HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS
ISSUE 2 | 2020

WITH DEALS ON LOCKDOWN, IS IT TIME FOR DISTRESSED M&A?

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

AGRI-FOOD AND DRINKS
MANUFACTURING

BDO

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BDO GLOBAL CORPORATE FINANCE

1,530 **COMPLETED** DEALS IN 2019

WITH A TOTAL **DEAL VALUE** OF **$73.2bn**

33% **PRIVATE EQUITY** DEAL INVOLVEMENT

25% OF OUR DEALS ARE **CROSS BORDER**

ONE OF THE **MOST ACTIVE** ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE **PROFESSIONALS**

100 COUNTRIES PROVIDING DEDICATED **CORPORATE FINANCE SERVICES**

*4th leading Financial Due Diligence provider globally – Mergermarket global accountant league tables 2019
5th leading Financial Due Diligence provider in Europe – Mergermarket European accountant league tables 2019

WELCOME

WELCOME TO THE SECOND EDITION OF HORIZONS IN 2020, IN WHICH BDO M&A PROFESSIONALS AROUND THE WORLD PRESENT THEIR INSIGHTS ON MID-MARKET DEAL ACTIVITY AND TRENDS.

In our last publication, we said that we were entering the new decade with some reasons to be optimistic after the dip in global mid-market deal activity for the majority of 2019. At the time of writing we had at the back of our minds some uncertainty as to how the news coming out of China over COVID-19 would influence the world and just how far and fast it might spread. Rather than put pen to paper on it, we left it at that, but now realise just what an impact it has had on all of our lives and in the market in which we operate. In comparison, all of the other M&A deal factors have faded into the background.

It is fair to say as we sat in our offices and travelled around to meetings in February and early March, working away on live M&A transactions, we simply could not have foreseen how rapidly many of those processes would grind to a halt and go on hold. However, as Governments in countries around the world started to take swift measures to reduce the spread of the virus with social distancing and varying degrees of lock-down, the reality of the situation hit us. From that point on, deal after deal went on hold as parties involved switched their thoughts and priorities to their existing businesses or investments rather than expansion.

As the weeks have passed since then, and we have got used to working and communicating remotely, we have seen that there has been a real divide between sectors most impacted and sectors less impacted in terms of M&A. TMT, Life Sciences and food have been less impacted in terms of demand and these are the main areas where our own deal completions have taken place.

As a global organisation with operations in most countries, we have also been able to see how COVID-19 has affected regions differently in terms of the response to it. The experiences of our Asian colleagues has been invaluable to us in adapting as they were remote working before many of us in Europe and the Americas. A level of domestic M&A seems to have continued in many Asian markets with cross-border deals falling away more. In comparison, activity in Europe and the Americas seems to have been harder hit.

In our usual special feature article, we look at whether the restrictions on mobility and economic impact will lead to a swing to more **distressed M&A**. Government support for businesses is having an immediate benefit but as we come out of the current situation, the strain on working capital and the need to recapitalise balance sheets may become more acute. On the demand side, there remains record level of un-invested cash to be deployed in financing the recovery and M&A.

In the **'Sector View'** articles, we look at agri-food and drink and in particular, the Irish market which supports the view of this being one of the sectors to be holding up well in the face of COVID-19.

We also look at manufacturing, which was highly impacted very early on by very high demand on products related to hygiene, foods and pharmaceuticals whilst experiencing dramatic drops and significant pressure to cut costs in other areas. In the intermediate to longer term, it is expected that M&A growth will accelerate, especially on the most resilient areas of manufacturing.

We hope you stay safe and well as we emerge into the light at some point with, at the very least, being more digitally able.

COVID-19 INSTITUTIONAL MEASURES

BDO has put in place an easy to use global tool that provides an overview of measures introduced by governments and institutions in relation to the COVID-19 pandemic.

Please click **here** to access the map tool. Each jurisdiction lists the measures announced to date.

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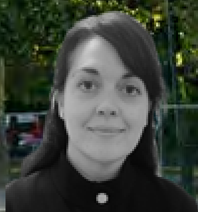

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GLOBAL VIEW

M&A ACTIVITY ACROSS THE WORLD HEAVILY IMPACTED BY COVID-19

Just as we thought things were set to improve in terms of mid-market M&A activity, they took a turn for the worse with the impact of COVID-19. We were pleased to report in the last issue that 2019 deal volumes had ended up at over 2,000, resulting in a more modest reduction of around 10% on the previous year.

That mini-recovery all but collapsed in the first quarter of 2020, with just over 1,300 deals completed, a level of activity last seen in 2009. With the onset of COVID-19 becoming more pronounced in many parts of the world from March onwards, we would expect levels of activity to plummet further in Q2, with many live deal processes put on hold.

While we can rightly draw a comparison with 2009, there are some key differences. The financial crisis of 2008-2009 was a structural issue to markets and the supply of credit. While deal activity did eventually recover, it took until 2013 before it was back to sustained levels of increased activity. The current situation is more of an external shock to the global system, prompting governments around the world to severely restrict people's movements to varying degrees as a response to a medical crisis. Of course, the longer these restrictions continue, the medical crisis will also become an economic crisis with a more prolonged impact on M&A activity. For the time being though there is still plenty of cash in private equity funds and corporate balance sheets but liquidity has understandably dried up.

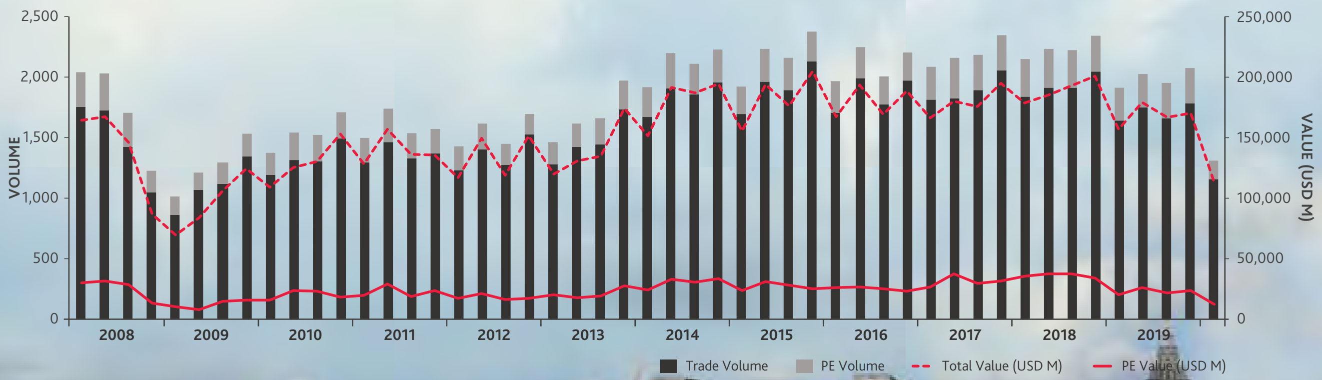
What we have seen with private equity players is an immediate focus on the impact of the current situation on their existing investments. Some of those investments in, for example, food, medical supplies or IT are trading well. Others in, for example, travel and leisure, fashion or non-essential manufacturing sectors are trading less well or hardly at all and may need additional equity injection to see them through the period. Some houses are telling us they will continue to invest in new opportunities, although in a model that relies heavily on getting to know management teams well, that may have to wait for a return to more conventional types of meetings. A rise in special situation investing however seems likely at lower valuations that reflect the trading of some businesses.

Corporates are taking a similar approach to their operations while also tapping into government support packages where available. We can already see them drawing in their horns on immediate M&A activity, because even where it is possible to conclude a deal in a virtual environment, post-deal integration represents a much harder task without travel. We would expect to see some acceleration of non-core disposals however as companies seek to maintain liquidity in the face of revenues falling faster than costs.

As usual, capital markets have reacted faster than private markets, with valuations declining sharply. This will of course have a read across to Private Equity portfolio valuations and in due course deal valuations. Leaving the human impact of the pandemia aside for a moment, a big question for many businesses is: Will the impact on profits be short-lived or will it take longer to return to normal levels of trading?

When we look at the sector data for the first quarter, we can see a clear pattern in the more resilient sectors. Consumer, Energy

GLOBAL MID-MARKET M&A



Mining & Utilities, Industrials & Chemicals, Leisure and Real Estate all saw reductions in deal activity of 40%-50% and in some cases more. In contrast, Business Services, Financial Services, Pharma Medical & Biotech and TMT figures were all down by around 25%-30%.

Viewed geographically, every region around the world experienced a double-digit decline in deal activity in Q1 2020. For over half of the regions that we divide our coverage into, that decline was 40% or more. North America was the least impacted with around a 13% reduction followed by Japan at 15%. If you compare Q1 2020 with the corresponding quarter in 2019, the percentage falls are different but the overall pattern is similar, with over half of the regions showing a decline of 40% or more and North America being closer to 30% down. The data includes both domestic and cross-border deals and our experience from around our own global business is that domestic deals have held up better than cross-border ones.

OUTLOOK LOOKS MUCH MORE RESILIENT

The BDO Heat Charts of predicted deal activity make better reading than the actual first quarter data. At over 8,200 rumoured mid-market deals around the world, they are more in line with most of 2019 (save for a last quarter blip at 11,400). Those figures seem to suggest that deals have gone on hold rather than gone away completely, which is in line with our experience.

How long that continues for is likely to be linked to the length of government restrictions on movement. Falling valuations will be a factor for sellers to reconcile. The length of time it takes businesses to recover and restore trading will be another. Just as energies and focus are being diverted on the way into this situation, they will also be diverted on the way out, in different ways. It is possible though that some owner-managed businesses who have seen the impact of different types of recessions and external shocks over the years may wish to de-risk by realising all or part of their business.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Business Services	Consumer	Energy, Mining & Utilities	Financial Services	Industrials & Chemicals	Leisure	Pharma, Medical & Biotech	Technology & Media	Real Estate	TOTAL	%*
North America	207	198	139	178	385	53	429	554	30	2,173	26%
China	157	119	94	73	411	37	88	170	63	1,212	15%
Southern Europe	86	135	40	53	126	25	52	118	16	651	8%
CEE & CIS	82	88	51	59	186	28	27	142	11	674	8%
Australasia	43	64	50	37	59	18	47	88	7	413	5%
South East Asia	75	65	51	61	91	24	37	93	24	521	6%
UK & Ireland	56	59	48	47	45	24	32	85	7	403	5%
Latin America	41	47	43	49	62	19	22	86	10	379	5%
DACH	27	42	22	12	121	10	38	94	4	370	4%
Other Asia	32	46	10	28	66	15	21	84	6	308	4%
Nordic	23	25	18	14	36	5	28	49	3	201	2%
Benelux	33	27	3	12	38	9	17	35	2	176	2%
India	31	38	13	31	23	8	23	64	5	236	3%
Japan	29	22	4	8	54	2	20	47	11	197	2%
Africa	7	28	50	18	33	1	10	15	5	167	2%
Israel	7	8	4	3	10	4	23	30	3	92	1%
Middle East	6	2	9	9	9		4	10	1	50	1%
TOTAL	942	1013	649	692	1,755	282	918	1,764	208	8,223	100%
	11 %	12 %	8 %	8 %	21 %	3 %	11 %	21 %	3%	100%	

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

GLOBAL THEMES INFLUENCING M&A

In most quarters we include a number of factors that are driving deal activity such as the availability of cash, the continued growth of Private Equity funds, the plans of strategic buyers and the continued desire to acquire digital capability. These were tempered in 2019 by the impact of global politics. So far in 2020, we hope temporarily, the impact of COVID-19 will be the major drag on deal activity. However, we do not believe that those other factors have gone away beyond the short term and the ways in which we have been forced to adjust to working life since reduced movement measures were introduced is likely to enhance the importance of the digital capability factor.

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WITH DEALS ON LOCKDOWN, IS IT TIME FOR DISTRESSED M&A?

These are unparalleled times for the global economy and the resultant transactional M&A environment, driven by the COVID-19 pandemic. Within just a short period of time, governments across the world have been forced to take steps into uncharted territories of corporate support. To date the UK has unveiled a GBP 60bn package to boost the economy and get the country through the outbreak; the US has unveiled a USD 2 trillion rescue package; and Japan has approved a near USD 1 trillion economic stimulus plan. Understandably, M&A activity has all but halted in the face of this potent virus. Advisors in both the primary and secondaries space have reported that 90% of their mandates have been put on hold, according to a recent Pitchbook report.*

The sudden deterioration in the market capitalisation of corporates has been dramatic. Worldwide lockdowns and disruptions caused by the virus have hit public markets hard, erasing almost 20% of the value of the S&P 500 index in the first quarter of the year. Executives are now primarily focusing on their own business' performance over M&A activity unless required to do so though the absence of liquidity or being in the enviable position of being able to exploit others' lack of it.

Within private equity, the historical driving force of global transaction activity, the primary focus is now being made on portfolio investments. Stabilising performance and understanding the potential future funding requirements of investments is central to the continued support of Limited Partnerships. A range of future scenarios are being pored over by investment executives to ascertain the optimal exit strategy from the 'stasis' that many businesses will be required to move into in a period of hibernation. Ironically, established 'distressed' investors may be required to undertake the most portfolio work, given that their existing investments will be on average mid-turnaround. For a period at least, this may impact their ability to deploy additional capital.

Consequently, corporate balance sheets will suffer increased levels of leverage, be that as a result of deferred credit payments, or the adoption of 'soft' lending support from governments and state-funded institutions. The overall impact, combined with post-crisis trading likely to be at subdued levels, is significantly reduced equity valuation levels. Valuations for private equity portfolios may be down 31% in Europe and 35% in the US, from their recent highpoint earlier in the first quarter.

Meanwhile, international reforms to insolvency legislation is likely in a next phase to overlay further support and protections. The UK has been early to

*Source: 'PitchBook_Q2_2020_Analyst_Note_COVID-19s_Influence_on_the_European_PE_Market.pdf' – attached.

act in the hope of preventing companies from being forced to file for bankruptcy. Key measures such as the temporary Coronavirus Business Interruption Loan Scheme have been introduced to help SME businesses to access funding and this will provide lenders with a guarantee of 80% on each loan to give lenders further confidence in continuing to provide the much-needed finance. On the tax side, Business Rates relief has also been extended, improved Time To Pay arrangements have been introduced, and the Coronavirus Job Retention Scheme has been put into practice to support furloughed employees.

Alongside this, a moratorium on commercial property evictions for businesses that default on rent payments has been established, with a temporary moratorium on winding-up petitions expected shortly, amid the threat of a wave of bankruptcies. A suspension of existing wrongful trading laws in place has sought to protect directors during the pandemic, allowing them to continue paying staff and suppliers despite concerns the company could be insolvent. All of these packages, alongside the announced insolvency reforms should help to weather the economic crisis, but nevertheless they still may not be enough.

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WHO WILL RESPOND TO THE OPPORTUNITY OF DISTRESS?

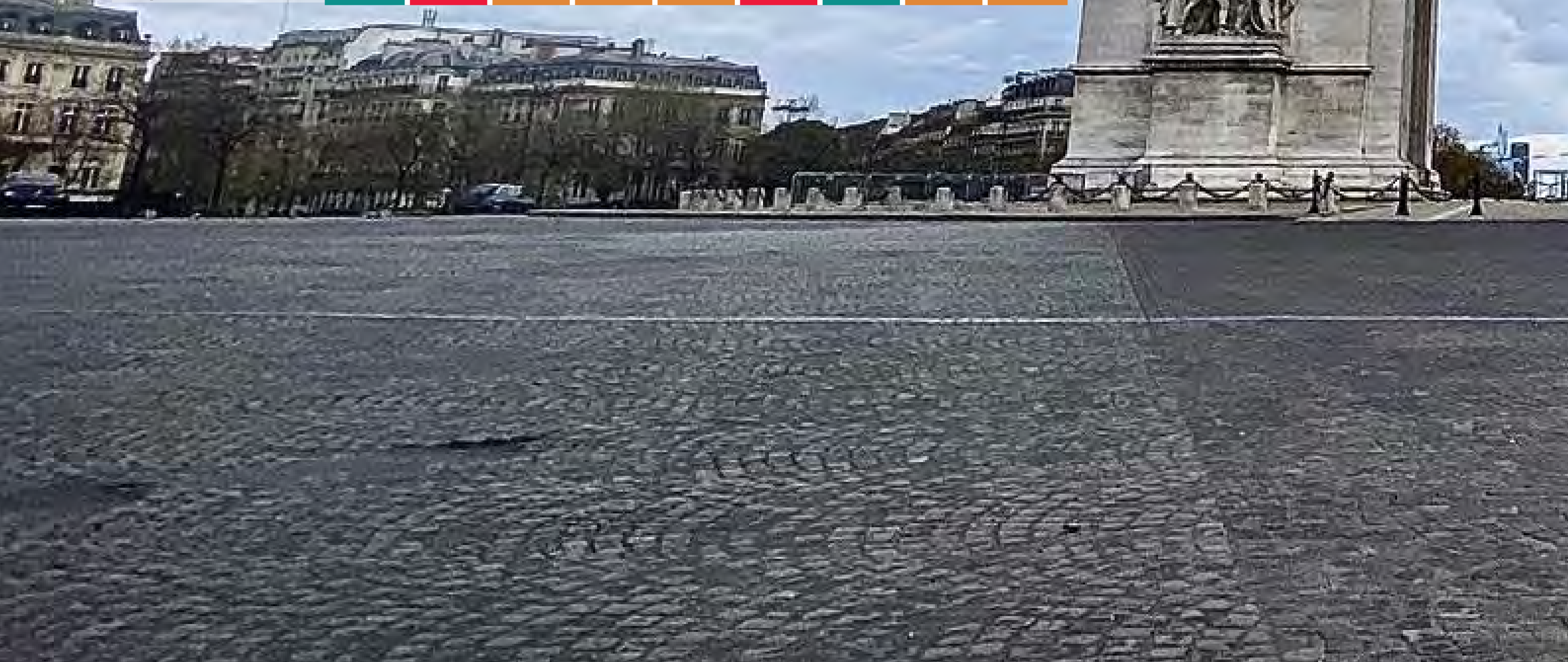
It is BDO's view that while state intervention in markets is – at least in the first instance – having some success, ultimately as corporates resume operations in a post-COVID environment it is likely that many will require refinancing to recapitalise their business. This will present considerable opportunities to investors who are able to understand and support these funding needs and may lead to a significant increase in M&A activity. The spectrum of activity is likely to be broad, from sales through insolvency processes, to debt refinancing and rights issues. Within this we anticipate a high level of distress.

As always, the transactional specialisation and available capital of PE is likely to prevail in processes, but more unusually the need for consolidation in certain sectors may also present very interesting M&A opportunities for trade parties.

The last time the M&A market experienced anything like this was during the Global Financial Crisis, when there was a six-month hiatus in 2009 before levels of M&A activity picked up again. But that crisis stemmed from banks and companies overburdening themselves with debt through an asset pricing bubble. This time banks have more robust capital bases and company balance sheets were stronger ahead of the crisis, but, here, we are already seeing supply chains coming under severe pressure and markets are collapsing in a wide range of sectors, notably Aviation, Travel, Hospitality, Sport, Construction and Manufacturing, with the likelihood that solid businesses could go to the wall or need significant bail-outs. Mass job losses could have a secondary effect on banks, not least as low interest rates have encouraged households in many jurisdictions to accumulate high levels of debt, leaving them with limited savings to see them through. Given the anticipated levels of deep disruption to numerous sectors, it is not surprising that we are already seeing a significant pick-up in restructuring work. A return to M&A activity is therefore likely to take longer to materialise.

The weight of available investor capital available under PE control alone remains enormous: a record EUR 236.7bn exists in European PE dry powder at the moment. In each of the past four years, according to data-provider Preqin, private-capital managers raised over USD 500bn of new money to invest. The industry's total assets under management have hit a record USD 4.1 trillion. The industry's USD 1.5 trillion in cash on hand is also the highest on record – and more than double what it was five years ago, according to Preqin.

	Business Services	Consumer	Energy, Mining & Utilities	Financial Services	Industrials & Chemicals	Leisure	Pharma, Medical &Biotech	Real Estate	Technology & Media
Deal Volumes by Sector Q1 2020	192m	104m	121m	107m	291m	56m	128m	33m	278m
Impact Level	Light	Critical	Moderate	Moderate	Moderate	Critical	Light	Moderate	Moderate



Within this, funds raised to specifically deploy in distress or 'special situations' are in excess of GBP 50bn globally, which alone will not suffice. But we expect funding to be reallocated quickly to address opportunities.

DEAL SOURCING

These volatile conditions, together with a low global interest rate environment and a business landscape where company valuations may tumble further, will create significant buying opportunities for M&A, especially once corporates are able to assess with more certainty the future business environment.

After the next few months, as the COVID-19 outbreak is managed across the world, the early forecasts are that the second half of 2020 may deliver a large up-tick in M&A deal activity, driven by distress investing. Rescue investing across the Consumer, Leisure, and Hospitality sectors are immediate obvious themes that will emerge. These are already being driven by insolvency processes and more will follow as businesses return from hibernation.

The sources of such M&A activity will be broad, as previously highlighted. Alongside the public markets, PE owners will seek to recapitalise, restructure or divest investments. In addition, banks and the rapidly expanded Alternative Lender market* (global transaction value USD 243bn in Q1 2020), as reported in Statista, may seek to sell debt positions on account of their own capital constraints. We expect lenders to strongly preference partial recovery over debt for equity swaps in this downturn, based on strong criticisms levied after the Global Financial Crisis.

Deal volumes by sector for Q1 2020 are shown on this page along with an indication as to which sectors may face the largest impact from the pandemic. Leisure and Consumer, which together contributed 14% of global mid-market deal volume in 2019, are the sectors forecasted to be the most heavily at risk.

CONCLUSIONS

- Difficult times coupled with no historical guidance for markets to draw upon, has led to a stalling of global M&A activity
- Significant distressed M&A opportunities will arise later this year, following a period of unrivalled state support
- A huge weight of global capital remains to be deployed and interest rates remain low
- Corporates, driven by increased leverage, lower earnings and the need for working capital, will need urgent funding; this will require understanding of local insolvency regimes and techniques
- Trade and PE-backed trade may have significant consolidation advantages over standalone PE.
- It's reasonable to assume that it could be some time before mainstream M&A activity resumes. As a result, the reallocation of capital is likely to move to distressed investing.

*Source: 'https://www.statista.com/outlook/399/100/alternative-lending/worldwide' - has since risen to US$312bn in 2020.

GLOBAL

8,223 RUMOURED TRANSACTIONS

P09 | **NORTH AMERICA**

COVID-19 WREAKS HAVOC ON NORTH AMERICAN ECONOMY AND M&A

P13 | **LATIN AMERICA**

M&A ACTIVITY HIT HARD BY GLOBAL PANDEMIC AND FALL IN OIL PRICES

SECTOR VIEW

AGRI-FOOD & DRINKS | **P51**

MANUFACTURING | **P55**

Key % movement

- -60% to -50%
- -49% to -40%
- -39% to -30%
- -29% to -20%
- -19% to -10%
- -9% 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

COVID-19 WREAKS HAVOC ON NORTH AMERICAN ECONOMY AND M&A

BIG PICTURE

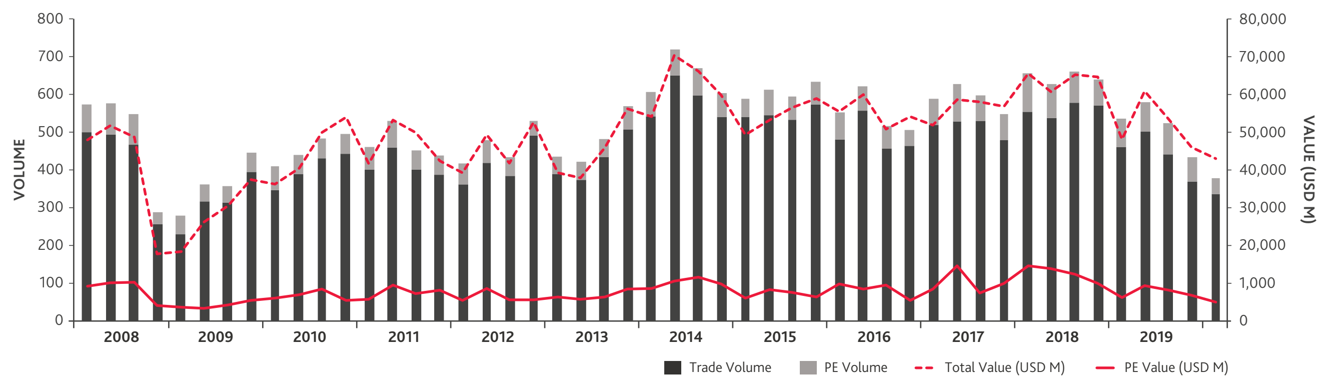
- Deal volume was down 12.7% in Q1 2020 compared to the prior quarter and down 29.5% compared to Q1 2019
- Deal value was down 6.7% in Q1 2020 against the prior quarter and down 10.8% compared to Q1 2019
- The economic damage following the COVID-19 virus forced both the Canadian and the US economies to severely contract in Q1. The widespread effect of the virus has hit every industry and negatively affected M&A activity along with it
- Q1 2020 M&A activity declined across all sectors compared to Q4 2019, with the exception of Business Services, Consumer and Industrials & Chemicals. Business Services experienced the biggest increase, with 52 deals, up from 46 in Q4. The most significant decreases from Q4 were in Leisure and Energy, Mining & Utilities. The sectors with the lowest volume of deals were Leisure and Real Estate with nine and three deals respectively.

The global pandemic and health crisis caused by the COVID-19 virus has ravaged the global economy, including North America. In response, both Canada and the US imposed lockdowns and physical distancing measures to contain the spread of the virus, as well as forced closure of non-essential businesses - with the definition of non-essential evolving continuously. This in turn is driving increased unemployment, decreased overall economic output and caused a severe downturn in capital markets. Naturally, the M&A market saw a decrease in activity during the latter half of Q1 2020 with a more pronounced decrease expected as we move through Q2 2020.

M&A volume in North America decreased in Q1 2020 to 378 deals compared to 433 deals in Q4 2019. The decrease in aggregate deal value is a lot less stark, with USD 42.9 billion in Q1 2020 compared to USD 46.0 billion in Q4 2019.

The broader economic indicators painted a darker picture for both Canada and the US. In addition to the COVID-19 crisis, the collapse in global oil prices hurt the US and Western Canada's largely resource-based economy. The economic fall-out from COVID-19 only sped the North American nations faster towards a looming recession. In Canada, the Q1 gross domestic product (GDP) is expected by some estimates to contract by as much as 6.50%. In the US, approximately 700,000 jobs were lost directly due to COVID-19, which only reflects data up to the first two weeks of March and this figure will increase. In Q1, the Canadian S&P/TSX Composite Index, as well as the US indexes S&P 500, NASDAQ 500 and Dow Jones Industrial Average all posted crashes akin to the Great Recession in 2008. In response, the US Federal Reserve reduced the federal interest rate to 0.25%, which was decreased twice in two weeks by 1.5%. Similarly, the Bank of Canada reduced the overnight rate to 0.25%, which was decreased three times in less than a month by 1.5%.

PE/TRADE VOLUME & VALUE



M&A DEALS COME TO A HALT

The economic ruin following the spread of COVID-19 around the globe directly affected both the public and private markets, leading to significantly reduced M&A activity. Even prior to the pandemic, both the volume and size of deals in North America were following a downward trend in 2020. Comparatively, the volume of M&A deals in Q1 2020 decreased substantially, and while the dollar value of deals did not decrease by as much, this is likely due to several more mega-deals having taken place during Q1 2020. PE deal volumes and dollar values decreased more sharply, most likely due to PE firms holding off on new acquisitions in order to tend to their existing portfolio companies. In the near term, this downward trend is only likely to continue in the face of growing global economic uncertainty, capital market volatility and company stakeholders transitioning their attention to crisis management. The impact of the health crisis on M&A activity is demonstrated best by cancelled or delayed deals by businesses ranging from small private enterprises to large cap companies. For example, Asbury Automotive had agreed a USD 1bn acquisition of Park Place Motorcars, which was originally announced in December 2019, but subsequently cancelled in March 2020 due to business interruptions caused by the virus. There are many other deals on hold due to concerns around business performance with attentions focused elsewhere during the crisis.

OPPORTUNITIES FOR THE BRAVE

Despite the challenges, the current situation also presents opportunities for deal-makers with dry powder looking to be deployed. Current depressed public valuations will eventually be mirrored by private companies and allow for acquisitions at a potential discount. Prior to the crisis, intense competition drove high valuations and did not present as many opportunities for value creation. PE firms who can support their current portfolio and act quickly and creatively will find this environment conducive to achieving their goals of finding relatively inexpensive acquisition targets to maximize their returns in the short to medium term. Furthermore, North American lenders have shown an almost unmatched flexibility in supporting their clients in providing solutions to avoid restructuring or insolvency. Lenders have demonstrated a commitment in many cases to honour term sheets, albeit slowly, while they prioritise existing clients. In this difficult time, regardless of whether shareholders are navigating a potential deal or just trying to manage their day-to-day businesses, unconventional actions are required given that there are no similar historical benchmarks to act as a guide.

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LOOKING AHEAD

Currently, there is uncertainty around the ultimate severity and extent of the financial crisis for everyone affected – either directly or indirectly. The sooner the number of new virus cases are reduced or a vaccination is produced, the sooner lockdowns can end, businesses can resume, the economy can begin to heal, and some semblance of normality can be established. It is clear that both the Canadian and US economies can expect to have a sharper GDP decrease and an increase in unemployment rates in Q2 2020.

The current COVID-19 crisis is unparalleled even when compared to the 2008 financial crisis given the serious health implications in addition to the financial considerations. In the aftermath of the recession in 2008, M&A activity rebounded relatively quickly, which offers some hope given the current situation and while 2008 was not identical it had some identifiable similarities. To curb the economic fall-out, both the Canadian and US government have provided the largest stimulus packages in their histories in an attempt to prevent the economy from collapsing and focusing on an economy rebuild rather than a recreate. The effects of these government measures will be wide-reaching and it will take months, if not years, to identify their impact.

Moving forward, when M&A becomes top of mind again, mid-market businesses will need to explain what their new sustainable profit levels are, which will be the primary driver of valuations in which buyers transact. When the rebound does occur, there will be a flood of opportunities brought to market for deals that were either paused or held off. Overall, everyone is hopeful for a return to normal market conditions through slowing the virus and supporting mid-market companies in navigating the COVID-19 crisis.

COVID-19 INSTITUTIONAL MEASURES

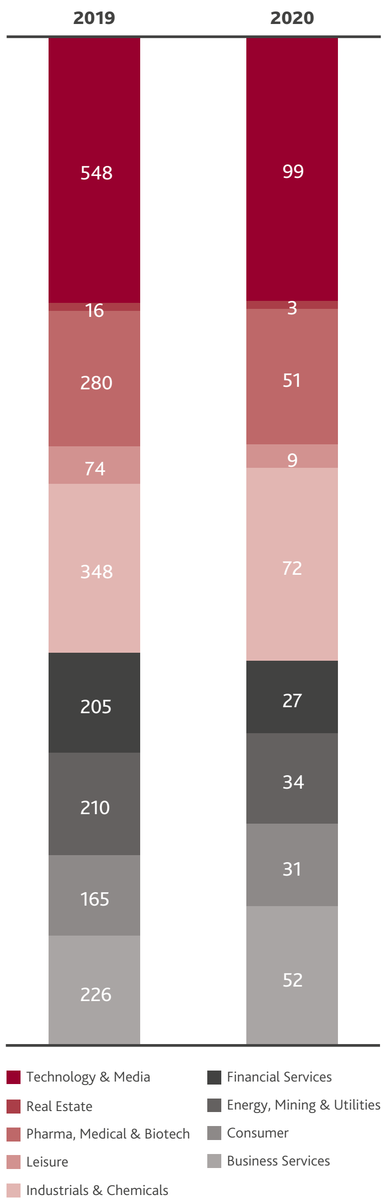
Both the US and Canadian Governments have put through a number of measures relating to tax, employment and financing. For more details on the UK Government measures click **here**.

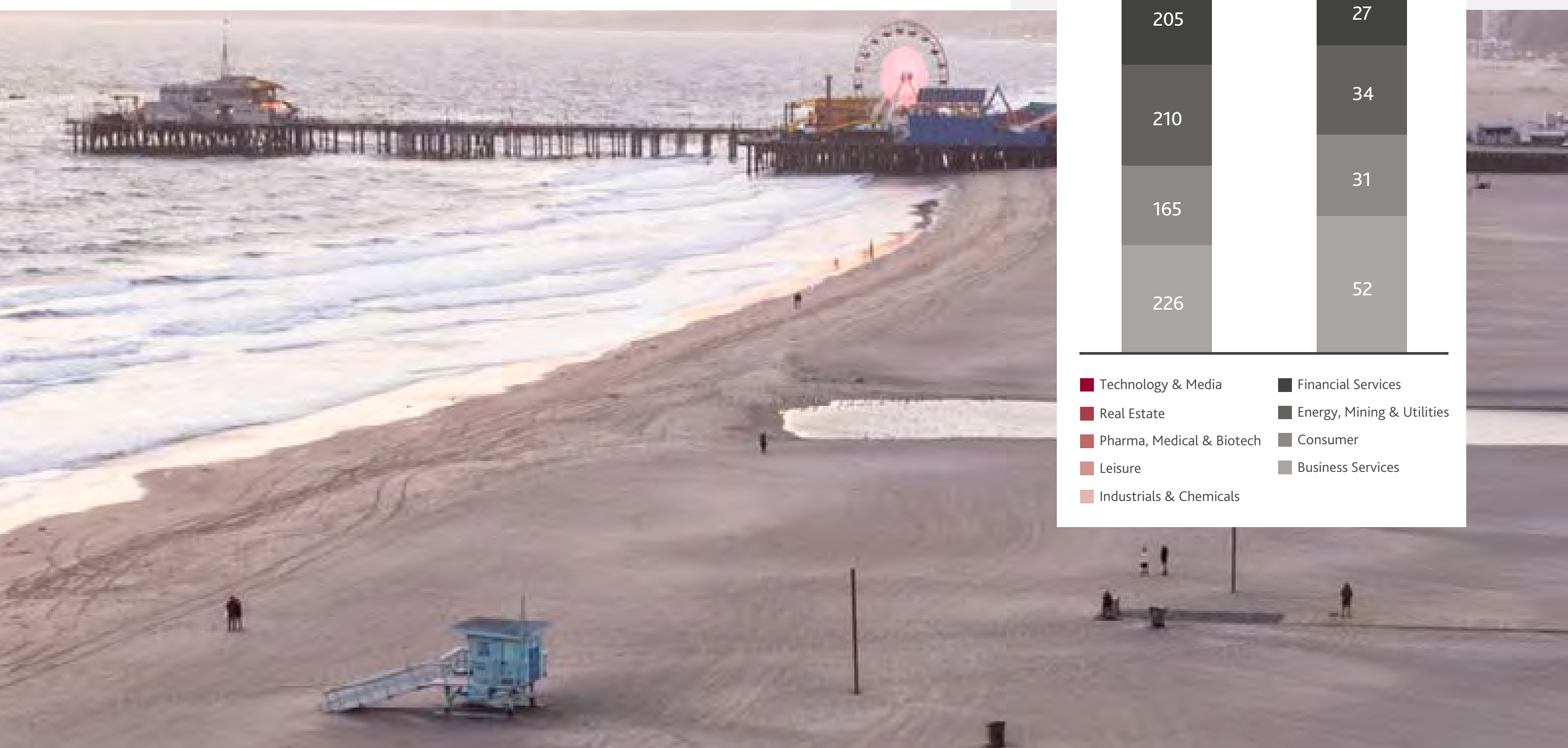
For more details of the Canadian measures please click **here.**

NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	554	25%
Pharma, Medical & Biotech	429	20%
Industrials & Chemicals	385	18%
Business Services	207	10%
Consumer	198	9%
Financial Services	178	8%
Energy, Mining & Utilities	139	6%
Leisure	53	2%
Real Estate	30	1%
TOTAL	**2,173**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





LATIN AMERICA

M&A ACTIVITY HIT HARD BY GLOBAL PANDEMIC AND FALL IN OIL PRICES

BIG PICTURE

- Q1 2020 saw big declines in M&A activity, reflecting the international impacts of COVID-19 and the fall in oil prices
- Energy, Mining & Utilities was the leading sector with deals worth a total of USD 911m, followed by Business Services with deals worth USD 728m
- Brazil topped the list in terms of target countries in the top 20 with 10 deals worth USD 2.1bn. Argentina was in second place with two deals worth USD 526m.

M&A mid-market activity in Q1 2020 in Latin America saw just 50 deals transacted at a value of USD 4.8bn, which represented decreases of 46.2% in deal numbers and 46.9% in deal value compared to the previous quarter.

In the comparison with Q1 2019, deal numbers and value also fell heavily, by 36.4% and 11.5% respectively. On a 12-month rolling basis, the total accumulated number of deals was 304 deals with a value of USD 28.9bm, which compares with a total of 317 deals and USD 27,8bn for the same period in the previous year, showing a drop of 4.1% in volume and an improvement of 4.2% in value.

Looking at PE activity in Q1 2020, there were 12 deals worth a total of USD 877m, which represented 24% of the quarter's deal count and 18% of the quarter's value, with an average PE deal value of USD 73.1m compared to an average of USD 105.21m for non-PE transactions.

Overall, the average deal value was USD 97.5m, which represented a drop of 1.2% compared with the previous quarter but an increase of 30.9% compared to Q1 2019.

The BDO Heat Chart shows a total of 379 deals announced or in progress, which represents 4.6% of the Global Heat Chart. Opportunities are predicted to be concentrated in TMT, Industrials & Chemicals, Financial Services, Consumer and Energy, Mining & Utilities, with a total of 86, 62, 49, 47 and 43 deals respectively.

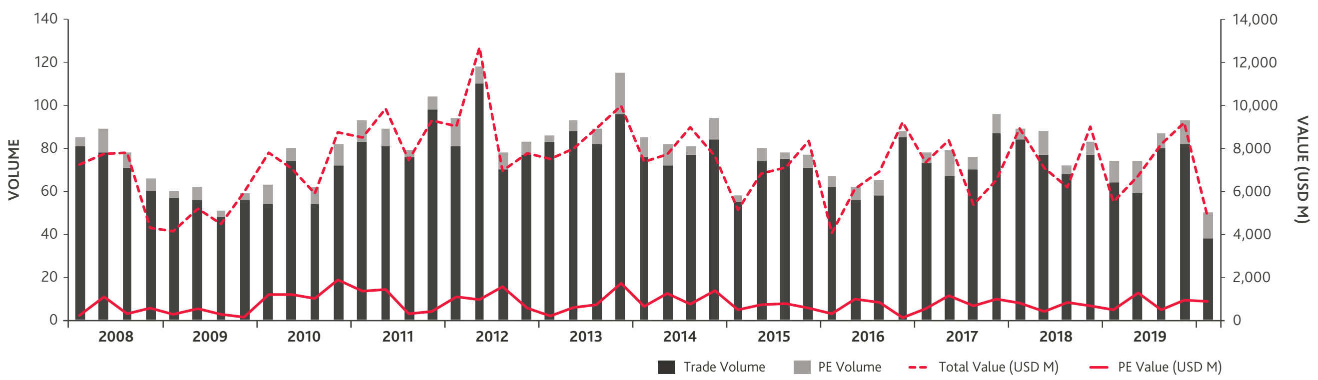
KEY DEALS

The top 20 deals in Q1 2020 accounted for a total of USD 3,972m, with Brazil leading the way in terms of target countries with 10 deals worth USD 2,091m, followed by Argentina with two deals worth USD 516m.

Looking at bidder countries in Q1 2020, 73.2% of investment came from abroad, with the United Arab Emirates leading the ranking with purchases worth USD 800m, followed by France (USD 554m), Japan (USD 388m), Norway (USD 355m), USA (USD 255m), China (USD 150m), Sweden (USD 118m), and Spain (USD 85m). The remaining investment came from within the region, mainly from Brazil (USD 775m), Mexico (USD 153m) and Argentina (USD 136m).

The quarter's top deal in Latin America took place in Business Services and saw the sale of Viacao Itapemirim S.A. to an undisclosed bidder from the United Arab Emirates for USD 500m.

PE/TRADE VOLUME & VALUE



The second biggest deal was in the Consumer sector and saw the sale of 30 stores and 14 gas stations of Brazil-based Makro to French company Carrefour S.A. for a total value of USD 454m. Argentina's top deals were the sale of a 49% stake in Bandurria Sur Block from Schlumberger Ltd. to Royal Dutch Shell Equinor from Norway for USD 355m and a USD 161m transaction in the Pharma, Medical & Biotech sector by Hypera S.A. involving Brazil-based Eurofarma Labotatorios S.A..

At the beginning of 2020, there was a big drop in all the region's economic activity (including M&A) as a consequence of the COVID-19 outbreak and the drop in oil prices. In January 2020, the World Bank estimated a growth of +1.8% in the region's GNP, but after the World Health Organization declared the state of pandemic, the World Bank cut its previous forecast to -4.6%. Investment has paused in the region as consequence of the uncertainty and high volatility, which was reflected by the highest levels of VIX Index. Latin America was also negatively impacted by the collapse in oil prices.

In the case of Argentina, the economy was dominated with the uncertainty related to the change in government by the end of 2019 and was already going through a recession with high levels of inflation. Now, with the pandemic affecting an already weak economy, some estimates are expecting the country's GDP to drop between 5%-6.5% this year, with no clear horizon of how long this will take to recover. In addition, Argentina has been going through a process of renegotiating its external debt under foreign law in order to avoid defaulting.

In the M&A deal-making arena, once the crisis has stabilized, we can see investors' appetite returning in strategic sectors such as Health, Pharma, Consumer goods, Agribusiness, Logistics, IT, with depressed prices likely to be a consequence of the global pandemic.

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COVID-19 INSTITUTIONAL MEASURES

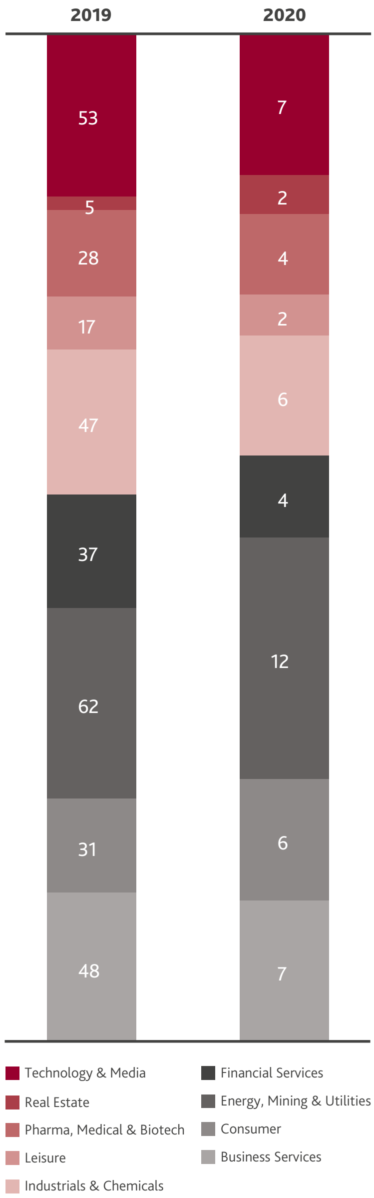
BDO has put in place an easy to use global tool that provides an overview of measures introduced by governments and institutions in relation to the COVID-19 pandemic.

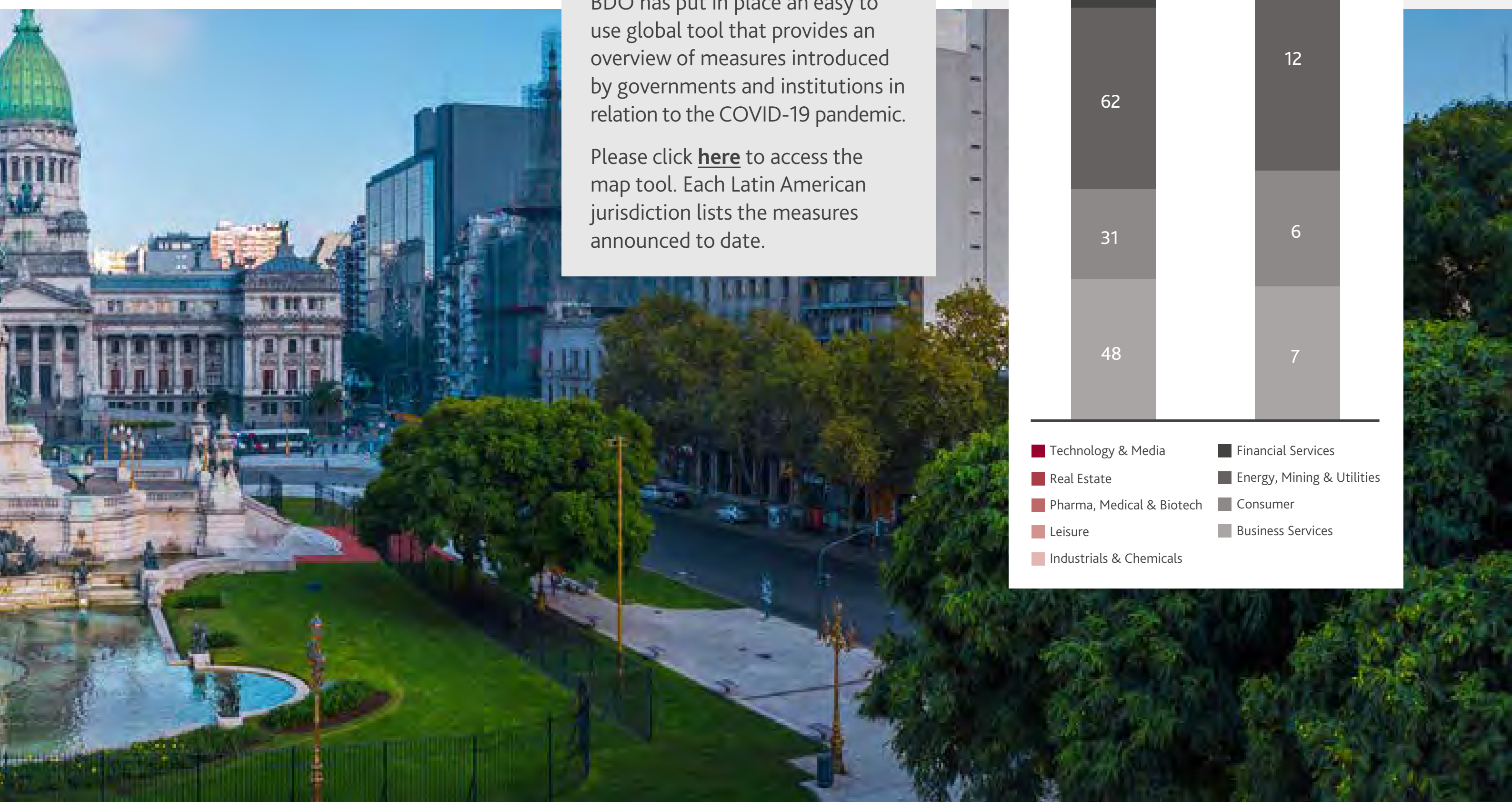
Please click **here** to access the map tool. Each Latin American jurisdiction lists the measures announced to date.

LATIN AMERICA
HEAT CHART BY SECTOR

Technology & Media	86	23%
Industrials & Chemicals	62	16%
Financial Services	49	13%
Consumer	47	12%
Energy, Mining & Utilities	43	11%
Business Services	41	11%
Pharma, Medical & Biotech	22	6%
Leisure	19	5%
Real Estate	10	3%
TOTAL	**379**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

M&A STALLS AS LOCKDOWN AND UNCERTAINTY IMPACT DEAL-MAKING ENVIRONMENT

BIG PICTURE

- Deal volume fell by 50%
- Trade deals accounted for 88 of the quarter's 100 deals
- TMT maintained position as leading sector with 28 deals.

At the time of writing, we remain in lockdown as communities and healthcare workers continue to battle against the spread of COVID-19. While governments are looking to inject capital and confidence into their economies, most companies have been forced to shut down services and are focussed on cutting costs and preserving cashflow to help them face the uncertainty of what lies ahead.

M&A has stalled for most companies, with processes either abandoned or paused for an indefinite period. This is in stark contrast to the start of 2020, when many commentators were predicting a bumper year for M&A, underpinned by increasing liquidity and rising valuations.

But with only 100 transactions reported to date, the level of M&A in the first quarter of 2020 was much quieter than expected. Volumes were down nearly 50% from the final quarter of 2019 and over 20% down from prior year, while total deal value was only USD 8.6bn compared to UDS 10.8bn in the previous quarter.

Trade deals represented the significant majority of M&A activity with 88 deals completed at combined value of USD 7.4bn. As average trade values increased, financial buyers only completed 12 transactions during the quarter, with a combined value of USD 1.2bn.

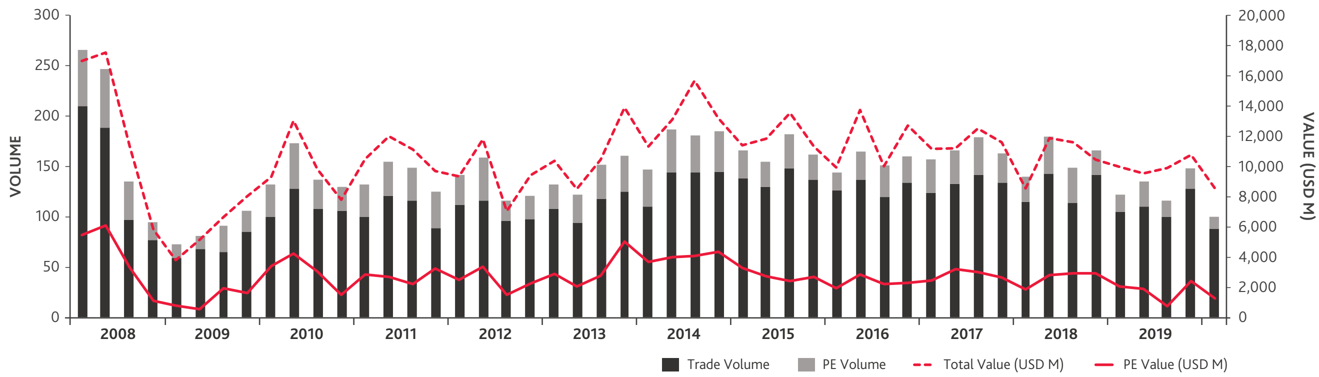
KEY DEALS AND SECTORS

TMT remained the most active sector with 28 deals completed during the quarter, seven of which were in the top 20 transactions, with the biggest being the USD 500m funding round completed by digital bank Revolut, valuing it at over USD 5.5bn. Also included in the top deals were the sale of Irish company Decawave to US buyer Qorvo for USD 400m and the sale of another Irish start-up Pointy to Google for USD 160m. What is interesting about the TMT transactions is the speed at which these companies are moving from early stage funding to billion dollar valuations. As the global workforce adapts to extraordinary levels of remote working, we can expect to see further M&A in the sector to support this online community, with particular emphasis on tech enablers for finance, education and consumer.

The second most active sector was Business Services, which accounted for 24% of all transactions. This was a particularly active sector for PE transactions, with secondary buy-outs such as the sale by MML of Learning Curve Group to Agilitas PE and the acquisition of Marston by Inflexion.

According to the BDO Heat Chart, both TMT and Business Services will remain active in the next quarter and while

PE/TRADE VOLUME & VALUE



the level of M&A activity will drop post-COVID-19, these two sectors will continue to underpin transactional activity among those resilient and scalable companies.

The BDO Heat Chart also indicates increased activity across Consumer businesses. This is unlikely to materialise as the full impact of COVID-19 weighs down on the economy and consumer spend. However, there will be opportunities for consolidation across retail and the reinvention (or disruption) of more traditional consumer businesses, which will attract value buyers and turnaround funds.

We also expect to see increased M&A activity across the Energy, Mining & Utilities sector as renewable energy support schemes are rolled out across the UK & Ireland, attracting long-term investors and international energy groups.

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LOOKING AHEAD

Overall it is hard to predict the outlook for mid-market M&A as equity markets around the world suffer their worst performance since the global financial crisis, oil prices tumble and the global economy looks increasingly shaky. As businesses in virtually every sector feel the impact, it is very likely this pandemic will have significant, and potentially long-lasting, implications for future M&A deal making. So it is more important than ever that as advisors we support our clients through these uncertain times and generate innovative ideas for structuring deals. According to McKinsey,* the top 20% of companies that emerged from the last recession were the agile and disciplined businesses that divested more during the downturn and acquired more in the recovery.

COVID-19 INSTITUTIONAL MEASURES

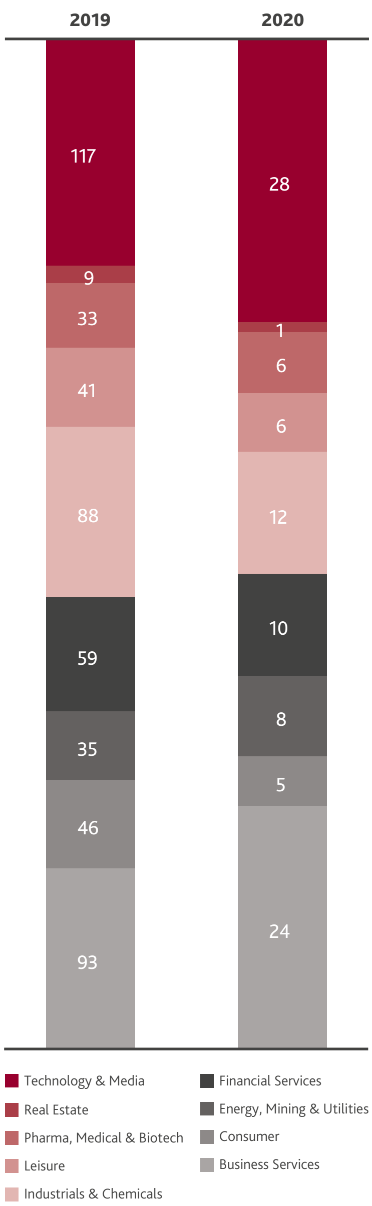
Both the Irish and UK Government have put through a number of measures relating to tax, employment and financing. For more details on UK Government measures click **here**.

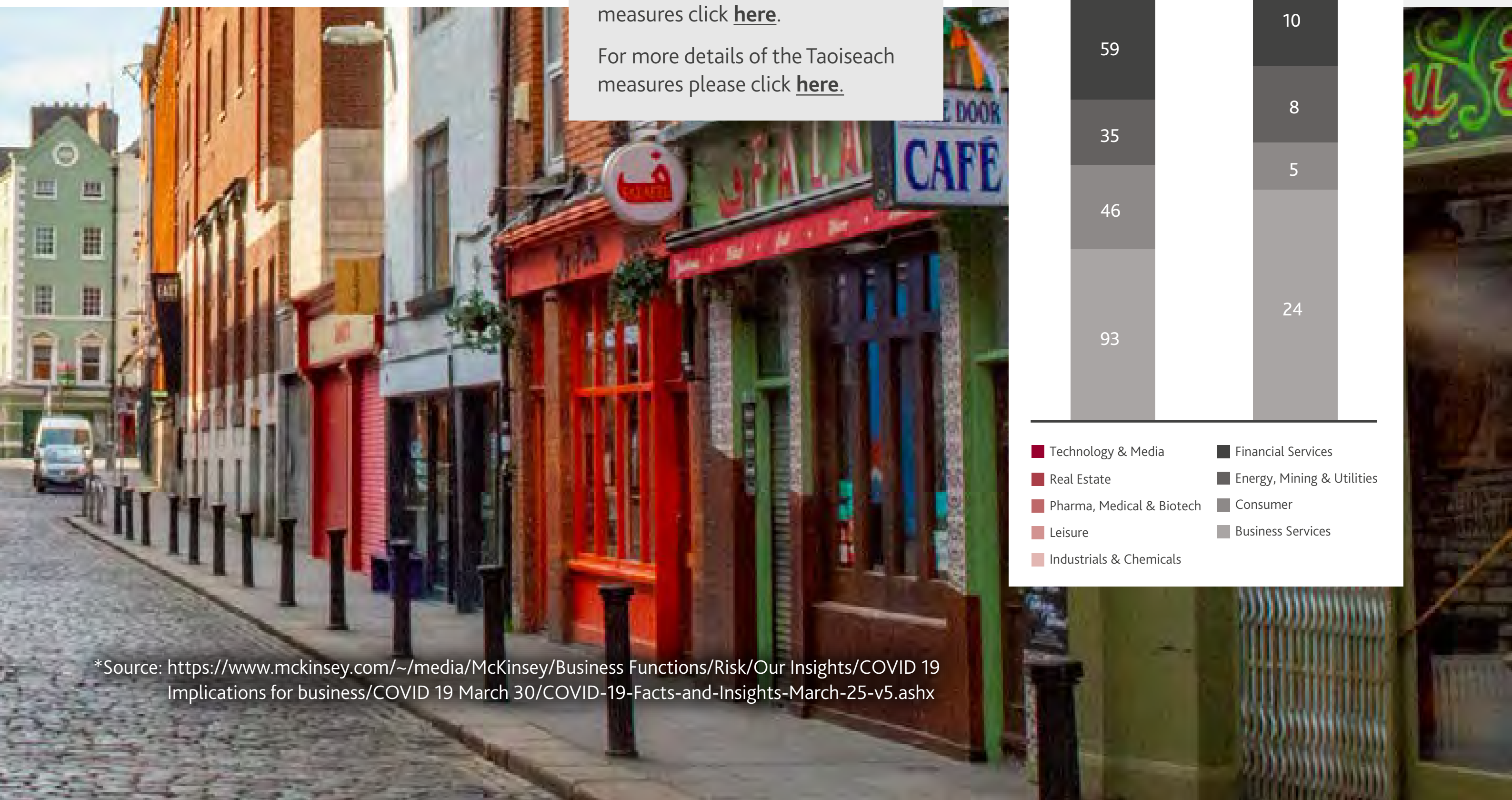
For more details of the Taoiseach measures please click **here**.

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	85	21%
Consumer	59	15%
Business Services	56	14%
Energy, Mining & Utilities	48	12%
Financial Services	47	12%
Industrials & Chemicals	45	11%
Pharma, Medical & Biotech	32	8%
Leisure	24	6%
Real Estate	7	2%
TOTAL	**403**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





*Source: https://www.mckinsey.com/~/media/McKinsey/Business Functions/Risk/Our Insights/COVID 19 Implications for business/COVID 19 March 30/COVID-19-Facts-and-Insights-March-25-v5.ashx

SOUTHERN EUROPE

M&A DEAL-MAKING STALLS AS CORONAVIRUS OUTBREAK HITS REGION HARD

BIG PICTURE

- M&A deal count hits lowest level since 2012
- Both deal volume and value fell by around 40% compared to the average over the last five years
- PE activity is hit particularly hard in the region
- Business Services and TMT stepped up to rival Industrials & Chemicals as the region's most active sectors
- BDO Heat Chart forecasts Consumer to continue as the most active sector.

Southern Europe's mid-market M&A activity in Q1 2020 saw declines in both the volume and value of completed transactions, resulting in the worst quarterly performance since Q3 2012. Transactions totalled USD 8.4bn due to a 34% fall in the number of deals and a 35% fall in value compared to the previous quarter, reflecting the recurring trend of a weak first quarter of the year. Despite the decrease in transaction volumes, the average value per deal remained fairly constant.

Southern Europe was one of the first European regions to feel the economic impacts of the Coronavirus outbreak.

PE M&A activity also stalled during the quarter, as the majority of the 95 deals completed in Q1 2020 (86%) did not involve PE, which represented PE's worst performance in Southern Europe's mid-market sector since 2008.

KEY DEALS AND SECTORS

All sectors performed poorly in Q1 2020. The exception to this negative trend was the Pharma, Medical & Biotech sector, which maintained its deal count. The sectors most affected by the decline were Consumer Services and Industrials & Chemicals.

Industrials & Chemicals is no longer the single top performing sector in Southern Europe and shared top spot with Business Services and TMT, with each sector recording 16 deals in Q1 2020. The region's mid-market deals were concentrated in these three sectors, accounting for 51% of the overall deal count.

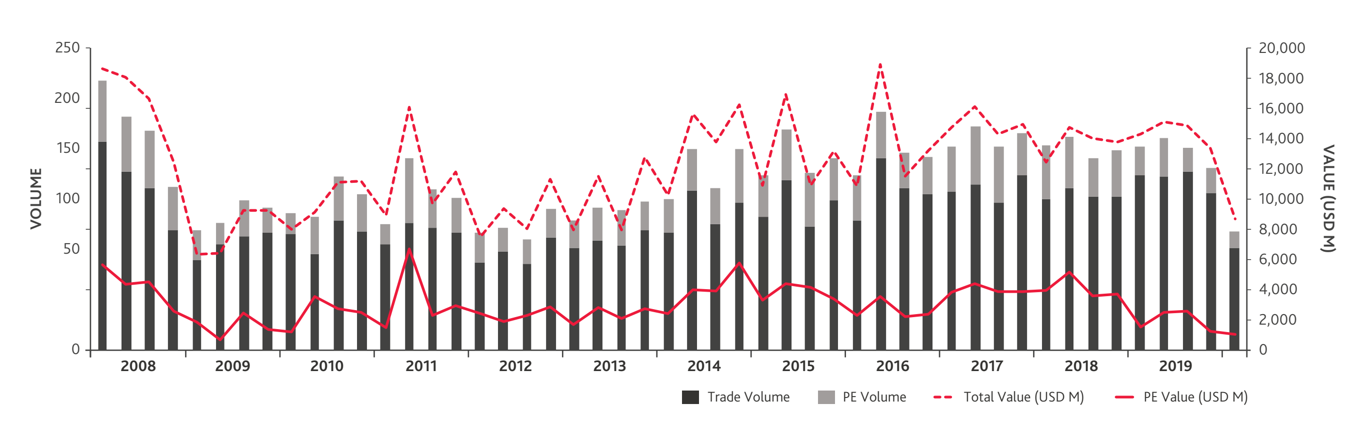
The top 10 mid-market deals totalled USD 3.44bn and represented 40.9% of the volume of all transactions in Q1 2020.

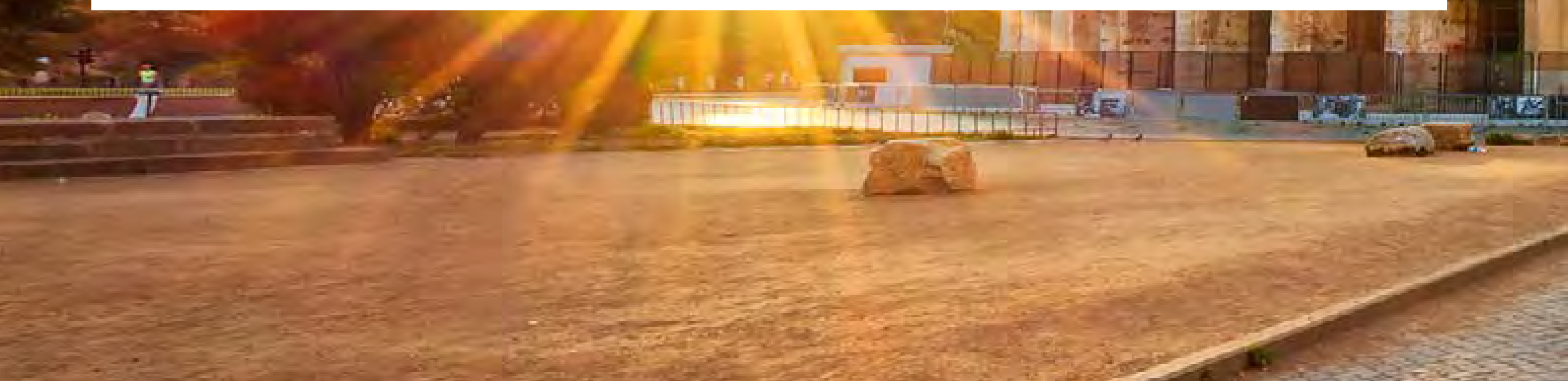
The biggest deal took place in Financial Services and involved the acquisition of Sabadell Asset Management, the asset manager branch of the Spanish lender Banco Sabadell, which operates a €21.8bn fund portfolio, by French asset manager Amundi SA, for USD 477m.

The second biggest transaction was the acquisition of a 32.5% Stake in La Villata Spa, an Italian company operating in the Real Estate sector, from the supermarket chain Esselunga SpA, by an Italian bank, the UniCredit Group, for USD 465m.

Focusing on Portuguese M&A activity, the top 10 deals included the USD 167m acquisition of the family-owned Frulact SA, a manufacturer of fruit-based ingredients for the food industry, by French private equity investment company Ardian.

PE/TRADE VOLUME & VALUE





The top 10 deals were spread across several sectors, with no single sector dominating the table. Financial Services was the leading sector with two deals in the top 10. The country targets in the top 10 deals were evenly distributed, with three transactions each targeting French, Italian and Spanish companies.

Six of the top 10 deals were cross-border transactions. While European companies accounted for eight of the top 10, French companies led the list of buyers, with three transactions (accounting for two cross-border targets).

LOOKING AHEAD

The massive impact that the Coronavirus outbreak is having on the economies of the countries in Southern Europe, set in the context of the wider international crisis and a general climate of uncertainty, could easily justify expectations of further reductions in deal-making activity in the region. However, the BDO Heat Chart shows 651 rumoured deals, which only represents an 8% decrease compared to the last quarter.

Interestingly enough, the predicted data shows that the Consumer sector is foreseen to lead the way in terms of future deal volumes, as has been the case since Q2 2018, accounting for 21% (135 deals), with Industrials & Chemicals and TMT expected to account for 19% (126 deals) and 18% (118 deals) respectively.

Overall, this trio of sectors has maintained their positions as the most active sectors for rumoured deals in Southern Europe and are predicted to account for 58% of all future transactions.

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COVID-19 INSTITUTIONAL MEASURES

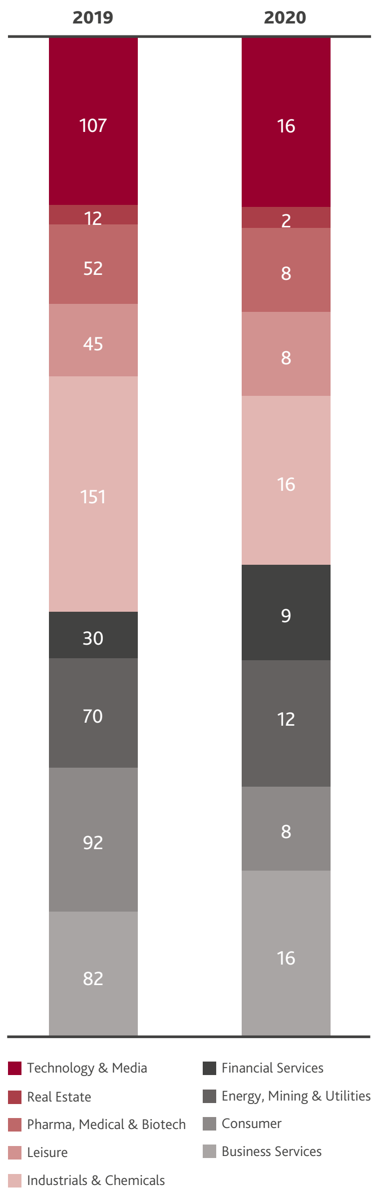
BDO has put in place an easy to use global tool that provides an overview of measures introduced by governments and institutions in relation to the COVID-19 pandemic.

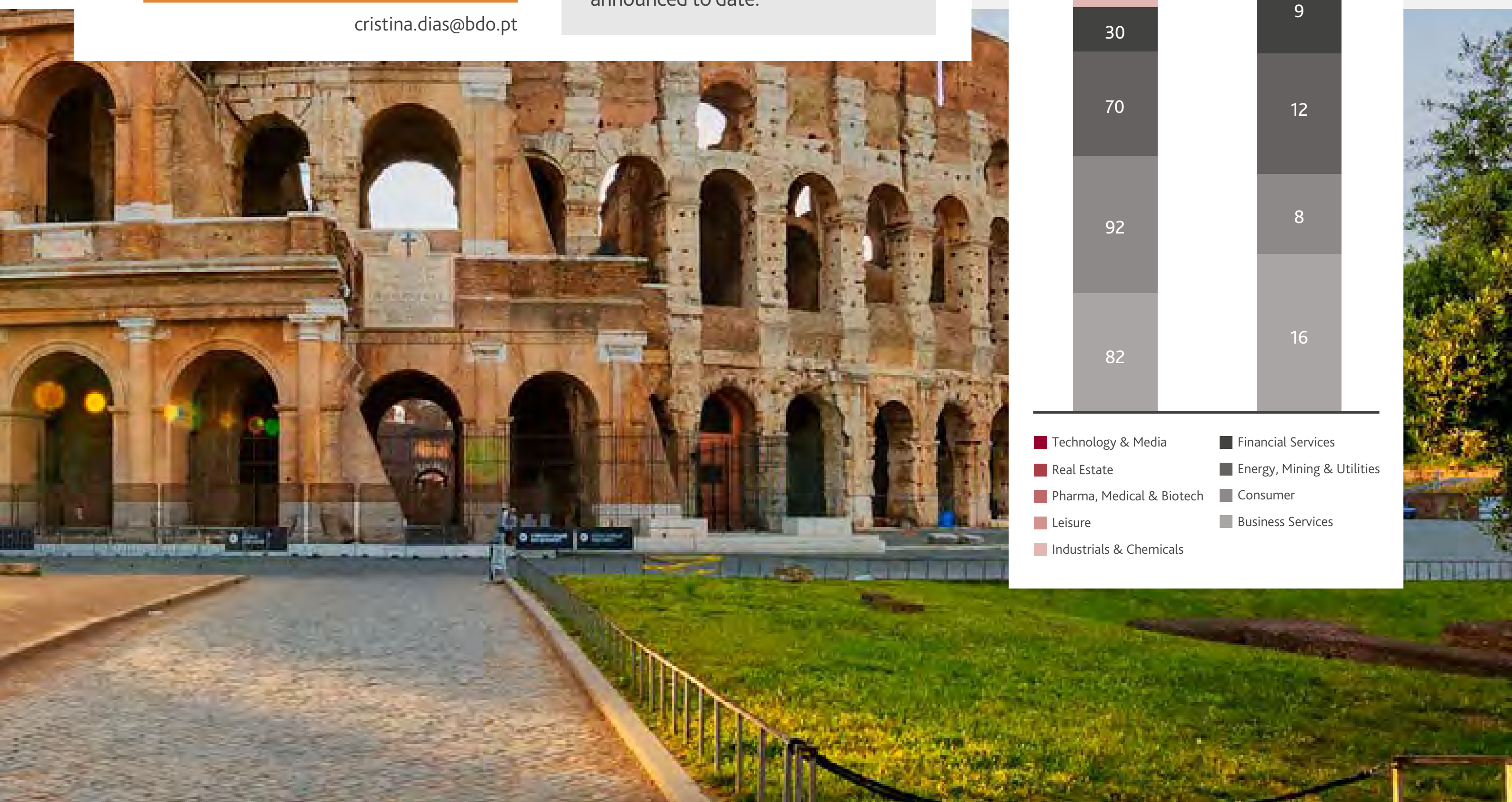
Please click **here** to access the map tool. Each Southern European jurisdiction lists the measures announced to date.

SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	135	21%
Industrials & Chemicals	126	19%
Technology & Media	118	18%
Business Services	86	13%
Financial Services	53	8%
Pharma, Medical & Biotech	52	8%
Energy, Mining & Utilities	40	6%
Leisure	25	4%
Real Estate	16	2%
TOTAL	**651**	**100%**

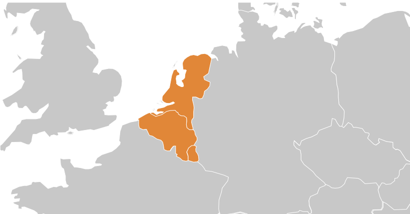
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

M&A ACTIVITY CONTRACTS IN Q1 2020



BIG PICTURE

- Q1 2020 saw deal numbers fall but value remained stable
- With five deals, PE M&A activity was comparable with 2019 deal numbers but had a higher average deal value
- Two sectors (TMT and Industrials & Chemicals) accounted for 68% of deals.

Compared to Q1 2019, the first quarter of 2020 unsurprisingly showed significant decreases in both the number of deals (from 37 to 25 deals) and the overall deal value (down from USD 4,006m to USD 2,065m). Compared to Q4 2019, the falls was smaller, both in terms of the number of deals (from 32 to 25) and overall deal value (from USD 2,903m to USD 2,065m).

Average deal value was also down but to a lesser degree: from an average of USD 94.7m in 2019 (USD 90.7m in Q4 2019) to USD 82.6m in Q1 2020. The average deal value in Q1 2020 was comparable to the average value of USD 81.9m in Q3 2019.

PE represented only 20% of deal numbers but accounted for 37.4% of overall deal value. These proportions are much higher than the average figures recorded during 2019 (with PE accounting for 15.8% of deal numbers and 18.2% of overall deal value). Transactions involving PE in Q1 2020 had an average deal value of USD 154.6m.

Looking at global M&A trends, there were significant quarterly declines in both the number of deals and overall deal value but the falls on a global level were steeper than those reported in the Benelux.

KEY SECTORS AND DEALS

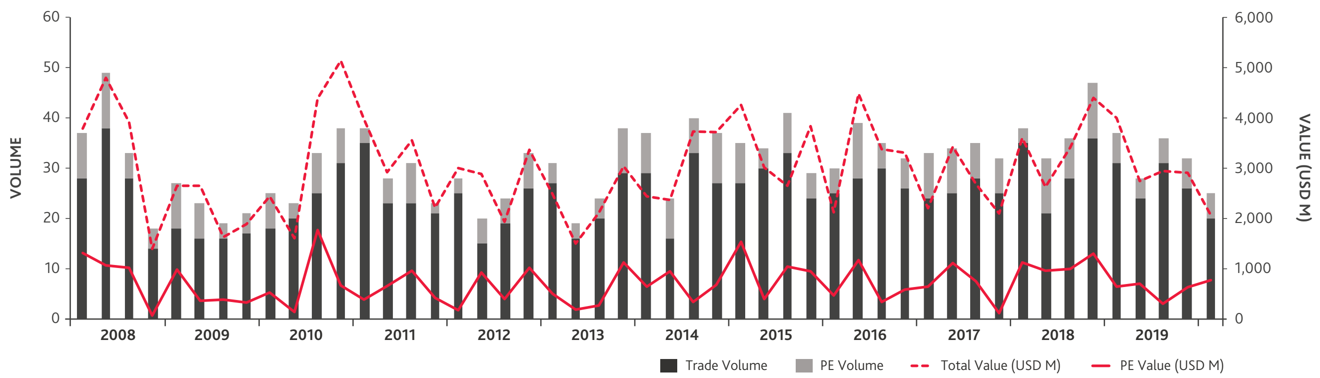
TMT and Industrials & Chemicals were particularly active in Q1 2020, accounting for nine and eight deals respectively. Business Services, Consumer, Financial Services and Pharma, Medical & Biotech all saw two deals each in the quarter.

The top 10 deals in Q1 2020 in the Benelux ranged between USD 27m and USD 1,475m and took place in various sectors. Of the top 10, eight buyers were foreign and only two were domestic.

The quarter's biggest deal involved the sale of 100% of the shares of NIBC Bank N.V. to US investment group Blackstone for a deal value of USD 1,475m. Newspapers recently revealed some uncertainty about the deal after the strong fall in NIBC's stock price during the COVID-19 crisis.

The second biggest deal was the sale of CID Lines N.V., a Belgian provider of livestock biosecurity and hygiene solutions, by IK Investment Partners Limited to Ecolab Inc., the global leader in water, food safety and hygiene technologies and services, for a total deal value of USD 500m. Headquartered in Ypres in Belgium, CID Lines' primary business offers a full range of cleaning, disinfectant and hygiene solutions for pig, poultry and dairy farms, serving more than 300,000 farms in over 100 countries.

PE/TRADE VOLUME & VALUE



In third place was the US group Catalent's acquisition of MaSTherCell Global, a Belgium-based biotech firm specialising in cell and gene therapy, for a total deal value of USD 315m. MaSTherCell Global is a university spin-off, created in 2011 and is based in Gosselies (Charleroi). The purchase involves the Gosselies site, which is being extended with the construction of a new 5,500-square-metre facility, as well as a site in Houston, Texas.

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LOOKING AHEAD

The BDO Benelux Heat Chart shows that 176 deals are currently planned or in progress (versus 189 and 215 respectively planned in Q3 and Q4 2019). In the coming months, Industrials & Chemicals is expected to generate 38 deals, accounting for 22% of the region's total activity. The second most active sector is expected to be TMT, which is predicted to complete 35 deals. TMT, Business Services and Consumer are expected to account for 20%, 19% and 15% respectively of all deals. On a global scale, the TMT and Industrials & Chemicals sectors are expected to account for the highest number of total deals, with 21% each. In addition, Consumer is expected to account for 12% of total deals on a global scale. Finally, Pharma, Medical & Biotech and Business Services are each expected to account for 11% of total deals. Interestingly, Business Services accounts for more predicted deals in Benelux than on a global level.

COVID-19 INSTITUTIONAL MEASURES

The Governments in the Benelux area have put through a number of measures relating to tax, employment and financing.

For more details on the Dutch Government measures click **here**.

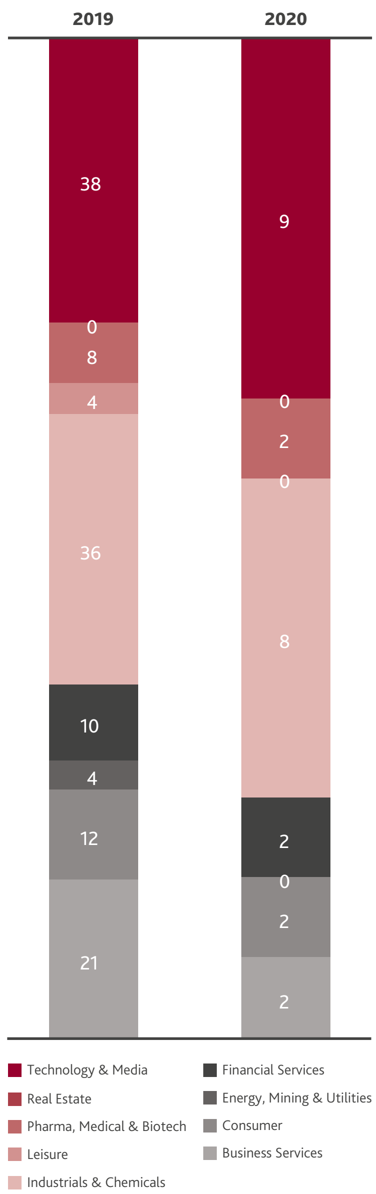
For more details of the Belgian measures please click **here**.

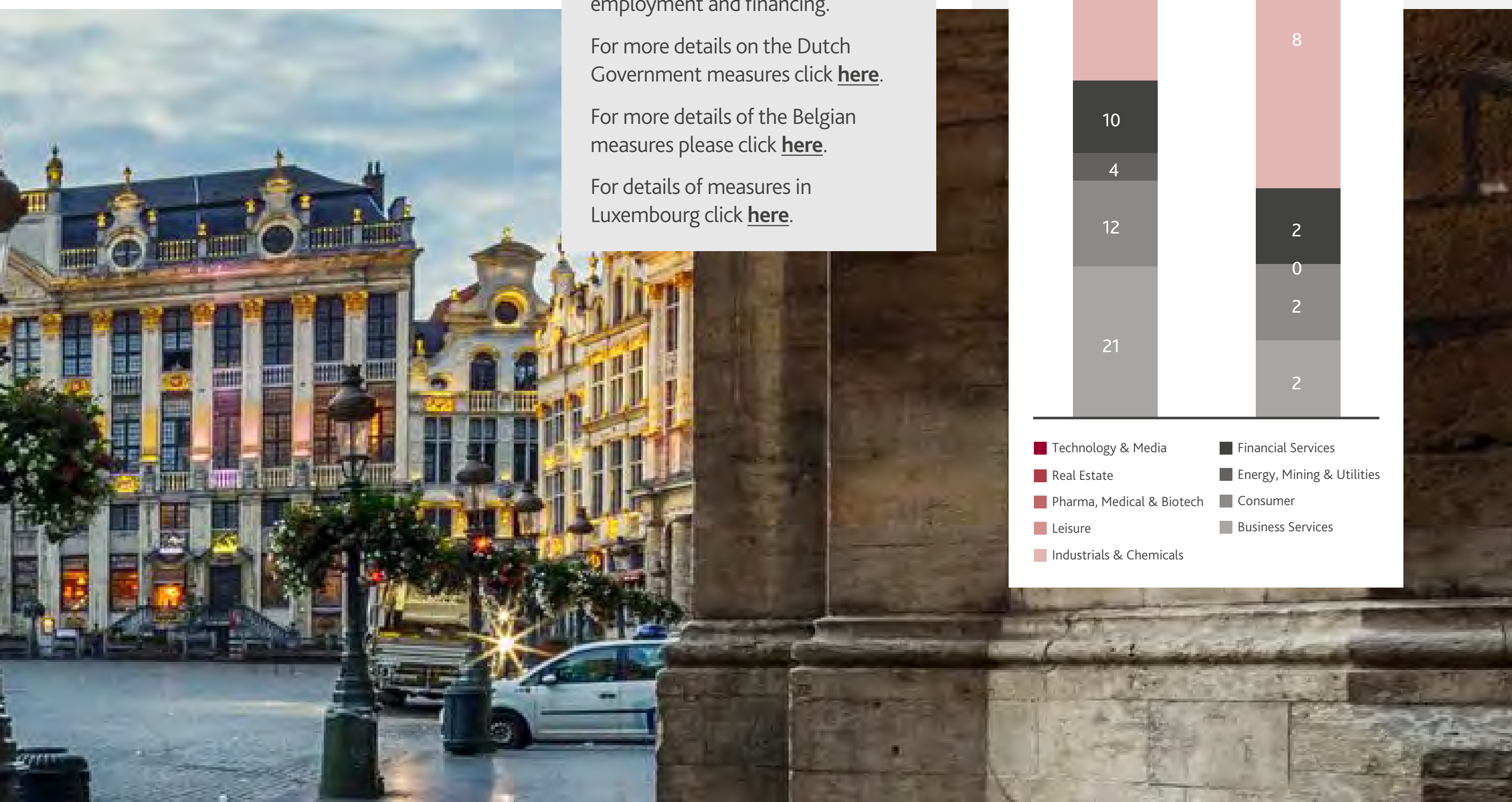
For details of measures in Luxembourg click **here**.

BENELUX
HEAT CHART BY SECTOR

Industrials & Chemicals	38	22%
Technology & Media	35	20%
Business Services	33	19%
Consumer	27	15%
Pharma, Medical & Biotech	17	10%
Financial Services	12	7%
Leisure	9	5%
Energy, Mining & Utilities	3	2%
Real Estate	2	1%
TOTAL	**176**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

MID-MARKET M&A DEAL NUMBERS FALL TO 12-YEAR LOW

BIG PICTURE

- Deal numbers and deal value fell dramatically compared to both Q4 2019 and year-on-year
- PE investment activity came to a standstill with just three deals
- Deal numbers and value remained stable year-on-year in Pharma, Medical & Biotech
- Strong international interest in the DACH region remains with 14 of the 20 largest transactions involving international investors.

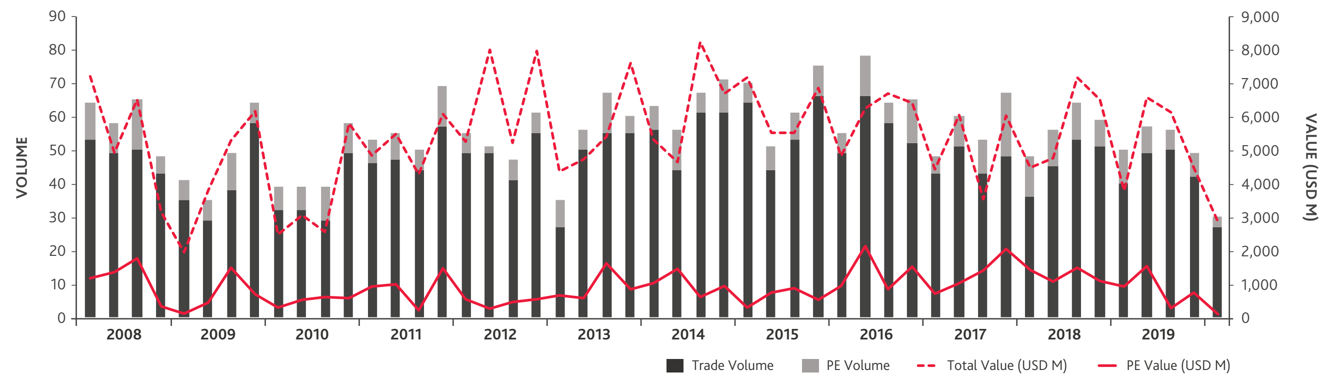
The decline in DACH M&A activity in Q4 2019 accelerated in Q1 2020 in line with overall global M&A activity. Both deal volume and value decreased quarter-on-quarter by 39% and 36% respectively. The decline was especially noticeable in PE activity, with PE deal numbers falling by half from Q1 2019 to Q1 2020, which was the lowest deal value recorded since Q1 2008. As the epicentre for the COVID-19 pandemic moved from Asia to Europe in early March 2020, the outlook for a very severe recession became clearer and investor priorities shifted away from M&A to stabilizing existing businesses and becoming more risk averse.

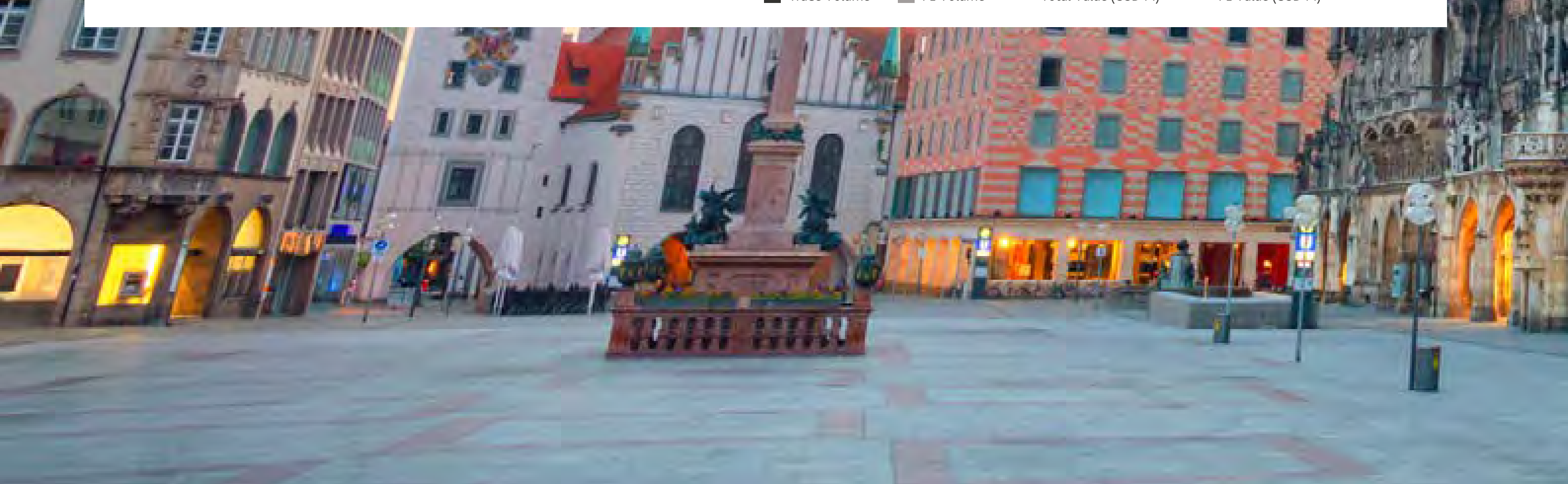
With a total of 30 transactions in Q1 2020, deal numbers dropped by 39% compared to Q4 2019 and by 40% compared to Q1 2019. This was the lowest number of transactions since Q1 2008. The value of transactions fell by 36% from USD 4.5bn in Q4 2019 to USD 2.8bn in Q1 2020 and was 25% lower compared to Q1 2019. The negative trends in Q1 2020 were in line with global M&A trends and reflected the current macroeconomic uncertainty in global markets, particularly due to COVID-19.

The negative developments also had a significant impact on the region's PE activities. The value of PE transactions in Q1 2020 fell substantially by 90% compared to Q1 2019 and at USD 97m was the lowest value recorded in any quarter since Q1 2008. With only three deals (buy-side) in Q1 2020, deal numbers were 70% lower than Q1 2019 and 57% below Q4 2019. Overall it was the second lowest number of PE deals recorded since Q1 2008 (in Q2 2012 there were only two deals).

Seven out of the top 10 (by value) mid-market transactions took place in Germany, three deals in Switzerland and

PE/TRADE VOLUME & VALUE





none in Austria. International interest in the DACH market has remained buoyant. 70% of the top 20 transactions involved international buyers, with North American-based acquirers dominating the deals (60% of the top 10 transactions).

KEY DEALS AND SECTORS

Continuing the trend of the last 20 quarters, Industrials & Chemicals and TMT were the region's most active sectors with 10 and nine transactions respectively in Q1 2020. Although the sectors' deal volumes were lower (Industrials & Chemicals down by 9 and TMT down by 5) their overall share of deals remained high, accounting for 67% of the quarter's deals. Perhaps unsurprisingly given the current situation, Pharma, Medical & Biotech was the only sector to show relative stability with seven deals, up from an abnormally low one deal in Q4 2019 and the same number compared to Q1 2019.

The region's biggest deal was the sale of exocad by the Carlyle Group to Align Technology Inc. for EUR 376m. exocad GmbH is a software company providing digital solutions including CAD/CAM for the dental industry. The acquisition strengthens Align's digital platform, which delivers innovative tools and features for diagnostic, restorative, implant, and orthodontic workflows.

Consolidation in the German private banking sector took place in Q1 2020 when Hauck & Aufhaeuser agreed to acquire Bankhaus Lampe, the Germany-based private bank, owned by the Oetker Group, for an estimated minimum consideration of USD 223m, via an auction process. Oetker decided to sell Bankhaus Lampe given the lack of scale to offset the negative impact of low interest rates. The transaction enables Hauck & Aufhaeuser (owned by Chinese investment vehicle Fosun) to strengthen its position in the German market with increased scale, cost synergies, complementary products and an improved regional focus.

ARYA Sciences Acquisition Corp, a listed US special purpose vehicle, agreed to acquire Immatics Biotechnologies GmbH, a German-based clinical-stage biopharmaceutical company active in the discovery and development of cancer immunotherapies, for USD 350m. The combined entity will have USD 319m in cash to finance further clinical development and platform enhancements.

Finally, in January 2020, before the onset of COVID-19, Italian industrial manufacturer Leonardo announced the strategic acquisition of Kopter AG, a Swiss manufacturer of single engine helicopters, for USD 185m. Kopter's product portfolio filled a gap in Leonardo's helicopter range and will facilitate accelerated R&D going forward.

continued on next page...

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LOOKING AHEAD

Germany is the world's fourth largest economy and its economic forecasts for GDP range from -2.8% to -5.4% in 2020 to +1% to +4.9% in 2021. There is a substantial risk of more negative outcomes for the German economy depending on the length of the total shutdown and the success or otherwise of the containment strategies being employed. Unlike the Financial Crisis in 2008-2009, the measures taken to restrict the spread of COVID-19 will not only impact on sales and margins, but also business models. The German stimulus package is one of the largest in the world (23% of GDP and USD 9.7000 per capita).

The DACH M&A market is currently in turmoil. Various surveys amongst German M&A practitioners reflect the general sentiment that we are in for a sustained period of lower M&A activity in the region, even though investors with cash may come back to the market where there are imperative strategic opportunities and / or viable assets that can be picked up at the right price. Interestingly in this context the German government has mooted the creation of a €500bn fund to help distressed German companies fend off hostile foreign takeovers. We expect deal structures to change and financing to become more expensive and contain more covenants. In this context the BDO Heat Chart, which predicts that 370 companies are currently for sale or rumoured to be for sale is interesting but is not in itself trend setting. All things being equal (and ignoring insolvency processes), we would expect deals numbers to remain steady as some sellers decide to postpone processes while others may be forced to sell new assets which are not currently on the market.

COVID-19 INSTITUTIONAL MEASURES

Governmental support in the DACH region has been focused on safeguarding liquidity of companies through taxation measures, employment support and other. For full details of measures in Germany please click **here**.

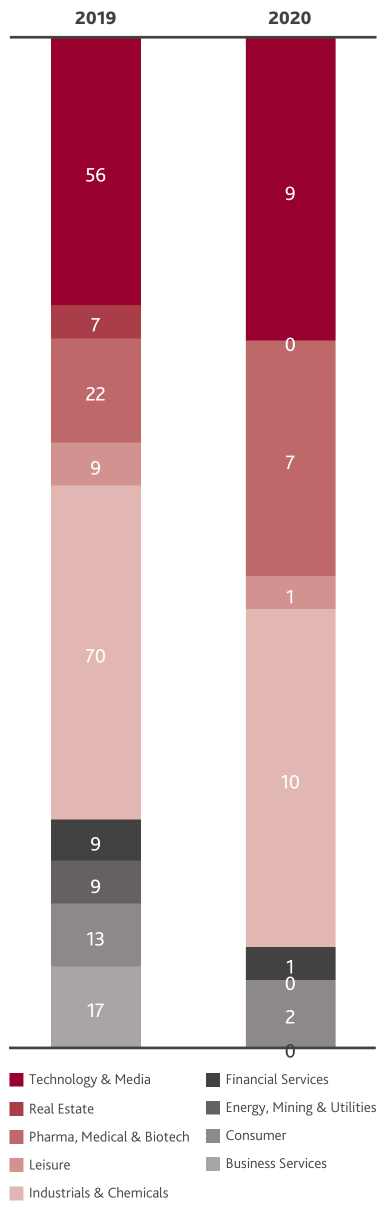
For detailed measures in Austria please visit **here**.

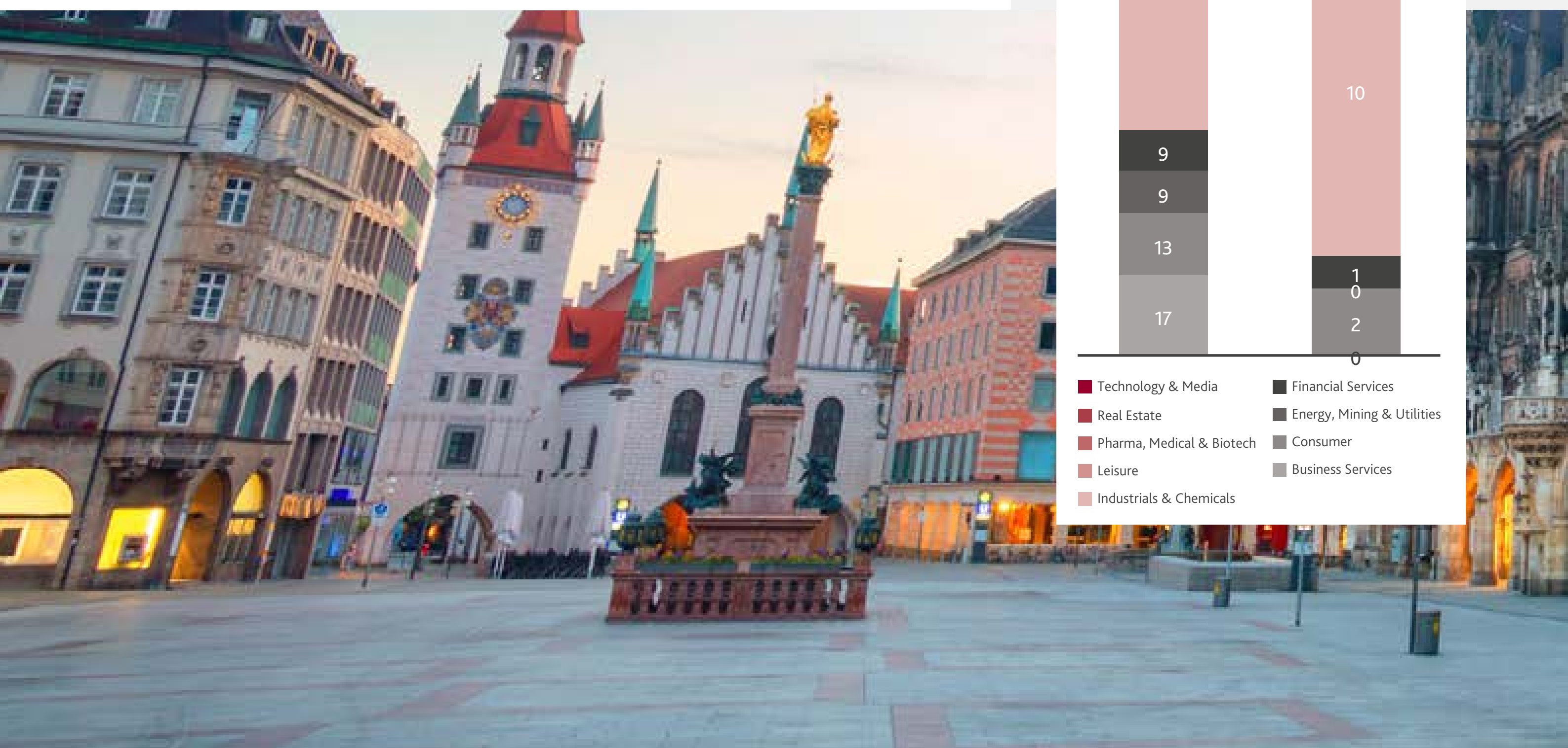
For detailed measures in Switzerland please visit **here**.

DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	121	33%
Technology & Media	94	25%
Consumer	42	11%
Pharma, Medical & Biotech	38	10%
Business Services	27	7%
Energy, Mining & Utilities	22	6%
Financial Services	12	3%
Leisure	10	3%
Real Estate	4	1%
TOTAL	**370**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR





NORDICS

M&A ACTIVITY DROPS TO LEVELS NOT SEEN SINCE THE GLOBAL FINANCIAL CRISIS

BIG PICTURE

- M&A activity in Q1 2020 fell to levels not seen since the Global Financial Crisis of 2007-2008. Total deal value and deal volume were down 70% and 50% respectively compared to the corresponding quarter in 2019
- PE activity dropped to a 10-year low for both deal value and deal volume, but the average deal value was slightly higher compared to Q1 2019
- TMT and Industrials & Chemicals were the dominant sectors with 12 and 10 deals respectively.

The total number of M&A transactions in Q1 2020 fell to just 35 deals from the 69 deals completed in Q1 2019.

Deal activity in Q1 2020 represented the second weakest quarterly performance since 2008, with the exception of Q1 2009. Total deal value fell to USD 1,590m from USD 5,224m in the same quarter in 2019. Average deal value also fell to USD 45m from USD 76m in Q1 2019. Overall, Q1 2020 featured both fewer and smaller deals than Q1 2019.

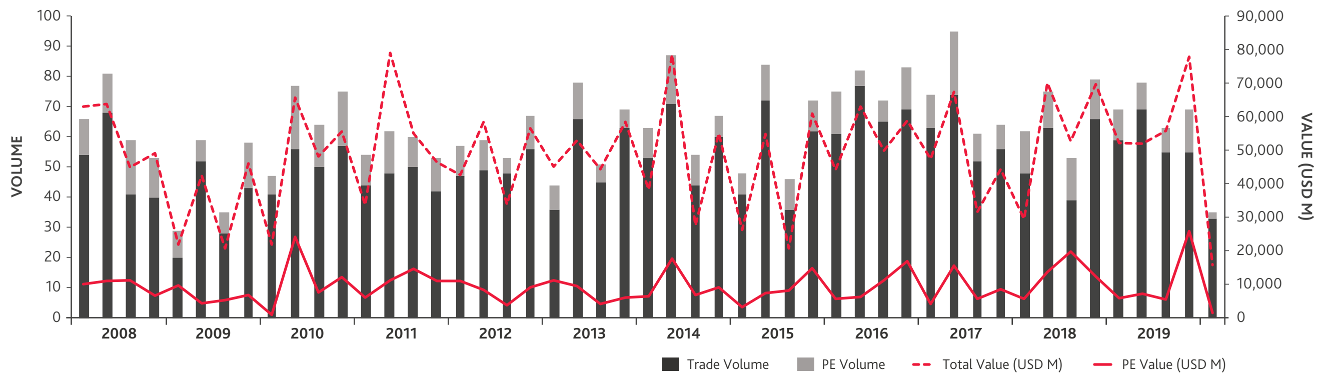
There were only two deals involving PE firms in Q1 2020 and relative deal volume from PE players was at its lowest level compared to data from Q1 2008 onwards. From 2018 to 2019, PE deal volume fell from 53 to 41 deals. In comparison with Q1 2019, PE deal volume fell heavily from 10 to just two deals, resulting in a cumulative PE deal volume of 33 for the last four quarters. On the other hand, average deal value was up USD 20m compared to Q1 2019, however this was based on very low deal volume.

Overall, the average PE deal size dropped by more than USD 100m in Q1 2020, after gaining pace in Q4 2019 to USD 186m. A similar drop was last seen in Q1 2016.

KEY SECTORS AND DEALS

The top 10 deals in the Nordics accounted for approximately 70% of total deal value, while the 20 largest deals accounted for more than 90% of total deal value. Sweden dominated the region's largest deals in Q1, with six of the top 10 and nine of the top 20. Looking further down the top 20 deals, Finland accounted for six and Denmark and Norway had three and two deals respectively. From a sector perspective, seven of the top 20 deals took place in TMT and six were in Industrials & Chemicals, three were in Financial services, two were in Pharma, Medical & Biotech, and there was one deal each in Business Services and Energy, Mining & Utilities. Despite having a low number of overall deals, Financial Services reported the quarter's second highest sector deal value with USD 418m, only bettered by TMT's USD 483m in the top 20 deals. As a result, Financial Services' average deal value was twice that of TMT.

PE/TRADE VOLUME & VALUE



The quarter's biggest transaction was the USD 200m acquisition of a 3.7% stake in Swedish Financial Services provider Klarna Bank AB, by the Commonwealth Bank of Australia (CBA). This followed a USD 100m investment by CBA in Q3 2019's investment round, raising a total of USD 460m, which was recorded as the region's biggest deal in that quarter. Klarna and CBA plan to expand the business further in Australia and New Zealand and the two parties have agreed on 50:50 ownership rights to the business in the aforementioned countries.

The second largest deal was a USD 155m series C funding of the Swedish TMT company KRY International AB (KRY), led by the Canadian-based Ontario Teachers' Pension Plan, for an undisclosed stake. KRY will use the funds to expand into new markets across Europe, further develop its product offering in existing markets, and hire new talent to continue its innovation programmes. KRY develops digital health apps, allowing users to consult with qualified health professionals within minutes. Founded in 2015, KRY has established itself as Europe's leading digital healthcare provider with over 1.4 million completed patient meetings.

The third largest deal was the acquisition of Finnish TMT companies Alma Media Kustannus and Alma Manu by listed Finnish TMT company Sanoma Group. The transactions of the regional news media businesses have an estimated deal value of USD 126m. The bolt-on acquisition is expected to strengthen Sanoma's position in the media business, with the expected growth in digital news subscriptions being the strategic rationale for the deals. Sanoma is now evaluating its strategic options in line with its focus on core operations, and a potential divestment of the daughter company Oikotie Ltd. is one of the potential outcomes.

TMT was the most active sector with 12 of the 35 deals in Q1 2020, closely followed by Industrials & Chemicals with 10 deals. The two sectors have consistently been the two most active sectors in the last three years, along with Business Services.

continued on next page...

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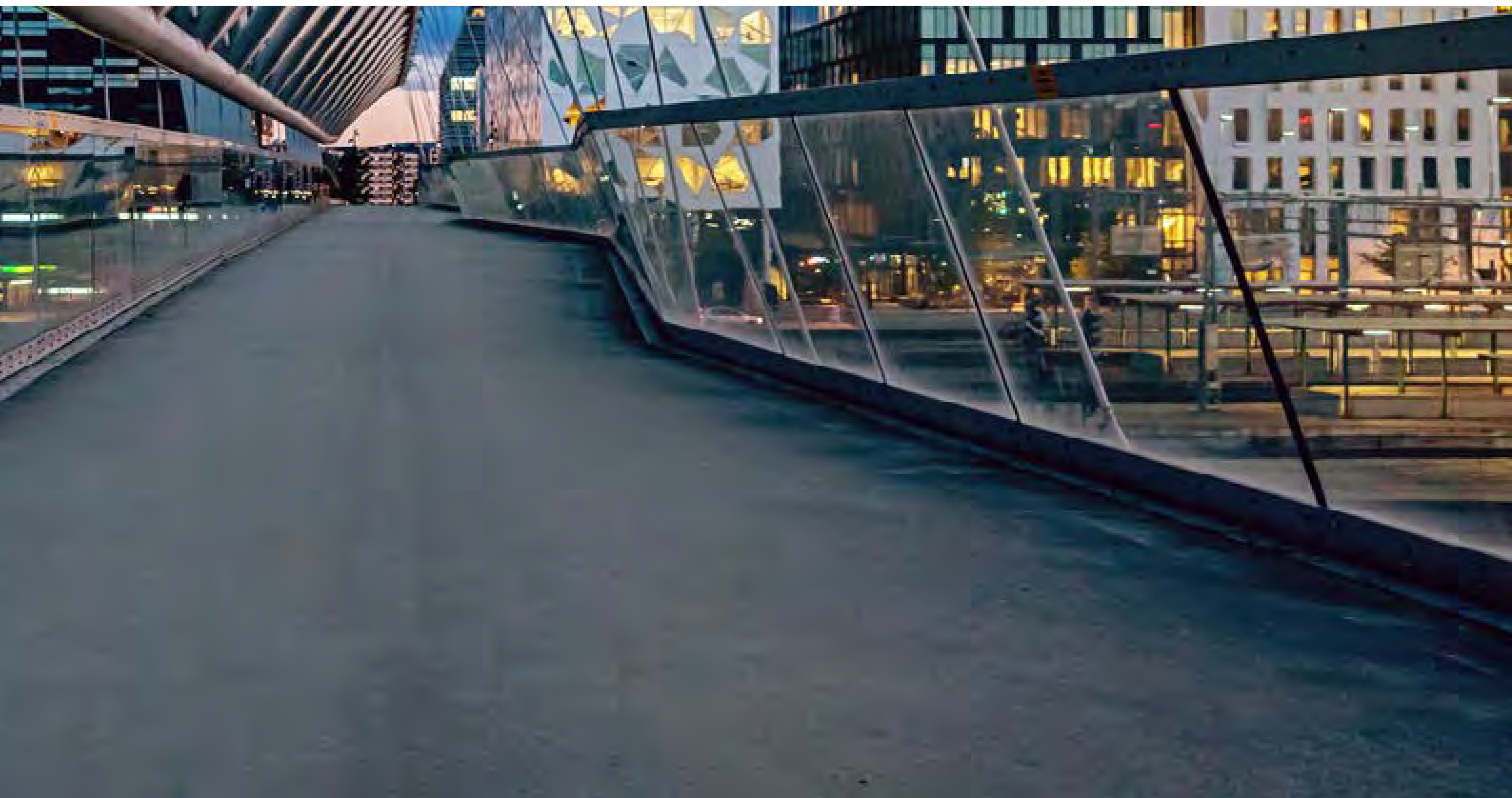


LOOKING AHEAD

The slowdown in M&A activity seen during 2018 and 2019 has gained additional momentum following the outbreak of the COVID-19 pandemic. The short-term economic outlook now looks very uncertain. The Nordic countries have chosen different strategies to tackle the pandemic. Measures taken have reduced economic trade and brought several planned transactions to a halt. The slowdown has been more evident in Norway and Denmark as their governments have put more stringent measures in place to reduce the spread of the virus while Sweden has circumvented a full lockdown with mainly voluntary measures. In addition, the economy in Norway has been negatively affected by the sharp decline in oil prices. As is clear from the low levels of M&A activity in Q1 2020, the pandemic has already affected the transaction market and we expect 2020 to be a challenging year.

On the bright side, the Nordic countries have strong public finances and substantial stimulus packages have been launched across the region. Additionally, many PE players have readily available funds and may seize the opportunity arising from the current uncertainty to consider doing deals at discounted levels and look beyond the pandemic.

COVID-19 INSTITUTIONAL MEASURES

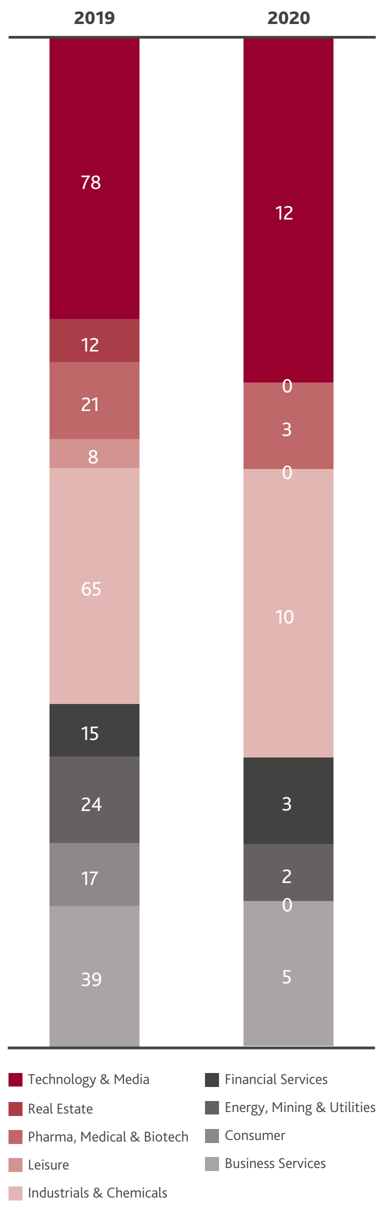
BDO has put in place an easy to use global tool that provides an overview of measures introduced by governments and institutions in relation to the COVID-19 pandemic.

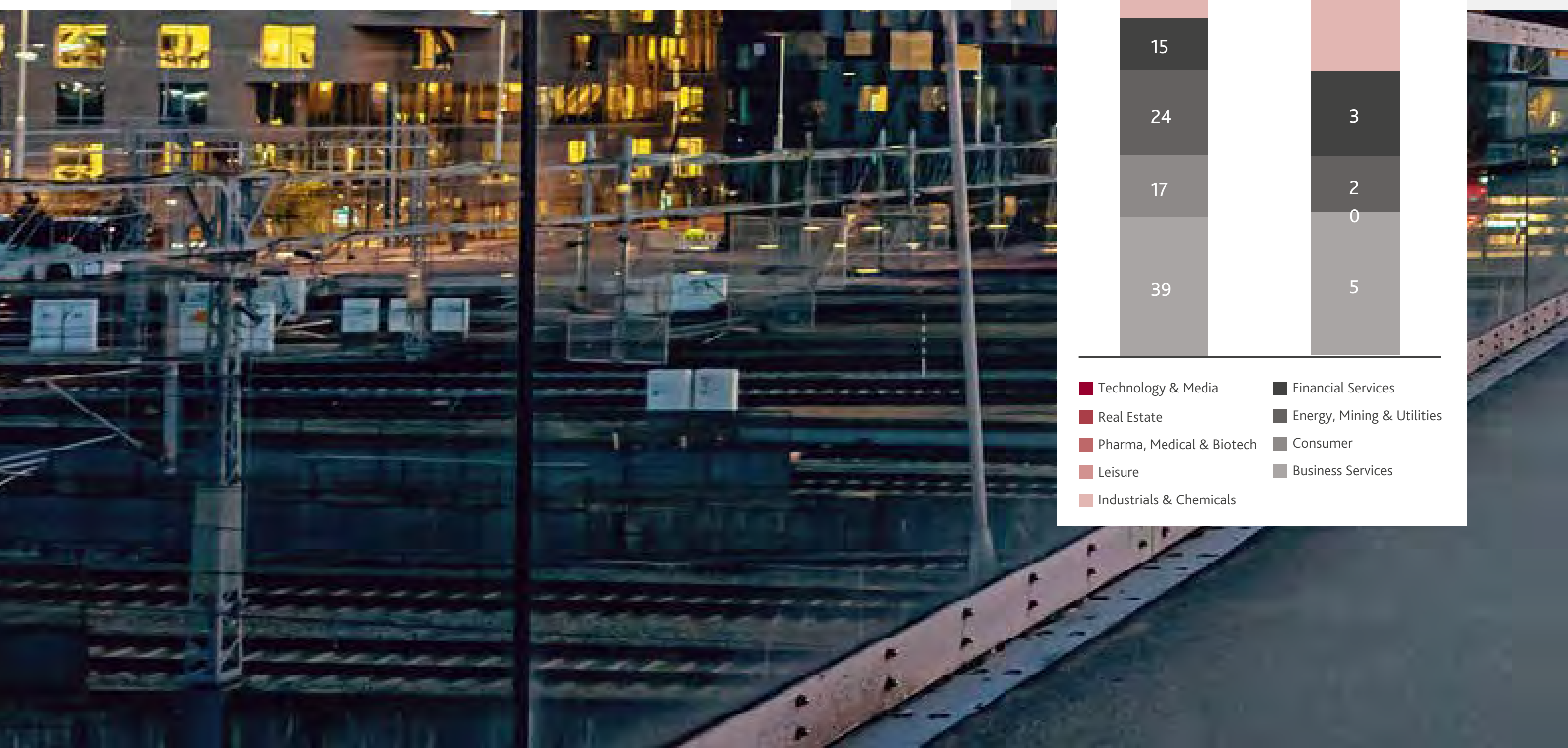
Please click **here** to access the map tool. Each Nordic jurisdiction lists the measures announced to date.

NORDICS
HEAT CHART BY SECTOR

Technology & Media	49	24%
Industrials & Chemicals	36	18%
Pharma, Medical & Biotech	28	14%
Consumer	25	12%
Business Services	23	11%
Energy, Mining & Utilities	18	9%
Financial Services	14	7%
Leisure	5	2%
Real Estate	3	1%
TOTAL	**201**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR





CEE & CIS

DEAL ACTIVITY FALTERS WITH VOLUME FALLING TO 11-YEAR LOW

BIG PICTURE

- Deal volume and deal value saw significant decreases in Q1 2020 compared to Q1 2019, mainly due to the impact of COVID-19 and it is no surprise that the number of rumoured future transactions are also down in comparison from the last quarter
- Deal value fell from USD 4,854m in Q1 2019 to USD 2,922m in Q1 2020
- The drop in deal volume was even sharper – from 65 deals in Q1 2020 to 39 deals in the corresponding quarter in 2019, a 40% decrease compared to Q1 2019 and a 47% decrease compared to Q4 2019
- The deal count was dominated by Industrials & Chemicals and TMT, which accounted for 41% of total deal numbers
- On a positive front six PE deals took place in Q1 2020, accounting for 13.5% of total transactions – its highest ratio for three years.

In the CEE & CIS region, the total number of M&A mid-market transactions executed in Q1 2020 continued to decline in line with the global market due to the economic impact of the COVID-19 pandemic.

With just 39 transactions in CEE & CIS in Q1 2020, recorded deal activity fell by 47% compared to Q4 2019 and by 40% compared to Q1 2019.

The aggregate value of transactions also fell sharply (54%) to USD 2.9bn in Q1 2020 from USD 6.4bn in Q4 2019 and was 40% below the deal value of USD 4.9bn recorded in the corresponding quarter in 2019.

KEY SECTORS AND DEALS

The region's top 10 deals had a combined value of USD 2.24bn, which represented about 77% of the quarter's overall deal value, which indicated a high concentration of bigger deals. Looking at the target countries in the top 10, three were Polish and three were Turkish. Two of the Turkish deals were domestic deals in terms of seller, bidder and target country.

The biggest transaction was in Poland, where Nets A/S acquired Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A. for USD 458m.

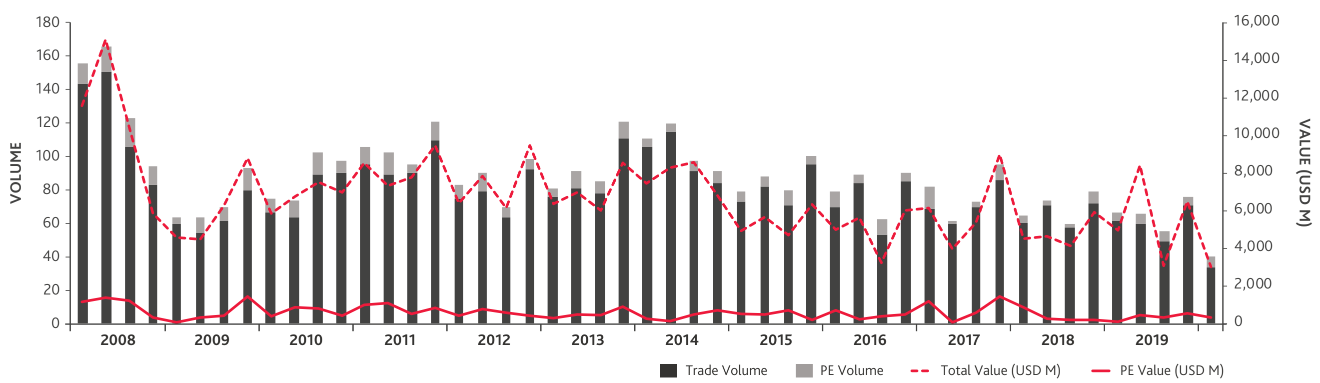
As was the case in 2019, TMT and Industrials & Chemicals were the busiest sectors in the region, both with eight deals, each representing 21% of total deal volume. They were followed by Business Services, Leisure and Consumer with six, five and four deals respectively, accounting for 38% of total deal activity.

LOOKING AHEAD

According to the BDO Heat Chart (capturing all sales planned, rumoured or in progress), 674 deals are expected to take place in the CEE & CIS region, which can be considered a positive outlook in the face of the COVID-19 epidemic.

The BDO Heat Chart indicates that the most active sectors are likely to remain Industrials & Chemicals and TMT, with 186 and 142 predicted deals, together representing nearly 50% of total planned deals. Consumer and Business Services

PE/TRADE VOLUME & VALUE



are also predicted to remain very active with a combined total of more than 25% of the region's predicted deal activity. Even though Financial Services has seen a huge drop in deal volume, the BDO Heat Chart indicates that there will be an up-tick in the sector's M&A activity and it will be the fifth most active sector in the upcoming period with 59 predicted deals, just behind Consumer and Business Services. The Real Estate and Pharma, Medical & Biotech sectors are expected to remain the sectors with the lowest transaction numbers with a combined total of 38 projected deals, accounting for just 6% of total deal numbers.

Finally, according to the BDO Heat Chart, CEE & CIS will maintain its third-place position among the regions covered in this report, as has been the case in previous years, behind North America and Greater China.

COVID-19 INSTITUTIONAL MEASURES

A number of measures to support employment and businesses have been put into place in the CIS and CEE countries. For country specific measures please click on the map available **here**.

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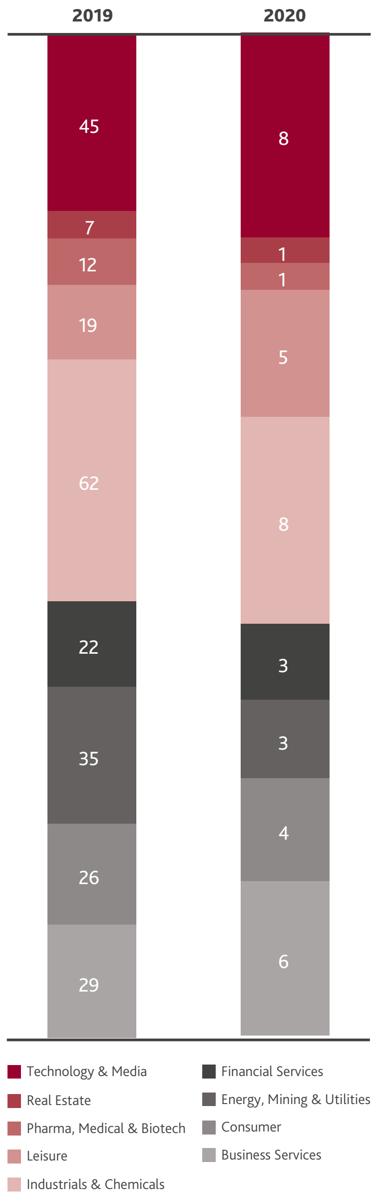
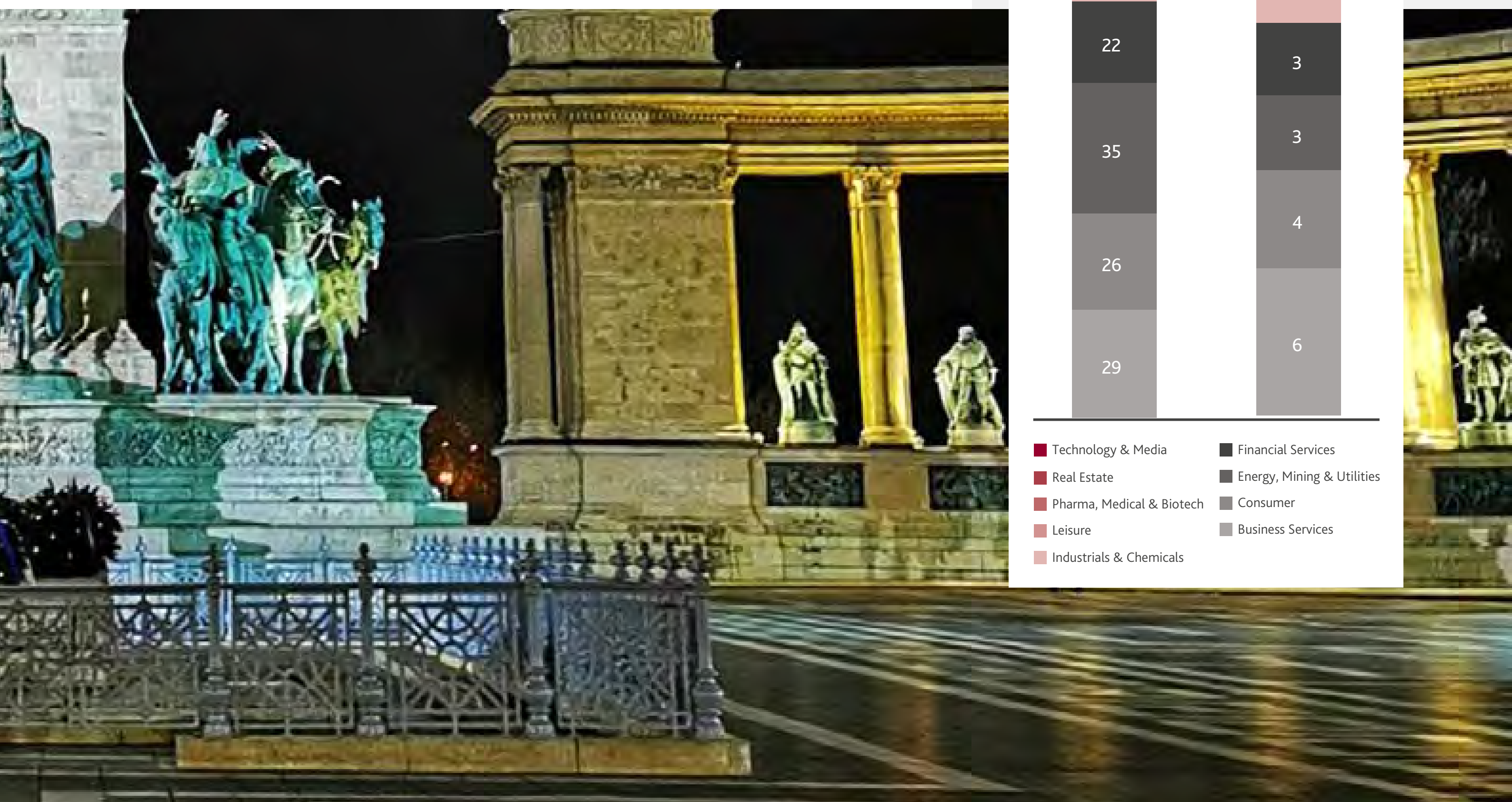
CEE & CIS
HEAT CHART BY SECTOR

Industrials & Chemicals	186	28%
TMT	142	21%
Consumer	88	13%
Business Services	82	12%
Financial Services	59	9%
Energy, Mining & Utilities	51	8%
Leisure	28	4%
Pharma, Medical & Biotech	27	4%
Real Estate	11	2%
TOTAL	**674**	**100%**

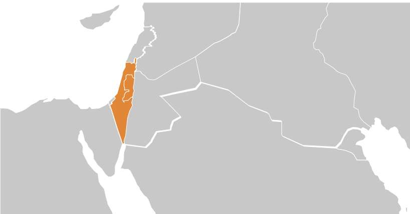
CEE & CIS
MID-MARKET VOLUMES BY SECTOR





ISRAEL

M&A DEAL VALUE AND VOLUME PLUMMET



BIG PICTURE

- Q1 2020 M&A value plummeted by 57.67% compared to the previous quarter while deal volume dropped by 39.13%
- The BDO Heat Chart shows 92 potential deals, suggesting a slowdown in activity ahead
- PE activity decreased in Q1 2020 from Q4 2019.

A total of 14 deals, with a combined deal value of USD 875m, were successfully completed in Q1 2020. This represented a 57.67% plunge in deal value and a 39.13% drvop in deal volume from the 23 completed deals in Q4 2019 to the 14 deals in Q1 2020. Deal value fell heavily, triggering a 30.48% fall in the average transaction value to USD 62.5m for the quarter, indicating that the deals that were done were for smaller amounts.

The 14 completed deals in Q1 2020 had a total value of USD 875m, reflecting a shrinkage of USD 1,192m (57.67%) compared to Q4 2019 and a reduction of USD 267m (23.38%) compared to Q3 2019.

PE activity was also weak in the quarter with the figures showing a noticeable decline in terms of volume and a vast contraction in terms of value. In Q1 2020, PE was responsible for two deals, worth a total of USD 86m, which represented 14.3% of the deal count and 9.8% of the value for the quarter.

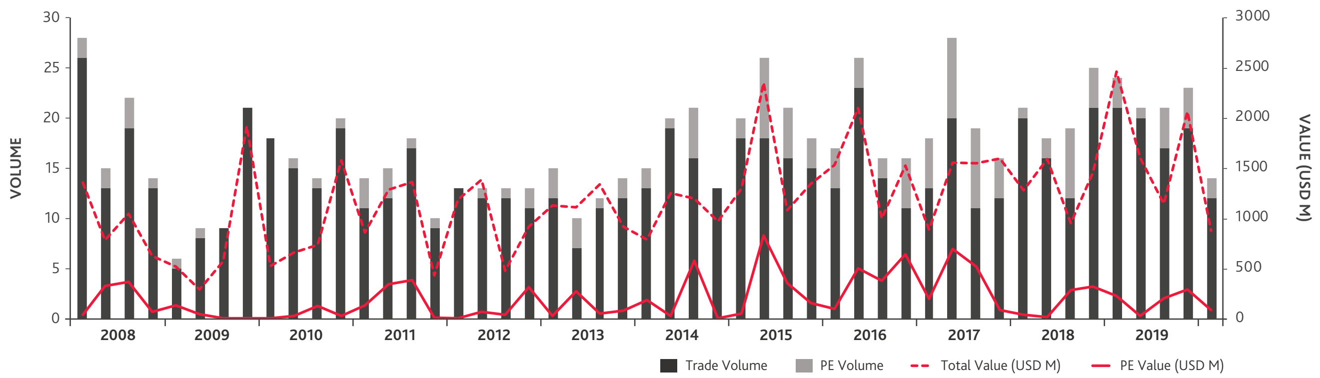
KEY SECTORS AND DEALS

Israel's top 10 deals in Q1 2020 had an aggregated value of USD 834m, representing 95.3% of the region's total M&A transactions. The largest transaction was the USD 169m acquisition of Oxygen & Argon Works Ltd., a leading manufacturer and marketer of industrial gases in Israel, which was purchased by Air Products and Chemicals Inc.

Other deals included the USD 132m acquisition of Dan public transportation Limited (40% stake), a leading provider of public transportation in Israel. The acquisition was led by Global M&A Partners; David Fattal (private investor); Chen Lamdan (private investor); Hachshara Insurance Holdings Ltd.; Norstar Holdings Inc; S. Shlomo Insurance Company; Discount Capital; Dan Popper (private investor); and LBH Infrastructure Private Limited. Another big transaction was the USD 125m acquisition of Moon Active Ltd (10% stake) by Insight Partners.

TMT was the most active sector, accounting for six deals (42.86% of total transactions). Pharma, Medical & Biotech was in second place, accounting for three deals (21.43% of total transactions).

PE/TRADE VOLUME & VALUE



Next was Business Services and Industrials & Chemicals, each with two deals (accounting for 14.29% of all transactions), followed by Energy, Mining & Utilities with one deal. Finally, there were no deals completed in the Consumer, Financial Services, Leisure and Real Estate sectors.

Eight 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 consisted of four US buyers and one buyer from each of the United Kingdom, Ireland, Spain and New Zealand.

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

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LOOKING AHEAD

Looking ahead, the data supports a slight slowdown in growth rates. The BDO Heat Chart for Q4 2019 showed 115 deals planned or in progress, compared to 92 deals in Q1 2020, which reflects a 20% drop in pipeline deals, a noticeable slump.

Of the 92 deals planned or in progress for M&A, 30 (33%) relate to TMT and 23 (25%) involve Pharma, Medical & Biotech. Other active sectors include Industrials & Chemicals with 10 deals (11%), Consumer with eight deals (9%), Business Services with seven deals (8%), Energy, Mining & Utilities and Leisure with four deals each (4% each), and Real Estate and Financial Services with three deals each (3%).

COVID-19 INSTITUTIONAL MEASURES

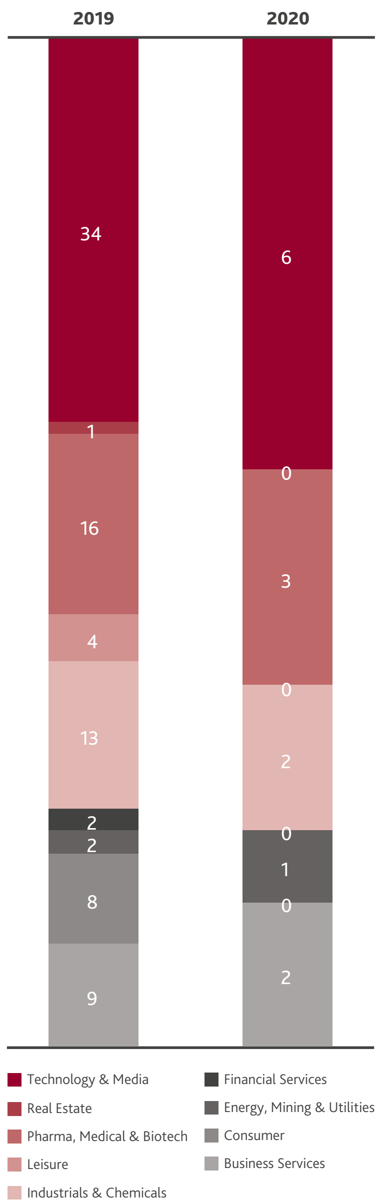
The government published its major economic plan promising NIS 80 billion in financial aid for the healthcare system, struggling businesses, salaried employees and self-employed workers.

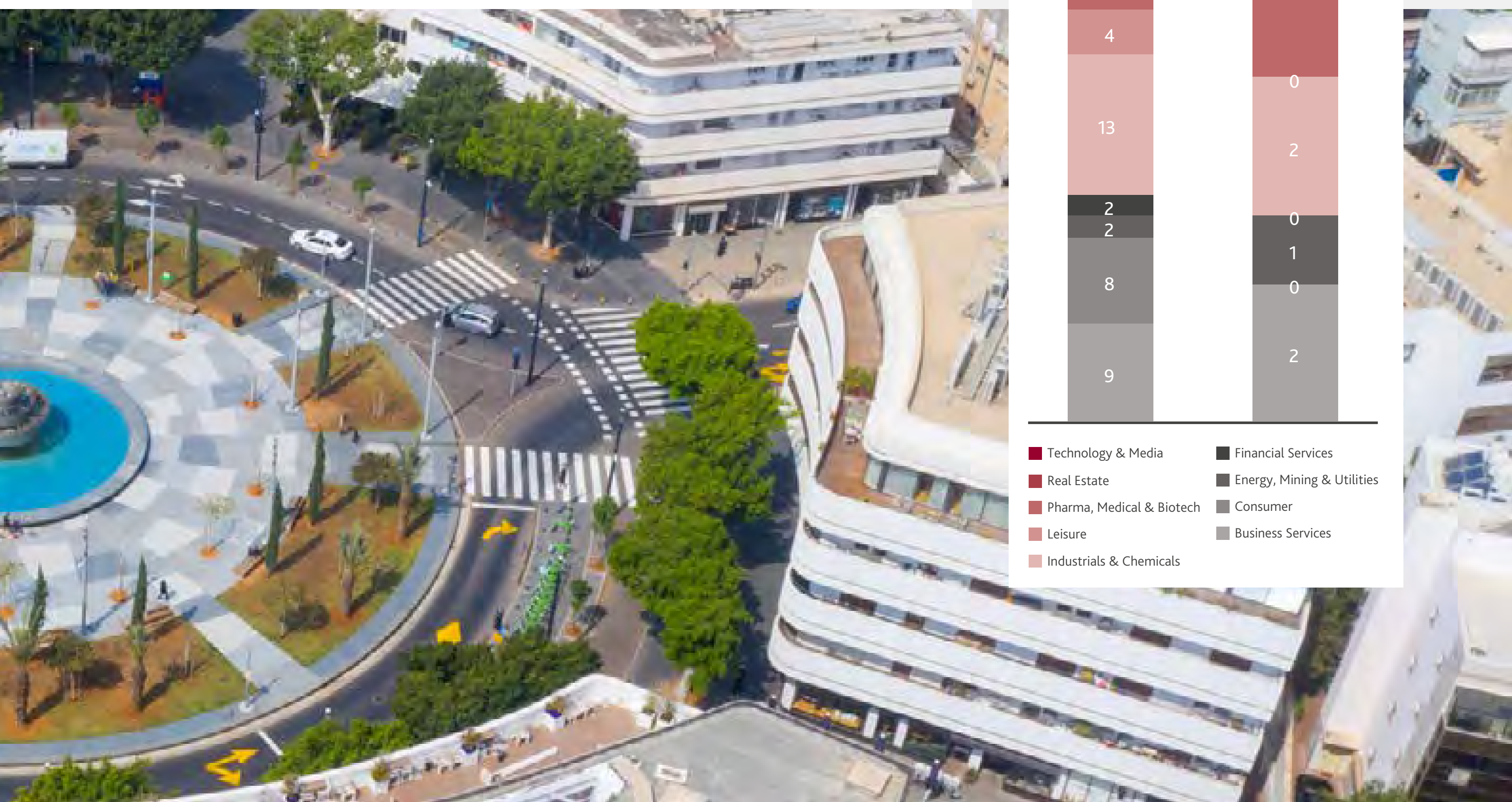
For a detailed breakdown of measures please click **here**:

ISRAEL
HEAT CHART BY SECTOR

Technology & Media	30	33%
Pharma, Medical & Biotech	23	25%
Industrials & Chemicals	10	11%
Consumer	8	9%
Business Services	7	8%
Energy, Mining & Utilities	4	4%
Leisure	4	4%
Real Estate	3	3%
Financial Services	3	3%
TOTAL	**92**	**100%**

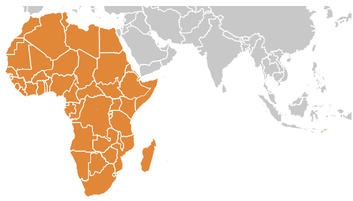
ISRAEL
MID-MARKET VOLUMES BY SECTOR





AFRICA

DEAL LEVELS FALL TO DECADE-LOW LEVELS AS COVID-19 IMPACT BITES



BIG PICTURE

- There was a drastic fall from 29 mid-market M&A deals in Q4 2019 to only 16 in Q1 2020, the lowest in a decade as COVID-19 spread across China and Europe
- Deal value plummeted by 47% compared to Q4 2019 and by 51% compared to Q1 2019
- The most active sector was Energy, Mining & Utilities.

There were just 16 mid-market deals completed during Q1 2020, worth a total of USD 1,056m. This represented a 48% decline in deal numbers and a 47% reduction in deal value compared to Q4 2019.

Compared to Q1 2019, the figures look even worse as that quarter saw twice the levels of activity with 31 deals worth USD 2,008m. The number of PE buy-outs was down by only one deal compared to Q1 2019. However, the average value of PE buy-outs fell to USD 7.3m from USD 13m in Q1 2019, and USD 12.9m in Q4 2019.

KEY SECTORS AND DEALS

The most active sectors in Q1 2020 were Energy, Mining & Utilities (six deals) and Industrials and Chemicals (three deals). Business Services and Pharma, Medical & Biotech recorded two deals each and there was one deal in each of the Consumer, Leisure and TMT sectors. The sector which recorded the biggest fall was Consumer from five deals in Q4 2019 to just one deal in Q1 2020. The majority of the quarter's deals occurred in South Africa (six out of the 16 deals) and there was one deal in each of Cameroon, Namibia, DRC, Gabon, Egypt, Tanzania, Kenya, Rwanda and Zambia.

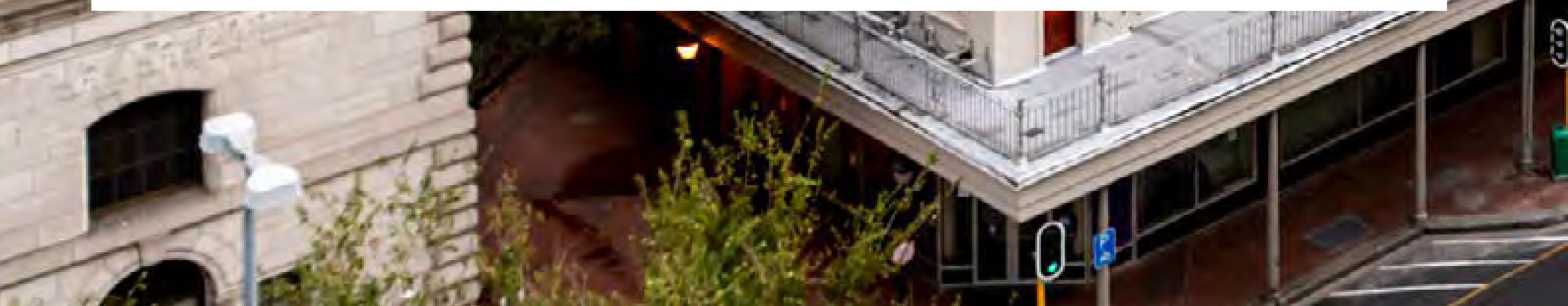
The quarter's biggest deal involved the purchase of Tongaat Hulett's starch division by Barloworld (both South African-listed companies). Worth UDS 348m, the transaction was aimed at reducing Tongaat Hulett's debt levels. The starch division, established in 1919, is one of the largest wet millers in sub-Saharan Africa, operating four plants in Johannesburg and in Cape Town.

The second largest transaction was worth USD 200m and marked the divestment of Ashanti Gold from South Africa after more than 100 years in the mining industry. The acquisition by Harmony Gold Mining Company Limited has consolidated its position as South Africa's leading mining company. The company is backed by the billionaire Patrice Motsepe.

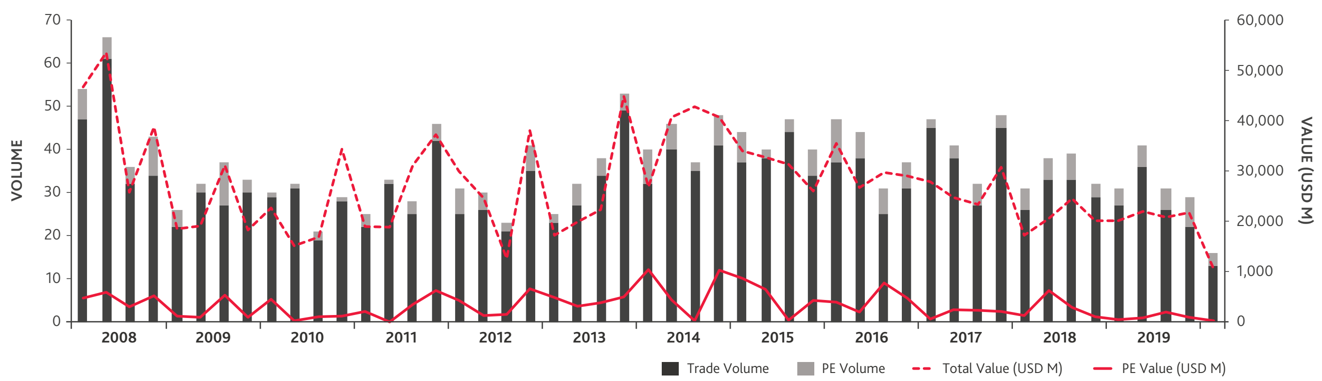
There were some interesting PE buy-outs during Q1 2020. These included UK firm Golden Square Equity Partners Limited taking a 99.43% stake (worth USD 52m) in a mining company in DRC, US firm Emerging Capital Partners LLC acquiring a 95.36% stake (worth USD 43m) in Burger King (RSA) and A.P. Møller Capital acquiring a 48% stake in ARISE Ports & Logistics in Gabon (worth USD 31m).

ECONOMIC OUTLOOK

According to the World Bank, Sub-Sahara African economies are forecast to lose between USD 37bn - USD 79bn* in output losses in 2020 due to COVID-19. The impact on food security is likely to be particularly severe and some of the countries' GDP might see contractions ranging between 2.6%-7%. The growth forecast for 2020 is -5.1% compared to 2.4% in 2019. The pandemic is also likely to result in rising levels of public debt as well as huge losses in output and trade in 2020.



PE/TRADE VOLUME & VALUE



*Source

There are wide-ranging fears that the disruption in production and value chains, coupled with a loss in purchasing power, could create a food crisis in several regions. Countries with a large tourism industry will also be significantly affected, for example Botswana, Kenya, Mauritius, and South Africa. The International Monetary Fund for its part is forecasting a revised and exceptional negative GDP growth rate of -1.6% for 2020, but with wide variations across different countries.

As at mid-April 2020, the worst affected countries in the region had been South Africa, Egypt, Algeria and Morocco. To mitigate the impact of the pandemic and in addition to lockdowns and quarantines for inward travelling residents/ passengers, exceptional measures have been taken in several countries by governments, regulatory bodies and business communities to try to maintain the operation of essential activities like food retail, banks, hospitals, and pharmacies, limit economic threats, and assist the population in focusing their efforts on helping to contain the spread of the virus. Recession will be inevitable.

In South Africa, a Solidarity Fund was set up to assist the vulnerable segments of society, donations coming from Government, South African businesses, organisations and individuals, and members of the international community. A safety net was also developed to support persons in the informal sector. Industrial funding and fiscal subsidies have been extended to businesses.

In Mauritius, a series of measures have been introduced too for households, self-employed, SMEs and other businesses. The key ones include a Wage Assistance Scheme for employees, a Self-Employed Assistance Scheme (SEAS) for self-employed individuals and tradespersons, lines of Credit to businesses and also flexibility in filing and reporting obligations and also a Solidarity fund. Across the continent, reflection has started on relaunching economic activity once the health threats have been curbed.

Across the continent, plans are under way to relaunch economic activity once the initial threat to people's health has eased.

LOOKING AHEAD

The BDO Heat Chart for Africa's mid-market M&A projects 167 deals for 2020, a figure which will inevitably be impacted by the outbreak of COVID-19. The dominant sectors are likely to be Energy, Mining & Utilities with 50 deals, which represents 30% of the year's total projected deals, followed by Industrials & Chemicals (33 deals), Consumer (28 deals) and Financial Services (18 deals).

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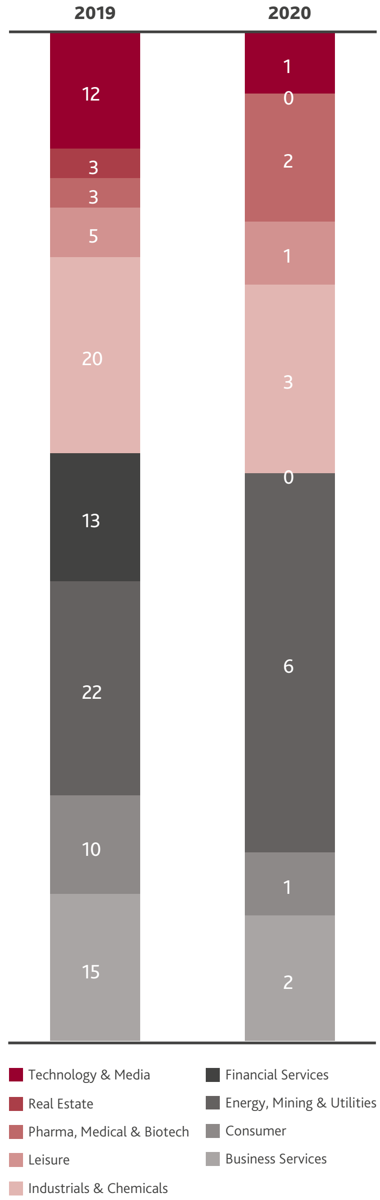
AFRICA
HEAT CHART BY SECTOR

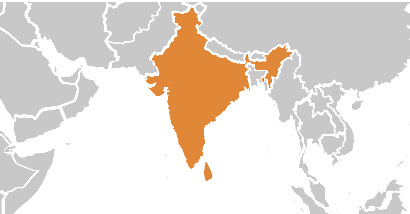
Energy, Mining & Utilities	50	30%
Industrials & Chemicals	33	20%
Consumer	28	17%
Financial Services	18	11%
Technology & Media	15	9%
Pharma, Medical & Biotech	10	6%
Business Services	7	4%
Real Estate	5	3%
Leisure	1	1%
TOTAL	**167**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

M&A ACTIVITY FALTERS AS COVID-19 IMPACTS ECONOMY



BIG PICTURE

- Q2 deal volume and value drop as M&A activity stalls
- Industrials & Chemicals shows resilience as deal numbers increase
- Uncertain markets likely to create M&A opportunities ahead.

In Q1 2020, mid-market M&A activity in India saw declines in both value and volume across all sectors apart from Industrials & Chemicals, which posted improved volumes. Along with many other countries, India's economy has been adversely affected by the global pandemic and the government has adopted multiple approaches to combat COVID-19 and support people and businesses.

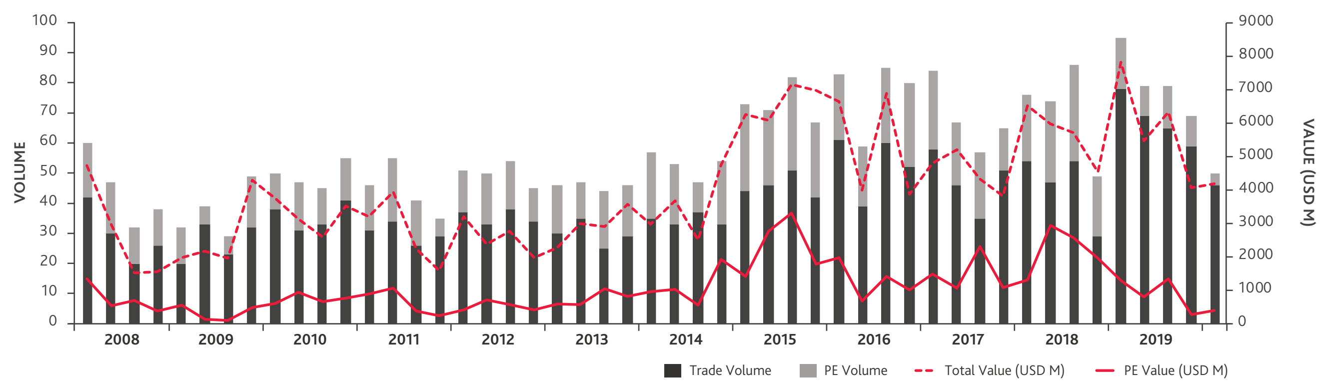
The impact on India's economy is already clearly visible with people working shorter days and GDP growth slowing. Most companies have shut their plants and workplaces and wherever possible are allowing employees to work from home. This new way of working could last between two and four months longer and will continue to have huge adverse impacts on the country's economy.

Importantly, India is among the 15 most affected economies due to supply chain disruption in China.

Key impacts include:

- A further deceleration in India's GDP/ economic growth in the coming quarters., with global rating agencies lowering India's GDP forecast for 2020 as follows : Moody's to 2.5% (vs 5.3% earlier); Fitch Solutions revised India's FY2020/21 (April-March) real GDP growth forecast to 4.6% (vs 5.4%); and S&P Global Ratings expects India's growth at 3.5% for the coming fiscal period (vs 5.2%). Nominal GDP growth is expected to fall to a five-decade low
- A decline in consumption (apart for government expenditure) and corporate profitability could also spiral into a pull-down on investments and an increase in credit defaults
- Exports, which account for ~20% of India's GDP, will be affected as global growth rates continue to deteriorate. The top five export sectors – Engineering Goods, Chemicals, Mineral Fuels/Oil, Gems & Jewellery and Textiles – are all vulnerable to global demand and, being labour intensive, may result in job losses
- 25% of the total workforce in India are casual labour employees with a potentially high exposure to the economic impacts of COVID-19.

PE/TRADE VOLUME & VALUE



KEY SECTORS

Looking at sectors, we believe that Travel & Tourism, Aviation, Real Estate, Auto, Construction, Consumer Durables, Hospitality, Manufacturing, Hotels, Restaurants, Entertainment, and all businesses dependant on international trade are likely to be adversely impacted during the crisis.

In addition, Banking and Financial Services (BFSI) will be vulnerable to multiple factors, including a significant slowdown in consumer/unsecured retail and auto loans, slippages in the housing segment, tightening of credit underwriting standards, increase in delinquencies & NPAs, significant disruption in the MSME segment, pressure on asset quality & collections, and solvency risk. The MFIs may be one of the most highly impacted as they address the under-banked and unbanked sections of India's society.

However, defensive sectors, such as Digital Media, Consumer Staples and Telecom, are likely to be beneficiaries during and after the crisis.

Nevertheless, for all sectors, balance sheet liquidity will be vital to keep businesses running during India's nationwide lockdown and the consequent collapse in revenue.

RESILIENCE AND RECOVERY

In the past, the Indian economy has demonstrated its resilience through V-shaped recoveries seen during the Asian Financial Crisis (1997), the Agricultural Crisis (2002-03), the Global Financial Crisis (2007-2008) and Demonetisation (2016-2017).

Whether the recovery from COVID-19 will be U or V or L-shaped may depend on:

- how fast a medicine/vaccine is discovered
- velocity of demand improvement and cost optimisation
- balance sheet restructuring and cash flow management by corporates.

Some positives will eventually emerge from this crisis. The relief measures announced by India's government (see below) and strategic initiatives by corporates will offer opportunities to reinvent and reset through:

- Scenario/business continuity planning by corporates including fortification of liquidity and profitability
- Re-establishment of supply chain and reconfiguration/realignment of workforce
- Selective firms will be opportunist and seize demand/market share growth
- Acceleration of M&A activities as leaders consolidate their market share/ positioning and diversification
- Acceleration of digital adoption and white spaces
- Corporates may announce share buyback programmes given attractive prices and multi-year low valuations. Dividend payments may also increase (subject to their tax effectiveness).

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LOOKING AHEAD

Amid considerable CoVID 19 uncertainty, there could be a spur in future M&A activity.

M&A activities may find favour as firms become more opportunistic, finding value in assets at lower or distressed valuations, seeking supply chain economies and opportunities for consolidation within sectors. During downturns, corporate leaders have the opportunity to reassess their corporate strategies. And company valuations may also be reset to reasonable and acceptable levels.

Naturally, the M&A market is being adversely affected by the deterioration of capital markets and economies across the world. However, M&A activity is also strongly and equally correlated with stock prices, business/asset value and risk. Firms with healthy balance sheets can make the most of declining valuations with opportunistic deals. They can also pursue deals that create long-term value and/or have reasonable value that can be leveraged. Other options in the M&A market include:

- Companies executing their strategic acquisition agenda and positioning the business to exceed industry-average growth once the economy recovers
- Consolidating market share/ positioning by integrating the target business during the downturn as competitors are busy trying to survive and then fully benefitting from synergies during recovery
- Banks and lending institutions looking to salvage distressed assets after the crisis period
- Companies forging strategic alliances/ partnerships to resolve short-term supply chain issues
- For the PE industry, which is sitting on a huge cash pile amounting to USD trillions, bargain hunting for attractive valuations, disruptive models and aggressive inorganic opportunities for their leading investee companies.

Given all these factors, we believe that M&A activities in India may improve in the second half of 2020 as the economy recovers.

COVID-19 INSTITUTIONAL MEASURES

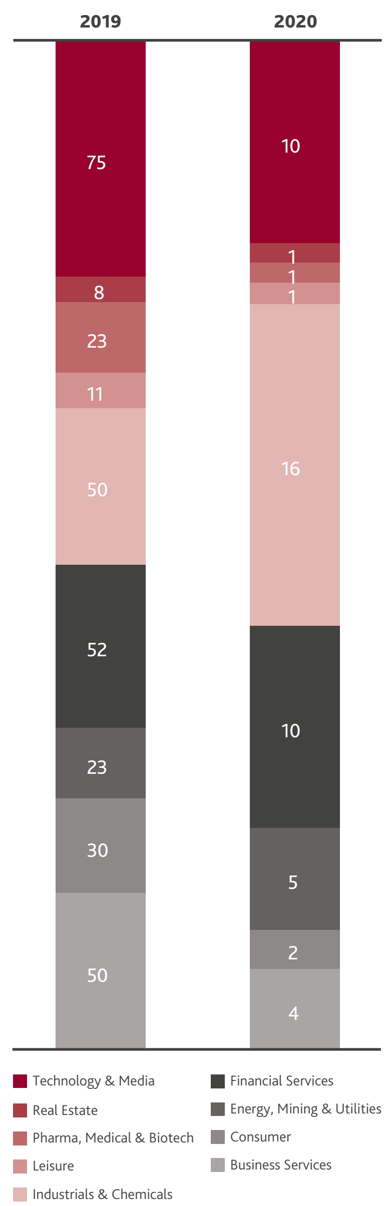
The government, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) have adopted a multi-pronged approach to provide economic, financial and fiscal stimulus to reduce the impact of the COVID-19 pandemic.

For a detailed list of measures please click here.

INDIA
HEAT CHART BY SECTOR

Technology & Media	64	27%
Consumer	38	16%
Business Services	31	13%
Financial Services	31	13%
Pharma, Medical & Biotech	23	10%
Industrials & Chemicals	23	10%
Energy, Mining & Utilities	13	6%
Leisure	8	3%
Real Estate	5	2%
TOTAL	**236**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

M&A ACTIVITY SEES SHARP FALLS AS LOCKDOWN SLOWS ECONOMY

BIG PICTURE

- Overall mid-market deal value in the Greater China region decreased by 40% from USD 29.6bn in Q1 2019 to USD 17.7bn in Q1 2020. Deal volume also decreased by 32% from 356 deals in Q1 2019 to 242 deals in Q1 2020
- Compared with the previous quarter, both deal volume and deal value dropped by almost 50% (deal value from USD 34.6bn in Q4 2019 to USD 17.7bn in Q1 2020 and deal volume from 489 deals in Q4 2019 to 242 deals in Q1 2020). This was mainly due to the outbreak of the COVID-19 virus, which was first detected in China in Q4 2019 and has impacted global markets throughout Q1 2020.

Prior to Q1 2020, deals were already being affected by uncertainties related to the US-China trade war and efforts to reduce corporate debt and bank financing for potential buyers. The outbreak of COVID-19 has greatly impacted the global economy as well as cross-border and domestic M&A activities in China in Q1 2020. This was reflected in the sharp decline in China's outbound transactions during the same period.

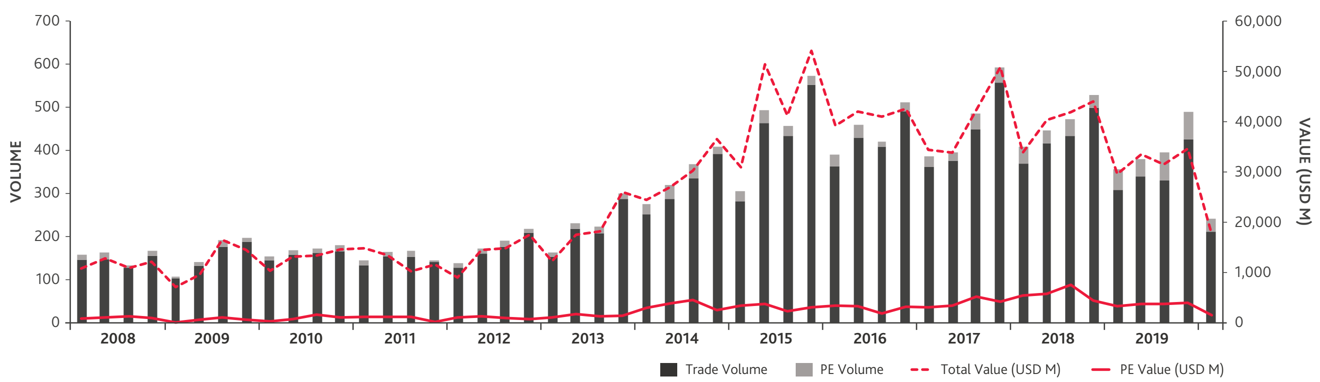
Throughout Q1 2020, around 40 cities and four provinces in China were locked down, which grounded much of China's economic activities. Yet during this period and despite the travel restrictions and quarantine measures in place around Asia, some PE buyers have continued to negotiate with potential sellers. Others have plans to raise funds for potential acquisitions later in the year or when the market outlook is clearer.

Industries hit hard by the COVID-19 pandemic include hospitality, retail, entertainment, air travel and shipping. Factories have also been impacted by disruptions in global supply chains. As a result, Chinese investors have been forced to withhold M&A deals or sell their shares in existing investments in order to preserve liquidity in Q1 2020. Large Chinese enterprises have also been focused on future business development needs and have been reviewing their supply chain structure.

The Chinese government has introduced various monetary stimulus measures to tackle the current COVID-19 pandemic, including:

- On 3 February 2020, the People's Bank of China lowered their interbank lending rate from 2.5% to 2.4% and injected additional capital of around RMB1.2 trillion (USD 173bn) into the financial market to provide short-term liquidity
- The medium-term lending facility rate was lowered by 10 basis points in February 2020
- Continued issuance and usage of government bonds – up to 10 March 2020, bonds of CNY 51bn (USD 7bn) have been issued
- In late March 2020, China's State Council implemented new economy supporting measures, including an additional central bank credit line of CNY 1 trillion (USD 140bn) to small banks and further lowering the interbank lending rates by 50 basis points.

PE/TRADE VOLUME & VALUE



In addition to monetary stimulus strategies, the Chinese government has also encouraged new infrastructure projects including the development of 5G technology, big data and intelligence city projects. In addition, new policies to promote the demand of new electric vehicles (e.g. extension of subsidies and tax exemptions to purchase new electric vehicles by two years) have been introduced.

M&A deal numbers are expected to continue to fall throughout the first half of 2020. However, the COVID-19 pandemic has raised awareness of IT companies and accelerated the development of some online businesses, including video conferencing, distance education, medical services and fresh food delivery services. More investment opportunities in these new businesses are expected in the coming quarters.

In addition, potential opportunities in the healthcare industry are expected to be highly sought after in the medium to long term. In particular, investors will focus on companies engaged in businesses related to the research and development of vaccines/ antiviral drugs, development of high-end medical devices, construction of additional medical facilities, infectious disease research, online medical diagnosis, and medical information management.

The disruptions to global supply chains experienced in Q1 2020 by businesses (in particular those with trade connections with China) are expected to result in many businesses considering whether to diversify or shift their operations away from China and other Asian countries. However, M&A activities in China and other Asian countries and outbound investments from China are expected to rebound once the virus outbreak is over.

TOP DEALS

Nine out of Greater China's top 20 mid-market deals in Q1 2020 took place in the Industrials & Chemicals sector. The top three deals were as follows:

- Qinghai Huixin Asset Management Co., Ltd. acquired Qinghai Salt Lake Industry Co., Ltd. from Qinghai Salt Lake Industry Co., Ltd. at a consideration of USD 437m – announced in January 2020
- Chongqing Nanfang Industrial Equity Investment Fund Partnership and its partners invested USD 412m for a 51.05% stake in Chongqing Changan New Energy Automobile Technology Co., Ltd. – announced in January 2020; and
- Chongqing General Trading Group Co., Ltd. invested USD 395m for a 54.93% stake in Chongqing Department Store Co., Ltd. – announced in March 2020.

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LOOKING AHEAD

The latest BDO Heat Chart for Greater China indicates a total of 1,250 deals planned or in progress with 367 (29%) related to Industrials & Chemicals and 203 (16%) related to TMT. Other key sectors include Business Services, Consumer and Pharma, Medical & Biotech.

COVID-19 INSTITUTIONAL MEASURES

There is a large number of measures taken in China, which can be further seen **here**.

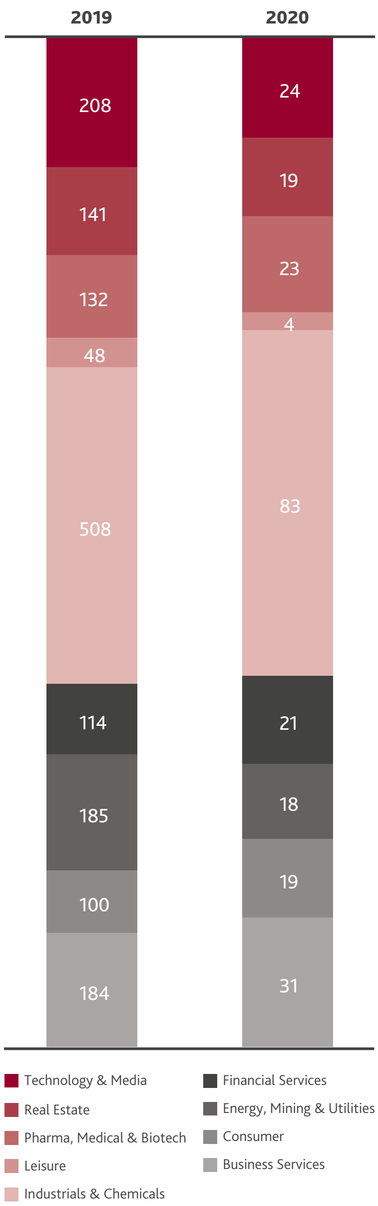
They include:

- Fiscal Support
- Value Added Tax refunds and exemptions
- Corporate Income Tax (carryovers and expensed)
- Individual Income Tax (IIT) and Social Security exemptions
- Customs Duty exemptions
- Transfer Pricing filing extensions
- Other Local Supportive Regulations such as tax exemptions, extensions and refunds of social security contributions
- Immigration Benefits for individuals engages in innovation or scientific research
- Relevant measures on protecting employees' rights during the COVID-19 outbreak.

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	411	34%
Technology & Media	170	14%
Business Services	157	13%
Consumer	119	10%
Energy, Mining & Utilities	94	8%
Pharma, Medical & Biotech	88	7%
Financial Services	73	6%
Real Estate	63	5%
Leisure	37	3%
TOTAL	**1,212**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITY CONTINUES TO STRUGGLE DUE TO ECONOMIC CHALLENGES

BIG PICTURE

- Deal numbers fell to 55 from 80 in the previous quarter and value dropped by 41%
- Top 10 transactions accounted for over half of the quarter's total deal value
- Business Services, Industrials & Chemicals and Energy, Mining & Utilities maintained their positions as the region's top performing sectors.

M&A mid-market activities in South East Asia were slower in Q1 2020 compared with the previous quarter, both in terms of the volume and value of deals. This was consistent with M&A market performance across the globe, which has been battered by the impact of the COVID-19 outbreak and the drop in oil prices.

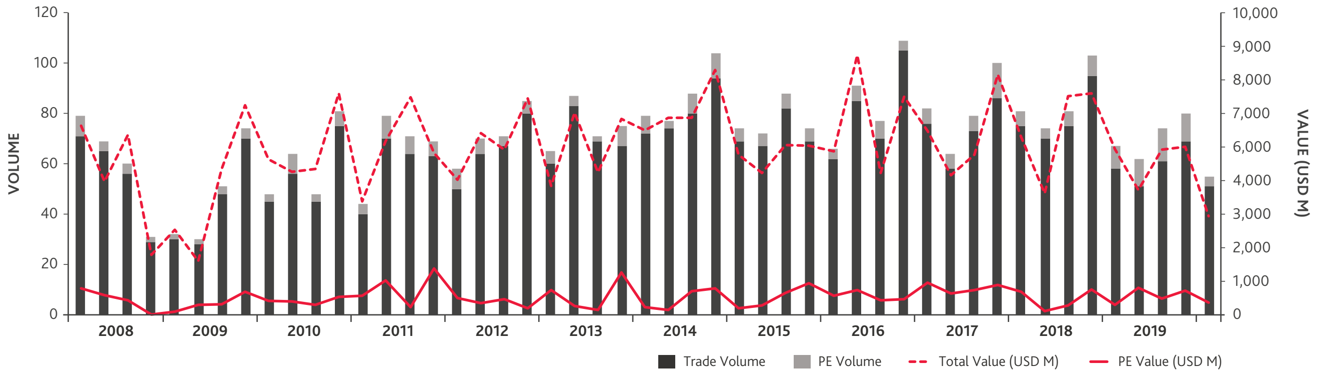
A total of 55 deals were transacted in the region in Q1 2020 compared to 80 deals in Q4 2019, representing a decrease in value of 41.5% to USD 3.3bn in Q1 2020 from USD 5.6bn in Q4 2019. The top 10 deals amounted to USD 1.7bn, representing 53.4% of the quarter's total deal value, a decrease from Q4 2019's top 10 deals which totaled USD 3.1bn and represented 58.0% of the quarter's total deal value.

PE was responsible for just four deals in Q1 2020, a decrease from the nine and 11 deals completed in Q1 2019 and Q4 2019 respectively. The total value of PE buy-outs in Q1 2020 fell to USD 0.4bn, compared to USD 0.3bn in Q1 2019 and USD 0.8bn in Q4 2019. Overall, PE accounted for a smaller proportion of total M&A activity in Q1 2020 compared to the previous quarter, representing 7.3% of total deal numbers and 12.3% of total value.

The most active sectors were Business Services, Industrials & Chemicals and Energy, Mining & Utilities, which together accounted for 58.2% of deals in Q1 2020, an increase from the previous quarter where the same three sectors accounted to 53.8% of deals. In Q1 2020, Business Services led the way with 15 deals (Q4 2019: 10 deals), followed by Industrials & Chemicals with 10 deals (Q4 2019: 22) and Energy, Mining & Utilities sector with seven deals completed (Q4 2019: 11).

The quarter's top three deals in terms of value were in Business Services, Consumer and Energy, Mining & Utilities. The biggest deal was the acquisition of a 30% stake in Korea GS E&P Pte Ltd in Singapore by

PE/TRADE VOLUME & VALUE



Korea National Oil Corporation for a consideration of USD 246m from GS Energy Corporation. The second biggest was the acquisition of a 6% stake in Ajinomoto Co., (Thailand) Ltd in Thailand by Ajinomoto Co., Inc for a consideration of USD 230m from Thanachart Capital Public Company Limited. This was followed by the acquisition of 28.42% stake in Manila Water Company, Inc in the Philippines by a private investor, namely Enrique K. Razon Jr., for a consideration of USD 210m.

LOOKING AHEAD

M&A activities in South East Asia have slowed down to their lowest levels since Q1 2011 in terms of total volume and Q2 2009 in terms of total value as a result of the impact of COVID-19 and the fall in global oil prices.

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M&A activities in the region are expected to continue to be affected by the current economic challenges arising from the COVID-19 pandemic, the measures taken by numerous countries to contain COVID-19 and the contraction in economies across the world. Although various governments in the region have introduced numerous stimulus packages, it may take a while for the situation to settle down due to the unpredictable business environment and the likely increased scrutiny of deal terms. The global business environment and the pace of economy recovery will ultimately dictate the volume, value, rationale and type of M&A activities in the region.

COVID-19 INSTITUTIONAL MEASURES

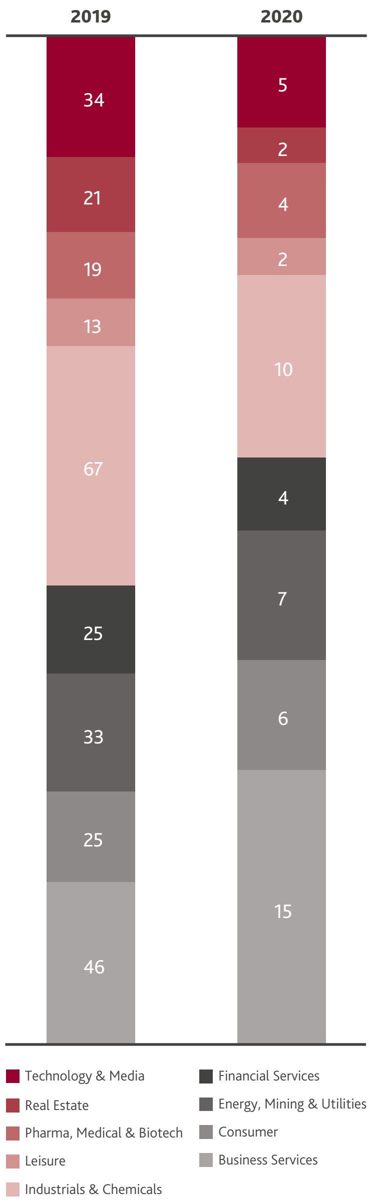
In South East Asia, as of early April 2020, governments in Malaysia, Singapore, Thailand, Philippines, Indonesia, Vietnam, Cambodia, Brunei, Myanmar and Lao PDR had all announced measures to combat the ongoing challenges brought about by the COVID-19 pandemic. The key thrusts of the measures announced by the various governments were to save jobs and protect people's welfare, support businesses to overcome the current economic challenges, and build resilience into the economy.

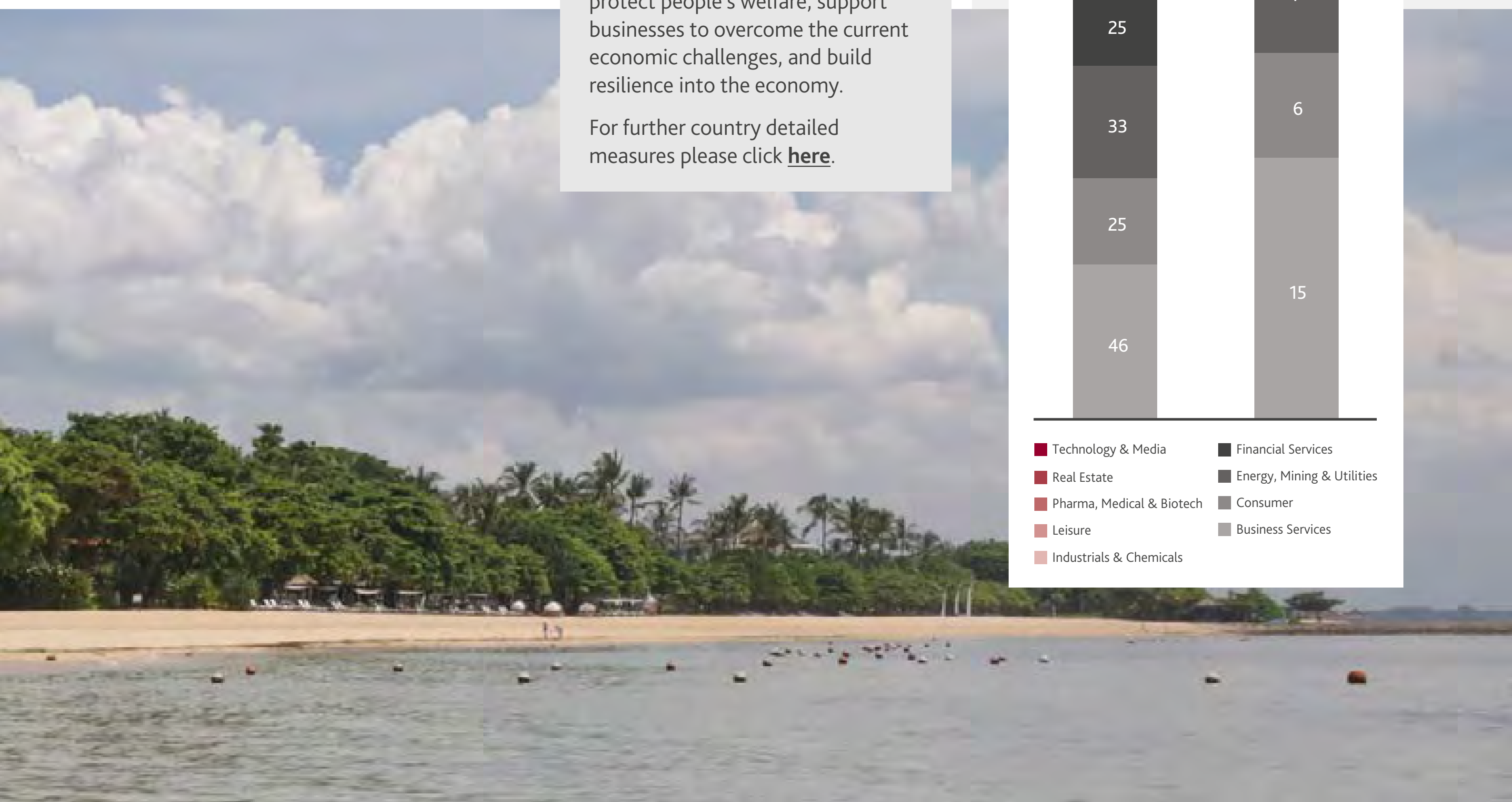
For further country detailed measures please click **here**.

SOUTH EAST ASIA
HEAT CHART BY SECTOR

Technology & Media	93	18%
Industrials & Chemicals	91	17%
Business Services	75	14%
Consumer	65	12%
Financial Services	61	12%
Energy, Mining & Utilities	51	10%
Pharma, Medical & Biotech	37	7%
Real Estate	24	5%
Leisure	24	5%
TOTAL	**521**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR





AUSTRALASIA

DEAL VALUE AND VOLUME FALL HEAVILY AMID COVID-19 UNCERTAINTY

BIG PICTURE

- Q1 2020 deal value declined by 59% from the previous quarter amid the COVID-19 outbreak, representing the lowest disclosed deal value since Q2 2009
- Deal flow is expected to continue cautiously given the current economic backdrop
- M&A pipeline indicates that TMT is expected to be the most active sector going forward.

A total of 53 deals with a combined value of USD 2.4bn were successfully completed in Q1 2020. This represented a 59% decrease on Q4 2019's deal volume of 128 and a 53% decrease in deal value compared to the corresponding quarter in 2019 (USD 5.0bn).

Deal volume in Q2 2019 was 25% down from the corresponding quarter in 2019 (93 Deals) and Q2 2019 volume is the lowest since Q1 2013. The value of completed deals is the lowest since Q2 2009.

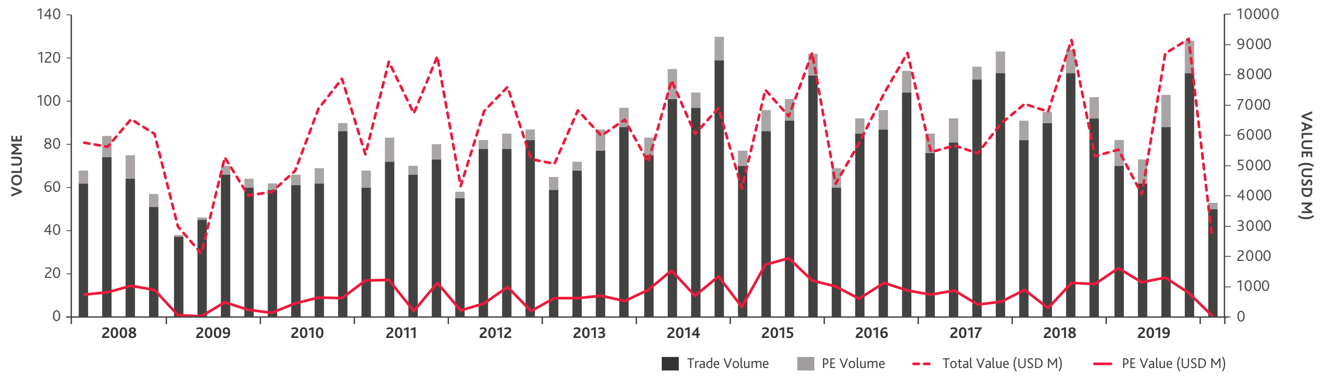
Total deal volume for Q1 2020 fell heavily compared to the previous quarter and was down 35% from the corresponding quarter in 2019. The global outbreak of COVID-19 severely impeded M&A activity in Q1 2020, resulting in a 71% decline in deal value from the previous quarter. This figure also represented the lowest disclosed deal value since Q2 2009 across both trade buyers and private equity.

The average transaction value in Q1 2020 fell by 31% from the previous quarter, as the number of big-ticket deals declined with no deals exceeding the USD 400m mark. Cross-border deal activity also fell, with only 35% of the quarter's top 20 deals involving an overseas bidder.

Mid-market PE transaction volumes accounted for just 5.7% of deal activity in Q1 2020. The three completed deals totalled USD 37m, representing the lowest PE disclosed deal value since USD 24m in Q2 2009. Global activity has paused as private capital providers assess the implications of COVID-19 on their portfolio companies and planned investments are being put on hold until markets stabilise. Additionally, the temporary shutdown of the market for leveraged loans contributed to the decline in Q1 2020.

The largest drop in deal volumes compared to Q1 2019 was seen in the Industrials & Chemicals and Consumer sectors, with numbers down by 68% and 67% respectively. Despite having significant exposure to COVID-19, the Leisure sector saw an increase in deal volume from the prior corresponding quarter, with a big rise of 67%. This may well be the result of some opportunistic buying of financially stressed companies.

PE/TRADE VOLUME & VALUE



KEY DEALS

Despite the overall drop in deal volume in Energy, Mining & Utilities, the sector still accounted for the three biggest deals in Q1 2020. The largest deal was the agreed sale of Santos Ltd's 25% stake in both the Bayu-Undan oil and gas field and the Darwin LNG Project to South Korean conglomerate SK E&S Co., Ltd. for USD 390m (this deal is subject to regulatory approval and the fulfilment of conditions precedent). This deal is intended to strengthen Santos Ltd's balance sheet given their exposure to the broader oil price war between Saudi Arabia and Russia.

Other notable deals included the binding agreement to acquire a 10% stake in the Moolarben Coal Joint Venture by Yancoal Australia Limited for USD 217m and Australian PE firm Pacific Equity Partners Pty Ltd's acquisition via scheme of arrangement of Zenith Energy Limited for USD 165m. The former transaction is viewed by Yancoal Australia as being an attractive opportunity to increase their participating interest in the Moolarben Coal Joint Venture as they look to benefit from the potential production profile increase of the joint venture in the future. .

The latter transaction represents a strategic acquisition for Pacific Equity Partners, who are looking to continue to develop innovative energy solutions in the Asia-Pacific region. Zenith shareholders will be able to realise a significant premium of 45.3% to the pre-announced closing share price on completion of the deal.

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LOOKING AHEAD

The mid-market M&A pipeline of 413 deals under consideration represents a material decrease from the 691 deals in the previous quarter as corporations focus on assessing their operating cost structure and balance sheet strength. Deal activity for emergency debt and equity injections are expected to increase.

Looking forward, we expect buyers to focus on stress testing business models to ensure targets can weather the COVID-19 storm. Deferred consideration structures are likely to be used to bridge valuation expectations and insure against downside performance.

Deal flow is expected to continue, albeit at a restrained pace, as the economic downturn presents an opportunity on the buy-side to take advantage of depressed valuations and potential industry consolidation.

Our analysis indicates that TMT will see the biggest level of future M&A activity with 88 deals in the pipeline. TMT remains an active sector as businesses are being forced to fast track their digitisation and client servicing technology in the midst of shutdown measures. The Consumer and Industrials & Chemicals sectors follow in terms of predicted deal activity, with 64 and 59 deals in the pipeline respectively.

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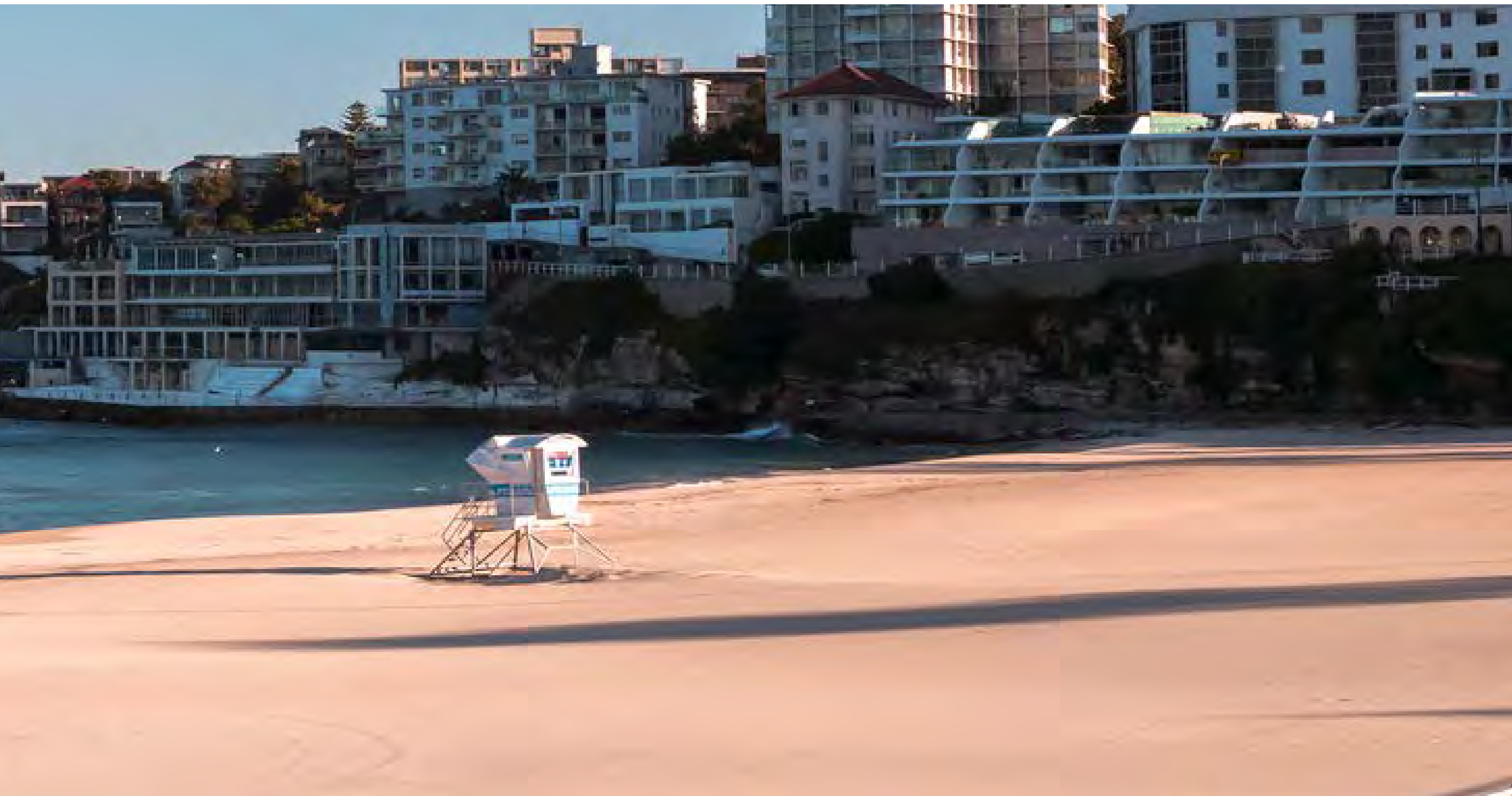


COVID-19 INSTITUTIONAL MEASURES

In response to the COVID-19 pandemic, the Australian government has committed fiscal stimulus to support corporations through:

- Increased instant asset write-off thresholds
- Accelerated depreciation
- Guarantee of 50% on new unsecured loans for working capital purposes
- Tax-free payment increases to employer cash flows
- Subsidising 50% of employee wages for a period of up to nine months
- Jobkeeper salary and wage payments made on behalf of employers if there has been a significant reduction of turnover; and
- Increased approval required for foreign investment into Australia.

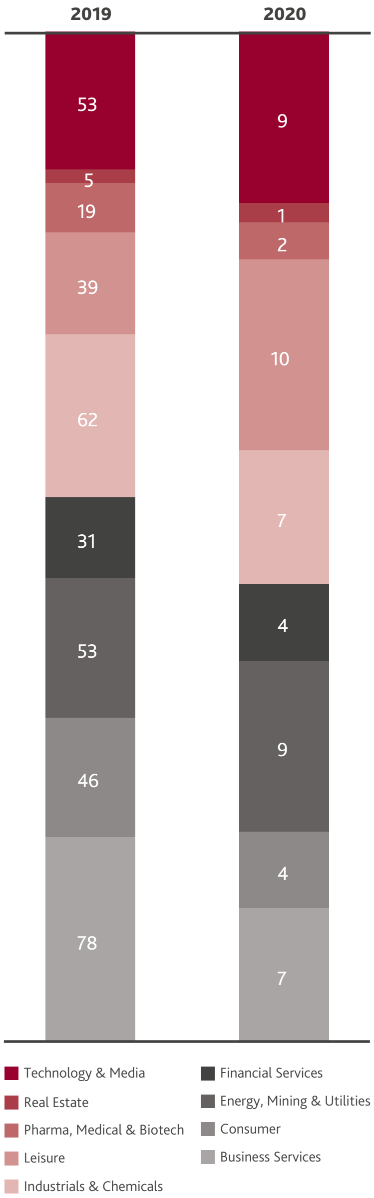
While the overall effectiveness of the Australian government's responses is unknown at this point, significant amounts of support for businesses and homes have been provided. At the time of writing, the committed fiscal stimulus of the Australian government in response to COVID-19 is AUD 320bn (representing 16.4% of annual GDP) for both households and corporations.

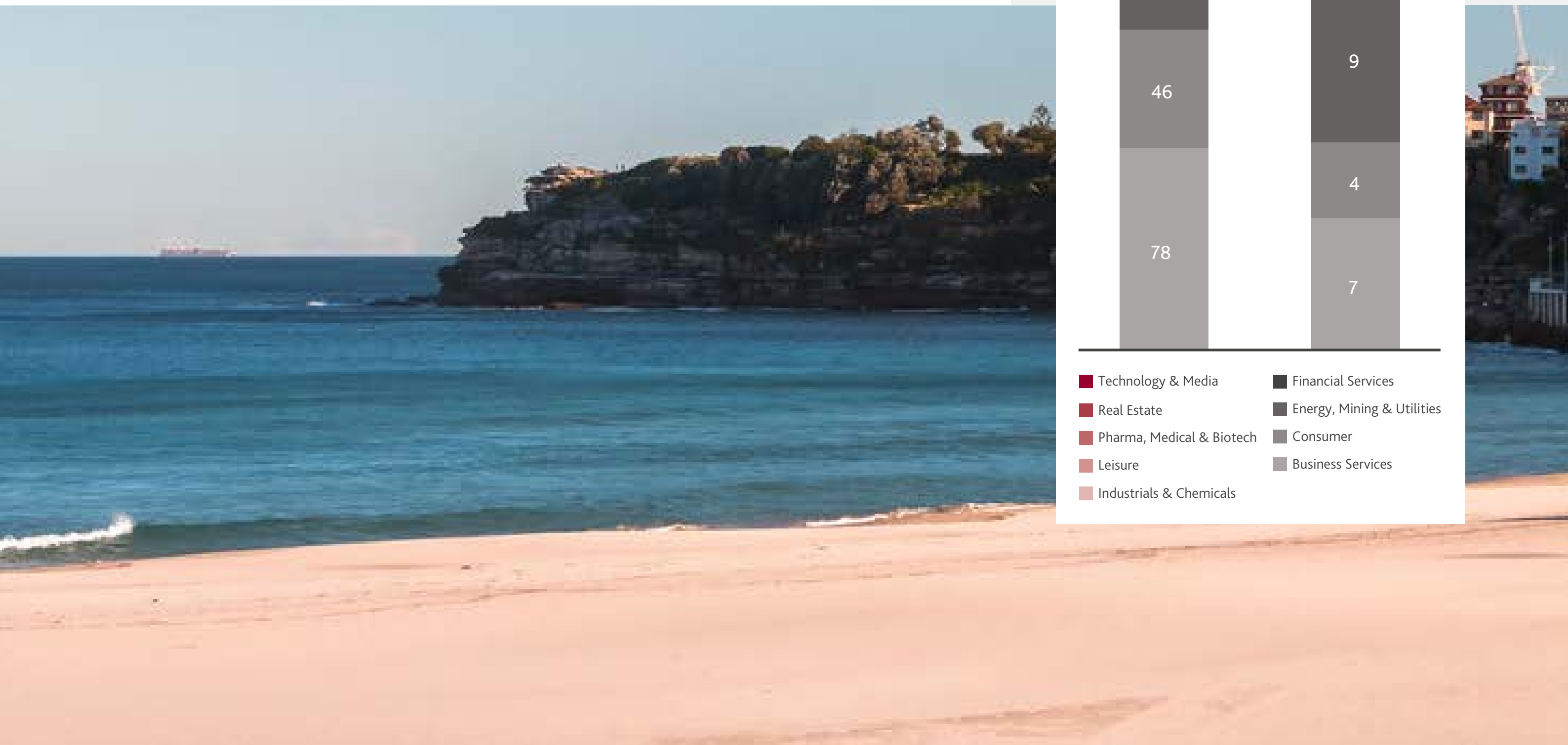
For up to date measures in Australia and the further Australasian region please click **here**.

AUSTRALASIA
HEAT CHART BY SECTOR

Technology & Media	88	21%
Consumer	64	15%
Industrials & Chemicals	59	14%
Energy, Mining & Utilities	50	12%
Pharma, Medical & Biotech	47	11%
Business Services	43	10%
Financial Services	37	9%
Leisure	18	4%
Real Estate	7	2%
TOTAL	**413**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR






ONE
WAY
BEGINS

SECTOR VIEW

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AGRI-FOOD & DRINKS

M&A OUTLOOK DURING AND POST-COVID-19

P55

MANUFACTURING

HITTING A BRICK WALL: COVID-19'S IMPACT ON MANUFACTURING M&A

IRELAND'S AGRI-FOOD & DRINKS SECTOR

M&A OUTLOOK DURING AND POST-COVID-19

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The agri-food and beverage sector is Ireland's most important indigenous industry and has seen a surge in export growth in recent years, even against the backdrop of Brexit.

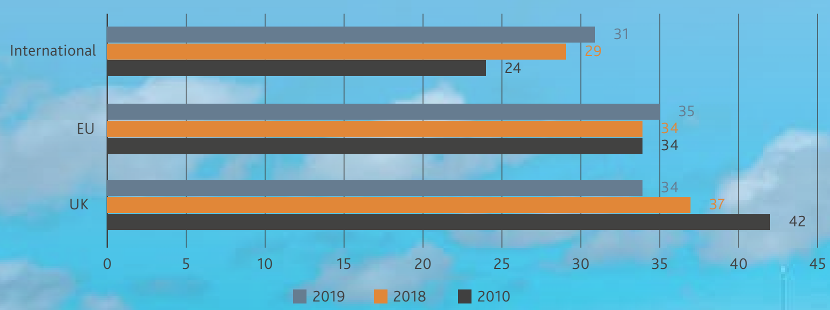
Under normal circumstances, we would be discussing the positive performance of the sector in 2019, with EUR 13bn of exports to overseas markets and a decade of mega-growth where the value of exports in the sector grew by circa 67%.

We intended to highlight that 2020 was likely to be another year of growth, despite the aforementioned Brexit headwinds and the ongoing challenges faced by certain sub-sectors of the industry. With 34% of total exports to the UK in 2019, this was the lowest proportion recorded this decade, reducing (albeit slowly) its dependence on the UK. The EU accounted for 35% of exports, equating to EUR 4.5bn in value, with Irish companies successfully growing their exports internationally to the US, Asia and opening up opportunities in emerging markets as well.

Ireland's drinks industry continues to flourish, with exports increasing by 8% in 2019 with a total value of EUR 1.45bn. There is strong international demand for premium Irish whiskey, craft beer and other liquor products, particularly in North American and throughout Asia.

As a result, we were expecting a high level of transactional activity within the industry, with Irish companies either looking to scale and diversify internationally or in other cases explore how they might secure their current market position in the UK through acquisition. Irish food and drink companies (F&D) have also proven to be attractive targets from both UK and international suitors as they seek to maintain free access to EU markets. The outlook was reasonably healthy for deal making.

However, at the time of writing since the outbreak of COVID-19, things have changed rather dramatically. Societies globally are in lockdown in order to deal with the current pandemic and stem the spread of the virus. As a consequence, world economies have shut down.



COVID-19: IMPACTS SO FAR

The Food & Drinks (F&D) industry has not been spared by the impact of the Coronavirus, with the fallout very different across sectors:

- The Foodservice industry has in effect ceased operations for the time being, with the closure of the hospitality sector;
- A struggling beef industry has been hit hard with the closure of the foodservice sector in Ireland and beyond. For example, the closure of McDonald's restaurants is significant as it is one of the biggest customers of the Irish beef industry, spending more than EUR 160m on Irish beef for its restaurants all over Europe. It has been reported that two out of every 10 burgers sold in its outlets in Europe are made from Irish beef;
- The fishing industry is suffering terribly, both with the disappearance of the foodservice industry and the effective closure of exports markets as demand dries up; and
- For those companies who continue to export, they have experienced a significant increase in shipping costs due to a lack of refrigerated shipping containers internationally. A considerable number of these containers are sitting in Chinese ports.

In short, demand has vanished for certain F&D goods given that countries across the globe remain in lockdown. Most food sectors are trying to adjust to the loss of foodservice sales by pivoting where they can to capture some sales from the significant upswing in retail demand.

There are certain sectors which are benefitting from the current circumstances:

- Some companies involved in non-perishable foods and processed food companies are seeing an increase in sales;
- Moy Park, one of Europe's largest poultry processors, has created hundreds of temporary jobs at its Northern Ireland sites due to increased demand for chicken; and
- There continues to be huge demand for Irish pork in China due to the significant reduction in their national herd following the outbreak of African swine fever in 2018-2019.

In response to the virus, the Irish government recently announced EUR 1bn of financial support measures for COVID-19-impacted companies. F&D companies will look to these supportive measures in part to help them navigate their way through the crisis. However, it's likely more will need to be done to reboot the industry.

WHAR DOES THIS MEAN FOR M&A IN THE SECTOR?

Naturally, COVID-19 has had a profound effect on M&A transactions across all industries, including the F&D sector. We have witnessed a dramatic collapse in activity; with deals stalled, put on hold or cancelled outright. This is on the back of 2019 globally being one of the most active periods for F&D transactions in the recent past.

Overall, it's difficult to predict the full consequences of this global pandemic and when we might emerge from this crisis. With such uncertainty and unpredictability, post crisis the immediate focus of business owners and management teams is likely to be on managing the core business and its recovery. Furthermore, private equity houses are going to have issues within their portfolio companies to manage as well. External M&A is going to be lower down the list of priorities for both corporate and PE firms and consequently M&A activity may be slow to restart.

However, it's our opinion that as we work our way back to the new norm in the aftermath of the Coronavirus, its impact will generate M&A activity. It's difficult to call at this stage what F&D sub-sectors might be involved and what the time horizon might be, but deals are likely to be created out of the following circumstances:

- There will likely be some 'forced M&A transactions' as companies who will not be able to recover from the crisis start to look for buyers;
- Those corporate entities with competitive cost structures, strong balance sheets and cash reserves, along with those PE firms with large pools of cash (despite any portfolio challenges they might have) may seek out cheaper deals. One might expect lower valuations for businesses post-COVID-19;
- There is likely to be consolidation of some companies of a similar size who will seek to combine in an effort to build a business that is able to withstand market uncertainties and strengthen their financial standing by securing new customers/new markets;
- We expect some that M&A activity will be driven by companies looking to remedy supply chain problems. Might we see cash rich retailer groups move into the supply chain through acquisition to procure certainty of supply for some food products?;
- We also expect businesses to seek out value by adding traceability solutions to improve food security. Companies will find themselves facing increasing requirements to satisfy consumers' needs for accurate and transparent information on the food they are producing;
- The virus has had a profound effect on consumer purchasing. F&D businesses will be trying to understand if these changes are permanent and if they need to adjust their businesses accordingly in a post-COVID-19 world;
- When world economies stabilise after the crisis, one might expect the green agenda to emerge more vigorously, with governments and industries demanding sustainable food production processes as the world population continues to grow. Agri-tech companies are leading the way and it's reasonable to expect an increase in M&A activity in this area; and
- Brexit will not have gone away either. As mentioned at the outset of this article, this will create transitional activity in certain parts of the industry, as it seeks to protect itself from the UK's separation from the EU. In addition, UK and international players will continue to look to high-quality Irish food and drink companies, who can provide market access to the EU's 380 million population.

COVID-19 has crushed M&A activity in the short term. However, it will also create new opportunities for those seeking to adapt. Eventually we will ride out this crisis, finding a very different landscape waiting than the one we expected going into 2020. M&A activity will feature for some food and drinks companies in their overall strategy as they seek to rebuild and grow their businesses.

HITTING A BRICK WALL: COVID-19'S IMPACT ON MANUFACTURING M&A

The COVID-19 pandemic hit global manufacturers hard and fast in the first quarter of 2020 and the M&A market was not immune from the fallout. A perfect storm of rapidly falling demand, severely disrupted supply chains and government-imposed operational shutdowns have had an unprecedented and dramatic effect on the sector. As a result, many major industrial companies have been forced to close facilities and announce layoffs to help curb the spread of the virus.

Manufacturers that provide and deliver vital goods like hygiene, food and pharmaceutical products are struggling to meet demand driven by panic buying and hoarding. Others are experiencing dramatic drops in demand and extreme pressure to cut operational costs. Every major manufacturer is now experiencing disruptions across their supply chains of parts and raw materials, as transport restrictions and challenging logistics have made procurement particularly difficult. Social distancing mandates and employee safety measures put an additional level of pressure on manufacturers as most factories are not equipped or designed to allow for newly mandated safety measures.

Given the volatile environment and uncertainty as to when normalcy returns, many corporates and private equity firms have temporarily put a hold on manufacturing M&A activity until the fog clears. In fact, March saw the fewest mergers and acquisitions announcements in a decade as the Coronavirus pandemic roiled the global economy.

On the sell-side, M&A deals can be put into three categories: (1) pre-market; (2) in market; and (3) advanced stage. Deals that have yet to launch will continue preparations, but bankers are monitoring the impact of the virus on clients, end markets and supply chains while debating launch timing.

Deals that were launched prior to the crisis and were ongoing have mostly hit the pause button as market participants gauge the weight of the impact and the duration of the lockdown. In the most affected sectors, deals are being pulled as all bets are off on what the future will bring, while valuation is next to impossible.

Deals at an advanced stage (post Letter of Intent or signed purchase agreement) either closed as planned such as the merger of Raytheon and United Technologies or they have hit a dead stop due to uncertainty around the target's business or a sudden lack of financing. In those situations, deals are proceeding slowly with alternative structures, such as seller paper, earnouts or increased equity roll. Several noteworthy deals have also been terminated altogether including Boeing's planned purchase of Embraer and Xerox's $35 billion pursuit of Hewlett-Packard.

The buyers, whether it be private equity firms or corporates, are bifurcated in terms of impact. The traditional growth-oriented, healthy M&A type of buyer has been sidelined or distracted for many of the reasons mentioned earlier. These firms are proceeding very cautiously and spending more time conducting due diligence to understand the impact of the crisis.

Meanwhile, the opportunists and turnaround/distressed M&A investors are pressing hard for deal flow. Such firms are offering to over-equitize deals, provide bridge financing or step into broken deals. Other strategies including funding working capital or short-term liquidity needs. The pitch is that these investors are wide open for business, but the reality is that most of these players are bargain hunters. They are looking for attractive prices and aggressively seeking out sellers that need to transact or businesses that need capital just to survive.

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OUTLOOK

Valuations have come down since the onset of the crisis and negotiating momentum has shifted to buyers for the time being, Money managers are anxious to put capital to work while the window of opportunity exists. The result is lower purchase price multiples and a higher cost of capital across the manufacturing complex.

In the intermediate to longer term, healthy/growth M&A deal activity should accelerate. Dealmakers are trying to focus on the most resilient sectors and opportunities that might be waiting on the other side of the pandemic. Manufacturers in favor post-crisis will include those that have embraced domestic production and localized supply chains. Businesses that have invested in data infrastructure and automation should have key advantages in a post-COVID-19 world. Attractive opportunities will also comprise companies that have aggressively invested in software technologies that give them greater predictability and efficiency, resulting in a significant competitive edge. The economic and social downturn caused by COVID-19 will create a much wider divide between the valuation of manufacturers who have just started to digitize versus those that made such investments prior to the crisis.

The bottom line is that heightened distressed activity, pent-up demand, consolidation of market share, and buyouts of weaker players should see M&A activity materially recover beginning in the late third quarter of this year, with momentum building in the fourth quarter and into 2021.

SOME OF OUR RECENTLY COMPLETED DEALS

Strategic investment in Acora Holdings Limited by Palatine Private Equity. BDO acted as lead financial advisor to Acora

MARCH 2020

BDO advised Asklepios on their voluntary tender offer to shareholders of RHÖN-KLINIKUM AG and on a joint venture with RHÖN-KLINIKUM founder Eugen Münch

FEBRAURY 2020

BDO advised the shareholders of Alamy during their 100% sale to PA Media

FEBRAURY 2020

Sale of ITAC Limited to HD Sharman Limited. BDO acted as lead financial advisor to ITAC

FEBRAURY 2020

OxGreenfield, together with the CEO, purchased a majority stake from the sellers

January 2020

Schiller Grounds Care, Inc. has announced its divestiture of BOB-CAT Mowers and the Steiner and Ryan brands to Doosan Bobcat Inc. (S. Korea:KRX)

DECEMBER 2019

BERMAD CS LTD.

Served as exclusive financial advisor to Bermad CS LTD., on a 20% purchase by Tama Group

DECEMBER 2019

Acquisition of GROUPE PLAIRE, a group of 5 companies specialized in real-estate development and in residential house building, by HEXAOM, a listed group leader on the french house building market

DECEMBER 2019

Lead buy-side advisor in Oral Care's acquisition of Tannlegesenteret AS

NOVEMBER 2019

HEGGLI AG

The company Heggli AG sells its division "Recycling, Dump Service, Winter Services" to Schneider Umweltservice AG

NOVEMBER 2019

POSERA LTD.

BDO provided sell-side advisory services to Posera, a leading provider of touch screen Point of Sale software solutions to the food & beverage, hospitality and payment solutions industries

NOVEMBER 2019

Advisor to seller, sale of WME AS to IKM

NOVEMBER 2019

BDO provided sell side advice to the owners of Alpha Colleges on the disposal to the Twin Group

NOVEMBER 2019

BDO Auckland acted as Sell-side Advisor for the sale of 33.3% of Sweetspot Group Limited to Freightways Limited

OCTOBER 2019

BDO acted as exclusive financial advisor to the owners in the sale of OCT Transport to Eqivate

OCTOBER 2019

BDO advised LinkFresh Software on its sale to Aptean inc

OCTOBER 2019

BDO has advised SDS Holdings on the sale of IMD Group to Chiltern Capital

August 2019

HKA GLOBAL, INC

BDO has advised HKA Global, Inc., a Bridgepoint Development Capital portfolio business, on its acqusition of The Kenrich Group Holding Corporation

JULY 2019

ALDEA LA QUINTA

BDO acted as financial advisor to Aldea La Quinta in the disposal of its Spanish elderly care operations located in a 100 bed premium elderly home in Marbella

JULY 2019

Advisor to the shareholders of gbtec on the sale of a majority stake to Main Capital

JUNE 2019

European House of Beds acquired by Capidea. Acted as financial adviser to seller

JUNE 2019

BDO Capital Advisors, LLC served as exclusive financial advisor to Avista Technologies, Inc. and Avista Technologies (UK) Ltd. in their sale to Kurita Water Industries, Ltd. (TSE:6370)

MAY 2019

European Dental Group (Nordic Capital) acquired a majority stake in MondzorgPlus

APRIL 2019

CMS ACQUISITION COMPANY LIMITED

MBO of CMS Acquisition Company, backed by Maven Capital Partners LLP

MARCH 2019

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Data compiled by Acuris.

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

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