

ZF interview. Blu Capital Partners, investment consulting company: Every year we receive, on average, 200 requests from investors who want to bet on Romania. The multiples here are 1-2xEBITDA below the European average

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Tudor Maftaianu, Managing Director, and Dragoș Tudose, Senior Manager at Blu Capital Partners: We are optimistic about the M&A market in Romania. BCP carried out an internal analysis of the top 1,000 largest companies in terms of revenues, and of these, approximately 310 are entrepreneurial and private, the remaining 690 are either multinational, owned by the Romanian state, an investment fund or listed on the Stock Exchange. These entrepreneurial companies represent, from our point of view, the engine of the M&A market.

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[The investment banking firm Blu Capital Partners assisted the BMF group in the transaction with the SARMIS Capital private equity fund](#)

♦Blu Capital Partners is a boutique investment bank that engages in M&A and fundraising (debt, equity) projects, and valuation advisory. ♦Clients include local entrepreneurs, but also foreign companies such as Zürich Insurance Company. ♦In 2023, Blu Capital Partners advised the Tomescu family in the transaction through which the entrepreneurs sold a majority stake to Sarmis Capital.

The mergers and acquisitions market in Romania had a good evolution in the last two years, marked by record inflation, interest rate hikes and conflicts in several corners of the world, rather going against the trend, given that at the level European and even global level there have been

considerable declines in the appetite for transactions. However, the impact of these factors is also visible on the domestic M&A market, say Tudor Maftaianu, managing director, and Dragoș Tudose, senior manager at Blu Capital Partners.

"In 2023, in Romania, we saw fewer cross-border transactions, but more domestic transactions", say the two executives. More precisely, local actors already present were more active than foreign investors.

At the same time, in the current market context, there is a discrepancy between the expectations of buyers and those of sellers when it comes to the value of a company.

"In 2018-2019, the 350 companies that make up the S&P Europe 350 were valued, on average, at 7-8xEBITDA (enterprise value). In 2021, multiples climbed to a high of 11x, only to start falling again. For example, last year we can talk about 7xEBITDA, on average, and in the first part of this year we can notice a new upward trend, up to 8x."

Although these figures refer to some of the biggest European companies, they are also relevant, at the trend level, in Romania. When it comes to the multiples at which domestic companies are valued, the two executives say that the valuations here are 1-2xEBITDA below the European average. However, a convergence is evident. Plus there are, as elsewhere in the world, differences between sectors. For example, technology, which has been a hot sector for several years, offered "fabulous" multiples.

"Although in the meantime there was a correction in the market, in 2023 we noticed a slight recovery. Romania is well positioned in this sector, plus there are not many local IT service companies of a certain size - with over 150 employees - for sale. There are less than ten large, independent, companies left, according to our data.

And when it comes to IT employees (for software development), the demand is twice as high as the supply. It's the same in Romania, and in Europe or globally", add the two executives.

Tudor Maftaianu lived for six years in Paris, and then moved to Amsterdam, before returning to Romania. He built his career in private equity, in Paris working for the Rothschild family, and in Amsterdam for Alinvest Partners, a fund of funds, part of the Carlyle Group. Here he dealt with certain markets in Western Europe and all markets in Eastern Europe.

"I studied Architecture, but I was always passionate about finance, so I completed my studies with a master's degree in Paris, at the Sorbonne. After working in Paris and Amsterdam, I saw an opportunity in the financial services market in Romania, where I noticed that the penetration rate is low. Some people told me that M&A is not to be done in Romania, but I still came back in 2019 and founded Blu Capital Partners, a one-stop investment advisory firm that works with entrepreneurs, but also with corporations."

For example, Blu Capital's clients include Zurich Insurance Company from Switzerland, which they assisted in three cross-border transactions in the technology industry. As for local entrepreneurs, in 2023, Blu Capital Partners advised the Tomescu family in the transaction through which the founders sold a majority stake to Sarmis Capital.

"Our business model allows us to be alongside our customers during all cycles of a transaction and in different types of transactions. We are active only in the private market, we do not do IPOs or other types of listings."

The Blu Capital Partners team today numbers eight people, and the company is part of the M&A Worldwide network that includes over 500 M&A specialists from more than 35 countries..

"As members of M&A Worldwide, we have access to investors from many countries around the world, so we can facilitate access for our clients", adds Dragoș Tudose. He has 13 years of corporate lending experience, working at BCR and Eximbank. He initially worked in risk management, and then switched to front office, where he was exposed to the entire range of transactions. At Eximbank, he administrated companies with a turnover of over 50 million euros. Before joining the bank, he spent a year with Erste Group in Vienna.



Dragos Tudose

"About two years ago I felt the need for a change, I met Tudor and joined Blu Capital Partners as a Senior Manager."

Today, about two-thirds of the company's clients are entrepreneurs, although the share may differ from one year to another. The rest are corporations.

"About 80% of our transactions are cross-border. By comparison, the average in Romania is at 40%, and in the Central and Eastern Europe region it is at 65%, up from 55% ten years ago."

The company advised transactions in technology, automobile, real estate, energy or business services. Regarding energy, the two executives say that it is currently very effervescent and will remain for a while, but not in the long term. In the next 2-3 years, however, it will remain a hot topic.

"In 2024 we expect to see much activity in the area of renewable energy, technology - in certain niches - and automotive in the distribution area especially, both auto parts (where although transactions have taken place, there is still room for consolidation), and specialized equipment or heavy vehicles. For the automotive market, we discussed with investors and saw that there is interest."

Annually, Blu Capital Partners receives, on average, 200 requests and messages from investors who want to bet on Romania.

"We are optimistic about the M&A landscape in Romania. BCP carried out an internal analysis on the top 1,000 companies according to revenues, and of these, approximately 310 are entrepreneurial, the remaining 690 are either multinational, owned by the Romanian state, an investment fund or listed on the stock exchange. These entrepreneurial companies represent, from our point of view, the engine of the mid-market M&A market in Romania."

The mid-market M&A market refers to those transactions that have a value between 5 and 100 million euros each. The representatives of Blu Capital Partners also specify that, according to their estimates, on average, annually, there are 80-90 such deals in Romania, on top of other 5-6 agreements of over 100 million euros.

"The market is dominated by strategic investors, who have about 90% of the total transactions, the remaining 10% being financial investors. In Central and Eastern Europe, the ratio is 80%-20%. This means that the amounts that funds spend in Romania can be doubled, but we will not talk about a 50-50% ratio."

However, global investment funds are sitting on cash and after being cautious in investing in recent years, they now want to put money to work again.

"Regarding investment funds in Europe and the region, approximately 75% of the total available capital (dry powder) of private equity, buyout, mid-market funds was attracted from institutional investors in the last three years. The funds have a standard investment period of five years, with the possibility of one-year extension, which makes us believe that in the next period - 2-4 years - this capital will have to find its destination (companies to invest in). We see this as a driver in terms of transactions with financial investors."

The data and the weight of 75% refer to the average in Europe as a whole, but the trend - more precisely the appetite for future investments - is similar in Romania.

"Some entrepreneurs have started to acquire companies, but there is still a long way to go before we can talk about them being a force in the market. However, we believe that large entrepreneurial firms, with over 1,000 employees, are well positioned to make transactions and to integrate other companies."

Today, 90% of M&A demand comes from corporations and funds and only 10% from entrepreneurs. The latter are usually on the seller's side.

"In addition to mid-market M&A transactions with strategic players or investment funds (private equity), we see an opportunity for entrepreneurial businesses in Romania to access more traditional financing instruments - bank financing or private debt, which if structured and negotiated correctly, can support organic growth or acquisitions."

Blu Capital Partners can work on about 20 transactions in a year, and closes 8-10 on average. Some can be completed in the following year, others are put on hold or postponed.

"The year 2024 is predicted to be the best for us. The last two years were about equal and were the best so far. Now we are working on several mandates and most of them are medium-sized transactions (€5-100 million)."

The penetration rate of mid-market M&A transactions, according to the Blu Capital Partners index (value of mid-market M&A transactions relative to the country's GDP), shows that Romania has a solid position according to the data from 2022-2023, but there is still room for improvement – increase both in volume (number of deals) and value.

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