Corporate M&A 2025

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Romania

Trends and Developments

Overview of 2024

The Romanian M&A market in 2024 became more intense in both volume and complexity. Despite a 5.9% decrease in value compared to the previous year (to EUR6.1 billion), the volume increased by 10%. The higher value in 2023 was driven by a few megadeals (Profi/Mega Image, Enel/PPC, Orange/Telekom), while 2024 had none. This shift towards medium and small deals and the rise in transaction numbers show dynamism and resilience – encouraging signs for the economy.

Below are some key points of the M&A activity in 2024:

- The year 2024 saw the completion of projects initiated in the 2022-2023 period, as well as the expansion or initiation of new ones, confirming growth expectations on a stable basis.
- Growth was driven by the usual sectors. Real estate, hospitality, and construction led with 18.5% of transactions, up 19.5% from 2023, followed by energy and utilities with the largest deal volume increase. Technology, media, and telecommunications also contributed significantly.
- Strategic investors remained dominant, representing 91.3% of transaction volume, the highest in six years. Inbound foreign deals surged 26.9%, showing Romania's appeal as an M&A destination in Central and Eastern Europe. Outbound transactions increased by 54.5%, the highest since 2018, indicating Romanian investors' growing international presence.
- The trend towards less transparency continued into 2024, with almost three quarters of transactions not disclosing their value. Several factors may explain this. First, it relates to the profile of the participants in the transactions and their characteristics, including cultural reasons and mentalities. Second, it involves the economic sectors concerned, as well as the complexity of the transactions, the price construction formula, and the financing conditions; these elements together can lead to more stringent public communication. Lastly, strategic reasons for confidentiality also play a role – the local M&A market remains volatile, and excessive transparency regarding valuations could impact the position of buyers (investors) in future investments.

Market Outlook and Trends

The year 2025 is significant not only because it is an election year but also due to the projected global developments driven by accelerating changes in various international hotspots. Barring any unforeseen geostrategic upheavals beyond our control, there are substantiated reasons for optimism about the future.

The transactions from 2024 have established a stable foundation for both ongoing developments and new investments. Continuing this trend, the sectors of resources, infrastructure, energy, tech, and food are expected to attract new investments and

Trends and Developments Authors

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Popovici Nitu Stoica & Asociatii is a leading independent Romanian law firm. Established in 1995 as one of the first incorporated partnerships, the firm brings together strong local resources, with exceptional credentials, outstanding records and distinguished career law, business and academia. The Bucharest office today includes over 80 qualified lawyer and tax advisers. Focusing traditionally on the private sector and on foreign investment projects, Popovici Nitu Stoica & Asociatii is widel recognised by industry observers and peers as "the transactional law firm" among Romania market leaders. The firm has constantly been involved in the majority of M&A transactions in Romania, spanning industries such as energy healthcare, retail, IT, financial services, telecoms and real estate.

transactions, forming a consistent pattern of development. It is also possible that significant deals could occur, potentially increasing both the volume and overall value of transactions.

The most promising sectors for investors in 2025 include resources, infrastructure, energy, technology, and food.

The growth trend may also be influenced by local challenges such as: (i) the foreign direct investment (FDI) regime; (ii) practical issues arising from the digitalisation of the Trade Register; and (iii) the impact of the political landscape on ongoing investments, including elections and fiscal ordinances.

FDI regime

In 2024, Romania made significant changes to its foreign direct investment (FDI) regime through Law 231/2024, effective from 21 July 2024. These updates were presumably designed to clarify rules, enhance enforcement, and ensure consistency for both EU and non-EU investors.

However, the recent changes and practices could be interpreted as leading to a de facto “total control” approach by the authorities over projects valued at a few million euros or more. This situation presents significant challenges for investors and substantially impacts the overall business environment.

The FDI regime, originally focused on national security, is gradually evolving into a general framework for foreign investments, as nearly all aspects now appear relevant to national security. Furthermore, the FDI regime is increasingly encompassing the overall investment regime, affecting projects and transactions between locals, citizens, residents, and others.

The FDI Screening Commission (CEISD) has adopted a broad and sometimes unexpected stance on what constitutes a sensitive sector. For instance, the following activities have been classified as sensitive:

- the meat processing and commercialisation industry;
- the ownership and leasing of agricultural land, which falls under the domain of agricultural and environmental protection;
- the field of real estate development, which is included in the domain related to the security of citizens and communities, although practices regarding real estate investments vary and are subject to ongoing discussions;
- the construction of a photovoltaic power plant on the roof of a building, which is deemed relevant to energy security, as is the expansion of photovoltaic power production capacity;
- transactions involving the operation of personal data, which fall within the scope of foreign direct investment, such as B2B services provided to travel agencies (hotel accommodations, transfers, car rentals, and group bookings related to citizen and community security);
- transactions related to production units in the footwear industry, specifically those producing business shoes for men and women, which may fall under the domain of industrial security;
- medical services;
- any investments that relate to critical infrastructures (eg, maritime ports – facilities that support capacity expansion and activity diversification);
- electric vehicle charging stations;
- wind farms; and
- expansion of capacity for starch production.

Other key recent changes include:

- Extended Sanctions to EU Investors: The sanctioning regime now applies to EU investors as well, penalising “gun-jumping” (implementing investments falling under the FDI regime before clearance) with fines of up to 10% of worldwide turnover, thus aligning treatment across nationalities.
- Penalties for Misinformation: New fines of up to 10% of global turnover were introduced for providing incorrect or misleading information to the CEISD.
- Nullification of Unauthorised Investments: Investments without required FDI clearance are now null and void, with the CEISD able to recommend measures to unwind such transactions. The final decision rests with the Romanian

government. This potentially raises legal and practical concerns regarding the reconciliation of potentially automatic nullification with the discretionary power of the authorities to decide on unwinding transactions.
- Clarification of EU Investments: The law refined definitions and screening processes for EU investments, addressing ambiguities around gun-jumping by EU investors and aligning Romania's regime with EU standards.
- Enhanced Role of the Romanian Competition Council (RCC): The RCC should issue guidelines on FDI review procedures (including timelines, conditions, and methods for calculating investment value (especially relevant for the EUR2 million threshold)) and began publishing FDI decisions on its website in July 2024.

Trade Register

The second challenge – which was, in fact, a set of challenges – consisted of the long and difficult process of the digitalisation of the Trade Register, which had an immediate, abrupt, and sometimes irreparable impact on numerous projects carried out in 2024.

Thus, in 2024, Romania implemented updates to the Trade Register registration procedures. While there was no major standalone legislative overhaul specifically for the Trade Register in 2024, practical implementation and clarifications of prior reforms were continued. The implementation of the digitalisation process will continue in 2025 and, everybody hopes, with better results.

Tax

Finally, towards the end of the year, we had to deal with the effects of political turbulence on ongoing investments – with elections, the formation of a new government, and fiscal ordinances playing a part. Notably, the Emergency Ordinance No 156/2024, passed by the Romanian government at year's end, introduced an austerity package that has had a significant impact on the tax and fiscal regime.

Below is a summary of the key tax-related changes, with potential impact on investments:

- Dividend Tax Increase: The tax rate on dividends distributed by Romanian entities increased from 8% to 10%, effective for dividends distributed from 1 January 2025. This applies to both residents and non-residents.
- Microenterprise Tax Threshold Reduction: The income ceiling for microenterprise tax eligibility was lowered from EUR500,000 to EUR250,000 from 1 January 2025, with a further reduction to EUR100,000 planned for 1 January 2026. The 20% cap on consulting/management revenue was eliminated, broadening eligibility, although firms exceeding the new thresholds must switch to profit tax. The tax rate remains 1% for most qualifying firms, with a 3% rate for specific sectors like HoReCa (hotel/restaurant/catering).
- Elimination of Sector-Specific Tax Exemptions: Tax relief for salaries in IT, construction, agriculture, and food industries was phased out from 1 January 2025.
- Reintroduction of Special Construction Tax: A 1% tax on the value of certain constructions (eg, industrial, energy, telecom infrastructure) was reintroduced from 1 January 2025, reversing its 2017 abolition. This tax targets assets not already subject to building taxes, with exemptions for specific public-use structures.
- Excess Borrowing Costs: New limits cap deductions for excess borrowing costs at EUR500,000 for related-party transactions and EUR1,000,000 overall per tax period, except for financial institutions. This restricts corporate tax planning strategies.

Conclusions

Overall, 2024 showcased growth in the number of transactions, increased international interest, and dynamism, despite a small decrease in total value. The market's evolution indicated increasing maturity and appeal to both domestic and foreign investors.

While cautiously optimistic for 2025, we anticipate that the growth trend will persist, driven by the "pentagon" of resources, infrastructure, energy, tech and food.

The growth trend may be impacted by the rapidly changing global political environment, as well as by domestic factors. These include the potential tightening of the FDI regime, the impact of the recently adopted austerity package and the continuation of the digitalisation process of the Trade Register.

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