HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 4 | 2019

GERMANY

CHANGE IS IN THE AIR: WHY GERMANY CONTINUES TO OFFER SIGNIFICANT OPPORTUNITIES

REGIONAL VIEW

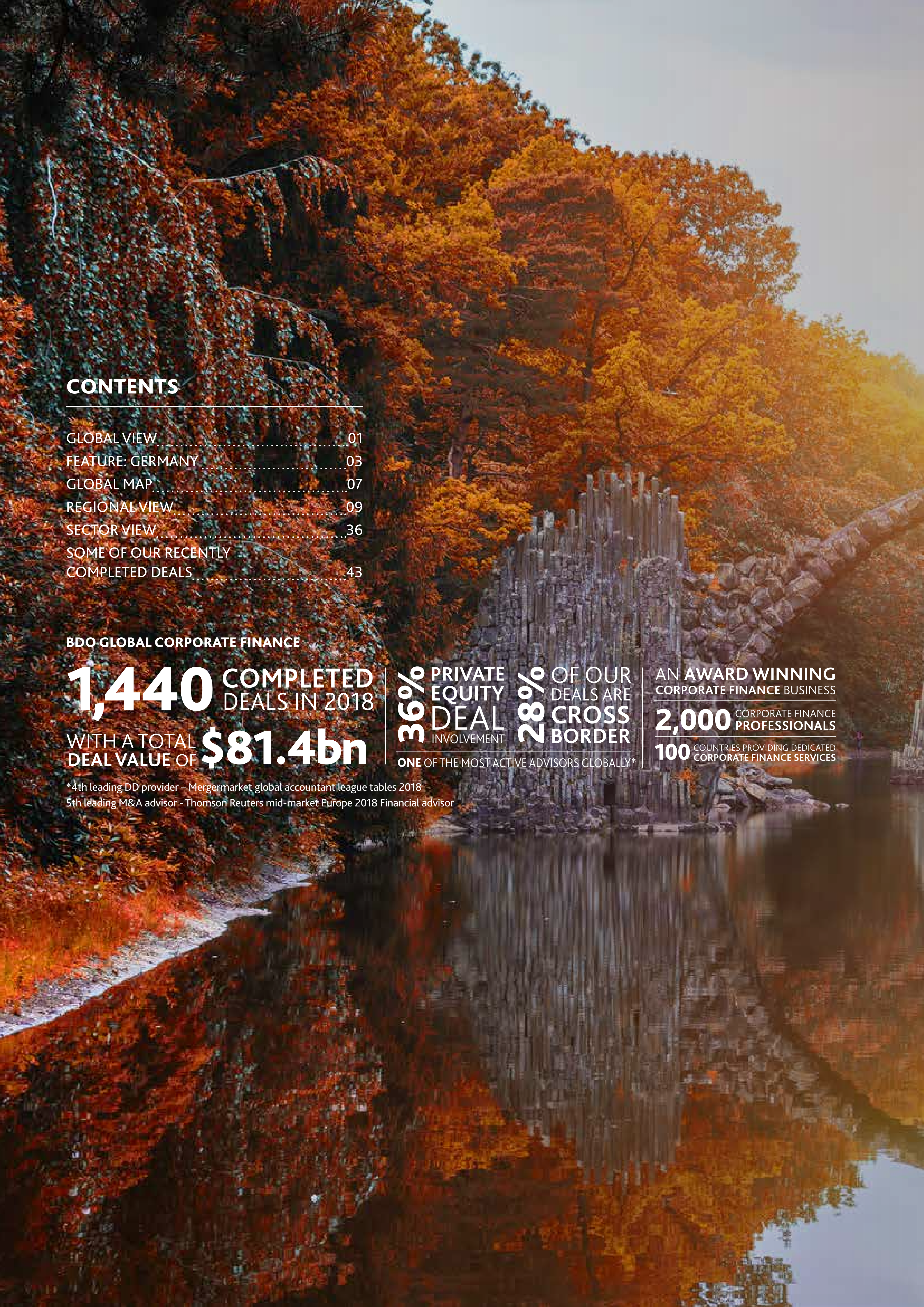
VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

FINANCIAL SERVICES

ENERGY

BDO



CONTENTS

GLOBAL VIEW 01
FEATURE: GERMANY 03
GLOBAL MAP 07
REGIONAL VIEW 09
SECTOR VIEW 36
SOME OF OUR RECENTLY COMPLETED DEALS 43

BDO GLOBAL CORPORATE FINANCE

1,440 **COMPLETED** DEALS IN 2018

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

36% **PRIVATE EQUITY** DEAL INVOLVEMENT

28% OF OUR DEALS ARE **CROSS BORDER**

ONE OF THE MOST ACTIVE ADVISORS GLOBALLY*

AN **AWARD WINNING** **CORPORATE FINANCE** BUSINESS

2,000 CORPORATE FINANCE **PROFESSIONALS**

100 COUNTRIES PROVIDING DEDICATED **CORPORATE FINANCE SERVICES**

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

WELCOME

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

As we write this welcome, we are looking ahead to our annual BDO Corporate Finance conference, which this year is taking place on Hamburg in Germany. We are expecting a record number of over 160 delegates from across the world along with a number of guest speakers from corporates, private equity and business academia. As with our recent Asia conference, the theme is working together to lead in our markets and creating ideas for our clients.

JOHN STEPHAN
HEAD OF GLOBAL M&A

john.stephan@bdo.co.uk

SUSANA BOO
INTERNATIONAL CORPORATE FINANCE COORDINATOR

susana.boo@bdo.co.uk

The global M&A market in 2019 has seen a marked dip in deal activity compared to recent years and this trend has continued in the third quarter.

In the "**Global View**" article, as we look at the market data, we are starting to accept that the reduction in activity is looking like a new norm driven by the impact of global trade tensions. That said, as in the other quarters of 2019, the BDO Heat Charts for predicted global deal activity make warmer reading over the outlook.

As usual, we also look at the global themes that are influencing M&A which we continue to believe are in favour of maintaining momentum in the market in the medium to long term. There remains an abundance of cash with strategic and financial investors alike to support future M&A activity.

In the "**Germany**" article, we reveal that change is in the air with Germany although it still offers investors significant opportunities. Germany has seen record levels of exports, low levels of unemployment and a peak in disposable income. Does this belie talk of recession or is a reduction in business optimism a cause for concern?

In the "**Sector View**" articles, we examine Financial Services and Energy. In Financial Services, as with market deal activity in general, volumes are down in this year. Here, we look at sustainable finance and how it should go beyond policy makers' papers into corporate business models. In Energy, we turn the spotlight on sector coupling with hydrogen. We argue that probably the most important technology is the use of hydrogen or power-to-gas allowing conversion of renewable electricity to hydrogen which can be stored.

In summary, despite the slowdown in M&A activity during 2019, there are reasons for optimism for those involved in M&A. A slowdown in some areas can still create opportunities and participants still have access to cash and relatively cheap debt.

We hope you enjoy this edition of Horizons whilst progressing deals in run up to the end of the year.

GLOBAL VIEW

WHEN DOES A SHORT-TERM TREND BECOME THE NEW REALITY?

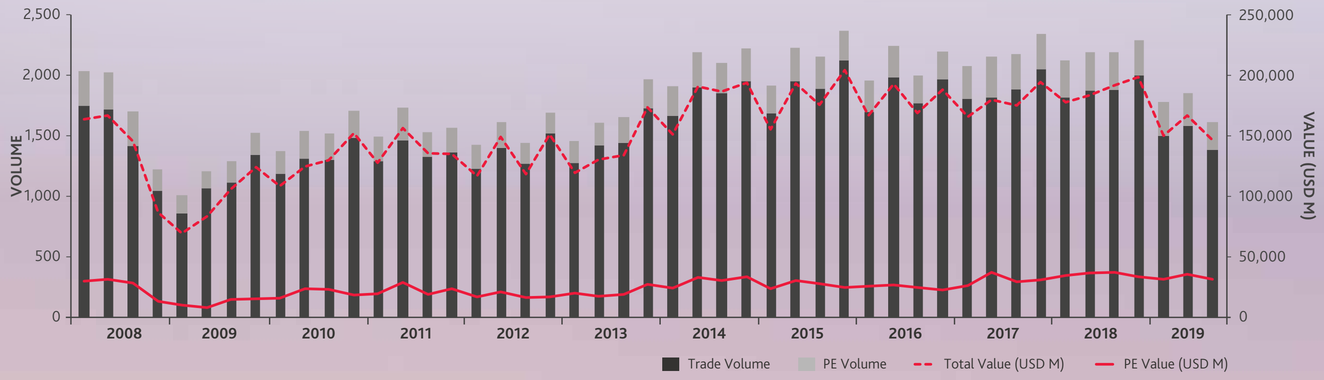
For the third quarter this year, global mid-market deal volumes have fallen to markedly lower levels than in the previous five years, at just over 1,600 deals for the quarter in our deal sample. This contrasts with around 2,000 deals per quarter in the years from 2014 to 2018. Aggregate deal value has also fallen further this quarter to below USD 150bn. In each of the first two quarters of 2019, we have been asking ourselves is this a new norm or a short-term blip and pointing to the number of rumoured deals to reassure ourselves. With a third quarter back to something closer to 2013 levels, the hope is beginning to wear a bit thin. For this year at least.

Once again, the lower level of activity is across strategic and financial buyers alike, with both falling again this quarter and the dip is greater for private equity than in the first half of the year. As before we note that there is plenty of capital available to both groups of buyers so either they are being more cautious and selective or deals are taking longer to do or there is a shortage of good targets.

When we look at individual countries and regions to see where the further decline has occurred, we see that North America is the biggest contributor, with China, in contrast, holding up well with the previous quarter. Other areas that contributed to the decline include Japan, other Asia countries, India and most parts of Europe, apart from Benelux where there was an uptick in activity. South East Asia and Australasia also saw a mini recovery in the period but it was still not back to 2018 levels.

Looking at sector performance, we saw further declines in all apart from Financial Services and Real Estate, where there was some recovery. The sectors with the most pronounced declines were Business Services, Consumer, Industrials & Chemicals and TMT. However, Industrials & Chemicals and TMT remain the most active sectors on a global basis.

GLOBAL MID-MARKET M&A



FUTURE OUTLOOK LOOKS BETTER

Our Heat Charts of predicted deal activity still make much happier reading than the actual deal data. They show that there are over 8,400 rumoured mid-market deals around the world, which is up on the previous quarter's figure of just over 8,300. As in the first half of 2019, this corresponds to over a year's pipeline of deals at 2014-18 levels of quarterly volumes of completed transactions. Maybe we can draw the conclusion from this that deals are taking longer to do or that maybe more are falling away. Either way, it makes for better reading and offers hope for activity within the M&A industry.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Business Services	Consumer	Energy, Mining & Utilities	Financial Services	Industrials & Chemicals	Leisure	Pharma, Medical & Biotech	TMT	Real Estate	TOTAL	%*
North America	247	223	203	184	357	64	400	521	24	2,223	26%
Greater China	176	129	101	87	399	49	115	197	65	1,318	16%
CEE	74	102	56	49	169	35	35	132	12	664	8%
Southern Europe	60	134	27	40	123	23	31	81	16	535	6%
South East Asia	83	80	57	48	101	30	40	93	35	567	7%
Australasia	68	69	52	39	61	21	58	91	14	473	6%
UK & Ireland	69	57	38	54	50	27	39	102	12	448	5%
Latin America	58	68	62	33	68	14	13	79	7	402	5%
Other Asia	23	39	4	30	74	15	43	97	2	327	4%
DACH	33	52	13	23	99	6	31	64	3	324	4%
Nordic	35	21	16	15	49	8	33	46	3	226	3%
India	28	34	11	43	38	7	18	56	8	243	3%
Japan	24	25	4	11	65	9	18	47	8	211	3%
Benelux	30	33	8	12	44	7	14	37	4	189	2%
Africa	23	15	38	18	43	1	2	11	9	160	2%
Israel	8	7	4	4	14	2	16	22		77	1%
Middle East	2	6	5	6	5		3	11	1	39	0%
TOTAL	1,041	1,094	699	696	1,759	318	909	1,687	223	8,426	100%
	12%	13%	8%	8%	21%	4%	11%	20%	3%	100%	

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

Note: The Intelligence Heat Charts are based on "companies for sale" tracked by Mergermarket in the respective regions between 5 July 2019 and 7 January 2019. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does not differentiate between small and large transactions, nor between deals that could happen in the short or long-term.

GLOBAL THEMES INFLUENCING M&A

Despite the continued decline in M&A activity in the current year, we still believe there are many factors that will drive deal flow and may be behind the warmer glow of the Heat Charts. These include:

Strategic buyers still dominate global deal flow – so far in 2019 around 85% of global deals have been led by strategic buyers but they remain selective and high prices can limit appetite.

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

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

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

Industrials & Chemicals and TMT remain the dominant sectors – between them, they represent 43% of transactions in 2019.

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

But …

Global politics remains a major drag factor – US and Chinese M&A activity continues to be impacted by the current trade relationship, which is having a knock-on effect elsewhere.

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

GERMANY

CHANGE IS IN THE AIR: A DRILL DOWN OF ECONOMIC DATA AND WHY GERMANY CONTINUES TO OFFER INVESTORS SIGNIFICANT OPPORTUNITIES

What is happening in Germany, the world's fourth largest economy after the US, China and Japan? With exports hitting record levels in 2018, the lowest level of unemployment (5.2%) since 1991 and a peak Disposable Personal Income of US$ 555.90 bn. recorded in Q2 2019, why are we now reading headlines of a stagnating economy, German industry in recession and plummeting business confidence in 2019? We drill down to provide some granularity behind the economic headlines and select some trends which are likely to boost investment opportunities for PEs and drive M&A in Germany notwithstanding.

Most economic analysts expected a decline in growth for the Euro Zone in 2019. Following a weakening in economic sentiment indicators in Q2 2019 there has been a universal downgrading in GDP estimates for both World, Europe and Germany in June 2019.

The downgrading for the German economy has been strongest versus the rest of the Eurozone. After economic growth of more than 2% (measured by GDP) for several years, growth started to weaken in 2018 (1.4%). An initial softening in H1 2019 in the German economy, which was viewed as late as June by most commentators as temporary stalling, is no longer expected to recover in H2 2019.

In October 2019 Germany's leading economic institutes revised down again their economic forecasts for 2019 to 0.5% and 1.1% for 2020. The upturn in 2021 is expected to remain relatively muted.

DEVELOPMENT OF GDP PROJECTIONS (ANNUAL PERCENTAGE CHANGE)

	Sep-19				June 2019				March 2019			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
World (excluding euro area) real GDP	3.8	3.1	3.4	3.5	3.8	3.3	3.6	3.6	3.7	3.5	3.6	3.6
Global (excluding euro area) trade[1]	4.6	0.4	2.8	3.4	4.6	0.7	2.8	3.4	4.9	2.4	3.4	3.6
Euro area foreign demand[2]	3.7	1.0	1.9	2.7	3.6	1.7	2.6	3.1	4.0	2.2	3.3	3.4
Germany	1.5	0.5	1.1	1.4	-	-	-	-	1.4	0.8	1.8	-

1) Calculated as a weighted average of imports.
2) Calculated as a weighted average of imports of euro area trade partners.
Source: ECB staff macroeconomic projects for the Euro area Spetember and March 2019/ Gemeinschaftsdiagnose' / Joint economic forecast Germany Autumn and Spring 2019

Expansion in 2019 in the German economy is being driven by domestic consumption (higher wages and expansive fiscal policy) and the construction sector. In contrast, manufacturing is currently in recession and has shrunk for the 4th consecutive quarter. It declined -1.0% in Q1 2019 with an acceleration of -1.4% in Q2 2019. The main reason for this is the falling demand worldwide for capital goods, which form a large part of Germany's export markets amidst geopolitical uncertainty and a worsening overall risk environment. This includes not only the intensifying trade tariff conflict between the US and China and a lack of clarity on the shape of BREXIT, which are both dampening global investment. Other factors are EU debt levels, lack of qualified personnel and the impact of digitalization on business models. There are also structural issues particularly in the automotive industry. So why are some of these issues particularly relevant to Germany:

Exports really do matter in Germany

Germany is the world's third largest exporter with an 8% share of global trade in 2018, just behind the US. It is ranked number one if you measure exports on a per capita basis of US$ 18.000 per person. This compares to US$ 4.800 per person in the US.

Two of its' largest national export markets accounting for 8.6% and 7.1% of exports respectively are the US and China

They are involved in an escalating trade war with each other and there is no sign of it stopping. Most recently, on 15 October 2019, the US increased the tariffs on the '250 bn US Dollar-List' from 25% to 30%. A weaker Chinese economy is importing fewer goods. Exports in Germany are expected to stagnate in 2019.

The relative importance of the automotive industry

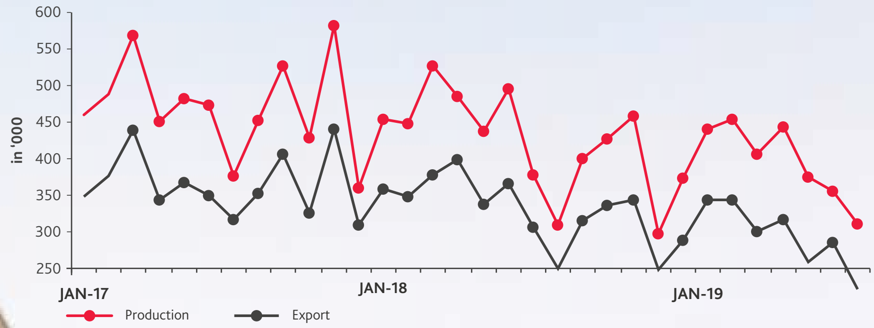
The automotive sector makes up approx. 20% of total German domestic industry and 17.4% of exports. Pick up in production post interruption from Dieselgate is being overlayed by weaker exports. Almost 80% of cars manufactured in Germany are exported and the largest market is the EU 28 (53.4%). The largest national markets are the US 11.8%, which is threatening import tariffs on cars from Europe, China 10.7% (new car registrations sank 11% in the first 8 months of 2019 compared to same period in 2018) and the UK 9.8%. Car and parts exports have sunk 23% to the UK since 2015, the year before the BREXIT referendum.

In addition there are structural issues creating uncertainty for the industry including radical changes in engine and gear manufacturing and the impact of emission regulation, electro mobility and self-driving cars.

BREXIT cannot be ignored (unfortunately):

BREXIT, whatever form it takes, will not affect all parts of the German economy but the UK is Germany's fifth largest export market. It is already impacting car and parts exports (see above). The pharmaceutical industry, where exports to the UK make up 14% of all exports, has also been impacted with a fall of 41% in exports since 2015. In the event of a hard BREXIT most economic models suggest an impact of between 0.3%-0.5% of GDP on the German economy - there are varying views on how immediate or not this impact would be.

DEVELOPMENT OF PRODUCTION & EXPORT OF PASSENGER CARS IN GERMANY (TO AUGUST 2019 - VDA)

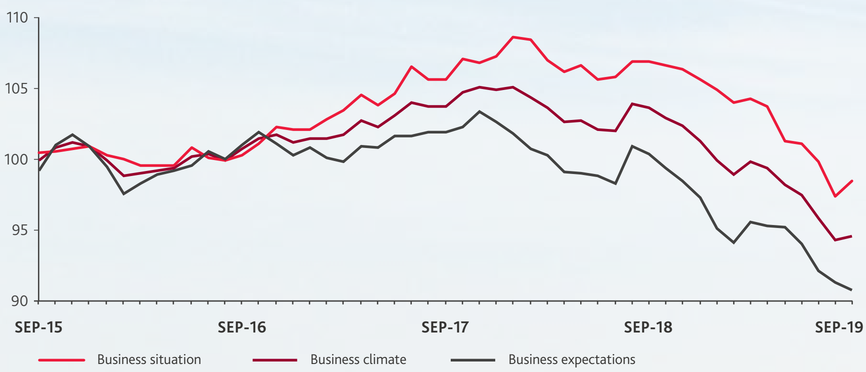


Source: German Automotive Association

This all helps to explain the fall in the German business climate index to its lowest level since 2014, albeit the cooling down has to be seen in the context of the very high levels which it was at. The fall reflects the increased pessimism among German managers in relation to both the coming months and current trading. Unsurprisingly the manufacturing sector is the most pessimistic with some volatility in sentiment in the service sector as manufacturing weakness starts to impact on service pockets. Both have to be differentiated compared to commerce and construction sectors. September saw a slight uptick in overall sentiment (94.6 compared to 94.3 in August) but manufacturing still remains seriously pessimistic looking forward.

GERMANY
(CONT'D)

OVERALL BUSINESS CLIMATE IN GERMANY (IFO SEPTEMBER 2019)



Notwithstanding all the background noise the rationale for investing, whether green field or as a financial investor or as a strategic looking to expand by acquisition in Germany, remains compelling. In particular:

- Germany is a global player with a large domestic market. It is the fourth largest economy in the world accounting for US$ 3.99 tn of global GDP which equates to 4.7% (nominal basis World Bank update in September 2019) and after adjusting for purchasing power it is still 5th. With a population of 83 m it accounts for 16% of the European population (EU 28). Its population is circa 23% larger than the population of France which has the next largest population.
- Investors and corporates are of course constantly reviewing strategy and where to invest and are modelling scenarios. They cannot ignore that all other things being equal the next decade is expected to bring dramatic growth to Asian economies. Standard Chartered (a multinational bank headquartered in London) forecast in January 2019 that seven of the world's 10 largest economies will be in Emerging Markets in 2030 (based on GDP adjusted for Purchasing Power and including assumptions about population growth). Germany falls back to number 10 on Standard Chartered's analysis but is the only European country in the top 10.

In addition Germany has high levels of productivity, a well-educated workforce, strong infrastructure, attractive government investment programmes, a strong rule of law and a high quality of life. Plus the German government argues it also has a competitive tax structure compared to some other key alternative investment regions.

In this context opportunities for investment and M&A continue and are likely to increase, sometimes shifting or opening up in new areas. We would highlight two aspects:

1. Germany has a highly innovative and dynamic R&D structure and invests US$ 109.8 bn annually in R&D (No. 4 globally behind the US, China and Japan). Likewise residents from Germany filed the fourth highest number of patent applications in 2017. Yes there are concerns about whether its historic innovation strengths are as relevant looking forward and whether the German R&D community (corporate and/or institutional) is being disruptive enough. However the self-criticism is often accompanied by key recommendations and directional (at a national or regional level) initiatives including, a recognition of the importance of venture capital for the economy as a whole. Germany has, given its size, had a proportionally smaller venture capital segment but this is catching up and it received US$ 4.9 bn in VC investments in 2018 second only to the UK in Europe. Both the number and value of deals increased significantly in H1 2019 compared to H1 2018 to all time highs. There is also a recognisable shift from investments dominated by Ecommerce to Fintech/Insurtech and Mobility, Software, Analytics and AI as well as Deep Tech.
2. A combination of factors very specific to Germany being the existence of a large Mittelstand (including SMEs), technological developments (including digitalisation and related new business models) and demographics is likely to generate increased M&A and/or PE funding opportunities. Specifically:

DIETMAR FLÜGEL
PARTNER - HEAD OF CORPORATE FINANCE
dietmar.fluegel@bdo.de

JANE EVANS
M&A
SENIOR MANAGER
jane.evans@bdo.de

a. The German population is declining. By the end of 2019, there will be fewer Germans under 30 than there are Germans that are more than 60 years old. 29% of the population will be 60+ in 2019, and this amount is set to increase to 39% by 2060. All other things being equal official projections suggest the population is set to decline by more than 10% by 2060.

b. While digitalisation is increasingly being adopted by small and medium sized companies and has according to a recent Kreditanstalt für Wiederaufbau (KfW) study reached broad areas of the SME sector, average expenditure remains low and it is larger corporates which have the most sophisticated projects.

c. There have been discussions about a generational change in the leadership/ownership of the German Mittelstand driving M&A volumes for more than 20 years. The KfW estimated in Autumn 2018 that more than half a million owner-manager enterprises are planning to transfer ownership and control of their business by 2022. 42% of SMEs could according to the same survey imagine selling to an external party. Faced with an inability to recruit, due to demographic changes and the impact of technology on business models as well as the demands of digitalisation, it could be that there will be an increased openness to consider a sale of a business or the getting on board of an additional partner – whether strategic or PE.

d. Larger corporations faced with competitive and technological trends are assessing their portfolios and reclassifying activities as non-core leading to disposals. This coupled with an appetite to implement strategic acquisitions outside of Germany will provide opportunities for both strategic and PE investors and increase flexibility in relation to deal structures including, according to a recent BDO Germany survey, for minority investments albeit from a relatively low level.

Many of these trends have driven specific deals in Q3 2019 (see DACH Region M&A Report).

In summary, Germany like many European countries is currently facing stronger headwinds: economic, demographic, domestic, geopolitical and structural. Certain factors are impacting the German economy in the short term more than elsewhere. However, notwithstanding its reputation for having an aversion to uncertainty it should not be forgotten how pragmatic the country is. It was Goethe who said in 1821 'Life belongs to the living, and those who live must be prepared for change.'

DID YOU KNOW?

SOME SURPRISING MEANINGFUL FACTS ABOUT GERMANY:

THE 3RD LARGEST SOFTWARE COMPANY IN THE WORLD IS GERMAN: SAP AG

THE NO. 1 MOST VALUABLE COMPANY IN GERMANY IS SAP AG (MARKET CAP PER 23.10.2019 US$ 161.92 BN) AND NOT SIEMENS OR ALLIANZ OR BASF OR BMW

BERLIN IS THE 2ND BIGGEST STARTUP HUB IN EUROPE

4 OUT OF THE TOP 10 LARGEST EUROPEAN VC INVESTMENT ROUNDS IN 2018 INVOLVED GERMAN COMPANIES (THE 4 DEALS RAISED A TOTAL OF US$ 1.55 BN). THIS WAS FOLLOWED BY THE UK WITH TWO DEALS

3 German cities, Munich (jT.3), Düsseldorf (6) and Frankfurt am Main (7) are in the **top 10 of the Global 2019 Mercer Quality of Living** Survey which covered 231 cities. Germany has 6 cities in the top 25

Germany has not only the **largest number of McDonald's restaurants** in Europe (surprisingly France is second) but it has **over 300 Michelin starred restaurants** and after France (of course) has the second highest number of Michelin 3 star restaurants in Europe

Sources: BDO research, Statista, World Bank, 2019 Mercer Quality of Living Survey, EU Start Up Monitor 2018 Report, dealroom.co 2018 full year report (Annual European Venture Capital Report), Eurostat, GTAI, Institut für Makroökonomie und Konjunkturforschung (IMK Report 15 September 2019), Gemeinschaftsdiagnose' #2-2019, UIS NESCO, World Intellectual Property indicators 2018 – (World Intellectual Property Organisation), Innovative Milieus in Germany, 2019 Bertelsmann Stiftung, Treibstoff Venture Capital - Wie wir Innovation und Wachstum befeuern (2018 Report Roland Berger/IEF/BVK, KfW SME Digitalisation Report 2018), KfW Research - Focus on Economics No.228, 16 October 2018; Schwartz. M (2018), wave of successions in German SMEs: 240,000 successors wanted by 2019, Focus on Economics No. 197, KfW Research.

GLOBAL

8,426 RUMOURED TRANSACTIONS

P09 | **NORTH AMERICA**

CONTINUED GLOBAL AND POLITICAL UNCERTAINTY SLOWS M&A

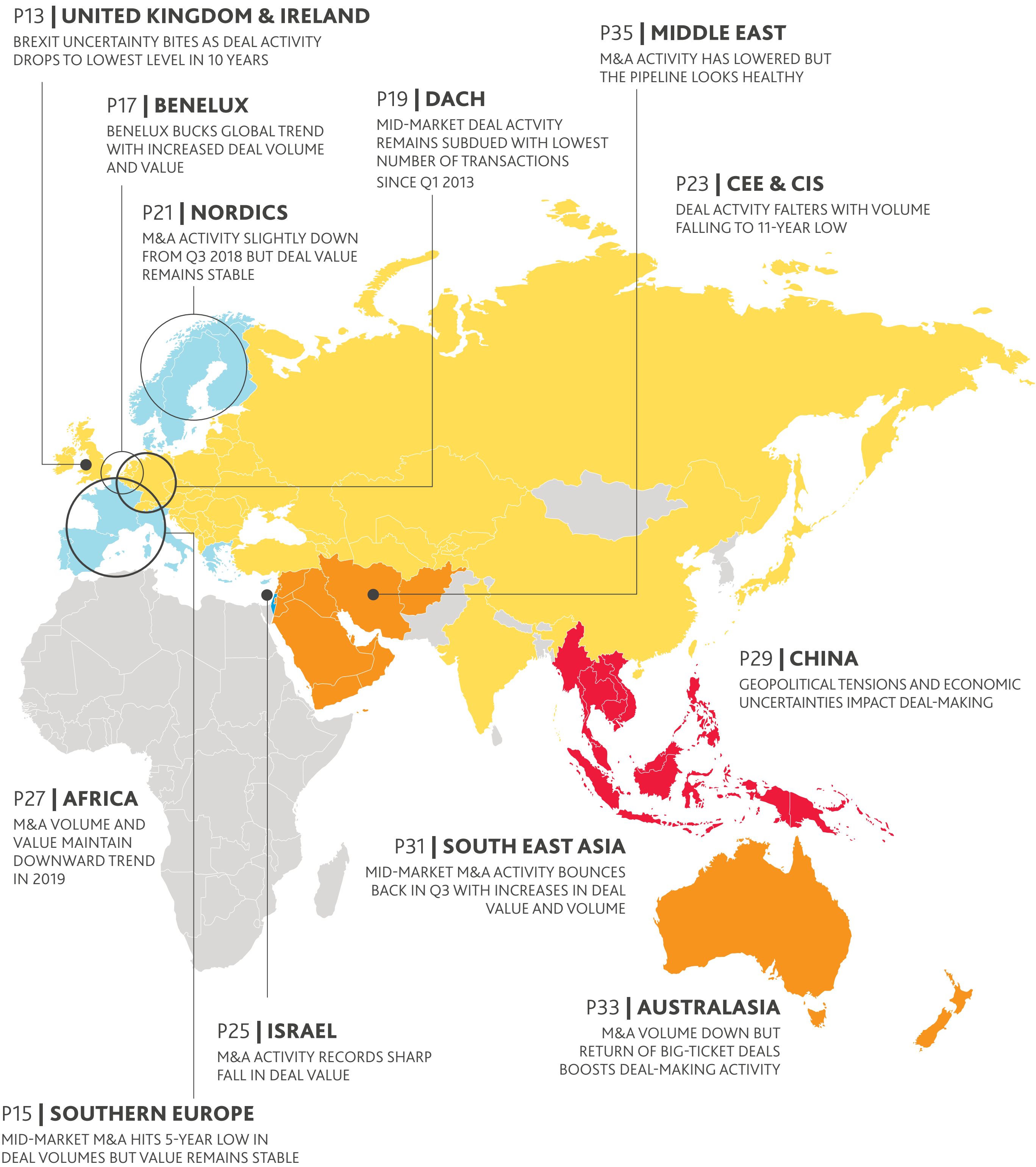
P11 | **LATIN AMERICA**

M&A VALUE RECOVERS SLIGHTLY FOSTERED BY PE ACTIVITY

SECTOR VIEW

FINANCIAL SERVICES | **P41**

ENERGY | **P39**



Key % movement

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

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

NORTH AMERICA

CONTINUED GLOBAL AND POLITICAL UNCERTAINTY SLOWS M&A

BIG PICTURE

- Deal volume was down 19.3% compared to the previous quarter and down 37.6% compared to Q3 2018
- Deal value was down 18.5% compared to the previous quarter and down 31.1% compared to Q3 2018
- Global tensions, political uncertainty in Canada and the US and threats of a looming recession translated into decreased mid-market M&A activity in Q3 despite a continuing abundance of dry power and access to capital
- Activity declined in all sectors compared to both the previous quarter and Q3 2018, apart from Financial Services, Leisure and Real Estate. Financial Services experienced the largest increase with 65 deals, increasing from 48 in Q2 2019. The most significant falls were in TMT, Energy, Mining & Utilities and Consumer.

Overall, the North American mid-market experienced a significant downward trend in the volume of mid-market M&A deals during Q3 2019.

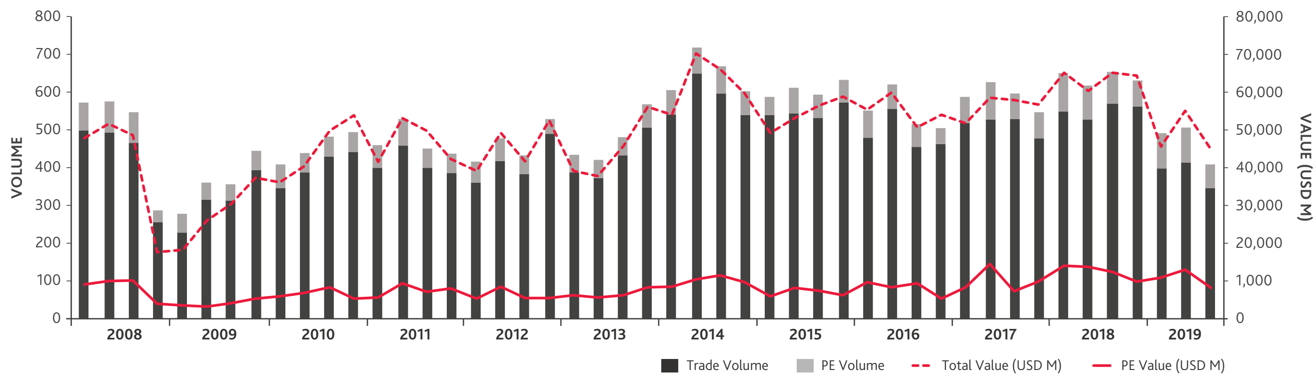
Deal volume fell to the lowest level since Q1 2010, with 409 deals generating an aggregate dollar value of USD 44.9 billion. Despite strong underlying fundamentals, both strategic and private equity investment weakened in the third quarter.

The overall economic landscape for both Canada and the US showed a mix of positive and negative indicators. In Q3, the S&P 500 grew by 1.7% and the NASDAQ fell by 0.1%, its first quarterly decline of the year. US gross domestic product was anticipated to slow in Q3 2019 to approximately 2.0%, after growth rates of 3.1% and 2.0% in Q1 and Q2, respectively. The US employment rate continues to be at record lows at approximately 3.7%. Canadian equity markets rose with the S&P/TSX Composite Index returning 5.5% in Q1 2019 and 15.8% year to date. Canadian unemployment rates continued to hold close to multi-decade lows at 5.7%. Sparked by low inflation and heightened concerns over the economic outlook, the US Federal Reserve lowered the federal interest rate from 2.25% to 2.0%. Likewise, Canada's overnight rate is expected to remain at 1.75% due to a steady economy and on target inflation.

HEADWINDS SLOW MID-MARKET M&A

A combination of sustained indicators over the past couple of years drove a slowdown in M&A activity in Q3 2019, with both domestic and global factors affecting the decline. Although the M&A market has remained relatively strong by historical standards in 2019, activity has declined compared to 2017 and 2018. Similarly to the beginning of 2018, the North American M&A market was dominated by mega-deals with mid-market activity taking more of a backseat. High-profile Canadian mega-deals included the acquisition of Westjet Airlines by Onex Corp. and Goldcorp by Newmont Mining Inc. The resilience of the M&A market from a long-term historical perspective reflects a focus on economic growth and optimistic forecasts. However, when comparing more recent periods including the decline in the third quarter and the year overall, it is evident that dealmakers understand both the perceived and actual market risks moving forward.

PE/TRADE VOLUME & VALUE



Global uncertainty continues to play a factor in North American deal-making and will continue to do so over the next year. Concerns over trade wars, political and regulatory changes and volatile markets are ever present and appear to be growing quarter to quarter. The chance of a recession has been evident for months and while the timing is unknown, investors are more and more sceptical about any potential target's ability to achieve their forecasts. This, coupled with enduring high valuations, have left more mid-market buyers on the sidelines. Cross-border relations between Canada and the US continue to be a rollercoaster. The chance of ratification of the USMCA by US Congress seems to have diminished and overall uncertainty over future trade relations has increased. These tensions have weighed on the manufacturing industry, which has seen a decline in Canadian output for the first time since 2016, exemplified by Canadian auto plants having to temporarily shut down due to shortages of parts imported from the US. The North American nations' tensions are just another factor fuelling uncertainty and increased market scepticism. There is an inherent view that increased protectionism results in a decrease in deal activity, however, cross-border M&A may actually provide a vehicle to mitigate declining trade as it may provide a means to access otherwise inaccessible markets.

Despite a pessimistic macro outlook by many, there are also several trends likely to promote M&A activity. Private equity firms continue to sit on record levels of dry powder but are also exiting investments to capitalise on the returns achieved in the recent positive market. In parallel, continuing low North American interest rates coupled with high levels of liquidity should facilitate buy-side activities.

LOOKING AHEAD

The upcoming year will present an interesting time for North American M&A as dealmakers will have been through both a Canadian (October 2019) and US (November 2020) election cycle. Canadian federal politicians have put forward promises of significant fiscal expansion which may result in increased investment but if the election were to only deliver a minority government, fiscal expansion may be slowed and deal activity deterred.

Currently, there are a number of major trends that should enhance M&A resilience. Private equity exits and corporate divestitures should support supply as they look to capitalise on high valuations. Elevated levels of cash holdings for both corporations and PE firms should also support deal-making. Lastly, the rise of industry convergence encourages acquisitions of assets that would be considered 'non-core'. Transactions for the purpose of gaining access to specific technology or establishing partnerships is becoming more common and this is resulting in companies crossing industries and forming unconventional partnerships. The convergence of the auto and technology industries is an example and was demonstrated by Ford and VW AG forming an alliance and during Q3, VW AG invested USD 500m in Argo AI LLC, a developer of autonomous vehicle technology. The combination of these three trends should provide an optimistic outlook for deal-makers in the near future.

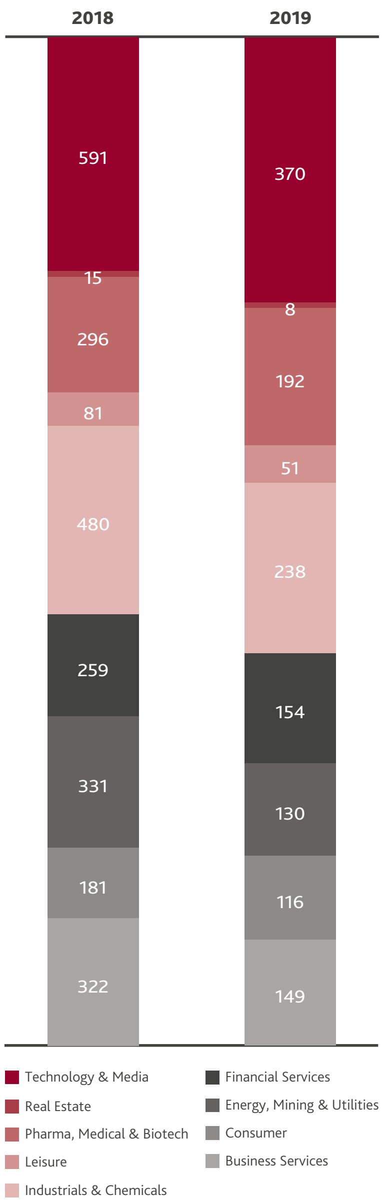
RYAN FARKAS
MANAGING DIRECTOR
rfarkas@bdo.ca

ALEX ARDIZZI
VICE PRESIDENT
aardizzi@bdo.ca

NORTH AMERICA
HEAT CHART BY SECTOR

TMT	521	23%
Pharma, Medical & Biotech	400	18%
Industrials & Chemicals	357	16%
Business Services	247	11%
Consumer	223	10%
Energy, Mining & Utilities	203	9%
Financial Services	184	8%
Leisure	64	3%
Real Estate	24	1%
TOTAL	**2223**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

M&A VALUE RECOVERS SLIGHTLY FOSTERED BY PE ACTIVITY

BIG PICTURE

- M&A activity in the region continues negative trend in terms of the number of deals but there was some improvement in deal value
- Brazil topped the list in the region's top 20 deals with 11 deals worth USD 2,591m
- Energy, Mining & Utilities was the top performing sector with a total deal volume of USD 1,428m, followed by Financial Services with USD 1,230m.

In Q3 2019, M&A activity in Latin America in the mid-market segment recorded a total of 69 deals worth USD 7,165m , which represented a drop of 1.4% in terms of the number of deals and an increase of 2.5% in terms of value compared with the previous quarter. Comparing Q3 2019 with the corresponding quarter last year, the number of deals was down 4.2% and value increased by 15.9%. The accumulated number of deals in the last 12 months was 292 deals with a value of USD 28,708 million, which compares with a total of 341 deals and USD 28,668m for the same period in the previous year, showing a drop of 14.4% in the deal count and a minimal improvement of 0.1% in value.

Looking at Q3 2019, there were nine PE transactions, which were worth USD 2,180m, representing 13.0% of the quarter's deal count and 30.4% of the value. The average PE deal value was high at USD 242,2m million versus USD 83.1m for non-PE transactions.

Overall, the average value per deal was USD 103.8m, up 4.0% from the last quarter, primarily as a result of PE transactions.

The BDO Heat Chart for the region shows a total of 402 deals announced/in progress, which represents 4.8% of the global Heat Chart. Deal opportunities are concentrated in TMT, Consumer, Industrials & Chemicals, Energy, Mining and Utilities and Business Services, with a total of 79, 68, 68, 62 and 58 deals respectively.

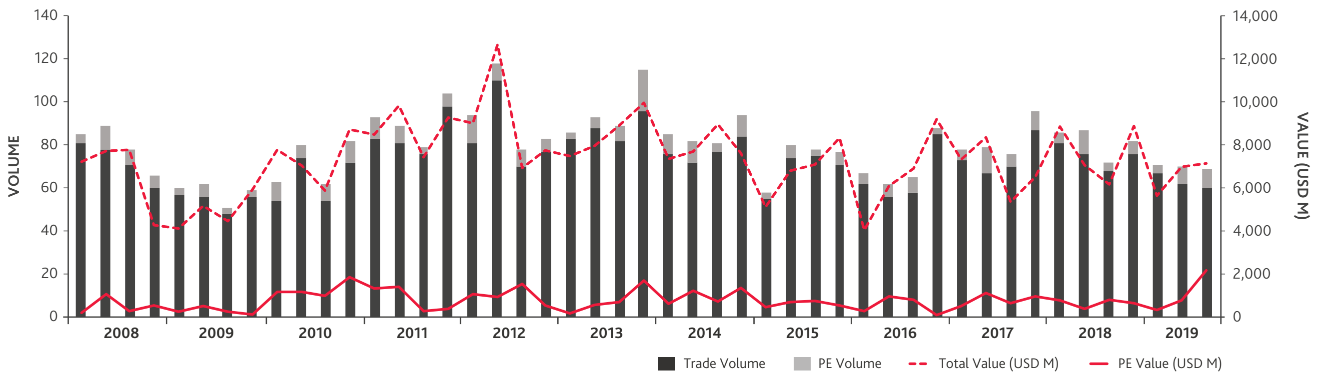
TOP DEALS

The top 20 deals totalled USD 5,091m, with Brazil leading the way in terms of target countries with a total of 11 deals worth USD 2,591m million, followed by Mexico with three deals worth USD 1,139m.

Looking at bidder countries, 55.2% of investment come from outside the region, with the US leading the ranking with deals worth USD 1,346m, followed by Canada (USD 500m), Japan (USD 418m), United Kingdom (USD 318m) and Portugal (USD 167m). The remaining investment came mainly from Chile (USD 839m), Brazil (USD 660m), Mexico (USD 510m) and Paraguay (USD 270m). The investments from Brazil and Paraguay were in their own countries.

Latin America's top deals in the quarter were in Energy, Mining & Utilities (USD 1,428m), Financial Services (USD 1,230m) and Consumer (USD 1,099m).

PE/TRADE VOLUME & VALUE



ECONOMIC OUTLOOK

In Argentina there have been months of economic uncertainty and volatility related to the Presidential Election. The results in the Primary Elections, where the current administration party recorded disappointing results, led to a devaluation of the peso of 25% and the return of certain restrictions to the foreign exchange market.

In this context, the uncertainty regarding which path the next government will follow, which could either be the introduction of more control or a more liberal approach, is resulting in an overpunishment of assets' valuations that we expect will be corrected once the result of the elections is announced.

In economic terms, the future outlook for 2020 is still uncertain, and depending on which economic direction the next government takes, the year could even turn out to be one of slight growth.

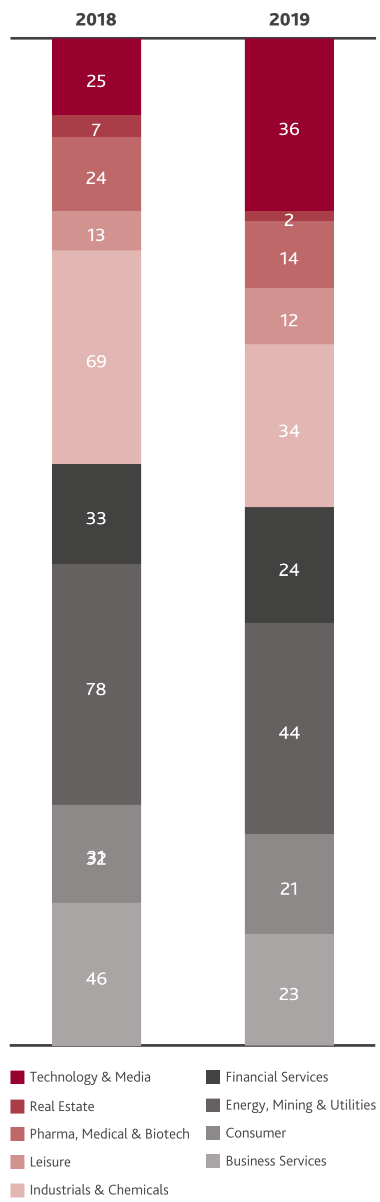
However, no matter what the result of the election, we are confident that the levels of interest in investing in Argentina achieved during the Macri administration will continue, in particular for sectors that offer interesting growth opportunities, such as oil & gas and energy – including renewable energy, agribusiness and infrastructure.

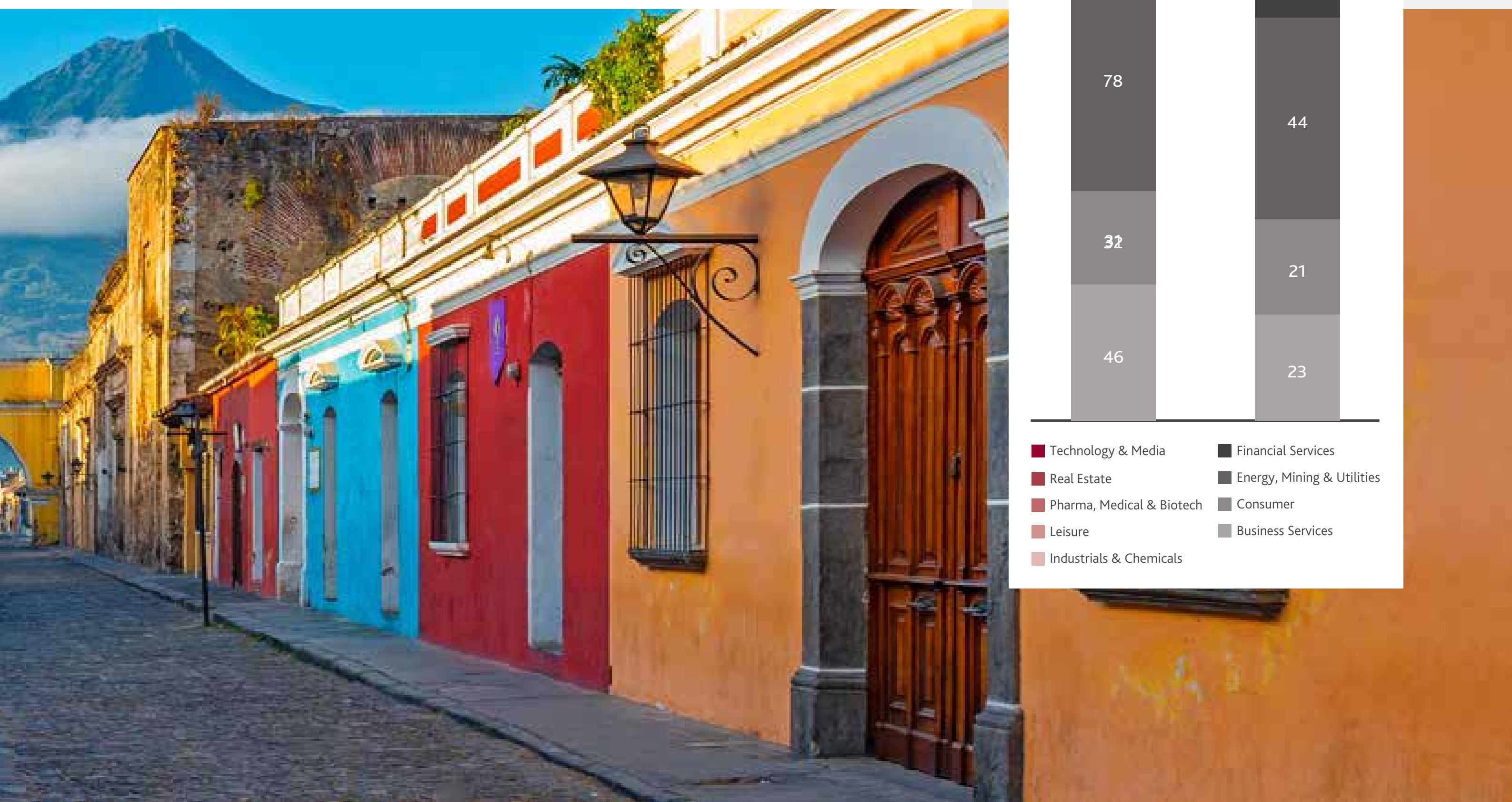
FERNANDO GARABATO
PARTNER
fgarabato@bdoargentina.com

LATIN AMERICA
HEAT CHART BY SECTOR

TMT	79	20%
Consumer	68	17%
Industrials & Chemicals	68	17%
Energy, Mining & Utilities	62	15%
Business Services	58	14%
Financial Services	33	8%
Leisure	14	3%
Pharma, Medical & Biotech	13	3%
Real Estate	7	2%
TOTAL	**402**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

BREXIT UNCERTAINTY BITES AS DEAL ACTIVITY DROPS TO LOWEST LEVEL IN 10 YEARS

BIG PICTURE

- With just 104 transactions, deal count hits 10-year low but total value remains stable
- PE remains confident in the mid-market with 22 deals worth over USD 22 billion
- TMT maintains position as leading sector with 25% of all deal activity.

With only 104 mid-market transactions completed in UK & Ireland in Q3 2019, this represented the lowest level of reported activity in 10 years. The drop in deal-making activity has been entirely across trade deals, as corporate buyers continue to take a very cautious approach to investment, with many buyers stalling M&A activity pending the outcome of Brexit.

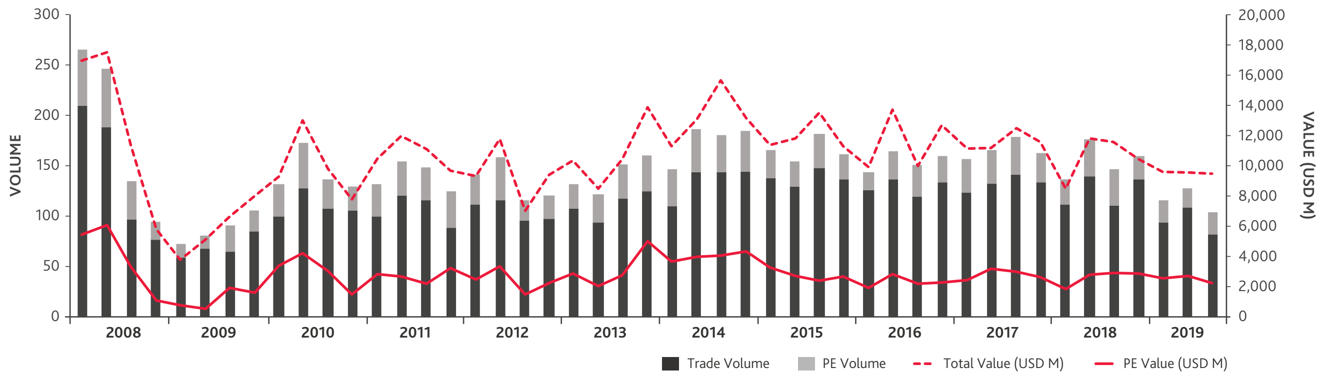
Despite the decline in volume, total deal value remained steady compared to the preceding three quarters at USD 9.5bn, highlighting the growing trend towards larger deals. This is partially driven by buyers focusing on transformational M&A with an emphasis on the strategic acquisitions of technology and talent. Trade buyers are also focusing on companies that are less exposed to the current economic volatility and where synergies are more likely to be achieved.

Despite the decline in trade deals, PE buyers remain confident in the mid-market and continue to compete for M&A, with 22 transactions reported worth over USD 2.2 billion. Across UK & Ireland, there is a shift by PE towards considering smaller transactions and alternative deal structures in an effort to deploy cash and bridge price expectations.

KEY DEALS AND SECTORS

From a sector perspective, TMT remains the most active sector, accounting for 25% of all deal activity, although there was a notable drop from the 40 transactions in Q2 2019 to only 26 deals in Q3 2019. The quarter's largest transaction in the UK was the acquisition of Jane's Information Group by Montagu PE for USD 470m, while the largest deal in Ireland was the sale of Cignal Infrastructure to Spanish telecom group Cellnex for USD 232m.

PE/TRADE VOLUME & VALUE



Deal activity in Business Services in Q3 2019 also fell significantly, with only 12 transactions versus 23 in the preceding quarter while deal activity in both the Leisure and Pharma, Medical and Biotech sectors fell by 50%. In contrast to these falls, Industrial & Chemicals saw a reasonable level of activity with 21 transactions, while Consumer M&A doubled as buyers sought to consolidate market positions. It was notable that four of the top 20 transactions were Consumer deals - including Pilgrims Pride's acquisition of Europe's largest pork processor Tulip for USD 355m and the strategic sale of Tilda Limited to Spain's Ebro Foods for USD 342m.

Despite the geopolitical and economic uncertainties, UK & Ireland continue to attract significant inbound activity as buyers from US, China and Europe look for opportunistic deals. The top 20 transactions represented over 60% of the total deal value and included 17 international buyers from eight different countries. Inbound M&A is likely to accelerate as international buyers benefit from weakened sterling and the strategic divestments of UK companies.

LOOKING AHEAD

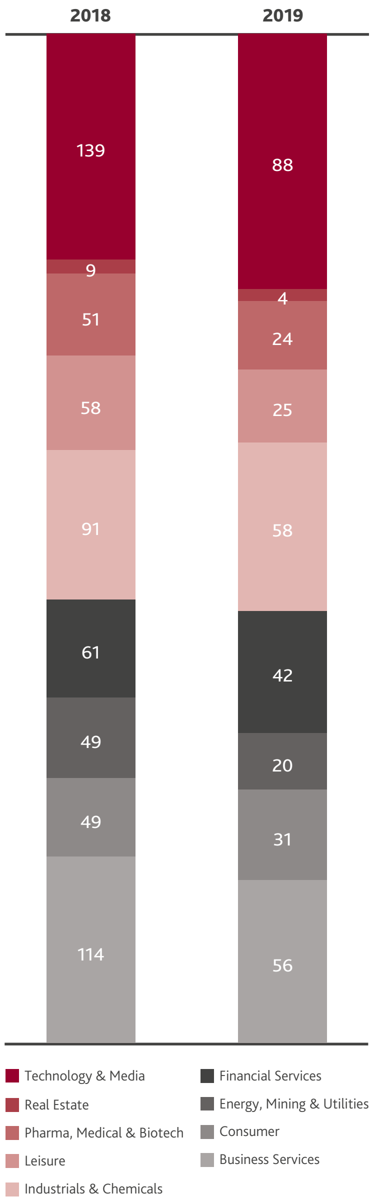
Looking ahead, the BDO Heat Chart continues to highlight TMT as the most active sector with one in four deals expected to be tech-related. The search for disruptive and transformative tech companies is underpinning this, and with cash reserves continuing to grow, valuations are likely to remain strong. A pick-up in deal activity is anticipated in both Business and Financial Services, although a lot will depend on the economic and regulatory impact of Brexit. Activity in Consumer and Industrials & Chemicals is also forecast to improve as consolidation continues to drive transactions. Overall the M&A outlook remains positive with increasing funds available, low interest rates and steady economic growth, despite the unpredictable macroeconomic climate.

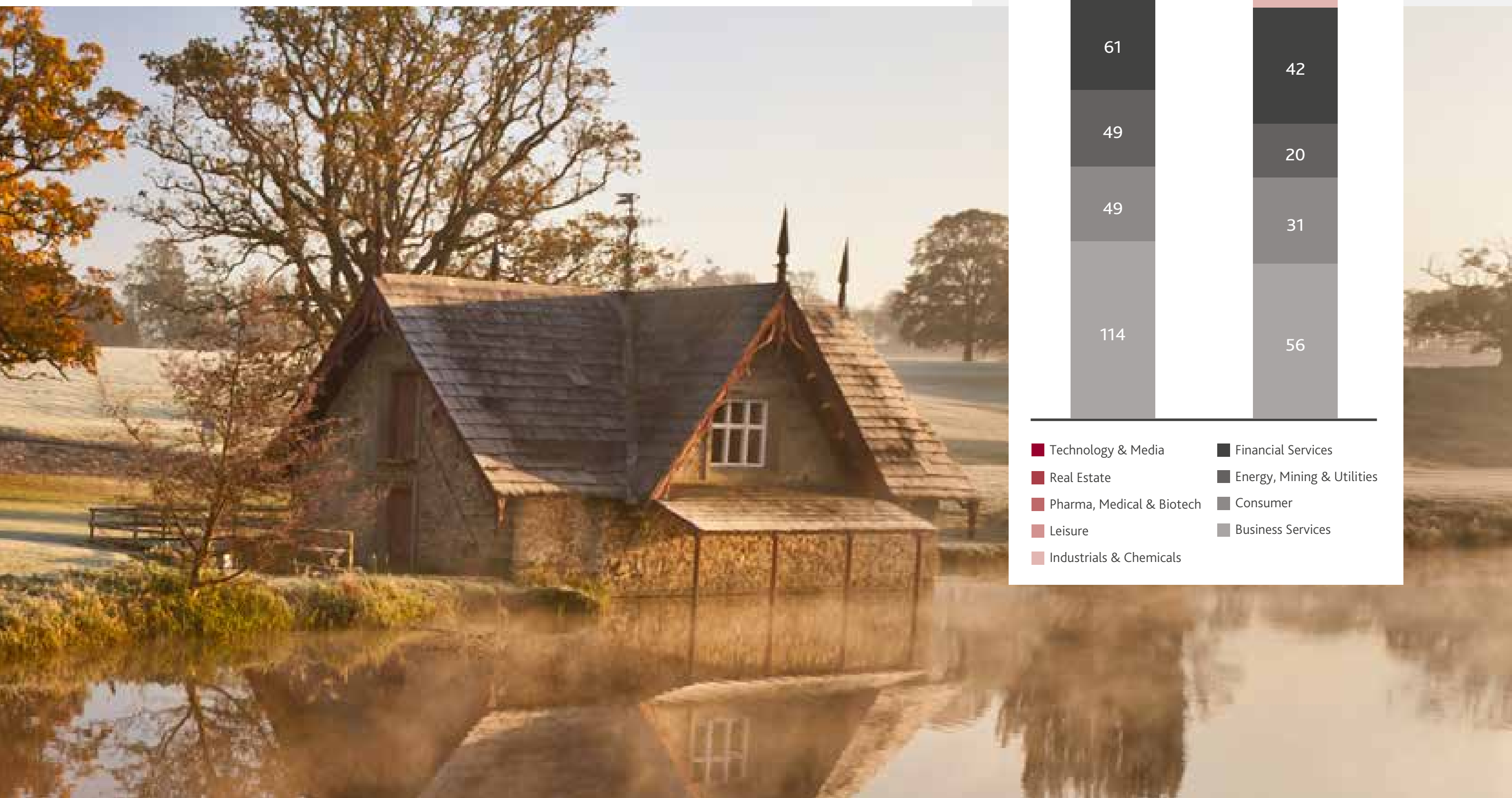
KATHARINE BYRNE
PARTNER
katharine.byrne@bdo.ie

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	102	23%
Business Services	69	15%
Consumer	57	13%
Financial Services	54	12%
Industrials & Chemicals	50	11%
Pharma, Medical & Biotech	39	9%
Energy, Mining & Utilities	38	8%
Leisure	27	6%
Real Estate	12	3%
TOTAL	**448**	

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

MID-MARKET M&A HITS 5-YEAR LOW IN DEAL VOLUMES BUT VALUE REMAINS STABLE

BIG PICTURE

- Deal volumes fell in Q3 2019 but values remained at good level
- Highest PE average deal size in 10 years
- Consumer continued to be most active sector in region's M&A
- Industrials & Chemicals is predicted to gain ground while activity in TMT is predicted to fall.

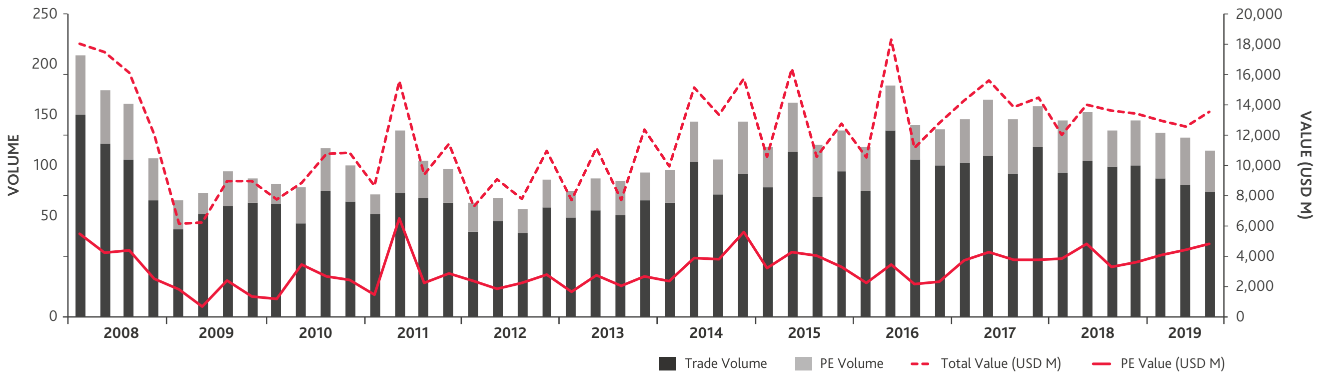
In Q3 2019, mid-market M&A activity in Southern Europe declined by 7% with 137 deals closed, the worst performance in five years. In contrast, the average transaction value increased by 8% to USD 98.8m. PE investors' share of the mid-market represented more than 35% of the volume of transactions, a record in four years.

The results in Q3 2019 were not surprising, given the poor forecasted deal activity over the past year. Volumes continued to fall in correlation with predicted deal activity in most sectors. The overall volume of deals dropped by almost 10%, in comparison with the first three quarters of 2018. Comparing Q3 2019 with Q3 2018, we see a bigger gap, with a decrease of 11% in the number of deals closed. However, looking at transactions in terms of value, Q3 2019 showed a slight improvement in comparison with previous quarters, reaching the levels achieved in 2017/2018.

PE SAVES THE DAY

Regardless of the M&A activity this quarter, with very low deal volumes and 50 less deals than the corresponding period in 2018, we can clearly see that the results would have very much different without the support of PE investors. As a matter of fact, despite the state of the overall market, PE transactions in terms of value have reached historic levels. In Q3 2019, the average PE deal size was USD 141m, the highest in the last 10 years. In addition, more than 35% of transactions involved PE investors in Q3 2019, illustrating their significance to the region's M&A market. It's also worth noting that valuation multiples paid by PE investors were slightly lower than those paid by strategic buyers (9.3x vs. 10.3x EBITDA). To confirm this trend, of the quarter's 20 largest transactions, more than half were PE-backed.

PE/TRADE VOLUME & VALUE



KEY SECTORS

A number of sectors suffered from the overall downward trend in M&A, especially Financial Services, Industrials and Chemicals & Pharma, Medical & Biotech, with activity falling by 53%, 20% and 18% respectively in 2019 in comparison with the first three quarters of 2018. It is predicted that this slowdown of M&A activity in these sectors will be counterbalanced in the coming year. The BDO Heat Chart forecasts that Industrials and Chemicals will represent 23% of deals by volume, with no less than 123 deals announced. Financial Services is predicted to represent 7% of future transactions versus 5% in 2019. However, Pharma, Medical & Biotech is predicted to continue losing its share of the market (6% vs. 8% in 2019). After a significant decrease in 2018, Consumer recorded 18 transactions in Q3 2019, a rise of 5% compared to the last year (first three quarters of 2018). This trend is encouraging because it is predicted that the sector will represent 25% of future transactions, with 134 announced deals.

This overall M&A market trend is confirmed by the breakdown of Southern Europe's top 20 mid-market deals, with seven in Industrials & Chemicals and three in Consumer.

KEY COUNTRIES

Looking at the 20 largest transactions of Q3 2019 leads us to draw the following conclusions. France remains a major player in Southern Europe's M&A market, with half of the transactions involving a French target and five transactions involving a French bidder. On the bidder side, the bidder countries were North Americans (mostly PE investors) or Europeans, including the UK, the Netherlands, Italy, Spain, Germany, Spain and Switzerland. UK remained active as a bidding country, despite the economic uncertainties of Brexit. Surprisingly, none of the bigger deals were closed with an Asian country.

LOOKING AHEAD

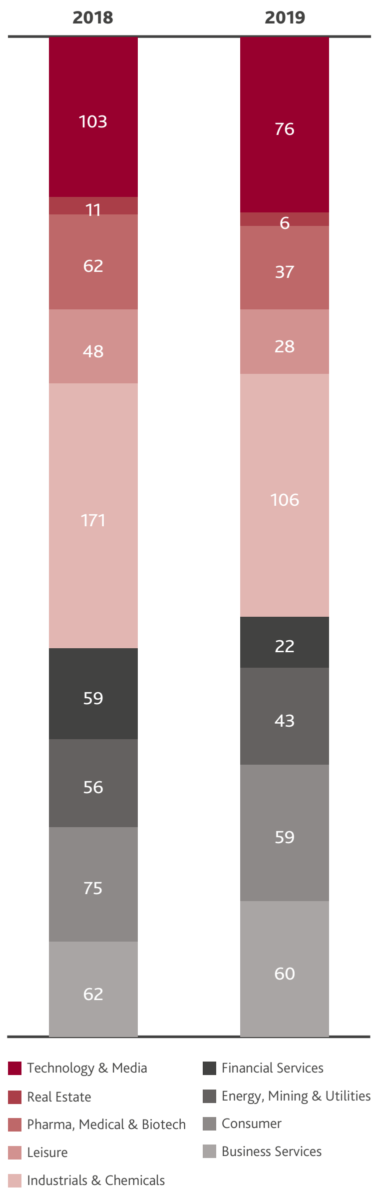
Looking ahead, the cumulative number of deals in Southern Europe is predicted to reach 535, a slight drop in comparison to Q3 2018. Around half of these transactions are cross-border, and in the current economic climate, this trend is expected to continue. Consumer is predicted to remain the most active sector, followed by Industrials & Chemicals and TMT. Collectively, these three sectors are expected to represent 63% of the total volume of predicted transactions.

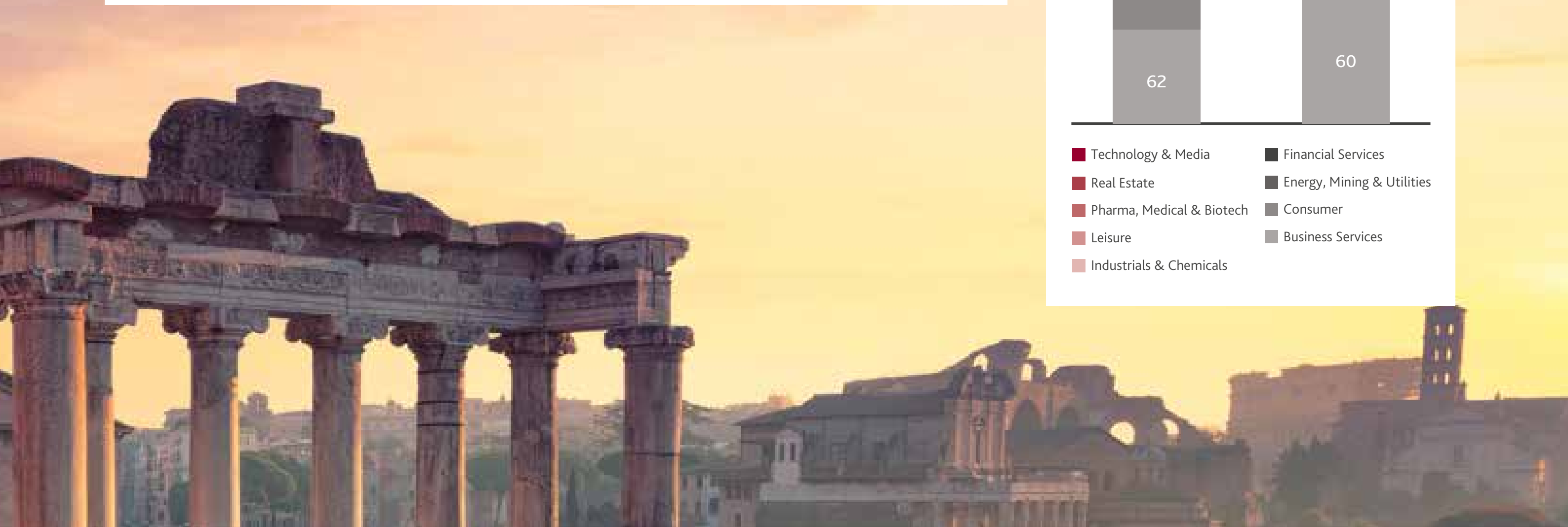
THIBAUT BAPTISTE
M&A PARTNER
thibaut.baptiste@bdo.fr

SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	134	25%
Industrials & Chemicals	123	23%
TMT	81	15%
Business Services	60	11%
Financial Services	40	7%
Pharma, Medical & Biotech	31	6%
Energy, Mining & Utilities	27	5%
Leisure	23	4%
Real Estate	16	3%
TOTAL	**535**	**100%**

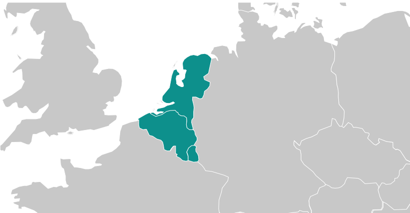
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

BENELUX BUCKS GLOBAL TREND WITH INCREASED DEAL VOLUME AND VALUE



BIG PICTURE

- Deal numbers and average deal value increased in Q3 2019
- PE involvement increased to 11 deals (Q2: 7 deals) and covers 35.5% of the total deals, but the average deal value fell
- Approximately one third of all deals were in the TMT. TMT, which accounted for approximately one third of deals, together with Industrials & Chemicals, Consumer and Business Service, accounted for over 80% of the deals in Q3 2019.

In Q3 2019, the total number of deals in the Benelux increased by five to a total of 31 deals compared to Q2 2019. In addition, the overall deal value increased to USD 2,983m (from USD 2,483m) which resulted in a slight increase in the average deal value from USD 95.5m in Q2 to USD 96.2m in Q3. However, in comparison to the total number of deals in Q3 2018 (35), there were slightly fewer deals in Q3 2019 but they had a higher average deal value of USD 94m.

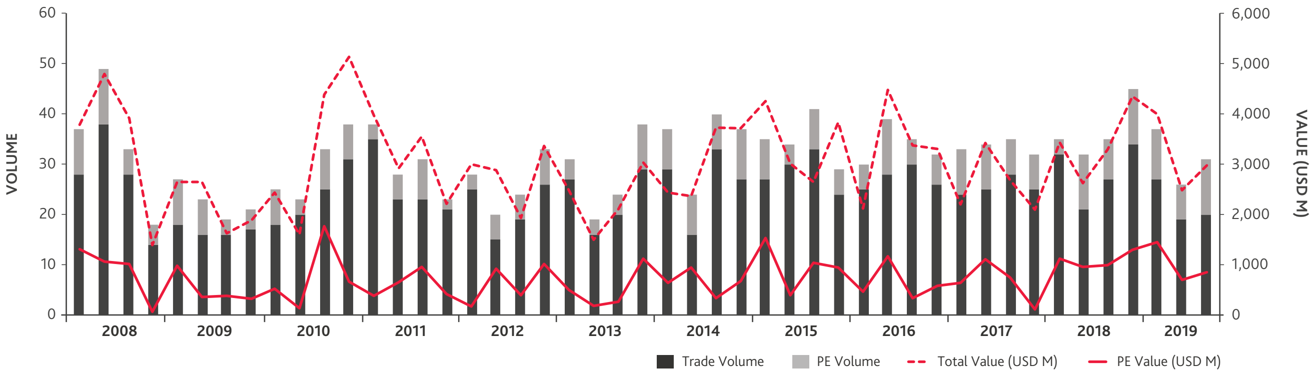
PE was involved in 11 deals in Q3, representing 35.5% of the total deal numbers and 28.6% of the total deal value. Average PE deal size fell from USD 100.9m in Q2 2019 to USD 77.5m in Q3 2019.

The global M&A trend showed a decrease in the number of deals in Q3 compared to Q2 but deal values remained relatively stable. However, the Benelux bucked this trend with increased deal numbers and average deal value in Q3 2019.

KEY SECTORS AND DEALS

A total of ten deals were closed in TMT, closely followed by nine in Industrials & Chemicals. Consumer was in third place with four deals, followed by Business Services (three) and Energy, Mining & Utilities (two). Financial Services, Leisure and Pharma all accounted for one deal each. In Q3 2019, there were no Real Estate deals.

PE/TRADE VOLUME & VALUE



The top 10 deals in the Benelux were all over USD 100m, ranging from USD 112m to USD 422m. Seven of these deals involved a target in the Netherlands and three in Belgium. In two of the top 10 deals, the bidder was Belgian and in the other eight the bidder was from outside the Benelux.

The sale of all European entities of the Dutch international transport company KLG Europe to Chinese competitor Sinotrans was the quarter's biggest deal with a value of USD 422m. The acquisition has enabled Sinotrans to enter the European logistics market.

The region's second biggest deal was the sale of Kotug Smit Towage (part of Royal Boskalis Westminster and Kotug International) to Spanish company Boluda Corporacion Maritima, with a deal value of USD 334m.

Finally, there was a large deal involving a Belgian bidder, which saw the acquisition of Swedish company Ellos (from Nordic Capital) in the TMT sector by FNG Group with a deal value of USD 258m.

LOOKING AHEAD

The Benelux Heat Chart shows 189 deals currently in progress or planned, which is just over the 182 deals that were in progress or planned in Q2 2019. A total of 44 deals are expected to be in Industrial & Chemicals, which would amount to 23% of Benelux's total activity in the Benelux. The second most active sector is expected to be TMT (37 deals), closely followed by Consumer sector (33 deals) and Business Services (30 deals). This top four is in line with global expectations per sector and with the completed deals in the Benelux in Q3 2019.

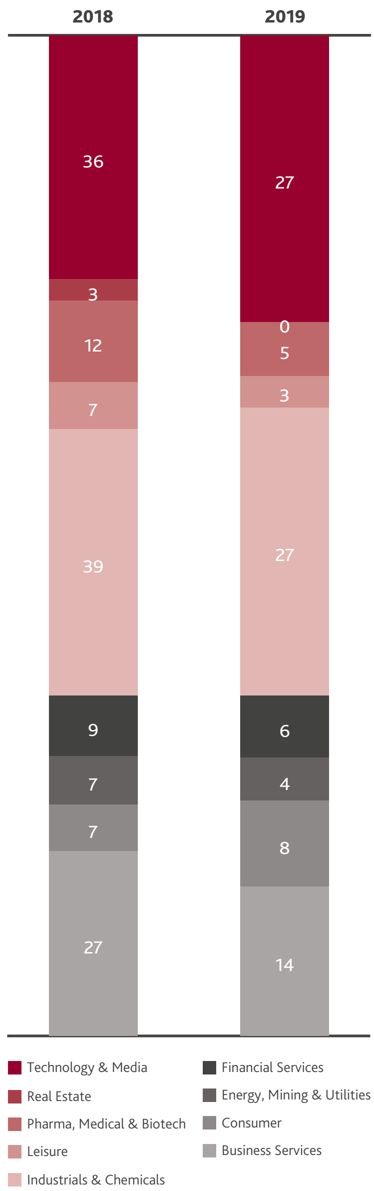
LUC AUGUSTIJN
PARTNER
luc.augustijn@bdo.nl

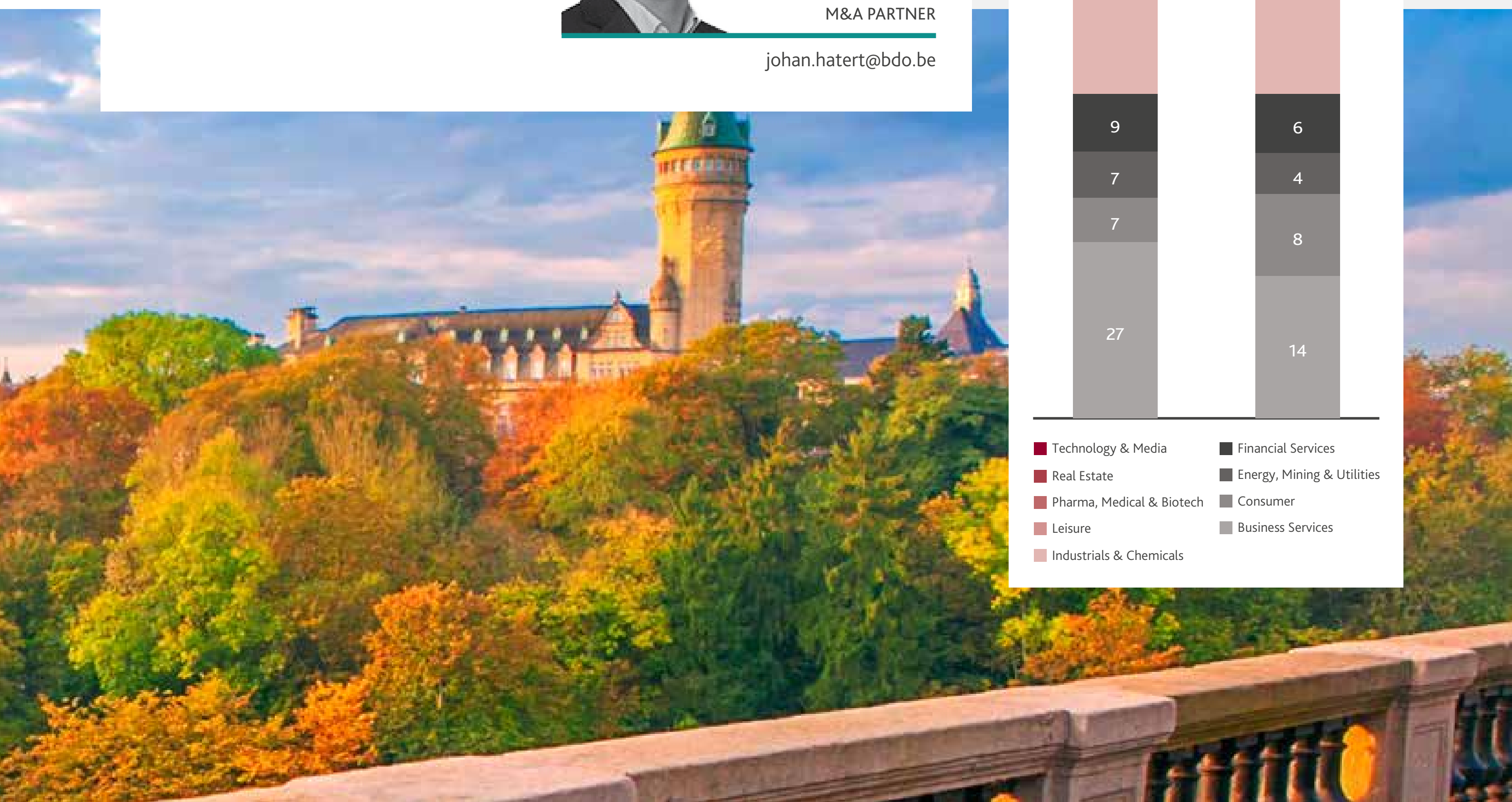
JOHAN HATERT
M&A PARTNER
johan.hatert@bdo.be

BENELUX
HEAT CHART BY SECTOR

Industrials & Chemicals	44	23%
TMT	37	20%
Consumer	33	17%
Business Services	30	16%
Pharma, Medical & Biotech	14	7%
Financial Services	12	6%
Energy, Mining & Utilities	8	4%
Leisure	7	4%
Real Estate	4	2%
TOTAL	**189**	**100%**

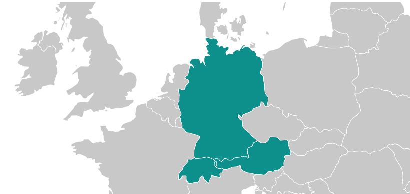
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

MID-MARKET DEAL ACTIVITY REMAINS SUBDUED WITH LOWEST NUMBER OF TRANSACTIONS SINCE Q1 2013



BIG PICTURE

- Q3 2019 deal values fell by 18% compared to the previous quarter and 26% compared to Q3 2018
- PE activity was buoyant with the highest quarterly deal value since 2008
- Strong quarter for Pharma, Medical & Biotech deals, the second most active sector behind Industrials & Chemicals
- The biggest four deals took place in in Germany and there were four Swiss deals in the region's top 10.

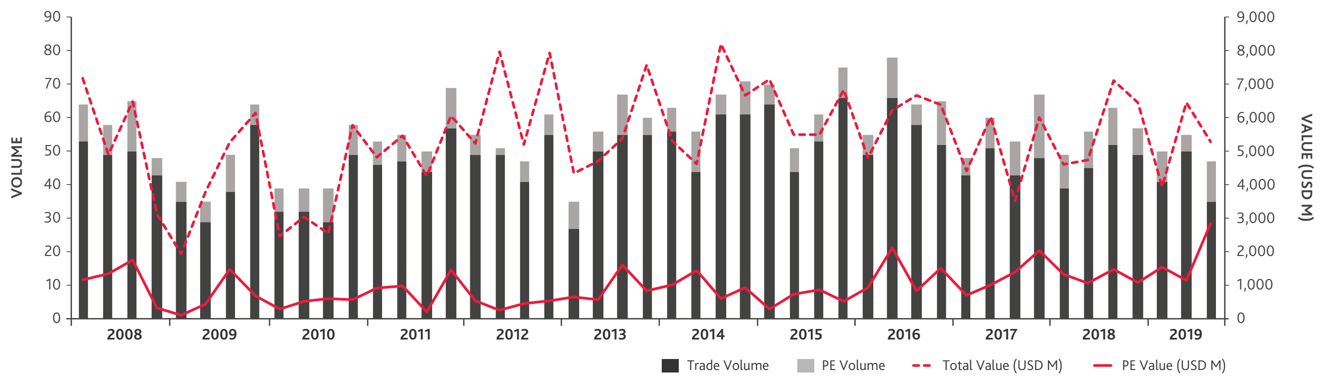
DACH M&A activity was weak again in Q3 2019 after a stronger Q2 2019. Both deal volume and deal value fell quarter on quarter, down 18% and 15% respectively. Contrary to the global trends, PE deal value was buoyant in the period, increasing 91% compared to Q3 2018, reaching USD 2.9bn.

With a total of 47 transactions in Q3 2019, deal numbers fell by 15% compared to Q2 2019 and 25% compared to Q3 2018. This represented the lowest number of deals since Q1 2013. The value of transactions fell by 18% to USD 5.3bn in Q3 2019 from USD 6.5bn in Q2 2019 and was 26% less than the USD 7.1bn of deals recorded in Q3 2018. The negative trend in Q3 2019 was broadly in line with global mid-market M&A performance and reflected the current macroeconomic uncertainty in global markets.

However, DACH PE activity bucked global trends. The value of PE transactions increased significantly in Q3 2019 with a value of USD 2.9bn and not only represented the majority of all deal volume (53.8%), but was also the biggest value recorded in any quarter since Q1 2018. The number of deals (12) increased by 140% compared to Q2 2019, which was a very weak quarter for PE and by 9% compared Q3 2018. PE activity was strong across the spectrum and comprised a mixture of corporate carve-outs, tech, (including Biotech) financing and secondary deals.

Looking at the top 10 deals, six took place in Germany, four in Switzerland and none in Austria. 60% of the top ten deals involved PE, which also reflected the strong PE activity in Q3 2019. 14 of the top 20 deals involved international buyers, who come from the USA, UK, Italy, China and Japan.

PE/TRADE VOLUME & VALUE



KEY DEALS

The largest deal in Q3 2019 was in the Industrials & Chemicals sector, with CVC Capital Partners acquiring Fonterra's 50% stake in DFE Pharma for USD 427m. DFE pharma, headquartered in Goch (Germany), is a leading global excipients manufacturer for the pharmaceutical industry. Fonterra, a dairy company that co-founded DFE Pharma in 2006, wanted to reduce its debt burden through this sale but will remain a supplier to the company.

In a noteworthy TMT transaction, Signavio GmbH raised USD 177m from Apax Partners and Deutsche Telekom Capital Partners Management to further develop its business transformation suite and accelerate continued international expansion, in particular in Asia. The transaction valued Signavio at USD 398m. It reported sales of USD 15m in the 12 months ending 31 December 2017.

Two of the three largest Swiss deals involved PE companies. In the first, Clariant AG sold its healthcare packaging business to Arsenal Capital Partners L.P. (a leading US specialty industrials and healthcare investor) for USD 314m. This division's key products revolve around Controlled Atmosphere Packaging (CAP) for the pharmaceutical industry. In the second deal, Lindsay Goldberg LLC (a US-based PE firm) acquired Bilcare Research AG in a USD 275m transaction. The previously Indian owned Bilcare is a pioneer in the provision of blister films for the pharmaceutical industry as well as a specialist in shrink films for multi-purpose packaging.

KEY SECTORS

Industrial & Chemicals led the way in terms of sector activity, followed interestingly by Pharma, Medical & Biotech for the first time since Q1 2014. There were five more Pharma, Medical & Biotech deals in Q3 2019 compared to Q2 2019 but one less deal than in Q3 2018. There was a 53% decrease in the number of TMT deals quarter-on-quarter and the seven recorded TMT deals was the lowest quarterly figure since Q1 2014. As a result, TMT fell to third place in sector activity. Deal activity in Financial Services was also very low, with just one reported deal.

LOOKING AHEAD

Traditionally Q4 is the strongest quarter for deal activity in DACH, measured by both value and the number of deals. The BDO Heat Chart indicates there are currently around 324 mid-market companies for sale in the DACH region, which represents a significant increase compared to 228 in the previous quarter. This suggests that there is a backlog of deals in the pipeline from Q3 2019, some of which may complete in Q4 2019. There may also be more M&A activity in Austria following the completion of its national elections.

However, the jury is still out on whether there will be a significant pick-up in deal activity in Q4 2019. The negative impact on market sentiment of a weak automotive sector and the ongoing uncertainty from political risks such as Brexit and the global tariff disputes could continue to act as a drag on deal activity in the DACH mid-market in the final quarter of 2019.

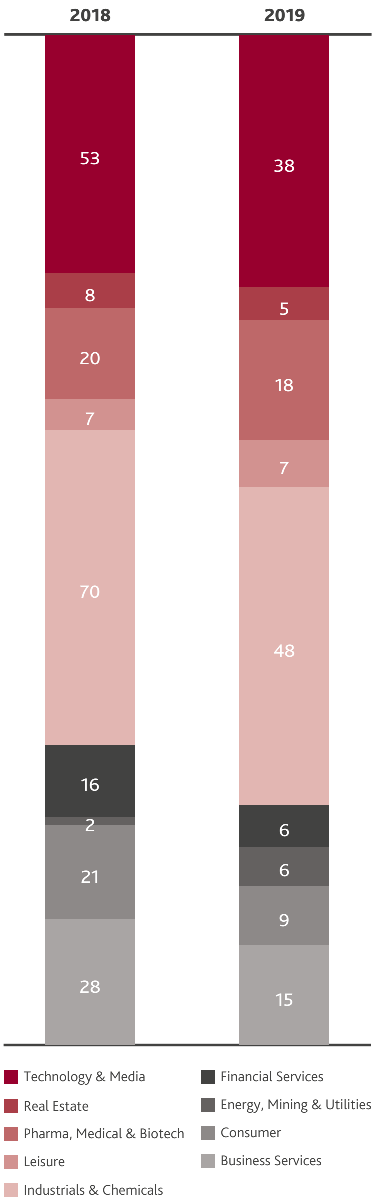
DIETMAR FLÜGEL
PARTNER - HEAD OF CORPORATE FINANCE
dietmar.fluegel@bdo.de

JANE EVANS
M&A SENIOR MANAGER
jane.evans@bdo.de

DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	99	31%
TMT	64	20%
Consumer	52	16%
Business Services	33	10%
Pharma, Medical & Biotech	31	10%
Financial Services	23	7%
Energy, Mining & Utilities	13	4%
Leisure	6	2%
Real Estate	3	1%
TOTAL	**324**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

M&A ACTIVITY SLIGHTLY DOWN FROM Q3 2018 BUT DEAL VALUE REMAINS STABLE

BIG PICTURE

- M&A activity in Q3 2019 dropped significantly in terms of deal volume compared to the previous quarter, but larger deals kept the total deal value at stable levels. Total deal value in Q3 2019 was down 8% from the corresponding quarter in 2018
- PE activity dropped significantly compared to Q3 2018, but the average deal value was slightly higher. With stable deal volume from the two previous quarters, PE's overall share of the deals was substantially larger in Q3 2019 than the previous two quarters
- TMT was the dominant sector with 15 deals, followed by Industrials & Chemicals and Business Services with 11 and 7 deals respectively.

The total number of M&A transactions in Q3 2019 fell slightly to 50 deals from the 53 deals completed in Q3 2018.

The total deal volume in Q3 2019 was the lowest recorded since Q3 2015. Deal value fell to USD 4,879m in Q3 2019 from USD 5,277m in the same quarter in 2018. As a result, the average deal value also fell to just short of USD 100m.

History repeated itself in the sense that Q3 2019's deal volume was lower than the two preceding quarters, but there were significantly larger deals in Q3 compared to the first two quarters of the year, keeping the overall total deal value relatively stable through the three first quarters of 2019.

In both Q2 and Q3 2019, there were nine PE-backed buy-outs, down from 14 deals in the corresponding period in 2018, representing the lowest quarter for PE deal volume since Q4 2017. However, the average PE deal size in Q3 2019 was the highest since Q3 2016.

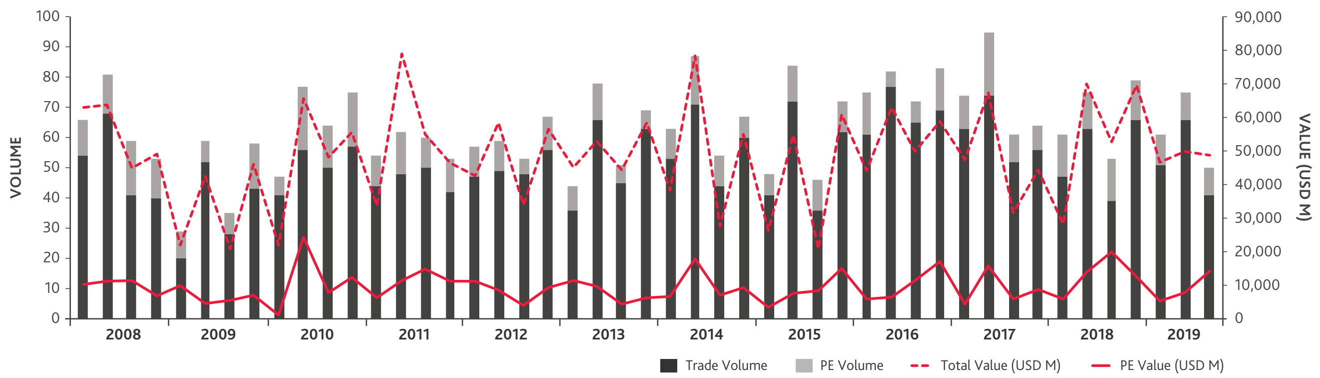
KEY SECTORS AND DEALS

The top 10 deals in the Nordics in Q3 2019 accounted for approximately 58% of total deal value, while the top 20 accounted for 84% of total deal value. Sweden dominated the region's top deals in Q3, with five of the top 10 and 11 of the top 20. While three of the top 10 were in the TMT sector, the remainder were spread across sectors; there were two deals each in Financial Services and Industrials & Chemicals, and one each in Consumer, Business Services and Pharma, Medical & Biotech.

The largest transaction by deal value was the USD 460m acquisition of an 8.36% stake in Klarna Bank AB by an investor consortium led by the US-based growth-oriented Dragoneer Investment Group.

The second largest deal was PEAB's acquisition of YIT Corporation's paving and mineral aggregates businesses in the Nordics, with a deal value of USD 316m to be paid in cash. PEAB announced that this deal will help expand its presence in Sweden, Finland and Norway as well as providing entry into Denmark through YIT's paving business.

PE/TRADE VOLUME & VALUE



The USD 303m management buy-out of SteelSeries ApS, backed by the Danish PE firm Axcel Management, was the quarter's third largest deal. The founder and the management of SteelSeries will reinvest the proceeds from the sale along with Axcel Management, who will hold a majority stake. Axcel has expertise in the software business sector and SteelSeries is set to further expand its business and strengthen market position. The sellers were the US-based PE firm L Catterton Management and the China-based venture capital and PE firm, ClearVue Partners.

For the third consecutive quarter, TMT was the region's most active sector, with 15 of the reported 50 completed M&A deals. Industrials & Chemicals was the second most active sector with 11 deals. TMT and Industrials & Chemicals have consistently been the two most active sectors in the past three years, together with Business Services. Out of a total deal count of 186 so far in 2019, TMT has accounted for 59 deals, with Industrials & Chemicals responsible for 41 and Business Services 26.

LOOKING AHEAD

The slowdown in M&A activity observed in 2018 and the first half of 2019 continued into Q3, but the general outlook remains fairly stable. Strong market development in the quarter supports valuations in the short term but the threats of an impending Brexit and escalated trade war are keeping investors cautious.

We expect the market sentiment for the TMT sector to remain strong, and in addition, we believe that defensive industries such as healthcare and infrastructure will attract rising interest in the coming months as many investors are preparing for a potential market correction. Furthermore, we expect a spike in foreign direct investments if the local Nordic currencies remain at historically low levels.

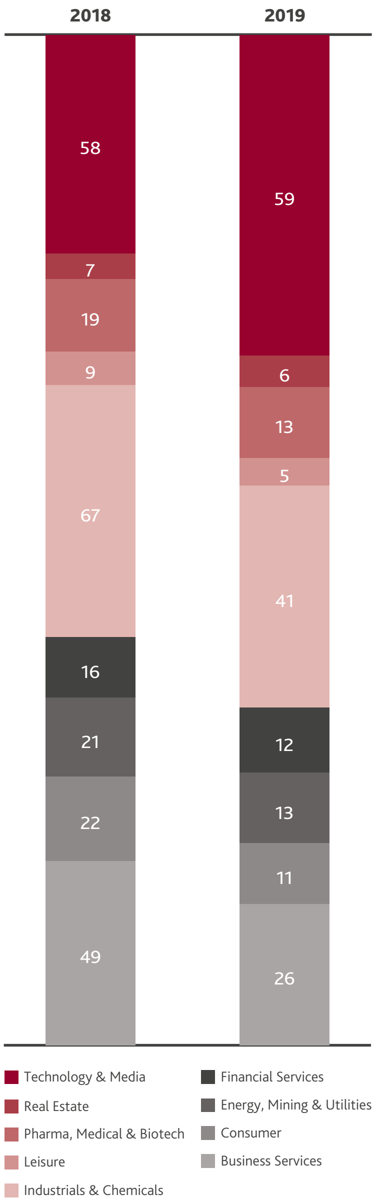
JONAS HJERTSON
SENIOR MANAGER,
CORPORATE FINANCE
jonas.hjertson@bdo.no

PER OVE GISKE
PARTNER,
CORPORATE FINANCE
per.ove.giske@bdo.no

NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	49	22%
TMT	46	20%
Business Services	35	15%
Pharma, Medical & Biotech	33	15%
Consumer	21	9%
Energy, Mining & Utilities	16	7%
Financial Services	15	7%
Leisure	8	4%
Real Estate	3	1%
TOTAL	**226**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



CEE & CIS

DEAL ACTIVITY FALTERS WITH VOLUME FALLING TO 11-YEAR LOW

BIG PICTURE

- Q3 2019 saw a significant decrease in deal activity. Deal volume was down 26% compared to the previous quarter and down 23% compared to Q3 2018. With just 43 transactions it was the lowest overall volume recorded since 2008
- Deal activity was dominated by the Industrial & Chemicals, Energy, Mining & Utilities and TMT sectors, accounting for nearly 70% of deals
- There were no PE transactions in our sample of deals during Q3 2019.

Looking at the M&A global market in Q3 2019, the number of transactions continued to decline, and this was certainly the case in the CEE & CIS region. After a weak start in the first half of 2019, the M&A market has not yet recovered. Even though a slight uptick was projected in the region, the number of mid-market deals completed in Q3 2019 fell to just 43, the lowest volume recorded since 2008.

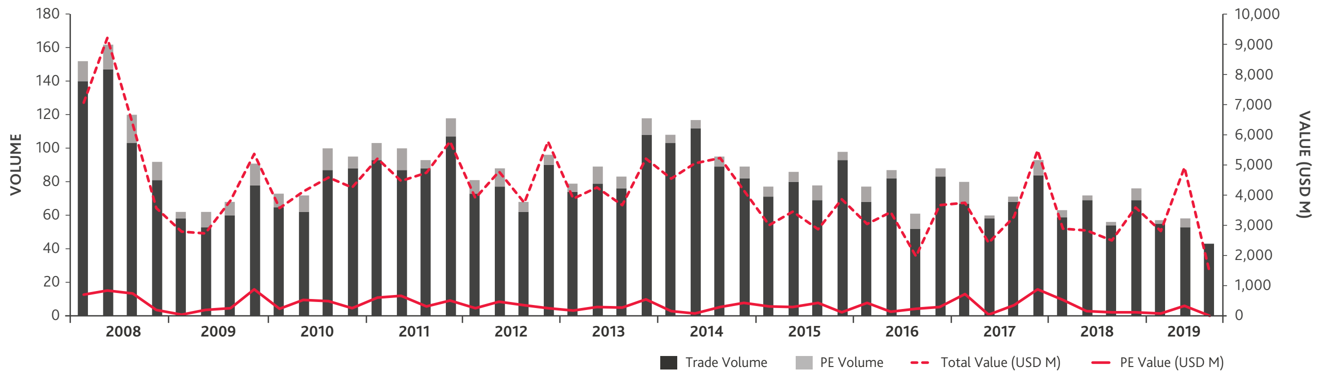
The drop in the total value of deals was even greater, falling from USD 7,869m in the last quarter to USD 2.277m. There were no PE deals reported in the quarter, something that has never happened before.

KEY SECTORS AND DEALS

The region's top 10 deals had a combined value of USD 1,578bn, which represented 69.3% of the quarter's overall deal value. The most active sectors were Industrials & Chemicals with 12 deals, representing 28% of total deal volume, TMT with 11 deals (26%), and Energy, Mining & Utilities with 7 deals (16%). Surprisingly, no deals were completed in the Pharma, Medical & Biotech and Real Estate sectors.

Looking at the top 10 deals in Q3 2019, three took place in each of the Energy, Mining & Utilities, Industrials & Chemicals and TMT sectors. Looking at the top three transactions, two were transacted in Russia. The highest value transaction also took place in Russia, where Kinross Gold Corporation acquired N-Mining Limited with a deal value of USD 283m. Surprisingly, 10 from the 20 largest deals were domestic deals in terms of the target, bidder and seller countries and seven of these were Russian deals.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

According to the BDO Heat Chart, 664 deals are expected to take place in the CEE region, which would represent a notable increase compared to the previous quarter (538). This increase in the number of expected transactions is in line with world economic trends, with the BDO Global Heat chart predicting 8,426 deals, an uptick compared to the Q3 2018 figures.

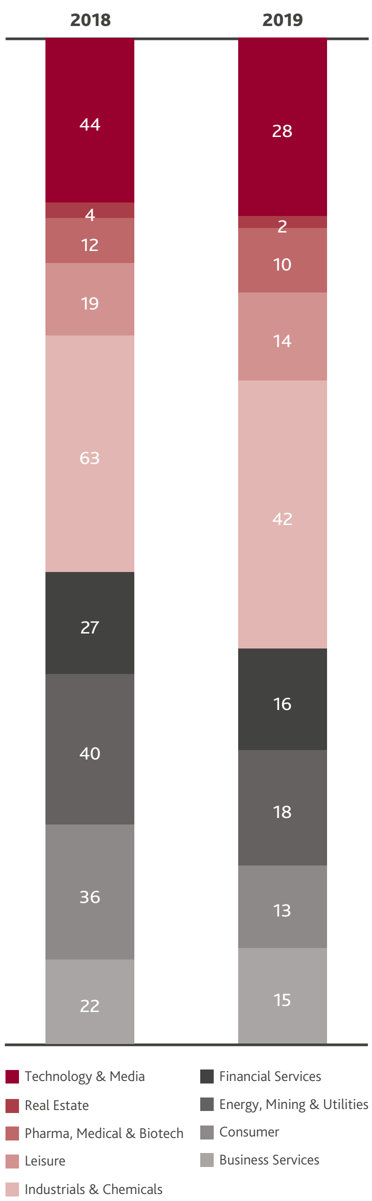
ÁKOS BOROSS
PARTNER
akos.boross@bdo.hu

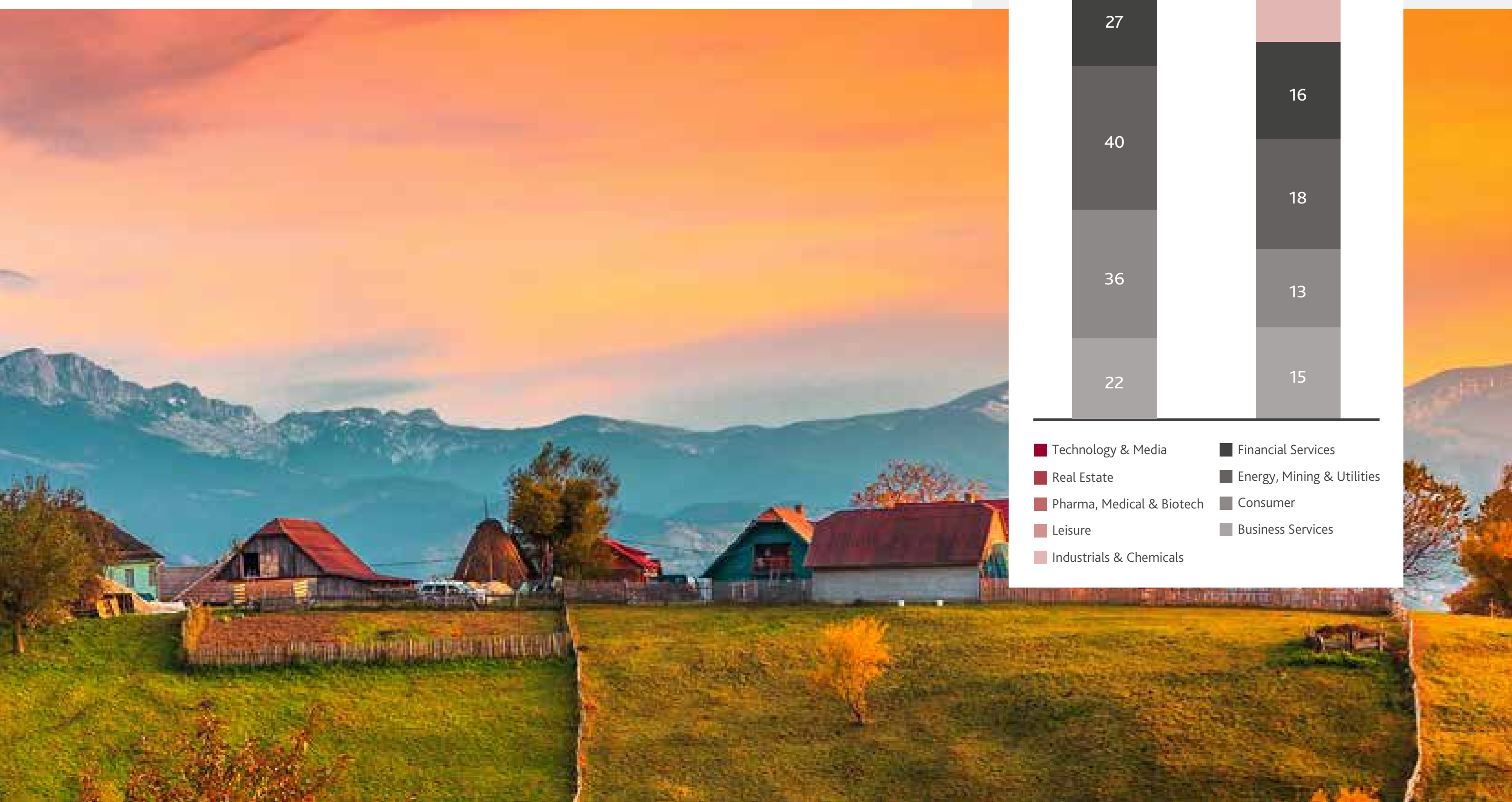
According to the BDO Heat Chart, CEE & CIS will stay in the third place among the regions covered in this report, as in previous years, behind North America and Greater China. Despite the huge drop in transaction volume in the Consumer sector, the BDO Heat Chart indicates that there will be an uptick in this sector's M&A activity and it will be the third most active sector in the upcoming period, just behind Industrials & Chemicals and TMT, which each account for more than 100 predicted deals. Finally, it is predicted that Industrials & Chemicals will remain the top performing sector with 169 projected transactions, representing more than 25% of the region's total deal activity.

CEE & CIS
HEAT CHART BY SECTOR

Industrials & Chemicals	169	25%
TMT	132	20%
Consumer	102	15%
Business Services	74	11%
Energy, Mining & Utilities	56	8%
Financial Services	49	7%
Leisure	35	5%
Pharma, Medical & Biotech	35	5%
Real Estate	12	2%
TOTAL	**664**	**100%**

CEE & CIS
MID-MARKET VOLUMES BY SECTOR





ISRAEL

M&A ACTIVITY RECORDS SHARP FALL IN DEAL VALUE

BIG PICTURE

- Q3 2019 M&A value dropped significantly (39.53%) compared to previous quarter and deal volume decreased (19.04%), from 21 deals in Q2 2019 to 17 deals in Q3 2019
- BDO Heat Chart shows 77 potential deals, suggesting a slowdown in activity ahead
- PE activity decreased in Q3 2019 from Q2 2019.

M&A activity decreased dramatically during Q3 2019 in terms of value.

A total of 17 deals, with a combined deal value of USD 947m, were successfully completed in Q3 2019. This represented a 39.53% drop in deal value and a 19.04% decrease in deal volume from 21 completed deals to 17 compared to Q2 2019. Deal value fell significantly, triggering a 25.29% decrease in the average transaction value, from USD 74m in Q2 to USD 55m for Q3, indicating smaller sized deals.

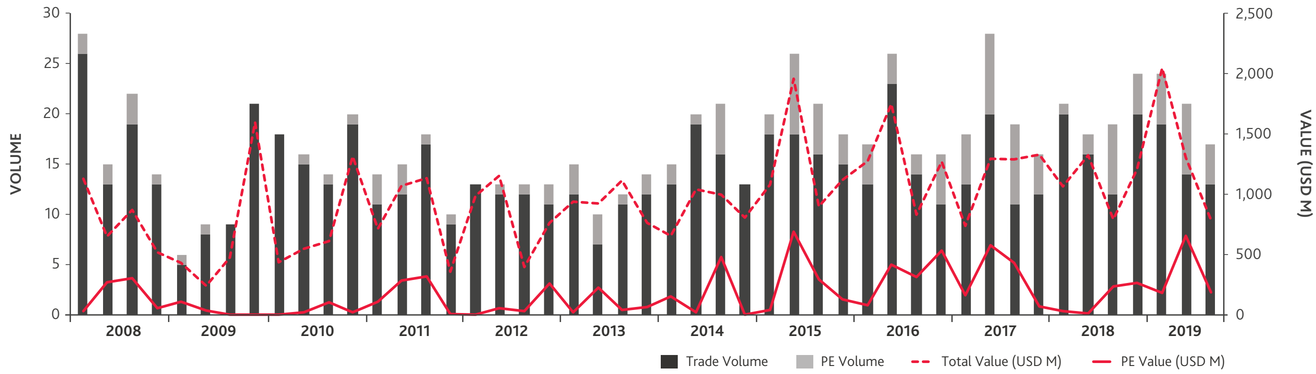
Private equity activity was also weak in the quarter, with figures showing a noticeable descent volume and an overwhelming drop in value. In Q3 2019, PE was responsible for just four deals, worth a total of USD 227m, which represented 23.5% of the deal count and 24% of the value for the quarter.

KEY SECTORS AND DEALS

Israel's top 10 Q3 2019 deals had an aggregated value of USD 868m, representing 91.66% of total M&A transactions. The largest transaction was the USD 285m acquisition of Granite Hacarmel Investments Ltd., a holding company with a focus on energy operations in the Israeli market, through Solon and SuperGas (leading Petroleum retailers), which was purchased by Elco Holdings Ltd.

Other deals included the USD 166M acquisition of BiomX Ltd., a microbiome company developing customised phage therapies designed to target and destroy harmful bacteria in chronic diseases such as inflammatory bowel disease (IBD) and colorectalcancer (CRC), as well as bacteria that affect the appearance of the skin. The acquisition was led by Chardan Healthcare Acquisition Corp. Further transactions included the USD 135m acquisition of Lightricks Ltd., by Insight Venture Partners LLC, Greycroft Partners LLC, Goldman Sachs Private Capital Investing and Claltech.

PE/TRADE VOLUME & VALUE



TMT and Pharma, Medical & Biotech were the most active sectors, accounting for five deals each (29.41% of total transactions each) in Q3 2019. Industrials & Chemicals was in second place, accounting for four deals (23.53% of total transactions). Energy, Mining & Utilities was next with two deals (11.76% of all transactions), followed by Financial Services with one deal, and there were no deals in Business Services, Consumer, Leisure and Real Estate.

Six of the top ten 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, one French buyer and one Chinese buyer.

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

LOOKING AHEAD

Looking ahead, the data supports a slowdown in the growth rate. The BDO Heat Chart for Q2 2019 showed 100 deals planned or in progress, compared to 77 deals in Q3 2019, which reflects a 23% contraction in pipeline deals, which represents a serious downturn.

The BDO Heat Chart for Israel shows there are 77 deals planned or in progress for M&A with 22 (29%) related to TMT and 16 (21%) involving Pharma, Medical & Biotech. Other active sectors include Industrials & Chemicals with 14 deals (18%), Business Services with eight deals (10%), Consumer with seven deals (9%), Energy, Mining & Utilities and Financial Services with four deals each (5% each), and finally Leisure with two deals (3%).

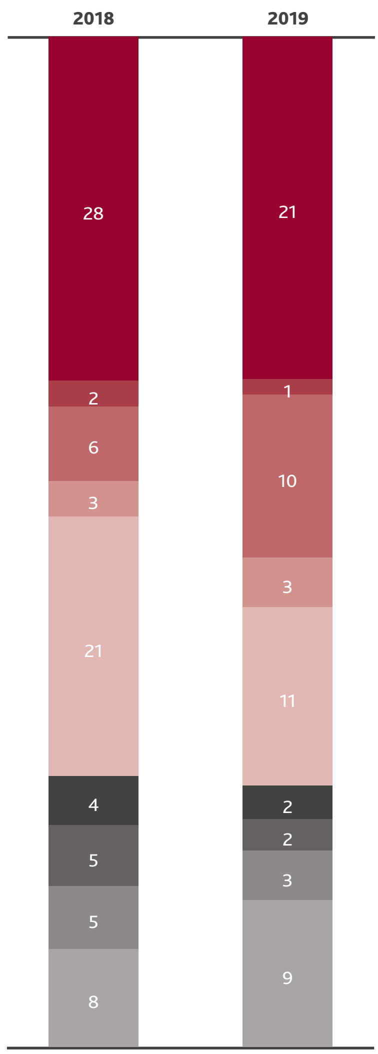
TAMAR BEN-DOR
PRINCIPAL, M&A

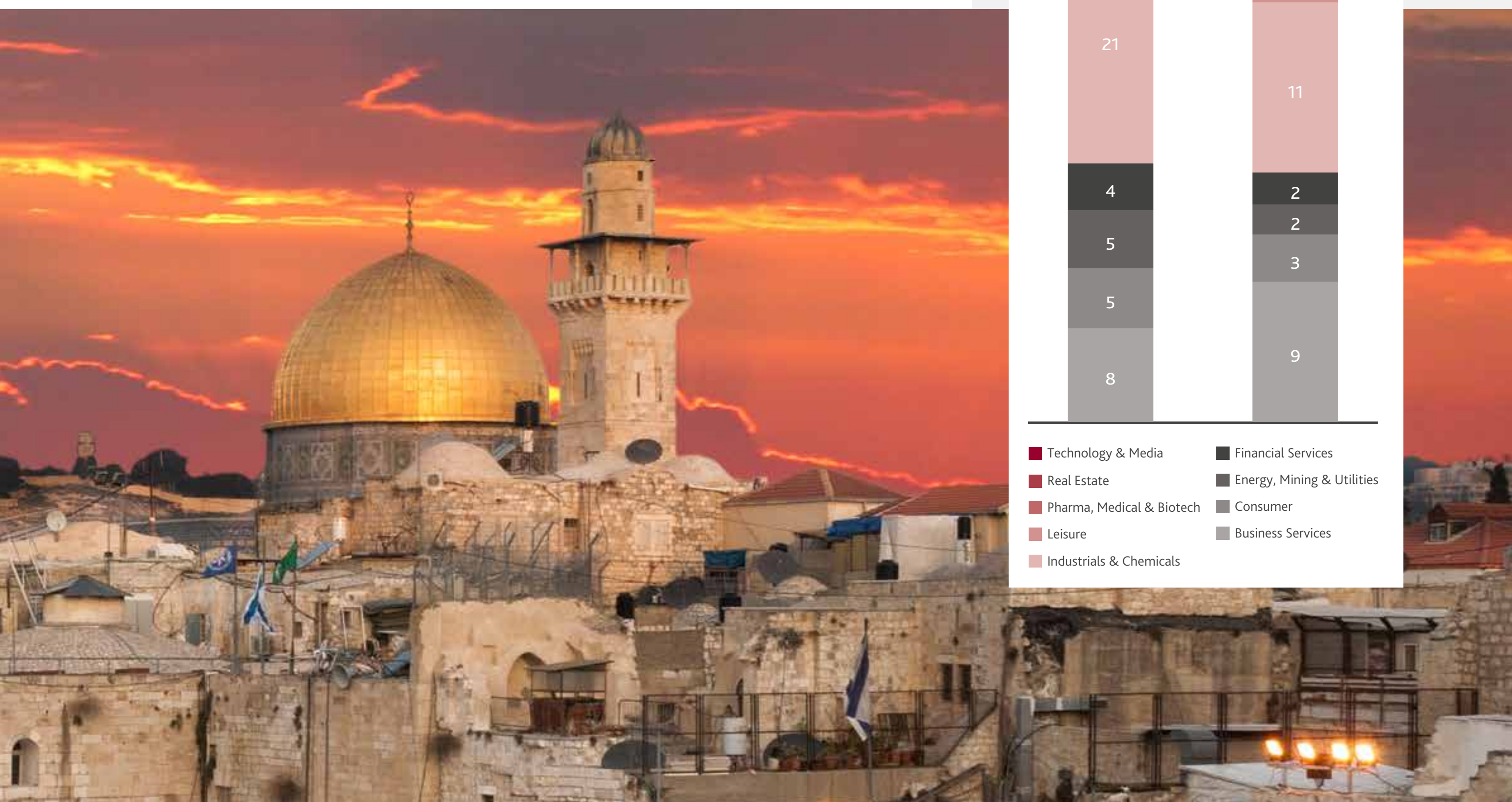
tamarbe@bdo.co.il

ISRAEL
HEAT CHART BY SECTOR

TMT	22	14%
Pharma, Medical & Biotech	16	10%
Industrials & Chemicals	14	9%
Business Services	8	5%
Consumer	7	5%
Energy, Mining & Utilities	4	3%
Financial Services	4	3%
Leisure	2	1%
TOTAL	**77**	**50%**

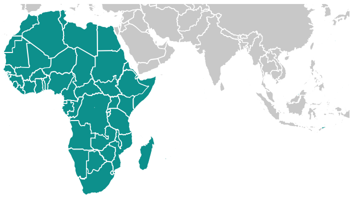
ISRAEL
MID-MARKET VOLUMES BY SECTOR





AFRICA

M&A VOLUME AND VALUE MAINTAIN DOWNWARD TREND IN 2019



BIG PICTURE

- Q3 2019 saw 23 mid-market completed deals in Africa with a total value of USD 1,831m, representing considerable declines in volume and value by approximately 38% and 22% compared to the corresponding quarter last year
- There was one PE buy-out worth USD 20m, the same as the previous quarter but with a lower value compared to the USD 33m buy-out in Q2
- Overall mid-market M&A deal volume and value in Q3 was lower than the preceding quarter.

In Q3 2019, there were a total of 23 deals completed with a value of USD 1,831m, down 26% in volume and 9% in value compared to the previous quarter. While the number of PE buy-outs was the same as the previous quarter with one deal, the value was down by around 39%.

In comparison with the corresponding quarter in 2018, which saw 37 deals completed with a value of USD 2,349m, the number of deals in this quarter represented a considerable drop in volume (38%) and value (22%). It is worth noting that Q3 2019 was the slowest quarter for mid-market M&A deal value since Q3 2012.

KEY SECTORS AND DEALS

The most active sectors in Q3 2019 were Energy, Mining & Utilities (six deals) followed by Industrials & Chemicals (five deals), Financial Services (four deals) and TMT (three deals). The other active sectors were Business Services (two deals), Leisure and Pharma, Medical & Biotech (two deals each) and Real Estate (one deal). Of the 23 deals, the majority took place in South Africa (12 deals), followed by Ghana and Tanzania (with two deals each), with the remainder taking place in Egypt, Nigeria, Senegal and Tunisia (all with one deal each).

The quarter's largest deal was in Energy, Mining & Utilities in Senegal, where Resolute Mining Limited, an Australian-based company, acquired 100% equity ownership of Toro Gold Limited, a private gold exploration, development and production company, at a value of USD 343m. This acquisition is part of Resolute's strategy to enhance its organic growth profile, which will allow the company to expand its production base, boost its operational cash flow and increase revenues.

The second largest deal of the quarter was also in Energy, Mining & Utilities and saw the multi-national mining corporation Impala Platinum Holdings Limited, based in South Africa, invite its bondholders to exercise their conversion rights to convert their bonds into shares. After the conversion process, the 'bondholders' own 8.04% of stakes in Impala. The deal value was estimated at around USD 250m.

Another major transaction was in Business Services, with Bidvest Group Limited, a South African services, trading, and distribution company, acquiring Eqstra Fleet Management and Logistics from enX Group, a JSE-listed industrial, energy and Supplies Company, for USD 222m. The acquisition was in line with the group's strategic intent to focus on Bidvest's fleet management niche offering.

PE/TRADE VOLUME & VALUE

ECONOMIC OUTLOOK

According to the IMF, GDP growth in Sub-Saharan Africa has been projected to pick up from 3% in 2018 to 3.5% in 2019, before stabilising at close to 4% over the medium term. In fact, this updated forecast is more optimistic than that of the World Bank, which held the view that economic recovery in Sub-Saharan Africa would take longer than previously expected and as a result revised its forecast to 2.8% from 3.3%. While the slower-than-expected growth pattern is slightly reflective of the ongoing global uncertainty, it is mostly attributable to the domestic macroeconomic instability in the region including poorly managed debt, inflation and deficits.

Regional inflation jumped to 11.2% in Q3 (Q2: 10.5%), the highest figure in 18 months. Faster food price growth in Ghana and Kenya and galloping inflation in Zimbabwe largely contributed to the rising inflation rate in Q3. Price pressures are seen receding somewhat from 2018, mainly due to relative foreign exchange stability as well as tight policy stances by central banks.

Among the region's major players, the latest policy move came from South Africa's Central Bank, which slashed its policy rate in Q3 amid subdued inflation and weak growth. Going forward, central bankers are further loosening policy, prompted mainly by the downward trend in inflation seen domestically and the dovish tilt taken by central banks globally.

Currencies across the region weakened only marginally in recent weeks. The South African rand was a notable exception, which rallied in early September on the news of a low risk of a credit rating downgrade and further policy easing by the European Central Bank. Most of the region's currencies are expected to depreciate this year, albeit at a weaker pace than that experienced in 2018.

Forthcoming and recent elections in Mozambique, Botswana, Namibia, Mauritius and Tunisia, are likely to impact the number of M&A deals concluded in Africa in Q4 2019. This might be reflected in an abnormal fluctuation in the number of transactions taking place in certain segments of the African continent.

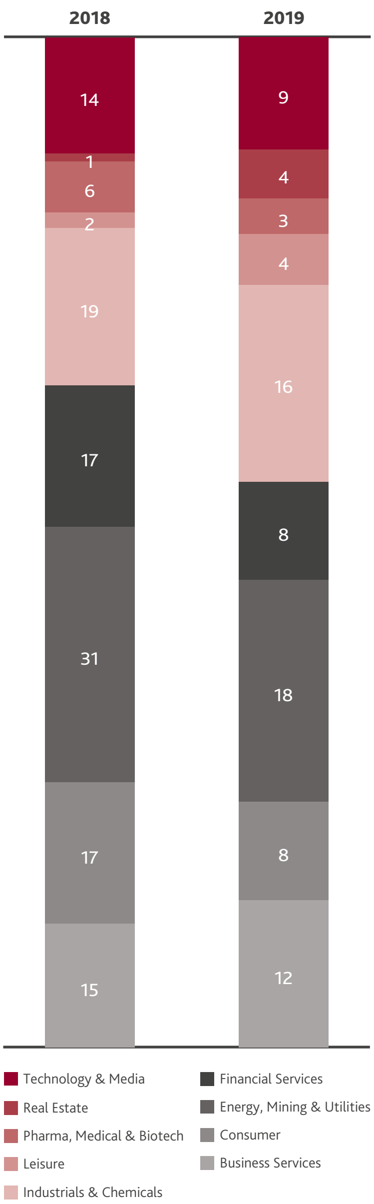
The BDO Heat Chart for Africa's mid-market M&A predicts a positive outlook for the rest of 2019, forecasting a promising total of 160 deals. The dominant sectors are likely to be Industrials & Chemicals, followed by Energy, Mining & Utilities sector and Business Services.

AFSAR EBRAHIM
DEPUTY GROUP MANAGING PARTNER
afsar.ebrahim@bdo.mu

AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	43	27%
Energy, Mining & Utilities	38	24%
Business Services	23	14%
Financial Services	18	11%
Consumer	15	9%
TMT	11	7%
Real Estate	9	6%
Pharma, Medical & Biotech	2	1%
Leisure	1	1%
TOTAL	**160**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



CHINA

GEOPOLITICAL TENSIONS AND ECONOMIC UNCERTAINTIES IMPACT DEAL-MAKING

BIG PICTURE

- Overall mid-market deal volume fell to 357 deals in Q3 2019 from 472 deals in Q3 2018. Deal value also fell to around USD 28.4bn in Q3 2019 from USD 41.9bn in Q3 2018
- Both deal volume and deal value also decreased by around 0.3% and 9.5% respectively in Q3 2019 compared to Q2 2019
- Global geopolitical tensions and economic uncertainties, especially the US-China trade war, had an increasingly detrimental impact on the investment market in the Greater China region in Q3 2019.

Mid-market M&A levels in the Greater China region recorded a 32% decline in deal value in Q3 2019 compared to Q3 2018. This was particularly driven by a 68% decrease in PE buy-outs in the same period. Overall deal volume dropped by around 24% in Q3 2019 from Q3 2018, mainly due to the decline in the Leisure and TMT sector deal volumes.

This decline reflected the significant impact of the current US-China trade war. Effective from 1 September 2019, the US imposed 15% tariffs on USD 125 billion of Chinese goods, including footwear, Bluetooth headphones, smart watches and flat-panel televisions. China in turn imposed 5% duty on various products from US, including crude oil, soybeans and an extra 10% tariffs on US beef and pork.

The trade war has negatively affected the domestic economy in Greater China. Pursuant to the National Bureau of Statistics of the People's Republic of China, the manufacturing purchasing managers' index (i.e. PMI) in September 2019 dropped to 49.8. This indicated a decline in the manufacturing sector and a general contraction of the economy.

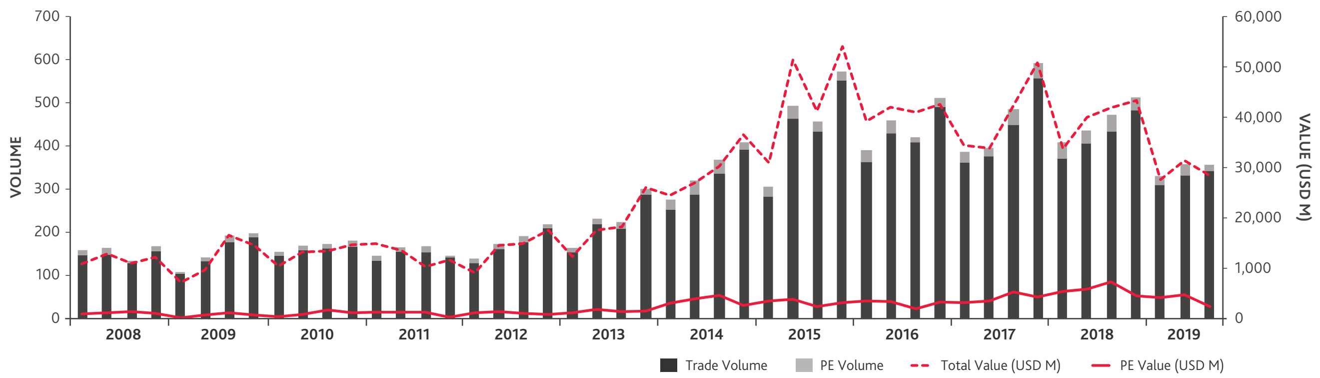
The new round of trade war talks took place in October 2019, but it is expected that further key concessions and agreements will need to be made by China to move closer to a deal with the US.

CHINESE GOVERNMENT INITIATIVES

The Chinese government launched various initiatives and policies in Q3 2019 to support domestic economic development, including the following:

- In August 2019, the State Council of the People's Republic of China announced new pilot free trade zones in the six provincial regions of Shandong, Jiangsu, Guangxi, Hebei, Yunnan and Heilongjiang. These six new pilot free trade zones will focus on the development of international shipping hubs and the region's marine economy. High-end equipment manufacturing and innovation centres will also be promoted.
- To reduce financing costs for domestic entities, the People's Bank of China reduced the reserve requirement ratio for financial institutions by 50 basis points from 16 September 2019. About RMB800 billions of liquidity was released and injected into China's local economy following the reserve requirement ratio cut.

PE/TRADE VOLUME & VALUE



- In September 2019, the State Council of People's Republic of China issued the 'Outline of the construction of a strong transportation country'. The Chinese government will focus on the investment and development of domestic transportation infrastructure construction in the coming years. According to the 2019 China's government report, RMB800 billion will be invested in railway construction by the end of 2019.
- The regional governments in Shanghai, Anhui province and Jiangsu province are formulating policies to guide financial institutions to support advanced and high-tech manufacturing sectors/companies. More domestic companies in China are expected to use artificial intelligence, big data and cloud technologies to accelerate industrial upgrading and digitize domestic plants and corporate management.

TOP DEALS

The largest mid-market deal in Q3 2019 was in the Industrials & Chemicals sector. The top three mid-market deals were as follows:

- China FAW Group Corporation Limited and the Nanjing Municipal People's Government invested USD 500m in Byton Ltd. - announced in September 2019;
- TPG Capital LP and Ontario Teachers' Pension Plan invested USD 489m for a 35% stake in Dream Cruises Holding Limited - announced in August 2019; and
- China Aoyuan Property Group Limited invested USD 474m for a 13.86% stake in Aeon Life Insurance Company Ltd. - announced in July 2019.

LOOKING AHEAD

The latest BDO Heat Chart for Greater China indicates there are a total of 1,318 deals planned or in progress with 399 (30%) related to Industrials & Chemicals and 197 (15%) related to TMT. Other key sectors include Business Services, Consumer, and Pharma, Medical & Biotech.

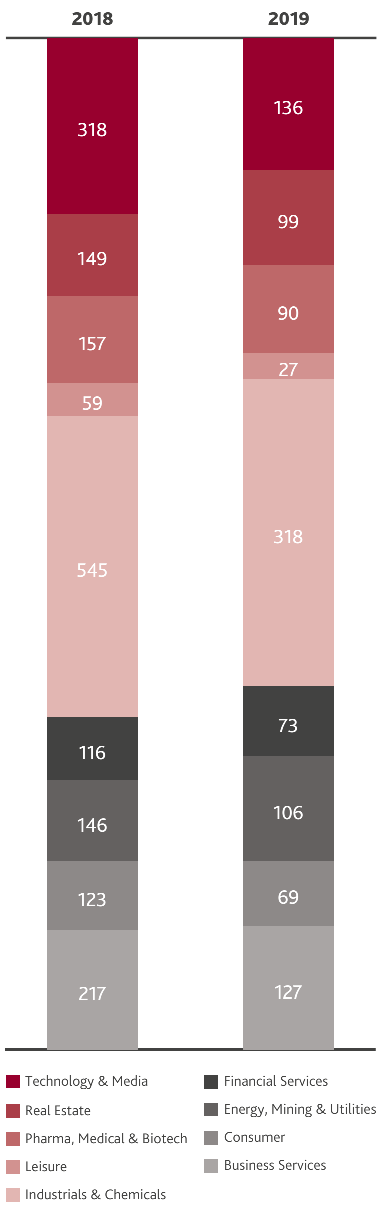
KENNETH YEO
DIRECTOR
kennethyeo@bdo.com.hk

ALBERT SO
PRINCIPAL
albertso@bdo.com.hk

CHINA
HEAT CHART BY SECTOR

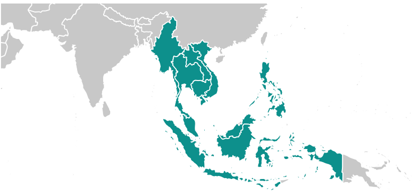
Industrials & Chemicals	399	30%
TMT	197	15%
Business Services	176	13%
Consumer	129	10%
Pharma, Medical & Biotech	115	9%
Energy, Mining & Utilities	101	8%
Financial Services	87	7%
Real Estate	65	5%
Leisure	49	4%
TOTAL	**1,318**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

MID-MARKET M&A ACTIVITY BOUNCES BACK IN Q3 WITH INCREASES IN DEAL VALUE AND VOLUME



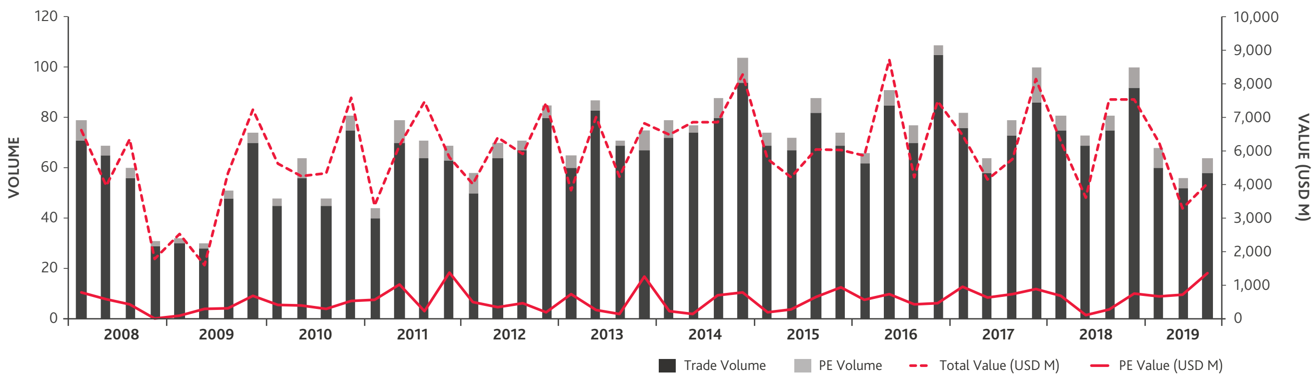
BIG PICTURE

- Deal volume and value both up compared to previous quarter
- PE value rose in Q3 2019
- Industrial & Chemicals maintained position as leading sector.

M&A mid-market activity in South East Asia improved in Q3 2019 compared with the previous quarter in terms of both the volume of deals and the value per deal. In total, 64 deals were transacted in Q3 2019 compared to 56 deals in Q2 2019, representing an increase of 23.0% to USD 4.5 billion in Q3 2019 from USD 3.7 billion in Q2 2019. The top 10 deals amounted to USD 2.5 billion, accounting for 54.9% of the total deal value for Q3 2019 and an increase from the top 10 deals value of USD 2.1 billion in the previous quarter, which represented 58.8% of the total deal value.

The PE sector completed six deals in Q3 2019, the same as the corresponding period in 2018. However, the total value of PE buy-outs in Q3 2019 was higher at USD1.5 billion compared to USD 0.3 billion in Q3 2018. PE contributed a larger proportion of total M&A activities, accounting for 9.4% of the total number of deals and 33.9% of the total transaction value in Q3 2019.

PE/TRADE VOLUME & VALUE



KEY SECTORS

The most active sectors in South East Asia were Industrials & Chemicals, Business Services, TMT and Energy, Mining & Utilities, which together made up 78.1% of the total deal numbers in Q3 2019, an increase from the previous quarter where the same four sectors made up 48.2% of the total deal numbers. In Q3 2019, Industrials & Chemicals was the most active sector with 20 deals (Q2 2019: 13 deals), followed by Business Services, TMT and Energy, Mining & Utilities sector, all with 10 deals each (Q2 2019: eight, four and two deals respectively).

Meanwhile, the top three deals in terms of value were in Industrials & Chemicals and Consumer, followed by the TMT. The top two were the acquisition of a 55% stake in PT Lintas Marga Sedaya in Indonesia and the acquisition of VCM Services and Trading Development Joint Stock Company in Vietnam, both for a consideration of USD 500m. The 55% stake in PT Lintas Marga Sedaya was jointly acquired by Canada Pension Plan Investment Board (Canada) and PT Astra Nusa Perdana (Indonesia) from PLUS Expressways International Berhad (Malaysia) while VCM Services and Trading Development Joint Stock Company was acquired by a consortium led by GIC Private Limited (Singapore). The third biggest deal was the acquisition of a 31.25% stake in Converge ICT Solutions Inc from TMT sector in Philippines by Warburg Pincus LLC (USA) for a consideration of USD 250m.

WONG WING SEONG
EXECUTIVE DIRECTOR, ADVISORY

wswong@bdo.my

LOOKING AHEAD

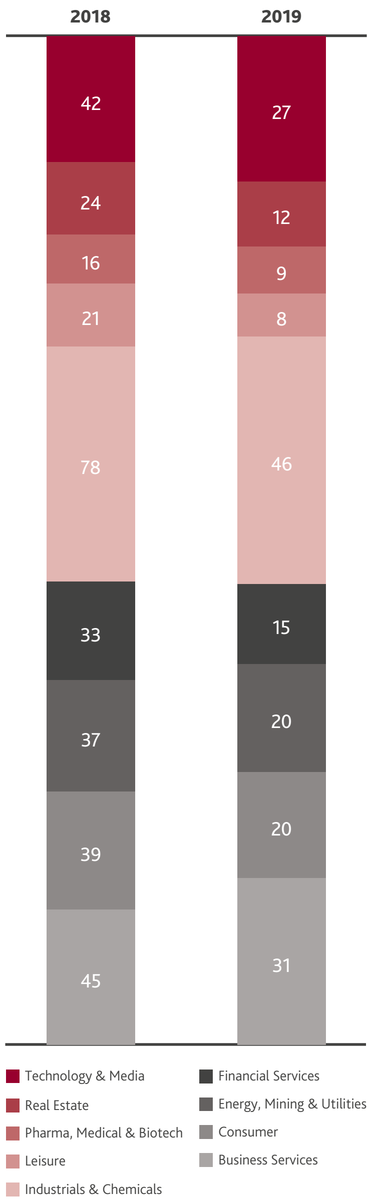
After recording the lowest quarterly result since Q1 2011 in the previous quarter, M&A mid-market activity in South East Asia bucked the overall downtrend in the Asia-Pacific region (except Australasia) and posted an improvement in Q3 2019 from the previous quarter. The increase in M&A activities in Q3 2019 was consistent with the trend in both Q3 2018 and Q3 2017. M&A deals in South East Asia are expected to continue be supported by the increasing interests from companies outside of the region, where companies from Canada and USA were involved in two of the quarter's top three deals. 10 out of the top 20 deals in South East Asia in Q3 2019 involved companies outside of the region, compared to six out of the top 20 in Q2 2019. However, M&A activities in South East Asia remain dependent on the current economic challenges faced by the region amid a global slowdown, including the outlook on crude oil prices and the consequential fluctuation of currencies in the region.

The main focus of M&A activity in South East Asia remained in the Industrial & Chemicals sector, which, as in the previous few quarters, contributed the highest number of deals with a total of 20 transactions. This sector also achieved the highest cumulative number of deals completed based on the four-quarter cumulative sum at Q3 2019 of 69 deals. Business Services was the second most active sector with 10 deals completed in Q3 2019 and a four-quarter cumulative sum of 44 deals at Q3 2019. This was followed by the TMT sector which recorded 10 deals in Q3 2019 and a four-quarter cumulative sum of 42 deals at Q3 2019.

SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	101	18%
TMT	93	16%
Business Services	83	15%
Consumer	80	14%
Energy, Mining & Utilities	57	10%
Financial Services	48	8%
Pharma, Medical & Biotech	40	7%
Real Estate	35	6%
Leisure	30	5%
TOTAL	**567**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

M&A VOLUME DOWN BUT RETURN OF BIG-TICKET DEALS BOOSTS DEAL-MAKING ACTIVITY

BIG PICTURE

- The Reserve Bank of Australia continued to cut growth forecasts as business confidence remained weak, in what has been a difficult environment for businesses and investors to navigate
- Q3 2019 deal volumes fell by 24%, with declines across all sectors apart from Business Services and Leisure
- Big-ticket deals in the mid-market returned, with 14 transactions between USD 200m to USD 500m in Q3 2019
- The current M&A pipeline is 14% lower than Q3 2018, indicating that slower volume is likely to continue into the next quarter.

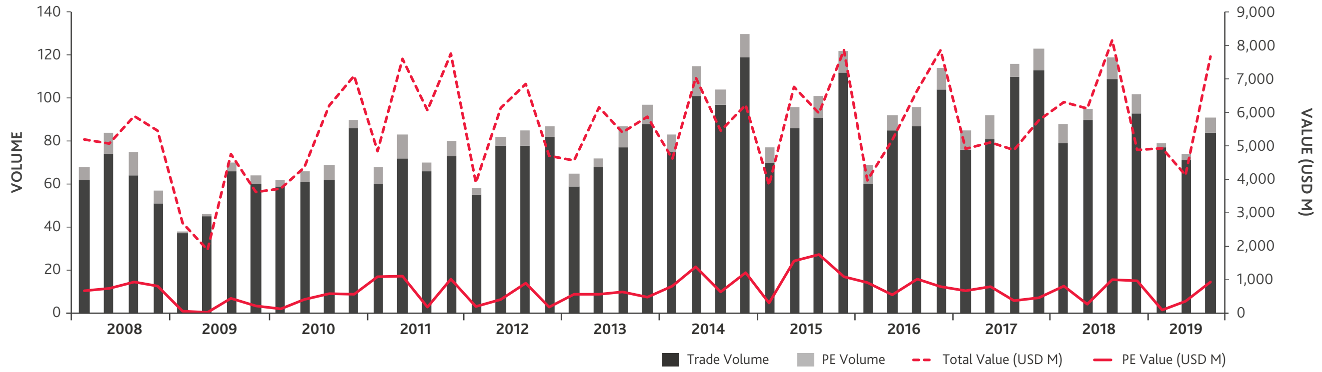
The global economic environment remained challenging for businesses and investors in Q3 2019, with key economic indicators coming out of China, the US and Europe continuing to spur uncertainty into surrounding markets such as Australasia. The Reserve Bank of Australia recently cut interest rates to a record low 0.75%, off the back of declining consumption growth and low inflation.

These economic challenges impacted 2019 M&A activity, with deal volume down by 24% in Q3, the fourth quarterly decline in a row. The China-US trade disputes have been a large contributing factor to this decline, given that China is Australia's largest export partner. The trade disputes escalated in September, with the US increasing tariffs on over two-thirds of all Chinese imports while China retaliated by doubling tariffs on a third of US imports. This has affected international trade flows and investment as businesses scale back spending plans due to the increased uncertainty.

While deal volume was down this quarter, there were 14 big-ticket deals in the mid-market with deal values between USD 200m to USD 500m, compared to just two in Q2 2019. Five of these deals were PE acquirers, including QIC Private Capital's acquisition of Pacific Energy Limited for USD 375m (a power station and energy infrastructure operator) and PAG Capital's acquisition of Craveable Brands for USD 350m (a franchise group with over 570 restaurants including Oporto and Red Rooster). Although there were some larger PE deals in Q3, volumes were down 30% in Australasia compared to Q3 2018, which was in line with the general global trend.

The largest drop in deal volumes compared to Q3 2018 were in the Pharma, Medical & Biotech, Consumer and Industrials & Chemicals sectors, down by 71%, 53% and 50%, respectively. The decline in these sectors is consistent with the trend observed over the first half of 2019, both in Australasia and from a global perspective.

PE/TRADE VOLUME & VALUE



KEY DEALS

Key deals this quarter included Shell's USD 428m acquisition of Australia's second largest energy retailer, ASX-listed ERM Power. The deal valued ERM Power at more than a 40% premium to its pre-announcement share price. Shell is aiming to build on its global ambition to expand integrated power solutions and launch itself into the broader energy retailing market. Another key deal was Scape Australia's USD 479m acquisition of Atira, a portfolio of six student housing facilities with more than 3,500 beds. As a result of the acquisition, Scape Australia is now the country's largest student accommodation owner and operator with over 6,500 operating beds and 8,000 under development. This is the first investment in their new AUD 1.5 billion-dollar fund backed by Allianz Real Estate and AXA Group.

LOOKING AHEAD

Uncertainty surrounds the short-term global economic outlook for investors, with risks tilted to the downside. This will likely weigh on M&A activity, with the current pipeline indicating that mid-market M&A activity in Australasia will remain subdued going into the next quarter. The BDO Heat Chart shows 473 mid-market deals in the pipeline, which is 14% lower than that in Q3 2018 due to nearly 30% less predicted activity in the Consumer, Financial Services and Energy, Mining & Utilities sectors.

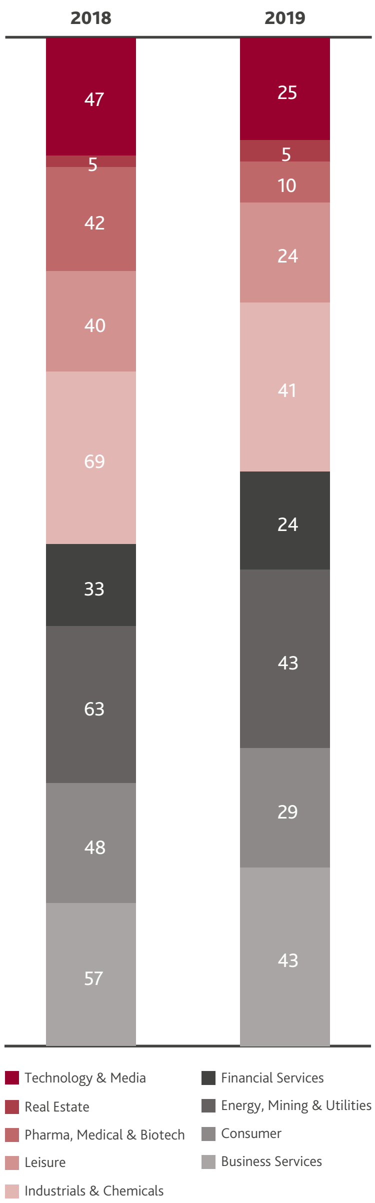
Our analysis indicates that the TMT sector will see the greatest level of M&A activity, with 91 deals in the pipeline. This is followed by the Consumer and Business Services sectors with 69 and 68 deals respectively.

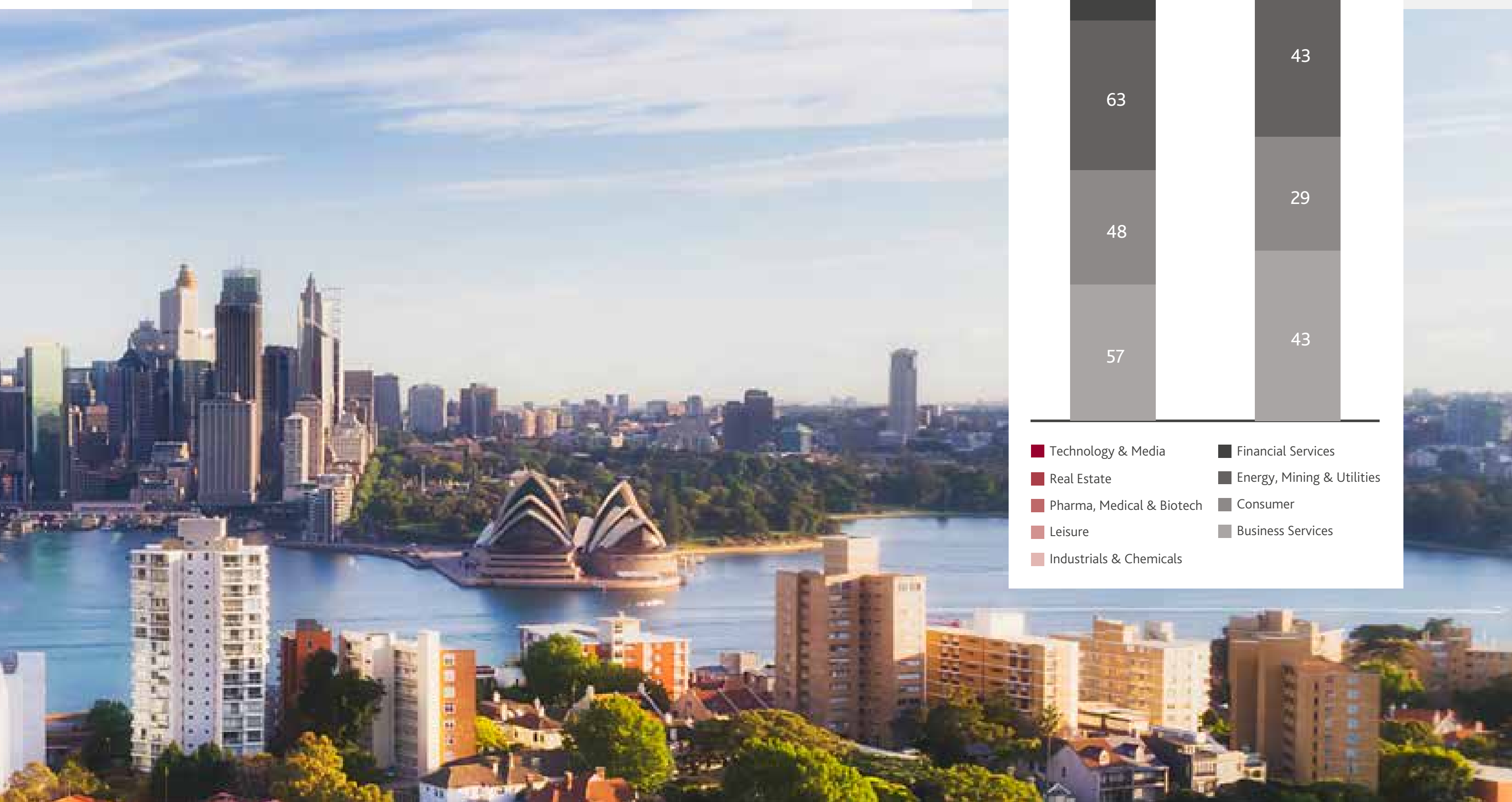
SEBASTIAN STEVENS
PARTNER
sebastian.stevens@bdo.co.nz

AUSTRALASIA
HEAT CHART BY SECTOR

TMT	91	19%
Consumer	69	15%
Business Services	68	14%
Industrials & Chemicals	61	13%
Pharma, Medical & Biotech	58	12%
Energy, Mining & Utilities	52	11%
Financial Services	39	8%
Leisure	21	4%
Real Estate	14	3%
TOTAL	**473**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR





SECTOR VIEW

P37

FINANCIAL SERVICES

UNCERTAINTY DAMPENS MID-MARKET DEAL ACTIVITY

P39

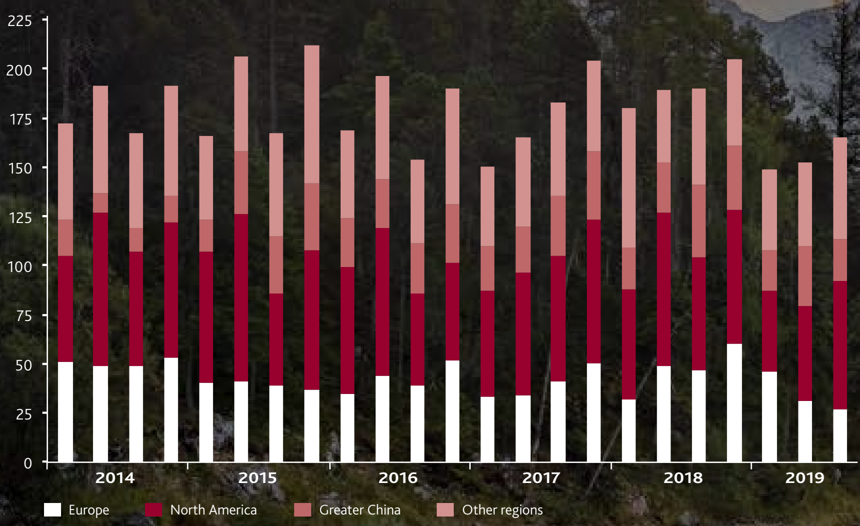
ENERGY

TURNING THE SPOTLIGHT ON SECTOR COUPLING WITH HYDROGEN

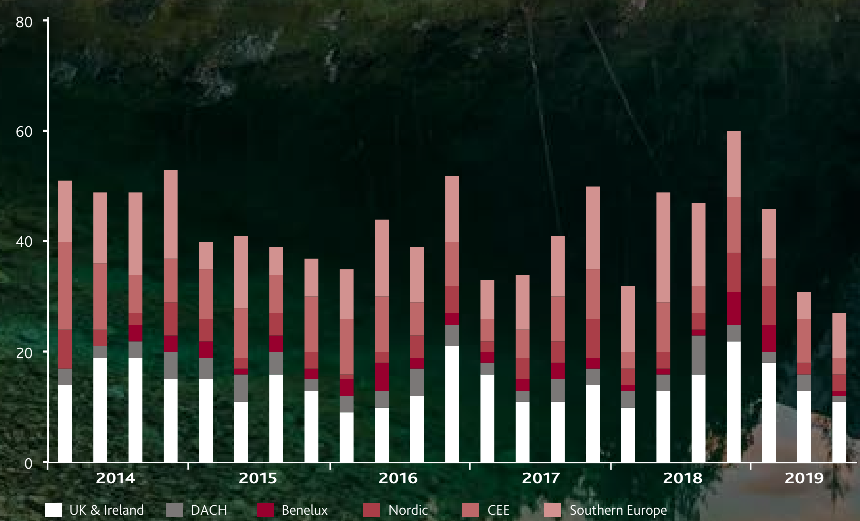
FINANCIAL SERVICES

In the first three quarters of 2019, the volume of Financial Services mid-market M&A transactions has been low compared to previous years.

There has been a noticeable reduction in M&A activity in the sector in all four regions compared to the first three quarters of 2018, as shown in the graph on this page. For Europe, in the light of Brexit, we anticipate that deal volume will rise once the uncertainty has ended. In relation to China and the US, the ongoing uncertainty caused by the two countries trying to reach a trade agreement will most likely have an impact on transactions volume and we expect that once a trade deal has been reached, M&A activity will pick up again.



Source: merger market, BDO analysis



SPECIAL FOCUS: SUSTAINABLE FINANCE

As a result of the 2015 Paris Agreement, policy makers worldwide have started to evaluate how they can both encourage and require banks, asset managers and institutional investors to adopt strategies that will support countries in meeting their commitments. Sustainable investments, as well as responsible lending and funding, may add value to society and environment. The relevance of sustainable finance goes beyond pure corporate reporting as it should be embedded throughout the business model, including a company's core investment, financing and funding processes.

BDO can assist financial institutions throughout the M&A and investment process, encompassing services around:

- Strategic advice to pension funds, insurers and investment firms in relation to ESG-relevant investment guidelines and processes
- Valuation and M&A transaction assistance (financial, regulatory, tax, legal due diligence) with a special focus on financial institutions
- Asset valuation and transaction assistance on investments in ESG-relevant asset classes including:
  - Photovoltaic
  - Wind power
  - Hydropower
  - Healthcare
- Debt and equity private placement advisory services (DCM, ECM)
- Advice on compliance with regulatory requirements.

KARSTEN PAETZMANN
HEAD OF FS CORPORATE FINANCE

karsten.paetzmann@bdo.de

BDO SUSTAINABLE FINANCE CASE STUDIES

THE ROMAN CATHOLIC DIOCESE

Client description: A Roman Catholic Diocese based in Europe. The client had decades of experience in responsible investing as ESG factors are embedded in its mission and values.

Client objective: The client was looking for long-term capital preservation in a low interest rate environment. Specifically, the Diocese wanted its investments not only to fuel future pensions but to also have a positive environmental and social impact.

BDO solution: We worked with the client to assess the investment guidelines in force and recommended a set of strategies dedicated to increasing the level of disclosure on ESG factors as well as defining an asset manager selection process. As a result, the client implemented new investment guidelines.

THE DEVELOPMENT BANK

Client description: A development bank providing debt and equity finance to private sector enterprises operating in developing and emerging-market countries, including long-term loans, mezzanine finance and equity capital to financial institutions.

Client objective: The client was considering acquiring a minority stake in an insurance company serving SMEs and retail clients in South East Asia.

BDO solution: BDO was engaged to carry out financial and actuarial due diligence to assess the risks associated with the acquisition of a minority share. Our work highlighted strengths and weaknesses of the target company as well as potential measures that would contribute to advancing developmental broad-based and structural effects and improve professionalization.

THE EUROPEAN CREDIT INSTITUTION

Client description: A financial institution based in the EU with a business model focused on supporting SMEs, corporates and private equity clients with loans.

Client objective: Due to its size, the client is required to prepare a non-financial report under the CSR Directive. The client had started the process of collecting, analysing and collating information in order to prepare the report.

BDO solution: BDO was commissioned as an independent assurance services provider to verify the non-financial report. The work also covered the client's core lending and funding functions. In the non-financial report, the client highlighted its business integrity and its social, environmental and economic impacts. By engaging BDO, the client increased the credibility of its non-financial reporting.

THE RESPONSIBLE LENDER

Client description: A bank focused on financing projects and businesses including independent schools and kindergartens, organic farms, institutions using therapeutic pedagogy, health food stores, communal living projects and sustainable businesses.

Client objective: For its private banking customers, the client was preparing the issuance of a green bond exclusively funding wind power projects.

BDO solution: BDO was engaged to assist the client with the preparation of the private placement, including the offering prospectus documents. The combined BDO and BDO Legal team was comprised of seasoned financial services professionals, especially corporate finance experts and securities attorneys.

BDO's newest publication on Sustainable Finance is available for download at: https://www.bdo.global/en-gb/industries/financial-services-en/financial-services-advisory/sustainable-finance

ENERGY

TURNING THE SPOTLIGHT ON SECTOR COUPLING WITH HYDROGEN

Sector coupling is becoming more and more important because it is one of the key concepts of energy system transformation. It is understood as the networking of the three sectors of the energy industry: electricity, heat and mobility. In the future, this coupling will enable exchange between the sectors that are still largely separate today. The use of **hydrogen** plays a key role in this process.

In order to achieve the Paris climate targets in a timely and cost-efficient manner, it is necessary to make sensible use of the highly volatile renewable energy. For the transport and storage of the generated energy, there are various paths of use within the respective sectors. The existing gas and electricity infrastructures should be used as efficiently as possible. This can also significantly reduce total costs, for example by avoiding the excessive expansion of power-generating plants (e.g. wind and solar energy plants) or additional transmission grids.

Various technologies can be used for sector coupling. Probably the most important and promising technology is the use of hydrogen, also known as "**power-to-gas**". With the conversion of electrical energy generated from renewable energy plants into hydrogen, the energy can be stored for the long term and used in a variety of ways.

DIFFERENT WAYS OF USING HYDROGEN

Feed-in

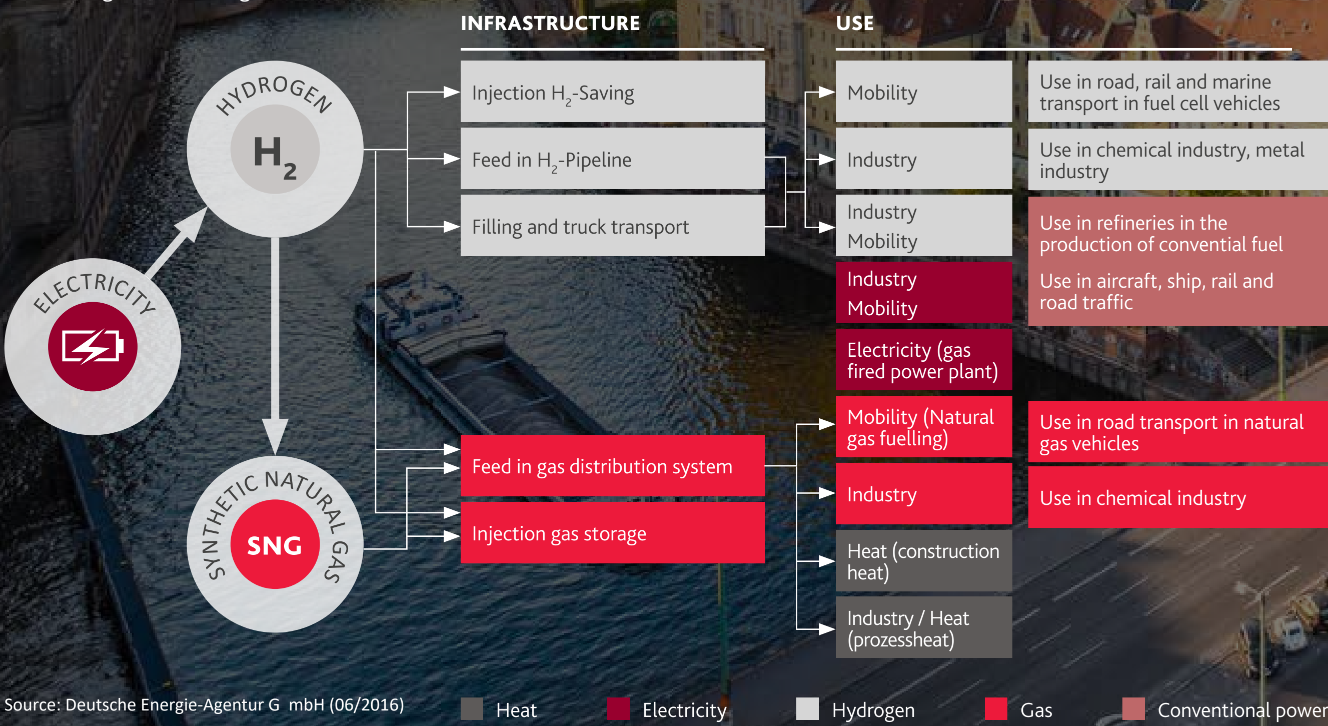
The existing infrastructure of the gas networks can also be used initially and for subsets for the rapid integration of primary energy. Significant components of energy transport can be realized via the existing gas grid. Hydrogen concentrations in the natural gas network from about 5% are already possible without significant changes.

Industry

The annual hydrogen demand of the chemical industry currently amounts to many billion Nm3 only in Germany. This hydrogen is currently largely produced through the reform of natural gas under high CO2 emissions. By producing it from renewable primary energy sources these CO2 emissions can be avoided.

Mobility

Hydrogen produces the highest substitution efficiency in combustion cell-electric drives of cars and buses as a replacement for internal combustion engines.



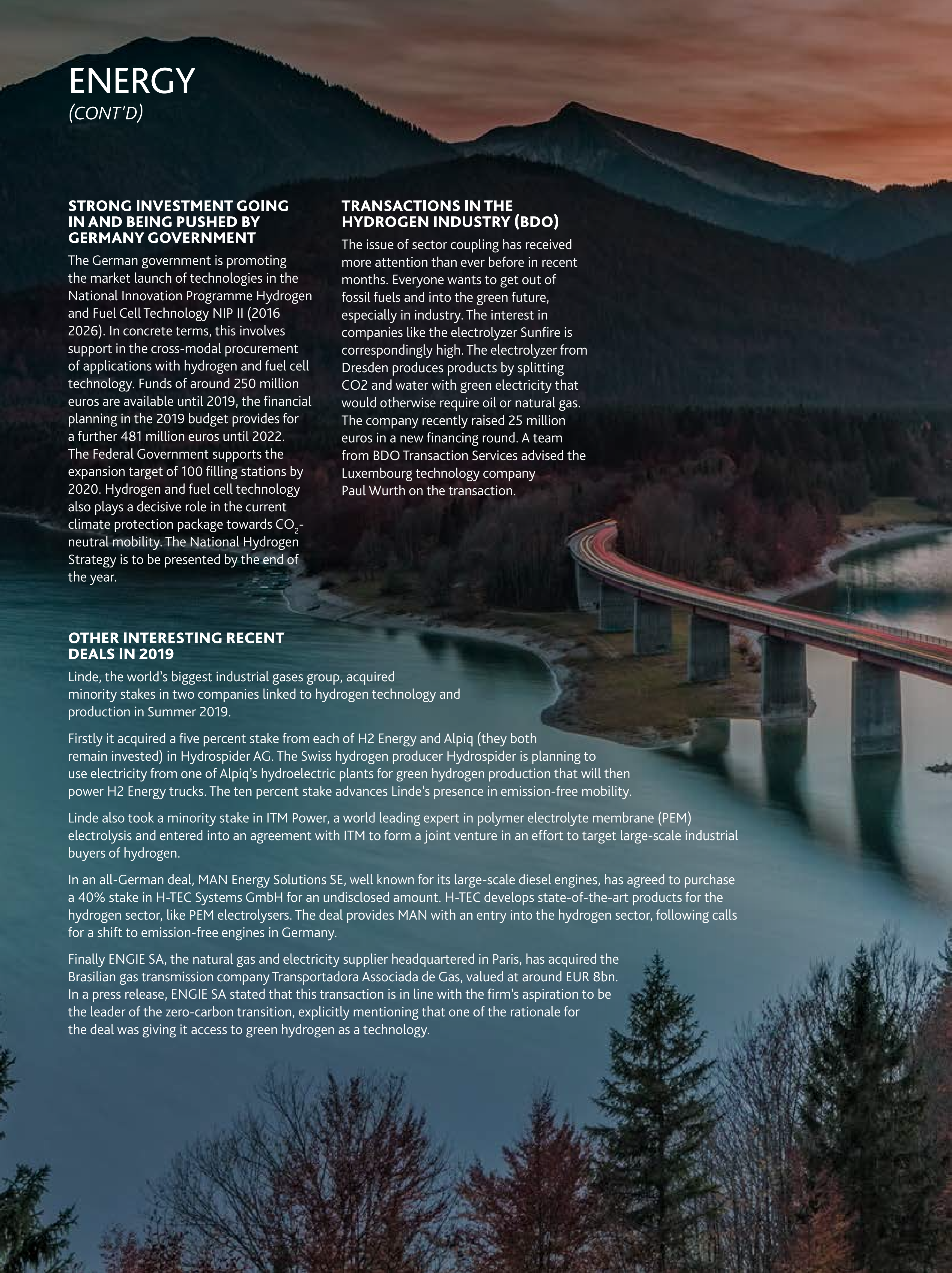
Source: Deutsche Energie-Agentur G mbH (06/2016)

ANDRE HORN
PARTNER, HEAD OF
ENERGY SECTOR

andre.horn@bdo.de

EUROPEAN POWER-TO-GAS PROJECTS

Mobility	Planned	Projects finished	Unknown status
Hydrogen	Hydrogen	Hydrogen	Hydrogen
Methane	Methane	Methane	Methane
Hydrogen / Methane	Hydrogen / Methane	Hydrogen / Methane	Hydrogen / Methane



ENERGY
(CONT'D)

STRONG INVESTMENT GOING IN AND BEING PUSHED BY GERMANY GOVERNMENT

The German government is promoting the market launch of technologies in the National Innovation Programme Hydrogen and Fuel Cell Technology NIP II (2016 2026). In concrete terms, this involves support in the cross-modal procurement of applications with hydrogen and fuel cell technology. Funds of around 250 million euros are available until 2019, the financial planning in the 2019 budget provides for a further 481 million euros until 2022. The Federal Government supports the expansion target of 100 filling stations by 2020. Hydrogen and fuel cell technology also plays a decisive role in the current climate protection package towards CO_2-neutral mobility. The National Hydrogen Strategy is to be presented by the end of the year.

TRANSACTIONS IN THE HYDROGEN INDUSTRY (BDO)

The issue of sector coupling has received more attention than ever before in recent months. Everyone wants to get out of fossil fuels and into the green future, especially in industry. The interest in companies like the electrolyzer Sunfire is correspondingly high. The electrolyzer from Dresden produces products by splitting CO2 and water with green electricity that would otherwise require oil or natural gas. The company recently raised 25 million euros in a new financing round. A team from BDO Transaction Services advised the Luxembourg technology company Paul Wurth on the transaction.

OTHER INTERESTING RECENT DEALS IN 2019

Linde, the world's biggest industrial gases group, acquired minority stakes in two companies linked to hydrogen technology and production in Summer 2019.

Firstly it acquired a five percent stake from each of H2 Energy and Alpiq (they both remain invested) in Hydrospider AG. The Swiss hydrogen producer Hydrospider is planning to use electricity from one of Alpiq's hydroelectric plants for green hydrogen production that will then power H2 Energy trucks. The ten percent stake advances Linde's presence in emission-free mobility.

Linde also took a minority stake in ITM Power, a world leading expert in polymer electrolyte membrane (PEM) electrolysis and entered into an agreement with ITM to form a joint venture in an effort to target large-scale industrial buyers of hydrogen.

In an all-German deal, MAN Energy Solutions SE, well known for its large-scale diesel engines, has agreed to purchase a 40% stake in H-TEC Systems GmbH for an undisclosed amount. H-TEC develops state-of-the-art products for the hydrogen sector, like PEM electrolysers. The deal provides MAN with an entry into the hydrogen sector, following calls for a shift to emission-free engines in Germany.

Finally ENGIE SA, the natural gas and electricity supplier headquartered in Paris, has acquired the Brasilian gas transmission company Transportadora Associada de Gas, valued at around EUR 8bn. In a press release, ENGIE SA stated that this transaction is in line with the firm's aspiration to be the leader of the zero-carbon transition, explicitly mentioning that one of the rationale for the deal was giving it access to green hydrogen as a technology.

SOME OF OUR RECENTLY COMPLETED DEALS

BDO advised Primary Capital on the acquisition of ASL Group from Mobeus

July 2019

BDO acted as lead advisor to EKSOTE in the sale of 100% of shares in Etelä Karjalan Työkunto Oy to Terveystalo Oyj

JUNE 2019

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

JUNE 2019

BDO acted as financial advisor to Spyder Facilities on the sale to Digital Colony

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.

MAY 2019

Lead advisor for the sale of Lambert Automation Limited to Mpac Group plc

MAY 2019

BDO Advised The Local Shopping REIT plc on a hostile bid defence from Thalassa Holdings Ltd

APRIL 2019

BDO advised the shareholders of Procentec on the sale of a minority interest in Procentec to the management team

APRIL 2019

KeBeK Private Equity purchased 100% of the shares of Van Assendelft Hollander Bogaart. It concers a strategic investment

MARCH 2019

Quadrum Capital purchased Sigmax ICT Specialisten. Strategic investment. BDO advised the shareholders of Sigmax ICT Specialisten

MARCH 2019

BDO acted as Lead advisor to City of Riihimäki in the sale of 49% of shares in Riihimäen Kaukolämpö Oy (a district heating company) to Aberdeen Standard Investment

MARCH 2019

Supporting Unitek Engineering AG as Financial Advisor during the sales to Netcetera AG

FEBRUARY 2019

Sale of Adam Equipment Co. Limited to Indutrade AB

May 2019

WILD ROSE BREWERY

BDO advised the board of directors of Wild Rose Brewery Ltd., on the sale to Sleeman Breweries

MAY 2019

BDO acted as financial advisor to Livingbridge on the acquisition of Adarma from ECS Group

MAY 2019

Steadfast Capital has acquired a stake in Wilvo Group. BDO acted as financial advisor to Wilvo

MAY 2019

Lead Advisor to the shareholders of Topwell Apotheken AG in the sale to Medbase, a group company of retailer Migros

APRIL 2019

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

APRIL 2019

BDO acted for Entsorgungsgesellschaft Niederrhein GmbH on the acquisition of Jochims Transport GmbH

APRIL 2019

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

MARCH 2019

BDO provided buy-side support to Inflexion on this UK and International acquisition of Pharmaspectra

OCTOBER 2019

Advisor to the seller in Norconsult's acquisition of Øvre Romerike Prosjektering

OCTOBER 2019

Australian prison phone specialist, Comsec TR, has sold a majority stake in its business to European prison media and communications provider Telio. BDO was engaged by Comsec TR as the lead advisor to the deal.

JANUARY 2019

Capital A purchased a majority stake in Dry Hire Europe B.V. from De Wieken B.v.

Strategic investment

BDO advised seller De Wieken B.V.

NOVEMBER 2018

FOR MORE INFORMATION:

SUSANA BOO

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

Data compiled by Acuris.

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

www.bdo.global
www.bdohorizons.com

42003335