

Global M&A Intelligence Report

Main trends and deal differences in CEE

Brief overview and 2023 expectations

In 2022, the war in Ukraine, high inflation and expensive debt finance frustrated the CEE M&A market.

But, on the face of it, 2022 showed high levels of M&A activity across different sectors. Still, some CEE countries expect the M&A market to slow down in the first half of 2023, mainly because of high inflation. We expect M&A in 2023 to be generally positive.

Let's take a look at the main trends and deal differences in the CEE M&A market in 2022.

More interest in exclusivity

Auction deals in 2022 decreased significantly. So there was a strong tendency to negotiate exclusivity provisions. The parties try to enforce exclusivity provisions in courts. They try to get prohibitory injunctions for transactions that breach exclusivity provisions or claim damages when a party breaches obligations to negotiate in good faith.

Conditions precedent

The list of conditions precedent in CEE countries is similar to other jurisdictions. COVID-19 is not considered a material adverse change. Finance conditions precedent are uncommon. But in the changing economic situation, they're likely to become more popular soon.

Recent interpretation of the EU regulation has led the European Commission to appraise transactions that don't meet national thresholds if they raise substantial competition concerns. Domestic filings usually go smoothly and don't take long.

In some CEE countries, M&A transactions now need foreign direct investment (FDI) clearance. FDI clearance affects the dynamic of M&A transactions primarily by increasing the time between signing and closing.

In Hungary, during the COVID-19 pandemic the FDI clearance regime was expanded drastically. A foreign acquirer will now need FDI clearance in almost all fields of economic activity.

In Poland, broader FDI laws have been introduced in selected industries that are protected from a national interest perspective if the bidder is from a non-OECD jurisdiction.

In Slovakia, a comprehensive FDI screening legislation came into force on 1 March 2023. The new legislation protects security and public order of the Slovak Republic and the EU.

Private equity

Because of increasing global uncertainty, some local key private equity players sped up their exits to realize gains as soon as possible (before the market window disappears). It created space and opportunity for strategic international buyers to pursue their investments. We saw some successful exits in the IT sector (SaaS segment) and real estate.

Reorganisation

The global economic downturn (energy prices, supply chain disruptions, geopolitical concerns, inflation) has prompted large market players to reorganise their businesses and sell non-core elements. Most CEE countries introduced new reorganisation regimes and reforms in insolvency law. The only exception is Poland, where the slowdown in the market has not been that severe. This is because the influx of refugees from Ukraine increased the customer base.

W&I insurance

In most CEE countries W&I insurance policies are only starting to become popular.

In Poland, W&I insurance is quite common with active W&I brokers. It's especially popular in PE exits (who prefer not to give commercial warranties) and large transactions.

In the Czech Republic, W&I insurance is increasingly common. In the last two years we've seen M&A transactions covered by W&I insurance not only in real estate deals, but also for industrial productions (chemicals), in the financial sector (a major Czech bank) and energy (a solar power plant). Usually the buy-side is the insured or policyholder. But the seller often needs insurance too. The parties usually split the cost of the insurance. In most cases the W&I policy is governed by the same laws as the sale and purchase agreement.





“Private equity players accelerated their exits to capitalise on the gains, creating opportunities for strategic international buyers to pursue investments in the CEE region.”

Ekaterina Larens
Counsel, Austria



“Large businesses focused on reorganisations, streamlining their operations and shedding non-core business segments.”

Miroslav Dubovsky
Partner, Czech Republic



“The market sustained robust activity across multiple sectors, boosting optimism for a positive 2023 for M&A.”

Rafał Kluziak
Partner, Poland



“The war in Ukraine, widening sanctions, rising inflation and cautious investment decisions threatened the market. However, several sectors proved resilient, resulting in an active market with reorganisations, accelerated exits and restarted transactions.”

Gabor Molnar
Partner, Hungary

Country-specific trends

Austria

The tech startup market is booming. Quite a lot of founders managed to get financing that was put on hold because of COVID-19. We see a lot of US investors on the market.

Hungary

Investments in the Hungarian market are mainly foreign. More domestic investors are looking for targets outside Hungary, particularly in the CEE/DACH region and the Balkans. Interest is wide ranging – from the financial sector and telecoms to real estate construction and fast-moving consumer goods.

Poland

There are more minority and partial private equity investments with less than 100% buyouts. Investors decide to grow companies with their founders.

Romania

With a growing economy and businesses reaching critical mass, Romania is ripe for dealmaking these days. Debt funding is a key issue. As it becomes less available and more expensive, valuations are under pressure. Deal dynamics may be more hindered than before.

Slovakia

The statutory obstacle that complicated many M&A deals was finally removed on 17 July 2022. Transferring a majority share in an LLC now takes effect on the date the sale and purchase agreement is delivered to the target and not the date of state registration. The old regulation was an issue in multijurisdictional transactions as parties had to wait for the court to register the deal in the Slovak Commercial Register.

Czech Republic

The dynamic of the market shifted from a sellers' market and now buyers are setting the terms. But there are still big differences in price expectations. High inflation means acquiring potential targets in the Czech Republic will be more expensive. But it also creates opportunities for Czech investors abroad.

Deal highlights in CEE:

- **Trupanion** on the acquisition of **Pet Expert**
- **PetroRio SA**, a Brazilian headquartered oil and gas company, on the acquisition of **Dommo Energia SA** with subsidiaries in the Netherlands and Austria, including obtaining FDI clearance
- **Cube Infrastructure Partners** on the acquisition of 70% of shares in **Müller Logistics-Group**, which is based in Austria, involving legal matters across Austria, Slovakia and Luxembourg
- **Wirtualna Polska Group** on the conclusion of a conditional agreement with, among others, funds managed by **PortfoLion Capital Partners** to acquire the **Szallas Group** for EUR82 million
- **Avallon** on a joint acquisition with **Genesis of TES Vsetin** from **ARX Equity Partners**
- **Cube Infrastructure Managers** on the 100% acquisition of **MVV Energie CZ**, a Czech subsidiary of the German energy company **MVV Energie AG**
- **Gránit Bank** on the acquisition of shares representing 50%+1 of the votes at the general meeting of **Equilor Befektetési Zrt.**, a leading Hungarian investment service provider/brokerage firm
- **PortfoLion**, a Hungarian all-stage private equity firm regarding its participation in a USD 94 million Series B financing to **SEON**, a leading UK/Hungarian fraud prevention application developer
- **Bisar** on the sale of 40% of shares in **Bisar** to **Polish Enterprise Fund VIII**, managed by **Enterprise Investors**
- **Polish Enterprise Fund VIII** on its up to EUR19 million investment in **Renters.pl**, acquiring up to 80% of the company's shares

Contributors

Austria

Christoph Mager
Elisabeth Stichmann
Ekaterina Larens

Czech Republic

Miroslav Dubovsky
Jan Židek

Hungary

Andras Posztl
Gabor Molnar

Poland

Rafał Kluziak

Romania

Marian Dinu
Oana Dutu-Buzura

Slovakia

Michaela Stessl
Andrej Liska

