

Press Release

M&A market in CEE region undergoing correction, three quarters of investors intend to continue in acquisitions

Prague, 15 June 2020 - The mergers and acquisitions market was fundamentally affected by the Covid-19 pandemic and the Central and Eastern Europe region will evidently experience a “lean year” following record periods. While 726 significant transactions at a value of 42.3 billion euros were carried out in the region in 2019, according to the international study “[Mazars Investing in CEE: Inbound M&A Report 2019/2020](#)”, this year the acquisition market, according to experts and investors, will develop similarly as in the period of the previous financial crisis in 2008 due to the effects of the pandemic.

Caution and uncertainty prevail among investors, nevertheless the mandates for the sales and purchases of companies have not been cancelled after the initial freeze, just delayed. The future development of the market could indicate a decrease in the number of transactions where a 100 per cent share is transferred, though the number of joint venture transactions or sales of minority shares will increase.

“The M&A market, just like the real and financial economy, will see structural changes regarding the appetite for risk of some investors and access to finances, the general (average) decrease in valuation and increased consolidation activity in fields heavily affected by COVID-19,” anticipates Lukáš Hruboň, the Head of the M&A Department in Mazars Czech Republic .

Last year the Czech Republic placed third in the rankings of CEE countries from the perspective of the number of transactions and the value, where its 82 transactions at a value of 6.3 billion euros were only exceeded by Russia and Poland. In 2018 it placed fourth when, in addition to the two largest countries in the CEE region, Austria surpassed it. At that time it reached 73 transactions at a value of 3.4 billion euros.

“Further developments will depend on when the confidence of the buyers and sellers will return and it will depend on the overall economic developments. Both sides are waiting following the

initial shock. It has led to the activation of “sleeping investors”, who were waiting for a change in the economic development or they were not buying companies due to increased demand and high prices. A significant surplus of long-term capital is still manifest on the market, which is contrary to a lack of short-term liquidity for corporations, and especially in the areas hardest hit by the pandemic, such as the hotel industry, tourism and the automotive industry,” anticipates Jaroslav Křivánek, the Partner of Mazars’ Financial Advisory Department.

According to Mazars’ experts, a wave of purchases awaits the M&A market for the purpose of the stabilisation of the financial situation of companies. This wave will begin in the autumn of 2020, when the pandemic ends and the real problems in the financial health of many companies come to light. Several primarily family companies where the process of succession and the handover of the companies to the future owners were not finished can primarily resolve their situation by selling to investors, where they can reach substantially lower prices than in the period before the pandemic.

“The current crisis will be a huge test for the generation of successors that took over companies from the founders, who can lose or, on the contrary, multiply the assets of the ‘founding fathers.’ Companies that cannot undergo the process of succession or their sale will not be desired but rather forced, on the contrary, could face future disappointment over the revenues from companies built up over many years,” added Lukáš Hruboš.

The year 2020 could surpass the level of 2019 in terms of the number of realised transactions. Investors expect the markets to stabilise and for growth to return. According to a survey by Mazars among investors ([Covid-19 and the world of private equity](#)), this development is expected by 61% of the investors in the area of private equity. Optimism generally reigns over the medium-term horizon, even though several of them expect that it will take some time before the markets return to normal. Only 6% of them expect that they will stop looking for new investments for a certain period in the future. On the contrary, almost three-quarters of them (74%) intend to continue looking for new interesting investments and opportunities.

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