Research Article

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Mergers and acquisitions in Greece

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Abstract: The financial crisis has paradoxically protected many sectors of the Greek economy from collapse. The ownership structure of companies in Greece was dominated by state and local government companies. Private companies have not only contributed capital and protected employees from unemployment, but have also given a new organisational culture to companies.

Keywords: mergers; acquisitions.

The Hellenic Statistical Office (Elstat) does not include mergers and acquisitions in its statistics. The same is true for the privatisation of State-owned companies. The following paper explains the concepts of mergers and acquisitions and the forms they may take. Only then can the search for modest sources be started in the form of press articles, residual statistical data, scientific articles and documents that sometimes indirectly mention the subject of this work. Therefore, this work took such a form.

A merger is the consolidation of at least two companies into one in order to streamline their operations. (Encyklopedia Zarządzania) A distinction should be made between a merger through the acquisition of one company by another and the merger of these companies and the creation of a new one. It is possible to acquire a controlling interest or shares, or to buy the whole company or a separate part of it. A merger can take place within one industry (vertical merger) or within a sector (horizontal merger). (Maćkowiak 2012, s. 120)

A conglomerate shall be constituted by mergers of undertakings the activities of which are not linked by a sectoral link. The resources of one of the entities are used to enter a new area of activity. A concentration merger is a merger of companies within one industry with the intention of increasing market shares. A coordination merger is called a vertical and horizontal integration of undertakings in order to streamline cooperation to achieve common goals. Symmetric mergers occur where the merging entities have similar market potential and their shares in the new company are comparable. Symmetry manifests itself through equal decision-making in the company. None of the merging entities has a hegemony position in the market. A symmetrical merger is similar to an egalitarian merger in which the entities have a similar position in the market. (Goździerska 2011, p. 570 - 572)

The nature of merging companies can be friendly or hostile. In the first case, the parties negotiate voluntarily. The second case concerns listed companies whose shares are publicly available. The takeover takes place without the company's decision-making bodies being taken over by buying out shares.

An acquisition is defined as the assumption of control of an organisation by another or a group of investors, while preserving the legal personality of the target company. (Zygula 2004, s.178)

The method of redemption itself is varied, so is the form of redemption through employees, also known as employee shareholding (Employee Stock Ownership Plan). The managerial staff may also come into possession of the company (Management Buy - Out). The acquisition of the company can take place through external investors (Leverage Buy - Out). (Melnarowicz 2016, p.161 - 162)

This paper should outline the circumstances that have favoured and even been forced to make M&A processes on a large scale in Greece. In the internal market, the public sector was strong and preferentially treated by successive government teams. Public administration grew steadily. It was an element of political culture and a kind of electoral clientelism. The rigid Labour Code protecting workers' labour paradoxically did not encourage private companies to

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hire. Labour costs were significant in the fixed cost item of companies. Social benefits were high and discouraged some workers from taking up employment. Their scale and height increased. The factors mentioned above contributed to the widening of Greece's budget deficit. Private companies were small and dispersed with low profitability. This was not conducive to the competitiveness of the Greek economy, tax revenues and wealth creation. Despite this, Greece proceeded to adopt the currency of the European Union. It met the requirements for adopting the euro, that is to say, the convergence criteria. These included achieving high price stability through low inflation, stabilising the fiscal position by not exceeding 60% of the debt threshold in relation to GDP and 3% in relation to the deficit. For two years it was necessary to maintain a relatively stable drachma exchange rate against the euro, whose fluctuations could not exceed 15%. The last criterion was to maintain interest rates in three EU Member States by no more than 2%.

The Greeks met the convergence requirements but did not carry out economic reforms. Taking care only of monetary issues proved to be very burdensome during the global financial crisis. A strong blow from the crisis hit Greece in 2010. It was also then that investors started to withdraw their money from the capital market. Greek bonds were losing their value, which meant more and more expensive loans for the government. The budget deficit was growing. The real threat was the insolvency of the state and the bankruptcy of millions of citizens. The European Commission, the European Central Bank and the International Monetary Fund were involved in resolving the financial problems. They decided to redeem Greek bonds, develop a recovery plan with Greece and disburse tranches of aid conditional on economic reforms. These included simplifying procedures and reducing the number of posts in public administration, liberalising the Labour Code and simplifying the regulations governing business activity. A plan for deregulating occupations and how to spend EU funds more efficiently was established. State-owned enterprises had to be partially or fully privatised. This was done, among other things, through mergers and acquisitions. (Ministerstwo Finansów 2010, s. 4 -25)

The right to use mergers and acquisitions is guaranteed by Greek and EU legislation. (Tuszyńska 2011, p.3) The regulations cover commercial companies and other forms of conducting business activity, but commercial companies are most often subject to mergers and acquisitions. Such transformations are approved by the Competition Commission. Before administrative decisions can be taken, companies must, of course, express their willingness to merge. The steps that companies are required to take in order to carry out the process of cross-referencing will be set out. The first step is to choose between the transfer of all the assets of the target company by the acquirer (takeover) or by setting up a new company, which results in the transfer of their assets to the newly established entity (merger). Then one should write down the agreements concerning the chosen form of merger and develop a plan for it. It should contain the data of the merging companies and the manner of their merger. It is necessary to include information on the form of settlement and its value; to indicate any special rights granted to the company, any extraordinary benefits and the date from which they will become effective. Amendments to the articles of association should also be included. The next step is to prepare accounting reports on the assets of each company. It is mandatory to decide which party takes over the rights and obligations of the other party. The tax authorities responsible for Greece and the licensing and authorisation authorities will give their opinion and raise possible objections to the plan. It is natural that interested parties will carry out in-depth analyses and audits of their activities and condition. (Tsibris, Koumettis 2017, p.2 - 8)

In terms of the value of mergers and acquisitions in Greece, three distinct industries can be distinguished. These are telecommunications, financial services and the communications sector in general. Between 2005 and 2015, their value was the highest in terms of value in billions of dollars. Taking into account the specificity of the Greek economy and economic dogma that services in the economy determine its strength and profitability, the interest of buyers in these industries becomes understandable. (statista.com 2015)

These data should be cross-checked with privatisation plans that included the sale of state seaports, airports and airports. These included the Athens International Airport and the divestment of part of the shares in Thessaloniki Airport. In addition, plans to divest shares in OTE's national telephony business, to sell the passenger transport company TRAINOSE, to divest shares in banks and investment funds such as Consigment and Loans Bank, ATE Bank and Hellenic PostBank. It should be noted that Hellenic Post had to hand over part of their shares to a strategic investor. The recapitalisation of Hellenic Post was intended to improve its financial situation and allow for further development. (Kozłowska 2011)

The most publicised case of majority shareholding was the purchase of shares in the Port of Piraeus by Chinese Cosco Shipping. It is a key port on the Mediterranean Sea due to its size and potential to increase the handling capacity of goods and people. The purchase of regional airports by the German company Fraport AG was less famous, but equally important from the point of view of prestige, growth potential and location. They are located mainly in holiday

destinations such as the islands of Corfu and Rhodes. (gospodarkamorska.pl 2016) It is important to mention that German and Chinese capital are the most controversial. They are not significantly based on economics, but on politics.

As of 2014, there are more foreign banks than domestic banks. The pace of mergers and acquisitions of financial institutions slowed down. These institutions have been consolidated, which means better quality of services for customers and higher profits for existing enterprises. (Puszer 2016, p. 242) Mergers and acquisitions do not only concern foreign investors. Greek entities also merge and strengthen their market position. An example is the merger of Tripsta's online travel agencies and airtickets(R). The newly formed company has become a hegemony on the Greek market and one of the largest companies in the region. The aim was to consolidate the fragmented market and to take the best possible position in it. Athens was chosen as the company's headquarters. (wprost.com 2015) The merger of the two Greek banks Alpha Bank and Eurobank Ergasias was similar. The merger only strengthened them, but also had an impact on the stock market. Stock indices gained over 16%, which translated into profits for investors. This is an example of the positive impact of parties merging externally. (parkiet.com 2011)

The first half of 2016 was not full of mergers and acquisitions. There were 10 transactions for 230 million dollars. In the same period a year later, the number of transactions as their value increased. It was respectively 21 completed transactions amounting to 1.210 billion dollars. (Raport EY 2017)

In 2018, Danish Carlsberg took control of the Olympic Brewery, which was created by the merger of the Mythos and Olympic breweries, creating a potentate in the Greek beer market. By acquiring 49% of shares in the Olympic Brewery, Carlsberg gained 51% of shares in the Olympic Brewery. (ekathimerini.com)

In conclusion, the financial crisis and the difficult fiscal situation in Greece contributed to the increase in the number of mergers and acquisitions. They provided opportunities for domestic and foreign companies. Consolidation in particular industries allowed the companies to increase their profitability, increase their market share, but also contributed to the recovery of private and public finance in Greece. (Walewska 2015)

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