

PRESS RELEASE

WOLF THEISS & MERGERMARKET STUDY: CAUTIOUS OPTIMISM FOR M&A IN CEE/SEE, WITH PE FIRMS POISED TO PROFIT POST-COVID-19

London, Vienna 1 February 2021 – In the wake of the COVID-19 pandemic, dealmakers are broadly positive about the prospects for M&A in Central, Eastern and South-Eastern Europe (CEE/SEE), according to a new survey from Wolf Theiss and Mergermarket. Just over half (52%) of respondents said that the health crisis will increase their appetite for deals in the next 12 months.

This follows a year where M&A value in CEE/SEE was up 29% compared to 2019, reaching €28.5bn – a stark contrast to the 7% drop in global deal value during the same period. However, a 22% year-on-year decrease in the volume of transactions, down to 406 deals, meant that CEE/SEE did not emerge from 2020 wholly unscathed.

The Wolf Theiss/Mergermarket study, *M&A Spotlight: CEE*, polled 150 senior-level executives from both corporates and private equity (PE) firms about their experiences of M&A in CEE/SEE and their expectations for the future.

More than two-thirds (69%) of respondents said that they are likely to invest in CEE/SEE based on past experience, and 65% also said they are likely to invest again on the back of satisfaction with their most recent deal.

Tellingly, when it comes to the post-COVID outlook, PE respondents were far more bullish about future prospects than their corporate counterparts. While 43% of strategic buyers reported having less appetite for deals, only 16% of PEs agreed; meanwhile, just 10% of corporates said they were eager to pursue significantly more deals versus 26% of fund managers who said the same.

“PE is in a strong position in part because of its attitude towards risk-taking in terms of participating in an upside cycle of the economy,” said Horst Ehardt, a partner in Wolf Theiss' Vienna office. “As an asset class, it has also accumulated a significant amount of cash that it needs to deploy and now there are many different deployment strategies. PE can offer a wide range of fund vehicles, depending on the sector or the level of envisaged corporate control. For example, we now increasingly see major PE funds taking minority positions in fast-growing companies.”

On a country level, Poland has maintained its position as the region's number one deal market with its technology, media and telecommunications (TMT) and real estate and construction sectors proving themselves to be especially fruitful. The country saw €11bn worth of deals, claiming nearly 40% of the CEE market. This includes the region's second-largest deal of the year, French telecoms group

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Iliad's €3.7bn acquisition of Play Communications, the biggest Polish mobile network, with 15 million subscribers.

The TMT sector claimed €8.3bn of deals across the region, a 29% market share of total M&A. While technology played a starring role in global M&A in 2020, in CEE it has been telecommunications that has taken a front row seat.

“There's an ongoing consolidation in terms of the larger telecom groups in Poland,” said Jacek Michalski, a partner in Wolf Theiss's Warsaw office. “There's also now a lot of similar movement that you see in many other markets in Europe, with telcos selling their infrastructure as separate towerco units backed by infrastructure investors.”

Elsewhere, environmental, social and governance (ESG) issues were highlighted as a growing part of the dealmaking landscape in CEE/SEE. Nearly two-thirds (63%) of respondents said that ESG scrutiny in deals will increase in the next three years, with 37% thinking it will increase significantly.

“Compliance by target companies with emerging ESG standards has become a significant focus area for both strategic and private equity buyers across Europe”, said Florian Kuszniar, a partner in Wolf Theiss' Vienna office.

To view the full study, please click here: <https://cee-spotlight.wolftheiss.com/>

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M&A intelligence, data and research

In M&A, information is the most valuable currency. Mergermarket, an Acuris company, reports on deals 6-24 months before they become public knowledge, giving our subscribers a powerful competitive advantage. With the largest network of dedicated M&A journalists and analysts, Mergermarket offers the most comprehensive M&A intelligence service available today. Our reporters are based in 67 locations across the Americas, Europe, Asia-Pacific, the Middle East and Africa. Visit mergermarket.com.

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Wolf Theiss is one of the leading European law firms in Central, Eastern and South-Eastern Europe with a focus on international business law. With 340 lawyers in 13 countries, over 80% of the firm's work involves cross-border representation of international clients. Combining expertise in law and business, Wolf Theiss develops innovative solutions that integrate legal, financial and business know-how.

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