

Regional Overview

CEE (excl. Russia)

Trend Report

In association with

 **UniCredit**

H1 2021

+54%

Increase in CEE M&A value (€12.6bn)
versus H1 2020 (€8.2bn)



€4bn

CEE financial services M&A, the
most active sector by value



€1.5bn

Value of CEE tech M&A,
up 91% by value and 32 more
deals versus H1 2020

80%

Cross-border share of
CEE M&A value in H1 2021

7

Number of deals valued above
€500m announced so far this year

€2bn

Private equity buyout
value in H1 2021

Central and Eastern European M&A spurred by Polish power

As the pandemic's grip begins to loosen slightly, CEE economies are set for a boost for the remainder of 2021 and beyond. The region is expected to grow by 4.1% over the course of the year, following a contraction of 5.1% in 2020. The Polish economy – a consistent driver of dealmaking activity in the region – is forecast to rebound even more strongly, with GDP expanding by 4.8% in 2021 and 5.4% in 2022. Indeed, CEE economies have been predicted to reach pre-pandemic levels of growth in the second half of 2021.

Dealmaking activity during the first half of the year mirrored this positive outlook. A total of 280 deals took place within the region – up by 79 compared to H1 2020. Deal value also posted an impressive start to the year, with a total of €12.6bn, increasing 54% year-on-year.

“Poland and the Czech Republic, as two of the most sizeable countries in the region, have been active and we expect them to stay very active. But some of the smaller economies, too, such as Slovenia, should not be underestimated,” according to Hedde Draper, UniCredit's head of corporate finance advisory for Austria & CEE.

Polish powerhouse

Poland continued to dominate activity in the region, attracting four of the top ten deals so far this year. A market share of 51.7% remained level with 2020's figure – the second highest share on record following 2011 (55.5%).

The largest Polish deal – and of the year so far – was UK insurer Aviva's €2.5bn sale of its Polish life and non-life insurance, pensions and asset management business to German multinational financial services firm Allianz. The purchase consolidates Allianz's position within CEE – making it the fifth largest insurer in the region.

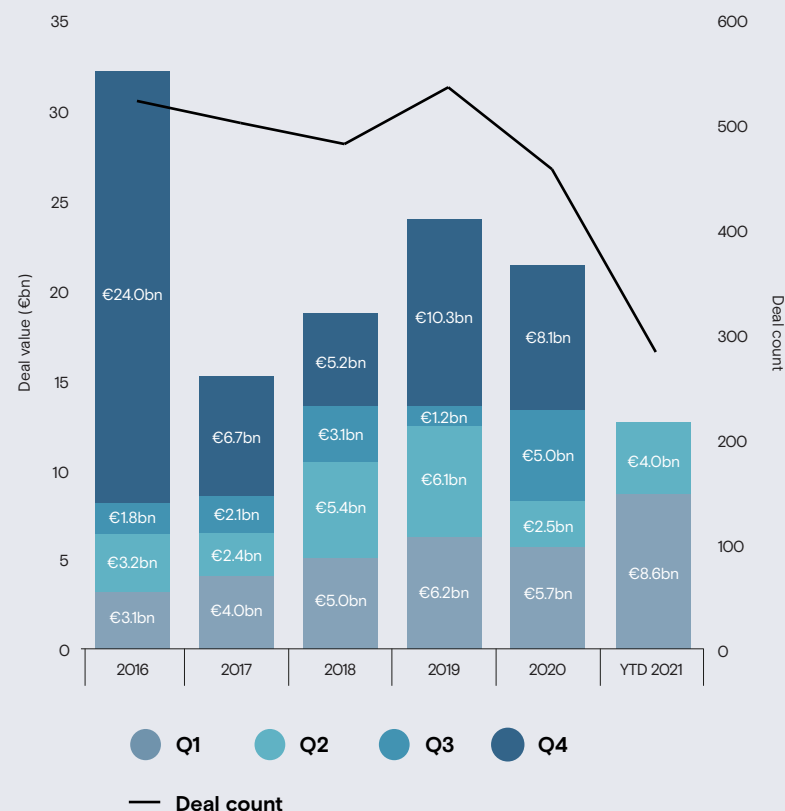
The sale reportedly followed a bidding war with Dutch insurer NN Group NV and Italy's Assicurazioni Generali SpA, highlighting intense competition for Polish assets. Such big-ticket deals pushed Poland's H1 2021 deal value to €6.5bn – 27% ahead of H1 2020's figure, while a deal count of 88 is an 83% uplift on the same period last year.

International interest increases

Interest from bidders located outside of the CEE region fuelled dealmaking activity during the first half of the year, as international companies look for a foothold in the region. Foreign bidders spent a total of €10bn on CEE assets in the first half of the year – up 96% compared to H1 2020. Volume, meanwhile, increased by 43 deals year-on-year.

“International players are increasingly getting into CEE. In the past this was more of an ‘exotic’ territory for them,” says Draper. “There is especially more activity from Western funds, who are being driven into our part of the world by the competition they face in their domestic markets.”

CEE (excl. Russia) M&A activity 2016–H1 2021



Data analysis continued

The fact that the top four deals of H1 were all carried out by buyers located outside of the region reflects this trend. Aside from the Allianz megadeal, Spanish telecoms firm Cellnex acquired Polkomtel Infrastruktura from parent company Cyfrowy Polsat in a deal valued at €1.6bn. Following the deal, Cellnex intends to invest an additional €600m to build up to 1,500 new tower sites by 2030.

CEE assets are also attracting interest from US firms, as seen in video game company Take Two Interactive Software's €298m purchase of Serbian mobile games developer Nordeus. The Belgrade-based start-up, famous for its Top Eleven football management game, currently has over 240 million registered users.

Sector watch

Investor interest in the region's booming technology sector caused deal count within the sector to more than double from 25 to 57 year-on-year – the highest increase across all industries. Take Two's purchase of Nordeus highlights the vast potential across CEE, with a steady flow of high-growth companies coming to market. This trend will ensure the sector remains active over the second half of the year.

"Normally technology isn't a major M&A force in CEE, but we've seen this globally as a very active sector off the back of the COVID crisis," says Draper. "The sector has become far broader, because companies in every industry now need to consider the impact of technology on their business."

Following a string of big-ticket banking and insurance deals, financial services achieved the highest deal value across all industries in

H1. A total of €4bn changed hands within the sector – up 165% compared to H1 2020, while accounting for just three more deals.

"The financial sector was the most active in CEE in M&A terms in the first half of the year, and especially in insurance we've seen quite a bit of sizeable activity. That was followed by the telecommunications space, especially on the infrastructure side of telecoms," says Draper.

Private equity takes note

Buyout activity within CEE accelerated towards the end of 2020, with 28 transactions announced in the final quarter posting a three-year high. Momentum has continued into 2021 – a total of 40 buyouts worth €2bn saw value increase by 31% compared to H1 2020, while accounting for 21 more transactions.

According to Draper, "There's a lot of dry powder left with funds. Besides this, the financing conditions are very good, with the low interest rate environment very, very attractive to firms."

The largest PE transaction to take place in H1 was Swiss investment firm Partners Group's €800m buyout of Fortum Oyj's Baltics heating business. Fortum's District Heating Platform's fuel is largely derived from renewable or recycled sources, and the deal reflects growing investor interest in sustainable energy initiatives across the region.

A bright future, COVID permitting

CEE's healthy dealmaking looks set to continue into the second half of the year. Activity will be supported by strong economic growth, continued government support and the

gradual roll-out of vaccines across the region. The sustained interest from international buyers in the first half of the year shows that appetite for CEE assets remains undiminished despite the turmoil of the past 15 months.

Yet the trajectory of the global public health crisis remains uncertain. While dealmakers will be hopeful that business will resume as usual, future waves of the virus remain impossible to predict. This could potentially hinder the region's economic growth, while constraining financing for deals.

While there remain potential headwinds on the horizon, the increasing price tags agreed by international buyers – particularly within the high-growth technology and financial services sectors – will bolster dealmaker confidence as they look towards the second half of the year.

As Draper puts it, "The prognosis is looking good. There are basic, fundamental drivers in place. Companies are looking for growth, and M&A offers a quick way to establish that. In certain sectors consolidation will also be a big theme. We have no reason to expect that the activity levels from the first half of 2021 will not continue into the second half."



Looking for more insights into the CEE (excl. Russia) market?
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Top deals

Announcement date	Target company	Target dominant sector	Bidder company	Bidder dominant geography	Seller company	Seller dominant geography	Deal value (€m)
26-Mar-21	Aviva Poland	Financial services	Allianz SE	Germany	Aviva Plc	United Kingdom	2,500
26-Feb-21	Polkomtel Infrastruktura sp. z o.o. (99.99% stake)	Telecommunications: Carriers	Cellnex Telecom, SA	Spain	Cyfrowy Polsat SA	Poland	1,574
31-May-21	Nova Kreditna Banka Maribor d.d.	Financial services	OTP Bank Plc	Hungary	Apollo Global Management, LLC; The European Bank for Reconstruction and Development	USA	900
12-Mar-21	Fortum Oyj AB (District heating businesses in the Baltics)	Energy	Partners Group Holding AG	Switzerland	Fortum Oyj AB	Finland	800
14-Apr-21	Globalworth Real Estate Investments Ltd (49.25% stake)	Real estate	Zakiono Enterprises Limited	Cyprus			774
12-Feb-21	International Paper (Poland) Holding sp. z.o.o	Manufacturing (other)	Mayr Melnhof Karton AG	Austria	International Paper Company	USA	670
29-Mar-21	Fortenova Group d.d. (Frozen Food Business)	Consumer: Foods	Nomad Foods Limited	United Kingdom	Fortenova Group d.d.	Croatia	615
22-Jan-21	MONETA Money Bank, a.s. (28.36% stake)	Financial services	PPF Group N.V.	Netherlands			435
22-Feb-21	Spravia (former Budimex Nieruchomosci Sp z oo)	Real estate	Cornerstone Partners Sp. z o.o.; Crestyl real estate, s.r.o.	Poland	Budimex SA	Poland	338
08-Jun-21	OMV Slovenija d.o.o. (92.25% stake)	Consumer: Retail	MOL Hungarian Oil and Gas Public Limited Company	Hungary	OMV AG	Austria	323

Criteria

All data is based on transactions over USD 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds USD 10m. Deals where the effective stake acquired is less than 30% will only be included if the value is greater than USD 100m. Full deal inclusion criteria can be found [here](#).

Trend data: Based on the dominant geography of the target company and excludes lapsed and withdrawn bids. Sector trends based on the dominant sector of the target.

Global cross-border M&A: Based on the dominant geography of the target and bidder company being in a different region.

Inbound: The dominant geography of the target is CEE (excl. Russia) and the dominant geography of the bidder is any other region excluding CEE (excl. Russia).

Outbound: The dominant geography of the bidder is Portugal and the dominant geography of the target is any other region excluding CEE (excl. Russia).

Top deals: Based on the dominant geography of the target company.

League tables: Based on the dominant geography of the target, bidder or seller, and excludes lapsed and withdrawn bids. Private equity buyout league tables are based on advisors advising the bidder only on buyout deals with target dominant geography being the country/region and excludes lapsed and withdrawn bids. Private equity exit league tables based on advisors advising the target/seller on exit deal with target dominant geography being the country/region and excludes lapsed and withdrawn bids.

All values are in EUR
M&A Trends and Top Deals correct as of 9am (GMT),
13-Jul-2021.

Contacts

Sponsorship Sales Manager
Chris Coe
chris.coe@iongroup.com
+44 20 3741 1075

Event Manager
Lisa Maughan
lisa.maughan@iongroup.com
+44 20 3741 1112

Press Relations

Global
Lindsay Spivak
lindsay.spivak@iongroup.com
+1 212 390 7801

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EMEA

10 Queen Street Place
London
EC4R 1BE
United Kingdom
+44 203 741 1000

Americas

1345 Avenue of the Americas
49th floor
New York, NY 10105
USA
+1 212 686 5606

Asia

9/F Standard Chartered Bank
Building
4–4A Des Voeux Road, Central
Hong Kong
+852 2158 9769