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DC Discusses

M&A ecosystem in CEE
matures as local capital
spreads its wings in SEE

Central and Eastern European (Northern CEE & SEE*) M&A deal volumes have held steady since 2022, with only a 2-13% variation year-on-year.¹ With the emergence of new active investors, as well as some long-term market trends, we anticipate the evolution of the dealmaking ecosystem to continue and M&A volumes to grow:

- The region is showing notable resilience despite geopolitical and economic headwinds
- Domestic family offices, regional corporates, and smaller private equity firms are increasingly driving in-market consolidation
- Increasing sophistication in dealmaking and the availability of debt financing
- Opportunities for scale-up, including Western groups seeking add-on acquisitions and near-shoring capabilities

In the latest DC Discusses article, our CEE team shares trends driving M&A and the outlook for the Northern CEE & SEE region, with a particular focus on recent developments in SEE. This article incorporates findings from the recent survey of private equity investors across the region conducted by DC Advisory – Please see References on page 10 for important information regarding this survey, including inherent limitations**.

*Northern CEE refers to Poland, the Czech Republic, Hungary, and Slovakia.
SEE refers to the CEE countries south of Hungary – including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, North Macedonia, Romania, and Serbia.

****The September 2025 DC Advisory M&A in Northern CEE & SEE survey**

DC Advisory's independent survey of 20 private equity investors in the Northern CEE & SEE region, which was completed in September 2025 (referred to herein as the "The September 2025 DC Advisory M&A in Northern CEE & SEE survey" or the "survey"). Any data sourced from the survey is limited to the data provided by the survey participants and is not meant to constitute definitive market data. The private equity investors for the survey are based on those who are most active in the market, and with whom DC Advisory interacts the most. Accordingly, the survey participants do not constitute an exhaustive list of private equity investors who may have been active during the period addressed by the survey.

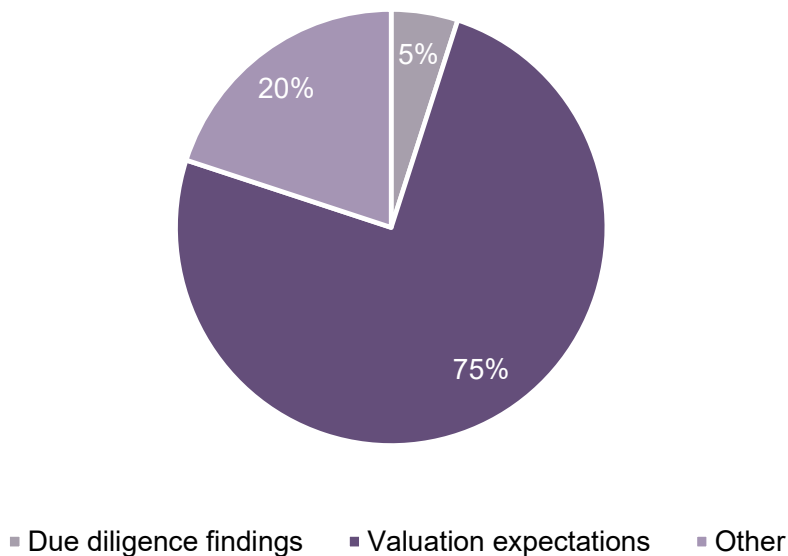
Unless otherwise indicated, all tables, data, and statistics provided in this piece, including with respect to deal activity, have been collected via the September 2025 DC Advisory M&A in Northern CEE & SEE survey, subject to the limitations as described above.

Current market backdrop

Over the past 10 to 15 years, M&A activity in CEE has been notably more volatile than in Western Europe. The Covid-19 buyout boom ignited dealmaking globally,² but left Northern CEE to the sidelines, with transaction volumes declining during the same timeframe.³ During this period, in our view, investment tended to favor large geographies where crossing borders was not required for deal execution. Similarly, geographic markets where buyers possessed established experience or operational insight were more of interest in the search for M&A targets. This has meant less activity in Northern CEE countries, which, except for Poland and the Czech Republic, lack a broader landscape of domestic strategics or financial investors.

Russia's invasion of Ukraine in 2022 then added to an already volatile landscape and amplified investor caution.⁴ We believe the reluctance of international investors contrasts with the region's macroeconomic performance, which has consistently exceeded Western Europe's GDP growth over recent years.⁵ Such a disconnect between perceptions, in our view, lies behind the failure of numerous transactions. The majority of our survey respondents stated that misaligned valuation expectations were the primary reason behind transactions failing, rather than due diligence findings.⁶

What is the main reason deals fail or targets are not acquired?



Despite these challenges, we believe Northern CEE countries with mature capital ecosystems have held up relatively well in terms of M&A activity. These markets, which can benefit from attractive sovereign risk ratings comparable to those of Western Europe, are increasingly favored by pan-European investors. The majority of survey respondents with relevant experience in both regions stated that executing deals in Northern CEE countries is easier than in the SEE region.⁷

Within SEE, Romania was highlighted by most respondents as their priority target market.⁸ International strategic investors are, in our view, also willing to pay attractive valuations for market leaders in Romania, as seen through Mehiläinen's acquisition of Regina Maria.⁹ There is also a willingness to invest significant resources into cementing a leading position in the Romanian market, as illustrated by recent transactions in grocery retail and retail banking.¹⁰



SEE investor ecosystem catching up with Northern CEE

Poland and the Czech Republic benefit from a strong base of domestic investors, which, in our view, is due to the relative size of their economies, their industrial heritage, and proximity to Western Europe. Additionally, we believe that the legacy of 1990s privatization programs and M&A trends of the early 2000s and 2010s have fostered a generation of ultra-high-net-worth individuals and an ecosystem conducive to private equity activity. In our view, this has boosted the development of internationally oriented, fast-growing, medium-sized businesses. In addition to family offices, long-established private equity firms such as Abris Capital, Enterprise Investors, Innova, MCI, or MidEuropa Partners have created a vibrant ecosystem, especially in Poland.

From our perspective, national conglomerates dominated local investment in SEE for the first two decades after the market transition. However, in recent years, we have witnessed further acceleration in regional investor activity, driven by an increasingly diverse landscape of family offices, smaller private equity firms, and regional corporates. These local SEE investors have been stepping in to fill the gap left by reduced international appetite for the region. We observe that they benefit from weak international competition for targets, while many founders of private businesses established post-1990 are approaching retirement age.

Local investors now constitute the most significant investor group in many situations, with a new generation of private equity funds driving activity across small-cap buyouts and growth equity. Players such as Booster, PRVA, and MS Cap have joined Integral, Invera, Morphosis, and Provectus, alongside longer-established names such as ACP, ALFI, BlackPeak, and CEECAT. With the establishment of several new investment teams, Bucharest has become a particular hotspot for small and mid-cap private equity activity in the region, and we see businesses being built with support from these investors that should attract pan-regional and international interest.¹¹

We believe new investment teams are taking advantage of the current low competition in SEE, while established players need to show more patience with upcoming exits. According to most respondents to our survey, the environment for exits is more unfavorable than pre-pandemic, especially in the SEE region.¹² As one possible way to address this, the majority of respondents are considering bringing in a co-investor to monetize and partially de-risk existing investments.¹³

Resilient sectors driving M&A activity

Sector M&A activity across Northern CEE and SEE has broadly mirrored global trends, with pockets of resilience and growth emerging amid broader uncertainty. Industrial automation, digital transformation, and Business & Tech-Enabled Services continue to attract investor interest,¹⁴ as seen through transactions such as Carlyle's acquisition of Adastra¹⁵ and Virtusa's acquisition of Bright Consulting.¹⁶

The Energy, Infrastructure, and renewables space has also been in demand across SEE, particularly in Romania and Bulgaria, where EU funding and regional strategic importance have supported growth.¹⁷

FMCG Retail is another active investment area in Romania, where market consolidation and exits from long-standing private equity investments have driven increased activity.¹⁸ Recent deals include Morphosis and CEECAT's exit of La Cocos to Schwarz Gruppe,¹⁹ and MidEuropa's sale of Profi to Ahold Delhaize,²⁰ highlighting strategic interest from pan-European players pushing forward in-market consolidation to build scale, especially in larger geographies. However, for smaller SEE markets, we believe international strategics are less likely to pursue potential cross-border synergies in FMCG Retail, due to differences in consumer spending power, brand loyalty, and shopping preferences.

International strategics have been active in SEE, particularly in the food & beverage space, with Grupo Bimbo making a series of acquisitions, including Don Don in Slovenia,²¹ Vel Pitar,²² and Trei Brutari.²³ We have also observed regional players, such as Podravka and Bosqar Group, consolidating domestically and targeting acquisitions across the sector. This indicates weaker interest from international players due to a lack of scale and opens a window of opportunity for local investors seeking to consolidate their markets at attractive valuations.

Strategics at an advantage in cyclical sectors

Beyond the FMCG Retail and food & beverage sectors, strategic investors are dominating the buyer landscape in Northern CEE and in SEE.²⁴ Strategics are pursuing consolidation strategies or contemplating smaller businesses as bolt-ons for larger pan-European platforms. Recent economic volatility has reinforced the value of long-term strategic planning, giving these buyers a competitive edge, as seen with Swisspor's acquisition of Creator's CEE operations.²⁵

Without speculating on its likelihood, we believe the most significant catalyst for activity in the region would be a peace deal between Ukraine and Russia. Based on our experience, we expect such a development to lead to significant investment by strategic players in Infrastructure, building materials, and the construction sector. This would be followed by foreign direct investment across numerous industries, as Ukraine rebuilds and relaunches its economy, and society emerges from crisis mode after many difficult years. Rather than diverting attention from neighboring countries, we expect such a boom in Ukraine to spark investment across the region, potentially on a historic scale, benefiting the broader CEE and SEE ecosystem.

Trends in dealmaking

We have observed appetite for co-investment from new investment teams, allowing them to source transactions in geographies where some are less experienced, and to pursue larger proprietary situations jointly. An example is Morphosis Capital and CEECAT's investment in La Cocos with EBRD.²⁶

Many survey respondents referenced EBRD as a highly relevant potential partner in such scenarios. Respondents noted that the bank can enhance deal size, leverage its extensive investment expertise across different sectors and geographies, and provide access to a deep local market network that facilitates connections. Additionally, EBRD offers a range of financing products, including equity, quasi-equity,

and debt instruments, which can be beneficial in structuring deals and addressing diverse funding needs.²⁷

From our perspective, warranty and indemnity insurance is now common across mid-sized deals in Northern CEE but not yet widely used in SEE. A similar observation can be made regarding vendor assistance in M&A processes. This relative lack of sophistication is perceived as a key factor holding back dealmaking in SEE, particularly as the lack of transparency and weak governance standards affect the appetite for small and micro-cap targets.

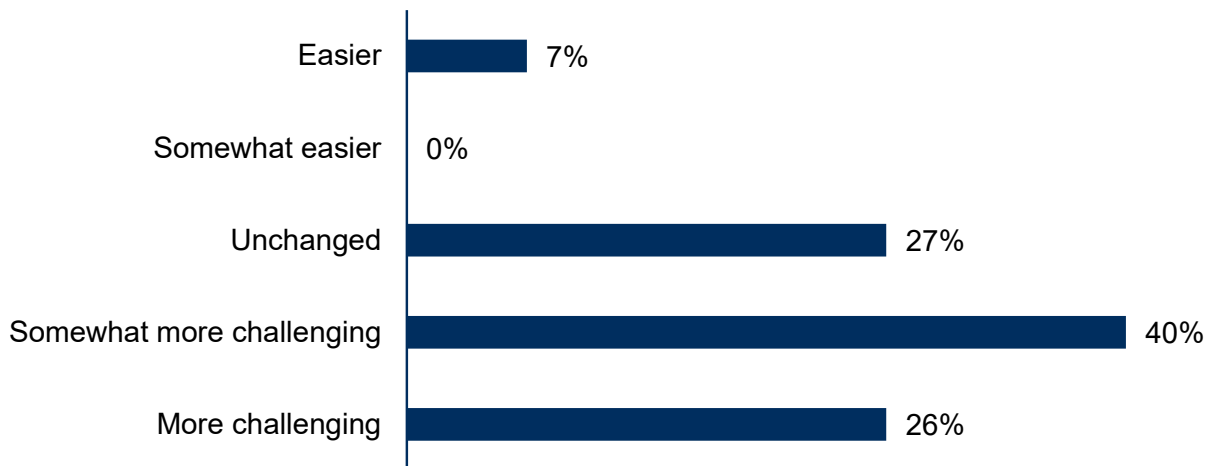
We have seen valuation gaps narrow across Poland, the Czech Republic, and Western Europe over the past 15 years, suggesting economic development and market maturity. However, we believe the valuation divide remains more pronounced between these countries and the countries of SEE, due to investor risk perceptions, higher risk ratings (and resulting higher return requirements), as well as smaller company sizes (or smaller markets) and less competitive sales processes. This external perception contrasts with factors driving valuation expectations among sellers, such as solid economic growth or booming global equity markets. Earn-outs and staged transactions are frequently used to manage valuation gaps. However, the underlying challenge persists: misalignment of valuation expectations remains the primary reason for failed transactions.

In terms of financing, traditional bank loans remain the primary funding source for deals, both locally and regionally, and the current availability of bank financing is strong.²⁸ We believe private debt is also available, albeit slightly less developed in SEE, which constrains alternative financing options for transactions.

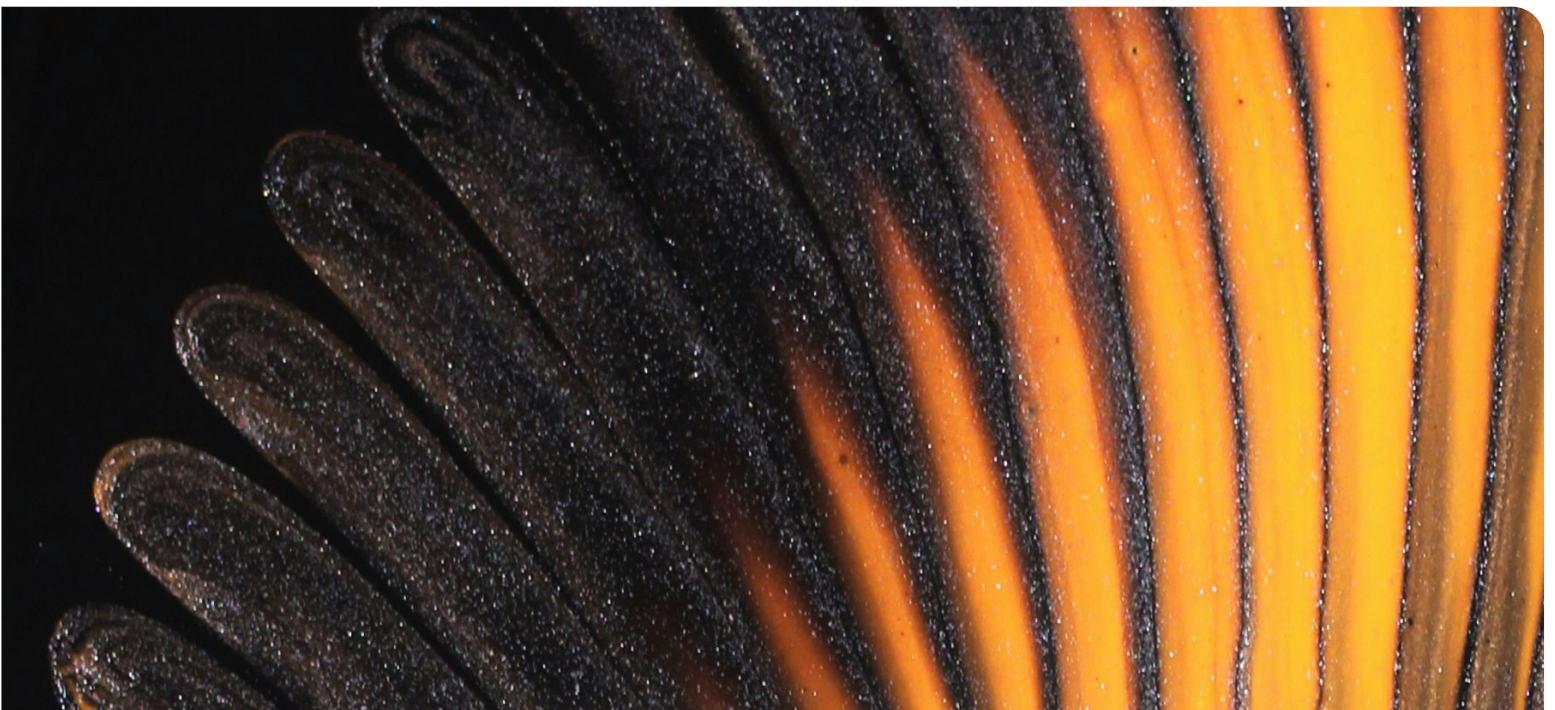
Fundraising environment

The market's investor base has developed in recent years. In our view, Northern CEE has always been a niche market for global LPs, partly due to limited opportunities to scale, making it challenging to attract attention to purely Northern CEE-focused strategies. However, with the increased integration of CEE economies into Western markets, we observed that before the pandemic, international investor interest in the region had been on the rise. This was driven partly by sector-centric strategies and also by overcrowding in Western markets, and the search for growth opportunities in less core territories. However, we believe that the onset of the pandemic, the war in Ukraine, and shifts away from some investment themes relevant to CEE have contributed to reduced interest from these international players. As a result, the fundraising environment remains challenging, and most of our survey respondents confirm that it is currently more difficult than their last fundraising effort.²⁹

How does the current fundraising environment compare with your last fundraising round?

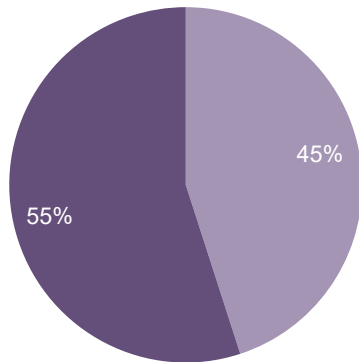


On the positive side, we have noticed that regional institutional and family office investors are playing a growing and increasingly important role in addition to global LPs, and multinational institutions maintain their steadfast commitment to the region. These vehicles, often aligned with broader EU initiatives, such as InvestEU,³⁰ are helping to scale and professionalize businesses, enhancing the region's overall investment appeal.³¹



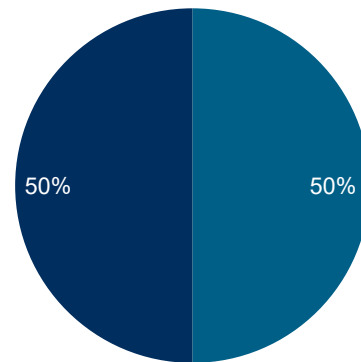
Opportunities for consolidation and the rise of near-shoring drive a positive outlook

What is your outlook for M&A in Northern CEE?



■ Negative ■ Neutral ■ Positive
0% respondents had a negative outlook

What is your outlook for M&A in SEE?



■ Negative ■ Neutral ■ Positive
0% respondents had a negative outlook

Near-shoring is emerging as a significant driver of deal flow in the region, complemented by selective overseas investment aimed at tariff optimization.³² As global companies relocate operations closer to core European markets, the Northern CEE and SEE region can be considered an attractive destination for manufacturing and supply chain investments, due to its comparatively lower cost base and leaner regulatory environment. We expect this trend to accelerate M&A activity, particularly in the Industrials and Business & Tech-Enabled sectors, as businesses capitalize on the region's skilled workforce, cost advantages, and improving infrastructure.

Persistent geopolitical risks could temper momentum. In our survey, proximity to Ukraine and geopolitical risks (for Northern CEE), as well as governance (for SEE) and political risk and instability (especially in Hungary and Serbia), were cited as underlying challenges for investing in the region.³³ On the positive side, macroeconomic growth and attractive valuations were cited as key attractions.³⁴

We believe that if a peace agreement is reached between Russia and Ukraine, reconstruction efforts and infrastructure investment could be significant catalysts for dealmaking across Central Europe and the Black Sea region.

Looking ahead, we are cautiously optimistic about the outlook for mid-market M&A in Northern CEE and SEE. In our survey, no respondents had a negative outlook, while roughly half were neutral.³⁵ Interestingly, a slightly higher proportion of investors expressed a decidedly positive outlook for M&A activity in Northern CEE compared to SEE.³⁶

Driving Northern CEE and SEE M&A momentum

In our view, the Northern CEE & SEE region is well-positioned for an increase in M&A activity, driven by long-term structural growth fueled by a maturing local investor base and EU convergence – including recent Eurozone³⁷ and Schengen memberships.³⁸ As market sentiment improves and institutional support grows, we believe investors with deep regional expertise will be best positioned to capitalize on new opportunities.

To discuss the latest trends or explore M&A opportunities in Northern CEE & SEE, reach out to our team of regional experts



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