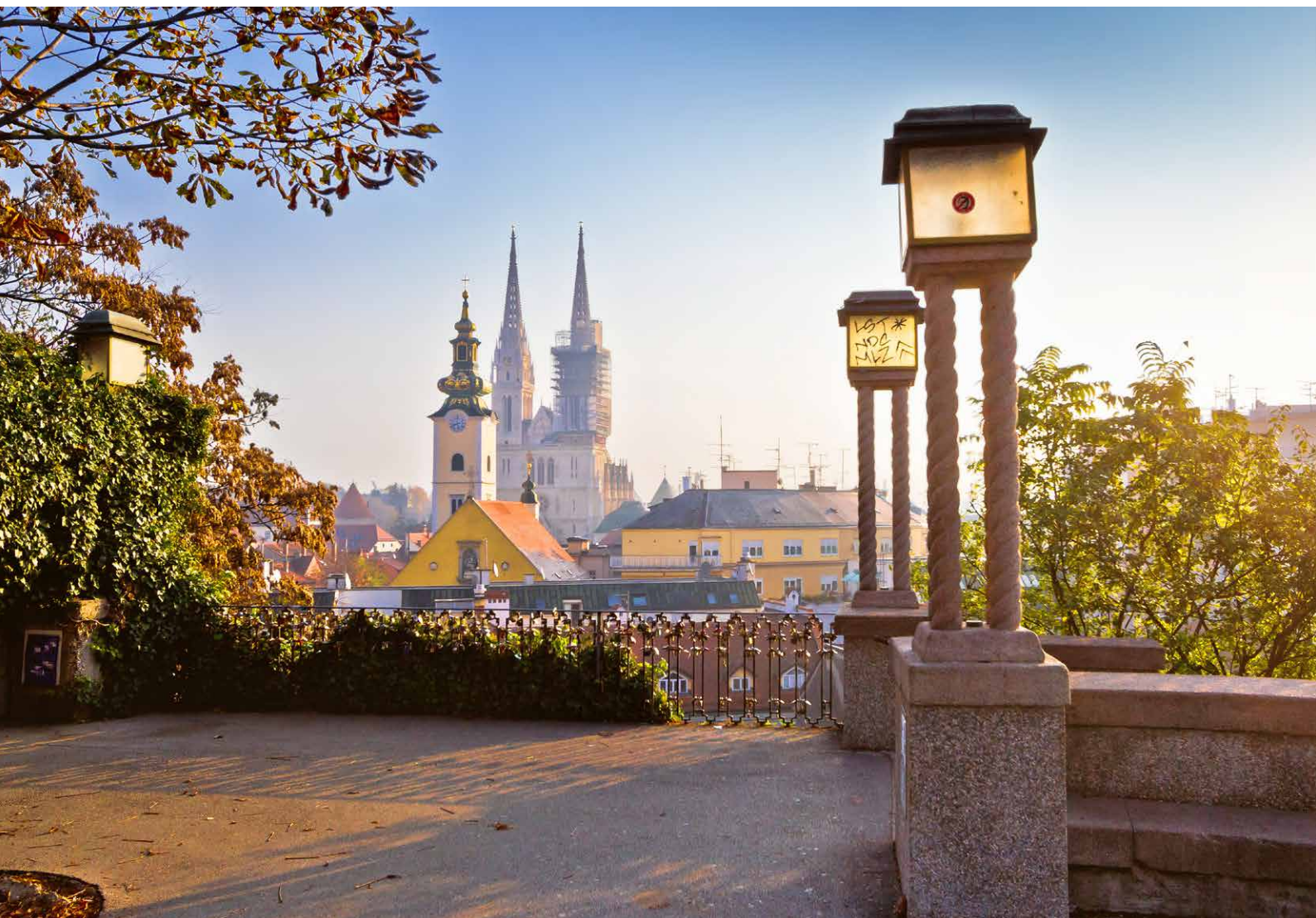
The technology sector was the star performer in 2021 as acquirers raced to build out platforms and snap up new capabilities

Tech stands out as the CEE region's biggest deal generator in 2021, coming out on top in terms of both value and volume. Performance was spectacular, with value more than tripling year-on-year to €13.4bn, €10.1bn of which came from bidders based outside of the region. Activity has been driven up by the accelerating digitalisation trend, as well as the growth in demand for IT nearshoring.

The industrials sector was the second-best M&A performer by volume, amassing a total of 127 deals, 13 more than in 2020. Half of the transactions in

2021 were inbound. Real estate was the second-largest sector in terms of deal value with deals totalling €13.4bn in 2021 – just under half of this was from bidders based outside of CEE.

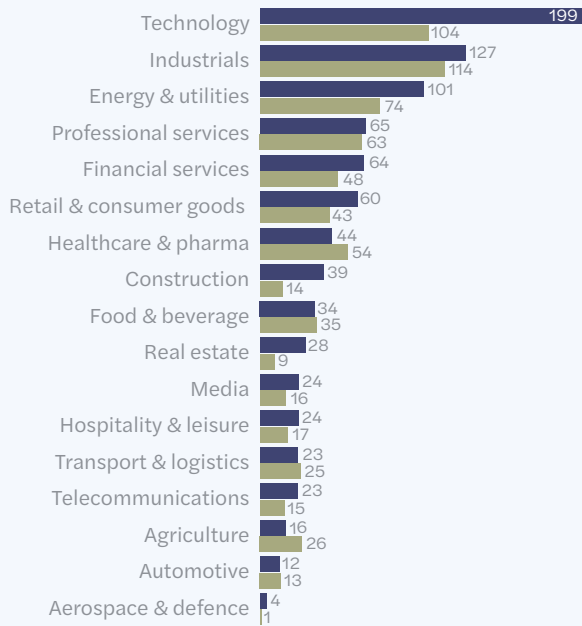
Looking ahead, the dominance of both the tech and industrials sectors looks set to continue, with 'company for sale' stories tracked by Mergermarket indicating high levels of interest in these sectors. In a similar vein, the retail and consumer goods sector could be set for a much-needed boost in 2022 after lacklustre performance in 2021.



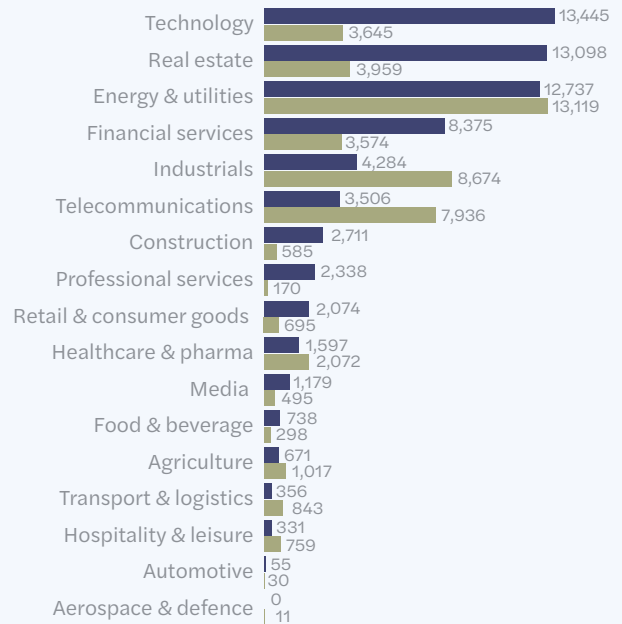
All CEE M&A deals by sector 2020 vs. 2021

■ 2021 ■ 2020

Volume



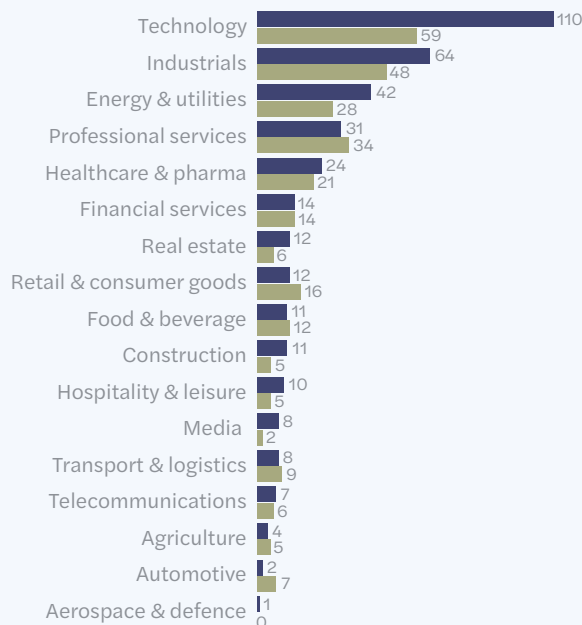
Value (€m)



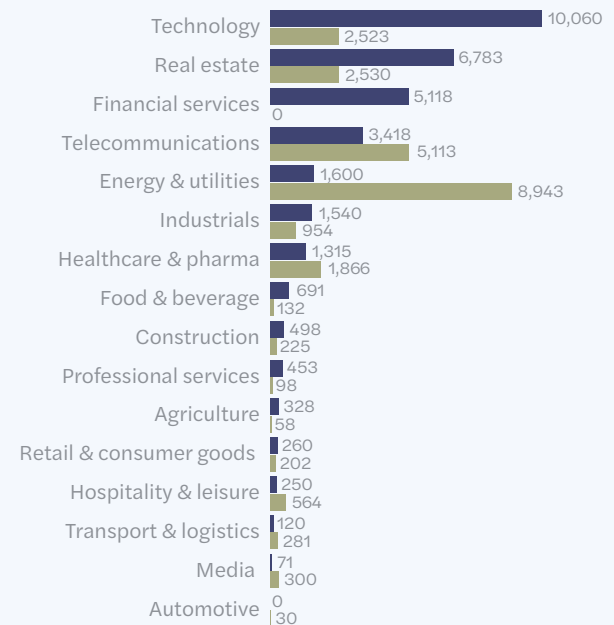
M&A inbound deals to CEE by sector 2020 vs. 2021 (from outside CEE)

■ 2021 ■ 2020

Volume



Value (€m)



Cross-border M&A in Central and Eastern Europe

Technology

Technology M&A in the CEE followed a global trend – activity, which was already strong in previous years, only sped up in 2021, with volume and value achieving record levels. The total worth of technology deals soared to €13.4bn – more than three times 2020’s total of €3.6bn. Volume leapt 91% to reach 199 transactions.

A huge proportion of this activity came from abroad. The number of deals from bidders based outside of the CEE region soared to 110 deals, up from 59 in 2020. Nearly three quarters of the total value of the year (€10.1bn) came from inbound deals. These are the highest levels of inbound tech dealmaking ever seen in the CEE region, both in terms of volume and value.

Covid-19 continued to exert a strong influence on technology dealmaking throughout the year – indeed, more than half of the top ten deals of 2021 (including the top three) involved target companies working in tech subsectors that have thrived, either directly or indirectly, as a result of the pandemic. Factors in play include shifts in consumer behaviour and the rise of new working practices.

The biggest tech deal of 2021, NortonLifeLock’s €6.6bn takeover of Czech Republic-based Avast, shines a light on the powerful attraction of the cybersecurity subsector – particularly at a time when a large proportion of the workforce has made the shift to working from home.

Top 10 inbound technology M&A deals*

Announced date	Target company	Target country	Bidder company	Bidder country	Deal value (€m)
10/08/2021	Avast PLC	Czech Republic	NortonLifeLock Inc.	USA	6,646
02/08/2021	Bolt Technology OU (15% Stake)	Estonia	Sequoia Capital; Naya Ventures; Tekne Capital Management LLC; G Squared; D1 Capital Partners L.P.; Ghisallo Master Fund General Partner LP.	USA	600
02/06/2021	Nordeus Limited (94.5% Stake)	Serbia	Take-Two Interactive Software, Inc.	USA	298
12/05/2021	Vinted	Lithuania	EQT Partners AB; Accel; Insight Partners; Lightspeed Venture Partners; Burda Principal Investments GmbH & Co.; Sprints Capital Management Limited	Sweden	250
17/08/2021	Bitpanda GmbH (6.41% Stake)	Austria	Valar Ventures; Jump Capital; Alan Howard (Private Investor); Leadblock Partners; REDO Ventures	USA	224
22/06/2021	GoStudent GmbH (14.64% Stake)	Austria	DN Capital Limited; Tencent Holdings Ltd.; DST Global; Coatue Management, L.L.C; Dragoneer Investment Group, LLC; Left Lane Capital; SoftBank Investment Advisers	Hong Kong (China)	205
02/03/2021	Velka Pecka s.r.o	Czech Republic	The European Bank for Reconstruction and Development; J&T Finance Group SE; Index Ventures; Partech Partners SAS; Enern Czech s.r.o.; Quadrille Capital; R2G a.s.	France	190
26/05/2021	Delivery Hero (operations in the Balkan region)	Romania	Glovapp 23, SL	Spain	170
17/03/2021	Bitpanda GmbH	Austria	DST Global; Valar Ventures	USA	143
08/12/2021	GeoGebra GmbH (100% Stake)	Austria	Think and Learn Private Limited	India	100

*Based on deals with disclosed values

The second-biggest deal of the year had its roots in another Covid-era trend – in this case, the spectacular rise of e-commerce and the growing appetite for rapid grocery deliveries direct to home. Estonia-based start-up Bolt raised €600m from US backers including Sequoia Capital, Naya Ventures, Tekne Capital Management, G Squared, D1 Capital Partners and Ghisallo Master Fund General Partner LP. Bolt, which operates a ridesharing business, will use the funding to expand its grocery delivery service to more countries in Eastern Europe and Scandinavia.

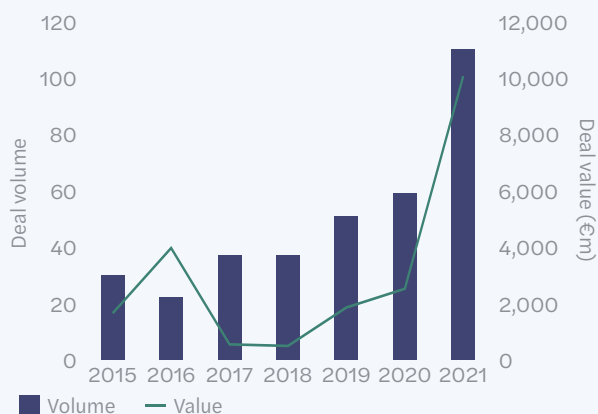
Computer gaming is another sector that has done well since the onset of Covid – as evidenced by the region’s third-biggest tech transaction of 2021, the acquisition of a 94.5% stake in Serbia-based games studio Nordeus Limited by US-based video games holding company Take-Two Interactive Software for €298m.

US acquirers (and particularly private equity firms) were out in force in 2021. Indeed, five of the top ten deals of the year were transacted by US acquirers, and four of these involved buyout firms.

Although FDI screening in Europe is becoming more common, this is unlikely to affect inbound dealmaking in the technology space.

“Limitations on foreigners investing in control of businesses in our region are much less stringent in technology than they are in others sectors,” says Andrija Garofulić, Partner at Mazars in the Adria region. “It’s much more natural for somebody from the US to buy a technology company, rather than an energy or utility firm.” As our data for 2021 shows, this is a message that US investors have taken to heart.

Technology M&A inbound from outside CEE to CEE



Cross-border M&A in Central and Eastern Europe

Industrials

Dealmaking in the industrials sector notched up a gear in 2021 – there were 127 deals in the sector, a 11% uptick on 2020. Half of the transactions taking place in 2021 (64) involved buyers based outside of the CEE region, compared to 48 in 2020.

Many of these, however, did not have publicly disclosed deals terms. Total value of transactions came to €4.3bn, less than half of the €8.7 recorded the previous year. Looking at inbound deals, however, reveals that aggregate value with disclosed value rose by 61% year-on-year to €1.5bn.

The CEE's diverse manufacturing base, skilled workforce and proximity to markets all contribute to the region's attractiveness.

Shifting patterns of global trade are also working to the region's advantage, says Răzvan Butucaru, Partner and Advisory Leader at Mazars in Romania:

“The trend towards investing in production facilities which are closer to western EU countries, rather than China, has made this region much more important given the pandemic context.”

The biggest industrials transaction inbound from outside of the region was the acquisition of Russia's Korund-Tsian CJSC by Cyprus-based Gem Capital and Industry Partners Corporation in a deal valued at €370m. Korund-Tsian is one of the world's leading producers of sodium cyanide – a chemical that is widely used by the mining industry to extract gold and other precious metals.

South Korea-based LG Chem's €323m investment in a Hungary-based 50/50 joint venture with Japan-based Toray was the second-largest example of inbound investment in CEE's industrials sector in 2021. The JV, which will produce battery film, allows LG to vertically

Top 10 inbound industrials M&A deals*

Announced date	Target company	Target country	Bidder company	Bidder country	Deal value (€m)
12/01/2021	Korund-Tsian CJSC	Russia	Gem Capital; Industry Partners Corporation	Cyprus	370
27/10/2021	Toray Industries Hungary Kft. (50% Stake)	Hungary	LG Chem, Ltd.	South Korea	323
29/10/2021	JUB d.o.o (99.8% Stake)	Slovenia	DuluxGroup Limited; Nippon Paint Co Ltd	Japan	195
23/06/2021	En+ Group plc (2.6% Stake)	Russia	Mubadala Investment Company PJSC	United Arab Emirates	165
31/12/2021	EMOS CZ group a.s. (100% Stake)	Czech Republic	Legrand SA; Legrand France SA	France	113
24/05/2021	Printful	Latvia	Bregal Sagemount	USA	107
05/05/2021	MAGNIFIN Magnesiaprodukte GmbH & Co KG (50% Stake)	Austria	Huber Engineered Materials LLC	USA	100
28/05/2021	Logic Endeavor Group GmbH	Austria	Zhejiang Jiechang Linear Motion Technology Co., Ltd.	China	79
18/11/2021	Packhelp	Poland	European Investment Bank; Oakley Capital Limited; InfraVia Capital Partners; PROfounders Capital; Portfolion Venture Capital Fund Management Company; White Star Capital, L.P.; Speedinvest GmbH; FJ Labs; Market One Capital; Inovo Venture Partners	France	40
28/04/2021	Izoblok S.A. (54.21% Stake)	Poland	BEWi ASA	Norway	25

*Based on deals with disclosed values

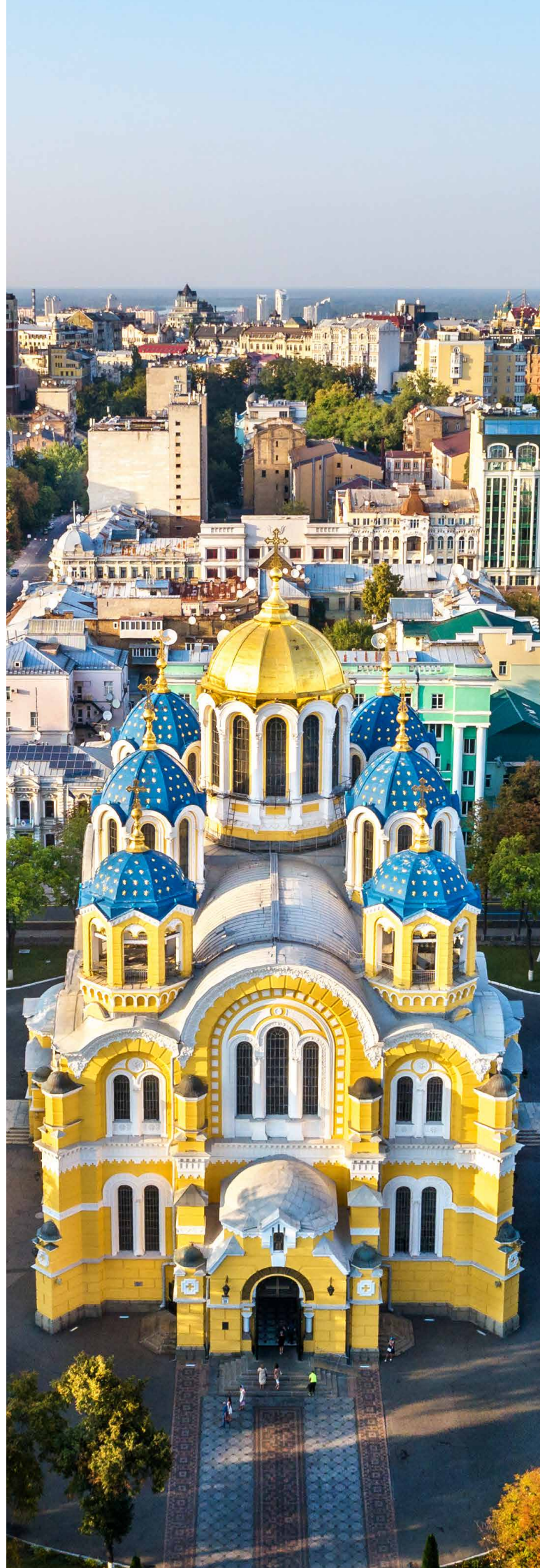
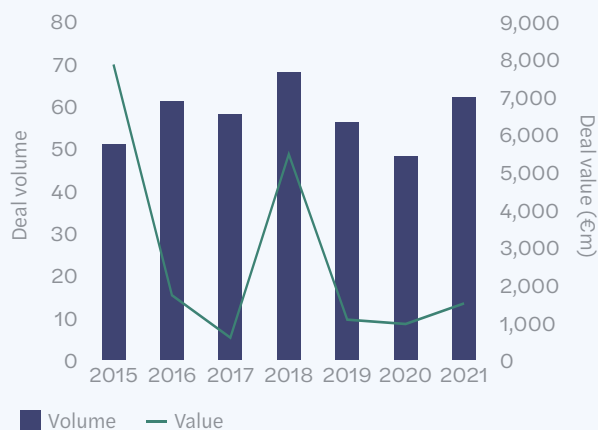
integrate the sourcing of materials and manufacturing of lithium-ion batteries for use in electric cars. The transaction is an example of both the burgeoning demand for less carbon-intensive vehicles and CEE's strong background in high tech manufacturing.

The third-biggest-industrials deal of the past year was the €195m acquisition of Slovenia-based paint maker JUB by Japan-based Nippon Paint through its subsidiary DuluxGroup. JUB is active throughout central Europe and the Adria region. Aside from paint, JUB also makes insulation products, which are in demand as Europe looks to make buildings more energy efficient. Meanwhile, Nippon Paint continues to seek out overseas acquisitions to counterbalance weak growth in its domestic market.

The year also saw dealmaking at the increasingly blurred boundary between industrials and technology. An example was US-based private equity firm Bregal Sagemount's €107m investment in Latvia-based Printful – an e-commerce enablement business that provides printing and warehousing. The investment makes Printful Latvia's first unicorn.

Looking ahead, key risks for industrials in the year ahead include inflation, supply chain disruption and labour shortages. Meanwhile, volatile energy markets continue to be a major concern. This has the potential to generate distressed opportunities. Against this background, one of the biggest tests for industrials over the coming months will be the extent to which they can pass on higher production costs to customers.

Industrials M&A inbound from outside CEE to CEE



Cross-border M&A in Central and Eastern Europe

Professional services

Deal volume in the professional services sector was relatively subdued in 2021 with dealmakers clocking up a total of 65 transactions, down two deal from the previous year. Deal value, however, rose sharply year-on-year to €2.3bn, from only €170m in 2020.

About half of the transactions taking place in the sector across the year came from overseas bidders. There were 31 deals with buyers based from other regions, down slightly from 34 in 2020.

About a fifth of total deal value in the sector came from inbound transactions. Deals involving buyers based outside of CEE totalled €453m – the highest level in five years.

Consolidation was a key theme in professional services dealmaking in 2021. The biggest deal of the year was the acquisition of has.to.be, an Austria-based electric vehicle (EV) software charging company, by US-based ChargePoint Holdings Inc for €250m. ChargePoint is one of the largest EV charging networks in the world with operations in both North America and Europe. The acquisition of has.to.be, which is part-owned by VW, is integral to ChargePoint's expansion in Europe and provides it with 40,000 networked charging points and a further 250,000 through open roaming agreements. Consolidation of Europe's fragmented EV charging infrastructure is urgently needed to support the European Commission's target of at least 30 million

Top 10 inbound professional services M&A deals*

Announced date	Target company	Target country	Bidder company	Bidder country	Deal value (€m)
20/07/2021	has.to.be GmbH	Austria	ChargePoint Holdings, Inc.	USA	250
22/03/2021	ec4u expert consulting ag; Bulpros Consulting AD	Bulgaria	Silverfleet Capital Partners LLP	United Kingdom	100
05/08/2021	Refurbed GmbH	Austria	Kreos Capital; ALPHA Associates ; Almaz Capital Partners; Hermes GPE LLP; Monkfish Equity GmbH; Speedinvest GmbH; SevenVentures GmbH; C4 Ventures Limited; Expon Capital; All Iron Ventures SGEIC, S.A.; Bonsai Partners SGEIC; Isomer Capital LLP; Evli Growth Partners; Creas Impacto	Finland	46
08/06/2021	Gideon Brothers	Croatia	DB Schenker Logistics; Rite-Hite; Taavet Hinrikus (Private Investor); Luca Ascani (Private Investor); Hardware Club; Nenad Bakic (Private investor); Koch Disruptive Technologies; Pentland Ventures; Prologis Ventures; Ivan Topcic (Private investor); Peaksjah OU	USA	25
15/03/2021	GI Group Poland S.A. (former Work Service S.A.) (49.29% Stake)	Poland	GI Group SpA	Italy	10
08/01/2021	APIOS d.o.o. (75% Stake)	Croatia	Motor Oil (Hellas) Corinth Refineries S.A.	Greece	10
17/11/2021	Foshan Dawei Technology Co., Ltd. (53% Stake)	Czech Republic	Guangdong Leary New Material Technology Co., Ltd.	China	8
15/02/2021	Fusetech Kft. (50% Stake)	Hungary	Mersen S.A.	France	4
25/08/2021	proTask IT Management GmbH	Austria	valantic GmbH	Germany	
30/07/2021	City Connect d.o.o.	Croatia	Transcom WorldWide AB	Sweden	

*Based on deals with disclosed values

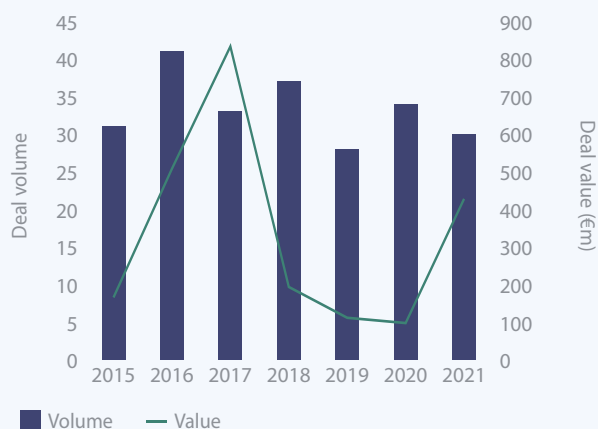
zero-emission vehicles by 2030.

The second-biggest professional services deal of 2021 was an IT consultancy tie-up between Germany-based ec4u and Bulgaria-based Bulpros Consulting, and the acquisition of a majority stake in the merged entity by UK-based private equity firm Silverfleet Capital Partners for €100m. ec4u's business offering includes consulting services, technical implementation, and ongoing enhancement and operation of clients' CRM systems. Bulpros, meanwhile, provides a range of digital services.

Consolidation was also in evidence in the fuel distribution subsector, which saw the fifth-largest professional services transaction of 2021. This was the acquisition of a 75% stake in Croatia-based APIOS by Greece-based Motor Oil (Hellas) Corinth Refineries for €10m. APIOS was created in 2009 and the company is active in both the retail and wholesale markets for liquid fuels in Croatia. It has 26 fuel stations and a market share of approximately 3%.

Elsewhere in the CEE region, 2021 saw the acquisition of a 50% stake in Hungary-based low- and medium-voltage electrical fuse specialist Fusetech by France-based Mersen for €4m. Through the transaction Mersen – which already owned 50% of Fusetech – acquires full control of the company, which is based in Kaposvár in Hungary. The deal will enable Mersen to strengthen its manufacturing position in Europe's electric fuse market.

Professional services M&A Inbound from outside CEE to CEE



Indicative valuation considerations

Record reserves of dry powder and intense competition for targets all helped EV/EBITDA valuation multiples remain high in CEE

Mergermarket data shows that the median valuation multiple for the CEE region across all sectors was 11x in the 2020-21 period, slightly ahead of Western Europe with 9.69x. “We see higher multiples in all sectors – especially in Covid-proof sectors that are considered as safe havens,” says Igor Mišík, Senior Manager at Mazars in Slovakia. “Technology is booming, especially tech start-ups with scalable potential. Multiples for these deals are often based on optimistic future projections. They reflect the large amount of money on the market, and the relatively small supply of quality deals, with quality founders and quality managements able to scale internationally – ideally with a proven track record of generating solid returns for VC investors.”

Across Europe, the technology sector achieved the highest median deal multiple in 2020-21 (13.27x), closely followed by the healthcare and pharmaceuticals sector (12.22x). Both sectors have thrived during the pandemic period, although deal multiples for these sectors were lower in 2020-21 than in 2019-20. Deal multiples for professional services (8.62x), telecommunications (8.33x) and media (7.08x) were also down compared to 2019-20. Hospitality and leisure also declined, sliding from 11.91x in 2019-20 to 8.04x in 2020-21.

Among the notable risers in 2020-21 were food and beverage (11x versus 10.55x in 2019-20),

construction (which climbed to 10.33x in 2020-21 versus 7.69x in 2019-20), industrials (9.84x compared to 8.38x in the previous year) and retail (also 9.83x, up from 8.15x). Transport and energy also saw strong year-on-year multiples growth.

“Once the Covid-19 crisis kicked in, I assumed it would impact valuations negatively. But we have not yet seen any corrections in the market and valuations are still quite high,” says Lukáš Hruboš, Head of Transaction Advisory at Mazars in the Czech Republic. “Of course, this does not apply in industries that were affected by the pandemic. Valuations in such cases are based on balance sheet positions, like equity, rather than on income.”

One of the downsides of the current high valuations climate is that it can foster unrealistic expectations on the part of sellers – particularly when family-owned businesses are put on the market. “One of the challenges we have in CEE is that business owners are typically entrepreneurs, who do not necessarily have great experience with M&A, so their expectation in terms of multiples sometimes differs from the reality. This can be challenging for dealmaking,” says Adam Zohry, an Executive Manager based in Warsaw and coordinator of the Financial Advisory Services of Mazars in Central & Eastern Europe.

Median EBITDA multiples in CEE vs. Rest of Europe, 2018-2021

Year	CEE median EBITDA multiple year 1	Rest of Europe* median EBITDA multiple year 1
2018/19	6.74x	11.61x
2020/21	11x	9.69x

Disclaimer: the indicative valuation figures are exclusively based on Mergermarket database figures and are for informational purposes only. They should not replace a formal valuation done by an independent advisor. An industry must have a minimum of 25 reported deals in Europe to be calculated. All the below EBITDA multiples figures are derived from taking the median from the transaction samples.

*Rest of Europe includes: Andorra, Belgium, Channel Islands, Cyprus, Denmark, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Isle of Man, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, United Kingdom.

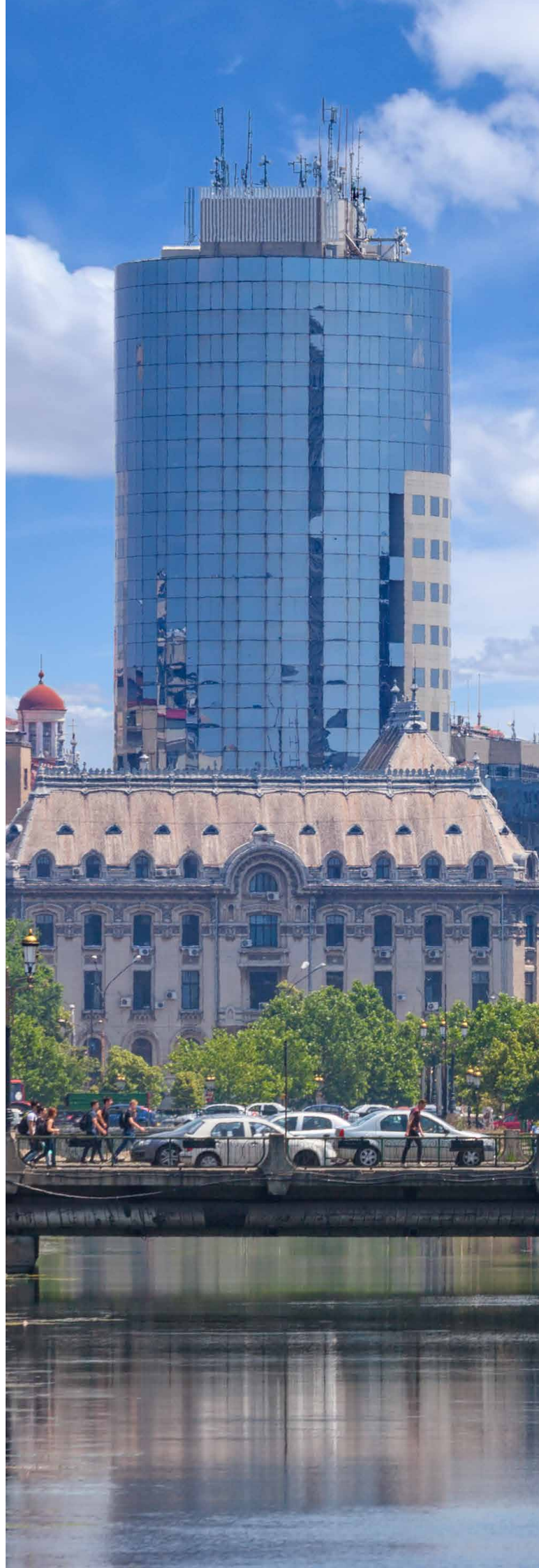
European EBITDA multiples in selected sectors, 2019-2021

Sector	European 2020-2021 median EBITDA multiple year 1	European 2019-2020 median EBITDA multiple year 1
Technology	13.27x	13.98x
Healthcare & pharmaceuticals	12.22x	15.34x
Food & beverage	11.00x	10.55x
Construction	10.33x	7.69x
Industrials	9.84x	8.38x
Retail & consumer goods	9.83x	8.15x
Transport & logistics	9.43x	7.96x
Energy & utilities	8.57x	6.85x
Professional services	8.62x	12.25x
Hospitality & leisure	8.04x	11.91x
Telecommunications	8.33x	9.87x
Media	7.08x	10.75x
Real estate	N/A	14.39x

NB: Sector list excludes Automotive, Agriculture and Aerospace & Defence due to insufficient data. Financial Services is excluded due to industry-specific valuation metrics within the financial services sector.

NBB: Median EBITDA multiples only given for sectors with 25 or more reported EBITDA multiples in 2020-2021.

European countries included: Albania, Andorra, Austria, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Channel Islands, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Hungary, Iceland, Ireland, Isle of Man, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of North Macedonia, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom.



M&A outlook for 2022 and conclusion

Deal activity has trended up throughout the past year, and activity is set to continue to be strong in 2022

Dealmaking in the CEE region maintained a strong upward trajectory in 2021, despite the headwinds of Covid, resurgent inflation and rising energy prices.

Analysis of ‘company for sale’ stories tracked by Mergermarket reveals what dealmakers might be planning next. Currently, there are 642 stories on the radar screen for the CEE region. The top sector – and by a wide margin – is technology, which amassed a total of 142 for sale stories in the last six months of 2021. These accounted for 22% of all for sale stories over the period – up from 21% a year earlier.

The second most prominent sector is industrials, with 99 for sale stories published and tracked in the last half of 2021. These account for 15% of the overall story total – again, this is a higher proportion than seen in the last half of 2020 (12%).

Another sector that could be worth watching in 2022 is energy and utilities – there were 52 published stories about that sector, putting it in third place. Investors and developers are increasingly turning their attention to the CEE region, which has vast and largely untapped potential for renewables – particularly in solar and onshore wind. Poland and the Baltics offer significant offshore potential as well. Other factors in play include EU policy support for renewables, soaring carbon prices that make burning coal increasingly uneconomic, and a gas supply crisis that is focusing minds on energy security. All of this has the potential to supercharge dealmaking in the year ahead.

M&A in the retail and consumer goods sector was subdued in 2021. But a brighter future could be in store: retail and consumer is the fourth most active sector in stories tracked by Mergermarket over the past six months, clocking up a total of 49 published articles.

Focusing on geographies, Poland stands out as the country with the highest number of ‘company for sale’ stories (176), followed by Russia with 155. Drilling into the data, the technology sector in Poland looks set to be especially active, with 47 stories about targets coming to market. Romania’s technology sector is also attracting attention, with 30 such stories published.

Factors shaping the dealmaking landscape in 2022 are likely to include high and volatile energy prices (wholesale gas in particular), inflation, higher borrowing costs (central banks outside the Eurozone are already hiking rates), a tight labour market, tensions with Russia, and the rise of new Covid variants. The latter is a particular concern for the CEE – in many of the region’s countries, less than half the population is fully vaccinated. Against this background, GDP growth is expected to ease after the bounceback seen in 2021, with growth for the Eastern Europe region in 2022 expected to be 3.8% compared with the 4.9% seen in 2021, according to the IMF.

From a dealmaking perspective, the region continues to offer undeniable attractions. The CEE continues to offer ample targets, as well as a skilled and relatively low-cost workforce, deepening capital markets and legal certainty. And unlike other emerging markets, much of the region benefits from an unprecedented safety net in the form of the EU’s Recovery and Resilience Facility (RRF), which will provide funding of €100bn to the 12 CEE countries that are members of the EU.

Heat chart: Companies for sale stories in CEE

	Albania	Austria	Belarus	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Montenegro	Poland	Romania	Russia	Serbia	Slovakia	Slovenia	Ukraine	Grand total
Technology		7	1		2	10	9	3	4	6		47	30	13		2		8	142
Industrials		2			1	4	1		3	2		36	6	27		1	5	11	99
Energy & utilities	1	1			1	3	2	1		2		9	12	16				4	52
Retail & consumer goods		2	1			5			1	1		10	6	14			5	4	49
Professional services				2	3	5	1	1	2	3		12	6	6		1		2	44
Construction						1	1					5	18	12				2	39
Financial services						4	2	1	5			3	3	15			1	5	39
Food & beverage		1			2	1		3	1			6	6	13	1			2	36
Healthcare & pharmaceuticals		5				2		1	2			16	3	3			2	1	35
Agriculture					1							2	4	17	1		1	4	30
Real estate		1					1					18	1	3			2		26
Hospitality & leisure					1	4		1				4	2	6				1	19
Transport & logistics								1	1			3	2	9				1	17
Media	1						1					3		1					6
Automotive		1				1						1					1	1	5
Telecommunications											1	1						1	3
Aerospace & defence													1						1
Grand total	2	20	2	2	11	40	18	12	19	14	1	176	100	155	2	4	17	47	

*Based on Mergermarket data for 'company for sale' stories published between 01/07/2021 and 31/12/2021

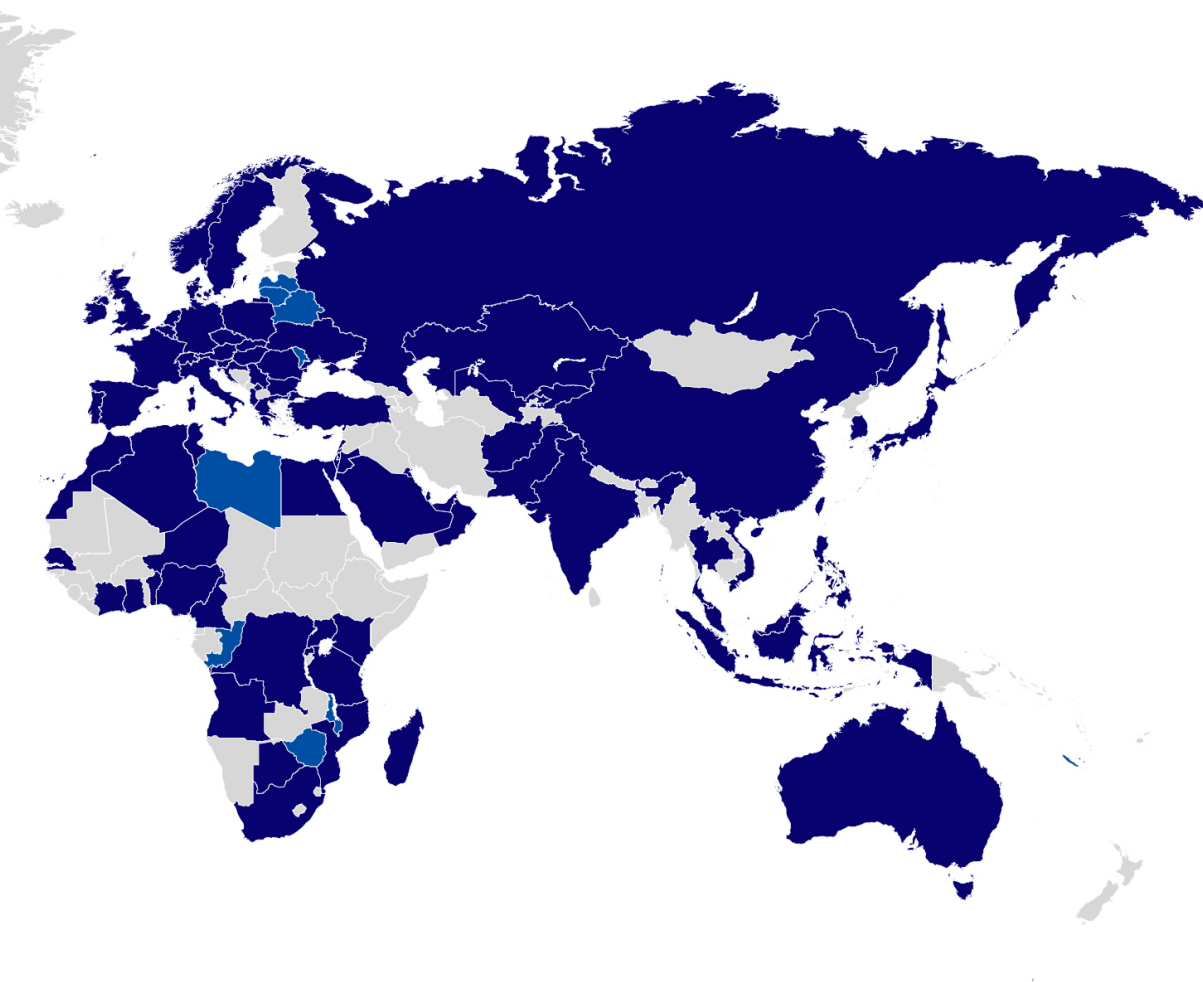


Mazars' global coverage



- Integrated countries and territories
- Non-integrated countries and territories:
Mazars correspondents and representative offices

- | | | | |
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| ■ Afghanistan | ■ Cameroon | ■ Ghana | ■ Kosovo |
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| ■ Australia | ■ Colombia | ■ Indonesia | ■ Libya |
| ■ Austria | ■ Congo (Brazzaville) | ■ Ireland | ■ Lithuania |
| ■ Bahrain | ■ Congo (Kinshasa) | ■ Israel | ■ Luxembourg |
| ■ Belarus | ■ Croatia | ■ Italy | ■ Madagascar |
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| ■ Bermuda | ■ Denmark | ■ Jordan | ■ Malta |
| ■ Botswana | ■ Egypt | ■ Kazakhstan | ■ Mauritius |
| ■ Brazil | ■ France | ■ Kenya | ■ Mexico |
| ■ Bulgaria | ■ Germany | ■ Korea | ■ Moldova |



- Morocco
- Mozambique
- Netherlands
- New Caledonia
- Niger
- Nigeria
- Norway
- Oman
- Pakistan
- Palestine
- Peru
- Philippines
- Poland
- Portugal
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- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Taiwan
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- Thailand
- Tunisia
- Turkey
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- United Arab Emirates
- United Kingdom
- United States
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