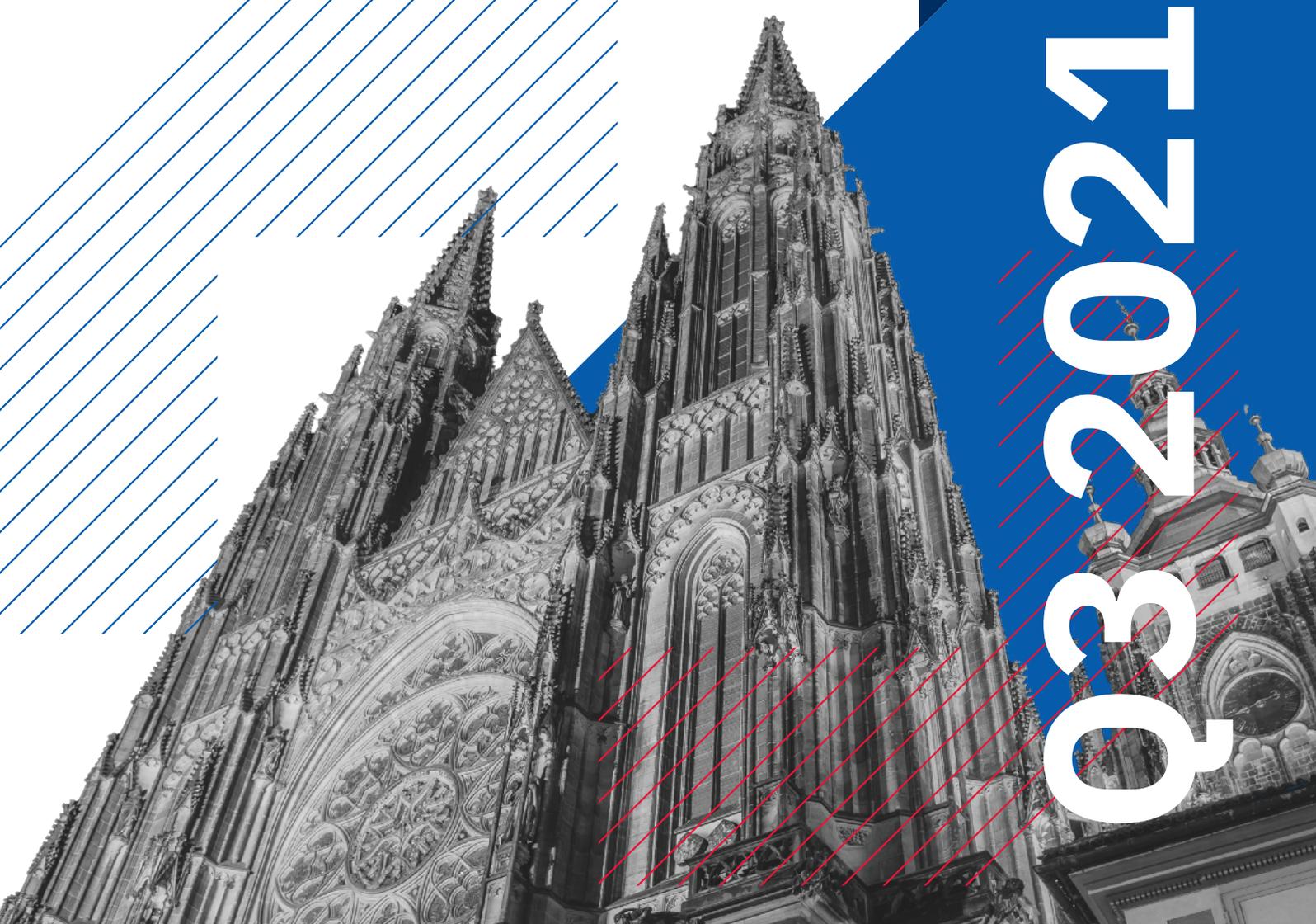


# M&A Report

Overview of M&A in the Czech Republic



Q3 2021

# M&A Report

## Overview of the third quarter of 2021

### M&A Market – Recent Trends

Recent issues of the M&A Report focused on the positive mood in the M&A market connected with, for example, the rising values of transactions, and now the volume of transactions is expected to increase as well. Thanks to the slowdown in the spread of the coronavirus, when the market stabilised to some extent, investors have gained more confidence and are gradually returning to acquisitions that they had put on hold during the lockdown. As in other areas of the economy, the phenomenon of deferred demand is appearing in the M&A market. The situation is similar on the supply side, as company owners are returning to selling. In the Czech Republic, there has recently also been increasing interest in the sale of businesses established in the 1990s, whose owners, due to generational change, often do not have anyone to whom they can hand over their companies. These efforts have been intensified by the period of uncertainty associated with the pandemic, when business owners have primarily focused on dealing with various anti-COVID measures, and the rising costs of materials, particularly in the area of construction. Experts believe that the final volume of transactions could exceed the pre-pandemic level of 2019.

Source: hn.cz

The number of transactions carried out in the area of technology companies is breaking records. Since the beginning of the year, a total of 9,222 takeover agreements have been concluded in the total estimated value of USD 264 billion, which is double the previous record set in 2000, according to The Financial Times. These deals primarily involve strategic acquisitions of startup companies by technology giants that want to secure a position of leadership on the market in the future. This phenomenon has brought forth the negative aspect of favouring the position of corporations and thus hindering, for example, the flow of innovations. Companies such as Apple, Facebook, Google, Amazon and Microsoft have become the target of accusations that their business practices restrict competition and harm consumers. These companies essentially follow the same pattern of first becoming dominant in their business sector, such as e-commerce for Amazon and search for Google, and then making acquisitions in new sectors in order to take over their competitors.

Source: forbes.cz

### Czech Republic – Latest Development

#### Announced Mergers and Acquisitions in Q3 2021

According to CzechInvest's methodology, 142 M&A transactions were announced in the third quarter of 2021. CzechInvest divides the total number of transactions into nine respective sectors based on its own research method. CzechInvest uses Bisnode Magnusweb as a data source for generating these statistics. Due to this fact, a time lag occurs between the announcement and the listing of a transaction. The time lag differs from case to case.

The greatest M&A activity was again recorded in the Real Estate & Construction sector, where 40 transactions were announced. The second largest number of mergers and acquisitions was observed in the Retail, Consumer Goods & Entertainment sector with 30 transactions, which was followed by the Industrial Manufacturing sector with 16 transactions. These were the three dominant sectors in the Czech M&A market in the third quarter of 2021.

**Volume of M&A transactions rises**

**Major technology companies buying competitors**

**Forty announced transactions in the Real Estate & Construction sector**

## Announced Mergers and Acquisitions in Q3 2021

**40** Real Estate & Construction



**30** Retail, Consumer Goods & Entertainment



**16** Industrial Manufacturing



**15** ICT



**14** Services



**9** Healthcare



**7** Energy



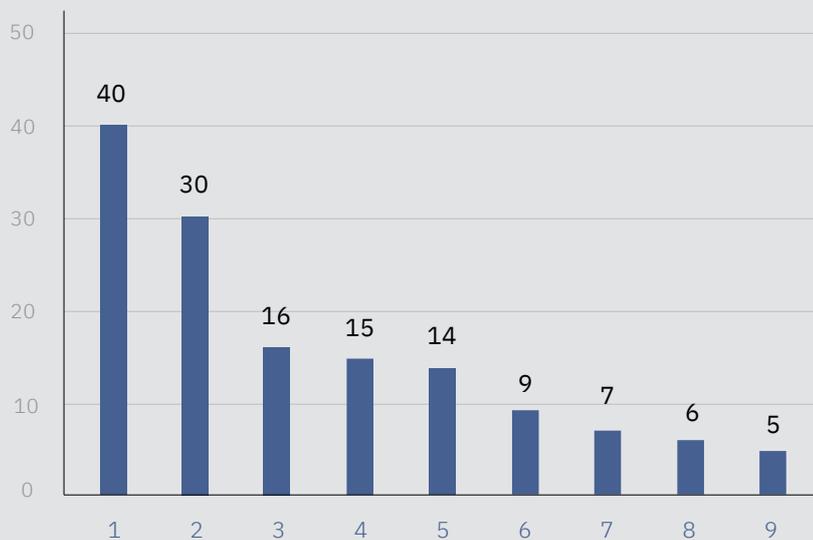
**6** Agro & Raw Materials



**5** Financial Institutions



## Number of Transactions



- 1 Real Estate & Constructions
- 2 Retail, Consumer Goods & Entertainment
- 3 Industrial Manufacturing
- 4 ICT
- 5 Services
- 6 Healthcare
- 7 Energy
- 8 Agro & Raw Materials
- 9 Financial Institutions

Source: Bisnode Magnusweb

## **Avast merging with NortonLifeLock**

### **Selected Deals of Q3 2021**

The merger of Avast, a significant Czech antivirus company, with Norton, an American company that specialises in identity-theft protection, should happen during the upcoming year. The result of the merger will be a company that intends to offer a broad portfolio of interconnected services, including cybersecurity. Avast's management anticipates that the deal will lead to the formation of a company that ranks among the world's twenty most influential software companies and bring forth gross cost savings in the estimated amount of USD 280 million (approx. CZK 6 billion). Avast will thus build on a strategic deal from 2016, when it acquired its Czech competitor AVG in response to declining interest among users in web-browser bars and for the purpose of finding a new business model in connection with the emergence of smartphones. In the Czech Republic, news of the merger with the American company has elicited conflicting reactions, with one side celebrating the merger of a domestic icon with its overseas counterpart, and the other criticising this very international overlap, which is expected to hinder support for small, slowly growing domestic companies. Avast currently has 435 million users and its market capitalisation is roughly USD 8.5 billion. NortonLifeLock, which previously operated under the name Symantec, has a market value of roughly USD 16 billion. The estimated transaction price is up to USD 8.6 billion.

## **ETL Global of Germany enters Arrows**

A significant M&A transaction on the Czech legal market will occur with the entry of the German advisory group ETL Global into the Czech law firm Arrows. By purchasing a 50% stake, the German company intends to build up its position as a strong partner, while leaving room for current and new partners in the future. Together, the new partners plan to achieve turnover of more than CZK 1 billion and at least quintuple their number of advisors. The ETL Group ranks among the five largest audit and tax advisory companies in the German market. Through Arrows, it plans to focus especially on small and medium-sized enterprises in the Czech Republic. ETL is also planning investments from which it anticipates accelerated growth in the areas of consulting, finance and regulation, e-commerce, M&A, technology and healthcare. The amount that the current owners could receive for the stake being sold is estimated at approximately CZK 100 million.

## **Solitea expands its holding of technology companies**

Following a successful transaction, which we wrote about in the second edition of the M&A Report in 2020, when the holding company Solitea brought under its control a total of thirty companies from the Czech Republic and Slovakia, the chairman of its board of directors, Martin Cígler, announced another acquisition plan involving the 100% purchase of Prytanis, a supplier of information systems for haulage companies and passenger transport operators, as well as shipping and logistics companies. Last year, Prytanis achieved turnover in the amount of CZK 34 million, with EBITDA reaching CZK 3 million, and its customers include the logistics company ESA and the haulage firm ICOM. The domestic IT group Solitea focuses on creating accounting and enterprise systems that help customers to, for example, manage purchases and monitor inventory levels, and its services are used both by commercial entities and by government and non-profit organisations throughout Europe. Last year, Solitea generated revenues in the amount of nearly CZK 1.8 billion. This achievement was aided by the coronavirus pandemic, which forced companies to invest more in systems that enable working from home. The price of the transaction has not been disclosed, though experts estimate its value at tens of millions of korunas.



Photo: AdobeStock

## Cidem Hranice gains strength in the automotive industry

Three months after its most recent acquisition, the Cidem Hranice group is taking over Tomatex Otrokovice, which manufactures textile and leather parts for the automotive industry, supplying its products to prestigious brands such as Audi, Land Rover and Rolls-Royce. *"We are pleased that we have reached a final agreement with the sellers on the acquisition of Tomatex, which builds on our existing experience and expands the portfolio of products that we already supply to the automotive segment,"* says Tomáš Vavřík, chairman of Cidem Hranice's board of directors, commenting on the transaction. The group of Czech companies associated around Cidem focuses on the production of pressed metal parts and welded and prefabricated assemblies and is also active in the construction industry, for example. The price of the transaction has not been disclosed.

## Agrostroj expanding to the west

The Pelhřimov-based company Agrostroj, which is owned by entrepreneur Lubomír Stoklásek, has acquired Stoll Maschinenfabrik, a German manufacturer of agricultural loading machines. *"It was a great opportunity to significantly expand our reach and also gain a final product with a traditional brand. We worked on it for almost two years. We brought the deal to a successful conclusion in Düsseldorf last Tuesday,"* says Stoklásek, describing the transaction. Stoll is a company with a long tradition, as its origins date back to 1878. Today, the company employs approximately 600 people at its factories in Germany, Poland and the United States, generating turnover in the amount of roughly EUR 120 million (CZK 3 billion). Its principal business activity comprises development and manufacturing of tractor-mounted front-end loaders and accessories. Stoll is the absolute leader in this field on the German market. According to Stoklásek, the acquisition of Stoll will bring Agrostroj a major brand that will clear a path to partners for which the company already manufactures agricultural equipment. *"Within our long-term strategy, we are focusing on the development of our own products, which will support our current business with our partners. The acquisition of Stoll precisely fulfils our intention and of course has strong synergistic potential for both companies,"* says Stoklásek.

## Heluz brickworks acquires insulating-glass manufacturer

Heluz Group is continuing to carry out acquisitions, which it started a few years ago by purchasing, for example, Ciko, a manufacturer of brick chimneys, and the pallet manufacturer Staré Sedlo. The purpose of the most recent acquisition is to expand the company's line of products for the construction of energy-efficient buildings. *"Following the successful completion of the sale of BEST, a.s. in the spring, this is the second transaction in the building-materials sector where a company established in the early 1990s remains in Czech hands even after being sold by its founder,"* says Igor Mesenský, partner at KPMG, who helped to mediate the transaction. The seller, Izos, manufactures products at three plants in Plzeň, Žatec and Sudoměřice nad Moravou with production capacity of 7,500 insulating-glass units per day. The company had 226 employees and revenues in the amount of CZK 764.2 million in 2019. Once the transaction is approved by the Office for the Protection of Competition, a new company operating under the name Heluz Izos will be established. The contracting parties have decided not to disclose the price of the transaction.

Sources: aktualne.cz, e15.cz, ekonom.cz, forbes.cz, hn.cz, Bisnode Magnusweb



Photo: AdobeStock

## CzechLink

# CzechLink

CzechInvest offers the CzechLink project, which is a tool that helps to identify potential M&A targets for foreign investors. Local companies wishing to participate in the CzechLink project undergo a business evaluation and financial analysis, which enable us to efficiently match them with investors' needs, thus accelerating the process of identifying suitable potential acquisition targets.

In the table below, you can see an anonymised list of the companies currently registered in CzechLink, as well as each company's profile, legal form, equity offer, headcount, total earnings and EBITDA. If you would like to receive more specific information about the individual companies, we will provide it to you upon conclusion of an NDA.

### CzechLink Investment Targets, 13 August 2021:

Nº	Market	Company Profile	Legal Form	Equity offer	Headcount	Revenues ('000)	EBITDA ('000)
1	IT Industry	Original software development, custom software development, and resource optimization in the financial sector and the airline industry	LLC	Majority 100% Minority	19	CZK 39,280.00 EUR 1,456.62 USD 1,714.26	CZK 15,150.00 EUR 561.81 USD 661.18
2	Electronics	An electronics and IT company intends to sell its sheltered workshop which focuses on the production of parts for the automotive industry (manual and semi-automatic production) and luxury cosmetics packaging	LLC	Majority 100%	45	CZK 2,677.00 EUR 101.85 USD 120.28	CZK 2,426.00 EUR 92.30 USD 109.00
3	IT Industry	Software development for strategic management and planning for companies	LLC	Majority Minority	24	CZK 37,589.00 EUR 1,440.46 USD 1,719.84	CZK 1,748.00 EUR 66.98 USD 79.98
4	Engineering	Injection molding, chrome parts, cogwheels, ultrasonic welding, lightning conductors, stabilization of gravel surfaces	LLC	Majority Minority Joint Venture	93	CZK 177,007.00 EUR 6,556.63 USD 7,070.67	CZK 10,510.00 EUR 389.30 USD 419.83
5	Engineering	Production of measuring and pumping equipment, rotary volume gauges, filters, separators	JSC	Joint Venture	220	CZK 370,144.00 EUR 13,447.52 USD 14,577.82	CZK 71,964.00 EUR 2,834.76 USD 3,333.97
6	IT Industry for Automotive	Production of control and visualization systems for industrial automation, which are mainly applied to assembly lines in the automotive industry	LLC	Majority Minority 100% Joint Venture	46	CZK 75,309.00 EUR 2,779.07 USD 3,266.15	CZK 6,446.00 EUR 237.86 USD 279.52
7	Metalworking	Production of castings of grey cast iron, modular cast iron and aluminium. Manufacture of patterns, machining, painting and heat treatment	LLC	Majority Minority 100% Joint Venture	160	CZK 324,479.00 EUR 11,963.00 USD 12,994.68	CZK 6,204.00 EUR 241.59 USD 285.37

## CzechLink Investment Targets, 13 August 2021:

Nº	Market	Company Profile	Legal Form	Equity offer	Headcount	Revenues ('000)	EBITDA ('000)
8	Electric engineering	Cooperative production according to customer documentation (winding), repairs of electric motors, sale and servicing of power tools	LLC	Majority 100% Joint Venture	15	CZK 8,834.00	CZK 167.00
						EUR 325.29	EUR 6.15
						USD 353.63	USD 6.69
9	Aviation	Production of ultra-light airplanes (UL) and lightsport aircraft (LSA) and provides supplies for the aviation industry	LLC	Majority Minority 100% Joint Venture	52	CZK 44,860.00	CZK 235.00
						EUR 1,680.149	EUR 8.79
						USD 1,978.91	USD 10.37
10	Textile industry	Production of home textiles, tents, halls, shelters, fabrics, foils, covers, packaging materials, imitation leather, membranes, civilian and military fabrics	LLC	Minority	401	CZK 404.186.00	CZK 19,112.00
						EUR 15,844.09	EUR 749,19
						USD 18,390.46	USD 869,60
11	Automotive	Development and manufacturing of switches, rocker switches, transfer switches, pushbuttons, connectors, cable harnesses and lamp sockets, mainly for automotive and electrotechnical industry	LLC	Joint Venture Majority	30	CZK 25,243.00	CZK 3,247.00
						EUR 998.34	EUR 128.42
						USD 1,094.57	USD 140.79
12	Medical industry	Production of body and limb orthoses made from different local and external materials, and also prosthetic aids from neoprene for medical purposes for the sportsmen	LLC	Minority	14	CZK 6,717.00	CZK 227.00
						EUR 248.77	EUR 8,37
						USD 292.04	USD 9,83
13	Engineering	Production of of single-purpose machines, assembly lines and robotized workplaces	LLC	Minority Joint Venture	14	CZK 31,189.09	CZK 582.43
						EUR 1,142.04	EUR 21.33
						USD 1,341.81	USD 25.06
14	Automotive	Production and development of small electric vehicles according to their own design	LLC	Minority 100% Joint Venture	9	CZK 65.00	CZK 89.00
						EUR 2.49	EUR 3.41
						USD 3.01	USD 4.13

## CzechInvest's Services

- Detailed, sector-specific market intelligence and value propositions
- Access to a broad spectrum of financial support
- Information and advice on doing business in the Czech Republic
- Identification of business properties and suitable sites
- Identification of potential business partners, suppliers and acquisition targets
- Tailored visits to the Czech Republic
- Aftercare

**All of CzechInvest's services are free of charge.**

## Contact Information

CzechInvest – Investment and Business Development Agency

Stepanska 15, 120 00 Prague 2

Czech Republic

Phone: +420 296 342 798

E-mail: [czechlink@czechinvest.org](mailto:czechlink@czechinvest.org)

[www.czechinvest.org](http://www.czechinvest.org)

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