HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 3 | 2020

THE PATH AHEAD

ANALYSIS OF ANALYST ESTIMATES FOR INSIGHTS ON THE ECONOMIC RECOVERY

A CHANGING LANDSCAPE

COVID-19'S IMPACT ON CHINA'S M&A MARKET

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

CONSUMER BUSINESS

REAL ESTATE & CONSTRUCTION

BDO

CONTENTS

BDO GLOBAL CORPORATE FINANCE

1,530 COMPLETED DEALS IN 2019

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

33% PRIVATE EQUITY DEAL INVOLVEMENT

25% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE PROFESSIONALS

100 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

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

WELCOME

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

In our last publication, we discussed the rapid impact that COVID-19 has had on global mid-market deal activity in the first quarter of 2020 and how we expected that would continue into the second quarter. As we reflect on that period, we have seen how businesses and funders around the world have had to react quickly to the impact. For many this has meant working remotely and adapting to new ways of doing business.

The initial react phase, has been followed by a period of building resilience into business models to deal with social distancing measures and securing support from Governments to combat the impact on revenues. We have seen this in supply chains, routes to market with an increase in e-commerce and enhanced health and safety measures for employees and customers alike. M&A activity inevitably has suffered as a consequence of other business priorities.

We believe that as we progress through the resilience phase, businesses will move to a rethink of their business models as they apply the learnings and we have seen lots of evidence of this already from conversations with our clients. Businesses will start to realise the ways of working in the so called "new normal" as it emerges. It is during this phase that we expect M&A to return to the agenda one way or another. That may inevitably include some element of distressed driven M&A. Equally, we believe there will be a return to M&A for businesses that remain in stronger financial condition.

We have already seen some of this recovery in M&A activity around the world and China reported a significant recovery in deals in the second quarter. Some sectors have been less impacted by COVID-19, notably TMT, Life Sciences and food.

In our leader article, we look at the "Path ahead" by analysing stock market earnings estimates in the US to gain some insights into economic recovery. The data for the month of May offers some hope that COVID-19 considerations have been fully incorporated into forward estimates. We will aim to share how this develops in our next edition of Horizons.

In our second especial article, we take a closer look at China, where we have seen a strong recovery in stock markets from April onwards and a resilience in Q1 and growth in Q2 in Healthcare and IT indices of economic activity. We expect the crossborder M&A landscape for Greater China to change considerably in the near future compared to previous years.

For now, we hope you stay safe and well as we start to get back to working on M&A transactions as we did before the impact of COVID-19.

For more information on Rethink please visit:
www.bdo.global/en-gb/microsites/rethink/home

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GLOBAL VIEW

COVID-19 HAS A FURTHER DAMPENING EFFECT ON M&A BUT IT FEELS LIKE ACTIVITY IS RESUMING

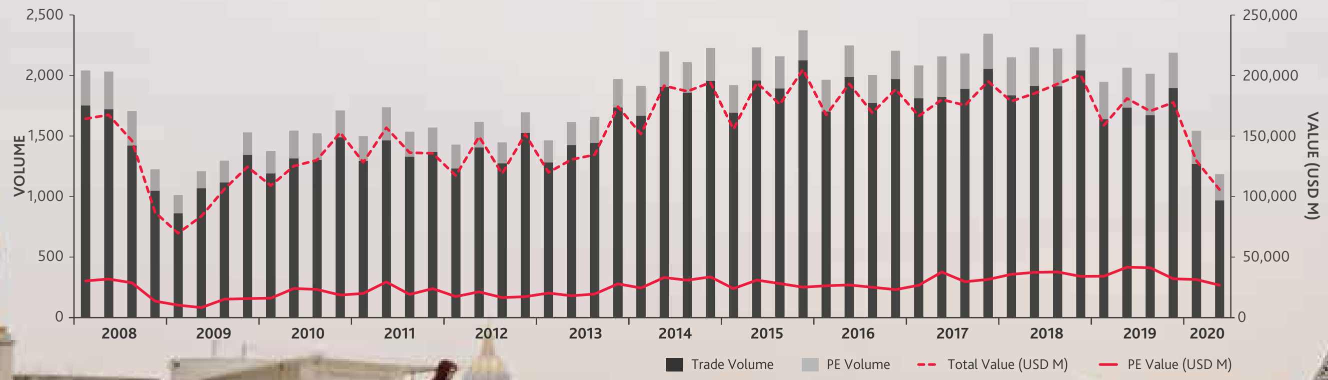
In the last edition of Horizons, we reported how the onset of COVID-19 around the world was having a dramatic effect on M&A activity. Global mid-market M&A transaction levels fell 30% to 1,500 deals in the prior quarter and we expected to see a further reduction in the current quarter as the impact of the pandemic spreads across the world. We have indeed seen a further fall of 23% to under 1,200 reported deals in Q2 2020.

That performance puts M&A activity below 2010-2013 levels for the first time in over 10 years and only just above the low point of the Financial Crisis in 2009, when quarterly deal activity only just crept over the 1,000 mark. We drew a distinction however between the financial crises and COVID-19 and we continue to stand behind that. We noted that 2008-2009 was a structural issue to markets and the supply of credit whereas the current situation is more of an external shock to the global system, one that has precipitated government actions to lockdown mobility and this has resulted in a severe and immediate fall in economies across the globe.

Three months on and in many parts of the world we are seeing a loosening of those mobility restrictions by governments, economies are getting moving again and people are starting to move across borders. In line with this, we have seen an uptick in M&A enquiries from clients and are now expecting some recovery in activity levels.

A positive factor during this has been the continued operation and efficiency of capital markets and a willingness by investors to support companies with capital to weather the COVID-19 impact on demand. The UK, for example, saw large inflows of overseas capital into the London stock markets and fundraisings across many sectors and size of company. Following a severe initial fall in share prices in March, the deployment of capital has helped share prices to recover and confidence to be restored.

GLOBAL MID-MARKET M&A



Private equity remains well primed with cash reserves and some have continued to raise additional funds during the period. Having assessed the immediate impact on their portfolio companies and earmarked some cash, many private equity houses are telling us that they are willing to invest. This may be to support more bolt-on opportunities for the more resilient portfolio companies or to invest in new companies. We expect these to be both financially stable companies and some distressed opportunities.

Corporate M&A activity is likely to be more dependent on the individual companies, with some preferring to wait a while before getting back on the M&A trail and others taking a more bullish approach where they see opportunity. Many companies have told us that they are keen to see how their own trading recovers before looking externally to add to growth. We have already seen – and expect to continue to see – non-core disposals, although trading will be a key consideration in the timing of those.

We expect owner-managers to be the slowest category to return to M&A, particularly when it comes to a sale. Many owners may prefer to see a recovery in trading and see how valuations react before pressing the button on a sale. However, we believe that there will be some factors that will influence behaviour and the shock of COVID-19 may cause some to bring exit plans onto their agenda and the possible increase in capital gains tax rates by governments to help pay for the support packages that they needed to introduce may be another.

Some sectors have of course continued to perform well or even better than before, including food, e-commerce, IT and health and wellbeing-related spend. M&A activity however was down in all sectors by at least 25% compared to prior levels. Leisure has been the hardest hit with M&A down nearly 70%. Business Services, Energy, Mining & Utilities and Industrials & Chemicals were all down by more than 50% in terms of M&A activity. Pharma, Medical & Biotech has been the least impacted sector.

Geographically, every region in the world has seen a decrease in M&A activity of around 40%-50% compared to the prior year. For some regions that reduction has slowed in the last quarter, notably in Asia and in Greater China M&A, where activity recovered significantly in the last quarter. We see that as an encouraging sign given that China and Asia were the first areas to be impacted by COVID-19 and are now the first to recover in terms of M&A.

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GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Technology & Media	Industrials & Chemicals	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Real Estate	TOTAL	%*
North America	761	323	218	264	437	192	140	61	24	2,420	29%
China	195	432	126	169	94	80	89	43	59	1,287	15%
CEE & CIS	165	150	72	73	40	51	53	21	8	633	8%
Southern Europe	113	127	148	75	41	42	51	20	11	628	8%
South East Asia	76	82	51	74	39	57	52	22	22	475	6%
Australasia	83	51	65	47	37	36	51	14	8	392	5%
UK & Ireland	87	39	54	54	38	42	45	21	5	385	5%
Latin America	91	44	49	53	25	53	36	12	10	373	4%
DACH	78	119	54	25	35	14	15	13	5	358	4%
Other Asia	75	77	44	29	29	23	10	16	5	308	4%
India	50	24	34	25	17	24	12	12	3	201	2%
Nordic	47	33	18	20	27	9	15	10	2	181	2%
Africa	14	48	22	12	9	18	40	5	7	175	2%
Japan	43	45	22	31	10	7	2	6	7	173	2%
Benelux	22	35	29	29	14	12	3	7	2	153	2%
Israel	82	16	6	4	14	3	4	1	1	131	2%
Middle East	26	8	5	13	9	19	11	3	1	95	1%
TOTAL	2,008	1,653	1,017	997	915	682	629	287	180	8,368	100%
	24%	20%	12%	12%	11%	8%	8%	3%	2%	100%	

THE OUTLOOK LOOKS BETTER

Our Heat Charts of predicted deal activity show over 8,300 rumoured mid-market deals around the world, which is in line with Q1 and most of 2019 (save for a Q4 blip at 11,400). That seems to support the view that deals have gone on hold rather than gone away, which is in line with our experience.

GLOBAL THEMES INFLUENCING M&A

In most quarters we have included a number of factors that are driving deal activity such as the availability of cash, the continued growth of private equity funds, the plans of strategic buyers and the desire to acquire digital capability. As we noted in the last edition, these factors were overshadowed by the impact of COVID-19. We expect them to remain drivers of deal activity in the medium to long term – and in the short term the digital factor is likely to be more prominent as a result of COVID-19 and the need to rethink business models.

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

THE PATH AHEAD

ANALYSIS OF ANALYST ESTIMATES FOR INSIGHTS ON THE ECONOMIC RECOVERY

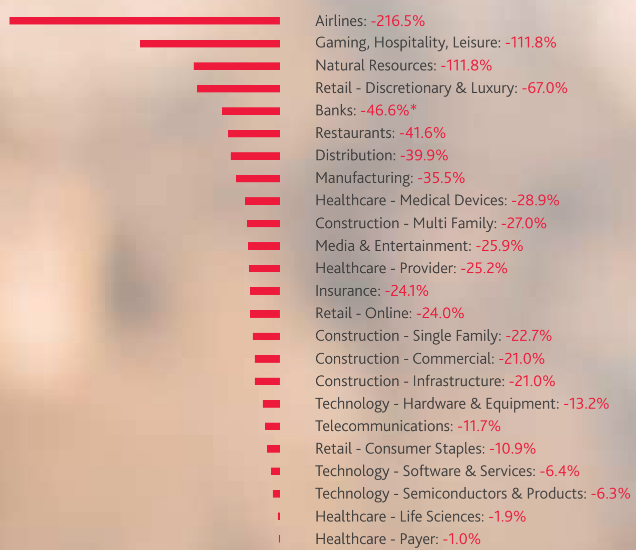
As the fallout from the pandemic continues, business owners are scrambling to assess the economic damage and plan for an uncertain future. Despite the shock reverberating through nearly all aspects of the global economy, equity prices have continued to march higher. While many have noted this apparent disconnect, BDO USA's Valuation & Business Analytics (VBA) practice sought to put real data behind the narrative.

In an effort to answer this primary question, and others, the team leveraged its proprietary Forecast Engine to launch a new quarterly study that takes a holistic look at how industries and analyst opinions are evolving in the midst of the COVID-19 pandemic. In the June 2020 inaugural issue, 'The Path Ahead, Analysis of Analyst Estimates for Insights on the Economic Recovery', the study analyzes over 20,000 equity analyst estimates for 428 public companies spread across 24 industries.[1] Leveraging data algorithms and dashboard analytics, the study synthesized the estimates by industry.

While nearly everyone now appreciates the extent of the short-term COVID-19 impacts reverberating through the global economy, opinions diverge on the duration of the impact and the extent of an eventual recovery. Many share the view of a U-shaped recovery, which seems like a rational perspective given the rise in equity prices. However, the aggregate data indicates a steeper and longer degradation in revenues and profits than many would hope.[2]

Analyzing the results by industry shows stark differences, both in terms of near-term impacts as well as the timing and extent of recovery. **Although decline in expected operating profits is to be expected for certain industries, the magnitude of the reductions and long-term impact** conveyed by analyst estimates is severe.

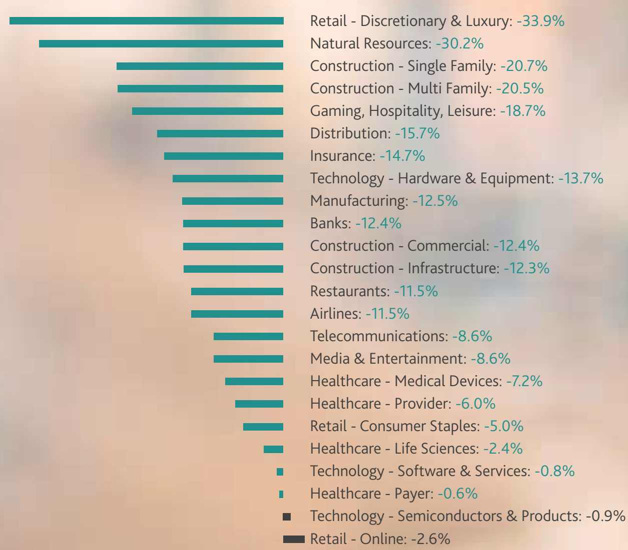
PERCENTAGE CHANGE IN 2020 EBIT FROM 31 JAN 2020 TO 31 MAY 2020



The tables shown here display the percentage change in analyst forecasted 2020 and Long-term EBIT by industry as of 31 January 2020 (pre-COVID-19) and 31 May 2020 (post-COVID-19).

For the banking industry we have utilised earnings before taxes (EBT) instead of EBIT.

PERCENTAGE CHANGE IN LONG-TERM EBIT FROM 31 JAN 2020 TO 31 MAY 2020



As the analysis indicates, very few industries are expected to escape unscathed by the global disruption. Additionally, it's also abundantly clear that the short-term and the long-term impacts are expected to vary considerably by industry. In the study, we dive deeper to provide additional insights and foreshadow the potential path ahead.

1. See the study in its entirety, visit: www.bdo.com/insights/business-financial-advisory/valuation-business-analytics/vba-forecast-engine-industry-impact-study

2. While this article highlights certain industry level data, for more detailed information for each industry please see the Study in its entirety.

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Despite the near universal decline in forecasted fundamentals, equity markets have not necessarily followed the same trend. Further examination highlights that the largest disconnect occurred from 31 March to 31 May, as analyst estimates continued to deteriorate while market values over the same period moved in the opposite direction.

The table below displays the percentage decrease in 2020 EBIT and long-term EBIT from 31 March to 31 May, along with the percent change in aggregate enterprise value over the same period. The aggregate total enterprise value for every industry increased from 31 March to 31 May. However, none of the 24 analyzed industries observed an increase in 2020 estimated EBIT over that same time period. Additionally, only four of the 24 industries had upward revisions for long-term EBIT. The remaining 44 data points were revised lower from 31 March to 31 May, many of them significantly.

PERCENT CHANGE IN TEV FROM 3/3/2020 TO 5/31/2020

While the disconnect in market values and future earnings estimates are pervasive, certain industries stand out as extreme outliers. For example, the Technology-Semiconductor set shows a minor 2020 EBIT reduction and a meaningful long-term EBIT increase. However, there are six industry sets with greater market value gains despite all having downward estimate revisions. In particular, the Retail-Discretionary & Luxury, Construction-Single Family industry set show large reductions in estimates yet some of the largest increases in market value.

THE PATH AHEAD

Despite the apparent disconnect, an analysis of recent trends in May potentially foreshadows a bottom to the precipitous decline in estimates. In March and April, nearly all industries saw reductions in forward estimates. However, beginning in May, there is evidence to suggest that the trend is beginning to slow and, in some cases, even reverse. For example, 11 of the 24 industries saw little change in both near-term and long-term revenue and EBIT estimates from April 30 to May 31. Four industries saw mild recoveries in estimates over that same period. The magnitude and rate of downward revisions in May offer some hope that COVID-19 considerations have been fully incorporated into forward estimates. In our next quarterly study, we will analyze data through August 31 and look to answer whether analyst estimates catch up with market values, or if the disconnect between fundamentals and market value continues.

A CHANGING LANDSCAPE

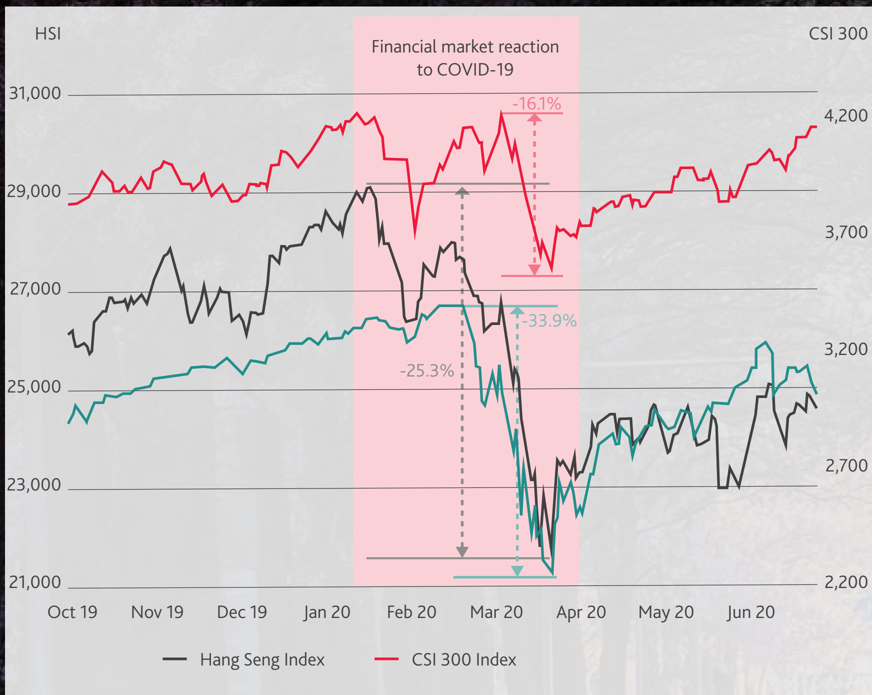
COVID-19'S IMPACT ON CHINA'S M&A MARKET

The COVID-19 pandemic has greatly impacted global public health and disrupted global trade, including cross-border M&A transactions and capital markets. The COVID-19 outbreak in Q1 2020 caused the Chinese government to introduce a rigorous lockdown for around two months from February 2020. The government has been introducing policies to promote the resumption of work and production since April 2020 and this has led to a gradual recovery in M&A deal transactions in Q2 2020.

During the two-month lockdown, various restrictions on outdoor activities and community management were implemented in more than 200 cities in China to prevent the spreading of the virus. Masks were worn and social distancing was enforced by the Chinese authorities, which reduced the number of new infection cases in China from a peak of around 3,000 cases per day in early February 2020 to single digit figures (or even no cases) per day by mid-July. Precautions taken by the Chinese government have now shifted to focus more on the prevention of imported cases.

Major stock markets collapsed at the end of the first quarter and corporate credit spread increased due to rating downgrades and investors' flight to quality actions. As shown in Chart 1, the market indices of Hong Kong (HSI Index), China (CSI 300 Index) and the US (S&P 500 Index) declined by 25.3%, 16.1% and 33.9% respectively between February and April 2020 as a result of COVID-19. By the end of Q2 2020, the indices had recovered.

CHART 1: HSI, CSI & S&P 500 INDICES



Sources: Capital IQ and news

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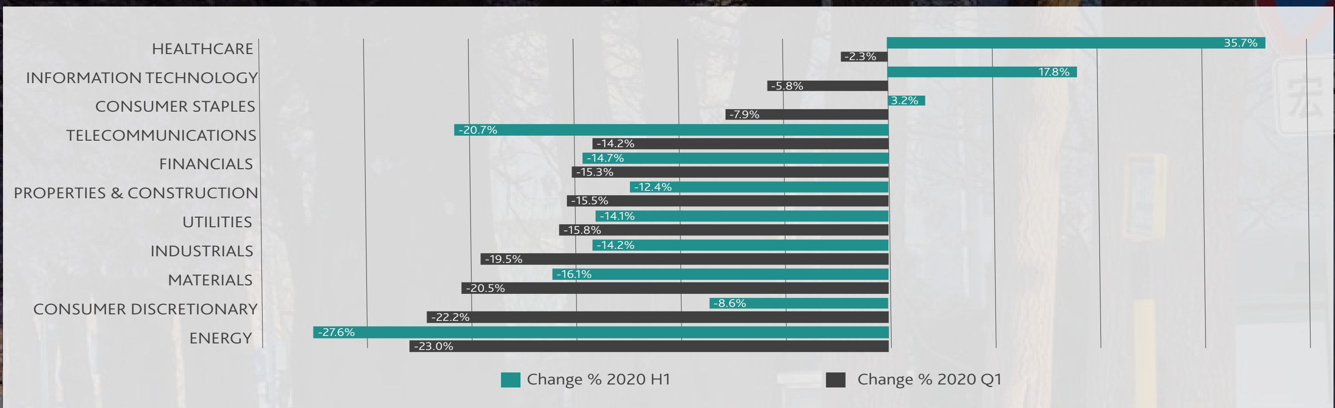
While COVID-19 has impacted most industries, some were more severely affected than others. As summarized in Chart 2, energy and consumer discretionary indices were the most affected sectors, declining by 23.0% and 22.2% in the first quarter, due to the economic slowdown and worsening consumer confidence. The decline of the energy sector went even further in the second quarter. Healthcare and information technology indices were the best performing sectors, only decreasing by 2.3% and 5.8% respectively in the first quarter. These two sectors recorded significant increases in the second quarter, supported by the expected higher demand for their products/services in light of the virus outbreak and social distancing policies.



Despite the reduction of reported cases in China since April 2020, COVID-19 developed into a worldwide pandemic, in particular in the US and Europe, during early Q2 2020. Combined with the continued trade tension and other geopolitical issues, the global economy and cross-border M&A transactions declined due to the following:

1. Travel restrictions enforced by many countries to prevent the spreading of the virus interrupted cross-border business activities and delayed investment schedules;
2. Work and production were suspended for months in most countries, which impacted financial performance and reduced funds for re-investment and cross-border transactions;
3. The severe impact on the aviation, hospitality and tourism industries as a result of travel restrictions and lockdowns led to a significant drop in investments in these industries.

As a result, and according to official figures issued by China's Ministry of Commerce (MOC), China's outbound direct investment (ODI) decreased from RMB 211bn in Q4 2019 to RMB 179bn in Q1 2020[1] as many of China's planned overseas M&A transactions were put on hold. Decreased ODI was also due to tightened restrictions imposed by the MOC since 2017, as well as investment restrictions imposed by certain overseas markets on Chinese companies.

China's foreign direct investment (FDI) activities have also been badly affected throughout the past few months. Monthly FDI declined from RMB 88bn in January 2020 to RMB 47bn in February 2020.[2] There was a slight recovery in March 2020 as a result of improving conditions in China and FDI figures increased to RMB 82bn in March 2020.[3] Unfortunately, the worsening situation overseas, in particular in the US and Europe, caused the FDI to decline to RMB 70bn in April 2020[4] and RMB 69bn in May 2020.[5]

China is currently focused on developing its domestic consumption market, along with the easing of restrictions and lockdowns.

It is still early days in terms of understanding the eventual impact on overall M&A activity for the Greater China region from COVID-19, trade and geopolitical tensions. But one thing is certain – the cross-border M&A landscape for Greater China is expected to change considerably in the near future compared to previous years.

GLOBAL

8,368 RUMOURED TRANSACTIONS

P15 | **NORTH AMERICA**

NORTH AMERICAN M&A PLUMMETS IN Q2

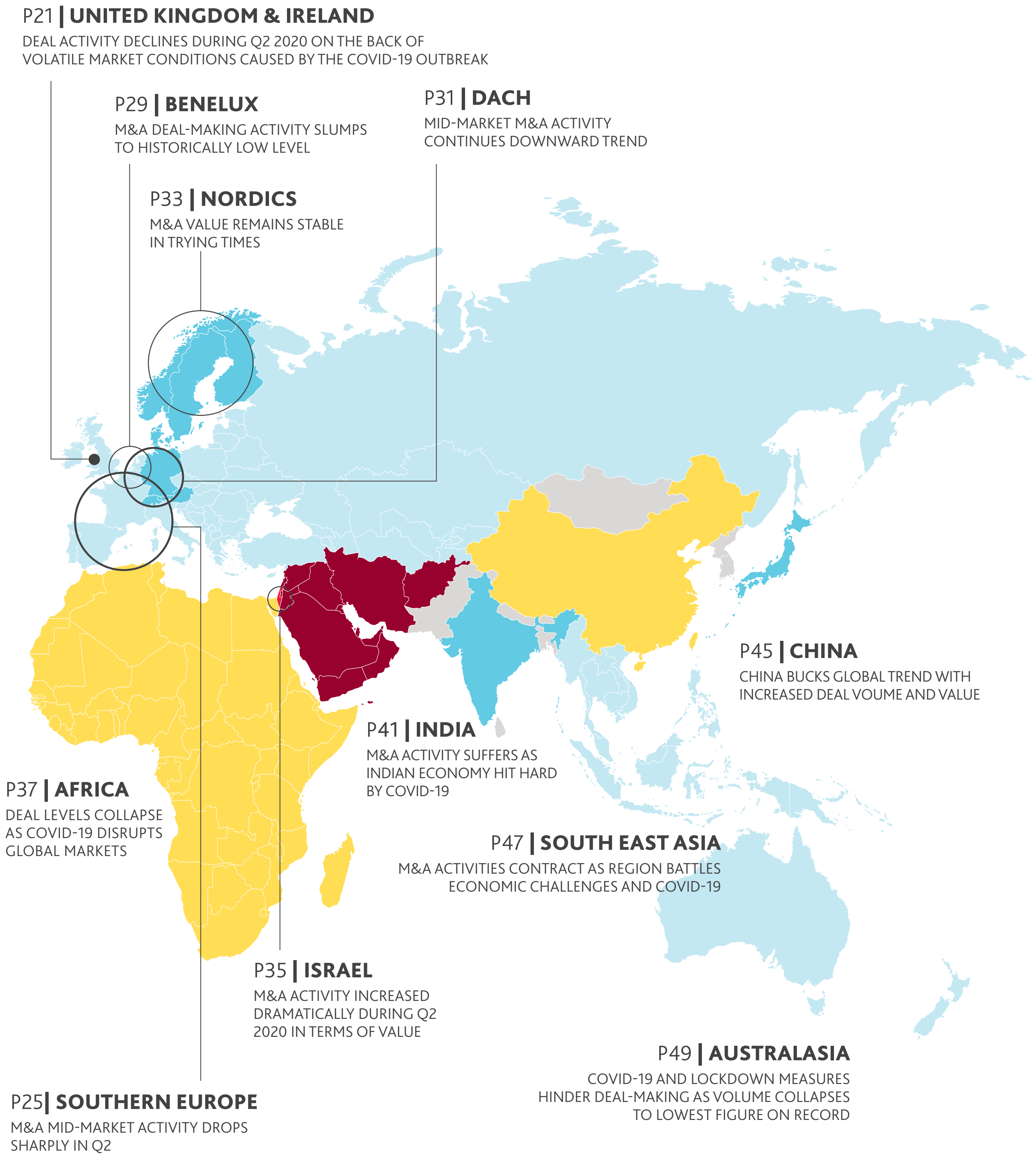
P17 | **LATIN AMERICA**

DEAL VOLUME AND VALUE FALL TO 12-YEAR LOW

SECTOR VIEW

CONSUMER BUSINESS SECTOR P47

REAL ESTATE & CONSTRUCTION P49



Key % movement

-19% to -10%	-9% to -1%	0%	1% to 10%	11% to 20%
21% to 30%	31% to 40%	41% to 50%	51% to 60%	61% upwards

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

NORTH AMERICA

NORTH AMERICAN M&A PLUMMETS IN Q2

BIG PICTURE

- Mid-market M&A down 53% from Q1 and 68% year-over-year
- All industry sectors down, but Healthcare and Technology were the bright spots
- PE buy-outs comprise 36% of all deals as money managers sought low-priced opportunities.

The COVID-19 pandemic rocked the North American M&A markets in the first quarter of 2020 and the damage continued well into the second quarter before some respite in June. Given the volatile environment and uncertainty as to when normalcy returns, many corporates and private equity firms temporarily put a hold on M&A activity until the impact could be properly assessed.

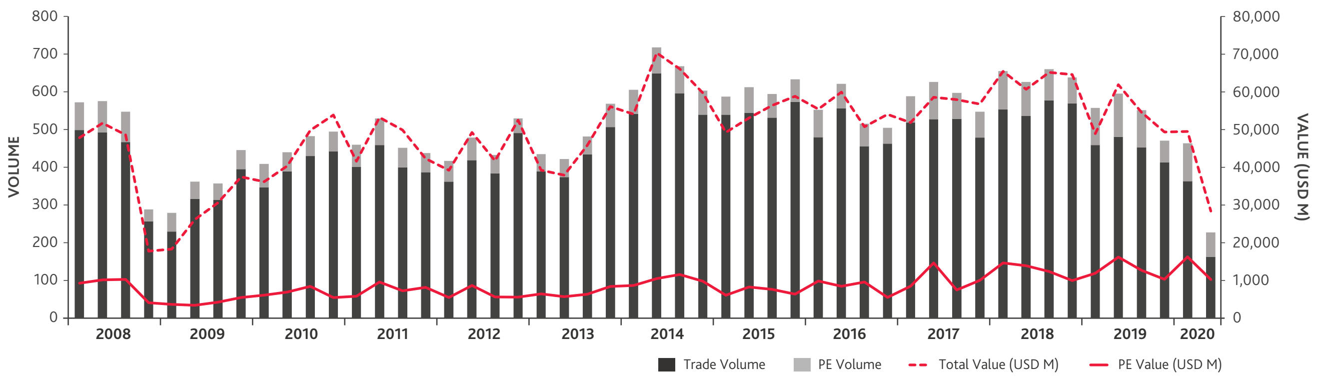
As Q2 2020 came to an end, a sharp decline in deal-making statistics was not unexpected as the North American economies were severely impacted by government-induced shutdowns resulting in unprecedented unemployment rates and anemic business activity. Most localities did not reopen until after mid-May and businesses experienced severe income reductions in Q2 that brought many to the point of insolvency as corporate defaults rose dramatically. Would-be buyers were internally focused on bolstering liquidity and cutting costs while sellers put deal plans on hold indefinitely. The months of April and May were particularly quiet months for deal-making as almost all market participants were preoccupied with other priorities and the availability of acquisition financing from the private debt markets evaporated.

In Q2, many buyers adopted a 'wait and see' approach toward M&A or abandoned deals altogether. For example, Boeing withdrew a USD 4.2bn deal with Embraer in April, which many analysts blamed partly on the current lack of travel and the resulting impact on the airline industry.

Many buyers, whether they be PE firms or corporates, are bifurcated in terms of the impact of COVID-19 on acquisition plans. The traditional growth-oriented, healthy M&A type of buyer has been sidelined or distracted for many of the reasons mentioned earlier. These firms are proceeding very cautiously and are spending more time conducting due diligence to understand the impact of the crisis on would-be targets.

Meanwhile, the opportunists and turnaround/distressed M&A investors are pressing hard for deal flow. Such firms are offering to over-equitize deals, provide bridge financing or step into broken deals. Other strategies including funding working capital or short-term liquidity needs. The pitch is that these investors are wide

PE/TRADE VOLUME & VALUE



open for business, but the reality is that most of these players are bargain hunters. They are looking for attractive prices and aggressively seekingout sellers that need to transact or businesses that need capital just to survive.

As public equites rallied aand many believed that the economy had already weathered the worst of the pandemic, M&A activity notably picked up at the very end of the quarter. While down year-over-year, two industry sectors, Healthcare and Technology, showed signs of life as the quarter evolved. In the Healthcare sector, Steward Health Care was acquired by a physicians' group and two health systems, Advocate Aurora Health and Beaumont Health, merged. Meanwhile, large cash-rich technology companies helped keep technology M&A moving in Q2. Major deals in the quarter included Facebook's purchase of Giphy, Microsoft's acquisition of the cloud communications firm Metaswitch Networks, and Apple's purchase of NextVR.

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LOOKING AHEAD

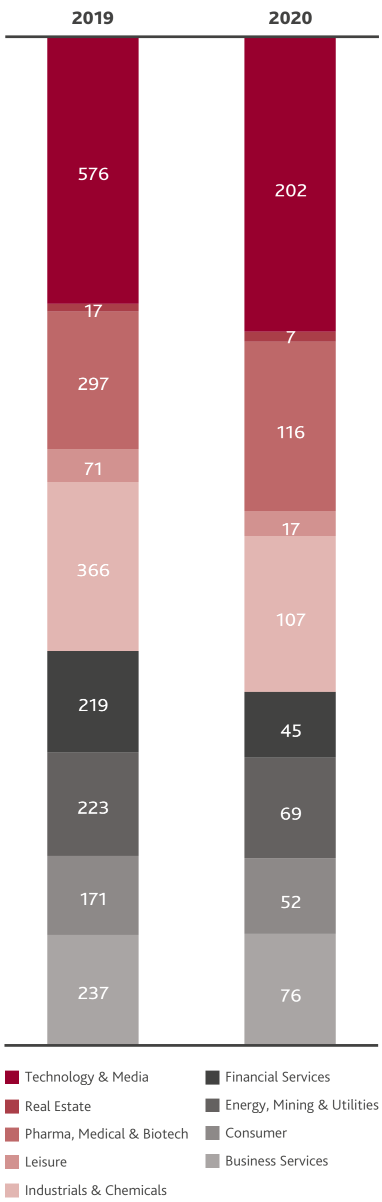
In the intermediate to longer term, M&A deal activity should accelerate as it did at the end of the second quarter. Dealmakers are trying to focus on the most resilient sectors and opportunities that might be waiting on the other side of the pandemic. Targets likely to be in favour post-crisis will include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

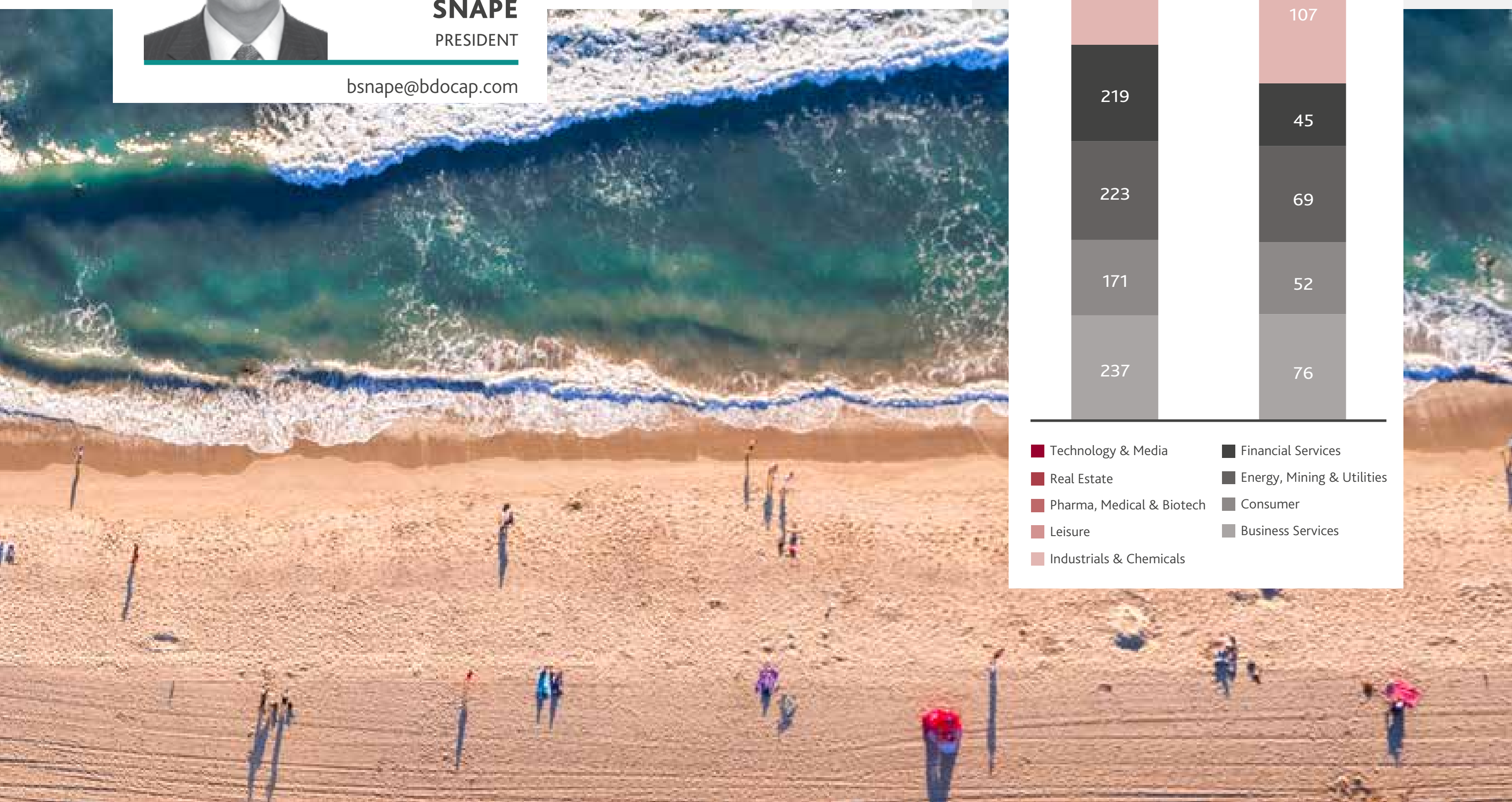
The onset of the recovery in the M&A markets in June should pick up momentum in the third quarter. Barring a major resurgence of COVID-19 and the resulting reversal in the economic recovery, M&A should reach more normalized levels in Q4 2020 and into 2021.

NORTH AMERICA
HEAT CHART BY SECTOR

TMT	761	31%
Pharma, Medical & Biotech	437	18%
Industrials & Chemicals	323	13%
Business Services	264	11%
Consumer	218	9%
Financial Services	192	8%
Energy, Mining & Utilities	140	6%
Leisure	61	3%
Real Estate	24	1%
TOTAL	**2,420**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





LATIN AMERICA

DEAL VOLUME AND VALUE FALL TO 12-YEAR LOW

BIG PICTURE

- With just 28 deals completed with a value of USD 1,147, Q2 2020 was the worst quarterly performance for 12 years
- Brazil recorded 12 of the quarter's top 20 deals, representing 62.4% of overall deal value
- Business Services, Energy, Mining & Utilities and TMT led the way in sector performance, all with five deals each
- Latin America's economy has been heavily affected by the pandemic and we expect to see significant shrinkage in its output for the rest of 2020
- Brazil's economy, which had a positive outlook at the beginning of the year, now needs continuing business-friendly measures to prevent a recession.

Latin America's mid-market segment registered 28 deals worth USD 1,147m in Q2 2020, a sharp fall compared to the previous quarter, both in terms of volume and value. Overall, the volume and value recorded in the quarter were the lowest levels in at least 12 years. Average value per deal was 57.5% lower than in Q1 2020, overall deal volume fell by 50.9% and overall deal value fell heavily by 79.1%.

As in the previous quarter, there were four PE deals completed but they represented a fall in overall value of 36.6%. It is worth noting that PE deal value was the second lowest figure in the last two years (only just ahead of the USD 348m figure from the four PE deals in Q1 2019). PE's four deals in Q2 2020 were worth USD 352m, accounting for 30.7% of the quarter's overall deal value. This marked a significant change from the previous quarter when PE deals accounted for just 10.1% of overall value.

Latin America's top 20 deals in the quarter totaled USD 1,080m and accounted for 94.2% of the region's overall deal value. The top 20 deals accounted for 71.4% of overall volume, which highlights just how few transactions there were in Q2 2020.

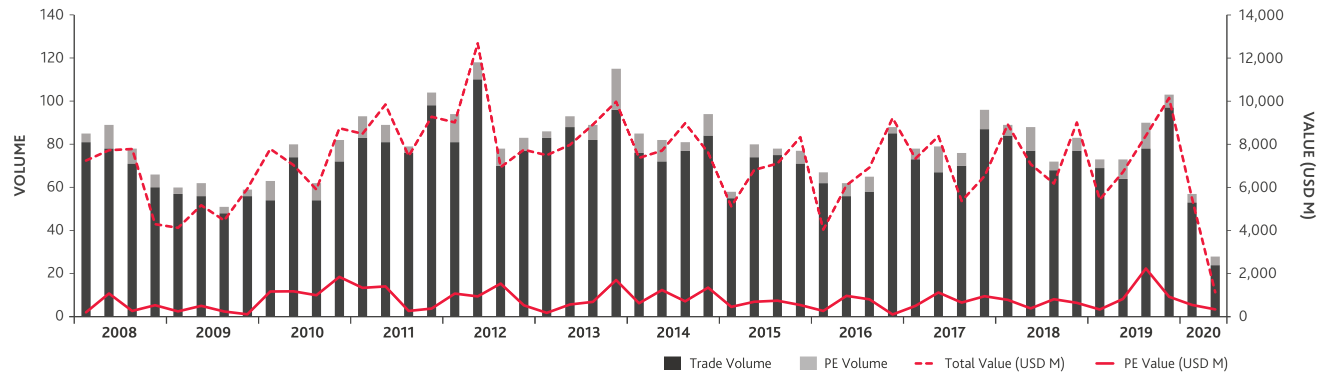
Looking at the last 12 months, deal volume declined from 301 to 278 compared to the previous 12 months, a decrease of 7.6%. Overall value saw a similar decrease of 7.9%, mainly due to the significantly weaker performances in recent quarters compared to the previous year.

KEY DEALS AND SECTORS

Business Services, Energy, Mining & Utilities and TMT led the way with five deals each, together accounting for 53.6% of all deals closed in the quarter. They were followed by Financial Services and Pharma, Medical & Biotech, both with four deals, and Industrials & Chemicals with three deals. The remaining two deals took place in the Consumer sector and it's also worth highlighting that there were no transactions in either Leisure or Real Estate in Q2 2020.

As previously mentioned, the quarter's top 20 deals accounted for 71.4% of Latin America's M&A activity, with a total value of USD 1,080m. Brazil was the most targeted country with 12 out of the top 20 and represented 62.4% of the top 20's deal

PE/TRADE VOLUME & VALUE



value. Brazil was also the target country in three of the quarter's five biggest deals.

The top 20 deals also included two deals each in Chile and Mexico and Belize, British Virgin Islands, Colombia and Honduras, all with one deal each. Looking at bidder countries, it's noteworthy that 10 deals involved bidding companies from outside Latin America, a sign of continued foreign interest in the region.

The quarter's biggest deal was the acquisition of Scala Data Centers S/A by Digital Colony Management LLC for USD 280m. This represented Digital Colony's second investment in Brazil and its fourth in Latin America.

POLITICAL AND ECONOMIC CONTEXT

Latin America's economy has struggled throughout the last quarter as the COVID-19 pandemic continued to bring businesses to a standstill and drive down demand due to lockdown measures and rising levels of unemployment

It is worth highlighting that at the start of 2020, the economic outlook for Brazil was tentatively positive, if slightly dampened by the minimal GDP growth registered in the previous year.

However, the global pandemic threatens to plunge the country's economy into a recession as unemployment figures hit record levels and business continue to register financial losses after months of lockdown. Paulo Guedes, Brazil's Finance Minister, has warned that the recession could become a depression if the government fails to resume is pro-market agenda, which proposed the introduction of business-friendly measures such as tax reforms, administrative reforms, regulatory changes and the reduction of state-owned and state-controlled companies through privatizations and divestments.

However, the outlook is not entirely negative. Data from the Brazilian Institute of Geography and Statistics (IGBE) indicated that retail sales (excluding autos and building materials) in May rose compared to the previous month, which suggests that April may have been Brazil's lowest point in terms of economic activity. In addition, Brazil's capital markets showed a significant recovery in Q2 2020. As the basic interest rate reached an all-time low, domestic investors looked to capital markets as an alternative to low fixed-income returns.

It should be noted that analysts expect consolidation to take place in several Brazilian industries such as retail, infrastructure and travel.
This is being accompanied by continued interest from Chinese investors in Latin America in a post-pandemic business environment, especially in sectors related to infrastructure such as power, mining and utilities. However, based on past experience and the current instability in the region, Chinese investors are likely to consider more stable countries first.

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LATIN AMERICA
HEAT CHART BY SECTOR

TMT	91	24%
Financial Services	53	14%
Business Services	53	14%
Consumer	49	13%
Industrials & Chemicals	44	12%
Energy, Mining & Utilities	36	10%
Pharma, Medical & Biotech	25	7%
Leisure	12	3%
Real Estate	10	3%
TOTAL	**373**	**100%**

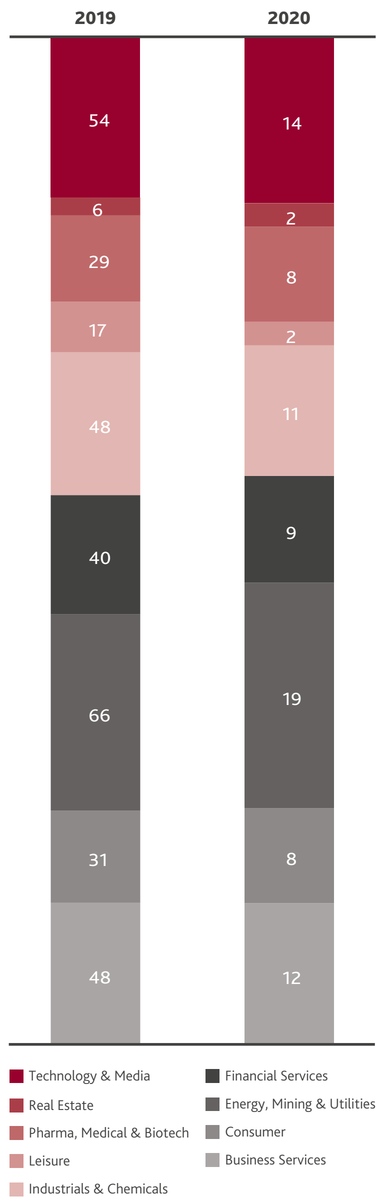
LOOKING AHEAD

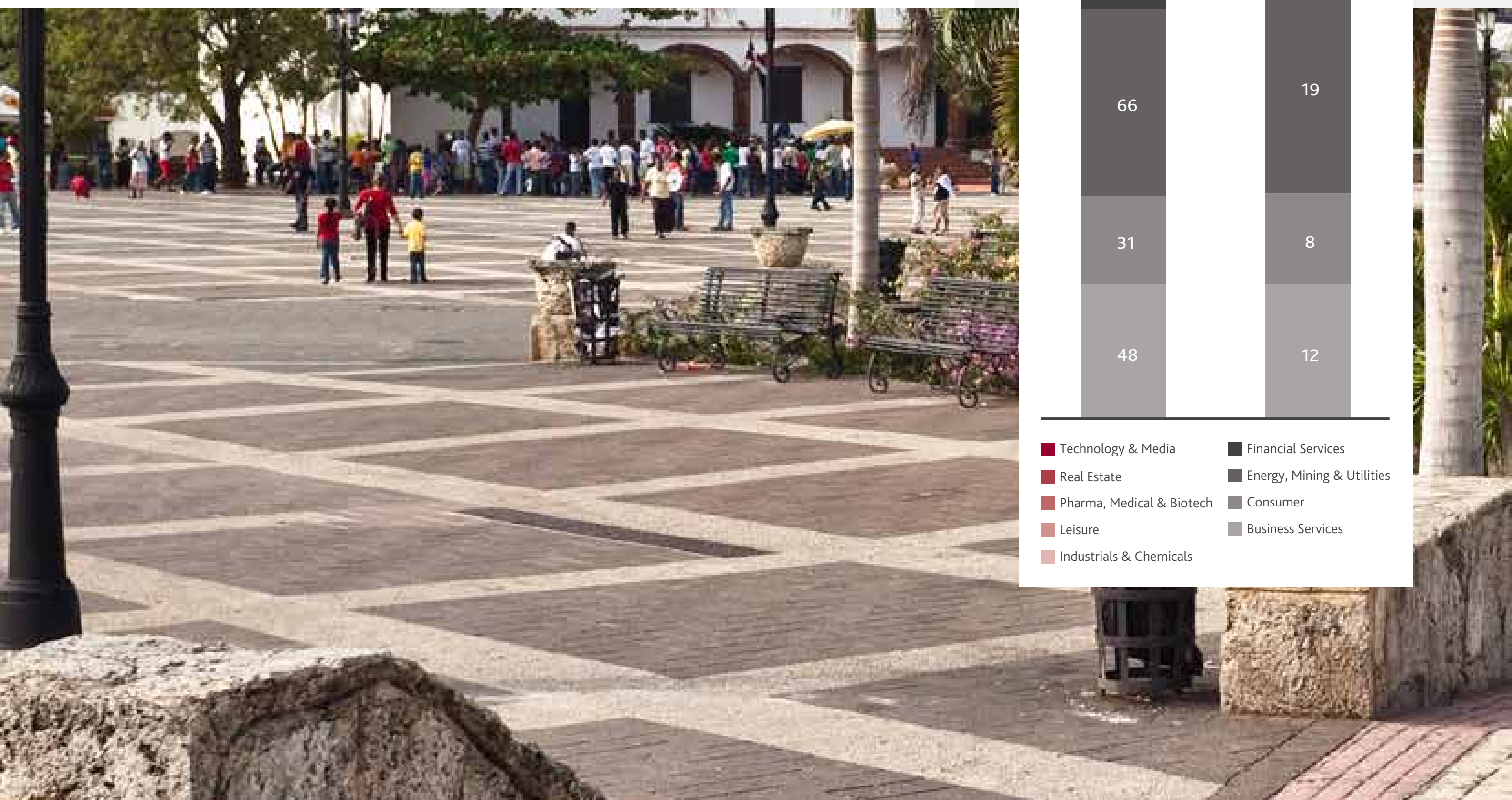
Latin America represents approximately 4% of the global market with 373 deals announced or in progress, as shown in the BDO Heat Chart. TMT is expected the lead the way with 91 deals, followed by Financial Services (53), Business Services (53), Consumer (49) and Industrials & Chemicals (44).

As long as inflation is kept at manageable levels, Latin American policy makers can offer more stimulus to support their economies through the current crisis. Beyond COVID-19, a subdued recovery is expected, with countries such as Chile and Mexico being the main focus of interest for foreign investors, while Brazil's recovery will depend on how fast the government can shift its attention back to the introduction of significant pro-market measures.

especially benefit exports for both sides but also attract investments into Brazil, Argentina, Paraguay and Uruguay. This movement will also strengthen the investment partnership with the EU, and will have broaden access to local markets with low tariffs and increase the possibility of being able to compete for public contracts.

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

DEAL ACTIVITY DECLINED DURING Q2 2020 ON THE BACK OF VOLATILE MARKET CONDITIONS CAUSED BY THE COVID-19 OUTBREAK

BIG PICTURE

- Both value and volume of M&A transaction were down in H1 2020
- TMT remained the most resilient and in-demand sector in H2 2020
- The sentiment and expectations of corporate and PE dealmakers are being tested in the face of socio-economic uncertainty.

STEERING THROUGH A GLOBAL PANDEMIC

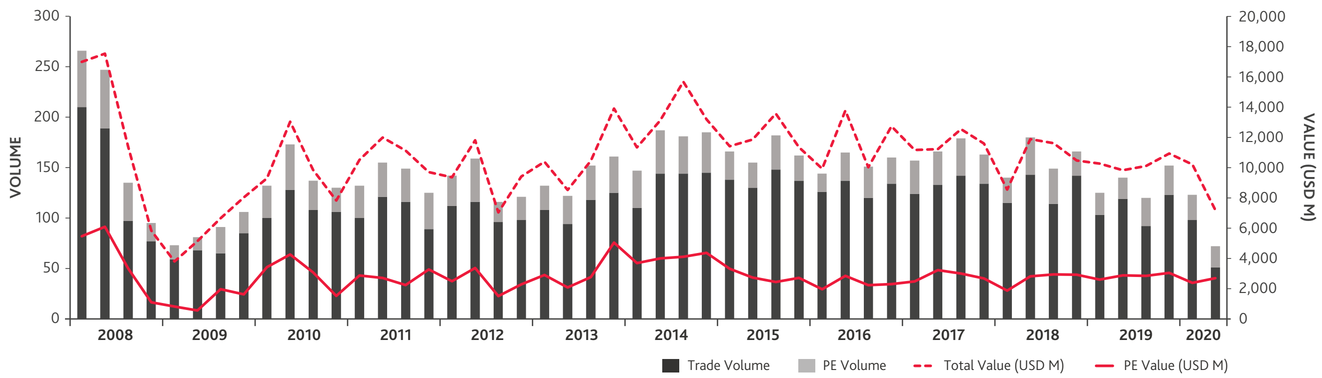
2020 started with high volumes of M&A transactions in the UK & Ireland, in line with 2019's figures. However, the fast spread of the COVID-19 virus has resulted in a drop in the volume and value of M&A activity in the UK & Ireland, as evidenced in the Mergermarket data behind the PE/Trade volume & value graph below. The total value of deals completed in H1 2020 was USD 17.4bn, 13% below H1 2019. Deal volume fell by 26% to 195 deals compared to the same period in 2019.

Somewhat unsurprisingly, all of the H1 market activity decline took place in the second quarter, as the extent of the COVID-19 pandemic on the economy was unknown in the first few months of 2020 and the country did not go into lockdown until late March. The Mergermarket data shows that between Q4 2019 and Q1 2020, the level of activity was relatively flat, with volume increasing by 1% in the first quarter of this year (from 272 deals to 275 deals), while the dial on value moved up by a mere 0.5% (from USD 21.03bn to USD 21.14bn). However, between Q1 and Q2 2020, deal volume plummeted by 29% (from 275 deals to 195 deals), and related deal value dropped by 18% (from USD 21.14bn to USD 17.40bn). This is in line with our team's own experience: when the pandemic first hit, many deals close to signing went ahead, though some in sectors that looked set to be badly affected were put on hold.

Examining the data for Q2 2020, when the extent of the pandemic became clearer around the world, the overall drop in deal-making was more evident. Total M&A volume for the UK & Ireland in Q2 2020 was 72 deals, a 49% decline versus the same period in 2019 (140 deals). Value figures fared slightly better, falling 27% year-on-year to 7,195 deals from 9,824 deals in Q2 2019.

It is interesting to note that against the backdrop of the global pandemic, deal volumes were predominantly trade-led both during Q1 and Q2 2020 with only one in five being PE investments in Q1 2020 compared to about one in three in Q2 2020. Looking at deal value, 23% of Q1 and 37% of Q2 overall deal values were PE-led.

PE/TRADE VOLUME & VALUE



KEY DEALS AND SECTORS

A drop in deal activity was experienced across a number of sectors in Q2 2020, particularly Leisure, Real Estate, Financial Services and Industrials & Chemicals. TMT continued to attract high levels of interest, with 27 deals completed in Q1 2020 and 27 deals completed in Q2 2020. Similarly, Business Services had a strong half year, with 10 deals completed in Q2 and 26 deals completed in Q1, whilst the Pharma, Medical & Biotech sector attracted increased interest from investors with 11 deals closed in Q2 2020 vs eight closed in Q1 2020 and nine deals closed in Q4 2019.

In the UK & Ireland there were a total of 66 transactions in the TMT sector in H1 2020, representing a small 3% year-on-year decline versus H1 2019 (68 transactions). This is still the highest total volume of any sector over this period. The TMT sector fared relatively well even in the second quarter; while volume declined by 34% compared to the year before (27 vs 41 deals), a number of large transactions were completed in this quarter:

- USD 300m and up range: the acquisitions of PrettyLittleThing (ecommerce), Eggplant Limited (software automation) and Emerald Tower Limited (wireless infrastructure);
- USD 200m-USD 250m range: the acquisitions of euNetworks Group (telco infrastructure) and Glide Group (ISP); and
- USD 150m-USD 200m range: the acquisitions of Walker Books Ltd (publishing) and Checkout Ltd (payment solutions provider).

In terms of in-demand sectors, it comes as no surprise that TMT has been amongst the most resilient for M&A globally so far in 2020. As the whole world went into lockdown, people had to turn (pretty much straightaway) to digital technologies and solutions that enabled them to interact remotely for work, education, regular communication, shopping and, of course, entertainment. As now famously stated by Microsoft CEO Satya Nadella, the pandemic has driven "two years of digital adoption in two months", an impact that is here to stay even when lockdown measures are eventually fully relaxed.

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LOOKING AHEAD

With various UK government support programmes designed to soften the consequences of the lockdown - Furlough schemes, Coronavirus Business Interruption Loan Scheme (CBILS), various other business support grant schemes - coming to an end in the second half of 2020 and the possibility of a second wave of infections in some geographies, plenty remains uncertain for the deal-making environment. It will take time for overall M&A activity to kick off at pre-COVID levels and Q3 2020 is likely to be a tough one. Moreover, given the lack of progress in the EU/UK trade talks as the end-of-year deadline looms, one cannot rule out a hard Brexit – and that might prolong the climate of uncertainty.

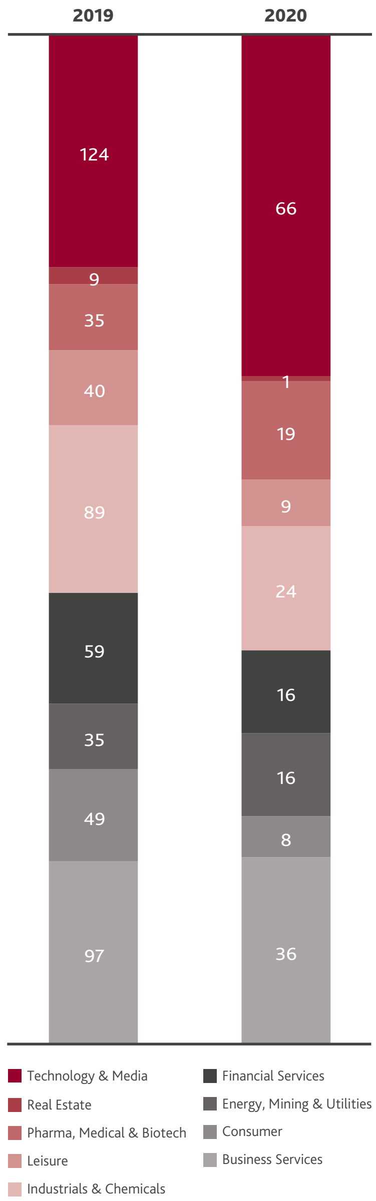
That being said, we do however anticipate an increased level of business restructuring deals across various sectors (recapitalisations, spinning off non-core assets, distressed deals as vulnerable businesses look for liquidity or leverage) during the remaining half of 2020, including Consumer and Leisure. Moreover, companies with strong business plans are attracting interest, notably in the lifesciences, technology (comms, software) and tech-enabled business services sectors, as well as media and entertainment (streaming, gaming) sector. The Mergermarket intelligence in the BDO Heat Chart predicts an active market in the UK & Ireland with 392 rumoured deals and unsurprisingly continues to highlight TMT as the most active sector with 23% of all predicted deals expected to be in this sector. Significant deal activity is also highlighted in the Business Services (14%) and Consumer sectors (14%), while activity within sectors such as Leisure (5%) and Real Estate (1%) is predicted to remain muted.

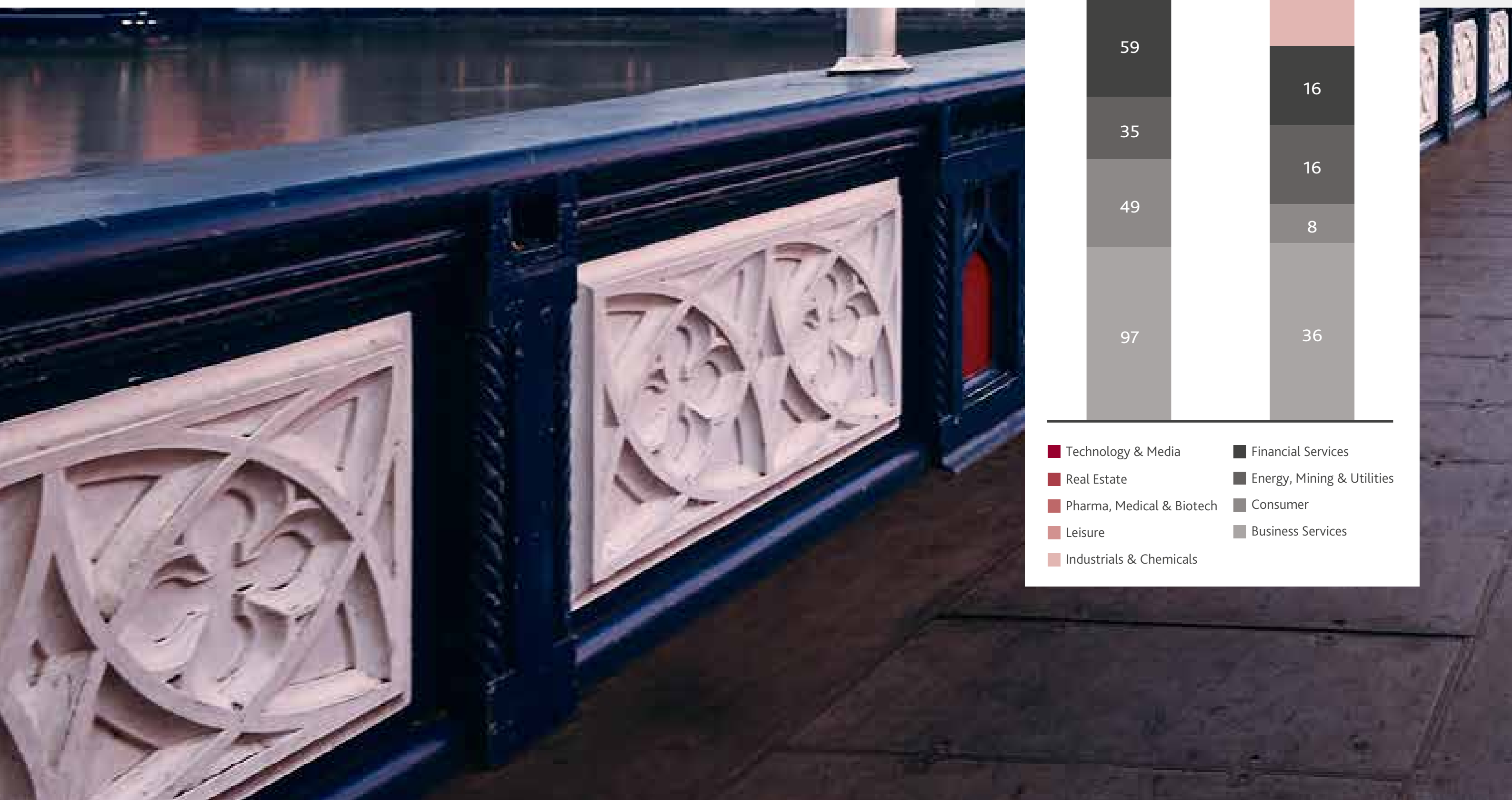
Overall, it is hard to guess what the post-lockdown M&A landscape will look like for the remainder of 2020; changes could affect the pace of completions, valuation ranges, as well as deal structures and terms. Active buyers (notably private equity funds) have plenty of dry powder to deploy and continue to assess opportunities at the same time as managing existing portfolios, whilst credit markets (particularly debts funds), although significantly more guarded, also remain strong.

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	87	23%
Business Services	54	14%
Consumer	54	14%
Energy, Mining & Utilities	45	12%
Financial Services	42	11%
Industrials & Chemicals	39	10%
Pharma, Medical & Biotech	38	10%
Leisure	21	5%
Real Estate	5	1%
TOTAL	**385**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

M&A MID-MARKET ACTIVITY DROPS SHARPLY IN Q2

BIG PICTURE

- Deal volumes and aggregate values fell significantly in Q2 2020
- Average PE deal size holds steady at USD 86m
- TMT was the most active sector with 26 deals
- BDO Heat Chart predicts that Consumer will become the leading sector in terms of deal numbers.

The second quarter of 2020 Southern Europe mid-market M&A activity saw only 79 transactions. Continuing the negative trend of the first quarter, the second quarter was disastrous for M&A activity, with deal numbers decreasing by 31.3% from the previous quarter and year-on-year it was the worst year for trade volume in the last 12 years, though this was not the case in terms of value (USD 7,816m). Comparing the figures from Q2 2020 with Q2 2019, there was a sharp decline in both volume and value, falling by 54.9% and 47.1% respectively.

Looking at average deal size, Q2 2020 seemed to buck the trend, as the average value was around USD 99m, an increase of 23.7% on the previous quarter. Looking at the same period last year, the figures show that the average deal value so far in 2020 has been higher, indicating that there has been more of a focus on bigger deals during this difficult period for deal-making.

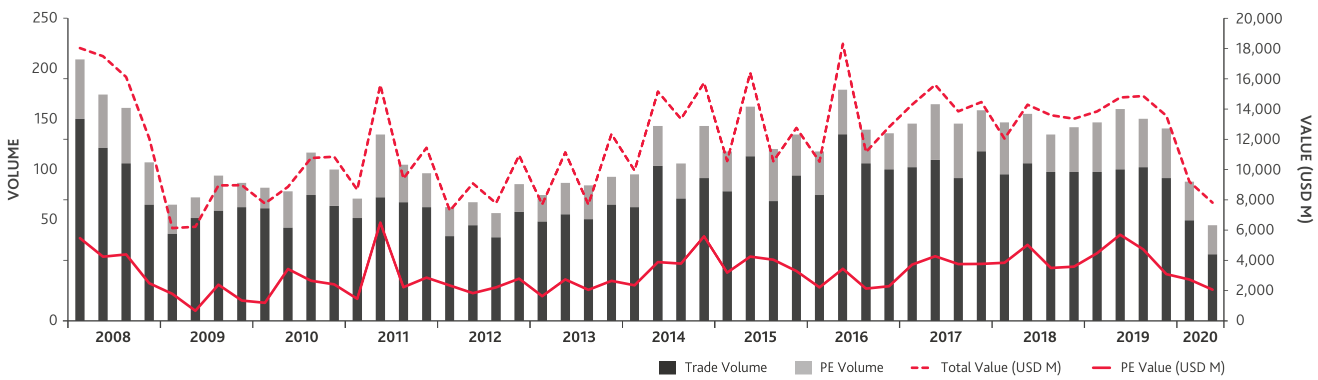
The number of PE deals in Southern Europe fell compared with Q1 2020, dropping from 32 transactions to 24 in Q2 2020.

However, when looking at PE deals as a proportion of total deal numbers, they represented 27.8% of overall deals in Q1 2020 and 30.4% in Q2 2020. This increased proportion for PE deals also applies when comparing Q2 2019 with Q2 2020, with PE buy-outs accounting for 30.4% of overall deal numbers while in 2019 PE deals accounted for 28.6% of deals.

However, it's a different story for PE activity in terms of value. PE deals in Q2 2020 recorded a total value of USD 2.0bn, which was 24.5% lower than Q1 2020 figures. Comparing PE's proportion of overall deal value reveals that Q2 2020 PE value had a slightly lower impact than in Q1 2020, decreasing by 3.3%. Comparing Q2 2020 with the corresponding period in 2019, the current PE proportion of value was even worse as PE deal value accounted for 38.6% of overall value in Q2 2019.

Average PE deal size in Q2 2020 remained the same as the previous quarter at USD 86.0m but was significantly lower than the average value in Q2 2019, which was approximately USD 113.9m.

PE/TRADE VOLUME & VALUE



KEY SECTORS AND DEALS

Industrials & Chemicals relinquished its position as the region's most active sector, accounting for just 11 deals in Q2 2020 and representing 13.9% of total mid-market deals, with deal volume in the sector falling heavily compared to previous activity. In terms of the volume percentage change compared to the previous quarter, Industrials & Chemicals was one of the worst performing sectors.

TMT was the leading sector in Q2 2020 with 26 deals closed, representing 32.9% of total transactions, an increase of 36.8% compared to Q1 2020. Along with Consumer, they were the only two sectors that recorded increased transaction numbers compared with Q1 2020. With 11 deals, Consumer accounted for 13.9% of deal numbers, a slight increase from the eight transactions in the previous quarter. These top three performing sectors accounted for almost 60% of total deals and were followed by Business Services and Energy, Mining & Utilities, which registered 19 deals between them, a slight decline compared to the previous quarter.

Pharma, Medical & Biotech, Leisure and Financial Services represented 3.8%, 2.5% and 8.9% of total deal numbers respectively. Real Estate was the worst performing sector with no deals in the quarter, which last happened in 2015.

The top 10 mid-market deals in Southern Europe totalled USD 3.9bn, which represented 59.5% of the quarter's overall transaction value.

The biggest deal was the acquisition of Italian Industrials & Chemicals company, Ansaldo Energia S.p.A, by fellow Italian company CDP Equity S.p.A. for UDS 490m. The second largest deal was in Energy, Mining and Utilities and saw the acquisition of Spanish company Acciona Energia International for USD 487m by the Spanish company Acciona S.A. and AXA Investment Managers, Real Assets, who purchased the stake from the American Kohlberg Kravis Roberts & Co. L.P. In third place was the acquisition of Mediawan S.A., a French TMT company by Mediawan Alliance, a French company controlled by Mediawan founders and financially supported by other partners such as KKR, for a total of USD 476m. Other deals worth mentioning include the acquisition of French Industrials & Chemicals company ENVEA, by the US-based Carlyle Group and the acquisition of French Business Services company Antalis International SAS by Japanese company Kokusai Pulp & Paper Co., Ltd.

Looking at the region's top 20 deals, French companies were the most targeted with eight deals, with seven deals involving international bidders with a total value of USD 1.5bn. Following on from these, five deals involved Italian companies with a total value of USD 1.7bn and five Spanish companies with a total value of USD 1.4bn.

Finally, it was noteworthy that in Southern Europe's top 10 mid-market deals, transactions spanned multiple sectors including Financial Services, Industrials & Chemicals and TMT.

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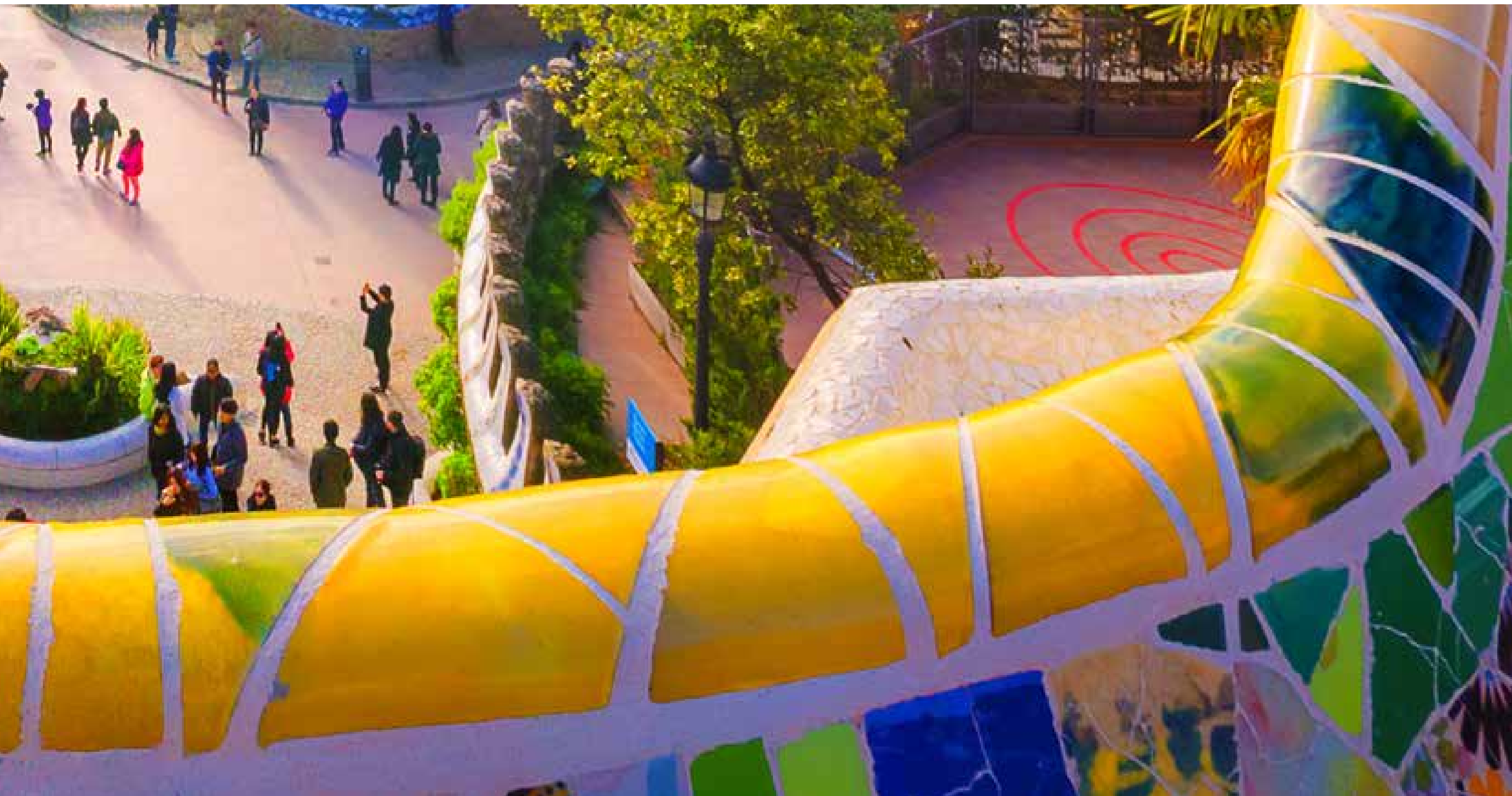


LOOKING AHEAD

Looking ahead, the BDO Heat Chart suggests that Southern Europe may account for 628 new deals, representing 7.5% of future global transactions. Despite declines in the last two quarters, Consumer is expected to lead the way as the most active sector for the foreseeable future with 148 deals, accounting for 23.6% of the region's total deals. Industrials & Chemicals follows with 127 forecasted deals (20.2% of the total), then TMT and Business Services with 113 and 75 deals (18.0% and 11.9%) respectively. Overall these top four sectors are expected to account for almost 74% of all future Southern Europe transactions.

FOCUS ON ITALY: KEY DEALS AND SECTORS

The Italian market saw several notable transactions during Q2 2020.

At the end of June, Società Cattolica di Assicurazioni, an Italian Financial Services company, announced a capital increase of more than USD 300m, which will be executed by Assicurazioni Generali S.p.A., who as a result will become a shareholder with a stake of around 24.4% with the goal of an industrial partnership.

Also at the end of June, Italian Azimut Holding S.p.A. and British Canson Capital Partners agreed that, through a vehicle, they would be buying a stake of up to 3% of the Italian Infrastrutture Wireless Italiane S.p.A. from Telecom Italia S.p.A., Italia's biggest tower operator and the second biggest independent operator in Europe.

Following the decision of Italian company Davide Campari-Milano S.p.A. to move its legal headquarters from Italy to Netherlands, the Italian controlling shareholders Lagfin S.C.A. announced it would be buying between 30m and 38m withdrawal shares, paying a premium price compared to the actual price.

In May, Italian Banca Farmafactoring S.p.A acquired a 76% stake in Italian Financial Services company Depobank from Equinova UK, the holding company of PE funds for Clessidra Sgr, Advent and Bain Private Equity. Following the acquisition, a merger will take place between the two companies and Depobank will be incorporated into Banca Farmafactoring.

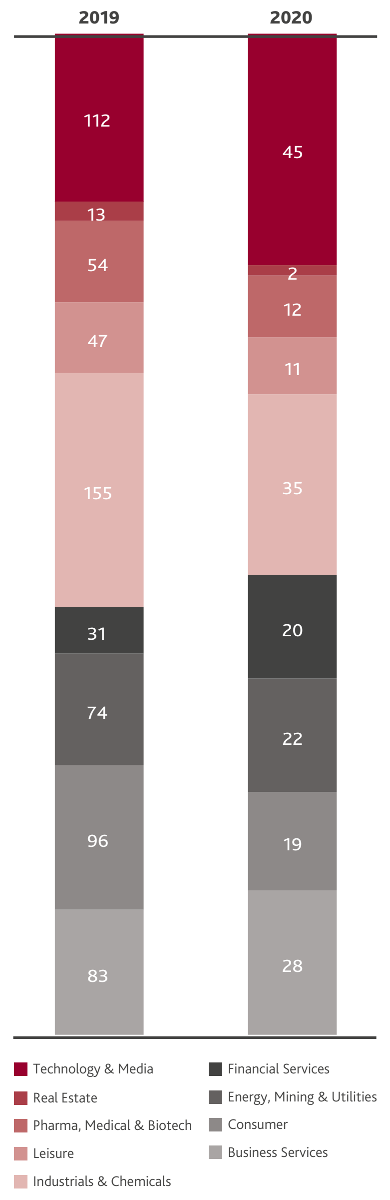
In June, Italian multi-utility company Iren acquired Italian waste treatment company Unieco Ambiente for an announced price of € 90m from cooperative group Unieco. The price is likely to be subject to price adjustment and the enterprise value is estimated at € 178m. The transaction will enable Iren Ambiente to consolidate its position among leading national operators in the waste management industry.

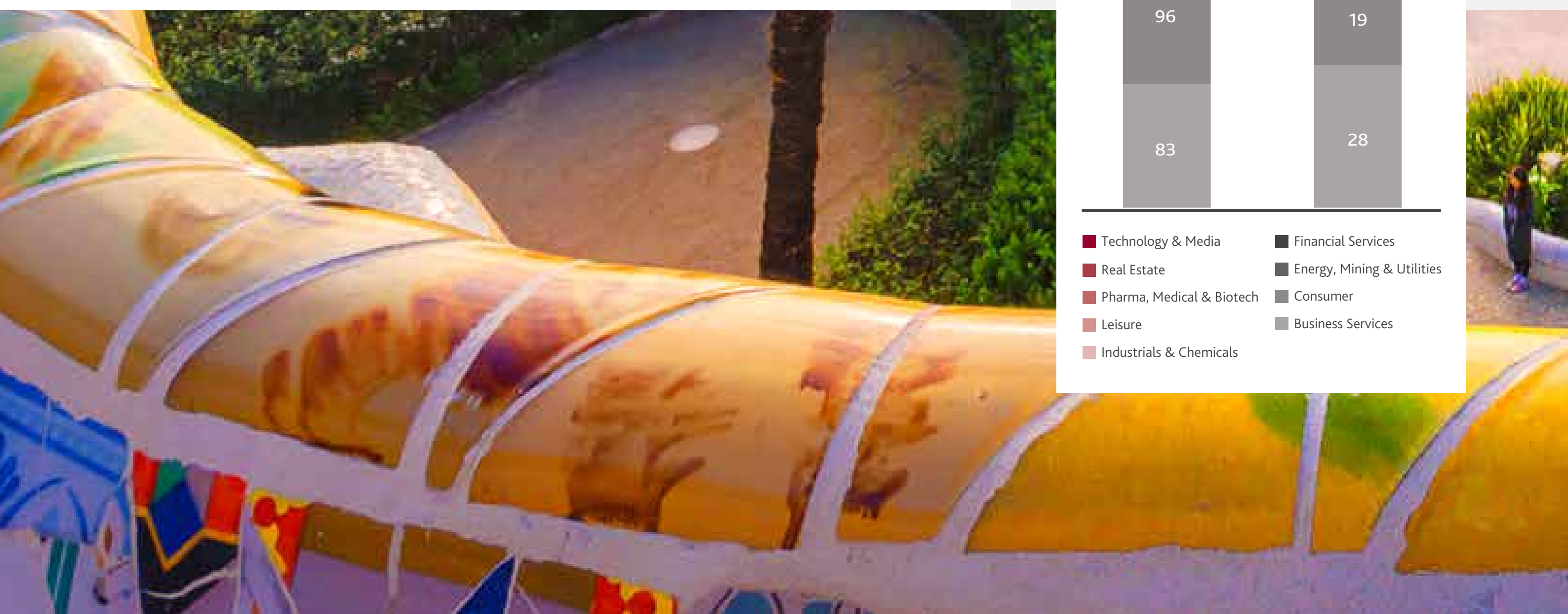
Finally, another important deal in the Italian market was the acquisition in April of the Petrus Boonekamp brand, a traditional Dutch liquor very well known in northern Europe, by Italian Gruppo Caffo 1915. The selling company is multinational company Diageo. As a result of this acquisition, Gruppo Caffo aims to pursue its twin objectives of diversification and growth abroad.

SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	148	24
Industrials & Chemicals	127	20
TMT	113	18
Business Services	75	12
Energy, Mining & Utilities	51	8
Financial Services	42	7
Pharma, Medical & Biotech	41	7
Leisure	20	3
Real Estate	11	2
TOTAL	**628**	**100%**

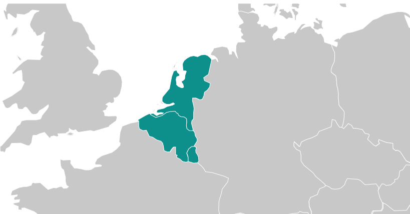
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

M&A DEAL-MAKING ACTIVITY SLUMPS TO HISTORICALLY LOW LEVEL



BIG PICTURE

- Deal volume fell drastically to historically low 15 deals
- Nearly half the deals involved PE, which is relatively high compared to the last two years' quarterly average of 27%
- The top four deals were responsible for 75% of total value
- Business Services and Pharma, Medical & Biotech accounted for 60% of all deals. M&A activity in these sectors does not appear to have been adversely affected by COVID-19 and in some areas has actually increased.

Compared to Q1 2020, M&A levels in Q2 2020 recorded a significant decrease, both in terms of the number of deals (from 28 to 15 deals) and the overall deal value (from USD 2,147m to USD 1,336m).

However, average deal value rose from USD 76.7m to USD 89.1m in the same period. In the last two quarters of 2019, the average deal value was USD 81.9m (Q3) and USD 97.9m (Q4).

Private equity accounted for seven deals in Q2 2020, representing 46.7% of total deals (versus 26.6% in the last two years) and 75.2% of overall deal value (versus 26.5% in the last two years). Transactions involving PE recorded an average deal value of USD 143.6m in Q2 2020.

Overall, the global M&A trends saw a decrease in the number of deals during Q2 2020 as well as decreased deal value. Globally, M&A deal volume fell by 23% compared to Q1 2020, while the fall in Benelux was 46%, confirming that the region's M&A mid-market activity been hit harder than the global trends.

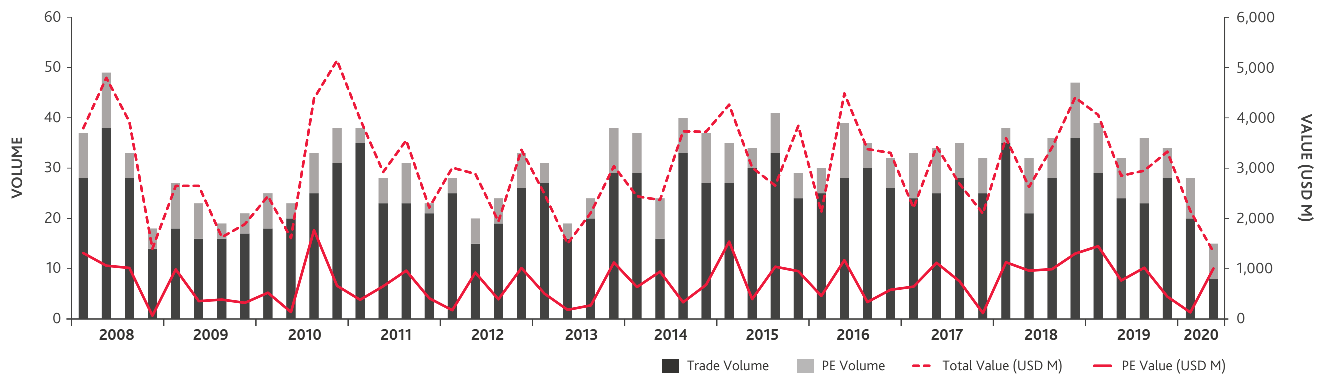
KEY SECTORS AND DEALS

A total of five deals were completed in Pharma, Medical & Biotech, closely followed by four deals in Business Services. TMT was in third place with three deals, followed by Industrial & Chemicals with two deals and Leisure with one deal. In Q2 2020, no deals were completed in the Real Estate, Financial Services, Energy, Mining & Utilities and Consumer sectors. The deal numbers indicate that COVID-19 has had a positive impact on deal activity in Pharma, Medical & Biotech.

The deal value of the quarter's top 10 deals in the Benelux ranged between USD 11m and USD 395m. In the top 10, four deals involved a domestic buyer and the other six were cross-border deals.

The quarter's biggest deal was the sale of Normec Group (backed by Summit Partners) to French PE house Astorg Partners for a total deal value of USD

PE/TRADE VOLUME & VALUE



395m. Dutch company Normec is a leading provider of testing, inspection, certification and compliance services.

The second largest deal involved the sale of Vision Healthcare N.V. for a deal value of USD 339m. Vision Healthcare is an ambitious player in the retail healthcare sector and its portfolio consists of self-care products and OTC brands.

Concluding the top three deals, in April 2020, a majority stake of 60% in Sustainalytics B.V. was bought by Morningstar Inc. Sustainalytics is a company that rates listed companies based on their environmental, social and corporate governance (ESG) performance.

LOOKING AHEAD

The BDO Benelux Heat Chart shows 153 deals currently planned or in progress. Industrials & Chemicals is expected to be the leading sector with 35 deals, which would account to 23% of the region's total activity. The second and third most active sectors are expected to be Consumer and Business Services, each with 19% of deal volume.

On a global level, TMT, Industrials & Chemicals and Consumer are expected to be the top-performing sectors, accounting for 24%, 20% and 12% respectively of the total deal count.

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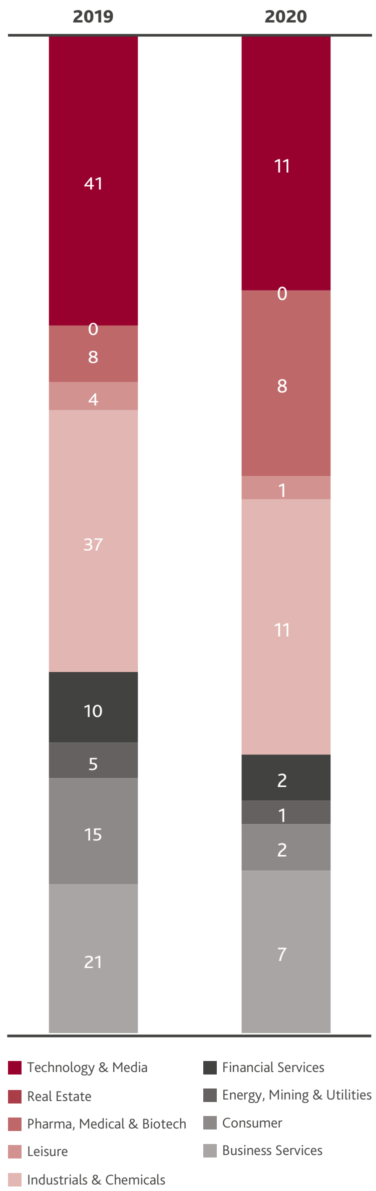
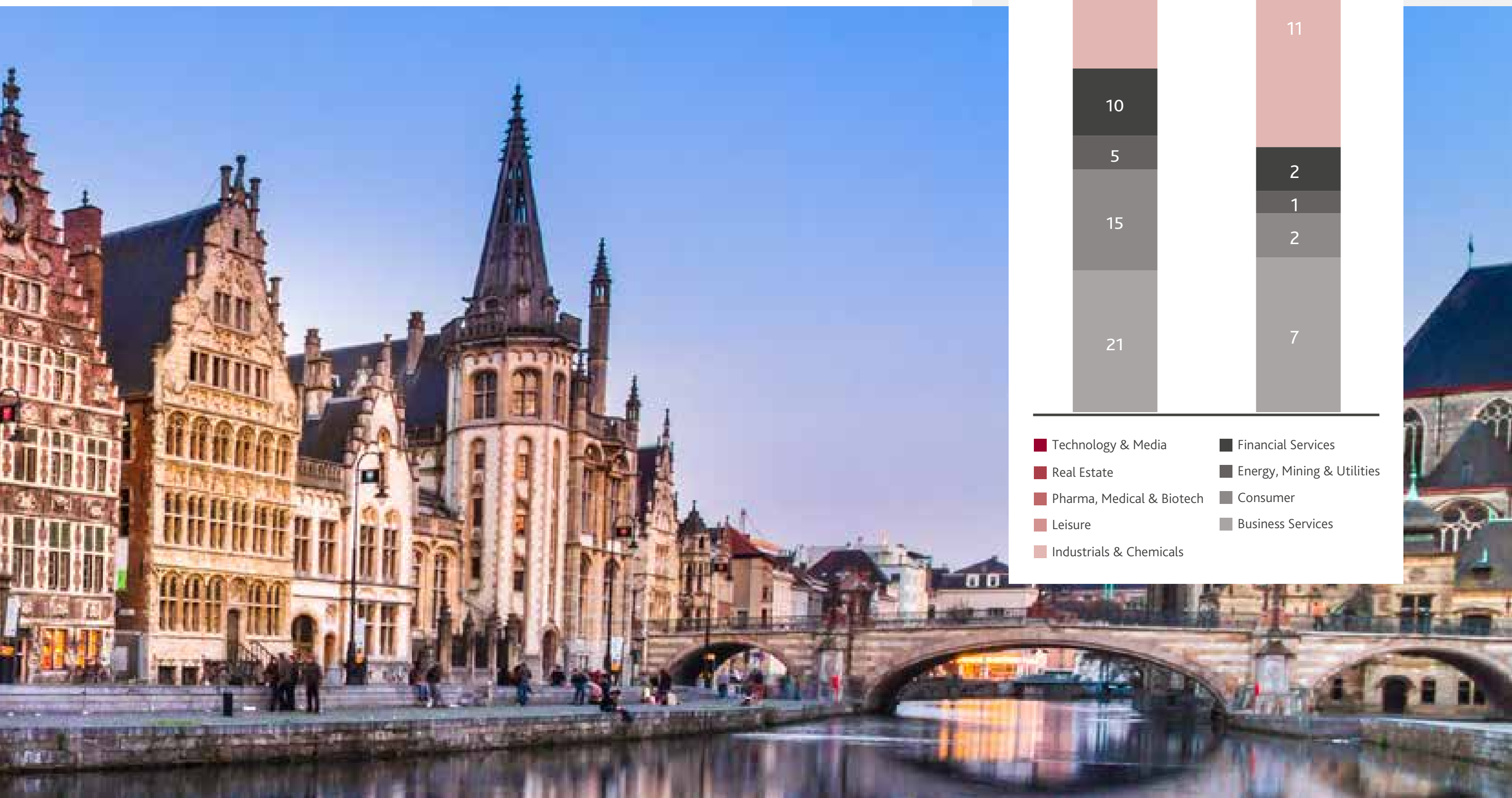
BENELUX
HEAT CHART BY SECTOR

Industrials & Chemicals	35	23%
Consumer	29	19%
Business Services	29	19%
TMT	22	14%
Pharma, Medical & Biotech	14	9%
Financial Services	12	8%
Leisure	7	5%
Energy, Mining & Utilities	3	2%
Real Estate	2	1%
TOTAL	**153**	**100%**

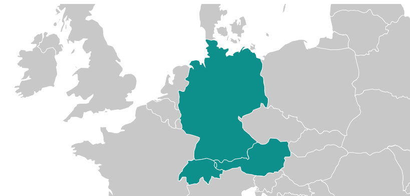
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

MID-MARKET M&A ACTIVITY CONTINUES DOWNWARD TREND



BIG PICTURE

- Deal value and volume plummet in Q2 2020 with deal volume reaching an all-time low of just 31 deals
- The number of PE buy-outs fall not only in volume, but also relative to the overall number and value of deals. Relative PE deal value dropped by 37.6% compared to the previous quarter
- M&A activities in Industrials & Chemicals decreases by a third, but TMT activity remains stable.

Continuing the downward trend in DACH M&A activity in previous quarters, the number and volume of transactions declined further in Q2 2020. Overall, there were only 31 deals, including five PE buy-outs.

Total deal numbers fell by five compared to the previous quarter, resulting in a decreased value of 28.6%. Compared to Q2 2019, there were 28 fewer deals in Q2 2020, with an overall decrease in value of USD 4.18bn, a fall of 62.8%. Although the number of PE deals was the same as the corresponding quarter in 2019, value declined by USD 834m in what is usually a strong quarter for M&A activity and these results reflect the current uncertainty in the market. The region's reduced quarterly volume and value was consistent with the global downward trend seen so far in 2020.

KEY SECTORS AND DEALS

In Q2 2020, the top 10 deals accounted for 81.2% of the total transaction value. Out of the top 20 deals, 14 German companies were targeted, five from Switzerland and one from Liechtenstein. Only six of those involved a bidder from the same country, maintaining the trend of international interest in the DACH region. Bidders from six different countries outside the region were involved in the top 20 deals. The most active bidders were from the USA with six transactions. Bidders from other countries included China (2), Singapore (2), Luxembourg (1) and Poland (1).

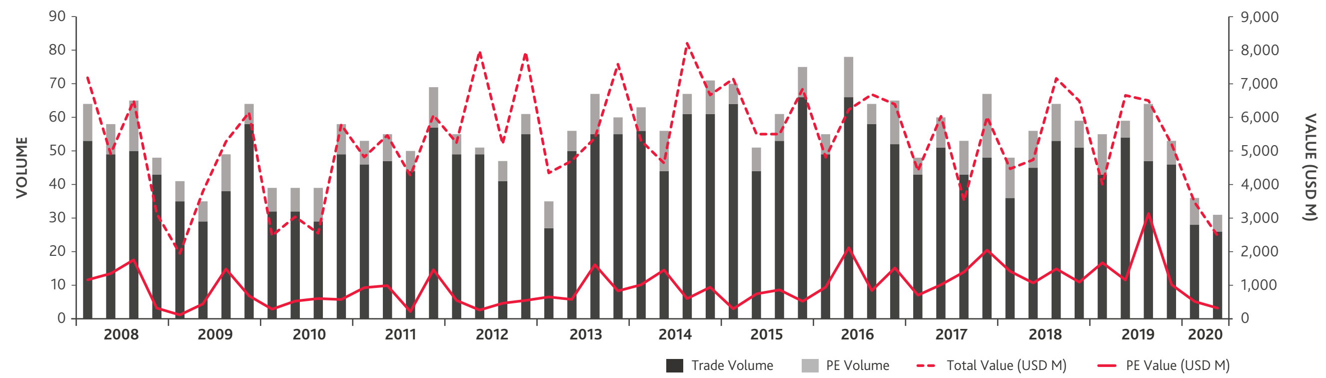
The quarter's biggest deal took place between two German companies and saw Pharma, Medical & Biotech company CureVec Ltd. sell a 23% stake to the KfW Group, in a deal worth USD 338m.

Germany's next biggest transaction was the German government's acquisition of a 20% stake in Lufthansa Ltd. The transaction was valued at USD 327m and took place because of Lufthansa's financial problems caused by the COVID-19 travel restrictions.

The biggest cross-border deal had a value of USD 185m. BioNTech SE, a German company focused on the development of active immunotherapies to treat cancer and other serious diseases, was acquired by American company Pfitzer Inc., the world's second biggest pharmaceutical company.

The biggest deal not involving a German company was the acquisition of Liechtenstein company Optics Balzers Ltd. by the Materion Corporation, a multinational company based in the US. The deal had a value of USD 160m.

PE/TRADE VOLUME & VALUE



The biggest Swiss deal was a cross-border deal valued at USD 57m. Singapore-based EDBI Pte Ltd. acquired Swiss TMT company Screening Eagle Technologies Ltd., which builds intelligent inspection solutions that secure an artificial intelligence-powered future for sustainable assets and infrastructure.

The next biggest Swiss M&A transaction was valued at USD 37m. The deal was completed between Swiss company Appway Ltd, which offers technological solutions for wealth managers, private banks, broker-dealers, asset managers, multi-family offices, and universal banks, and the US-based Summit Partners LLP.

In Q2 2020, the majority of the region's deals involved companies from TMT (42%), Pharma, Medical & Biotech (19%), Industrials & Chemicals (13%) and Business Services (13%). Apart from TMT and Business Service, every sector recorded a notable decrease in deal activity. The biggest falls from Q1 2020 to Q2 2020 occurred in Industrials & Chemicals (-67%) and Consumer (-100%).

The overall decline in deals can largely be accounted for by the various difficulties and guidelines related to curbing the spread of COVID-19. Consequently, some sectors recorded no or only one transaction in the quarter.

LOOKING AHEAD

While Q2 2020 M&A activity did not fall in line with historical trends due to the worldwide COVID-19 pandemic, looking at economic forecasts, increased deal-making can be expected for the rest of 2020. This is supported by consistently low interest rates that ease the cost of financing deals. However, uncertainty about the further development of COVID-19 and other geopolitical events that can negatively impact trade relations will inevitably keep investors cautious. More specifically, the upcoming presidential election in the US is already causing uncertainty and restraint among investors. Historically, the third quarter of each year accounts for a large number of mid-market M&A transactions. We expect this to be the case until the end of 2020, although in a scaled-down form due to the current economic situation, since most of the world will be waiting to see how the COVID-19 regulations develop and affect the business environment. We maintain our belief that DACH's M&A market will recover and improve over the coming periods.

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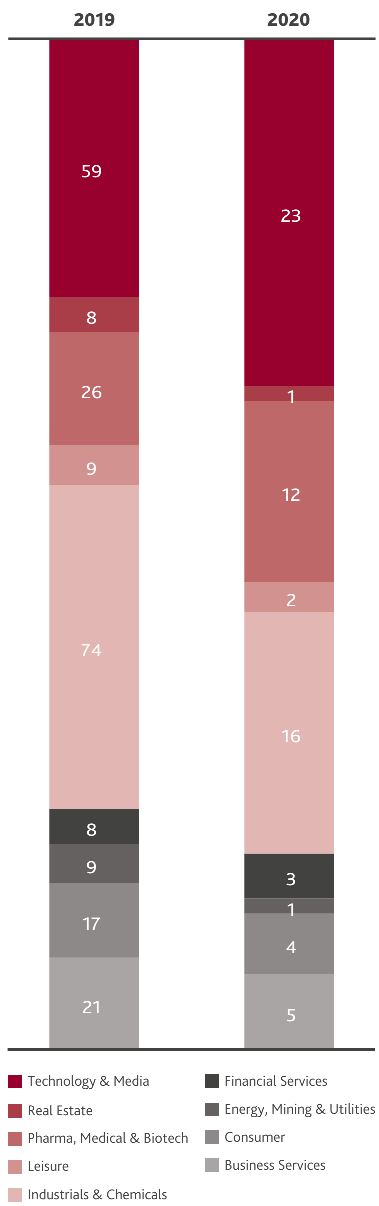
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	119	33%
TMT	78	22%
Consumer	54	15%
Pharma, Medical & Biotech	35	10%
Business Services	25	7%
Energy, Mining & Utilities	15	4%
Financial Services	14	4%
Leisure	13	4%
Real Estate	5	1%
TOTAL	**358**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

M&A VALUE REMAINS STABLE IN TRYING TIMES

BIG PICTURE

- Q2 2020 saw increased deal value after a slow start to the year due to external factors
- PE accounted for 25% of the region's total deal value (20% in Q2 2019) while maintaining a focus on stabilizing portfolio companies affected by the pandemic
- Industrials & Chemicals remained the most active sector with TMT a close runner-up
- There were a surprisingly high number of cross-border transactions in Nordic's top 20 deals.

2020 has seen a slow start to the year as Nordic M&A deal activity has fallen amid the general political uncertainty as well as the effects of COVID-19 pandemic. The second quarter of 2020 showed a continued decrease with 28 deals completed (40 deals in Q1 2020) while deal value staged a recovery to USD 2.4bn (35% increase from Q1 2020).

Although Q2 2020's performance was a long way from the record levels of activity seen in 2017 and 2018, the region's M&A activity has remained at somewhat stable levels given the circumstances. In H1 2020 there were 68 Nordic M&A transactions with a combined value of USD 4.2bn.

There were just seven PE buy-outs in Q2 2020, which can partially be explained by the effects of the pandemic, which have meant PE firms have primarily been focusing on stabilizing their portfolio companies rather than actively seeking for new investment opportunities. However, the seven PE deals represented a total deal value of c. USD 607m, an increased percentage (25% in Q2 2020 versus 20% in Q2 2019) of the total Nordic M&A deal value.

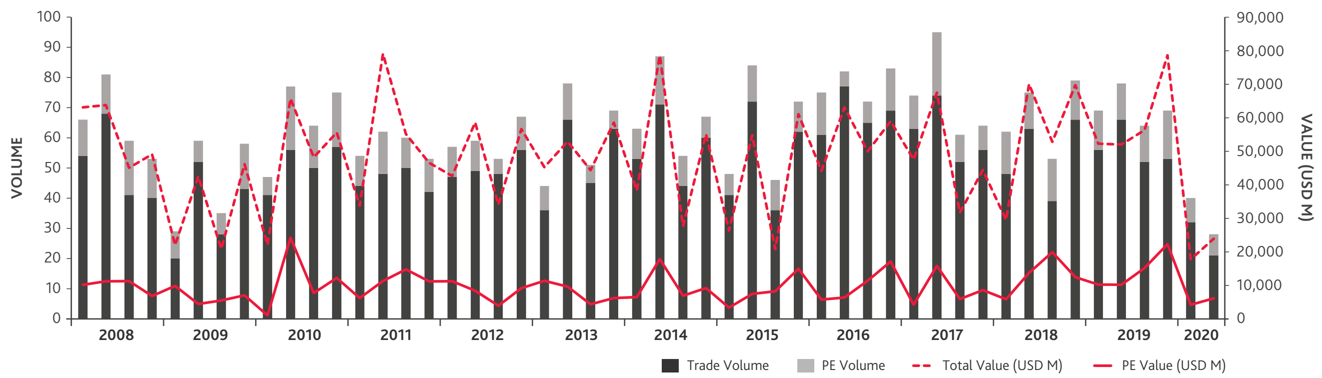
KEY SECTORS AND DEALS

Cross-border deals were the primary focus in the top 20 deals, accounting for 12 out of the top 20. The majority of the deals took place in Sweden (nine deals) followed by Finland and Denmark (four deals each) and finally Norway (three deals). The deals were within a wide range of sectors.

The quarter's largest transaction was a cross-border deal in Sweden, in which Chinese company Evergrande Health Industry Group Ltd bought a 17.6% stake in Swedish company National Electric Vehicle Sweden (Industrials & Chemicals). The deal amounted to USD 380m. National Electric Vehicle Sweden's operations include the production of electrical vehicles and it is headquartered in Trollhättan, Sweden.

The second largest deal was another cross-border transaction in Norway's Energy, Mining & Utilities sector. The deal involved the sale of TiZir Titanium & Iron A/S to American energy company Tronox Holdings plc and was valued at USD 300m. TiZir Titanium & Iron is a Norwegian zircon and titanium business which owns the Grande Côte mineral sands mine in Senegal and the TiZir Titanium and Iron ilmenite upgrading facility in Norway.

PE/TRADE VOLUME & VALUE



Finally, the third biggest deal was the acquisition of Sweden-based LELO Group in the Consumer sector by CITIC Capital Holdings Limited, based in Hong Kong. The Consumer company was sold by a private investor in Sweden and the deal was valued at USD 250m.

Once again, Industrials & Chemicals was the most active sector in the Nordics, accounting for eight out of the 28 deals completed in Q2 2020. TMT was a strong runner-up with seven completed deals. However, TMT is predicted to be the most active sector for the full-year 2020 as it tops the BDO Heat Chart for companies for sale in the Nordics. Business Services retained its position as one of the region's top performing sectors, finishing in third place with five deals.

LOOKING AHEAD

Nordic M&A activity in Q2 2020 was definitely affected by external factors. However, the number of deals and deal value implies there is a continued interest for transactions. The full year M&A activity will most likely continue to be affected by the COVID-19 pandemic but what the final impact on deal numbers will be is still too early to say.

PE firms continue to have a significant quantities of dry powder available and as portfolio companies stabilize, they will start actively looking for investment opportunities.

The uncertain deal-making environment has also had a significant impact on company valuations, but this may end up resulting in several investment opportunities being available at low valuations, making them attractive for a larger spectrum of potential buyers.

One thing that is notable is that the Nordic TMT sector continues to thrive, even under increased pressure. The sector is likely to continue to drive investment in the region with corporates and financial sponsors both looking to invest in innovative assets.

The COVID-19 pandemic has also resulted in investors developing an interest for 'surviving' sectors, such as e-retail and this might lead to further investments in the Consumer sector.

In summary, 2020 M&A activity remains uncertain due to several factors but the bigger picture shows a continued interest for transactions in the region, which will hopefully translate to increased deal volume and value in H2 2020.

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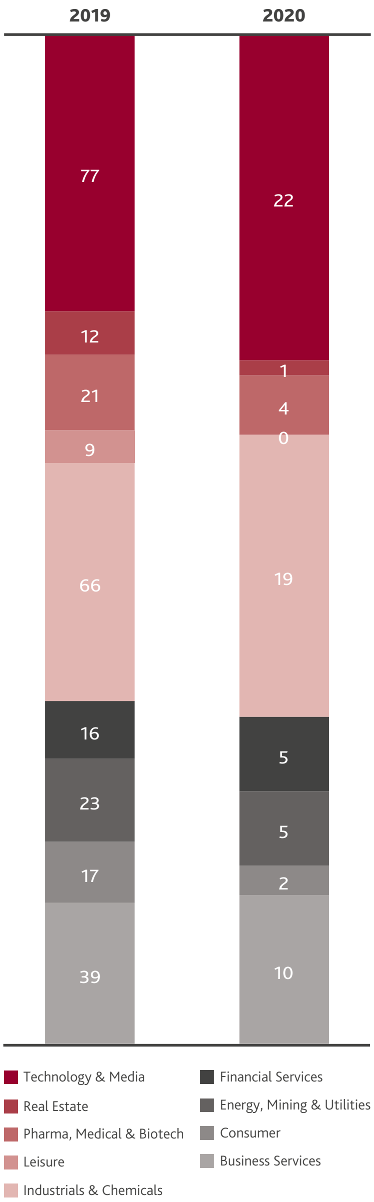
NORDICS
HEAT CHART BY SECTOR

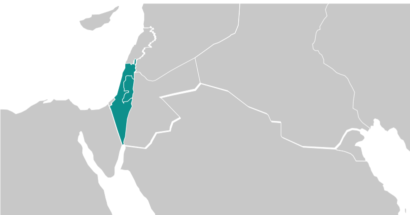
Technology & Media	47	26%
Industrials & Chemicals	33	18%
Pharma, Medical & Biotech	27	15%
Business Services	20	11%
Consumer	18	10%
Energy, Mining & Utilities	15	8%
Leisure	10	6%
Financial Services	9	5%
Real Estate	2	1%
TOTAL	**181**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

M&A ACTIVITY INCREASED DRAMATICALLY DURING Q2 2020 IN TERMS OF VALUE



BIG PICTURE

- Q2 2020 M&A value has boosted (44.22%) in comparison to the previous quarter while deal volume slightly decreased (6.67%), from 15 deals in Q1 2020 to 14 deals in Q2 2020.
- The BDO Heat Chart shows 131 potential deals, suggesting a ramp up in activity ahead.
- PE activity has doubled in Q2 2020 from Q1 2020.

A total of 14 deals, with a combined deal value of USD 1,285M, were successfully completed in Q2 2020. This represented a 44.22% boost in deal value, and 6.67% drop in deal volume from 15 completed deals to 14 compared to Q1 2020. Deal value significantly increased, triggering a 54.52% surge in the average transaction value, to a USD 91.8M for the quarter, indicating larger amount deals.

The second quarter of 2020 has generated a total of 14 completed deals, with a total value of USD 1,285M, reflecting a growth of USD 394M (44.22%) comparing to Q1 2020 and a reduction of USD 754M (36.98%) comparing to Q4 2019.

Deal numbers recorded a down tick from 15 in Q1 2020 to 14 in Q2 2020, a cut of 6.67%, while total deal value boosted during the same period. This led to an increase in the average deal value from USD 59.4M in Q1 2020 to USD 91.8M in Q2 2020, which is a whapping 54.52% rise from the previous quarter.

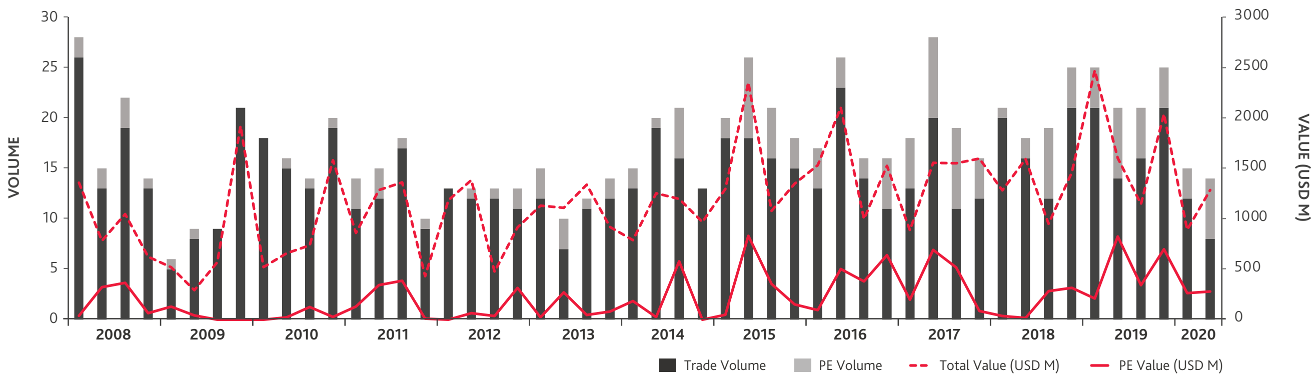
Private equity activity showed strength as, Q2 figures show a noticeable growth in terms of volume and a slight expansion in terms of value.

In Q2 2020, Private equity was responsible for 6 deals, worth a total of USD 279M, which represented 42.9% of the deal count and 21.7% of the value for the quarter.

KEY SECTORS AND DEALS

Israel's top ten Q2 2020 deals had an aggregated value of USD 1,228M, representing 95.6% of total M&A transactions. The largest transaction was the USD 450M acquisition of spot, which enables companies to optimize their cloud consumption, ensuring that their applications run on the most scalable and reliable cloud infrastructure at the lowest possible cost. Other deals include the $365M acquisition of OptimalPlus Ltd., a leader in analytics solutions for the automotive, semiconductor and electronics industries. The acquisition was led by National Instruments Corporation. Further transactions include the USD 145M acquisition of BioCatch Ltd., by Bain Capital, LP.; Industry Ventures, L.L.C;

PE/TRADE VOLUME & VALUE



American Express Ventures; OurCrowd Management Limited; CreditEase Corp. and Maverick Ventures.

Technology & Media was the most active sector, accounting for 9 deals (64.29% of total transactions) in Q2 2020. Pharma, Medical & Biotech took second place, accounting for 2 deals (14.29% of total transactions). Next was Industrials & Chemicals, Energy, Mining & Utilities and Consumer with 1 deal each (7.14% of all transactions each), followed by Real Estate, Leisure, Financial Services and Business Services with no deals.

Eight of the top ten deals had foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. The foreign bidders consisted of 7 US buyers and 1 French buyer.

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

LOOKING AHEAD

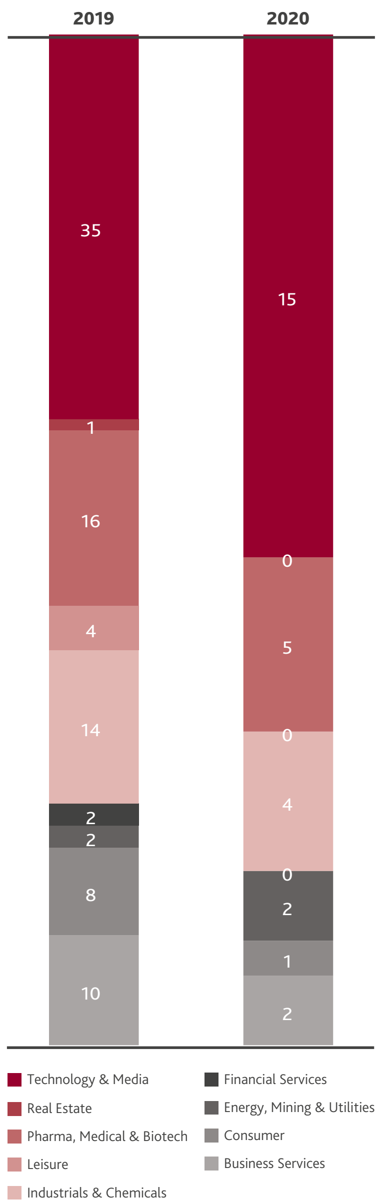
Looking ahead, the data supports a ramp up in growth rate. The BDO heat chart of Q1 2020, showed 92 deals planned or in progress, compared to 131 deals in Q2 2020, which reflects a 42.4% growth in pipeline deals, a noticeable upsurge.

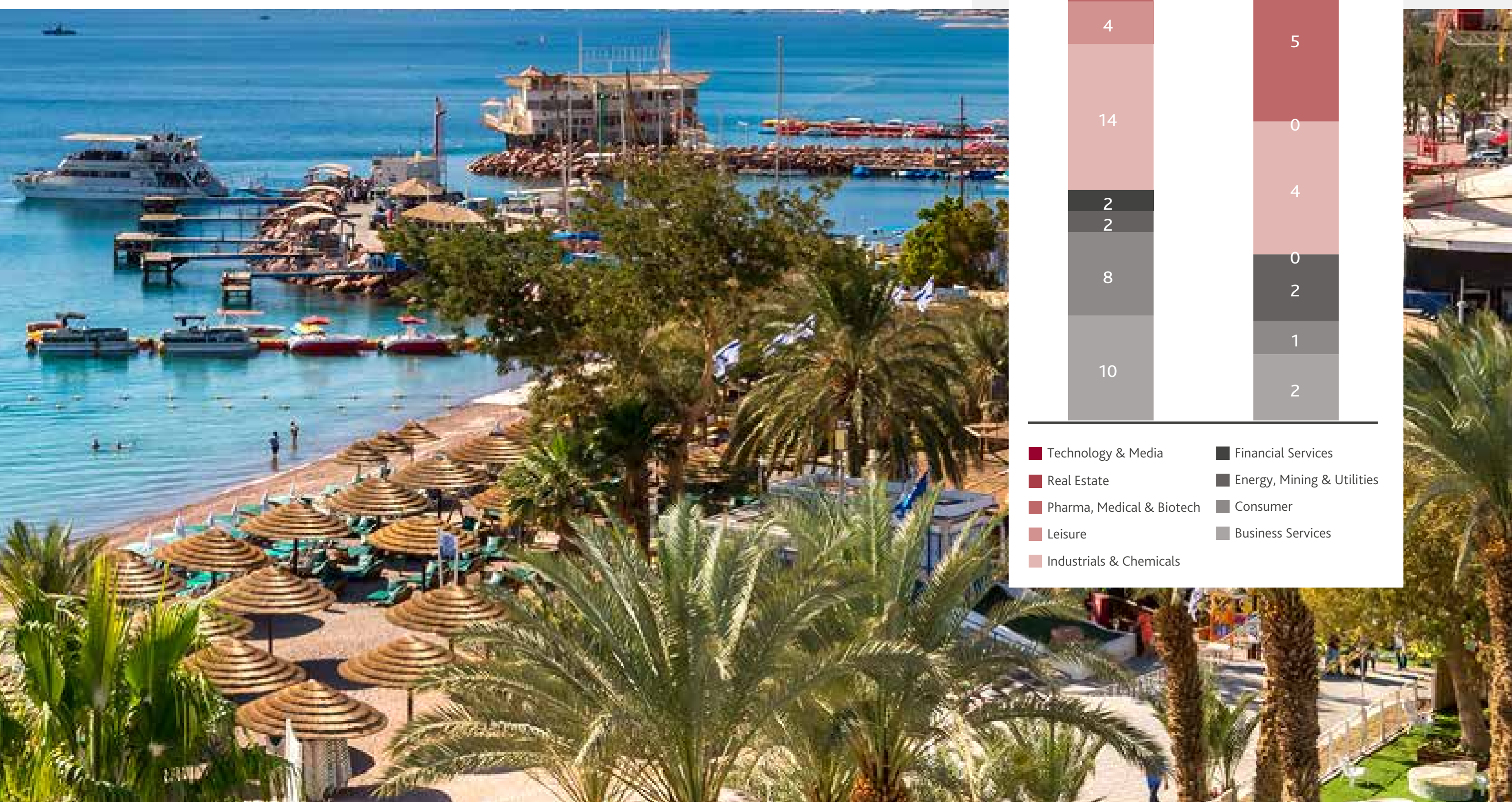
The BDO Heat Chart for Israel shows there are 131 deals planned or in progress for M&A with 82 (63%) related to TMT and 16 (12%) involving Industrials & Chemicals. Other sectors include Pharma, Medical & Biotech with 14 deals (11%), Consumer with 6 deals (5%), Business Services and Energy, Mining & Utilities with 4 deals each (3% each), Financial Services with 3 deals (2%) and finally Real Estate and Leisure with 1 deal each (1% each).

ISRAEL
HEAT CHART BY SECTOR

Technology & Media	82	63%
Industrials & Chemicals	16	12%
Pharma, Medical & Biotech	14	11%
Consumer	6	5%
Energy, Mining & Utilities	4	3%
Business Services	4	3%
Financial Services	3	2%
Real Estate	1	1%
Leisure	1	1%
TOTAL	**131**	

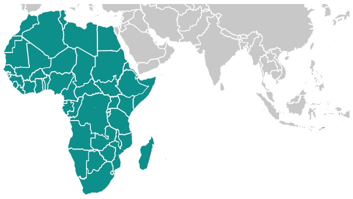
ISRAEL
MID-MARKET VOLUMES BY SECTOR





AFRICA

DEAL LEVELS COLLAPSE AS COVID-19 DISRUPTS GLOBAL MARKETS



BIG PICTURE

- As expected, Q2 2020 saw the lowest level of mid-market M&A deal activity in decades with deal volume plummeting by 63.4% compared to Q2 2019
- As COVID-19 has spread rapidly across the globe, most economies are facing lockdowns and restrictions on movement, which have resulted in enormous disruption in supply chains, cashflow issues and funding gaps
- The consequence is that business owners and managers are seemingly focusing on managing their core business and its recovery and as a result inorganic M&A activity has taken a back seat.

There were just 15 mid-market deals completed during Q2 2020, worth a total of USD 863m. This represented a decline of 18.3% from Q1 2020 (USD 1,056m), which already represented the worst levels recorded since the Global Financial Crisis of 2008.

In our view, the deal paralysis in Q2 2020 was a combination of two major factors:

1. From a new deal perspective, there was limited activity as a result of companies focusing on survival and concerns over the timing of going to market. Many companies immediately announced a freeze on major capital expenditure and acquisitions; and
2. In deals which commenced pre-COVID-19, we have seen, in some instances, a power struggle taking place in relation to pricing with bidders looking for 'bargains' and sellers not willing to take significant 'haircuts' on prices. In some cases, we have seen parties invoke 'Force majeure' on concluded deals in order to return to the negotiating table.

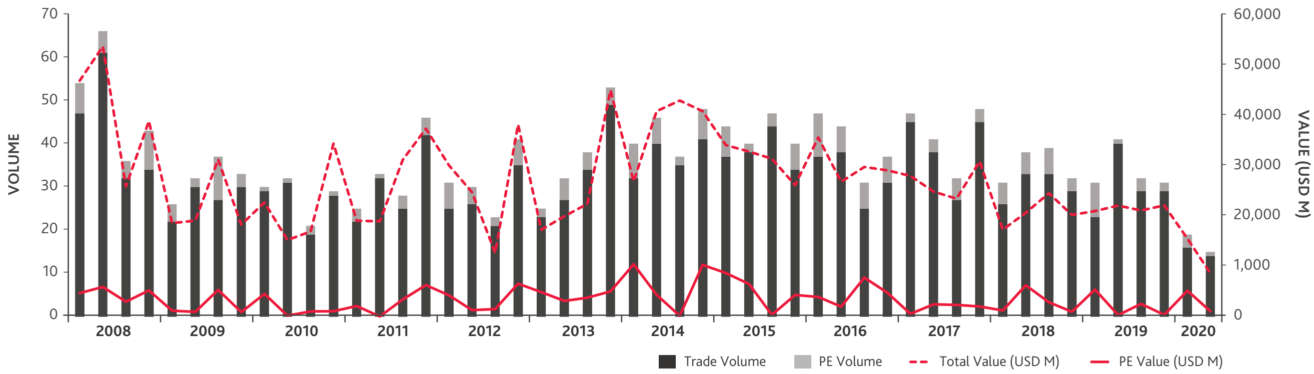
KEY DEALS AND SECTORS

Africa was one of the last continents to fall victim to the exponential spike in COVID-19 cases, so the region is lagging behind the rest of the world in this respect. This, coupled with reduced investor confidence in many territories, a slowdown in economic activity and the increased pressure on the ease of doing business, meant that deal volumes experienced their fifth consecutive quarterly fall to just 15 deals with a combined value of USD 863m in Q2 2020.

Notably, force majeure and Material Adverse Change (MAC) clauses have become a key mechanism in the markets' attempt to cancel or renegotiate announced deals. In Horizons issue 2 of 2020, we reported on the quarter's biggest deal, namely Barloworld's acquisition of Tongaat Hulett's starch division. This transaction is currently in dispute with Barloworld claiming a MAC event and independent experts are in the process of being appointed to adjudicate on the matter.

There was just one PE deal transacted in the quarter but we believe that this was partly

PE/TRADE VOLUME & VALUE



due to a 'wait and see' adopted by PE firms as well as an impasse on pricing between buyers and sellers. We also believe that the pricing gap is narrowing but we still see a potential requirement for earn-outs and other deferred payment mechanisms in the medium term.

Another equally concerning factor is that, in our opinion, at least three of the 14 remaining deals in the quarter are considered as forced sales, having been driven by large-scale irregularities and pressures at the parent company.

During the quarter, Egypt and South Africa (including Swaziland), with five deals each, maintained their positions as the continent's most active M&A sectors.

The quarter's largest deal by value was the acquisition of Atlantic Leaf Properties Limited by Apollo Global Management, Inc. (APO) for an aggregate cash consideration of approximately USD 185m or USD 1.00 per Atlantic Leaf share. Explaining the rationale for the deal, Paul Leaf-Wright, CEO of Atlantic Leaf Properties, said that a "challenging environment in both South Africa and the United Kingdom has seen continued market uncertainty, particularly surrounding Brexit and more recently the COVID-19 pandemic. Limited support for capital raises and reduced liquidity has put pressure on Atlantic Leaf's share price, which in turn has made it uneconomic to raise new capital to fund portfolio growth." Peter Bacon, Chairman of Atlantic Leaf Properties, commented: 'The Apollo Funds will bring a sizeable capital base, access to captive funding, execution resources and deep experience of investing in real estate portfolios, all which will contribute towards improved performance during uncertain times.'

Industrials & Chemicals and Consumer led the charge in the quarter's sector deal activity with three and four deals respectively, emphasising the drive in foreign investment into renewable energy projects and the desire for industry leaders to obtain consumer-driven products in the healthcare sector with Pharma chain 19011 acquiring 100% of Roshdy Group, a pharmacy group based in Egypt, babycare with Dis-Chem Pharmacies' acquisition of the Baby City Group and food production and security with the acquisition of the Egyptian Starch and Glucose Company (ESGC) by Cairo 3A by way of a mandatory offer to shareholders and Zeder Investments' sale of its 32.1% stake in Quantum Foods Holdings to Country Bird Holdings.

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MARKET ENVIRONMENT AND OUTLOOK

With the cautious approach currently being adopted by PE firms, even those with access to a wealth of dry powder, wide-scaled retrenchments across the continent, depreciating and volatile currencies, IMF bailouts and the lack of sufficient reserves to support the various industries in need, the outlook for the continent is bleak.

Mid-market businesses are faced with the challenges of determining what new normalised earnings will look like, with sellers verging on the edge of overly-optimistic forecasts, and buyers offering up to 50% of pre-COVID prices. The major banks operating in Sub-Saharan Africa are carefully monitoring their liquidity, with the unofficial consensus that large-scale, unsecured lending will not be undertaken in at least the short to medium term.

Conversely, industry leaders have stated that they are eagerly awaiting the various opportunities which will inevitably present themselves to those with sufficient strong balance sheets to survive the crisis.

Although the M&A market may have stagnated across the continent, good quality assets remain available in these trying times. As lockdown restrictions are lifted across Africa, a more optimistic view is emerging on sustainable earnings and what will constitute the new normal. Quality businesses will emerge from this period and we anticipate that the demand and interest for said quality assets will return, albeit at what cost?

LOOKING AHEAD

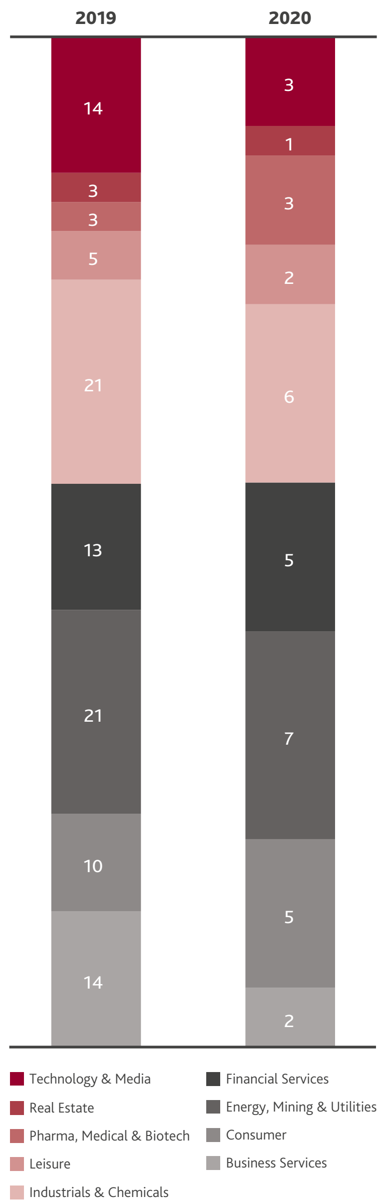
According to the BDO Heat Chart, both the Industrials & Chemicals and Energy, Mining & Utilities sectors will remain active across the continent, followed by Consumer and Financial Services. With Energy, Mining & Utilities always being a primary driver of deal activity on the African continent, we anticipate foreign investment to continue into these sectors, considering the weakness of the emerging market currencies to the more established currencies.

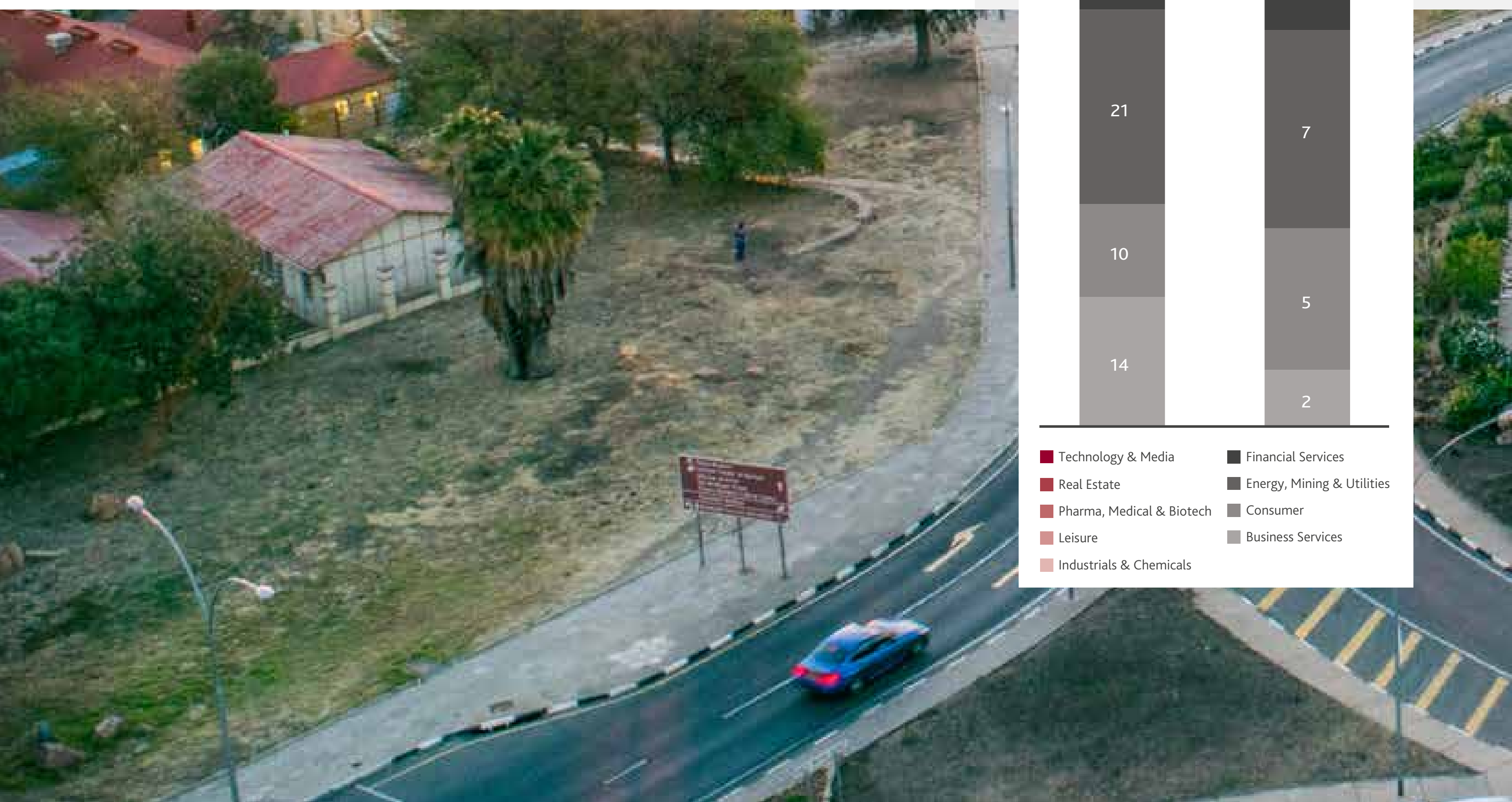
With one of the continent's giants, integrated chemicals and energy company Sasol, now fiercely trying to avoid a rights issue by embarking on a sell-off of non-core chemical assets, and the renewable energy sector attracting significant foreign investment from long-term investors, we anticipate the drive toward these sectors to remain a significant factor in the region's future mid-market M&A activity.

AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	48	27
Energy, Mining & Utilities	40	23
Consumer	22	13
Financial Services	18	10
TMT	14	8
Business Services	12	7
Pharma, Medical & Biotech	9	5
Real Estate	7	4
Leisure	5	3
TOTAL	**175**	**100%**

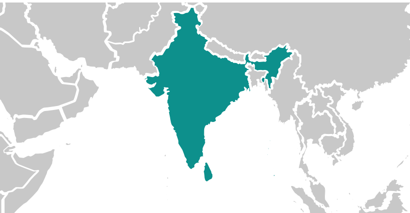
AFRICA
MID-MARKET VOLUMES BY SECTOR





INDIA

M&A ACTIVITY SUFFERS AS INDIAN ECONOMY HIT HARD BY COVID-19



BIG PICTURE

- Deal volume and value fall heavily in Q2 2020
- Every sector sees declines in deal numbers
- Interest in India from overseas and strategic investors remains strong
- Forward-thinking companies/ entrepreneurs raise funds for the future.

The impact of the COVID-19 pandemic has been felt across India with a slowdown in economic growth and weak performances in key sectors of the economy, which also manifested itself in reduced M&A activity.

In May 2020, RBI announced that it expected GDP growth in 2020-21 to remain in negative territory with some pick-up in growth levels in the second half of 2020-21. Subsequently, the IMF predicted that the Indian economy would contract by 4.5% in FY 2021 as a result of a longer period of economic lockdown due to COVID-19. India now ranks third in the world in COVID-19 cases.

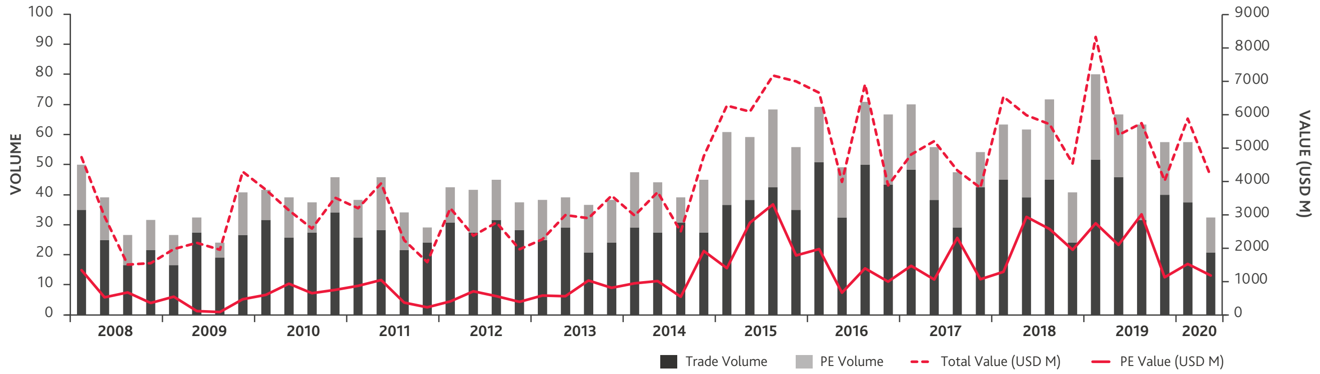
India's Good and Services Tax collection in Q2 2020 were 41% lower than the corresponding period in 2019, indicative of the country's weak economic activity. Gross direct tax collections fell by 31% to Rs 1,378bn in mid-June and advance tax collections dropped by 76%. These low tax collections reflect the lack of growth in India's non-agricultural sectors. In addition lower levels of corporate tax are being collected as a result of the cut in corporate tax rate in September 2019. Overall there will a shortfall of tax revenue vs the budgeted provisions.

With future demand looking uncertain, company management teams have understandably increased their focus on cutting costs, reducing capital expenditure and preserving cashflow. Banks have stated that the COVID-19 pandemic will lead to a weakening of credit demand in the Consumer Retail, MFI and SME/business banking segments. Banks will exercise caution while lending in the near term to preserve balance sheets and liquidity. Rural recovery is expected to be much faster than urban recovery.

KEY SECTORS AND DEALS

Looking at the different sectors, Capital Goods companies have taken a cautious stance on working capital and have been slow on the execution of projects. In the Cement sector, April 2020 was a washout due to operations being shut down but since then operations have started to improve. In the Metals sector, domestic demand for steel was hit hard in Q2 2020 due to the lockdown but the situation is slowly improving. Auto OEMs have not given guidance for the FY 2021 due to the uncertain demand outlook but are expecting some recovery to take place in the second half of 2021. Consumer companies with large staples portfolios have been performing well due to higher

PE/TRADE VOLUME & VALUE



levels of consumption at home and there has been an increased customer focus on the health and hygiene sectors. Finally, India's Retail sector was completely shut down during lockdown but since May 2020, retailers in selected cities are opening their doors again. However, malls remain closed in most of the larger cities.

ECONOMIC OUTLOOK

Notwithstanding the ongoing impact of COViD-19, some green shoots of recovery are visible as India slowly reopens its economy:

- Petrol consumption increased: The Petroleum Planning & Analysis Cell (PPAC) reported that sales of petroleum products grew by 47.5% in May 2020 compared to April 2020 and June's data is expected to be higher.
- Digital transactions rose: Daily payment data showed that average digital transactions in June 2020 hit an all-time high.
- Unemployment fell: India's unemployment rate fell sharply from 23.5% in May 2020 to 11% in June 2020, as per Centre for Monitoring Indian Economy (CMIE) data. And this was accompanied by a recovery in the labour participation rate from 38.2% to 40.3%. Nevertheless, June's unemployment rate of 11% is still quite high compared to 8% before the lockdown began.
- New jobs on the rise: India's reopening programme - Unlock 1.0 - has resulted in a month-on-month increase in hiring rates with key employment industries such as IT, BPO/ITeS, FMCG and Accounting seeing significant upticks. The worst affected sectors remain Hospitality, Retail, Oil and Gas, and BFSI
- Mobility improved: The Google COVID-19 Community Mobility report that maps mobility trends across six location types (retail and recreation, grocery and pharmacy, transport hubs, parks, workplaces, residential areas) indicates that there has been a gradual improvement in activity levels since 1 June.

Despite these positive developments, the post-COVID-19 recovery will be rocky as we continue to focus on real-time data on improvements in demand and supply from the lockdown-affected levels of April-May. Nonetheless:

- Sustainable demand levels for various consumer products will only become clear after a few months when India restores to some form of normalcy
- Demand will improve a week-on-week and month-on-month ('wow and mom') basis for some time. But we remain cautious about extrapolating recent trends of wow and mom improvement in production and sales volumes. Some of the recent sales recovery could simply be pent-up demand and it would be prudent to focus on sustainable demand levels given the damage to household income and sentiment.
- The eventual level of credit costs and NPLs for the critical BFSI sector (banks, NBFCs) will only become clear in Q4 2020 results as the extended moratorium on loan repayments until 31 August 2020 will hide the true financial position of borrowers.

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KEY DEALS

A string of fund raises by smart entrepreneurs and forward-looking companies suggest that the coming years could see huge consolidation in various sectors. In Q2 2020 there was huge foreign/strategic interest in India, most notably the ~USD 15.2bn investment in Reliance Jio Platforms. Indian capital markets were dominated by Reliance Industries' rights issue of Rs 531bn and subsequent fund raise with leading strategic/PE investors. Additionally, several other large corporates have raised funds including Piramal Enterprises, GSK selling its stake in Hindustan Unilever, Bharti Telecom selling its 2.75% stake in Airtel, and Kotak Mahindra Bank raising funds via share sales. These smart entrepreneurs and forward-thinking companies have raised funds to boost business confidence, raise acquisition capital, solidify their market-leading position, strengthen their balance sheet/deleverage and meet regulatory capital requirements. Capital is also flowing into well-governed market leaders in the respective sectors.

The pipeline is also healthy with several companies announcing rights issues (Tata Power, Mahindra & Mahindra Finance, PVR, Aditya Birla Fashion, Future Consumer, Lemon Tree Hotels and Shriram Transport) and fund raises (ICICI Bank, Axis Bank, IndusInd Bank, IDFC Capital First, Yes Bank). Even In the unlisted space, companies have been able to raise significant funds.

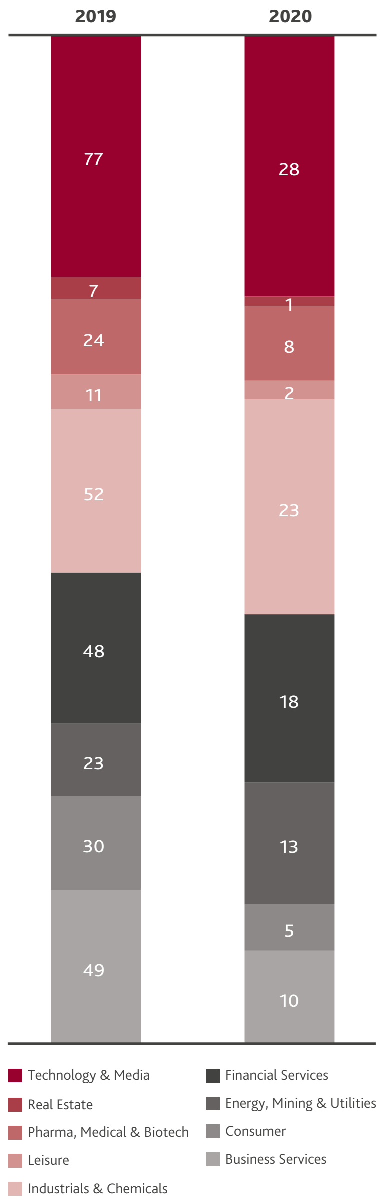
LOOKING AHEAD

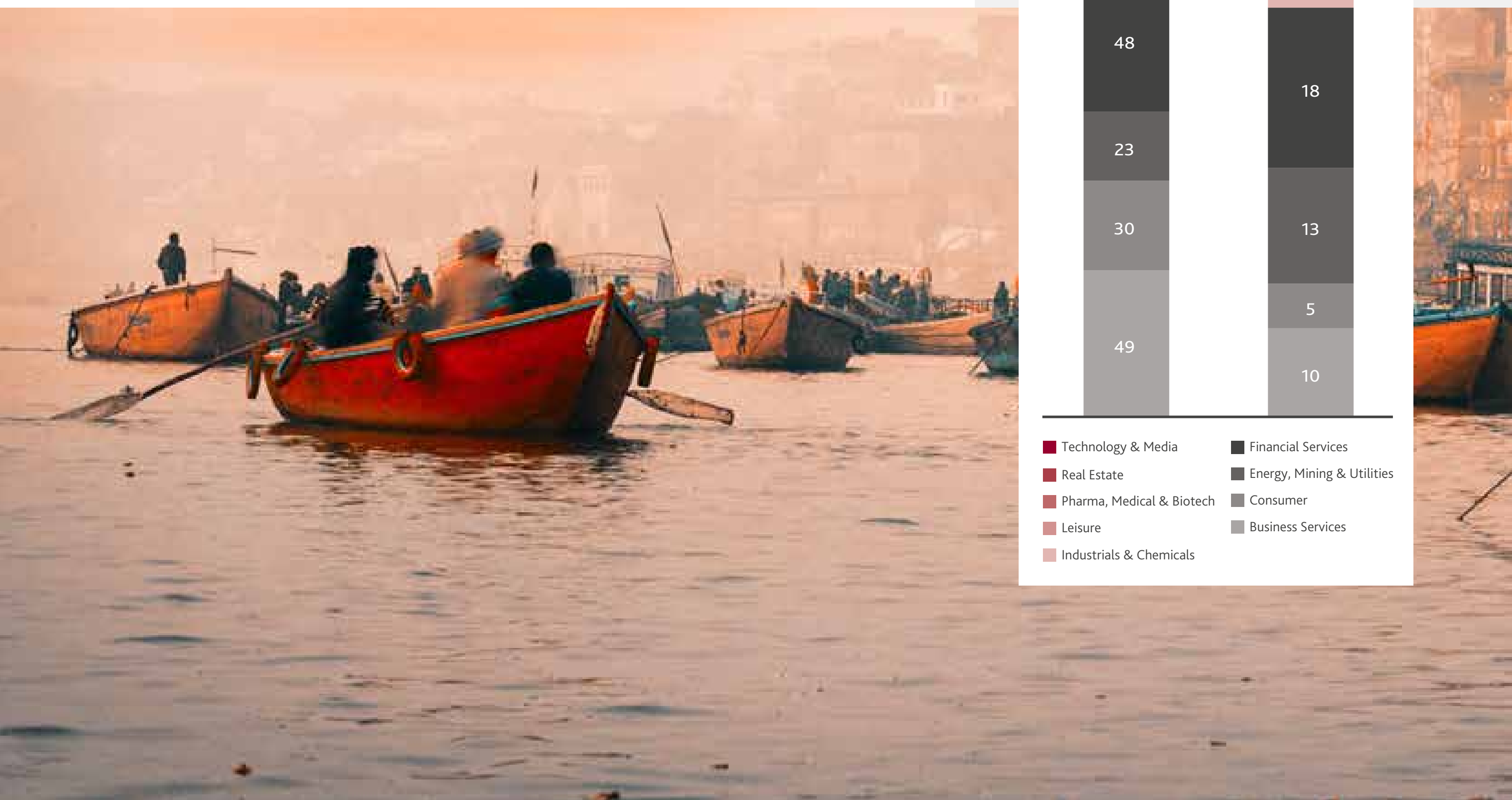
M&A activities should improve as the larger firms become more opportunist, find value in assets at reasonable/distress valuations, seek supply chain economies and players consolidate within sectors. Valuations are also likely to be reset to reasonable and acceptable levels. We believe that the low deal volumes and values (excluding the Jio transaction) in Q2 2020 was an aberration and that M&A activity will pick up over the coming months.

INDIA
HEAT CHART BY SECTOR

TMT	50	25
Consumer	34	17
Business Services	25	12
Financial Services	24	12
Industrials & Chemicals	24	12
Pharma, Medical & Biotech	17	8
Leisure	12	6
Energy, Mining & Utilities	12	6
Real Estate	3	1
TOTAL	**201**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR





CHINA

CHINA BUCKS GLOBAL TREND WITH INCREASED DEAL VOUME AND VALUE

BIG PICTURE

- China's economy was impacted by the COVID-19 pandemic in Q1 2020 but Q2 2020 saw a significant recovery, with deal volume rising by 51% and deal value increasing by 59%. Deal value increased from USD 20bn in Q1 2020 to USD 31.8bn in Q2 2020 and the number of deals increased from 268 deals in Q1 2020 to 405 deals in Q2 2020
- When compared to the same quarter of last year, mid-market deal volume increased by 6% from 382 deals in Q2 2019 to 405 deals in Q2 2020, but deal value decreased by 6% from USD 33.7bn in Q2 2019 to USD 31.8bn in Q2 2020
- PE buy-outs contributed around 7.4% of deal volume and 15.3% of deal value in Q2 2020.

In Q2 2020, the Chinese government focused on supporting the resumption of work and production in the country. Despite the COVID-19 pandemic significantly impacting business activities and the local economy in Q1 2020, the Chinese government responded quickly with actions to stimulate both its economy and investments into China.

To this end, the Ministry of Commerce (MOC) issued the following announcements in April 2020 to stabilize the Chinese investment environment and to facilitate both foreign direct investment and domestic re-investment:

1. Support foreign enterprises to resume normal operations;
2. Increase the level of opening up;
3. Further implement the reform of foreign investment administration;
4. Strengthen foreign investment governance services; and
5. Optimize the overall foreign investment environment.

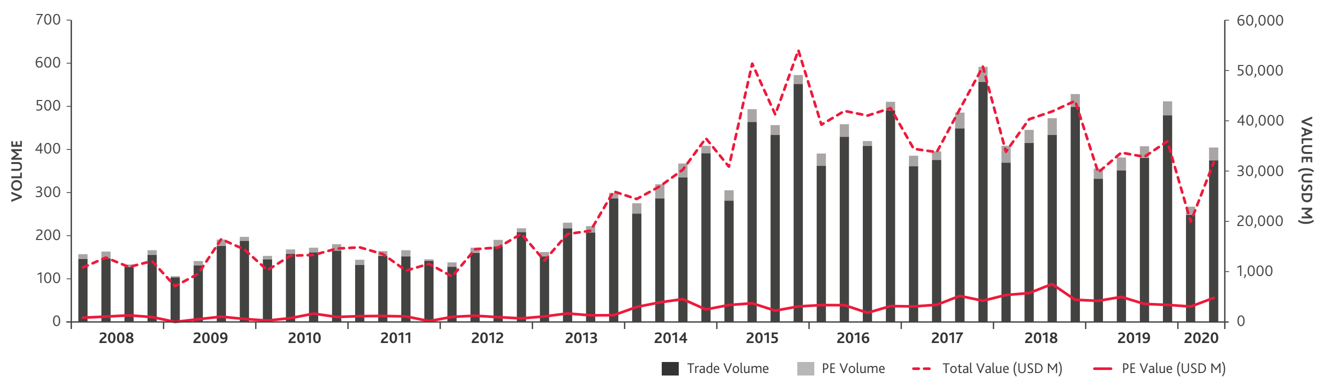
In May 2020, multiple government bureaus jointly announced plans to help small businesses to weather the difficult business circumstances, in particular, regarding rental pressure, including:

1. Advise state-owned landlords to relieve or extend collection of rental income;
2. Encourage non state-owned landlords to relieve or extend collection of rental income via tax relief; and
3. Require state-owned banks to provide short-term loans with favourable terms for rental payment purpose.

In June 2020, the MOC started to solicit public opinion regarding the administration of foreign strategic investments in Chinese listed companies. The proposed amendments included, among other changes, minimizing the investment threshold and increasing the investment and payment methods.

The implementation of these policies and China's gradual recovery from the COVID-19 pandemic, through social distancing policies, helped reactivate the domestic consumption market and encouraged investments in Q2 2020. According to the National Bureau of Statistics, monthly fixed asset investments increased from RMB5.1 trillion in March 2020 to RMB

PE/TRADE VOLUME & VALUE



6.2 trillion in May 2020. This increase is reflective of China's steady resumption of work and production. However, domestic investment and development have been the focus of China's economic recovery in Q2 2020, with plans for outbound investments into overseas markets being delayed to the second half of 2020 or 2021, depending on the global pandemic situation.

TOP DEALS

Five out of Greater China's top 20 mid-market deals in Q2 2020 took place in the Industrials & Chemicals sector. China's top three major mid-market deals were all announced in May 2020:

- Japan-based SoftBank Investment Advisers acquired Didi Chuxing Technology Co., Ltd for USD 500m;
- China Resources Capital Management paid USD 489m for a 54% stake in Chongqing Yukang Asset Management Co., Ltd.; and
- Shandong Hi-speed Company Limited acquired a 51% stake in Shandong Hi-speed Group Railway Transport Co., Ltd. from Shandong Hi-Speed Group Co., Ltd. for USD 477bn.

LOOKING AHEAD

The latest BDO Heat Chart for Greater China region indicates that there are a total of 1,287 deals planned or in progress with 432 (34%) related to Industrials & Chemicals and 195 (15%) related to TMT. Other key sectors include Business services and Consumer.

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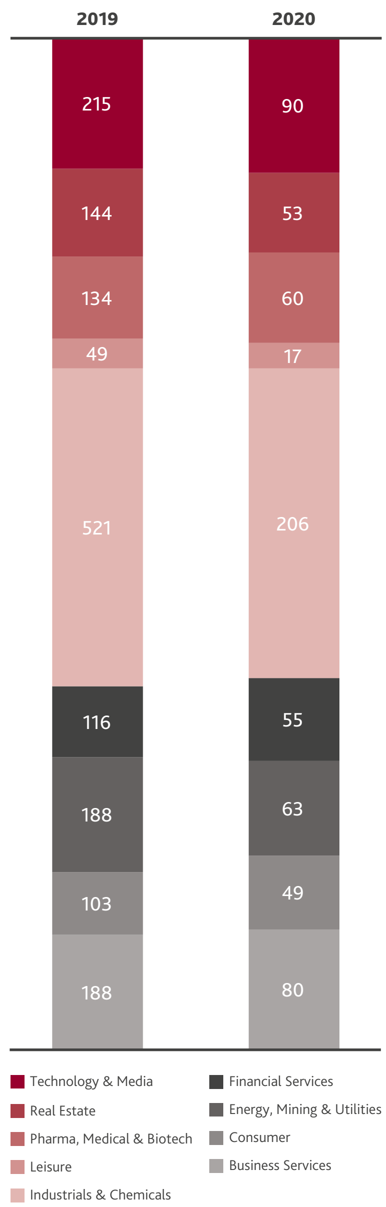
CHINA
HEAT CHART BY SECTOR

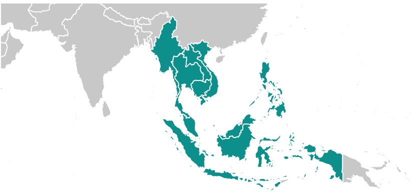
Industrials & Chemicals	432	34%
TMT	195	15%
Business Services	169	13%
Consumer	126	10%
Pharma, Medical & Biotech	94	7%
Energy, Mining & Utilities	89	7%
Financial Services	80	6%
Real Estate	59	5%
Leisure	43	3%
TOTAL	**1,287**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITIES CONTRACT AS REGION BATTLES ECONOMIC CHALLENGES AND COVID-19



BIG PICTURE

- Deal volume slumps to nine-year low and value hit lowest figure since 2009
- PE increases deal volume with six buy-outs
- Top 10 deals represent 77.5% of total deal value.

M&A market activity in South East Asia stagnated in Q2 2020 compared with the previous quarter, both in terms of the volume and value of deals, as the region was impacted by the current economic challenges arising from the COVID-19 pandemic.

Unprecedented measures taken by numerous countries to contain COVID-19 and a contraction in economic activities across the world weighed heavy on the region's deal-making activity. In total, 42 deals were transacted in Q2 2020 compared to 60 deals in Q1 2020, representing an 8.1% drop in total deal value to USD 3.1bn in Q2 2020 from USD 3.3bn in Q1 2020.

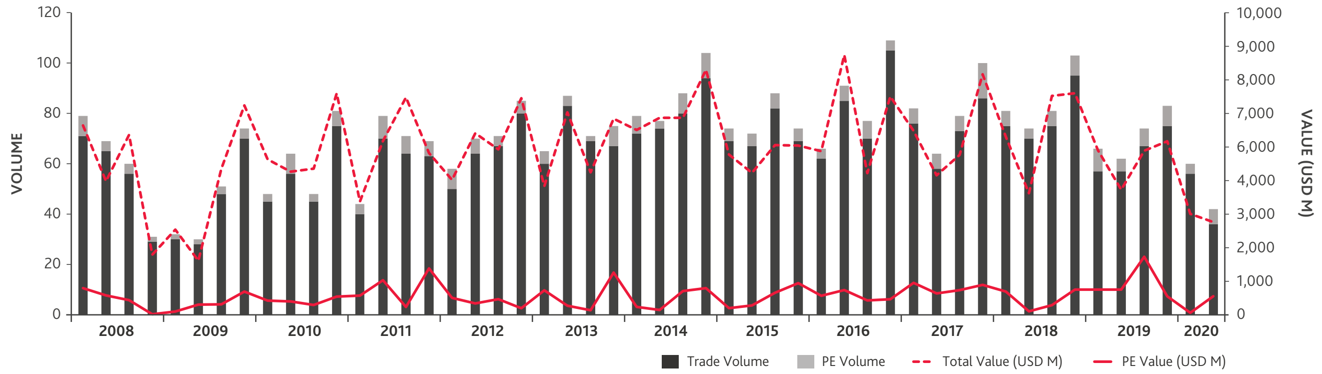
However, average value per deal improved from the previous quarter with Q2 2020 recording an average of USD 73.1m compared to USD 55.7m in Q1 2020. The top 10 deals amounted to USD 2.4bn, representing 77.5% of the quarter's deal value. This was an increase from Q1 2020, when the top 10 deal value of USD 1.7bn accounted for 53.4% of total deal value.

The PE segment completed six deals in Q2 2020, an increase on the five and four deals completed in Q2 2019 and Q1 2020 respectively. The total value of PE buy-outs in Q2 2020 increased to USD 0.6bn compared to USD 0.1bn in Q1 2020 but decreased compared to USD 0.8bn in Q2 2019. PE buy-outs accounted for a smaller proportion of the quarter's total M&A activities compared to the previous quarter, representing 14.3% of total deal numbers and 20.0% of total deal value.

KEY SECTORS AND DEALS

The region's most active sectors in Q2 2020 were Industrials & Chemicals, Business Services, Pharma, Medical & Biotech and TMT, which together accounted for 69.0% of deal numbers, an increase from the previous quarter where the same four sectors were involved in 60.0% of all deals. In Q2 2020, Industrials & Chemicals led the way with 13 deals (Q1

PE/TRADE VOLUME & VALUE



2020: 10 deals), followed by Business Services with six deals (Q1 2020: 16), and there were five deals each in Pharma, Medical & Biotech and TMT (Q1 2020: four and six deals respectively).

The top three deals in terms of value took place in Business Services, Energy, Mining & Utilities and Real Estate. The biggest deal was the acquisition of a 100% stake in Canadian International School Pte. Ltd. in Singapore by China Maple Leaf Educational Systems Limited for a consideration of USD 487m from HPEF Capital Partners Limited and Southern Capital Group Private Limited. The second biggest deal was the acquisition on 20% stake in PT Vale Indonesia Tbk by state-owned holding company Mining Industry Indonesia for a consideration of USD 428m from Vale Canada Limited and Sumitomo Metal Mining Co., Ltd. In third place was the acquisition of 20.48% stake in ARA Asset Management Limited in Singapore by several parties (Warburg Pincus LLC, The Straits Trading Company Ltd, JL Investment Group Limited and CK Asset Holdings Limited) for a consideration of USD 277m from AVIC Trust Co., Ltd.

LOOKING AHEAD

M&A activity in South East Asia continued to contract to record the lowest deal volume since Q1 2011 and the lowest value since Q2 2009. Mid-market market activity across the globe continues to be impacted by the geopolitical tensions and the slowdowns in economies as governments try to contain the COVID-19 outbreak. Although governments across the region have introduced numerous stimulus packages to combat the ongoing challenges brought about by the COVID-19 pandemic, it may take a while for deal-making activity to settle down in an unpredictable business environment, which is also seeing an increased scrutiny of deal terms. The future business environment and the pace of economy recovery will determine the volume, value, motivation and type of M&A activities that take place in the region moving forward.

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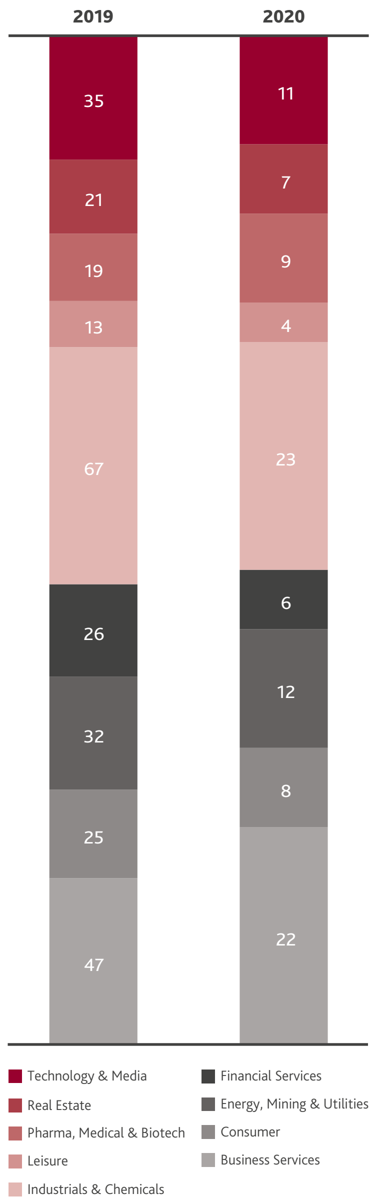
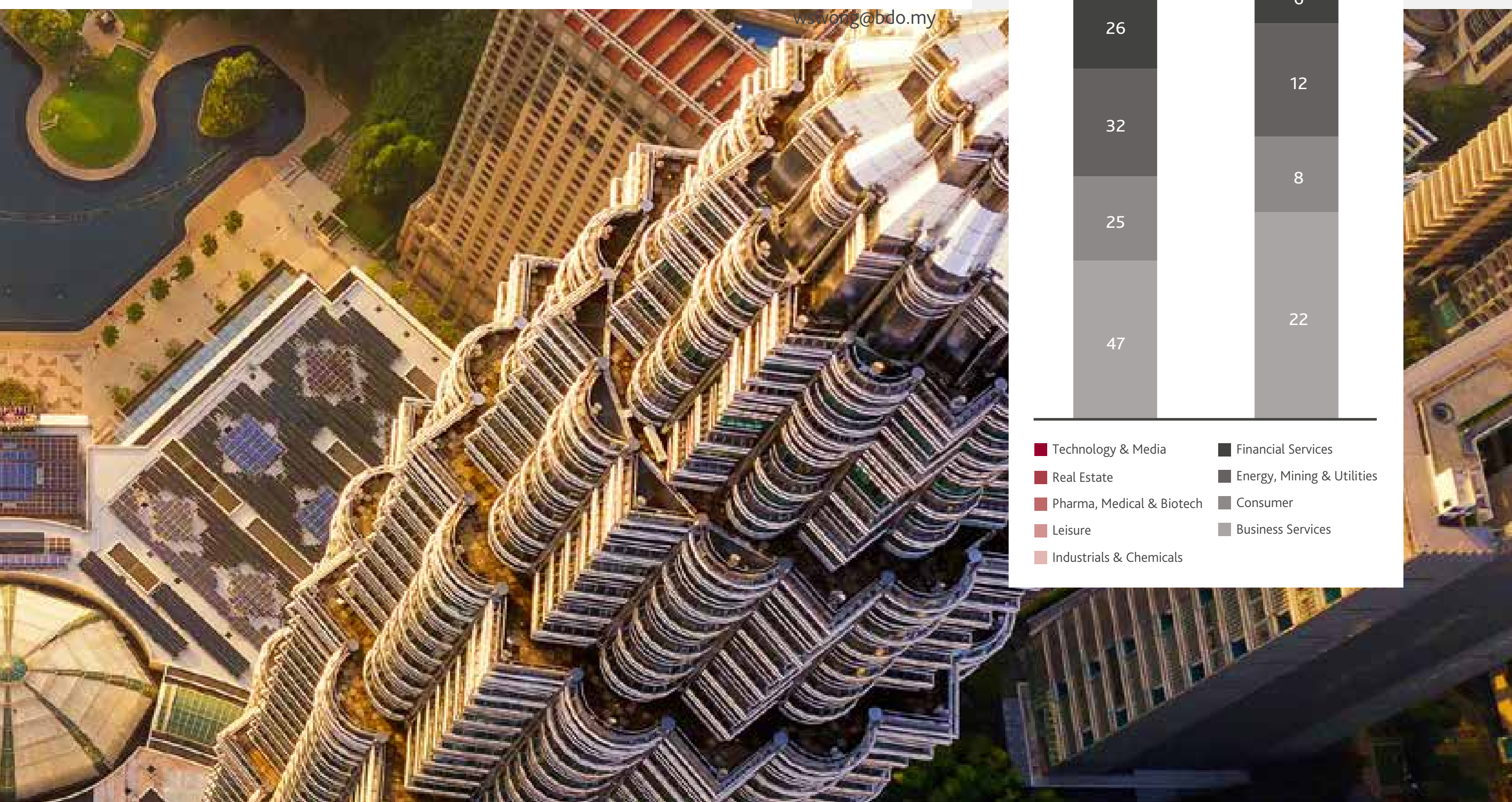
SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	82	17%
TMT	76	16
Business Services	74	16
Financial Services	57	12
Energy, Mining & Utilities	52	11%
Consumer	51	11
Pharma, Medical & Biotech	39	8
Real Estate	22	5
Leisure	22	5
TOTAL	**475**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR





AUSTRALASIA

COVID-19 AND LOCKDOWN MEASURES HINDER DEAL-MAKING AS VOLUME COLLAPSES TO LOWEST FIGURE ON RECORD

BIG PICTURE

- Q2 2020 total deal volume declined 22% from the previous quarter, reaching the lowest level recorded as the impacts of COVID-19 and lockdown measures continue to be felt
- PE's share of deal activity increased compared to the corresponding quarter in 2019, with PE representing 14% of total deal volume (5.5% in Q2 2019)
- Financial Services was the most active sector with 23% of deal volume, followed closely by Energy, Mining & Utilities at 21%.

Q2 2020 saw the lowest deal volume on record with 43 deals completed and a combined value of USD 3.2bn. This represented a 22% decline on Q1 2020's volume of 65 and a 13% decrease in deal value compared with the corresponding quarter in 2019 of USD 3.7bn.

Total deal volume declined further in Q2 2020 following a sharp fall in the previous quarter due to the global outbreak of COVID-19 and volume was down 41% on Q2 2019's figure of 73 deals. COVID-19 continued to hinder M&A activity in Q2 2020 with volume at the lowest recorded level. However, the value of completed deals improved 14% on the previous quarter, which was the lowest since Q2 2009, with total deal value increasing from USD 2.8bn to USD 3.2bn.

Average transaction values increased by 73% compared to the previous quarter, as the number of big-ticket deals increased with four deals exceeding USD 300m. Cross-border activity declined slightly, with 30% of the quarter's top 20 deals involving an overseas buyer.

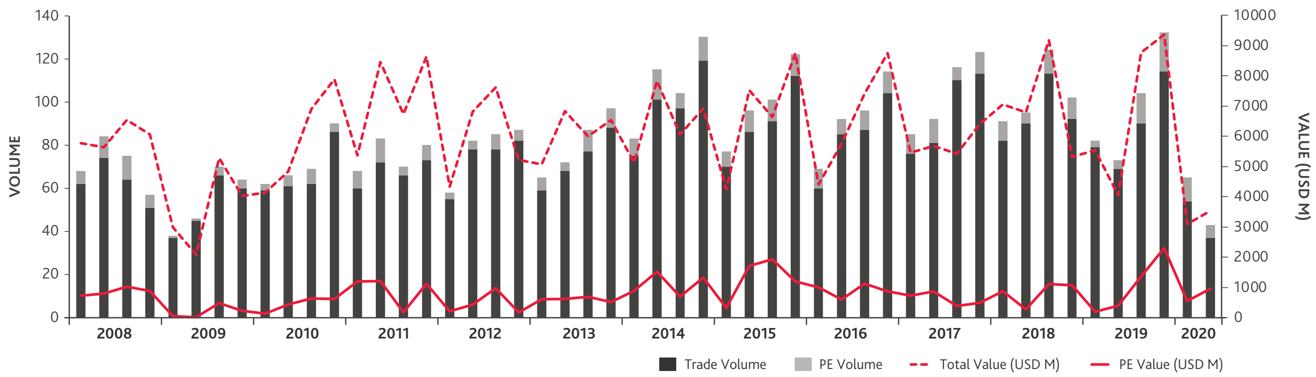
PE transaction volumes represented 14% of deal activity in Q2 2020. The six completed deals totalled USD 872m and represented a 72% increase on Q1 2020 of USD 506m, and a 138% increase on the comparable quarter in 2019 of USD 364m. Global uncertainty resulting from COVID-19 has generally seen providers of private capital delay their investment or financing decisions until volatility subsides and markets stabilise. However, several PE players have forged ahead with three of the five largest transactions in the quarter involving PE.

The Leisure sector recorded the most significant decline in deal volume compared to Q2 2019, followed by Industrials & Chemicals, which were down 86% and 78% respectively. In Q2 2020, there was only one deal completed in the Leisure sector, down 91% from Q1 2020 which saw a flurry of activity with 11 transactions completed, possibly as a result of opportunistic acquisitions in the exposed sector.

KEY DEALS AND SECTORS

The three largest deals of the quarter involved a range of sectors, namely Financial Services, TMT, and Leisure. The largest deal was Japan-based Shinsei Bank Limited's acquisition of UDC Finance Limited (UDC), the Australia and New Zealand (ANZ) Banking Group's asset finance business for USD 477m. The deal represents Shinsei Bank's biggest overseas acquisition since its launch in 2000 and will see UDC operate as a wholly-owned subsidiary. Shinsei Bank said that UDC fits with its strategy and focus on small-scale finance as it has similar businesses in Japan. The deal is subject to regulatory approval including the approval of the Overseas Investment Office of New Zealand and is expected to be completed on 31 August 2020.

PE/TRADE VOLUME & VALUE



Other key transactions included Australian telecommunications company Uniti Group Limited's 100% acquisition of Australian fibre network company, OptiComm Ltd for USD 371m. This transaction is expected to accelerate Uniti's strategy in private infrastructure ownership, with the Chairman of Uniti Group stating that OptiComm is highly complementary to Uniti's existing fibre infrastructure business. He noted shareholders are expected to benefit from the transformational transaction and from the combined scale and capabilities of a more diverse telecommunications infrastructure company with a large pipeline of long-term growth opportunities. Making up the top three was US PE giant, Blackstone Group L.P.'s acquisition of a 9.99% stake of Australian casino operator Crown Resorts Limited from Macau's Melco Resorts & Entertainment Ltd for USD 371m.
This transaction marks the most recent in a string of casino and hotel acquisitions for Blackstone in 2020 and makes Blackstone the second-largest shareholder in Crown, after founder James Packer.
The transaction saw Melco execute its plan to exit its holding as casino companies globally tighten spending in response to enforced shutdowns to 'flatten the curve' in relation to coronavirus.

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LOOKING AHEAD

The BDO Heat Chart shows there are a pipeline of 392 deals under consideration and this represents a continued decline from the previous quarter as businesses continue to turn their focus inward, focussing on optimising their cost structure and strengthening their balance sheet. We anticipate an increase in distressed deal activity.

We expect buyers to be vigilant, with an increased focus on due diligence, particularly around stress testing and scenario analysis to consider how COVID-19 ultimately plays out. As noted in the previous issue of Horizons, we anticipate deferred consideration structures will likely be used to bridge valuation expectations and mitigate downside performance.

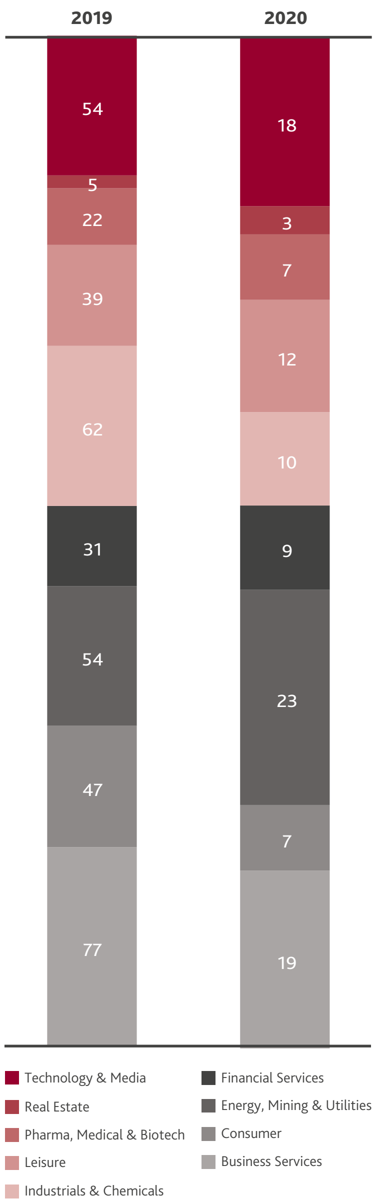
M&A activity is expected to continue, though with depressed momentum as uncertainty and the economic slowdown means buyers are increasingly cautious and may delay investments until the post-COVID economic outlook becomes clearer. Opportunistic parties on the buy-side may be well placed to execute as the downturn depresses valuations and fosters potential industry consolidation opportunities.

Our analysis indicates that TMT will be the most active sector for future M&A activity with 83 deals in the pipeline. The Consumer and Energy, Mining & Utilities sectors are expected to be the next most active with 65 and 51 deals in the pipeline respectively.

AUSTRALASIA
HEAT CHART BY SECTOR

TMT	83	21%
Consumer	65	17%
Energy, Mining & Utilities	51	13%
Industrials & Chemicals	51	13%
Business Services	47	12%
Pharma, Medical & Biotech	37	9%
Financial Services	36	9%
Leisure	14	4%
Real Estate	8	2%
TOTAL	**392**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

P53

CONSUMER BUSINESS

THE ACCELERATION OF SELECT CONSUMER TRENDS AND THE IMPACT ON M&A ACTIVITY

P55

REAL ESTATE & CONSTRUCTION

WILL COVID-19 CHANGE THE VALUE OF COMMERCIAL REAL ESTATE FOREVER?

CONSUMER BUSINESS

THE ACCELERATION OF SELECT CONSUMER TRENDS AND THE IMPACT ON M&A ACTIVITY

In just a few short months, the global pandemic has altered the way in which consumers and businesses interact in a multitude of ways. While the current global environment has created some new behaviors, the more profound impact may be seen in the acceleration of several prominent consumer trends that were already in flight heading into 2020 but have progressed at a much quicker rate as a result of the market shifting in response to COVID-19. We look at a couple of examples of these trends and examine how they may drive M&A activity as we move forward through the remainder of the year and into 2021.

HEALTH AND WELLNESS AND THE CYCLING BOOM – THE REDISCOVERY OF THE BICYCLE

An increased focus on healthy lifestyles, mobility and sustainability has seen products and services addressing these key consumer needs show significant levels of growth in recent years. Cycling is one such example of a health and wellness category that has been positioned for moderate to long-term growth leading into 2020. All over the world and for both younger and older generations, bicycles have become a symbol of freedom during the pandemic. It is seen as an opportunity for mental and physical release from the confines of lockdown life and keeping children and family members active in a socially distanced appropriate manner. Alongside joint leisure activities, cycling has also become an outdoor alternative to public transportation for people who cannot work from home. Rising demand has been evidenced for all bicycle types. In particular, bicycle manufacturers and retailers of children's bikes and e-bikes have experienced significant demand and market participants are eager to take advantage of the increased adoption to drive accelerated growth in the category in the near and long term.

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ACCELERATED ADOPTION OF THE DIGITAL AND VIRTUAL EXPERIENCE

Technology and digital transformation have been an evolving consumer trend in recent years. While mid- and long-term growth is inevitable, the barrier to near term growth has been the rate of adoption. The push to work from home and the need for daily use of digital media has both accelerated adoption for some and driven historical users to access digital content across a variety of mediums. According to current studies such as McKinsey, we have vaulted five years ahead in overall consumer and business digital adoption in a matter of around eight weeks. The rapid change to digital technologies driven by the pandemic will continue into the recovery. This can be seen in the accelerated adoption of digital channels in all areas, especially in the entertainment, food and groceries, and apparel industries. Market participants that are able to take advantage of this newfound receptiveness of consumers to digitize their customer experience will be able to drive growth in 2020 and beyond.

OPPORTUNITIES FOR M&A DEAL-MAKERS

From an M&A perspective, companies that are demonstrating an ability to drive growth due to a pandemic-related consumer trends have the potential to drive premium valuations. A key question being asked is what the sustainability of some business models will be as the pandemic evolves and some behaviours perhaps revert to pre-pandemic ways. Companies aligned with longer-term market trends that have been accelerated are extremely well positioned to defend the sustainability of their growth. Both trade and private equity buyers are now becoming more active and are following the development of companies that have taken advantage of some of these aforementioned trends. In terms of digital and technology adoption, consumer-facing business models must ensure that they not only adapt but are able to do so at an increasing pace to match the revised pace at which the consumer is becoming more open to the virtual economy experience.

REAL ESTATE & CONSTRUCTION

WILL COVID-19 CHANGE THE VALUE OF COMMERCIAL REAL ESTATE FOREVER?

Global real estate transactions in Q2 2020 were comparable to the previous quarter, albeit these figures almost halved compared to the number of pre-COVID 2019 transactions in the midst of another potential global recession.

ECONOMIC CONTEXT

In many developed nations, interest rates were already on a downward trajectory pre-COVID, however this has been accelerated since the arrival of the pandemic to record lows for the Fed and Bank of England. The same can be said of US and UK 10-year Bond Yields, which have fallen to record lows in 2020, encouraging investors to look elsewhere. This monetary stimulus in the developed nations helped to increase investment across all sectors during 2019. However, since COVID-19, government focus and fiscal stimulus has been largely focused on supporting the labour market rather than infrastructure. Developing countries have been investing in their infrastructure for many years and, excluding China, are in the early to mid-cycle property market, however the adverse impact of COVID-19 is likely to result in stunted growth in the sector as governments are forced to reallocate budgets.

Real Estate M&A has not been homogenous, with Asia-Pacific continuing to attract investment, particularly into commercial Real Estate, driven largely by China, which has represented 65% of global Real Estate deals since the turn of the year. Despite the pandemic, investment in infrastructure and property has also continued to grow in China in 2020 and is set to overtake the USD 1 trillion spent in 2019. The region is benefitting from its own sovereign and institutional funds (which hold vast stockpiles of accumulated capital) as well as reduced trade tensions with the US following the Phase One agreement.

In Europe, deal volume in H1 2020 fell by 68% compared to the same period last year after a strong 2019. This was felt across all countries as investors take stock of their current portfolios amidst COVID and homeowners look to consolidate. Valuations, at least in the short term, look set to stabilise as fear of another global recession takes hold.

Real Estate M&A increased slightly between 2018 and 2019 for other developed nations like Japan and the UK, benefitting from their low interest rates, before again falling drastically in 2020 since COVID-19. The exception among the developed nations has been the US, which has seen stable deal volumes since COVID-19, indicative of the levels of dry powder and positive sentiment driven by the USD 2 trillion stimulus package, as well as the opportunities on offer to institutional investors.

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CONCLUSION

Against a backdrop of low bond yields, easing monetary policy and global uncertainty, what has historically been a low risk asset class for investors, the pandemic has forced a new perspective on high-value urban Real Estate, as businesses re-evaluate value from their expensive commercial property.

Investors with the ability to deploy capital are finding better value opportunities, especially distressed assets, in other asset classes. This potential slump in Real Estate M&A in the developed world is likely to be countered by the Asian economies, which appear to be very resilient to the current macroeconomic uncertainties.

For the medium to long term it will be interesting to see how the latest generation of businesses operate from outside city centres, and whether the more established companies maintain their footprint in the expensive central business district areas.

SIGNIFICANT DEALS IN Q2 2020

A number of prominent deals were completed in the Real Estate sector in Q2 2020.

China

Xinhu Zhongbao Co., Ltd. purchased a 13% stake in Greentown China Holdings Limited for USD 396m;

Changchun Gaoxin Urban Construction Investment (Group) purchased Jilin Yatai Pharmaceutical Industrial Park Management Co., Ltd. for USD 321m;

Yiwu China Commodities City Holding purchased a 51% stake in both Yiwu China Commodities City Real Estate Development Co., Ltd. and Pujiang Lvgu Real Estate Co., Ltd. for USD 316m.

South East Asia

Warburg Pincus LLC; The Straits Trading Company Ltd; JL Investment Group Limited; and CK Asset Holdings Limited purchased a 20% stake in ARA Asset Management Limited for USD 277m;

A consortium for Perennial Real Estate acquired a 17% stake in Perennial Real Estate Holdings Limited for USD 195m.

Japan

Open House Co., Ltd. purchased a 32% stake in Pressance Corporation for USD 202m.

Africa

Apollo Global Management, LLC purchased Atlantic Leaf Properties

SOME OF OUR RECENTLY COMPLETED DEALS

Buy-side Financial, Tax and Legal Due Diligence as well as lead- and legal advisor for Rigips, owned by Saint-Gobain Group, in connection with the acquisition of Akustikmodular AG.

JULY 2020

Berneco Transport AB acquired by Tempcon Group. Acted as financial adviser to seller

JULY 2020

Lead advisor to the shareholders of Kaufmann Systems AG in connection with the sale to Gonvarri Material Handling AS.

JUNE 2020

Lead advisor to the shareholder of Gebrüder Meyer AG in connection with the sale to consortium of private investors

JUNE 2020

BDO advised the acquiror Bio Life in their M&A process

JUNE 2020

BDO advised Network Research Belgium on the acquisition of People and Technology SA

JUNE 2020

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

JUNE 2020

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

MARCH 2020

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

FEBRAURY 2020

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

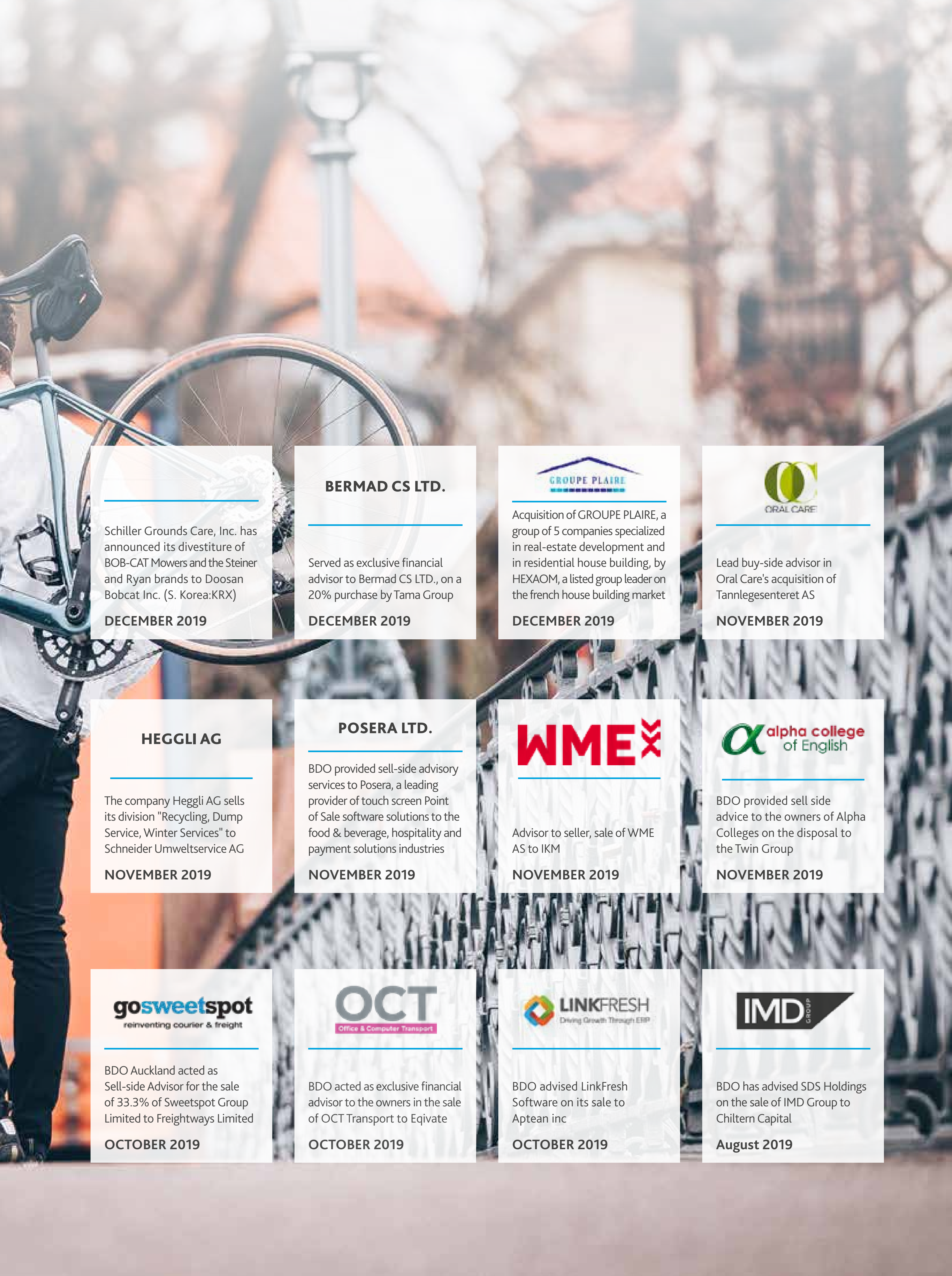
FEBRAURY 2020

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

FEBRAURY 2020

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

January 2020



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

DECEMBER 2019

BERMAD CS LTD.

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

DECEMBER 2019

GROUPE PLAIRE

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

DECEMBER 2019

ORAL CARE

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

NOVEMBER 2019

HEGGLI AG

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

NOVEMBER 2019

POSERA LTD.

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

NOVEMBER 2019

WME

Advisor to seller, sale of WME AS to IKM

NOVEMBER 2019

alpha college of English

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

NOVEMBER 2019

gosweetspot reinventing courier & freight

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

OCTOBER 2019

OCT Office & Computer Transport

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

OCTOBER 2019

LINKFRESH Driving Growth Through ERP

BDO advised LinkFresh Software on its sale to Aptean inc

OCTOBER 2019

IMD GROUP

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

August 2019

FOR MORE INFORMATION:

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Data compiled by Acuris.

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

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