

A Decade of Change in the Market for Corporate Control in Croatia: A Descriptive Analysis Before and After Eurozone Accession

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Croatia joined the Eurozone on January 1, 2023, becoming the twentieth member state and the first late-accession peripheral economy to do so under post-pandemic macroeconomic conditions. Despite the significance of this integration, the literature lacks a comprehensive evaluation of how this transition affected the local market for corporate control, including sectors of strategic relevance to Croatia's economy such as maritime activities. The primary aim of this paper is to provide the first descriptive analysis of the Croatian M&A landscape around this institutional breakpoint. The paper uses a descriptive research design to systematically observe and compare market dynamics across two distinct periods. Data on M&A transactions are drawn from the Orbis M&A database, covering a full decade from 2015 to 2025. The final sample includes 453 completed M&A transactions involving Croatian non-financial firms, spanning industries from manufacturing and tourism to maritime and transport-related sectors. To isolate the potential effects of monetary integration, we divide the dataset into a pre-euro period (2015–2022) and a post-euro period (2023–2025). We track changes in transaction volume, cross-border versus domestic ratios, target industry categories, and deal value brackets, comparing domestic temporal trends against the broader EU-27 benchmark. Croatian M&A deal counts during the post-euro period remained two to three times higher than the 2015 baseline, while the wider EU-27 benchmark experienced a contraction. The share of cross-border transactions decreased by 11.7% following integration. This decline resulted from a rapid expansion in domestic acquisition activity rather than an absolute reduction in foreign buyer interest. In terms of sectoral distribution, manufacturing became the primary target industry, accounting for 20.7% of all post-euro deals. This sharply displaced the accommodation and food services sector, which had historically accounted for a significant portion of transactions. The professional, scientific, and technical activities sector experienced the largest positive shift, increasing from 5.2% to 14.5% of total targets. Analysis of the limited disclosed-value subsample indicates that deal values consolidated toward the mid-market range. The divergence between surging domestic M&A activity and the contracting European benchmark indicates a strong, country-specific effect. Furthermore, the redirection of capital toward professional and scientific services, alongside a sharp decline in the tourism and hospitality sector, suggests a structural adjustment toward knowledge-intensive activities. The findings highlight that joining a currency union under complex macroeconomic conditions produces distinct, localized market responses, setting an empirical baseline for future causal research on institutional transitions and the market for corporate control.

KEY WORDS

- ~ Mergers and acquisitions
- ~ Market for corporate control
- ~ Eurozone accession
- ~ Croatia
- ~ Cross-border M&A
- ~ European Union

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1. INTRODUCTION

Mergers and acquisitions are principal channels through which firms pursue external growth and through which capital markets reallocate corporate control across borders. These activities represent one of the most consequential mechanisms in corporate governance. M&A activity occurs in waves, each triggered by a particular interaction among macroeconomic conditions, regulatory change, technological disruption, and prevailing capital-market liquidity at the time (Martynova and Renneboog, 2008). Six such waves have been identified in the literature since the late nineteenth century. They are distinguished by geographic scope, dominant deal type, and regulatory reaction, which eventually led to the end of each wave. The most recent two waves, the fifth (1993-2000) and sixth (2003-2007), stand out for the volume of cross-border activity and the integration of European markets that were previously peripheral in M&A deal flows (Alexandridis, Mavrovitis, and Travlos, 2012).

There are two theoretical pillars in the literature supporting the empirical study of M&A transactions. The first traces back to Berle and Means (1933), who identify the separation of ownership and control in the modern corporation as the structural precondition for an external market for corporate control. This argument was formally developed by Manne (1965), who argues that the share price of a poorly managed firm falls relative to its peers, making it an attractive target. This mechanism disciplines incumbent management. The second pillar comes from international business literature, where cross-border M&As are treated as a form of foreign direct investment whose direction and volume depend on several factors, including institutional proximity, currency regime, and the depth of host-country capital markets (Dunning, 2000; Shimizu et al., 2004).

At the intersection of these two theoretical pillars is a question with immediate empirical relevance for small, open European economies such as Croatia: How does the deepest form of monetary integration alter the structure and intensity of a country's market for corporate control? Existing evidence is drawn almost entirely from the original 1999-2001 EMU adoption cohort. This evidence suggests that euro area membership significantly increases cross-border M&A among member states through two channels: the elimination of exchange-rate risk and the reduction in transaction costs (Coeurdacier et al., 2009; McCarthy and Dolfsma, 2015). Whether the same effect occurs for a late-joining peripheral economy under fundamentally different macroeconomic conditions – such as post-pandemic recovery, ECB monetary tightening, and ongoing military conflict on the European continent – remains an open question.

On 1 January 2023, Croatia became the twentieth member of the Eurozone and simultaneously acceded to the Schengen Area. This paper uses this institutional breakpoint to construct a descriptive mapping of the Croatian market for corporate control over the decade from 2015 to 2025. For analysis, the sample is divided into two sub-periods: 2015 to 2023, referred to as the pre-euro era, and 2023 to 2025, referred to as the post-euro era. The sample comprises 453 completed M&A transactions extracted from the Orbis M&A database. Four dimensions are recorded across the two sub-periods: temporal trends, geographic composition of acquirers, sectoral concentration, and deal size distribution. The contribution of this paper is a systematic portrait of a corporate control market at the point of a major institutional transition. To the authors' knowledge, no comparable study exists for Croatia.

Analysis is organized by four research questions:

***RQ1:** What are the dominant trends in the volume and aggregate value of M&A transactions targeting Croatian non-financial firms over 2015-2025, and does the temporal profile exhibit a visible structural shift around the Eurozone accession date?*

***RQ2:** How has the geographic origin of acquiring firms evolved, and is there descriptive evidence that the share of acquisitions originating from Eurozone member states increased in the post-accession period?*

***RQ3:** Which economic sectors have concentrated the most M&A activity, and has the sectoral distribution shifted toward higher-value-added or technology-intensive sectors?*

***RQ4:** How has the size distribution and structural composition of deals changed between the pre-euro and post-euro periods?*

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. The market for corporate control as a governance mechanism

The modern corporation was systematically described by Berle and Means (1933). They characterize the modern corporation as an entity that concentrates productive assets under centralized managerial discretion, while ownership is

dispersed among many passive shareholders. Agency issues follow from this structural separation. Jensen (1986) identified a specific form of agency cost in which managers with substantial free cash flow prefer empire-building acquisitions to returning surplus capital to shareholders. This managerial preference is most pronounced in industries with declining investment opportunities. Jensen and Ruback (1983) frame the market for corporate control as the competitive arena in which managers' negative behavior is disciplined. The market for corporate control is, therefore, a market in which alternative managerial teams bid for the right to manage corporate resources. This threat of displacement constrains managerial deviation from the corporation's classic purpose: maximizing shareholder value. Masulis, Wang and Xie (2007) provide direct empirical confirmation. They find that acquirers shielded from takeover threats by antitakeover provisions make, on average, worse acquisition decisions than acquirers exposed to the disciplinary pressure of the control market. The functioning of this market is therefore more than a corporate finance phenomenon. It is a barometer of the institutional quality of a country's capital allocation system.

2.2. Cross-border M&A and the gravity of institutional proximity

Extending the corporate control theory to cross-border transactions introduces additional dimensions of complexity. Shimizu et al. (2004) systematize five theoretical perspectives. These are transaction cost, resource-based, agency, organizational learning, and institutional theory. They also document that cross-border M&A differs qualitatively from domestic deals in information asymmetry, cultural distance and integration difficulty. Empirical research confirms that cross-border deal flows follow gravity-model logic. To this note, Erel, Liao and Weisbach (2012) analyze more than 56000 acquisitions over 1990-2007. They find that deals are significantly more likely when acquirers come from countries with recent currency appreciation, stronger stock markets, and higher accounting standards than the target country. It is also found that geographic proximity, common language, and legal-system similarity independently increase deal probability. Hyun and Kim (2010) extend this framework to 101 countries. Their research demonstrates that both institutional quality and financial market development increase bilateral M&A volumes, and that institutional distance, rather than absolute quality, is the binding constraint on cross-border deal flows. This dynamic is further emphasized by comprehensive systematic reviews of formal institutions, which confirm that institutional upgrades act as primary drivers for reducing cross-border friction and mitigating information asymmetry (Ahsan, Popli and Kumar, 2024). On the target side, Rossi and Volpin (2004) show that M&A volume is systematically larger in countries with strong shareholder protection and that cross-border acquirers systematically originate from jurisdictions with superior investor protection relative to their targets. Bris and Cabolis (2008) provide firm-level evidence that this pattern reflects actual value transfer. Announcement returns for target firms are higher when the acquirer comes from a country with better shareholder protection, but only in full acquisitions where the target's legal nationality changes. M&A thereby operates as a channel through which governance standards are exported across borders. Taken together, these findings predict that institutional improvements in a target country should alter both the volume and the directional composition of inbound M&A activity.

2.3. The euro, European integration, and M&A capital flows

The empirical literature on the euro's effect on cross-border M&A is remarkably consistent. Coeurdacier et al. (2009) provide the benchmark estimate using bilateral panel data, finding that EMU membership promoted horizontal cross-border restructuring within manufacturing sectors among euro area firms, and that EU membership independently favored both horizontal and vertical mergers. Lower corporate tax rates, reduced product market regulations, and deeper financial systems further increase a country's attractiveness as a target. Di Giovanni (2005) confirms, using cross-border M&A deal-level data for 1990-1999, that financial deepening in the acquirer country significantly increases the probability and size of cross-border transactions, even after controlling for standard gravity variables. Kalemli-Ozcan, Papaioannou and Peydró (2010) decompose the euro's effect on financial integration into three channels: exchange-rate risk elimination, legal-regulatory convergence and increased goods trade and find that currency risk elimination is the primary driver. McCarthy and Dolfsma (2015) document that the euro increased not only the number but also the size and geographic reach of European M&A: acquirers made increasingly distant acquisitions and showed a pronounced preference for targets in other euro area countries after the single currency's introduction. A critical qualification comes from Zadernach and Rodriguez-Pose (2009). They show that although European integration has stimulated cross-border M&A activity, the resulting geographic distribution of control remains highly uneven. Accession and transition economies in Central and Eastern Europe experience a net loss of corporate control. Mitchell and Mulherin (1996) add a complementary industry-level insight. They demonstrate that activity clusters by sector in response to deregulatory, technological, and competitive shocks. This implies that the sectoral composition of post-accession M&A will reflect whichever Croatian industries are undergoing the greatest structural adjustment. Harford (2005) establishes that industry-level shocks alone are insufficient and that aggregate capital liquidity is the enabling condition that determines whether a given shock translates into a merger wave.

2.4. Croatia: the transition context and the research gap

Croatia's position in the European M&A landscape is shaped by its status as a post-transition peripheral economy. Estrin and Uvalic (2014) document that the Western Balkans receive less FDI than Central European transition countries systematically, even after controlling for market size, trade openness, and macroeconomic stability. Historically, FDI and trade connectivity in the Western Balkans have been hindered by high trade costs and limited institutional integration (Dorakh, 2022). This regional deficit is attributed to smaller markets, greater geographic distance from major capital exporters, and weaker institutions. Kalotay (2010) traces the evolution of FDI in transition economies from privatization-linked brownfield acquisitions toward more diversified market-seeking and efficiency-seeking investment, noting that Southeast European economies, including Croatia, lagged the advanced CEE group throughout this process. Brada, Drabek and Perez (2012) add that both home-country and host-country corruption reduce FDI flows, implying that institutional improvements tied to EU accession should increase inbound M&A activity. In the M&A literature specific to Croatia, Filipović, Cingula and Tipurić (2011) examine the disciplinary role of the corporate control market using a sample of Croatian non-financial targets acquired between 1998 and 2006 and find that firms with below-average profitability are more likely to become takeover targets. Kandžija, Filipović and Kandžija (2014) extend this line of inquiry by showing that target firms in less concentrated industries exhibit better post-acquisition performance. No study has addressed the post-euro period. This paper aims to fill that gap. Zollo and Meier (2008) emphasize that M&A performance is a multidimensional construct, with no single metric capturing all relevant dimensions, a finding that validates this paper's focus on market-level activity patterns as a necessary precursor to any future performance-oriented analysis. Dunning's (2000) eclectic paradigm, which posits that the extent and composition of multinational activity are determined by the interaction of ownership, location, and internationalization advantages, provides the envelope within which the geographic and sectoral patterns documented in this study can be interpreted. Eurozone accession alters Croatia's location advantages, and the descriptive record assembled here traces how the market has responded.

3. DATA AND METHODOLOGY

3.1. Data sources and sample construction

The empirical analysis draws on two complementary databases maintained by Bureau van Dijk. The primary deal-level data was extracted from the Orbis M&A database. We retrieved all transactions satisfying the following criteria: (i) the target company is domiciled in Croatia; (ii) the deal type is classified as acquisition, merger, management buyout, or institutional buyout; (iii) the deal status is recorded as either "Completed confirmed" or "Completed assumed"; and (iv) the completion date falls within the period 1 January 2015 to 31 December 2025.

Following standard practice in Corporate M&A research, we excluded all target firms classified under NACE Rev. 2 Section K (Financial and insurance activities, divisions 64-66). We further removed target firms domiciled outside Croatia that appeared in multi-target transactions, which are typically foreign subsidiaries acquired alongside a Croatian parent. A total of 142 transactions lacking a recorded completion date were excluded, as these could not be assigned to either analytical sub-period. The final sample comprises 453 unique transactions encompassing 489 individual target firms, distributed across the pre-euro period (2015–2022; 289 deals, 63.8%) and the post-euro period (2023–2025; 164 deals, 36.2%). Target firms span 17 out of 19 NACE Sections, and acquirers originate from 41 distinct countries.

The deal-level dataset was supplemented with a firm-level financial panel extracted from Orbis. Using the matching identification number of all target firms, we retrieved annual financial statements covering the fiscal years 2012 through 2025 on an absolute-year basis. The variables extracted include operating revenue, total assets, EBITDA, number of employees, and return on assets. Pre-acquisition financial data were available for 269 target firms (59.4% of the deal-level sample); the remainder, predominantly smaller entities acquired within bundled transactions, had no separate entries in the database.

To benchmark Croatian M&A activity against continent-wide trends and control for general and European deal cyclicity (Harford, 2005; Martynova and Renneboog, 2008), we constructed an annual European M&A series using aggregate deal-count data from the Institute for Mergers, Acquisitions and Alliances (IMAA). Both the Croatian and European series were indexed to 100 in the base year 2015 to enable direct visual comparison of relative growth trajectories.

3.2. Variable definitions and dataset structuring

The study period is divided into two sub-periods around Croatia's institutional breakpoint for accession to the Eurozone on 1 January 2023. All transactions completed before this date are classified as the pre-euro period; those completed on or after this date constitute the post-euro period.

Acquirer origin is determined using the Global Ultimate Owner (GUO) ISO country code, with the direct acquirer country code serving as a fallback where the GUO data is missing. Each transaction is assigned to one of four geographic categories: Domestic (acquirer origin is Croatia), Eurozone (acquirer origin is a Eurozone member state other than Croatia), EU non-Eurozone (acquirer origin is an EU member state outside the Eurozone), and non-EU (all other origins). Target firms are classified at three levels of granularity: the NACE Rev. 2 four-digit core code is truncated to its two-digit division for sectoral tabulations, mapped to its one-letter NACE Section for visualization, and assigned to the Eurostat technological intensity scheme, which distinguishes six categories from high-technology manufacturing to less knowledge-intensive services. A technology intensity ratio, which is the share of targets in high-technology manufacturing, medium-high-technology manufacturing, and knowledge-intensive services, is computed for each sub-period.

Deal values, where disclosed, are recorded in EUR. Only 133 transactions (29.4% of the sample) report a deal value, consistent with typical database coverage rates for small European markets. All count-based analyses use the full sample of 453 deals; value-based analyses are reported on the 133-deal subsample, and the effective sample size is stated for every value-dependent metric. The dataset contains 22 multi-target transactions in which a single deal identifier corresponds to multiple legally distinct Croatian entities. We handle this through a dual-dataset structure. For analyses of transaction volume, aggregate deal value, geographic composition, and deal-size distribution, we collapse the data to one observation per unique deal identifier ($N = 453$). This avoids artificially inflating transaction counts. For the sectoral composition analysis, we use the full target-level dataset ($N = 489$), as each acquired entity has its own NACE code and the sectoral distribution can only be accurately captured by counting every firm whose corporate control changed hands. Both sample sizes are reported transparently. To link pre-acquisition financial characteristics to each deal, we match target firms to their financial panel using an identification number and retrieve the observation from the fiscal year immediately preceding deal completion.

3.3. Analytical framework

The study employs a descriptive, exploratory design. We do not estimate causal models; instead, we systematically document the structural characteristics of the Croatian market for corporate control across the two sub-periods. This approach is appropriate given the short post-treatment window, the absence of a formal control group, and the presence of concurrent macroeconomic shocks, including the ECB monetary tightening cycle, post-pandemic normalization, and the ongoing conflict on the European continent, which all confounded identification of a clean Eurozone accession effect.

The analytical framework comprises five procedures. First, we construct annual time-series profiles of deal volume and aggregate value, computing a Croatia-relative-to-EU index that enables visual separation of country-specific shifts from continent-wide cyclicity. Second, we compute comparative statistics between the two sub-periods, including annualized deal counts, mean and median deal values, cross-border and Eurozone-acquirer shares, and sectoral concentration as measured by the Herfindahl-Hirschman index. Third, we decompose the acquirer's geographic origin year-by-year and tabulate the leading source countries in each sub-period. Fourth, we map the sectoral distribution of target firms across NACE Sections and Eurostat technology-intensity categories. Fifth, we cross-tabulate deal-size buckets by period and acquirer origin.

4. RESULTS

This section presents the descriptive findings organized around four research questions. Each subsection draws on the corresponding table or figure, contextualizes Croatian trends against the European benchmark where applicable and connects the observed patterns to the theoretical predictions set out in the Literature section.

4.1. Temporal trends and Eurozone breakpoint

The Croatian M&A market experienced marked volume growth over the study period, followed by structural divergence from the European cycle after 2022. Annual deal counts rose from 27 in 2015 to a pre-accession peak of 66 in 2022, before settling into a post-accession range of 43 to 63 deals per year (Table 1). Expressed as an index with 2015 = 100, Croatian activity reached 244 in 2022 and remained at 159, 193, and 233 in 2023, 2024 and 2025, respectively. The European benchmark followed a different trajectory: the EU-27 index rose to a pre-pandemic peak of 129 in 2018 and 132 in 2021, then declined sharply to 77.5 in 2023 and 76.8 in 2024. The divergence between the two series after 2022 is the single most prominent feature of the temporal profile (Figure 1). While European M&A contracted by roughly one quarter relative to its 2021 peak, Croatian activity remained elevated above pre-pandemic levels throughout the post-euro period.

Aggregate value patterns are less informative given that only 29.4% of transactions carry disclosed values, but the disclosed subsample reveals pronounced concentration in a small number of large transactions. The pre-euro period recorded a total disclosed value of EUR 4.69 billion across 102 deals, compared to EUR 958 million across 31 deals in the

post-euro period (Table 2). The 2022 calendar year alone accounted for EUR 1.43 billion of disclosed value. Mean deal value declined from EUR 46.0 million to EUR 30.9 million between the two sub-periods, while median deal value rose modestly from EUR 6.8 million to EUR 8.3 million, suggesting a compression of the upper tail.

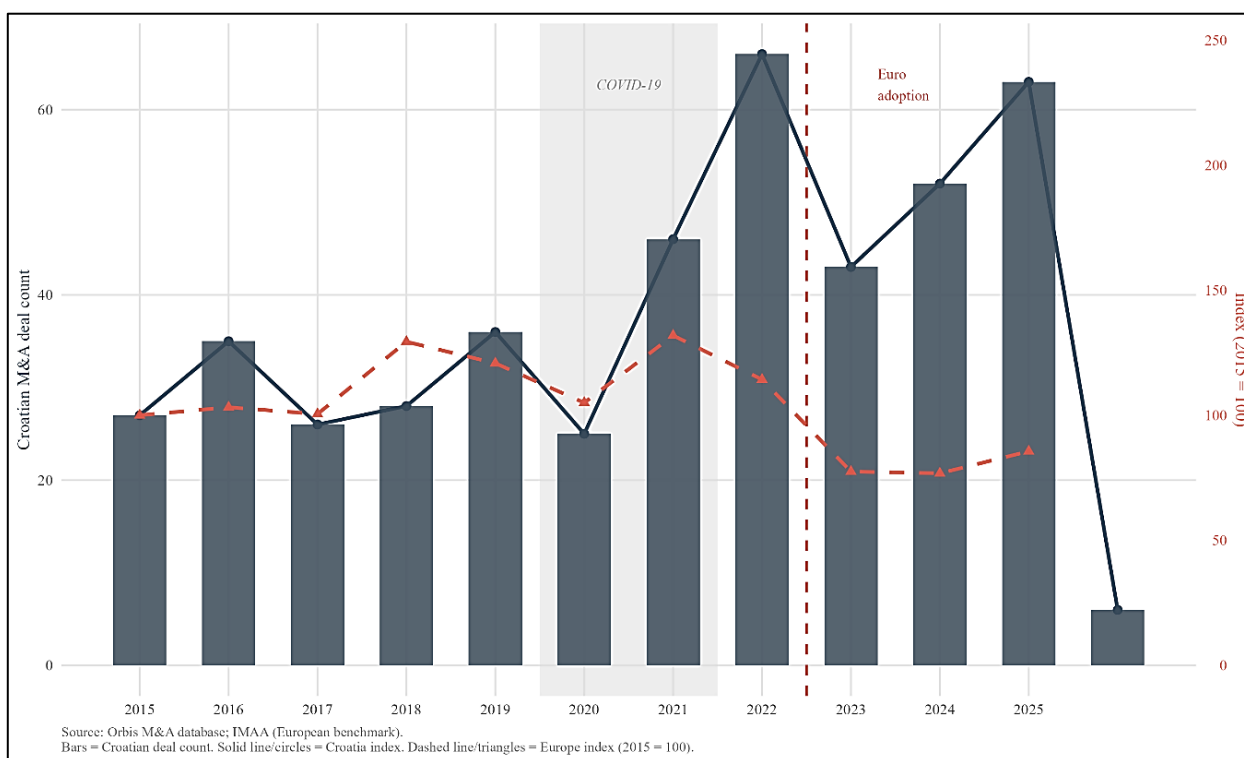


Figure 1. Temporal profile of Croatian corporate transactions in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A and IMAA).

Period	Years	Deals total	Ann. Deals	Deals with value	Total value (mEUR)	Mean value (mEUR)	Median value (mEUR)	IQR value (mEUR)	% Cross-border	% Eurozone acquirer	HHI	Tech
Pre	8	289	36	102	4687	45.96	6.83	26.81	58.9	29.1	1454	0.335
Post	4	164	41	31	958	30.91	8.33	14.09	47.2	25.6	1245	0.441

Table 1. Period comparison of M&A transactions in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

Years	Deal count	Deals with value	Total value (mEUR)	Mean value (mEUR)	Median value (mEUR)	% Cross-border	% Eurozone acquirer	EU-27 deals	Croatia index	EU-27 index
2015	27	14	977.58	69.83	19.61	37.5	14.8	17860	100	100
2016	35	14	346.96	24.78	3.9	58.8	28.6	18430	129.6	103.2
2017	26	6	439.57	73.26	4.85	53.8	30.8	17946	96.3	100.5
2018	28	15	272.17	18.14	6.81	53.8	25	23110	103.7	129.4
2019	36	10	466.23	46.62	4.43	50	25	21582	133.3	120.8
2020	25	6	328.86	54.81	11.41	60	24	18745	92.6	105
2021	46	17	424.48	24.97	5.2	64.4	32.6	23554	170.4	131.9
2022	66	20	1431.69	71.58	8.99	71.2	37.9	20414	244.4	114.3
2023	43	6	152.47	25.41	9.17	59.5	30.2	13848	159.3	77.5
2024	52	10	97.23	9.72	6.2	53.8	34.6	13709	192.6	76.8
2025	63	13	693.17	53.32	12.41	36.1	17.5	15296	233.3	85.6

Table 2. Annual activity of M&A transactions in Croatia in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A and IMAA).

4.2. Acquirer origin and the Eurozone integration hypothesis

The geographic composition of acquirers shifted meaningfully between the two sub-periods, with the cross-border share falling from 58.9% in the pre-euro period to 47.2% in the post-euro period, which is a decline of 11.7 percentage points (Table 1). The direction of the shift runs counter to the prediction that Eurozone accession should mechanically increase the cross-border share by lowering transaction costs and eliminating currency risk (Coeurdacier et al., 2009; Kalemli-Ozcan, Papaioannou and Peydró, 2010). The Eurozone-acquirer share moved in parallel, from 29.1% to 25.6%, a 3.5 percentage-point decline.

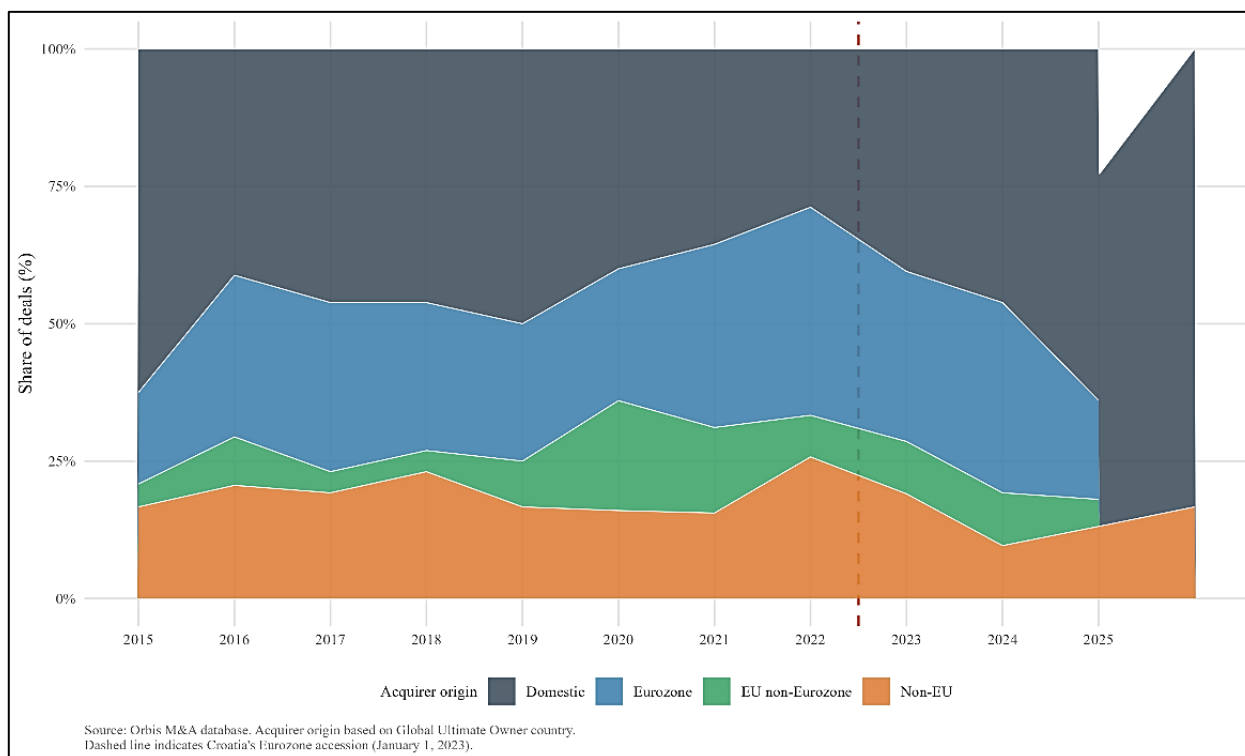


Figure 2. Geographic origin of acquirers of Croatian targets in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

A closer inspection, as shown in Figure 2 and Table 3, suggests that the 11.7 percentage point cross-border contraction reflects rising domestic activity rather than declining foreign interest in absolute terms. Domestic acquirers, whose share had fallen to 28.8% in 2022, recovered to above 40% in 2024 and 2025. Among cross-border acquirers, the composition core remained stable: Germany (DE) and Slovenia (SI) lead the post-euro ranking at 16.4% each, followed by Austria (AT) at 12.7%, the United States (US) at 10.9%, and the United Kingdom (GB), Luxembourg (LU), and the Netherlands (NL) each at 9.1% (Table 3). The top three countries account for 45.5% of cross-border deals in the post-euro period. Slovenia's rise to joint-first position, up from 12.0% in the pre-euro ranking, is notable: its geographic and institutional proximity to Croatia, combined with shared Eurozone membership, is consistent with the gravity-model prediction of Erel, Liao and Weisbach (2012) and Hyun and Kim (2010). The acquirer-country Herfindahl-Hirschman index rose from 537 to 665, computed on 25 unique acquirer countries in the post-euro period compared to 37 in the pre-euro period, reflecting consolidation of cross-border activity into a narrower set of source countries.

The compositional persistence of Austria, Germany, Luxembourg, and the Netherlands, reinforced by Slovenia's ascent, suggests that pre-existing gravity-model relationships were consolidated rather than disrupted. The outcome is consistent with the thesis of Zademach and Rodriguez-Pose (2009) that peripheral economies experience uneven geographic benefits from European integration.

Period	Rank	Acquirer origin	Deal count	% Share	% Cumulative
Pre-euro (2015-2022)	1	DE	17	15.7	15.7
Pre-euro (2015-2022)	2	GB	16	14.8	30.5
Pre-euro (2015-2022)	3	LU	14	13	43.5
Pre-euro (2015-2022)	4	SI	13	12	55.5
Pre-euro (2015-2022)	5	AT	11	10.2	65.7
Pre-euro (2015-2022)	6	NL	9	8.3	74
Pre-euro (2015-2022)	7	PL	8	7.4	81.4
Pre-euro (2015-2022)	8	US	8	7.4	88.8
Pre-euro (2015-2022)	9	CZ	6	5.6	94.4
Pre-euro (2015-2022)	10	IT	6	5.6	100
Post-euro (2023-2025)	1	DE	9	16.4	16.4
Post-euro (2023-2025)	2	SI	9	16.4	32.8
Post-euro (2023-2025)	3	AT	7	12.7	45.5
Post-euro (2023-2025)	4	US	6	10.9	56.4
Post-euro (2023-2025)	5	GB	5	9.1	65.5
Post-euro (2023-2025)	6	LU	5	9.1	74.6
Post-euro (2023-2025)	7	NL	5	9.1	83.7
Post-euro (2023-2025)	8	BG	3	5.5	89.2
Post-euro (2023-2025)	9	IT	3	5.5	94.7
Post-euro (2023-2025)	10	NO	3	5.5	100

Table 3. Top acquirer countries in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

4.3. Target sectoral composition and technology intensity

The sectoral distribution of target firms shifted meaningfully between the two sub-periods (Table 4, Figure 3). Accommodation and food services (NACE I), the largest pre-euro category at 20.6% of targets, fell to 7.8% in the post-euro period, a 12.8 percentage point decline and the single largest sectoral contraction in the sample. Manufacturing (C) and information and communication (J) retained their positions, each holding approximately 20% and 18% of post-Euro targets, respectively. Professional, scientific and technical activities (M) rose from 5.2% to 14.5%, a 9.3 percentage-point increase, the largest positive shift. Real estate (L) and wholesale/retail (G) contracted by 2.9 and 2.0 percentage points, respectively, while construction (F) and health/social services (Q) expanded modestly.

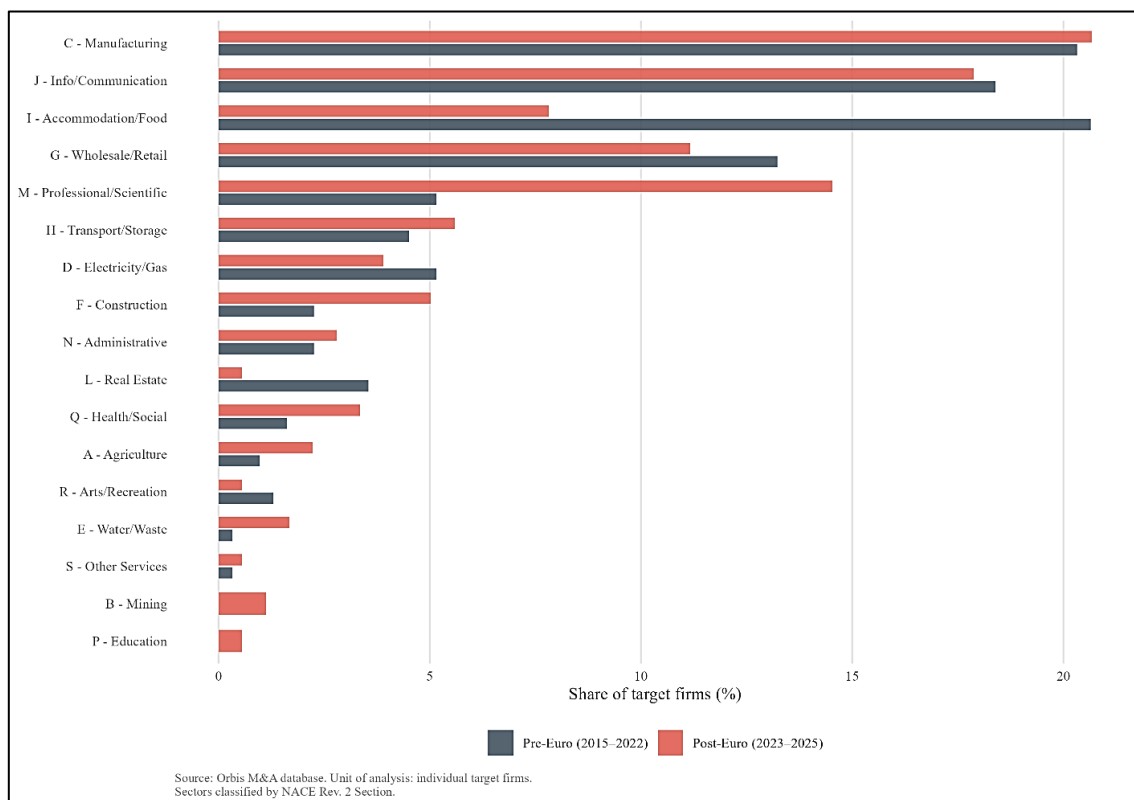


Figure 3. Sectoral composition of Croatian targets in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

The technology intensity ratio, defined as the combined share of high-technology manufacturing, medium-high-technology manufacturing, and knowledge-intensive services targets, rose from 0.335 in the pre-euro period to 0.441 in the post-euro period, an absolute increase of 10.6 percentage points (Table 1).

NACE section	Pre-euro count	Pre-euro share	Post-euro count	Post-euro share	% Change
C - Manufacturing	63	20.3	37	20.7	0.4
J - Info/Communication	57	18.4	32	17.9	-0.5
M - Professional/Scientific	16	5.2	26	14.5	9.3
G - Wholesale/Retail	41	13.2	20	11.2	-2
I - Accommodation/Food	64	20.6	14	7.8	-12.8
H - Transport/Storage	14	4.5	10	5.6	1.1
F - Construction	7	2.3	9	5	2.7
D - Electricity/Gas	16	5.2	7	3.9	-1.3
Q - Health/Social	5	1.6	6	3.4	1.8
N - Administrative	7	2.3	5	2.8	0.5
A - Agriculture	3	1	4	2.2	1.2
E - Water/Waste	1	0.3	3	1.7	1.4
B - Mining	0	0	2	1.1	1.1
L - Real Estate	11	3.5	1	0.6	-2.9
R - Arts/Recreation	4	1.3	1	0.6	-0.7
S - Other Services	1	0.3	1	0.6	0.3
P - Education	0	0	1	0.6	0.6

Table 4. Sectoral distribution of Croatian targets in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

The knowledge-intensive services share alone rose from 27.4% to 38.5%. The sectoral Herfindahl-Hirschman index declined from 1454 to 1245, indicating a more diversified sectoral composition of M&A activity in the post-euro period. The shift away from tourism-related accommodation toward professional services and knowledge-intensive activities is consistent with the horizontal integration channel identified by Coeurdacier et al. (2009) for the original EMU cohort, though the scale of Croatian manufacturing activity remains modest relative to the service-dominated profile characteristic of Zademach and Rodriguez-Pose's (2009) peripheral economies. The pattern is consistent with Mitchell and Mulherin (1996) in its mechanism, though the direction differs from their findings of increased clustering. In the Croatian case, the Eurozone accession shock appears to have broadened the sectoral base of M&A activity.

4.4. Size distribution and structural composition of M&A transactions in Croatia

The size distribution of disclosed deal values shifted marginally toward the middle of the distribution between the two sub-periods (Table 5, Figure 4). In the post-euro period, medium-sized deals (EUR 10–50 million) accounted for 45.5% of cross-border transactions and 16.7% of domestic transactions, compared to 30.9% and 24.4%, respectively, in the pre-euro period. The share of micro deals (below EUR 1 million) fell among cross-border transactions from 18.2% to 9.1%, while remaining elevated at 22% of domestic deals. Mega deals (above EUR 250 million) were absent from the cross-border post-euro sample and present in only one domestic post-euro transaction. The log-scaled distributions shown in Figure 4 confirm the visual impression: cross-border deals are systematically larger than domestic deals in both periods (medians of roughly EUR 10 million versus EUR 5 million), and the post-euro distributions are more compact around the median, with fewer extreme outliers than the pre-euro distributions.

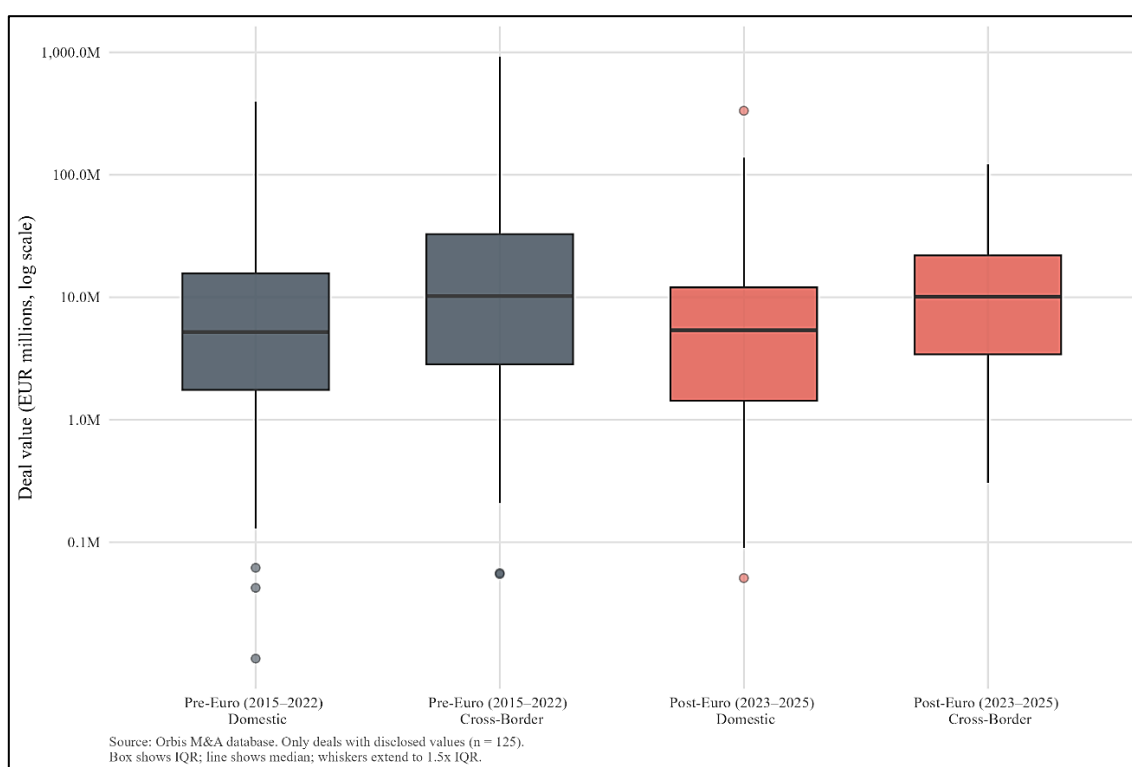


Figure 4. Deal value boxplots of Croatian targets in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

Median operating revenue of target firms with available financial data declined from EUR 6.38 million to EUR 5.35 million between the two sub-periods; median total assets fell from EUR 10.63 million to EUR 4.22 million; median employment declined from 88 to 46. Median pre-deal return on assets rose slightly from 0.04 to 0.05. The smaller scale of post-euro targets is concentrated among cross-border transactions, where median operating revenue fell from EUR 7.12 million to EUR 4.92 million, while domestic targets retained relatively stable size characteristics. The findings are consistent with the broader literature suggesting that integration reduces information barriers, enabling smaller cross-border transactions that would not have cleared the fixed costs of pre-integration dealmaking.

Deal size bucket	Post-euro (2023-2025), cross-border	Post-euro (2023-2025), domestic	Pre-euro (2015-2022), cross-border	Pre-euro (2015-2022), domestic	Pre-euro (2015-2022), NA	Post-euro (2023-2025), NA
Micro (<1M)	1 (9.1%)	4 (22.2%)	10 (18.2%)	9 (22%)	0 (0%)	0 (0%)
Small (1-10M)	4 (36.4%)	8 (44.4%)	17 (30.9%)	19 (46.3%)	3 (50%)	0 (0%)
Medium (10-50M)	5 (45.5%)	3 (16.7%)	17 (30.9%)	10 (24.4%)	1 (16.7%)	1 (50%)
Large (50-250M)	1 (9.1%)	2 (11.1%)	8 (14.5%)	2 (4.9%)	2 (33.3%)	1 (50%)
Mega (>250M)	0 (0%)	1 (5.6%)	3 (5.5%)	1 (2.4%)	0 (0%)	0 (0%)

Table 5. Deal size distribution of Croatian targets in the period 2015-2025 (Source: Authors' calculations based on Orbis M&A).

5. DISCUSSION

The descriptive analysis yields four sets of findings that align unevenly with the predictions of the integration literature. This section addresses each research question in turn and connects the empirical patterns to their theoretical antecedents. For each research question, results are situated within the specific institutional configuration that makes the Croatian case distinctive: the simultaneous accession to the Eurozone and the Schengen area on 1 January 2023, against a backdrop of ECB monetary tightening and sustained geopolitical disruption.

For RQ1, the sustained elevation of Croatian M&A activity above pre-pandemic levels, with Croatian index values of 159 to 233 during 2023–2025, compared to the contraction of the EU-27 benchmark to roughly 77 to 86 in the same period, is consistent with the broader proposition that Eurozone integration acts as a catalyst for M&A activity (Coeurdacier et al., 2009), even though the Croatian response was uniquely driven by domestic consolidation rather than the cross-border surge predicted by classic integration models. The magnitude of divergence is substantial. Croatian activity remained approximately two to three times its 2015 baseline, while European activity fell below that level. Two alternative interpretations deserve consideration. First, the simultaneity of Eurozone and Schengen accession creates a “double integration shock.” The Eurozone channel eliminates currency risk and reduces transaction costs, while Schengen accession lowers the operational costs of managing cross-border subsidiaries through the unrestricted movement of personnel. The aggregate volume response may therefore reflect the combined effect of two distinct institutional changes rather than the Eurozone channel alone. Second, Harford's (2005) condition that aggregate capital liquidity enables merger waves runs in the opposite direction for the euro area in 2023–2025. The ECB tightening cycle raised financing costs across the continent. Globally, the severe uncertainties introduced by the COVID-19 pandemic induced a notably cautious approach among corporate decision-makers, leading to a decrease in overall M&A transactions (Tian and Wang, 2024). The finding that Croatian activity remained elevated during a period of continental tightening in M&A activity and increased corporate caution is consistent with a country-specific factor operating alongside, or independently of, the European liquidity cycle.

For RQ2, the materially significant cross-border contraction (from 58.9% to 47.2%) runs counter to the baseline prediction of Kalemlı-Ozcan, Papaıannou, and Peydró (2010) that eliminating currency risk should increase cross-border deal shares. The Eurozone-acquirer share showed no distinguishable shift. Two observations support this apparent contradiction. First, the gravity-model structure of acquirer origins remained stable, with Germany, Austria, Slovenia, Luxembourg, and the Netherlands dominating both periods, consistent with Erel, Liao, and Weisbach (2012). Slovenia's rise to joint-first position reflects exactly the institutional-proximity mechanism the theory predicts. Second, the cross-border relative contraction reflects rising domestic capacity rather than foreign retreat. Domestic acquirers recovered from 28.8% in 2022 to over 40% by 2024. While this surge in domestic capacity contrasts with the weak local firm capacity historically observed in transition economies (Zademach and Rodriguez-Pose, 2009), the overall pattern strongly supports their broader macro-thesis that monetary integration does not uniformly expand cross-border capital flows, but rather geographically reconfigures them.

For RQ3, the technology intensity ratio rose from 0.335 to 0.441, the accommodation and food share of targets fell by 12.8 percentage points, and the professional services share of targets rose by 9.3 percentage points. This compositional shift suggests an accumulation of location-bound created assets among Croatian firms, attracting what Dunning (2000) classifies as strategic asset-seeking FDI. If Eurozone membership is interpreted as an improvement in institutional location (L) advantages within Dunning's (2000) framework, the observed shift toward higher value-added targets is consistent with OLI predictions. As cross-border frictions fall, multinational enterprises increasingly acquire foreign targets to augment their

own ownership (O) advantages. Although this interpretation cannot be formally tested within the present descriptive design, the compositional shift is suggestive of a qualitative change in the type of M&A interest directed at Croatia.

For RQ4, the shift toward medium-sized deals and smaller cross-border targets aligns with the broader literature on investment frictions. Di Giovanni (2005) demonstrates, using aggregate macro-level flows, that information asymmetries and distance-related investment costs significantly inhibit cross-border M&A activity. If Eurozone accession structurally reduces these cross-border information and transaction barriers, it theoretically creates an environment in which smaller targets that historically might not have justified the fixed costs of international dealmaking become viable acquisitions. The observation that cross-border targets become marginally more profitable post-accession may interact with recent findings that fluctuating long-term bond yields and broader macroeconomic conditions significantly alter acquisition costs and deal dynamics across Europe (Röhrer, Mateane, and Proaño, 2025).

6. CONCLUSION

This paper presents the first descriptive mapping of Croatia's corporate control market across the Eurozone accession breakpoint. The empirical record identifies four patterns: (i) sustained elevation of deal volume despite European contraction; (ii) a clear decline in the cross-border share alongside increased domestic M&A activity; (iii) a compositional shift toward higher value-added and knowledge-intensive target sectors; and (iv) a concentration of deal size activity in the middle tiers of the distribution. The contribution is descriptive rather than causal. The paper establishes an empirical baseline for subsequent research employing identification strategies.

Policy and managerial implications follow directly. For Croatian policymakers, the evidence aligns with increased domestic M&A activity following integration milestones. For acquirers in Southeast Europe, the Croatian case provides a reference point for deal-flow expectations after Eurozone accession. For target-firm management, the compositional shift toward smaller, more profitable cross-border targets indicates that integration lowers the scale threshold for foreign acquirers entering the market.

Four limitations require explicit acknowledgment. First, the Orbis database has a known coverage bias toward larger and publicly disclosed transactions, systematically undercounting small private deals in Southeast European markets. Second, only 29.4% of the sample includes disclosed deal values, restricting value-based analyses to a non-random subsample of 133 transactions. Third, the 2.5-year post-treatment window is short relative to typical M&A adjustment horizons and overlaps with ECB monetary tightening, post-pandemic normalization, and ongoing geopolitical conflict in Europe, each confounding attribution. Fourth, the single-country design lacks a counterfactual control group.

Future research should address the causal question using a difference-in-differences design that leverages non-euro Southeast European economies such as Bosnia and Herzegovina, Serbia, North Macedonia, and Albania as control units, isolating the Eurozone accession effect from region-wide macroeconomic shocks. Additionally, because major macroeconomic transitions often act as exogenous shocks that strengthen board oversight and alter localized agency dynamics, future research should examine whether Croatia's institutional upgrade led to tangible corporate governance improvements (Ahmad et al., 2024). Firm-level performance tracking of post-euro targets over multi-year horizons would also clarify whether the compositional shift toward higher value-added sectors results in measurable productivity or profitability outcomes consistent with the governance transfer channel.

CONFLICT OF INTEREST

Authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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