

CMS Emerging Europe M&A | Cautionary optimism for 2022 Emerging Europe M&A activity as volumes increase but deal values fall



Findings from the latest CMS Emerging Europe M&A, published today in cooperation with EMIS, show that M&A activity across Emerging Europe rose by 5.6% in volume to 1,229 deals compared to 2021. In contrast, the total deal value fell by 20% to EUR 32.93bn.

Horea Popescu, Head of CEE Corporate M&A practice, CMS, comments: “In spite of extraordinarily difficult circumstances, M&A activity in emerging Europe has proved remarkably resilient, maintaining a steady pace, and comparing favourably to pre-pandemic levels. While this is an encouraging picture, the decrease in deal values shows that dealmakers are more cautious in light of the current economic situation and the lengthening conflict in Ukraine.”

Stefan Stoyanov, Head of M&A Database at EMIS, says: “2021 was an outstanding year for M&A activity. While 2022 has proved to be a year of contrast, the fact that deal volumes have gone up shows that dealmakers have quickly adapted to the circumstances, and profitable companies continue to attract international investors.”

Rodica Manea, Partner Corporate M&A CMS: “Romania remained one of the region's top performers in 2022, recording sustained growth both in terms of volume (approx. +20%) and value of transactions. The Real Estate & Construction sector reached a deal value of over EUR 1.5 billion, Manufacturing ranked second with approx. EUR 680 million, and Telecoms and IT continued to remain at the top with an estimated total value of EUR 190 million. We remain relatively optimistic about the outlook for the new year as well, expecting further deals to strengthen the status of the Romanian market in the region.”

PE activity builds the solid foundation of previous years

Private equity deal volumes edged up to a new five-year high of 289. In contrast, deal values were at the lowest level in five years, at EUR 9.99bn, down from EUR 13bn in 2021.

While geopolitical events and tougher macroeconomic conditions made 2022 a challenging year, Emerging Europe has proved fertile ground for home-grown and international private equity firms, especially in the Telecoms & IT, Real Estate & Construction and Manufacturing sectors, which attracted 27%, 17% and 14% of the deals in 2022 respectively. □ □

Leading sectors

Telecoms and IT topped the deal volume table once again in 2022 with 336 deals, up from 278 last year, as the acceleration of digitalisation across all countries and industries continued. However, the biggest deals of 2022 were seen in the Mining, Real Estate and Energy sectors. The EUR 7.9bn Polish merger of PGNiG and PKN Orlen was the only notable deal in the mining sector, but it was enough to put it top of the table by value.

Real estate and construction was the second busiest sector and while it saw a slight drop in number of deals from 215 in 2021 to 205 in 2022, its deal value increased to EUR 7.82bn, up from EUR 5.8bn in 2021.

The value of deals in energy and utilities companies was 55% higher at EUR 4.02bn, although deal numbers fell from 91 to 69.

It was another strong year for education and healthcare services as deal numbers rose from 35 to 58 and values doubled to EUR 514m.

Country hotspots

Poland stands out as a major M&A market in Emerging Europe in 2022. Deal values hit a decade high of EUR 15.97bn, up by a third from 2021, and the country was also the busiest by transaction numbers with a total of 250 deals.

Romania saw the second highest number of deals in Emerging Europe in 2022 with 234 transactions, a 20% increase from 2021.

M&A enjoyed another year of growth in Croatia, where values hit a new high for the decade of EUR 3.16bn, a 69% increase, including the EUR 690m purchase of a stake in SuperSport by Entain of the UK. Deal numbers rose by 16% to a new peak of 80, placing it in fourth place, after the Czech Republic who saw 125 deals complete in 2022. □ □

Foreign and regional investment reaches new heights

The United States continues to be the most active foreign country investor with 126 deals in 2022.

European investors continue to show a keen appetite for deals in emerging Europe and, by deal activity, the top three European investors were the UK (88 deals), Germany (74 deals) and Austria (55 deals). In contrast, Austria, France and the United Kingdom topped the charts for investor deal value in first, second and third place respectively.

Cross-border deal activity was a strongpoint, up from 743 to 815 deals, although values fell from EUR 38.2bn to EUR 22.7bn. Domestic deal volumes slipped marginally from 421 to 414, while values more than trebled to 10.3bn. Within emerging Europe, the largest investor countries were Poland (EUR 10.3bn), the Czech Republic (EUR 3.1bn), Hungary (EUR 1bn) and Romania (EUR 753m).

Outlook for 2023

Radivoje Petrikić, *Corporate Partner, CMS Vienna*, comments: “There are many uncertainties and new challenges, but as the macro-economic situation stabilises, we are likely to see again more transactions coming to

the market in the medium term. While we cannot expect easy times, the data shows that we can be optimistic that activity will continue to perform strongly, particularly in sectors such as IT, energy and manufacturing. The current economic situation is likely to bring corporate carve-outs and restructurings, which may provide further transactional opportunities.”

The CMS Emerging Europe M&A 2022 report can be found [here](#).