Press Release

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**The number of mergers and acquisitions in the Czech Republic has increased by 43% in H1 2013**

* ***In the Central and South Eastern European (CSE) countries, the number of transactions has increased by 20.7%***
* ***The Czech Republic is a strong regional investor by international comparison, having completed more outbound transactions than any other country in the CSE region***
* ***The value of the disclosed transactions in the Czech Republic has increased, with the largest amounts having been invested in the manufacturing sector, services and real estate property***

*Prague, 24 October 2013 –***The mergers and acquisitions (M&A) market in the Czech Republic outpaced in H1 2013 the market of the entire region of *Central and South Eastern Europe (CSE)* compared with H1 2012and, as regards the number of completed transactions, posted its best result since the 2009 recession. This significant increase in transaction activity stemmed from the general trend in the Central European region as well as a marked success rate of transactions in sectors that were ignored last year, e.g. IT and chemicals.**

In H1 2013, Czech investors carried out 73 transactions, i.e. a 43% increase year on year, including 17 outbound acquisitions. When the 26 inbound transactions are included, there are 99 completed transactions for the first half of the year, the strongest showing in transaction activity since the economic downturn of 2009. Deals with disclosed value in H1 amounted to USD 1.18 bn compared to USD 1.52 bn in the preceding year.

*“This unequivocally positive trend confirms three crucial factors: growing demand for acquisitions of Czech companies, an increase in the number of closed deals, and boosted activity of Czech companies abroad. Since no large company was sold, however, the total value of the transactions is lower than in the previous year. This is because the statistics do not include the acquisition of Net4Gas (deal value of USD 2.05 bn) that had not been completed by the H1 end,“* says Petra Wendelová, Partner for mergers and acquisitions at EY in the Czech Republic.

The Czech Republic is a strong regional investor by international comparison, having completed more outbound transactions than any other country in the CSE region. *“The interest of Czech companies in outbound investments has been steadily increasing for several years now. For example, the Czech Republic is currently the second strongest investor in Hungary. Czech (and Polish) companies traditionally also enjoy a good reputation in the Balkans, where they have been recently very active. A Czech investor is perceived in this region as a carrier of innovations, capital and Western technologies. However, there are also technology predators, such as Tescan from Brno, that actively seek acquisition targets virtually all over the world,”* says Petr Kříž, Executive Director, Transaction Advisory Services, EY in the Czech Republic.

**Estimated M&A market size in the Czech Republic**

The Czech M&A market shrank on a year-over-year basis by 14.8% to 2.34 bn due to fewer large transactions. Average transaction value (where disclosed) fell by more than half to USD 47 m. Transaction value was disclosed in 25% of deals in H1, making the disclosure rate 3% higher on a year-over-year basis.

The largest transaction implemented by Czech investors abroad was the purchase of Středoslovenská energetika, a.s. (49%) by Energetický a průmyslový holding a.s. (transaction value of USD 516 m).

**Investor population**

Strategic and financial investors were more active year on year. Financial investor activity increased more than 90%, bringing its total share in transaction volume to 21% (from 16% in H1 2012).

Domestic transactions lost some of their dominance to outbound deals, though transactions between domestic investors continued to comprise more than half of all deals. Inbound investment growth reflected the overall market trajectory.

Once again, domestic investors active abroad chiefly targeted neighbouring countries, i.e. Slovakia (5 transactions), Austria and Germany (2 transactions each). Inbound transactions were mainly carried out by investors from the USA (6 transactions) and Germany (5 transactions). This usual pair was joined by investors from Switzerland, who completed 5 transactions in the Czech Republic, chiefly in the manufacturing sector.

**Industry sector analysis**

Manufacturing (14 transactions) and services (12 transactions, but a 30% drop year on year) continued to be favourite investment target industries. However, with 13 transactions the real estate sector managed to join them (note this EY analysis only includes real estate transactions carried out by real estate funds or holdings). Other sectors reporting significant growth in the period under review include trade (50% year-to-year increase to 12 transactions), energy (50% increase to 9 transactions), IT (increase from a single transaction in 2012 to seven in 2013) and chemicals (from one transaction in 2012 to five in 2013).

**Top 10 largest deals in H1 2013 (Czech Republic)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | | |  | |
|  | **Target company (% acquired)** | | **Country of target** | **Buyer** | **Country of buyer** | | **Deal value (USD m)** | |
| 1 | Stredoslovenská energetika, a.s. (49%) | | Slovakia | Energetický a průmyslový holding a.s. | Czech Republic | | 516 | |
| 2 | Elektrárna Chvaletice (100%) | | Czech Republic | Litvínovská uhelná a.s. | Czech Republic | | 207 | |
| 3 | Část skupiny Generali PPF Holding (increase by 51%) | | Russia, Ukraine, Kazakhstan, Belarus | PPF Group | Czech Republic | | 105\*\* | |
| 4 | RAFINÉRIE IZHEVSK (100%) | | Russia | Obchodní tiskárny, a.s. | Czech Republic | | 65 | |
| 5 | D PLAST-EFTEC a.s. (increase by 50%) | | Czech Republic | Ems-chemie holding AG | Switzerland | | 65 | |
| 6 | Teplárna Otrokovice a.s. (100 %) | | Czech Republic | Petr Lamich | Czech Republic | | 51 | |
| 7 | Stará Celnice (100%) | | Czech Republic | Invesco Real Estate | USA | | 50 | |
| 8 | Kancelářský komplex Zlatý kříž (100%) | | Czech Republic | Anero | Czech Republic | | 31 | |
| 9 | MBF Czech s.r.o. (100%) | | Czech Republic | PREměření, a.s. | Czech Republic | | 16 | |
| 10 | TYRES KNĚŽMOST, a.s. (100%) | | Czech Republic | HORSCH Group | Germany | | 13 | |

*Source: M & A Barometr H1 EY*

*The acquisition of Net4gas (a gas transport system operator) by the Allianz and Borealis groups (the seller was RWE Group) was the largest reported transaction in H1 2013 (transaction size exceeded USD 2bn), though the deal was not completed until 2 August 2013.*

*\*\* The transaction is part of a share settlement process following the exit of PPF Group from a joint venture with the Italian insurer Generali Group (the full transaction is not included in this table as it is a majority shareholder further acquisition of interest, and thus fails to meet one of the inclusion criteria)*

**Mergers and acquisitions in the Central and South Eastern European countries**

The M&A market in the CSE region (Bulgaria, Czech Republic, Croatia, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey) has grown, as a whole, by 20.7%. The number of transactions in the region has increased in H1 2013 to 659 transactions (from 546 transactions in H1 2012). The most transactions were closed in Turkey (138), followed by Bulgaria (109) and Poland (104). Only three of all 11 countries have reported a fall in the number of completed transactions – Greece, Poland and Slovenia. However, the transaction value fell by 41.8% compared to H1 2012.

659 closed transactions were disclosed in the region in H1 2013, with the estimated total volume of USD 13.11 bn. In terms of the number of transactions, the most attractive sectors were the manufacturing sector (97 deals), retail & wholesale (62 deals) and IT (62 deals). In terms of value of the closed transactions, the most attractive sectors were banking and financial services, wholesale & retail and chemical industry.

Domestic transactions were most popular in Croatia, Bulgaria, Poland, Hungary and Romania. On the other hand, the Czech Republic’s investors executed the most outbound transactions (17) - mainly targeted at Slovakia (7 deals) – followed by Poland and Turkey (with 12 outbound deals each). Transacting within the region, the most active were the Czech Republic (12) and Poland (11).

It is interesting that only 2.6% of transactions exceeded the value of USD 100 m. The largest transaction with disclosed value in H1 2013 was the acquisition of the Turkish Yapi Kredi Sigorta by the German Allianz SE for more than USD 913 m.

**Top 10 largest transactions in the CSE region in H1 2013**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Target company** | **Country of target** | **Buyer** | **Country of buyer** | **Deal value (USD m)** |
| Yapi Kredi Sigorta | Turkey | Allianz SE | Germany | 913 |
| Follie (travel retail business) | Greece | Dufry AG | Switzerland | 703 |
| Zaklady Azotowe Pulawy | Poland | Zaklady Azotowe w Tarnowie Moscicach | Poland | 594 |
| Středoslovenská energetika | Slovakia | Energetický a Průmyslový Holding a.s. | Czech Republic | 516\* |
| Alternatif Bank | Turkey | Commercial Bank of Qatar | Qatar | 432 |
| Dong Energy (Polish wind power assets) | Poland | Energa Hydro Sp. Z o.o.; Polska Grupa Energetyczna S.A. | Poland | 320 |
| Beymen Magazacilik | Turkey | Altinyildiz | Turkey | 287 |
| Iberdrola Renewables Polska | Poland | Energa Hydro Sp. Z o.o.; Polska Grupa Energetyczna S.A. | Poland | 272 |
| Veolia Transdev Central Europe | Slovenia, Serbia, Czech Republic, Slovakia, Poland, Croatia | Deutsche Bahn | Germany | 263 |
| Chvaletice Power Plant | Czech Republic | Litvínovská uhelná a.s. | Czech Republic | 207 |

**Outlook for the 12 months to come**

*“The year 2013 will be definitely better than the previous year in terms of the number of transactions closed in the Czech Republic. In Q4, we expect the closing of some deals that are already under negotiation in the field of telecommunications, media or mechanical engineering. There is currently an enormous overabundance of free capital in the market and the most significant obstacle to a more intensive transaction activity is the lack of interesting and sufficiently sized investment opportunities,”* adds Petr Kříž.

**About the survey**

EY‘s M&A Barometer is a summary and analysis of publicly disclosed information accumulated from various reputable databases, such as Capital IQ, DealWatch, mergermarket, Zephyr or EY’s own databases. The data have been processed for the region of Central and South Eastern Europe: Bulgaria, Czech Republic, Croatia, Greece, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey. M&A activities and data include closed deals. The analysis does not include the following transactions: takeover of minority interests by majority shareholders, capital market transactions, licence acquisitions, joint-venture agreements, greenfield investment projects and privatisations.

**About EY**

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