

Press release, 25th January 2017

M&A market in Central-Eastern Europe boasts its highest value since 2013 as well as attractive assets for 2017

UK and Asian investors increasingly active in the CEE region

According to the “Emerging Europe M&A report 2016/2017” published by CMS in cooperation with EMIS, M&A deals in Central-Eastern Europe peaked in value in 2016 at €86.7bn. This represents a 62% increase compared to 2015, and the highest result since 2013. With 1,985 transactions, the CEE region experienced a 7% decline in the volume of announced deals, but their median value increased by €2mln to €11.2mln.

Helen Rodwell, Partner, CEE Corporate Practice, CMS: *Dealmakers acted cautiously as global economic growth remained weak, amid uncertainty about election and referendum results. Confidence picked up towards the end of 2016, setting the scene for robust M&A activity in 2017. There are many reasons to be positive about this year, including the potential pipeline of deals that already await completion.*

According to CMS, a law firm that has worked on more deals in CEE countries in last five years than any other law firm*, the varied performance of individual countries in 2016 reflected the fragmented nature of the region. Russia and Poland retained their first and second positions respectively in deal activity, despite drops in transaction numbers. The rising stars of the region were the Czech Republic and Romania.

Radivoje Petrikic, Partner, CEE Corporate Practice, CMS: *The outstanding feature of 2016 in CEE was also the rapidly growing influence of Asian investment, most notably from China. The strong Chinese interest in the region is a relatively recent development, laying the foundations for a wave of investment into the future.*

In 2016 the UK and China doubled their spending in CEE to €5.2bn and €4.4bn respectively to become the second- and third-largest foreign investors by value in the region. The value of US spending in the region dropped by two-thirds; however the US remained the largest foreign investor in CEE by deal volume (88), followed by the UK (75), Germany (66), France (46) and Austria (37).

Across the region, the most active sectors were real estate and construction, with 357 deals worth €17.8bn (89% increase in deal value) followed by manufacturing, telecoms and IT.

Stefan Stoyanov, Global Head of M&A Database, EMIS: *In 2017 we expect to see more deals in the banking sector. Low profits, the ongoing restructuring of Greek lenders, the billions in fees imposed on financial institutions, new sector regulations, and the Italian banking crisis are all certain to spur even more disposals of equity ownership and separate NPL portfolios across Emerging Europe.*

The CEE markets witnessed increased PE interest in 2016 – the combined value of PE entries and exits more than doubled to €28.4bn. Overall, PE entries were double the exits.

One sign of the region’s growing self-confidence is the number of deals which are not reliant on outside investors. Many domestic companies and private equity firms have reached a size where they can conduct cross-border deals of their own. Russia (575), the Czech Republic (159), Poland (146) and Turkey (112) were among the most active.

“Emerging Europe M&A Report 2016/2017” shows trends in CEE countries in 2016 combined with forecasts for 2017. For more information please see: cms.law

*based on EMIS League Tables 2012-2016

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