HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 1 | 2017

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WELCOME

Welcome to the first BDO HORIZONS of 2017, in which our M&A professionals review the past year and analyse what lies ahead.

At our annual BDO Corporate Finance conference in Copenhagen last November, we were able to discuss face-to-face the most significant M&A developments of 2016 across where BDO operates. In this issue we share the results and look ahead to 2017. And how is the new year shaping up?

In 2016, political decisions were at the fore. In June 2016 came the Brexit decision, while December saw the resignation of Italian Prime Minister Matteo Renzi, cash chaos in India and, of course, the election of Donald Trump in the US. We consider how these events all impacted economies, markets and M&A activity.

Looking ahead to 2017, economic factors, like the interest rate decisions of the American national bank and the European central bank, will of course influence markets. But politics will continue to play a leading part, with elections in March in the Netherlands, in April/May in France, in May in Iran, in October in Germany and in October/November in China. This will impact M&A markets, but it's too early to predict how they will be affected.

In the aftermath of the US presidential elections, it's not yet clear how global M&A activity will be impacted by the new government. What will be the effect in Europe? Due to the significance of these political changes in the US, our next Corporate Finance Americas meeting will be held in the US, in February.

Our analyses and predictions are based on an in-depth understanding of both current trends and how the market is most likely to evolve. The articles that follow are all written by our M&A professionals and provide you with an unfiltered and authentic view of what's happening in M&A right now.

INSIGHTS FROM A LEADING M&A ADVISER

Looking at 2016 as a whole, M&A activity fell below 2015 levels. Deal numbers dropped by 10%, while volume fell 6.7%. Our analysis focuses on deals valued from USD 5m to USD 500m.

On a quarterly basis, however, we can see that Q4 2016 saw slightly better deal value and volume than Q3 2016, but could not top the success of Q4 2015.

With the current political and economic challenges ahead, M&A professionals are confronted with new questions. Will 2017 be the turning point for the M&A market? Or has weakness in the global economy yet to bottom out?

We examine these and many other questions in this edition of BDO HORIZONS. Then, through our Looking Ahead commentary and BDO Heat Charts, we identify trends for the upcoming quarter.

GLOBAL VIEW

COMPARING NOW AND THEN

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As we predicted, M&A activity in 2016 could not reach 2015 levels – a year that saw M&A hit highs last seen before the financial crisis.

Although Q4 2016 deal activity saw an uptick compared to the previous quarter, with volume up 6.8% to 1,971 deals and value 9.1% higher at USD 173bn, it was not enough to prevent an overall annual decline. Total 2016 deal volume fell by 9.6% to 7,850 deals and deal value by 6.6% as compared to 2015. In relation to Q4 2015, which contained a significant year-end effect, deal volume was down by 6.8%. However, 2016 was still impressive, with transaction values of over USD 682bn for a total of 7,850 transactions. So, although deal activity declined in 2016, we should note that this was against the elevated levels seen in 2015.

The proportion of Private Equity (PE) buy-outs crashed to a new record low since Q3 2013 in terms of deal volume. Less than 13% of all transactions involved PE in Q4 2016. The proportion of PE deal value also declined, down by 13.4%. PE deal value totalled USD 21bn in Q4 2016 compared to USD 24bn in the previous quarter.

An important feature of Q4 2016 was the trend towards bigger deals. The average volume per deal was USD 88m, up by 1.9% compared to Q3 2016 and representing the highest average deal volume since Q3 2013.

COMPARING HERE AND THERE

Some of our 17 regions enjoyed a very good year in 2016 but there were some big differences between geographies. As for sectors, the picture is more balanced. Here is a snapshot of some of the highs and the lows.

Nordic had a strong 2016 with USD 20,523m total deal value from 292 transactions, representing growth rates of 26% and 16.8% respectively compared to 2015. North America registered 1,950 mid-market transactions in 2016, a decrease of 19.8%, while deal value was USD 206,576m, a fall of 5.1% compared to 2015. In fact we saw a decline in all geographical areas except South East Asia and the Nordic region as mentioned above.

By comparing Q4 2016 deal volume with Q3 2016, we can see that the biggest riser was CEE & CIS, up 39.3% and Latin America, up 31.7%. They were also ahead in terms of deal, with CEE & CIS seeing a 71.2% rise and Latin America up 32.9%. Another high flyer was Japan with deal value growing by 59.7%. This confirms the trend towards bigger deals.

As for sectors, the final quarter of 2016 saw more deals than the previous quarter for all except Leisure, Pharma, Medical & Biotech and Technology & Media. But if we compare 2016 with 2015, every sector scaled down; led by the Technology & Media sector with a decline of 19.3% and Leisure with 16%. In terms of volumes, the leading sectors for 2016 were Industrials & Chemicals with 1,986 deals, followed by Technology & Media and Business Services.

LOOKING AHEAD

The BDO Heat Chart for regions and sectors shows 5,355 potential deals in the pipeline, 34.7% lower than the previous quarter. The biggest geographical decline is in the Middle East, followed by CEE & CIS and Benelux. The BDO Heat Chart is forecasting that deal activity will be headed by the North American market.

As for sectors, we expect Consumer to see the greatest decrease in deals, down 38.6%, followed by Energy, Mining & Utilities and Pharma, Medical & Biotech. Industrial & Chemicals is still expected to dominate the overall deal flow, followed by Technology & Media.

In summary, the latest BDO Heat Chart shows that no region or sector will exceed the levels predicted in Q4 2016.

The question is to what extent current relatively high price levels will influence further mid-market M&A activity. According to the BDO Heat Chart, for the first quarter of the new year, 2017 will probably not match 2015, the best year since the financial crisis. But as we said in the introduction, we face political uncertainties in 2017, driven by a number of key elections: the Netherlands in March, France in April/May, Iran in May, Germany in October and China in October/November. The influence that all these will have on M&A markets cannot yet be predicted.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology & Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	TOTAL	%*
North America	183	330	171	218	149	193	94	30	**1,368**	**25%**
China	229	105	67	87	47	26	62	28	**651**	**12%**
CEE & CIS	125	79	100	41	38	25	28	22	**458**	**9%**
Southern Europe	90	78	94	50	37	21	30	23	**423**	**8%**
South East Asia	98	46	42	46	37	25	25	21	**340**	**6%**
Australasia	45	47	54	39	37	27	35	21	**305**	**6%**
India	73	42	32	32	26	33	37	12	**287**	**5%**
Latin America	55	52	42	36	46	13	21	5	**270**	**5%**
UK & Ireland	29	61	27	43	24	20	27	16	**247**	**5%**
DACH	63	38	33	23	10	27	17	8	**219**	**4%**
Nordics	41	35	20	20	20	16	11	7	**170**	**3%**
Other Asia	55	26	13	17	9	19	10	7	**156**	**3%**
Japan	37	22	28	16	9	22	10	8	**152**	**3%**
Benelux	24	19	17	14	11	9	12	9	**115**	**2%**
Africa	39	9	13	11	24	2	10	0	**108**	**2%**
Middle East	8	11	4	8	5	4	4	2	**46**	**1%**
Israel	4	15	2	1	3	11	4	0	**40**	**1%**
TOTAL	**1,198**	**1,015**	**759**	**702**	**532**	**493**	**437**	**219**	**5,355**	**100%**
%	**23%**	**19%**	**13%**	**13%**	**10%**	**9%**	**8%**	**4%**	**100%**	

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

THE DAWN OF THE TRUMP ERA

WHAT DOES IT MEAN FOR M&A?

While the surprising US presidential election results sent shockwaves around the world in early November, predictions of the subsequent collapse of the financial markets due to a Trump victory proved more 'Fake News' than reality.

In fact, global equities have risen 9% on average since the election and many market prognosticators believe the strength of the current bull market, combined with President Trump's perceived pro-business stance, will drive corporate earnings and financial markets even higher. M&A activity tends to lag the equity markets by six to nine months, so healthy share prices bode well for deal-making in the near future as CEO confidence grows. Of course, a significant boost or a severe market pull-back in the financial and M&A markets are less likely until the details of Trump's legislative agenda are disclosed and the timing of its implementation and the extent of its impact are more fully understood.

In terms of the US economy, and ultimately its influence on global financial markets, Trump's vow to boost US GDP to 4% or greater by cutting taxes and reducing regulations has raised bullish hopes in the minds of business owners, consumers, and investors alike. A key advantage for President Trump to meet such lofty expectations is the fact the current US economy is far from the ruins Trump's tweets would have had you believe during the campaign. In fact, the US has enjoyed 91 months of economic expansion, the fourth longest in history. US businesses have added 15.6m jobs since early 2010, while the unemployment rate has been cut in half to 4.7%. Rising home prices have brought millions of American homeowners back above water, while US reliance on foreign oil is the lowest in nearly three decades and inflation remains muted. Unlike eight years ago when Barack Obama took office amidst the Great Recession and on the precipice of financial disaster, the Donald Trump era begins with an economy that by most historical measures is quite healthy.

Ironically, while he would never admit it, Trump is far more likely to succeed in driving macroeconomic and financial market conditions higher due to the sound economic footing he is inheriting rather than any specific policy change he implements in the future. Interest rates are low, cash is abundant and consumer and business confidence are at ten-year highs. While Obama's first day on the job was encumbered with a severe financial crisis and global economic meltdown, Trump has the luxury of implementing aggressive tax cuts and massive infrastructure spending to accelerate the economic growth trajectory that the US has enjoyed for over six years. Regardless, doubling GDP is no small feat, and Trump's plans to accomplish such a goal are multi-faceted and not without merit.

For starters, US corporate tax rates, which are among the highest of all industrialised nations, would be lowered

under Trump, making US companies far more competitive. Trump's plan calls for a business tax of 15% and elimination of the corporate alternative minimum tax, which are major shifts from current policy and almost guarantee higher corporate profits and increased investment. Likewise, Trump wants to repatriate US corporate cash stuck in foreign jurisdictions due to tax avoidance to spur investment and job growth. Trump also seeks to lower the highest personal income tax rate from 39.6% to 33% and cut the capital gains rate.

President Trump is also subliminally taking a page out of the Obama playbook by promoting his own brand of stimulus package, perhaps the only significant area where the President and Democrats in Congress can agree. Trump wants to engage in robust infrastructure spending by rebuilding the electric grid, roads, bridges and tunnels while constructing new energy pipelines and exploration projects. The President hasn't disclosed how he will pay for all the new spending but insists that such expenditures are a priority and will create US jobs and robust economic conditions. It's hard to argue with his conclusion, ignoring the impact on the national debt and burden to future generations.

So, where do we go from here? While the financial market gains since the US election have been primarily driven by optimism that Trump's plans will boost corporate profits and economic growth, with the President's inauguration comes more questions than answers. How quickly will Trump's agenda be approved and adopted? Will the President receive unilateral support from his Republican colleagues on his major priorities? And will Trump's threats on trade protections and tariffs subside?

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PRESIDENT

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2017 will most likely prove to be a transition year from hope to reality – candidate Trump to President Trump. The markets have hitherto given the new President the benefit of the doubt, but as Trump takes up residency in the White House he assumes the burden of accountability. For the short term, Trump won't be judged on the effectiveness and results of his economic agenda but rather his ability to quickly enact it. The financial markets are likely to take a wait and see approach during Trump's first 100 days in office. If quick progress is made and Trump's pro-growth policies are adopted, expect the financial markets and M&A activity to rise significantly as optimism will abound well into 2018. After that, results will matter and the markets will once again shift focus away from Trump's Twitter promises to underlying fundamentals and economic trends.

GLOBAL

5,355 RUMOURED TRANSACTIONS

P08 | **NORTH AMERICA**

M&A ACTIVITY IN NORTH AMERICA LAGS BEHIND

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A STRONG Q4 PERFORMANCE BUT ECONOMIC AND POLITICAL HEADWINDS PERSIST

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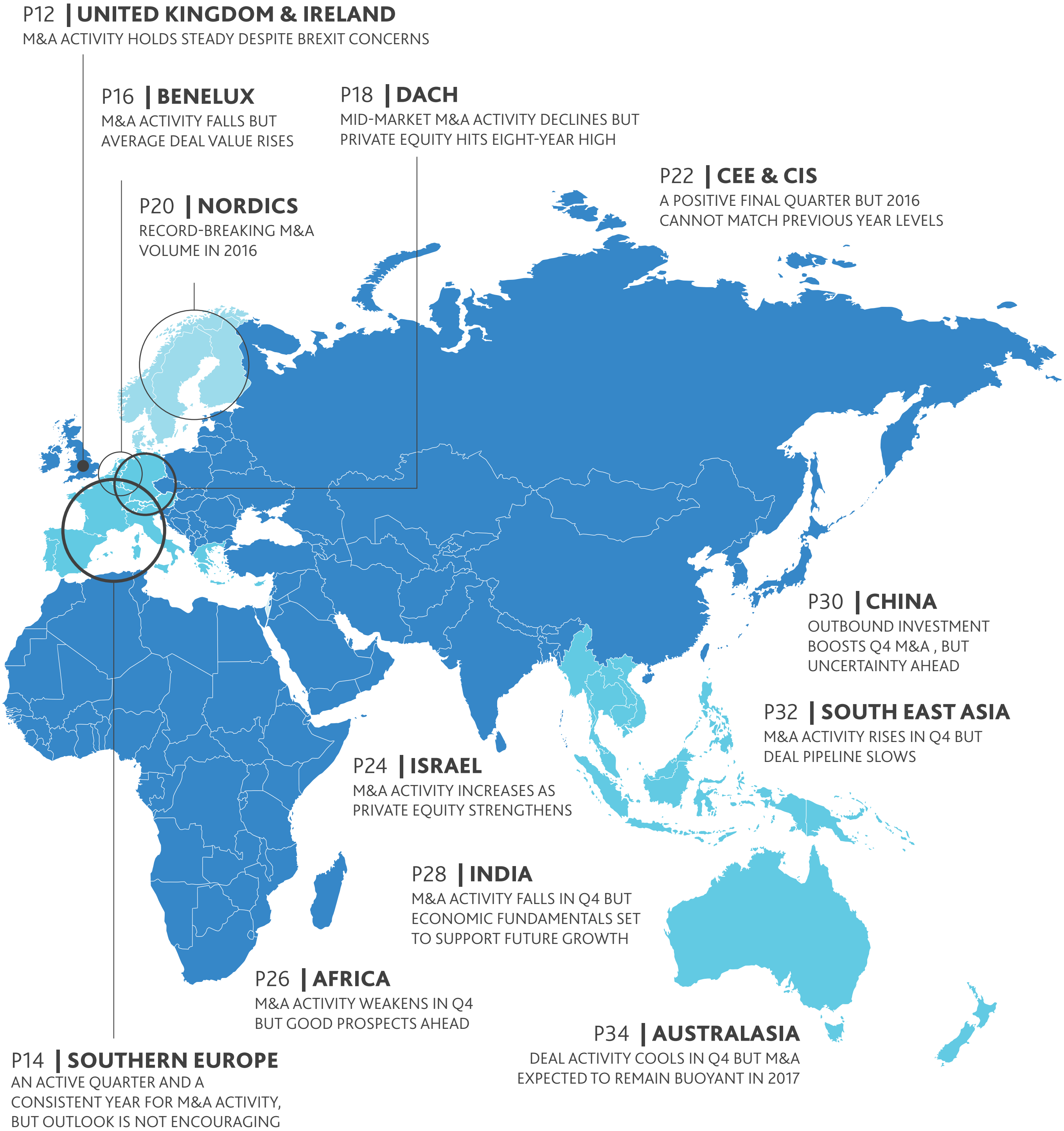


Key % movement

-40% to -31%	-30% to -21%	-20% to -11%	-10% to 1%
0%	1% to 10%	11% to 20%	21% to 30%

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

NORTH AMERICA

M&A ACTIVITY IN NORTH AMERICA LAGS BEHIND

BIG PICTURE

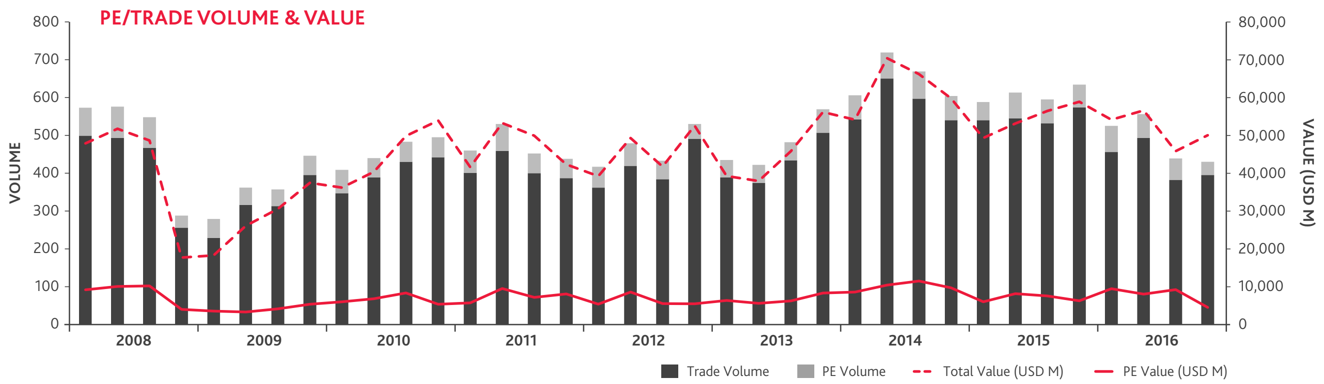
- Deal volume down 2% in Q4 2016 against the prior quarter and 32% compared to Q4 2015. Full-year 2016 volume was 20% below 2015 levels.
- Deal value down 15% in Q4 2016 against Q4 2015 but up 9% from the prior quarter.
- Concerns over the global economy, equity market volatility and the strong dollar negatively impacted M&A activity. Muted 2016 GDP growth of 1.7% in US and 1.3% in Canada.
- YTD activity in the Energy, Mining & Utilities sector is up from prior year while Business Services and Leisure saw a significant decline. Deal volumes in all sectors in Q4 2016 were lower than Q4 2015 with the most significant decreases in the Leisure and Pharma, Medical & Biotech sectors. Since Q3 2016, sectors such as Consumer and Industrials & Chemicals have seen an increase in deal volume.

Overall, the North American market experienced a downward trend in the volume of mid-market M&A deals during 2016.

This decline continued into the fourth quarter of 2016 with 430 deals reported. This lack of momentum further supports market participants' concerns that the M&A cycle peaked during the record-breaking mid-2014 to mid-2015 period and that the market weakness earlier in 2016 may not be temporary or a mild correction.

The North American capital markets in 2016 were dominated by worldwide instability as it faced the United Kingdom's decision to leave the European Union (Brexit), political turmoil in Russia, Ukraine and the Middle East, depressed oil prices and the uncertainty of the United States Presidential election. These events contributed to a decrease in both deal volumes and values during 2016. Weak commodity prices, a contraction in the US monetary policy and the cooling of the economy in China were identified as factors that may also have discouraged investors during the year.

More optimistic investors say that the slowdown was less about the negative and more about the positive. A recent survey published by Toppan Vite New York and MergerMarket revealed that investors were



LOOKING AHEAD

We expect M&A activity to trend positively in North America during 2017. Executives are expecting the economy to improve or remain stable and their appetite for dealmaking remains strong. An economic market update published by the Royal Bank of Canada (RBC explains that the North American economy is expected to gain momentum in 2017 as fiscal policies become more simulative, commodity prices start to increase but remain at historical low levels and consumer spending remains strong due to low-interest rates. Moreover, oil prices are anticipated to increase, which will help further stimulate the North American and Canadian economies. However, uncertainty still remains around the trade policies to be enacted by the Trump administration and how that will impact inbound investments in the United States as well as investments made by Canadian exporters.

encouraged by the volume and value of deals that were announced in 2016 despite the uncertain, volatile markets and the worldwide factors mentioned earlier. These investors also point to mega-deals such as the announcement of Microsoft's acquisition of LinkedIn and the increase in deal value in Q4 2016, with October 2016 representing the highest monthly deal value since July 2015. Moreover, the stock market is hovering at record highs, while the S&P 500 Index's price-to-earnings ratio is at its highest level since the 2008 financial crisis. These factors may be an indication that the market will begin trending in the right direction.

TRUMP FACTOR

A publication in the Financial Times reveals that earlier in the year when dealmakers were asked about the possibility of a Trump presidency, they felt that it would be terrible for M&A activity. However, now that Trump has been elected President, dealmakers feel that the Republican Party platform, along with Trump's dealmaker spirit, may be beneficial for the transaction environment. Historically, the Republican administrators have been more lenient about mergers. Dealmakers feel that Trump will look more favourably on domestic deals that help US companies grow and compete in the global market. Moreover, as part of his vision to revitalise the economy he plans on lowering taxes for businesses and imposing fewer regulations in industries such as Financial Services and the Energy sector which may stimulate M&A activity. He has also proposed a policy which will allow businesses to bring overseas cash into the United States at a 10% tax rate which may spur a new wave of dealmaking, specifically in the healthcare industry. Historically, pharmaceutical companies have looked to the acquisition of foreign companies to utilise their overseas cash. However this proposed policy may encourage drug manufacturers to bring their cash back to the United States and invest in smaller peers with promising offerings.

On the other hand, some academics note that Trump's policies are more populist than previous Republican candidates so his reactions to deals may be more difficult to predict. An example of this is his stated position that he would kill AT&T's acquisition of Time Warner. Moreover, Trump plans to enact tariffs against countries that are hubs for US manufacturing relocations such as China and Mexico. China was the second largest investor of inbound M&A for the year, but these tariffs may discourage them from investing in the Unites States.

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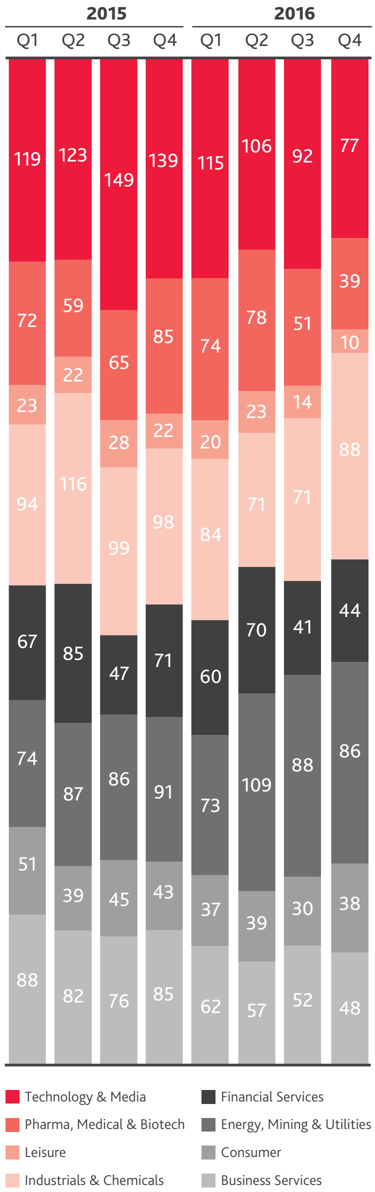
NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	330	24%
Business Services	218	16%
Pharma, Medical & Biotech	193	14%
Industrials & Chemicals	183	13%
Consumer	171	13%
Energy, Mining & Utilities	149	11%
Financial Services	94	7%
Leisure	30	2%
TOTAL	**1,368**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

A STRONG Q4 PERFORMANCE BUT ECONOMIC AND POLITICAL HEADWINDS PERSIST

BIG PICTURE

- Q4 2016 deal volume and value significantly outstrips Q3 levels.
- Political and economic uncertainty hold back growth and increase uncertainty.
- Energy, Mining & Utilities the most active sector in Q4 2016, but Industrials and Chemicals may lead the way in 2017.

In the fourth quarter of 2016, 79 deal were completed, which was a considerable increase on the previous quarter's total of 60. Total deal value in Q4 2016 was USD 8.4bn, a rise of 32.9% on Q3 2016.

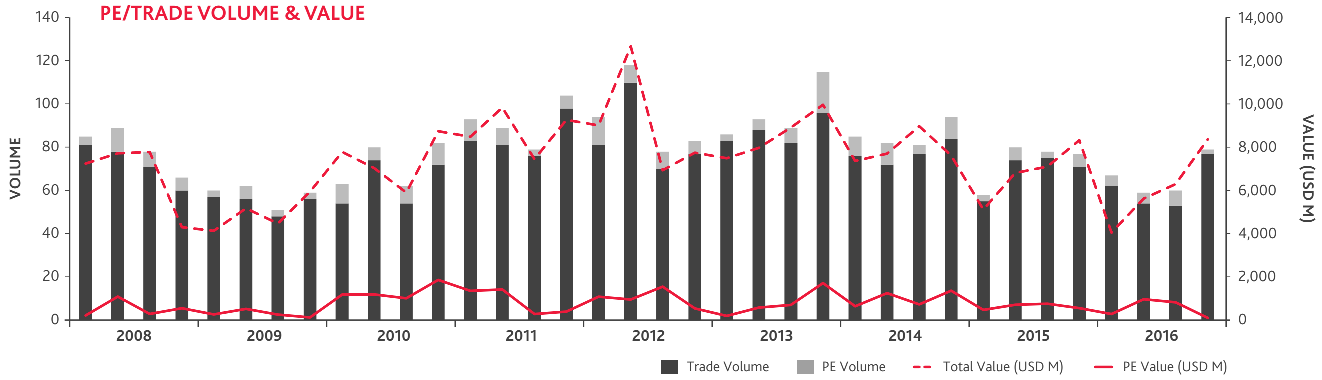
In comparison to the same quarter of 2015, Q4 2016 saw an increase in deal value of 0.5% and an increase of 2.6% in the deal numbers. Looking at 2016 as a whole, 265 deals were concluded with a combined transaction value of USD 24.3bn. This was below the levels seen in 2015.

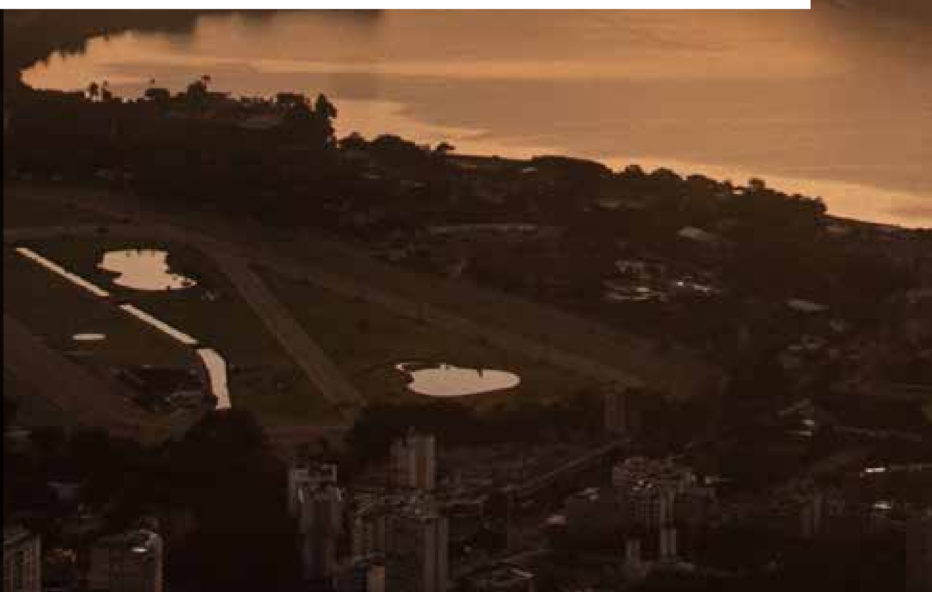
In value terms, PE buy-outs fell by 87.9% in Q4 to USD 99m, from USD 819m in Q3 2016. PE represented a relatively small portion of overall transactions in Q4 of 2016, equivalent to 2.5% in volume and 1.2% in deal value.

POLITICAL UNCERTAINTY

Since late August 2016, after the impeachment of then President Dilma Rousseff, Brazil's President has been Michel Temer. Although some measures have been implemented to address the frustrations of the sceptical Brazilian population, the country is still in the midst of significant political instability. This can be seen in the constant battle between the Federal Supreme Court (STF), with its increasingly crucial role in preventing politically motivated violations of the constitution, and the Senate and House of Representatives, which are attempting to decrease the power held by the STF. In addition, former President Luis Inácio Lula da Silva is to stand trial for alleged crimes, such as money laundering and corruption.

The aggravated political scenario makes any short-term economic pick-up unlikely. At the beginning of 2016, it was thought that 2017 would be the period to make up for the losses of the previous year. However, despite the lowest inflation values in two years, latest studies show





LOOKING AHEAD

The BDO Heat Chart shows 270 deals in progress or planned in Latin America. Industrials & Chemicals and Technology & Media are set to be the most active, with 55 and 52 potential deals respectively. The third most active is Energy, Mining & Utilities, with 46 potential deals.

Along with Brazil, most Latin American countries are going through economic stagnation or slow growth and face unstable political scenarios. It is important to note that although investors must be cautious with investment strategies and that risk is high, long-term returns may be gratifying.

that the crisis is still taking place, with GDP contraction expected in 2016 and a slow recovery in 2017, which suggests continuing Brazilian Real (R$) weakness, falling sales and high unemployment rate but, nonetheless, opportunities for foreign investors.

Economists estimate that the Latin America region as a whole will see GDP increase 1.8% in 2017. But according to Focus Economics, the GDP forecast for Venezuela and Ecuador is not positive, due to electricity shortages and profound political and economic crises, respectively. Mexico's stability is highly dependent on the extent to which the political intentions of Donald Trump, the new President of the United States of America, are pursued. Peru, with its new president Pedro Pablo Kuczynski, is the only economy where growth is still close to its potential.

KEY SECTORS AND DEALS

In Latin America, the most active sector during Q4 2016 was Energy, Mining & Utilities with 19 deals, which represented 24.05% of the quarter's total deals. The second most active sector was Industrials & Chemicals with 17 deals, representing 21.52% of transactions. Business Services, Financial Services and the Consumer sectors generated a total of 33 deals, together representing 41.77%. Technology & Media, Leisure, Pharma, Medical & Biotech were collectively responsible for 12.66% of total deals.

In comparison to the previous quarter, Industrials & Chemicals had seven more deals, whilst Energy, Mining & Utilities had five more. The remaining sectors registered similar quantities of deals.

Five of the fourth quarter's top ten deals took place in Brazil. Two of them were in the Consumer sector, one was in Industrials & Chemicals, one in Business Services and one in Energy, Mining & Utilities. With a combined value of USD 3.4bn, they represented 51.37% of the top ten. The remaining top ten deals of Q4 2016 took place in Argentina (Technology & Media and Energy, Mining & Utilities), Chile (Business Services), Bermuda (Financial Services) and Colombia (Industrials & Chemicals).

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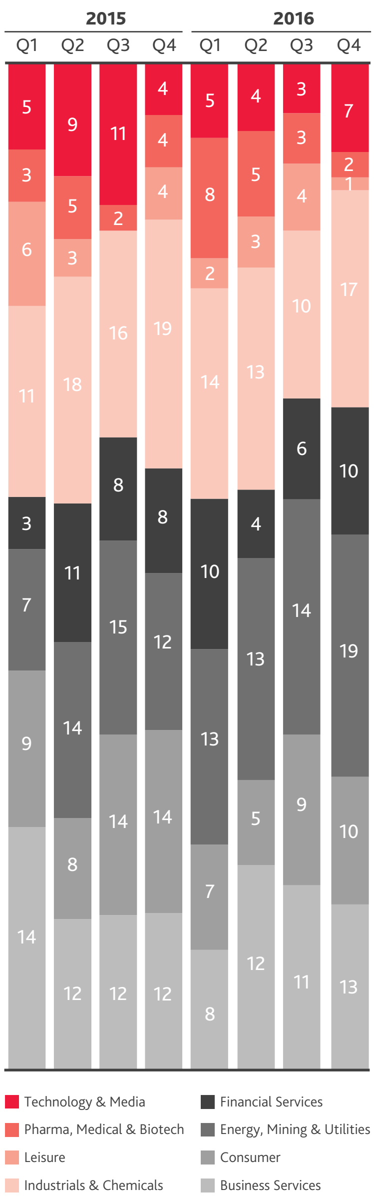
LATIN AMERICA
HEAT CHART BY SECTOR

Industrials & Chemicals	55	20%
Technology & Media	52	19%
Energy, Mining & Utilities	46	17%
Consumer	42	16%
Business Services	36	13%
Financial Services	21	8%
Pharma, Medical & Biotech	13	5%
Leisure	5	2%
TOTAL	**270**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

M&A ACTIVITY HOLDS STEADY DESPITE BREXIT CONCERNS

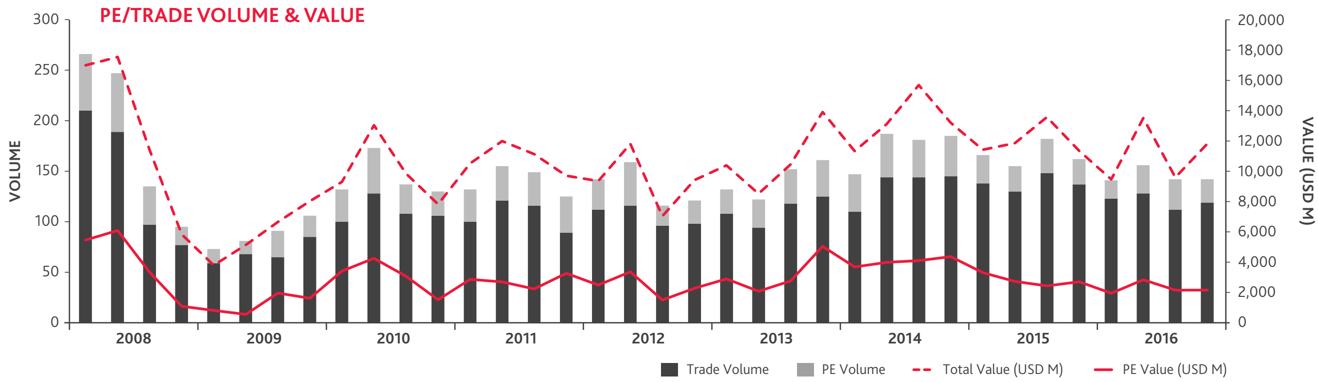
BIG PICTURE

- Deal volume holds up in Q4 2016 while value rises sharply.
- Activity has continued to hold up well in the wake of Brexit.
- Capital market values at record highs.
- Sterling weakness makes the UK good value for overseas buyers.

Six months on from the EU referendum on Brexit and deal volumes have continued to hold up, with the final quarter seeing 142 transactions, which was on a par with the previous quarter.

This is in keeping with our own experience in the mid-market where we have seen no real let-up in completions. This is coupled with better than expected economic indicators, powered by the services sector. As we said in our last commentary, some see it as a good time to invest and are taking a longer term view on the prospects for the UK economy and markets. The obvious benefit for overseas buyers is that, with the fall in the value of sterling, purchase prices have reduced. Of course, the value of pure UK earnings streams has also fallen after currency translation but that can recover, whereas the purchase price benefit is permanent. For Ireland, this could also create opportunity.

The other encouraging aspect is that aggregate deal value increased in the quarter to USD 11.8bn from USD 9.6bn in Q3. The split of trade vs Private Equity deals saw some disparity, with a rise in trade and an offsetting fall in PE deal volumes. That said, PE volumes were still higher than the opening quarter of the year and on a par with the corresponding quarter in the prior year. Aggregate PE values in the quarter matched those of Q3, while trade value forged ahead. Both types of buyer continue to have considerable resources available to invest further.



LOOKING AHEAD

Our own experience suggests that the current healthy level of M&A activity will continue but, in contrast, market intelligence recorded by the BDO Heat Chart shows a dip in rumoured deals compared, down to 247 compared to 376 in the previous quarter. That is not unusual though, as Q1 activity tends see a bit of a dip. In support of deal activity, we continue to see no shortage or cash available to trade and PE. Technology & Media is by far the strongest sector ahead, accounting for 25% of the total deal pipeline.

* Private Company price Index Q3 data

KEY DEALS AND SECTORS

Of the largest ten transactions in the quarter only one was by a PE buyer; the USD 392m purchase of Elysium Healthcare by BC Partners. Most of the other transactions were by trade acquirers, although the USD 405m acquisition of DoubleTree by Hilton Hotel in London was by the Bhatia family. Of the other transactions, half were by UK buyers and half were cross-border deals, most of which were US buyers. That reinforces our view that the region continues to be an attractive hunting ground for US groups.

In terms of sectors, the most active were once again Technology & Media, Business Services and Industrials & Chemicals. Of those, Business Services saw the greatest activity with 29 deals and Industrial & Chemicals saw an uptick in activity. Of the other sectors, Financial Services experienced the greatest increase in activity with 21 completed deals, which was double that of the prior quarter.

CAPITAL MARKETS AND VALUATIONS

The capital markets have continued to perform strongly with a continued rise in the indices. The FTSE 100 ended 2016 on an all-time high of over 7,100. That trend was mirrored in the FTSE 250 and All-Share and AIM All-Share. Again, we see this as a positive indicator of the attraction of the region. In part this is attributed to the weakening of sterling and the benefits for exporters. With this attraction, London has remained a strong centre for IPOs within Europe.

M&A valuations for trade buyers with BDO's private company price index (PCPI) moved to an EV/EBITDA ratio of 10.0x. We believe the multiple continues to reflect cash resources available and the preparedness to pay premium prices for a good strategic fit. The Private Equity Price Index (PEPI) was at an EV/EBITDA ratio of 11.3x. We continue to see large amounts of cash to invest which in our opinion should keep overall multiples up.

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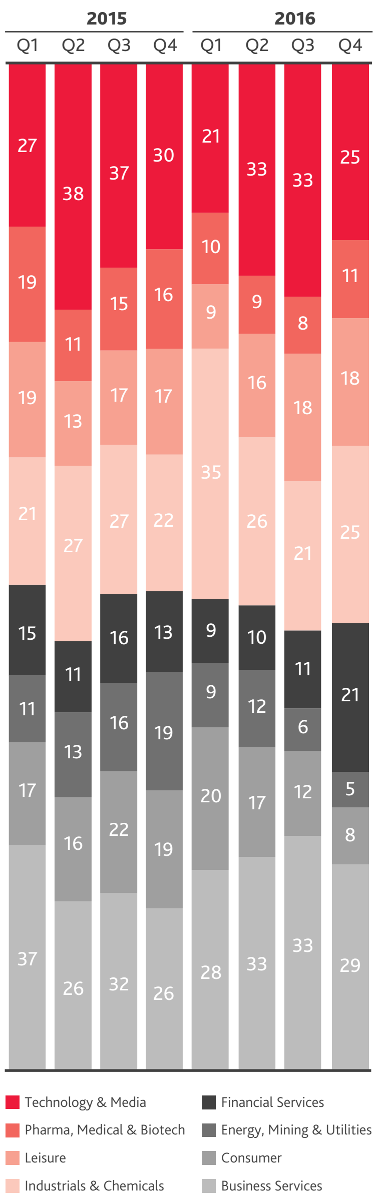
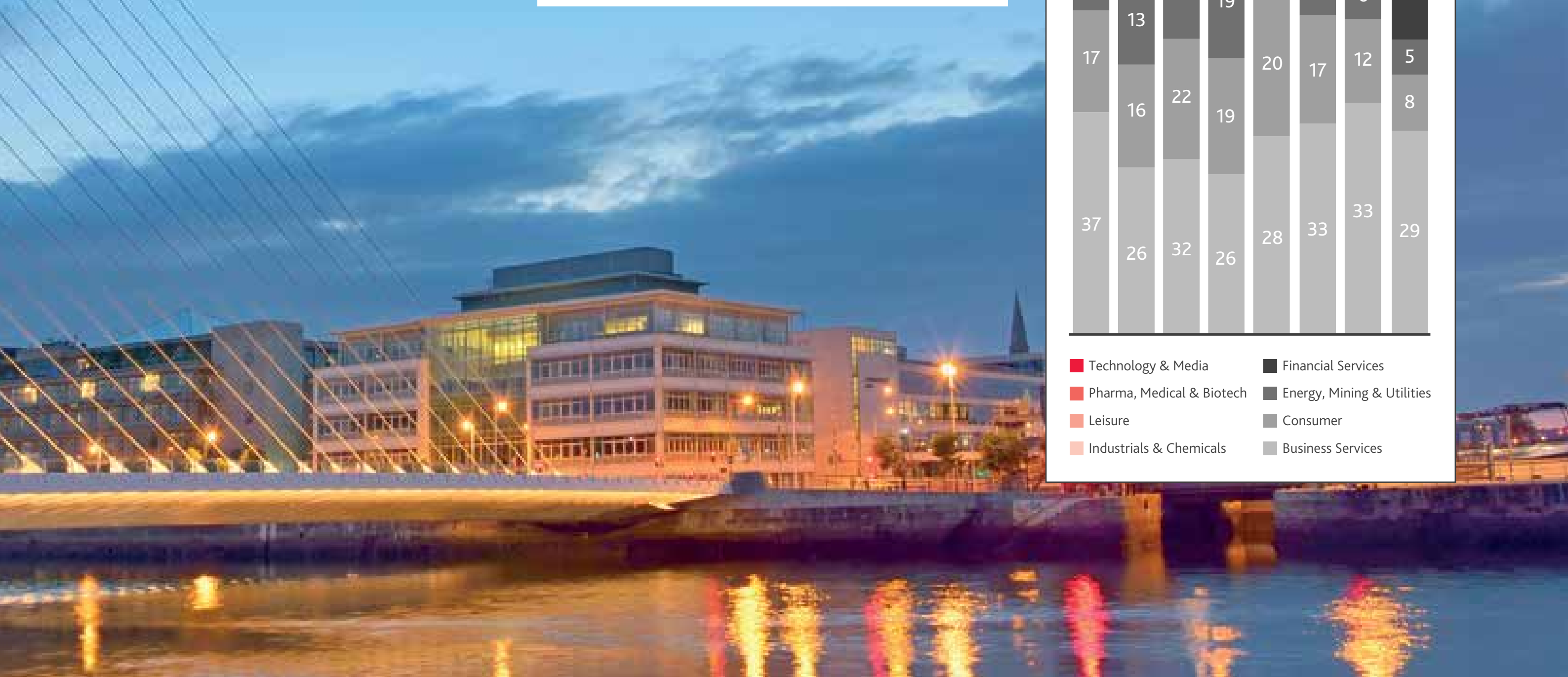
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	61	25%
Business Services	43	17%
Industrials & Chemicals	29	12%
Consumer	27	11%
Financial Services	27	11%
Energy, Mining & Utilities	24	10%
Pharma, Medical & Biotech	20	8%
Leisure	16	6%
TOTAL	**247**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

AN ACTIVE QUARTER AND A CONSISTENT YEAR FOR M&A ACTIVITY

BIG PICTURE

- Q4 M&A activity up in value but down in volume.
- Full-year 2016 M&A holds steady.
- Private Equity's proportion of deals shrinks.
- Industrials & Chemicals continues to lead the way.
- Outlook for 2017 not encouraging.

The final quarter is typically a favourable one and Southern Europe mid-market M&A grew 7% in terms of value in Q4 2016, reaching USD 11bn, while volume fell from 146 to 132 deals.

Looking at the full-year 2016, M&A activity held relatively steady compared to 2015, achieving more than 600 deals and generating around USD 50bn.

Following a period of debt crisis in many South European economies, impacting both growth and unemployment, the region recovered, leading to a post-2011 rise in M&A activity. But Southern European countries continue to struggle with weak growth, operating in an EU with economic disparities as well as challenges relating to refugees and terrorism threats. These factors contributed to the static M&A performance seen during 2016.

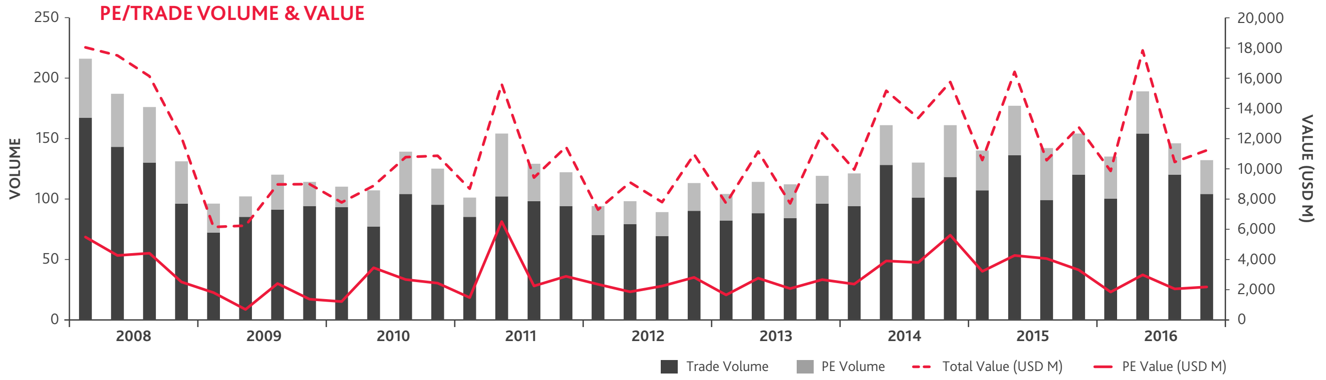
PRIVATE EQUITY ACTIVITY

It is worth noting the shrinking role of PE in M&A deals. Falling from an average 24% share of volume and 29% of value during the past two years, PE was responsible for 20% of mid-market transactions.

KEY SECTORS

The sector breakdown illustrates strong similarities between 2015 to 2016. Industrials & Chemicals remains the most active sector, with 151 deals, representing a quarter of the total. Technology & Media and Consumer, consistently hot sectors, claimed second spot.

Financial Services remains the least active sector, but has shown improvement after a particularly weak 2015.



LOOKING AHEAD

Based on deals planned, rumoured or in progress, the outlook is not very encouraging. The BDO Heat shows 423 such deals in Southern Europe, around 60% of the number projected at this time of year in 2015. The industries predicted to be the most active are Consumer, Industrials & Chemicals, Technology & Media and Business Services.

KEY DEALS

The combined value of the quarter's top ten deals reached USD 3.8bn, around 34% of total M&A value. Q4's top ten deals featured seven different sectors with five target companies based in Italy and three in Spain.

Italy and the UK were particular active as buyers, with each country involved in three of the top ten deals.

At USD 473m, the largest deal was the acquisition by HomeVi S.A.S. of SARquavitae, a leader in elderly care services in Spain, which includes nursing homes, telecare, home care and to a lesser extent rehabilitation. The deal is subject to receipt of antitrust clearance from the European Commission and is expected to close in the first quarter of 2017.

Two other notable transactions were in the Financial Services sector, involving Italian targets, sellers and buyers. One was the acquisition of a 4.5% stake in Banca d'Italia SpA by a consortium of Banks Foundations, Pension Funds and Banks. The other was the acquisition of the UNIQA Assicurazioni S.p.A. by Societa Reale Mutua di Assicurazioni S.p.A.

Charterhouse Capital Partners LLP were bidders in two top ten deals: the French tec firm Sagemcom SAS (70% stake), which operates in the specialised added-value communicating terminals market, making set top boxes, internet boxes and electricity meters, and Italian company Optima, an ice cream ingredients manufacturer based in Rimini.

Only two top ten deals involved buyers outside the Europe. The Chinese Public Power Corporation SA acquired 24% of IPTO S.A., Greece's power grid operator. And Mexican Grupo Industrial Saltillo, S.A. reached an agreement to acquire Infun Group, which has iron foundry operations in Spain, Italy, and China, and iron machining in Spain and China.

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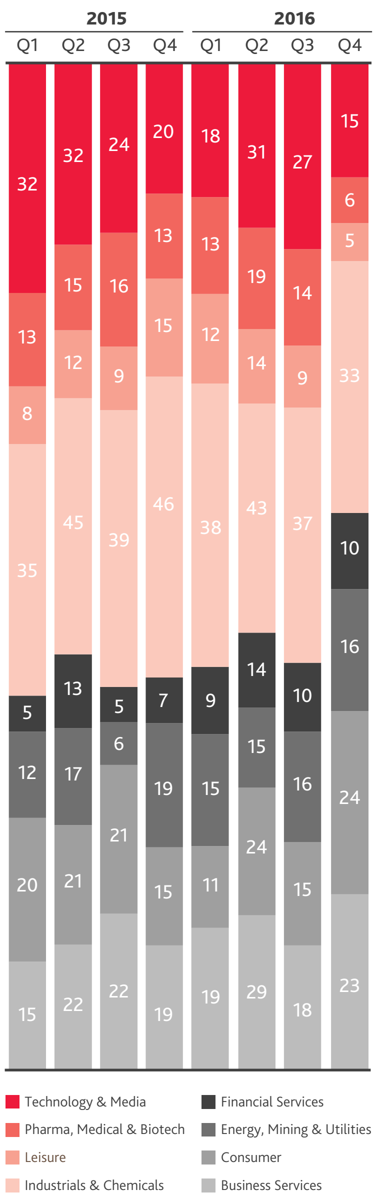
SOUTHERN EUROPE
HEAT CHART BY SECTOR

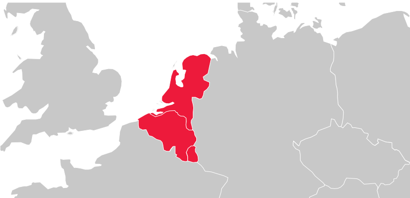
Consumer	94	22%
Industrials & Chemicals	90	21%
Technology & Media	78	19%
Business Services	50	12%
Energy, Mining & Utilities	37	9%
Financial Services	30	7%
Leisure	23	5%
Pharma, Medical & Biotech	21	5%
TOTAL	**423**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

M&A ACTIVITY FALLS BUT AVERAGE DEAL VALUE RISES



BIG PICTURE

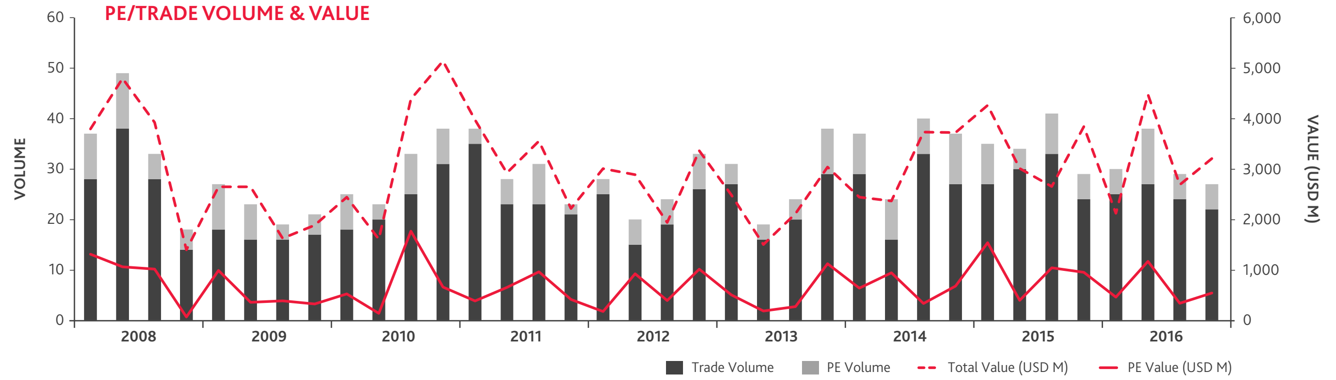
- 2016 saw a shift towards fewer, larger transactions.
- Q4 average deal value is the highest in 2016.
- Private Equity activity remains stable while average deal value rises.
- Industrials & Chemicals, Technology & Media and Business Services are the most active sectors.

The final quarter of 2016 showed M&A activity decreasing in terms of deal numbers compared to Q3 2016, but the average deal value increased significantly. Looking at full-year 2016, there was a slight decrease in deal numbers but the average transaction size increased. Private Equity saw deal numbers hold steady in Q4 2016 compared to Q3 2016, while the average deal value rose. For full-year 2016, however, PE's average deal value was considerably less than in 2015, while the total number of PE deals increased from 25 to 26.

Against a very successful 2015, the total number of deals in 2016 fell 11% and the total deal value was down 9%. Overall average deal value increased from USD 99m in 2015 to USD 101m in 2016, reflecting a shift towards larger transactions. But for PE deals, the average deal value decreased from USD 157m in 2015 to USD 96m in 2016.

In the last quarter of 2016, average deal value (USD 119m) increased by 28% compared to Q3 2016 (USD 93m) and was comparable to the average deal size in Q2 2016. For PE deals, the average deal value increased from USD 67m in Q3 2016 to USD 108m in Q4 2016.

In the final quarter of 2016, 27 deals were completed, bringing the total number of deals for 2016 to 124 (2015: 139). Q4 2016 saw a slight decrease in number of deals compared to the total of 29 deals in Q3 2016. This trend was also visible in 2015 when Q4 2015 numbers (29 deals) were lower than Q3 2015 (41 deals). When we



LOOKING AHEAD

The BDO Heat Chart for Benelux shows 115 deals currently planned or in progress. This is a large decrease compared to the 187 deals projected in the previous quarter. The industries forecast to be the most active are Industrials & Chemicals, Technology & Media and Consumer. Overall, we believe that the Benelux M&A activity will build momentum in the next quarter(s) as there are still financial resources available and financing costs remain low.

look at the average number of annual transactions over the last five years we discover that it is 124 deals, which is the exactly in line with the 2016 total.

The number of PE deals in Q4 2016 was entirely consistent with Q3 2016 as both quarters registered five deals. The overall number of PE deals in 2016 (26 deals) rose slightly from 25 in the previous year.

The total deal value in 2016 was USD 12,491m, which was 9% lower than 2015. PE's total 2016 deal value showed a decrease of 36% compared to 2015, which totals USD 3,925m. In Q4 2016, PE transactions made up 18.5% of the overall deal volume and 16.9% of the value.

KEY DEALS

Q4 saw deal sizes increase, especially for PE transactions. Five of the top ten deals involved PE. The top ten deals varied in size from USD 138m to USD 416m.

The largest deal in Q4 2016 was the sale of Coditel Brabant SPRL by Dutch company Altice N.V. to Belgium-based Telenet Holding N.V. for USD 416m.

The second largest deal was the sale by US-based Carslon Inc. of a minority stake in the Rezidor Hotel Group AB to China-based HNA Tourism Group Co. Ltd. for USD 312m. In third place was the acquisition by US private equity firm TowerBrook Capital Partners L.P of Van Dijk Educatie B.V. for USD 312m.

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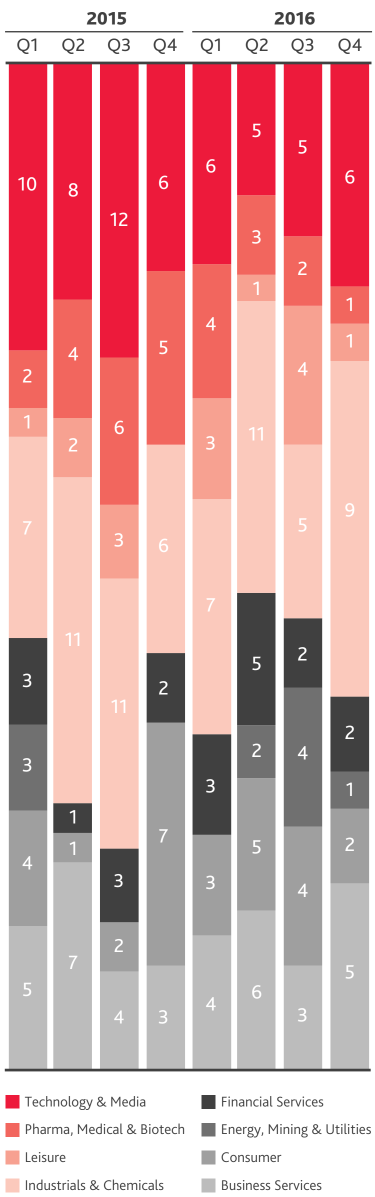
BENELUX
HEAT CHART BY SECTOR

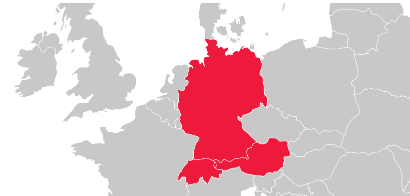
Industrials & Chemicals	24	21%
Technology & Media	19	16%
Consumer	17	15%
Business Services	14	12%
Financial Services	12	10%
Energy, Mining & Utilities	11	10%
Pharma, Medical & Biotech	9	8%
Leisure	9	8%
TOTAL	**115**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

MID-MARKET M&A ACTIVITY DECLINES BUT PRIVATE EQUITY HITS EIGHT-YEAR HIGH



BIG PICTURE

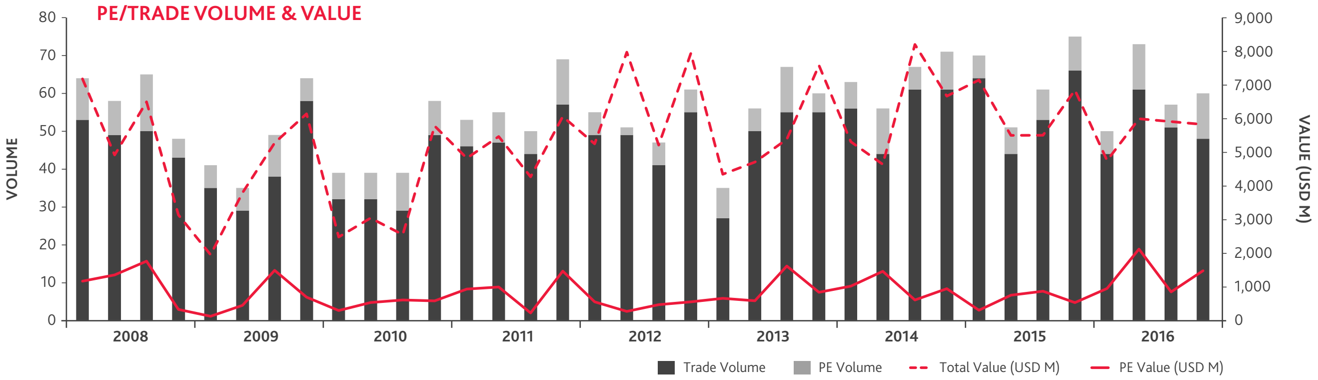
- In 2016, 240 mid-market deals were recorded, a decrease of 7% compared to 2015.
- PE activity hit an eight-year-high.
- Inbound cross-border deals sparked by euro weakness.
- Upcoming political decisions and elections may affect markets in 2017 – the outlook is mixed.

With 240 reported deals in the DACH region, M&A activity in 2016 was slightly weaker than in 2015 (257). Total deal value decreased by 10% from USD 25.0bn in 2015 to USD 22.5bn in 2016. However, PE registered an eight-year-high with 36 deals (+20%) and an accumulated volume of USD 5.4bn (+121%). This resulted in a significantly higher average PE transaction value, which increased by +84%.

M&A activity in Q4 2016 remained relatively stable compared to the previous quarter. Total deal value declined slightly to USD 5.8bn (-1%) while deal volume increased to a total of 60 deals (+5%). One of the contributing factors to the decline in deal value was the lower average transaction value (-6%). In comparison to Q4 2015, the final quarter of 2016 showed a decrease in both total deal value (-15%) and volume (-20%). In contrast, PE deal value (USD 1.5bn) and volume (12) increased significantly by 181% and 33%, respectively.

KEY DEALS

The persistent weakness of the euro remained a major factor holding back DACH companies from investing abroad. Conversely, it positively impacted inbound cross-border deal flow. In fact, most of the top ten deals in Q4 2016 were initiated by foreign buyers, of which three were from Japan and the USA, and one each from China and the United Arab Emirates. Seven out of those ten deals involved German companies, emphasizing the country's attractiveness as a target market.



LOOKING AHEAD

In 2016, a number of significant political events occurred, the results of which cannot yet be foreseen. Uncertainty in the aftermath of the UK's Brexit referendum, the refugee crisis in Europe and the election of Donald Trump as President in the US is set to continue and could lead to risk aversion. This could negatively impact deal appetite, as could further political uncertainties ahead. Europe faces an eventful 2017, with elections in France, Germany, Netherlands and possibly Italy.

These political uncertainties notwithstanding, the key drivers of deal activity remain unchanged: high levels of corporate funds, a positive economic environment in the DACH region and the relatively favourable monetary policy of Central Banks. These are all positive factors for M&A in 2017.

Overall, the DACH region is expected to remain attractive for foreign investors. Together with US companies taking advantages of a strong dollar, China is expected to continue its efforts to invest in innovation-driven businesses despite political headwinds from Germany.

The German IFO Business Climate Index showed a positive trend towards the end of the year with December being the strongest month in 2016 (111 points). The outlook for the first half of 2017 is good, with euro weakness set to drive inbound deal flow.

The BDO Heat Chart indicates that 219 mid-sized companies are seeking to be sold in the DACH region. This is 40% less than last year's outlook and is a significant decrease. M&A activity is primarily expected to come from the Industrials & Chemicals sector, followed by Technology & Media.

The largest mid-market deal in Germany and the entire DACH region was the USD 461m acquisition of Ganymed Pharmaceuticals AG by Astellas Pharma Inc., one of Japan's leading pharmaceutical companies. Ganymed is a biopharmaceutical company that has developed a new class of therapeutic drugs for the treatment of cancer.

In Austria, the largest deal was the acquisition of an 18% stake in UNIQA Insurance Group AG by UNIQA Versicherungsverein Privatstiftung for a consideration of USD 397m. The Raiffeisen Zentralbank Oesterreich AG sold its shares in order to simplify its corporate structure and to cope with new regulatory provisions.

Finally, Switzerland's biggest transaction was the USD 300m sale of Alpiq Holding's 30% stake in Swissgrid AG to BKW Netzbeteiligung AG. With this acquisition, BKW is now the largest shareholder in Swissgrid AG.

KEY SECTORS

In 2016, the most active sectors were Industrials & Chemicals with 98 transactions, followed by Technology & Media with 41 transactions. Together, both sectors accounted for 58% of all deals. Industrials & Chemicals increased its share of overall deals by 7%, while Technology & Media's saw a decrease of 4%.

Despite significantly lower deal volumes, Pharma, Medical & Biotech and Business Services maintained their third and fourth ranking with 23 deals (-26%) and 20 deals (-33%). Finally, an uptick in M&A activity was recorded in the Leisure sector, which saw a deal count of 15 (+53%).

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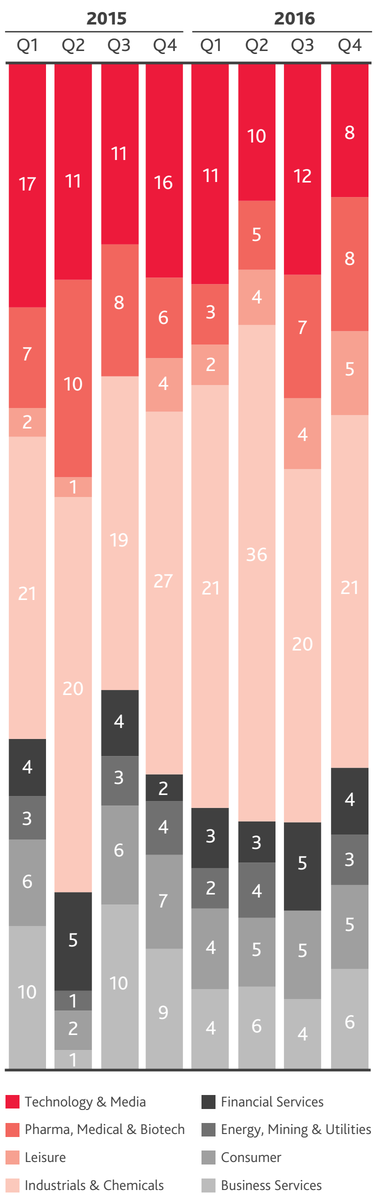
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	63	29%
Technology & Media	38	17%
Consumer	33	15%
Pharma, Medical & Biotech	27	12%
Business Services	23	10%
Financial Services	17	8%
Energy, Mining & Utilities	10	5%
Leisure	8	4%
TOTAL	**219**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

A CONSISTENT 70 DEALS PER QUARTER ADDS UP TO RECORD-BREAKING M&A VOLUME IN 2016

BIG PICTURE

- Q4 2016 M&A value and volume holds steady compared to previous quarter.
- Compared to Q4 2015, however, Q4 2016 deal value was down almost 20% while deal volume was maintained.
- Full-year 2016 M&A activity grows, while PE activity stays constant.
- Industrials & Chemicals and Technology & Media lead the way, notching up the quarter's highest deal volume for three years.
- In 2016, Business Services, Consumer and Industrials & Chemicals set a new volume record with 42, 33 and 92 deals, respectively.

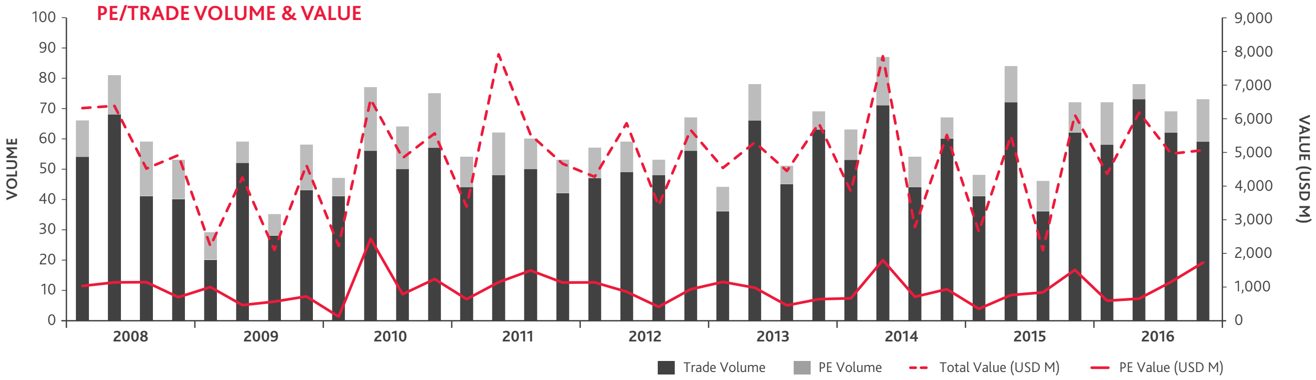
Deal volume for the final quarter was consistent with that of the previous quarters of 2016. However, excluding PE activity (which totalled 14 deals worth a total of USD 1.7bn), Q4 2016 saw the lowest level of final quarter M&A activity for the last three years, in terms of both value and volume.

The total deal value for Q4 2016 was USD 5bn, compared to USD 4.9bn in Q3 2016 (2% increase), and USD 6.1bn in Q4 2015 (20% decrease). Looking at the year as a whole, 2016 was characterised by stability, both in volume and in value, with only nine deals and USD 1.9bn between the highest quarter's activity and the lowest. PE activity doubled in the last quarter of 2016 compared to the previous quarter, but looking at 2016 as a whole we can see that PE activity remained consistent with 2015.

KEY SECTORS AND DEALS

The most active sectors in Q4 2016 were Industrials & Chemicals and Technology & Media, which accounted for 37% and 26% of total deal volume respectively, suggesting greater interest in these sectors than in previous quarter (29% and 22%, respectively).

On a yearly basis, Industrials & Chemicals and Technology & Media remain the most active sectors, together accounting for 54% of total annual activity.



LOOKING AHEAD

As for the global economy, indicators suggest higher growth in 2017 for all major regions at the same time, which is unusual and very good for small, open economies such as the Nordics. There has been an unusual divergence in growth rates between Norway in and Finland in recent years but Danske Bank forecasts for GDP growth in 2017 are 1.3% for Finland and 1.8% for Norway.

The Danish economic recovery is expected to remain on track, supported by a growing labour force and stronger global and domestic demand. Swedish GDP is expected to grow around 2% in 2017 and 2018.

As for Norway, there are still no signs of serious second-round effects from the oil downturn, sectoral or geographical. Quite the opposite in fact, it seems that growth outside the oil sector is accelerating.

The Finnish economy surprised on the upside in 2016, with GDP expected to grow 1.3% annually in 2017-18.

Based on these forecasts, we expect that PE activity for FY 2017 will remain at the same level of approximately 40 deals. At sector level, we expect Industrials & Chemicals and Technology & Media to remain the most active.

The total value of the quarter's top ten deals was USD 2.6bn, which is 52% of the total quarterly value, compared to 59% in Q3 2016. The top ten deal value ranged between USD 404m and USD 197m.

Of the top ten deals, only two were outside the Nordic region and both involved Swedish companies being sold to US bidders. In fact Sweden was the target country for six of the top ten transactions and Denmark for three.

The top three deals were as follows: in December 2016, the Danish company Fertin Pharma A/S was acquired by Sweden-based company EQT Partners AB in a USD 404k transaction. In October 2016, the Swedish company Esselte AB was acquired by US-based Acco Brands Corporation, in a USD 323k transaction.

And in November 2016, 25% of the Danish company Nordea Liv & Pension, livsforsikring A/S was acquired by another Danish company, Nordea Life Holding AB, in a USD 312k transaction.

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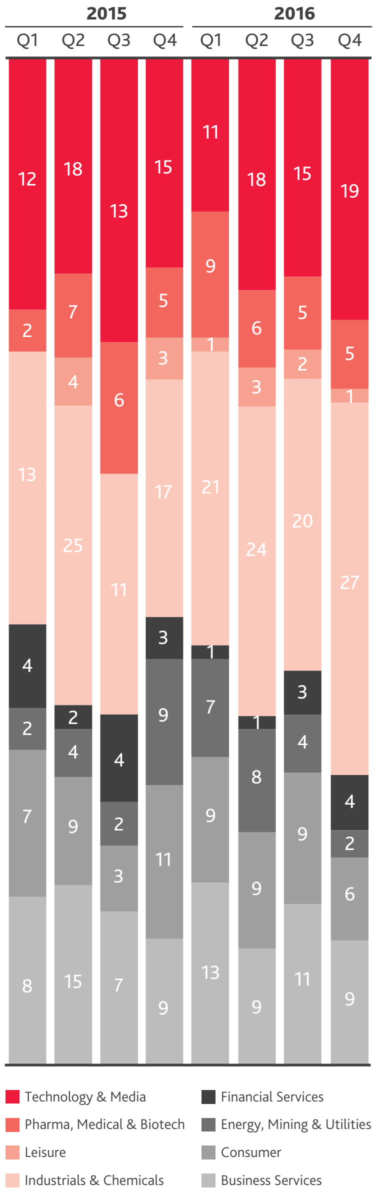
NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	41	24%
Technology & Media	35	21%
Consumer	20	12%
Business Services	20	12%
Energy, Mining & Utilities	20	12%
Pharma, Medical & Biotech	16	9%
Financial Services	11	6%
Leisure	7	4%
TOTAL	**170**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



CEE & CIS

A POSITIVE FINAL QUARTER BUT 2016 CANNOT MATCH PREVIOUS YEAR LEVELS

BIG PICTURE

- Q4 deal numbers, value and average size all increased compared to Q3.
- Full-year 2016 deal numbers, however, were significantly lower than in 2015.
- Deal value in Q4 2016 (USD 5.2bn) fell against the corresponding quarter last year (USD 6.2bn).
- Trade volume continued to increase in Q4 2016, while PE volume fell.
- The BDO Heat Chart shows 458 potential deals, suggesting a pick-up in activity ahead.

The final quarter of 2016 saw CEE & CIS deal numbers rise by 39% compared to Q3 2016, while deal value increased by USD 2.1bn during the same period.

The final quarter of 2016 saw CEE & CIS deal numbers rise by 39% compared to Q3 2016, while deal value increased by USD 2.1bn during the same period.

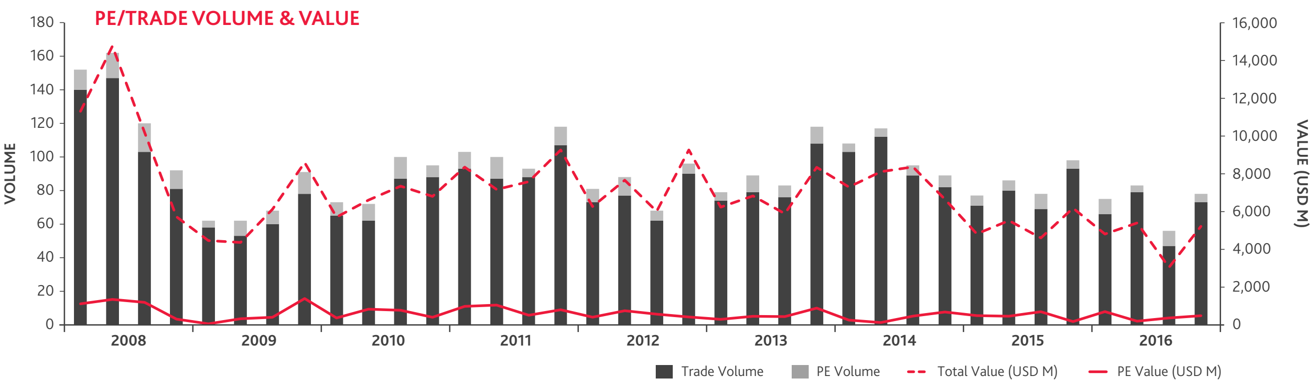
This strong rise in mid-market M&A activity was accompanied by a rise in average deal value to USD 66m. The average transaction value is, however, still lower than the average deal value in the period from 2008 to 2016.

KEY DEALS AND SECTORS

The region's top ten deals had a combined value of USD 2.1bn, which represented around 42% of Q4 2016's overall deal value.

The most active sectors in Q4 2016 were Industrials & Chemicals with 20 deals, representing 26% of total deal volume, Consumer with 16 deals (21%), Energy, Mining & Utilities with 11 deals (14%) and Business Services with ten deals (13%).

This was in line with the overall trend for 2016: Industrials & Chemicals contributed 66 (23%) deals and Consumer 44 deals (15%). The sector that contributed the least was Leisure, with only two deals (3%) in Q4 2016 and only 13 deals in 2016 (4%). Pharma, Medical & Biotech industry saw three deals (4%) in Q4 2016 and 14 deals (5%) in 2016 as a whole. The average number of Q4 deals between 2008 and 2015 for Industrials & Chemicals was 25 (24%) and the data shows a downward trend in this industry. Technology & Media and Business Services were the only sectors



that performed better than the 2008 to 2015 historical average. Overall, five sectors performed below their 2008 to 2016 historical average in Q4 2016 while three sectors (Consumer, Industrials & Chemicals, Business Services) performed above their average.

The S&P 500 decreased heavily in January and February 2016, primarily as a result of the continuing unstable financial situation in China, a weak US dollar and higher commodity prices that negatively influenced corporate earnings. Nevertheless, the S&P 500 stabilised in March 2016 and rose steadily through to December and the US dollar strengthened. On the other hand, the S&P 400 index of mid-cap companies achieved a gradual increase in Q4 2016 and was stable in 2016.

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LOOKING AHEAD

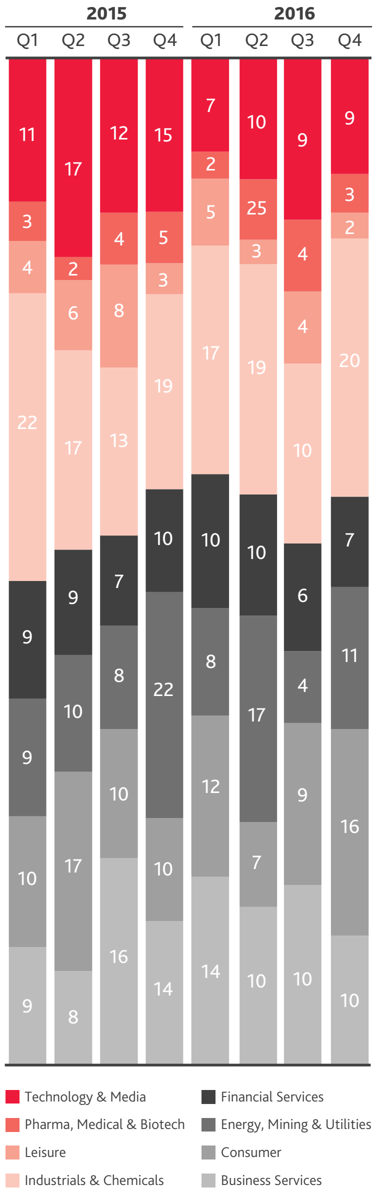
According to the BDO Heat Chart and a number of other reliable sources, we can expect more mid-market M&A activity during 2017, especially as, surprisingly, the number of deals declined in 2016 compared to 2015. The IMF forecasts global growth around 3.4% in 2017, which is 0.3% more than the corrected forecast for 2016. In 2017 China still represents a major risk since a transition of its economy is needed to avoid a potential steep decline in growth. This could lead to a sudden rise in risk aversion globally and as a result influence mid-market M&A deals in the CEE & CIS region, especially in economies closely related to China (Russia). The M&A markets tend to lag economic indicators as well as debt markets as investor confidence moves with financial sentiment and outlook. The market at this point shows gradual, lower than forecast growth and will probably achieve slower recovery over the next several years.

The BDO Heat Chart expects 458 deals planned or in progress, which represents around 9% of the total worldwide mid-market deals and would indicate a significant increase in M&A deals in the region. Industrials & Chemicals is expected to be the leading sector for CEE & CIS mid-market M&A deals with 125 deals (27%) predicted - which is consistent with the 2008 to 2015 average. Consumer has 100 predicted deals (22%) and Technology & Media 79 deals (17%). In line with the historical data, the Leisure and Pharma, Medical & Biotech sectors will have the least deals in both the short and long term.

CEE & CIS
HEAT CHART BY SECTOR

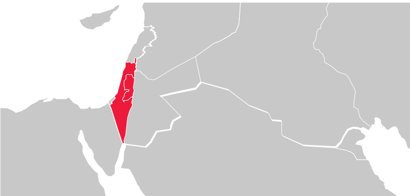
Industrials & Chemicals	125	27%
Consumer	100	22%
Technology & Media	79	17%
Business Services	41	9%
Energy, Mining & Utilities	38	8%
Financial Services	28	6%
Pharma, Medical & Biotech	25	6%
Leisure	22	5%
TOTAL	**458**	**100%**

CEE & CIS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

M&A ACTIVITY INCREASES AS PRIVATE EQUITY STRENGTHENS



BIG PICTURE

- Q4 2016 deal value increases while volume edges slightly lower compared to Q3 2016.
- Industrials & Chemicals lead the way with five deals during Q4 2016.
- PE activity rises in Q4 2016 compared with Q3 2016 and Q4 2015.

The fourth quarter of 2016 saw mid-market M&A deal value grow strongly while volume stagnated compared to the previous quarter.

In Q4 2016, Israel saw a total of 14 mid-market deals, which represents a decline of 22.2% in deal numbers and a fall of 4.7% in value compared with the fourth quarter of the previous year, and a decline of 6.6% and an increase of 29% respectively, in comparison with Q3 2016.

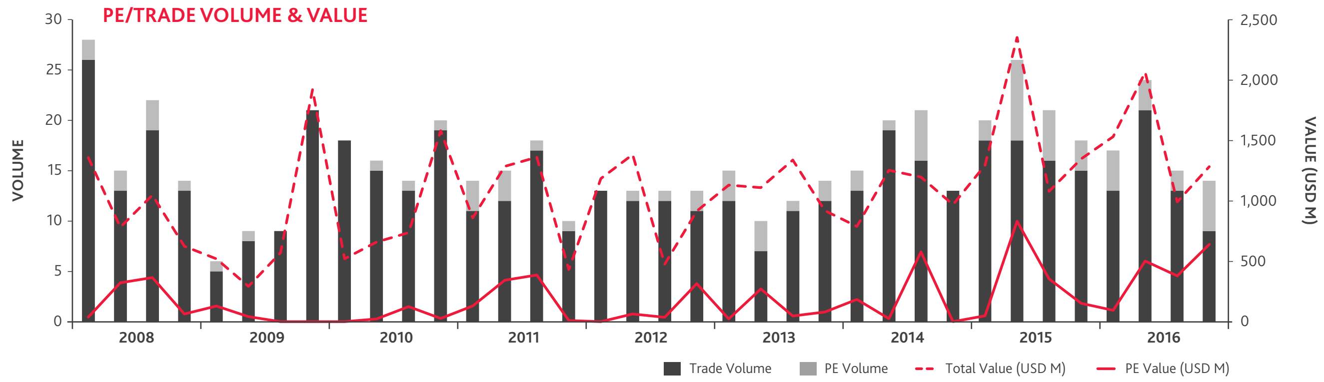
The fourth quarter of 2016 generated 14 deals, with a total value of USD 1.28bn, reflecting an increase of USD 292m compared to Q3 2016, whereas the overall number of transactions remained stable with a slight drop from 15 to 14 transactions from Q3 to Q4.

In Q4 2016, PE deals represented 35.7% of total transaction volume. However, PE's proportion of total deal value during Q4 2016 was up significantly at 49.9%, compared to 38.2% in Q3 2016 and 11.3% in Q4 2015.

While 2015 was a record year for Israel M&A activity, 2016 recorded a slightly lower performance in terms of value with significantly less transactions recorded. In 2016, deal value totalled USD 5.8bn compared to USD 6.07bn in 2015. Total volume for 2016 stood at 70 deals in comparison with 85 in 2015, representing a decrease of 17.6%.

KEY SECTORS AND DEALS

Israel's top ten Q4 2016 deals had an aggregated value of USD 1.2bn, representing 94% of total M&A transactions. The largest was the USD 387m acquisition of Meitav Dash Investments, Israel's second-largest investment house, by the London-based private equity fund XIO Group. The second largest transaction was the USD 340m



LOOKING AHEAD

The BDO Heat Chart for Israel shows there are 40 deals planned or in progress, with 15 (37%) related to Technology & Media and 11 (27%) involving Pharma, Medical & Biotech. Other active sectors include Financial Services, with four deals (10%) and Industrials & Chemicals, also with four deals (10%). The Technology & Media and Pharma, Medical & Biotech sectors are expected to continue to lead the way. Overall, despite the BDO Heat Chart showing some contraction in the deal pipeline compared to Q3 2016, the outlook for M&A activity in Israel remains positive.

acquisition of Valtech Cardio, developer of trans catheter repair systems, by NGN Capital and Valve Ventures LLC. Other relatively large deals included the purchase of the G4S Israeli division by Israeli PE firm FIMI Opportunity Funds for a total of USD 111m and the purchase of Sabon Shel Paam Industries, an Israeli natural bath and body products chain, by Rocher for USD 90m.

Industrials & Chemicals was the most active sector, being responsible for five transactions. The Consumer and Technology & Media sectors recorded three deals each, while Pharma, Medical & Biotech recorded two deals and the Financial Services sector recorded one deal only.

Out of the top ten deals in Q4 2016, the Industrials & Chemicals sector was responsible for three, while the remaining seven were divided between Consumer, Pharma Medical & Biotech, Technology & Media and Financial Services. Cross-border transactions continue to stand out, with six transactions involving a foreign bidder; four of these involved US buyers, while one buyer was from France and another the UK.

PRIVATE EQUITY

PE was responsible for five of the Q4 2016 quarter's 14 deals (35.7%) and USD 640m of the USD 1.28bn total deal value. This represented an upward trend in comparison to both Q3 2016 and Q4 2015. In fact PE deals were up in terms of both volume and value, completing five deals during Q4 2016, thereby recovering from the two and three deals recorded in Q3 2016 and Q4 2015 respectively. As for value, PE deals grew from USD 379m in Q3 2016 and USD 152m in Q4 2015 to USD 640m in Q4 2016, the second highest since Q2 2015.

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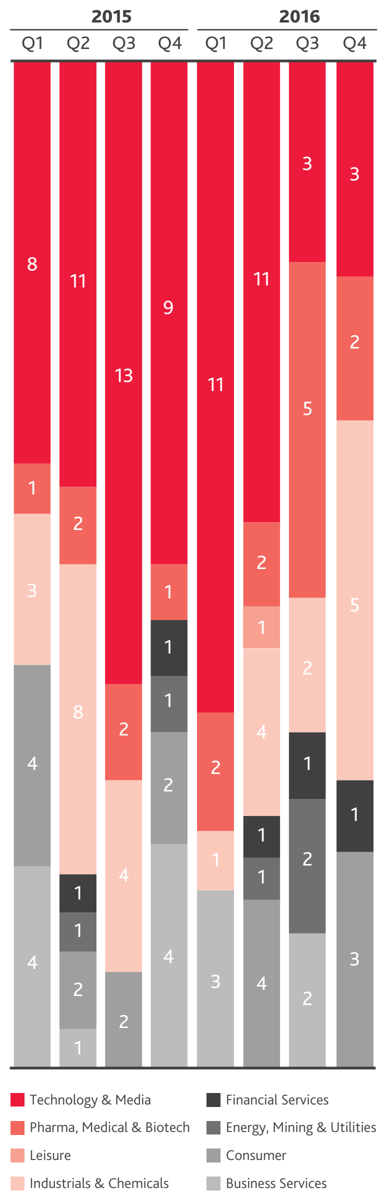
ISRAEL
HEAT CHART BY SECTOR

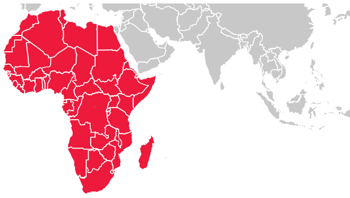
Technology & Media	15	37%
Pharma, Medical & Biotech	11	27%
Industrials & Chemicals	4	10%
Financial Services	4	10%
Energy, Mining & Utilities	3	8%
Consumer	2	5%
Business Services	1	3%
Leisure	0	0%
TOTAL	**40**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR



AFRICA

M&A ACTIVITY WEAKENS IN Q4 BUT GOOD PROSPECTS AHEAD



BIG PICTURE

- Q4 deal volume holds steady compared to Q3 2016 but is down 28% on Q4 2015.
- Q4 deal value fell 21% compared to Q3 2016 and is down 11% on Q3 2015.
- The value of PE buy-outs decreased by 51% from the previous quarter.
- Energy, Mining & Utilities is the most active sector.

In the last quarter of 2016, African M&A volume remained constant at 29 deals compared to the previous quarter. Overall value, however, dropped by 21% to USD 2.33bn.

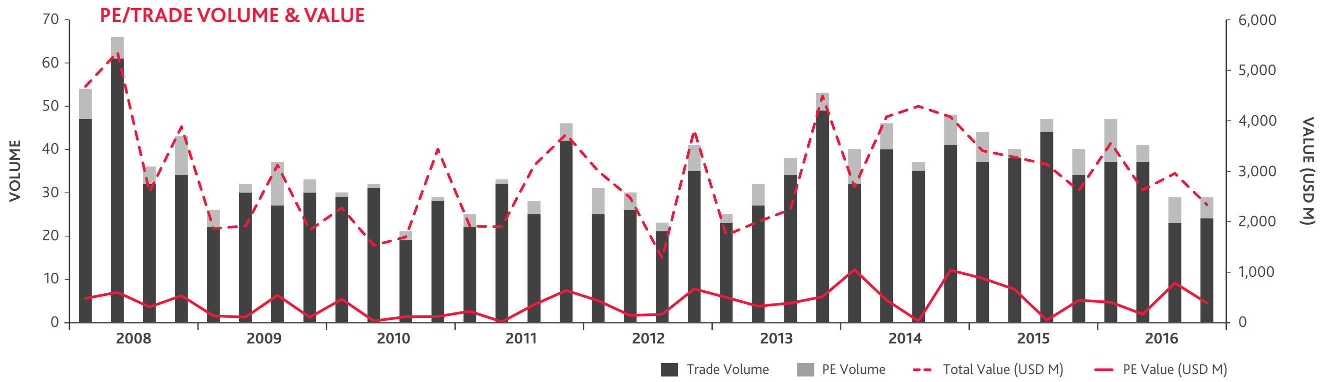
Five out of 29 deals involved PE buy-outs, representing 17.2% and 16.2% of total transaction volume and total transaction value for Q4 2016 respectively. Compared with the corresponding period in 2015, the number of deals dropped by 28% with a decrease of 11% in deal value.

The value of PE buy-outs decreased significantly in Q4 2016, with a drop of 51% and just five deals in the period. However, there was a 5% increase in the average value of a buy-out compared to Q4 2015.

KEY DEALS AND SECTORS

The most active sectors during Q4 2016 remained Energy, Mining & Utilities with eight deals, followed by Industrials & Chemicals with seven deals. The sector with the lowest activity was Leisure, with only one deal for Q4 2016. Apart from Energy, Mining & Utilities, all sectors saw a decrease in deal volume between Q3 and Q4 2016.

Six of the ten top mid-market transactions were struck in South Africa. The biggest deal in Q4 2016 was worth USD 500m and took place in the Financial Services sector. It involved the sale of the British multi-national banking and financial services company, Barclays Bank Egypt, to Morocco's leading bank, Attijariwafa Bank, as part of Barclays's shift towards focusing on the US and Britain.



Another big deal in Financial Services was the acquisition of a further 16.6% interest in Saham Finances S.A by Sanlam Ltd and its short-term insurance subsidiary, Santam Ltd (Sanlam Group), for a total consideration of USD 329m. Sanlam Group first acquired a 30% stake in Saham Finances S.A in February 2016.

In the Energy, Mining & Utilities sector, Helios Investment Partners and Vitol have acquired Shell's 20% shareholding in Vivo Energy for USD 250m and as a result Vivo is now 100% owned by Vitol and Helios. At the same time, a long-term brand license agreement has been renewed with Shell, enabling Vivo Energy to continue to operate under the Shell brand.

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LOOKING AHEAD

Lower deal activity reflects the slowing pace of economic growth. According to Global Economic Prospects: Weak Investments in Uncertain Times, published by the World Bank in January 2017, GDP growth in Sub-Saharan Africa is estimated to have decelerated to 1.5% in 2016, the lowest in over two decades, reflecting the effect of low commodity prices and heightened governance concerns.

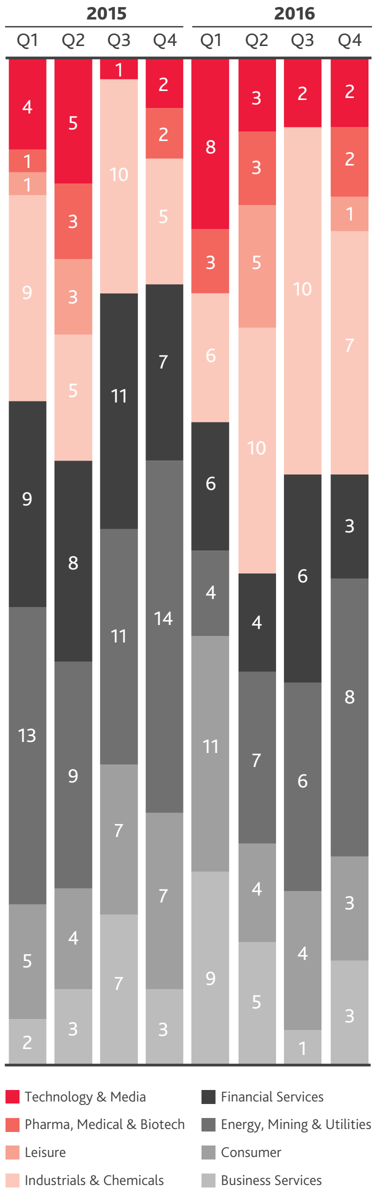
Africa is facing a mixed outlook for growth for 2017. The economic growth forecast for the continent over the coming year is expected to be lower than the 5% average of the past decade. Growth is projected to improve in line with the gradual pick-up in the world economy and a recovery in commodity prices, but will remain weak. Economic progress will also depend on how fast governments implement reforms aimed at promoting growth and re-establishing macroeconomic stability. At the same time, prudent fiscal policies, coupled with tighter monetary policy, should prevent sharp increases in inflation and keep public fiscal balances in check.

The BDO Heat Chart for Africa mid-market M&A activity features 108 deals and provides a positive outlook for deal activity in 2017. The most buoyant sectors by far are Industrials & Chemicals with 39 deals (36%) and Energy, Mining & Utilities with 20 transactions (22%).

AFRICA
HEAT CHART BY SECTOR

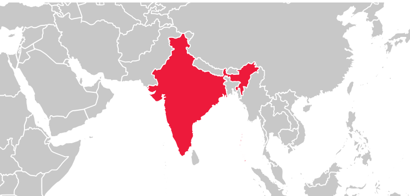
Industrials & Chemicals	39	36%
Energy, Mining & Utilities	24	22%
Consumer	13	12%
Business Services	11	10%
Financial Services	10	9%
Technology & Media	9	9%
Pharma, Medical & Biotech	2	2%
Leisure	0	0%
TOTAL	**108**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

M&A ACTIVITY FALLS IN Q4 BUT ECONOMIC FUNDAMENTALS SET TO SUPPORT FUTURE GROWTH



BIG PICTURE

- Deal volume falls 18% and value drops 48% compared to the previous quarter.
- Industrials & Chemicals was the most active sector in Q4 and is expected to lead the way ahead.
- Strong GDP growth and supportive government policies set to drive future deal activity.

India's economy continues to be one of the fastest growing in the world, and is expected by the World Bank to increase GDP by 7% for full-year 2016-17.

This growth rate has been revised downwards from the previous estimate of 7.6% due to the Indian Government's demonetisation policy announced in November 2016 (ceasing the use of all 500 and 1,000 rupee banknotes, which represent approximately 88% of currency in circulation). However, it is expected this will benefit the country in the long run. Inflation has shown a consistent downward trend, permitting the Reserve Bank of India (RBI) to reduce the repo rate and providing additional liquidity to support the growth of various segments.

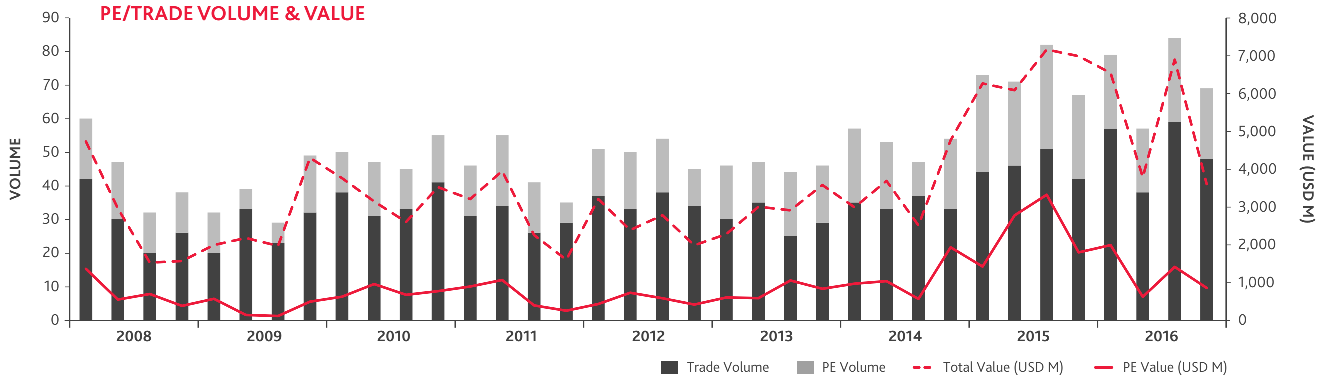
The Finance Minister has indicated that the upcoming budget will have a series of policies to address the current situation.

Deal value decreased by 48% to USD 3.6bn in Q4 2016, down from USD 6.89bn in the previous quarter. Deal volume dropped 18% (to 69 deals from 84 deals) and the average deal size decreased to USD 52 million from USD 82 million.

For 2016 as a whole, deal value decreased by 21%, from USD 26.49bn to USD 20.81bn. Compared to 2015, deal volume fell 1.4% (to 289 deals from 293 deals) and the average deal size decreased to USD 72m from USD 90m.

In Q4 2016, PE buy-out deals represented 24% of total deal value and approximately 30% of total deal volume. For Q3 2016, these numbers were 20% and 30% respectively.

For 2016 as a whole, PE buy-outs represented 23% of the total deal value and 30% of the total deal volume. For 2015, these numbers were 35% and 38% respectively.



LOOKING AHEAD

In spite of a temporary slowdown caused by the demonetisation effect, India's economy is projected to grow 7.6% in 2017-18, with growth strengthening to 7.8% in 2018-19.

This growth is expected to be underpinned by a recovery in private investment due to the recent push to accelerate infrastructure spending and measures to create a better investment climate, namely the passage of the goods and services tax (GST) and the bankruptcy code. Going forward, GST implementation, the Government's strong push to curb black money and the encouragement of a cashless eco-system should also support expansion of the economy.

The BDO Heat Chart is based on "companies for sale" tracked by Mergermarket between 9 July 2016 and 9 January 2017. The Industrials & Chemicals and Technology & Media sectors are expected to top the chart with highest number of potential deals.

KEY SECTORS AND DEALS

In terms of sectors, Industrials & Chemicals saw the highest deal volume with 68 deals (24%), followed by Technology & Media with 55 deals (19%) and Business Services with 43 deals (15%) in 2016.

In terms of quarter on quarter comparison, only two sectors (Technology & Media and Consumer) saw growth in deal volume while four (Leisure, Industrials & Chemicals, Financial Services and Business Services) saw a drop in deal volume and two (Pharma, Medical & Biotech and Energy, Mining & Utilities) remained constant in Q4 2016 as compared to Q3 2016.

The biggest deal in Q4 2016 was in the Financial Services sector, with Kohlberg Kravis Roberts & Co. L.P. and Temasek Holdings Pte Ltd of USA acquiring a 3.9% stake in SBI Life Insurance Company Ltd from the State Bank of India for USD 266m in December 2016.

Other major deals in Q4 2016 included Yanmar Co., Ltd of Japan acquiring an 18% stake in International Tractors Limited from Blackstone Group LP of USA for USD 235m; Dalmia Cement (Bharat) Limited acquiring a 26.34% stake in OCL India Ltd for USD 207m; Orient Cement Ltd acquiring a 74% stake in Bhilai Jaypee Cement Limited from Jaiprakash Associates Ltd for USD 161m and Caisse de Depot et Placement du Quebec of Canada acquiring a stake in TVS Logistics Services Ltd from Goldman Sachs and Kohlberg Kravis Roberts & Co. L.P. of USA for USD 150m.

In 2016, the average number of deals per quarter was 72, slightly down on the 2015 average of 73. In terms of value, 2016's quarterly average was USD 5.2bn, down from USD 6.6bn in 2015.

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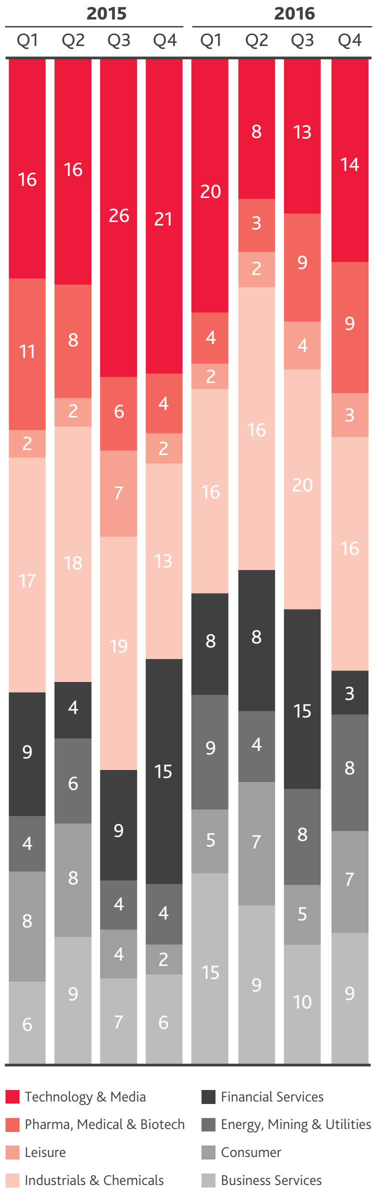
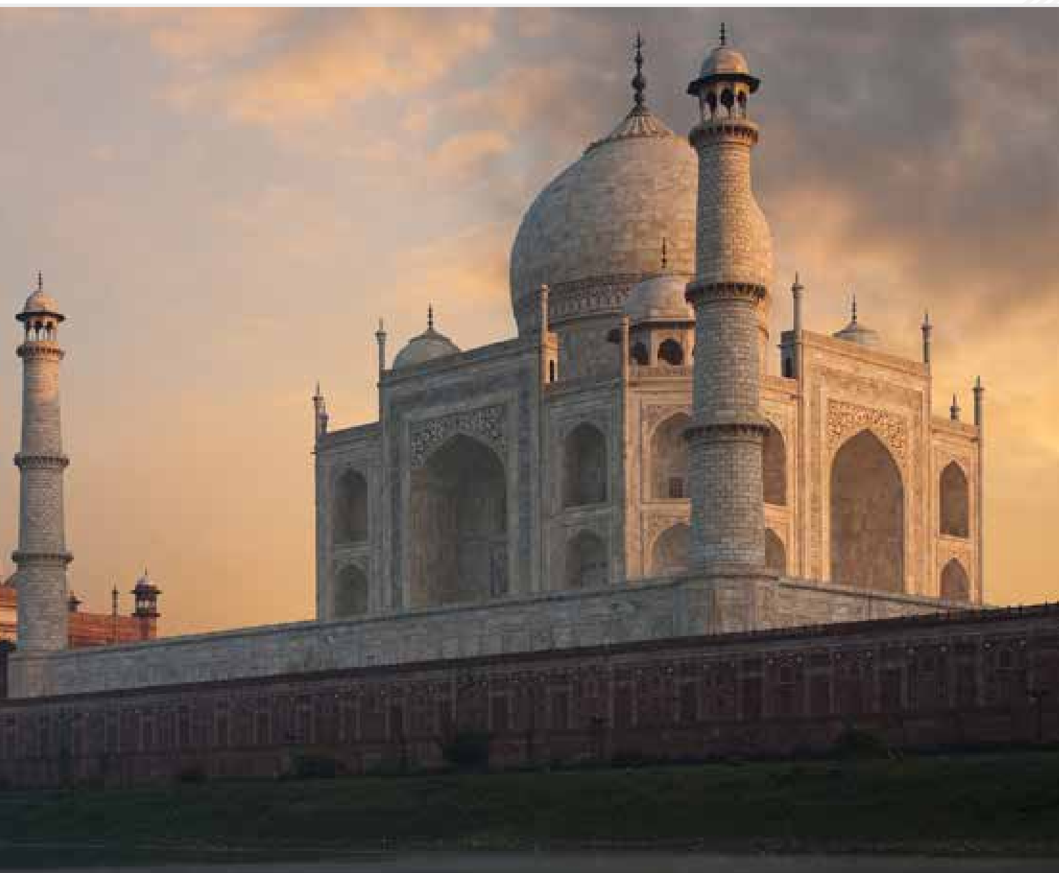
INDIA
HEAT CHART BY SECTOR

Industrials & Chemicals	73	25%
Technology & Media	42	15%
Financial Services	37	13%
Pharma, Medical & Biotech	33	12%
Consumer	32	11%
Business Services	32	11%
Energy, Mining & Utilities	26	9%
Leisure	12	4%
TOTAL	**287**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR





CHINA

OUTBOUND INVESTMENT BOOSTS Q4 M&A , BUT UNCERTAINTY AHEAD

BIG PICTURE

- A good year end for the mid-market – Q4 is the third highest quarter for deal volumes on record.
- Deal volume in full-year 2016 fell 4.9% to 1,741 transactions, but this was still the second highest year on record.
- Domestic M&A slowed but continued outbound investment drove global activity.
- Increased scrutiny of capital outflows could impact on deal volumes in 2017, although good quality strategic investments are unlikely to be impacted.

In a mixed year for M&A markets across the world, driven by watershed political events in the West that created heightened economic and political uncertainties globally, China has maintained its hunger for offshore investment.

With increased concerns over China's domestic economy, including softening economic growth and unexpected currency depreciation, overseas investment has increasingly become a focus for PRC companies seeking to use overseas acquisitions to diversify away from, or strengthen their competitive position in, the increasingly congested domestic market.

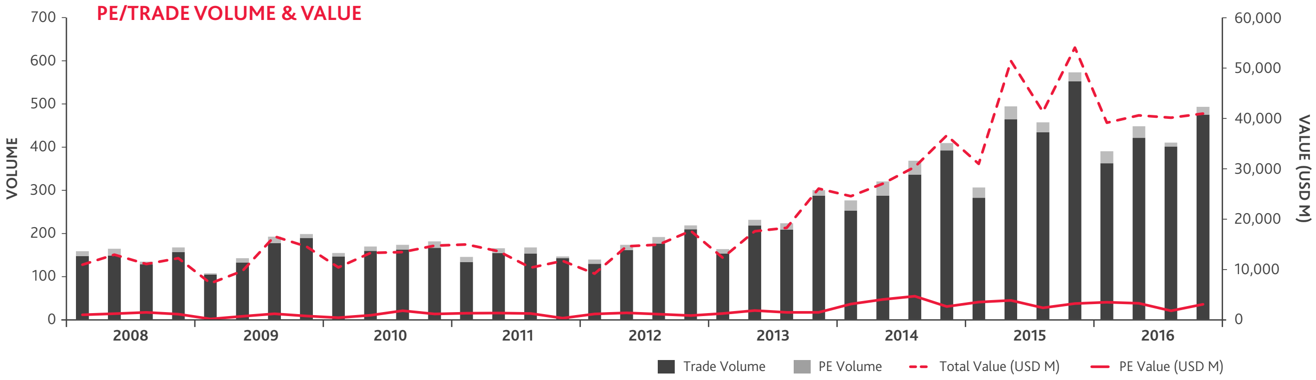
In a year when the rising wave of PRC offshore investment started to attract increasing scrutiny and roadblocks from both overseas and domestic governments, the market in Greater China saw a strong close for the year, generating 23.5% of deals by value (22.2% by volume) in the global mid-market during 2016. Headwinds are, however, dampening down expectations for M&A market performance in 2017.

INCREASED SCRUTINY ON CAPITAL OUTFLOWS

While the momentum for offshore acquisition is expected to continue, one potential uncertainty on the horizon is increasing scrutiny by PRC officials on capital outflows. Following accession to the WTO from 2001, China experienced a rapid build in its foreign exchange reserve levels, generating large trade surpluses with its key trading partners, with high levels of inbound FDI as key sectors in China's economy opened up and capital controls were in place to encourage fund inflows. Foreign currency reserves in China peaked at USD 3.99tn in June 2014, by far the highest of any economy globally.

These reserves, however, subsequently fell by USD 0.94tn to USD 3.05tn as

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

China's quest for high quality overseas acquisitions is expected to continue, given ongoing government support for outbound investment, backed by the availability of low-cost financing and an active A-share market. Overseas investment remains a key step in the evolution of corporate China, providing diversification opportunities and enhancing the global asset allocation of PRC companies, which is also seen as a counter for potential risks of China's slowing economic growth and currency devaluation, and also to secure higher yielding assets overseas.

Enhanced scrutiny of capital outflows by PRC regulators may have some impact on current deal processes, perhaps raising concerns from overseas vendors on the ability of PRC companies to fund acquisitions. But in China's continuing transition from a developing economy, the move to becoming a net capital outflow country is expected. The country's foreign exchange regulator, SAFE, has further advised that it will focus on promoting trade and investment facilitation, whilst remaining vigilant in preventing foreign exchange risks, with non-core or opportunistic investments by PRC companies expected to attract the attention of heightened scrutiny on capital outflows.

The positive fundamentals supporting China's offshore activities remain in place, but rising nationalism in key M&A markets around the world and increased capital outflow controls are casting a shadow over market expectations in 2017. This view is supported by the latest BDO Heat Chart, which shows 651 deals planned or in progress across Greater China, which is down sharply from the 995 pipeline deals forecast at the end of Q3 2016.

at November 2016, partly as a result of China's substantial overseas direct investments (with China becoming a net capital exporter in 2015) and also due to large movements of funds offshore by both PRC companies and individuals, driven by concerns over China's slowing economy and anti-corruption clampdowns.

With foreign exchange reserves still over twice the size of Japan (the second largest globally), and China still generating large trade surpluses with most trading partners each month, there is no immediate cause for concern.

However, Chinese officials have announced a number of measures in recent months to tighten controls on funds moving out of the country. What impact this could have on China's outbound M&A levels in 2017 remains to be seen, although the general market consensus is that Beijing will continue to support genuine and strategic outbound investments. These allow Chinese companies to build their global presence and counter slowing economic growth in China, while minimising the rash of speculative investments that have arisen over recent years.

CONTINUED FOCUS ON DIVERSIFICATION

China's steady transition from a developing to a developed economy has seen wholesale changes in the drivers of the country's economic growth. Still often seen as a low-cost manufacturing, export-led economy, China is undertaking a fundamental transition to become an economy led by domestic consumption and innovation, with a focus on slower but higher quality economic growth.

The IMF's GDP growth forecast of 6.6% in 2016 is the lowest GDP growth rate for China since 1990. However, this is still one of the highest economic growth rates among the world's largest economies, with the incremental GDP generated each year larger than when China was generating double-digit GDP growth rates in the early 2000s, due to the size that China's economy has now reached.

Disparate industry sector trends are now at play in China's domestic economy, driving the direction of both inbound and outbound investments. China's overcapacity in key industrial sectors such as steelmaking, concrete and solar panel manufacturing will drive further domestic consolidation, with a stronger focus on productivity and profitability.

Environmental compliance, innovation and the modernisation of key industry sectors will also be prioritised, with an overall move up the value chain planned for Chinese manufacturing under the government's 'China 2025' plan. This could represent a new era for Chinese manufacturing, in what many consider to be China's most ambitious industrial plan to upgrade its manufacturing sector.

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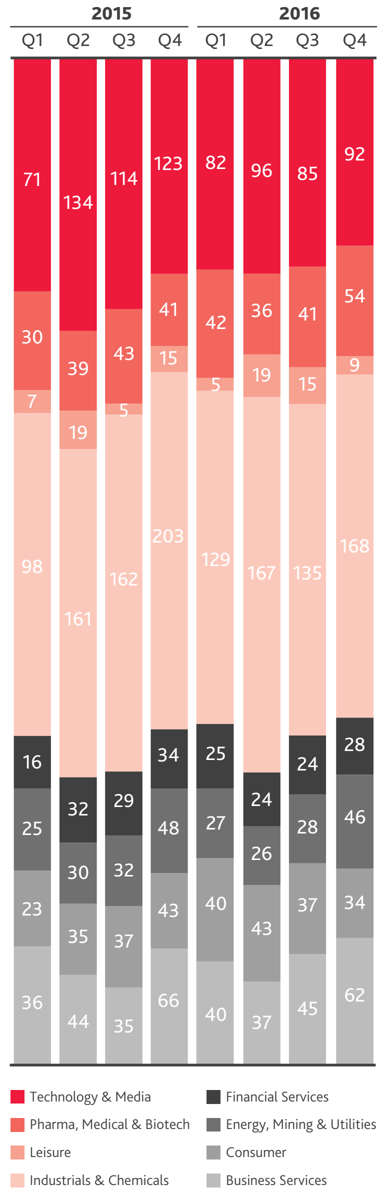
CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	229	35%
Technology & Media	105	16%
Business Services	87	14%
Consumer	67	10%
Financial Services	62	10%
Energy, Mining & Utilities	47	7%
Leisure	28	4%
Pharma, Medical & Biotech	26	4%
TOTAL	**651**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITY RISES IN Q4 BUT DEAL PIPELINE SLOWS

BIG PICTURE

- Q4 deal volume up 28% and value rises 47% compared to previous quarter.
- Industrials & Chemicals the most active sector.
- Strong US dollar supports cross-border transactions.

South East Asia saw growth in both the volume and value of mid-market M&A in Q4 2016.

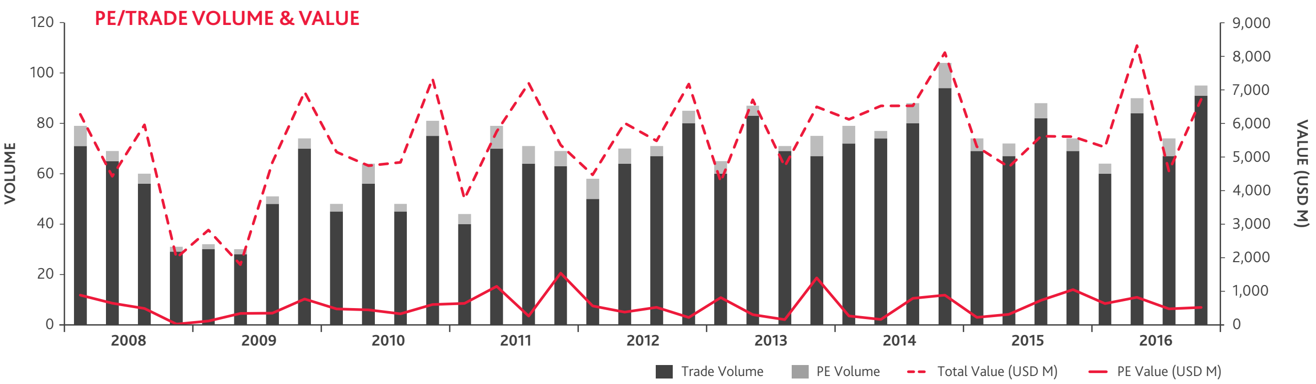
There were 95 transactions during the quarter, compared with 74 deals in Q3 2016, representing an increase of 28%, while total value rose to USD 6.72bn from USD 4.58bn. The combined value of the fourth quarter's top ten deals was USD 2.92bn, representing 43% of the Q4 2016 total. Private Equity completed four deals in Q4 2016, which was one less than the corresponding period in 2015. PE formed a small proportion of total M&A activities for the quarter, representing 4% by the number of deals and 8% by the transaction value.

KEY DEALS AND SECTORS

In terms of sectors, Industrials & Chemicals and Technology & Media sectors saw the most activity, together contributing 47% of the total number of deals for Q4 2016. Industrials & Chemicals was the single most active sector, contributing the highest number of completed deals (28). The Technology & Media sector accounted for 17 deals in Q4 2016.

Four of the quarter's top ten deals were from the Industrials & Chemicals sector, where the target companies were from Malaysia, Thailand and Singapore. The Energy, Mining & Utilities sector was responsible for the largest deal recorded by the M&A market in South East Asia during Q4 2016. This was the acquisition by Petron Corporation of a 140MW solid fuel-fired power plant owned by a target company in Philippines with a deal value of USD 402m.

The remaining top ten deals were two from Financial Services and Leisure sectors.



SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	98	29%
Technology & Media	46	14%
Business Services	46	14%
Consumer	42	12%
Energy, Mining & Utilities	37	11%
Pharma, Medical & Biotech	25	7%
Financial Services	25	7%
Leisure	21	6%
TOTAL	**340**	**100%**

LOOKING AHEAD

The Industrial & Chemicals sector saw the highest number of deals completed in Q4 2016 and, at 98, also has the highest number of pipeline deals according to the latest BDO Heat Chart. M&A activity in the Energy, Mining & Utilities and Financial Services sectors appears to be slowing down with total cumulative pipeline deals decreasing from 124 in Q3 2015 to 62 in Q4 2016. Pipeline deals for other sectors, namely Business Services, Consumer, Technology & Media, Financial Services and Pharma, Medical & Biotech and the Leisure sector have also decreased as compared to the previous quarter.

Future levels of M&A activity in South East Asia will be impacted by the economic challenges currently facing the region, which include the outlook on crude oil prices and the consequential fluctuation of currencies in the region. With South East Asia's currencies weakening against the US dollar, investors with predominant US dollar income or funding may find assets and targets in the region more attractive. Cross-border transactions may therefore become more commonplace.

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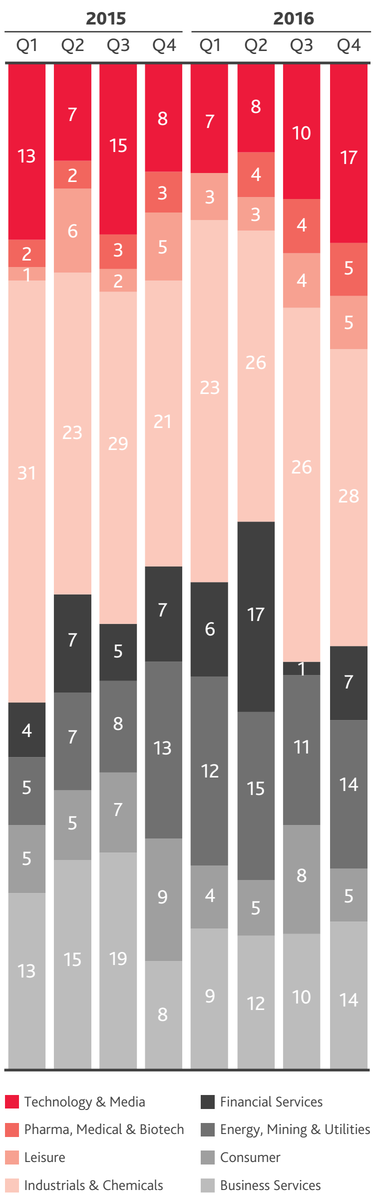
SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

DEAL ACTIVITY COOLS IN Q4 BUT M&A EXPECTED TO REMAIN BUOYANT IN 2017

One hundred and six deals, with a combined value of USD 7.5bn, were successfully completed in Q4 2016. This represented a 20% increase on Q3 2016 deal volumes. There was a 5% decline in deal value compared to the corresponding quarter in 2015.

BIG PICTURE

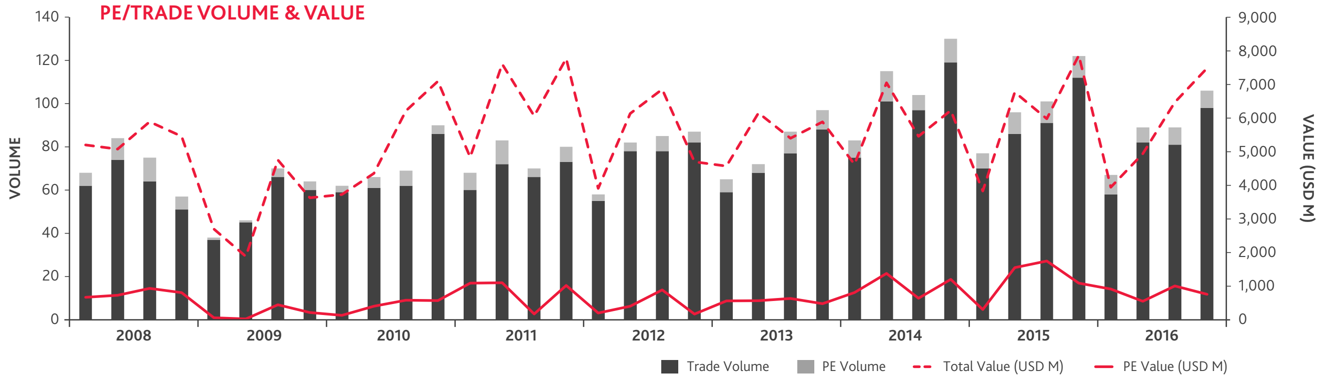
- Q4 2016 transactions up 20% from Q3 2016 but down 13% compared to same quarter in 2015.
- Leisure, Industrials & Chemicals and Technology & Media see full-year 2016 deal volumes outstrip 2015 levels.
- Strong foreign investment supports deals, aided by favourable exchange rates and Australia's reputation as a safe investment hub.

Australasian M&A activity in 2016 continued the trend of cooling somewhat from the high levels of activity seen in 2015. Total deal volumes were down 20% for the year compared to 2015.

Mid-market PE transaction volumes have declined in line with the overall market, down 14% in full-year 2016 compared to 2015 (32 deals against 37 in 2015). Furthermore, the average deal size declined to just USD 101m in 2016, which is down 20% from the USD 127m average seen in 2015. PE's proportion of total mid-market M&A activity also fell, down to 12% in 2016, compared to 16% in 2015.

Deal volume across most sectors declined. Business Services, Consumer, Energy, Mining & Utilities, Financial Services and Pharma, Medical & Biotech saw total deal volumes fall by 19%, 27%, 12%, 26% and 30% respectively for 2016. This is in line with the downturn in the commodity markets seen over recent years, with the RBA commodities index down 10% over the last two years. Financial Services volumes are down from their high of 40 deals completed in the bumper year of 2015.

PE/TRADE VOLUME & VALUE



Five of the top ten mid-market deals involved foreign investors, indicating continued appetite from overseas buyers across a range of sectors, namely Industrials & Chemicals and Energy, Mining & Utilities. The five international deals involved acquirers from Japan, South Africa and the US. Foreign investment has been supported by the relative depreciation of the Australian dollar and Australia's reputation as a safe place in which to invest.

KEY DEALS

The largest deal in the quarter was the acquisition by US-based company Newell Brands of New Zealand company, Sistema Plastics, for USD 471m.

The second largest deal in the quarter was the domestic acquisition by CIMIC Group Limited (formerly Leighton Holdings) of an 86.4% stake in UGL Limited for USD 393m.

LOOKING AHEAD

We expect the first quarter of 2017 to be relatively subdued, given the impact of summer holidays and traditionally quieter deal activity at this time of year. Foreign interest will remain strong in 2017 given the high yielding nature of Australian assets, favourable exchange rate dynamics and the relative stability of the market in Australasia.

Overall, M&A activity within the mid-market is forecast to remain buoyant. The BDO Heat Chart shows that 305 deals are currently under way, representing a significant proportion of the 351 deals completed in 2016. Our analysis suggests the Consumer and Technology & Media sectors will drive this anticipated deal volume.

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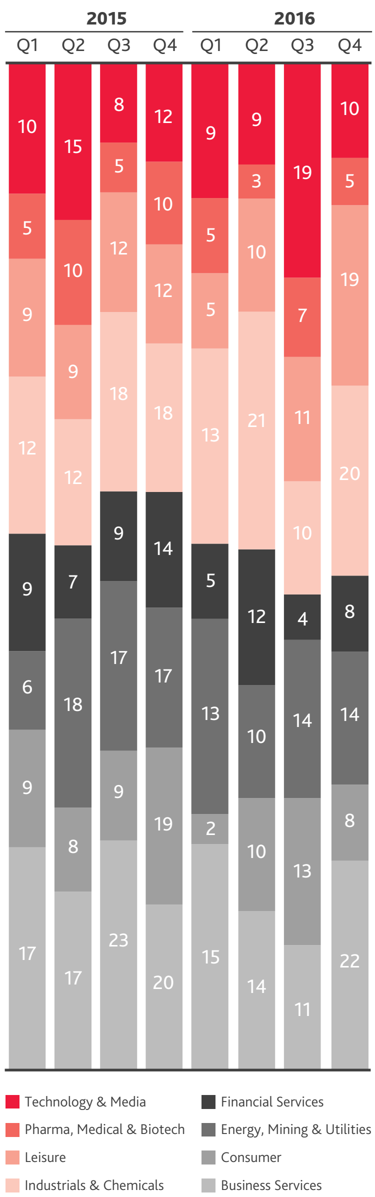
AUSTRALASIA
HEAT CHART BY SECTOR

Consumer	54	18%
Technology & Media	47	15%
Industrials & Chemicals	45	15%
Business Services	39	13%
Energy, Mining & Utilities	37	12%
Financial Services	35	11%
Pharma, Medical & Biotech	27	9%
Leisure	21	7%
TOTAL	**305**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

TECHNOLOGY & MEDIA

TECHNOLOGY & MEDIA ENDS 2016 ON A HIGH AS Q4 DEAL VALUE RISES STRONGLY

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Fuelled by a number of mega-deals, Q4 Technology & Media deal value increased by 67% compared to Q3 2016, further establishing it as an attractive sector for investors.

BIG PICTURE

- A number of huge deals saw Technology & Media deal value rise strongly in Q4 2016 compared to Q3 2016, but on a yearly basis the sector is far below its highest peak.
- Final quarter deal volume decreased 10% compared to Q3 2016 and Q4 2015.
- USA, China and the UK were the market leaders with 275, 87 and 60 transactions in Q4 2016, respectively.
- Application software products led the sub-sectors with 290 deals in Q4 2016, worth a combined EUR 77bn. The US accounted for approximately 50% deal volume and value.

With a total of 816 deals worth EUR 284bn, Q4 2016 saw Technology & Media M&A value increase 67% compared to Q3 2016 - a quarter that saw 899 transactions worth EUR 170bn. Deal value remained stable compared to Q4 2015 - a quarter that saw 909 transactions worth EUR 282bn.

On a yearly basis Technology & Media deal value experienced a minor slowdown in 2016 with a 17% decrease compared to 2015, but was still 42% above 2014 levels.

On the volume side, 2016 M&A activity was relatively stable compared to 2015 with almost 3,500 deals compared to 3,650 in 2015, a decrease of 4%.

SECTORS AT A GLANCE

TECHNOLOGY

Within Technology & Media, Technology accounts for the lion's share, with 290 transactions worth a total of EUR 141bn, a decrease in volume of 8% compared to Q3 2016 and 5% compared to Q4 2015.

TELECOM

Telecom recorded a 3% decrease in volume compared to Q3 2016 with 88 deals valued at EUR 53bn and an 18% decrease in volume compared to Q4 2015.

MEDIA

Media recorded an 18% decrease in volume compared to Q3 2016 with 122 deals valued at EUR 125bn and a 26% fall in volume compared to Q4 2015.

KEY DEALS

Q4 2016 saw 27 deals over EUR 1bn, compared to 30 deals over EUR 1bn in Q3 2016, representing a 10% decrease in the number of mega-deals. However, four deals were over EUR 20bn, setting a new quarterly record. The deals are as follows:

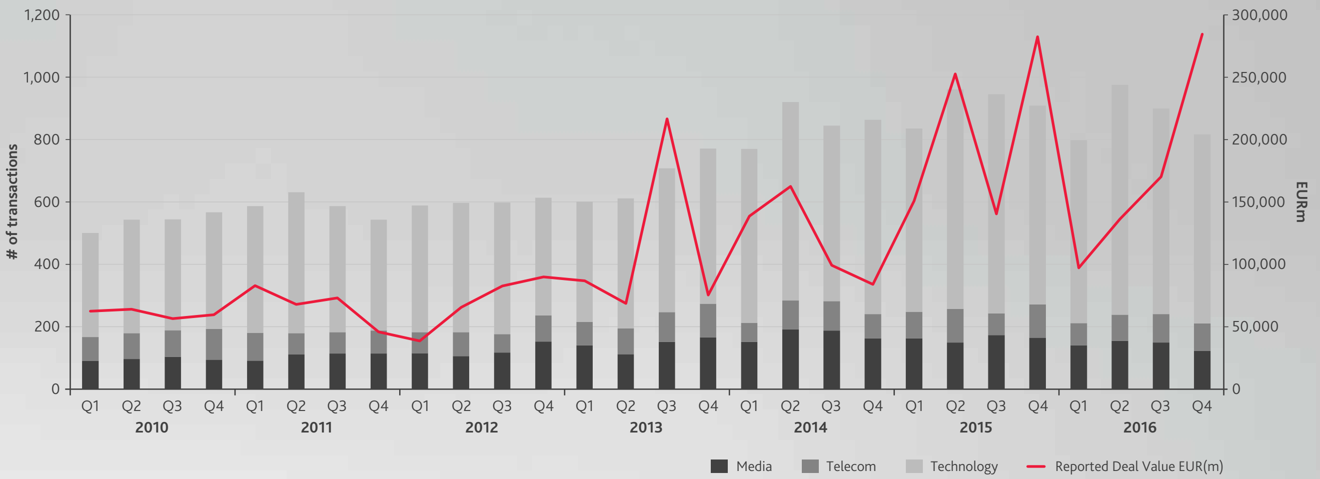
Time Warner Inc. was acquired by AT&T Inc. in a giant all-US mega- deal worth EUR 96.4bn.

The Netherlands-based company NXP Semiconductors N.V. was acquired by Qualcomm Incorporated In another giant mega-deal valued at EUR 42bn.

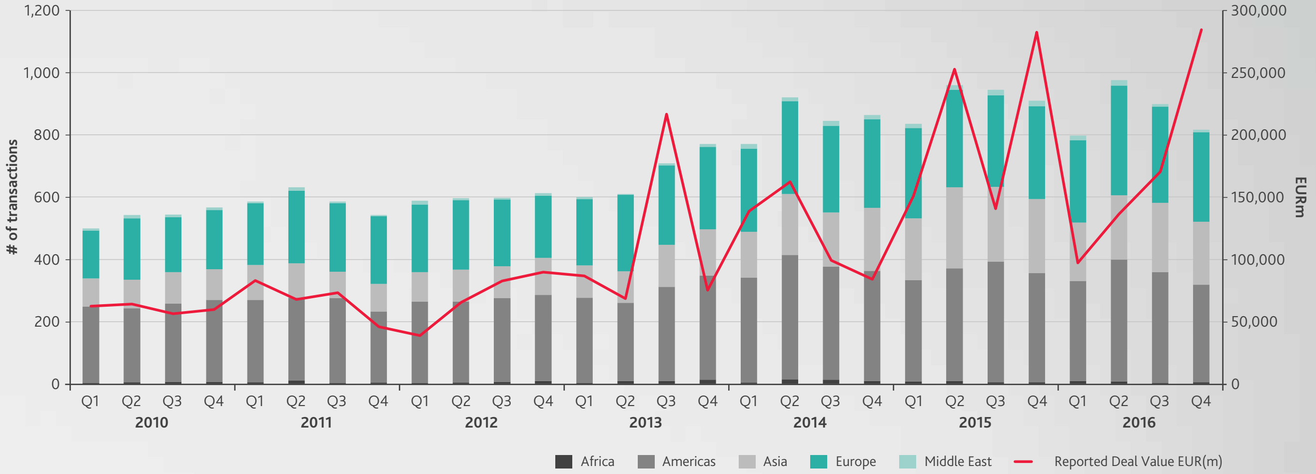
Level 3 Communications Inc. was acquired by CenturyLink Inc. in a EUR 31.4bn all-US mega-deal of British media company

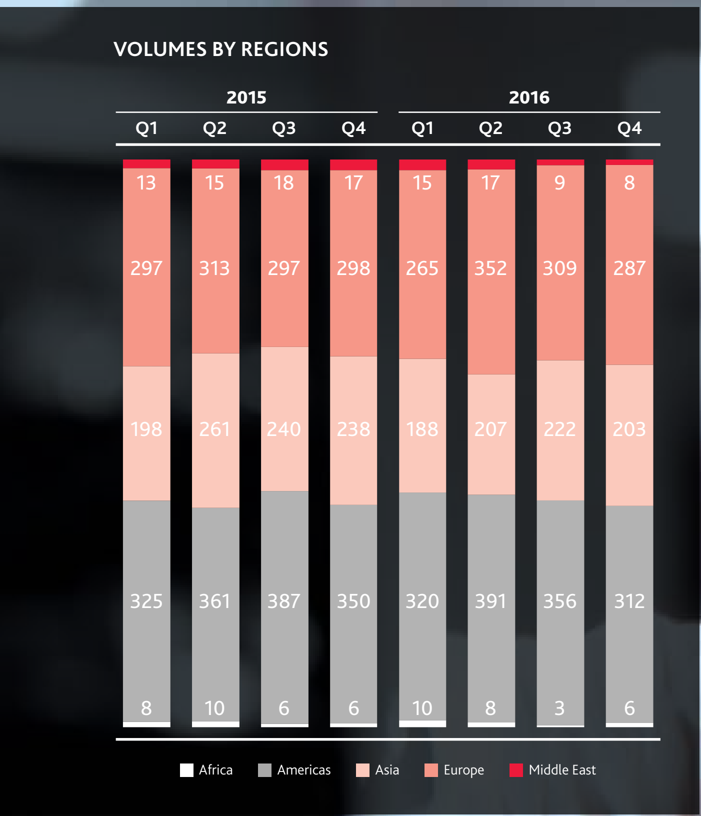
Sky Plc (60.9% Stake) was acquired by Twenty-First Century Fox Inc. in a EUR 21.3bn mega-deal.

TECHNOLOGY & MEDIA ACTIVITY BY SECTOR



TECHNOLOGY & MEDIA ACTIVITY BY REGION




VOLUMES BY REGIONS
2015
2016
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
13
15
18
17
15
17
9
8
297
313
297
298
265
352
309
287
198
261
240
238
188
207
222
203
325
361
387
350
320
391
356
312
8
10
6
6
10
8
3
6
Africa
Americas
Asia
Europe
Middle East

LOOKING AHEAD

M&A markets tend to correlate with economic indicators and the public equity and debt markets, just as investor confidence moves with financial sentiment and outlook.

Valuations in the M&A markets are also, in part, derived from the public markets and the recent pull-back in equities has unnerved some market participants about the outlook for the coming months. Others are optimistic that the past year is simply a pause before a return to the bull market that began in 2015 and believe that M&A activity will soon reach record levels.

There are two schools of thought at the moment: one is that we are entering the eighth year of the M&A bull market. It has to end soon and can't go higher, especially considering the records set in 2015.

The other school of thought is that we have seen a pause that will help fuel the market for a longer bull cycle that may last a couple more years.

CONSUMER

DEMANDING CONSUMERS AND INTENSE COMPETITION DRIVE M&A

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Not only does the Consumer & Retail Business sector, which includes food and beverages, ingredients, household and personal products (HPC) and fashion/apparel retail, play an important part in the M&A industry, it has also become a hub of corporate activity itself in recent years.

Many PE groups are seeking to invest in fast-growing, brand-driven consumer and retail companies, partnering with management teams to build and strengthen existing brands and businesses across a wide variety of consumer and retail segments.

MARKET DYNAMICS

There are many factors that have and are continuing to drive M&A activity in a changing consumer environment, such as brand strategy, targeting healthier value-added products, innovation and product development, increasing market power or defending share, seeking economies of scale and efficiency/profitability by entering additional segments. The industry faces consolidation amid M&A activity, driven not only by financial sponsors with a vested interest in consumer-facing businesses.

The consumer industry is experiencing intense product and service commoditisation and changing consumer demand. Retailers and restaurants are feeling consumer polarization from low-cost or fast-food propositions to fine dining and luxury goods offerings. Changing consumer demographics, an ageing population, new behaviours and healthier consumers are dramatically changing the face of goods and services - and food retailers and food service operators are having to adapt.

Investors and large food and beverage corporates are aware of these changes as on-the-go lifestyles, healthier habits and wellness have led to product portfolio realignment designed to increase the variety of healthier products and seek out new opportunities in fast-growing markets at home or abroad.

Having access to intellectual property, new products and brands has driven synergistic and cross-border acquisitions, which seek to create defensive strategies in different regions and segments. In today's fast-moving world, some players are creating brands with real history behind them that can offer a strong proposition to today's consumers.

During 2016, the Consumer & Retail Business segment has been one of the most active sectors in terms of M&A activity and this is expected to continue in 2017.

CAPITAL REQUIREMENTS

Continued concern about health and wellness is a key underlying factor and is a major catalyst for M&A activity.

The shift to healthier and natural product choices, as well as swift technological and digital transformation, is pushing companies to not only achieve rapid growth in this segment but also dedicate additional capital resources to mobile platforms, internet, smart devices, etc. Greater capital requirements imposed by changing consumer lifestyles have played a key part in PE participation in M&A activity.

Financial sponsors are aware of the need to transform the size and scale of the targeted companies to attract the interest of larger trade buyers through both organic growth and the acquisition of complementary brands. As has happened in other sectors, those involved in fast-moving consumer goods (FMCG) are seeking additional product innovation and positioning in different regions by acquiring smaller firms, contributing to a number of high-profit deals for the investors.

BRANDS ARE KEY

Brands, patents and innovation are becoming increasingly important to strengthen market position as the consumer sector suffers from commoditisation and a perceived lack of authenticity. Branded food and beverage has seen very intense M&A activity, not only in terms of the size of the deals, but also what it represents for the industry in terms of concentration, market strategy and moves by larger players.

When it comes to products and services, consumers want a simpler and less confusing life so brands offer customers a safe harbour and comfort zone. Many new product proposals come with specific and focused brands that are easily identifiable for consumers.

Large multi-nationals already in top positions with strong market presence in many regions are entering new countries and categories using a brand-led approach.

Most significant deals include top players already established in categories such as beer, baked goods, soft drinks, pet foods and other processed foods.

In the beer segment, the Japan-based conglomerate, Kirin Holdings, acquired a 24.5% stake in the Brooklyn Brewery Corporation, New York's largest state-based craft brewer.

KeVita, Inc., a US-based company engaged in producing and marketing coconut-based, certified organic, non-GMO, gluten-free and vegan probiotic drinks was acquired by PepsiCo Inc.

UTZ Quality Foods, Inc., the largest privately held US-based snack processor, acquired Golden Enterprises, Inc. a manufacturer of snack foods also based in the USA using the Golden Flake label.

FINANCIAL SPONSORS ARE STRONGLY POSITIONED

PE will continue to be an active consolidator in Consumer & Retail as investors seek to support companies and sectors where revenues are underpinned by non-discretionary demand, healthier products and scalable brands.

We can expect increased PE deal flow in the year to come as sponsors look to grow their existing platforms in portfolio companies by buying smaller firms as add-on acquisitions.

As the sector continues to grow, a wider audience of consumer-focused financial sponsors are selectively investing in brands and products across all segments of the Consumer & Retail industry.

NOTABLE DEALS

Some deals see financial sponsors exiting while trade players, already strongly positioned in their industries, look to enter niche segments through the acquisition of portfolio companies from PE groups.

In the food supplement segment, the Clorox Company, the US health and beauty product manufacturer, completed the acquisition of Renew Life Formulas, Inc., a global leader in probiotics and other digestive care supplements from Swander Pace Capital for USD 290m.

Dr Pepper Snapple Group acquired Bai Brands, a maker of fruit-flavoured, antioxidant-infused beverages, in a bid to diversify into a fast-growing category. Bai Brands was acquired by Strand Equity Partners, a US-based private equity fund, in 2013.

In the bio and natural products segment, Wessanen acquired Biogran, a portfolio company of Spanish consumer-focused company Nazca Capital, the leading manufacturer and distributor of organic brands in Spain in a EUR 67m deal. Nazca acquired Biogran as part of a management buy-out at the business in early 2015.

Spain-based food conglomerate, Agrolimen acquired Nature's Variety, a US company engaged in the manufacture of natural pet foods and owning several powerful brands in the segment. L Catterton, a US-based PE fund, made its initial investment in Nature's Variety in 2008.

Charoen Pokphand Foods, a leading agro-industrial and food conglomerate in the Asia Pacific region, acquired Centre Partners' portfolio company Bellisio Foods, a US-based frozen food processor with multiple license agreements and a number of well-established premium and lifestyle brands.

In soft drinks, Sunny Delight Beverages Co was sold by J. W. Child Associates to Brynwood Partners VII L.P.

CONSUMER & RETAIL BUSINESS
HEAT CHART BY SECTOR

CONSUMER

1.	Argribusiness	134
2.	Other Processed Foods	89
3.	Protein Processing	72
4.	HPC	68
5.	Soft drinks	66
6.	Baked goods	44
7.	Frozen	39
8.	Confectionary	37
9.	Dairy	32
10.	Wine/Spirits	32
11.	Luxury goods	29
12.	Fresh produce	28
13.	Food ingredients	17
14.	Beer	12
	TOTAL	**699**

RETAIL

1.	Restaurants/Food service	96
2.	Hotel	85
3.	Fashion retailers	78
4.	Grocery retail	32
5.	Chemists/health chains	29
	TOTAL	**320**

BUILDING PRODUCTS & CONSTRUCTION

M&A ACTIVITY INTENSIFIES AS GROWTH AND VALUE CREATION DRIVE DEALS

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The sector is experiencing strong growth underpinned by the continued momentum in construction, housebuilding and major infrastructure projects. M&A activity is increasing as businesses grow their footprint, capabilities and value.

INDUSTRY CONSOLIDATION INCREASES PACE

GLOBAL QUARTERLY M&A ACTIVITY:

01

IN 2016, **GLOBAL TRANSACTIONS** IN THE BUILDING PRODUCTS SECTOR **INCREASED BY 27%**, DRIVEN PARTICULARLY BY THE US MARKET, WHICH SAW A **70% INCREASE** IN US TARGET BUSINESSES SOLD COMPARED WITH 2015.

02

UK DEALS INCREASED BY 21% IN 2016, WITH THE LAST TWO QUARTERS SEEING HIGHER ACTIVITY LEVELS THAN THE FIRST TWO QUARTERS – DEFYING EXPECTATIONS OF A POST-BREXIT REFERENDUM SLUMP.

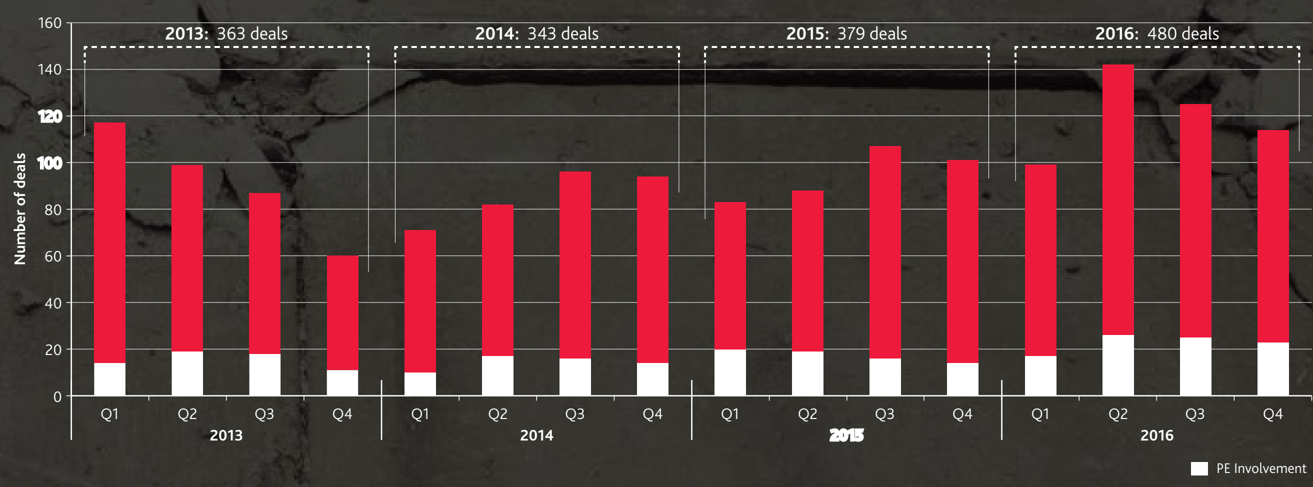
03

30% OF ALL DEALS OVER THE LAST FOUR YEARS HAVE BEEN CROSS-BORDER TRANSACTIONS, REFLECTING THE ATTRACTIVENESS OF CERTAIN GEOGRAPHIES AND ESTABLISHED SPECIALISMS IN CERTAIN SUB-SECTORS, SUCH AS HVAC IN SWEDEN.

04

PRIVATE EQUITY PLAYS AN IMPORTANT ROLE IN THE SECTOR, BACKING NEARLY 20% OF ALL DEALS OVER THE LAST FOUR YEARS.

GLOBAL QUARTERLY M&A ACTIVITY



KEY FORCES

There are a number of key forces driving change in the sector:

- Regulation and new policy including carbon and emissions targets, and the roll-out of Building Information Modelling (BIM). These present both challenges and growth opportunities.
- Convergence of distributors and manufacturers to capture greater margins through the value chain. There is a noticeable trend of distribution companies moving up the value chain while manufacturers are seeking to bring distribution activities in-house.
- Diversification of companies towards activities that would previously be considered non-core. As competition intensifies, we see larger companies using M&A to grow adjacent product lines and value-add services.
- Consumer tastes and preferences are constantly evolving, playing a significant role in shaping industry dynamics. For example, the B2C market is increasingly moving online with consumers becoming more cost-savvy while demanding the same level of quality and customer service.
- Smart technology is rapidly becoming more prevalent across a range of building product sectors. 'Smart building products enable greater control, co-ordination and monitoring, ultimately benefitting consumers by enhancing efficiencies.

CONFIDENCE RETURNS AFTER BREXIT SHOCK

The UK's vote to exit the EU sent shockwaves through the Building Products sector: The value of sterling plummeted, market values of listed businesses fell, trading conditions softened and competition intensified. Major distributors such as Travis Perkins and Wolseley announced plans to shut outlets and lay off staff.

Evidence suggests that stability and confidence have returned to the sector, as better-than-expected economic data has surfaced and companies have been more able to pass on higher raw material costs. In Q4 2016, the Construction Products Association (CPA) reported that 78% of heavy side firms and 75% of light side firms had seen sales increase compared with a year earlier, with a high proportion of these seeing a significant increase.

The CPA predicts that construction output will rise 0.6% in 2016, a slight upward revision from the 0.4% anticipated in the summer, with projects that were signed before the referendum sustaining activity. Construction activity overall is expected to remain largely flat over the next two years, but there are notable exceptions: infrastructure work will be a key driver of growth, with a 6.2% increase in 2017 and 10.2% in 2018. Education and health are also expected to see increased activity levels, with 2.3% growth in 2016, 1.4% in 2017 and 2.0% in 2018. Other sectors, such as residential housing, are faced with greater uncertainty, but data is emerging to suggest the outlook is not as poor as analysts first thought.

Despite uncertainty surrounding the UK's future international trade agreements, international investors convinced of the long-term fundamentals of the sector continue to be attracted to the UK market. In 2016, 17% of UK targets were sold to overseas buyers, with most of these deals completing in the last six months.

The bidding war between European plant hire group Loxam SA and Belgian rival Thermote & Vanhalst for UK-based Lavendon plc in late 2016 is evidence of overseas buyers willing to pay significant premia to increase their foothold in an attractive sub-sector. Rising from the initial, recommended offer of USD 456m, the eventual price of USD 539m represents an 87% premium to the closing share price, a healthy multiple of 6.1x current year EBITDA.

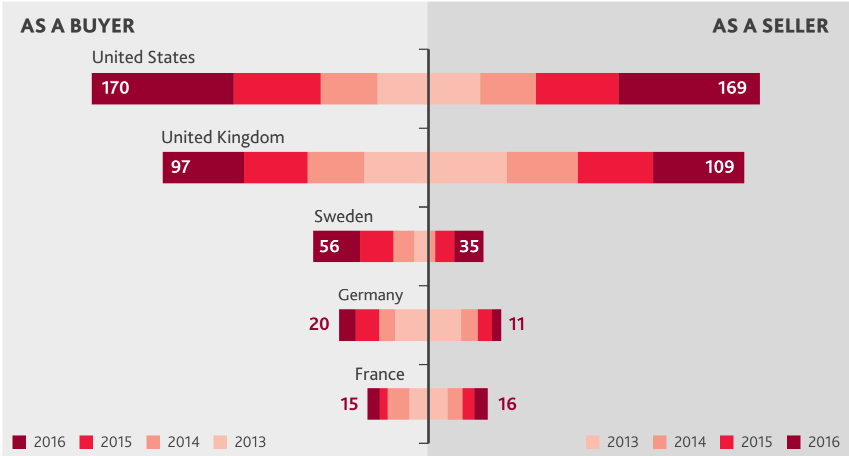
CROSS-BORDER TRANSACTIONS ARE A MAJOR DYNAMIC

Building Products and Services is an increasingly global market with international groups extending their reach and offerings, and cross-border transactions becoming an increasingly important dynamic in the sector.

In terms of global M&A activity, the UK & Ireland and the US remain the most active countries but Sweden, Germany and France are also very active. In 2016 these countries together accounted for 75% of all buyers and 72% of all targets.

We should however highlight that we believe the above understates the number of deals taking place in the market, and that activity levels are under-represented in some major economies.

MOST ACTIVE COUNTRY ANALYSIS

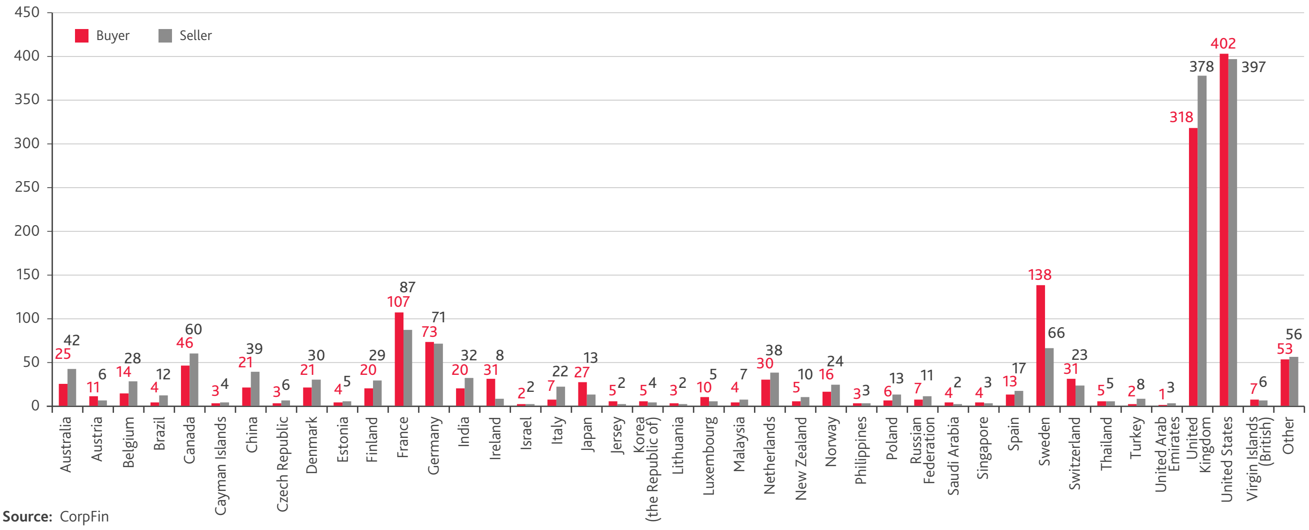


We expect the globalisation of the sector to continue with other countries such as Australia, China, India, Canada, Denmark, Norway, Finland, Switzerland, Belgium and the Netherlands seeing increased activity.

A number of the key forces driving change will stimulate further cross border activity.

GLOBAL TRANSACTIONS 2013-2016

US, UK, SWEDEN, GERMANY AND FRANCE ARE THE MOST ACTIVE



Source: CorpFin

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Data compiled by The Mergermarket Group.

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

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