HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 2 | 2018

CYBERSECURITY RISKS ON THE RISE FOR PE DEALMAKERS

CYBERSECURITY IS A SIGNIFICANT RISK FACTOR AND BOTH BUYERS AND SELLERS NEED TO TAKE ACTION TO PROTECT THEMSELVES

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BDO

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WELCOME

WELCOME TO THE 14TH EDITION OF BDO'S HORIZONS MAGAZINE

Since 2015, BDO's M&A professionals have provided clients with quarterly analysis of all the latest developments in the global M&A mid-market in our HORIZONS magazine. By analysing what lies ahead, we help clients make key strategic decisions on possible business developments. Based on this knowledge, in 2017 BDO supported clients across the globe in over 1,200 transactions.

In February this year, our M&A professionals gathered in Miami for the BDO Corporate Finance Americas meeting. One of the main topics discussed were the opportunities and challenges in the Americas. As we all know, the US is the main engine in the global M&A market and that will remain the case going forward. But after several years of economic contraction and uncertainty due to political corruption, energy deflation and low consumer confidence, Latin America has seen a recovery in its capital markets and foreign investment in recent quarters.

Digitalization and the industrial revolution 4.0 is increasingly evident in almost all major M&A sectors. In May, BDO's M&A professionals met in Tel Aviv in Israel, a hub for innovation and start-ups, to discuss the latest developments and how they can add value to clients' projects. While big tech companies are looking to diversify their offering through M&A, more traditional firms have had to react to newer, more innovative firms, with many looking towards defensive consolidation. The rate of technology-driven changes will continue to accelerate and disrupt industries. Our special feature on cyber security in this edition is a good example. M&A will be instrumental as companies look to acquire the technologies, capabilities and scale needed to differentiate and compete. As BDO continues to look at M&A mid-market trends, it is our intention to be a leader in M&A transactions, driven by digitalization and the industrial revolution 4.0.

These trends have a direct impact in the increase in cross-sector activity. As the line between traditional sectors continues to blur, cross-sector M&A will increase in coming years. 2017 saw USD 961bn of cross-sector M&A activity, 21% above the 10-year historical average of USD 794bn.

Tracking M&A activity through 2017, we saw signs of improvement in Q2, but Q3 failed to back this up, despite improvements in the wider deal-making environment.

As a result of the improving confidence of market participants, Q4 2017 was able to put a halt to Q3's downward trend. Whilst overall deal volume declined slightly from 2,011 transactions in Q3 2017 to 1,961 transactions in Q4 2017 (-2.5%), overall deal value increased by 3.6% from USD 170bn to USD 176bn. However, 2017 as a whole recorded a weaker performance than the three previous years, both in terms of deal value and volume.

We are confident that several macroeconomic and financial deal drivers will support M&A activity in 2018 and reduce the held-back deals illustrated in the BDO Global Heat Chart. However, 2018 might also mark the high point of a deal cycle, especially as asset markets might run out of air and historically low financing costs will not remain available forever. Whatever the case, 2018 will be an exciting year for M&A.

INSIGHTS FROM A LEADING M&A ADVISER

We expect to see solid GDP growth in all major economies and also expect that healthy equity and debt markets will continue to provide companies with the confidence to pursue innovative and transformative M&A transactions. Shareholders have shown that they are receptive to smart and synergistic strategic deals, motivating boards to look for initiatives to bolster modest organic growth and drive shareholder value.

Alongside regulatory uncertainty, the greatest threat to M&A activity is equity market valuations, which ended 2017 at all-time highs. Investors continue to be very focused on the risk of overpaying for assets. The likely result is a larger stock component in deal offerings to bring some balance to valuations.

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GLOBAL VIEW

The extraordinary surge in dealmaking seen at the end of 2017 has not carried through into 2018. In the first quarter 2018 we recognize a significant decrease down to 1,620 transactions (-26%) compared to Q4/2017. According to this we expect 2018 not to become as successful as 2017

Global private equity activity remains remarkably high, with many investors pursuing larger targets as the mid-market becomes saturated.

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COMPARING NOW AND THEN

A comparison of the latest M&A developments with the previous quarter, but also with the corresponding quarter last year, gives us a good indication of what can be expected in the near future in the M&A mid-market.

Looking at the overall number of transactions, 2017 was a very stable year with a high level of around 2,100 transactions per quarter. In the first quarter of 2018, we saw a significant decrease in the number of transactions, down 26% to 1,620 compared to Q4 2017. But, in almost all years we have seen that Q1 is always the weakest period. Based on Q1 levels, we do not expect 2018 to be as successful a year as 2017, but we believe that an increase on 1,620 transactions in Q2 is realistic. This view is supported by the number of announced or rumoured deals.

With an average transaction deal size of over USD 90m in Q1, a new record in mid-market M&A was achieved in our defined mid-market bracket.

In the PE buy-out market the same trends can be seen. Looking at the number of transactions, we witnessed the lowest level of deals in the mid-market since Q4 2016. But, with 14.8% of all transactions, PE firms were more active than in previous quarters. Many PE investors are now pursuing larger targets as the mid-market becomes saturated. The trend towards bigger deals is also reflected in the average transaction deal size, with PE deal levels now above USD 115m (the highest level since Q4 2014).

COMPARING HERE AND THERE

Taking a look at Q1 2018 M&A mid-market activity across our 17 regions, we have to bear in mind that we are comparing it to a very strong 2017.

Apart from the Middle East, all the regions saw a fall in deal numbers compared with Q1 2017. In regions like Africa (-57%), UK & Ireland (-38%), India (-34%) and CEE & CIS (-33%), this weaker performance was more dramatic.

North America, the strongest M&A player, registered 436 transactions in Q1 2018, amounting to a total value of USD 50,634m, which represented decreases of 24% in terms of deal volume and 0.8% in terms of deal value compared with Q1 2017.

Chinese deal-making activity is on the increase as a result of strong levels of domestic M&A. Following regulatory issues with capital flight in 2017, Chinese firms are now looking closer to home.

Industrial & Chemicals, together with Technology & Media , were the dominant sectors in Q1 2018, accounting for 44% of all mid-market transactions.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology & Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Real Estate	TOTAL	%*
North America	638	600	295	228	391	213	113	52	25	2561	31%
China	285	218	116	131	73	59	91	35	52	1,070	13%
CEE & CIS	172	121	121	66	37	70	53	31	17	688	8%
Southern Europe	103	102	120	74	23	38	50	26	6	542	7%
South East Asia	90	86	64	76	29	51	40	27	22	485	6%
Australasia	77	104	89	59	33	58	56	34	9	519	6%
UK & Ireland	42	105	49	58	21	40	71	18	10	414	5%
Latin America	72	48	79	58	22	60	27	16	7	389	5%
DACH	103	55	40	41	36	15	25	9	6	330	4%
India	39	19	45	27	21	17	26	4	2	200	2%
Other Asia	79	53	29	13	41	8	25	15	3	266	3%
Nordics	41	49	25	28	18	16	12	5	3	197	2%
Japan	36	47	38	24	42	5	17	3	5	217	3%
Benelux	41	33	31	28	14	4	36	6	3	186	2%
Africa	26	10	8	14	5	30	18	1	2	114	1%
Israel	10	26	6	3	11	5	3	3	-	67	1%
Middle East	5	18	5	5	3	5	5	6	2	54	1%
TOTAL	1,859	1,694	1,160	933	820	700	658	291	174	8,289	100%
	22%	20%	14%	11%	10%	8%	8%	4%	2%	100%	

* Percentage figures are rounded up to the nearest one throughout this publication.

LOOKING AHEAD

The number of companies either officially up for sale or rumoured to be, as captured by the BDO Global Heat Chart, amounts to a total of 8,289. This is almost equivalent to the figure in the previous quarter. One year ago we started with 7,962 deals. This means that on a yearly basis the number of opportunities rose by 4%.

On a regional level, the biggest increases in comparison to the previous quarter were posted by Israel (+11.8%), Africa (+8.8%), Japan (+5.7) and the DACH region (+4.9). In the future we see more transactions taking place in these markets. At the other end of the scale the biggest falls were in the Middle East (-17.4%) and the Benelux (-6.3%).

In terms of sectors, the most impressive increases were seen in Business Services (+11.0) followed by Consumer (+6.5%) and Energy, Mining & Utilities (+6.4%).

As the rate of technological change continues to increase, new consumer trends are emerging, and the risk of disruption is affecting companies across sectors and across borders. Technology is creating more differentiation between the largest, most successful firms and the rest of the market, which suggests that disruption is fueling a 'winner takes all' environment.

CYBERSECURITY RISKS ON THE RISE FOR PE DEALMAKERS

CYBERSECURITY IS A SIGNIFICANT RISK FACTOR AND BOTH BUYERS AND SELLERS NEED TO TAKE ACTION TO PROTECT THEMSELVES

Cybersecurity is becoming a key concern in the Private Equity (PE) marketplace as cyber attacks increase in both sophistication and magnitude.

According to a recent report issued by the US Security Exchange Commission (SEC), the average cost of a cyber data breach is USD7.5m, and this figure is increasing every year. While all organisations are potential targets of cyber attacks, the industries which possess the most valuable data are the biggest targets including: financial services, healthcare, government, automotive and manufacturing, and retail. Every organisation possesses valuable information assets, which can include: intellectual property, financial payment information, client information, supply chain partners information, personal identifiable information (PII), protected health information (PHI), and/or payment card information (PCI), to mention just a few.

During the M&A process, it is absolutely vital that the buyers ensure that they fully understand both the value of the information assets they are looking to acquire and the level of cyber threat and vulnerabilities facing the company they are considering acquiring. Furthermore, the buyers must be able to determine the potential financial impact of the company's cybersecurity preparedness or lack thereof on the deal price.

Similarly, it is imperative for the sellers in the M&A process to take appropriate actions to reduce their organisation's probability of a cyber breach and the potential negative impacts post-breach to both optimise the sale price and ensure that appropriate cyber defence systems are in place. The focus of this article is to highlight the appropriate actions which both buyers and sellers involved in the M&A process can take before, during, and after the deal to mitigate the potential negative impacts of cyber attacks and optimise the financial aspects of the deal.

For buyers, be they PE firms or strategic company buyers, it is essential for them to take the following actions that are appropriate for the industry, size, and complexity of the acquisition target including:

BEFORE THE DEAL - LETTER OF INTENT (LOI)

- Select one or two independent firms with extensive cybersecurity advisory services, cyber threat analysis capabilities, vulnerability assessment and penetration testing services, and managed security services
- Once a potential M&A target is selected engage one of the independent cybersecurity advisory firms to do the following:
  - Conduct a dark web analysis for the company, key personnel, and selected supply chain partners
  - Conduct a social media analysis of the company and key personnel
  - Conduct an extensive internet search of the company and key personnel.

All actions taken should be focused on identifying potential negative or damaging information, which could lead to cyber vulnerabilities including: ransom, malware, ransomware, spear-phishing, spoofing, and other attack modes.

DURING THE DEAL (PRE-CLOSE)

- Review the company's information security – policies, plans, and procedures, including: Incident Response (IR) Plan, Business Continuity Plan (BCP), and Disaster Recovery (DR) Plan
- Evaluate the company's cybersecurity education and training programme
- Assess the most recent cyber vulnerability assessment and penetration testing findings
- Conduct new vulnerability assessment & penetration tests, preferably via an independent cybersecurity services firm
- Assess the information technology infrastructure, people, hardware and software
- Evaluate the company's compliance with industry-required cyber security risk management framework
- Conduct a cyber liability insurance coverage adequacy evaluation.

AFTER THE DEAL IS DONE (POST-CLOSE)

Take the following cybersecurity remediation actions as necessary and appropriate:

- Conduct a cyber risk assessment
- Enhance IT technical operations
- Engage a Managed Security Services Provider (MSSP) to:
  - Provide managed monitoring detection & incident response services – 24x7x365
  - Provide threat intelligence services
- Provide cybersecurity education and training to all employees
- Assess third-party vendor cyber risks.

For sellers, the key to improved cybersecurity is to take all of the aforementioned actions as necessary and appropriate before engaging in the M&A process, including:

- Cyber risk assessment
- Cyber threat assessment
- Vulnerability & penetration testing
- Cybersecurity education & training
- Information security documented policies, plans and procedures
- Multi-layer cyber defence system with encryption, multi-factor authentications, and 24x7x365 monitoring, detection and incident response
- Incident response plan
- Business continuity plan
- Disaster recovery plan
- Cyber liability insurance.
- COVERAGE adequacy evaluation.

CONCLUSION

The risk of a massive cyber breach negatively impacting a company's reputation and its market value is on the rise. Therefore, both buyers and sellers engaged in the PE marketplace need to fully understand the value of the information assets they are looking to acquire, the cybersecurity-related risks, and then factor the benefits and risk variables into their respective business equation and pricing. Once all of the aforementioned actions are taken, then informed business decisions can be made by both parties to properly access the potential negative impacts of a cyber breach and the post-breach consequences on a deal. Put simply, spending thousands of dollars on a cyber threat assessment, cybersecurity risk assessment, and/or a vulnerability assessment up front during the M&A process, could reduce buyers' cyber liability insurance costs post-close and reduce the impact of a data breach, thereby saving millions of dollars.

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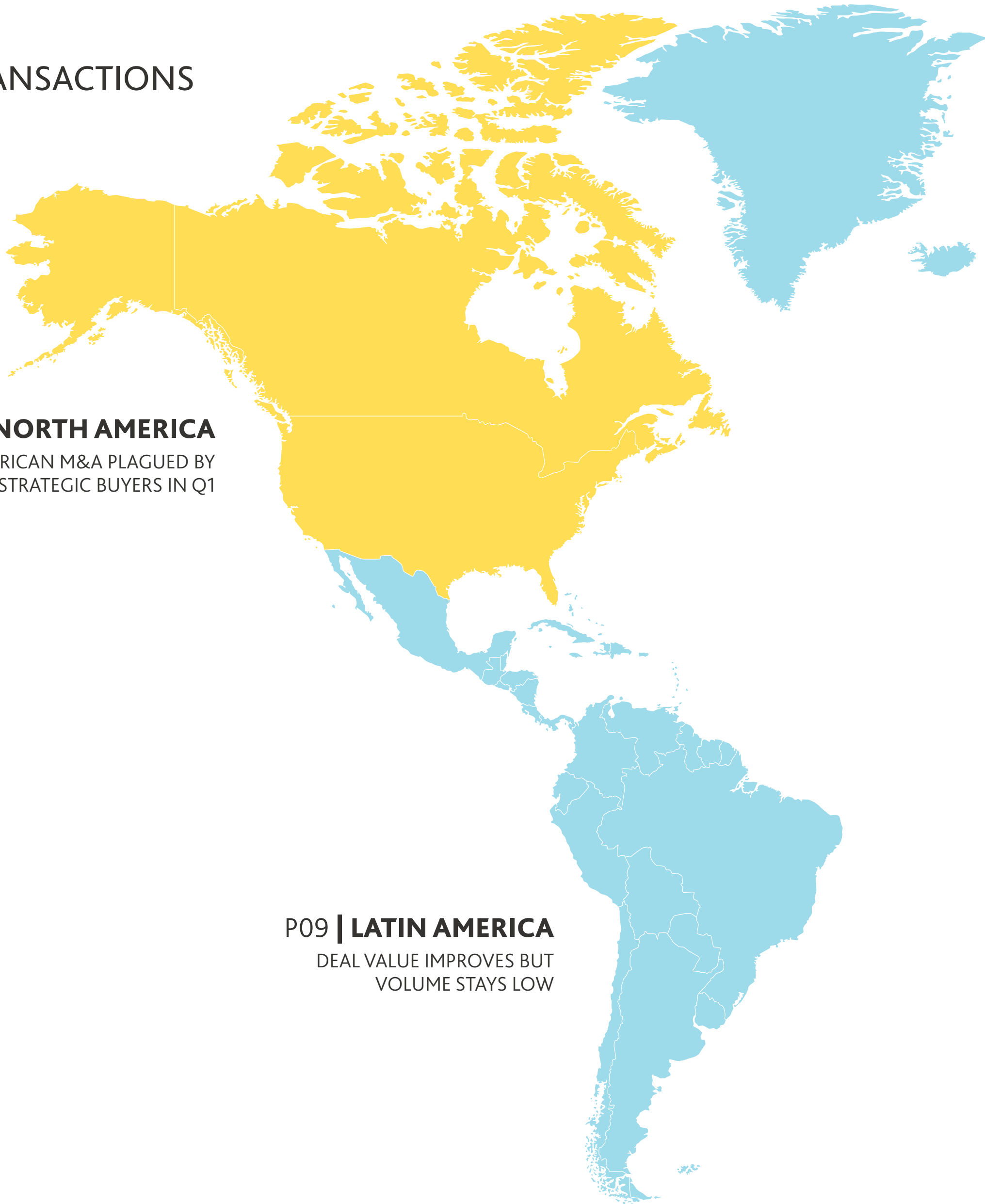
GLOBAL

8,289 RUMOURED TRANSACTIONS



P07 | **NORTH AMERICA**

NORTH AMERICAN M&A PLAGUED BY RELAXED STRATEGIC BUYERS IN Q1

P09 | **LATIN AMERICA**

DEAL VALUE IMPROVES BUT VOLUME STAYS LOW

SECTOR VIEW

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Key % movement

-30% to -21%	-20% to -11%	-10% to -1%	0%
1% to 10%	11% to 20%	21% to 30%	

Note: The colouring illustrates the movement of expected transactions compared to the expected transactions in the previous quarter.

NORTH AMERICA

NORTH AMERICAN M&A PLAGUED BY RELAXED STRATEGIC BUYERS IN Q1

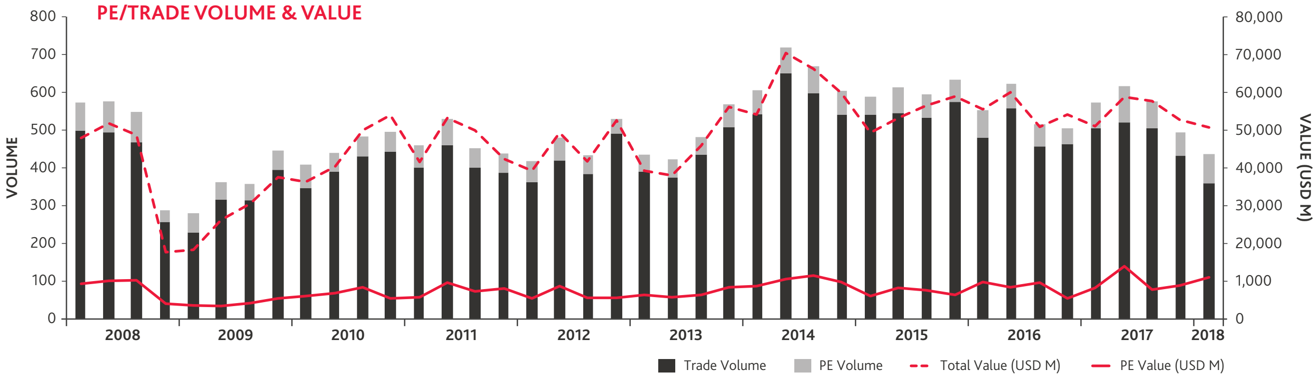
BIG PICTURE

- Overall deal count declined for fourth straight quarter
- Q1 2018 aggregate deal count down 29% year on year
- Strategic buyers repositioning in light of tax reform windfall
- No urgency to do deals given healthy economic conditions and organic growth rates.

M&A bankers have struggled to rationalise the comparatively stagnant levels for mid-market deal-making over the past year.

On the surface, the environment for M&A would appear to be extraordinarily positive. Abundant cash, low interest rates and the opportunity to grow via M&A would seemingly be fueling an insatiable appetite for deals for most corporates. Yet, the reality is that too few North American strategic buyers have been willing to pull the trigger on an aggressive acquisition campaign as they bask in the glory of a robust economic environment, near record-high share prices and unprecedented corporate profits. Trade tariffs and protectionism rhetoric coming from Washington DC has exacerbated and already prolonged the 'Wait and See' attitude regarding M&A. As a result, CEOs aren't necessarily feeling the urge to merge or be overly aggressive on high-priced deals. Meanwhile, hostile or activist shareholder pressure continues to subside to levels not seen since prior to the financial crisis.

Adding to the joy emanating from inside corporate boardrooms is the recently passed US tax reform bill, which includes a significant cut in the corporate rate from 35% to 21%, generating billions of dollars in additional profits – an embarrassment of riches. For example, through one stroke of the legislative pen, the domestic provisions of the tax reform bill result in an estimated annual 12% increase in cash flow for the median US firm. Additionally, the tax law also provides incentives that encourage US companies to return foreign profits held overseas, estimated to be as much as USD 2 trillion. The top 15 firms have more than USD 10bn each and the next 20 each have over USD 5bn. Meanwhile, private equity firms were left unscathed as the so-called carried interest provision was left untouched in the new tax law, meaning private equity fund managers and their investors can continue enjoying lower rates on the profits they generate.



Prior to the tax legislation being passed, many M&A market prognosticators predicted the reforms would immediately spur M&A activity to new highs. Conversely, most corporations in Q1 looked away from M&A and instead focused their attention on increasing dividends and share buy-backs while also boosting capital spending, infrastructure expansion, and employee hiring and compensation.

To make matters worse for M&A activity Q1 trends in the US, would-be sellers are now joining buyers on the sidelines to assess whether 'Phase 2' of the Trump tax reform, which is rumoured to include capital gains or individual tax rate reductions, materialises anytime soon.

One silver lining in the Q1 statistics is that the lull in strategic activity has been a boon to private equity as the number of PE deals actually rose 12% in Q1 from the corresponding period last year, in sharp contrast with the overall market. Private equity has also been busy raising new capital to invest which should ensure sustained PE M&A activity for the balance of the year.

LOOKING AHEAD

Despite the relatively weak first quarter for M&A in North America, solid GDP growth in all economies and liquid equity and debt markets continue to provide strategic corporate buyers with added confidence to pursue deals. Shareholders have demonstrated receptivity to smart and synergistic strategic deals, motivating boards to look for initiatives to bolster organic growth, grow market share and drive shareholder value. This activity should increase as CEOs and boards contemplate what to do with ever-increasing amounts of cash due to unprecedented corporate earnings and tax reform savings. Pro-business regulatory reform should also lead to increased deal activity at a faster rate. Private equity buyers will keep pace as they look to deploy new funds and continue to take advantage of relatively low interest rates and a highly competitive leveraged lending environment.

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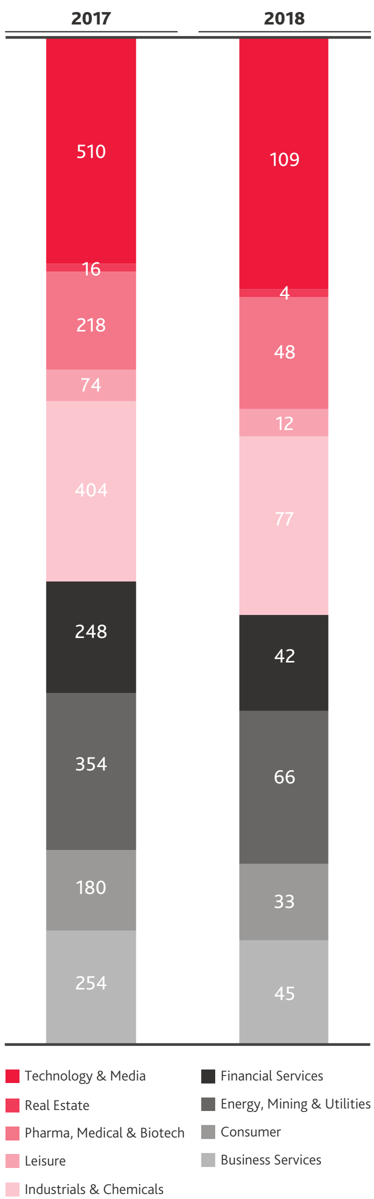
NORTH AMERICA
HEAT CHART BY SECTOR

Industrials & Chemicals	638	25%
Technology & Media	600	23%
Pharma, Medical & Biotech	391	15%
Consumer	295	12%
Business Services	228	9%
Energy, Mining & Utilities	219	9%
Financial Services	113	4%
Leisure	52	2%
Real Estate	25	1%
TOTAL	**2,561**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

DEAL VALUE IMPROVES BUT VOLUME STAYS LOW

BIG PICTURE

- M&A activity in the region improved in terms of deal value but the number of transactions stayed on the low side
- Argentina led the way in the top 10 with three deals worth USD 1,044m
- Consumer topped the BDO Heat Chart and Industrials & Chemicals and Energy, Mining & Utilities were also hot sectors.

M&A activity in Latin America in the mid-market segment completed a total of 63 deals worth USD 7,093m in Q1 2018, which represented a drop of 25.9% in terms of the number of deals but an increase of 9.0% in terms of value compared with the previous quarter.

In comparison with Q1 2017, both the number of deals and the value were down (17.1% and 4.0% respectively). However, the accumulated number of deals for the last 12 months was 297, with a value of USD 27,199m, which compared with a total of 291 deals and USD 29,625m for 2017, represented an increase of 2.1% in deals and a fall of 8.2% in value.

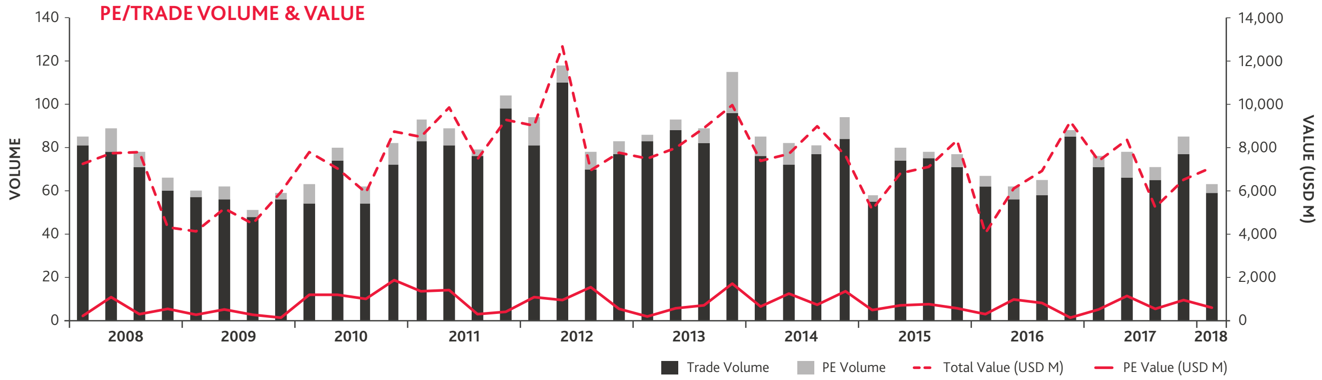
Returning to Q1 2018, there were four PE deals worth USD 587m, representing 6.3% in terms of the deal count and 8.3% in terms of value in the quarter.

Looking at the value per deal, the average in Q1 was USD 113m, which was the highest since the USD 107m average recorded in Q2 2017.

KEY DEALS AND SECTORS

The BDO Heat Chart shows a total of 389 deals announced or in progress, which represents 5% of the global Heat Chart. Deal opportunities are concentrated in the Consumer, Industrials & Chemicals, Energy, Mining & Utilities and Business Services sectors with a total of 79, 72, 60 and 58 deals respectively. This trend is in line with the most active sectors in previous quarters in Latin America and top 10 deal activity.

The top 10 deals in Q1 2018 were worth a total of USD 3,506m, with Argentina leading the way in terms of target countries with three deals worth a total of USD 1,044m, followed by Mexico with two deals worth USD 645m and Brazil with one deal worth USD 492m.



LATIN AMERICA
HEAT CHART BY SECTOR

Consumer	79	20%
Industrials & Chemicals	72	19%
Energy, Mining & Utilities	60	15%
Business Services	58	15%
Technology & Media	48	12%
Financial Services	27	7%
Pharma, Medical & Biotech	22	6%
Leisure	16	4%
Real Estate	7	2%
TOTAL	**389**	**100%**

Looking at the bidders by country, Mexico was at the top of the list with a two deals worth USD 705m (20.1% of overall value), followed by the US with two deals worth USD 600m (17.1%) and Brazil with one deal worth USD 492m (14.0%). If we look at deal value from a bidder perspective, 65.8% of investment came from outside the region.

Of the top 10 deals registered in Q1, the Consumer sector was responsible for a total value of USD 1,121m, with the main deal being the sale of Industria de Produtos Alimentos Piraque S.A. to M. Dias Branco S.A. Ind Com De Alimentos from Brazil for USD 492m. The Financial Services sector transactions had a consolidated value of USD 1,109m million from three deals, the main one being the sale of QBE Insurance Group Limited (Latin America operations) to Zurich Insurance Group Ltd from Switzerland for USD 409m.

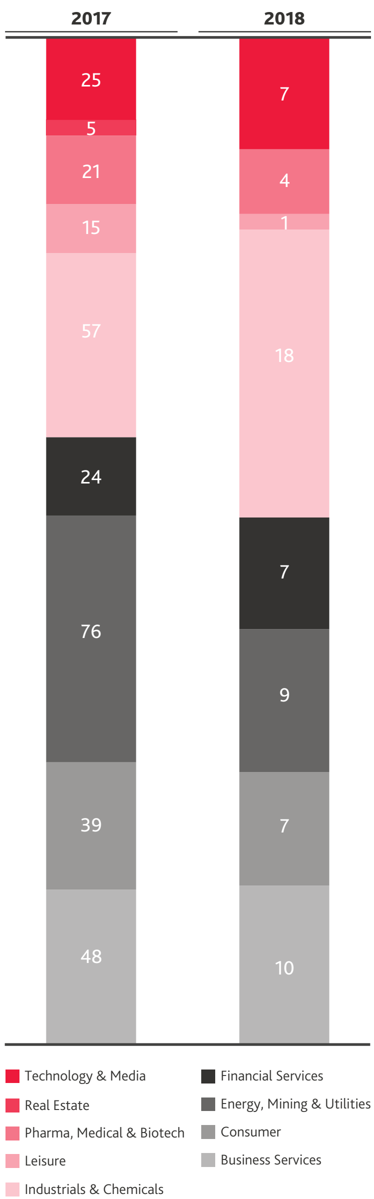
This last transaction reflects the appetite of international investors to harvest Argentina's higher returns and it also reflects strategic investors' interests in expanding their activity in Latin America to countries such as Argentina and Brazil, the region's main economies.

LOOKING AHEAD

Although M&A activity for the whole region might not always have shown positive indicators in previous quarters, Argentina looks to be strong, as it consistently appears in the top ten 10 deals ranking, which is also reflected in everyday activity in the local M&A mid-market.

2018 is the third year of the market-friendly Macri administration, and although we are seeing very positive signs for Argentina's M&A market, we believe there is still room for growth. The thesis of higher returns that compensate the higher risk is still valid. However, our perception is that one of investors' main concerns is the sustainability of operating margins, and the ability of companies to convert positive profits into cash. The challenge in this aspect continues to be the management of working capital, influenced by the evolution of inflation, a variable which still has room for improvement. In this regard as the country's economic indicators stabilize and improve, Argentina is expected to consolidate its position as an attractive country for investors, giving the potential for economic growth.

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



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UNITED KINGDOM & IRELAND

DEAL ACTIVITY AND VALUE FALL AFTER A JUMP IN THE PRIOR QUARTER

BIG PICTURE

- Volume is falling, but deals are getting bigger
- Technology & Media is the busiest sector
- Significant inbound activity, particularly from the US.

Despite reports of Global M&A reaching record highs in first quarter of 2018 with over $1.2tn of deals recorded, this boom in activity was not reflected in UK and Ireland mid-market.

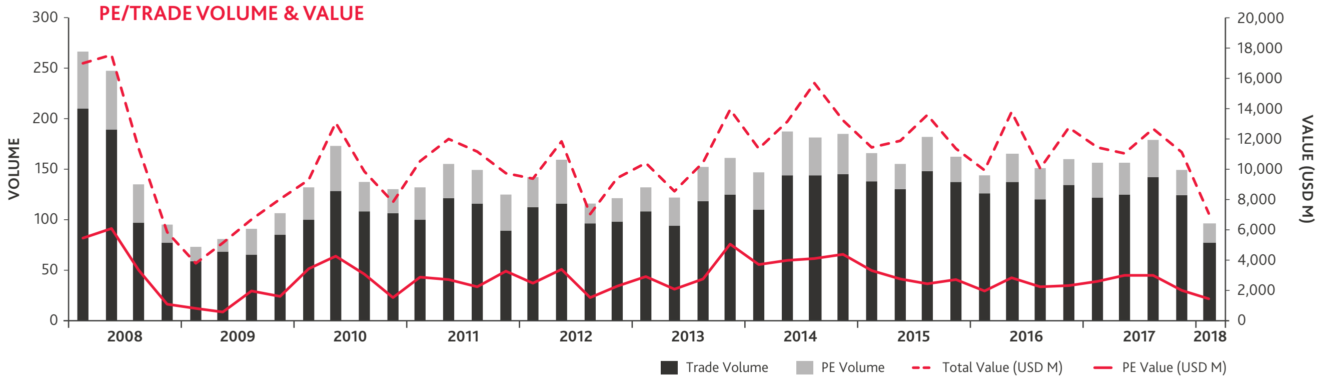
With only 91 mid-market transactions completed during the quarter, with an aggregate value of $7bn, it was the quietest period since 2009. This market disparity can be partially explained by a renewed focus on larger transactions including some mega consolidations amongst the tech giants. While the value of deals increased globally, the total number of deals dropped, reflecting how deals on average are getting bigger.

Within UK & Ireland mid-market, trade deals declined by 38% in both volume and value as buyers compete for deals and management teams place greater focus on fewer more strategic transactions. Although the number of private equity transactions did not fall by as much, they were still at their lowest levels in value terms since 2009 with only 19 deals reported with a total value of $1.4bn.

This sudden drop in activity was experienced across all sectors with the exception of Technology & Media which remained the busiest sector at 27% of total deals and similar level of transactions as prior quarter. The Leisure and Consumer sectors both suffered significant decline as consumer spend in UK fell for the first time in five years. Industrial sector was also recording low levels of activity which is to be expected while the Brexit negotiations continue to put pressure on the M&A strategy of domestic companies.

Despite these uncertainties, UK & Ireland continue to attract a lot of inbound activity particularly from the US. There was a notable decrease in number of Chinese investors following tightening of capital constraints last year. However this is expected to change as China places renewed focus on its 'One Belt One Road' initative.

Three of the top 10 transactions were in the renewable sector as long-term



capital seek to invest in the safety of wind-farms. The largest transaction this quarter was the $255m acquisition of Clearscore by Experian plc. This deal highlights the trend of traditional established businesses seeking to make strategic acquisitions of new technology and talent rather than risk trying to do it themselves. Having only been set up in 2015, Clearscore is a good example of the significant returns for these entrepreneurial digital disruptors.

Within Ireland succession is at forefront of M&A activity, as growing companies avail of the higher valuations and increased availability of funding to transition the business to a new generation. A key trend this quarter was the maturing of the private equity market within Ireland as several of the local funds announced successful exits including the sale of Blueface by Development Capital, the sale of Lowe Refrigeration by MML and the sale of GSLS by Cardinal Carlyle fund. These successful exits have helped promote the role of private equity in supporting growing companies and positioning the business on an international platform which can be key to unlocking value for many mid-market companies.

LOOKING AHEAD

Looking ahead the BDO heat chart continues to highlight Technology & Media as the most active sector with one in four deals expected to be tech-related. The search for disruptive and transformative tech companies is underpinning this and with cash reserves continuing to grow, valuations are likely to continue to increase. There is anticipated pick up in Financial Services as the impact of Brexit is considered while activity within the Consumer and Industrials remains muted.

So after a slow start to the year, what can we expect for the remainder of 2018? Overall the M&A outlook remains positive as economic fundamentals continue to outweigh unpredictable macroeconomic climate. Valuations continue to hold firm as trade and PE buyers compete for quality businesse and Investors are becoming more resilient as they seek out market opportunities to deploy increasing supply of capital.

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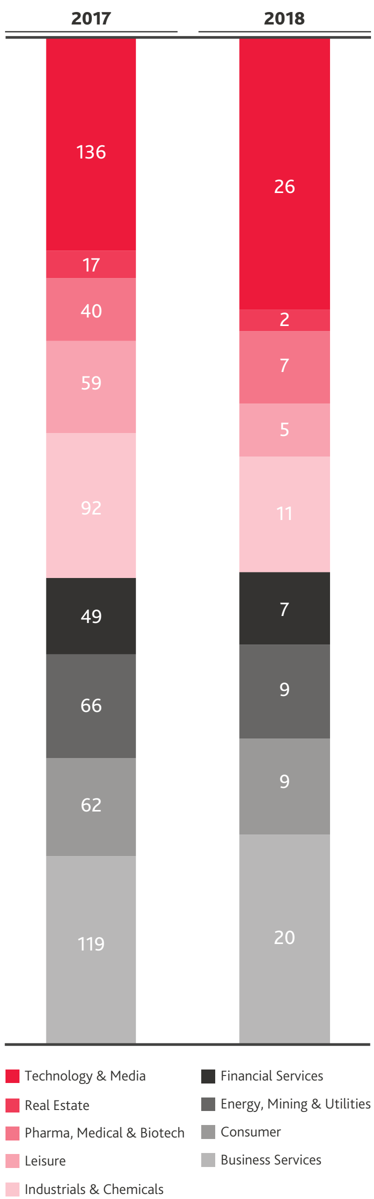
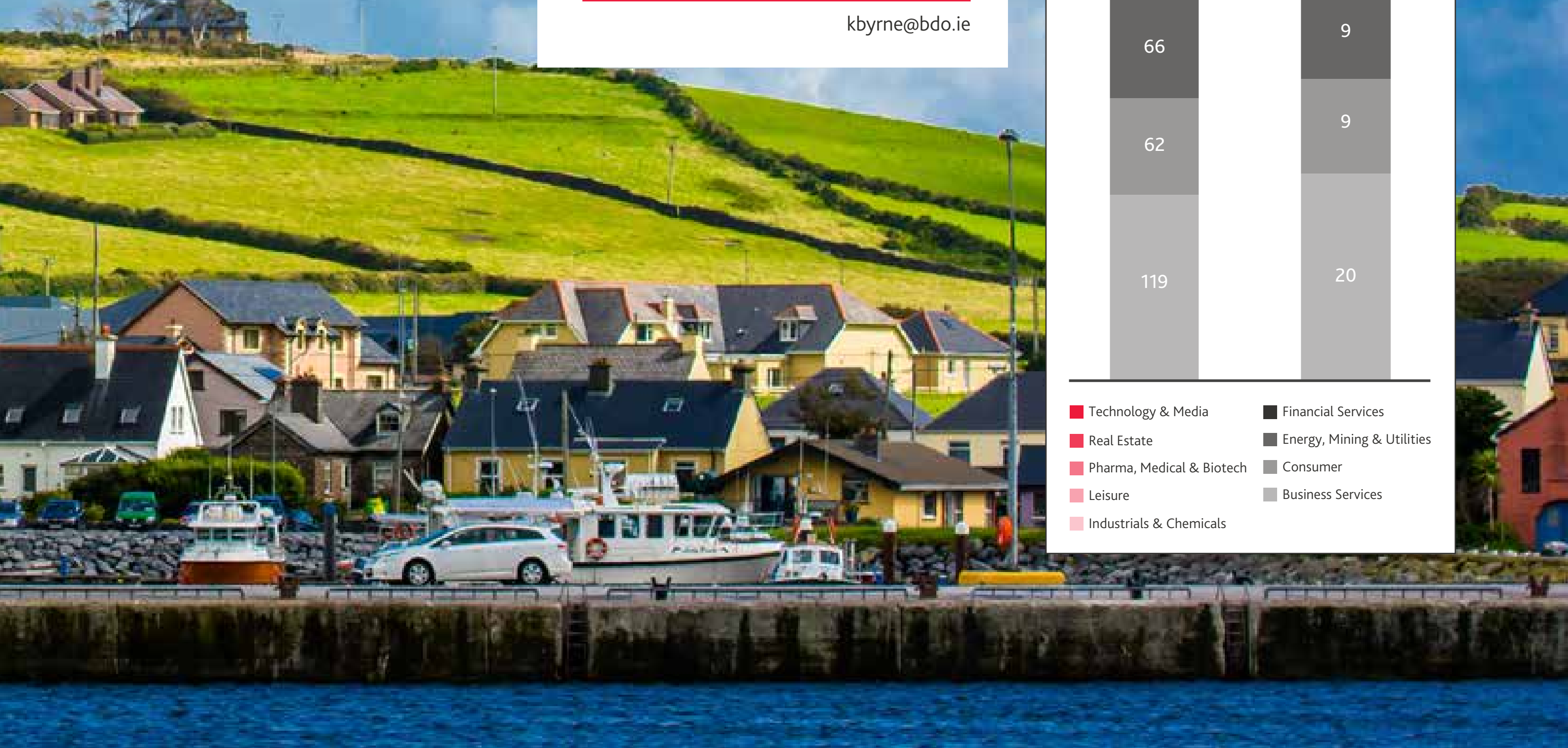
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	105	25%
Financial Services	71	17%
Business Services	58	14%
Consumer	49	12%
Industrials & Chemicals	42	10%
Energy, Mining & Utilities	40	10%
Pharma, Medical & Biotech	21	5%
Leisure	18	4%
Real Estate	10	2%
TOTAL	**414**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

SLOW START TO YEAR FOR MID-MARKET DEAL ACTIVITY

BIG PICTURE

- After an encouraging 2017, deal volumes and values fell back in Q1 2018
- Industrial & Chemicals and Technology & Media were the most active sectors
- PE boosted its position in 2018
- The BDO Heat Chart predicts major deals ahead, led by Consumer.

Q1 2018 was a modest period for M&A activity in the Southern European countries. The region recorded 118 completed deals, representing an aggregated deal value of USD 9.7bn.

Southern Europe has seen sustained growth in M&A activity since 2012, both in annual terms and also specifically in the first quarter of each year. However, in Q1 2018 there was a sharp decline in deals completed, accompanied by a slight decrease in the average value per deal.

STRONG YEAR FOR PRIVATE EQUITY

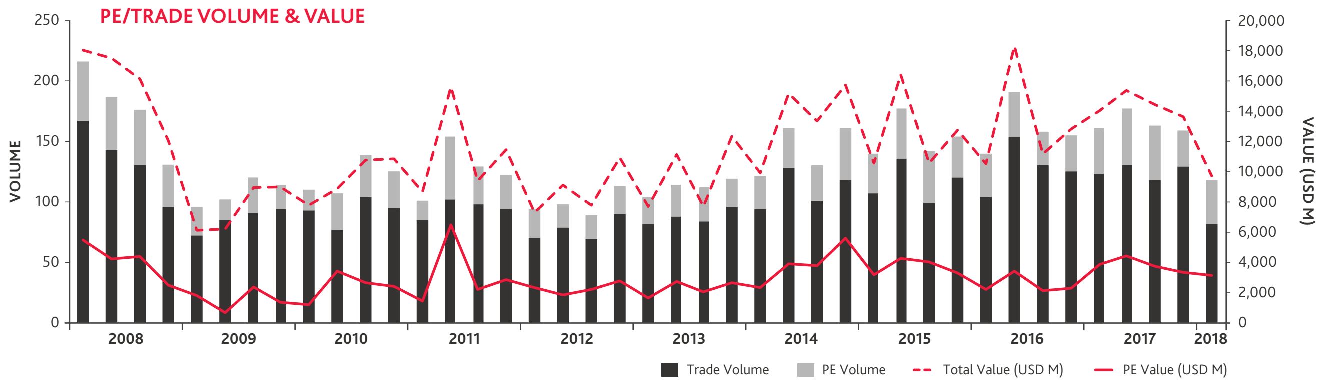
The outlook for PE activity continues to strengthen, with PE responsible for one third of all Q1 2018 deals. In this period PE buy-outs accounted for USD 3.1bn, with 36 deals. These deals represented a significantly higher proportion of overall transactions in terms of both volume and value in Q1 2018 than the previous quarter. Increased PE activity is crucial to M&A activity in Southern Europe.

KEY SECTORS AND DEALS

Industrials & Chemicals continues to lead the way as the most active sector, accounting for 25.4% of transactions. Technology & Media recorded the same number of deals as the previous quarter (22 deals), which represented an increased share. Lack of completed deals in the Business Services, Consumer and Energy, Mining & Utilities sectors contributed to the quarter's decline in deals globally, with a fall of 50%.

The top 10 deals in Q1 had an aggregated value of USD 2.9bn, which represented 30% of the total value of the region's M&A mid-market deals.

The major deal in Q1 was the acquisition of an 11% stake in French-based FNAC Darty SA for USD 414m by SFAM from long-time shareholder Knight Vinke. SFAM became the group's second-biggest shareholder behind Ceconomy AG.



Another important deal was in the Consumer sector where the Portuguese Violas Group acquired 25% of VIACER, a company which holds 56% of Super Bock Group, Portugal's biggest beer company. As a consequence of this deal, the Violas Group has increased its stake in Viacer from 46.5% to 71.5%, indirectly holding the majority of the share capital of Super Bock Group.

The Financial Services sector contributed four of the top 10 deals. In a transaction between French companies, a 70% stake in IDInvest Partners was acquired by Eurazeo for USD 414m. The Spanish Caja Murcia Vida y Pensiones de Seguros y Reaseguros, S.A. (50% stake) and Caja Granada Vida de Seguros y Reaseguros, S.A. (50% stake) were both acquired by Bankia S.A. from Aviva Plc for USD 249m. PE firm Ardian acquired a stake in SFAM, the leading European broker of smartphone and multimedia insurance, for USD 247m. Finally, BNP Paribas Securities Services acquired Banco BPM SpA's (BPM), Italy's third largest bank, for USD 247m.

LOOKING AHEAD

The BDO Heat Chart for Southern Europe region shows 542 deals currently planned or in progress. This is in line with historical data. It is expected that the Consumer sector will regain ground and become the region's most active sector with 120 deals. Industrials & Chemicals (103 deals) and Technology & Media (102 deals) are predicted to remain very active sectors.

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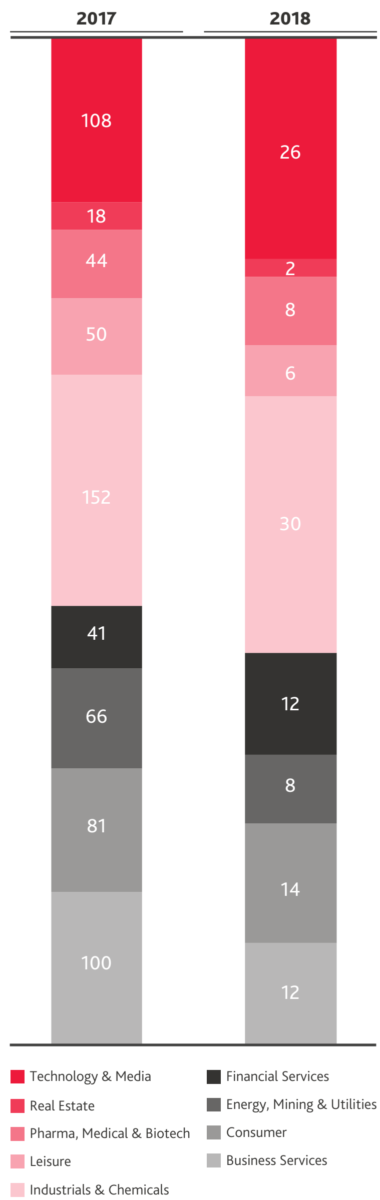
SOUTHERN EUROPE
HEAT CHART BY SECTOR

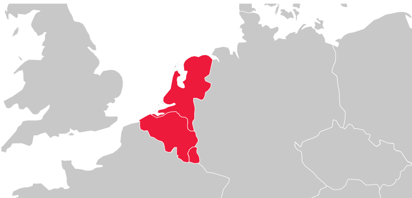
Consumer	120	22%
Industrials & Chemicals	103	19%
Technology & Media	102	19%
Business Services	74	14%
Financial Services	50	9%
Energy, Mining & Utilities	38	7%
Leisure	26	5%
Pharma, Medical & Biotech	23	4%
Real Estate	6	1%
TOTAL	**542**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

ROUGH START TO 2018 FOR MID-MARKET DEAL ACTIVITY



BIG PICTURE

- Q1 saw decrease in deal volume but slight increase in deal value compared to Q4 2017
- PE activity hits all-time low.

The first quarter of 2018 showed a decrease in deal volume, but a slight increase in deal value compared to Q4 2017. Private equity deal volume is at an all-time low considering the period 2008-2018. It is safe to say that Q1 2018 has been a rough start to the year for the Benelux mid-market.

24 deals were completed in Q1 2018. This represents a 17% decrease compared to the 29 deals which were closed in Q4 2017 and an all-time low for the last five years. The total deal value compared to Q4 2017 increased by 2% to USD 2.2m. The total deal value in Q1 2018 was 29% below the average quarterly deal value over the last three years of USD 3.1m. The average deal value per transaction increased from USD 75.7m in Q4 2017 to USD 93.1m in Q1 2018.

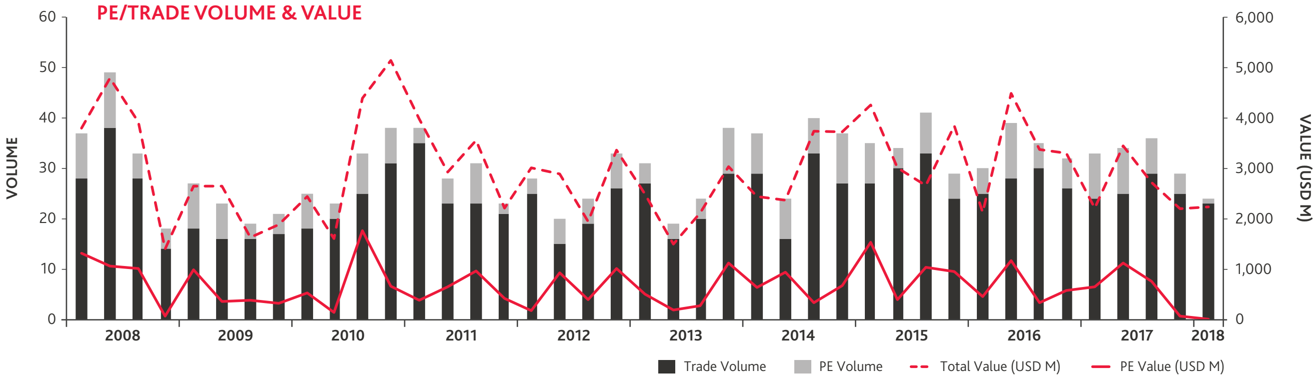
PE deal volume decreased significantly from four transactions in Q4 2017 to just one transaction in Q1 2018. This volume has never been lower since our statistics began in Q1 2008. In Q1, PE was responsible for 4.2% of the total number of deals, compared to 13.8% in Q4 2017 and 19.4% in Q3 2017. The deal value decreased from USD 65m to its lowest point in years of USD 9m. Furthermore, the average deal value fell from USD 16.25m to USD 9m.

KEY SECTORS AND DEALS

Industrials & Chemicals, Technology, Media & Telecom and Business Services were the most active sectors in Q1 2018, accounting for 29%, 21% and 17% respectively of the total number of deals. 16 out of a total of 24 deals completed in Q1 2018 were in the top three sectors. No deals were closed in the Real Estate sector.

The top 10 deals in Q1 2018 ranged between USD 39m and USD 462m and took place in the following sectors: Industrials & Chemicals, Pharma, Medical & Biotech, Business Services, Energy, Mining & Utilities and Leisure. In terms of total deal value, 67% of the buyers were located in Western

PE/TRADE VOLUME & VALUE



Europe, 23% in North America and 10% in Asia. The largest deal was the sale of a 75% stake of Schoeller Allibert Group B.V., an industrial group, to Brookfield Business Partners L.P. A couple of other noteworthy deals were the sale of AST Farma B.V. and Le Vet Beheer B.V. to Dechra Pharmaceuticals Plc for USD 423m, the sale of a 75% stake in Payvision B.V. to ING Groep NV for USD 335m and the sale of De Nederlandse Energie Maatschappij B.V. to Nuts Groep B.V. for USD 241m. In the Belgian market, we highlight the acquisition of the public quoted ICT provider Real Dolmen NV by French GFI Informatique SA for a total value of USD 202m.

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LOOKING AHEAD

The BDO Heat Chart for the Benelux shows 186 deals currently planned or in progress. This is slightly higher than the 175 deals projected in the previous quarter. The industries forecasted to be the most active are Industrials & Chemicals, Technology, Media & Telecom, Consumer and Business Services with 41, 33, 31 and 28 deals respectively.

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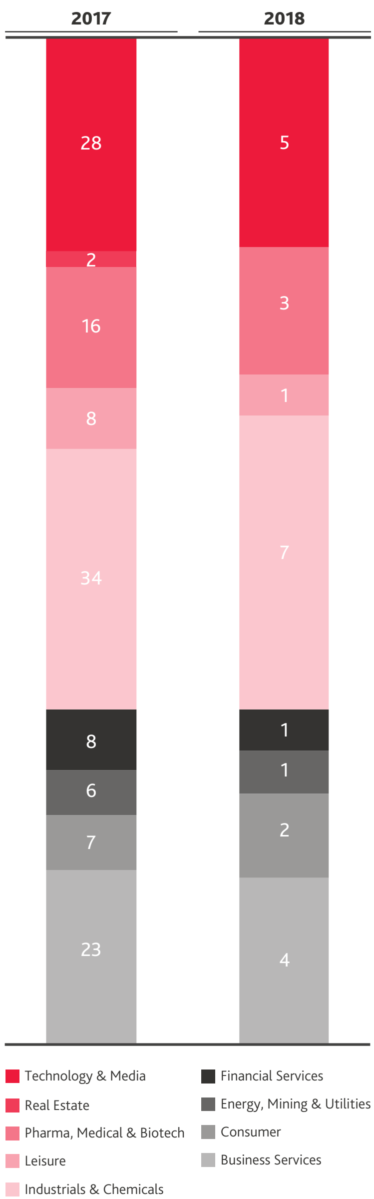
BENELUX
HEAT CHART BY SECTOR

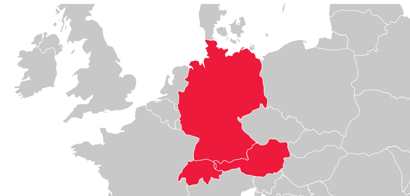
Industrials & Chemicals	41	22%
Technology & Media	33	18%
Consumer	31	17%
Business Services	28	15%
Financial Services	26	14%
Pharma, Medical & Biotech	14	8%
Leisure	6	3%
Energy, Mining & Utilities	4	2%
Real Estate	3	2%
TOTAL	**186**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

OUTLOOK FOR 2018 REMAINS VERY POSITIVE



BIG PICTURE

- The subdued deal activity recorded in Q4 2017 continued into Q1 2018
- Both trade and PE deals were down by similar levels quarter on quarter
- DACH remains the second largest European market for M&A deal activity with significant ongoing cross border interest from international investors
- Divergence between Q1 2018 DACH M&A statistics and high levels of activity which M&A advisers are reporting
- Stronger quarters in 2018 still expected to follow

Anomolous weakest quarter on record for DACH M&A activity since Q1 2013 in terms of number of deals but outlook for 2018 remains very positive.

With just 39 recorded transactions, DACH levels of deal activity in terms of volume fell by 17% compared to Q1 2017 and even more significantly by 35% compared to Q4 2017. The aggregate value of transactions also decreased to USD 3.9bn in Q1 2018 (-11%) from USD 4.4bn in Q1 2017 and (-29%) from USD 5.4bn quarter on quarter. While deal levels fell globally and in most other European countries in Q1 2018 the fall was sharper in DACH apart from compared to the UK.

The number of private equity deals also fell quarter on quarter by 33% but compared very favorably year on year (+100%) following a weak quarter in Q1 2017. The percentage of all deals in DACH represented by PE transactions remained at the record highs seen in Q4 2017; 26% (v 25%) of all deals by number and 29% (v 26%) of all deals by value. An absence of larger deals resulted in average trade deals increasing marginally 6% quarter on quarter compared to an increase of 77% in Q4 2017 compared to Q3 2017. The average size of PE deals also increased 18.0% from Q4 2017 to Q1 2018.

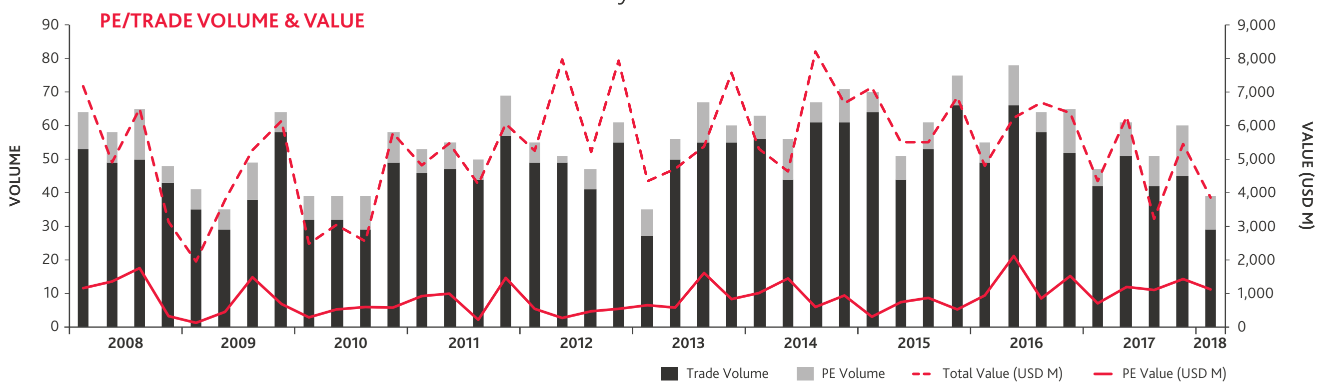
Eight of the top ten deals in DACH in Q1 involved international buyers and six of the top 10 deals were in Germany with two each in Austria and Switzerland.

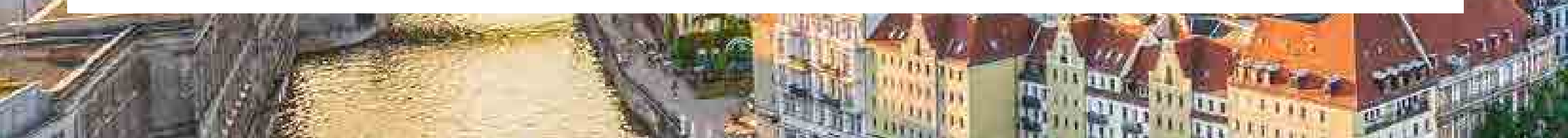
KEY DEALS

HHigh levels of interest from China in DACH corporates and increasingly not just industrials but luxury brands as well was underlined by three mid-market transactions in the DACH region in Q1 2018: Jason Furniture (Hangzhou) Co., Ltd acquired for USD 51.1m the renown German luxury sofa brand Rolf Benz AG & CO KG. Fosun International acquired a controlling stake (circa 52%) in Wolford AG, a luxury Austrian lingerie company, for USD 39.8 m, concurrent with a USD 26.9m capital increase. Just to round off the picture Bally International AG, the Switzerland-based luxury lifestyle brand for footwear, handbags, clothes and accessories was acquired by Shandong Ruyi Woolen Garment Group Co., Ltd., a listed Chinese textile company for an estimated consideration of USD 700m. This was also one of the largest deals in Switzerland in Q1 2018.

The largest mid-market deal in Germany was the sale by ATON GmbH an investment vehicle of the Helmig family (founder of the Helios clinic group) who sold Haema AG a provider of blood transfusion services and a manufacturer of transfusion medicines for USD 271m to Grifols SA a listed Spanish based healthcare company.

Other notable sizable deals included a domestic transaction in Switzerland in the food and drinks sector. Bell Food Group a listed meat processor acquired a 50.5% stake in Huegli Holding a Swiss Food group from the majority shareholder and is making an offer for the rest; the acquisition reflects Bells' strategy to move into convenience foods and has a total deal value of up to USD 340m. Austria's largest mid-market deal involved a major strategic development in the software gaming market with the acquisition by THQ Nordic AB a global video game





publisher and developer based in Austria and Sweden who acquired Koch Media. The acquisition for USD148m was in line with THQ's strategy of acquiring game franchises and development studios.

KEY SECTORS

In Q1 2018 compared to Q4 2017 deal volumes were lower in all segments other than Consumer where six deals represented a 100% increase quarter on quarter (and also year on year) and leisure where the number of deals remained unchanged.

In particular the number of Technology & Media transactions were significantly lower compared to both Q1 2017 (-45%) and to Q4 2017 (-54%). Technology & Media had consistently been an important driver of transactions in DACH over the previous eight quarters. As a result transactions were more evenly spread among sectors than in recent quarters. The most active sector was again Industrials & Chemicals, with ten transactions, followed by Business Services with seven transactions. Together both sectors accounted for 44% of all deals.

LOOKING AHEAD

Whilst the key economic drivers of deal activity in DACH (high levels of corporate funds, robust economic outlook for all DACH countries favorable low interest rate environment) remain positive the political environment is regarded as more fragile. The German IFO Business Climate Index weakened slightly in March falling from very high levels of 115.4 points to 114.7 points. Companies were slightly less satisfied with their current business and were also less optimistic about the months ahead with growing concern about the threat of protectionism.

Other key non-macro-economic drivers of deal activity - global trends, growth acceleration, gaining access to new technologies particularly in the face of digitization remain valid.

In this context it is even more difficult to reconcile Q1 2018 DACH M&A statistics with the very full pipelines reported by M&A advisers including lawyers and accountants. There are signs that deals are taking longer to complete. Given the relatively high valuation multiples buyers are being even more focused in due diligence to minimize the downside risk and it is taking longer for parties to agree on price. It is not yet clear whether valuation multiples are actively deterring some strategic buyers from M&A in the first place. Deals at the larger end of the mid-market spectrum are also becoming more complex particularly having regard to regulatory hurdles.

The BDO Heat Chart indicates that 330 mid-sized companies are seeking to be sold in the DACH region at the end of Q1 2018. This is 10% less compared to Q4 2017. Interestingly the number of companies seeking to be sold in DACH has remained within a corridor of +/- circa 10% over the last 12 quarters (apart from three) which suggests that despite high multiple levels and interest from investors the number of targets has not increased significantly overall.

In summary overall DACH levels of activity in 2018 are still expected to match at least levels of deal activity in the previous year with the DACH region expected to remain attractive for foreign investors. Q2 2018 will however be important to assess whether Q1 2018 is an anomaly or whether there is a divergent underlying trend developing in the M&A mid-market.

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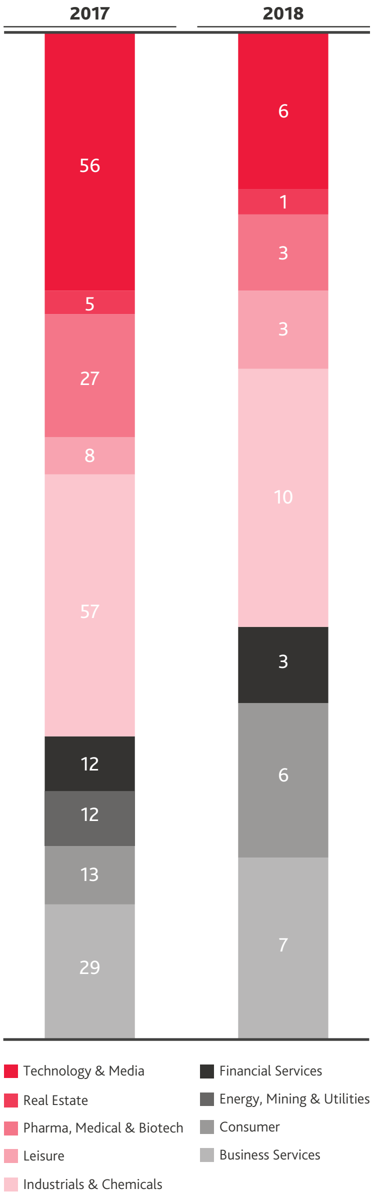
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	103	31%
Technology & Media	55	17%
Business Services	41	12%
Consumer	40	12%
Pharma, Medical & Biotech	36	11%
Financial Services	25	8%
Energy, Mining & Utilities	15	5%
Leisure	9	3%
Real Estate	6	2%
TOTAL	**330**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

MA& ACTIVITY SLOWS DOWN BUT PE DEAL ACTIVITY ON THE RISE

BIG PICTURE

- Overall M&A performance in Q1 2018 fell compared to Q1 2017
- Private equity activity almost tripled in value compared to Q1 2017 and the number of deals doubled
- Industrials & Chemicals remains the region's dominant sector in the region with Technology & Media in second place.

The total number of M&A transactions in Q1 2018 fell compared to the corresponding quarter in 2017.

In addition, the total deal value was USD 1.2bn lower in comparison to the same period last year (USD 4.7bn). Overall, Q1 2018 performed less in terms of both the number of deals and the total transaction value.

On the other hand, M&A activity among PE firms had its strongest quarter in the past year in terms of its proportion of total transaction value and number of deals. Q1 performance was better than the same period in 2017 and as a result PE activity has made a good start to the year. The 14 PE buy-outs in Q1 2018 resulted in 26.9% of the total number of transactions and 31.1% of the total deal value.

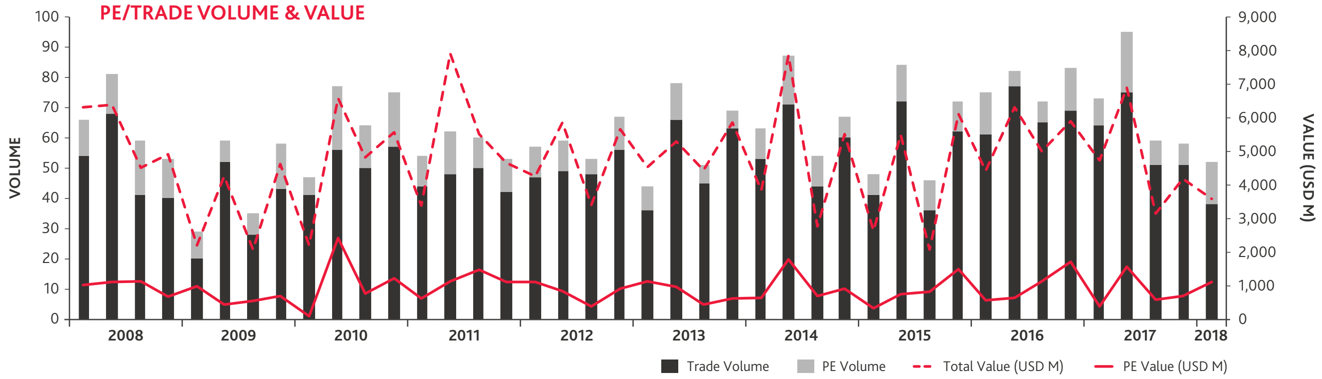
KEY SECTORS AND DEALS

The top 10 deals in the Nordics in Q1 2018 accounted for over 70% of the total transaction value. Sweden was the region's leading country with six deals, with Denmark recording three and Norway one.

The largest transaction was a cross-border deal in which the Danish company Kirkbi A/S bought a 49.8% stake in the Swedish firm Valinge Innovation AB, sold by US-based Kohlberg Kravis Roberts & Co. The transaction was valued at USD 500m, approximately USD 150m more than the second largest deal. Valinge Innovation AB is a Swedish-based R&D and IP company in the flooring and furniture industries.

The second largest transaction was a 41.9% stake acquisition of the Nordax Group in Sweden by Nordic Capital. Nordax Group is a financial services firm providing banking services to consumers and operates mainly in northern Europe. The total deal value was USD 351m.

PE/TRADE VOLUME & VALUE



The third largest deal was Danish Jyske Bank's acquisition of Nordjyske Bank in Denmark. Nordjyske Bank has branches in Jutland in the northern part of Denmark and has around 450 employees. The deal value was USD 319m.

The Industrials & Chemicals sector remained the region's most active sector, accounting for 12 of the 51 transactions completed in Q1 2018. Technology & Media, in second place with 11 deals out of 51, remained the second most active sector. These two sectors were followed by Consumer, with eight deals in Q1 2018.

LOOKING AHEAD

The Nordic M&A market is expected to remain strong, even though a small rise in interest rates is expected in late 2018. However, valuations are increasing which could have effects on debt financing. We anticipate a pick-up in deal volume in Q2 given the slow first quarter. We expect the Technology & Media sector to be very active again throughout the Nordics and PE firms to maintain their important role and high levels of deal-making activity.

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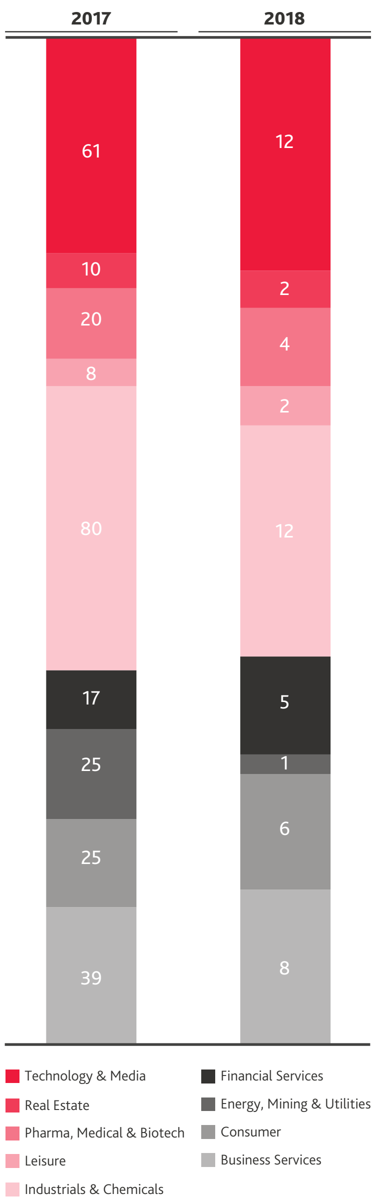
NORDICS
HEAT CHART BY SECTOR

Technology & Media	49	25%
Industrials & Chemicals	41	21%
Business Services	28	14%
Consumer	25	13%
Pharma, Medical & Biotech	18	9%
Energy, Mining & Utilities	16	8%
Financial Services	12	6%
Leisure	5	3%
Real Estate	3	2%
TOTAL	**197**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



CEE & CIS

SLUGGISH START TO 2018 BUT FUTURE OUTLOOK LOOKS POSITIVE

BIG PICTURE

- Q1 2017 activity hit by seasonal factors, but BDO Heat Chart indicates an uptick in M&A activity going forward in 2018
- Mid-market deals dominated by Industrials & Chemicals, Technology & Media and Consumer, with more than 60% of total deals
- Only two PE deals completed, but they represented 10% of the total value.

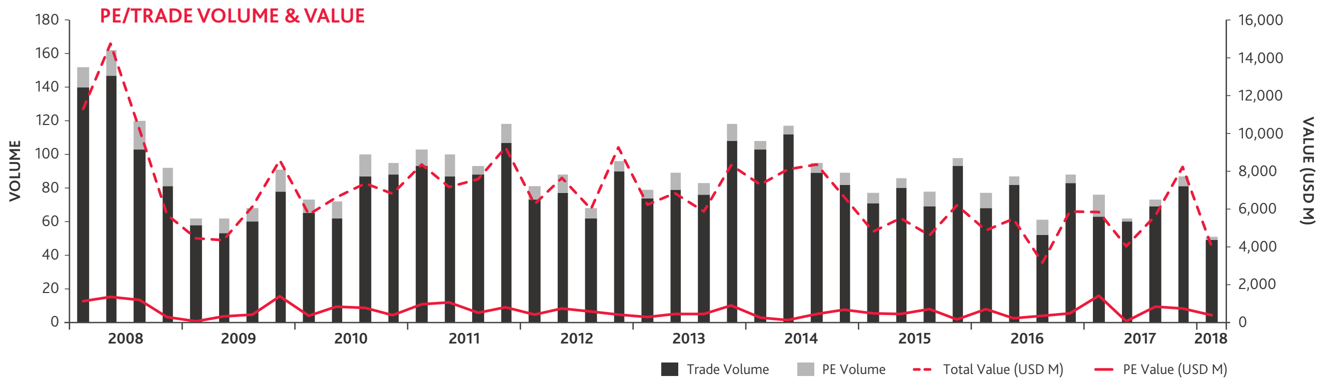
After a reasonably strong finish to last year, 2018 got off to a slow start with only 51 mid-market deals completed in the first quarter, the quietest period in the last 10 years. Although it should be noted that Q1 typically generates fewer deals, which could probably grow slightly after follow-up procedures.

Sluggish trends in the CEE & CIS economy hit mid-market deal activity in Q1 2018 with a notable drop from the previous year between corresponding quarters. The total value of deals was USD 3,986m, down 52% from Q4 2017'S USD 8,237m. In terms of quarter-on-quarter comparisons, the total value of deals in Q1 2018 was the lowest first quarter figure since 2008. Private equity transactions were also sluggish in Q1 2018, representing only two deals from the quarter's 51 completed mid-market deals. However, the average deal size of these two deals was the second highest in the last 10 years, with an average value of USD 198m and a total value of USD 395m, representing 10% of the total value of the 51 deals. Overall, the year started with a significant dip in deal activity, both in terms of volume and value.

KEY SECTORS AND DEALS

There was reduced deal activity across all sectors in Q1 2018. The most active sectors were Industrials & Chemicals with 12 deals, representing 24% of total deal volume, Technology & Media & Telecom with 11 deals (22%) and Consumer with eight deals (16%), in line with the overall trend for 2017.

The first quarter of 2018 saw a notably high sector concentration, with the three top sectors making up a particularly large share (61%) of total deal volume, indicating a steady interest within specific sectors and a higher volatility in the rest of the market. Of the top 10 mid-market deals in Q1 2018, three were from the Technology & Media sector.



Even though Energy, Mining & Utilities sector deals slowed down in Q1 2018, it remains an important sector for the region with six deals, representing 12% of the total deal volume. One of these deals was the 49% stake sale of Gazpromneft-Vostok, the second largest mid-market transaction in the region with a value of USD 325m. There was also a major decline in the volume of deals in the Business Services sector, with only five deals in Q1 2018, but two of these were among the top 10 deals, representing more than 16% of the total deal value in the quarter. Transactions in Financial Services dropped by 63% on the previous quarter, and we are still waiting for the region's first Real Estate mid-market transaction in 2018.

TOP DEALS

Focusing on the top 10 deals in the CEE & CIS region in Q1 2018, the total value was USD 2.57bn, which represented 64% of total deal value. The largest transaction in the quarter was a Turkish domestic deal in the Business Services sector (the 49% stake sale of Fraport IC Ictas to TAV Havalimanlari Holding A.S.), with a value of USD 443m.

On the bidder side, the United Kingdom, United Arab Emirates, Netherlands and Monaco were all responsible for top cross-border transactions within the CEE & CIS region during Q1 2018.

Looking at the top deals made in Q1, three of the ten largest acquisitions took place in Russia, two of them being Russian domestic deals.

LOOKING AHEAD

Despite the first quarter registering a significant drop in recorded M&A deals, the BDO Heat Chart (capturing all sales planned, rumoured or in progress) indicates that there will be an uptick in M&A activity going forward in 2018.

According to the BDO Heat Chart, there are 688 deals in the pipeline, indicating a return in deal-making confidence. With this number of rumoured deals, CEE & CIS sits comfortably in third place among the regions covered in this report, behind North America and Greater China.

In terms of sector outlook, Industrial & Chemicals is expected to be the hottest sector with 172 forthcoming deal opportunities, followed by Technology & Media and Consumer, both with 121 predicted deals. Pharma, Medical & Biotech, with 37 predicted deals, Leisure with 31 and Real Estate with only 17 deals all represent a smaller share than in the other regions.

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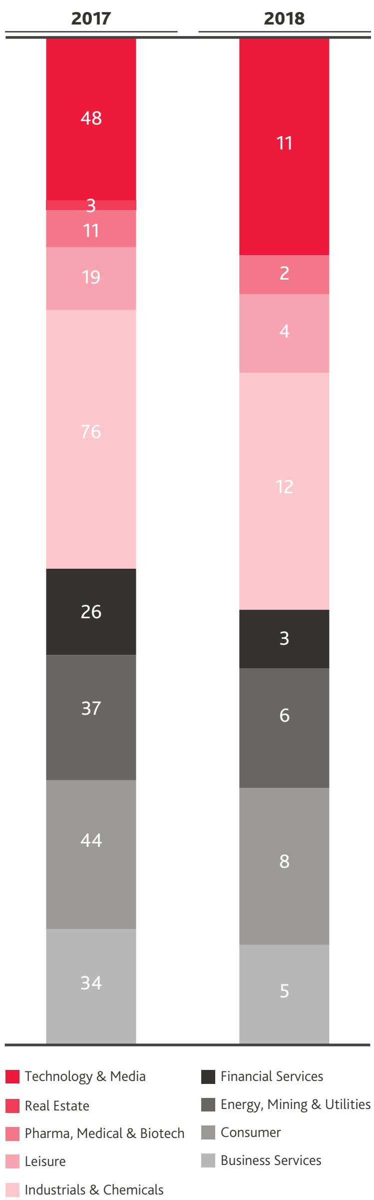
CEE & CIS
HEAT CHART BY SECTOR

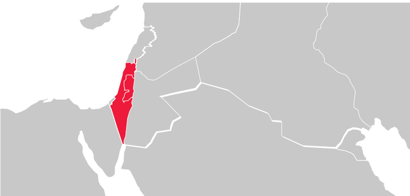
Industrials & Chemicals	172	25%
Technology & Media	121	18%
Consumer	121	18%
Energy, Mining & Utilities	70	10%
Business Services	66	10%
Financial Services	53	8%
Pharma, Medical & Biotech	37	5%
Leisure	31	5%
Real Estate	17	2%
TOTAL	**688**	**100%**

CEE & CIS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

A SLOW START TO THE YEAR BUT HOPES REMAIN HIGH FOR 2018



BIG PICTURE

- Q1 deal activity fell compared to the previous quarter in terms of value
- Industrials & Chemicals was the most active sector
- Private equity total deal value was the lowest since Q4 2014
- Gradual decrease in the number of transactions carried out by foreign players.

Q1 2018 was a quiet quarter for mid-market M&A. In fact, with a total deal value of only USD 394, Q1 2018 was Israel's weakest quarter since Q2 2009.

The first quarter of 2018 saw a dramatic decrease in deal value from the previous quarter, whereas deal volume remained at the same levels recorded in Q4 2016.

Q1 2018 saw a total of 14 mid-market deals with a combined value of USD 394m, which represented a decline of 74% in terms of value, with the same number of deals compared to Q4 2017 (14), and a drop of 47% and 17% respectively in contrast with Q1 2017. PE buy-outs also fell sharply, with just one deal completed in Q1 2018 compared to four in the previous quarter and five in Q1 2017.

An important trend reflected in the Q1 2018 figures is a shift towards small-scale deals. The average value per deal was USD 28m, down 75% compared to Q4 2017 and 36% lower compared to Q1 2017.

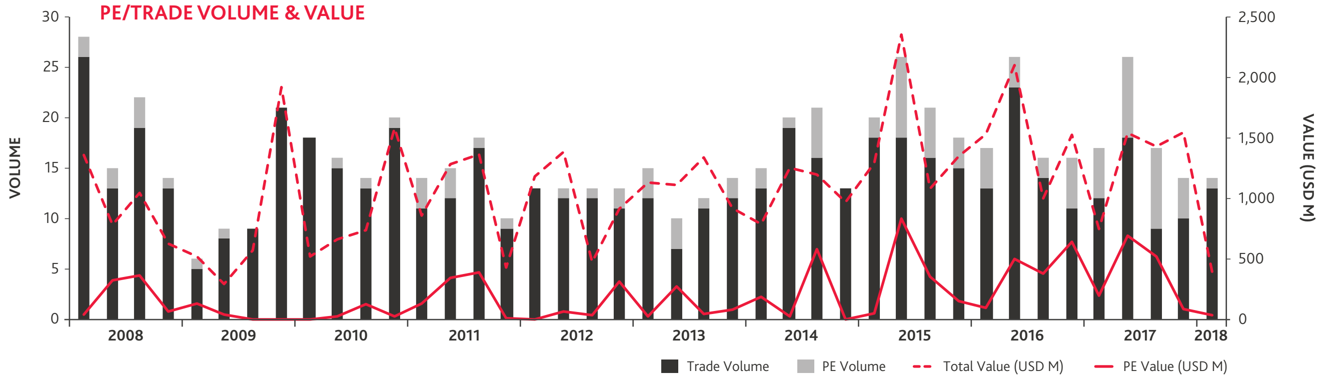
KEY DEALS AND SECTORS

Israel's top 10 deals had an aggregated value of USD 368m. The top 10 deals varied between USD 9m and USD 101m in size and took place mainly in the Industrials & Chemicals, Pharma, Medical & Biotech and Financial Services sectors.

The largest transaction was the 58.9% stake sale of Dexia Israel Bank to undisclosed institutional investors in an off-the-floor sale. Dexia divested its 58.9% holding in Dexia Israel Bank for USD 101m.

The second largest deal was the acquisition of Israeli beverage analytics start-up WeissBeerger by Anheuser-Busch InBev, the world's largest brewer, for USD 80m. WeissBeerger has developed IoT analytics tools for the beer and beverage industry.

The third largest deal was the purchase of PCB Technologies by FIMI, an Israeli private equity fund. FIMI completed the acquisition of 51% of the company's share capital at a value of USD 36m from Priortech, which previously held 70% of PCB's shares.



Of the top 10 deals in Q1, 2018, Pharma, Medical & Biotech and Industrials & Chemicals were responsible for three deals each, Financial Services recorded two deals with one each for Business Services and Technology & Media.

Also noteworthy was a significant decline in the Technology & Media sector, which was responsible for only two deals in Q1 2018. The previous quarter, as well as Q1 2017, saw five deals competed in the Technology & Media sector.

PRIVATE EQUITY

Private equity activity fell heavily from previous quarters. In Q1 2018, PE transactions represented only 9.1% of the total deal value and 7.1% of the total deal volume. For Q4 2017, these numbers were 5.6% and 28.6% respectively. Mid-market PE recorded the lowest figures in terms of volume and value since Q4 2014, the lowest first quarter level since 2013 in terms of value and the lowest first quarter level since Q1 2012 in terms of volume.

LOOKING AHEAD

The BDO Heat Chart for Israel shows there are 67 deals planned or in progress for M&A with 39% related to Technology & Media (26) and 16% involving Pharma Medical & Biotech (11). Other key sectors are Industrials & Chemicals 15% (10), Consumer with 9% (six) and Energy, Mining & Utilities with 7% (five).

As outlined above, the main focus for M&A activities is Technology & Media. This sector not only had the highest number of deals completed during 2017 (22), but also has the highest number of deals in the pipeline at the end of Q1 2018 (26). In conclusion, Technology & Media and Pharma, Medical & Biotech are predicted to be the most active sectors as foreign companies continuously pursue maturing Israeli companies in order to maintain their competitive advantage in global markets.

We maintain our belief that the Israeli M&A market will recover and improve for the remainder of the year, despite the sluggish data in Q1 2018. The positive outlook is strongly supported by positive macroeconomic factors, low interest rates in the near future and rising interest from cross-border investors.

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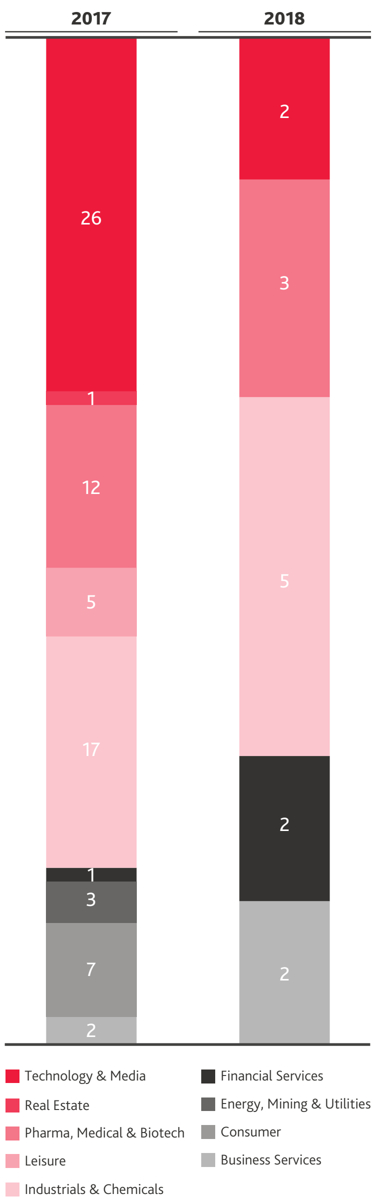
ISRAEL
HEAT CHART BY SECTOR

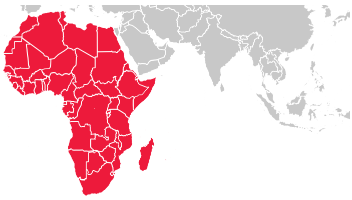
Technology & Media	26	39%
Pharma, Medical & Biotech	11	16%
Industrials & Chemicals	10	15%
Consumer	6	9%
Energy, Mining & Utilities	5	7%
Business Services	3	4%
Financial Services	3	4%
Leisure	3	4%
Real Estate		0%
TOTAL	**67**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR



AFRICA

DEAL VOLUME AND VALUE DROP IN FIRST QUARTER



BIG PICTURE

- Q1 2018 saw 18 deals completed in Africa with a combined value of USD 1.5bn, a drop of 57% in terms of volume and a drop of 44% in terms of value compared to Q1 2017
- PE buy-outs fell to two from three compared to Q1 2017 and represented just 17% of all deals
- The Energy, Mining & Utilities sector remained strong in Africa.

In Q1 2018, there were 18 mid-market deals completed in Africa with a value of USD 1.5bn, which represented a decline of 57% and 44% respectively in terms of the number and value compared with Q1 2017, and a drop of 58% and 50% respectively compared with Q4 2017.

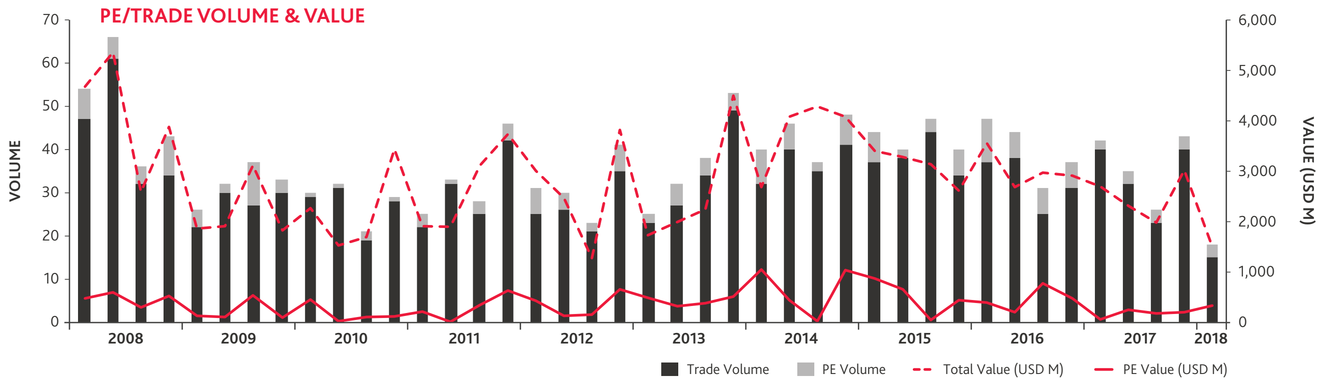
The number of PE buy-outs fell to three to two from the corresponding quarter in 2017. However, the average buy-out value in Q1 2018 was 1.6 times higher in comparison to Q4 2017.

KEY DEALS AND SECTORS

Three of the region's most significant deals were in the Energy, Mining & Utilities sector. The biggest deal was the acquisition of a majority stake, with a capital injection of USD 380m, in Copperbelt Energy Corporation (CEC), a power company based in Zambia, by the CDC Group plc, based in the UK. CEC is involved in power generation, distribution, transmission and energy infrastructure development.

Another deal which caught the eye was the transaction in the Democratic Republic of Congo (DRC) involving Tiger Resources Limited, a leading copper producer, developer and explorer, and Sinomine Fuhai Overseas Resource Investment. The transaction was valued at USD 260m and included the share price agreement and royalty deed with Sinomine HK acting as a Special Purpose Vehicle (SPV) for Sinomine Resource Exploration Co. and Shenzhen Oriental Fortune Capital Co. The SPV was used to acquire 100% of Tiger's shares. Tiger's mining projects in the DRC include the Kipoi project, Lupoto project and La Patience permit.

And in Ghana, Gold Fields, a South African-based gold mining company, acquired a 50% stake in Asanko Gold Ghana Limited. The deal was valued at USD 185m and the joint venture will give Gold Fields access to low cost production ounces in Ghana, thereby increasing the quality of its portfolio.



AFRICA
HEAT CHART BY SECTOR

Energy, Mining & Utilities	30	26%
Industrials & Chemicals	26	23%
Financial Services	18	16%
Business Services	14	12%
Technology & Media	10	9%
Consumer	8	7%
Pharma, Medical & Biotech	5	4%
Real Estate	2	2%
Leisure	1	1%
TOTAL	**114**	**100%**

LOOKING AHEAD

The Sub-Saharan Africa region is expected to grow by 3.2% in 2018 and 3.5% in 2019. The main factors contributing to this positive outlook are the improved economic momentum carried over from 2017 and the renewed optimism in South Africa after Cyril Ramaphosa took the reins as President, which has led to higher confidence in the economy. In Nigeria, higher oil prices and easing inflation should reinforce economic activity in Q1 while a calmer political scene should help get Kenya's economy back on track.

South Africa's economy is forecast to grow by 1.1% in 2018 from 0.8% in 2017 as the government announced that it would issue up to USD 2bn in eurobonds to improve liquidity. The new budget could stave off a credit ratings downgrade by Moody's. Nigeria's economy is expected to accelerate to 2.5% growth this year from 1% growth in 2017. Growth in Angola is expected to increase to 1.6% in 2018 as a successful political transition improves the possibility of reforms that will have positive impacts on the country's business environment.

The regional outlook is subject to external and domestic risks. Although stronger activity in the US and euro area could push regional growth up, an abrupt slowdown in China could have an adverse spillover into the region through lower commodity prices. On the domestic front, the implementation of adverse economic reforms and the OPEC output cut deal will constrain economic activity, leading to slow growth in private sectors.

Rising government debt levels highlight the importance of fiscal adjustment to contain fiscal deficits and maintain financial stability. Structural policies could help boost potential growth.

The BDO Heat Chart for Africa mid-market M&A activity forecasts 114 deals in 2018. The dominant sectors are likely to be Energy, Mining & Utilities, with 30 deals, representing 26% of the total deals expected and Industrial & Chemicals with 26 deals, representing 23% of the forecast deal volume.

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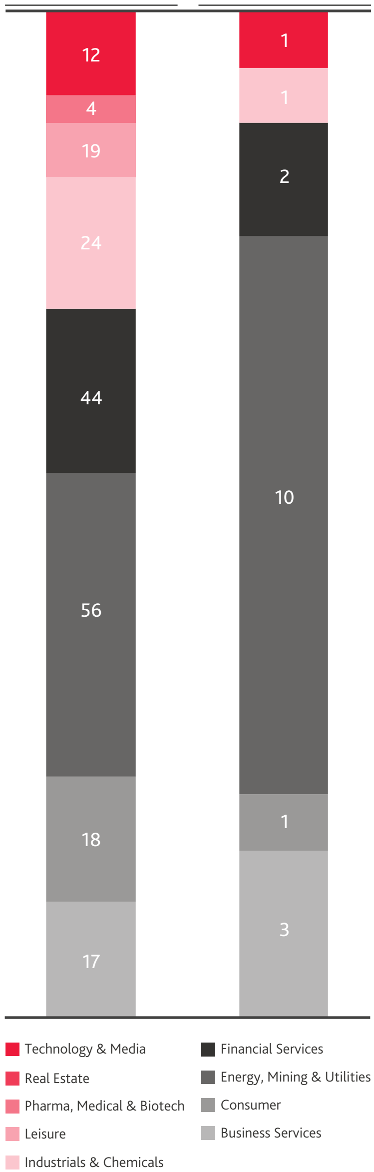
AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

GROWTH IN ECONOMY BODES WELL FOR M&A ACTIVITY

BIG PICTURE

- Q1 2018 deal numbers fell to 54 from 82 in Q1 2017
- Technology & Media, Industrials & Chemicals, Financial Services and Business Services maintained positions as the leading sectors
- Continued growth in economy bodes well for M&A activity.

The Indian economy has remained resilient during recent quarters, mainly because of manageable inflation and the continued progress in government reforms.

The macro-economic outlook and fast-changing regulatory guidelines are both important to the current M&A outlook. A combination of these factors, plus the fact that India has leapfrogged 30 places in the recently published Ease of Doing Business index brought out by the World Bank, indicate that India will remain a strong deal-making market.

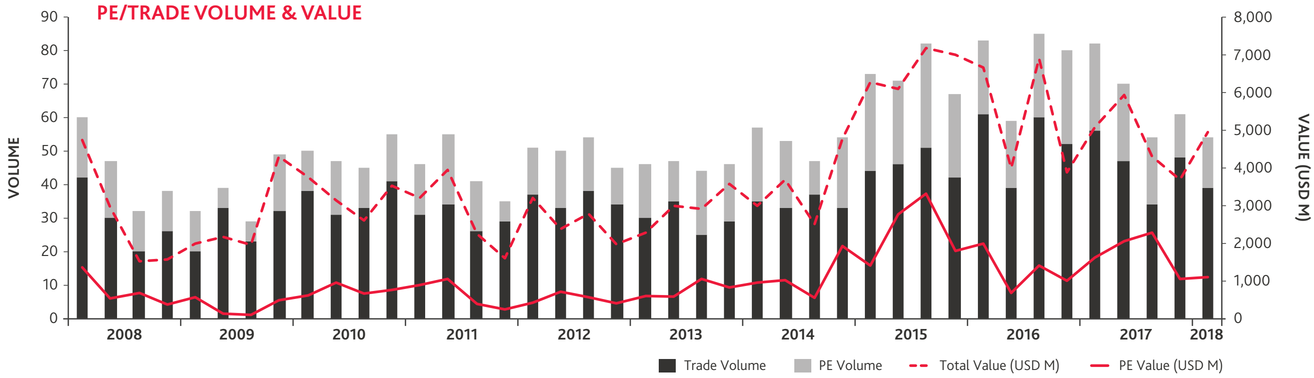
The International Monetary Fund (IMF) remains bullish on India's growth potential and has retained its GDP forecast for the country at 6.7% in 2017 and 7.4% in 2018. In its World Economic Outlook Update, the IMF also estimated that the Indian economy would grow by 7.8% in 2019, which would make the country the world's fastest-growing economy in 2018 and 2019. This will help the country's M&A market achieve the ambitious growth predicted: the number of transactions including domestic deals is expected to almost triple, from USD 17.5bn in 2016 to USD 49.3bn in 2019.

The effects of the rigorous implementation of the Insolvency and Bankruptcy Code 2016 (IBC) will continue to be a key driving force in fostering M&A activity in India. The IBC provides a conducive environment for the financially healthy entities to look for inorganic growth opportunities.

Mid-market deal volume fell in Q1 2018 to 54 deals compared to 82 in Q1 2017, mainly due to a decline in investments in mid-market companies and increased investments in established players. However, mid-market companies need further capital for growth, which should continue to drive M&A activity.

Both the volume and value of deals in PE and Debt Financing in Q1 2018 were up compared to last year's corresponding quarter. Q1 2018 saw 221 deals worth USD 2.26bn, up from 211 deals worth USD 1.38bn

PE/TRADE VOLUME & VALUE



in Q1 2017 and this trend is expected to continue in the future.

Domestic deals in the Technology & Media, Industrials & Chemicals, Financial Services and Business Services sectors continue to be the major focus for M&A activity. M&A in the power and telecom sectors is on the rise with the objective of creating sizeable assets to cater to burgeoning demand, entering into new verticals by buying large stressed assets and strengthening core capabilities.

The Oil and Natural Gas Corporation bought the government's entire 51.11 % stake in oil refiner Hindustan Petroleum Corporation Limited for USD 5,778m. The transaction furthers the government's objective of combining various central public enterprises to give them the capacity to bear higher risks, avail economies of scale, take bigger investment decisions and create more value for the stakeholders and in this instance ultimately create an oil major which is able to match the performance of international and domestic private oil and gas companies.

IDFC Bank and Capital First merged to form a combined entity with assets under management of Rs 88,000 crore, a branch network of 194 and a customer base of over five million. The deal was valued at USD 1,460m. This merger allows IDFC Bank to complete its transformation from a dedicated infrastructure bank to a well-diversified universal bank, and is also in line with Capital First's strategy to convert itself into a universal bank.

Manipal Health Enterprises picked up a 20 % stake in India's largest diagnostic chain SRL Diagnostics for a deal value of USD 281m. Analysts have pointed out that SRL is aiming to grow at a 15% compound annual rate (CAGR) over the medium term.

Reliance signed a deal to merge its JioMusic business with established player Saavn. The deal was valued at USD 227m. The combined entity is valued at over USD 1bn, with JioMusic's implied valuation at USD 670m.

CK Birla Group-owned Birlasoft and KPIT Technologies merged to create a USD 700m entity, which has further been split into two publicly-traded companies. The new combined entity will expand its industry-leading capability in enterprise solutions with unmatched digital capability.

LOOKING AHEAD

There has been a drop in India's M&A deal activity but it is expected to pick up in the second half of the year. This is mainly on the back of the stability of the Indian economy and the expected ease of doing business, which will help to boost the number cross-border and domestic deals taking place. Investors are advised to keep the potential outcome of the 2019 national elections in mind, as there is scope for more ambitious economic reforms.

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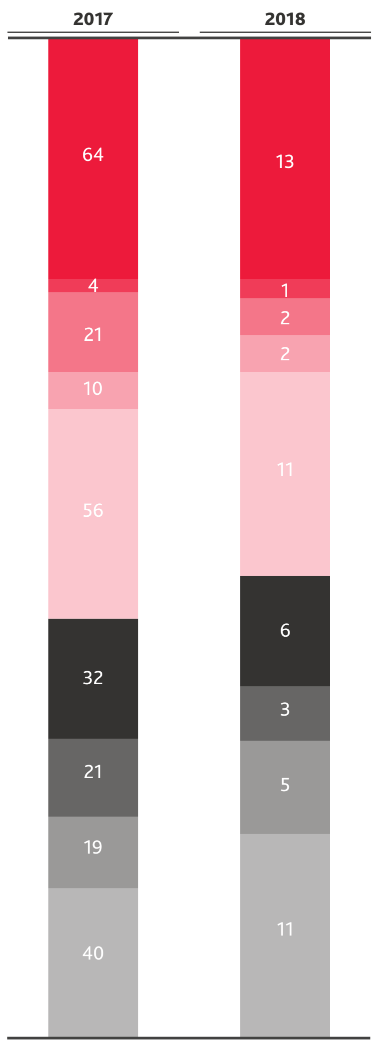
INDIA
HEAT CHART BY SECTOR

Consumer	45	23%
Industrials & Chemicals	39	20%
Business Services	27	14%
Financial Services	26	13%
Pharma, Medical & Biotech	21	11%
Technology & Media	19	10%
Energy, Mining & Utilities	17	9%
Leisure	4	2%
Real Estate	2	1%
TOTAL	**200**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

M&A DEAL-MAKING ACTIVITY STAYS STRONG IN CHINA AND FURTHER GROWTH EXPECTED IN 2018

BIG PICTURE

- In the Greater China region, a total of 369 deals were recorded in the first quarter of 2018, compared to 355 deals for the same period in 2017. However, total deal value for Q1 declined by 8% compared to Q1 2017
- PE buy-outs took a more active role in Q1 2018 compared with the same period in 2017, with deal values as a percentage of total deal value increasing from 9.4% to 13.2%
- Following a number of announcements made by the Chinese government to encourage outbound deals related to the One Belt One Road (OBOR) programme since October 2017, China is also expected to further open up to inbound foreign deals. This could positively impact Chinese enterprises' deal activities in 2018.

M&A activity in the Greater China region recorded 4% growth in deal volume in Q1 2018, compared to Q1 2017. PE fundraising remained strong in the first quarter of 2018, with deal values for PE buy-outs increasing by 30% from around USD 3.2bn in Q1 2017 to around USD 4.1bn in Q1 2018.

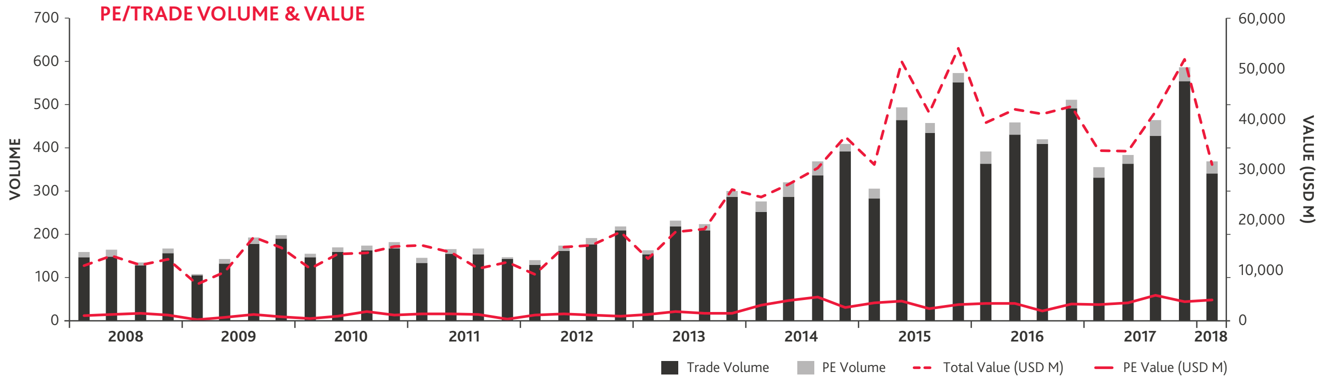
To promote the OBOR initiative, strong M&A demand is expected in 2018 for transactions in government-encouraged sectors, including the infrastructure, power and utilities sectors. There are also indications that the Chinese government is supporting overseas M&A activity in other sectors involving food safety, healthcare and multi-national businesses with strong brand recognition.

The US was one of the largest destinations for Chinese outbound M&A transactions in 2017. However, tight security reviews by the Committee on Foreign Investment in the US and the US government's ambivalent attitude towards Chinese investment may impact future outbound investments by Chinese companies. Various protection policies may hinder Chinese acquisitions of sensitive M&A targets in the US. Chinese buyers may therefore need to adopt more joint venture/minority shareholding structures for their investments.

In contrast, China has specifically introduced new investment-related policies with the intention of encouraging investments, both internationally and domestically.

One major policy relates to simplified application procedures for outbound investment deals of less than USD 300m. Outbound investment deals above this value will be subject to various pre-transaction verification, record filing/and approval procedures with China's National Development and Reform Commission.

Other policies include the streamlining of application and approval procedures for outbound investments to reduce administrative burdens for Chinese outbound investors.



CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	285	27%
Technology & Media	218	21%
Business Services	131	12%
Consumer	116	11%
Financial Services	91	9%
Pharma, Medical & Biotech	73	7%
Energy, Mining & Utilities	59	6%
Real Estate	52	5%
Leisure	35	3%
TOTAL	**1,060**	**100%**

TOP DEALS AND SECTORS

Most of the top 10 major mid-market deals in China in Q1 2018 related to the Technology & Media, Industrials & Chemicals and Business Services sectors. The top three major mid-market deals in China were as follows:

- TAL Education Group was acquired for a consideration of USD 500m – announced in January 2018
- Beijing Shiji IT Co., Ltd's sale of a 38% stake in Shiji Retail Information Technology Co., Ltd. to Alibaba Group Holding Ltd. for USD 486m – announced in February 2018; and
- Tencent Holdings Ltd's investment in Shanda Games Limited for USD 475m – announced in February 2018.

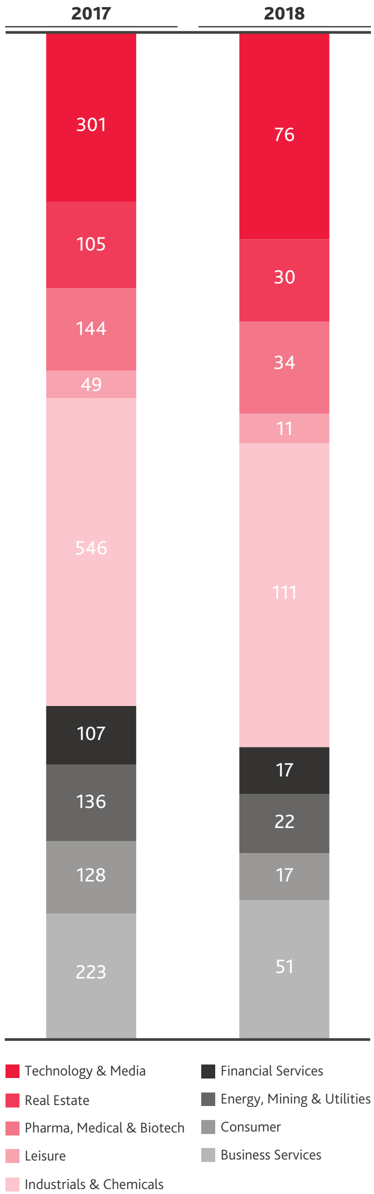
LOOKING AHEAD

Uncertainties in the looming trade war between China and the US will affect outbound investments between the two countries. We expect multi-national corporations to take a 'wait-and-see' approach pending the outcome of the trade dispute, which may slow down general global and China outbound M&A activity in the next two quarters.

However, the Chinese government is expected to continue to implement the OBOR program, which will contribute to increased outbound investments in Asia, Europe, Middle East and Africa.

The latest BDO Heat Chart for Greater China indicates that there are a total of 1,060 deals planned or in progress. Industrials & Chemicals (285 deals) and Technology & Media (218 deals) remain the most popular sectors, contributing up to half of the total deals planned or in progress.

CHINA
MID-MARKET VOLUMES BY SECTOR



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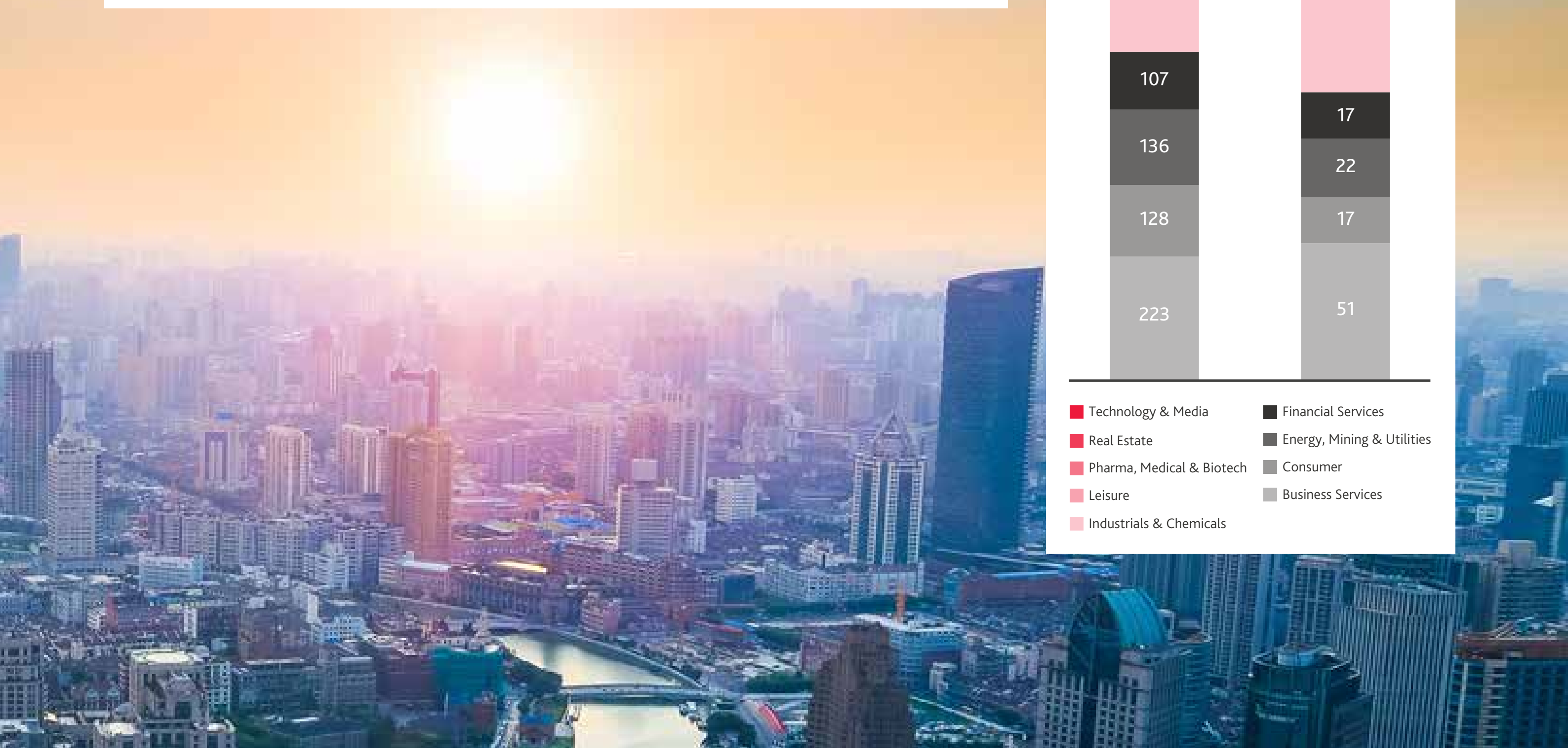


JAPAN

SMALL, KNOWLEDGE-INTENSIVE INDUSTRIES SET TO DRIVE MID-MARKET ACTIVITY

BIG PICTURE

- Technology & Media, Industrials & Chemicals and Consumer are the top-performing sectors in Q1
- Real Estate and Leisure expected to reap benefits of 2020 Olympic Games
- More M&A deals likely, due to business succession issues and ageing population.

Japan's top 10 deals came from a range of sectors but our research suggests that smaller, more knowledge-intensive industries will drive future mid-market activity.

There was no significant change in the breakdown of deals in each sector in Q1 2018, compared with the previous quarter. In line with Q4, the Technology & Media, Pharma, Medical & Biotech and Consumer sectors accounted for more than 50% of deal volume. No one sector dominated the top 10 deals and the biggest value deal was in Technology & Media.trade deals and a slight increase in the volume of PE deals.

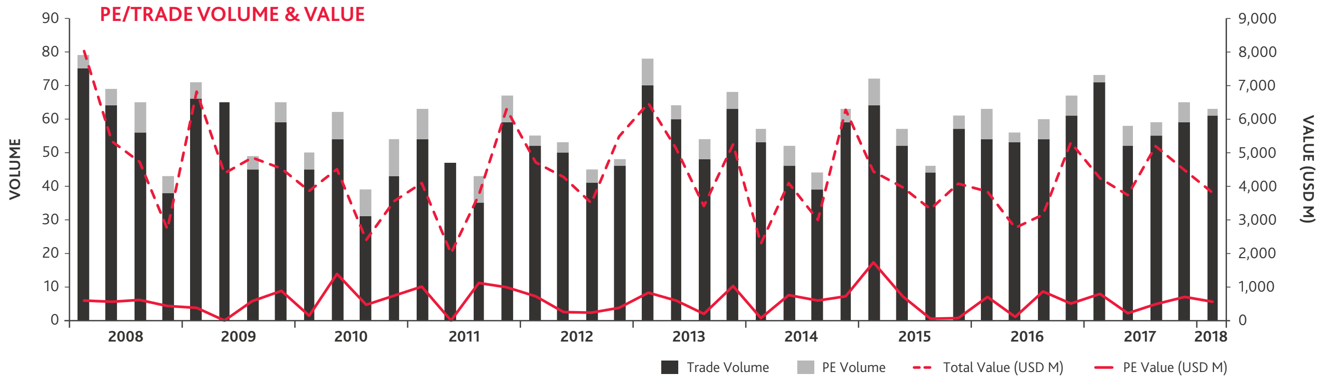
KEY DEALS AND SECTORS

The key sectors in Q1 were Technology & Media, Industrials & Chemicals and Consumer. In terms of volume, Technology & Media, Industrials & Chemicals, and Consumer sectors accounted for the majority of deal volume. In the Consumer sector, deal volume increased from five to 11 compared with the previous quarter. However, only one of these deals was in the top 10 deals so the assumption is that they were smaller deals.

The biggest value deal in Q1 was in the Technology & Media sector and was the sale of Fujitsu Connected Technology and Fujitsu Peripherals divisions to a PE fund.

As a result of this transaction, Fujitsu has exited the mobile phone business and will concentrate its operations in the system development and server space.

Real Estate was not active in this quarter, but there is a development in Japan which may impact the sector. Regulation in the use of sustainable land in suburbs will be deregulated in 2022. As a result, large lots of land in the suburbs may be available for residential use in 2022. In addition,



the number of households is expected to decline in 2023. These events might break the supply-demand balance of housing and residential land.

At this time, we are not able to assess the impact these changes will have on Real Estate M&A activity.

In Pharma, Medical & Biotech mid-market volumes by sector indicate only one deal so far in 2018 but the BDO Heat Chart forecasts 42 transactions ahead. Japan currently has issues with its declining birth rate and ageing population, which may affect the sector. No public data exists to help us understand the impact this will have on, for example the nursing industry but it's reasonable to assume that the in the top 10 deals so the assumption is that they were smaller deals.

The biggest value deal in Q1 was in the Technology & Media sector and was the sale of Fujitsu Connected Technology and Fujitsu Peripherals divisions to a PE fund.

As a result of this transaction, Fujitsu healthcare industry will be impacted.

LOOKING AHEAD

The BDO Heat Chart suggests that three sectors – Technology & Media, Pharma, Medical & Biotech, and Consumer – will account for approximately 60% of transactions. Interestingly, these sectors are not expected to be positively impacted by the Tokyo 2020 Olympic Games. Instead it's expected that the Real Estate and Leisure sectors will reap the benefits from the upcoming Olympics. In addition, M&A activity as a result of business succession issues may pick up due to the large number of small companies with no succession plan due to the falling birthrate, the ageing population and the lack of people taking on the responsibility of being a CEO. Finally, M&A activities in the Technology & Media sector may pick up following the news that Rakuten, Inc., an e-commerce firm and large mall operator, has obtained a license to operate as a mobile phone carrier.

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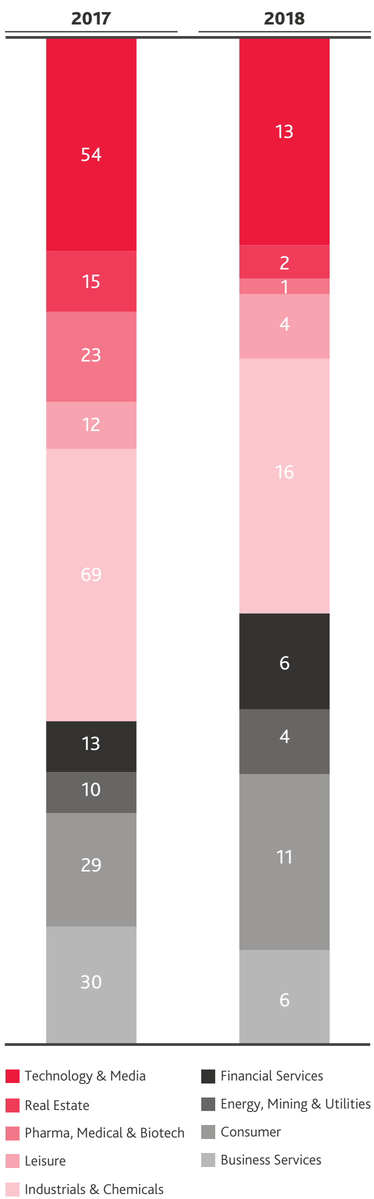
JAPAN
HEAT CHART BY SECTOR

Technology & Media	47	22%
Pharma, Medical & Biotech	42	19%
Consumer	38	18%
Industrials & Chemicals	36	17%
Business Services	24	11%
Financial Services	17	8%
Energy, Mining & Utilities	5	2%
Real Estate	5	2%
Leisure	3	1%
TOTAL	**217**	**100%**

JAPAN
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITY FALLS BACK IN Q1

BIG PICTURE

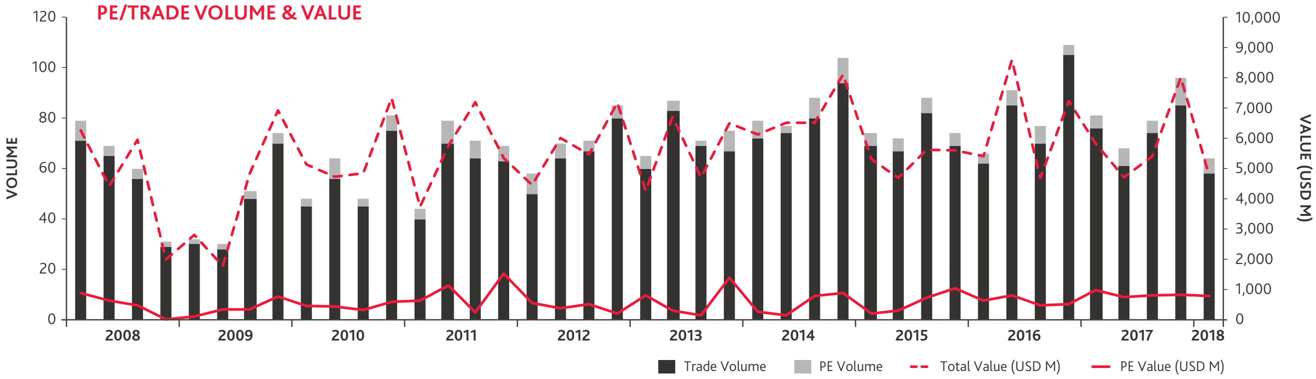
- Deal activity fell in volume and value compared to previous quarter
- Top 10 deals represented 51% of total deal value
- Industrial & Chemicals maintained position as top-performing sector.

M&A mid-market activity in South East Asia was lower in Q1 2018 compared with the previous quarter, both in terms of the volume and value of the deals. A total of 64 deals were transacted during Q1 2018, compared to 96 deals in Q4 2017, representing a decrease of 33.3%, while total values fell to USD 4.7bn during the quarter from USD 8.0bn in Q4 2017. The top 10 deals in the quarter amounted to USD 2.4 billion, representing 51.1% of the total deal value for Q1 2018. The PE segment completed six deals in Q1 2018, one more than the corresponding period in 2017. PE deals formed a small proportion of total M&A activity for the quarter, representing 9.4% of deals and 16.5% of transaction value.

The most active sectors in Q1 2018 were Industrials & Chemicals and Financial Services, which together contributed 45.3% of the total deal numbers. Industrials & Chemicals was the top-ranked sector, with 17 completed deals followed by Financial Services with 12 deals and Consumer with seven deals.

The top three deals took place in the Financial Services, Consumer and Pharma, Medical & Biotech sectors. The largest deals were the acquisition of a 100% stake in Vietnam Technological & Commercial Joint Stock Bank by Warburg Pincus LLC, for a consideration of USD 370m, followed by the acquisition of a 100% stake in Rustan Supercenters, Inc. in the Philippines by Robinsons Retail Holdings, Inc., for a consideration of USD 344m. Finally, there was the acquisition of a 100% stake in Aspion Sdn. Bhd. in Malaysia by Top Glove Corporation Berhad for a consideration of USD 344m.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The main focus of M&A activities in the region appears to be in the Industrial & Chemicals sector. This sector achieved the highest number of completed deals in 2017 with a total of 79 deals and the sector also contributed the highest number of deals in Q1 2018 with 17 deals. Business Services achieved a total of 49 deals in 2017 but the sector seems to have slowed down in Q1 2018, with only six deals completed.

M&A activities in South East Asia remain dependent on the current economic challenges faced by the region, which includes the outlook on crude oil prices and the consequential fluctuation of currencies in the region. With South East Asia's currencies weakened against the US dollar, investors with predominantly US dollar income or funding may continue to find assets and targets in the region attractive.

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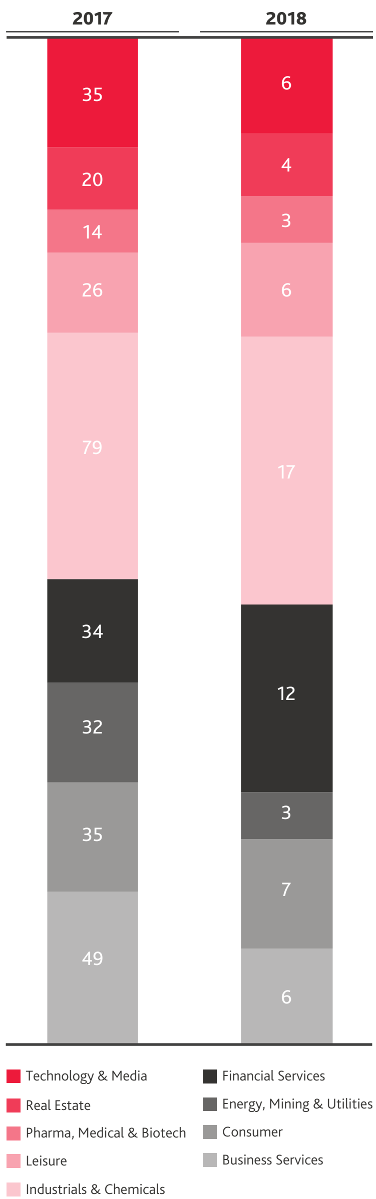
SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	90	19%
Technology & Media	86	18%
Business Services	76	16%
Consumer	64	13%
Energy, Mining & Utilities	51	11%
Financial Services	40	8%
Pharma, Medical & Biotech	29	6%
Leisure	27	6%
Real Estate	22	5%
TOTAL	**485**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

LARGE DEALS BOOST DEAL VALUE AND OVERSEAS BUYERS RETAIN KEEN INTEREST IN AUSTRALIAN MARKET

BIG PICTURE

- Q1 2018 deal volumes fell 15% relative to Q1 2017 but larger deals increased deal value to USD 5.8bn
- PE activity picked up in Q1, with 12% of the deals compared to 8% in Q4 2017
- Foreign interest in the Australian market remains strong with seven of the top 10 deals completed by overseas buyers.

A total of 88 deals, with a combined deal value of USD 5.8bn, were successfully completed in Q1 2018. This represented a 10% increase in deal value, despite a 15% decrease in deal volume from 88 completed deals to 75 compared to Q1 2017. Deal value was bolstered by the 29% increase in the average transaction value for the quarter of USD 77m, indicating an uptick in big-ticket deals.

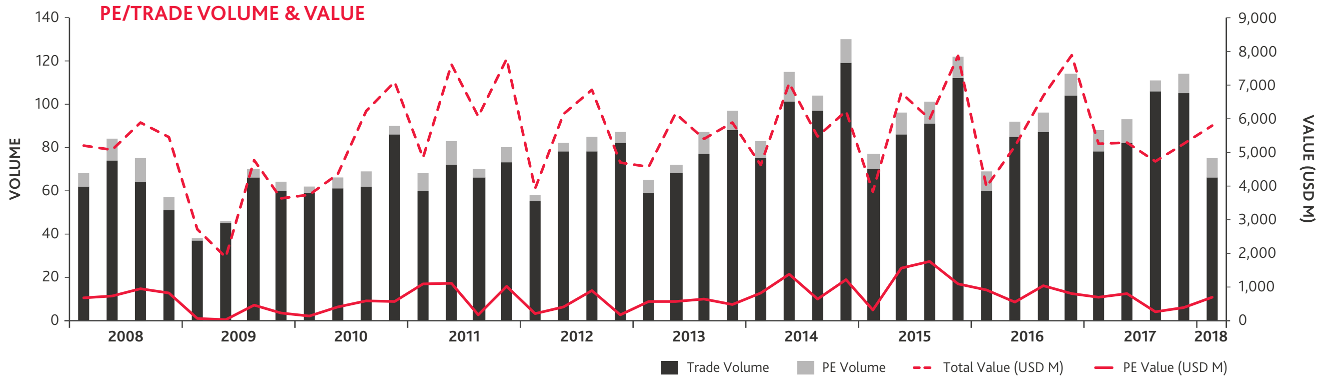
Mid-market PE transactions remained stable in Q1 2018, with nine completed deals compared to 10 in Q1 2017. Deal value for the quarter remained unchanged, with the average transaction value increasing from USD 69m to USD 77m.

Over the last three years, PE deals have declined as a proportion of the total number of deals as firms have been treading cautiously against the backdrop of macroeconomic uncertainty. Our research indicates that PE firms are poised to deploy their record levels of dry powder in the near term and we are optimistic that the deal flow will rise during 2018. This was shown by the increase in deals as a proportion of the total in Q1 2018 of 12% compared to 8% in Q4 2017.

The largest movements in deal volumes in Q1 2018 by industry sector in comparison to the prior corresponding quarter were seen within Business Services, down by 71% and Real Estate, down by 67%. Pharma, Medical & Biotech saw the largest increase in deal volumes, with a 71% rise. Notably, the Energy, Mining & Utilities sector continues to see strong growth of 44% (in deal volume) and the sector accounted for three of the top 10 deals this quarter.

KEY DEALS

The largest deal in Q1 2018 was the 50% stake acquisition of Port of Newcastle Operations Pty Limited by Hong Kong's China Merchants Port Holdings Co., Ltd for USD 478m. The port of Newcastle is the largest port on Australia's east coast



and is the world's leading export port. This deal will enable China Merchants Port to build a presence in Australia and expand on their current trading network with potential synergies within their port portfolio. The second largest deal was the acquisition of Bras N Things Pty Ltd by USA's Hanesbrands Inc. for USD 390m. This transaction creates significant potential for further expansion into other geographic areas as well as solidifying the number one market position in bras, underwear, socks and babywear for the combined business.

Notable deals that also featured in the top 10 included the acquisition of a 9.99% stake of The Star Entertainment Group Limited for USD 390m by Chow Tai Fook Enterprises Limited and Far East Consortium International Limited; the USD 249m acquisition of an 80.8% stake of the iconic Australian retailer Billabong International Limited; and the USD 234m acquisition of William Hill Australia Trading Pty Limited by CrownBet Pty Limited. Australia remains the top targeted country within the Australasia region. Seven of the top ten deals had foreign bidders (based within Asia and North America), supporting Australia's resilient economy and robust equity market.

LOOKING AHEAD

The current pipeline suggests that the appetite for M&A activity for 2018 will remain high, with 519 deals underway, up from the 487 deals in Q4 2017. The BDO Heat Chart reveals that the Technology & Media, Consumer and Industrials & Chemicals sectors are expecting to see the most M&A activity in 2018 with 104, 89 and 77 deals in the pipeline respectively. Real Estate continues to be the least active sector, with only nine deals in the pipeline. Despite a decrease of 13% in deal volumes in the Technology & Media sector, it remains the most active sector within the pipeline. Additionally, strengthened by the proliferation of the commodity cycle, the Energy, Mining & Utilities sector is poised for further M&A activity in the region as corporates aim to capitalise for long-term success.

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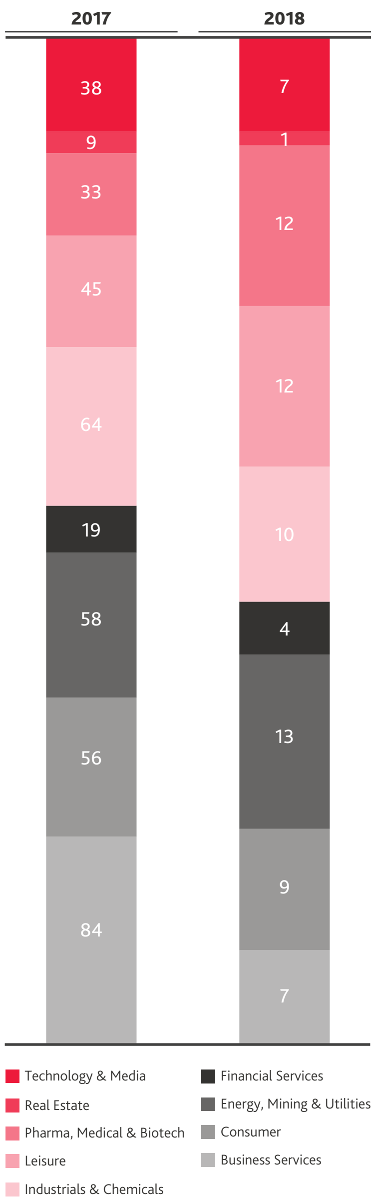
AUSTRALASIA
HEAT CHART BY SECTOR

Technology & Media	104	20%
Consumer	89	17%
Industrials & Chemicals	77	15%
Business Services	59	11%
Energy, Mining & Utilities	58	11%
Financial Services	56	11%
Leisure	34	7%
Pharma, Medical & Biotech	33	6%
Real Estate	9	2%
TOTAL	**519**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

NATURAL RESOURCES

HIGHER COMMODITY PRICES SIGNAL CONTINUED M&A ACTIVITY IN NORTH AMERICA

Commodity prices have risen to levels that are sustainably higher than their long-term averages.

This is true across most commodities; from oil to precious metals like gold, to bulk commodities like iron ore and coking coal and onto 'flavour of the month' battery metals like lithium, cobalt and graphite.

Increased commodity prices mean two things: that the value of natural resources companies will increase, and that natural resources companies have more available funds, either because they have improved cash flows from operations or they find it easier to raise funds through equity or debt. A feature of mining and oil gas companies and the people behind them is that they generally fall into three categories: those whose skills lie in exploration, development or producing. Producing companies are benefitting from healthy cash flows but rather than reinvest their available funds into exploration, which is not their strength, they are acquiring exploration companies.

Similarly, we are seeing exploration companies merge with the aim of using their combined strength to enable them to move into the development stage of their projects.

During Q1 2018, we saw 376 M&A transactions in the mid-market natural resources sector. Those transactions saw target companies who were headquartered in 54 countries, but almost half of those companies were in North America, with 28.5% in the USA and 18.4% in Canada.

Interestingly, the geographical spread in the headquarters of the buying companies was similar. For those where a buyer was listed, 28.6% were from the USA and 23.3% from Canada. The larger percentage of buyers than targets from Canada, as well as 4.4% of buyers being based in the UK, reflect that buying companies are often based where their funds are raised. This indicates that the availability of funds was particularly strong in North America.

INDUSTRY CLASSIFICATIONS (TARGET)	TOTAL
Diversified Metals and Mining	104
Oil & Gas Exploration and Production	81
Gold	36
Steel	36
Oil & Gas Equipment and Services	29
Oil & Gas Storage and Transportation	28
Coal and Consumable Fuels	18
Precious Metals and Minerals	15
Aluminium	14
Copper	6
Oil & Gas Refining and Marketing	4
Oil & Gas Drilling	3
Silver	2
TOTAL	**376**

TARGET COMPANY HEADQUARTERS	NO.	%
USA	107	28.5
Canada	69	18.4
Australia	26	6.9
Russia	22	5.9
China	17	4.5
Other	135	35.9
TOTAL	**376**	**100**

SUM OF TOTAL TRANSACTION VALUE	TOTAL
Industry Classifications (Target)	USD m
Oil & Gas Exploration and Production	3,893.90
Oil & Gas Storage and Transportation	1,417.02
Diversified Metals and Mining	890.28
Steel	694.71
Coal and Consumable Fuels	686.11
Oil & Gas Equipment and Services	669.18
Gold	428.29
Copper	277.99
Aluminium	170.09
Oil & Gas Refining and Marketing	160.76
Precious Metals and Minerals	53.62
Oil and Gas Drilling	6.12
Silver	0
TOTAL	**9,348.07**

There was a wide spread of transactions across the various parts of the sector.

The category Diversified Metals & Mining covers both multi-commodity mining companies but also shows the industry's focus on commodities such as lithium, cobalt, nickel, minerals sands and other minor commodities.

One of the key transactions during the quarter was the acquisition of a 14.4% interest in Orocobre Limited by Toyota. The direct investment by an automotive manufacturer like Toyota in Orocobre, an Argentinian lithium producer, is an important signal which may be the first of many similar transactions.

In BDO's 2020 Mining Predictions report, which was released in February 2018, we posed the proposition of whether Apple or Tesla would be the mining companies of the future? We predicted that technology companies will revolutionise the miners of the future. We also predicted that by 2020, however, they may well become traditional miners.

Technology companies, including electric vehicle manufacturers, rely on commodities to manufacture their high-tech products, particularly high-demand ones such as battery minerals (lithium, cobalt, graphite, etc.) or those in short supply (rare earths, tungsten, etc.). This is one reason why we are likely to see technology companies make further meaningful ownership stakes in mining companies — or even buy the mines themselves. With a considerable stake in the game, technology companies will likely step in to maintain a strong mineral supply.

Despite the higher number of transactions occurring in the Diversified Metals and Mining sub-sector, by far the higher sub-sector by value was Oil & Gas Exploration and Production. The average value of mid-market Oil & Gas E&P transactions during the quarter was USD 48m, whereas for mid-market transactions in Diversified Metals & Mining it was only USD 8.6m.

A transaction to highlight in the Oil & Gas E&P sector during the quarter was the acquisition of a 49% stake in Gazpromneft-Vostok, a subsidiary of Russia's Gazprom Neft based in Western Siberia, by Abu Dhabi's Mubadala national wealth fund. This transaction is the first by Mubadala into Russia's upstream sector and facilitates Gazprom Neft's divestment in non-core assets to fund its capital-intensive projects in the Arctic.

MergerMarket's Heat Chart indicates that North America will continue to see strong M&A activity in the sector, while in other areas there will be moderate activity. In Africa (26% of all activity) and Latin/South America (15%) the natural resources sector is overrepresented compared to other sectors showing how important natural resources are to those regions.

HEAT CHART	No.	Regional %
North America	219	9%
Central & Eastern Europe	70	10%
Latin/South America	60	15%
Greater China	59	6%
Australasia	58	11%
South East Asia	51	11%
Southern Europe	38	7%
Africa	30	26%

It is more likely that activity will increase in the sector over the coming 12 months than decrease and this is supported by the Heat Chart. With the significant amount of available funding in North America, coupled with strong commodity prices, North America is likely to remain the most active region.

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TECHNOLOGY & MEDIA

BUOYANT M&A ACTIVITY IN SECTOR LOOKS SET TO CONTINUE

Digitalization, intra-sector convergence and China's appetite for technology are all contributing to elevated M&A activity in the sector – and increased price levels.

With everyone nowadays seemingly talking about digitalization, AI and the internet of things it seems natural that these mega-trends are impacting M&A activity in the Technology & Media sector which is providing the fuel for the world's innovation engines.

Traditional industries are facing new rivals in the digital world and often the best way for them to defend their ground is to foster innovation by acquiring tech companies themselves. As a result, disruption is playing a very important role in M&A in the Technology & Media sector and it will continue to be one of the driving forces in increased M&A activity in 2018.

In the telecommunications sub-sector, we are seeing continued efforts by telecommunication companies to enhance convergence and complement their existing service proposition by acquiring the missing parts to put them back on a level playing field with their competitors. Given the highly regulated environment of their traditional business fields, they are also looking for growth and higher margins by expanding the value chain and getting a larger share of their customers' wallets. With this in mind, acquisitions of smaller, innovative tech companies are a logical step to enable them to leverage their existing customer base and improve their service offering. In addition, industry consolidation remains a driving force for M&A in countries where the level of competition is high in comparison to other countries. In this instance, regulators seem to have adopted a more industry-friendly approach in recent years.

High tech is still top of the shopping list for Chinese companies – another factor that is contributing to the new highs in the M&A market for Technology & Media compared to last year. After the US, China led outbound deal volume in Q1 2018.

Last but not least the heightened level of PE investments in the sector, which recorded the highest value in Q1 for over a decade, is another cornerstone for M&A activity.

From a regional perspective, North America and Europe continue to lead M&A activity in the sector, with Asia experiencing a slight fall-back in Q1. We expect regional diversification to fuel M&A activity in the Technology & Media sector, although cross-border deals have not been the primary source of deal flow in the last year.

From a sub-sector perspective, application software is by far – according to the number of deals – the most active, followed by advertising.

Of course, the elevated interest in the Technology & Media sector will ultimately not only likely lead to record highs in M&A deals compared to last year, but also to a price level that is heating up (well above EBITDAx 14, which makes Technology & Media consequently one of the more expensive sectors). Overall the Technology & Media sector remains one of the top sectors in the BDO Heat Chart for 2018.

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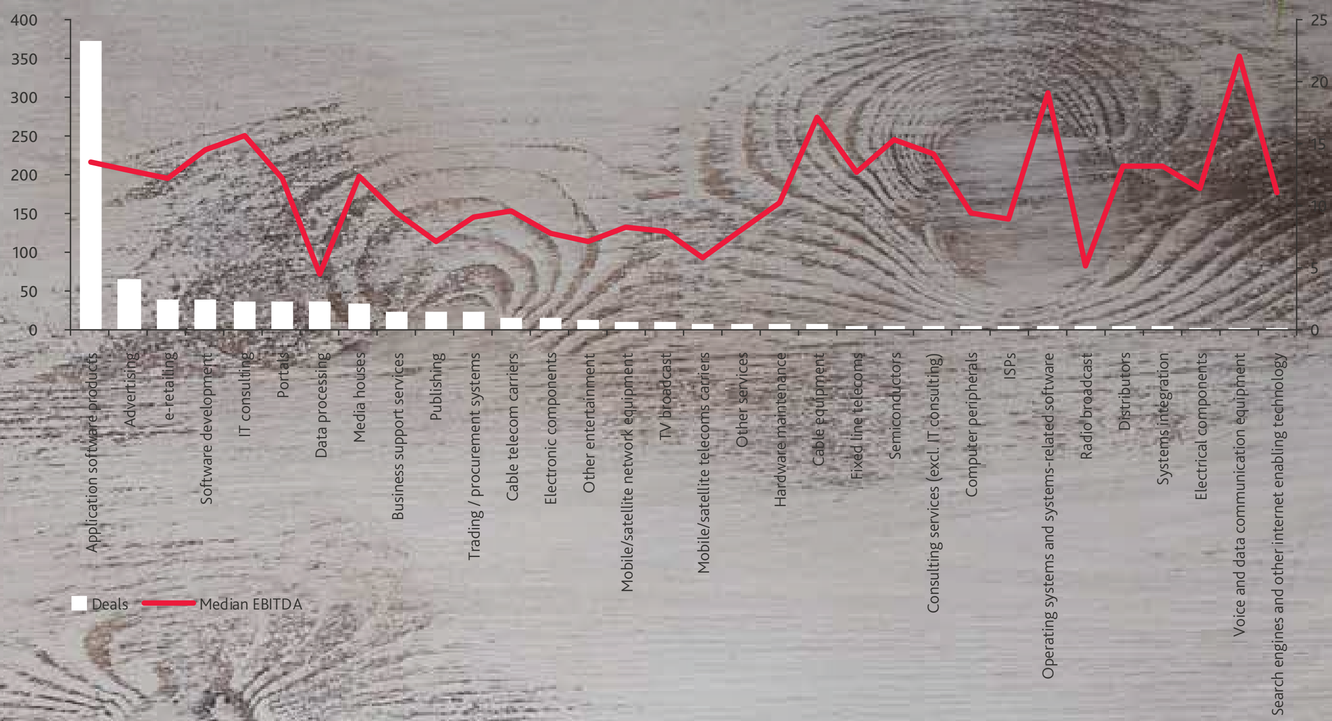
SUB–SECTOR ANALYSIS

Where do we see the most activity and the highest multiples – the future?

Technology & Media subsector Q1 2018, EBITDAx and number of transactions



DEAL TRENDS IN SELECTED INDUSTRIES COMPARED TO THE TECHNOLOGY & MEDIA INDUSTRY

Median EBITDAx Q1 2018

Source: BDO research

BUILDING PRODUCTS & SERVICES

A DYNAMIC AND INCREASINGLY ACTIVE MARKET

BUILDING PRODUCTS & SERVICES A HOTBED FOR M&A ACTIVITY ACROSS THE GLOBE

- The Building Products & Services sector is experiencing unprecedented levels of transactions across the globe. Over 2,500 sector transactions over the last five years, and double-digit growth in volumes over the last three years reflect a highly dynamic sector, and strong confidence in the long-term fundamentals of the market.
- 736 sector transactions completed in 2017, a volume increase of 26% on the previous year. Cross-border deals remain a major feature of the market, accounting for over a quarter of all transactions. We expect this trend to continue as businesses seek to develop global reach and acquire sector specialisms.

STRONG MARKET FUNDAMENTALS DRIVE OPTIMISM IN THE UK

- The UK remains a highly dynamic marketplace for M&A, with a 13% increase in targets sold in 2017. A substantial number of these were sold to international acquirers looking to build and solidify their UK presence in the face of Brexit, while a fifth were sold to financial investors. There is a huge amount of optimism in the marketplace in spite of future uncertainty: leaders in this sector are pragmatic and want to get on with building great businesses. UK prospects for infrastructure investment and private housing construction are underpinning confidence, while dynamics in a number of key sub-sectors are driving consolidation.
- Building materials and HVAC sectors are particularly attractive, contributing 32% of deals in 2017. Targets in the Building Materials sector offer investors a stake in precious raw materials and an opportunity to shore up operations against supply chain disruption. Targets in the HVAC sector provide access to a highly regulated sector which sees regular technological advancements.
- Attractive opportunities also exist in the Plant Hire sector, with targets providing exposure to the UK infrastructure market which is expected to increase by 6% this year and 11% next year. Other sectors such as Kitchens & Bathrooms and Flooring & Carpet present opportunities for acquirers to acquire brands that align with shifts in consumer tastes, while the advancing off-site construction market is spurring the acquisition of targets in the Timber, Roofing and Windows & Doors sectors.
- The Electrics & Lighting sector in the UK is behind some European counterparts who boast more advanced systems. Now moving towards a European-based model of online sales direct to the end user, we are seeing a number of cross-border deals into the UK, with European players seeking to establish a position in this burgeoning, high-growth market.
- Further opportunities exist for investors to leverage digital capabilities to drive differentiation and productivity across all sub-sectors of the Building Products & Services market. These market dynamics combine to drive high levels of competition from trade and private equity investors to buy attractive businesses, and company valuations steadily increasing year on year, rising to an average 6.9x EV/EBITDA multiple in 2017.

HIGH LEVELS OF CONFIDENCE ACROSS INTERNATIONAL MARKETS

- All global regions saw increases in M&A activity in 2017, with many of the sector dynamics spurring the UK M&A marketplace also driving consolidation internationally. The Nordics has seen a high number of transactions in energy efficient "green" buildings, digitalised "smart" buildings and installations of fire safety and security systems. Meanwhile, France is home to a number of large, extremely prolific purchasers, including Saint-Gobain, Kiloutou and Loxam who have predominantly swept up European targets.
- The US market, which saw a number of potential acquirers put M&A on hold in the latter part of 2017, due to uncertainty surrounding US tax policy, is now flourishing again following the implementation of corporate-friendly tax reform, combined with strong economic fundamentals and robust construction activity. In particular, there is growing optimism surrounding the residential construction market, as well as the expected jump in public sector construction activity from a comprehensive infrastructure investment package.

GREAT INVESTMENT OPPORTUNITIES ABOUND

- There is immense opportunity for corporates and private equity alike to drive value in the Building Products & Services market. We look forward to a dynamic year ahead and expect to see further acceleration in M&A activity.
- Our annual sector publication focusing on the Building Products and Services market will be published next month and provides in depth sector commentary. Please contact John Stephan if you would like a copy.

OVER **2,500** SECTOR TRANSACTIONS ACROSS THE GLOBE IN THE LAST 5 YEARS

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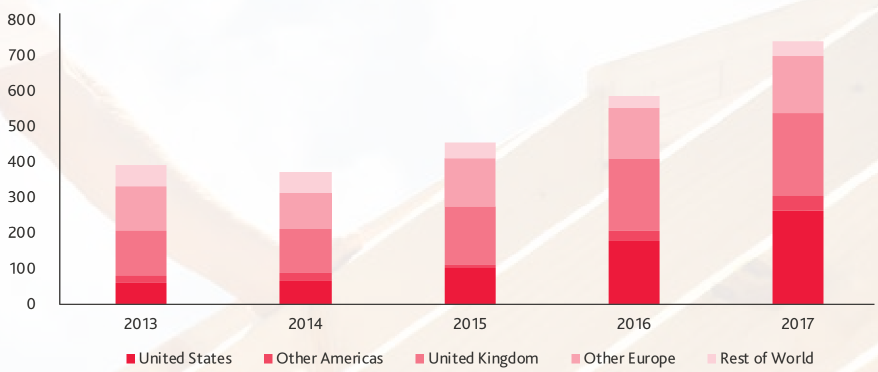
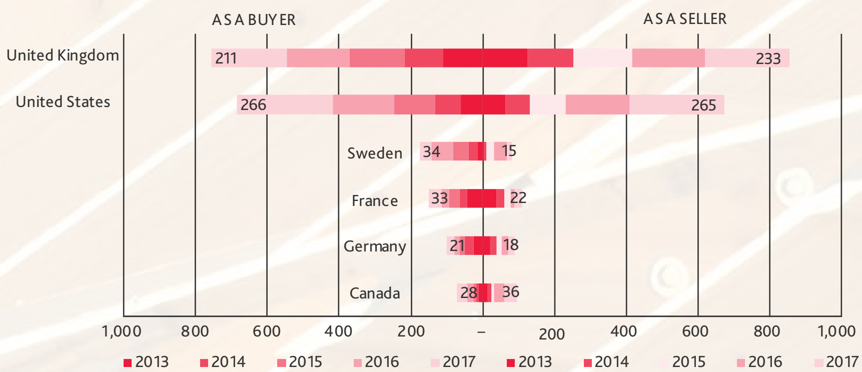
TRANSACTIONS BY TARGET LOCATION, 2013-2017



Source: Market IQ and BDO analysis

MOST ACTIVE COUNTRY ANALYSIS



Source: Market IQ and BDO analysis

FOR MORE INFORMATION:

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Data compiled by Acuris.

We focus on the middle market, defined as deals with a value from $5m to $500m in US Dollars.

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