Emerging Europe M&A Report

2023/24

In cooperation with EMIS

In, On and For Emerging Markets

January 2024

Contents

Acting on headline deals in emerging Europe

In 2023, CMS was the most sought after legal advisor in emerging Europe. Our deals included:

Ahold Delhaize
Advised one of the world's largest food retail groups and a leader in both supermarket and online shopping on its acquisition of Profi Rom Food, a leading grocery retailer in Romania, from MidEuropa, in a landmark transaction valued at around EUR 1.3bn. This is the largest grocery deal ever in continental Europe involving private equity, and the largest grocery deal in Central and Eastern Europe and Romania.

4iG Plc.
Supported a leading Hungarian IT and telecommunications firm, together with the Hungarian state represented by Corvinus plc. in their acquisition of Vodafone Hungary, the second-largest telecommunications firm in the country.

ArisGlobal
Advised a leading life sciences software company using its comprehensive technology platform "LifeSphere" to streamline key drug development processes, on its purchase of Amplexor Life Sciences, from Acolad Group based in France/Luxembourg.

EBRD
Advised on the sale of a minority holding in AS Citadele banka, a joint stock company incorporated and registered in Latvia, including the public offering and admission to listing and trading of the ordinary shares of the Issuer on the Main List of AS Nasdaq Riga.

Hypo Bank Burgenland AG
Advised on the sale of its Hungarian subsidiary Sopron Bank Zrt to MagNet Bank Zrt., and the establishment of a new Hungarian branch office through which Hypo Bank Burgenland AG continues to provide banking services to corporations in Hungary.

Mutares
Advised a Munich-based private equity holding company on the acquisition of the Danish, Polish Bus, and Serbian business operations of Arriva Group, a provider of passenger transport across Europe and a part of Deutsche Bahn (DB).

Hansgrohe
Provided comprehensive legal support to one of the world's leading manufacturers of faucets and showers for their investment in a new manufacturing plant in Serbia, the largest investment in the 120-year history of Hansgrohe.

Capgemini
Advised a French global IT services and consulting firm, on the disposal of all the shares in Altran CZ a.s. (now Tiyo a.s.), a provider of professional services of commercially certified and used testing labs.

ARX Equity Partners
Advised a PE firm focused on the CEE region on the sale of TES Vsetin, a Czech manufacturer of customised power generators.

UGT Renewables LLC
Advised a major US solar energy and storage developer on a joint development agreement with EPCG, a Montenegrin state-owned power production utility, for the development of a new large-scale solar power plant in Montenegro.

Actis
Advised on the acquisition of the carved-out assets of public Telco company in three jurisdictions (Serbia, Montenegro and Bosnia and Herzegovina), including the Tower portfolio.

M Core
Advised on the EUR 219m acquisition of 25 retail parks in Romania.

Introduction

Last year can be defined by a level of conflict that was unmatched in decades. Economically, the markets were dominated by fears about inflation - in order to curb its impact, central bankers raised interest rates in stages to a degree not seen since the global financial crisis. Resilient in the face of these headwinds, the level of M&A in emerging Europe stood firm and compared favourably to some other European countries where sharper declines were commonplace.

Welcome to the 2023/24 edition of the Emerging Europe M&A report.

Notwithstanding the economic and geopolitical challenges, overall transaction volumes in emerging Europe dipped only marginally to 1187 deals compared to 1,229 deals in 2022, but were up on the 2021 total of 1164 deals. The consistency shown over the past three years serves to confirm the region's resilience and its sustained attraction to investors, even in times of difficulty.

Deal values mirrored the same trend, slipping slightly (by 1.4%) from EUR 32.93bn to EUR 32.48bn, again reflecting the consistent appeal of the region's markets. Meanwhile, the number of megadeals valued at EUR 1bn or more ticked up from three to seven.

The pan-European impact of high inflation and higher interest rates may have dampened the appetites of consumers and dealmakers, making caution central to the thinking of both groups. But as inflation data started to turn the corner over the summer, investor sentiment began to recover in the second half of the year. Notably, quarter-by-quarter deal value improved, so that the overall total for H2 2023 (EUR 19bn) was 41% up on H1 2023 (EUR 13.5bn).

As M&A players cautiously adapted to the new normal, deal activity remained quite robust. There was variance, of course, between countries in the region, with some notably outflanking others, as demonstrated by our summary of their relative performances in this report.

Among the top performing sectors for M&A activity, Telecoms and IT retained the number one slot with 266 deals, down from 336 in the previous year. Manufacturing advanced to second place with 181 deals, up from 170 in 2022, overtaking real estate which fell back to 156 deals.

Ranked by value, Telecoms and IT came top, surging from EUR 3.79 bn in 2022 to EUR 9.1bn last year, followed by manufacturing at EUR 6.57bn and energy and utilities at EUR 3.3bn. Despite market turmoil, there were 85 energy and utilities sector transactions, with strong interest in renewables, notably wind and solar, as the transition to sustainable power continues across the region.

Following the Russian attacks, which have had such a devastating impact, much of the medium to long term focus in Ukraine now centres on reconstruction. In this report, CMS experts from across the region examine the reconstruction process and Ukraine's National Recovery Plan to repair and replace infrastructure that has been damaged or destroyed, and critically, how everything will be financed.

To reflect the growing importance of investment originating from the Middle East, a section of this report is devoted to explaining why Middle Eastern investors find CEE countries so appealing. Between them, the UAE and Saudi Arabia invested EUR 4.38bn last year, comprising 13.5% of all deals in the region. By country of origin, UAE was the biggest single investor with nine deals at a combined valued of EUR 3.16bn.

To illustrate emerging Europe's growing importance as a target for Middle Eastern investors, we also have an interview with the General Counsel of Al Dahra Group, the UAE-based fertiliser, trading and farming business. She outlines their business operations in CEE and the opportunities presented by the region. As the interview shows, growing numbers of Middle Eastern sovereign wealth funds and conglomerates rate food production and food security very highly, fuelling their long-term commitment to the region.

In another case study, Evren Ozturk, CFO of the YILDIRIM group, explains the investment strategy of this Turkish conglomerate and the appeal of the CEE region for investment. YILDIRIM, which primarily focuses on metals, mining, port operations, fertilizers, chemicals, logistics, and energy, has invested more than USD 5bn in M&A deals, including the CEE region. The countries of most interest include: Bulgaria, Romania, Croatia, Macedonia, Hungary, Albania and Kosovo.

Although the energy markets are still volatile, renewable energy is at the forefront of government planning in many countries: CEE currently generates just 25% of its electricity from renewables, compared to 55% from fossil fuels. CMS experts evaluate the enormous potential for renewables, particularly in wind and solar capacity, as well as in nuclear.

In energy - as with every other sector - environmental, social and governance (ESG) issues are a paramount concern for delivering change, achieving compliance, and determining success in M&A transactions. CMS experts outline its importance in redefining the concepts of value and risk for any business that is acquiring another business in the CEE region, as well as the EU and national compliance issues that are considered by investors, and those financing them, in a potential deal.

Among the factors considered by banks in financing M&A transactions, ESG is increasingly important. Banks are also tightening their lending criteria. Following an era of cheap finance and readily available credit, higher interest rates have led to more expensive debt finance. We examine how the trends of acquisition financing are evolving, as CEE companies and dealmakers operating in the region adapt to the end of cheap finance.

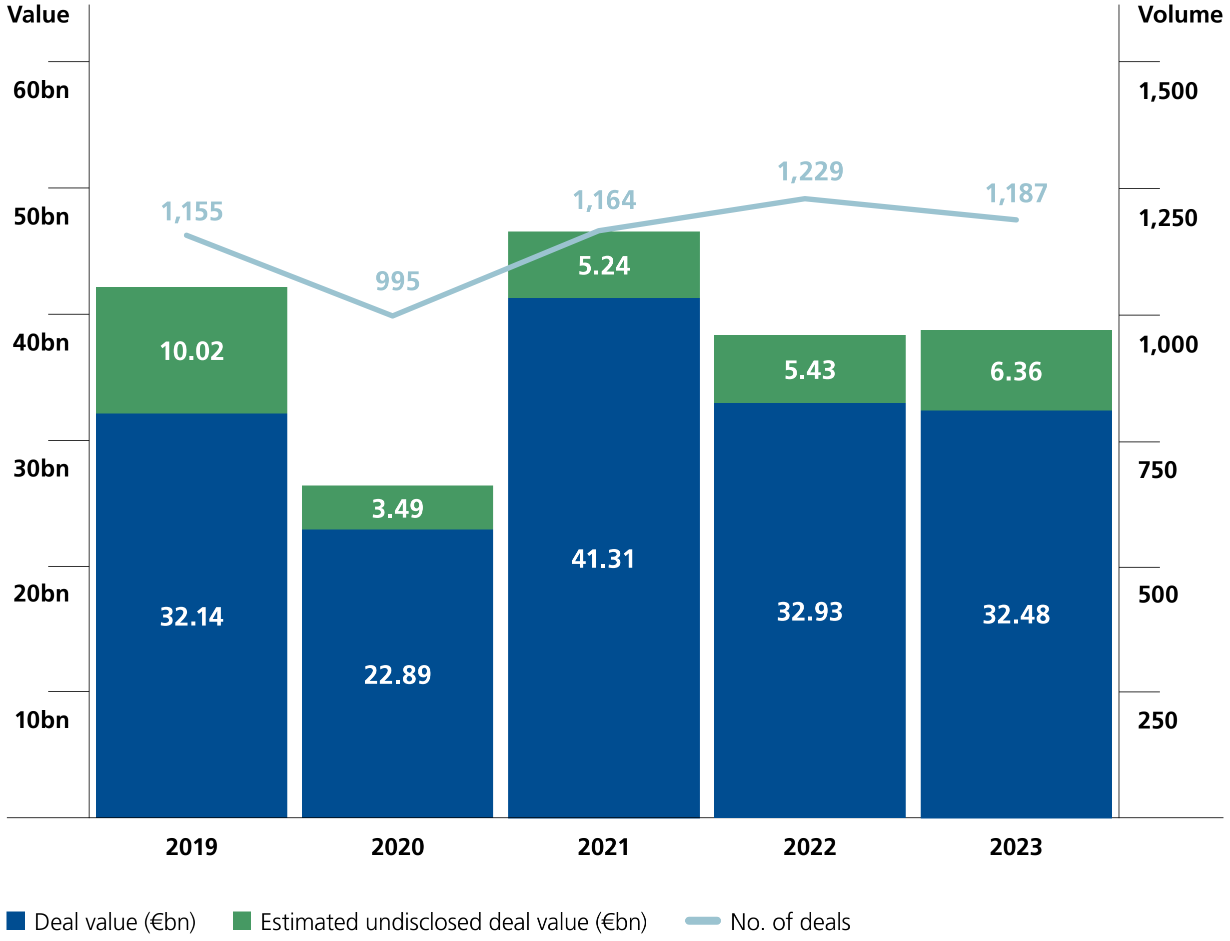
The outlook for 2024 is no less clear than it was 12 months ago. Some predict that economic challenges will persist this year, before improving next year. But there are also reasons for optimism in the near term. Inflation is firmly on a downward path and interest rates look set to follow in due course. In anticipation of better times ahead, some stock markets have moved upwards. Dealmakers in emerging Europe have adjusted to the new normal as international investors look set to capitalise on opportunities presented by growing companies in the CEE region. Irrespective of the current difficulties, they remain in a strong position for the year ahead.

Horea Popescu
Partner
CMS Romania/CEE
horea.popescu@cms-cmno.com

Radivoje Petrikić
Partner
CMS Austria/SEE
radivoje.petrikic@cms-rrh.com

2023 dealmaking in emerging Europe at a glance

Deals by value and volume



Activity in the region's busiest markets (by overall deal value)

Poland	EUR 7.45bn	284
Romania	EUR 5.54bn	199
Hungary	EUR 3.77bn	57
Czech Republic	EUR 3.73bn	139
Bulgaria	EUR 2.48bn	82
Croatia	EUR 1.91bn	83

Telecoms & IT
Continues to lead the deal count despite weaker fundraising activity: remains busiest sector with 266 M&A deals in 2023 (a decrease of 70 deals y-o-y).
The year saw a revival of telecoms megadeals with the entrance of strategic investors from the Middle East.

Private Equity
Witnessed slower activity amid high interest rates: 248 deals involving PE were recorded in 2023 (representing a 14.2% decrease). However, the total value surged by 57% to EUR 15.5bn due to large exits, particularly in top five biggest deals. Telecoms & IT, Manufacturing and Real Estate & Construction remain the focal points.

Energy & Utilities
Energy transition spurs investment: Becomes one of the most dynamic sectors with 85 &A deals (an increase of 16 deals y-o-y). Energy generation deals increased by 49% by number and by 20.6% in value, primarily attributed to heightened investment in solar projects.

Most active origination market from within the region

Poland

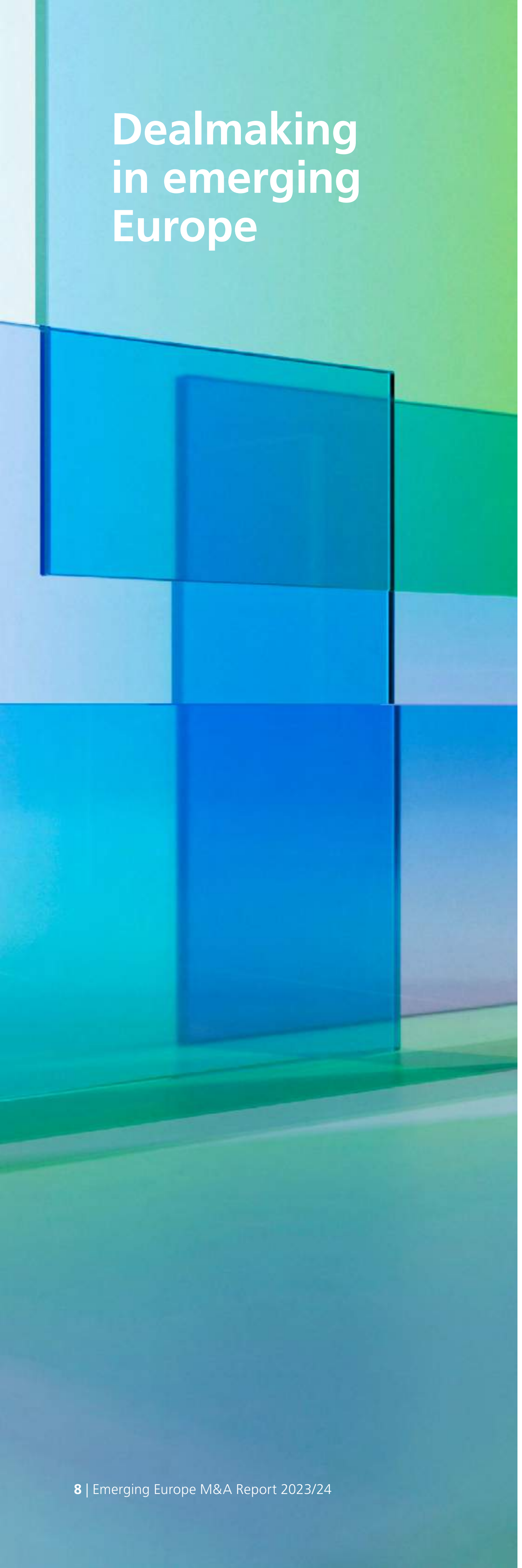
7.45bn
EUR

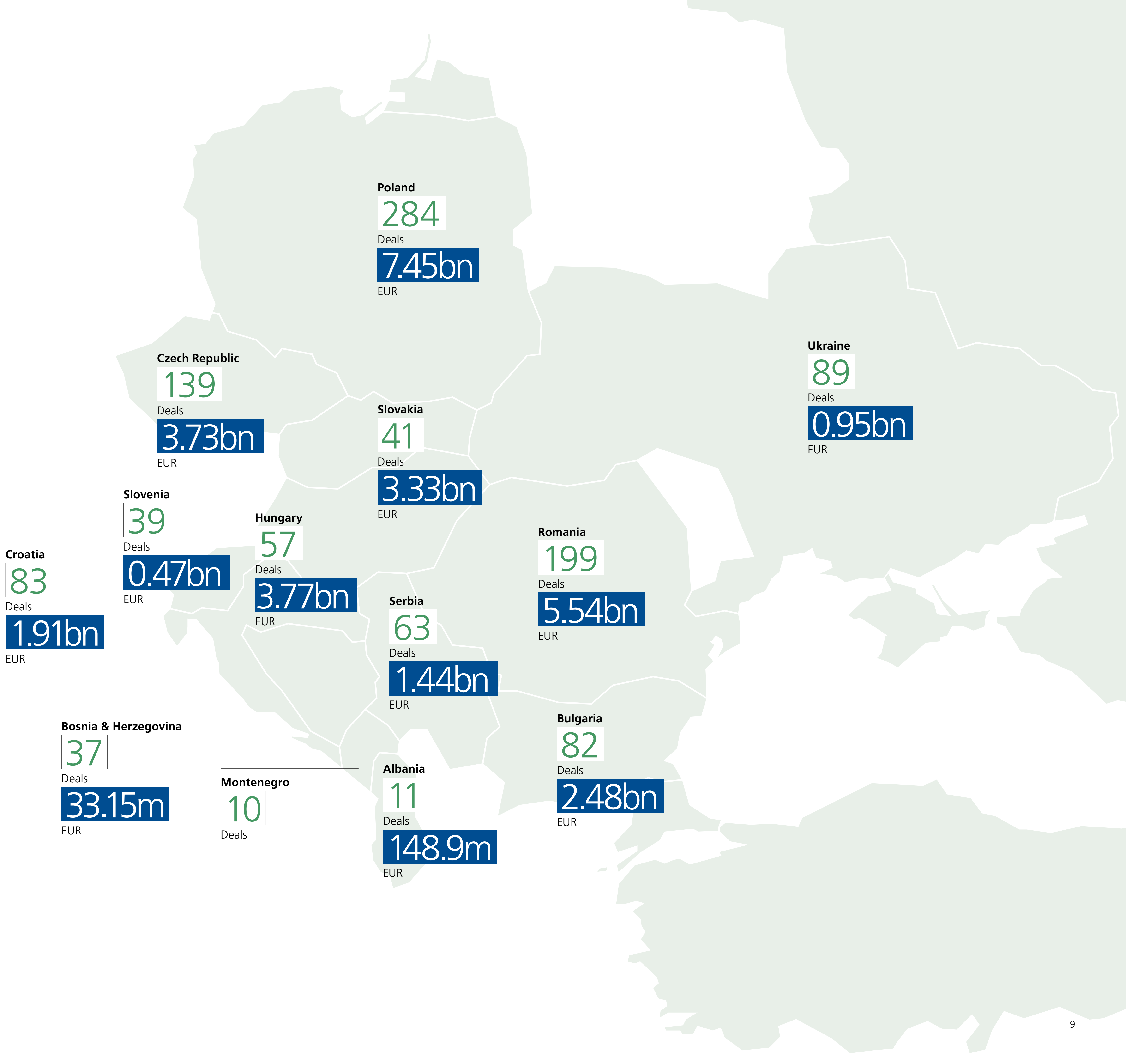
284
deals

Most active origination markets from outside the region


United Arab Emirates	United States
(by deal value)	**(by deal volume)**
3.16bn EUR	96 deals
9 deals	2.06bn EUR

Dealmaking in emerging Europe





The global picture: An overview of international M&A investment streams

Cross-border deals

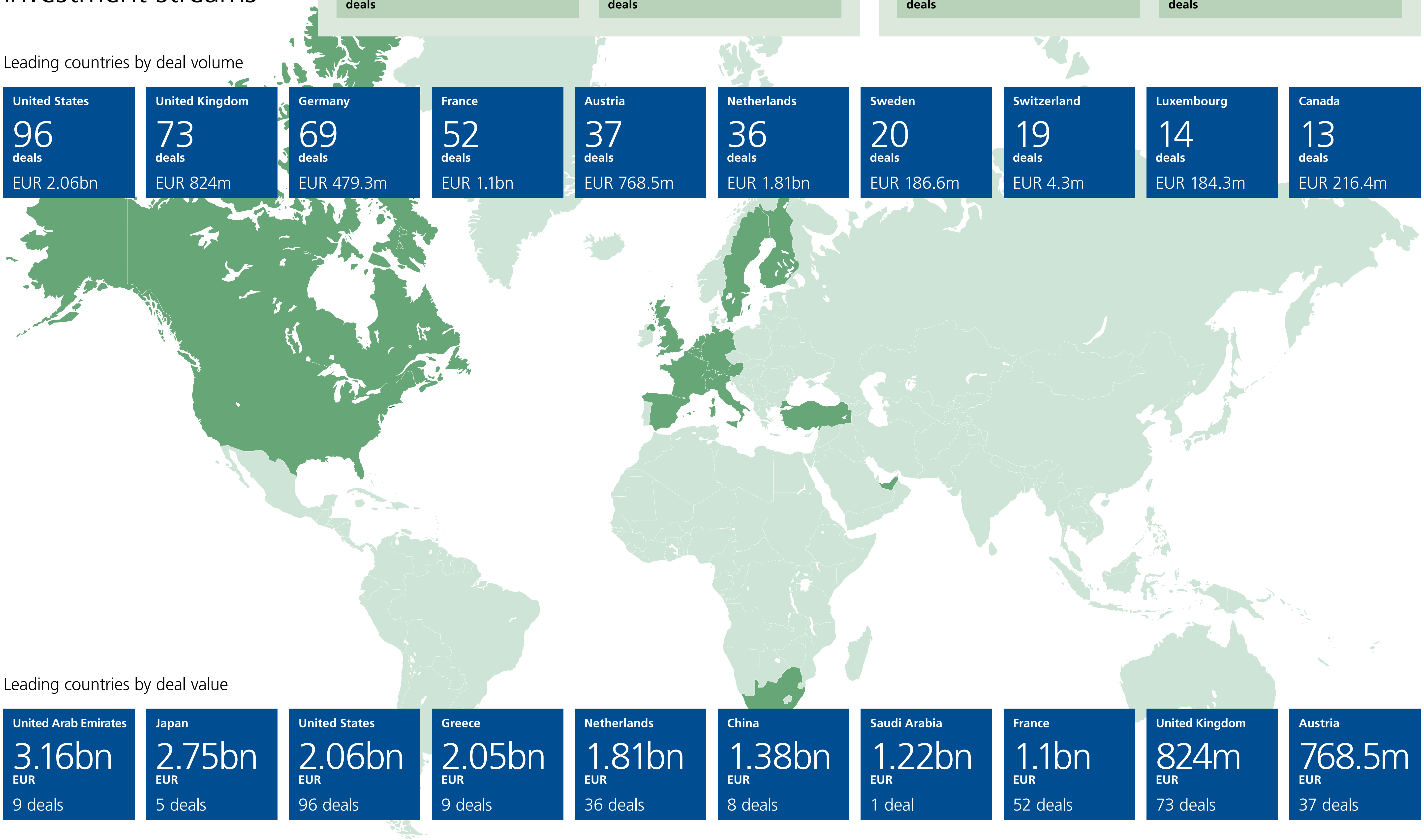
2022	815 deals	EUR 22.7bn
2023	746 deals	EUR 30.8bn

Domestic deals

2022	414 deals	EUR 10.3bn
2023	441 deals	EUR 1.7bn

Leading countries by deal volume

United States	96 deals	EUR 2.06bn
United Kingdom	73 deals	EUR 824m
Germany	69 deals	EUR 479.3m
France	52 deals	EUR 1.1bn
Austria	37 deals	EUR 768.5m
Netherlands	36 deals	EUR 1.81bn
Sweden	20 deals	EUR 186.6m
Switzerland	19 deals	EUR 4.3m
Luxembourg	14 deals	EUR 184.3m
Canada	13 deals	EUR 216.4m



Leading countries by deal value

United Arab Emirates	3.16bn EUR	9 deals
Japan	2.75bn EUR	5 deals
United States	2.06bn EUR	96 deals
Greece	2.05bn EUR	9 deals
Netherlands	1.81bn EUR	36 deals
China	1.38bn EUR	8 deals
Saudi Arabia	1.22bn EUR	1 deal
France	1.1bn EUR	52 deals
United Kingdom	824m EUR	73 deals
Austria	768.5m EUR	37 deals

AGRICULTURE & FARMING

Deal count	Value
+2 Deals	-4.3%
▲	▼
18 Deals	206m

EDUCATION & HEALTHCARE SERVICES

Deal count	Value
-14 Deals	+8.9%
▼	▲
44 Deals	560.3m

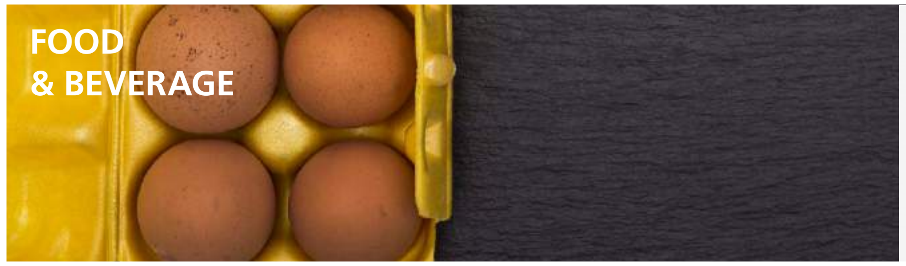
ENERGY & UTILITIES

Deal count	Value
+16 Deals	-18%
▲	▼
85 Deals	3.3bn

FINANCE & INSURANCE

Deal count	Value
-1 Deals	+21.4%
▼	▲
68 Deals	1.57bn

FOOD & BEVERAGE



Deal count	Value
+5 Deals	+17.8%
▲	▲
50 Deals	956.6m

MANUFACTURING

Deal count	Value
+11 Deals	+138.8%
▲	▲
181 Deals	6.57bn

MEDIA & PUBLISHING

Deal count	Value
-2 Deals	-71.6%
▼	▼
13 Deals	18m

MINING (INCL. OIL & GAS)

Deal count	Value
+10 Deals	-91.7%
▲	▼
20 Deals	666.2m

OTHER

Deal count	Value
+1 Deals	+56.1%
▲	▲
19 Deals	1.45bn

REAL ESTATE & CONSTRUCTION

Deal count	Value
-47 Deals	-59.2%
▼	▼
158 Deals	3.19bn

SERVICES

Deal count	Value
+11 Deals	+6.7%
▲	▲
106 Deals	498.6m

TELECOMS & IT

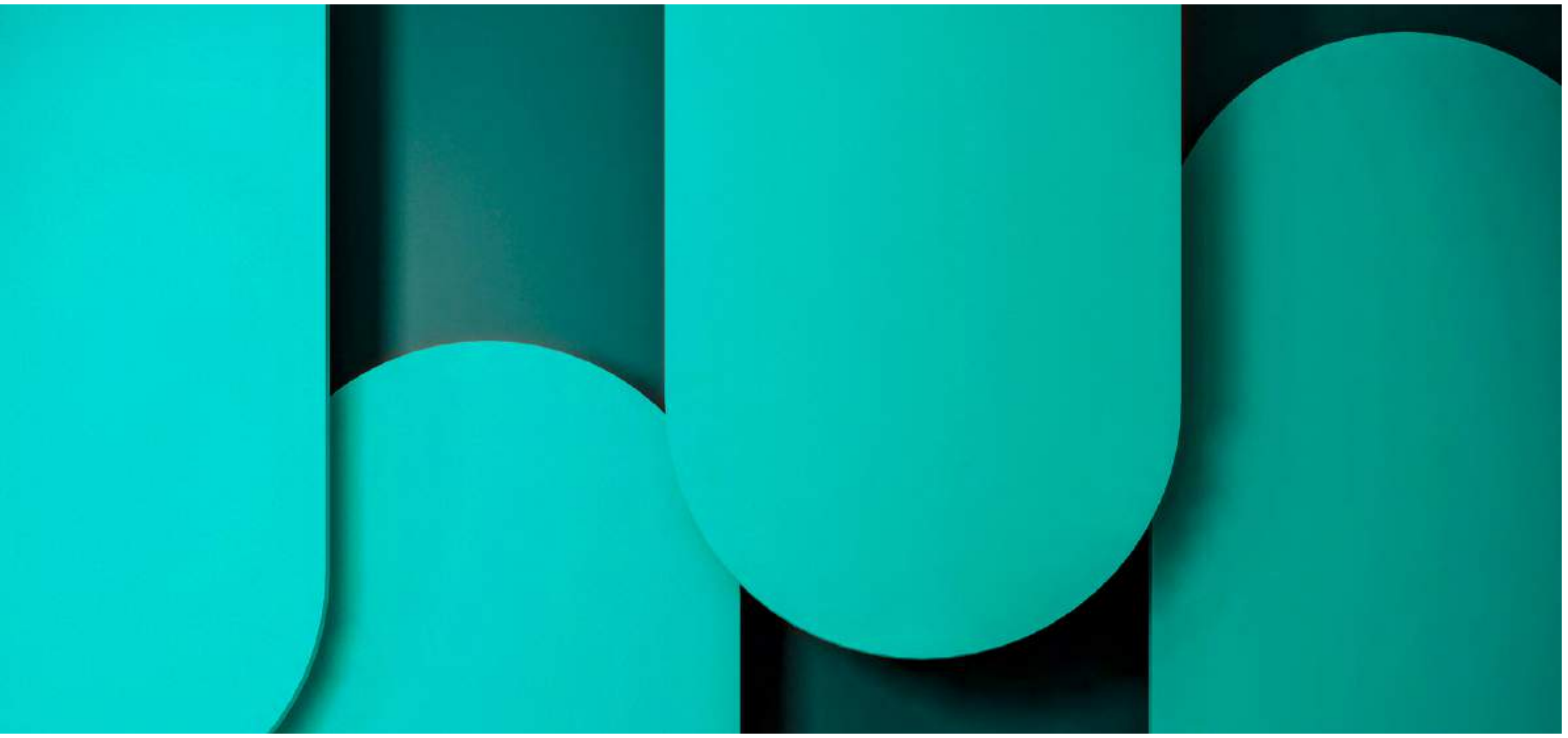
Deal count	Value
-70 Deals	+140.3%
▼	▲
266 Deals	9.1bn

TRANSPORTATION & LOGISTICS

Deal count	Value
+22 Deals	+161.9%
▲	▲
46 Deals	1.95bn

WHOLESALE & RETAIL

Deal count	Value
+14 Deals	+59.8%
▲	▲
113 Deals	2.45bn



Transaction trends: resilience is the hallmark of CEE dealmaking

Despite geopolitical tensions, fears of recession and strong inflationary pressures across the EU, as well as the fiscal tightening needed to contain them, M&A in the CEE region has remained reasonably buoyant. This robust performance is particularly notable when compared to the rest of Europe, where deals fell by a third in 2023 relative to the previous year.

Higher interest rates used by central banks to curb inflation have certainly had an impact on dealmaking across Europe, impacting almost every sphere of economic activity and consequently affecting the number of M&A deals in the CEE region. But since hitting a low point in Q1 2023, regional M&A activity has shown distinct signs of picking up. Resilience continues to be the hallmark of CEE dealmaking with volumes remaining at similar levels over the last five years, except for a dip in 2020 when the Covid-19 pandemic first hit.

The initial shock caused by Russia's invasion of Ukraine in February 2022 has since given way to a common narrative that the war has now reached a stalemate – at least in the short term. Its dramatic impact on energy prices and subsequent spikes in inflation and interest rates served to create a cost-of-living crisis and to diminish consumer confidence. Against this uncertain background, consumers braced for a possible recession.

Notwithstanding the reality of a protracted conflict in Ukraine and further concern over a wider potential conflict in the Middle East following Israel's invasion of the Gaza Strip, the final quarter of 2023 saw the M&A market showing welcome signs of revival.

Radivoje Petrikić
Partner
CMS Austria

The M&A landscape in the CEE region is gearing up for an exciting phase. Technological innovation and energy transition continue to drive market dynamism. Businesses in areas like consumer goods, finance, and industry are also upping their game. This year is all about seizing new opportunities and making the most of changes in the market: it promises growth in sectors like manufacturing and healthcare, reflecting the CEE's capacity to navigate and capitalise on changing market conditions.

As economic concerns gradually began to ease, global equity markets also staged a strong recovery in Q4 2023, indicating a degree of market optimism for the year ahead. The potential resolution of some recent challenges may also help to lift M&A activity in 2024 as companies seek to implement growth, earnings, and valuation strategies.

Maintaining liquidity by holding on to cash, many businesses inevitably remain cautious in committing to M&A deals. But they have adapted, learning how to navigate through the turbulence of the new normal. As they continue to re-evaluate their forecasts and dealmakers reassess potential targets, that adaptability should form the cornerstone of success in future M&A transactions.

Overcoming adversity and significant uncertainty, levels of M&A activity in 2023 demonstrate just how resilient CEE markets have proven to be. Transaction volumes ended the year slightly down at 1,187 deals against 1,229 in 2022, but above the levels of 2019–2021.

Values fell by 1,4% to EUR 32.48bn, down from a post-pandemic peak of EUR 41.3bn in 2021, but higher than in both 2019 and 2020. There was also a notable uptick in bigger deals, with seven of the top ten transactions valued at more than EUR 1bn, compared to only three deals reaching that threshold in the previous year.

Core long-term drivers underpin M&A growth

In the near term, the most critical factors determining activity levels are inflation and interest rates. The sudden resurgence of more expensive debt has created an expectation gap between sellers and buyers in relation to M&A valuations, creating a drag on activity levels. But as inflation continues to ease gradually, interest rates will inevitably follow, narrowing that gap and leaving more room for the core long-term drivers, such as digitalisation, renewable energy, green technology, and new consumer trends, to underpin future growth in M&A activity across the CEE region.

Countries

In its Regional Economic Outlook published in November 2023, the International Monetary Fund noted that European emerging market economies were expected to grow by 2.4% in 2023 and 2.2% in 2024, compared with 1.3% and 1.5%, respectively, in Europe's advanced economies. In Germany, for example, the forecast for 2024 is 0.9% (up from -0.5% in 2023).

The report concludes: "The near-term outlook in CESEE countries is mixed, with some exiting technical recessions (for example, Estonia and Lithuania) and some with upward revisions in 2023 as a result of trade improvements (Albania, Croatia, Slovenia)." Overall, the IMF forecasts a wide range of outcomes for 2024 compared to 2023 from 2.3% growth in Poland (up from 0.6%) to 3.1% in Hungary (up from -0.6%) and 3.8% in Romania (up from 2.2%).

A gradual economic recovery continues in **Ukraine**, with the IMF projecting economic growth of 2% in 2023 and 3% in 2024 after a dramatic 29% fall in 2022. Although businesses are still feeling the burden of the conflict, deal numbers moved up from 84 in 2022 to 89 last year, almost matching the levels reached in 2017 and 2020. Values picked up strongly by 66% to EUR 950m from EUR 570m in 2022, the fourth highest figure in the last decade as two deals managed to break the EUR 100m barrier.

Eva Talmacsi
Partner
CMS CEE/UK

Energy transition is promoting deals involving green technology and renewable energy. The growing share of renewables in the energy mix is one of the main deal drivers across the region.

Horea Popescu
Partner
CMS Bucharest

Deal levels have been picking up; we have seen some big transactions in Romania with two multi-billion euro deals happening in the same year. The CEE region boasts some good economic fundamentals that will not change because of short term difficulties: a skilled labour force, proximity to Western Europe, low transportation and labour costs, and an increasingly developed infrastructure.

Rafał Zwierz
Partner
CMS Poland

In Poland and across the region, we're at the peak of activity in the renewable energy sector with multiple transactions underway. Investors perceive the sector as safe: a lot of investments funds and international pension funds are interested in acquiring operational assets because they guarantee a minimal level of income for many years.

As the region's largest economy, **Poland** retained its position as a major M&A market, recording 284 deals, up from 250 in 2022 and the highest figure since 2018. Deal values, however, fell to a five-year low of EUR 7.45bn, less than half of the 2022 figure (EUR 15.97bn) which was boosted by the EUR 7.9bn merger of state energy firms PGNiG and PKN Orlen. Without a megadeal on that scale last year, six transactions surpassed the EUR 300m mark. The largest of these was the EUR 1.34bn acquisition of Techland by Chinese buyer Tencent Holdings.

Deal values in **Hungary** almost doubled to EUR 3.77bn from EUR 1.96bn, the highest level since 2018, largely thanks to the EUR 1.64 bn acquisition of Vodafone Hungary by the Hungarian state represented Corvinus and 4iG. However, the number of deals fell by 11% from 64 to 57, the lowest figure since 2020. Another standout transaction involved the PPF Group: UAE's Etisalat (e&) purchased 50% of PPF's assets in Hungary - as well as in Bulgaria, Serbia and Slovakia - for EUR 2.2bn.

Activity in the **Czech Republic** continued to rebound strongly. Deal volume increased by 11% from 125 to 139, the highest figure since 2019. Meanwhile, deal values jumped by 74% from EUR 2.14bn to EUR 3.73bn. The two biggest deals featured the Carlyle Group buying Meopta-Optika for EUR 677m and Colt CZ Group acquiring Sellier & Bellot for EUR 606m.

Deal volumes in **Slovakia** at 41 were static compared to 2022, but deal value surged from EUR 640m to EUR 3.3bn, the highest figure for more than a decade (ever recorded?). Two deals were primarily responsible: Nippon Steel's EUR 2.7bn acquisition of the Slovakian business of US Steel, and the purchase of assets of PPF Telecom in Slovakia by UAE-based Emirates Telecommunications Group e& [Etisalat].

Bulgaria also had a strong year. Deal volume increased by 14% from 72 to 82 while value leapt by 74% from EUR 1.43 bn to EUR 2.48bn, the highest figure since 2019. Middle Eastern buyers were again prominent: in the two biggest deals, Saudi's stc bought mobile tower infrastructure for EUR 812m while UAE's Emirates Telecommunications Group e& acquired the assets of PPF Telecom in Bulgaria for EUR 750m.

Although deal numbers in **Romania**, the region's second most active jurisdiction, fell by 15% from 234 to 199, deal values nearly doubled, rising 91% to EUR 5.54bn, a figure that almost eclipsed the record EUR 5.65 bn figure of 2018. Two deals accounted for the increase: Greece's Public Power Corporation bought the Romanian operations of Enel for EUR 1.9bn and Dutch retailer Ahold Delhaize acquired Profi Rom Food for EUR 1.8bn.

Croatian deal volume ticked up slightly from 80 to 83, while deal value fell back from the record high of EUR 3.16bn in 2022 to EUR 1.91bn last year, the second highest figure in the last decade, which included the EUR 660m acquisition of Fortenova Grupa by private investor Pavao Vujnovac and minority shareholders.

Although **Serbia** has not yet imposed sanctions on Russia, it remains attractive to diverse buyers. Deal numbers were up by 12% from 56 to 63 while deal value jumped by 280% to a five-year high of EUR 1.44bn. Emirates Telecommunications Group e& led the way with a 50% stake in the assets of PPF Telecom in Serbia for EUR 650m.

The number of deals in **Bosnia and Herzegovina** jumped from 26 to 37, although values again dropped sharply from EUR 66m to EUR 31m.

Deal numbers in **Slovenia** slipped slightly with transactions falling from 41 to 39. Saudi's stc EUR 202m acquisition of mobile tower infrastructure in Slovenia was the biggest deal as total deal values fell by 24% to EUR 470m.

Montenegro deal volume moved upwards, increasing from eight in 2022 to ten last year.

Albania moved from six deals in 2022 to 11 last year, as values surged from less than EUR 1m to EUR 148.9m thanks to deals in finance, mining and healthcare.

Sectors

Although the total number of deals fell only slightly last year from 1,229 to 1,185, there was a significant realignment of investor interest between sectors. Telecoms and IT remained number one by number of transactions at 266, although this was a decline from 336 deals in 2022. Aggregate deal value rebounded, however, from EUR 3.79 bn to EUR 9.1bn.

The value of manufacturing deals also surged from EUR 2.75bn to EUR 6.75bn, as the number of deals continued to climb from 170 to 181 last year. Wholesale and retail also increased by 59.8% from EUR 1.53bn to EUR 2.45bn, as did transport and logistics which jumped by 162% from EUR 743m to EUR 1.95bn.

Marija Zrno Prosic
Partner
CMS Croatia

A number of factors are driving deals, including continued projected growth of the Croatian economy and ongoing consolidation in certain sectors, which is creating opportunities to acquire competing businesses. Attractive valuations are also increasing interest in local targets.

Helen Rodwell
Partner
CMS Czech Republic

Resilience is indeed the best word to describe M&A activity in CEE. Despite past and current challenges across our region and beyond, deal volume outperformed the western European markets – fuelled by economic growth in CEE, opportunistic buyers and local capital who are ring-fenced or have adjusted to the new economics of deal-making, family succession (Meopta), large corporates entering the market (Profi) and disposals of non-core business assets (Vodafone HU). We sensed a change in sentiment and appetite in Q423 with higher deal activity than earlier in the year and that sentiment and appetite has continued into the first weeks of Q124.

Conversely, some sectors saw a notable decline in overall value. Mining (including oil & gas) fell by 91.7% from EUR 7.98bn to EUR 666m, as the number of deals declined from 91 in 2021 and 69 in 2022 to only 20 last year. Real estate and construction, which was the second busiest sector in 2022, saw a decline from 205 to 156 deals while value dropped by 62.9% from EUR 7.8bn to EUR 2.9bn. Despite an increase in deal numbers from 69 to 85, Energy also slipped by 18% in value from EUR 4bn to EUR 3.3bn.

Private equity and IPOs

Although the global IPO market picked up in the second half of last year, regional listings continued to be scarce, declining from 13 to just eight in 2023, compared to a peak of 60 in 2021. IPO values did, however, recover sharply from EUR 40m to EUR 2bn, thanks to one big listing: Hidroelectrica on the Bucharest Stock Exchange, for EUR 1.89bn. Given the recent recovery of global stock exchanges, more CEE companies may choose to go public in the near future.

Private equity continues to be a major force: the trends driving PE investment remain strong as do the number of deals and their aggregate value. Notwithstanding the strong consistent performance of PE across the region in diverse sectors, it still trails some way behind the levels of PE investment in western Europe, leaving considerable room for growth, particularly in consolidation between operations in its fragmented markets.

Although PE deal volume slipped back to 248 deals last year compared to the 289 deals recorded in 2022, deal value increased by 57% to a four-year high of EUR 15.7bn. Among the big-name US PE houses that were active, the Carlyle Group acquired Meopta–Optika in the Czech Republic for EUR 677m and Advent International bought MyPOS in Bulgaria for EUR 500m.

Foreign vs regional

In terms of deal volume, US investors are still the most active even though the number of US-originated deals fell from 126 in 2022 to 96 deals last year. The decline in deal value was even more acute, dropping from EUR 8.67bn in 2021 and EUR 3.49bn in 2022 to EUR 2.06bn in 2023. Replacing the US in the top slot by value, the UAE shot up from EUR 540m in 2022 to EUR 3.16bn last year. Even though the number of UAE deals, which increased from five to nine, remains modest, their average value is EUR 350m. Meanwhile, Japan jumped to second place in the value table, rising from EUR 0.9m in 2021 to EUR 2.75bn.

The UK remains the second busiest foreign investor and the number one European investor, with 72 deals, a decline from 88 in 2021. The UK declined to ninth overall by value, down from EUR 812m to EUR 800m. The third largest by transactions, with 69 deals down from 74, Germany was ranked 12th by value. Greece was the biggest European investor by value at EUR 2.05bn, but only 15th largest overall by volume at nine deals, up from seven. French deal values rose to EUR 1.1bn from EUR 1bn as deals increased from 40 to 52. By value, the other top ten investor countries were the Netherlands, China, Saudi Arabia, and Austria.

Cross-border deal activity fell back from 815 to 744 deals, as values rose sharply from EUR 22.7bn to EUR 30.5bn. Even though domestic deal volumes grew from 414 to 441, values fell sharply from EUR 10.3bn to EUR 1.7bn. Within emerging Europe, the largest investor countries were the Czech Republic (EUR 1.8bn), Hungary (EUR 1.8bn) and Poland (EUR 1.2bn).

Deal drivers

Recent economic turbulence and geopolitical events may have dampened M&A activity levels, but they are invariably short term or cyclical by nature. Things always bounce back: five years after the global financial crisis, M&A activity levels in CEE reached a new record, for example.

The current challenges may even stimulate further activity, as opportunistic buyers adapt to the new economic paradigm, companies focus on their core activities and businesses adjust to higher financing costs.

Emerging Europe will continue to benefit from sustained growth over time underpinned by a robust financial ecosystem, as well as a skilled, well-educated and low-cost workforce that remains competitive. These factors have made the region attractive for M&A activity over the past two decades, during which time cross-border deals have consistently outnumbered domestic deals.

New global trends such as renewable and green technology, as well as digital and technological competencies, are embedded in the growth plans of the region. These will inevitably play a part as drivers of future deals.

Long term, the traditional trends underpinning many deals will also drive activity, including consolidation of SMEs and succession of large family businesses. The positive momentum in M&A will persist as the CEE economies continue to grow, and new investment opportunities arise.

Outlook

The region's resilience has shown that M&A remains an attractive option for international investors, even in hard times. Despite the present uncertainty, some countries and several sectors saw much higher activity levels last year. Banks, businesses, customers and dealmakers adapt – cautious in the short term perhaps, but often more adventurous in the long term, too.

Last year's cross-border M&A transactions show a remarkable diversity with no one sector dominating the deal landscape and fluctuating interest from buyers based in different countries across different sectors: telecoms and IT, manufacturing, energy, transport and logistics, financial services, automotive, industrials, and retail. Whatever the economic backdrop may produce in 2024, this diversity is a real strength that will continue to attract buyers.

Indir Osmic
Partner
CMS Bosnia
& Herzegovina

Banks have group policies relating to ESG whenever financing is required. We receive many questions about ESG in almost every M&A deal: it has become a very important factor.

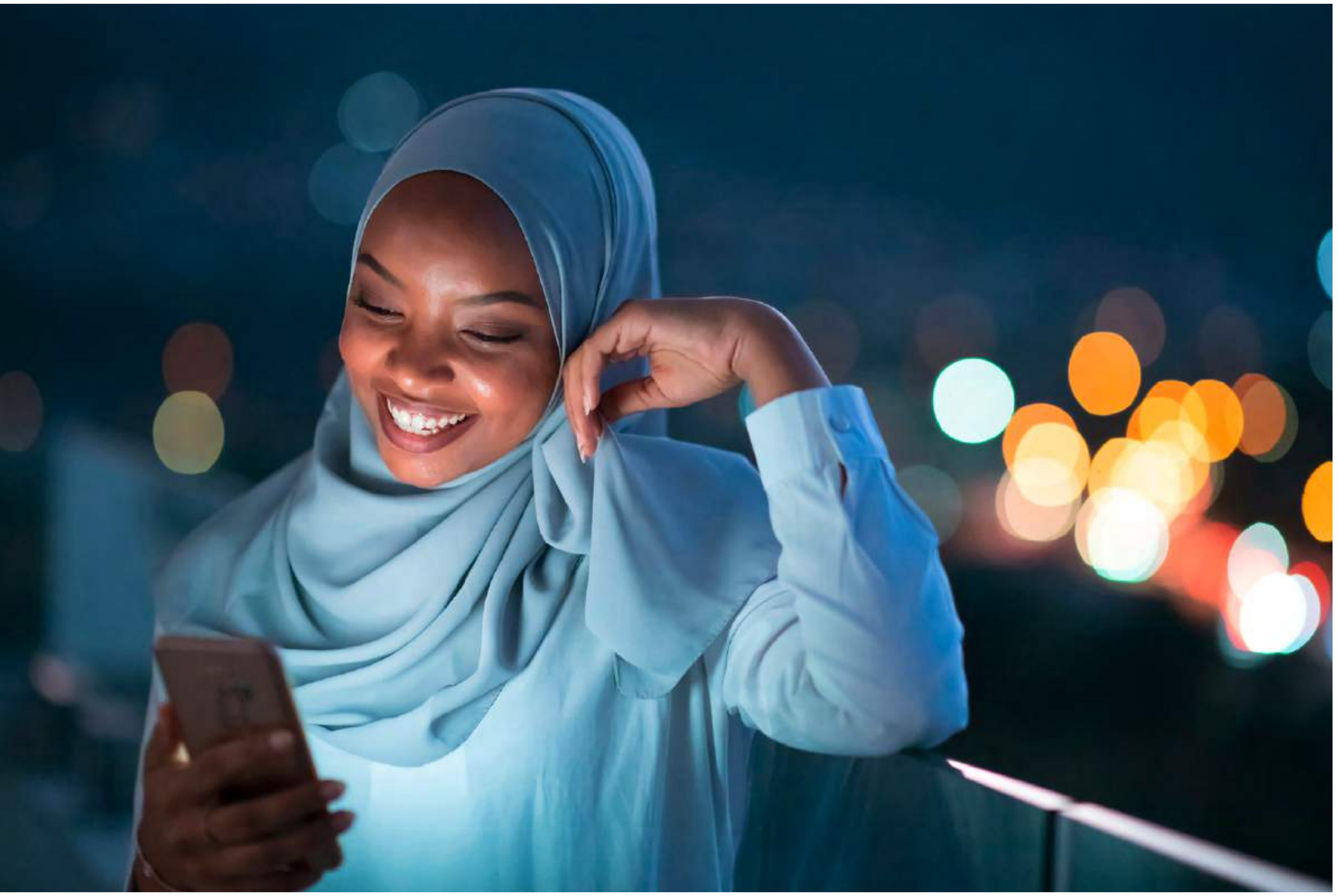
Velizar Velikov
Head of M&A Database
EMIS

In the face of formidable macroeconomic challenges, Eastern Europe's M&A market exhibited robust resilience in 2023, showcasing this tenacity through two distinctive trends. Notably, the surge in domestic transactions, increasing by 6.5% to reach 441 deals, underscored the growing reliance on M&A strategies among regional players for expansion. Concurrently, deals featuring international companies, experienced an 8.5% year-on-year decline; however, the region remained a magnet for significant inbound capital, expanding its investor base.

Cross-border deals maintained the lead, contributing to almost 95% of the total deal value in 2023, a substantial increase from the 69% share in the previous year. Foreign buyers dominated the ranking of the highest-value deals, with international investors involved in nine of the top 10 transactions and the final one featuring a foreign seller. The total value of transactions by the top 10 foreign investor countries surged by over 72% to EUR 17.2bn with half of this attributed to Asian nations in 2023, compared to their combined share of just 5.5% a year earlier.

The largest transaction in 2023 saw Japan's largest steelmaker, Nippon Steel taking over the Kosice steel plant in Slovakia as part of its acquisition of U.S. Steel, thereby diversifying its global geographical footprint. Strategic investors from the Middle East played a pivotal role in the resurgence of large cross-border transactions in the telecoms sector, with state-controlled operators from the United Arab Emirates and Saudi Arabia establishing a strong regional presence through major acquisitions.

Interestingly, private equity firms were on the sell-side in both transactions, capitalizing on the opportunity to exit regional platforms built in previous years. Remarkably, all top five deals in 2023 involved a private equity exit, contributing to an overall increase in the number of such transactions. Despite higher debt costs and increased scrutiny from LPs, PE deployment in the region remained stable, experiencing only a 16% decline in volumes – a notably lower figure than in Western Europe. The region's improved macroeconomic outlook, anticipated interest rate cuts, and an abundance of PE dry powder and corporate cash are expected to further stimulate M&A activity in 2024.



Middle East investments growing in CEE

Investment flows from the Middle East into CEE have maintained a consistent level over many years. But now they seem set for further growth as resurgent oil and gas prices have added to the reserves of Sovereign Wealth Funds (SWFs). According to the Sovereign Wealth Funds Institute, [source] 13 of the 50 largest SWFs ranked by assets under management are based in the Middle East, including all six of the Gulf Cooperation Council (GCC) states: Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

John O'Connor
Partner
CMS UAE

> The price of oil has been pretty high for a while. That, aligned with the fact that asset prices have generally been pretty soft and the euro has dipped, means that there are opportunities in CEE for SWFs to deploy at a more attractive price point, particularly if there is a relative lack of investment from traditional PE funds that might otherwise be competing for the same assets.

SWFs are funded by state revenues, predominantly oil and gas. "The price of oil has been pretty high for a while, so the coffers are well stocked," says John O'Connor, a CMS partner in Dubai. "That, aligned with the fact that asset prices have generally been pretty soft and the euro has dipped, means that there are opportunities in CEE for SWFs to deploy at a more attractive price point, particularly if there is a relative lack of investment from traditional PE funds that might otherwise be competing for the same assets."

Seeking to invest in food and food security, technology and innovation-driven companies, together with high-priority sectors such as healthcare, renewables, logistics and digital infrastructure, CEE countries have considerable appeal in these areas for Middle Eastern investors. Perceived as a favourable investment destination, they see a region of stable economies that benefit from an educated workforce and relatively low operating costs.

Ivan Gergov
Partner
CMS Bulgaria

> The CEE region's strategic location at the crossroads of Europe, its skilled workforce, investment-friendly policies, and vibrant entrepreneurial ecosystem make it an attractive destination for Middle Eastern investors.

Ivan Gergov, partner at CMS Bulgaria, says, "The CEE region's strategic location at the crossroads of Europe, its skilled workforce, investment-friendly policies, and vibrant entrepreneurial ecosystem make it an attractive destination for Middle Eastern investors."

CEE countries also offer a relatively easy access point into the EU's diverse markets for assorted industries, as well as providing a well-established community of business people and advisors who are able to help investors navigate their way through transactions. CMS partner Eva Talmacsi points out, "There is a sophisticated business ecosystem in place across the whole of CEE and investors feel relatively comfortable doing business in the region."

According to O'Connor, different sovereign wealth funds have different objectives, which drive a variety of investment strategies, and unlike traditional PE investors, there is less pressure to exit investments within a traditional 5-7 year cycle.

He explains, "Some SWFs invest domestically, while some specifically seek outbound investments to diversify the State's portfolio away from domestic markets. Often investments will be passive/indirect investments via funds or co-investment vehicles, while others may take a more direct investment strategy. Typical assets include infrastructure, energy, utilities (including telecoms), real estate and hospitality. Investment into specific assets tend to have a minimum ticket, which often makes investments into the CEE market more challenging."

As SWFs and other Middle Eastern state-owned entities often require a relatively high minimum amount per investment, finding target companies of the right magnitude in CEE means that they tend to focus on areas such as infrastructure and logistics projects. Telecoms-related investments from the Middle East to CEE have been a notable trend. The largest such deal in 2023 was Etisalat, which recently paid EUR 2.2bn for a controlling stake in Czech PPF Group's telecom assets in Bulgaria, Hungary, Serbia and Slovakia.

In addition to SWFs, Middle Eastern investors in CEE are comprised of local (often family-owned) conglomerates and state-owned enterprises. Dynamic growth and dramatic structural change means that the investment landscape can change fast; e.g., International Holding Company (formerly International Fish Farming Holding). In 2020, IHC was best-known for seafood, as well as food and real estate development, but it employed only 40 people. Four years later, the Abu Dhabi-listed group has a market capitalisation of USD 245bn, the second largest listed company in the Middle East after Saudi Aramco, with a very diverse range of operations involving more than 500 subsidiaries and over 107,000 employees.

Eva Talmacsi
Partner
CMS CEE/UK

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Real estate and retail (including automotive) form a key part of the outbound strategy for Middle Eastern conglomerates, which are also diversifying into other sectors, such as agritech, fintech and autotech. Across the region, such acquisitions are invariably strategic, according to Patrik Daintry, a partner at CMS in Dubai.

The extensive impact on supply chains caused by the Covid-19 pandemic accentuated the Middle East's over-reliance on imports for food sources, leaving them in a potentially vulnerable position when trade becomes disrupted. A food security strategy has therefore become a more prominent feature of outbound investment. Some Middle Eastern countries, such as the UAE, are looking to acquire farmlands and food/water technologies (including in CEE) to bring that technology and captive supply of food and water into the Middle East.

"Anything food security related is a big theme for Middle East investors," says Graham Conlon, partner at CMS in the UAE. "In order to feed the population in the region, they need to secure the underlying resources – food resources, raw materials – and ultimately bring them back to the Middle East. We've seen quite a lot of interest from SWFs in the Middle East – their portfolio companies with a mandate – in acquiring food security-related businesses and agricultural businesses in various forms. They are not always successful, but they are bidding significant amounts, often well above market value, to try and secure those assets."

For food security, the minimum investment threshold becomes much less relevant because it is typically more of a strategic play than capital deployment. Bespoke vehicles may be used in food security transactions to acquire agricultural assets in CEE. "Abu Dhabi and the sovereign wealth funds, particularly, seem to be quite opportunistic," notes Daintry. "They will get involved if they see an opportunity, but not everything will be channelled through to one particular fund, instead whichever has the appetite will go in."

Patrik Daintry
Partner
CMS UAE

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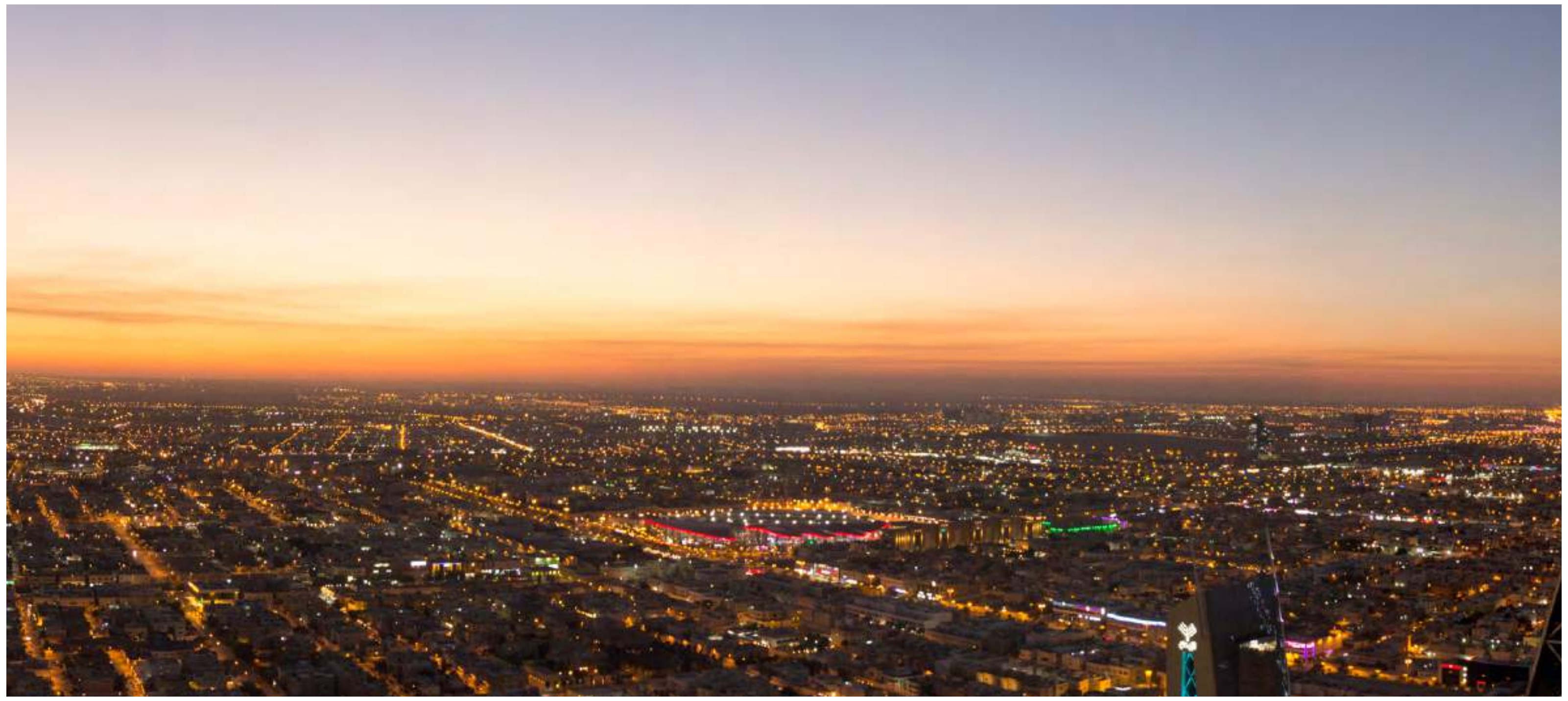

Through SWFs and state-owned enterprises, he suggests that governments in the region, "want to bring know-how to the Middle East, know-how on the ground to localise production of whatever good or product it may be, or the delivery of local services," he says. "Ultimately, they want all of that to be locally generated in order to give the local population jobs and professions in the future as they diversify away from being oil and gas economies."

In order to manufacture products locally, the acquisition of know-how is particularly important to some Middle Eastern countries, such as Saudi. "An easy way to achieve this objective is to acquire an existing company that already has a manufacturing operation, and use the relevant know-how back home to industrialise their own country," says Conlon. "By taking a major stake in a big company, they can also have influence at board level to be able to steer the building of factories and the rolling out of making products on the ground."

State-sponsored investors tend to have a high minimum size of investment and focus on more defined sectors, such as ports, transport, energy and defence. "Middle Eastern countries are spending a great deal on defence, and there are a lot of interesting defence tech companies in CEE," says Daintry. "We've recently seen a few examples in the firm. It's an active market and very much goes to the heart of what they are trying to do to become self-sustainable and self-sufficient. They want to bring the tech home to Saudi or the UAE, for example, and develop it further and not have to worry about supply chains from the West. They're only going to be able to do so by building up their own know-how and capabilities."

Graham Conlon
Partner
CMS UAE

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As the CEE region continues to develop, the opportunities for investment are expected to grow even further. According to Saša Sodja, partner at CMS Slovenia, "The potential of the region to continue attracting US and Middle Eastern investments will also depend on how well it navigates the current uncertainties while capitalizing on its inherent strengths and emerging opportunities "The current trend clearly indicates that the relationship between the CEE region and its foreign investors is set to prosper, which will fuel economic growth, spur technological innovation, and foster the ongoing evolution of the local business landscape."

Saša Sodja
Partner
CMS Slovenia

The potential of the region to continue attracting US and Middle Eastern investments will also depend on how well it navigates the current uncertainties while capitalizing on its inherent strengths and emerging opportunities. The symbiotic current trend clearly indicates that the relationship between the CEE region and its foreign investors is poised to is set to prosper, which will fuel driving economic growth, spur technological innovation, and foster the ongoing evolution of the local business landscape.

Interview with Dawn Sanderson, Group General Counsel at Al Dahra

Dawn Sanderson,
Group General Counsel, Al Dahra

Dawn Sanderson, Group General Counsel at Al Dahra, explains the Group's business operations in CEE and the opportunities presented by the region.

How would you summarise Al Dahra's operations?

The Al Dahra Group is a vertically integrated agricultural business: we own land, grow product, process, and provide logistics to the end customer. The primary product is alfalfa or animal feed - forage products. Our key customers are dairy and livestock farmers. We have farms from California to Perth, Australia – a truly global business. It started from the UAE's requirement for food security. Because of the scale of business, we operate about 50:50 government to commercial, and 'go to market', where our main customer base is in the Middle East and Asia.

In terms of CEE activities, what is your experience of operating in Romania?

We operate a significant contiguous business on Braila Island: Agricost, the largest contiguous farm in the EU at 56,000 hectares. There is also a trading entity, Al Dahra Agriculture Romania, and a third business, SEEFCO, South East Europe Fertiliser Company: a 50:50 JV with OCP SA, a previously state-owned fertiliser enterprise in Morocco, and the world's largest exporter of phosphates. We teamed up with OCP SA because we consume a lot of fertilisers, particularly in Agricost, and because of our CEE connections.

Romania remains an extremely significant jurisdiction for Al Dahra. Agricost, our largest asset, is a model farm because of the technology and innovation employed there. We use the know-how and expertise and try to export that to other farms in the Al Dahra network. We are constantly looking at new opportunities in Romania. Being part of the EU makes it quite attractive in terms of governance and compliance: having laws and regulations you can expect to be applied makes it more attractive to foreign investors.

How has investment in Romania evolved?

When I joined Al Dahra in 2016, we were looking at a number of targets in Romania, several of which did not work out on initial due diligence. But Agricost was very robust, and we were able to overcome early due diligence hurdles. His Excellency Khedaim Abdulla Al Derei, one of the founders of Al Dahra, was instrumental in investing in Romania and remains on the board of Al Dahra group. He is very forward-thinking. We concluded the Agricost transaction in 2018. The trading entity really got going in 2019, once the Agricost transaction had happened and we signed SEEFCO in 2019. We have not yet crystallised the next target, but there are still remaining targets under review. Another one will happen for sure.

What ESG due diligence criteria do you apply?

ESG has become more important for everyone, particularly from a financing perspective. Al Dahra used to be 100% privately owned, and is now part owned by ADQ, the newest sovereign wealth fund in Abu Dhabi. Following the transaction we now have a global director of Sustainability. We have a lot of ESG initiatives - Romania, in particular, has many initiatives at the Agricost farm.

Any potential targets will have a comprehensive ESG review prior to acquisition. But Al Dahra has always looked for opportunities, as opposed to perfection. In doing the due diligence, we put in place the right framework post-acquisition, if it is not already in place on closing.

ESG: can you future-proof before making an acquisition, or do you adjust to regulations once you're in the driving seat?

Probably the latter. We want to identify the scale of the task at the outset, because it also goes to price. If we know we will have to spend a lot of money fixing particular issues, or things are not up to a certain standard, then you would be looking for a price chip. You also need warranties and indemnities built into the transaction if you know there is a potential regulatory risk. But if it is the right target, it would not prevent us from going ahead. We will fix it afterwards.

Are there particular opportunities when doing a deal in CEE?

We are already active in Romania and Serbia and have a large commercial arrangement with a supplier in Estonia, also linked to Latvia, Lithuania and Finland. These jurisdictions offer lots of opportunities, particularly in agriculture. The quality of land in Romania, for example, is one of the best in Europe, and therefore we can achieve very good yields. In addition, the cost of the land is still affordable in CEE, and since the Romanian agricultural sector is currently still developing, there is considerable room for growth and optimization. The EU aspect, nevertheless, has pros and cons.

The pros: you have got a clear regulatory framework. In a non-EU country, however, there might be less regulation, which can make it easier to enter that market. Doing business in Estonia, the legal framework seems very sensible: so far it has been quick and easy to do business there, everyone speaks English, and the documents are in English. From a commercial perspective, the business is very excited about such jurisdictions because there is so much opportunity and there are not many other players in our market in those jurisdictions yet. We continue to look at Romania and Serbia for further potential growth because of the opportunities they offer in terms of a highly skilled workforce at competitive prices and cost-competitive and fertile land.

The cons: Some countries are rather bureaucratic in terms of systems and processes - ease of doing business. What the UAE has achieved in a very short space of time - smart services, ease of doing business, everything online, eliminating bureaucracy - could really benefit them, particularly to encourage more external investment.

When Al Dahra acquired PKB Korporacija through a Serbian privatisation tender, what were the main challenges?

It was done working very closely with the Republic of Serbia, due to the transaction being governed by the privitisation law. Despite a rather lengthy process, the transaction progressed smoothly. The UAE has done a lot of investment in Serbia so we knew what to expect.

That business needs a lot of investment due to the age of the asset and lack of recent investment in it. We have made large investments into equipment, people, buildings, factories; a massive investment which benefits the wider Serbian community. Like most of external investments, this one represents significant benefits for the local community.

How much of an issue is transaction financing?

We take a longer-term view, but our financing is often done at the UAE level - because of who we are and where we are, and the fact that the UAE is where our HQ and holding level are. We find the banks are very supportive of Al Dahra. So, financing has not particularly been an issue, also because we have a very effective Treasury Director.

Looking across the CEE region, what jurisdictions stand out for future investment potential?

Ukraine was looking very attractive prior to the war. It remains to be seen what happens when that situation improves. Bulgaria has always been an interesting jurisdiction: we have looked at a number of opportunities there, but unfortunately, none have come to fruition yet. The arrangement in Estonia and other Nordic states may develop over time, which may lead to us to having a presence in those jurisdictions, which presents opportunities. We will definitely continue to look at targets in Romania and Serbia. In terms of Al Dahra overall, we always look for places where there's opportunity - CEE remains a key focus.

Does the pipeline of EU regulations affect your strategy?

To the extent they may ultimately affect the cost, they can be discouraging. The same applies for any business: if the outcome of increased regulation is that it reduces margins and just makes it a lot less profitable than before this may sway your decision whether to invest there or not. So, the EU need to make sure that in improving the situation in certain respects, they do not then discourage investment - not just internal investment, but foreign direct investment as well. Even in agriculture, a lot of the investment in a country is external.

Transition boosts CEE energy deals

Renewable energy plays a critical role in the future of the European Union. As a major step on the road to becoming climate-neutral by 2050, the new Renewable Energy Directive EU/2023/2413 has raised the EU's binding renewable target for 2030 to a minimum of 42.5% in its energy consumption, with an aspiration to reach 45%. Without a strong and sustained green energy drive in Central and Eastern Europe, it will be extremely hard to realise this ambition.

Across the CEE countries that are also EU member states – Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovenia, Slovakia, and the Baltic States – there is significant impetus for change, but with varying degrees of success so far.

Compared to the EU average of 23.8%, the share of renewable energy consumption last year ranged from Latvia (43.3%), Estonia (38.5%), Croatia (29.4%), and Romania (24.1%), to Slovenia (22.9%), Bulgaria (19.9%), the Czech Republic (18.2%), Slovakia (17.6%), Poland (16.9%), and Hungary (15.2%). [source]

Eva Talmacsi
Partner
CMS CEE/London

The CEE region will only be able to benefit from the full potential of renewables by collaborating across borders. This is especially important given its close proximity to Russia: the historical over-dependence on Russian fossil fuels has become a key security threat over the last two years.

Competing interests also play a role, mainly from companies with ambitious exploration plans to develop the region's rich reserves of fossil fuels. The oil and gas companies involved are largely controlled or influenced by their respective governments, which have lobbied the European Commission to accept that transition from coal and oil will involve a move to natural gas rather than a direct switch to renewables – at least for a while.

Overall, CEE currently generates just 25% of electricity from renewables, compared to 55% from fossil fuels, making the region vulnerable to both volatile costs and supply issues. It also means that there is greater potential for renewables, particularly in wind and solar capacity, as well as in nuclear.

Eva Talmacsi, partner at CMS in London, notes, "The CEE region, however, will only be able to benefit from the full potential of renewables by collaborating across borders. This is especially important given its close proximity to Russia: the historical over-dependence on Russian fossil fuels has become a key security threat over the last two years."

Dimitar Zwiatkow, partner at CMS in Sofia, says, "One impact of Russia's unprovoked invasion of Ukraine is that politicians are increasingly talking about the importance of energy independence; it's been a wake-up call for the green transition. There's a huge appetite in Bulgaria for new renewable projects with significant potential for interconnectivity between systems and storage solutions. The government wants to support the green transition."

EU support schemes are critical for the green transition to be achieved. Bulgaria's resilience plan includes a focus on the energy efficiency of buildings, rooftop solar installations, thermal energy, and particularly, energy storage. "This is very important for the green transition due to the technological challenges of renewables," says Zwiatkow.

Poland is the CEE's largest energy producer and consumer. Like the Czech Republic and Bulgaria, coal is still its predominant energy source. To reduce this dependence, the Polish government has devised a strategy, Energy Policy of Poland, which outlines how half of Poland's energy demand will be met from renewable sources by 2040.

Energy security will be achieved through new capacity, especially renewables, and technological diversification: the construction of 11 GW of offshore wind power, the development of nuclear power, grid and energy storage, and a greater focus on energy efficiency.

Błażej Zagórski, partner at CMS in Warsaw, says, "Poland has much to do in terms of energy transition." He points to the increasing popularity of solar power in Poland, which has the fourth biggest photovoltaics (PV) market in Europe, behind Spain, the Netherlands and Germany.

Nuclear technology also features on the future agenda. "Poland does not yet have any nuclear power plants, although nuclear projects are developing regarding both large scale projects as well as small and medium reactors (SMRs)," he says. A joint venture in Poland, ORLEN Synthos Green Energy, plans to develop small nuclear reactor technology, particularly GE Hitachi Nuclear Energy's BWRX-300 reactors.

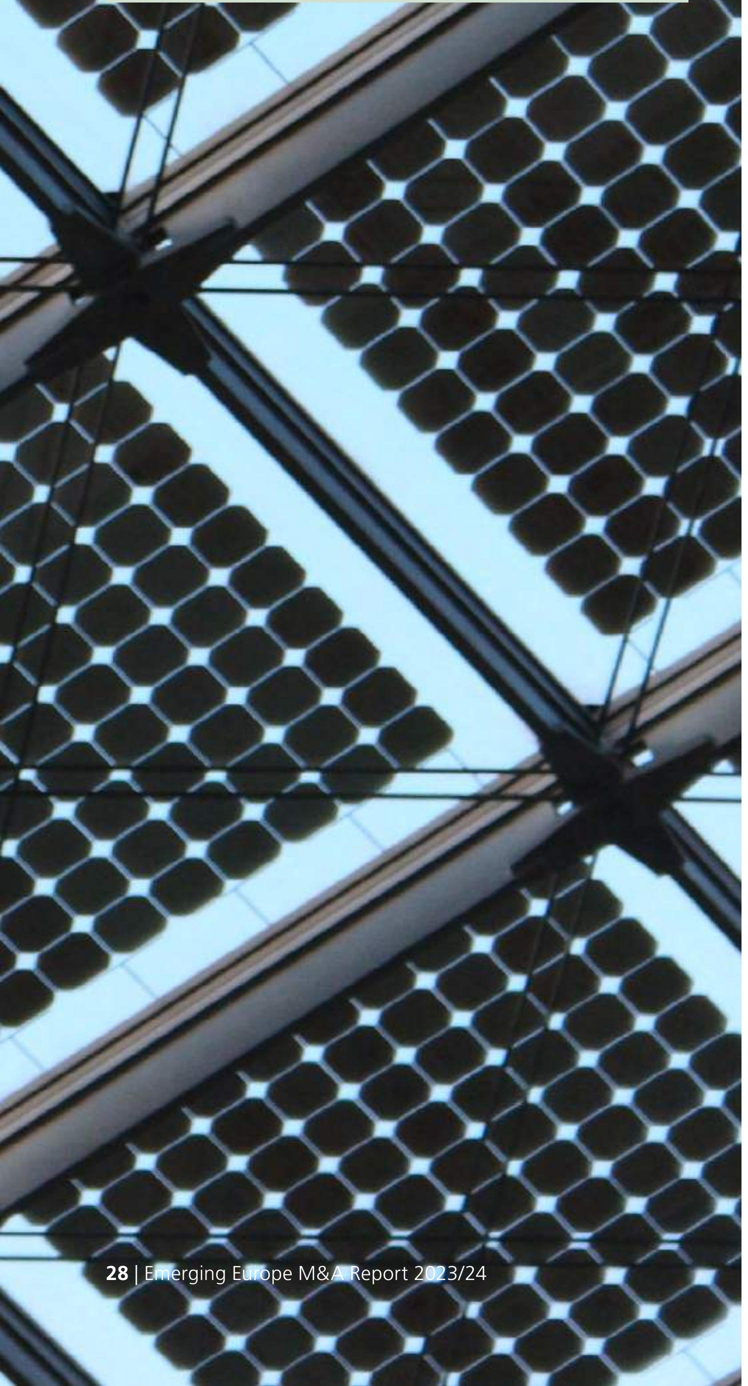
Romania is another hotspot of renewables' activity. Alongside considerable installed hydroelectric power, Romania also aims to expand its nuclear power capacity. Contributing to the country's total energy mix, the Cernavoda nuclear power plant currently provides approximately 20%, while 208 hydropower and pumping plants deliver more than 25% of the total. In scaling up renewable projects, Romania is expected to install more than 6 GW of new wind power and solar PV capacities by 2030.

Dimitar Zwiatkow
Partner
CMS Sofia

There's a huge appetite in Bulgaria for new renewable projects with significant potential for interconnectivity between systems and storage solutions. The government wants to support the green transition.

Blazej Zagorski
Partner
CMS Warsaw

Major utilities need to switch to clean energy and they've become increasingly active as long-term investors in assets. In the entire region transition drives the market. There's lots of activity in solar – with bigger portfolios of projects in development development being put up for sale. Onshore wind remains active too. We're also seeing that hybrid renewable projects, combining wind and solar sources, come to the market



Horea Popescu, partner at CMS in Bucharest, says, "Across the CEE region, more countries now look at developing their standard nuclear power plants: Poland, Hungary, Slovakia, and Bulgaria among them. In Romania, we're looking more attentively at building the third and fourth reactors for Cernavoda and will start revamping and upgrading reactor number one."

Croatia benefits from hydro and thermal power plants, as well as the Krško nuclear power plant, which is co-owned by Croatian and Slovenian state-owned power companies. Croatia's deployment of renewable energy, which accounts for 29.4% of its energy mix, is notably above the EU average. The Croatian government's Energy Strategy, focused on lower dependence on fossil fuels, predicts that renewable energy resources as a share of total energy consumption will grow to 36.4% in 2030, and to 65.6% by 2050.

According to Marija Musec, partner at CMS in Zagreb, Croatia is ahead of many CEE countries for two reasons. "The first is historical, because we have a history of well-developed hydro power plants," she says. "The second is Croatia's participation in the ownership structure of the Krško nuclear plant. This is a good basis for building up the renewable energy component. We're seeing huge interest for solar, both utility scale and rooftops, as well as for wind facilities."

In terms of deal drivers across the CEE energy sector, Zagorski suggests that "major utilities need to switch to clean energy and they've become increasingly active as long-term investors in assets. In the entire region transition drives the market. There's lots of activity in solar – with bigger portfolios of projects in development being put up for sale. Onshore wind remains active too. We're also seeing that hybrid renewable projects, combining wind and solar sources, come to the market.

Prominent energy M&A deals include the EUR 7.9bn merger between refiner PKN ORLEN and Poland's gas company PGNiG (the largest recent CEE deal in any sector), the acquisition of 25% of the shares in Austrian company Immofinanz by the Czech company CPI, and Polish group PGE's EUR 1.3bn acquisition of electricity distributor PKP Energetyka.

Marija Mušec
Partner
CMS Croatia

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Renewable deals also feature: Octopus Renewables Infrastructure Trust plc recently sold two onshore wind farms with a combined capacity of 59 MW in Poland to an affiliate of Orlen SA; EDF Renewables Poland acquired a 50 MW battery energy storage project in Poland; and Energa Wytwarzanie, a subsidiary of an ORLEN Group member, has agreed with Greevolt Power to buy a wind farm cooperating with a photovoltaic farm and three photovoltaic parks.

In Romania, Nofar Energy acquired a 255 MW solar photovoltaic (PV) project under development from Portland Trust and TotalEnergies acquired five solar projects with a total capacity of more than 200 MW from PNE; and HELLENiQ Energy Holdings acquired a 211 MW portfolio of four solar projects developed by Mytilineos Energy & Metals.

Bulgaria has also seen renewable deals: Renalfa IPP acquired the 72.5 MW Vetrocom wind park from the Alpiq Group while Rezolv Energy, the clean power platform launched by Actis, bought the rights to build and operate a 229 MW solar plant capable of producing 313 GWh of electricity per year.

Musec points to the development and expansion of two wind parks. "We acted for the pool of banks that were supporting Taaleri Energia, a Finnish company," she says. "In rooftop solar panels, we are working with Sunbird, GreenVolt, a Portuguese biomass company, as well as the Spanish companies Acciona and Araguaia."

Popescu notes: "With EU funds available for energy transition and a sudden demand for additional energy resources, there's been hectic activity across the entire CEE region, particularly in developing new wind and solar projects during the last 18 months, with many significant projects of over 100 MW being developed in solar.

Horea Popescu
Partner
CMS Bucharest

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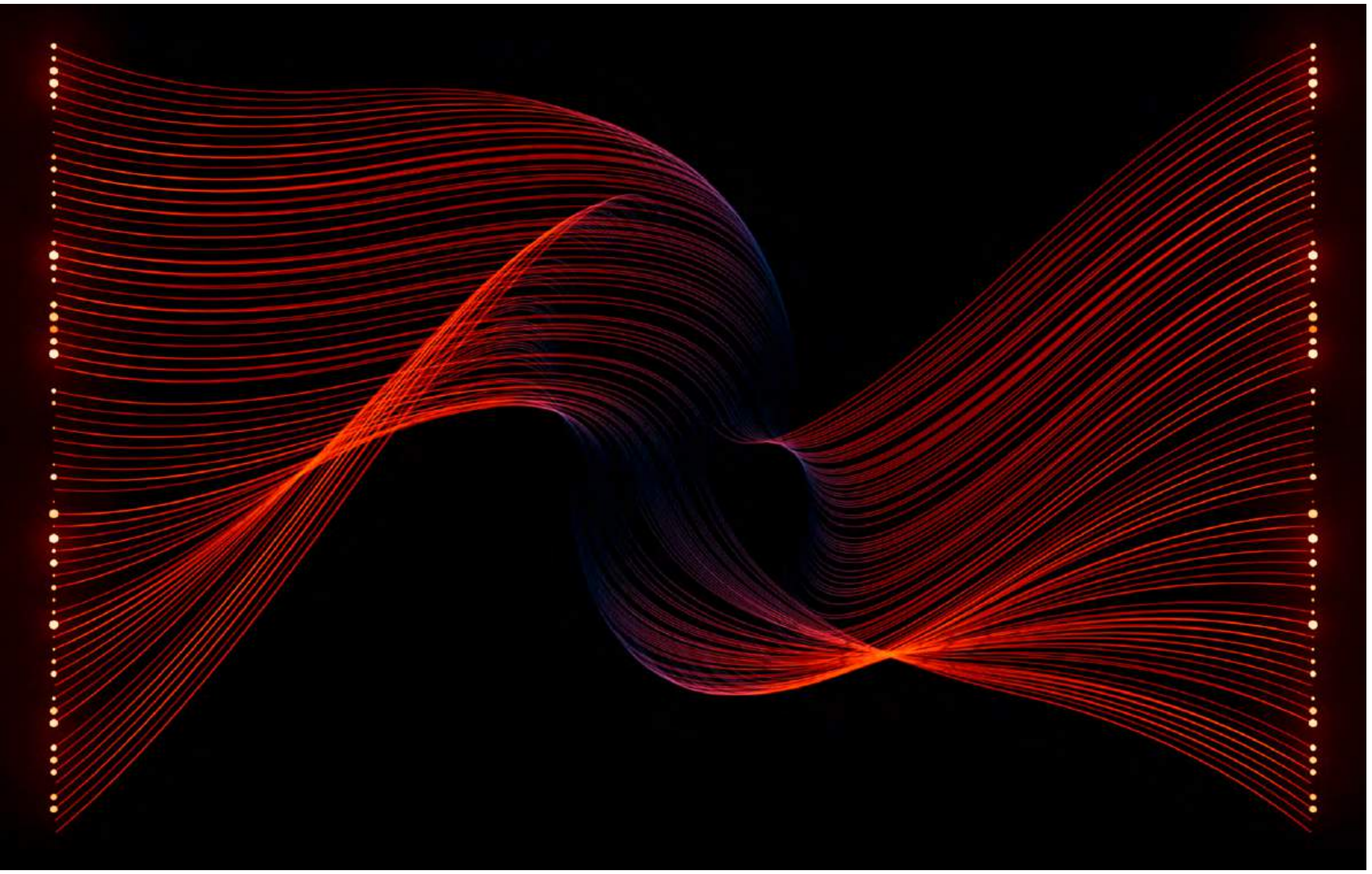


Trends in financing M&A deals

Certainty and predictability are essential prerequisites for M&A decision makers before they commit to merging with another company or to making a strategic acquisition. Following more than a decade of cheap finance and readily available bank credit, a dramatic shift has taken place: higher inflation and macroeconomic pressures, followed by higher interest rates, more expensive debt finance and tighter bank lending terms, have combined to change the dynamics of acquisition financing. For companies operating in CEE, as elsewhere, a lack of certainty and predictability has arguably been the biggest impediment of all for potential dealmakers.

Paul Stallebrass
Partner
CMS Czech Republic

> We've seen deals refinancing existing transactions, which have been very successful. From the banks' perspective, they do not feel that they can't finance M&A deals; they seem very happy to. The difficulty has been the relative absence of deals.

In this challenging environment, M&A transaction volumes and values continue to be more modest compared to recent years as buyers remain more cautious. But although lenders strengthened their lending criteria in the wake of higher interest rates, the tide may be turning as downward-trending core inflation has enabled central banks in several CEE economies to focus on potentially trimming interest rates in the year ahead. Against this background, acquisition finance has been evolving rapidly to adjust to the new paradigm.

According to Paul Stallebrass, partner at CMS in Prague, banks are not necessarily averse to M&A financing. "Indeed, we've seen deals refinancing existing transactions, which have been very successful," he says. "From the banks' perspective, they do not feel that they can't finance M&A deals; they seem very happy to. The difficulty has been the relative absence of deals."

Jakub Wieczorek
Partner
CMS Poland

> Although interest rates are still high, many investors now believe they will decrease in the months and years ahead. They have also adjusted to higher rates. At first, it was really difficult for them to invest in such an environment, but they have just got used to it.

The key problem, he notes, is that financing is available, but very difficult to price, making it harder to rely on rising EBITDA multiples. "And if it's difficult to price the financing, it's difficult to price a deal because if you don't know how much your financing is going to cost in interest terms, then you don't know what price you should be paying for the asset," he explains. "Certainty has been lacking with interest rates. But over recent months, they have steadied and are now at a level that people can predict are unlikely to increase significantly."

Jakub Wieczorek, partner at CMS in Warsaw, develops the point. "Although interest rates are still high, many investors now believe they will decrease in the months and years ahead," he says. "They have also adjusted to higher rates. At first, it was really difficult for them to invest in such an environment, but they have just got used to it."

Higher rates have, nevertheless, brought changes in traditional M&A financing, notes Jelena Nushol Fijačko, partner at CMS Croatia. "In 2023, there seemed to be an increased use of alternative financing instead of traditional bank loans," she says. "Traditional bank loans may have also become more stringent and less accessible."

Fijačko notes that, "alternative structures are filling financing gaps where traditional lenders may not be willing to make a significant contribution to bridging the gap in M&A transactions, especially where they are unable to meet the requirements of these deals. Alternative structures, such as mezzanine financing, venture debt or private equity, can offer more flexible terms than traditional bank loans." Alternative lenders, she adds, "may have a higher risk appetite and be able to provide more flexible financing solutions to meet the needs of M&A deals."

Wieczorek offers a different perspective in Poland. "The vast majority of M&A transactions are still financed by traditional Polish banks. We have all seen alternative structures and sources of lending growing, but expectations about this have been around for the last ten years, and the level of growth is really very slow. That's due to the competition because domestic Polish lenders are able to offer a lot of flexibility and quite competitive pricing."

On structures, he adds: "Lenders would rather try to strip the terms and increase the margin for buyers. We don't see any parent company guarantees, and the security package has not changed significantly, at least in Poland, because the Polish lending market is pretty specific. Borrowers feel that they are able to negotiate much more than previously. So, structures are becoming more and more aggressive."

Jelena Nushol Fijačko
Partner
CMS Croatia

Alternative structures are filling financing gaps where traditional lenders may not be willing to make a significant contribution to bridging the gap in M&A transactions, especially where they are unable to meet the requirements of these deals. Alternative structures, such as mezzanine financing, venture debt or private equity, can offer more flexible terms than traditional bank loans. Alternative lenders may have a higher risk appetite and be able to provide more flexible financing solutions to meet the needs of M&A deals.

There have been a very small number of deals done with debt funds or with bonds, according to Stallebrass. "The high yield bond market in CEE for acquisitions is very limited: a blue-chip sponsor and a very large transaction," he says. "The local markets are much more local bank driven. Even in a big transaction with a prime sponsor, most of the funding will come from local banks: they have a high level of liquidity for these kinds of transactions, which partly explains the absence of debt funds."

Alternative structures often allow for quicker approvals and disbursements, adding speed and efficiency which are important elements in the M&A environment. Another very important element that alternative structures can deliver is bridge financing. Access to interim funding until a longer-term financing solution is secured can be critical in M&A transactions. In structuring some deals, where valuation or funding gaps exist, bridging them can be achieved through bespoke pricing structures.

David Kohl, partner at CMS Austria, says: 'One way to bridge valuation and funding gaps is to make the total consideration received by sellers more contingent on the post-closing performance of the target company via elaborate earn-out mechanisms. We've already seen an increasing trend of earn-outs being used in deals throughout most sectors. The current economic climate and rising uncertainty has widened the valuation gap between sellers and buyers, due to diverging performance expectations."

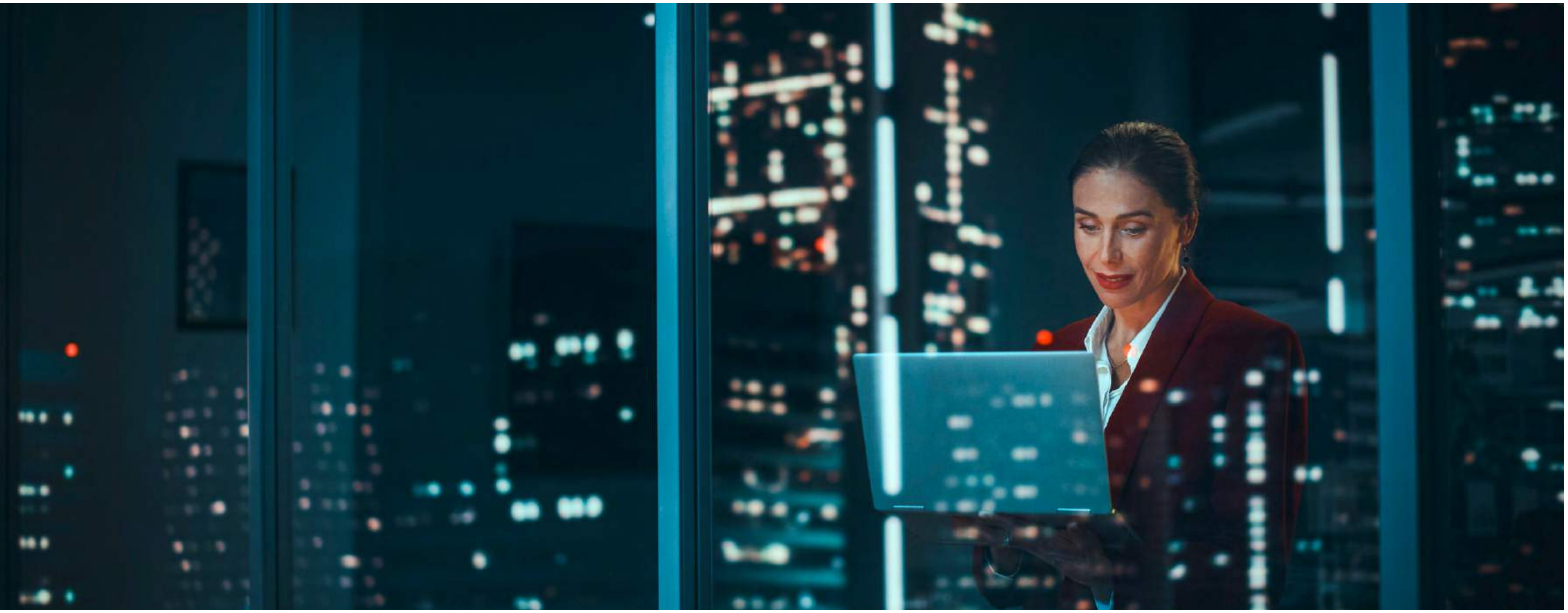
Earn-outs can enable the gap to be bridged by shifting some of the future performance risk to the seller and reducing the liquidity burden for the buyer at closing, by pushing payments into the future.

"We also see more step-wise acquisitions, where buyers in a first step buy less than 100% of the target, or even a minority stakes," says Kohl. "Again, this allows buyers to share future performance risks with the seller, bridging potential valuation gaps, and lowering short-term funding needs. Particularly in greenfield investments, we also see an increased use of JVs to achieve similar effects."

For private equity, market conditions have also been challenging: PE and higher interest rates rarely align well together because it is harder to finance acquisitions primarily through debt. Increased global uncertainty has inevitably led some local PE players in CEE markets to accelerate their exits, while banks have also become increasingly unwilling to provide the leveraged financing on which many PE houses rely.

But driven by the necessity to invest, PE activity has begun to increase across the CEE region. "There's a huge amount of liquidity in the PE market that has to find a home, and find it soon," says Stallebrass. "The situation has to change, and it will over the next six months because of the enormous amount of dry powder. If you are a PE fund and you end up returning money to your LPs (Limited Partners), you're history: you will never raise another fund."

Kohl believes that PE will become increasingly competitive in finding new CEE deals. "This is due to the large amounts of dry powder that prevail and the increased demand in yields by investors," he says. "Given the current macro-economic challenges in the CEE region paired with industry-specific challenges, we expect a rise in opportunities to invest in distressed assets and companies at relatively low valuations."



David Kohl
Partner
CMS Austria

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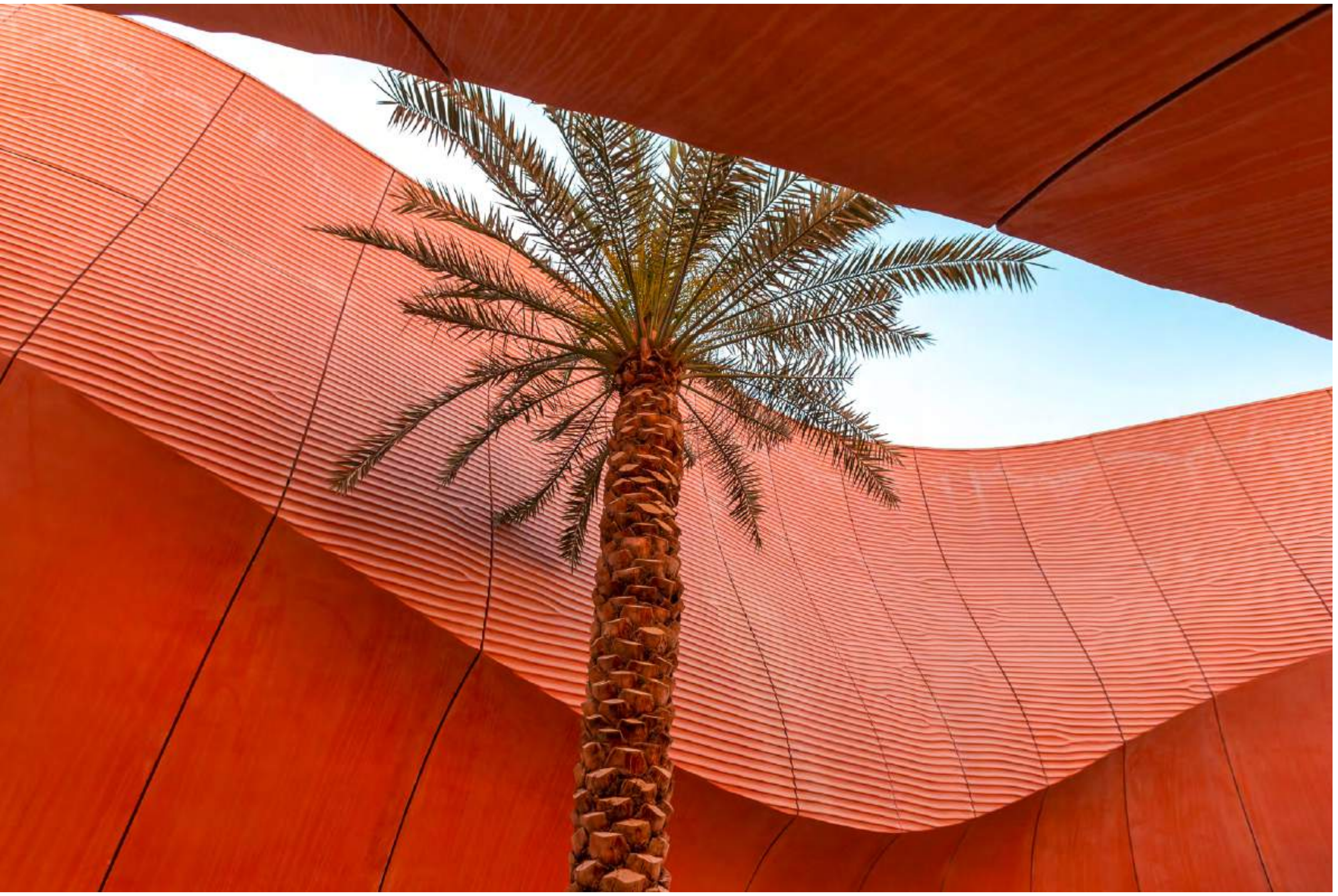

ESG central to M&A

Environmental, social and governance (ESG) is an umbrella term for multiple factors in a company's operational activities and management practices that have an impact on the environment and society. ESG has become integral to corporate decision-making as investors, consumers and other stakeholders, as well as regulators, increasingly scrutinise companies' ESG performance. Equally, ESG affects almost every aspect of a target's business in an M&A transaction. Understanding the big picture is therefore crucial, both in terms of the current position and potential future developments.

Döne Yalcin
Partner
CMS Turkey and
CMS Austria

ESG considerations in M&A transactions are no longer 'optional' or 'nice-to-have', but constitute relevant value drivers in deal-making, growth propositions and the proper framing of risk profiles.

As its importance continues to grow in the corporate and private equity space, investors also face increasing regulatory pressures to uphold higher ESG standards across all industries and sectors. When assessing target entities in an M&A context, their ESG credentials are now a prominent transaction factor and a potential value enhancer for deal makers, as well as a key focus for diverse stakeholders, financial institutions and regulators.

Redefining the concepts of value and risk, ESG is a paramount concern for any business acquiring another business in the CEE region. In any potential M&A deal, the first key consideration is risk. Given the multiple compliance matters to be considered, ESG-related risks can be legally difficult to quantify when analysing them from the perspective of a potential transaction.

Döne Yalcin, partner at CMS in Istanbul and Vienna, says, "ESG considerations in M&A transactions are no longer 'optional' or 'nice-to-have', but constitute relevant value drivers in deal-making, growth propositions and the proper framing of risk profiles."

It is therefore imperative for acquirors to have an in-depth understanding of a target's risk profile, including its propensity to be affected by specific ESG risks. This not only requires a proper risk assessment of relevant ESG issues, but also a sound understanding of where future challenges may arise, especially those that are relevant to the sector in which they operate.

Tetyana Dovgan, partner at CMS in Kyiv, comments, "ESG compliance introduces a fresh perspective on the assessment of M&A transactions. Investors are not only focused on assessing the risks associated with a target's historical non-compliance with, primarily, environmental and social legislation, but are also taking into account the nature-related risks related to the target's direct operations, as well as its impact on climate and social aspects."

On the issue of actual and potential compliance costs, she notes that they can vary depending on the size and nature of the business, the extent of its supply and value chain, and the current state of ESG compliance. These elements determine the extent of due diligence necessary to confirm the business's ESG compliance according to ESRS standards (Sustainability Reporting Standards within the EU).

Accordingly, investors have to evaluate where the target is positioned on the sustainability spectrum and explore potential strategies to align its activities with the EU's ESG taxonomy: a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and broader environmental goals other than climate.

Rodica Manea, partner in CMS in Bucharest, points out, "ESG regulations have become a cornerstone in creating a regulatory framework that ensures companies are held accountable for their impact on the environment and society, and investors have access to the information they need to make informed investment decisions. They are an important market transparency tool helpinig investments to the economic activities most needed for the transition, in line with the European Green Deal objectives."

For example the EU has introduced the Corporate Sustainability Reporting Directive (CSRD) and proposed the Corporate Sustainability Due Diligence Directive (CS3D).

Tetyana Dovgan
Partner
CMS Ukraine

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Rodica Manea
Partner
CMS Romania

ESG regulations have become cornerstone in creating a regulatory framework that ensures companies are held accountable for their impact on the environment and society, and investors have access to the information they need to make informed investment decisions. ESG considerations can motivate M&A or, on the contrary, prevent M&A from happening, as they may ultimately affect the valuation of the target.

The CSRD sets the framework for sustainability reporting, requiring companies to identify, prevent, remediate, mitigate and report on potential and actual adverse impacts on human rights and the environment, while the CS3D aims to improve the regulatory framework on human rights and sustainability due diligence, and ensure responsible corporate conduct so that companies take responsibility for the impact of their activities.

According to Rodica, ESG considerations can motivate M&A (e.g. divestment of “dirty” businesses) or, on the contrary, prevent M&A from happening (e.g. because of withdrawal from a transaction due to the related environmental liabilities), as they may ultimately affect the valuation of the target.

Yalcin adds, “As some ESG risks take time to emerge, companies can actively engage in scenario planning, monitor emerging regulations, and promote open dialogue with key stakeholders to mitigate future ESG risks and increase flexibility to respond to a changing regulatory environment.” Key elements include operational agility, collaboration with industry peers and technology investments for effective data management, supported by regular internal audits and engagement with legal and regulatory advisory services.

From an M&A perspective, post-deal agreements are very pertinent because “they emphasise the need to ensure sustainable compliance with specific ESG requirements by the target company, with a focus on climate-related issues,” says Alexander Rakosi partner at CMS in Vienna. “This requires a closer examination of the target company’s expected ongoing commitment to ESG compliance in its business practices beyond completion of the transaction.”

By definition, ESG encompasses a broad range of legal and regulatory requirements. Although some aspects such as data privacy, diversity and governance considerations are equally relevant to all market participants, the relative significance of certain factors may vary according to the specific industry or sector. Proper corporate governance and the handling of social matters undoubtedly form a strong foundation for ESG compliance across all sectors, at various levels, and from multiple perspectives. “None of the ESG elements should be overlooked,” says Dovgan.

Alexander Rakosi
Partner
CMS Austria

From an M&A perspective, post-deal agreements are very pertinent because they emphasise the need to ensure sustainable compliance with specific ESG requirements by the target company, with a focus on climate-related issues. This requires a closer examination of the target company’s expected ongoing commitment to ESG compliance in its business practices beyond completion of the transaction.

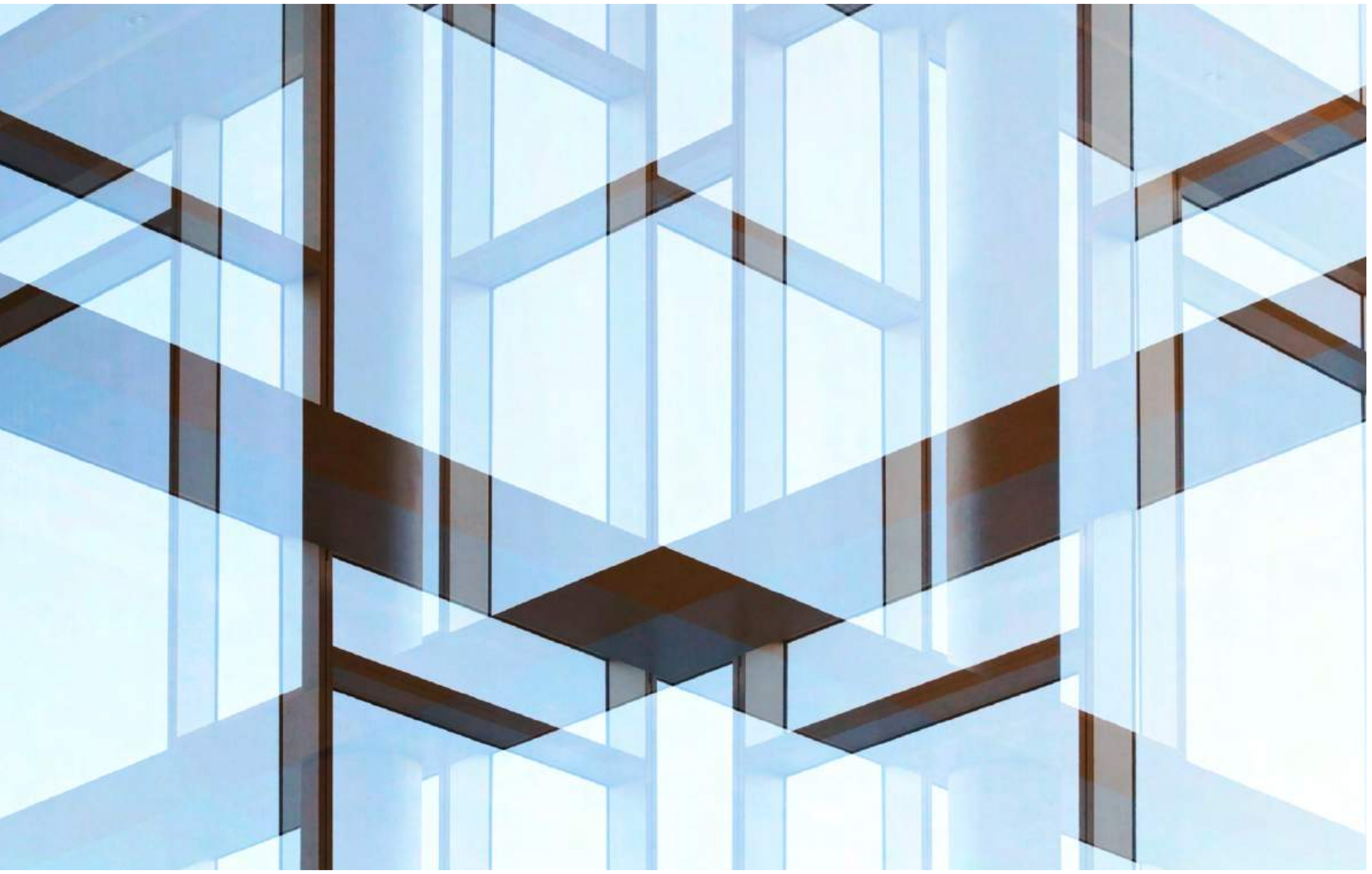
All three elements of ESG are therefore equally relevant across every sector. But based on sector specifics, she adds, one can take precedence over another. “For example, in energy, heavy industry, and infrastructure, the environmental aspect is crucial, given these business’s significant contribution to global carbon emissions. Whereas in IT, social issues such as workforce diversity, data privacy and protection, and the ethical use of artificial intelligence take precedence.” Compliance with labour standards and human rights concepts on supply chain issues can also be especially important for some companies.

Effective compliance with ESG regulations in the CEE region requires a keen awareness of the complexity of the regulatory framework, according to Rakosi. “This particularly applies in sectors where regulations are perceived to be more stringent or insufficiently developed or established, which often leads to problems in implementing cross-border sustainability standards for companies and operations,” he says.

At a practical level, sellers should calibrate their ESG compliance at an optimum level before commencing the sale process. Setting concrete sustainability goals that align with the business, alongside clear and measurable KPIs, is crucial for enhancing a company’s value and resilience, as well as creating new opportunities. “Achieving these goals requires developing a strategy, promoting it among all stakeholders (including management, employees, and counterparties), and getting everyone engaged in its implementation through best ESG practices,” says Dovgan.

For buyers, there is also a need for future-proofing: being able to assess what is likely to apply and ensuring that the target has complied, or has the capacity to comply, with these requirements when they become effective.

A primary objective of ESG compliance is to maintain adaptability in order to navigate future changes and challenges, thereby ensuring resilience and business continuity. Consequently, ESG compliance itself functions as a strategy to proactively address potential risks that may arise in the future. The development and implementation of long-term ESG strategies, beyond mere compliance, play a pivotal role in mitigating these risks and fostering sustainable business practices.



Interview with Evren Ozturk, CFO of the YILDIRIM group

Evren Ozturk,
CFO of the
YILDIRIM group

Can you please give an overview of the YILDIRIM Group?
Founded in Türkiye in 1963, YILDIRIM is a family-owned industrial conglomerate, headquartered in Amsterdam and Istanbul. We operate globally in 56 countries through more than 200 companies, employing 25,000 people.

The business has five core pillars which collectively provide more than 80% of our revenues: metals and mining, port operations, fertilizers and chemicals, logistics, and energy. We also operate in financial services, construction, real estate, and international trade.

What is your experience of doing M&A in the CEE region?
In total, we have undertaken more than USD 5bn in M&A deals. All of them have been event driven: either the seller wanted to dispose of a non-core asset, or they wanted to divest because of a distressed position.

In CEE, the culture is often very different from Northern and Western Europe, but there are more similarities with Türkiye. We have a very seasoned approach to M&A transactions: momentum is key, regardless of the country or the counterparty. In a public or private deal or with a governmental entity, you need to keep the dialogue flowing, leave things on the table. It's important to use an agile approach with dedicated teams and a dedicated mindset. It's really important to explain to your team and the counterparty's team what the issues will be, and to engage with your legal advisors on due diligence. There's no time for disagreement. Focus on the main target and you can get the right results.

It's important to understand governance and culture in CEE, but since we operate in 56 countries, we have enough experience to deal with that. Once we own a company, we never touch the local culture by sending a bunch of people from HQ to try and change things because we respect and understand it. We do, however, bring in key management to understand how they run the business and what the problems are because we mostly invest in distressed situations. Once we understand it, we apply and customise our best practices for logistics, operation, trade, and finance. Regardless of the culture, company, or country, we have a well-proven approach that can easily be applied to any situation and any culture.

Have CEE-based companies been a good cultural fit?
Yes, we have the advantage of a common history - for example, Albania is quite similar to us. Whereas Middle Eastern culture is less direct, and Northern and Western Europe are more direct. In our region, the culture is more implied. We're used to that because we created the company in Türkiye with this mentality. Being from Türkiye is an advantage for making deals in CEE countries.

What were the challenges in your acquisition of Alchrome in Albania?
We have done three CEE deals with CMS: in Kosovo, Albania and Croatia. From our experience, the Albanian one was the most challenging because it is country with different dynamics in many aspects. They have very talented and well-educated executives serving Albanian companies and entities.

Albanian authorities are sick and tired of companies trying to get some free concessions from the country. They don't want that type of investor. Initially, we explained our business to the Prime Minister, Edi Rama. A very direct person, he told us that many companies come to Albania and then disappear: everybody's just trying to get something from the country.

We told him that our intentions were different. We offered more than USD 85m and said we're going to invest more, we could expand capacity, comply with ESG regulations and create a sustainable company in Albania. We would respect the local talent, the local culture, keep Albanian people on board, make green investments with solar panels, and initiate green ferrochrome production. He was impressed, but there was still a long way to go.

A year later, we visited him again and we showed him what we had achieved in the mining and production facilities. He was really impressed. We were trying to get the relevant permissions from Albanian authorities for solar energy production and he instructed his ministers to ease the process now that he saw that we were serious investors in his country.

In the deal, both parties were family-owned companies. There were some difficulties concerning both sponsors, suggesting that the counter team and the advisors slowed the process, creating obstacles. Struggling with both sponsors was a very challenging experience. We had hard time educating them and explaining the rationale. Both of them eventually understood us and we got their sign off to proceed with the deal. As for the regulatory framework, it was relatively easier than the rest of the Europe because everybody wanted to make things happen.

When you say easier, is that because Albania is not in the EU?
Yes. And because it's a small country, everybody understands that foreign direct investment is so important. When you invest in Belgium, for example, it's much tougher, but in Croatia and Albania, because they are small countries, everybody's motivated to make things happen. It's easier and quicker. Everybody is more reachable and available. It's less challenging. The challenge is the deal itself, but from a regulatory perspective, it's easier than it is in the rest of Europe.

How important is ESG in M&A transactions in CEE?
Of course, ESG is important for climate change, global warming, and decarbonisation, but not all countries are in line with the regulations. Europe is at the frontier. But from what I see, European markets are losing their industry as a result. Europe is putting more and more regulation in place, while the rest of the world has nothing in place like these regulations.

In the fertiliser sector, there's not much protection from the EU: China and others invade the European markets. As a company, it is not possible for us be at the frontier of decarbonisation because we're in hard industries. Most companies showcasing decarbonization efforts are doing this for cheap financing. There's a lot of greenwashing.

In Albania, we intend to be greener and we're committed to the 2050 target. We're switching to green energy sources, putting in solar panels. Because the sector is very male-dominated, we're trying to bring in female workforce, especially to the mid-level and high-level management. We try to be more inclusive and equal, because the CEE mentality has a history of masculine tendency: we're trying to get rid of that. Governance is strong, we have the most transparent audit, regulation and compliance committees.

How would you describe bank requirements for ESG compliance in financing M&A?

Raiffeisen Bank financed our Albania deal: In three years' time, we will get our money back thanks to the consolidation effect. It's a very lucrative business and it is very preferable for the bank. But the bank naturally wants to ensure that ESG regulations are in place. It enables cheaper financing: a good way to attract investment and motivate professionals in the company.

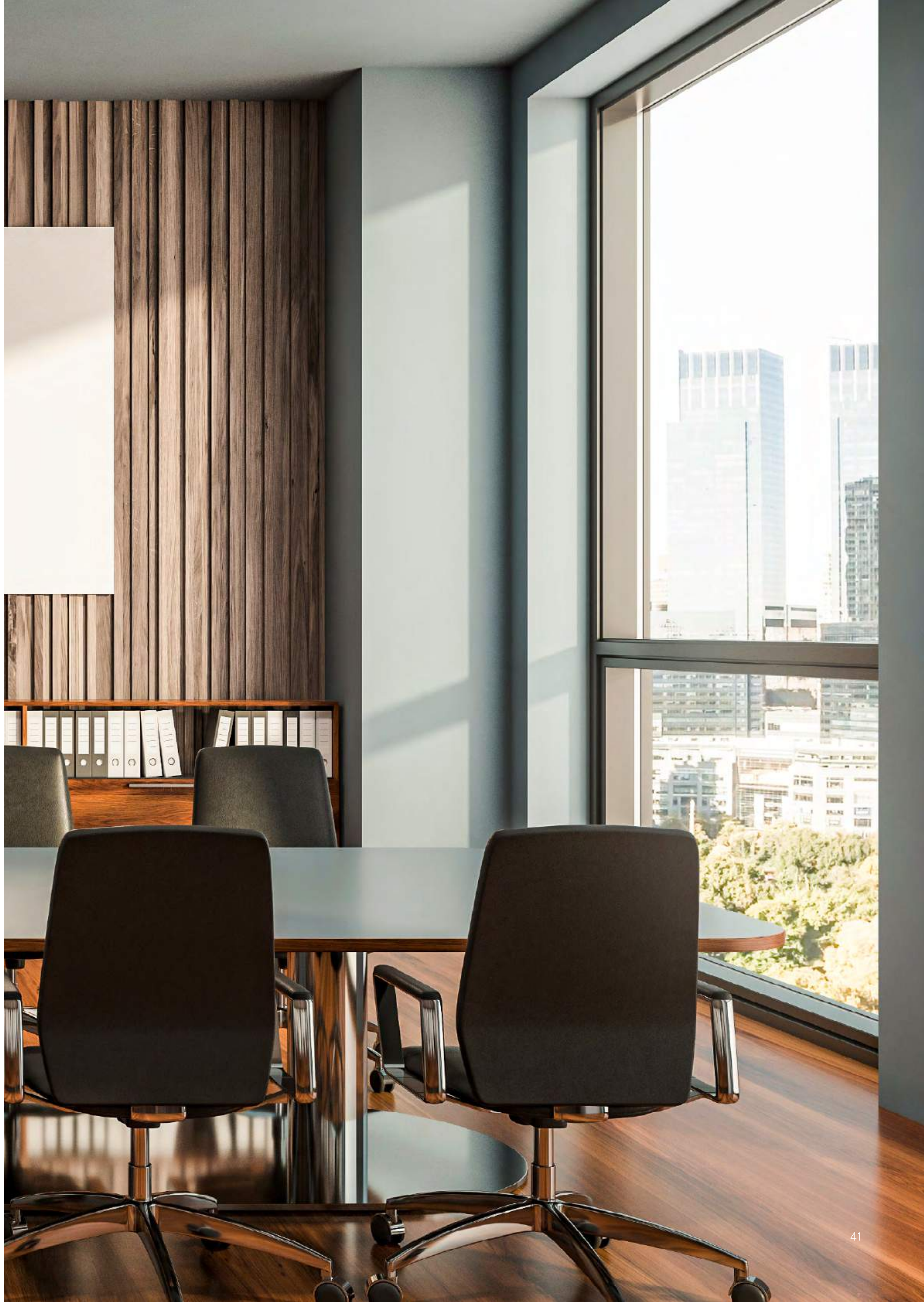
Albania has a less efficient energy system, so we have to change. We've put more diverse management in place to create more diversity and inclusion, and invited people from the union to the committees, plus experts from the region and other sectors.

These actions are appreciated by the banks. I made a presentation to the CEO of Raiffeisen Bank. He was impressed because it's so difficult to change these types of things in Albania. There are many obstacles: bias against other nationalities, against women, against change. We're very happy with what we have achieved in Albania. We believe in the country so much. It's developing fast as the next candidate for EU membership.

Future interest in the CEE region?

Yes, because it is still attractive and the region can provide a lot compared to the rest of the Europe. There are challengers, survivors. That's why they're very keen to do well. CEE has hard workers who are motivated, skilful and well-educated. We consider doing more acquisitions because some industries in the region are ripe for consolidation. Bulgaria, Romania, and Croatia are the countries of most interest. But Macedonia, Hungary, Albania and Kosovo, are also interesting to us.

In CEE, small investors and owners will continue to exit, either because they don't have the war chest to face the challenging energy prices after the Russian invasion of Ukraine, or for tightening ESG regulations. Nobody can easily withstand these headwinds, so they want to either exit or merge. It means more opportunities to consolidate and create a powerful portfolio in the region.



The road to rebuilding Ukraine

As the second anniversary of Russia's invasion approaches, the Ukraine conflict has become a stalemate. Much of the global investor focus has moved on to economic issues that have pre-occupied borrowers, lenders, companies and markets: inflation, interest rates, and their impact on growth. The IMF forecast for global growth shows that advanced economies are expected to fall from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024 as monetary tightening bites.

Against this background, Ukraine has begun to rebuild itself. Civilian infrastructure, energy substations, schools and hospitals are continuously being rebuilt. The plan for the long restoration process that lies ahead, repairing and replacing infrastructure that has been damaged or destroyed, is based on the principle of build back better. An international effort has already begun to help Ukraine, but the Ukrainian government recognises that a 21st century Marshall Plan is needed: the largest of its kind in Europe for 80 years.

To that end, the European Commission and its partners have been actively mobilising international support for Ukraine's economic and social stabilisation, reconstruction and recovery. President of the Commission Ursula von der Leyen has identified three essential elements for that to happen:

- making sure that Ukraine at all times gets the support it needs, from relief to rehabilitation, and to long-term reconstruction
- the right mechanism is in place to make support as broad and as inclusive as possible
- firmly embedding Ukraine's reconstruction efforts as part of its path towards the EU.

"Ukraine's recovery plan is already shaping up to be the most extensive reconstruction effort since World War II," says Tetyana Dovgan, partner at CMS Ukraine. "Its implementation is expected to attract numerous large-scale and technologically advanced restoration initiatives, presenting numerous compelling opportunities for international and domestic companies."

Accounting for 70% of Ukraine's total GDP, the private sector will be critical to its reconstruction. But opportunities for Ukraine's international partners and global businesses will also be very significant. "Infrastructure has suffered most – roads, rail, bridges, ports, and power are significantly damaged," says Vitaliy Radchenko, partner at CMS Ukraine. "The Ukrainian government's priority is to complete some projects before the war is over, because otherwise it may be too late."

Some big US companies have already taken the first steps to engage in the rebuilding process. In June 2023, Bechtel signed a reconstruction agreement with Ukraine's State Agency for Restoration and Infrastructure Development relating to key infrastructure corridors, while AECOM formalised partnerships with Ukraine's government to provide programme management and technical advisory support.

Contractors from many different countries will ultimately be involved in delivering new buildings and infrastructure: large scale projects will invariably require the use of joint ventures and public-private partnerships (PPPs) in sectors such as transport and energy.

Tetyana Dovgan
Partner
CMS Ukraine

> Ukraine's recovery plan is already shaping up to be the most extensive reconstruction effort since World War II. Its implementation is expected to attract numerous large-scale and technologically advanced restoration initiatives, presenting numerous compelling opportunities for international and domestic companies.

"We observe increasing interest from foreign companies; often cautious, but it is there and growing," says Maria Orlyk, partner at CMS Ukraine. "We also see new foreign investors entering the market and establishing a business presence in Ukraine." Some companies that were in Ukraine before the war have begun understand the risk profile and are expanding their business, according to Radchenko. "Nestle is expanding its factory and Bayer is building a new facility," he says.

To meet the scale of the challenge once the war is over, a major global financial effort will be required. Although opinions vary on how much and when, a consensus exists that finance be comprised of public and international donor financing, as well as significant levels of private investment.

Vitaliy Radchenko
Partner
CMS Ukraine

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In March 2023, Rapid Damage and Needs Assessment, a joint assessment led by the World Bank, the United Nations and the European Commission, estimated that the cost of Ukrainian recovery and reconstruction would be USD 411bn – 2.6 times Ukraine’s estimated GDP before the war started. According to this assessment, the three sectors with the highest anticipated needs are transport (22%), housing (17%), and energy (11%).

But these figures only cover the one-year period from Russia’s invasion on 24 February 2022 to the first anniversary of the war. Inevitably, estimates have since risen further as Russia’s bombing of Ukrainian cities and civilian infrastructure continues.

In July 2022, the Ukraine government presented Ukraine’s National Recovery Plan (UNRP) which anticipated a total expenditure of at least USD 750bn for reconstruction, with more than USD 350bn earmarked for 2023–2025, and an additional USD 400bn over the subsequent seven-year period.

“Foreign governments and international financial institutions have pledged USD 1trn in support of UNRP,” says Anna Pogrebna, partner at CMS Ukraine. “The UNRP envisions at least 7% annual GDP growth by 2032.” She notes that UNRP’s pillars are smart systems, renewable energy and sustainable construction. “It is expected that Ukraine’s infrastructure will leapfrog to innovative technologies,” she suggests.

One of the UNRP’s five guiding principles – integration into the EU – took a step forward in December 2023 when European leaders approved the opening of accession negotiations for Ukraine.

There are still challenges to be overcome. According to the Financial Times, “Ukraine has an embedded problem with corruption that is perhaps the biggest obstacle to its EU aspirations, apart from the war itself.” However, Ursula von der Leyen remains upbeat. “Some might think it is impossible, improbable or too distant to talk about a free and peaceful Ukraine in the European Union,” she said last year. “But Europe is about making the impossible possible.”

International public sector financing will inevitably form the primary bedrock of the reconstruction effort in which international financial institutions (IFIs) will play a pivotal role. Ongoing discussions focus on IFIs engaging in three key areas: providing grants and loans to the Ukrainian state, extending financial support to Ukrainian businesses, and offering war-related insurance.

“Given the multifaceted efforts in play, effective planning and structuring of financial assistance from IFIs are increasingly critical,” says Dovgan. To mitigate overlapping functions among the organisations involved, she suggests that robust supervision and control mechanisms must be established, as well as “a well-defined national policy on funds utilisation with a focus on supporting small- and medium-sized businesses.”

Key international players in the reconstruction efforts include the European Bank for Reconstruction and Development (EBRD), which has committed EUR 3bn in financing to Ukraine’s real economy in 2022–23, while the International Finance Corporation (IFC) has launched a USD 2bn package to support the Ukrainian private sector.

For companies investing in Ukraine, the EBRD is also facilitating a war-risk insurance scheme which works with key stakeholders to create a guarantee facility. In October 2023, the United Kingdom and the EBRD signed a Statement of Intent to establish the scheme. Initially focused on ensuring the transport of crucial cargo via trucks, the scheme will cover more sectors as it matures.

Frozen Russian assets are also being earmarked to meet part of the reconstruction bill. The European Commission has presented a plan to ringfence an estimated EUR 200bn in sovereign Russian assets that are currently frozen in the EU, predominantly in the Euroclear system. Aiming to generate up to EUR 15bn, profits will be channelled to help rebuild Ukraine. Since their freezing, sanctioned Russian assets held in Euroclear have generated EUR 3bn in profits.

Many questions relating to Ukraine’s eventual reconstruction programme remain unanswered: for example, should coordination be centralised or decentralised? The optimum solution could lie somewhere between the two. The best approach may be a non-political, technocratic body with a long-time horizon to coordinate and oversee this effort. From that perspective, the Marshall Plan is a good model. Similarly, putting ownership of the reconstruction process in sync with the EU may enable accession and reconstruction to work hand in hand.

Anna Pogrebna
Partner
CMS Ukraine

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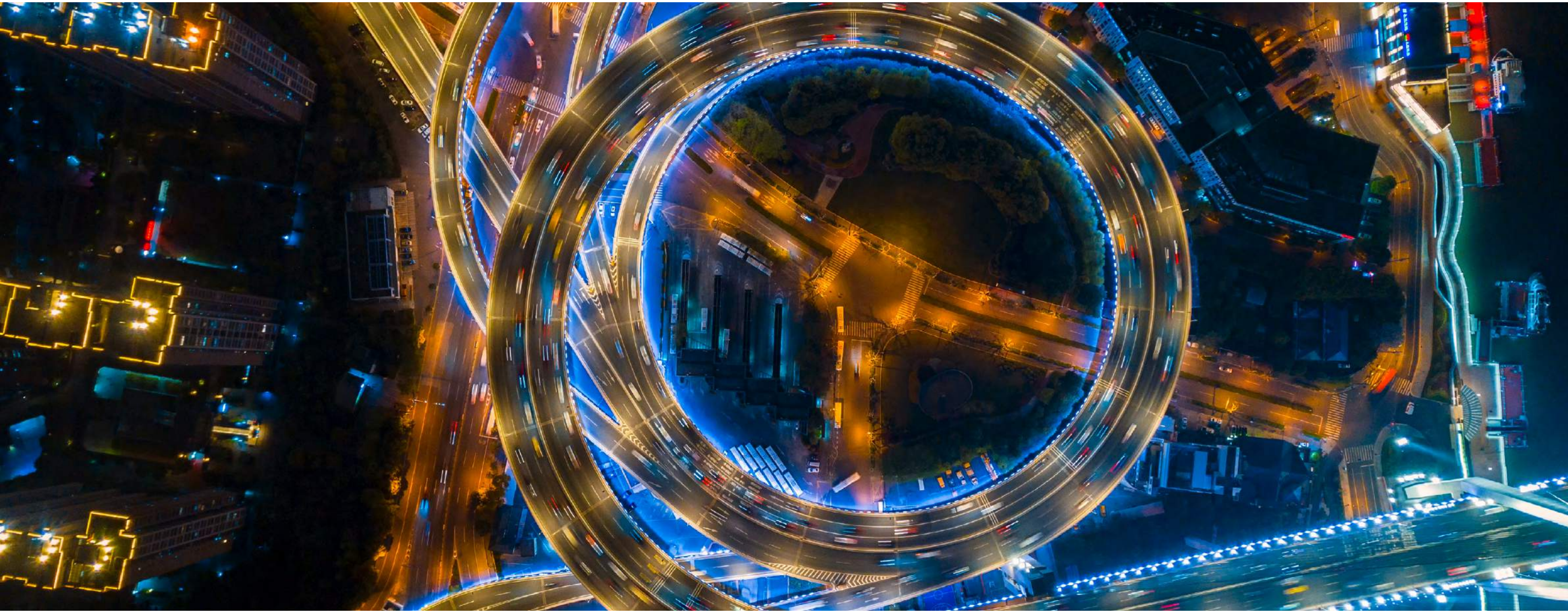
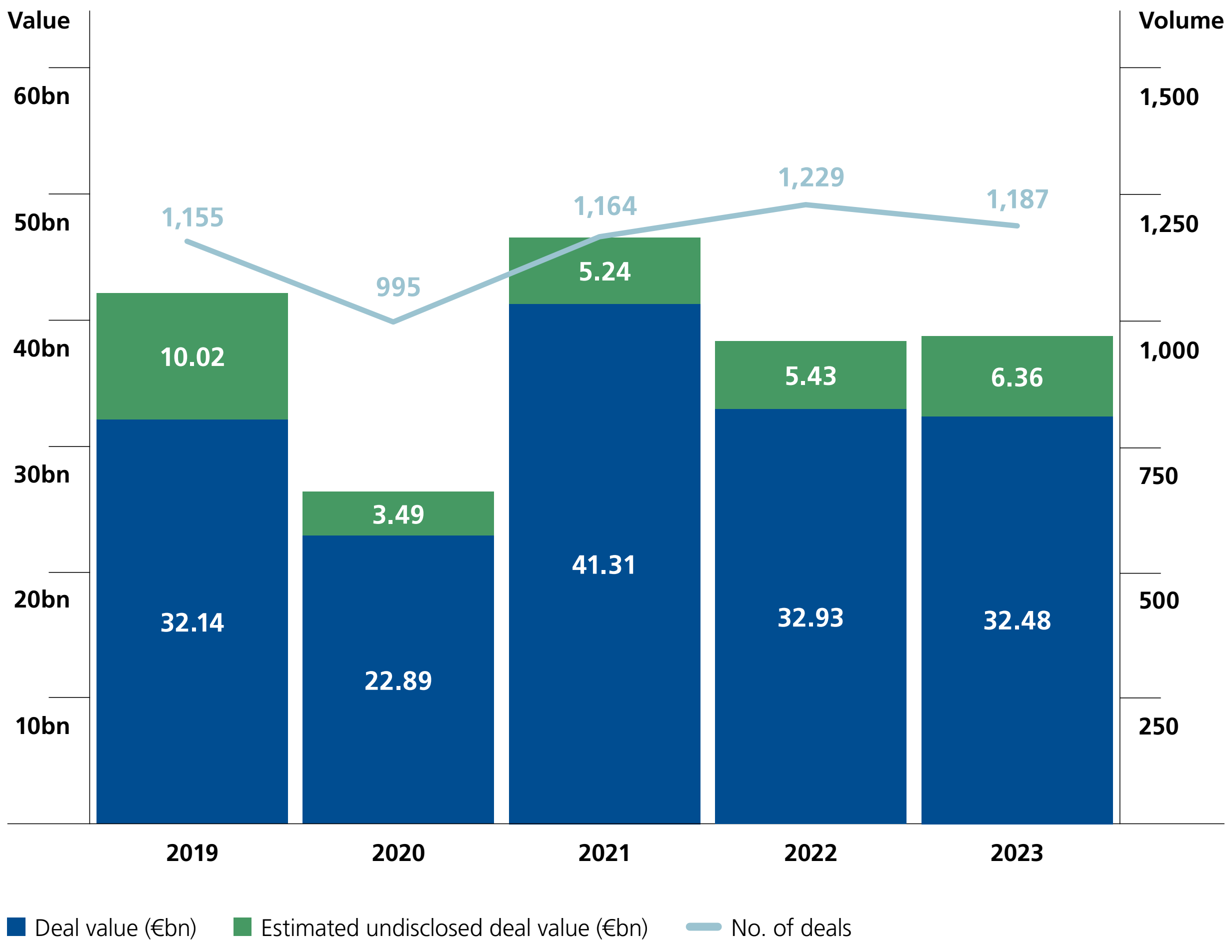
The data bank



Emerging Europe

Deals by value and volume



Top 3 sectors by value, EUR

TELECOMS & IT 9.1bn

MANUFACTURING 6.57bn

ENERGY & UTILITIES 3.3bn

Top 10 deals

1 EUR 2.75bn

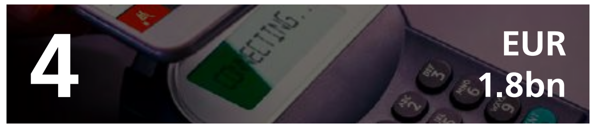
Target: **Slovakian business of U.S. Steel**
Country of Target: **Slovakia**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Nippon Steel Corp**
(Country of buyer: **Japan***)*
Value source: ***EMIS estimate***[1]

2 EUR 2.5bn

Target: **Assets of PPF Telecom in Bulgaria, Hungary, Serbia and Slovakia**
Country of Target: **Bulgaria; Hungary; Serbia; Slovakia**
Sector: **Telecoms & IT**
Stake: **50%**
Buyer: **e&**
(Country of buyer: **United Arab Emirates***)*
Value source: ***Official data***

3 EUR 1.9bn

Target: **Romanian operations of Enel**
Country of Target: **Romania**
Sector: **Energy & Utilities**
Stake: **100%**
Buyer: **Public Power Corporation**
(Country of buyer: **Greece***)*
Value source: ***Official data***



4 EUR 1.8bn

Target: **Profi Rom Food**
Country of Target: **Romania**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Ahold Delhaize**
(Country of buyer: **Netherlands***)*
Value source: ***Official data***

5 EUR 1.64bn

Target: **Vodafone Hungary**
Country of Target: **Hungary**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Corvinus; 4iG**
(Country of buyer: **Hungary***)*
Value source: ***Official data***

6 EUR 1.34bn

Target: **Techland**
Country of Target: **Poland**
Sector: **Telecoms & IT**
Stake: **67%**
Buyer: **Tencent Holdings**
(Country of buyer: **China***)*
Value source: ***Market estimate provided by EMIS and based on publically available information***

7 EUR 1.22bn

Target: **Mobile tower infrastructure in Bulgaria, Croatia and Slovenia**
Country of Target: **Bulgaria; Croatia; Slovenia**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **stc**
(Country of buyer: **Saudi Arabia***)*
Value source: ***Official data***

8 EUR 871.4m

Target: **STS Holding**
Country of Target: **Poland**
Sector: **Other**
Stake: **100%**
Buyer: **Company founders; Emma Capital; Entain**
(Country of buyer: **Czech Republic; United Kingdom***)*
Value source: ***Official data***

9 EUR 700m

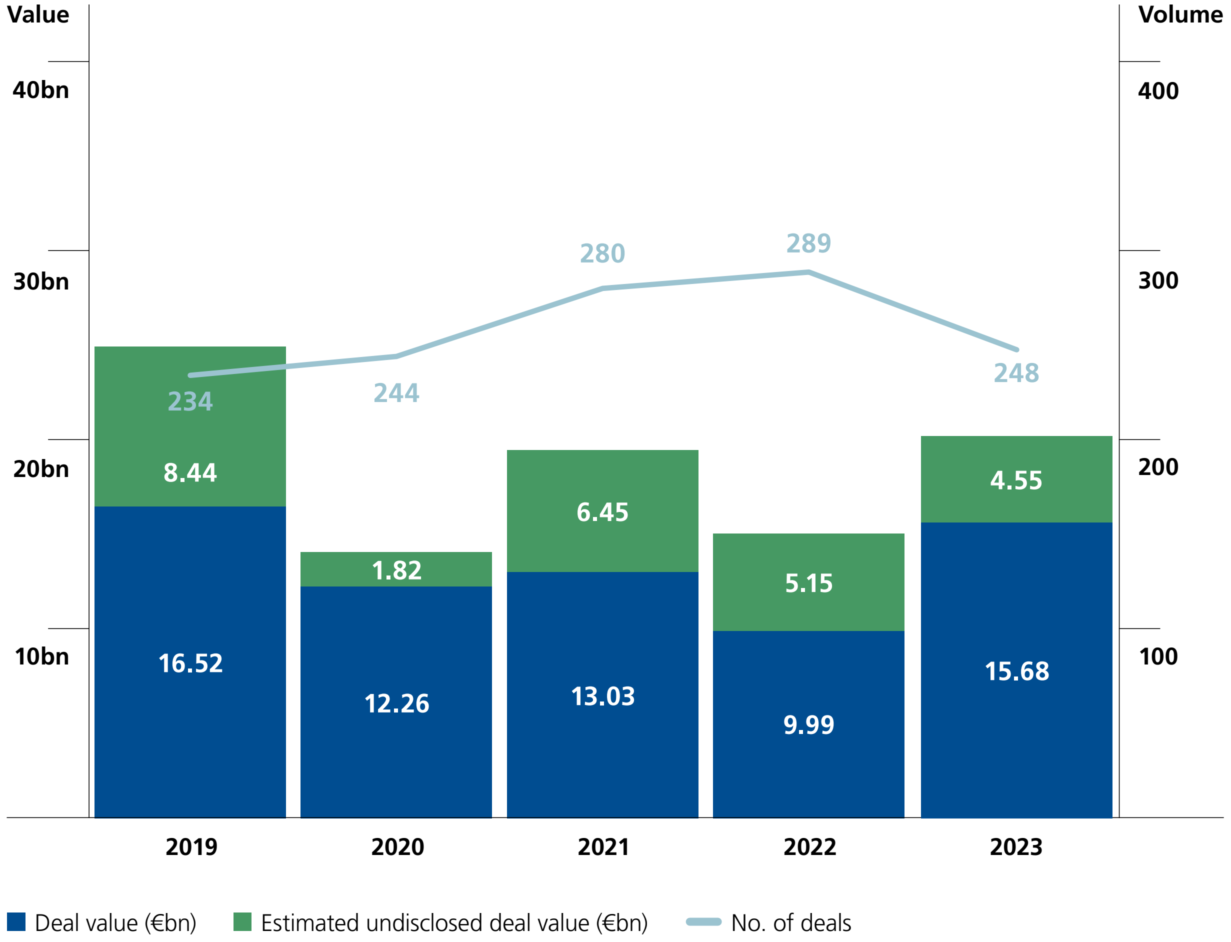
Target: **Autostrada Wielkopolska; Autostrada Wielkopolska II**
Country of Target: **Poland**
Sector: **Transportation & Logistics**
Stake: **n/a**
Buyer: **Meridiam**
(Country of buyer: **France***)*
Value source: ***Market estimate provided by EMIS and based on publically available information***

10 EUR 677.2m

Target: **Meopta - Optika**
Country of Target: **Czech Republic**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **The Carlyle Group**
(Country of buyer: **United States***)*
Value source: ***Market estimate provided by EMIS and based on publically available information***

Private equity

Deals by value and volume



Top 3 sectors by value, EUR

TELECOMS & IT 4.51bn

MANUFACTURING 4.44bn

WHOLESALE & RETAIL 1.85bn

Top 10 deals (including new PE investments and PE exits)

1 EUR 2.75bn

Target: **Slovakian business of U.S. Steel**
Country of Target: **Slovakia**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Nippon Steel Corp**
(*Country of buyer:* **Japan**)
Value source: ***EMIS estimate***[1]

2 EUR 2.5bn

Target: **Assets of PPF Telecom in Bulgaria, Hungary, Serbia and Slovakia**
Country of Target: **Bulgaria; Hungary; Serbia; Slovakia**
Sector: **Telecoms & IT**
Stake: **50%**
Buyer: **e&**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***Official data***

3 EUR 1.8bn

Target: **Profi Rom Food**
Country of Target: **Romania**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Ahold Delhaize**
(*Country of buyer:* **Netherlands**)
Value source: ***Official data***

4 EUR 1.22bn

Target: **Mobile tower infrastructure in Bulgaria, Croatia and Slovenia**
Country of Target: **Bulgaria; Croatia; Slovenia**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **stc**
(*Country of buyer:* **Saudi Arabia**)
Value source: ***Official data***

5 EUR 871.4m

Target: **STS Holding**
Country of Target: **Poland**
Sector: **Other**
Stake: **100%**
Buyer: **Company founders; Emma Capital; Entain**
(*Country of buyer:* **Czech Republic; United Kingdom**)
Value source: ***Official data***

6 EUR 700m

Target: **Autostrada Wielkopolska; Autostrada Wielkopolska II**
Country of Target: **Poland**
Sector: **Transportation & Logistics**
Stake: **n/a**
Buyer: **Meridiam**
(*Country of buyer:* **France**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

7 EUR 677.2m

Target: **Meopta - Optika**
Country of Target: **Czech Republic**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **The Carlyle Group**
(*Country of buyer:* **United States**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

8 EUR 500m

Target: **MyPOS**
Country of Target: **Bulgaria**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Advent International**
(*Country of buyer:* **United States**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

9 EUR 457.4m

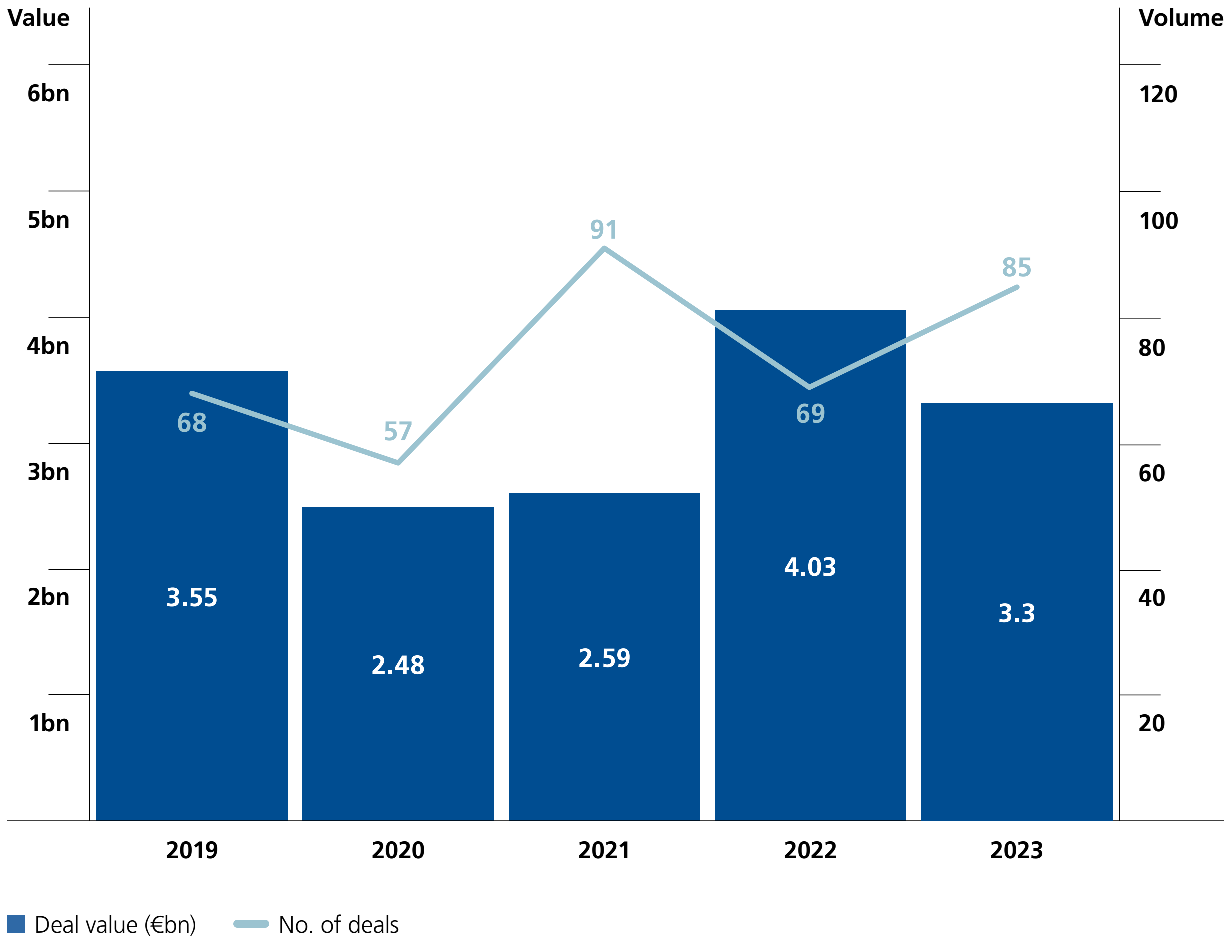
Target: **Eastern European operations of Diaverum**
Country of Target: **Albania; Hungary; Lithuania; North Macedonia; Poland; Romania**
Sector: **Education & Healthcare Services**
Stake: **100%**
Buyer: **M42**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[2]

10 EUR 400m

Target: **Assets of PPF Telecom in Hungary**
Country of Target: **Hungary**
Sector: **Telecoms & IT**
Stake: **25%**
Buyer: **PPF Group**
(*Country of buyer:* **Czech Republic**)
Value source: ***EMIS estimate***[3]

Energy & utilities

Deals by value and volume



Top 10 deals

1 EUR 1.9bn

Target: **Romanian operations of Enel**
Country of Target: **Romania**
Stake: **100%**
Buyer: **Public Power Corporation**
(*Country of buyer:* **Greece**)
Value source: ***Official data***

2 EUR 494.2m

Target: **300 MW wind and solar portfolio in Poland**
Country of Target: **Poland**
Stake: **100%**
Buyer: **Orlen**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

3 EUR 150m

Target: **R.Power**
Country of Target: **Poland**
Stake: **n/a**
Buyer: **Three Seas Initiative Investment Fund**
(*Country of buyer:* **Luxembourg**)
Value source: ***Official data***

4 EUR 132.1m

Target: **Romanian operations of Enel**
Country of Target: **Romania**
Stake: **n/a**
Buyer: **Public Power Corporation**
(*Country of buyer:* **Greece**)
Value source: ***Official data***

5 EUR 119.4m

Target: **Emerging European asssets of Total Eren**
Country of Target: **[1]Bulgaria; Poland**
Stake: **70.8%**
Buyer: **TotalEnergies**
(*Country of buyer:* **France**)
Value source: ***EMIS estimate[1]***

6 EUR 107m

Target: **Sompolno solar power plant; Opalenica wind farm**
Country of Target: **Poland**
Stake: **100%**
Buyer: **Orlen**
(*Country of buyer:* **Poland**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

7 EUR 86.6m

Target: **Engie Romania**
Country of Target: **Romania**
Stake: **12%**
Buyer: **Engie**
(*Country of buyer:* **France**)
Value source: ***Official data***

8 EUR 75m

Target: **R.Power**
Country of Target: **Poland**
Stake: **n/a**
Buyer: **EBRD**
(*Country of buyer:* **United Kingdom**)
Value source: ***Official data***

9 EUR 57.1m

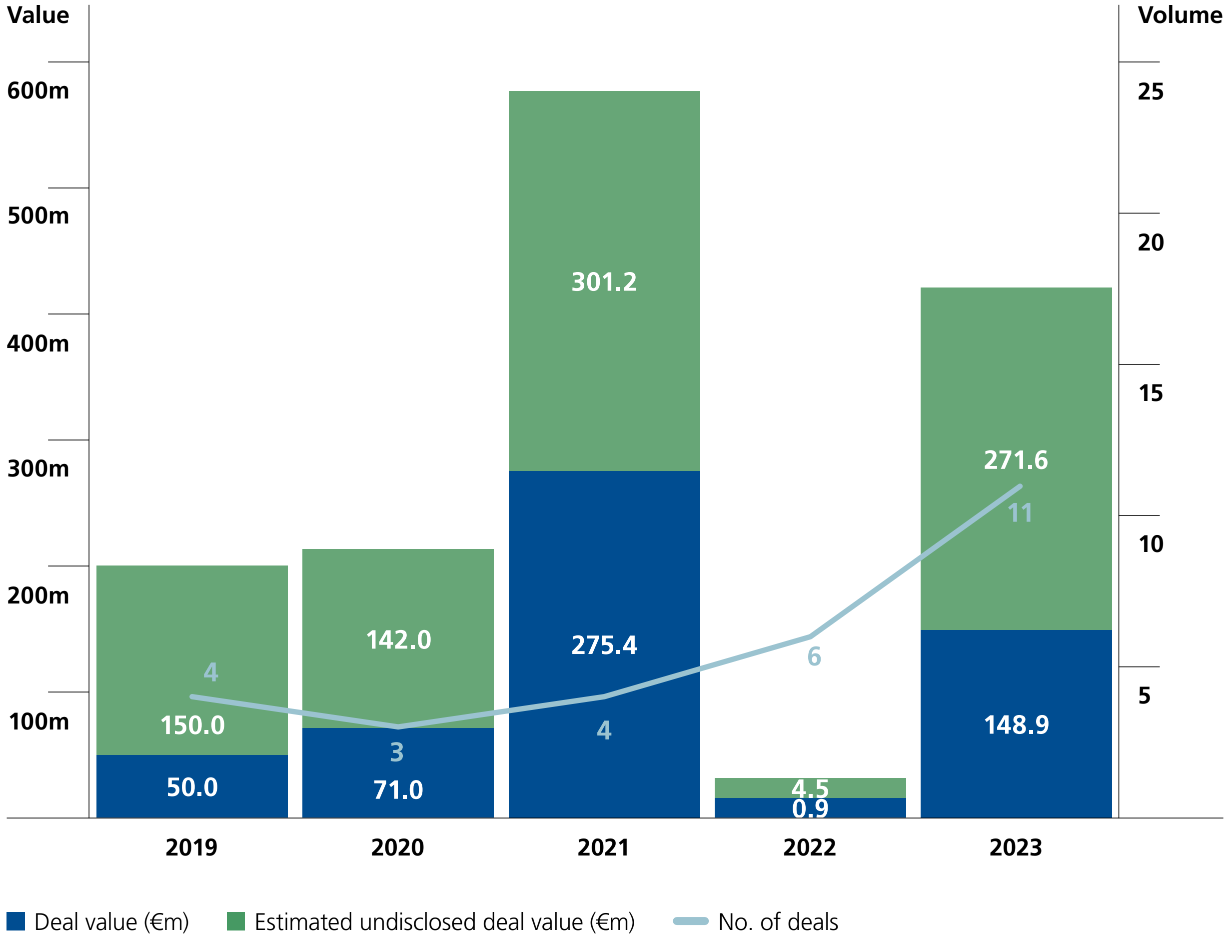
Target: **Farma Wiatrowa Bejsce**
Country of Target: **Poland**
Stake: **100%**
Buyer: **Enea**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

10 EUR 45.4m

Target: **Portfolio of eight solar farms**
Country of Target: **Poland**
Stake: **100%**
Buyer: **KGHM Polska Miedz**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

Albania

Deals by value and volume



Top 3 deals

Target: **United Bank of Albania**
Sector: **Finance & Insurance**
Stake: **54.9%**
Buyer: **Eurosig**
(*Country of buyer:* **Albania**)
Value source: ***Official data***

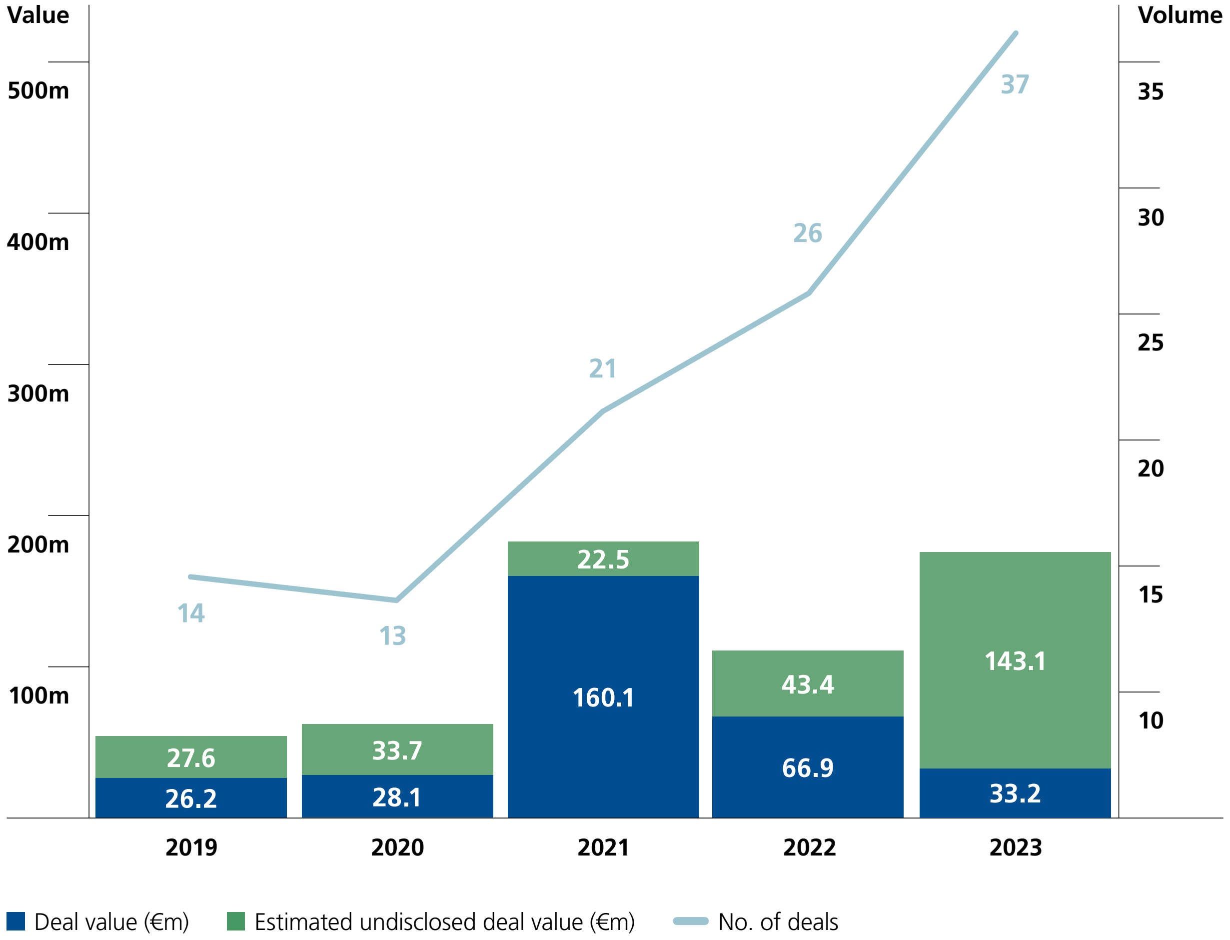
Target: **Trans Adriatic Pipeline**
Sector: **Mining (incl. oil & gas)**
Stake: **5%**
Buyer: **Enagas; Fluxys Belgium**
(*Country of buyer:* **Spain; Belgium**)
Value source: ***EMIS estimate***[1]

Target: **Albanian operations of Diaverum**
Sector: **Education & Healthcare Services**
Stake: **100%**
Buyer: **M42**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[2]

Top 3 sectors by value, EUR

Bosnia and Herzegovina

Deals by value and volume



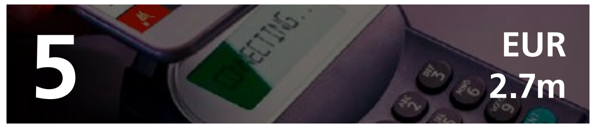
Top 5 deals

Target:	**Dwelt**
Sector:	**Telecoms & IT**
Stake:	**60%**
Buyer:	**Asseco South Eastern Europe** (*Country of buyer:* **Poland**) *Value source:* ***Official data***

Target:	**Unis - Fabrika Cijevi**
Sector:	**Manufacturing**
Stake:	**100%**
Buyer:	**Fructa-Trade** (*Country of buyer:* **Bosnia and Herzegovina**) *Value source:* ***Official data***

Target:	**Rolla**
Sector:	**Telecoms & IT**
Stake:	**n/a**
Buyer:	**Mate Rimac - private investor; Hellen's Rock Capital** (*Country of buyer:* **Croatia; Romania**) *Value source:* ***Official data***

Target:	**Pobjeda Technology Gorazde**
Sector:	**Manufacturing**
Stake:	**46.6%**
Buyer:	**Hamid Prses - private investor; Halil Okovic - private investor** (*Country of buyer:* **Bosnia and Herzegovina**) *Value source:* ***Official data***

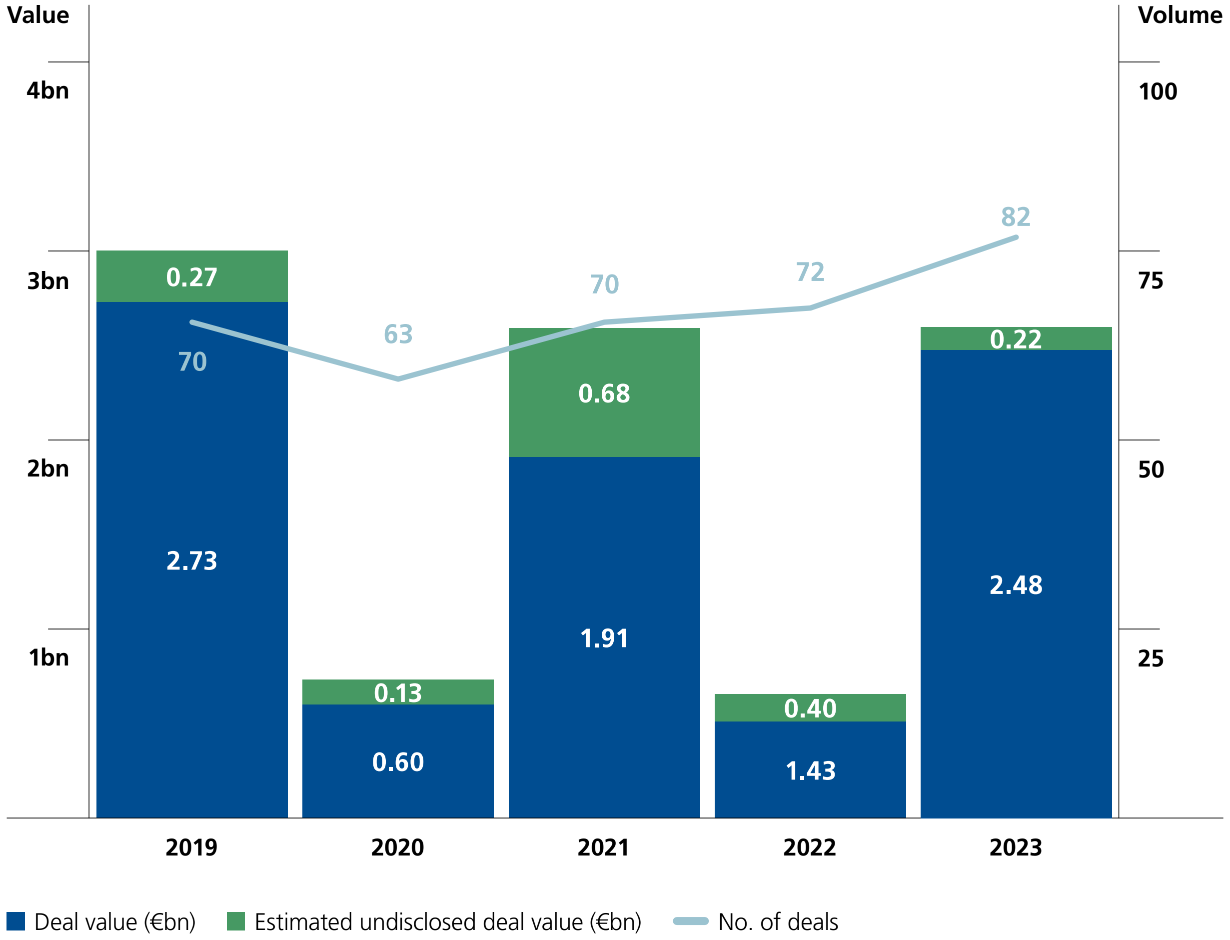


Target:	**RK Boska**
Sector:	**Wholesale & Retail**
Stake:	**59.5%**
Buyer:	**Kaboss Pro** (*Country of buyer:* **Serbia**) *Value source:* ***Official data***

Top 3 sectors by value, EUR

Bulgaria

Deals by value and volume



Top 5 deals

1 **EUR 812.5m**

Target: **Mobile tower infrastructure**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **stc**
(*Country of buyer:* **Saudi Arabia**)
Value source: ***EMIS estimate***[1]

2 **EUR 750m**

Target: **Assets of PPF Telecom in Bulgaria**
Sector: **Telecoms & IT**
Stake: **50%**
Buyer: **e&**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[2]

3 **EUR 500m**

Target: **MyPOS**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Advent International**
(*Country of buyer:* **United States**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

4 **EUR 100m**

Target: **Bulgarian operations of Ideal Standard**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Villeroy & Boch**
(*Country of buyer:* **Germany**)
Value source: ***EMIS estimate***[3]

5 **EUR 97.7m**

Target: **Bulgarian operations of Total Eren**
Sector: **Energy & Utilities**
Stake: **70.8%**
Buyer: **TotalEnergies**
(*Country of buyer:* **France**)
Value source: ***EMIS estimate***[4]

Top 3 sectors by value, EUR

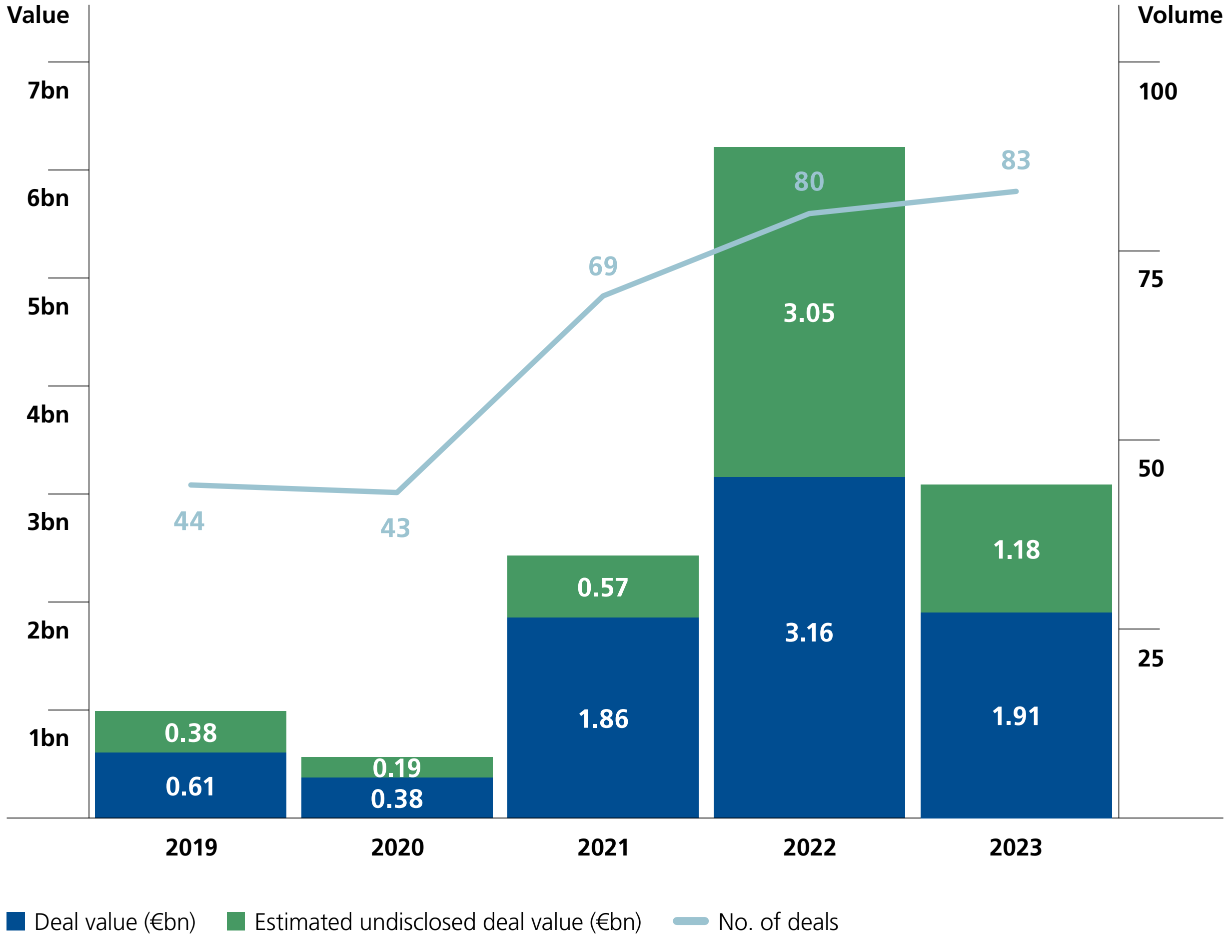
TELECOMS & IT **1.7bn**

MANUFACTURING **600m**

ENERGY & UTILITIES **100m**

Croatia

Deals by value and volume



Top 5 deals

Target: **Fortenova Grupa**
Sector: **Food & Beverage**
Stake: **n/a**
Buyer: **Pavao Vujnovac - private investor; Minority shareholders**
(*Country of buyer:* **Malta; Croatia**)
Value source: ***Official data***

Target: **Photomath**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Alphabet Inc**
(*Country of buyer:* **United States**)
Value source: ***Official data***

Target: **Mobile tower infrastructure**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **stc**
(*Country of buyer:* **Saudi Arabia**)
Value source: ***EMIS estimate***[1]

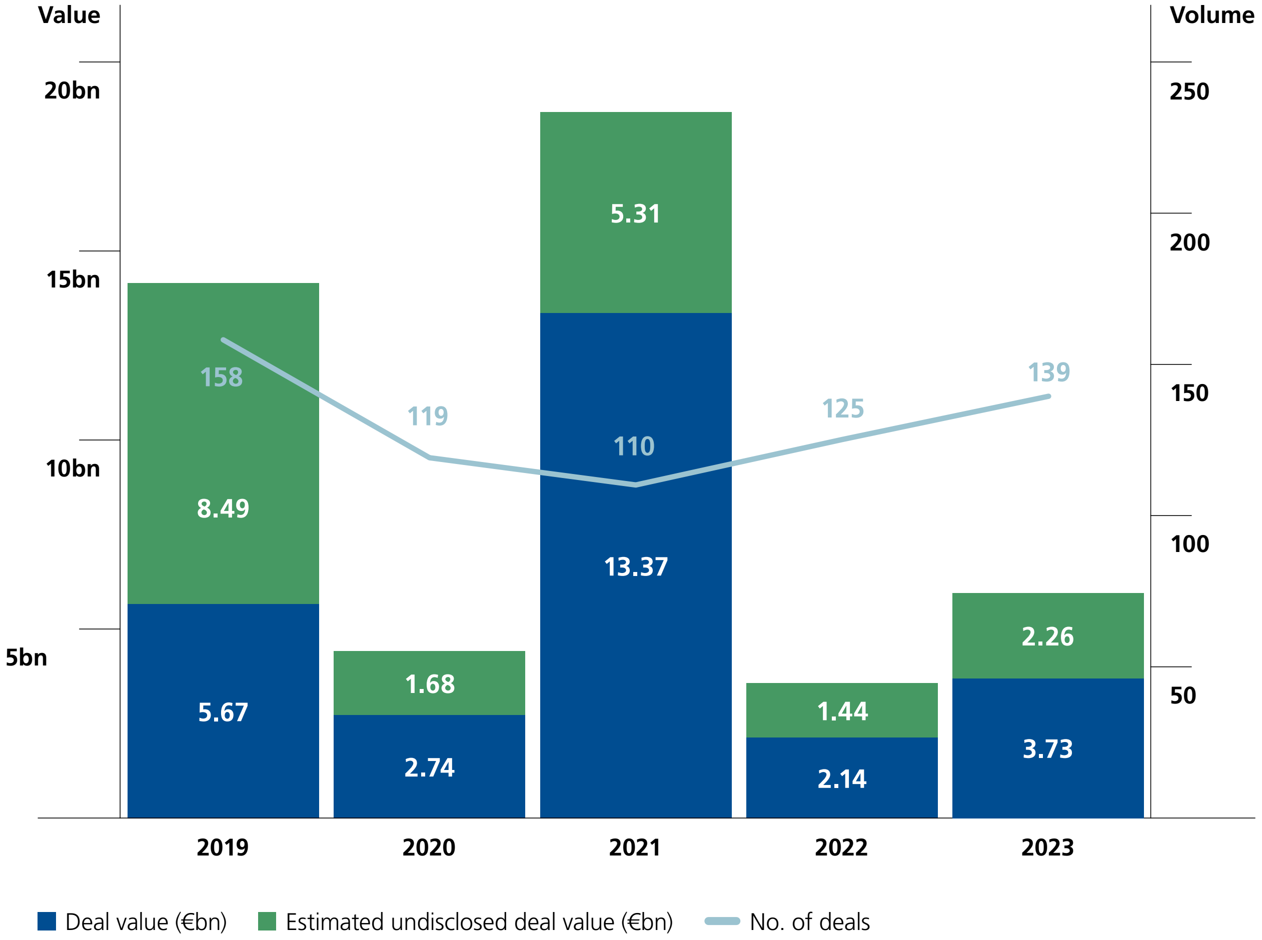
Target: **Suncani Hvar; Suncani Hvar Nekretnine**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Eagle Hills**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***

Target: **Turisthotel**
Sector: **Real Estate & Construction**
Stake: **54.3%**
Buyer: **Tankerska Plovidba**
(*Country of buyer:* **Croatia**)
Value source: ***Official data***

Top 3 sectors by value, EUR

Czech Republic

Deals by value and volume



Top 5 deals


1 EUR 677.2m

Target: **Meopta - Optika**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **The Carlyle Group**
(*Country of buyer:* **United States**)
Value source: ***Market estimate provided by EMIS and based on publically available information***


2 EUR 606.2m

Target: **Sellier & Bellot**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Colt CZ Group SE (Ceska zbrojovka)**
(*Country of buyer:* **Czech Republic**)
Value source: ***EMIS estimate***[1]


3 EUR 365m

Target: **Packeta**
Sector: **Transportation & Logistics**
Stake: **100%**
Buyer: **Emma Capital; CVC Capital Partners**
(*Country of buyer:* **Czech Republic; Luxembourg**)
Value source: ***Market estimate provided by EMIS and based on publically available information***


4 EUR 360m

Target: **Rwe Gas Storage Cz**
Sector: **Transportation & Logistics**
Stake: **100%**
Buyer: **CEPS**
(*Country of buyer:* **Czech Republic**)
Value source: ***Official data***


5 EUR 262.6m

Target: **Arkady Pankrac shopping center**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Trigea**
(*Country of buyer:* **Czech Republic**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

Top 3 sectors by value, EUR

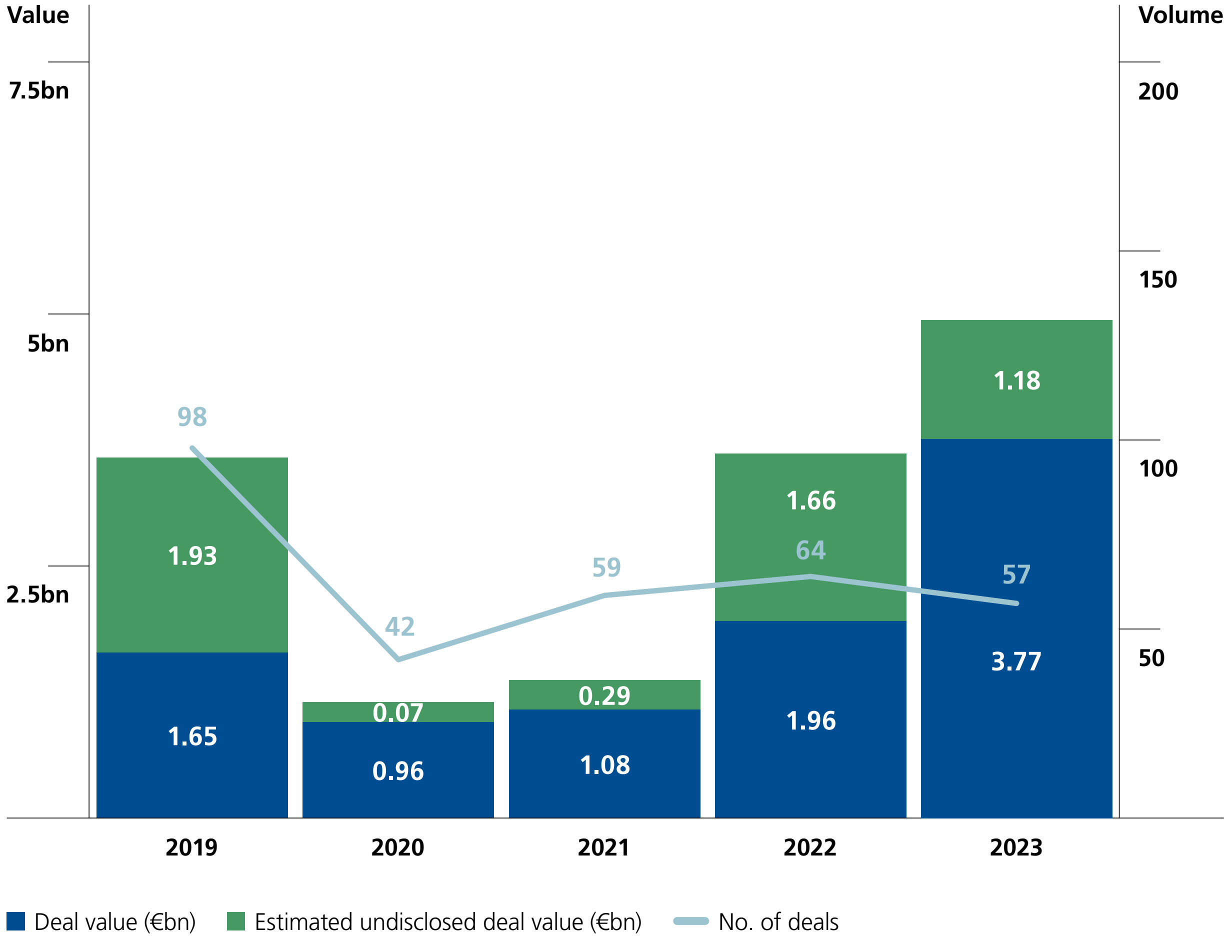

MANUFACTURING 1.5bn


REAL ESTATE & CONSTRUCTION 800m


TRANSPORTATION & LOGISTICS 700m

Hungary

Deals by value and volume



Top 5 deals

1 **EUR 1.64bn**

Target: **Vodafone Hungary**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Corvinus; 4iG**
(*Country of buyer:* **Hungary**)
Value source: ***Official data***

2 **EUR 600m**

Target: **Assets of PPF Telecom in Hungary**
Sector: **Telecoms & IT**
Stake: **50%**
Buyer: **e&**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[1]

3 **EUR 400m**

Target: **Assets of PPF Telecom in Hungary**
Sector: **Telecoms & IT**
Stake: **25%**
Buyer: **PPF Group**
(*Country of buyer:* **Czech Republic**)
Value source: ***EMIS estimate***[2]

4 **EUR 272.2m**

Target: **Hungarian business of Vienna Insurance Group**
Sector: **Finance & Insurance**
Stake: **35%**
Buyer: **Vienna Insurance Group**
(*Country of buyer:* **Austria**)
Value source: ***EMIS estimate***[3]

5 **EUR 231.2m**

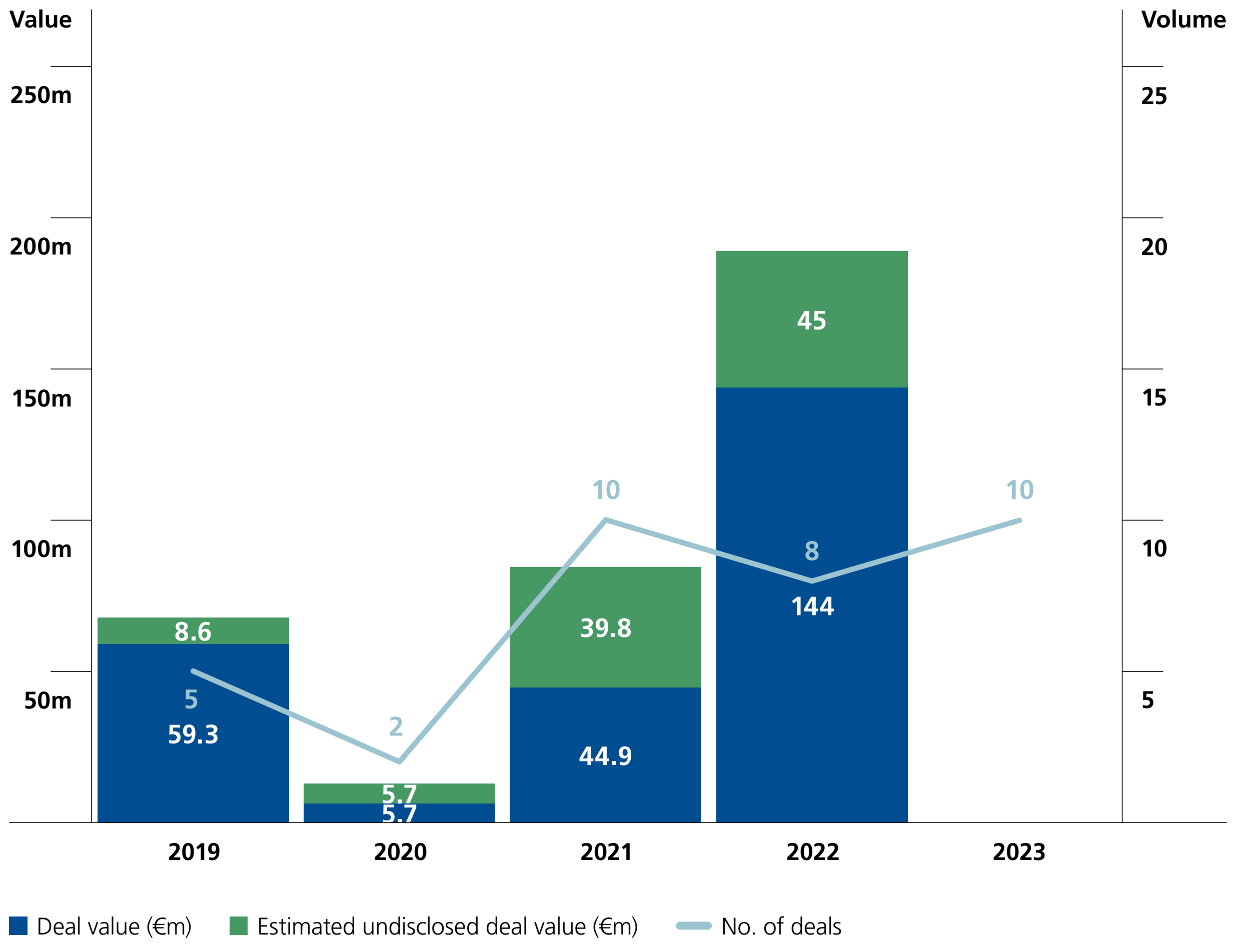
Target: **Erste Bank Hungary**
Sector: **Finance & Insurance**
Stake: **15%**
Buyer: **Erste Group Bank**
(*Country of buyer:* **Austria**)
Value source: ***Official data***

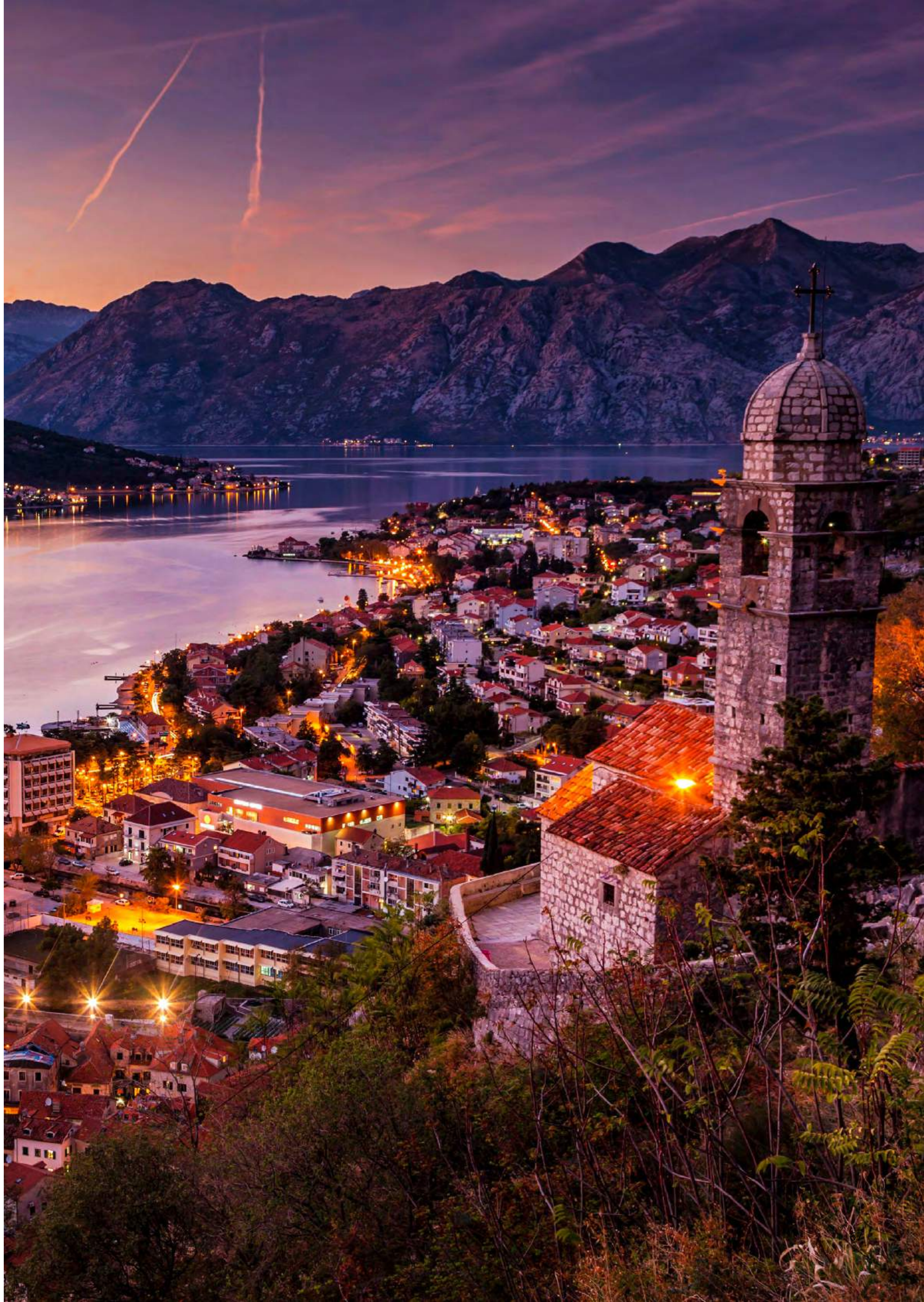
Top 3 sectors by value, EUR

TELECOMS & IT	2.65bn
FINANCE & INSURANCE	740m
REAL ESTATE & CONSTRUCTION	140m

Montenegro

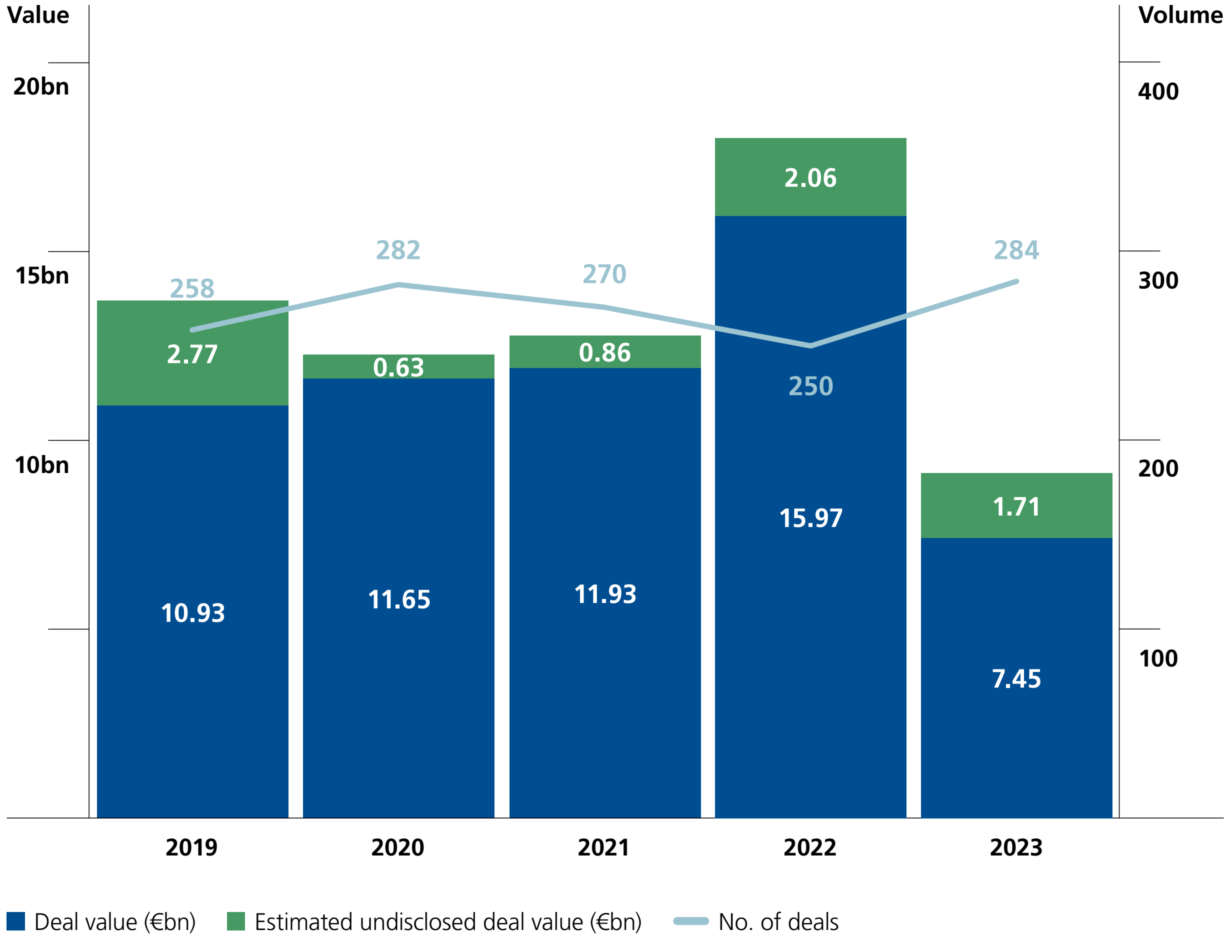
Deals by value and volume





Poland

Deals by value and volume



Top 5 deals

Target: **Techland**

Sector: **Telecoms & IT**

Stake: **67%**

Buyer: **Tencent Holdings**
(*Country of buyer:* **China**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***

Target: **STS Holding**

Sector: **Other**

Stake: **100%**

Buyer: **Company founder(s); Emma Capital; Entain**
(*Country of buyer:* **Czech Republic; United Kingdom**)
Value source: ***Official data***

Target: **Autostrada Wielkopolska; Autostrada Wielkopolska II**

Sector: **Transportation & Logistics**

Stake: **n/a**

Buyer: **Meridiam**
(*Country of buyer:* **France**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***

Target: **On Tower Poland**

Sector: **Telecoms & IT**

Stake: **30%**

Buyer: **Cellnex Telecom**
(*Country of buyer:* **Spain**)
Value source: ***Official data***

Target: **300 MW wind and solar portfolio**

Sector: **Energy & Utilities**

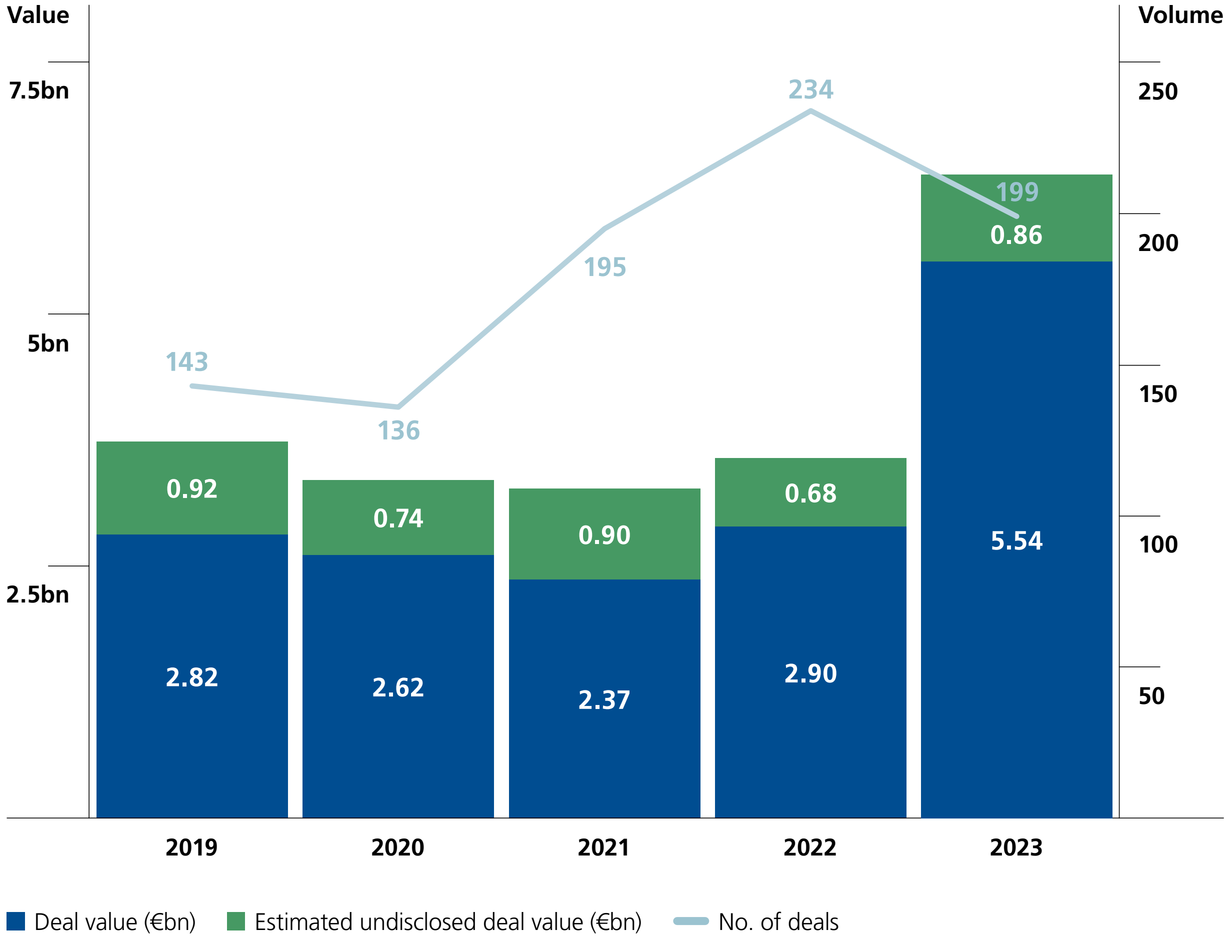
Stake: **100%**

Buyer: **Orlen**
(*Country of buyer:* **Poland**)
Value source: ***Official data***

Top 3 sectors by value, EUR

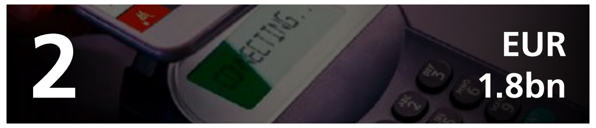
Romania

Deals by value and volume



Top 5 deals

Target: **Romanian operations of Enel**
Sector: **Energy & Utilities**
Stake: **100%**
Buyer: **Public Power Corporation**
(*Country of buyer:* **Greece**)
Value source: ***Official data***



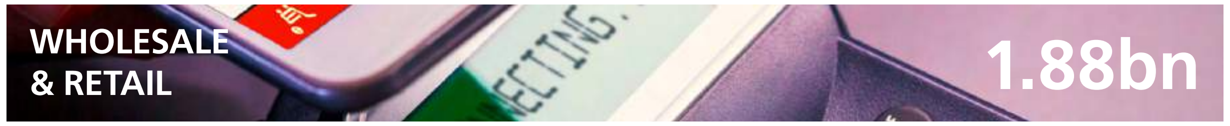
Target: **Profi Rom Food**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Ahold Delhaize**
(*Country of buyer:* **Netherlands**)
Value source: ***Official data***

Target: **Alpha Bank**
Sector: **Finance & Insurance**
Stake: **90.1%**
Buyer: **UniCredit**
(*Country of buyer:* **Italy**)
Value source: ***Official data***

Target: **25 Romanian retail parks**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **M Core**
(*Country of buyer:* **United Kingdom**)
Value source: ***Official data***

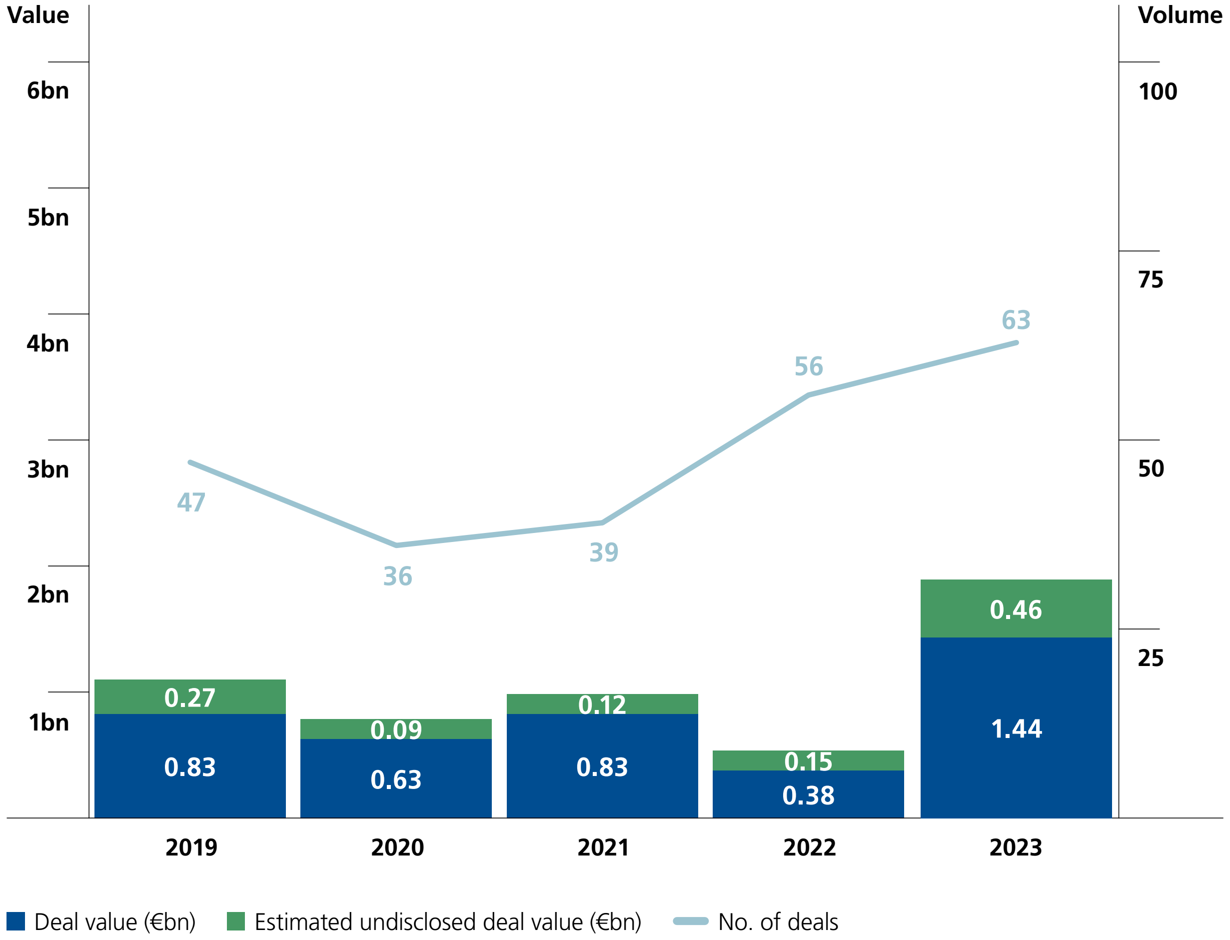
Target: **Vel Pitar**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Grupo Bimbo**
(*Country of buyer:* **Mexico**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

Top 3 sectors by value, EUR



Serbia

Deals by value and volume



Top 5 deals

1 **EUR 650m**

Target: **Assets of PPF Telecom in Serbia**
Sector: **Telecoms & IT**
Stake: **50%**
Buyer: **e&**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[1]

2 **EUR 307.3m**

Target: **Meridian Gaming**
Sector: **Other**
Stake: **100%**
Buyer: **Golden Matrix Group**
(*Country of buyer:* **United States**)
Value source: ***Official data***

3 **EUR 196m**

Target: **Eurobank Direktna**
Sector: **Finance & Insurance**
Stake: **70%**
Buyer: **AIK Banka**
(*Country of buyer:* **Serbia**)
Value source: ***Official data***

4 **EUR 141m**

Target: **MaxBet**
Sector: **Other**
Stake: **51%**
Buyer: **Flutter Entertainment**
(*Country of buyer:* **Ireland**)
Value source: ***Official data***

5 **EUR 40.5m**

Target: **Strauss Adriatic**
Sector: **Food & Beverage**
Stake: **100%**
Buyer: **Atlantic Grupa**
(*Country of buyer:* **Croatia**)
Value source: ***Official data***

Top 3 sectors by value, EUR

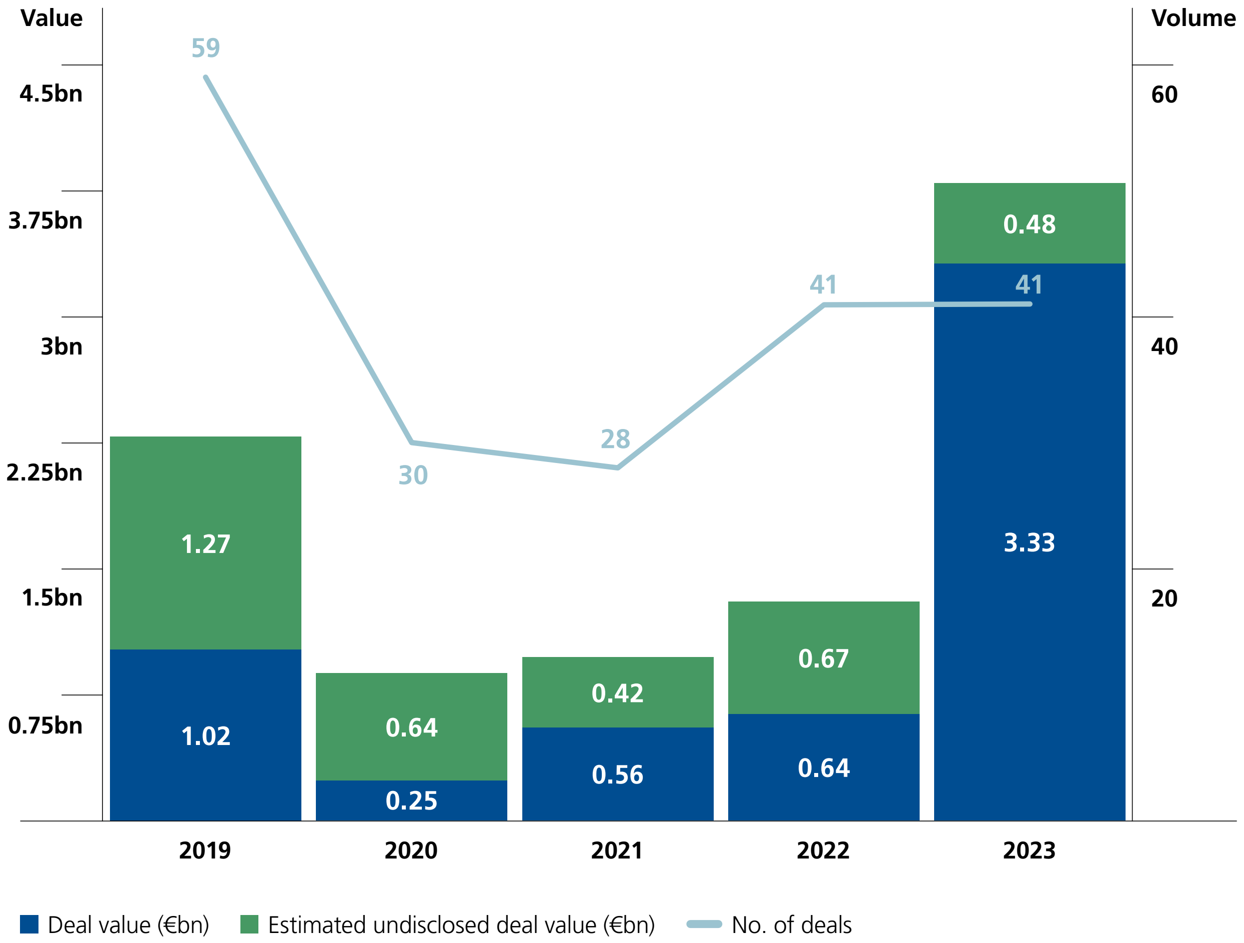
TELECOMS & IT **651m**

OTHER **448.3m**

FINANCE & INSURANCE **196m**

Slovakia

Deals by value and volume



Top 5 deals

Target: **Slovakian business of U.S. Steel**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Nippon Steel Corp**
(*Country of buyer:* **Japan**)
Value source: ***EMIS estimate***[1]

Target: **Assets of PPF Telecom in Slovakia**
Sector: **Telecoms & IT**
Stake: **24.7%**
Buyer: **e&**
(*Country of buyer:* **United Arab Emirates**)
Value source: ***EMIS estimate***[2]

Target: **2J Antennas**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **discoverIE Group**
(*Country of buyer:* **United Kingdom**)
Value source: ***Official data***

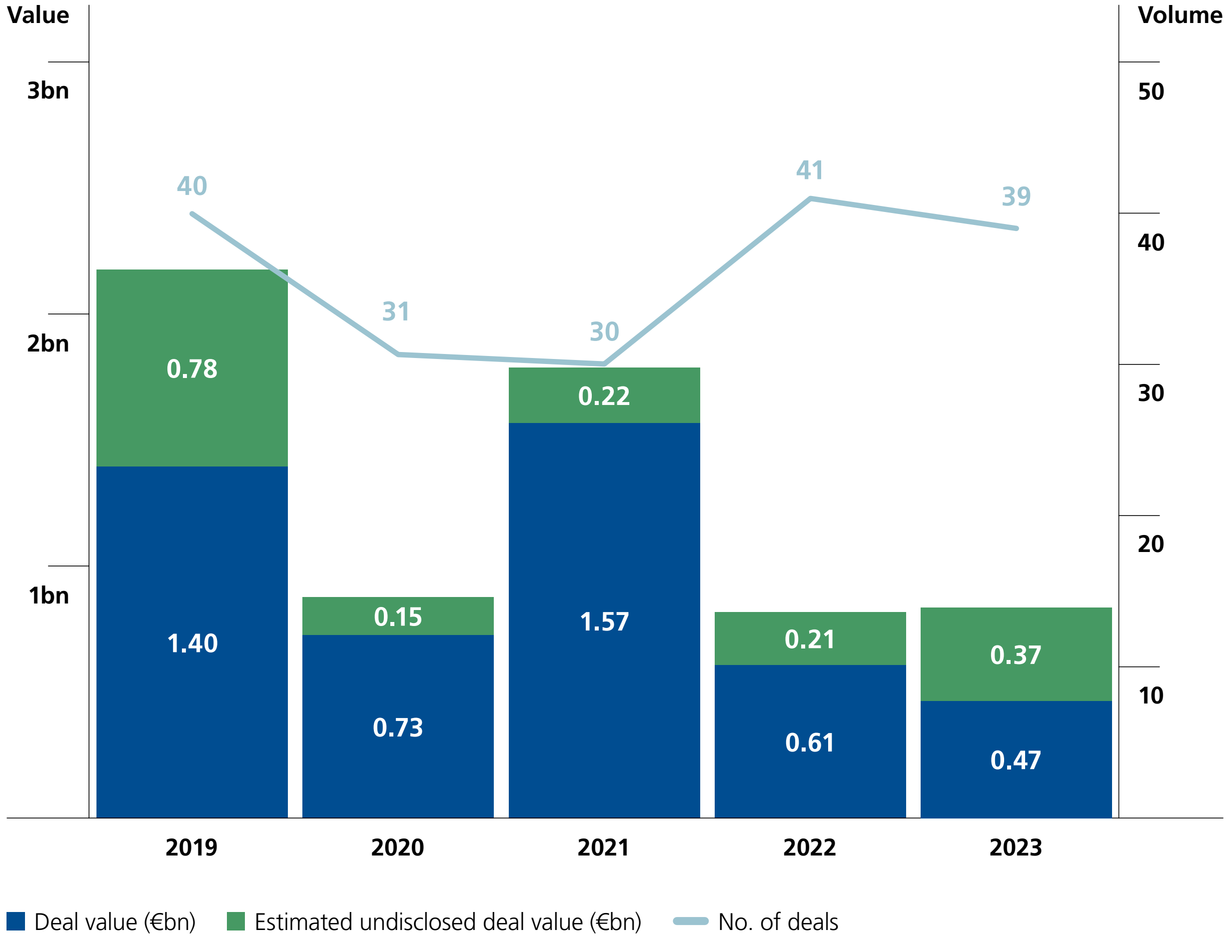
Target: **BTS Group**
Sector: **Services**
Stake: **100%**
Buyer: **Is Dongseo**
(*Country of buyer:* **South Korea**)
Value source: ***Official data***

Target: **Photoneo**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **Kolowrat Group; H&D Asset Management; Alpha Intelligence Capital; Venture to Future Fund; Taiwania Capital; IPM Group**
(*Country of buyer:* **Luxembourg; Slovakia; Taiwan; United Kingdom**)
Value source: ***Official data***

Top 3 sectors by value, EUR

Slovenia

Deals by value and volume

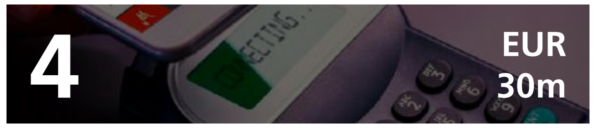


Top 5 deals

Target: **Mobile tower infrastructure in Slovenia**
Sector: **Telecoms & IT**
Stake: **100%**
Buyer: **stc**
(*Country of buyer:* **Saudi Arabia**)
Value source: ***EMIS estimate***[1]

Target: **Summit Leasing Slovenija**
Sector: **Finance & Insurance**
Stake: **100%**
Buyer: **Nova Ljubljanska Banka**
(*Country of buyer:* **Slovenia**)
Value source: ***EMIS estimate***[2]

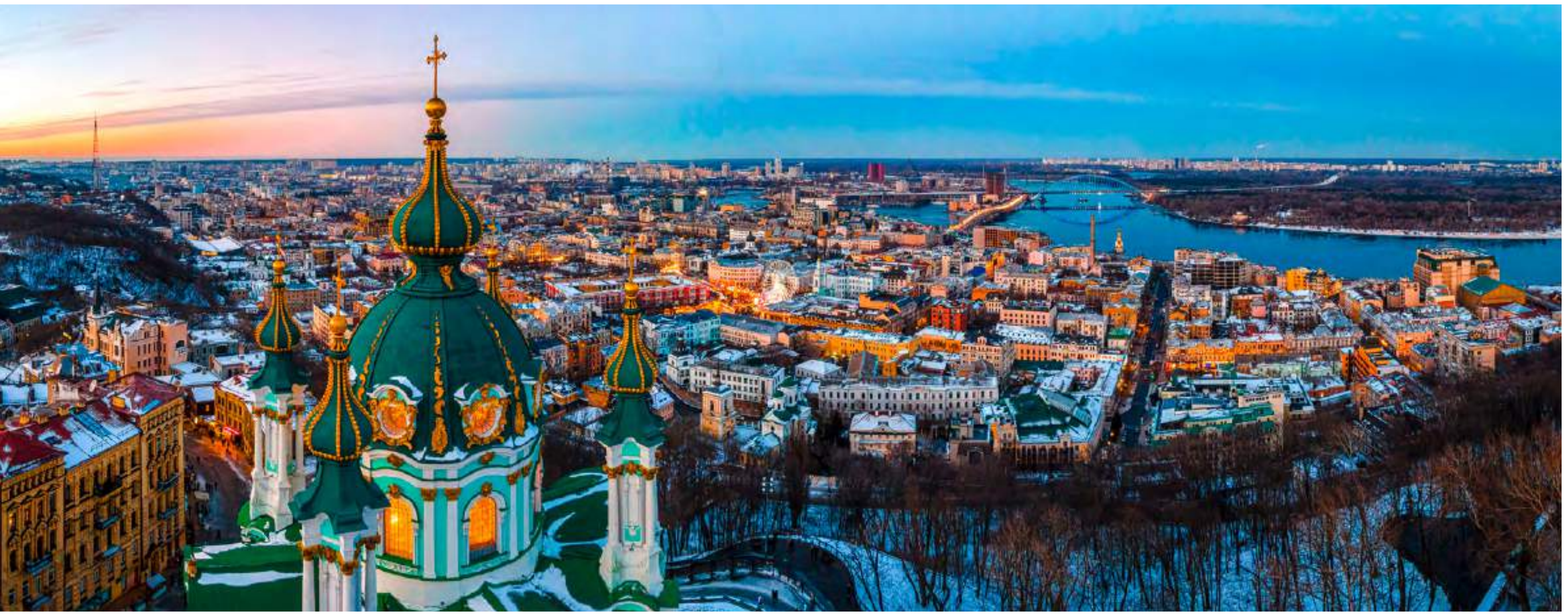
Target: **Seven Refractories**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **RHI Magnesita**
(*Country of buyer:* **Austria**)
Value source: ***EMIS estimate***[3]



Target: **Engrotus**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Mercator**
(*Country of buyer:* **Slovenia**)
Value source: ***Market estimate provided by EMIS and based on publically available information***

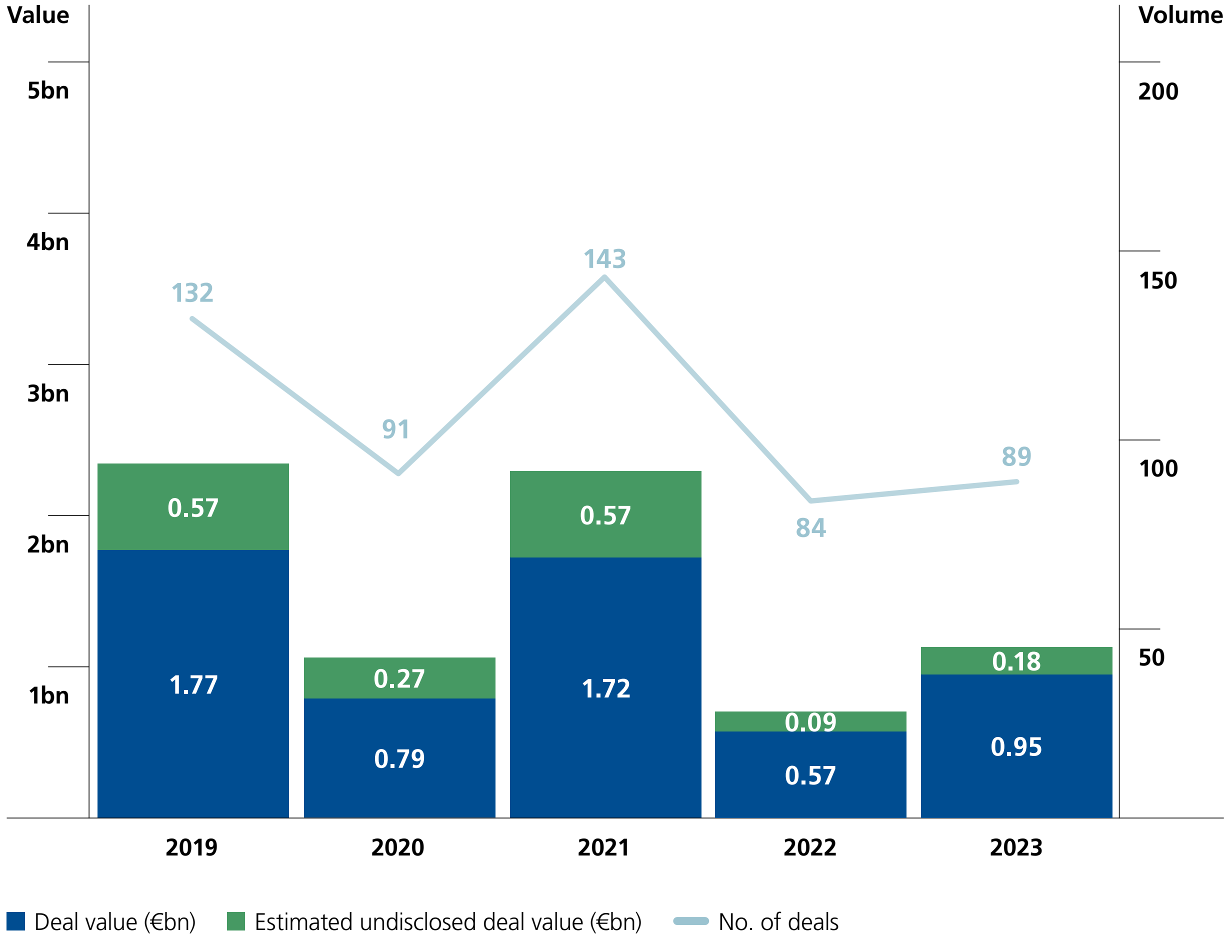
Target: **I-Vent**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **Volution Group**
(*Country of buyer:* **United Kingdom**)
Value source: ***Official data***

Top 3 sectors by value, EUR



Ukraine

Deals by value and volume



Top 5 deals

1

EUR 112.5m

Target: **Kernel Holding**
Sector: **Agriculture & Farming**
Stake: **36%**
Buyer: **Andriy Verevsky - private investor**
(*Country of buyer:* **Ukraine**)
Value source: ***Official data***

2

EUR 103.2

Target: **Mining Company Ukrnaftoburinnya**
Sector: **Mining (incl. oil & gas)**
Stake: **22.5%**
Buyer: **Undisclosed private investor**
(*Country of buyer:* **Ukraine**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***

3

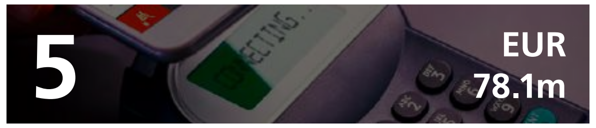
EUR 100m

Target: **Buzzi SpA's operations**
Sector: **Manufacturing**
Stake: **100%**
Buyer: **CRH Plc**
(*Country of buyer:* **Ireland**)
Value source: ***Official data***

4

EUR 83.2m

Target: **Parus Business Centre**
Sector: **Real Estate & Construction**
Stake: **100%**
Buyer: **Maxim Krippa - private investor**
(*Country of buyer:* **Ukraine**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***



5

EUR 78.1m

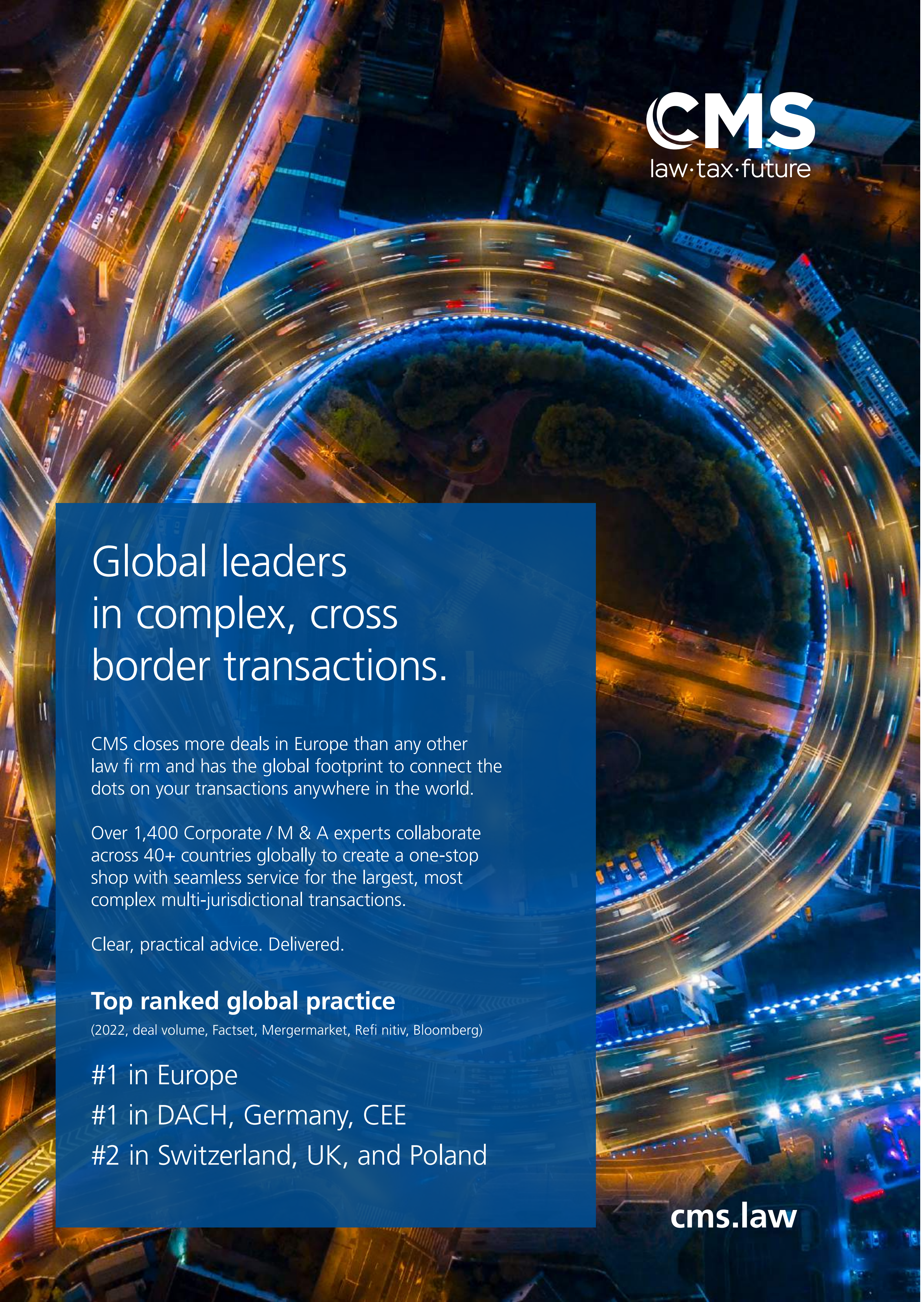
Target: **DMarket**
Sector: **Wholesale & Retail**
Stake: **100%**
Buyer: **Mythical Games**
(*Country of buyer:* **United States**)
Value source: ***Market estimate provided by EMIS and based on publicly available information***

Top 3 sectors by value, EUR

AGRICULTURE & FARMING 188.2m

REAL ESTATE & CONSTRUCTION 177.5m

MANUFACTURING 126.1m



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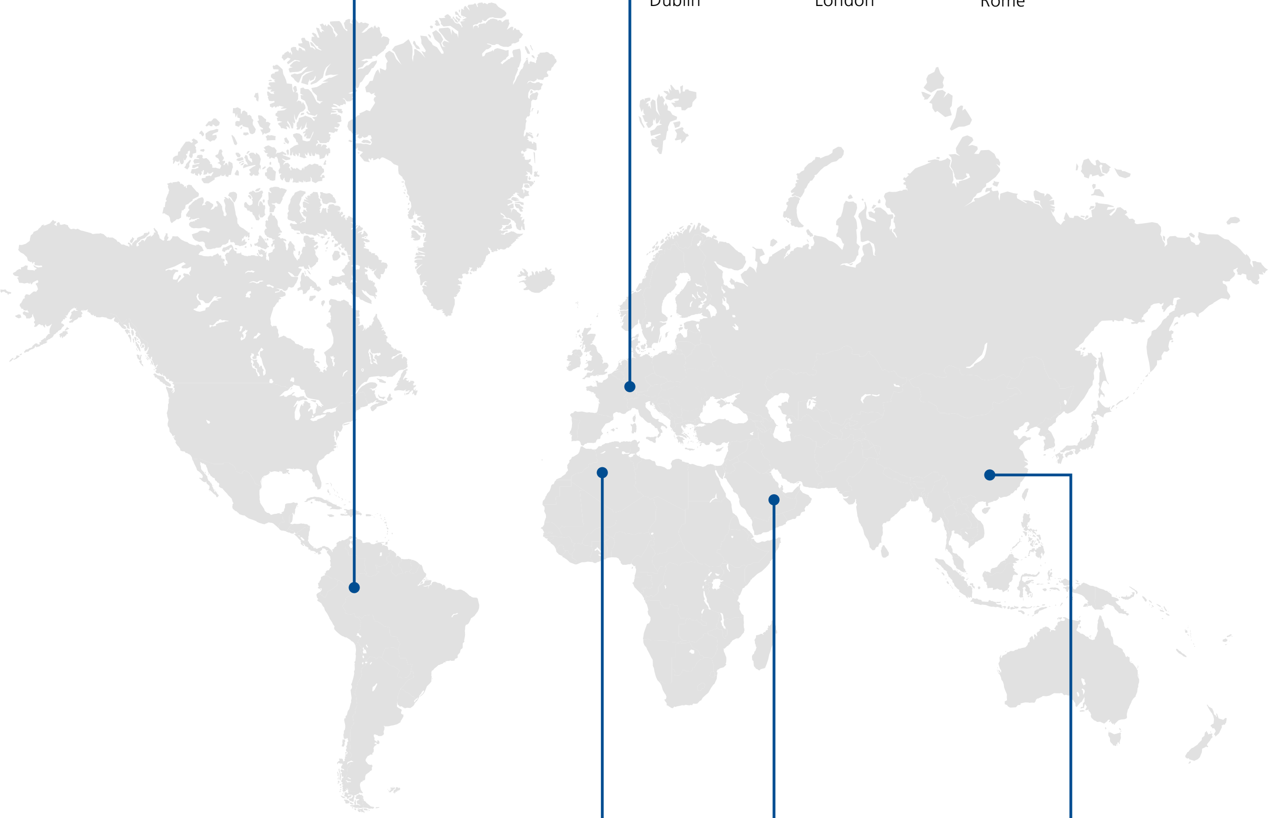

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Singapore

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NOTE: Deals with buyers from more than one country are excluded from the table by deal value.

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NOTE: The table includes both investments (entries) and disposals (exits) involving private equity.
[1] Estimate based on net sales
[2] Estimate based on number of clinics
[3] Estimate based on previous interest acqusition in the business

Energy & Utilities Page 52
[1] Estimate based on the share of assets in EE

Albania Page 54
[1] Estimate based on the Albanian section of TAP
[2] Estimate based on the number of clinics

Bulgaria Page 58
[1] Estimate based on the number of towers
[2] Esimate based on EBITDAaL
[3] Estimate based on the number of sites
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Czech Republic Page 62
[1] Estimate based on buyer's stock price

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[2] Estimate based previous interest acqusition in the business
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Slovakia Page 74
[1] Estimate based on net sales
[2] Estimate based on EBITDAaL

Slovenia Page 76
[1] Estimate based on the number of towers
[2] Estimate based book value of Summit Leasing
[3] Estimate based on the number of production sites

Methodology

Deal Announcement Date: 01 January 2023 – 31 December 2023

Deal Region: Emerging Europe geographic area, understood as the dominant country of operations of the deal target or the location of its main assets, covers: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, North Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, and Ukraine.

Deal Value: at least USD 1m; for commercial real estate deals at least USD 5m (Note: Deals with undisclosed value were accounted for as having a value of zero, unless a publicly available market estimate was provided by a third-party, or a deal value could be estimated by EMIS. Such cases are clearly labelled in the report).

Private Equity: the category includes deals with the participation of private equity firms, sovereign investment funds, pension funds, private investment companies, asset managers, supranational finance institution, and large investment banks.

Real Estate: the category includes deals for commercial properties, property developers, construction companies, and real estate investment funds.

Exclusions: rumoured or failed deals, ECM deals, convertibles issues, NPL deals, share buybacks, internal restructurings, joint ventures, and employee offers.

Domestic / Cross-border: by domestic deals we understand those where the target, buyer and seller are from the same country. By cross-border deals we understand those where at least two different countries on different sides of the deal are involved.

Deal inclusion and categorization can be discretionary. The data can be subject to updates.

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Embedded within CEE for over 30 years, CMS advises global corporates and financial institutions from its 16 offices in the region. With over 100 partners and 500 lawyers based here, CMS has more offices and more lawyers in CEE than any other law firm. We regularly mobilise large international teams for complex cross-border deals and projects and can offer both local and international (UK and US) lawyers on the ground. Client come to us for our in depth understanding of the CEE markets and ability to provide specialised sector expertise delivered in the commercial setting of our client's business. Regionally, we advise on more deals in the region than any other firm, however, we are not just focused on large scale corporate M&A, we are a full service law firm and in fact the only firm in CEE to be acknowledged as a band 1 firm for every category for the CEE Chambers Global legal directory rankings.

About EMIS

EMIS is the world's leading provider of company, industry and country information on emerging markets. Part of ISI Emerging Markets Group, the company employs over 500 people in 19 countries around the world and provides critical intelligence to corporate, financial services, professional services, government and academic clients. The company was founded in 1994. Website: emis.com

Editors:
Iwona Truszczyńska, Barbara Siwkowska – CMS Poland
Data coordinator:
Adela Svachova – CMS CEE
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