

Role of Real Estate in Mergers & Acquisitions

MOORE STEPHENS

A woman with long, straight red hair is looking down at a desk. On the desk, there is a white calculator and a blue folder or document with the Moore Stephens logo. The background is a blurred office setting with a potted plant and a window.

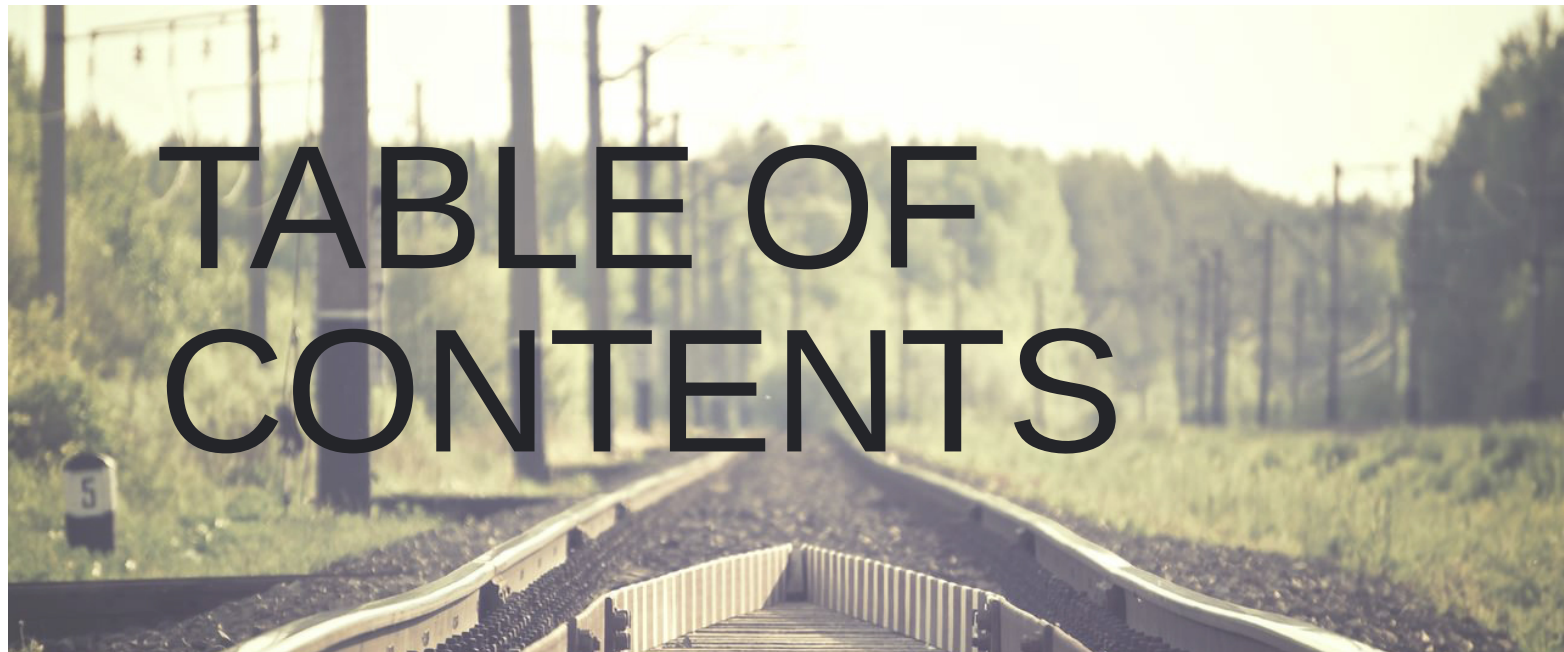


TABLE OF CONTENTS

ABOUT OUR EVENT

Pg 3

Pg 8 HOW REAL ESTATE CAN PLAY A KEY ROLE IN M&A

OVERVIEW OF M&A ACTIVITY-ROMANIA

Pg 4

Pg 9 CONTACT INFORMATION

OVERVIEW OF M&A ACTIVITY-ROMANIA & EMERGING EUROPE

Pg 6

TOP 10 DEALS IN ROMANIA IN 2017

Pg 7



About our topic at event
Role of Real Estate in Mergers & Acquisitions

On 13th March 2018, The Prahova Chamber of Commerce and Industry, the Belgian-Romanian Chamber of Commerce and the British-Romanian Chamber of Commerce arranged the Real estate & Investment conference in Ploiesti, Romania.

The event destined to discuss Perspectives, Opportunities and Challenges for Investments in order to build build business in Romania.

As a key note speaker, Mr.Mamas Koutsoyiannis , CEO of Moore Stephens KSC spoke about Mergers and Acquisitions-How real estate plays an important role.

Mr.Koutsoyiannis highlighted that Mergers and Acquisitions activity currently at record level globally especially in Romania and in Emerging Europe.

Mr.Koutsoyiannis explained the importance of Integrating real estate into the due diligence process as it helps to identify and quantify the risks associated with the company's real estate commitments.

He also explained how real estate can be the most valuable opportunity during M&A activity as real estate is often second biggest expense on balance sheet, after human resource.



OVERVIEW OF M&A ACTIVITY-ROMANIA

According to the World Bank's Doing Business Report 2016–2017 and white paper of Moore Sttephens KSC, Romania is ranked 36th worldwide on the aggregate ease of doing business index, climbing one position from 2015. Romania also climbed from 55th to 50th position on tax payments, and is now second in the CEE after Poland.

From an economic perspective, Romania was the strongest-performing Central and Eastern Europe (CEE) economy in 2016 and for the first quarter of 2017. This favorable investment environment is reflected in an increase in deals, which reached levels rarely seen since the wave of privatization over a decade ago. Investment activity was broadly spread across the manufacturing, financial services, consumer goods, and telecoms and IT sectors

In 2016, there were approximately 136 transactions totaling a value of approximately €2 billion. These transactions came from following sectors;

Sector	No of Transactions	% Contribution to Total Transactions
Real Estate and Construction Sector	21 Deals	15.44%
Manufacturing Sector	20 Deals	14.70%
Telecoms & IT	17 Deals	12.05%
Finance & Insurance	15 Deals	11.02%
Wholesale & Retail	12 Deals	8.82%
Service Sector	11 Deals	8.08%
Food & Beverage Sector	11 Deals	8.08%
Mining (Including Oil & Gas) Sector	9 Deals	6.61%
Others	20 Deals	14.70%



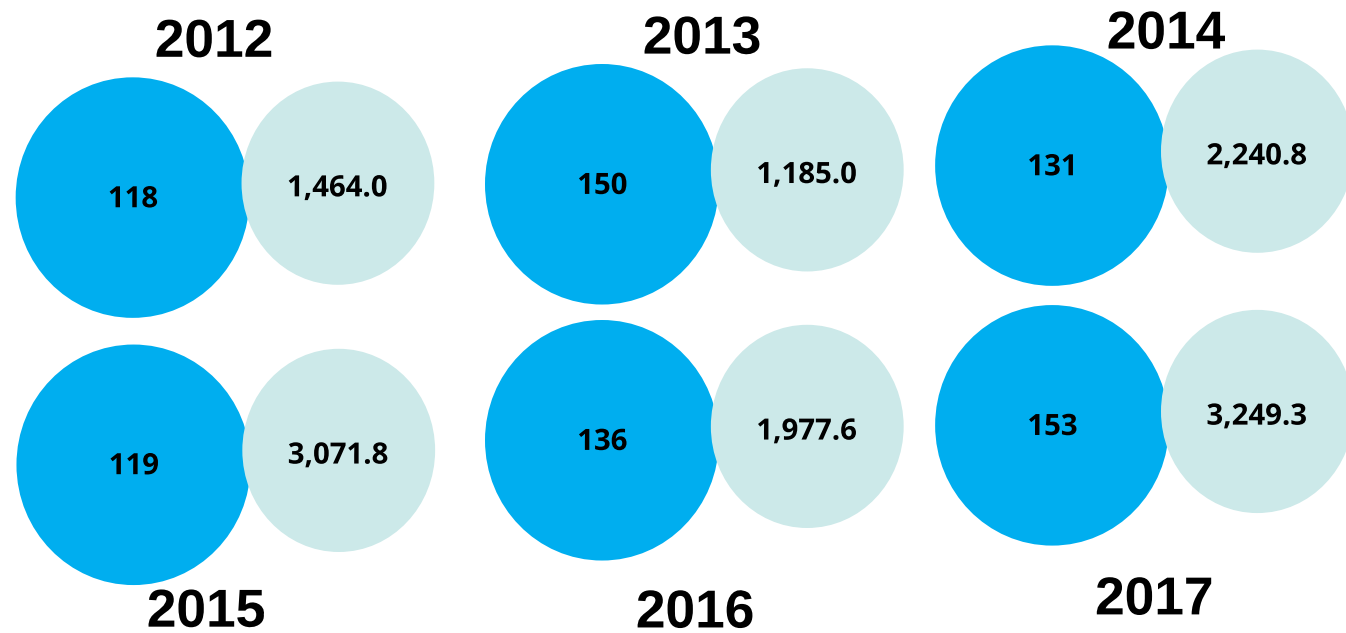
Romania's mergers & acquisitions (M&A) market stood at EUR 3.24 billion in 2017, stemming from 153 transactions. In 2017, Romania saw a healthy uptick in M&A activity, with a 13% increase in deal volume and 64% increase in value

The major contribution came from following sectors:

Sector	No of Transactions	% Contribution to Total Transactions
Real Estate and Construction Sector	30 Deals	19.60%
Manufacturing Sector	39 Deals	25.49%
Telecoms & IT	13 Deals	8.49%
Finance & Insurance	11 Deals	7.18%
Wholesale & Retail	15 Deals	9.80%
Service Sector	6 Deals	3.92%
Food & Beverage Sector	9 Deals	5.88%
Transport & Logistics Sector	7 Deals	4.57%
Other Sectors	23 Deals	15.03%

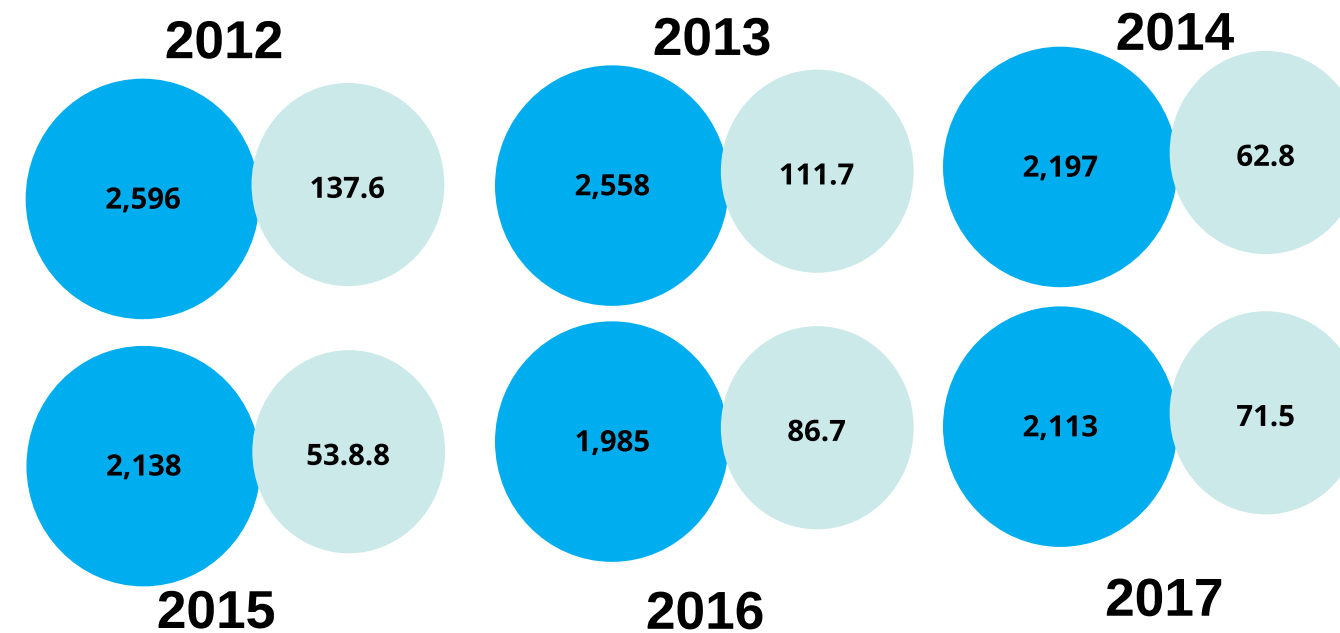


OVERVIEW OF M&A ACTIVITY-ROMANIA & EMERGING EUROPE



Deals by volume and value in Romania (2012-2017)

● No of Deals
● Total value of deals (Eur) m



Deals by volume and value in Emerging Europe (2012-2017)

● No of Deals
● Total value of deals (Eur) m

According to reports, in 2017 there were several transactions in Romania over €100million. The value of top 10 deals was approximately EUR 2.1 billion

- **EUR 401.2 million**
- ▶ Enel buys 13.6 percent of Enel Distributie Muntenia and Enel Energie Muntenia
- **EUR 350 million**
- ▶ Penta Investments takes over A&D Pharma Holdings
- **EUR 240 million**
- ▶ Banca Transilvania buys 99.2 percent of Bancpost
- **EUR 208 million**
- ▶ DS Smith purchases EcoPack/EcoPaper
- **EUR 169.2 million-**
- ▶ Revetas Capital acquires Radisson Blu Hotel in Bucharest
- **EUR 164.7 million-**
- ▶ Electrica buys 22 percent stake in four of its subsidiaries
- **EUR 153.9 million**
- ▶ Key Safety Systems buys Takata Corp operations in Romania
- **EUR 151.3 million**
- ▶ Vitruvian Partners takes over 30 percent of Bitdefenderl
- **EUR 134 million**
- ▶ Polaris Private Equity acquires Premium Porc Group
- **EUR 128.9 million**
- ▶ Dynamic Selling Group;Chimcomplex buys certain assets of Oltchim

TOP 10 DEALS IN ROMANIA IN 2017

HOW REAL ESTATE CAN PLAY A KEY ROLE IN M&A



Mitigate Risk-Detailed analysis of real estate portfolios in the due diligence phase reduces risk and gives better understanding of operational,financial and business continuity risks affiliated within the M&A process

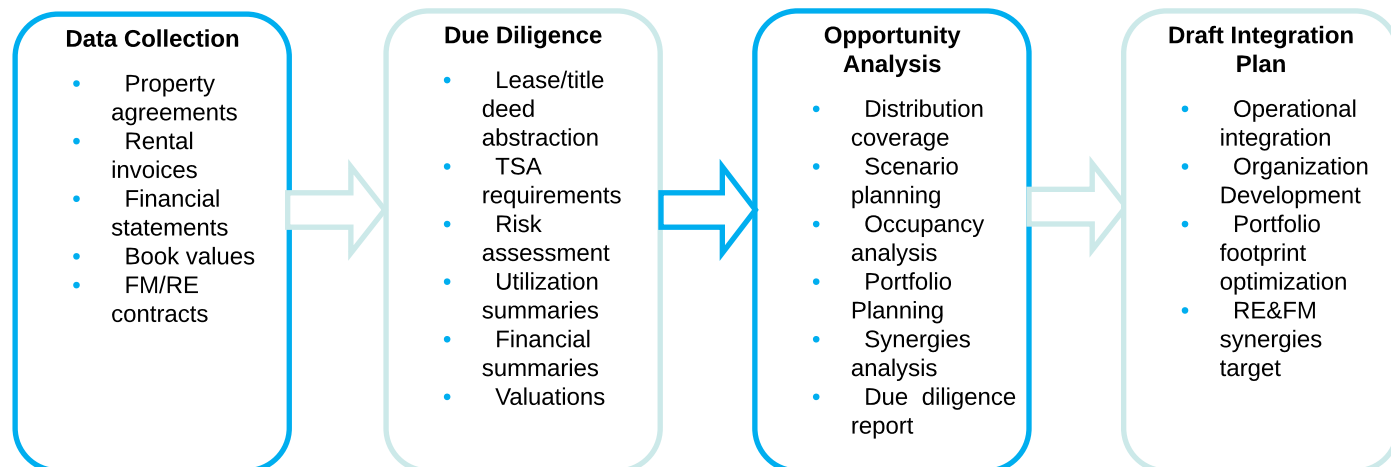
Optimize Costs- Real estate is often second biggest expense on balance sheet, after human resource.During M&A process,companies can reduce cost through various available techniques to measure property valuation and portfolio benchmarking.

Accelerate operational strategy- Right real estate strategy can greatly enhance and reinforce operational objectives.

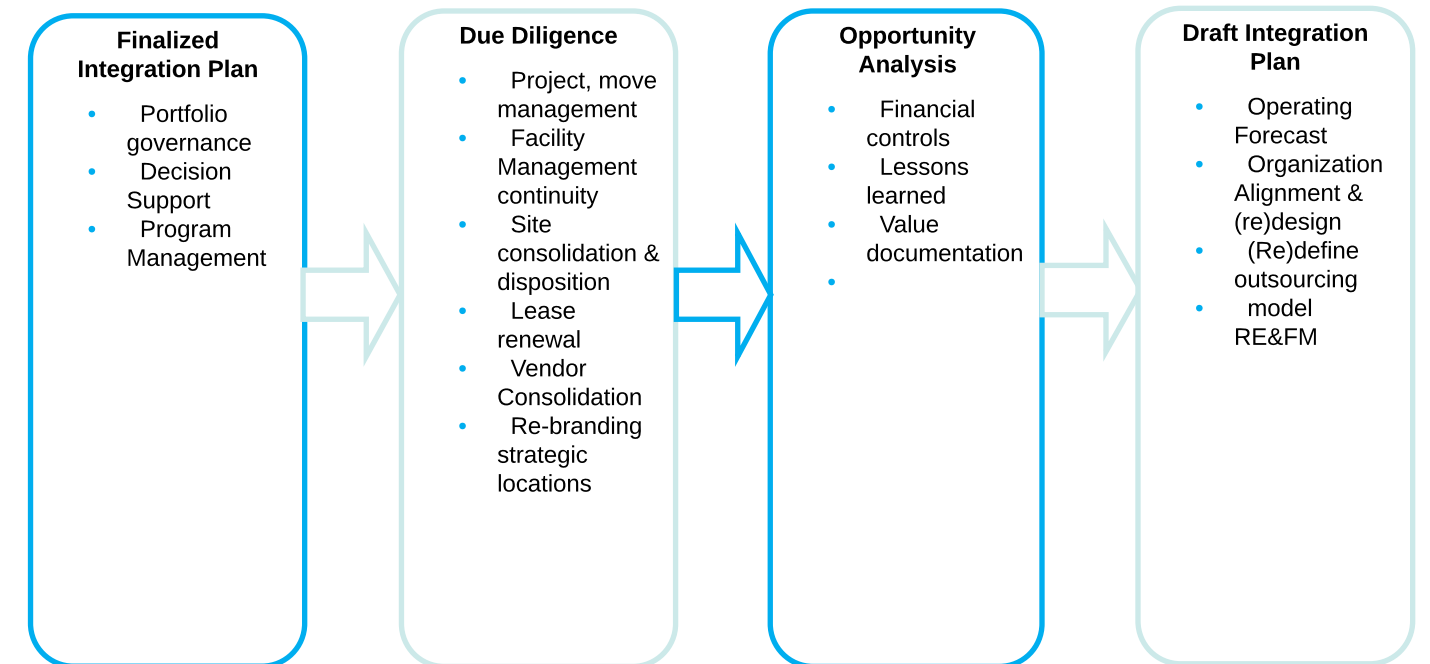
Ensure successful integration:Early integration of real estate into the M&A process can help companies achieve a smoother path to a new corporate identity and culture.Well-designed real estate solutions can improve the integration of separate entities.

M&A real estate flow diagram: major activities

Business Stage — Pre-merger/Due Diligence



Business Stage — Integration — Business as Usual



Contact Information



Mamas Koutsoyiannis

CEO (Romania/ Moldova)

Moore Stephens KSC

E: Mamas@moorestephens-ksc.ro



Andrei Stan

Partner (Romania/ Moldova)

Moore Stephens KSC

E: andrei.stan@moorestephens-ksc.ro

Moore Stephens KSC

Bucharest Office

014472, 175 Calea Floreasca,
Floreasca Tower building, 13th Floor,
District 1 Bucharest – Romania

T: +4 0374 490 074

F: +4 0374 094 191

E: info@moorestephens-ksc.ro

www.moorestephens-ksc.ro

Timisoara Office

30056, 1 Ionel Bratianu Square,
Bratianu Real Estate Timisoara –
Romania

T: +4 0374 490 074

F: +4 0374 094 191

E: info@moorestephens-ksc.ro

www.moorestephens-ksc.ro

Chisinau Office

MD 2004, 202 Stefan cel Mare Bvd.,
Kentford building, 9th floor Chisinau –
Moldova

T: +373 22 022 555

F: +373 22 022 556

E: info@moorestephens-ksc.md

www.moorestephens-ksc.md

Contact us:

 info@moorestephens-ksc.ro

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