



The scene is set for another  
M&A growth story

Ready. Steady...

March 13, 2024



**pwc**

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## Global M&A Highlights



**Dinu Bumbăcea**

Country Managing Partner  
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# Sluggish 2023 M&A activity. 2024 market on the mend



Source: PwC - Global  
M&A Industry Trends:  
2024 Outlook.

	Deal value (USD tn)	Deal value, w/o megadeals (USD tn)	Deal volume (no.)
Global	2.5	1.8	54,656
US	52%	44%	34%
EMEA	23%	26%	35%
Asia-Pacific	25%	30%	31%

Down year 2023 (**-25%/y/y in value** terms, **-6%/y/y in volume** terms) confirmed the historical trend, with two-years in a row decline after a peak.

Increasing interest rates, inflationary pressures and geopolitical tensions were the main culprits behind the fall.

Technical analysis suggest a **rebound of the market in 2024**. From a fundamental perspective, 2023 created pent-up buyer demand and a buildup in seller assets, setting the premises for a recovery in deals.

# Factors underlying our dealmaking optimism

## Expected relaxation of the monetary policies



While most of the European central banks and the FED decided to keep the key rate unchanged over the past year, FED representatives have already announced a relaxation of the monetary policy this year. Under a cheaper financing environment, dealmakers are expected to plan and execute more deals.

## Positive signs from the stock exchanges



Composite indices of major stock exchanges have shown notable signs of recovery, with S&P500 gaining 16% over the past 6 months (9%YTD), while NASDAQ Composite gained 18% over the same period (10%YTD). EV/fwEBITDA increased by approx. 20% on NASDAQ, still below last three-years peaks, which suggests there is still room to grow.

## Demand and Supply



As 2023 ended-up with a subdued no. of deals, there is a strong expectation to see the postponed transactions happening this year. Considering the significant liquidity available in the market and the increasing no. of buyers waiting for opportunities to come, the supply should emerge shortly.

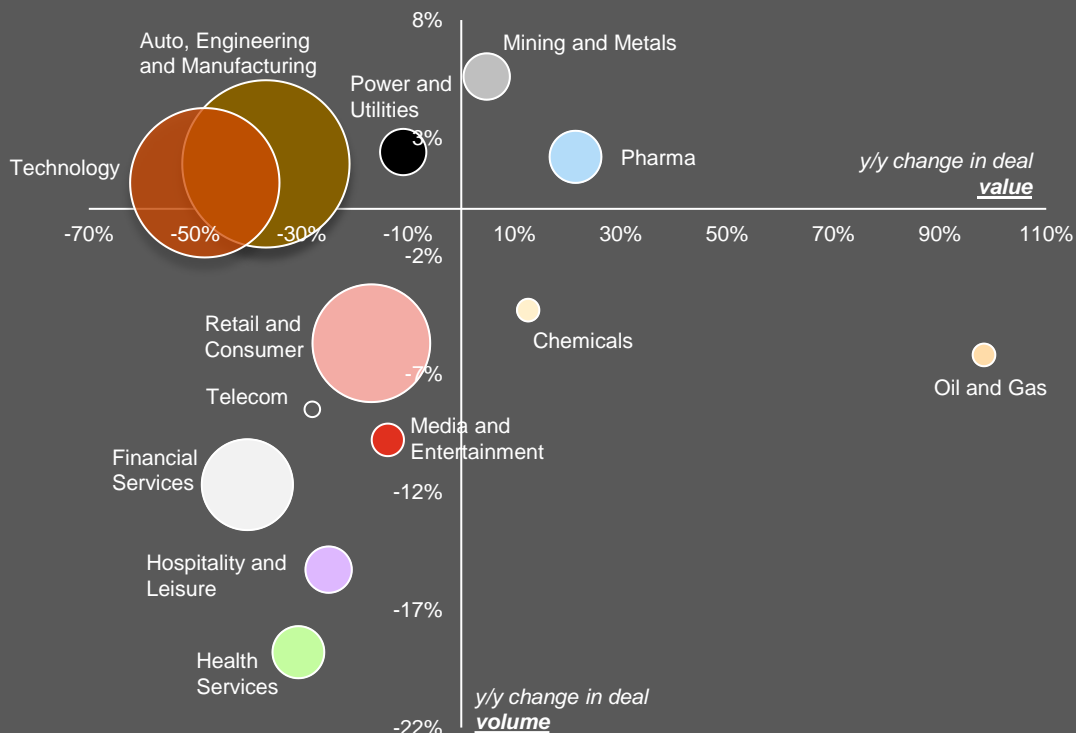
## Lower IPO activity sets the scene for high M&A intensity



Considering that the interest of the companies to go public has reduced (global IPO proceeds went down 30% in 2023 versus 2022), the option of an M&A to architect an exit entered more and more on the radar of the private companies.

# Where is the recovery expected to come from?

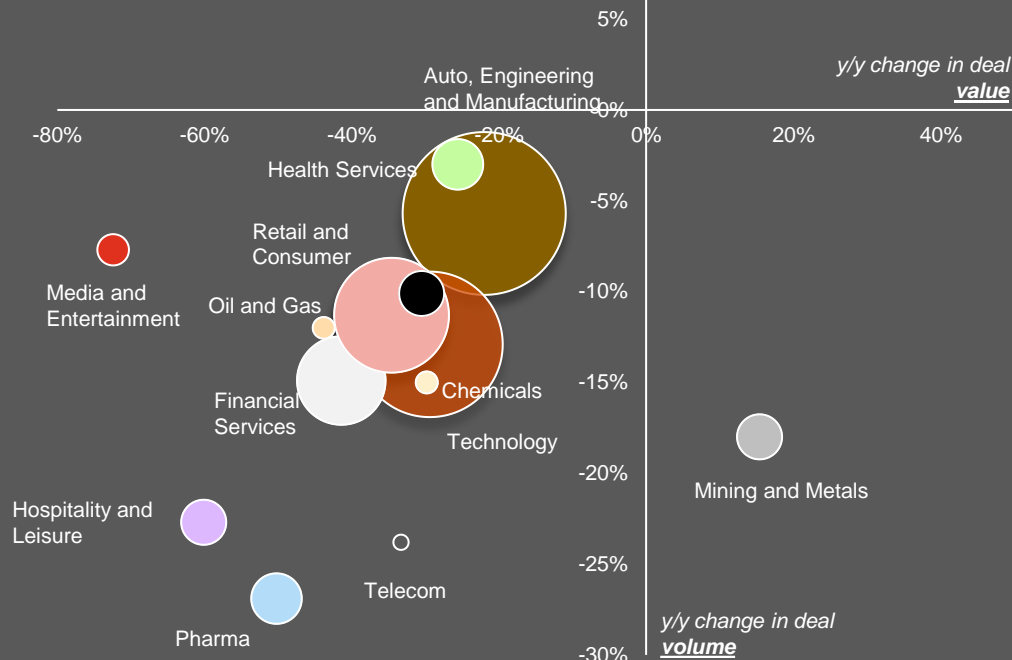
## 2023 sectorial dynamics in M&A



Note: Bubble size represents the relative size of the sector based on deal volumes

Sources: LSEG and PwC analysis

## 2022 sectorial dynamics in M&A



While 2022 posted generalized declines in deals for almost all of the sectors at global level, 2023 came in with increases in deal volume in Technology; Auto, Engineering and Manufacturing; Mining and Metals; Power and Utilities and also with a significant no. of megadeals. In Power and Utilities, the green transition continues to drive business transformation as companies reposition themselves to meet sustainability challenges, with the number of megadeals almost tripling in 2023. In TMT, technology continues to be a key focus, and the software deals market remains attractive for PE players. In Auto, Engineering and Manufacturing, the need for HC and technology imports are major reasons behind deals. Pharma market continued to see consolidations, with large-cap companies pursuing midsize biotech targets as a general trend.

For the remaining sectors, the recovery of the M&A market is expected to take longer. Financial services M&A is likely to remain driven by consolidation in the context of the digitalization, AI import in the sector and restructuring of low-size players facing high operational costs. Healthcare services will likely see some distressed hospital deals as companies grapple with financial and operational difficulties such as funding cutbacks and clinical workforce shortages. In consumer - where purchasing power is still constrained, retail, hospitality and leisure sectors, the deal activity is expected to remain modest.



# What's next?

60%

of CEOs plan to make at least one acquisition in the next three years.

47%

of financial services CEOs are planning to make acquisitions in the next three years.

70%

of business leaders expect to use M&A to accelerate adoption of technology and technology-related processes.

•**Asset and wealth management:** Players with decelerating organic revenue growth and shrinking margins will continue to use M&A to achieve scale.

•**Insurance:** ongoing consolidation of this highly fragmented market is underway and will continue to attract PE investors, while existing players are looking to divest complex legacy insurance portfolios bringing low profitability and high risks.

•**Payments:** both PE firms and banking & payments corporates view the payments business as scalable, less regulated and more profitable than other parts of the FS industry. Buy-and-build strategies are expected to remain a popular growth strategy in this sector.

•**Fintech:** FS are likely to enter strategic partnerships with fintechs, new distribution partners and others to build ecosystems and further develop their business models. However, new capital and liquidity are increasingly difficult for many fintechs to access. Consequently, we expect some fintechs to be attractive takeover candidates and some to become the subject of distressed M&A.

•**Private equity:** Investors with increasing specialisation in FS, dedicated FS teams and increasing fund volumes are focusing on FS and FS-related topics such as insurance brokerage, payments, platforms, fintech, insurtech and regtech. Hence, we expect to see further M&A activity in these areas. However, with PE investors facing greater pressure on returns due to the higher cost of capital and limitations regarding leverage, a focus on value creation will be more important than ever.

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# Romanian M&A Highlights



**George Ureche**

Director, M&A Leader PwC  
România



# Lower volumes, higher average values

**189** no. deals closed

**EUR 4.3bn** value of deals closed

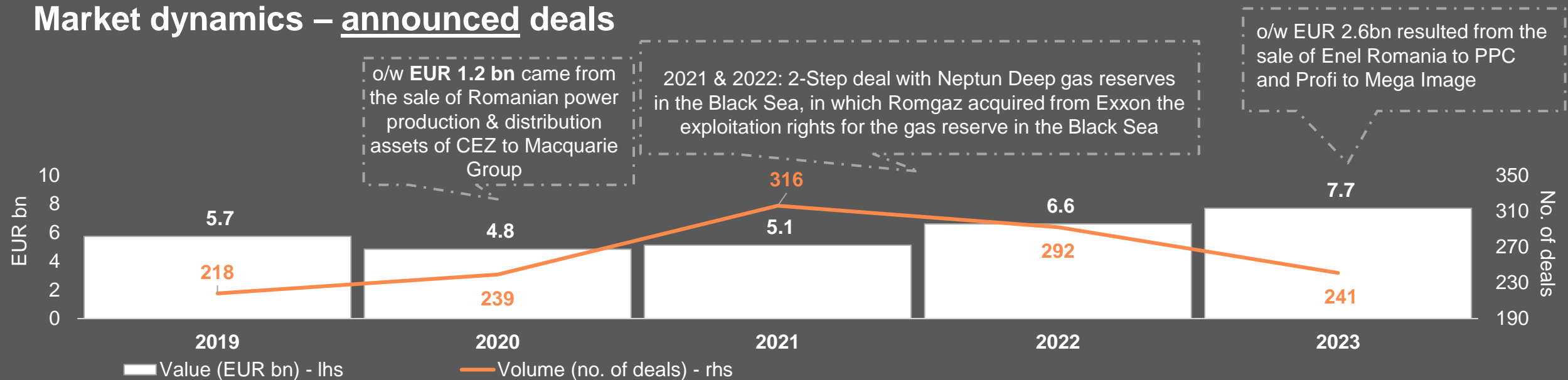
Deals that were announced (including closed deals and signed & not closed deals) sum up to EUR 7.7bn from a number of 241 transactions.

The Romanian M&A market recorded in 2023 the lowest numbers over the past three years, both in value and volume terms. The closed deals reached a **total value of only EUR 4.3bn (approx. -20% in y/y terms vs the EUR 5.2bn in 2022)**. This status resulted partially as a consequence of Hidroelectrica IPO on the Bucharest Stock Exchange, which was the largest IPO ever in Romania and the largest in Europe in 2023, with a significant liquidity available in the market (EUR 1.8bn) being absorbed by this transaction.

Even in this context, **Romania was re-confirmed as a mega-deals space**, 2023 being the fourth year in a row with transactions exceeding EUR 1bn (CEZ in 2020, 2-step deal involving the acquisition of Neptun Deep by Romgaz in 2021 & 2022, Enel in 2023). **Without the EUR 1bn transaction with Enel, the 2023 local market would have reached EUR 3.1bn (vs EUR 4.4bn in 2022, without Neptun Deep deal).**

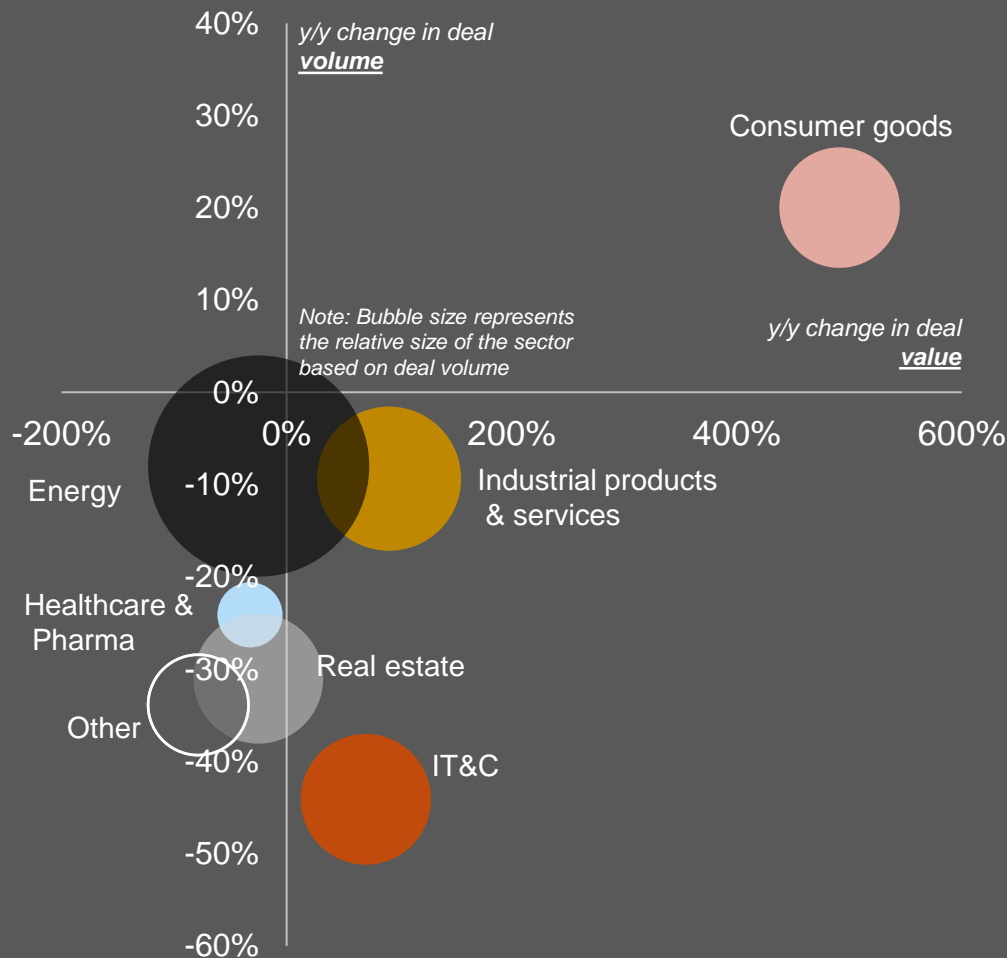
2024 seems to continue this path in terms of megadeals generation, with the closing of the deal with Profi and Mega Image.

## Market dynamics – announced deals

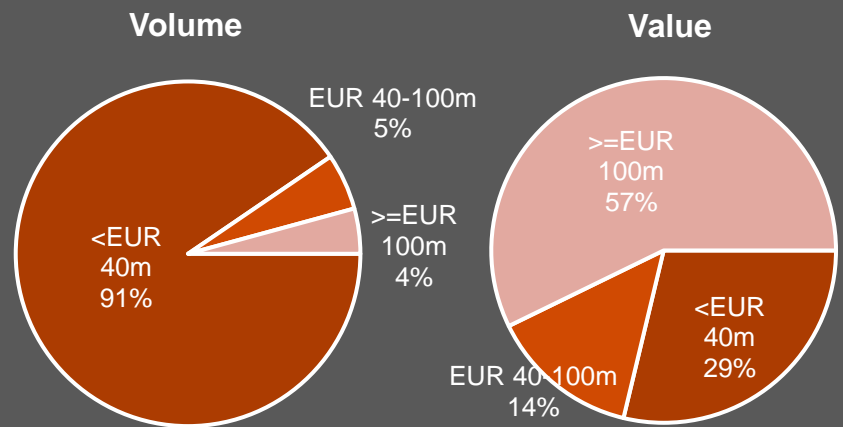


# Where the value is coming from

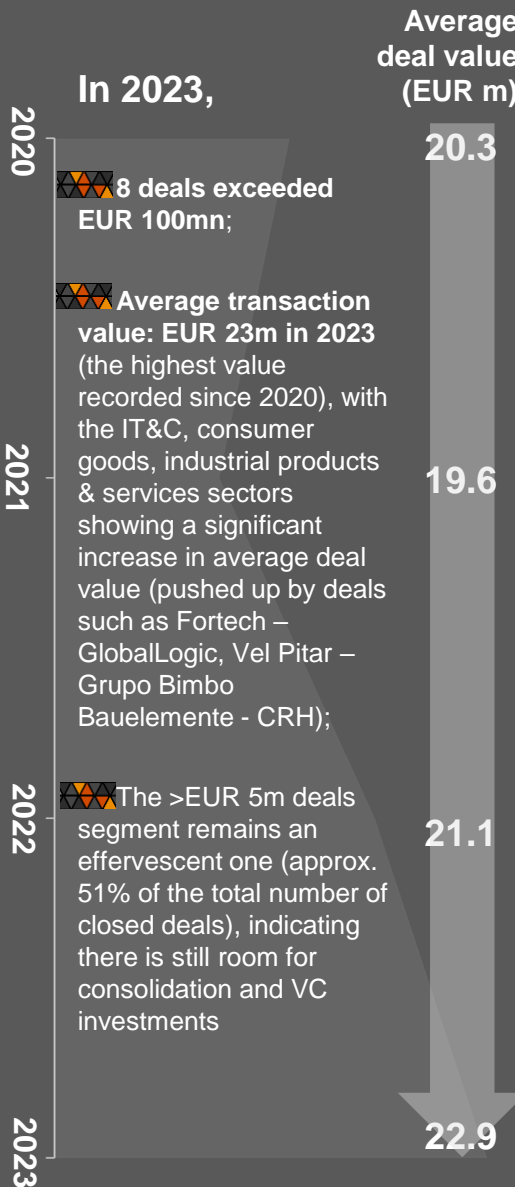
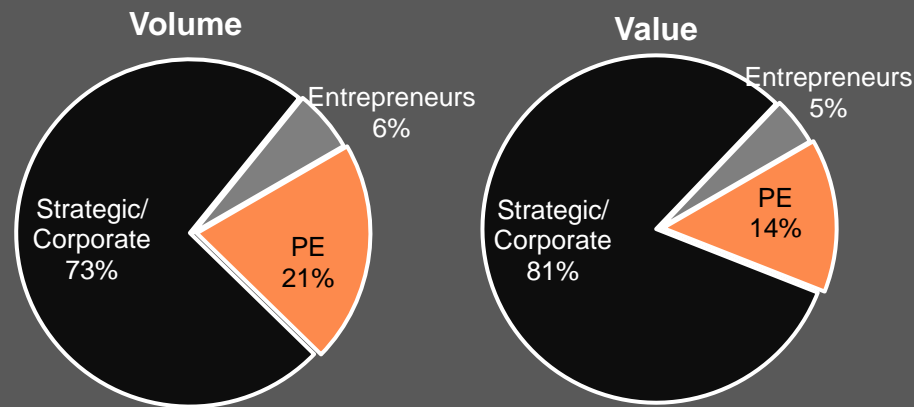
2023 dynamics by sector



2023 structure by size



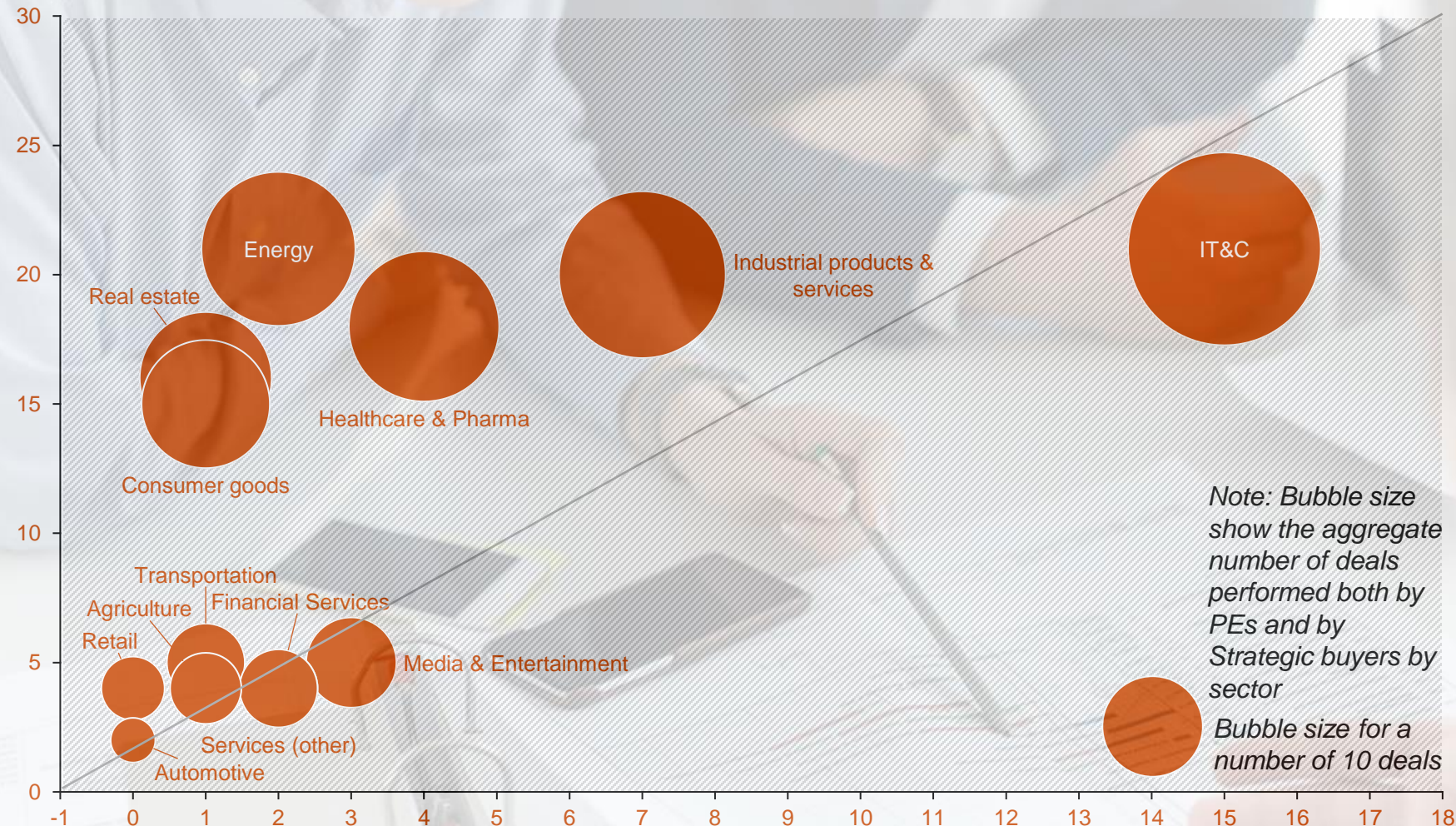
2023 structure by investor type





# Dealmakers' profile

No of deals performed by Strategics/Corporates



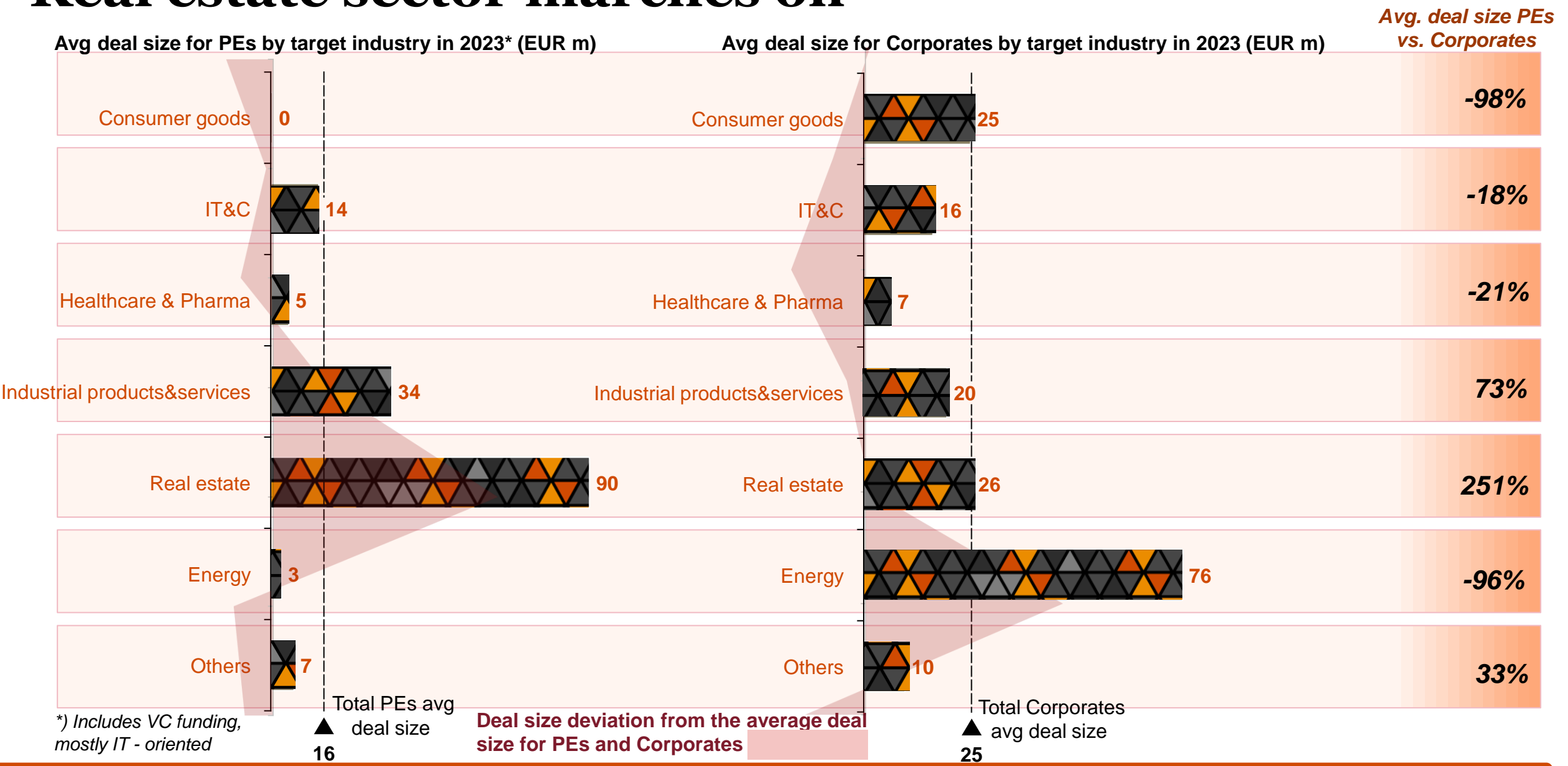
Corporate investors still hold a significant stake among local market buyers, being active in all of the sectors; **synergy value remains the major driver behind the increased no. of deals with strategic players on the buy side** (73% of total numbers of closed deals).

IT&C is one of the few sectors where we see an increasing number of PEs on the **buyside**, as the high returns recorded in this sector made them lower the ticket size, acquire and consolidate.

**Media & Entertainment and Financial Services** are other sectors that shily enter on the PEs radar, as sizable and profitable targets emerge (ex: Netopia, Untold Universe, BRK Financial Group).

No of deals performed by PEs

# Real estate sector marches on



# Key recent features in deals

**1. Increased sophistication of the Sellers**, with financially educated managers as leading business actors, able to swiftly connect to the M&A logic, generating value over the transaction and speeding up the process. Key roles are usually played by the CEO and/or CFO.

**2. Lower business dependence of the targets on the founder**, with many majority owners initiating the knowledge transfer to the top management and stepping back from the frontline operational setup. As a consequence, buyers have reduced their requests for the founders to remain with the targets post-Closing, allowing them a sooner exit and accepting lower maturities for management agreements.

**3.** In order to provide comfort to the buyers aiming to secure deals, there is an increasing tendency of the dealmakers to arrange **sliced competitive processes**, where the Seller discusses with several buyers over successive exclusivity periods.

**4.** The **transaction documents negotiation stage tend to become lengthy**, given the increasing sophistication of the sell-side and the extended team employed by both parties, adding tax and competition advisors to the traditional CF and Legal ones.

**5.** The **complexity of the SPA ancillary transaction documents has increased** significantly, with SHA including elaborated options to mitigate divergent co-owners post-closing and management agreements tightly correlating business performance with management bonuses, as an additional perk for the founders in exit mood, ensuring knowledge transfer to the buyer.

**6. Earn-outs are less used** to close expectation gaps in valuation, as Sellers become proficient in substantiating business plans and agile in convincing the Buyers on the reliability of the projections.

**7. Steps for the integration process and synergy quantification** undertakings are performed even **pre-Signing**, with careful consideration to the competition rule, under professional assistance.





# Deal highlights



## Consumer goods

Romanian key bakery producer Vel Pitar was acquired by Bimbo Group



## Real estate

British commercial property M Core Group acquired a portfolio of 25 retail parks from Mitiska REIM



## IT&C

Full acquisition of Fortech by Japanese company GlobalLogic/ Hitachi Ltd

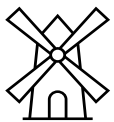
IT company NetRom Software headquartered in Craiova was acquired by Investcorp



## Industrial products& services

Romcim (CRH Group) acquired 100% stake in Romanian precast concrete producer Bauelemente Reinvest SRL

Hefestos Capital acquired 100% in Artrom Steel Tubes-pipes manufacturer from TMK EUROPE GmbH



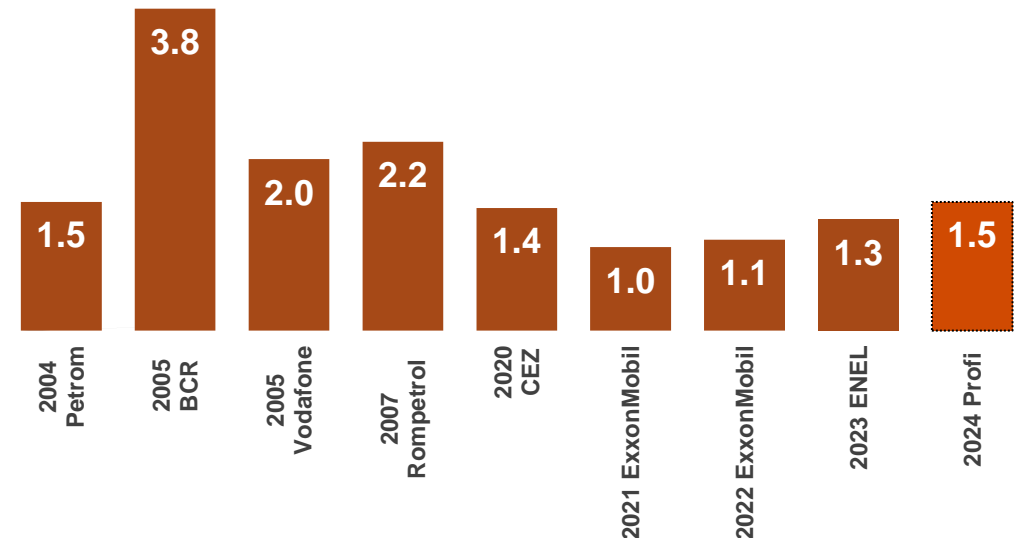
## Energy

Acquisition of 100% in Enel Romania SA by Greek company Public Power Corp SA

Complexul Energetic Oltenia entered into strategic partnerships to develop 8 solar parks and 2 CCGTs totalling 2 GW installed capacity

Note: In 2023 there were 8 concluded transactions over EUR 100mn compared to 2022 when there were 9 such transactions

## Largest transactions of all time in Romania (US\$ bn)



# 2024 Outlook

## Pipeline

Q1 2024 shows signs that this year could become a successful one for the Romanian M&A market. Large deals are signed and are expected to be closed in the first half of this year

### Recently Announced

- OMV acquired a 50% in stake in Electrocentrale Borzesti, owning a portfolio of 1 GW green energy project and 100% stake in Renovatio Asset Management
- Bimbo acquired 6 bread and bakery factories
- Automecanica Medias is acquired by German company Rheinmetall

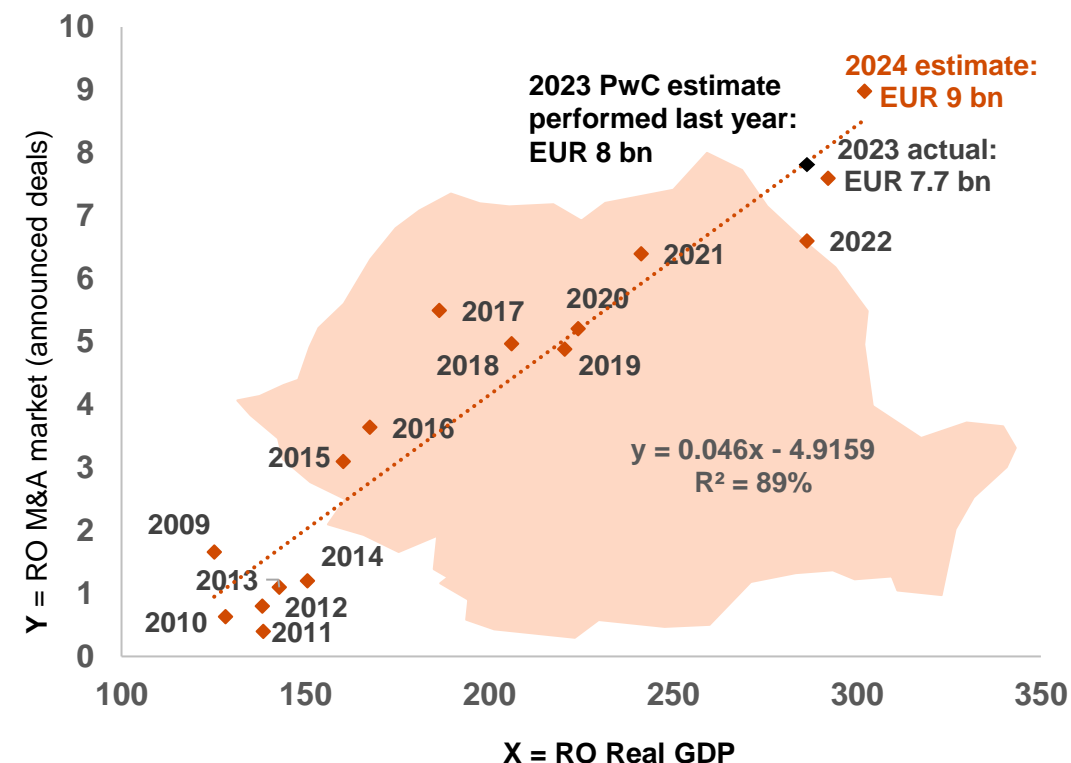
### News and Rumours

- Investment funds Revetas Capital and Cerberus is taking into consideration the option of selling the Landmark offices and Radisson hotel
- CTP contemplates acquiring logistic portfolio of Globalworth
- Suceava based producer of polyethylene pipe TehnoWorld might be acquired by CRH Group

### Expected M&A targets

- Key energy production and supply player in Romania
- Early start-ups in the IT sector
- Companies activating in healthcare industry
- Strategic players in industrial product and services

## Expectations



- Based on the historical correlation between the Romanian M&A market (in value) and the GDP, and with considering the CNSP forecast of the GDP for 2024, the **value of the local M&A market this year could reach EUR 9 bn in 2024 (announced deals).**

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# Legal M&A Highlights



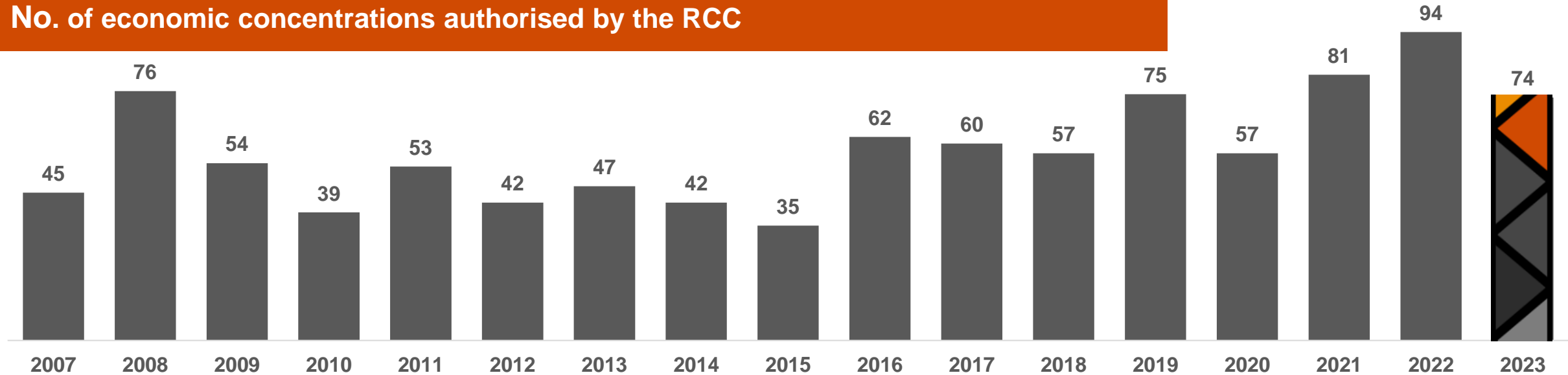
**Anda Rojanschi**

Partener, D&B David și  
Baiaș



# Trends in CC M&A approvals

No. of economic concentrations authorised by the RCC



**74** transactions

authorised by the Competition Council in 2023.

**Markets:** energy, healthcare & pharma, IT&C / Technology, retail / consumer goods, construction and building materials

Only one transaction subject to conditional approval (pharmaceutical sector), namely the acquisition of the pharmaceutical distribution and retail operations of the Richter Group in Romania.

## Major highlights:

- **relevant markets:**
  - the retail market for pharmaceutical and parapharmaceutical products delimited within a radius of 3 km (rural) / 1 km (urban) around each pharmacy acquired;
  - the wholesale market for pharmaceutical and parapharmaceutical products in Romania;
  - the market for the production and commercialisation of food supplements.
- **the Competition Council looked into:**
  - the effects of the transactions on the price level for pharmaceutical and parapharmaceutical on the respective relevant markets, the existence of other alternative suppliers of such products in the relevant geographical markets, the extent to which the concentration removes an important competitive force from the relevant geographic markets, the degree of the market concentration.
- **commitments:** divesting the retail activities of pharmaceutical and parapharmaceutical products carried out through the Richter pharmacies located in Kaufland Shopping Center in Baia Mare and Regiei Policlinic in Bucharest and through the pharmacy Dr. Max located in Oradea on Decebal Boulevard no. 86.

# Sector headlines in a 5-year frame

## Key industries

2019

2020

2021

2022

2023



### Energy / Oil&Gas

- OMV Petrom Marketing – ART Petrol Service

- Socar Petroleum – Aral M.T.B.
- Socar Petroleum – Ipeco
- Rompetrol Downstream – Comision Trade

- Eurotransgaz S.R.L. and EBRD – Vestmoldtransgaz S.R.L

- Societatea Complexul Energetic Oltenia S.A. and Tinmar Energy S.A. – JV

- CIS GAZ S.A. – Next Energy Distribution S.R.L.
- PPC Renewables Single Member S.A. (Spark Wind Park S.R.L.) – Land Power S.R.L.
- Complexul Energetic Oltenia S.A. and Alro S.A



### Consumer goods

- Central Bottlings Company Ltd -Muller Dairy Ro
- Reinert - Kemper

- Tchibo Coffee Service - Partner Coffee Services
- Givresco A/S - Sam Mills Business Investment Holding

- Boer Family - Lacto Agrar SRL
- Scandia Food SRL - AGRA'S SA

- Sam Mills Europe SRL și Sam Mills Feed SRL - Poultry Integration Farms SRL

- Carrefour Nederland B.V. – Romania Hypermarche S.A. (Cora)
- Evolution Prest Systems S.R.L. (Evomag) – Elefant Online S.S. / Mammoth Software S.R.L. / Mall Online S.R.L.
- Elit S.R.L. – Goodies Meat Production S.R.L.



### Healthcare & Pharma

- Zentiva Group A.S. – Solacium Pharma
- Regina Maria –Premier Hospital

- Help Net – Ecofarmacia Network / Farmaceutica Remedia / Tri Farm
- STADA Arzneimittel – Walmark
- Al Sirona - Alvogen

- Sensiblu SRL – Optifarm
- Centrul Medical Unirea S.R.L. - Life Line - Medical Center S.R.L.

- Terapia S.A. – Fiterman Pharma (Uractiv brand)
- Pavăl Holding S.R.L. / Roxana Zenovia Maftai - Farmacia Tei S.R.L. / Bebelei Investments Group S.R.L.
- Istanbul Memorial - Spitalul de Oncologie Monza S.R.L.

- Med Life S.A. – Centrul de Diagnostic si Tratament Provita S.R.L.
- Mediplus Exim S.R.L. (Dr. Max) – Gedeon Richter Farmacia S.A. and Pharmafarm S.A.
- Brain Hospital S.R.L. –Monza Hospital Tony Bulandra



### IT&C / Technology

- Bouygues Energies & Services / Mirova – Axione

- RCS&RDS – AKTA Telecom / Digital Cable Systems / ATTP Telecommunications

- Kaseke Limited -High-Tech Systems & Software S.R.L. / Winsoft Support S.R.L.

- Glovoappro S.R.L. - Foodpanda Ro S.R.L. / Delivery Hero Dmart S.R.L.

- TBJH Inc. / Japan Industrial Partners, Inc –Toshiba Corporation
- Bittnet Systems S.A. – Dataware Consulting S.R.L.



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