HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 1 | 2019

PRIVATE EQUITY
THE BATTLEGROUND FOR NEW DEALS

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

FINANCIAL SERVICES
REAL ESTATE
TMT

BDO

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BDO GLOBAL CORPORATE FINANCE

1,440 COMPLETED DEALS IN 2018

WITH A TOTAL DEAL VALUE OF **$81.4bn**

36% PRIVATE EQUITY DEAL INVOLVEMENT

28% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISORS GLOBALLY*

AN AWARD WINNING CORPORATE FINANCE BUSINESS

2,000 CORPORATE FINANCE PROFESSIONALS

100 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*4th leading DD provider – Mergermarket global accountant league tables 2018
5th leading M&A advisor - Thomson Reuters mid-market Europe 2018 Financial advisor

WELCOME

WELCOME TO THE FIRST EDITION OF HORIZONS IN 2019, IN WHICH BDO M&A PROFESSIONALS AROUND THE WORLD PRESENT THEIR INSIGHTS ON MID-MARKET DEAL ACTIVITY AND TRENDS

We have begun the year with a very positive January and were delighted with our 2018 deal data which showed a record year for BDO across the globe.

We ended the year with a 20% increase in the number of completed deals at 1,440, with a 50% increase in aggregate value of USD 81.4bn. This put us as top five global financial advisers for small cap deals by Thompson Reuters as well as no.1. in individual regions such as Benelux and Switzerland. BDO was also ranked no.1 UK and Ireland Financial Advisor in the M&A Experian league tables. It provides a strong platform to continue to invest in teams and infrastructure around the world in 2019.

The global M&A market meanwhile has started the year with bit of a slow-down in deal activity compared to recent years but still remains at healthy levels. When viewed in terms of value, the position looks more robust.

In the "Global View" article, we take a closer look at the market trends and note how the lag in deal data can understate the start to the year. The BDO Heat Charts for predicted global deal activity still reveal reasons to be optimistic over the outlook. We also look at the global themes that are influencing M&A and on balance, we continue to believe that they are in favour of maintaining momentum in the market.

In our last edition of Horizons we noted that current concerns are a mixture of political and economic. The political factors still include the EU along with US and China trade relationships. The economic factors include recent US stutters and slowing Chinese growth. Despite these issues, we believe that strategic drivers, cash and opportunities will fuel M&A activity.

In the "Private Equity" article, we look at how a cocktail of available capital, increased competition for deals, new entrants and strategic buyers are keeping prices high. Against this backdrop, private equity players need to find a point of difference to win.

In the "Sector View" articles, we examine Financial Services, Real Estate and TMT. In Financial Services, deal activity holds steady with continuing focus on Fintech. In Real Estate, deal activity is recovering led by Asian markets, demographics and occupancy rates. In TMT, we highlight five trends that could shape deals in the year ahead.

In summary, 2019 looks set to be much like the end of 2018, namely that there is great promise given the underlying fundamentals of abundant cash and still relatively low interest rates, but this is tempered by trade policy, political polarisation and economic uncertainty.

We hope you enjoy this edition of Horizons whilst progressing deals in an important period of the year and riding out the challenges that are around.

SUSANA BOO
INTERNATIONAL CORPORATE FINANCE COORDINATOR
susana.boo@bdo.co.uk

JOHN STEPHAN
HEAD OF GLOBAL M&A
john.stephan@bdo.co.uk

GLOBAL VIEW

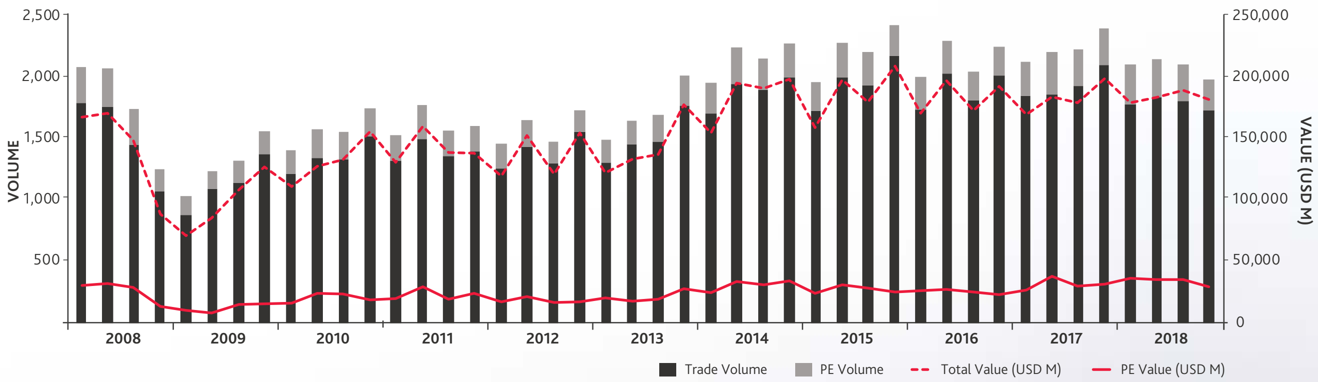
DEAL VALUE REMAINED HIGH IN 2018 BUT VOLUME DIPPED

Looking at M&A activity over the calendar year, the usual pattern is that there are a higher volume of deals at the end of the year and a lower volume at the beginning of the year. As M&A advisers, we are used to this seasonality, but noted its absence during 2018, which ended with a lower volume of deals than the preceding quarters and dipped below 2,000 global mid-market deals in a quarter for the first time since the start of 2016.

As M&A advisers however, we are also used to making adjustments and we would note that the initial deal data we receive for a quarter that (let's call that flash data) tends to understate the actual numbers. Our prediction therefore is that on an adjusted basis, 2018 will end on a similar level of activity to the rest of the year.

Aggregate deal value dipped a bit in the final quarter of 2018 but even before adjustment for the reasons outlined above, it held up well for most of the quarters. When you stand back and look at mid-market deal activity in the round, for the last five years, deal volumes have been running at around 2,000 a quarter and aggregate values have typically been in excess of USD 170bn a quarter. That remains a healthy market in any language.

GLOBAL MID-MARKET M&A



The BDO Heat Charts for predicted deal activity appear to support that view. There are a little under 8,000 rumoured deals around the world which, at the 2,000 deals per quarter average described above, equates to a pipeline equivalent to one year's M&A. Of course, some deals will inevitably fall away but new ones will take their place.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Technology & Media	Industrials & Chemicals	Consumer	Business Services	Pharma, Medical & Biotech	Financial Services	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%*
North America	548	282	263	195	407	160	122	46	40	2,063	26%
China	213	374	118	156	93	103	113	57	68	1,295	16%
CEE & CIS	89	175	90	74	26	44	50	28	11	587	7%
Southern Europe	89	118	145	78	31	32	38	22	10	563	7%
South East Asia	90	75	61	68	34	46	44	27	24	469	6%
Australasia	68	55	78	74	49	57	37	21	11	450	6%
UK & Ireland	121	55	65	50	29	37	51	30	7	445	6%
Latin America	58	46	57	53	15	50	18	15	7	319	4%
DACH	57	105	46	38	21	10	22	8	2	309	4%
Other Asia	45	78	23	24	20	11	16	9	3	229	3%
India	47	36	31	29	11	13	35	10	6	218	3
Nordic	37	37	26	34	30	14	16	4	4	202	3%
Benelux	45	44	29	32	19	7	14	6	2	198	3%
Japan	40	43	23	28	22	5	15	5	6	187	2%
Africa	25	43	17	26	5	26	15	7	11	175	2%
Israel	43	13	4	10	11	4	5	1		91	1%
Middle East	17	8	2	6	3	8	6		1	51	1%
TOTAL	1,632	1,587	1,078	975	826	627	617	296	213	7,851	100%
	21%	20%	14%	12%	11%	8%	8%	4%	3%	100%	

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

GLOBAL THEMES INFLUENCING M&A

Strategic buyers are still dominating global deal flow — over 85% of global deals are led by strategic buyers but they remain selective and high prices can limit appetite.

Larger groups have been divesting of some non-core activities — driven in part by focus and in part by shareholder influence.

Private equity continues to grow — there are record levels of dry powder and an increasing number and spread of funds. If there is a slowdown in the appetite of boardrooms, private equity should benefit.

Cash and capital is available — there is a large amount of cash on corporate balance sheets as well as in institutional and private wealth funds and attractively priced debt.

Industrials & Chemicals and TMT remain the dominant sectors — between them, they represent more than one in four transactions.

Digital capability is a strong driver of deals — the acquisition of technologies or capabilities and not just by TMT groups, but by all types of acquirer.

Global politics is a factor — some European groups are waiting to see what a Brexit deal looks like (and with the deal rejected in a parliament vote, we are no clearer on that) and Chinese outbound focus is shifting from the US to Europe.

JOHN STEPHAN
HEAD OF GLOBAL M&A
john.stephan@bdo.co.uk

PRIVATE EQUITY

THE BATTLEGROUND FOR NEW DEALS

Our previous end-of-year HORIZONS report closing out 2017 highlighted the record levels of dry powder accumulated by — and available to — private equity funds across the globe. Fast forward a year, and records are again being shattered.

Armed with more than USD 1.14 trillion in dry powder, general partners (GPs) across the world remain eager to deploy capital for quality assets. Simultaneously, however, steadily increasing competition from private equity managers, new market entrants and strategic buyers means that valuation multiples are on the rise. When you couple heightened valuations with stiffening competition it becomes clear why funds are finding it difficult to secure attractive investment targets.

TARIFFS AND INTERNATIONAL TRADE TENSIONS: 'WAIT AND SEE' CONTINUES

Despite uncertainty related to international trade, Brexit and the repercussions of the US tax overhaul, the global economy has continued to experience steady growth. In the US, private equity funds have begun to experience the impact of 2017's landmark tax reform. A decrease in the corporate tax rate (from 31% to 21%) has led to funds benefiting from an increase of free cash flow. However, this incentive didn't come without consequences. Over the past year, funds have begun to feel upward pressure on Enterprise Value and EBITDA multiples. In addition, the tax overhaul included changes in carried interest taxation, which now requires a three-year hold period to realise long-term capital gains rates. As a result, funds face increased pressure to identify and secure investment targets that display long-term potential value.

As a result of trade disputes and tensions, particularly between the US and China, many fund managers have relied on a 'wait and see' approach to international investing. In fact, capital raised by China-focused and headquartered private equity firms declined nearly 50% during the first half of 2018. Continued uncertainty would suggest that the sluggish deal flow is likely to continue among funds with portfolio companies that rely heavily on international manufacturing and distribution.

FIERCE COMPETITION BREEDS DIFFERENTIATED FUNDS

Encouraged by low interest rates and strong debt markets for leveraged buy-outs, competition within the private equity landscape is fiercer than ever before. Since 2000, the number of active private equity firms in the market has risen by an incredible 189%. In response, private equity firms, determined to edge each other out for Limited Partners (LP) commitments, are increasingly developing unique specializations and differentiators to help them stand apart. These firms are looking to develop an enhanced value proposition by assembling a team of specialists with niche expertise and investing accordingly – a trend which is expected to continue.

This comes as GPs face pressure to clearly communicate how their investment approach differentiates them from their peers. Interestingly this is increasingly being viewed as the soil in which sustainable performance can grow, and as a result a fleshed out and differentiated strategy is becoming a key aspect of securing financial backing and retaining investor confidence.

RESURGENCE OF CLUB DEALS

With quality investment targets typically trading at mid-teen EBITDA multiples, private equity funds are loaded with dry powder, yet are faced with inflated valuations that are putting good opportunities out of reach. As a method of combatting this, mid-market private equity funds are increasingly looking towards club deals to engage in bigger deals and utilise cash reserves.

However, collaborating with other PE firms, or even with a fund's own network of LPs has its own set of challenges. The inclusion of additional stakeholders creates the need for deal and governance terms to be negotiated between consortium members, and a valuation must be agreed upon. Despite a less than stellar reputation following the 2008 financial crisis, successful execution of a club deal grants firms the opportunity to execute otherwise out-of-reach targets without the financial burden of writing a large equity check.

All things considered, it's evident that competition continues to heat up, while the geopolitical outlook becomes increasingly complex. In a global market with so many competitors, it is critical that private equity firms differentiate themselves and adopt strategies in order to thrive. Otherwise, they risk being left behind in the battle for new deals.

SCOTT HENDON
PARTNER, PRIVATE EQUITY GROUP LEADER
shendon@bdo.com

GLOBAL

7,851 RUMOURED TRANSACTIONS

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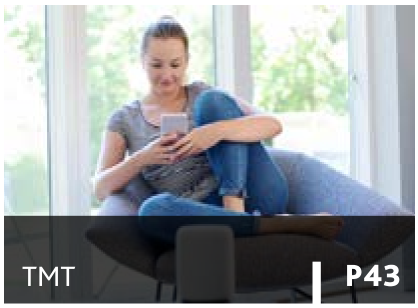
M&A ACTIVITY PLAGUED BY VOLATILE MARKETS AND GROWING ECONOMIC CONCERNS

P09 | **LATIN AMERICA**

REGION ENDS YEAR ON A HIGH WITH BEST QUARTER FOR DEAL VALUE FOR TWO YEARS

SECTOR VIEW



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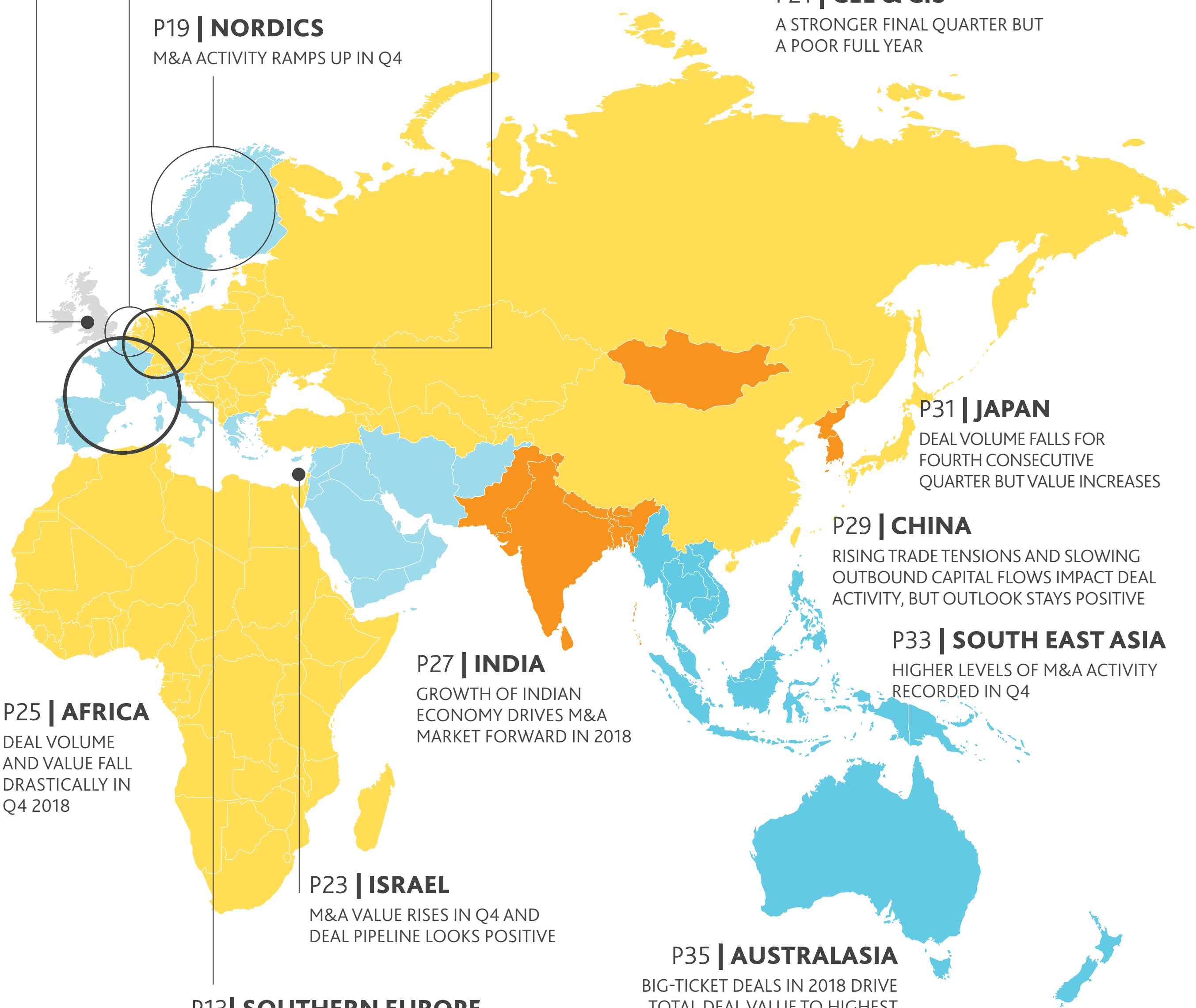

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MID-MARKET M&A ACTIVITY CONTINUES DOWNWARD TREND IN Q4

Key % movement

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

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

NORTH AMERICA

M&A ACTIVITY PLAGUED BY VOLATILE MARKETS AND GROWING ECONOMIC CONCERNS

BIG PICTURE

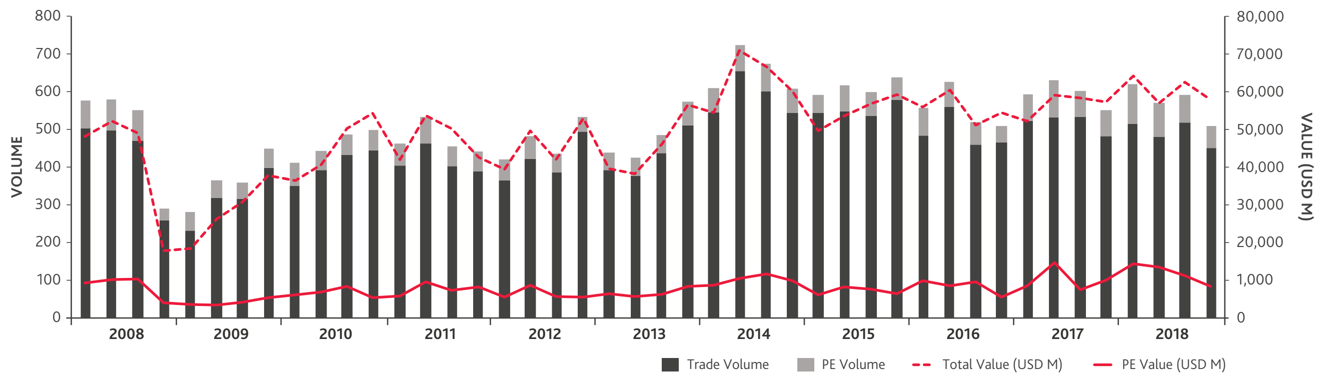
- Overall deal count hits lowest level for three years
- Q4 2018 aggregate deal count down 8% year-on-year
- Strategic buyers remain cautious due to economic headwinds and uncertainty
- Private equity firms monitor turbulent leveraged loan market.

The M&A markets started 2018 with overwhelming optimism due to US tax reforms, which included a significant cut in the corporate rate from 35% to 21%, generating billions of dollars in further profits and creating additional dry powder for an already buoyant M&A market.

Through one stroke of the legislative pen, the domestic provisions of the tax reform bill resulted in an estimated annual 12% increase in cash flow for the median US firm. Additionally, the tax law provided incentives that encouraged US companies to return foreign profits held overseas, estimated to be as much as USD 2 trillion. Meanwhile, private equity firms were left unscathed as carried interest levels remained intact in the new tax law, meaning private equity fund managers and their investors could continue to enjoy lower tax rates on the profits they generate. Meanwhile, as 2018 began, the US economy was ratcheting up to a new level of productivity and output not seen in decades, further fuelling predictions of deal-making nirvana for the year ahead and beyond. As a result, the overall M&A markets in North America were robust in 2018 as mega-deals made a significant comeback and drove M&A dollar volume to the third highest level in a decade.

Fast forward to 2019. A power shift in Washington, a sharp stock market sell-off, falling oil prices and concerns over the United States' escalating trade war with China weighed on dealmakers' confidence as did the troubling economic statistics within the housing and manufacturing sectors. The equity markets ended the year at 15-month lows and major corporations began to disclose the negative impacts of the trade war with China on sales and profits. Stock market volatility made it increasingly difficult for buyers and sellers to reach agreement on valuations, causing transaction levels to stagnate. To make matters worse, the US Federal Reserve continued raising interest rates in December, marking the tenth rate rise since 2015 and taking rates to levels not seen since 2008. The Fed's actions only caused more angst and uncertainty in the markets as analysts questioned whether the Fed was being too aggressive while inadvertently helping ignite a recession. Expectations of a recession are not only being driven by troubling economic data and the impact of trade

PE/TRADE VOLUME & VALUE



policy, but also by the fact that the US economy has had 117 consecutive months of economic expansion, the second longest recovery period in history, and there is a sense that all good things must come to an end. Tight labour markets, rising input costs and raw material shortages are also leading many observers to question whether supply can meet demand in the near term and whether we will finally see inflation suddenly appear. Any hope for additional tax stimulus to head off such doldrums are now dead as the US government is now divided after the Democrats took over Congress.

Private equity firms are still basking in piles of cash after yet another robust fundraising cycle, but in addition to having to pay above-average multiples for attractive assets, PE firms are now dealing with a leverage loan market that looks far less receptive to doing deals than it did a year ago. Total leverage ratios have contracted by at least a half a turn while pricing has increased. And December saw an outright rout in the market as not a single junk bond priced for over 40 days – the longest drought since the financial crisis.

LOOKING AHEAD

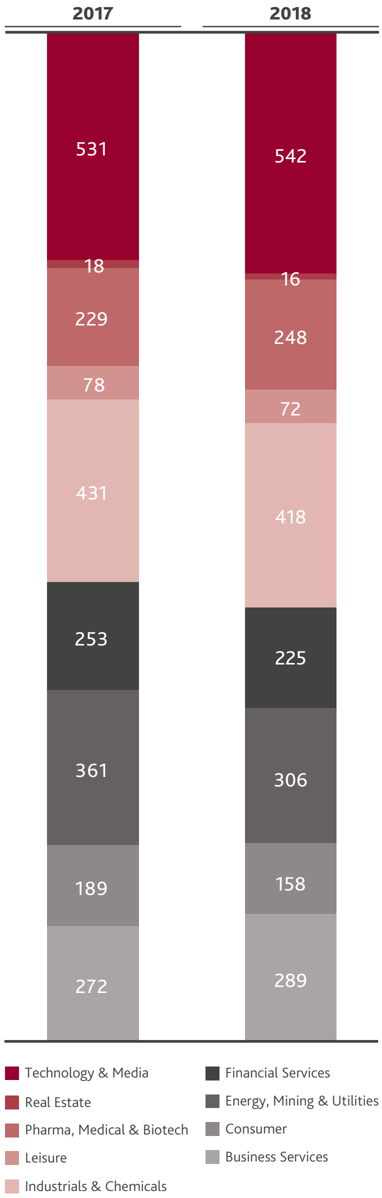
As 2019 began, hopes had emerged that the markets had somewhat stabilized as there were reports that progress was being made in the trade talks, economic data had turned more positive and the Fed made proactive statements that it would be cautious on raising rates too aggressively going forward. The positive tone in the markets that returned to start the year might well be short-lived as the US government shutdown over an immigration debate that caused many functions that support market activity, including the Securities Exchange Commission and the Federal Trade Commission, to scale back activities dramatically, directly impacting the IPO and M&A markets. On balance, M&A activity in 2019 looks to be much like Q4 2018, namely that there is great promise given the underlying fundamentals of abundant cash and still relatively low interest rates, but this is offset by trade policy, political polarization and economic uncertainty.

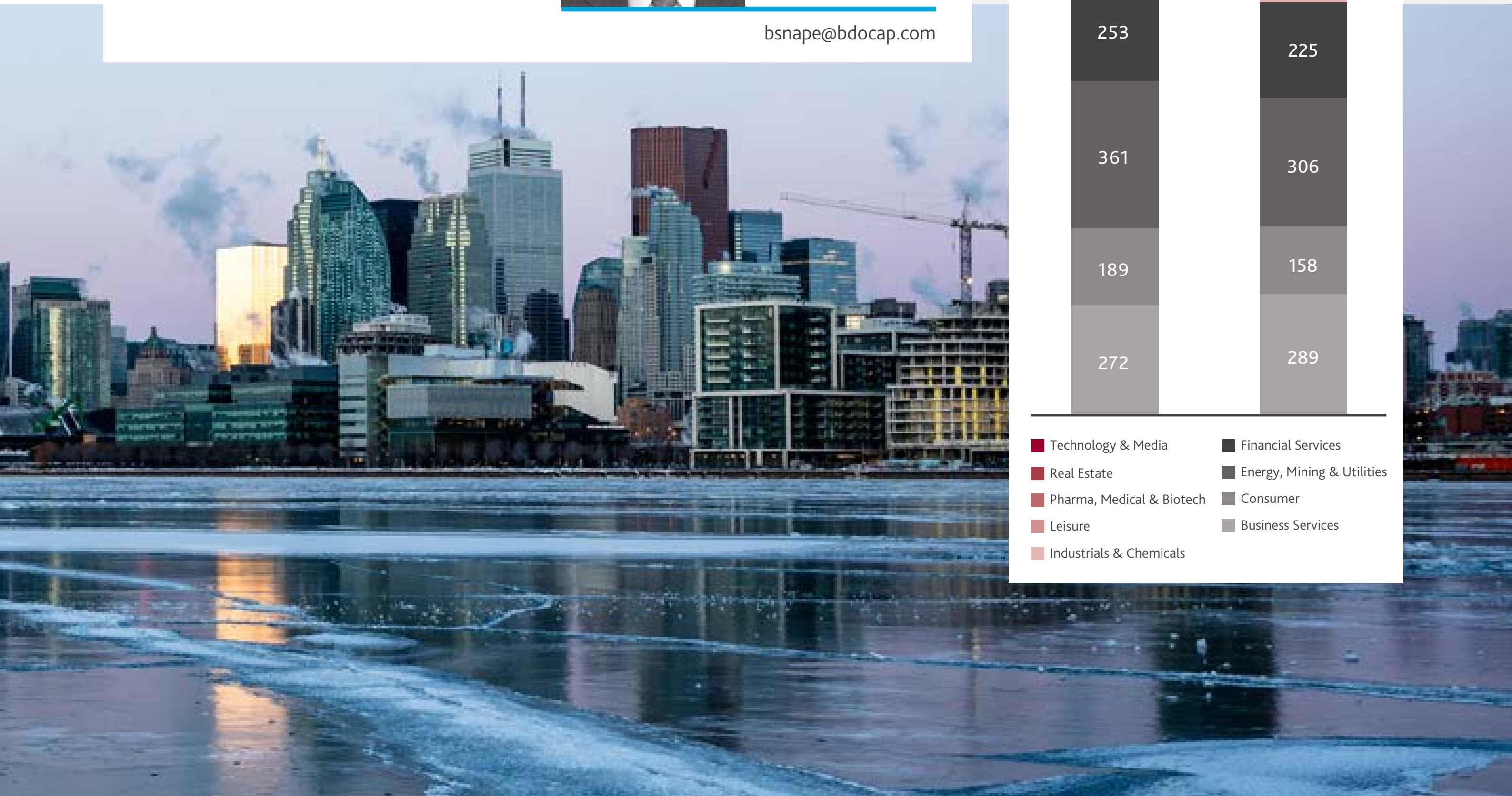
BOB SNAPE
PRESIDENT
bsnape@bdocap.com

NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	548	27%
Pharma, Medical & Biotech	407	20%
Industrials & Chemicals	282	14%
Consumer	263	13%
Business Services	195	9%
Energy, Mining & Utilities	160	8%
Financial Services	122	6%
Leisure	46	2%
Real Estate	40	2%
TOTAL	**2,063**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





LATIN AMERICA

REGION ENDS YEAR ON A HIGH WITH BEST QUARTER FOR DEAL VALUE FOR TWO YEARS

BIG PICTURE

- M&A activity increased both in the volume and value of transactions compared to the previous quarter. Total value increased 45.9% due to a higher average value per deal, which reached USD 120.81m in Q4 2018
- Q4 2018 saw the highest volume and value in the the last two years
- Investors are optimist about pro-market reforms promised by Brazil's new government, subduing the scepticism surrounding its economy before November's presidential election
- Energy, Mining & Utilities led the way with nine of the top 20 deals in Q4 2018 while Brazil and Mexico were involved in more than half of the region's top 20 deals
- The Consumer, TMT and Financial Services sectors are set to gain more importance with the demographic transitions of the Latin American population.

Latin America's mid-market segment completed 73 deals worth USD 8,819m in Q4 2018. The number of deals represented an increase of 10.6% compared to Q3 2018, when the region completed 66 deals.

In terms of value, the increase was even higher, jumping from USD 6,044m in Q3 2018 to USD 8,819m in Q4 2018, a rise of 45.9%. The increased value in Q4 2018 was also a result of a higher average value per deal, which reached USD 120.81m.

PE continued to perform sluggishly with only five deals closed in Q4 2018, only one more than the previous quarter, which represented the lowest number of deals closed in the last two years. In addition, these five deals had a value of USD 824m, 25.4% less than Q3 2018.

The drop in PE was offset by the rally in M&A activity in Q4, which saw 68 deals closed with a trade value of USD 8,204m, resulting in increases of 9.7% in volume and 57.2% in value compared to Q3 2018.

Q4 2018 saw a reduced number of deals closed, both in M&A and PE, when compared to Q4 2017, dropping from 96 to 73. However, the value of Q4 2018's deals was 35% higher than Q4 2017 as a result of the higher average deal value.

Looking at the numbers over the last 12 months, it's a similar story: smaller deal volumes and greater deal values when compared to the previous 12 months, which recorded 329 deals with a total value of USD 27,626m. Total deal value increased by 12.3% despite the 7% drop in the number of deals closed.

Q4 2018 represented a positive performance for Latin America's mid-market segment, recording the highest deal value in the last two years.

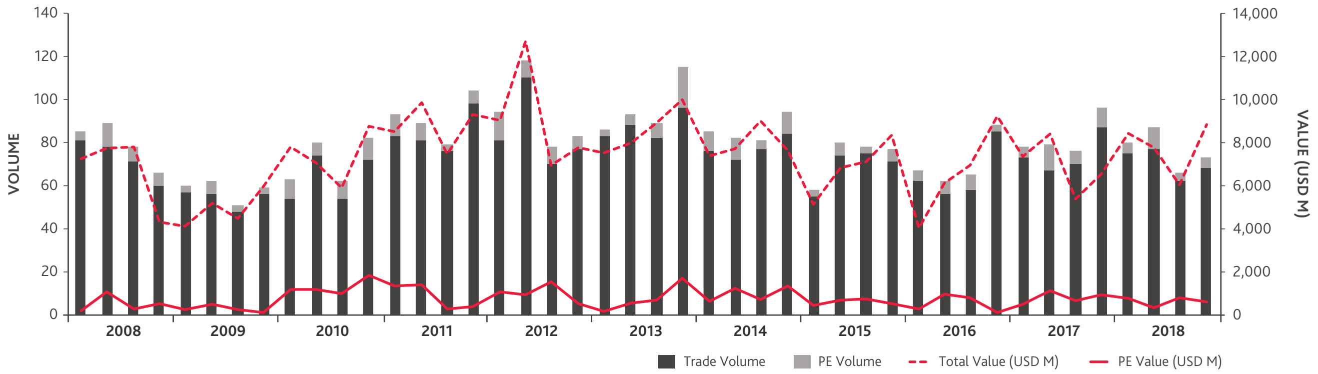
KEY DEALS AND SECTORS

The Energy, Mining & Utilities sector led the way with 20 deals, which represented more than 27% of the deals closed in the period. Industrials & Chemicals was another top performing sector in the region, with 13 deals closed in Q4 2018, while Business Services was the third busiest sector with 12 deals. These three sectors were also the top performers over the last 12 months, with Energy, Mining & Utilities being responsible for 70 deals.

The region's top 20 deals were worth a total of USD 5,874m, representing around 66.6% of the region's activity. Brazil and Mexico, Latin America's biggest economies, rebounded after poor levels of M&A activity during the first three quarters of the year due to political instability, recording seven and four deals respectively of the top 20 deals in Q4 2018. Colombia, Argentina and Peru were also involved in more than one relevant deal in the period. More than half of the top 20 deals (11) were closed by both sellers and bidders from Latin American countries.

The four biggest deals in Q4 2018 involved Brazil and Mexico and the Energy, Mining & Utilities and Industrials & Chemicals sectors. Two of these deals were the incorporation of New Steel Solucoes Sustentaveis S.A. by Brazilian mining giant Vale S.A. and Sierra Oil & Gas, S. de R.L. de C.V. by the German DEA Deutsche Erdoel AG, both closed for USD 500m.

PE/TRADE VOLUME & VALUE



POLITICAL AND ECONOMIC CONTEXT

Latin America is well set for an economic recovery in 2019 and beyond and this will be mainly be due to Brazil and Argentina, two of the region's biggest economies. Other countries such as Paraguay, Bolivia and Colombia are also growing and this should help in the region's economic boost.

Brazil, Latin America's most important economy and the main target for deals in the last decade, is facing a turnaround in its political scenario with the election of the right-wing candidate Jair Bolsonaro as president. The new president's ideology breaks the status quo of former Brazilian governments, led by the Workers Party since 2002.

The Brazilian economic agenda will be led by Paulo Guedes, an orthodox liberal economist with an academic background from the University of Chicago, who is committed to granting pro-market reforms such as greater freedom to the Central Bank, privatisations, fiscal adjustments and tax and pension reforms.

Even though the new government's promises are still at the theoretical stage, investors are optimist about Brazil's future. The performance of the Bovespa index, the Brazilian stock exchange, which has been registering historical records since the election results, is a strong indicator of the positive perspective of investors.

However, the forecasts for Brazil and other Latin American economies can be deeply affected by external factors such as the collateral effects of the trade war between the US and China, who are both responsible for a big proportion of the investments and deals closed in Latin America.

Looking at the Mexican market, there are still concerns due to the uncertainty about NAFTA's future, which is one of the main drivers of the country's manufacturing growth. The slow pace of negotiations has already influenced investors' confidence and slowed down some deals.

LOOKING AHEAD

Latin America represents 4% of the global market with 319 deals announced or under way, as shown in the BDO Heat Chart. TMT is as the most represented sector in the Heat Chart, with 58 deals, followed by Consumer (57), Business Services (53), Energy, Mining & Utilities (50) and Industrials & Chemicals (46).

Despite the political and economic uncertainties that still surround the region, investors have positive perspectives for Latin America in the near future. Brazil and Mexico should remain investors' favourite target countries, joined by Chile, which is currently considered to be home to one of the region's best business environments.

The higher levels of consumer growth and the increasing urbanization and digitalization of Latin America provide great opportunities for foreign investors who can't always find opportunities in their home countries. M&A and PE activity looks set to be driven mainly by market-share expansion and the acquisition of strong local brands.

The region's demographic transition may also have impacts on its target sectors. Infrastructure and energy will remain in the spotlight, but the rise of the middle class and broader access to the internet and IT will result in an increasing focus on the Consumer, TMT and Financial Services sectors, evidence of which can already be seen in the BDO Heat Chart.

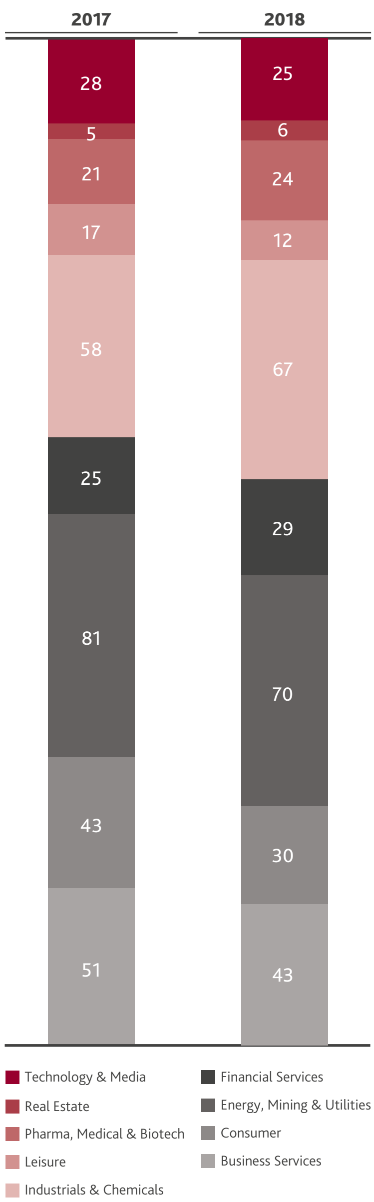
ROMINA LIMA
DIRECTOR, ADVISORY
romina.lima@bdol.com.br

ADRIANO CORREA
CORPORATE FINANCE AND ADVISORY PARTNER
adriano.correa@bdo.com.br

LATIN AMERICA
HEAT CHART BY SECTOR

Technology & Media	58	18%
Consumer	57	18%
Business Services	53	17%
Energy, Mining & Utilities	50	16%
Industrials & Chemicals	46	14%
Financial Services	18	6%
Pharma, Medical & Biotech	15	5%
Leisure	15	5%
Real Estate	7	2%
TOTAL	**319**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

VALUE AND VOLUME FALL IN Q4 BUT UK REMAINS ATTRACTIVE FOR OVERSEAS INVESTORS

BIG PICTURE

- After a boost in Q2 2018, deal volumes and values fell back in the second half of 2018
- TMT remained the most in-demand sector in Q4 and throughout 2018
- UK remains attractive and offers good value for overseas investors despite Brexit uncertainties.

Following a short-lived spike in deal activity in Q2 2018, the final quarter of 2018 saw a decline in both deal volumes and values for UK & Ireland.

As has been the case in the past couple of years, the spectre of Brexit provided constant background noise for private equity and corporates in the UK during Q4 2018, particularly as we approached year-end. Preparing for the possibility of a 'no-deal' Brexit has dominated the UK regulatory agenda and has tended to crowd out any other issues. The continuing uncertainty has given firms little choice but to think hard about how a disorderly departure of the UK from the European Union would affect them.

The final quarter of 2018 saw a further decline in deal volumes and values for UK & Ireland. Nevertheless, there was a healthy deal flow in Q4. The 133 deals completed in Q4 were predominantly trade-led at 85%, while only 15% were PE investments. In value terms, there was a downward trend but average deal size held up remarkably well.

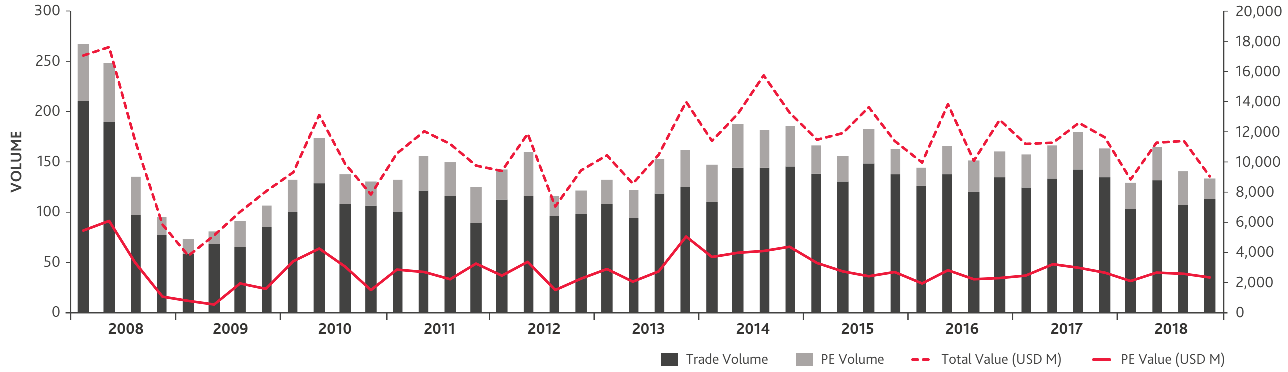
The drop in deal activity was felt across a number of sectors with Leisure, Pharma, Medical & Biotech and Consumer being the most affected in Q4. Real Estate saw four deals completed in Q4, following no deals at all the previous quarter. However, this sector is set for a further slowdown over the coming period as households in particular begin to show increased caution with Brexit uncertainty on the horizon.

In terms of in-demand sectors, TMT continues to attract high levels of interest, with 35 deals completed in Q4 and 130 deals completed in 2018. Business Services also had a strong year, with 26 deals completed in Q4 and 102 deals completed during the year, while Industrials & Chemicals held steady at 19 deals in Q4 and 83 deals completed for the year.

KEY DEALS AND SECTORS

Private equity houses active in the UK and Irish market have ample funds to invest and moreover new houses continue to enter the market. Corporate balance sheets look equally healthy.

PE/TRADE VOLUME & VALUE



All this is further fuelled by the availability of well-priced debt to supplement cash reserves. We believe that the predominant issue for buyers in the mid-market remains finding the right asset to acquire in the face of strong competition and valuations continuing to hold firm. There is a sea of capital chasing a rather limited number of good quality investment opportunities.

Meanwhile, the UK has attracted significant overseas capital for transactions in the USD 150m-USD 500m bracket, as evidenced by some of the key deals closed in Q4, 2018:

- TMT: US's Providence Equity Partners L.L.C. acquired CloserStill Holdings Limited in the media services space for USD 430m
- TMT: US-based Apple Inc. acquired Dialog Semiconductor Plc for USD 300m
- Pharma, Medical & Biotech: Australia-based AMP Limited acquired Care Management Group Limited for USD 253m
- Business Services: Spain's Saba Infraestructuras S.A. acquired Indigo Infra S.A. parking businesses in the UK for USD 227m.

LOOKING AHEAD

The BDO Heat Chart predicts a strong level of activity in the region with 445 rumoured deals and continues to highlight TMT as being the most active sector, with 27% of all rumoured deals expected to be in this space. Somewhat surprisingly, given its performance in 2018, Consumer is expected to account for 15% of the total rumoured deals, closely followed by Industrials & Chemicals, Financial Services and Business Services, all at the 11%-12% mark.

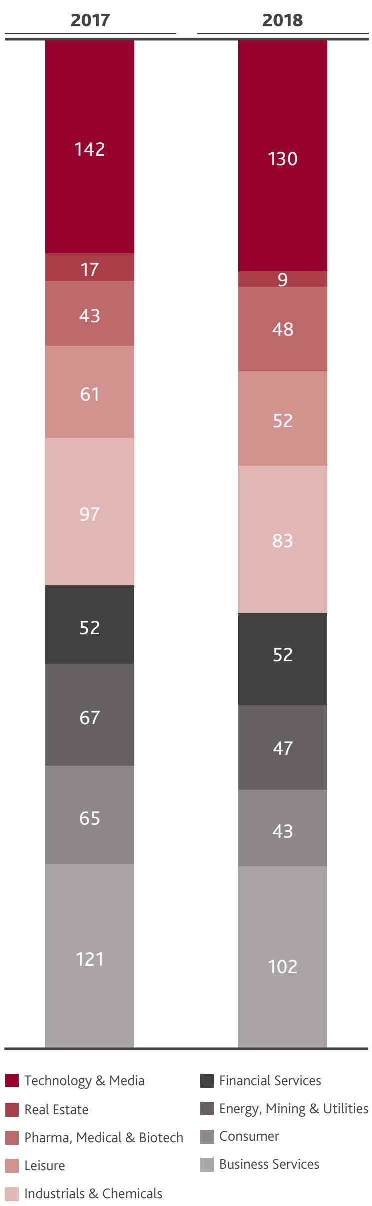
We remain optimistic for the M&A prospects of the region as a whole despite the much-commented possibility of a 'hard Brexit' in Q1 2019. Cross-border interest from acquirers remains consistently high despite the ongoing uncertainty as to what Brexit will look like for the UK.

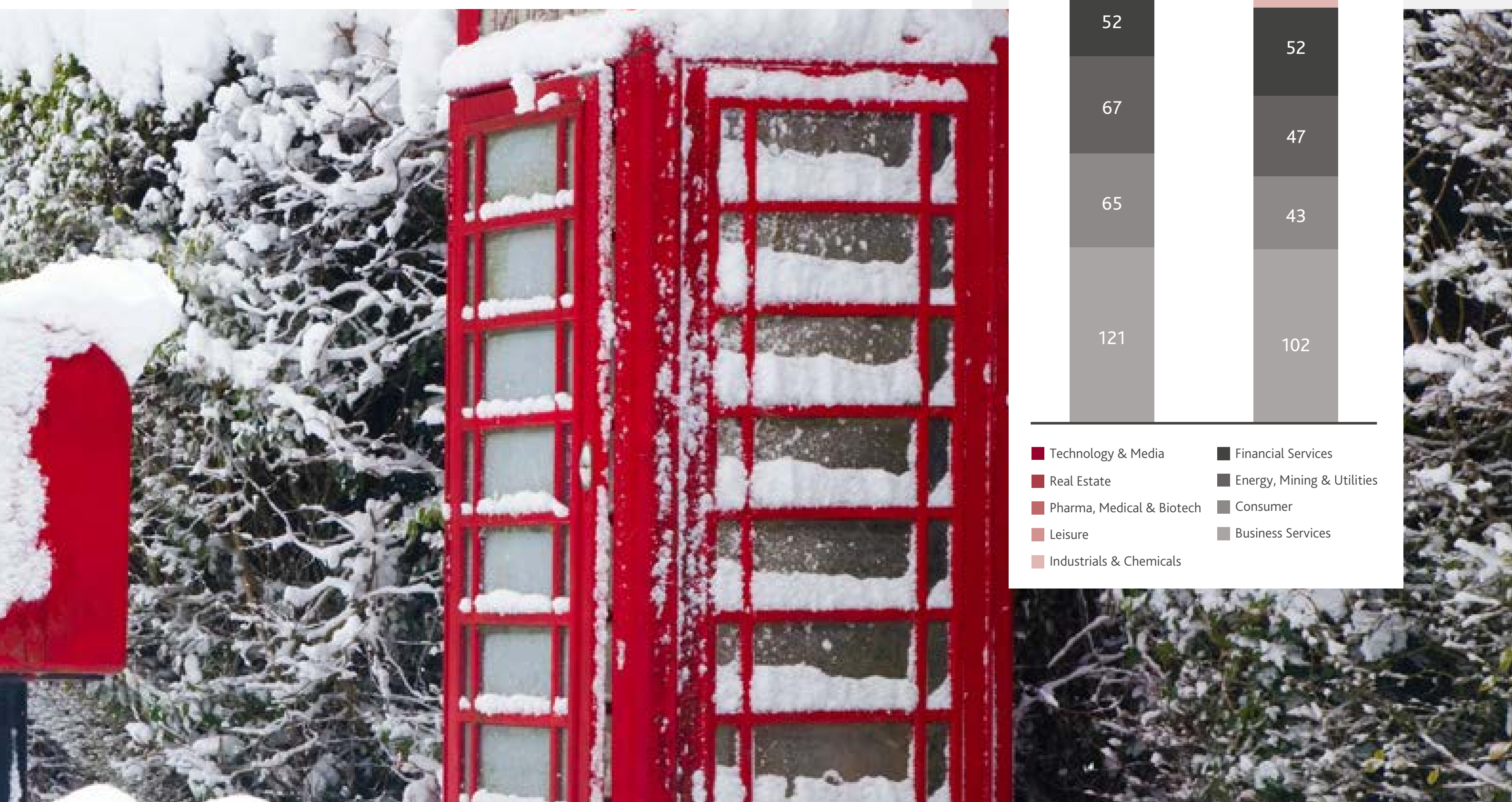
DIANA MARR
M&A DIRECTOR
diana.marr@bdo.co.uk

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	121	27%
Consumer	65	15%
Industrials & Chemicals	55	12%
Financial Services	51	11%
Business Services	50	11%
Energy, Mining & Utilities	37	8%
Leisure	30	7%
Pharma, Medical & Biotech	29	7%
Real Estate	7	2%
TOTAL	**445**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

MID-MARKET M&A ACTIVITY CONTINUES DOWNWARD TREND IN Q4

BIG PICTURE

- Deal volumes and values declined further in Q4 2018
- Average PE deal size increased to USD 116m
- Industrials & Chemicals continued to lead the way as the sector with the highest transaction volumes
- BDO Heat Chart forecasts Consumer to become the most active sector in terms of deal numbers.

The fourth quarter of 2018 in Southern Europe did not result in satisfying mid-market M&A activity with only 115 overall transactions completed, with an aggregate value of USD 10.2bn. This result confirmed a negative trend that was also evident in Q3 2018.

There was a decrease of approximately 19.6% in transaction volume and a bigger fall of 21.8% in aggregate value when comparing the performance of Q4 2018 with Q3 2018. In addition, the picture looked even worse when comparing Q4 2018 with Q4 2017 with a sharper decline of 33.9% and 29.6% in the volume and value of transactions respectively.

Looking at the average deal size, Q4 2018 saw a slightly worse performance than Q3 2018, with value falling from USD 91.1m in Q3 2018 to USD 88.6m in Q4 2018.

Southern Europe mid-market PE activity showed a similarly deteriorating picture. The number of PE deals declined significantly compared with Q3 2018, with only 26 transactions with an aggregate value of USD 3.0bn in Q4 2018, representing a decrease of 18.8% and 9.2% in terms of the volume and value of deals. This performance was even poorer compared to Q4 2017, when 34 PE buy-outs recorded a total value of USD 3.8bn. Despite the negative trends that dominated the quarter, there was an increase in the proportion of value of PE buy-outs over the total value of deals, rising from 25.5% in Q3 2018 to 29.6% in Q4 2018.

Although the number of deals and their value declined, there was a significant increase in the average PE deal size when compared to the previous quarter, rising from USD 103.8m in Q3 2018 to USD 116m in Q4 2018.

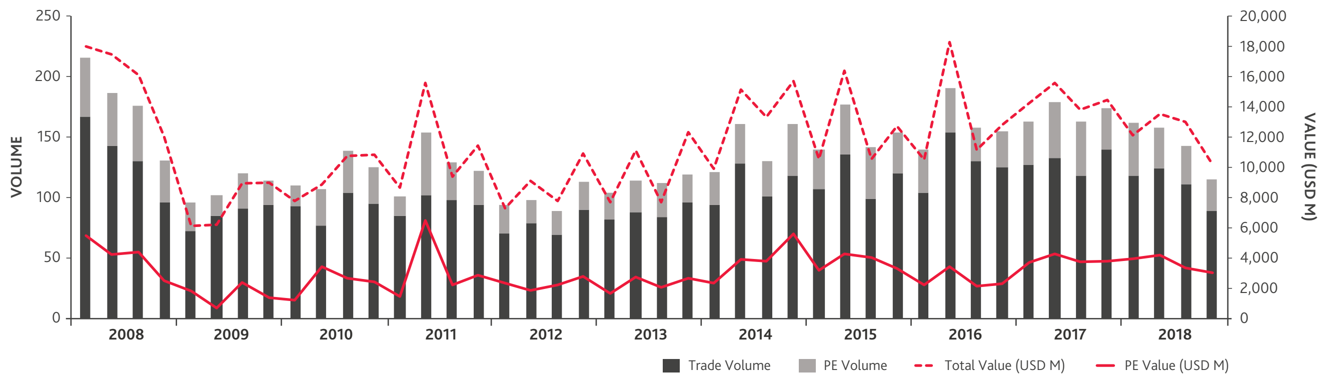
KEY SECTORS

Industrials & Chemicals maintained its position as Southern Europe's most active sector, following the trend that has been consistent over the past three years and accounting for 32 deals during Q4 2018, which represented 27.8% of total transactions. The sector's volumes showed a slight improvement when compared with those of Q3 2018.

TMT was the second most active with 17 deals closed, representing 14.8% of total transactions. However, there was a big decline in the number of TMT deals compared to previous quarters, reaching its lowest level since the end of 2016 and making it the quarter's worst performing sector in terms of reduced deal numbers. Consumer and Energy, Mining & Utilities accounted for 11.3% and 10.4% of deals respectively. Apart from Industrials & Chemicals, the only sectors that recorded increased deal numbers were Leisure (+42.9% compared to the previous quarter) and Real Estate (from two deals in Q3 2018 to three deals in Q4 2018), while the volume of Energy, Mining & Utilities deals remained unchanged.

Financial Services and Pharma, Medical & Biotech both recorded negative performances when compared with Q3 2018, with deal numbers falling by 35.7% and 33.3% respectively.

PE/TRADE VOLUME & VALUE



KEY DEALS

The top 10 mid-market deals accounted for a total of USD 3.3bn, which represented 32.8% of the overall transactions completed in Southern Europe in Q4 2018.

The most important deal in terms of value was the acquisition of Italian company iGuzzini illuminazione S.p.A, which operates in the Industrials & Chemicals sector, by Swedish company AB Fagerhult for USD 439m. The second largest transaction was the acquisition of the 99.79% stake in the Spanish company Banco Caixa Geral, which operates in the Financial Services sector, for USD 415m by Spanish company Abanca Corporacion Bancaria, S.A. Following this was the doBank S.p.A. acquisition of an 85% stake in the Altamira Asset Management, S.A. that operates in the Real Estate sector. Two additional transactions that are worth mentioning were the acquisitions of the 5.98% stakes by GIC Private Limited and Abu Dhabi Investment Authority in the Spanish Cellnex Telecom, SA, which operates in the TMT sector.

In the quarter's top 10 deals, Spanish companies were the most targeted, accounting for six transactions for a total of USD 2.0bn, followed by three French companies and one Italian.

Finally, Industrial & Chemicals cemented its position as Southern Europe's most attractive sector, with three transactions in the top 10 with a total value of USD 986m, representing 29.5% of the top 10 deals, followed by two deals in TMT, Real Estate and Consumer and one in Financial Services.

LOOKING AHEAD

Looking ahead, the BDO Heat Chart predicts that Southern Europe is expected to see 563 PE deals, representing 7.2% of the total global transactions. Consumer is predicted to lead the way as the most active sector in the foreseeable future with 145 deals, accounting for 25.8% of the region's total deals. It is followed by Industrials & Chemicals, which is forecasted to achieve 118 deals (21.0% of the total), TMT and Business Services, with 89 and 78 deals (15.8% and 13.9%) respectively. Overall, these top four sectors together account for 76.4% of the total number of expected transactions in Southern Europe.

FOCUS ON ITALY: KEY DEALS AND SECTORS

Several transactions occurred in the Italian market during Q4 2018 that are worth mentioning.

Italian private equity firm QuattroR SGR acquired a majority stake in Gruppo Ceramiche Ricchetti S.p.A., which is listed on the Milan Stock Exchange. The transaction saw the acquisition of ordinary shares representing 62.414% of the share capital.

QuattroR SGR reached a deal to acquire approximately 80% of the Italian luxury brand Trussardi, with the transaction estimated to be worth around € 50m.

Italian cosmetic company Deborah Group, founded by the Bonetti family, was wholly acquired by Sodalis Group, a multi-brand multi-channel company operating in the beauty, personal and home care industries.

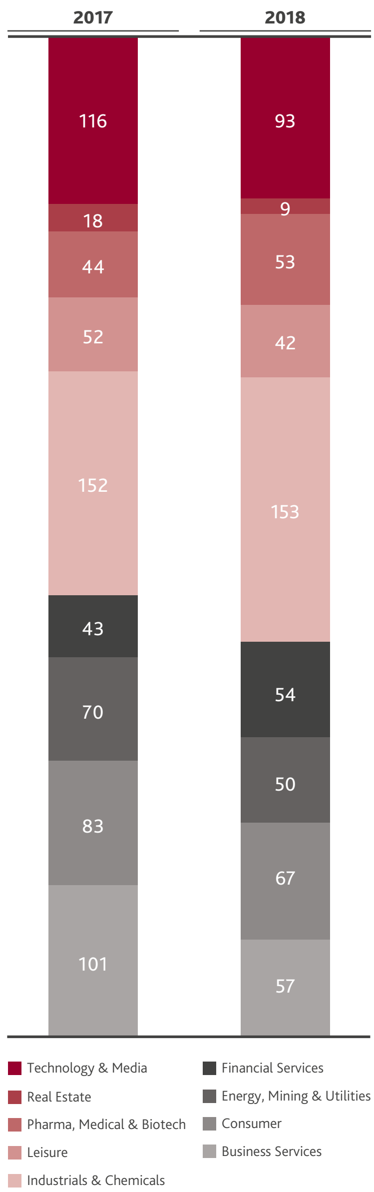
Finally, SCM Group, a leading Italian multinational company in machinery and industrial equipment, finalised the acquisition of Diversified Machine Systems (DMS), an American company specialising in the design, manufacture, distribution and service of innovative CNC machinery.

STEFANO VARIANO
PARTNER
stefano.variano@bdo.it

SOUTHERN EUROPE
HEAT CHART BY SECTOR

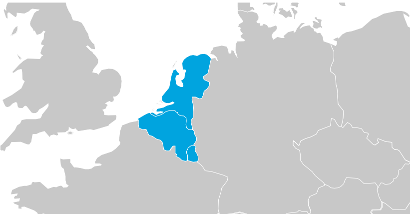
Consumer	145	26%
Industrials & Chemicals	118	21%
Technology & Media	89	16%
Business Services	78	14%
Financial Services	38	7%
Energy, Mining & Utilities	32	6%
Pharma, Medical & Biotech	31	6%
Leisure	22	4%
Real Estate	10	2%
TOTAL	**563**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

BENELUX BUCKS GLOBAL M&A TREND WITH INCREASED Q4 M&A ACTIVITY



BIG PICTURE

- Q4 2018 was best quarter of year with increases in deal volume and value
- Top 10 deals were split across different sectors
- TMT likely to be the most active sector moving forward.

Benelux mid-market M&A activity increased during Q4 2018 and resulted in the best quarterly performance of the year. In total, 38 deals were closed in the quarter with a total deal value of USD 3,674m.

Comparing Q4 2018 to the same quarter in 2017, in which there were 32 deals worth USD 2.097m, deal volume was up 18.8% and deal value rose by 75.2%. Private equity accounted for nine transactions in Q4, worth a total of USD 1,056 (representing 28.7% of the overall deal value).

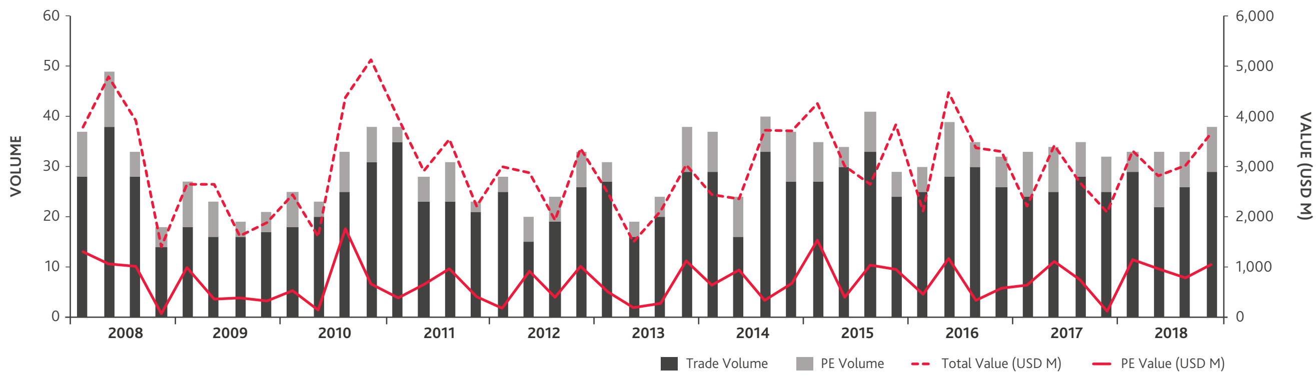
It's noteworthy that the positive Q4 results from the Benelux deviated from the global M&A trend, which recorded the lowest deal volumes of the year in Q4 2018.

TOP DEALS

The top 10 deals in Q4 2018 ranged from USD 113m to USD 495m. The top 10 deals took place in a variety of sectors, including Leisure, Financial Services, TMT, Business Services and Consumer. Interestingly, 80% of the bidders in the top 10 deals were foreign and 20% of the bidders were domestic.

The largest deal in Q4 2018 was the USD 495m deal which saw the sale of a minority stake of 33% in a Netherlands-based joint venture between Host Hotels & Resorts, the Dutch pension fund for public employees ABP, and an affiliate of GIC Real Estate. The Leisure sector company was sold by Host Hotels & Resorts, L.P., a US-based hospitality and real estate company, to the Singapore-based sovereign wealth fund of the government of Singapore: GIC Private Limited; APG Group N.V.

PE/TRADE VOLUME & VALUE



The second biggest deal in Q4 2018 involved BinkBank N.V., which operates in the Financial Services sector. BinkBank N.V. is a Dutch provider of online brokerage services to professional and private customers including asset managers and equity trading companies. The company was acquired by the Danish SaxoBank A/S, an investment bank engaged in securities and forex brokerage and asset management. The total deal value was USD 486m.

The third biggest deal in Q4 2018 amounted to 397m and involved the acquisition of a minority stake of 41.45% in Fintur Holdings B.V., a Netherlands-based company engaged in providing mobile telecommunication and internet service provider services. The company was sold by Turkey-based mobile phone network operator Turkcell Iletisim Hizmetleri AS to Sonera Holding B.V.

The largest outbound Q4 2018 deal in Benelux was for USD 400m and saw the Belgium private equity firm Copeba S.A. acquire US-based bioanalytical testing laboratory BioAgilytix Labs, LLC. The company was sold by US-based private equity firm Riverside Partners, LLC. In addition, Belgium-based company Dexia SA sold German-based company Dexia Kommunalbank Deutschland AG to the German company Helaba Landesbank Hessen Thueringen Girozentrale for a total deal value of USD 398m. Dexia SA is a banking group engaged in retail and commercial banking, public and wholesale banking, asset management and investor services.

LOOKING AHEAD

The BDO Benelux Heat Chart by sector shows 198 deals currently planned or in progress, which represents 3% of the total global deal volume. Benelux's contribution to the total global deal value is, according to the Heat Chart, expected to increase in 2019 (1.8% in 2018 versus 3% in 2019). In the coming months, the TMT sector is expected to generate 45 deals, accounting for 23% of total activity. The second most active sector is expected to be Industrials & Chemicals, which is predicted to complete 44 deals (22% of all mid-market deals). Business Services, Consumer and Pharma, Medical & Biotech are expected to account for 16%, 15% and 10% respectively of all deals. The predicted deal numbers in these three sectors are in line with the expected global M&A trend.

The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in several regions between 8 July 2018 and 8 January 2019. Opportunities are captured according to the dominant geography and sector of the potential target company. The predicted deal flow is based on the intelligence collected in the database relating to companies rumoured to be for sale or officially up for sale. It is therefore indicative of the sectors that are likely to be active in the months to come.

To summarise, Q4 2018 in the Benelux showed substantial and increased deal values and volumes, and according to the BDO Heat Chart, this upward trend is expected to continue in 2019.

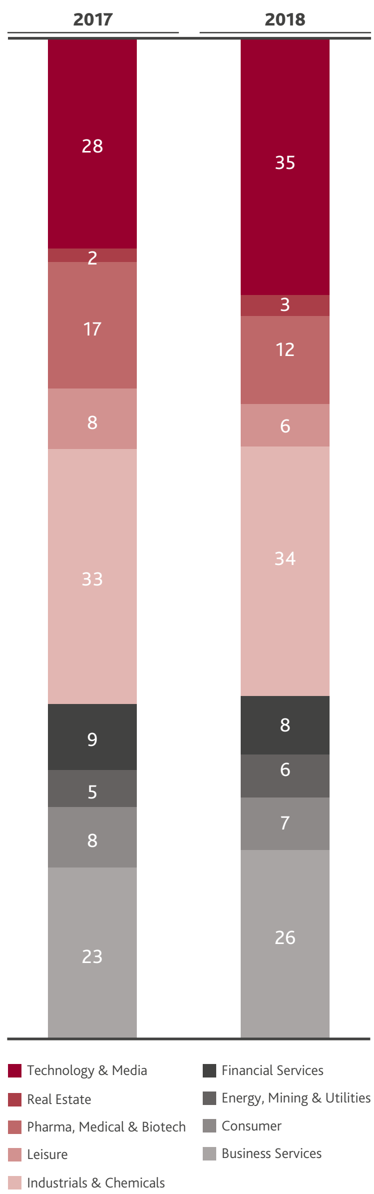
LUC AUGUSTIJN
PARTNER
luc.augustijn@bdo.nl

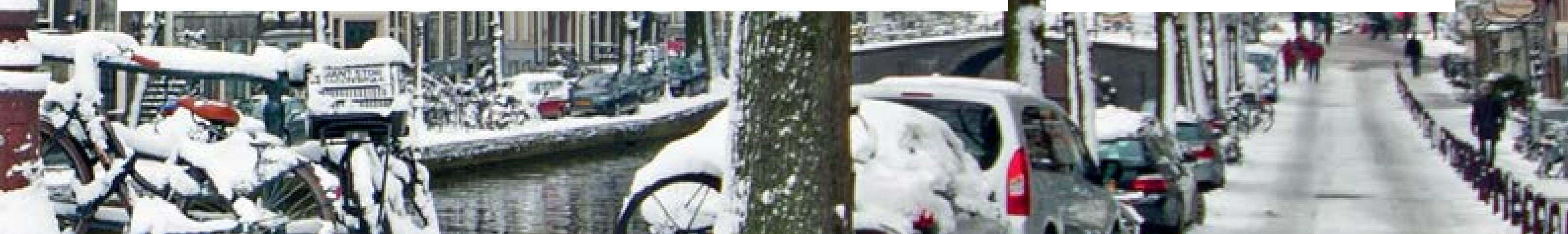
GEERT COSTERS
M&A PARTNER
geert.costers@bdo.be

BENELUX
HEAT CHART BY SECTOR

Technology & Media	45	23%
Industrials & Chemicals	44	22%
Business Services	32	16%
Consumer	29	15%
Pharma, Medical & Biotech	19	10%
Financial Services	14	7%
Energy, Mining & Utilities	7	4%
Leisure	6	3%
Real Estate	2	1%
TOTAL	**198**	**100%**

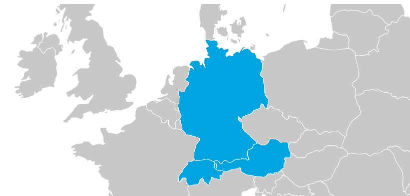
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

DEAL VOLUME FALLS IN Q4 BUT FUTURE OUTLOOK IS PROMISING



BIG PICTURE

- Deal volume declined by 30% but value increased by 3% year-on-year (Q4 2018 to Q4 2017)
- Germany was the most attractive target country in the DACH region again
- Industrials & Chemicals remained the most attractive sector.

DACH M&A activity showed stronger trends in Q3 with a decisive increase in total deal value. PE deal value increased significantly with volume remaining stable.

In spite of the current economic boom, the number of M&A deals in Q4 2018 in the DACH region was on the low side compared to previous quarters. The 47 M&A deals completed in the quarter meant that it was the weakest Q4 in more than 10 years. The total deal value dropped from USD 6.9bn to USD 6.2bn compared to the previous quarter.

Private equity transactions also declined in Q4 2018, with a total of seven deals completed with a value of USD 1.1bn (down 27% compared to the previous quarter). The largest private equity deal in terms of value in Q4 2018 involved UK-based IK Investment Partners Limited, which sold German warehouse automation solutions provider Transnorm System for USD 493m to US-based Honeywell International.

KEY SECTORS AND DEALS

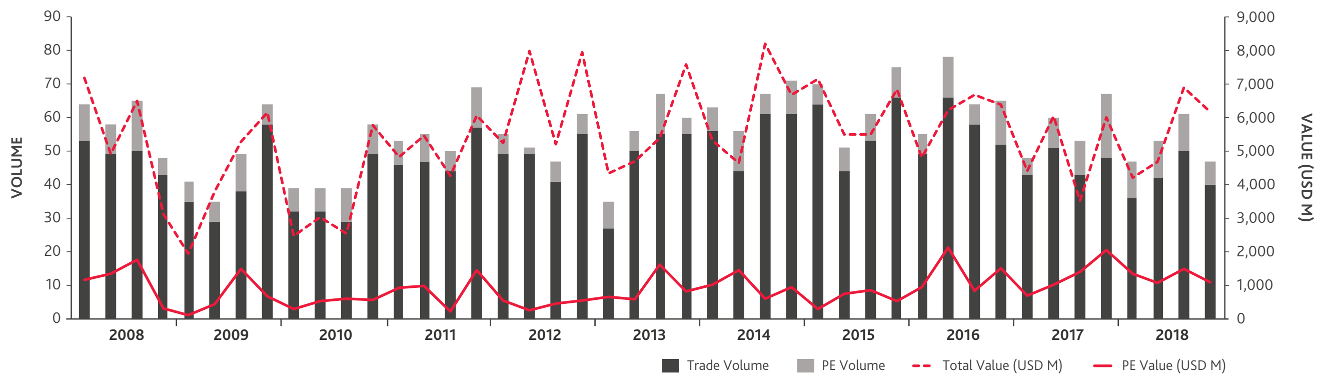
The DACH region remains an internationally attractive M&A market despite the decrease in deal volume and value. This is reflected by the fact that the top 20 deals attracted bidders from 13 different countries. Bidders from China and the US were involved in the top three deals in Q4 2018.

The largest overall deal was conducted between two Chinese companies, which saw China Anxing Asset Management Company Limited sell a 55 % stake in Swiss IXM B.V. to China Molybdenum Co., Ltd., in a deal worth USD 495m.

The second largest deal in the region was the aforementioned sale of Transnorm System to Honeywell International. The third largest deal also involved an American bidder, which saw Callaway Golf Company acquire German producer of outdoor wear and equipment Jack Wolfskin from multiple sellers.

The largest Austrian transaction was the inbound acquisition in the Industrials & Chemicals sector of TANNPAPIER GmbH by Mayr Melnhof Karton AG, in a deal worth USD 402m.

PE/TRADE VOLUME & VALUE



In Q4 2018, the bulk of the top 10 transactions involved target companies based in Germany (seven). Two companies were based in Switzerland and one in Austria.

Compared to Q3 2018, there was reduced deal activity across most sectors in Q4 2018, the main exception being the Leisure sector, which saw increased transactions, surging from zero to three deals.

In Q4 2018, the majority of the region's M&A deals involved companies in the Industrials & Chemicals sector (34%) and the TMT sector (30%), which still recorded a decrease in deal activity. The biggest falls (Q3 to Q4 2018) were in Financial Services (-71%) and Business Services (-38%).

Currently, there are 309 companies up for sale in DACH's mid-market.
We expect almost all sectors to keep up their momentum. Industrials & Chemicals, TMT and Consumer are expected to remain among the most active sectors. This is especially the case in Industrials & Chemicals, which is forecast to see an upturn in deal volume. Overall, cross-border transactions backed by plentiful financial resources are expected to be a significant source of DACH's M&A activity in the coming quarters.

LOOKING AHEAD

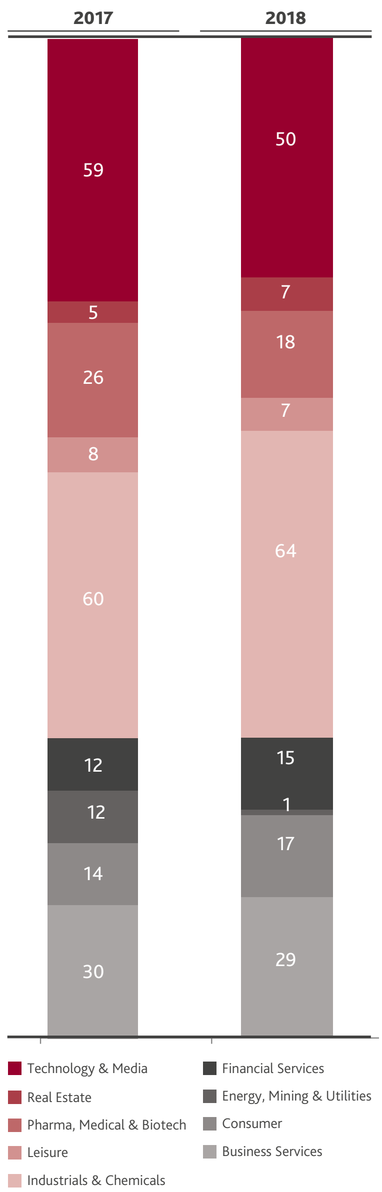
Even though M&A activity in the DACH region slowed in the last quarter of the year, transaction levels are expected to increase due to the current booming economy.
In addition, low interest rates continue to provide good financial conditions for transactions. This expectation is confirmed by the BDO Heat Chart, which shows an increased number of companies up for sale in Q4 2018 compared to Q3 2018.
We maintain our belief that the DACH M&A market will recover and improve over the coming periods.

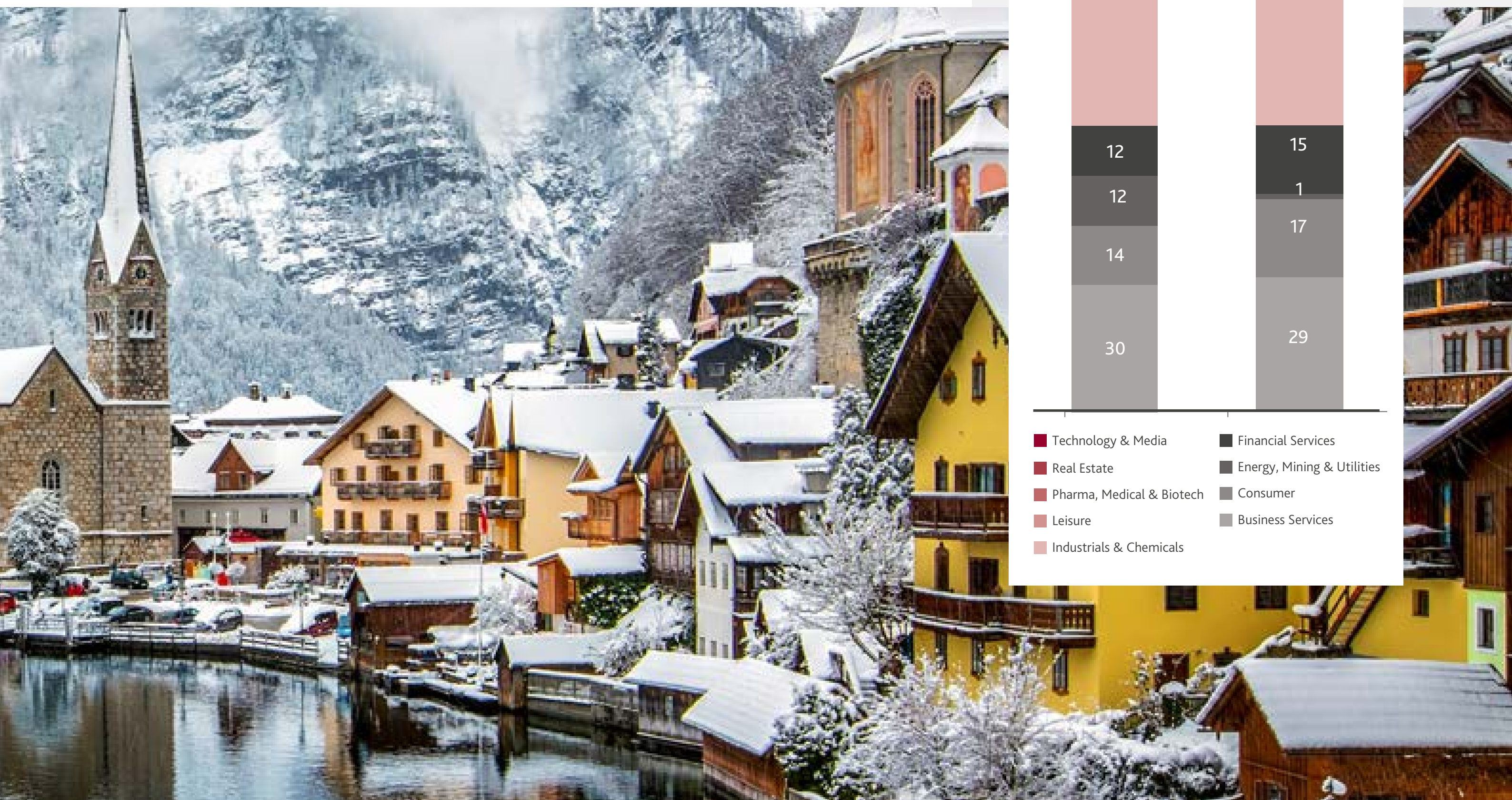
CHRISTOPH ERNST
BDO FINANCIAL ADVISORY SERVICES – M&A MANAGER
christoph.ernst@bdo.at

DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	105	34%
Technology & Media	57	18%
Consumer	46	15%
Business Services	38	12%
Financial Services	22	7%
Pharma, Medical & Biotech	21	7%
Energy, Mining & Utilities	10	3%
Leisure	8	3%
Real Estate	2	1%
TOTAL	**309**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR





NORDICS

M&A ACTIVITY RAMPS UP IN Q4

BIG PICTURE

- Q4 2018 was the year's second best quarter in terms of overall M&A performance
- PE's proportion of total M&A activity fell compared to Q3 2018, but recorded a significant increase in comparison to Q4 2017
- Industrials & Chemicals remained the region's dominant sector with TMT in second spot
- Swedish companies accounted for 10 of the region's 20 top deals.

The total number of Nordic M&A transactions in Q4 2018 increased 45% from the previous quarter, with a total deal value of USD 6.6bn. Q4 2018 turned out to be the year's second best quarter after Q2 2018, both in terms of the deal count and value (Q2's deal value was USD 7bn) and Q4 saw only six deals less completed than in Q2.

Nordic PE continued its high-levels of activity from Q3 in terms of deal volumes and significantly outperformed the corresponding quarter in 2017. There were a total of 14 PE buy-out transactions completed worth USD 1.5bn, which represented 20.3% of the region's total deal volume and 23.3% of the total M&A transaction value in Q4 2018.

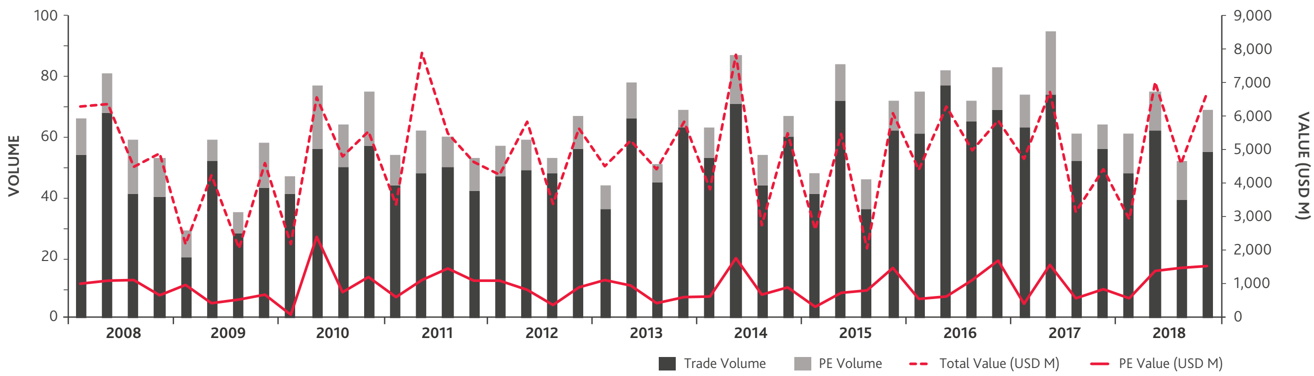
KEY SECTORS AND DEALS

The top 20 deals in the Nordics accounted for over 75% of the quarter's total M&A transaction value.

Cross-border deals were a primary focus among the top 20 deals, representing 14 out of 20. The majority of deals took place in Sweden, which accounted for 10 deals, followed by Finland, with four deals.

The biggest transaction was a cross-border deal in which the Finnish financial services company Parmaco Production Oy was sold to a joint group of Terra Firma Capital Partners Limited, Sun Hung Kai & Co Limited and Metric Capital Partners in the UK, with a deal value of USD 460m. Parmaco Production Oy's operations include renting out daycare facilities, school buildings, nursing homes andoffice spaces. The company is headquartered in Tampere, Finland.

PE/TRADE VOLUME & VALUE



The second biggest deal was a close runner-up, with a deal value of USD 455m. It was another cross-border deal between the Swedish Energy, Mining & Utilities company E.ON and the Energy Infrastructure Partners division of Credit Suisse in Switzerland. E.ON is one of Sweden's largest energy providers with operations across Sweden. The deal involved the acquisition of one of E.ON's wind farms.

In third place was the acquisition of a 70% stake in Vida AB in Sweden by Canfor Corporation in Canada, for a deal value of USD 440m. Vida AB, which has 1,050 employees, is one of Sweden's largest privately-owned sawmill companies.

Industrials & Chemicals remained the most active sector in the region, accounting for 18 of the 69 transactions in Q4 2018. TMT performed strongly and finished in second place with 15 deals out of 69, maintaining its position as one of the most active sectors. Business Services sector also performed well, securing third place with 15 deals in Q4 2018.

LOOKING AHEAD

The Nordic M&A market is expected to remain strong, even with uncertainties in areas such as high household debt, an anticipated increase in the cost of debt, which has been important in contributing to growing levels of M&A and the situation in UK, which include a number of possible outcomes to the Brexit crisis.

Another notable and continued trend is the overall PE activity, which we expect to remain at high levels as in the previous year. PE firms continue to have a large amount of dry powder which will be deployed through various sizes of investments.

Overall, the high level of M&A activity in 2018 is expected to continue during H1 2019.

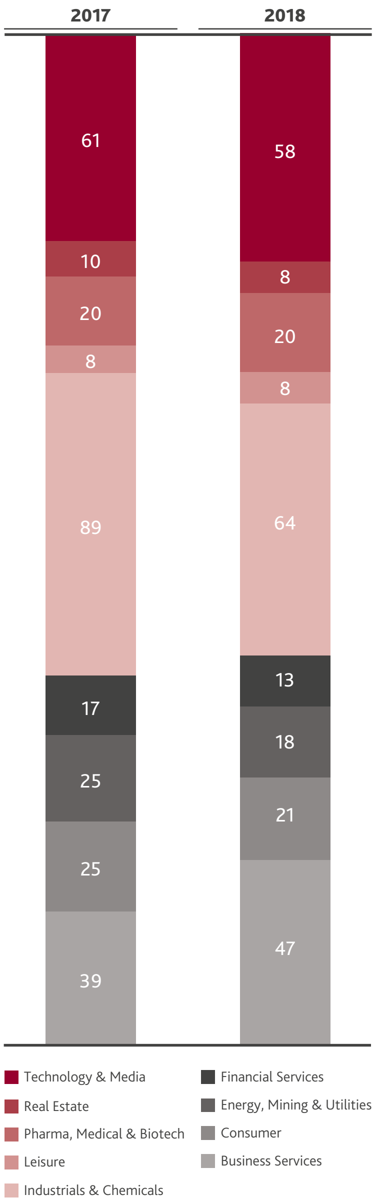
CLAES NORDEBÄCK
PARTNER,
CORPORATE FINANCE

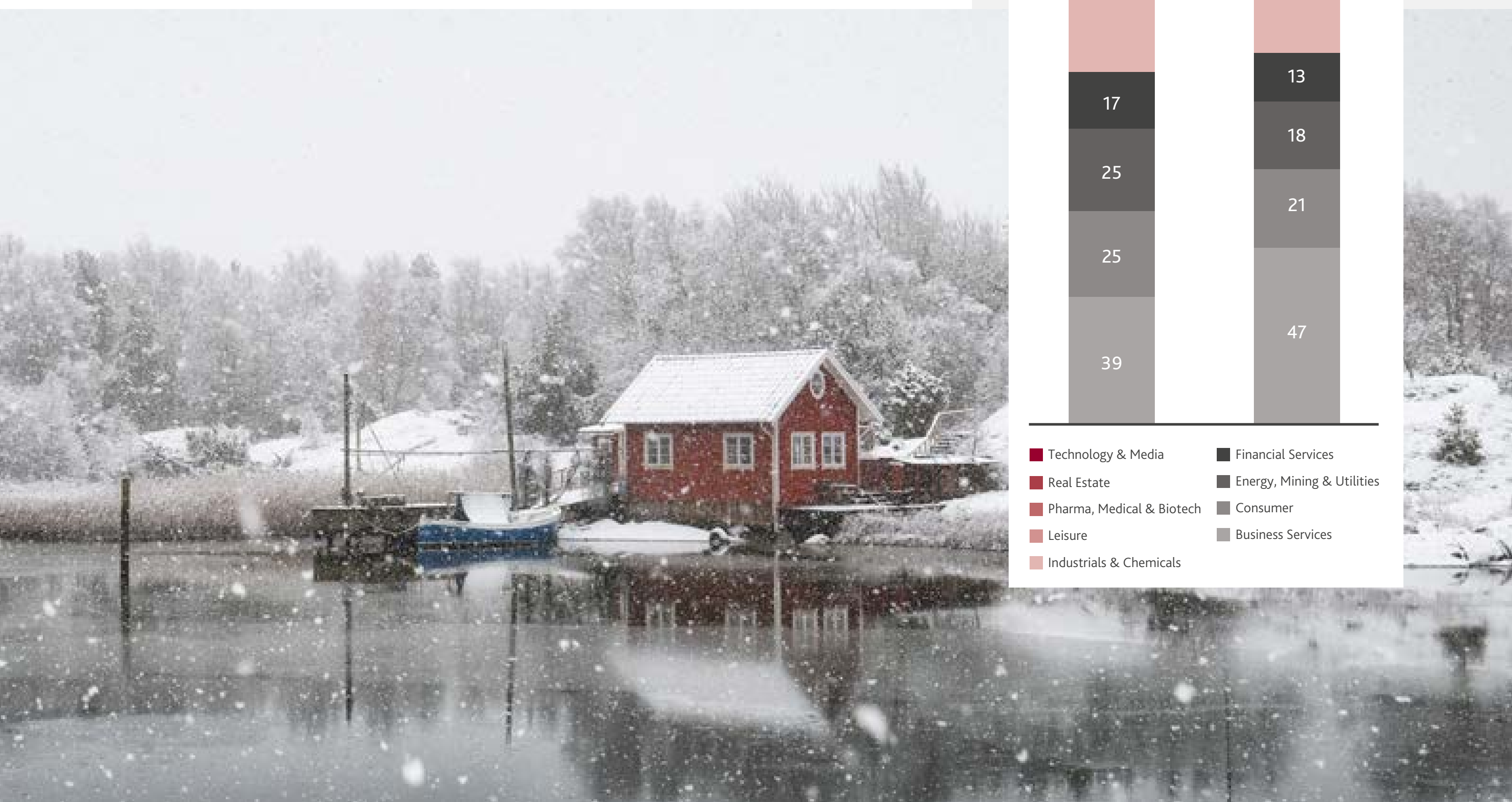
claes.nordeback@bdo.se

NORDICS
HEAT CHART BY SECTOR

Technology & Media	37	18%
Industrials & Chemicals	37	18%
Business Services	34	17%
Pharma, Medical & Biotech	30	15%
Consumer	26	13%
Financial Services	16	8%
Energy, Mining & Utilities	14	7%
Leisure	4	2%
Real Estate	4	2%
TOTAL	**202**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR





CEE & CIS

A STRONGER FINAL QUARTER BUT A POOR FULL YEAR

BIG PICTURE

- Q4 deal value was up 37% and volume was marginally up compared to the previous quarter
- Full-year 2018 figures show that both deal volume and value hit a 10-year low for the CEE & CIS region
- Energy, Mining & Utilities was the hottest sector for M&A activity.

The total value of deals in Q4 2018 was USD 4,676m, up 37% from the previous quarter's USD 3,402m, but 46% down compared to Q4 2017. Private equity activity remained subdued, accounting for only four of the 56 mid-market transactions completed in Q4.

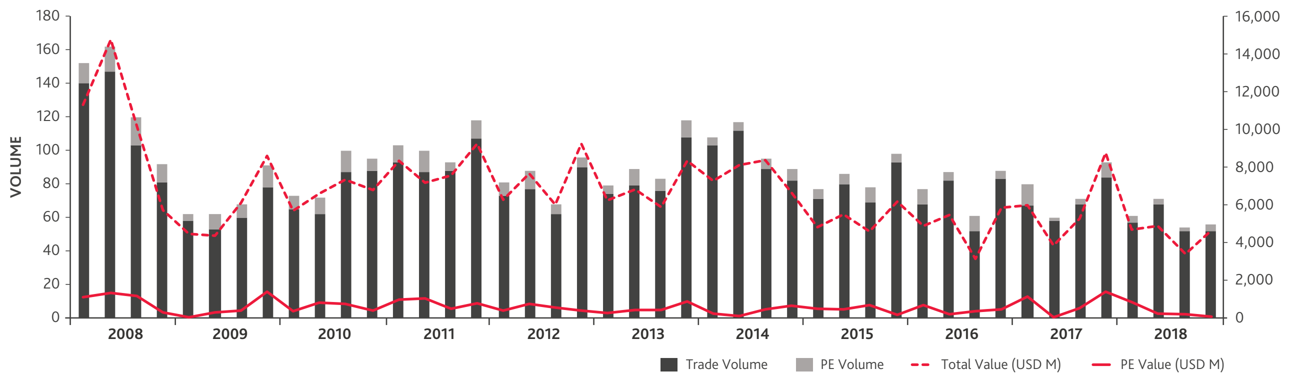
The average deal size of the PE deals was relatively low, with an average value of USD 22,5m and a total value of USD 90m, which represented only 1.9% of the value of the region's transactions in Q4. Looking at PE transactions, the low deal activity continued in terms of overall volume and value.

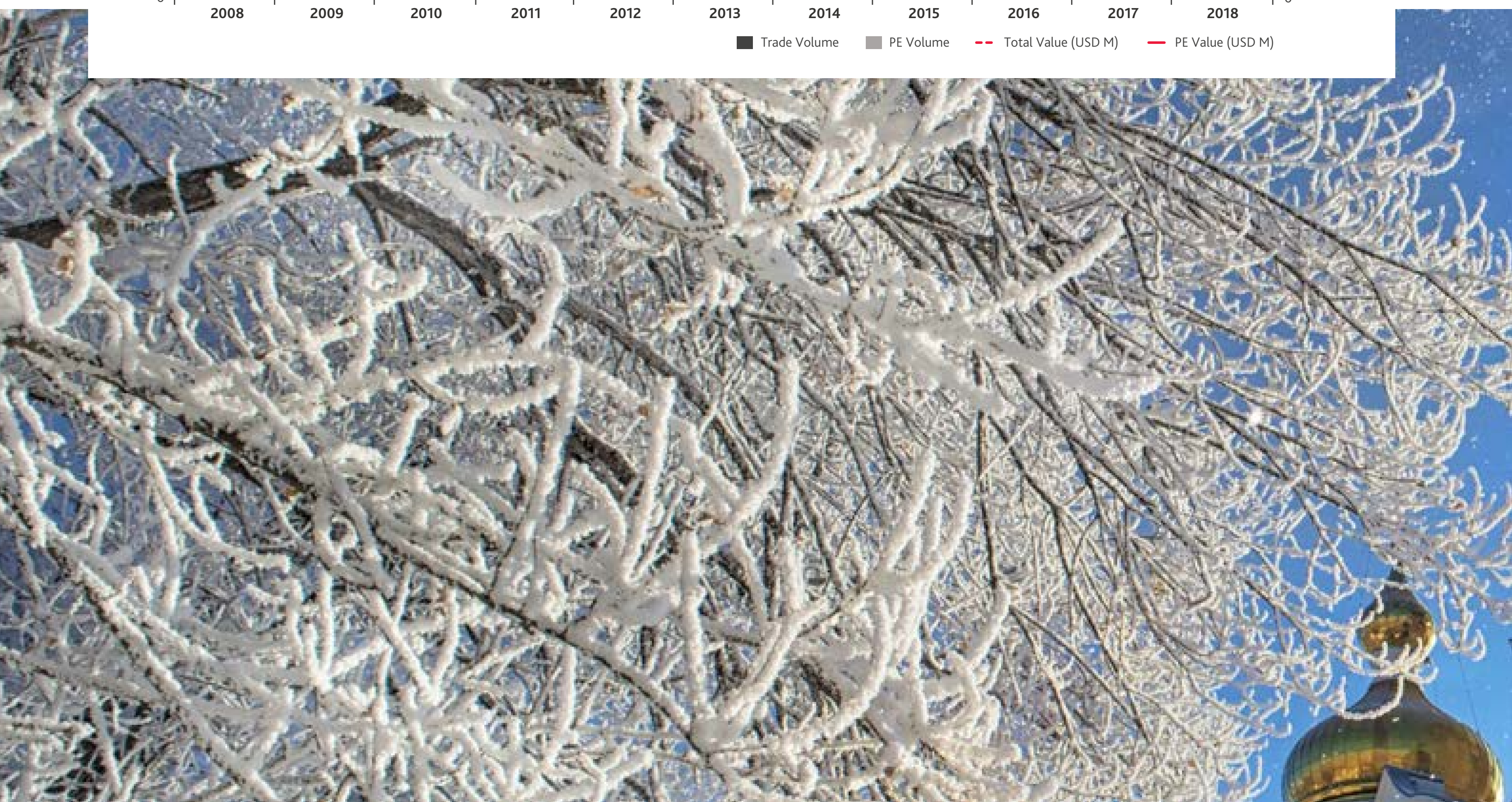
KEY SECTORS AND DEALS

Focusing on deal activity across the sectors on a yearly basis, the overall picture shows that there was a significant drop in almost all sectors. The two exceptions were Pharma, Medical & Biotech and Real Estate, but transaction levels were still on the low side.

The region's top 10 Q4 deals had a combined value of USD 2.8bn, which accounted for about 59% of the quarter's overall deal value. The most active sectors were Energy, Mining & Utilities with 11 deals, representing 19.6% of total deal volume, Industrials & Chemicals with 10 deals (17.9%), TMT with 10 deals (16.1%) and Financial Services with eight deals (14%).

PE/TRADE VOLUME & VALUE





As has been the case in the last few quarters, the sector with the lowest volume of activity was Real Estate.

In terms of sectors, three of the top ten Q4 mid-market deals were in Industrials & Chemical, with Business Services and TMT each accounting for two deals. Even though Financial Services only had one deal in the top 10, it was the sector's biggest transaction in terms of value in 2018..

ÁKOS BOROSS
PARTNER
akos.boross@bdo.hu

LOOKING AHEAD

The BDO Heat Chart predicts that in Q1 2019, Industrials & Chemicals, Consumer and TMT will be the region's most active sectors, similar to global M&A trends.

The BDO Heat Chart has identified 587 possible deals in CEE & CIS, a slight increase from the 538 forecasted deals for Q4 2018.

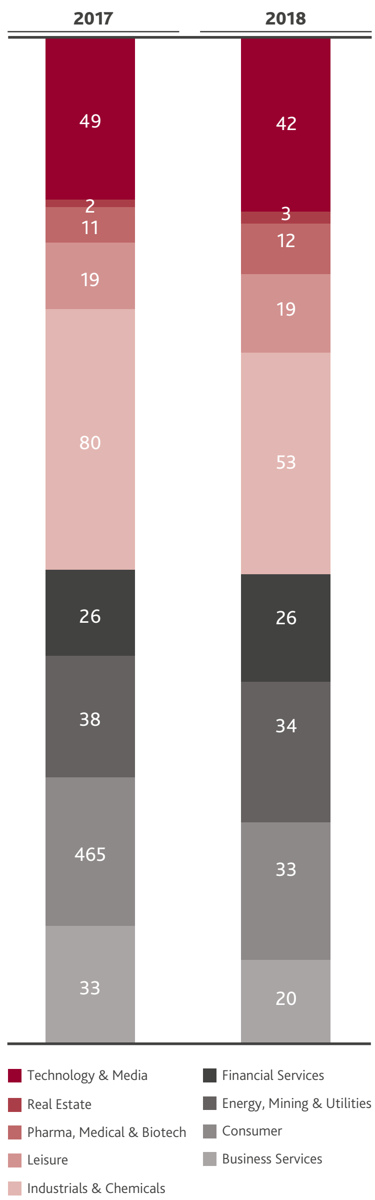
The projected potential transactions in CEE & CIS account for up to 7% of all the deals in the world, which makes CEE & CIS the third biggest M&A region behind North America and Greater China.

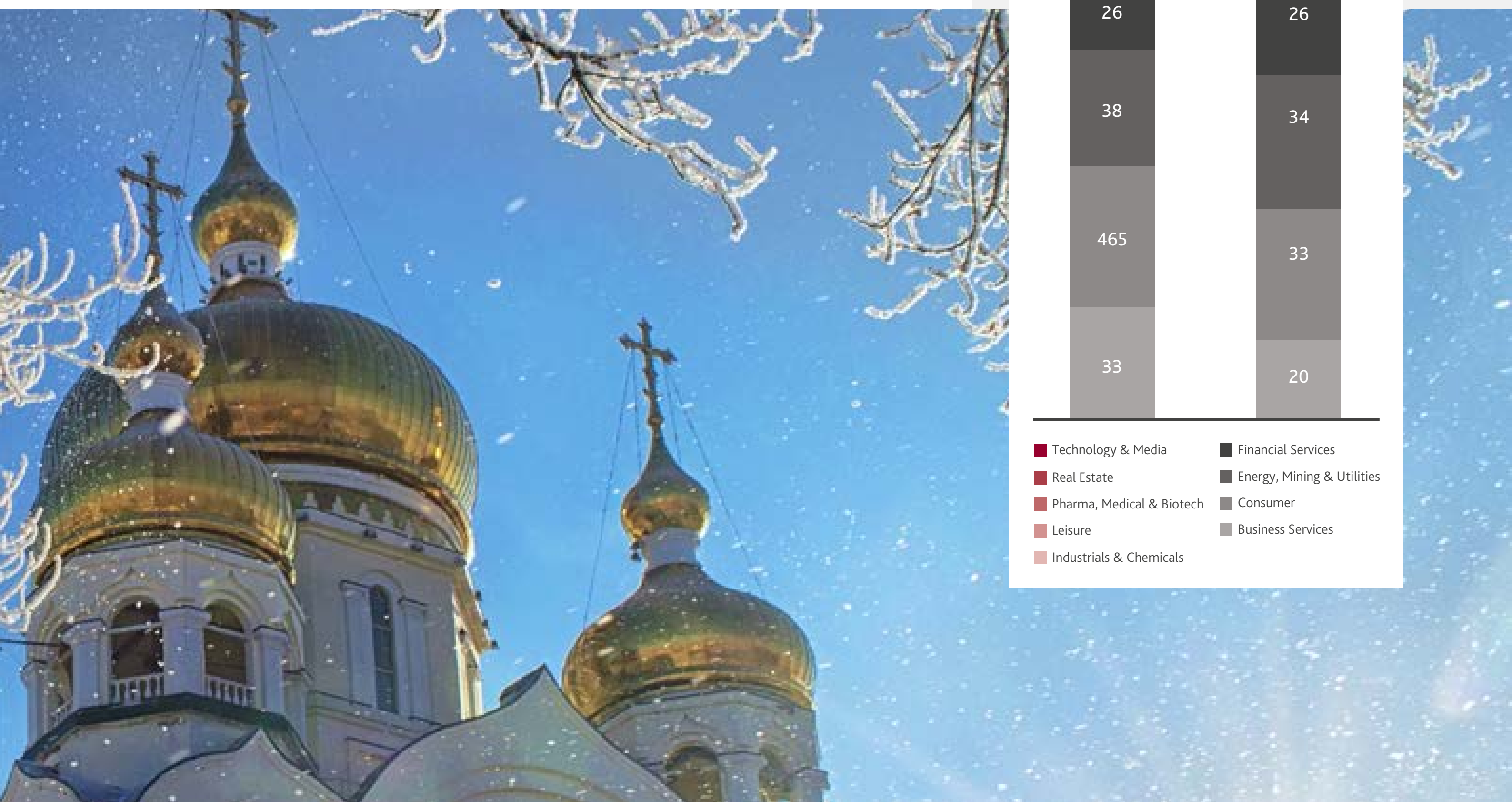
Even though there has been a significant fall in the number of Industrials & Chemicals transactions in the last few quarters, the BDO Heat Chart indicates that there will be an up-tick in M&A activity and it will be the most active sector in the coming periods. According to the BDO Heat Chart, TMT and Consumer will also remain very important in the region's M&A market with 89 and 90 projected transactions respectively.

CEE & CIS
HEAT CHART BY SECTOR

Industrials & Chemicals	175	30%
Consumer	90	15%
Technology & Media	89	15%
Business Services	74	13%
Financial Services	50	9%
Energy, Mining & Utilities	44	7%
Leisure	28	5%
Pharma, Medical & Biotech	26	4%
Real Estate	11	2%
TOTAL	**587**	**100%**

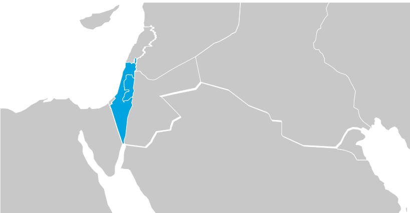
CEE & CIS
MID-MARKET VOLUMES BY SECTOR





ISRAEL

M&A VALUE RISES IN Q4 AND DEAL PIPELINE LOOKS POSITIVE



BIG PICTURE

- Q4 2018 M&A value increased (37%) in comparison to the previous quarter and deal volume grew slightly (5.6%) from 18 deals in Q3 2018 to 19 deals in Q4 2018
- PE activity decreased dramatically in Q4 2018
- BDO Heat Chart shows 91 potential deals, suggesting a ramp-up in activity ahead.

M&A activity increased significantly during Q4 2018 in terms of value.

A total of 19 deals, with a combined deal value of USD 1291m, were successfully completed in Q4 2018. This represented a 37% increase in deal value, and a 6% increase in deal volume from 18 completed deals to 19 compared to Q3 2018. Deal value strengthened by 31% with an increase in the quarter's average transaction value of USD 68m, indicating a number of larger deals.

Q4 2018 saw a total of 19 completed deals, with a total value of USD 1291m, reflecting an increase of USD 348m (36.9%) compared to Q3 2018 and a decline of USD 289m (-18.3%) compared to Q2 2018.

Deal numbers recorded a slight up-tick from 18 in Q3 2018 to 19 in Q4 2018, an increase of 5.6%, while total deal value increased significantly during the same period. This led to a rise in the average deal value from USD 52m in Q3 2018 to USD 68m in Q4 2018, which represented a significant improvement of 31% from the previous quarter.

Private equity activity stalled in Q4 as figures revealed a dramatic decrease in terms of volume and a moderate increase in terms of value.

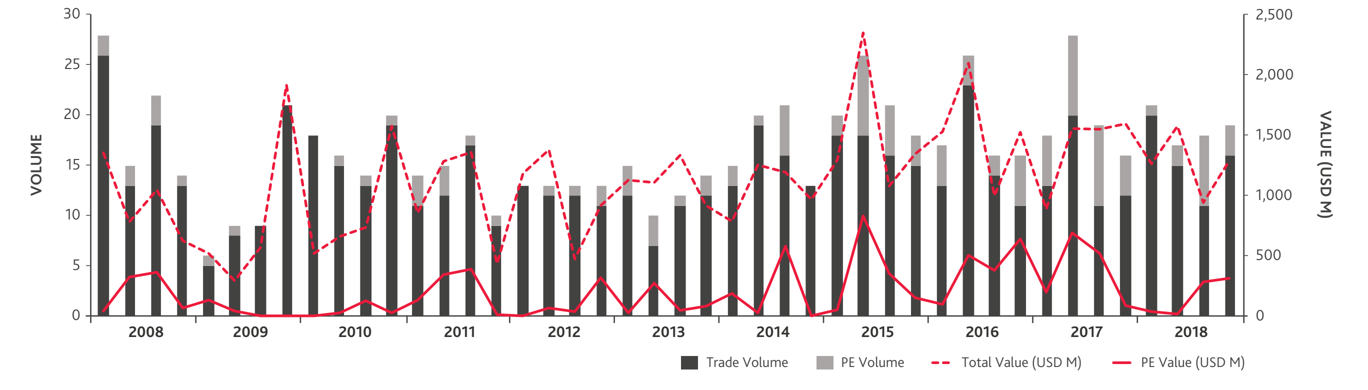
In Q4 2018, private equity was responsible for three deals worth a total of USD 310m, which represented 15.8% of the total deal count and 24% of the value for the quarter.

KEY SECTORS AND DEALS

Israel's top 10 deals in Q4 2018 had an aggregated value of USD 1,161m, representing 90% of total M&A transactions. The largest transaction was the USD 250m acquisition of Sygnia, Inc. & Temasek Holdings Pte. Ltd. Sygnia, Inc., a military grade cyber security consulting and incident response agency purchased by Temasek Holdings Pte. Ltd. The previous owner was Team8.

Another key deal was the USD 182m acquisition of Dexia Israel Bank Ltd., a leading bank for municipal finance in Israel with a 40% share of municipal loans under its management. The acquisition was led by Mercantile Discount Bank Ltd., one of Israel's seven largest banks. Other transactions included the USD 175m acquisition of Dome9 Security, Inc. by Check Point Software Technologies Ltd. from SoftBank Corp., Opus Capital, Orr Partners, and Jal Ventures, and the USD 146m acquisition of Sorek Desalination Ltd. by Dan Company for Public Transport Ltd.

PE/TRADE VOLUME & VALUE



TMT and Industrials & Chemicals were the most active sectors in the quarter, accounting for four deals each (each responsible for 21% of the total transactions) in Q4 2018. Pharma, Medical & Biotech was in third place, accounting for three deals (16%). Next were Business Services, Energy, Mining & Utilities and Financial Services with two deals each and finally Consumer and Leisure, which each had one deal.

Half of the top 10 deals involved foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. The foreign bidders comprised two US buyers and one each from Singapore, China and Austria.

Israel continues to attract foreign investment due to its favourable economic conditions, considerable incentives and strong R&D sector, coupled with a high-skilled and multilingual workforce.

LOOKING AHEAD

Looking ahead, the market data suggests consistency and stability in Israel's mid-market M&A. The BDO Heat Chart for Q3 2018 showed 93 deals planned or in progress, compared to 91 deals in Q4 2018, which reflected a 2% decrease in pipeline deals, a relatively negligible drop.

The BDO Heat Chart shows there are 91 deals planned or in progress for M&A with 43 (47%) related to TMT and 13 (14%) involving Industrials & Chemicals. Other active sectors include Business Services and Pharma with 11 deals (12%), Business Services with 10 deals (11%), Financial Services with five deals (6%), Consumer and Energy, Mining & Utilities with four deals each (4% each) and Leisure with one deal (1%).

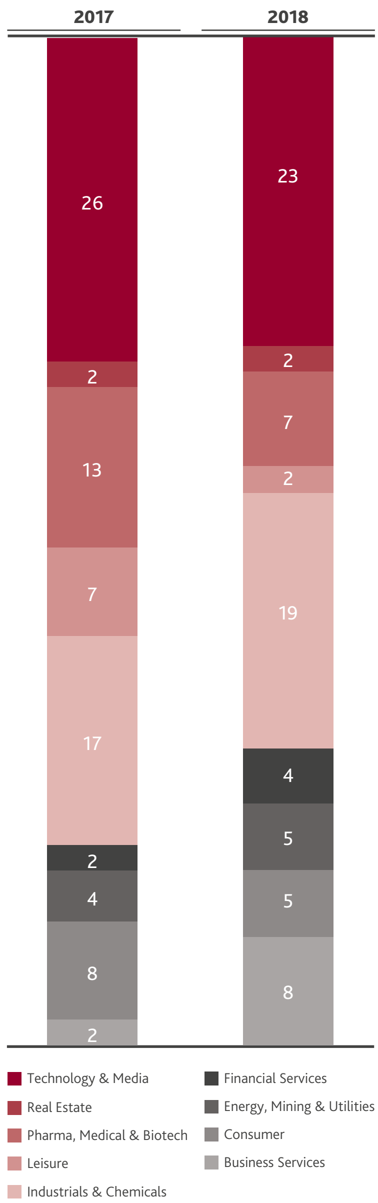
TAMAR BEN-DOR
PRINCIPAL, M&A

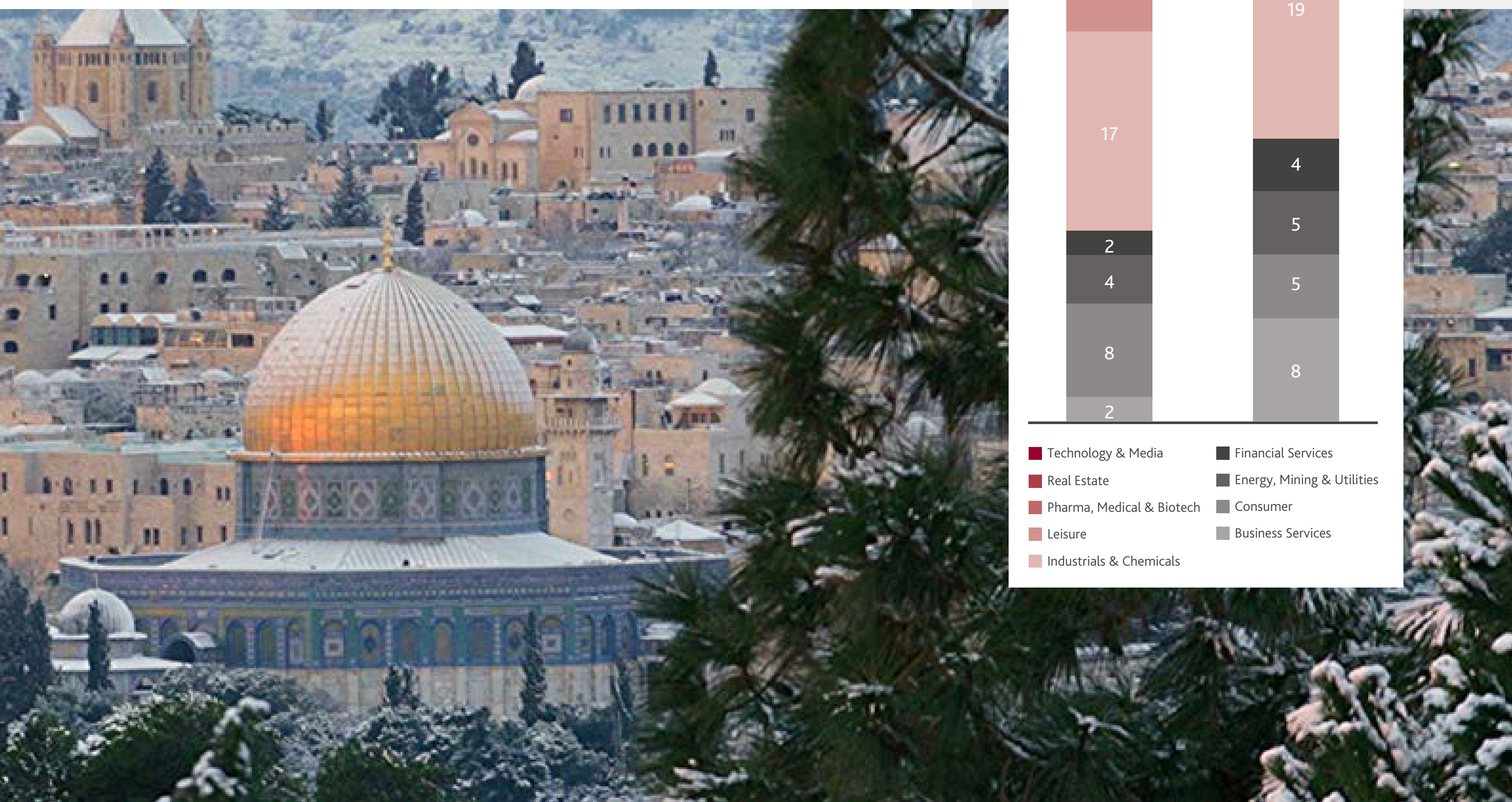
tamarbe@bdo.co.il

ISRAEL
HEAT CHART BY SECTOR

Technology & Media	43	47%
Industrials & Chemicals	13	14%
Pharma, Medical & Biotech	11	12%
Business Services	10	11%
Financial Services	5	5%
Consumer	4	4%
Energy, Mining & Utilities	4	4%
Leisure	1	1%
Real Estate		0%
TOTAL	**91**	**100%**

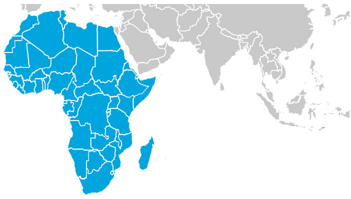
ISRAEL
MID-MARKET VOLUMES BY SECTOR





AFRICA

DEAL VOLUME AND VALUE FALL DRASTICALLY IN Q4 2018



BIG PICTURE

- Q4 2018 saw 17 mid-market completed deals in Africa, with a total value of USD 1,603m, representing drastic falls in volume of 64% and 48% in value compared to the corresponding quarter in 2017
- There was only one PE buy-out in Q4, worth USD 71 million, compared to six deals in Q3 2018
- Q4 2018 was the slowest quarter for mid-market M&A deal activity since Q3 2012.

In Q4 2018 a total of 17 deals worth USD 1,603 million were completed, down from 36 deals in the previous quarter and value also fell sharply. Similarly, the number of PE buy-outs fell from six in Q3 2018 to just one deal, with a value of USD 71m.

In comparison to Q4 2017, which saw a total of 48 deals with a value of USD 3,077 million, the number of deals completed in Q4 2018 fell drastically in volume of 64% and 48% in value. It is worth noting that this quarter was the slowest for mid-market M&A deal volume and deal value since Q3 2012.

The most active sectors in Q4 2018 were TMT (four deals) followed by Energy, Mining & Utilities (three) and Industrials & Chemicals (three). Business Services, Financial Services and Pharma, Medical and Biotech all recorded two deals each. Of the 17 deals completed in Africa, the majority took place in South Africa (nine) while the other deals were in Uganda (two), Burkina Faso (two) with Nigeria, Angola, Kenya and Liberia each recording one deal.

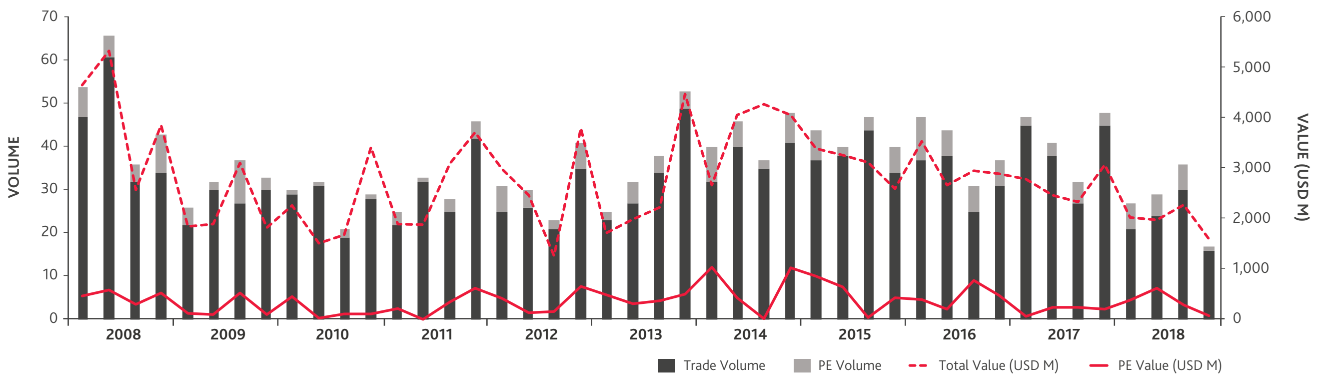
KEY DEALS

The quarter's largest deal was in the Industrials & Chemicals sector in South Africa, where Public Investment Corporation (PIC) and Pelo Agricultural Ventures acquired a majority shareholding in the country's largest cattle feedlot and abattoir, Karan Beef, for a value of USD 363m. The main objective of this deal was related to Cyril Ramaphosa's aim of redistributing ownership of the economy into the hands of black South Africans to help redress the ethnic inequality that still exist in the country.

The second largest deal of the quarter took place in the Consumer sector in Kenya, where a French fuel firm, Rubis Énergie S.A.S, acquired a majority (75.01%) stake in KenolKobil, the leading oil marketing company in Kenya. The deal value was USD 325m.

Another major transaction was in Business Services, which saw Experian Plc, an information services company, acquire a stake in Compuscan, one of the leading providers of credit information and decision analytics in South Africa, with operations across seven key geographies in Sub-Saharan Africa.

PE/TRADE VOLUME & VALUE



Experian's aim is to better position itself to serve the people and businesses in the region as well as being an enabler of growth in consumer and business credit. The deal value was USD 263m.

In the banking sector, Diamond Bank Plc merged with Access Bank Plc in Nigeria, resulting in the creation of the largest retail bank in the country and in Africa by customer base. The deal value was USD 200m.

ECONOMIC OUTLOOK

GDP growth in Sub-Saharan Africa (SSA) has been projected to rise to 3.5% from 3.1% in 2019 as the recovery gradually strengthens in the region's largest economies. According to the World Bank, growth will continue to be supported by increasing commodity prices and gradually strengthening domestic demand. However, larger economies will still struggle to boost private investments.

Individual country performance will vary greatly across the region and South Africa is forecast to remain a major drag on growth as it faces some high risks, on account of global forces, and also due to the country's weak internal fundamentals. Interestingly, economies like Nigeria and Angola are expected to accelerate and experience moderately better performance as a result of reformed governments, political transitions and increased investor appetite.

In addition, smaller markets in the region (Kenya, Ghana, Côte d'Ivoire and Ethiopia in particular) will continue to perform strongly due to solid economic activity and robust investment growth. Nevertheless, global uncertainties such as ongoing global trade disruption and rising developed market interest rates may affect SSA countries. Collapsing oil prices may also impact these economies and societies adversely.

LOOKING AHEAD

The BDO Heat Chart for Africa's mid-market M&A projects a positive outlook for 2019, forecasting a promising total of 175 deals. The most dominant sectors are likely to be Industrials & Chemicals with 43 deals, representing 25% of the total projected deals, followed by Business Services and Energy, Mining & Utilities. A total of 26 deals are predicted in these two sectors, representing 15% of the forecasted deal volume for the year 2019.

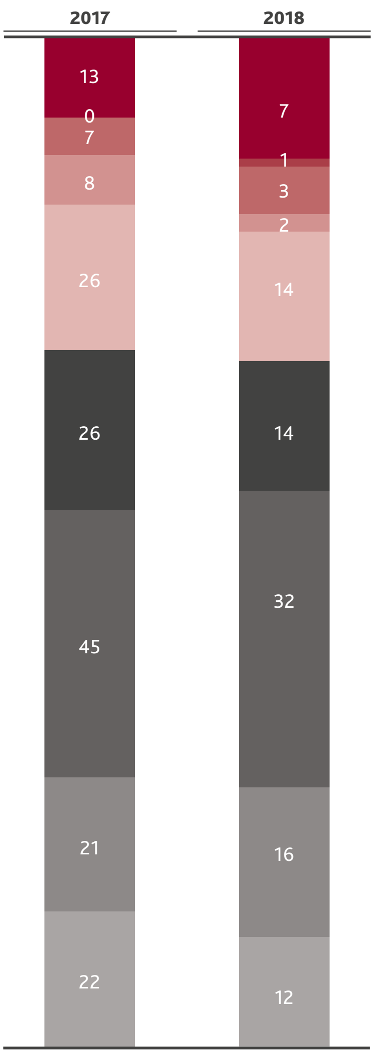
AFSAR EBRAHIM
DEPUTY GROUP MANAGING PARTNER

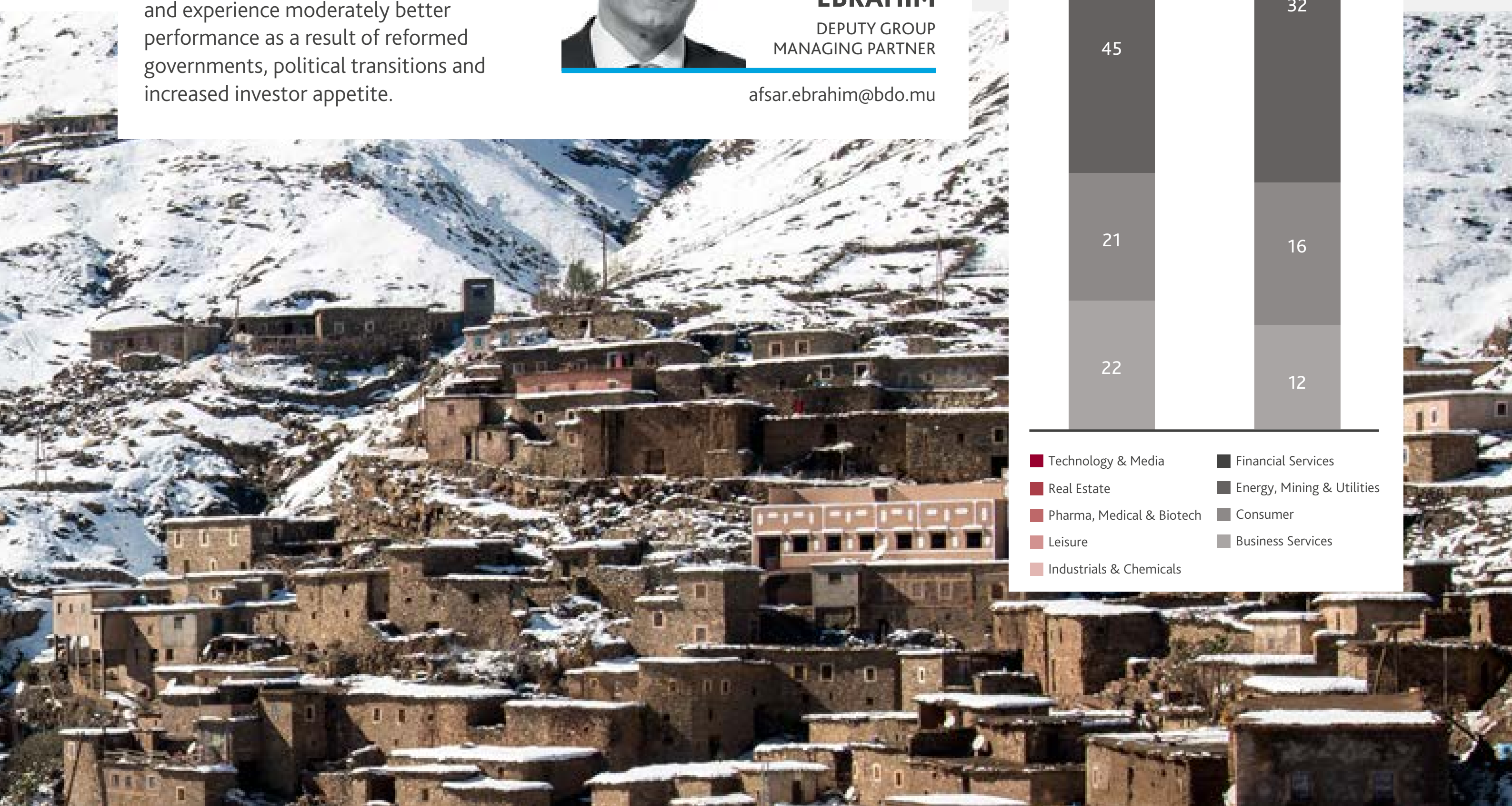
afsar.ebrahim@bdo.mu

AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	43	25%
Energy, Mining & Utilities	26	15%
Business Services	26	15%
Technology & Media	25	14%
Consumer	17	10%
Financial Services	15	9%
Real Estate	11	6%
Leisure	7	4%
Pharma, Medical & Biotech	5	3%
TOTAL	**175**	**100%**

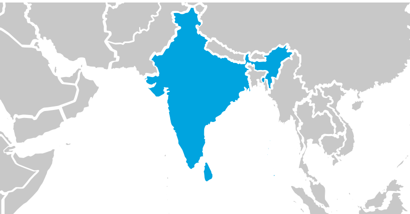
AFRICA
MID-MARKET VOLUMES BY SECTOR





INDIA

GROWTH OF INDIAN ECONOMY DRIVES M&A MARKET FORWARD IN 2018



BIG PICTURE

- Total deal value in 2018 was usd 125bn, nearly double that of 2017
- Number of large value pe deals continued to increase
- India remains robust market for international and domestic investments.

The Indian economy is projected to expand at a GDP growth rate of ~ 7.4% in 2019 and is expected to exceed that of China. Despite a slight slowdown, the growth rate remains robust.

The major reasons for the slowdown include a tapering of domestic demand on higher borrowing costs due to rising interest rates, a liquidity squeeze and higher oil prices. However, the desire for capital to meet the growth demands is continuing to give rise to new non banking financial companies (NBFCs) and alternative investment funds and India's mid-market M&A sector continues to attract both domestic and international investors.

Despite the slowdown in economic activity, factors such as the new bankruptcy law, GST reforms, the race for dominance in e-commerce markets, SMEs' increasing demand for capital, and a record war chest as Asia-focused private equity funds have grown, are all creating unprecedented opportunities for deal-making in India. 2018 saw M&A deals worth USD 125bn involving Indian companies, almost double that of the previous year. Investment in sectors such as infrastructure is expected to increase in the current year. Additionally, increased consumption backed by rising income levels, a drop in inflation, and an overall increase in Corporate Capital Expenditure will drive the efforts to rid the Indian financial system of bad debts and modernize a retail sector that serves ~1.3 billion people.

Even though 2019 is an election year, mid-market M&A activity is not expected to be impacted, primarily due to the fact that companies' decision making processes are based on long-term visions and wide perspectives. The liquidity crisis in the banking and NBFC sectors will contribute to M&A transactions by private equity players. With numerous stressed assets on the block, the trend of PE and industry collaboration driving M&A is expected to continue in 2019.

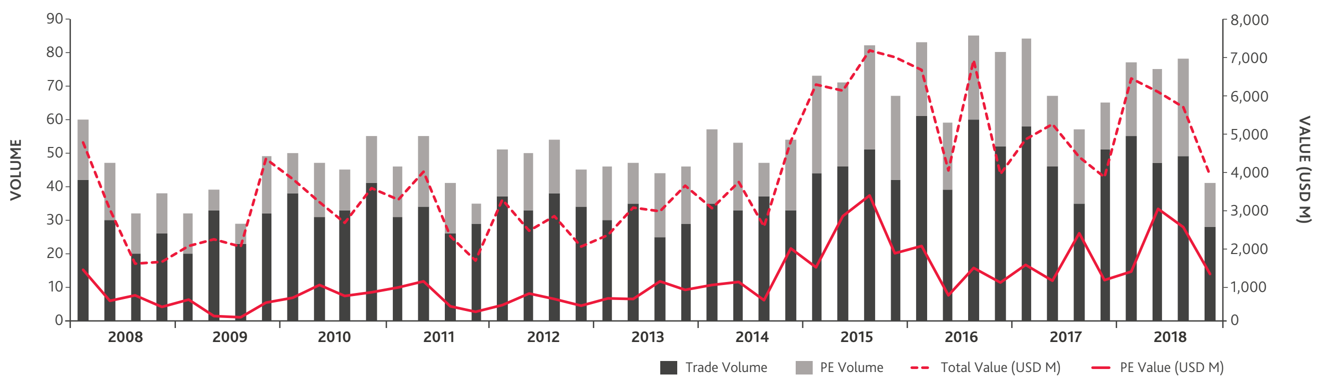
In 2018, there were 76 deals completed with a value greater than USD 100m, totalling USD 25.9bn and accounting for 74% of total PE/ VC investment. In 2017, there were 54 such deals, totalling USD 18.7bn. The value and volume of large deals have been progressively increasing over the past five years. 2018 was also a record year for exits with PE and VC exits reaching USD 26bn. Strategic exits (USD 18.4bn across 50 deals in 2018) were the highest in terms of value, with more than 20 times the value recorded in 2017.

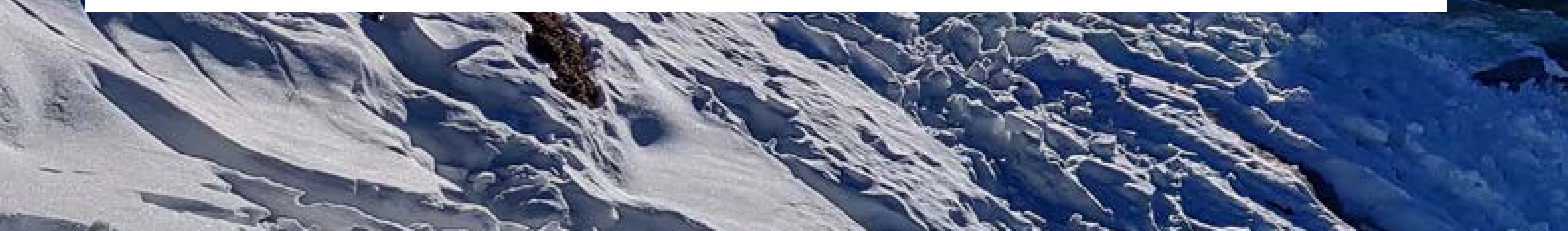
It is likely that the automobile components sector will see higher levels of M&A activity as the sector is currently in a consolidation phase where the larger players are increasing manufacturing capacity. 2019 is also expected to feature a higher number of technology-driven M&As, mainly due to the shift towards alternative auto tech, which includes Electric Vehicles (EVs), connected vehicles and shared mobility. India's auto component sector is also actively scouting for outbound M&A to diversify product bases, technology and access to OEs.

Capacity expansion will also lead to increased M&A in the Industrials & Chemicals sector. India's large consumer base continues to drive M&A in the various B2C segments. In spite of the recent events in the country's Financial sector, there is a large unserved and underserved market which offers PE as well as M&A opportunities in traditional Financial Services as well as Fintech segments.

Given the stress in the Real Estate market, there was a rise in the number of deals compared to last year with newer funds looking at this space. India's growing domestic and international tourism sectors mean that there is a definite market for inbound as well as cross-border M&A across this sector.

PE/TRADE VOLUME & VALUE





Irrespective of the current issues plaguing the Energy, Utilities & Mining sector and its ancillary segments, it still offers huge opportunities for international investors, both strategic as well as PEs, who are willing to take a long-term view of this segment. Looking at the sheer demands of India's growing population, the supply mismatch and the current efforts of the government in supporting the sector, the answer to sustainable returns may seem more visible to investors.

KEY SECTORS AND DEALS

A number of key deals were completed in Q4 2018:

- Walmart Inc's agreed to buy a controlling stake in India's biggest online retailer, Flipkart. The world's largest retailer will acquire a 77% holding in Flipkart Group for USD 16bn. It's the largest-ever e-commerce deal and gives Walmart greater access to India's e-commerce market, which Morgan Stanley has estimated will grow to UDS 200bn in about a decade.
- India's largest consumer goods company, Hindustan Unilever Ltd (HUL), acquired GlaxoSmithKline Consumer Healthcare Ltd in an all-stock transaction for USD 4.54bn in December 2018. The move has helped HUL make its most ambitious foray into the health and wellness space.
- In December 2018, Swiggy, which entered India's unicorn club earlier this year, raised USD 1bn in fresh capital from existing and new investors such as Naspers Ltd and Tencent Holdings Ltd, marking what was by far the biggest ever funding round in the country's booming food tech sector. As a result, Swiggy became the fifth most valuable start-up in the country, commanding a valuation of USD 3.3bn.
- HCL Technologies spent USD 1.78bn buying eight software products from International Business Machines Corp. (IBM). In an all-cash transaction. HCL expects that the eight software products will help it generate USD 625m in incremental revenue in the 12 months after the completion of the deal.
- In October 2018, Cadila Healthcare and Zydus Wellness entered into a definitive agreement to acquire Heinz India for USD 625m. With this acquisition, the turnover of the consumer business segment of Zydus will surge to over USD 23m, making it one of the biggest players in the FMCG and healthcare market.
- Reliance Industries Ltd, through its subsidiaries, acquired a 77.34% stake in cable provider Hathway Cable and Datacom Ltd. The deal was valued at USD 599.89m. The transaction will help Reliance's mobile network operator Jio Infocomm to accelerate the roll-out of its fibre-based broadband service to 50 million homes.

LOOKING AHEAD

Walmart's acquisition of Flipkart, as well as global geopolitical developments such as the US-China trade war, supplemented by the large Indian consumption story that continues to drive the mid-market and a robust economy that can withstand turmoil, should continue to make India an attractive M&A market for companies in the US and Europe.

With a stagnation in growth in various developed markets, there is a large scope for M&A activity in India, especially if mid-market companies in the developed markets view India more constructively. As a consequence, deal-making activity is not expected to fall and higher deal sizes and volumes are expected in the next year. Investments in various specialty sectors are on the rise. If one looks at India as a mid- to long-term strategy, it is arguably one of the most robust markets for both domestic and international investments and this is expected to keep investor confidence and returns at high levels.

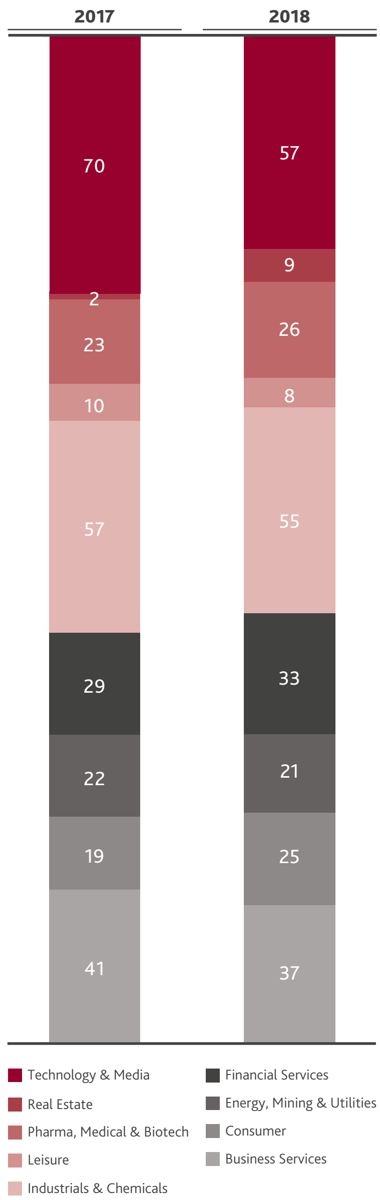
KAREN GUPTA
HEAD OF CORPORATE FINANCE

karangupta@bdo.in

INDIA
HEAT CHART BY SECTOR

Technology & Media	47	22%
Industrials & Chemicals	36	17%
Financial Services	35	16%
Consumer	31	14%
Business Services	29	13%
Energy, Mining & Utilities	13	6%
Pharma, Medical & Biotech	11	5%
Leisure	10	5%
Real Estate	6	3%
TOTAL	**218**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

RISING TRADE TENSIONS AND SLOWING OUTBOUND CAPITAL FLOWS IMPACT DEAL ACTIVITY, BUT OUTLOOK STAYS POSITIVE

BIG PICTURE

- Outbound transactions fall as a result of China's efforts to slow the outbound flow of capital and rising trade tensions with the US
- Mid-market volumes decreased from a total of 1,860 deals throughout 2017 to 1,774 deals throughout 2018. Year-on-year deal value decreased by around 5%
- Looking ahead, China is expected to play down its ambitions to be a major manufacturing power and give foreign companies greater access to the technology sector.

Mid-market M&A volume increased to 480 deals in Q4 2018 compared to 459 deals in the Q3 2018. However, deal volume dropped by 19% compared to Q4 2017. Total deal value in Q4 2018 decreased by around 4% from Q3 2018 and fell by more than 22% from Q4 2017.

DEAL SCRUTINY INCREASES

The US-China trade war significantly affected China-led deals into the US in 2018. It has also become increasingly difficult for Chinese businesses to acquire advanced technological assets in the US as the US has expanded the rules to review foreign-led transactions.

As a result, Chinese investors have considered other markets for potential deals, particularly Europe. The overall value of deals in Europe 2018 reached its second-highest level in the past 10 years. However, various European countries are set to tighten controls and scrutiny for foreign investment and Chinese outbound transactions. In particular, acquisition of critical technologies such as biotechnology and semiconductors will face increased scrutiny.

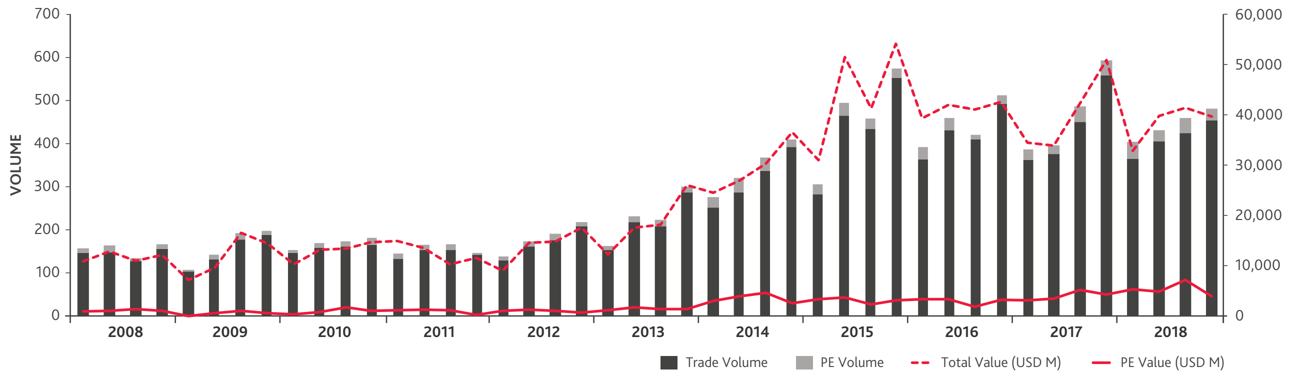
In this respect, the UK and Germany have expanded their ability to block deals involving certain critical technologies in 2018. The European Union is also expected to adopt new rules in 2019 that will give European countries a broader framework to review transactions on national security concerns.

GREATER ACCESS TO CHINESE ECONOMY

In response to the increased scrutiny and trade war with the US, it is reported that China is considering adjusting its 'Made in China 2025' state-led industrial policy. This was introduced in 2015 to make China a global high-tech manufacturing base. China has also encouraged Chinese businesses to make more efforts to promote Chinese exports and attract foreign investment.

China and the US are continuing to negotiate over US demands for stronger protection for US intellectual property and finalizing the timetable and road map for the next stage of the trade negotiations.

PE/TRADE VOLUME & VALUE



TOP DEALS

The largest mid-market deal in Q4 2018 was in the Real Estate sector. The top three major mid-market deals included:

- Shui On Land Ltd's USD 495m investment in China Xintiandi Holding Company Limited – announced in December 2018;
- Gettop Acoustic Co., Ltd's USD 490m investment in Wanmo Acoustics Technology Co., Ltd. – announced in November 2018; and
- Multiple investors including China Huarong Asset Management Co., Ltd., Hunan Caixin Financial Holding Group Co., Ltd., BOC Financial Asset Investment Co., Ltd., CCB Financial Asset Investment Co., Ltd., Agricultural Bank Financial Assets Investment Co., Ltd. and Shenzhen Zhaoping Suida Investment Center (Limited Partnership) invested USD 478m in Xiangtan Iron & Steel Co., Ltd. of Hunan Valin, Valin LY Steel Co., Ltd. and Hengyang Valin Steel Tube Co., Ltd. – announced in December 2018.

LOOKING AHEAD

Similar to Q3 2018, the latest BDO Heat Chart for Greater China indicates that there are a total of 1,295 deals planned or in progress with 374 (29% of total deals) related to Industrials & Chemicals and 213 (16%) related to TMT. Other key sectors include Business Services, Consumer and Financial Services.

Rising interest rates, general political uncertainty and the unstable global stock markets are key factors that may affect China-led transactions in 2019. However, the number of inbound deals into China are expected to increase as China seeks to be more open to attract overseas capital amid the increased tensions and overseas regulatory scrutiny.

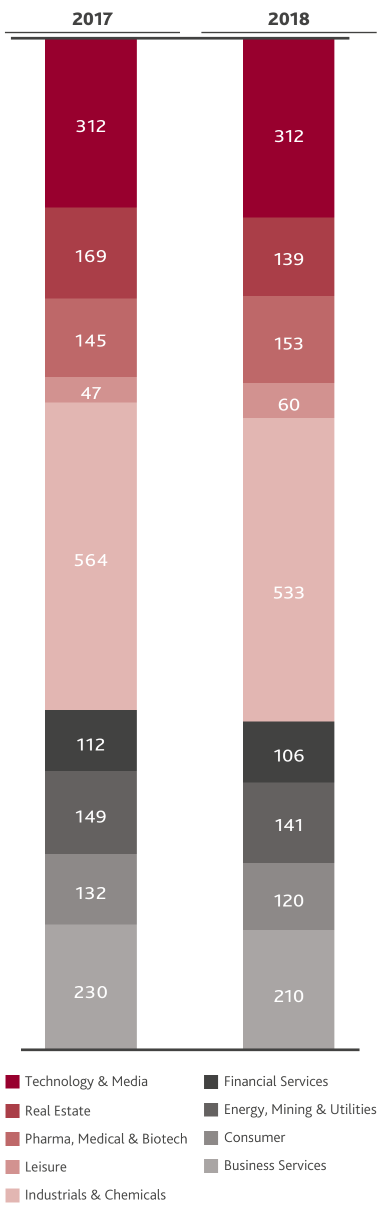
KENNETH YEO
DIRECTOR
kennethyeo@bdo.com.hk

ALBERT SO
PRINCIPAL
albertso@bdo.com.hk

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	374	29%
Technology & Media	213	16%
Business Services	156	12%
Financial Services	122	9%
Consumer	118	9%
Energy, Mining & Utilities	103	8%
Pharma, Medical & Biotech	93	7%
Real Estate	68	5%
Leisure	57	4%
TOTAL	**1,295**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



JAPAN

DEAL VOLUME FALLS FOR FOURTH CONSECUTIVE QUARTER BUT VALUE INCREASES

BIG PICTURE

- The TMT and Industrials & Chemicals sectors drove M&A activity in 2018
- Industrials & Chemicals saw increased activity, possibly driven by preparations for the 2020 Olympic Games
- SME business succession remained an urgent issue.

The total value of Japan's top 10 deals in Q4 2018 was USD 3,833m, with the TMT and Industrials & Chemicals sectors accounting for about 73% of deal value. These two sectors drove mid-market deal activity in Q4.

In 2018, deal volume in Japan's mid-market M&A decreased for four quarters in a row, but deal value increased from USD 4,088m in Q3 to USD 4,260m in Q4. The average deal size in Q4 was USD 89m, compared to USD 82m in Q3, which indicates that deal sizes are increasing.

Looking at deal volumes in 2018, 68 deals were completed in Q1 2018 but this figure fell to 48 in Q4 2018, a decline of 29%. This represented the first big decline since the slowdown from Q1 2015 to Q3 2015, when deal volume fell from 72 to 46 (down 36%) and deal value fell from USD 4,425m to USD 3,314m (down 25%).

PE deal activity in 2018 saw deal volumes fall but deal values remained at high levels.

KEY DEALS AND SECTORS

The TMT and Industrials & Chemicals sectors remained the driving force of Japan's mid-market activity. Across all sectors, a total of 48 transactions were completed but TMT and Industrials & Chemicals accounted for 50% of total volume with 24 deals.

In 2018, TMT accounted for 22% of deals in Q1, 27% in Q2, 30% in Q3, and 17% in Q4, while Industrials & Chemicals' share was 24% in Q1, 31% in Q2, 36% in Q3, and 33% in Q4. Unsurprisingly, the two sectors dominated Japan's M&A activity in the last three quarters of 2018.

The most significant deal in the top 10 transactions was the business integration of Fukuoka Financial Group, Inc. and The Eighteenth Bank, Limited. The TMT and Industrials & Chemicals sectors accounted for 73% of the top 10 deals.

Deal volume and value in Industrials & Chemicals have increased in the last three quarters and Construction, which is being positively impacted by the upcoming 2020 Olympic Games in Japan, is part of this sector.

PE/TRADE VOLUME & VALUE

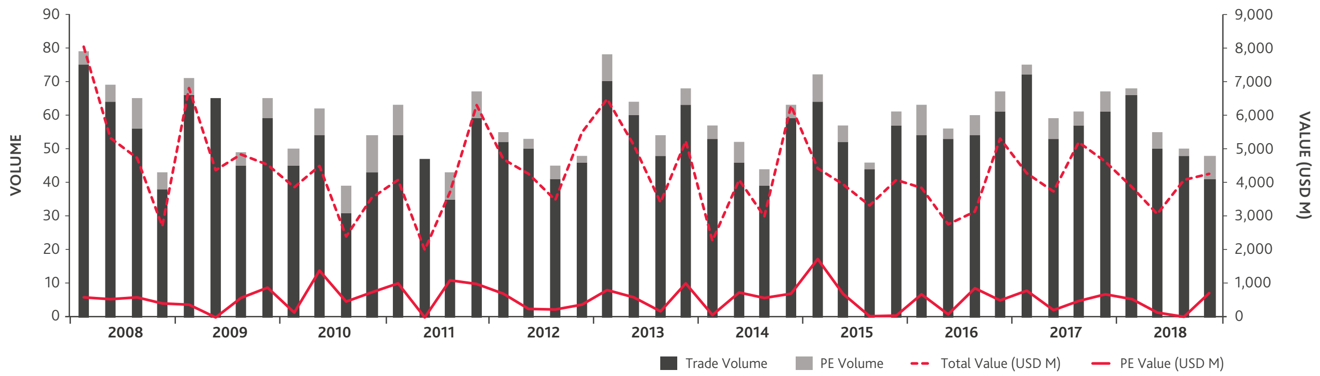


Figure 1 is from Japan's METI* and shows the ageing of the country's SME management. To address this issue, SMEA (Small and Medium Enterprise Agency) have formulated a 'Five-year Business Succession Plan'.

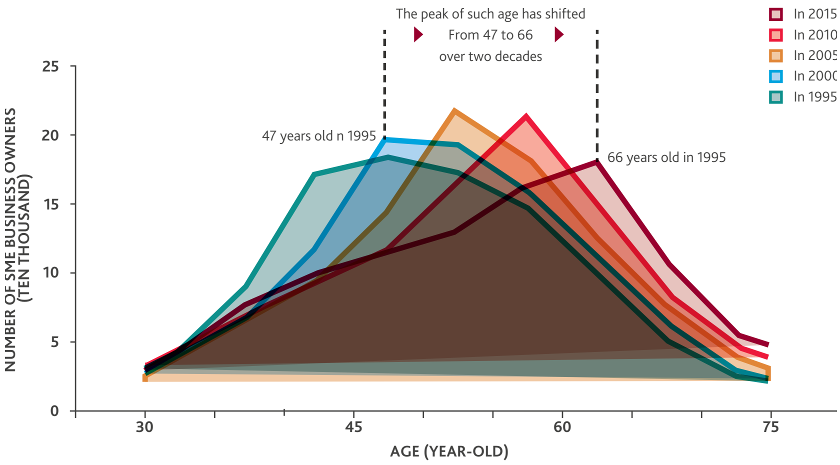
LOOKING AHEAD

Looking at the BDO Heat Chart, the TMT, Industrials & Chemicals and Business Services sectors are predicted to account for 63% of all transactions. And according to the chart, TMT and Industrials & Chemicals will continue to be the driving force of the country's mid-market deals.

From the data available, it is difficult to tell how much of the current aggregate value corresponds to M&A activity for SMEs, but an increase in M&A to resolve SME business succession issues is expected in the future.

FIGURE 1

Distribution of age of SME business owners by 5 year period



SOICHIRO KITANO
PARTNER
kitano@bdo.or.jp

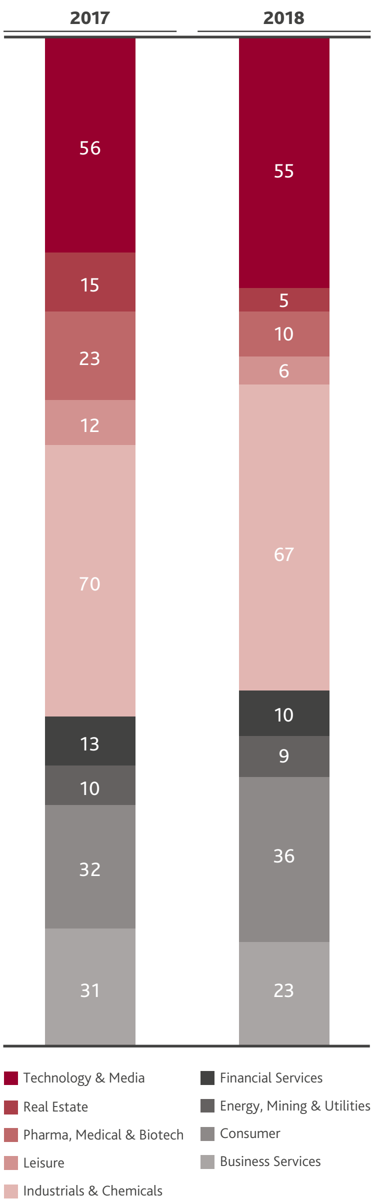
YASUO UENO
y-ueno@bdo.or.jp

* www.meti.go.jp/english/press/2017/0707_001. html

JAPAN
HEAT CHART BY SECTOR

Industrials & Chemicals	43	23%
Technology & Media	40	21%
Business Services	28	15%
Consumer	23	12%
Pharma, Medical & Biotech	22	12%
Financial Services	15	8%
Real Estate	6	3%
Energy, Mining & Utilities	5	3%
Leisure	5	3%
TOTAL	**187**	**100%**

JAPAN
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

HIGHER LEVELS OF M&A ACTIVITY RECORDED IN Q4

BIG PICTURE

- Deal volume increased slightly compared to previous quarter but deal value was lower
- PE activity dropped off in Q4
- Industrials & Chemical strengthened its positions as the region's leading sector.

The M&A market in South East Asia recorded higher levels of activity in Q4 2018 compared to the previous quarter in terms of the volume of deals but the overall value of the deals was lower. In total, 84 deals were completed during the quarter compared to 80 deals in Q3 2018, which represented an increase of 4.1%, while the total value decreased to USD 6.2bn compared to USD 7.0bn in Q3 2018.

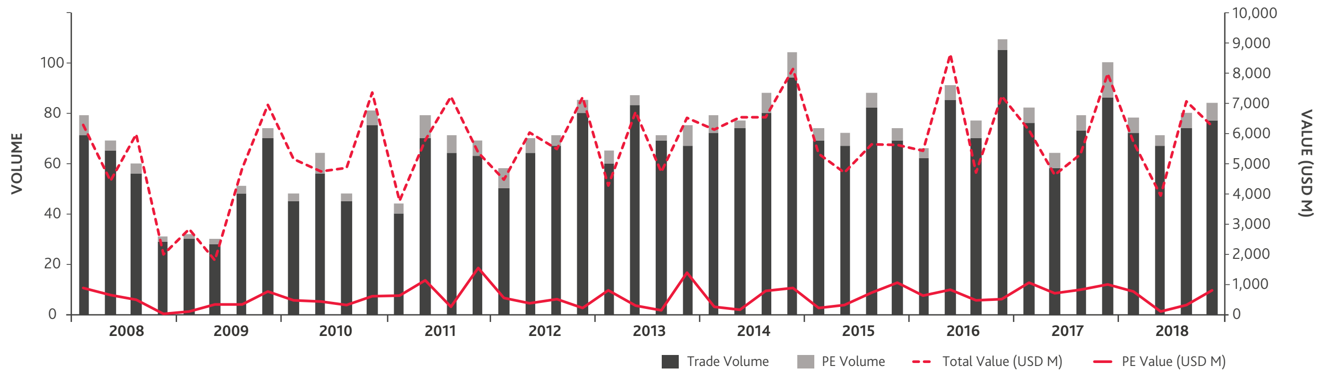
The top 10 deals for Q4 2018 amounted to USD 3.0bn, representing 48.3% of the quarter's total deal value. The PE segment completed seven deals in Q4 2018, which was seven deals less than the corresponding period in 2017. As a result, PE activity formed a small proportion of the quarter's total M&A activities, representing 8.3% of the number of deals and 12.9% of the transaction value.

KEY DEALS AND SECTORS

The quarter's most active sectors were Industrials & Chemicals, TMT and Consumer, which together accounted for 55% of the total deal numbers in Q4 2018. Industrials & Chemicals was the most active sector with 19 completed deals followed by TMT with 14 deals and Consumer with 13 deals.

The top three deals took place in the Industrials & Chemicals and Consumer sectors. The biggest deal was the acquisition in Vietnam of a 57.7% stake in Vietnam Construction and Import-Export Joint Stock Corporation by An Quy Hung Limited Company for a consideration of USD 426m, followed by the acquisition of a 67.1% stake in Kian Joo Can Factory Bhd in Malaysia by Can-One Berhad for a consideration of USD 369m million. In third place was the acquisition of a 100% stake in V3 Group Limited in Singapore by Kohlberg Kravis Roberts & Co. L.P. for a consideration of USD 366m.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The main focus of future M&A activity would appear to be in the Industrials & Chemicals sector. This sector achieved the highest number of completed deals in 2018 with a total of 71 deals and remained the top performing sector in Q4 2018 with 19 deals completed. Meanwhile, M&A activities in the Business Services sector achieved a total cumulative number of 42 deals as at the end of Q4 2018.

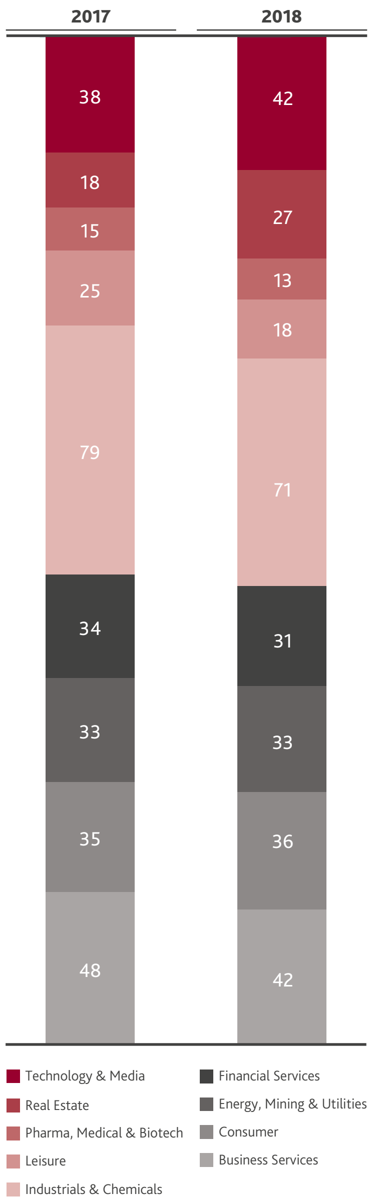
As in previous quarters, M&A activities in South East Asia remain dependent on the current economic challenges faced by the region, which include the outlook on crude oil prices, the ongoing US-China trade war and the consequential fluctuation of currencies in the region. With weakened South East Asia's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

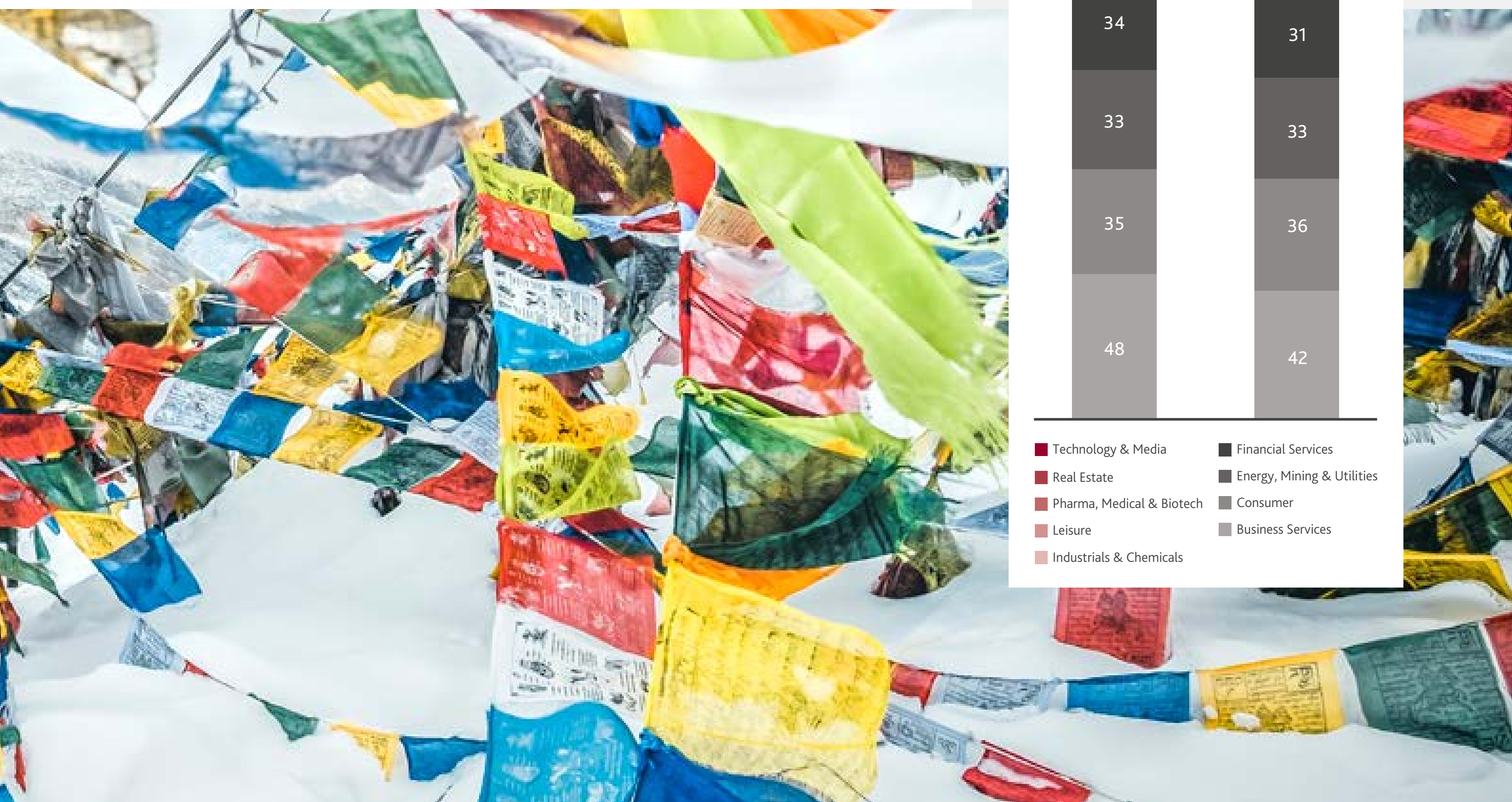
FEIZAL MUSTAPHA
CHAIRMAN AND EXECUTIVE DIRECTOR, ADVISORY
feizal@bdo.my

SOUTH EAST ASIA
HEAT CHART BY SECTOR

Technology & Media	90	19%
Industrials & Chemicals	75	16%
Business Services	68	14%
Consumer	61	13%
Energy, Mining & Utilities	46	10%
Financial Services	44	9%
Pharma, Medical & Biotech	34	7%
Leisure	27	6%
Real Estate	24	5%
TOTAL	**469**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR





AUSTRALASIA

BIG-TICKET DEALS IN 2018 DRIVE TOTAL DEAL VALUE TO HIGHEST LEVEL SINCE 2015

BIG PICTURE

- 2018 deal volume decreased by 10% compared to 2017 but total deal value increased by 17%, driven by big-ticket deals
- Q4 2018 deal volumes fell 28% compared to Q4 2017, with a 1% increase in average deal value
- Australasia continued to be a favourable destination for foreign buyers, with seven of the top 10 deals in Q4 2018 completed by foreign firms
- A strong M&A pipeline of 450 deals indicates positive momentum into 2019.

A total of 89 deals, with a combined deal value of USD 4.2bn, were successfully completed in Q4 2018. This represented an 18% decrease on Q3 2018's deal volume of 108 and a 27% decrease in total value compared to the corresponding quarter in 2017.

The average transaction value for Q4 2018 was USD 47m, which represented a 1% increase in deal value compared to Q4 2017.

PE deal transaction values for Q4 2018 quarter increased from USD 45m to USD 77m versus the corresponding quarter in 2017. Overall, the proportion of mid-market PE transactions increased slightly in 2018 to 10.3% (35 transactions) of the total deals compared to 9.5% (36 transactions) in 2017. The general consensus suggests that PE deal-making will continue to rise in the coming quarters underpinned by cashed-up private equity buyers and generally favourable economic conditions, with continuing low interest rates and strong liquidity from the banks.

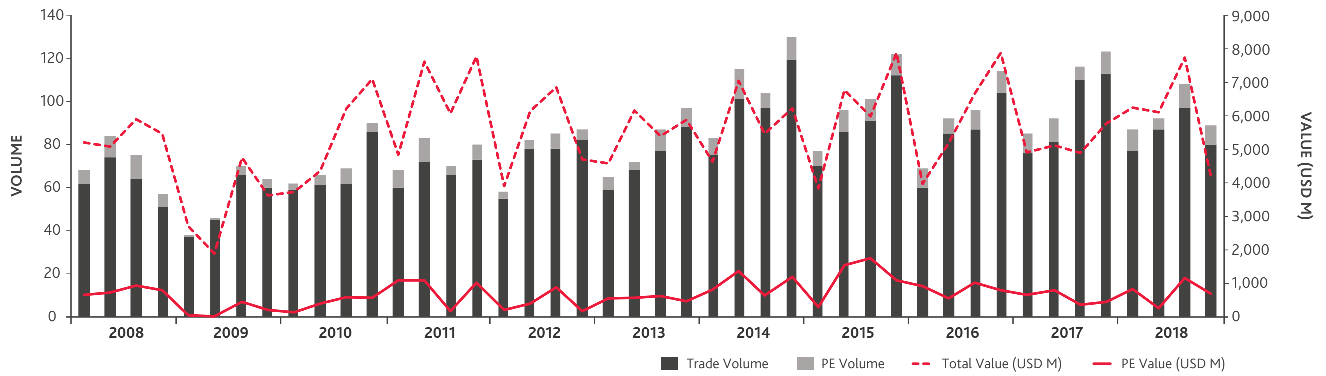
The Industrials & Chemicals and Energy, Mining & Utilities sectors accounted for the largest number of deals in 2018 with 62 and 61 deals respectively. The largest drop in deal volumes by sector in 2018 compared to 2017 was in the Business Services sector, which fell by 39%.

KEY DEALS

The largest deal in Q4 2018 was Swiss-listed Temenos Group fintech's acquisition of Avoka Technologies Pty Limited, a provider of onboarding platforms to financial services organisations, for USD 245m. The second largest deal was Beach Energy Limited selling 40% of its Victorian/Tasmanian Otway basin interests to Monaco-based O.G. Energy Limited for USD 243m.

Other notable deals that featured in the mid-market top 10 included KKR private equity buying a 17.6% stake in MYOB Group Limited for USD 231m from Bain Capital LP. KKR has subsequently launched a takeover offer for MYOB Group. Malaysian Press Metal Aluminium Holdings Bhd purchased a 50% stake in Japan Alumina

PE/TRADE VOLUME & VALUE



Associates (Australia) Pty Ltd for USD 178m and Singapore-listed Golden Energy & Resources Limited and Ascend Global Investment Fund acquired Stanmore Coal for USD 160m.

In New Zealand, intelliHUB Group, a joint venture with Pacific Equity Partners, acquired Mercury NZ Limited's smart metering business, Metrix, for USD 184m and Next Capital acquired NZ Bus from Infratil Limited for USD 146m.

International interest in Australasian companies remains high as foreign firms continue to view the region as a safe investment hub offering diversification benefits and attractive returns, with seven of the top 10 deals featuring foreign bidders from outside the region.

LOOKING AHEAD

We anticipate strong M&A activity to continue into 2019 underpinned by a strong pipeline with 450 deals under consideration, strong interest from offshore investors, cashed-up private equity buyers, and large corporates with strong balance sheets and access to low interest rates.

While there are some global downside risks with the US-China trade war and Brexit, they look to be outweighed by the momentum currently in the Australasia market, which is forecast to continue to grow and remains an attractive investment destination for foreign corporates and private equity firms.

Our analysis indicates that the Consumer and Business Services sectors are expected to see the most M&A activity with 78 and 74 deals in the pipeline respectively. They are closely followed by Technology, Media and Telecommunications with 68 deals.

In New Zealand, three transactions with an approximate value of NZD 3.4bn are subject to takeover approval in the local share market by offshore private equity. This includes UK private equity company Apax Partners' takeover offer of TradeMe for NZD 2.5bn; Mexican private equity firm Finaccess' 75% takeover offer of Restaurant Brands for NZD 881m and Texas-based private equity firm ESW Holdings' takeover offer of SLI Systems for NZD 40m, further illustrating that Australasia continues to be an attractive destination for offshore investors.

DANIEL MARTIN
ASSOCIATE

daniel.martin@bdo.co.nz

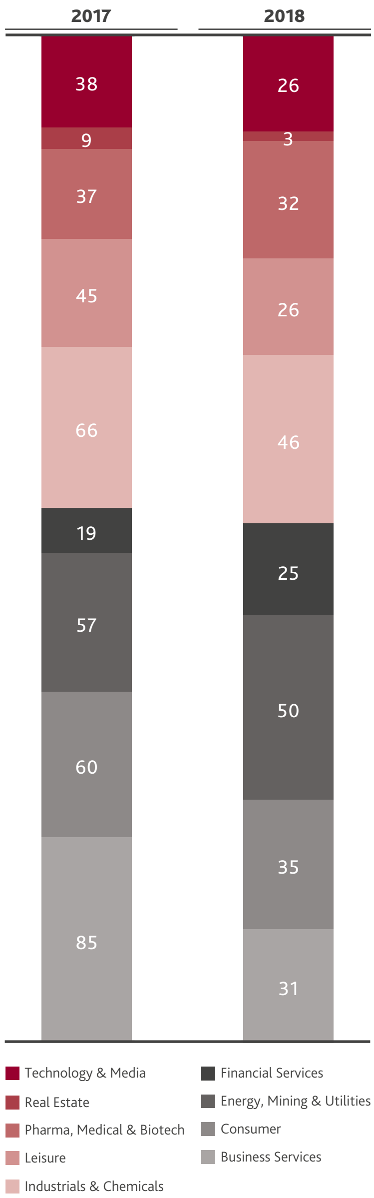
GEORGE BANNERMAN
SENIOR MANAGER

george.bannerman@bdo.co.nz

AUSTRALASIA
HEAT CHART BY SECTOR

Consumer	78	17%
Business Services	74	16%
Technology & Media	68	15%
Energy, Mining & Utilities	57	13%
Industrials & Chemicals	55	12%
Pharma, Medical & Biotech	49	11%
Financial Services	37	8%
Leisure	21	5%
Real Estate	11	2%
TOTAL	**450**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



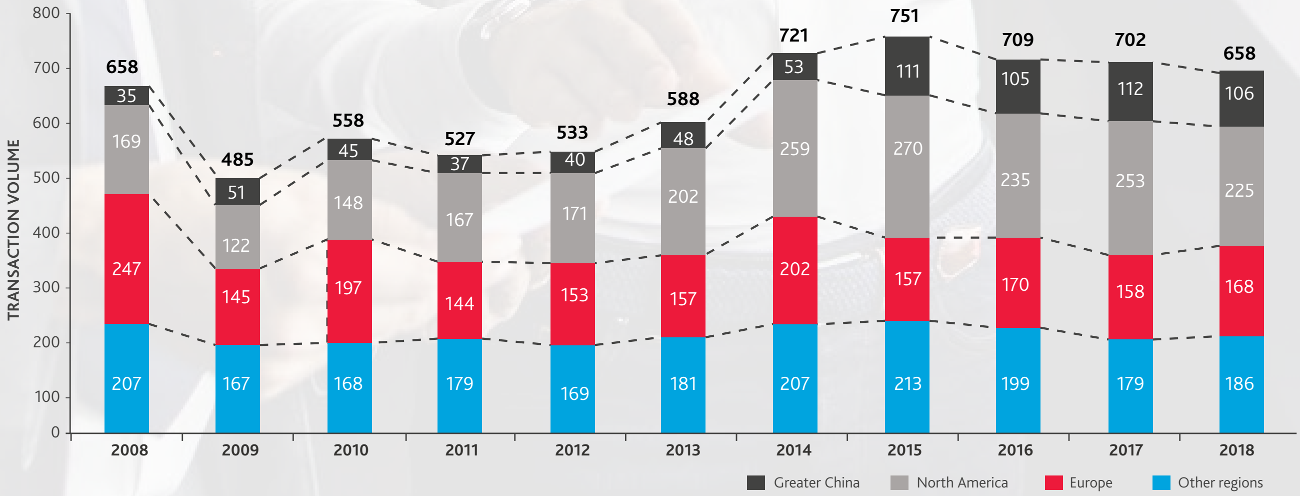
SECTOR VIEW



FINANCIAL SERVICES

DEAL ACTIVITY HOLDS STEADY WITH CONTINUING FOCUS ON FINTECHS

We anticipate that financial investors, as well as Chinese strategic investors, will continue to seek opportunities in the European Financial Services sector in 2019. In Europe, after Article 50 was triggered by the UK and preparations for Brexit started, we noted that Financial Services M&A activity may accelerate as companies and investors seek to 'bridge' the Channel in both directions.



Source: merger market, BDO analysis

KARSTEN PAETZMANN
PARTNER
karsten.paetzmann@bdo.de

BDO FINTECH EVENT 'THE4'

In the Q1 2018 issue of HORIZONS, we emphasised the strategic importance of financial technology for incumbent banks, asset managers and insurers. In fact, we anticipated that additional FS M&A activity would be triggered by the further rise of fintechs and insurtechs.

In November 2018, BDO Germany's Financial Services practice organised a panel discussion with executives of four leading fintechs. This event was moderated by Clas Beese, the founder of Hamburg Fintech Week, Germany's largest fintech event.

FINTECH CASE STUDIES

THE MOBILE FINANCIAL SERVICES PROVIDER

We helped our client, a leading European provider of mobile financial services in consumer banking, to successfully complete an IPO. As a pioneer in the field of financial technology, our client had expanded operations to more than 20 countries since its formation and wanted to use the net proceeds from the IPO to implement a growth strategy and strengthen its equity position.

BDO assisted the sole global arranger and sole bookrunner with the preparation of financial due diligence on historical financials, the business plan and regulatory matters. The Fintech was subsequently listed on the Stock Exchange with gross proceeds exceeding €100m.

THE ONLINE BROKER

We helped our client, a market leader in online securities business, offering brokerage, banking and advisory services to more than two million private customers, to acquire a competitor that owned a fast-growing finance portal.

The client's objective was to fuel additional growth and strengthen its position in the market through this acquisition. As a result of the successful deal, the client now operates a successful financial website with approximately 200 million page impressions a month.

BDO and BDO Legal assisted the client with financial, regulatory, tax and legal due diligence. Both BDO and BDO Legal teams supported the client throughout the process, providing valuation, negotiation and SPA assistance. Following the closure of the transaction, the client further engaged BDO for post-deal integration support.

THE B2C FINANCIAL COMPARISON WEBSITE

We worked on one of Europe's biggest European Fintech acquisitions. Our client is an operator of professional digital platforms, which bring suppliers and users together. Its digital marketplaces are focused on real estate and cars and the client is well positioned as a market leader in several European countries.

To accelerate the profitable growth of its automobile marketplace, the client intended to acquire a leading German B2C finance comparison site in the consumer finance sector that allows customers to compare different credit products.

BDO assisted with due diligence on the fintech target including historical financials, the target's stand-alone business plan, regulatory and tax. The client purchased the Fintech for more than €250 million.

THE SECURITIES TRANSACTION FINTECH

Our client, a fast-growing fintech, operates unique financial technology in the securities transactions business. The company offers its white label banking technology to B2B customers, assisting start-ups and business models that require a banking license.

In order to simplify the group structure, which consisted of multiple fintech entities, the client decided to merge two fintechs by way of capital increase against contribution in kind.

BDO was engaged by the client to determine the contribution value. The report prepared by BDO's fintech valuation experts confirmed that the value of the assets contributed was equal at least to the nominal value of the shares to be issued in exchange for the contribution.

REAL ESTATE

DEAL ACTIVITY BOUNCES BACK IN Q4 BUT FIGURES ARE STILL BELOW 2017 HIGHS

Global real estate transactions in Q4 2018 improved significantly in comparison to the below average results recorded in Q3 2018, which were at their lowest levels since Q2 2016. Albeit Q4 2018's results represented a significant improvement to Q3 2018, deal activity has not recovered to the high level of transactions that took place in 2017.

The market conditions that underpinned growth in 2017 have slowed down, due to an undercurrent of caution being exercised in the real estate market as a result of current market turbulence.

Real estate continues to attract capital, showing its appeal as an asset class in a market where market sentiment is bearish due to:

- near term risks to the macro outlook from global growth as a result of notable events such as Brexit and political unrest in the European block; and
- trade tensions between the US and China.

ECONOMIC CONTEXT

Interest rates and rising inflation in developed countries remain a major risk as central banks are reducing monetary accommodation, which may impact the amount of dry powder available in the medium to long term, impacting deal activity. Real estate yields in developed markets in comparison to 10-year treasury bond yields suggests there is still a fairly attractive spread being offered and therefore rising interest rates should be able to be absorbed, within reason.

Economic growth spurred by tax cuts and fiscal stimulus in the US was of no consequence to an increase in deal activity in the US. This is due to the US being in a late cycle property market, as are most developed countries. As a result of developed countries being in a late cycle, traditional real estate hubs have been exhibiting a constant decline in deal activity. Real estate deals in North America declined slightly between 2017 and 2018, whereas in Europe a deal activity declined by c. 28%. This was predominantly driven by an almost 50% decline in deal activity in UK & Ireland and Southern Europe. In light of the decline in deal activity, there were a few notable real estate transactions that occurred in Q4 2018 in Southern Europe and North America that are outlined later in this article.

Developing countries, excluding China, are in the early to mid-cycle property market, however the adverse impact that rising US yields and an appreciating USD are likely to result in stunted growth in the sector. India however did have a notable real estate transaction during Q4 2018.

Asia continued to prop up M&A real estate global activity, accounting for c. 70% of 2018 transaction volumes. This is consistent with the quarterly performance of this sector throughout 2017 and 2018. The Chinese market makes up the lion's share of deal activity with c. 80% of Asia's transaction volumes taking place in China. Although China was at the forefront of deal activity in 2018, there was a decline in transaction volumes of c. 22% between 2017 and 2018. The region is benefitting from its own sovereign and institutional funds, which hold vast stockpiles of accumulated capital. However, there are strong headwinds as a result of uncertainties arising from the trade tensions between the US and China.

SEBASTIAN STEVENS
PARTNER
sebastian.stevens@bdo.com.au

Although M&A real estate activity fell in 2018, deal volumes were still significantly higher than historical levels, with the exclusion of 2017. Despite market volatility, inflationary and interest rates pressures, real estate remains a good asset class, given growing population numbers, particularly in developing markets which appear to be grooming themselves to take centre stage in the real estate market in the years to come. Asia will most likely continue to prop up M&A activity in the real estate space for the foreseeable future as it has sufficient stockpiles of accumulated capital ride out current macroeconomic tensions. Commercial real estate in developed markets is stable due to low vacancy rates and well-placed valuations. A risk to this space worth looking out for in the not so distant future is digital disruption and how the industry will counter this to ensure that property portfolios remain relevant to occupiers.

KEY DEALS

A number of prominent deals were completed in the real estate sector in Q4 2018.

ASIA

- Shui On Land Ltd purchased a 21.89% interest in China Xintiandi Holding Company Limited for USD 495m;
- Hainan International Tourism Island Development and Construction Group Co., Ltd. purchased Hunan Xinhezuo Xiangzhong Logistics Co., Ltd. and a 92.99% interest in Tianjin Ninghe HNA Property Investment and Development Co., Ltd for USD 371m.

NORTH AMERICA

- US-based company, Elad Group, purchased an 81.08% interest in Agellan Commercial Real Estate Investment Trust, a Canadian incorporated REIT, for USD 439m;
- Corporate action between two Canadian entities resulted in a merger between Bentall Kennedy Group and GreenOak Real Estate Advisors LLP for a deal value of USD 414m.

SOUTHERN EUROPE

- doBank S.p.A., an Italian Bank, purchased an 85% interest in Altamira Asset Management, S.A., an asset management firm in Spain that provides real estate investment services, for USD 401m;
- Intrum AB, a Swedish credit management and financial services company, purchased an 80% interest in Solvia Servicios Inmobiliarios, S.L.U, a Spanish real estate services company, for USD 272m.

NORDIC REGION

- Stendorren Fastigheter AB, a Swedish incorporated entity, was purchased by EQT Partners AB (a Swedish private equity fund of funds) for USD 310m.

INDIA

- Mapletree Investments Pte Ltd, a Singapore-based entity, purchased Indian real estate development company, Faery Estates Private Limited, for USD 233m.

TMT

FIVE TRENDS THAT COULD SHAPE TECHNOLOGY M&A IN 2019

JAKOB SAND
PARTNER,
LEADER OF TECHNOLOGY

jks@bdo.dk

M&A trends in the technology, media and telecommunications (TMT) space continue to evolve at breakneck speed. Disruptive new technologies, crumbling industry silos and macroeconomic trends are all playing pivotal roles in deciding companies' and corporations' appetite for new acquisitions. These are all facts that will indubitably remain true in 2019.

In BDO's recently published 'Technology's Balancing Act: 10 Tech Predictions for 2019'*, we presented an overview of the major trends that are likely to influence deal-making activity in the TMT space. In this article, I take a closer look at what five of those trends may mean for deal activity and value.

5G BEGINS TO BREAK THROUGH

5G networks will be about 100 times faster than 4G, meaning you will be able to download an HD feature-length film in about five seconds. This next generation of mobile data infrastructure has the potential to boost connectivity, productivity and become the backbone for new technologies such as self-driving cars, smart city environments and the ever-expanding Internet of Things (IoT).

Analysts believe that 5G's market value will be USD 251bn by 2025. Telecoms and technology companies will likely both pursue M&A to consolidate positions and build out solution portfolios capable of exploiting the higher transfer speeds.

VIRTUAL ASSISTANTS FIGHT FOR OUR HOMES

Advancements in AI are making automated virtual assistants like Amazon's Alexa more human by the day. A good thing too, as they are increasingly moving into our homes.

Acquisitions like Samsung's USD 215m deal for AI platform Viv and Microsoft's purchase of software product design and development studio Xoxco indicate that they intend to lock horns with both start-ups and other technology heavyweights such as Google and Amazon over whose assistant will be the platform for our interactions with smart home technology.

As a result, M&A in the space will continue to gather pace as companies look for a competitive edge by adding new features and upgrading existing systems.

BLOCKCHAIN AND AI KEEP MARCHING FORWARD

Blockchain and AI dominated technology-related news in 2018. We can expect more of the same in 2019.

The blockchain ecosystem is reaching a level of maturity that will lead to more deals, as companies look to either consolidate their market positions or acquire and integrate blockchain solutions. BDO tracked 31 blockchain deals in 2018. While still relatively modest, it was more than double the number of deals in 2017. We expect to see continued growth in deal numbers in 2019 and beyond as well as the emergence of blockchain-as-a-service (BaaS) solutions.

AI solutions have quickly moved from blue-collar jobs into industries like law, finance and healthcare. Automation of more and more job tasks is a driving force, and deals in the white-collar automation software market saw an average EBITDA of close to 13x during 2018.

CHINA AND US UNCERTAINTY

Apple's recent downgraded sales projections, due to lower demand, particularly in China, sent its stock price tumbling. Chinese growth is slowing, which could be a cause for concern. Around the same time, the US stock market underwent a period of turmoil. The world's two largest markets are also embroiled in an ongoing tariff war. President Trump has stated the tariffs are partly due to China's perceived exploitative M&A policies.

In the short term, the trade tensions and slower Chinese market growth may lead to further stock market fluctuations and delayed business deals, including M&A. The long-term consequences of geopolitical uncertainty could include restricted access to markets and supply chain challenges, as well as increased costs of goods and services.

REGULATIONS RAMP UP

Global and national authorities have been eyeing developments in the technology, media and telecommunications industries with increasing concern. 2018 was dominated by new legislation and calls for companies like Google and Facebook to change how they collect and share data.

Changing regulatory frameworks focused on how data is collected and shared will impact big tech companies, as well as emerging technology start-ups in areas including drones, self-driving cars and IoT. We expect more data and cybersecurity M&A to meet stricter regulations, such as the new European GDPR laws.

* www.bdo.co.uk/en-gb/insights/industries/technology,-media-and-life-sciences/technology-s-balancing-act-10-tech-predictions-for-2019

SOME OF OUR RECENTLY COMPLETED DEALS

Erdo Holland Co purchased Gilden Holding

DECEMBER 2018

Advisor of Toni Müller Haustechnik AG during the sales process to Alois Bättig AG

NOVEMBER 2018

Advisor to Novartis and Clariant on the sale of two major industrial parks in Muttenz to GETEC

NOVEMBER 2018

€977.00k

BDO was the adviser of the Republic of Serbia in the privatization of Hidrotehnika-hidroenergetika a.d. Beograd

NOVEMBER 2018

Advisor to Allianz Real Estate on the acquisition of a share in the Ocean Financial Centre Singapore

NOVEMBER 2018

Supporting the shareholders as Lead Advisor in the succession process, whereby an MBO was carried out

SEPTEMBER 2018

BDO assisted the Seller in the sale of the shares in Jan Kuipers Nunspeet B.V.

SEPTEMBER 2018

BDO provided CF advice to Key Capital on the sale of the Sunday Business Post to Kilcullen Kapital

SEPTEMBER 2018

PRIVATEFLY

BDO advised on the sale of PrivateFly Limited to SkyJet Europe Limited, a portfolio company of Directional Aviation LLC

SEPTEMBER 2018

TIELIU 铁流

Advisor to Zhejiang Tieliu on acquisition of Geiger Fertigungstechnologie from KAP

AUGUST 2018

Tecsedo

Supporting the shareholders of Tecsedo SA as Lead Advisor during the sale to the Riverside-Group

JULY 2018

CLUB HOUSE MILLIONNAIRES

A Canadian importer and distributor of a leading brand of premium canned seafood products was acquired by a Canadian competitor

JULY 2018

SECURITY STEEL SUPPLY Co.

BDO Capital Advisors' Chicago office advised Security Steel Supply Co.

JULY 2018

PIVOTAL SYSTEMS

Independent limited assurance report for an initial public offering on the ASX

JULY 2018

CSA

M&A sell-side advisory

JULY 2018

dnatatravel

£393.00M

BDO acted as 21.5% shareholder, in connection with the £393 million offer for Hogg Robinson Group Plc by American Express GBT

JULY 2018

FOR MORE INFORMATION:

SUSANA BOO

+44 (0)20 7893 2316
susana.boo@bdo.co.uk

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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