

# Central and Eastern Europe (CEE)

With 29 transactions and a total deal volume of € 1,120m, healthcare M&A in CEE saw fewer deals but a similar volume as in the previous years (2013: 41 transactions and € 1,208m deal volume; 2014: 37 and € 995m). Valuations were between 7.0x and 23.3x EBITDA. Fifteen transactions were domestic and 14 cross-border. Poland was the center of investors' interest, where twelve transactions took place, five of which were acquisitions by foreign entities. Four companies were acquired in Russia, one by domestic strategic and financial buyers and three by strategic investors from India and the UK. Romania saw three transactions (two domestic and one foreign private equity buyer) as did the Czech Republic (two private equity deals and one strategic consolidation). The acquisition of Regina Maria of Romania by Mid Europe Partners for € 135m was the highest valued transaction of the year; two transactions were domestic consolidations.

With four fifths of all deals, strategic buyers dominated financial acquirers. Three key observations stuck out: firstly, private investors, composed almost exclusively of PE funds, were interested in the acquisition of healthcare providers (incl. clinics) and drug producers. Secondly, two medical manufacturers acquired producers of technical products with the aim of increasing the scope of their operations. Thirdly, several of the other transactions were motivated by consolidating market shares.

## Most notable transactions in 2015

**Regina Maria**, a Romania-based company that owns and operates a network of healthcare clinics was acquired by the UK-based private



equity firm **Mid Europe Partners** for an estimated € 135m, thus the highest valued acquisition of a healthcare entity in 2015.

**Walmart**, a Czech Republic-based manufacturer, distributor and seller of nutritional supplements and drugs employing over 700 people agreed to sell the remaining 50% stake to **Mid Europe Partners**. The PE house became the sole owner of Walmart.

**Bovital**, the vitamin product portfolio of Bayer AG was acquired by **EGIS**, a Hungary-based listed Pharma company. The acquisition of Bovital is in perfect correlation with EGIS' continuing strategy of strengthening its presence in the Polish market in the vitamin supplement segment.

## Outlook

We expect deal activity in 2016 to remain at the same low level as in 2015. The capital outflow, due to potential increases in US interest rates together

with slowing economic expansion, may have a negative effect on general M&A activity in the CEE region. In the case of more stringent lending policies, the EBITDA multiples may decrease to levels which were seen prior to the period of quantitative easing; this will reduce the willingness of owners to sell their companies. The situation in Russia is particularly complicated with the collapse of oil prices and local currency. Regardless of the implications of the macroeconomic factors on M&A in the CEE region, the healthcare sector is very attractive for financial investors, often providing the possibility of attractive returns. Therefore, the industry is likely to continue to attract investors during 2016. However, the question is: at what rate?

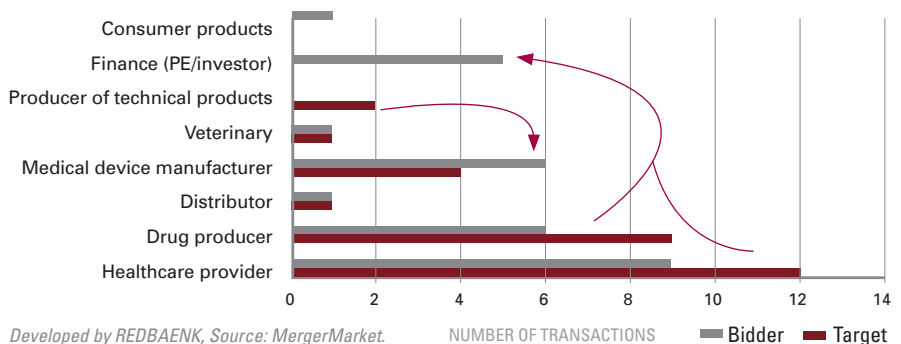
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## TRANSACTION FLOW WITHIN THE INDUSTRY SECTOR



JANUARY FEBRUARY MARCH APRIL MAY JUNE **JULY** AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Allergan sheds generics to Teva for US\$ 40.5bn

/ Celgene buys Receptos for US\$ 6.8bn

/ Hikma strengthens generics business in US with Roxane buy for US\$ 2.7bn