HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS **ISSUE 1 | 2021**

TURNING THE PAGE ON A TUMULTUOUS YEAR

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

LOGISTICS AND SUPPLY CHAIN MANAGEMENT

TECHNOLOGY MID-MARKET

CONTENTS

BDO GLOBAL CORPORATE FINANCE

1,546 **COMPLETED** DEALS IN 2020

WITH A TOTAL **DEAL VALUE** OF **$83.5bn**

32% **PRIVATE EQUITY** DEAL INVOLVEMENT

23% OF OUR DEALS ARE **CROSS BORDER**

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE **PROFESSIONALS**

120 COUNTRIES PROVIDING DEDICATED **CORPORATE FINANCE SERVICES**

*2nd leading Financial Due Diligence provider globally – Mergermarket global accountant league tables 2020
2nd most active globally, 2019 M&A Advisors by deal location – Pitchbook

WELCOME

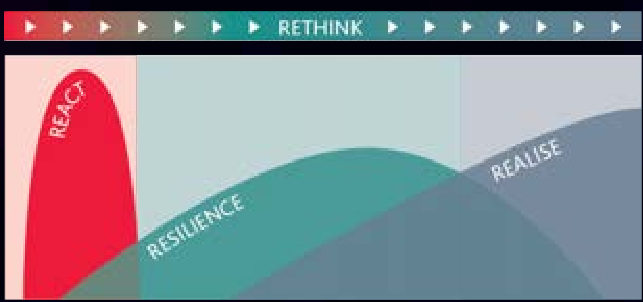
WELCOME TO THE FIRST EDITION OF HORIZONS IN 2021, IN WHICH BDO M&A PROFESSIONALS AROUND THE WORLD PRESENT THEIR INSIGHTS ON MID-MARKET DEAL ACTIVITY AND TRENDS

We have entitled our first publication of 2021, “Turning the page on a tumultuous year” and we have all simply never experienced a year like it. As we write this Welcome note, in many ways it feels like not much has changed with new lock-downs, travel restrictions and remote working to help combat high levels of infections. However, we have some renewed optimism with the prospect of vaccines and heading towards the spring will help us start to see some semblance of life, as we knew it before COVID-19.

It is also remarkable how despite all the turmoil and uncertainty, businesses have been able to Rethink their way of working be it manufacturing products in a safe environment or delivering services in a safe and more technology enabled way. The adaptation to the new norm has been assisted by financial support from Governments around the world, which has helped secure jobs and underpin economies.

M&A activity has followed a similar pattern, with a big fall in Q2 last year as many deals went on hold and the start of a recovery in Q3. By Q4 the speed and momentum of the recovery exceeded our expectations and we start 2021 with the prospects for a strong year of M&A activity. The way of doing deals has had to adapt to the virtual world as we touch on in our Global View.

We continue to include our own Rethink model as our clients have told us that they have found it a helpful framework to order their thinking and articulate their plans to stakeholders. Businesses will start to realise the ways of working in the so called “new normal” as it emerges and we expect M&A to play a role in this. Future M&A is likely to come in many forms be it distressed, tactical or strategic but we are pleased to say that there should be plenty of deals for us all to work on.



In our leader article, we look at the markets from a US perspective, where the recent change in political leadership may usher in further stimulus in spending to support economic recovery. This pattern may repeated by other Governments around the world.

In our sector view, we look at logistics and supply chain management, where an industry reset is accelerating M&A in 2021. We also look at the technology mid-market where we evaluate if the current booming metrics will define the technology M&A landscape for the rest of this year.

It is pleasing to be able to start the year with renewed optimism from an M&A perspective and for the world in which we live with the hope offered by advances in medicine. Stay safe and well.

JOHN STEPHAN
HEAD OF GLOBAL M&A

john.stephan@bdo.co.uk

SUSANA BOO
INTERNATIONAL CORPORATE FINANCE COORDINATOR

susana.boo@bdo.co.uk

GLOBAL VIEW

M&A MARKET RECOVERY, RESILIENCE AND ADAPTING TO NEW WAYS OF DOING DEALS

In the last edition of Horizons, we reported the start of a recovery in deal activity after the sharp reduction in the first half of 2020 as a result of COVID-19. We said we expected that the recovery would continue in the final quarter of the year and are pleased to say has indeed been the case. If anything, the Q4 2020 recovery exceeded our expectations with an impressive 24% increase in deal activity.

That comes off the back of a 19% increase in the prior quarter and takes deal activity back to the levels enjoyed in the 2014-2019 period with over 2,000 deals a quarter. It is amazing how quickly parties have adjusted and how resilient the M&A market has been.

In value terms, the pattern is similar with aggregate deal value at USD 19.5bn, a 22% increase in Q4 2020 after a 29% increase in Q3 2020. That compares favourably with the aggregate value in the 2014-2019 period. It is also a reflection of the speed with which governments around the world introduced financial support measures for businesses and the rethinking that has taken place by management teams, employees and businesses everywhere to adapt their business to previously unseen markets and challenges.

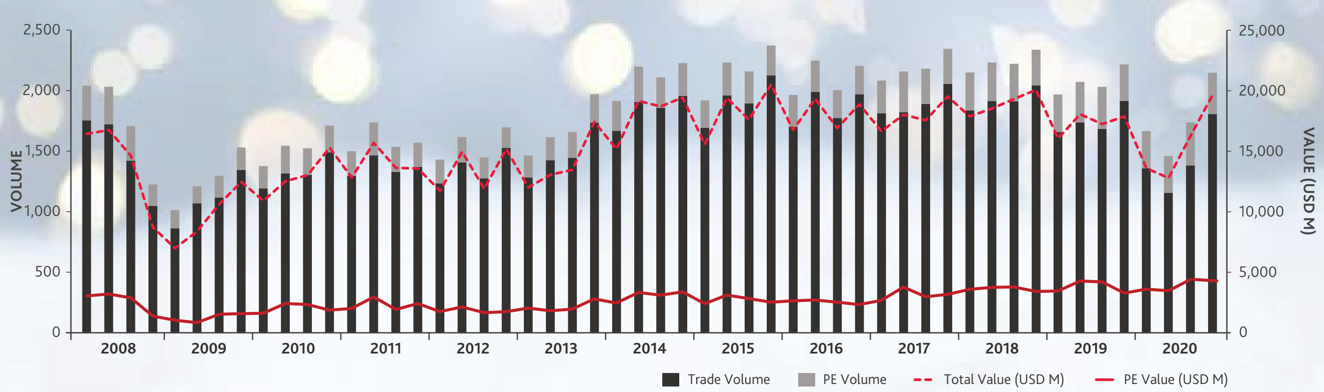
What we have seen from the deal data throughout COVID-19 was that private equity-led deals and interest was less effected in the early days of the pandemic than corporates. The second half of the year, and in particular Q4 2020, saw a resurgence in corporate M&A activity, reflecting a renewed confidence. From our conversations with clients around the world, this was in turn a reflection of how well trading has held up in many sectors and businesses. As we have noted before, there continues to be lot of cash available on balance sheets and within private equity.

When we stand back and look at the data for 2020, there has been little if any fall in private equity-led deals and the total amount invested has gone up over the year. We have seen private equity appetite for bolt-ons to existing investments as well as new platforms and investments that have flowed across borders for investors. We have also seen an increase in private equity investment in public companies, either on the market or in public-to-private transactions and we expect that this will continue.

It is also interesting to consider the way players have done deals, rapidly adjusting to a digital environment with limited opportunities for office-based meetings and site visits due to travel restrictions, both on a national scale and particularly internationally. Video conference calls, virtual site tours and virtual data rooms have taken their place and have in many cases proved efficient and more productive with less travel time, shorter meetings, providing more time to think.

When we look at the picture by sector, we can see that more sectors have seen recovery in deal activity. When the pandemic first impacted deal-making, the sectors that held up best were Pharma, Medical & Biotech and TMT. Most other sectors experienced a significant decline in the first half of 2020. Since then, there has been strong recovery in Business Services, Energy, Mining & Utilities, Industrials & Chemicals and Real Estate.

GLOBAL MID-MARKET M&A



In Q4 2020 it was pleasing to see a bounce-back in both the Consumer and Leisure sectors, along with further growth in TMT. Financial Services is the only sector not to have seen a pick-up in deal activity as the year went on. All told, it leaves most sectors close to their 2019 levels of deal activity, apart from Financial Services and Leisure. Looking around the world, Q4 2020 saw a very strong recovery in deal activity in CEE & CIS, Nordics, UK & Ireland, Middle East, Australasia and Israel.

Lower growth rates were seen across all other regions with the exception of Africa, which experienced decline. Looked at year-on-year, nearly all regions were back at close to or even in excess of historic levels of deal activity and the Nordics region was noticeably ahead. North America and Greater China remain the most prolific regions for M&A and together accounted for almost half of global mid-market deal activity in Q4 2020.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Technology & Media	Industrials & Chemicals	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Real Estate	TOTAL	%*
North America	858	279	301	450	109	578	595	52	33	3,255	32%
China	270	565	117	208	144	173	117	51	103	1,748	17%
CEE & CIS	149	151	96	74	69	33	34	27	19	652	6%
Southern Europe	109	140	151	95	47	64	56	23	7	692	7%
South East Asia	74	93	56	80	58	38	39	16	28	482	5%
Australasia	101	59	62	59	35	34	51	26	10	437	4%
UK & Ireland	100	41	68	60	38	43	66	18	8	442	4%
DACH	104	123	62	40	11	39	25	12	6	422	4%
Latin America	106	34	65	61	46	31	42	9	7	401	4%
Other Asia	74	94	30	18	36	33	22	17	2	295	3%
India	99	86	38	27	11	20	40	6	2	329	3%
Africa	31	29	19	21	31	7	20	4	12	174	2%
Nordic	63	50	26	18	21	31	17	5	5	245	2%
Benelux	40	34	52	20	12	18	15	6	6	203	2%
Japan	44	42	33	50	6	10	20	12	6	223	2%
Middle East	40	19	9	18	9	8	18	5	6	132	1%
Israel	17	15	5	7	4	8	4	1	2	63	1%
TOTAL	2,279	1,854	1,315	1,190	1,181	1,168	656	290	262	10,195	100%
	22%	18%	13%	12%	12%	12%	6%	3%	3%	100%	

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

OUTLOOK SUPPORTS OUR RENEWED FEELING OF RECOVERY

For the second quarter running our BDO Heat Charts show even more rumoured mid-market deals and add to the encouraging picture of bounce-back and resilience in the M&A markets. For the first time we can recall, there are over 10,000 rumoured deals, versus 9,300 at the end of the previous quarter. That compares with a typical quarterly total of 8,000 or more and really does give grounds for optimism for M&A markets despite the continued effect of the pandemic on economies around the world.

We expect this picture to be supported by the availability of cash in private equity and capital markets.

GLOBL THEMES INFLUENCING M&A

In most quarters we include a number of factors that are driving deal activity such as the availability of cash, the continued growth of private equity funds, the plans of strategic buyers and the desire to acquire digital capability. In 2020 these were overshadowed by the impact of the pandemic but with the strong recovery in deals in the second half of 2020, we can see the continued importance of drivers, especially digital, and we would add to that the rise in the Environmental, Social & Governance (ESG) agenda for investors. We also expect that there will be a further rise in stressed and distressed M&A and special situations M&A as some of the government support measures around the world are withdrawn during 2021.

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

TURNING THE PAGE ON A TUMULTUOUS YEAR

- Vaccines provide much-needed hope and optimism across the world
- Global economic stimulus spending fuels recovery
- Volatile US election cycle finally ends.

M&A markets around the world started 2020 with optimism and buoyancy due to the relatively strong economic conditions, an abundance of liquidity and low interest rates. Such enthusiasm would be short-lived however as the advent of COVID-19 wreaked havoc and sowed fear and uncertainty across all sectors and geographies.

As a result, global equity and high-yield markets plunged in March 2020 and most M&A activity came to a grinding halt as deal-makers were forced to the sidelines as economies were shut down and banks ceased lending activity. With no assurances on when conditions would subside, pricing deals became virtually impossible while many would-be acquirers were forced to tend to existing operations and abandon inorganic growth initiatives for the time being.

Governments responded to the onset of the pandemic with massive spending programmes to compensate affected businesses and employees suffering from a tidal wave of unemployment. Central banks followed suit with unprecedented funding vehicles and liquidity schemes to pump oxygen into markets desperate for action and stability. Already low interest rates were lowered further, and rules and regulations were loosened to keep markets moving. Such dramatic and swift actions led to a rapid recovery in global equity market indexes and bond prices as investors took solace in the response and hoped for brighter days ahead. Remarkably, a tumultuous 2020 ended with global equities hitting record highs and credit spreads closing in on pre-pandemic levels despite the shocks brought on by COVID-19, a performance few would have predicted earlier in the year.

As 2020 wore on, M&A activity eventually made a comeback, too. Pent-up demand, access to capital and a rebound in valuations led buyers and sellers to rekindle prior discussions and start new ones, resulting in a dramatic increase in announced and closed transactions in the second half of the year after the depths not seen since the financial crisis in 2009.

With vaccines now being rolled out, there is cause for optimism that we are finally on a path to normality in both our personal and professional lives. 2021 should bring stabilization and a reset for a number of unwelcomed disruptions experienced over the past 12 months, with front-loaded market momentum and an economic recovery to follow. In addition, the US election brought about a major power shift in Washington which will likely have an impact on global policy and trade relations. The Biden administration has also renewed calls for a significant increase in stimulus spending on top of the nearly USD 1 trillion additional spending package that was approved by the US Congress in December. Many governments around the globe are also contemplating enhanced economic stimulus given the second wave of the virus and the impact lockdowns have on dampening growth. Such programmes are likely to be well received in the short term as a boost to keep the global economic recovery on track.

For M&A, hope springs eternal for the New Year. Private equity firms are still basking in piles of cash and most corporates not operating in the retail, hospitality, tourism and transport sectors have fared quite well given the circumstances. Valuations are at record highs, interest rates are low and banks have recovered to the point where they are issuing reasonable term sheets once again to support M&A activity – all key ingredients for a healthy M&A market for the foreseeable future.

BOB SNAPE
PRESIDENT
bsnape@bdocap.com

GLOBAL

10,195 RUMOURED TRANSACTIONS

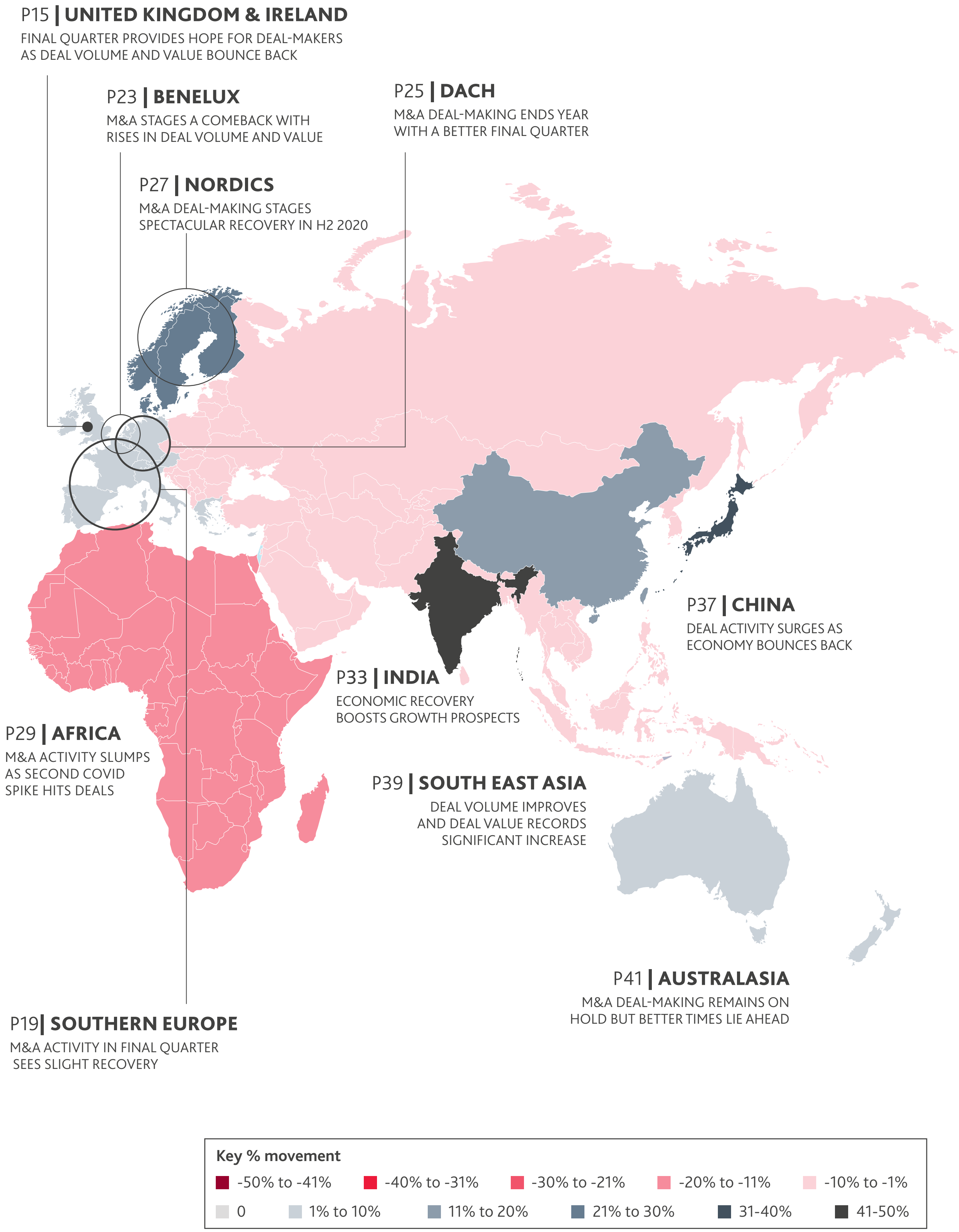
P07 | **NORTH AMERICA**

NORTH AMERICAN M&A CONTINUES REBOUND

P11 | **LATIN AMERICA**

M&A DEALS NUDGE HIGHER BUT FUTURE OUTLOOK LOOKS UNCERTAIN

SECTOR VIEW



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

NORTH AMERICA

NORTH AMERICAN M&A CONTINUES REBOUND

BIG PICTURE

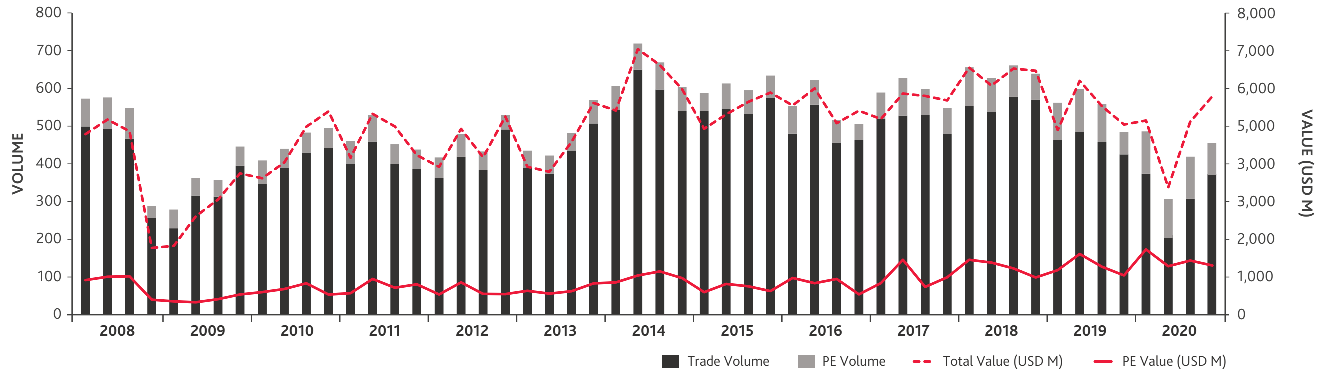
- Deal volume was up 8.5% in Q4 2020 compared to the prior quarter, but down 6.0% compared to Q4 2019.
- Deal value was up 13.1% in Q4 2020 from Q3 2020, and up 15.3% compared to Q4 2019.
- PE buyers were cautious as they represented only 17.9% of deal volume in Q4, with 82 deals.
- As expected, M&A activity continued to forge ahead from Q3 2020 into Q4 2020. Despite this, the onslaught of the second wave of the COVID-19 pandemic prevented a full-scale rebound in M&A, especially when compared to the prior year.
- Q4 2020 M&A activity increased across all sectors compared to Q3 2020, with the exception of Financial Services, Pharma, Medical & Biotech, and Real Estate. The Consumer sector experienced the largest increase with 46 deals in Q4 2020, increasing from 22 in Q3 2020. The most significant decrease in deal activity from Q3 2020 was Financial Services. The sectors with the lowest volume of deals were Leisure and Real Estate with nine and six deals, respectively.

For much of 2020, the COVID-19 pandemic upended M&A activity to lows not seen in more than a decade. Fortunately, deal activity rebounded in the latter half of 2020 in North America. After the outbreak of COVID-19, economies and businesses were forced into crisis management and maneuvering the challenges caused by lockdowns and closures.

As management teams and investors stabilized their businesses, many started to focus on operations and not only surviving but also thriving in the new pandemic environment. Alongside the announcement of the COVID-19 vaccine in Q4 2020, both optimism and opportunistic strategies grew and contributed to an increase in M&A activity.

Mid-market M&A volume in North America increased in Q4 2020 to 458 deals compared to 422 deals in Q3 2020. There was a corresponding increase in aggregate deal dollar value in Q4 2020 with USD 58.2 billion in deal value, compared to USD 51.5 billion in Q3 2020.

PE/TRADE VOLUME & VALUE



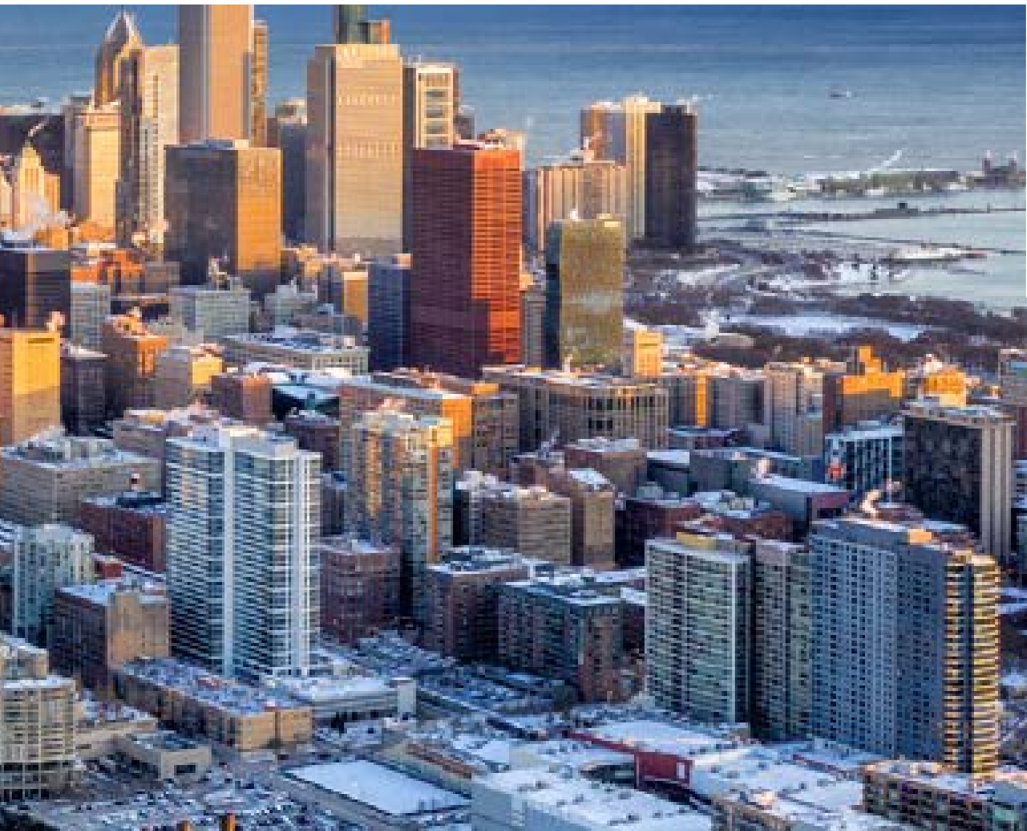
In Q4 2020, an average of 517 M&A deals were announced per month in North America compared to 273 deals in April 2020. The increase demonstrated dealmaker's ability to adapt in an unprecedented market which was still receptive to M&A. Contributing to the resurgence of deal activity were several mega deals including S&P Global's $44 billion USD acquisition of IHS Markit, AstraZeneca's $43 billion USD acquisition of Alexion Pharma, and Salesforce.com's $29 billion USD acquisition of Slack Technologies. TMT and Pharma, Medical and Biotech were among the sectors which feature prominently in both mega deals and mid-market M&A activity throughout 2020. This was not surprising as the global pandemic caused minimal disruptions and created conditions that were capitalized on by these sectors. For example, the COVID-19 outbreak mandated self-isolation and quarantines in many areas, which accelerated the need for businesses providing telehealth solutions allowing people to seek medical treatment virtually from the comfort of their homes. Mid-market M&A announcements in both TMT and Pharma, Medical and Biotech nearly reached pre-COVID-19 levels by December 2020 demonstrating the resilience of these sectors.

In contrast, the Consumer sector (specifically retailers and restaurants, among others) faced the greatest challenges due to COVID-19 with the closure of brick-and-mortar stores and resulting layoffs. Despite this, the number of M&A deals in the Consumer sector increased quarter over quarter demonstrating, again, the adaptability of the hardest hit sector. Firstly, the closure of brick-and-mortar stores caused by COVID-19 forced Consumer businesses to accelerate their digital transformation efforts in the new economy in order to succeed. To accomplish this, many industry participants sought bolt-on acquisitions to enhance their digital capabilities. For example, the retailer Lululemon paid $500 million USD to acquire the in-home fitness company Mirror, which allows customers to stream workout videos on a wall-mounted mirror in their own home. Secondly, due to the heavy reduction of in-store shopping, Consumer businesses evolved their customer engagement initiatives, supply chain and/or distribution strategies in order to manage through the pandemic. Many of these businesses did so through strategic M&A and will be poised for growth in the near future.

Others moved quickly and effectively to build or improve capabilities in online shopping, last-mile delivery and inventory management. A relevant example of this is Peloton, whose at home exercise equipment became exceedingly popular in the wake of lockdowns, acquired the equipment provider Precor for $420 million USD in an effort to address the straining supply and shipping delays. Conversely, businesses which are either in distress or failed to evolve during this time but still have viable strategic assets will be prime acquisition targets by both their more successful strategic counterparts as well as PE firms. The pandemic forced dramatic changes in consumer behavior, and highlighted the importance of technology across businesses' value chain. The trend of implementing digital transformation via M&A can be expected to continue in cross-sector strategic acquisitions as players in not only Consumer and Technology, but all sectors engage in alliances.

RYAN FARKAS
MANAGING DIRECTOR
rfarkas@bdo.ca

ALEX ARDIZZI
VICE PRESIDENT
aardizzi@bdo.ca



Another driver of M&A activity in 2020 and moving forward are Special Purpose Acquisition Companies (SPACs) which surged in 2020. SPACs are empty shell companies, which raise funds by issuing their shares on a public stock exchange, and use those funds to acquire a company. These vehicles have been used for many years, but SPACs saw a significant increase in 2020. 248 IPOs occurred via SPACs during 2020, totaling $83 billion USD. This is a significant increase from the previous year where there were 59 such transactions totaling $13 billion USD. The average size of each IPO via a SPAC was $334 million USD in 2020 compared to $230 million USD in 2019.

SPACs have become an attractive option to raise funds in uncertain and volatile markets. With SPACs, the only parties at the negotiation table are the SPAC itself and the acquired company, enabling simplicity and ease. SPACs are expected to continue to play a larger part in overall M&A activity in 2021. In fact, there have already been 31 in the first month of 2021 thus far, raising about $7.6 billion USD, which represents more than half of 2019's activity. SPACs are viable options for smaller companies, start-ups and companies with minimal to no revenue.

SPACs also have up to two years to identify a target, necessitating acquisitions. Therefore, it is likely in times of uncertainty they will continue to be a burgeoning alternative M&A vehicle.

LOOKING AHEAD

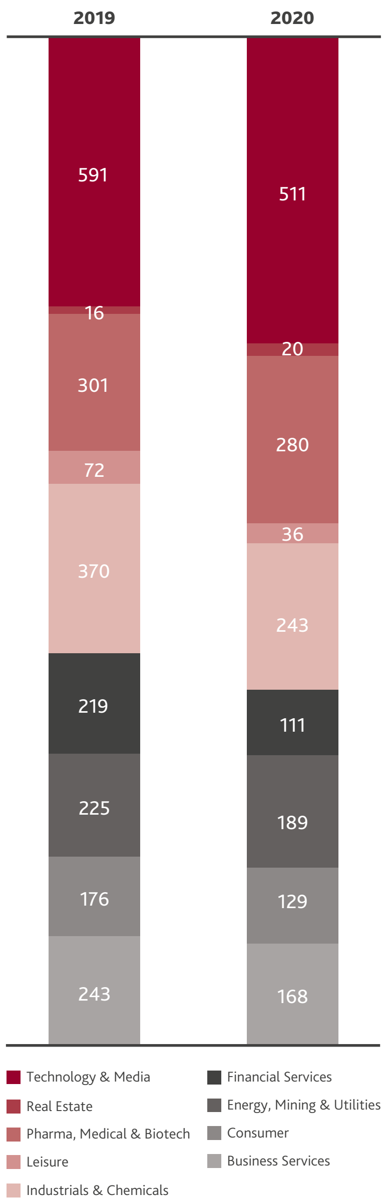
M&A activity is poised for a sharp increase in 2021. The public markets and Wall Street have remained strong in 2020 but its success was not necessarily reflected by many struggling small and mid-market business. As North America awaits the distribution of COVID-19 vaccinations to the broader public, a sense of optimism remains that both small businesses and everyday life will return to some normalcy in 2021. After mass vaccinations and the reduction of restrictive measures, the focus for many business owners and management teams can return to rebuilding or growing their businesses. Whether opportunistic or strategic, an increase in M&A activity should come as a result.

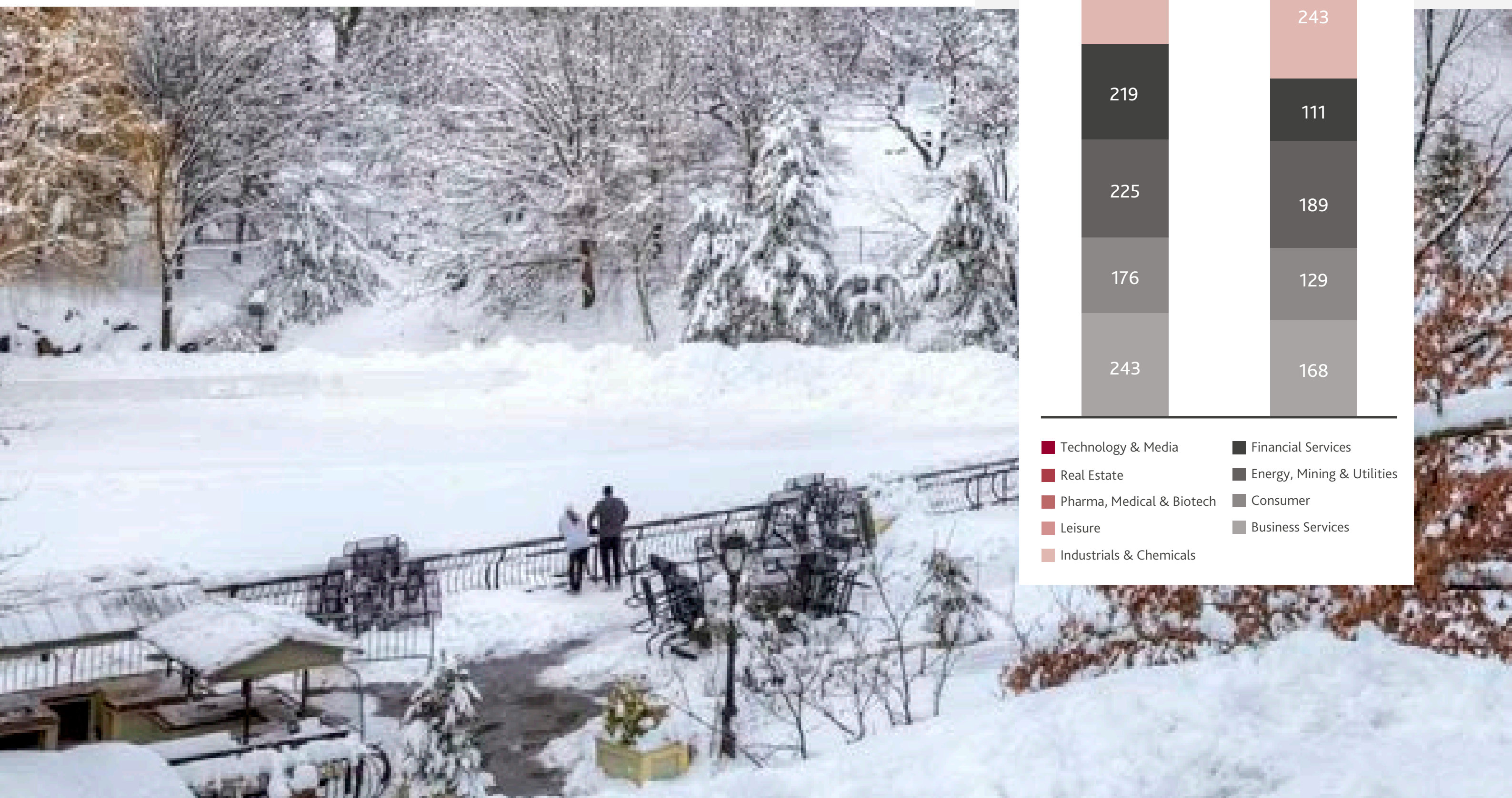
With much uncertainty still ahead in North America, the amount of dry power coupled with low interest rates still offer attractive environments to pursue deals. Dealmakers found a way to continue to flourish in 2020 despite extraordinary conditions and we expect the same in 2021.

NORTH AMERICA
HEAT CHART BY SECTOR

TMT	858	-6%
Financial Services	595	125%
Pharma, Medical & Biotech	578	25%
Business Services	450	25%
Consumer	301	-2%
Industrials & Chemicals	279	6%
Energy, Mining & Utilities	109	-23%
Leisure	52	-7%
Real Estate	33	32%
TOTAL	**3,255**	**17%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





LATIN AMERICA

M&A DEALS NUDGE HIGHER BUT FUTURE OUTLOOK LOOKS UNCERTAIN

BIG PICTURE

- With 83 deals in Q4 2020, the Latin America market recorded its best performance of the year
- Brazil accounted for 18 of the top 20 deals, representing 90% of total deal value
- TMT and Energy, Mining & Utilities led the way in sector activity with six deals each in the top 20
- Latin America's future outlook depends on vaccination programmes to contain further COVID-19 outbreaks and solid fiscal and monetary stimulus policies.

The Latin America mid-market segment registered 83 deals worth USD 6,467m in Q4 2020, a slight increase in volume in comparison to the previous quarter. However, in terms of value, there was a slight decrease. Average value per deal was 23.1% lower than Q3 2020, overall deal volume was up 10.7% and overall deal value was down 14.9%.

As in the previous quarter, there were 14 PE deals completed, but overall value fell by 20.2%. It is worth noting that in Q3 2020 and Q4 2020, PE deal volume in Latin America reached its highest levels for seven years.

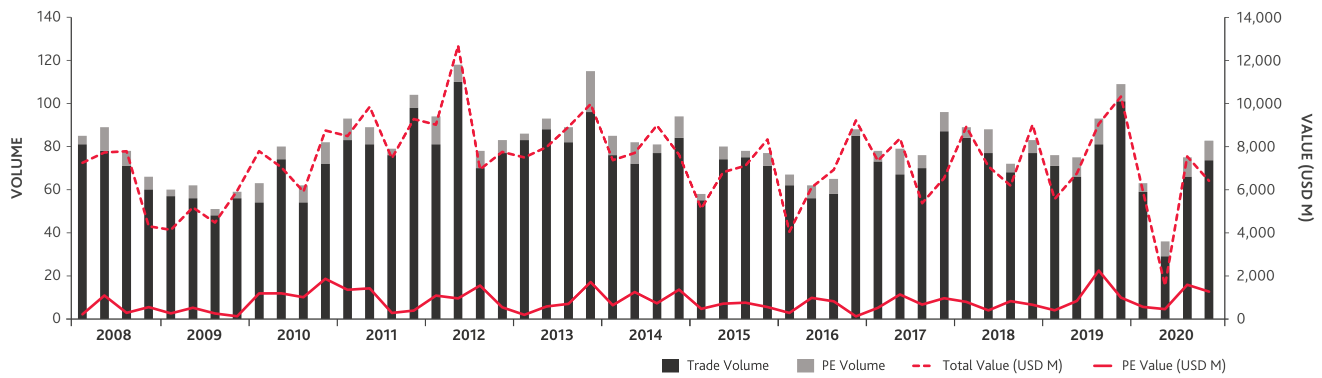
Looking at the quarter's top 20 deals, the total value of USD 4,621m represented 71.5% of the region's overall deal value in Q4 2020.

In the last 12 months, the volume of deals fell from 354 to 262 in comparison to the previous 12 months, a decrease of 26%. Overall value also fell by 30.9%, mostly due to the significantly weaker performance in Q2 2020, when the COVID-19 pandemic started to affect the Latin American market.

KEY DEALS AND SECTORS

TMT and Energy, Mining & Utilities led the way in Q4 2020 with six deals each, accounting for approximately 63.4% of the top 20 deals. Next were the Consumer and Industrials & Chemicals sectors, with three deals each. The remaining two deals in the top 20 took place in Business Services and Pharma, Medical & Biotech. It is worth noting that there were no Financial Services, Leisure or Real Estate deals in the top 20.

PE/TRADE VOLUME & VALUE



As mentioned earlier, the top 20 deals represented 71.5% of all Latin America M&A activity in Q4 2020, with a total value of USD 4,621m. Brazil dominated the top 20 with 18 deals, accounting for 90.0% of the value in the top 20 and 64.3% of the quarter's overall deal value. It is worth highlighting that of these 18 transactions, nine took place between Brazilian companies. The remaining transactions involved either bidders or sellers from outside Latin America, which suggests a detachment between Brazil and the rest of Latin America. The top 20 also included target companies from Argentina and Peru, with one transaction each.

The quarter's biggest deal was the acquisition of CEB Distribuição S.A. by Neoenergia S.A for USD 485m in a public auction, which represents an important step in Neoenergia's expansions plans in Brazil's energy sector.

POLITICAL AND ECONOMIC CONTEXT

After a positive third quarter, Latin America struggled in Q4 2020, with the second wave of COVID-19 bringing back uncertainty into the region, as countries like Mexico, Paraguay, Uruguay and Argentina tightened restrictions again. In Brazil, the handling of the pandemic has become a highly political issue, with the federal and local authorities often at odds. This, in turn, has led to a struggle trying to coordinate and implement the necessary public health measures.

Looking at Brazil's economy in 2020, due to the pandemic, Finance Minister Paulo Guedes failed to implement the long-awaited pro-market measures such as tax reforms, administrative reforms, regulatory changes and the reduction of state-owned and state-controlled companies through privatizations and divestments. It is also unclear whether the federal government's emergency aid programme will continue in 2021, with unemployment figures hitting 14.1 million, 14.3% of Brazil's economically active population.

In addition, Brazil's last 12 months' accumulated inflation rate ended 2020 at 4.52%, the highest level since 2016. The monthly variation announced in December was the highest since 2003. According to the Brazilian Institute of Geography and Statistics (IGBE), food was the key factor behind 2020's inflation rate.

ROMINA LIMA
CORPORATE FINANCE AND ADVISORY PARTNER
romina.lima@bdol.com.br

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

It is also important to mention that even though the country's interest rates are often increased by Brazil's central bank to control inflation, the Monetary Policy Committee (Copom) has decided to keep rates at a historical low of 2%. This decision is a positive one for the recovery of the economy as it allows the market to provide cheaper credit and stimulate the country's production in general.

As a result of being one of the pandemic's worst affected regions, Latin America is facing multiple challenges in its path to economic recovery, including the continued spread of COVID-19 and the difficulties in implementing the stimulus and reforms that could boost recovery and growth, mostly because of financial restraints and a lack of political support.

In 2021, according to the United Nations' Regional Economic Commission (Eclac), the region's growth is looking uncertain because of risks related to pandemic outbreaks, vaccination programmes and solid fiscal and monetary stimulus. Eclac also expects Latin America's economy to contract by 7.7% in 2020 and rebound by 3.7% in 2021. In addition, it predicts that the process of recovering pre-crises' GDP could last until 2024.

LOOKING AHEAD

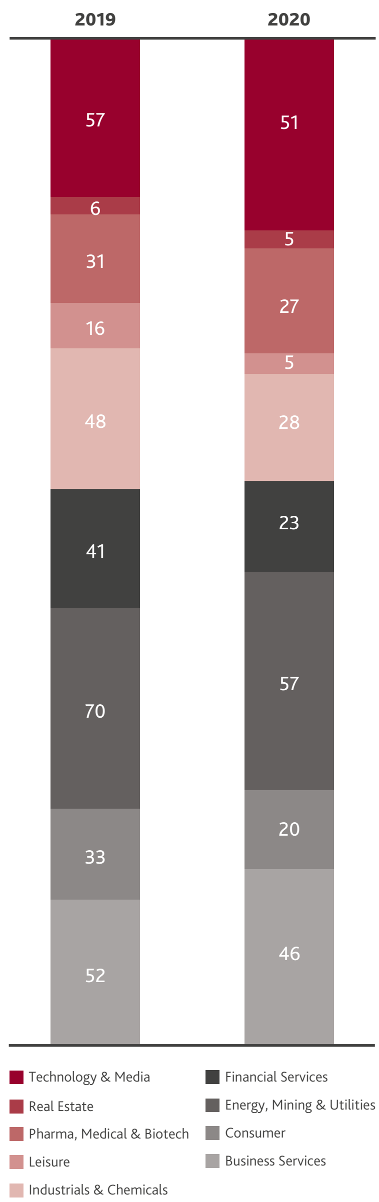
Latin America represents 4% of the global market with 401 deals announced or in progress as shown in the BDO Heat Chart. TMT is predicted to top the Heat Chart with 106 deals, followed by Consumer (65), Business Services (61), Energy, Mining & Utilities (46) and Financial Services (42).

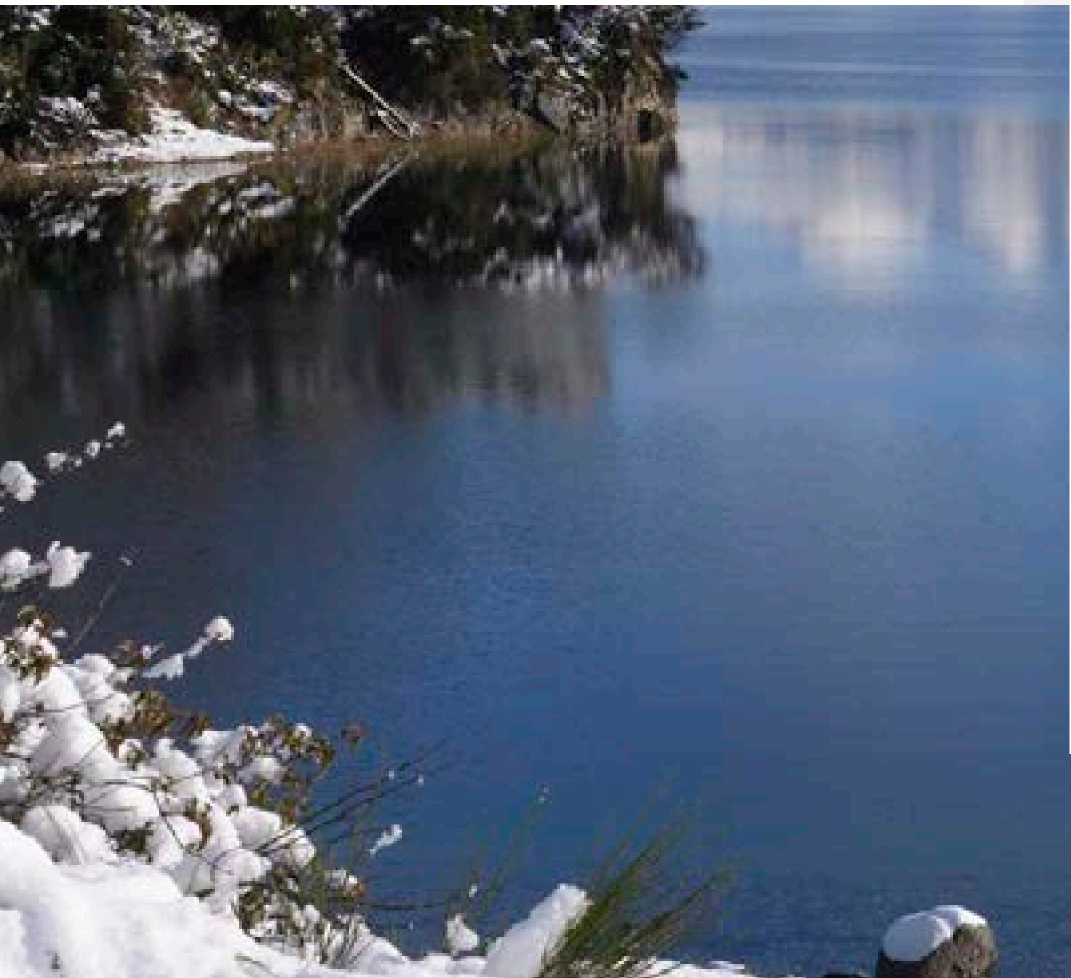
The forecast for Latin America remains uncertain and the economic recovery of the region depends on the success of vaccination programmes and the prevention of further outbreaks. In addition, solid fiscal and monetary stimulus policies will be essential. According to Eclac, Peru is expected to see the biggest growth, followed by Panama and Brazil.

LATIN AMERICA
HEAT CHART BY SECTOR

TMT	106	7%
Consumer	65	23%
Business Services	61	-16%
Energy, Mining & Utilities	46	28%
Financial Services	42	-11%
Industrials & Chemicals	34	-6%
Pharma, Medical & Biotech	31	15%
Leisure	9	80%
Real Estate	7	-22%
TOTAL	**401**	**4%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

FINAL QUARTER PROVIDES HOPE FOR DEAL-MAKERS AS DEAL VOLUME AND VALUE BOUNCE BACK

BIG PICTURE

- Stronger than anticipated rebound in mid-market M&A activity in Q4 2020 looks set to continue into 2021
- Deal activity was the lowest recorded since the 2009 recession in both volume and value terms
- A trade deal with the EU was approved by the UK Parliament on 30 December
- TMT was the most resilient and in-demand sector in 2020.

The rapid spread of the COVID-19 pandemic resulted in a drop in both the volume and value of M&A activity in 2020. Deal activity fell sharply year-on-year, with overall M&A activity in UK & Ireland down 16.5% by volume (from 547 to 457 transactions) and 12.6% by value (from USD 41.6bn to USD 36.4bn) from the previous 12 months.

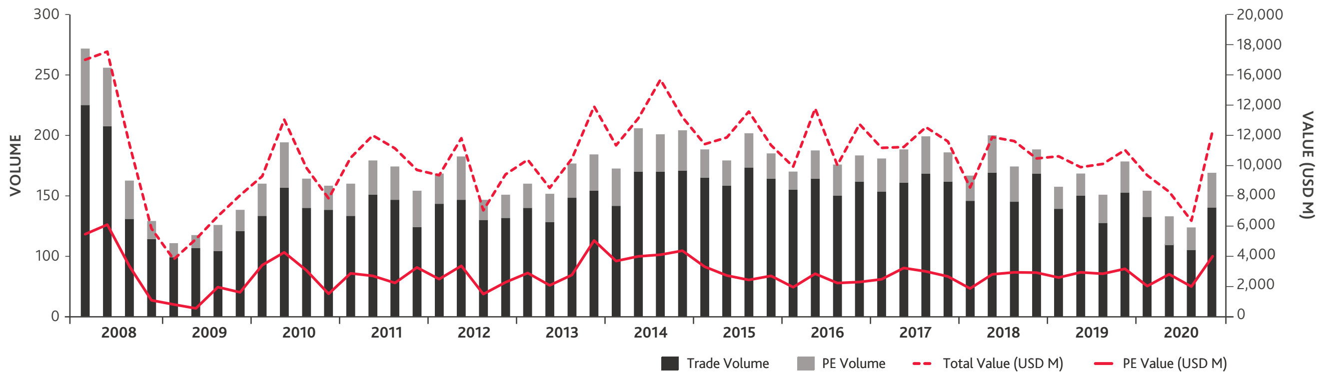
Despite yearly activity being the lowest seen since the recession period of 2009 in the mid-market (351 transactions with a total value of USD 23.6bn, as per Mergermaret data intelligence), the last quarter of 2020 saw an unprecedented rebound. This translated into a 93% uptick by value and a 61% uptick by volume of closed deals between Q3 2020 and Q4 2020. The total value of deals completed in Q4 2020 was USD 12.3bn vs. USD 6.4bn in Q3 2020 while the volume was 143 deals in Q4 2020 vs. 89 in Q3 2020.

It is interesting to note that against the backdrop of the global pandemic, deal volumes were predominantly trade-led throughout 2020, with 346 trade-led deals (68% of overall annual deal volume) vs. 111 PE-led deals. In deal value terms, USD 36bn (70% of 2020's USD 47bn deal value) were trade-led transactions.

SECTOR ACTIVITY AND KEY DEALS

Deal activity picked up significantly in Q4 2020 across multiple sectors including Business Services, Consumer, Energy, Mining & Utilities, Pharma, Medical & Biotech and Industrials & Chemicals, which recovered a lot of the ground they had lost in the previous quarters of 2020. Understandably, the sectors most exposed to the COVID-19 pandemic such as Leisure are yet to bounce back in any significant way given the worldwide lockdowns and restrictions on mobility.

PE/TRADE VOLUME & VALUE



TMT was the most in-demand, active and resilient sector in terms of the volume of transactions completed in 2020, with tech and digital assets being the targets in four of the region's top 20 deals in Q4 2020:

- the USD 310m fundraise by car marketplace Cazoo Limited;
- Modern Times Group's acquisition of London-based mobile studio Hutch Games for USD 275m;
- Graphcore, the UK maker of chips designed for use in artificial intelligence, raising USD 222m, valuing the company at USD2.8bn, a valuation that propels Graphcore even further up the ranks of the UK's most valuable private tech companies, maintaining its 'unicorn' status; and
- the Universities Superannuation Scheme, which runs the pensions of UK university staff, pumping USD 394m into alternative fibre network G.Network and providing it with a war chest to invest in rolling out a new telecoms infrastructure in London aimed at providing ultrafast broadband.

In 2020, there were a total of 141 TMT transactions in the UK & Ireland, representing a 13% year-on-year increase versus 2019 (125 transactions). TMT fared well in the last quarter of the year with 39 completed transactions, a 25% increase versus Q4 2019. Digitisation and disruptive technology led by artificial intelligence and automation, combined with increased demand for connectivity and technology services and products by consumers and corporations, will continue to boost M&A activity and promote deal-making in the sector in 2021.

Business Services and Consumer were the joint second most active sectors in the UK & Ireland by volume in Q4 2020, with 19 transactions each, a clear recovery compared to the summer period. However, on a year-on-year basis, there was a sizeable (over 20%) decline in the volume of deals for both sectors compared to 2019.

Energy, Mining & Utilities recorded an increased number of deals (40 in 2020 vs. 36 in 2019), as buyers seek steady returns from investments in long-term infrastructure assets. A notable transaction was Italian Oil and Gas Group ENI's acquisition of a c. 20% stake in the UK's Dogger Bank Wind Farm, the world's biggest offshore wind farm, for c. USD 545m.

We also saw increased M&A momentum in the Pharma, Medical & Biotech sector in Q4 2020 with 18 transactions completed vs 10 during Q4 2019. The sector registered a 28% increase in deal volume in 2020 vs. 2019 (46 vs 36 transactions completed), with noteworthy mid–market transactions being the sale of blood–based cancer detection company Base Genomics to cancer diagnostic leader, Exact Sciences ,in a deal worth USD 410m and the acquisition of cell engineering company Horizon Discovery by PerkinElmer for USD 367m.

The UK & Ireland remains an attractive region for international overseas investors, with eight out of the 10 top mid-market deals by size in Q4 2020 involving overseas bidders.

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

LOOKING AHEAD

Overall, it remains difficult to predict what the post-lockdown M&A landscape will look like as we head into 2021. With vaccines now starting to be deployed, availability of new forms of capital for M&A like SPACs (Special Purpose Acquisition Company) and the outcome of the US election, the conditions seem prime for a global deal-making uptake in 2021. That being said, moving forward the UK and Irish markets also have uncertainty looming over them with a second wave of infections and government-imposed restrictions due to COVID-19, anticipated tax changes in response to burgeoning national debt and uncertainty with regards to the timing of easing of restrictions as well as the impact of Brexit. A trade deal with the EU was approved by the UK Parliament on 30 December, while European Parliament approval is expected shortly (though the deal has been provisionally accepted by the EU to allow trade to continue).

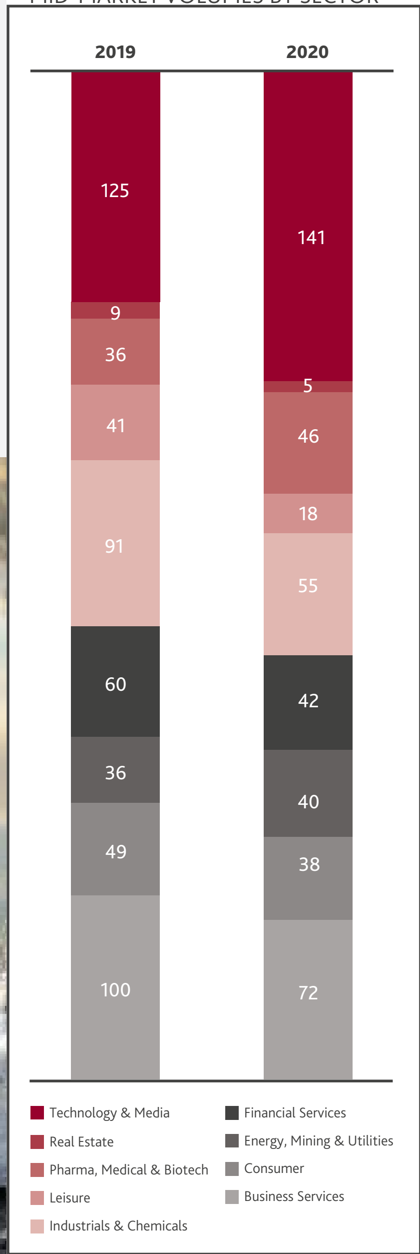
Looking ahead, the BDO Heat Chart predicts an active market in the UK & Ireland with 442 rumoured deals, a 6% increase from the previous quarter. Unsurprisingly, TMT remains the most active sector with 23% of all predicted deals. Significant deal activity is also expected across the Financial Services and Consumer sectors (each with 15% of the overall number of predicted deals) and Business Services (14%), while activity within Leisure and Real Estate is expected to remain subdued.

The PE market remains active going forward whilst credit markets, particularly debts funds, although significantly guarded (lower leverage multiples being commonplace especially for consumer-facing businesses), will also remain active. The full impact of the pandemic on the economy is yet to be determined, as government relief programmes are still in place and are currently mitigating the impact of the economic uncertainty. We expect distressed M&A activity to pick up across various pandemic-affected sectors during 2021.

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	100	-5%
Consumer	68	13%
Financial Services	66	38%
Business Services	60	11%
Pharma, Medical & Biotech	43	13%
Industrials & Chemicals	41	0%
Energy, Mining & Utilities	38	-12%
Leisure	18	-22%
Real Estate	8	33%
TOTAL	**442**	**6%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

M&A ACTIVITY IN FINAL QUARTER SEES SLIGHT RECOVERY

BIG PICTURE

- M&A deal volumes and values record a strong decline in 2020
- Average PE deal size in Q4 2020 dropped to USD 104m
- TMT was the leading sector with 32 deals
- BDO Heat Chart predicts Consumer will become the region's most active sector.

In Q4 2020, Southern Europe mid-market M&A recorded 132 transactions. Although the slight recovery in deal activity continued from Q3 2020, with the number of deals and value increasing, the final quarter of the year confirmed the overall negative trend of 2020. In comparison to 2019, aggregate deal value fell by 28% and deal volume by 26.37%.

However, focusing on Q4 2020, aggregate deal value and volume were both up from the previous quarter by 15.2% and 10% respectively. In comparison with Q4 2019, we can see sharp declines in volume of 20% and value by 14.3%.

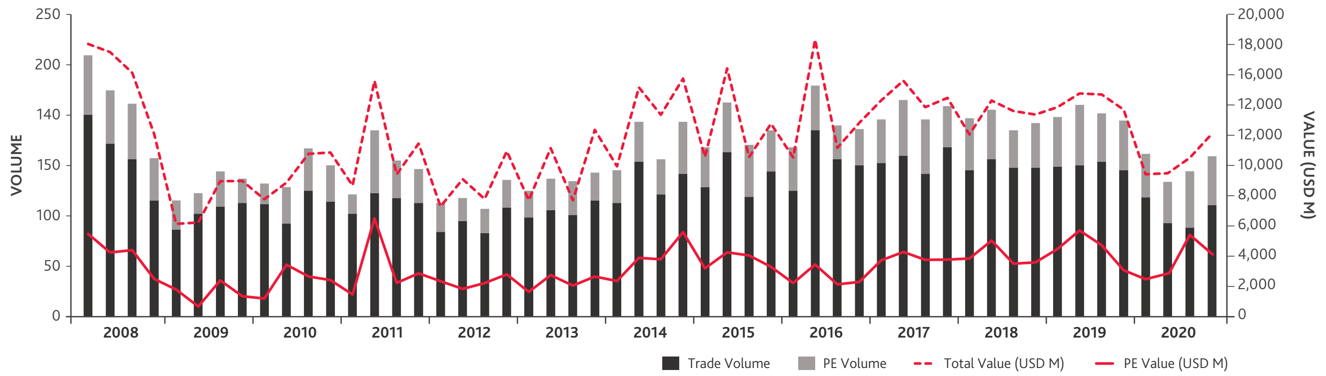
Looking at the average deal size, Q4 2020 confirmed a growing trend as the average value was around USD 91m, an increase of 4.7% from the previous quarter. Compared to Q4 2019, the average deal value in Q4 2020 was 7.2% higher, suggesting that during a challenging period for M&A the trend has been towards bigger deals.

In terms of PE activity, the number of deals declined compared to the previous quarter from 46 transactions to 40. PE's proportion of deal numbers also fell, representing 30.3% of overall deals compared to 38.3% in Q3 2020. The reason behind the decline may well be as a result of the second wave of COVID-19. However, it's noticeable that PE buy-outs accounted for only 24.8% of deals in Q4 2019.

Looking at PE deal value, the deals in Q4 2020 recorded a total value of USD 4.1bn, 22.9% lower than Q3 2020. Comparing PE's deal value with overall deal value, the figures show that PE had less of an impact in Q4 2020 than Q3 2020, falling by 17.1%. The picture looks less negative if Q4 2020 figures are compared with Q4 2019, when PE deal value only accounted for 21.8% of overall value.

Although the average PE deal size in Q4 2020 was down from Q3 2020, it's also worth pointing out that the average PE value of USD 117.2m in Q3 2020 was one of the highest in the last 12 years.

PE/TRADE VOLUME & VALUE



KEY SECTORS

Industrials & Chemicals lost its spot as Southern Europe's most active sector, accounting for 26 deals in Q4 2020 and 19.7% of total deals, a fall from 25.8% in the previous quarter. In terms of volume percentage change compared to the previous quarter, Industrials & Chemicals was the worst performing sector, followed by Leisure and Pharma, Medical & Biotech.

TMT led the way in Q4 2020 with 32 deals closed, representing 24.2% of total transactions. TMT's deal count increased by 18.5% compared to Q3 2020. Industrials & Chemicals was in second place and the Consumer sector accounted for 12.9% of the deal count with 17 transactions in the quarter. These three sectors accounted for almost 56.8% of all deals and were followed by Business Services, Energy, Mining & Utilities and Pharma, Medical & Biotech, which registered a combined total of 44 deals, a slight increase when compared with the previous quarter. The Consumer sector showed some growth compared to the previous quarter. Business Services and Financial Services both showed remarkable growth in deal numbers between the last two quarters in 2020, at 33.3% and 125% respectively, though Financial Services still only accounted for 6.8% of all quarterly deals.

Finally, Leisure and Real Estate represented 0.8% and 2.3% of the total number of deals.

KEY DEALS

The top 10 mid-market amounted to USD 4.4bn, which represented 36.4% of overall transactions in Q4 2020.

The biggest deal in terms of value was the acquisition of a 50% stake in an Italian company operating in the Industrials & Chemicals sector, namely in Ilva S.p.A, by Italian company Invitalia S.p.A. for USD 484m. The second biggest deal was also in Industrials & Chemicals and saw the acquisition of a 51% stake in Spanish company Cedinsa Concesionaria SA for USD 481m by French company Vauban Infrastructure Partners, who purchased the stake from the Spanish Fomento de Construcciones y Contratas, S.A. In third spot was the acquisition of Aviva Vita S.p.A., an Italian company operating in the Financial Services sector, by Ubi Banca S.p.A., an Italian Financial Services group. The seller was the British company Aviva Plc and the price was USD 475m. Other deals worthy of a mention were the acquisition of Spanish company Angulas Aguinaga SA, operating in the Consumer sector, by French company PAI Partners SAS and the acquisition of Spanish company Vertex Bioenergy SL, operating in the Energy, Mining & Utilities sector, by German company DWS Group GmbH & Co. KGaA.

Looking at the top 20 deals, French and Spanish companies both appeared as targets seven times and were the most targeted countries, accounting for totals of USD 2.2bn and USD 2.5bn respectively. Following on from there were five Italian companies targeted with a value of USD 2.0bn.

Finally, it should be noted that there was no one dominant sector in the top 20 mid-market deals with transactions spanning multiple sectors. Prominent among the top 20 were deals involving Financial Services and Industrials & Chemicals, followed by Pharma, Medical & Biotech.

STEFANO VARIANO
PARTNER

stefano.variano@bdo.it

LOOKING AHEAD

Looking ahead, the BDO Heat Chart predicts that there are 692 predicted deals in Southern Europe, representing 6.8% of total global transactions. Consumer is expected to continue to lead the way in the foreseeable future with 151 deals, accounting for 21.8% of the region's total deal activity. Industrials & Chemicals is predicted to reach 140 deals (20.2% of the total) and TMT and Business Services account for 109 and 95 deals (15.8% and 13.7%) respectively. Overall, these four sectors combined are expected to account for almost 71.5% of all future deals in Southern Europe.

FOCUS ON ITALY: KEY DEALS AND SECTORS

The Italian market was involved in several transactions in Q4 2020 that are worth mentioning.

At the beginning of December 2020, Invitalia S.p.A., a company owned by the Italian government, invested in Industrial company Ilva S.p.A., the biggest deal of the quarter, thanks to a capital increase of USD 484m. Invitalia now owns the 50% of the shares but by May or June 2022 the government-owned company will receive another 10% of the capital through another capital increase, becoming the controlling shareholder.

Another important deal took place in November 2020 when Ubi Banca S.p.A. acquired 80% of Aviva Vita S.p.A. by Aviva Italia, a subsidiary of British company Aviva Plc, for around USD 475m cash. The Italian Financial Services group now owns 100% of the company's capital as Ubi already owned 20% through a joint venture with Aviva Italia. The price was originated by an 8.4 Price/Earning multiple, using 2019 IAS/IFRS earnings.

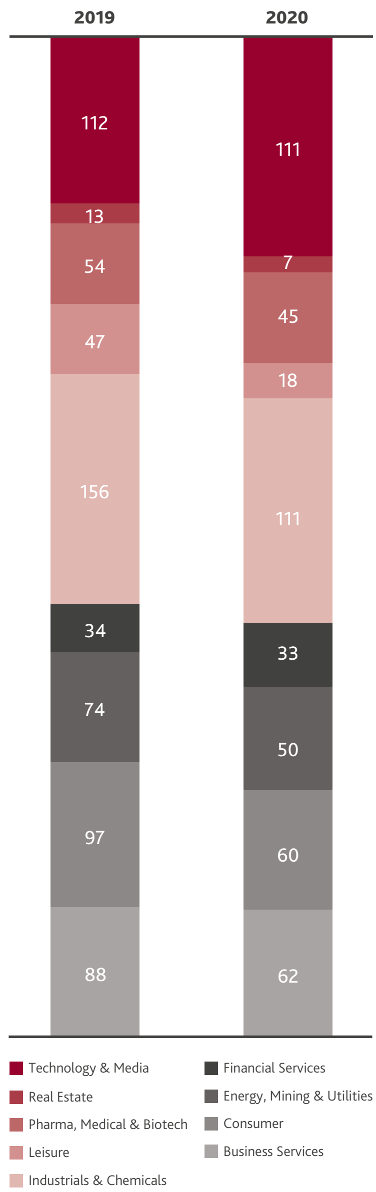
At the end of December 2020, Ubi Banca S.p.A concluded another important deal, acquiring 60% of Lombarda Vita S.p.A. for around USD 354m from Italian company Società Cattolica di Assicurazione. The exact price depends on the IAS/IFRS 2020 financial results of Lombarda Vita. Both deals concluded by Ubi in Q4 2020 were in the Assurance field.

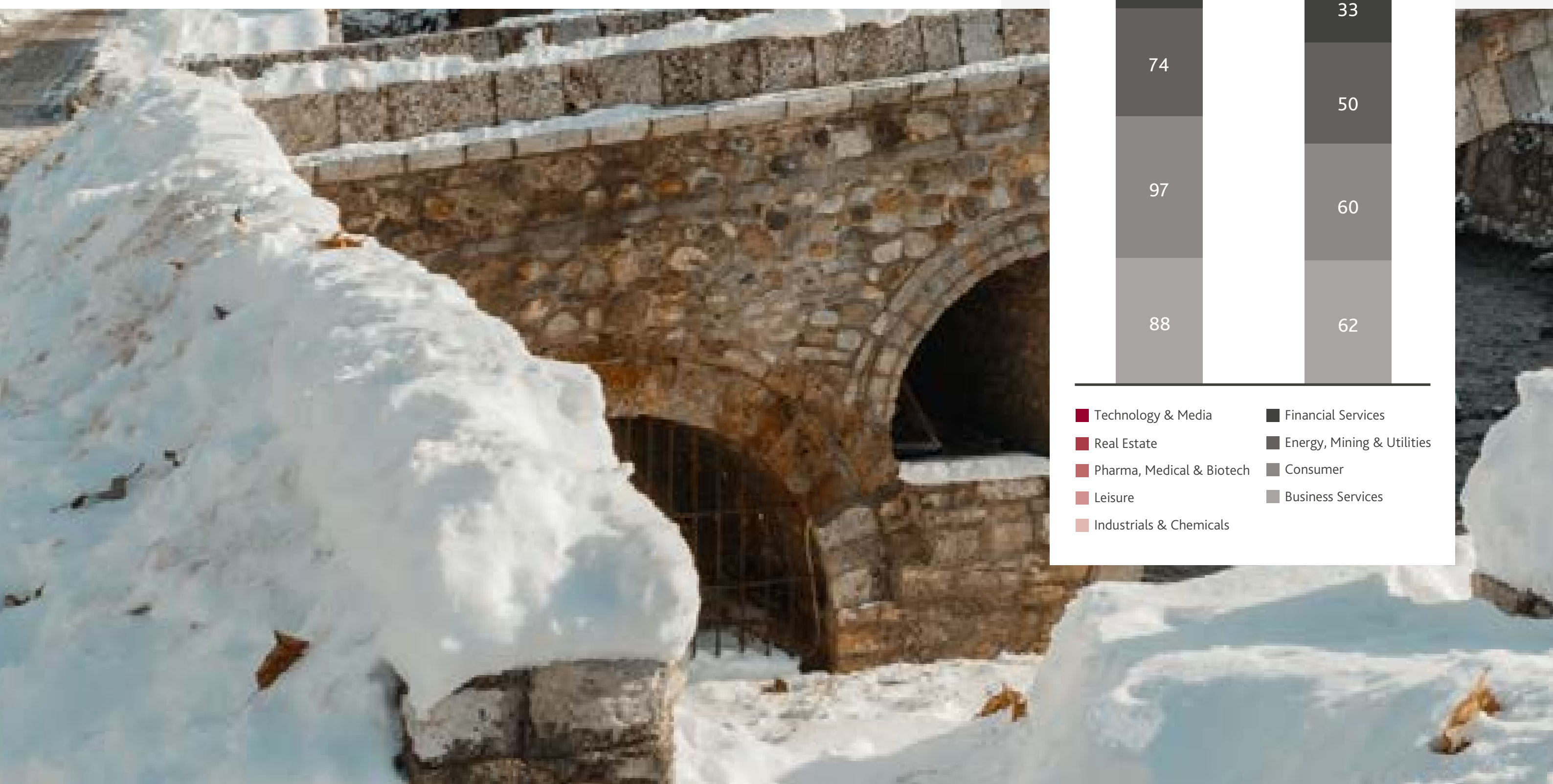
Finally, another deal worthy of a mention took place in the Consumer sector and involved the acquisition of a minority 20% stake in Italian coffee company Illycaffè S.p.A. by American PE company Rhone Capital. The price, at around USD 237m, depends on a valuation of more than USD 1.0bn. The goal of this deal is to accelerate Illycaffè S.p.A's international development, in particular in North America.

SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	151	13%
Industrials & Chemicals	140	-13%
TMT	109	-5%
Business Services	95	27%
Pharma, Medical & Biotech	64	33%
Financial Services	56	27%
Energy, Mining & Utilities	47	2%
Leisure	23	15%
Real Estate	7	117%
TOTAL	**692**	**6%**

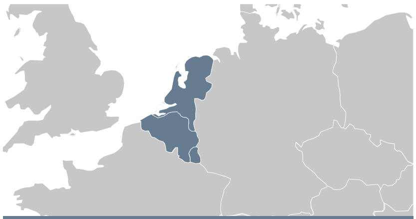
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

M&A STAGES A COMEBACK WITH RISES IN DEAL VOLUME AND VALUE



BIG PICTURE

- Deal volume in Q4 2020 (38 deals) showed a slight increase compared to Q3 2020 (32) and deal value doubled
- PE's share of deal activity volume rose to 29% in Q4 2020 from 17% in Q4 2019
- TMT and Industrials & Chemicals accounted for 55% of all deals (21 deals)
- Outlook is positive with 203 deals planned or in progress in the Benelux.

Compared to Q3 2020, Q4 2020 saw an increase in the number of deals (from 32 to 38) and overall deal value more than doubled to USD 4,630m (USD 2,018m in Q3 2020). The average deal value in Q4 2020 was USD 121.9m compared to USD 63.1m in the previous quarter. Compared to the corresponding quarter in 2019, average deal value was slightly down at USD 84.2m versus USD 94.1m.

Private equity was involved in 11 deals in Q4 2020, accounting for 28.9% of the total deals (versus an average of 30.9% over the last two years) and 28.1% of overall deal value (versus 30.6% over the last two years). Average PE deal value climbed to USD 118.4m compared to USD 50.1m in Q3 2020. The Q4 2020 average was also on the high side compared to the average PE deal value in 2020 as a whole, which was USD 73.5m.

On a global level, M&A activity in Q4 2020 showed significant improvement compared to Q3 2020, with big increases in both deal numbers (23.7% more than in Q3 2020) and overall deal value (up 21.7%).

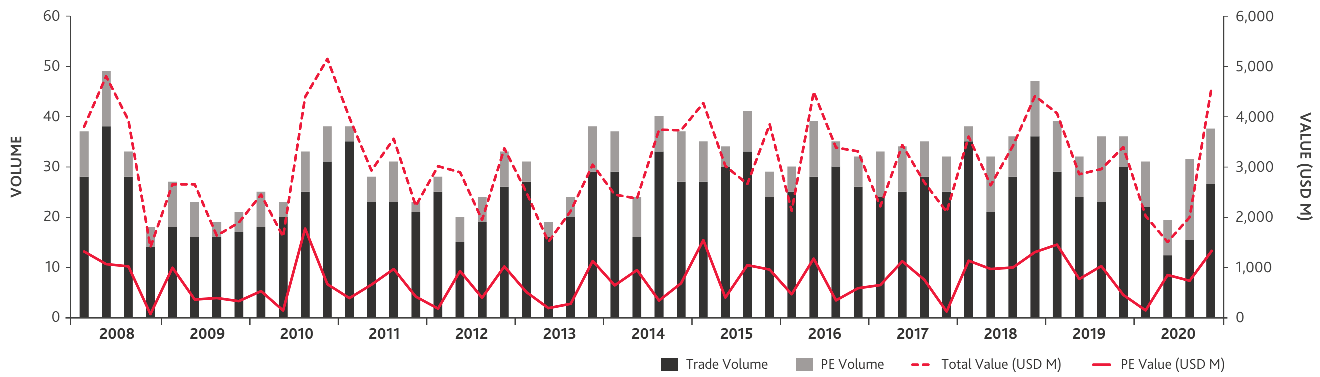
KEY SECTORS AND DEALS

TMT led the way in Q4 2020 with 12 deals, followed by Industrials & Chemicals with nine deals. Business Services and Pharma, Medical & Biotech both accounted for five deals. In the last two years, these sectors have accounted for over half of all deals closed in the region. It is also worth noting that no Industrials & Chemicals deals took place in Q3 2020.

The value of Benelux's top 10 deals ranged between USD 182m and USD 467m. In the top 10, three involved a domestic buyer, while the other seven deals involved buyers from France, the UK and the US.

The quarter's biggest deal in the Benelux was the sale of a 17.32% stake of Hunter Douglas (a Rotterdam-based listed company producing window blinds and coverings) to Bergson Holdings, for a total deal value of USD 467m. The purpose of the deal was to delist Hunter Douglas from the Amsterdam Stock Exchange, with Bergson Holdings buying the remaining shares not yet owned by them.

PE/TRADE VOLUME & VALUE



The second largest deal involved the sale of SunOpta, a global natural food products company, to global commodity trading company Amsterdam Commodities (Acomo). The deal value was USD 390m and will help further the creation of a leading global player in the organic food industry, a sector which is benefitting from the rapidly growing global consumer demand for healthy and sustainable foods.

Concluding the top three, Kiadis Pharma, an Amsterdam and Brussels stock exchange-listed biopharmaceutical company focusing on developing medicines, was acquired by French global pharmaceutical group Sanofi for a total consideration of USD 389m. According to Sanofi, both Kiadis' existing platform and pipeline complement Sanofi's existing operations.

LOOKING AHEAD

The BDO Benelux Heat Chart shows that 203 deals are currently planned or in progress. The majority of transactions (52) are expected to take place in the Consumer sector, which would account for 25.6% of Benelux's total deal activity, far more than from the sector's share of deals on a worldwide basis (11%). The second and third most active sectors in the Benelux are expected to be TMT (19.7%) and Industrials & Chemicals (16.7%).

On a global scale, a significant proportion of deals are expected to take place in the TMT, Industrials & Chemicals and Business Services sectors, accounting for 22%, 18% and 13% respectively of total deals.

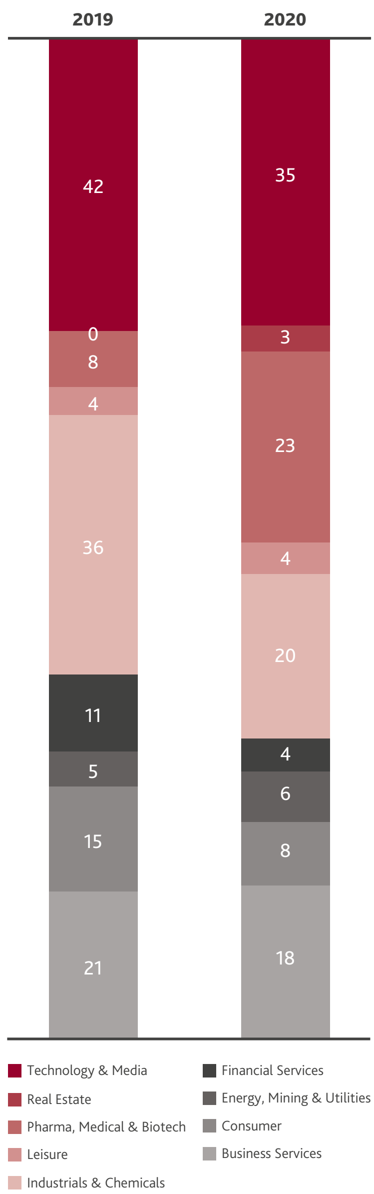
LUC AUGUSTIJN
PARTNER
luc.augustijn@bdo.nl

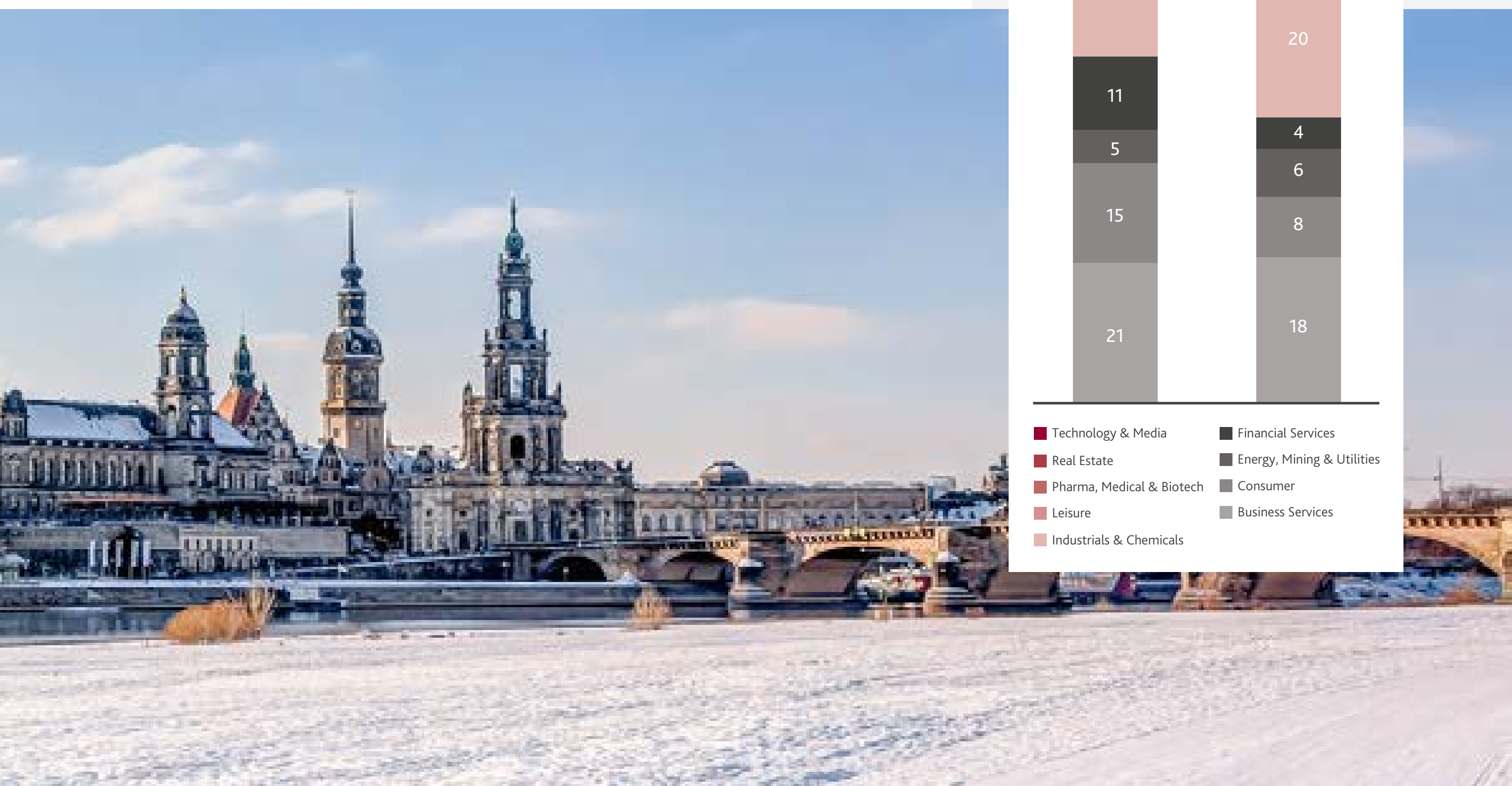
ALEXANDER VEITHEN
PARTNER
alexander.veithen@bdo.be

BENELUX
HEAT CHART BY SECTOR

Consumer	52	24%
TMT	40	21%
Industrials & Chemicals	34	3%
Business Services	20	-29%
Pharma, Medical & Biotech	18	0%
Financial Services	15	-21%
Energy, Mining & Utilities	12	100%
Leisure	6	-14%
Real Estate	6	50%
TOTAL	**203**	**7%**

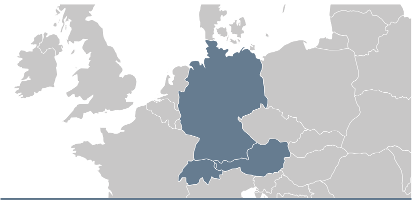
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

M&A DEAL-MAKING ENDS YEAR WITH A BETTER FINAL QUARTER



BIG PICTURE

- Total deal volume fell 19% to USD 5.07bn, with deal volume falling by 23% year-on-year
- Q4 2020 deal volume was up 11%, but deal value was slightly down by 2% compared to Q4 2019
- TMT maintained its position as the region's top sector with 16 deals
- Pharma, Medical & Biotech saw a big increase in deal volume in 2020.

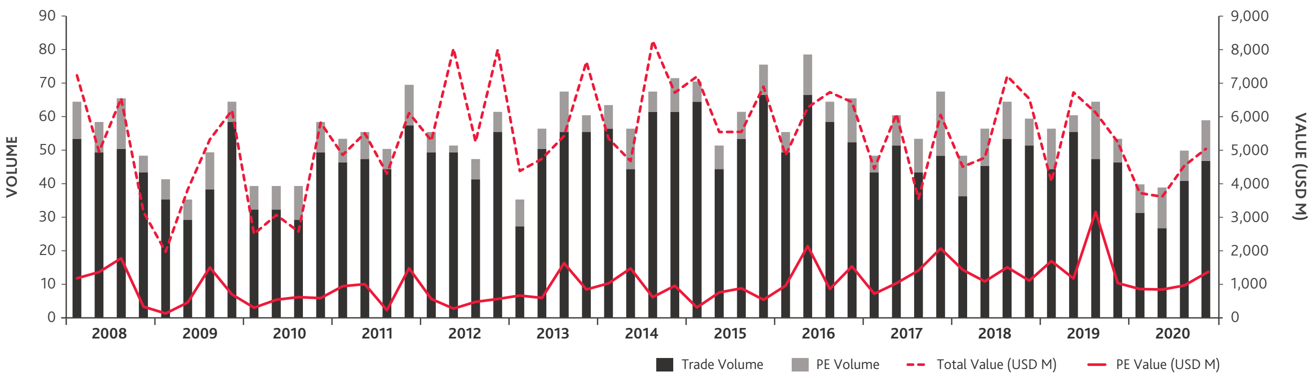
Despite the ongoing global pandemic, the number of M&A deals completed in DACH in Q4 2020 was the highest in all four quarters of 2020. The 59 deals completed had a total value of USD 5.07bn, an increase of USD 0.52bn compared to Q3 2020. Compared to 2019, PE activity in 2020 fell significantly, both in deal value and volume.

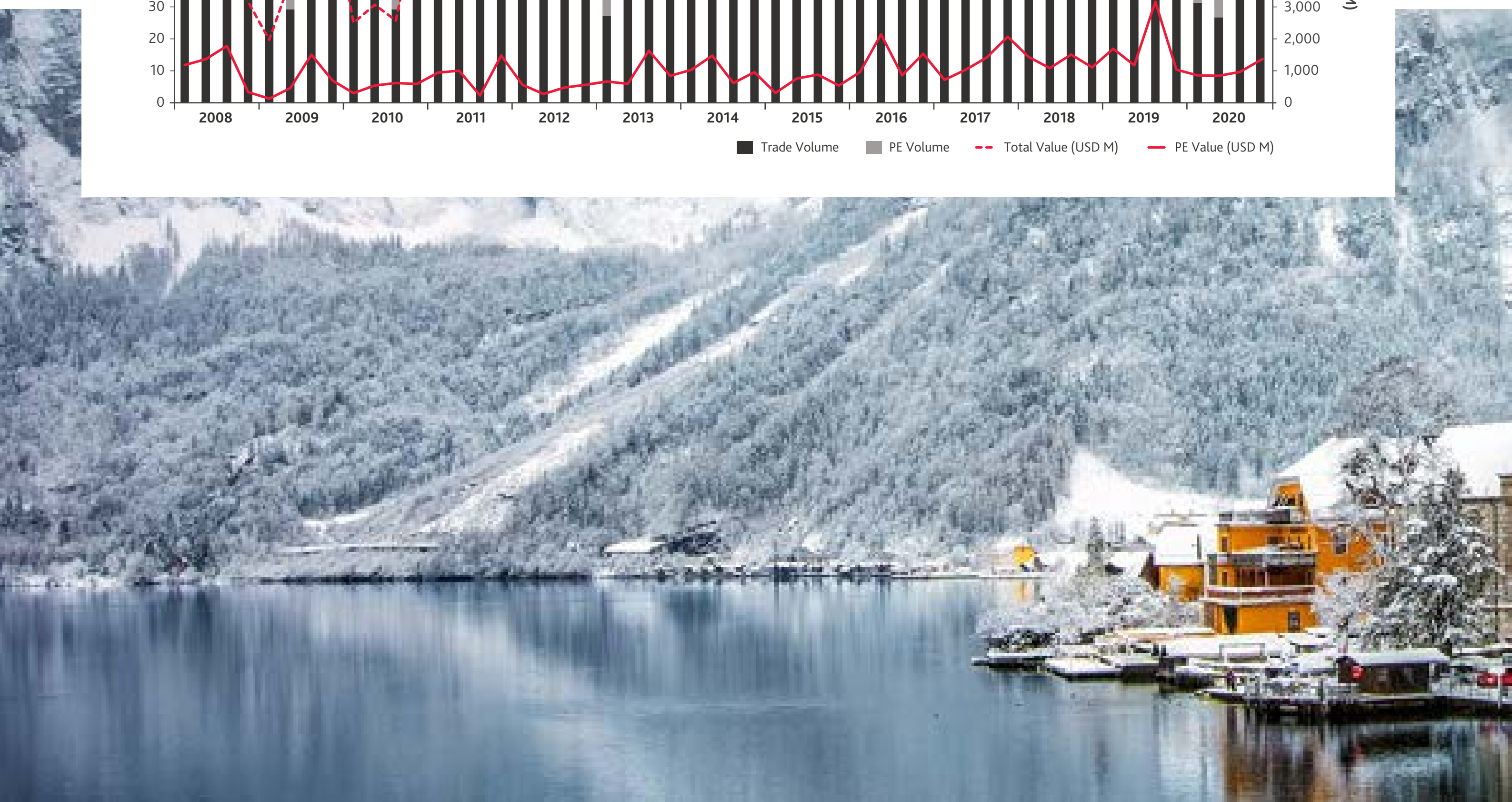
KEY DEALS AND SECTORS

Although total deal volume and value have decreased during the course of 2020, the DACH region remains an attractive M&A market. This is supported by the fact that the top 20 deals in Q4 2020 attracted buyers from 11 different countries, with international bidders from the US, China, the United Arab Emirates and Japan.

Of the 20 top deals, 15 German, four Swiss companies and one Austrian company were targeted. The most active bidders were from the United Kingdom, with five out of the top 20 deals. The quarter's biggest deal took place in the TMT sector and saw US-based NortonLifeLock Inc., an American cyber security software company, acquire German-based computer software company Avira GmbH for USD 359m with the aim of strengthening its position in the European market. The biggest transaction involving an Austrian target was in the Industrials & Chemicals sector where Gantner Electronic GmbH was acquired by Spain-based corporation Salto Systems S.L. The takeover had a total deal value of USD 176m and was the region's seventh biggest deal in Q4 2020.

PE/TRADE VOLUME & VALUE





The largest Swiss transaction was in the Industrials & Chemicals sector, and saw the Belgium company Recticel SA acquire FoamPartner Group in a deal worth USD 295m.

TMT remained the most active sector in Q4 2020 with 16 completed deals. Pharma, Medical & Biotech and Industrials & Chemicals were the second most active sectors for mid-market M&A activity, each with 13 completed deals. The Pharma, Medical & Biotech sector saw a tremendous increase in deal activity, with 13 deals in Q4 2020 compared to just one in Q4 2019. These two sectors accounted for 44% of all DACH mid-market deals in 2020, almost exactly the same figure as in 2019 (43%). However, Pharma, Medical & Biotech recorded an increase in transaction volumes of 48% from 2019 to 2020. This strong growth is inextricably linked to the ongoing COVID-19 pandemic.

LOOKING AHEAD

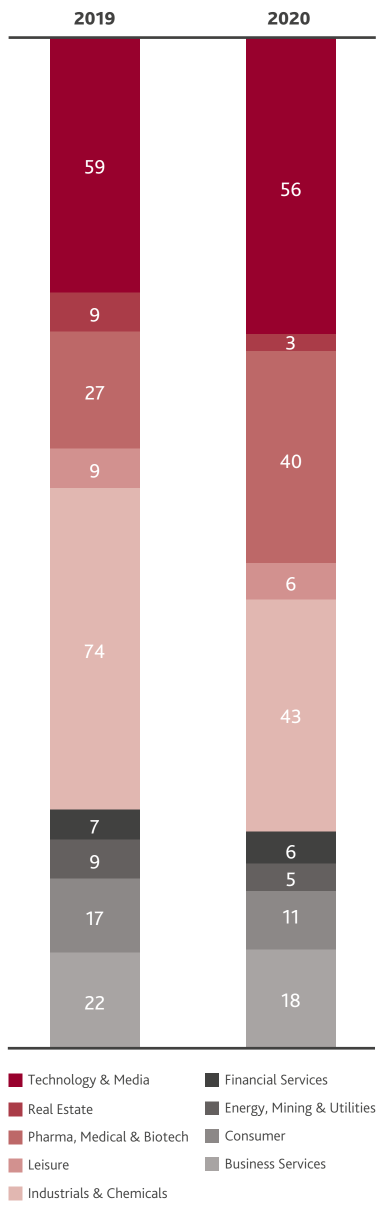
M&A activity in 2020 has been heavily affected by the global COVID-19 pandemic and has taken a big hit, both in deal volume and value. Having said that, mid-market M&A activity in DACH has increased steadily over the course of the year and investors remain optimistic about the future. This is supported by consistently low interest rates that ease the cost of financing deals. However, there is still a lot of uncertainty in the market as further developments in the COVID-19 pandemic are unpredictable. We maintain our belief that the DACH M&A market will continue to improve in the coming quarters, especially due to the fact that several vaccines that are already in use across the world to try to help bring the pandemic to an end.

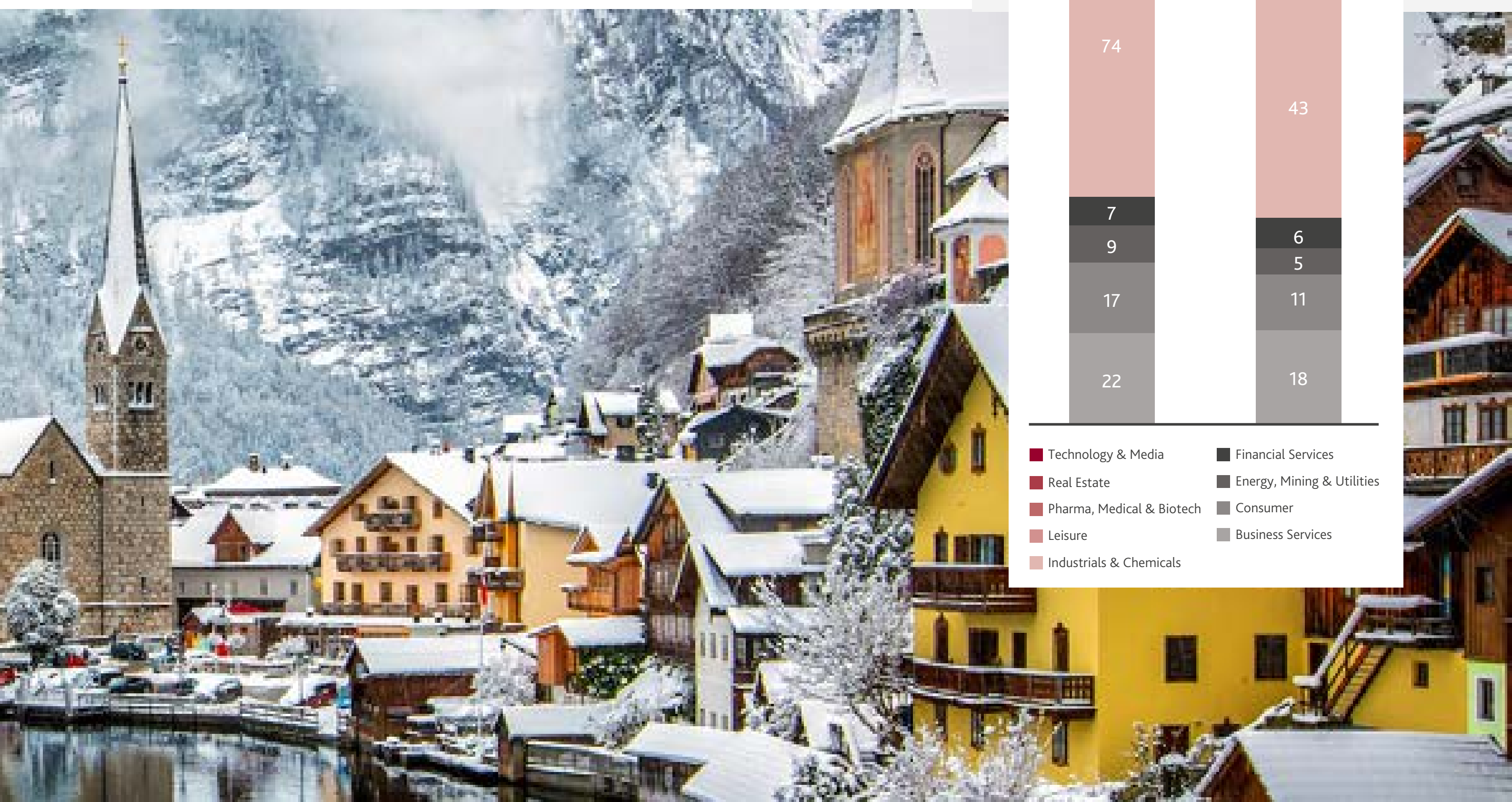
CHRISTOPH ERNST
BDO FINANCIAL ADVISORY SERVICES – M&A
christoph.ernst@bdo.at

DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	123	6%
TMT	104	7%
Consumer	62	-6%
Business Services	40	0%
Pharma, Medical & Biotech	39	50%
Financial Services	25	32%
Leisure	12	9%
Energy, Mining & Utilities	11	22%
Real Estate	6	20%
TOTAL	**422**	**8%**

DACH
MID-MARKET VOLUMES BY SECTOR





NORDICS

M&A DEAL-MAKING STAGES SPECTACULAR RECOVERY IN H2 2020

BIG PICTURE

- Q4 2020 saw continued recovery and increased deal-making activity in the Nordics
- PE firms continued to shift their focus from stabilizing current portfolio companies to seeking new investment opportunities, accounting for 18% of the quarter's deal value
- TMT remained the most active sector in terms of deals numbers with Industrials & Chemicals maintaining second place
- There were a surprisingly high number of cross-border transactions in Nordic's top 20 deals, despite COVID-19.

In line with the global deal-making trend, Nordic M&A experienced a spectacular recovery in the second half of 2020, after a dramatic fall in activity following the COVID-19 outbreak earlier in the year.

In line with the global deal-making trend, Nordic M&A experienced a spectacular recovery in the second half of 2020, after a dramatic fall in activity following the COVID-19 outbreak earlier in the year.

The improvement in M&A activity seen in Q3 2020 continued into the last quarter of the year and resulted in increased activity, both in terms of total value as well as the number of deals. In total, 104 transactions were completed in Q4 2020, an increase from the 70 deals in Q3 2020 and a 49% increase compared to Q4 2019.

Although Q1 2020 and Q2 2020 saw historically low levels of M&A activity levels, Q4 2020 turned out to be one of the most active quarters in the past five years with the highest number of deals (104) and the second biggest deal value at USD 7807m (second to Q4 2019 with a deal value of USD 7875m). The drastic increase in M&A activity was most likely driven by a shift in market sentiment and a result of postponed transactions from earlier in the year that were completed in H2 2020.

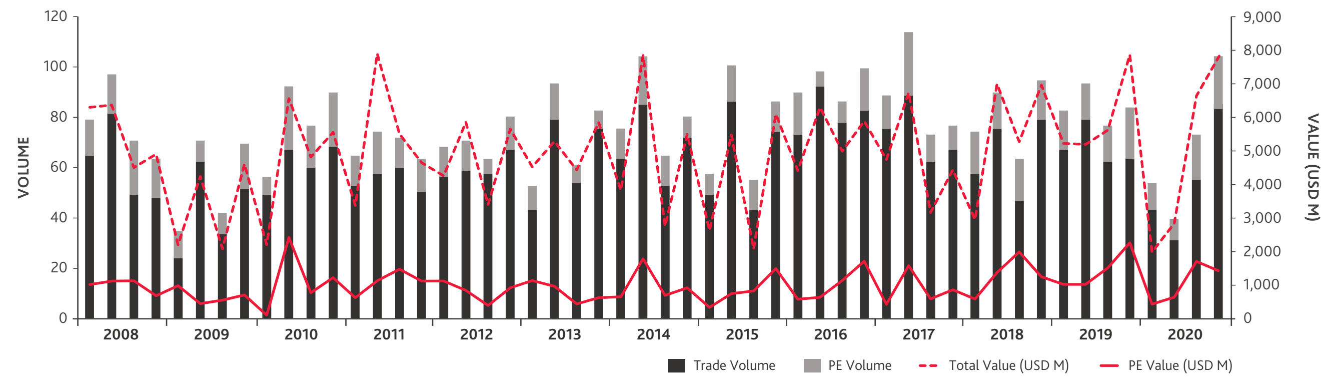
During the year, most PE firms initially decided to focus on current portfolio companies rather than seeking new investment opportunities. This was illustrated by PE deal activity during the year – in the first half of 2020 there were just 17 deals but as market sentiment shifted and deal-makers became more optimistic and opportunistic, the figure increased to 39 deals in the second half of the year. Of the 39 deals, 19 were made in Q4 2020 and accounted for 18% of total Nordic M&A deal value.

CROSS-BORDER TRANSACTIONS

Cross-border transactions were a big focus in the region's top 20 deals, representing 50% of both deal volume and value, which illustrates the global interest in deal-making in the region despite the restrictions limiting international travel and the traditional methods of conducting M&A due to COVID-19.

The majority of the deals took place in Norway (eight deals) followed by Sweden (six) and Denmark (six) within a wide range of sectors.

PE/TRADE VOLUME & VALUE



KEY DEALS AND SECTORS

The quarter's largest transaction was a cross-border TMT deal in Denmark, which saw Spanish company CK Hutchison Holdings Ltd. acquire Danish TMT company Hi3G Denmark ApS with a deal value of USD 472m. Hi3G is a mobile operator focusing on mobile telephone and internet services.

The second largest deal was the acquisition of 48% stake in Swedish company Momentum Group, which operates in the Industrials & Chemicals sector, by Swedish investment firm Nordstjernan. The deal was valued at USD 336m.

TMT became the region's most active sector, accounting for 29 (28%) of the quarter's 104 deals. Industrials & Chemicals, which has historically been the most active sector, also had a strong quarter with 20 deals in Q4 2020. Business Services maintained its position among the top sectors and came in third place with 19 deals during Q4 2020.

CLAES NORDEBÄCK
PARTNER, CORPORATE FINANCE

claes.nordeback@bdo.se

LOOKING AHEAD

Nordic M&A activity in Q4 2020 has clearly recovered from the low levels recorded earlier in the year, despite being affected by external factors, which implies a continued interest for Nordic M&A deals.

There appears to be cautious optimism among deal-makers surrounding 2021, with the development of numerous vaccines and the prospect of life slowly returning towards normal in the coming 12 months. 2021 is most likely to continue to be affected by COVID-19 but to a lesser extent than in 2020.

PE firms also showed a great deal of optimism for deal-making in H2 2020 and are expected to continue deploying their dry powder in 2021, especially in 'corona-surviving' sectors such as e-retail.

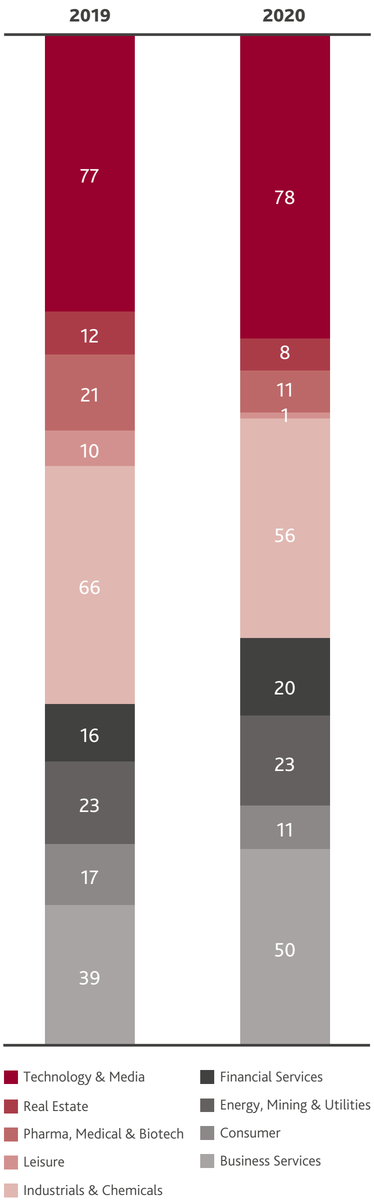
It's worth noting that the Nordic TMT sector continues to thrive under pressure. It is predicted that the sector will continue to drive investment in the region with corporates and financial sponsors both looking to invest in innovative assets.

In summary, there was a severe downturn in M&A activity in H1 2020 but this was followed by a significant recovery in the second half of the year. Whether H1 2021 will continue to improve as much as the last quarter of 2020 is both uncertain and dependent on the outcome of several external factors, such as vaccine distribution and further COVID-19s outbreaks, but based on market sentiments and new emerging investment opportunities, we believe that deal-making will increase in 2021 compared to 2020.

NORDICS
HEAT CHART BY SECTOR

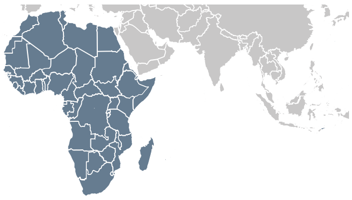
TMT	63	26%
Industrials & Chemicals	50	19%
Pharma, Medical & Biotech	31	29%
Business Services	27	50%
Consumer	26	37%
Energy, Mining & Utilities	21	17%
Financial Services	17	21%
Leisure	5	-50%
Real Estate	5	67%
TOTAL	**198**	**24%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



AFRICA

M&A ACTIVITY SLUMPS AS SECOND COVID SPIKE HITS DEALS



BIG PICTURE

- Deal activity was down 36% in 2020 with a total of 87 M&A mid-market deals compared to 137 M&A deals in 2019. Deal value was also down 30% from USD 8.677bn in 2019 to USD 6.084bn in 2020
- In Q4 2020 21 deals were completed, worth a total of USD 1.415bn, a decrease of 32% from Q4 2019 in volume (31) and 35% in value (USD 2.17bn).
- Energy, Mining & Utilities and Industrials & Chemicals were the leading sectors with five deals each
- Despite the second spike of COVID-19 on the African continent, there are likely to be some positives in 2021 M&A deal-making led by PE firms under pressure to invest capital, corporates either looking to offset assets or acquire market share and revenue, and the fact that bargain deals will be available.

COVID-19, global lockdowns, unprecedented supply chain disruptions and investor uncertainty meant that 2020 will go down as the worst year for African mid-market M&A activity in recent memory.

The region reported dismal results quarter after quarter but the market remained positive that COVID-19 would pass and some semblance of normality would return. Just as the outbreak seemed to be coming under control, a second spike materialised in Q4 2020. This led to many countries re-instituting lockdown measures and restrictions on travel. It feels as though our positivity has been rewarded with a reality check – this virus is not going away anytime soon and Africa is likely to be at the back of the queue when the vaccines are distributed to other countries better equipped to roll out a comprehensive vaccine programme.

At the end of Q3 2020, we reported that we were seeing that significant relaxation of lockdown restrictions were resulting in increased trade and in Q4 2020 manufacturing output finally starting to return to pre-COVID levels. However, many countries have again implemented restrictions on free movement, albeit not to such extreme levels as the Q2 2020 lockdowns.

We note that should infections continue to rise additional measures may be implemented by the various governments with the inevitable knock-on effects to the economy and deal-making activity. The effects on the M&A mid-market sector were plain to see in Q4 2020 with just 21 deals completed with a value of USD 1.415bn, a fall of 32% from the 31 deals in the corresponding quarter in 2019 and a 35% drop in value.

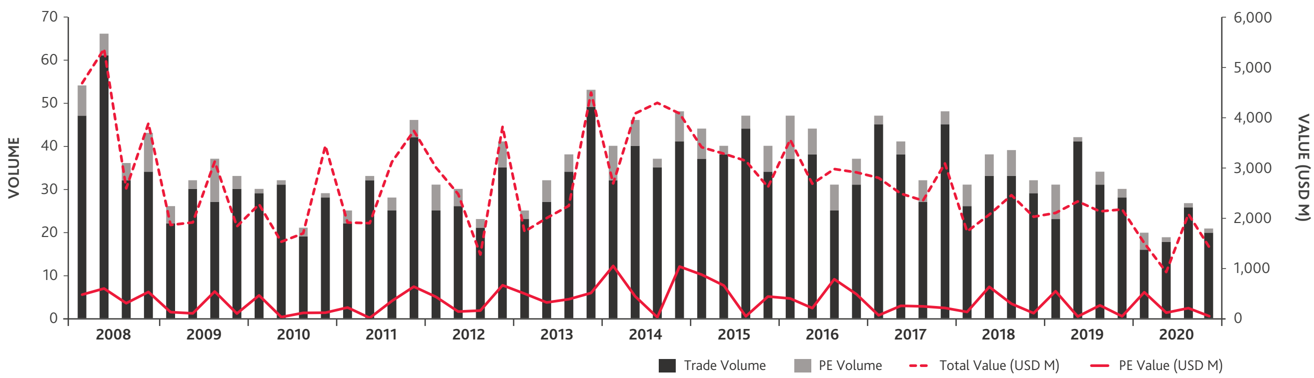
While the reported cases and deaths from COVID-19 in Africa may seem low relative to the rest of the world at three million cases and 72k deaths, the World Health Organization said that "testing in Africa is still low compared to other regions, and there's also concern that irregular levels of testing over time may be masking the true spread of the virus".

In addition, the Africa Centre for Disease Control said "at the end of December that it estimated that 39 countries out of the 55 it monitors were currently in or had experienced a second spike in cases".

KEY SECTORS AND DEALS

Of the 21 deals that did take place in Q4 2020, the Energy, Mining & Utilities and Industrials & Chemicals sectors led the way again with five deals each, followed by Pharma, Medical & Biotech and TMT, each with three deals.

PE/TRADE VOLUME & VALUE



In terms of geography, South Africa, Egypt and Morocco recorded two deals each in the top 10 with Mozambique, Ghana, Gabon and Angola each accounting for one deal.

The largest deal was the acquisition by Cleopatra Hospital Group SAE (Egypt) of Alemeda Healthcare for a total consideration of USD 450m.

It is interesting to note that of the top five deals, only Alemeda Healthcare was acquired by an in-country acquirer, with the rest all being foreign acquisitions:

- Dana Gas (Egyptian onshore Oil & Gas producing assets) (Egypt) – acquired by IPR Energy Group (USA);
- African Oxygen Limited (33.92% stake) (South Africa) – acquired by Linde Plc (UK);
- Central Termica de Ressano Garcia SA (49% stake) (Mozambique)- acquired by Azura Power Ltd (UK)
- Bibiani Gold Mine (Ghana) – acquired by Chifeng Jilong Gold Mining Co., Ltd. (China);

The quarter's only PE deal, concluded for a consideration of USD 6m, was the disposal by Kleoss Capital of a 67.5% stake in Debt Rescue Limited.

MARKET ENVIRONMENT AND OUTLOOK

Our view from Q3 2020 has not changed, namely that we believe that with organic growth challenging in a contracting economy, entities with strong balance sheets may be looking to acquire revenue and market share through acquisitions. There remains a clear need for consolidation in certain sectors with small cap business looking to merge, acquire or dispose to other market participants in order to benefit from synergies, size and scale.

The PE market has been quiet for too long and we are optimistic that deal-makers will draw their swords soon and head back onto the battlefield. Valuation and pricing remain challenging and we are seeing increased discussions around 'earn-outs' and other 'deferred payment' mechanisms.

Even being pessimistic, we do not believe that M&A in 2021 will hold the same challenges and misfortunes as 2020.

The main reasons for this are that we anticipate PE firms will come under some pressure to invest their capital, corporates will inevitably be looking to offload non-core and poor performing assets to focus on core operations and streamline their activities.

At the same time, corporates will also be looking to acquire market share and revenue and the economic climate suggests that bargains may be on the horizon.

Again, we report that for non-distressed sellers, the market remains challenging as they compete for the attention of buyers with multiple options and opportunities.

NICK LAZANAKIS
HEAD OF CORPORATE FINANCE

nlazanakis@bdo.co.za

GUY STEELE
HEAD OF M&A

gsteele@bdo.co.za

LOOKING AHEAD

According to the BDO Heat Chart, Energy, Mining & Utilities, TMT and Industrials & Chemicals will account for the bulk of M&A activity across the continent.

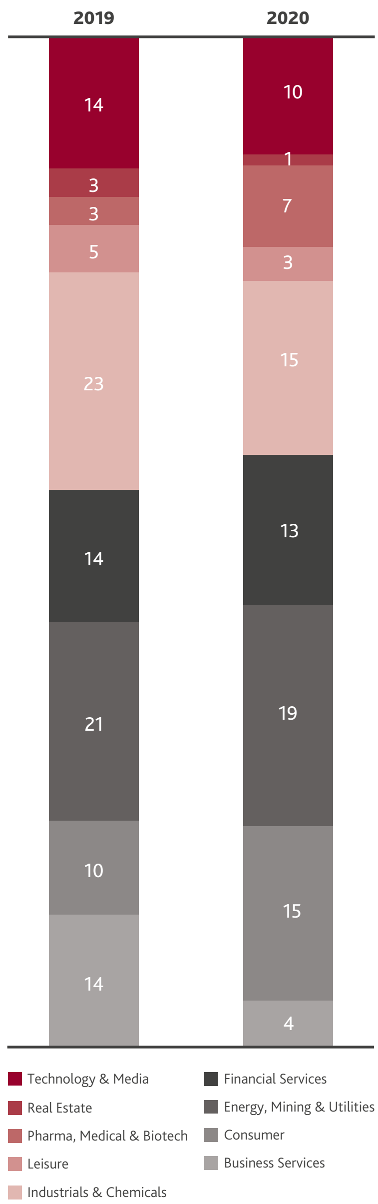
Real Estate, Pharma, Medical & Biotech are all expected to see low levels of deal activity, as well as the Leisure sector, which continues to suffer from the ongoing impact of the virus.

For all the reasons mentioned earlier, we are expecting another tough year on the M&A front, but we remain optimistic that future deal activity will pick up and improve.

AFRICA
HEAT CHART BY SECTOR

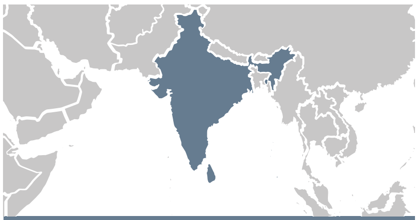
Energy, Mining & Utilities	31	18%
TMT	31	18%
Industrials & Chemicals	29	17%
Business Services	21	12%
Financial Services	20	11%
Consumer	19	11%
Real Estate	12	7%
Pharma, Medical & Biotech	7	4%
Leisure	4	2%
TOTAL	**174**	**2%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

ECONOMIC RECOVERY BOOSTS GROWTH PROSPECTS



BIG PICTURE

- The final quarter of 2020 saw 67 deals completed with a total value of USD 5998m
- Sector activity was dominated by TMT, Business Services, Industrials & Chemicals and Energy, Mining & Utilities
- Outlook remains positive as economic activity picks up with a strong IPO pipeline for 2021.

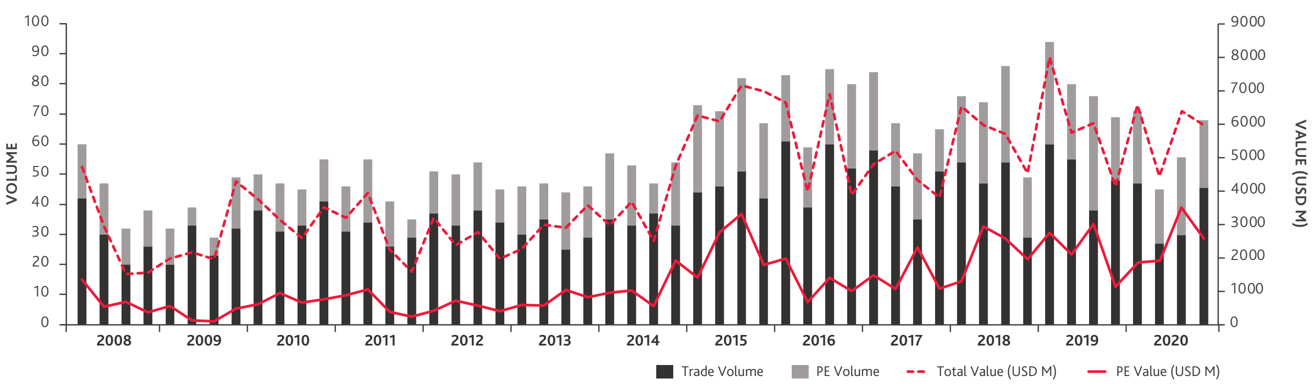
Investment activity in India's mid-market M&A segment in Q4 2020 saw 67 deals completed, which represented a slight fall from the deal count of 69 in Q4 2019 but an increase from the 55 deals in Q3 2020. Looking at overall deal value, it increased to USD 5998m in Q4 2020 from USD 4020m in Q4 2019 but was lower than the USD 6403m recorded in Q3 2020.

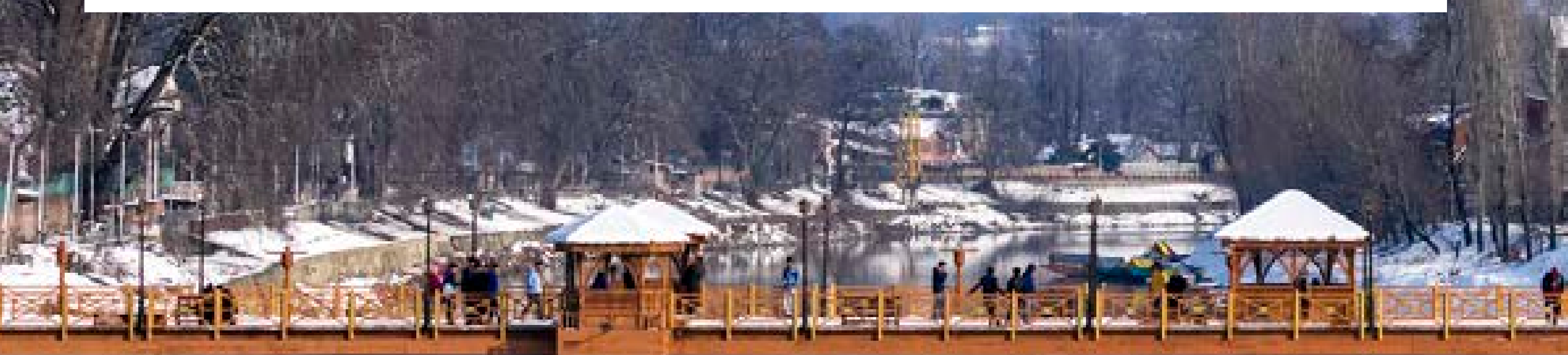
India's relaxation of COVID-19 restrictions, festive and pent-up demand, lower interest rates and easier liquidity conditions have all resulted in a sharp improvement in the country's economic indicators.

The factors suggesting a recovery include:

- GDP upgrades: The NSO (National Statistical Office) estimates FY 2021 (April 2020- March 2021) real GDP growth at (-)7.7% against 4.2% in FY 2020 (April 2019-March 2020). With H1FY21 (April-Sept 2020) GDP growth at (-)15.7%, the implied H2FY21 GDP growth (Oct 2020-March 2021) is expected to be far better than H1FY21. Many agencies have upgraded India's economic outlook – and the RBI now expects a 7.5% contraction in the year compared to its earlier estimate of a 9.5% decline.
- RBI's restoration of pre-COVID liquidity management tools suggests that policy normalization is under way sooner than industry expected.
- A range of positive economic indicators including: higher levels of daily average electricity consumption; increased numbers of e-waybills in December 2020 (2.1m per day) compared to January 2021's 1.9m per day; daily average UPI and IMPS transaction values recording an all-time high in December 2020; and rises in petrol and diesel consumption.
- Improved GST collections: GST collections reached an all-time high in December 2020 of ~Rs 1152bn (up 12% yoy), led by improving economic activity, better compliance, simpler tax filing process, e-invoicing and pent-up demand during festivals.
- An uptick in job hiring: the Naukri JobSpeak Index for December 2020, at 1,972, saw a 14% month-on-month rise in hiring activity compared to November 2020. The improvement was led by the IT, BPO/ITES, and Pharma, Medical & Biotech sectors.
- Lower cases of COVID-19 and the roll-out of vaccination programmes.

PE/TRADE VOLUME & VALUE





However, there are a few financial uncertainties that warrant a mention:

- With NPL (non-performing loan) recognition on hold for the past few quarters, it will be at elevated levels across lenders once reinstated by the regulators. The recognition, provision and recovery cycle is currently under strain and this would dominate conversations and earnings in the coming quarters in one of the most important BFSI sectors.
- Loan losses in the banking sector, as measured by the gross non-performing asset (GNPA) ratio, could nearly double to 13.5% by September 2021 in a baseline scenario, and go as high as 14.8% in a severe-stress scenario resulting from the pandemic, according to the RBI.

SECTOR TRENDS

- The auto component sector is seeing an increase in growth prospects driven by pent-up demand, strong demand in the replacement and export segments and recovery by OEMs.
- In the media sector, cinemas have resumed operations across the country and advertising demand largely recovered during Q4 2020, in line with reopening of the economy.
- The metals and mining sector has seen improvement in price realisations.
- Demand recovery is evident in most discretionary consumption categories, while demand is moderating in health/hygiene categories, in line with the opening up of the economy.
- Better consumption trends are reflected in early results: DMart's 3QFY21 (quarter ending Dec 2020) results reported revenue growth of 10% yoy, driven by strong festive demand, near-normal store operations and steady recovery in general merchandise sales. Higher revenues drove operating leverage and led to a 52 bps yoy EBITDA margin expansion
- Real estate companies continue to see sales momentum as construction activities resumed in cities across India and construction spend will likely see an uptick.

IPO PIPELINE

- 2021 will feature a range of strong IPO/new listings driven by huge liquidity, improved market sentiment and blockbuster IPO debuts (Mrs Bector, Burger King, Happiest Minds etc). The beginning of 2021 has seen announcements from corporates that they plan to launch IPOs and among the Unicorns, the tech disruptors in line for IPOs include Zomato, Delhivery, PolicyBazaar, Freshworks, Flipkart, Droom, Nykaa and Grofers.
- Industry sources estimate that USD 9.3bn was invested into Indian start-ups during 2020. During December 2020 alone, Zomato, Delhivery and InMobi attracted ~USD 1.5bn investment. A range of sectors including Consumer, Healthtech/Medtech, SMB SaaS and Fintech all saw heightened interest. Deal momentum picked up in H2 2020, continuing the H1 2020 theme of companies strengthening their existing portfolios.

SAMIR SHETH
PARTNER

samirsheth@bdo.in

TOP SECTORS AND DEALS

The top 20 deals in India's mid-market segment totalled ~USD 4.24bn in Q4 2020, a fall from the ~USD 4.8bn recorded in Q3 2020. The quarter's top deals involved SB Energy Holdings, Indo Gulf Fertilisers, Huntsman Advanced Materials Solutions Private Limited, Columbia Asia Hospitals Private Limited, Ecom Express Private Limited and Retail Ventures.

With the pandemic continuing to affect consumer demand and businesses, India's 2021 Budget 2021 is likely to be conservative and will focus on healthcare/vaccines and multi-year programmes that promise employment generation and infrastructure development, as well as digitisation and growing the country's power sector.

LOOKING AHEAD

As a result of investor and capital market activity, institutional ownership has increased (in listed space by ~700 bps over the last decade) and retail participation has seen an uptrend. On the economic/fiscal front, India's current account turned positive for the first time in 13 years, the Tax-to-GDP ratio is at a decade low, interest rates are at a decade-low figure, and strong capital inflows have led to high foreign exchange reserves.

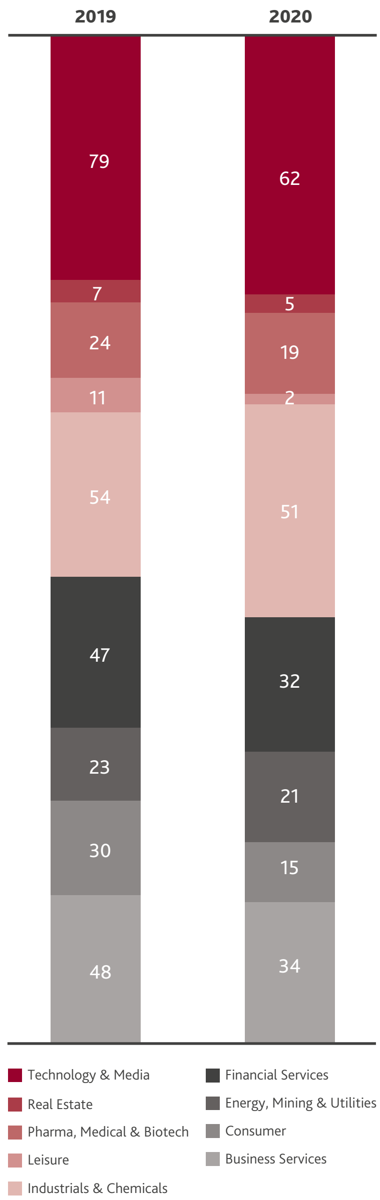
During COVID-19, corporates focused on cost efficiency and margin improvement and being prudent on cash flow management. A steady rise in trade actions against China has elevated India to be the preferred destination for investment. Additionally, digitisation and Atmanirbharta (focusing on a self-reliant India) are both feeding into India's emergence as a super power.

At ground level, India's digitisation and urbanisation story continues to strengthen month by month, with indicators including increases in digital transactions and smartphone users. Rural India is an equally promising story and has remained less affected by COVID-19. Two successive monsoons have led to increased government spending and better price realisations are likely to provide a much needed boost to rural demand.

INDIA
HEAT CHART BY SECTOR

TMT	99	38%
Industrials & Chemicals	86	207%
Financial Services	40	43%
Consumer	38	12%
Business Services	27	13%
Pharma, Medical & Biotech	20	18%
Energy, Mining & Utilities	11	-15%
Leisure	6	-33%
Real Estate	2	-33%
TOTAL	**329**	**3%**

INDIA
MID-MARKET VOLUMES BY SECTOR



GREATER CHINA

DEAL ACTIVITY SURGES AS ECONOMY BOUNCES BACK

BIG PICTURE

- Overall mid-market deal value in the Greater China region increased by 26% from USD 35.9bn in Q4 2019 to USD 45.4bn in Q4 2020. Deal volume was also up by 14% from 512 deals in Q4 2019 to 585 deals in Q4 2020
- Compared with the previous quarter, deal value and deal volume both increased. Deal value rose from USD 40.8bn in Q3 2020 to USD 45.4bn in Q4 2020 and deal volume increased from 462 deals in Q3 2020 to 585 deals in Q4 2020, mainly due to the recovery from the COVID-19 pandemic in the region
- The recovery was driven primarily by private domestic demand and the China government's policy response. The latest initiatives and policies were announced in Q4 2020 to help export manufacturers overcome barriers to sell in the domestic market, as well as further opening up the domestic market to foreign players.

PLANS TO REDUCE CHINA'S DEPENDENCE ON OVERSEAS MARKETS

The guidelines for China's 14th Five Year Plan (2021–2025) were announced in the 5th plenary session of the 19th Central Committee of the Communist Party of China on 30 October 2020. The latest plan focuses on promoting domestic technology and innovation, expanding and upgrading domestic consumer demand, and seeking a more balanced and sustainable growth of the China economy.

A dual circulation (domestic and external) strategy was proposed as one of the key elements of China's latest development framework in response to the changing global trade environment. This strategy focuses on strengthening self-sufficiency, for example domestic circulation and competitiveness, while continuing to encourage greater market openings to attract more foreign investment in for example, external circulation in high-end manufacturing. The aim is to strengthen China's supply chain security and discourage foreign companies from withdrawing their businesses away from China. In particular, building autonomous technologies (including the chips industry) in key areas has become the top priority for China's domestic circulation.

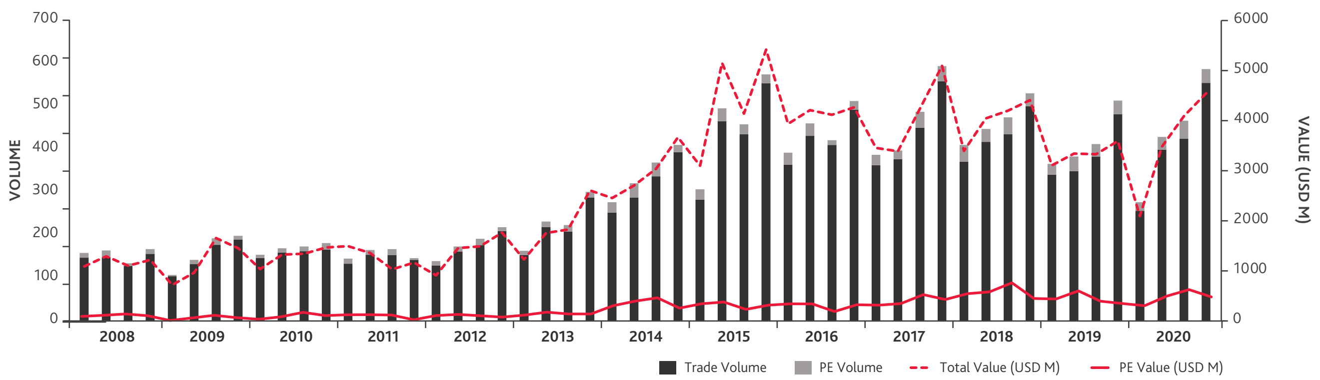
This initiative had been formulated in response to the US Department of Commerce's list of companies that are subject to US high-tech components export prohibition. The list was updated in December 2020 and had been extended to target 77 parties, including 60 Chinese entities and their affiliates.

BOOSTING FOREIGN INVESTMENT

China is also making a bigger effort to boost foreign investment. On 16 December 2020, the Chinese government released the shortened list of industries in China that are subject to government restrictions. The latest list contains a total of 123 items, a reduction of eight items compared to the 2019 version. Key amendments include the introduction of the 'qualification certification of mining rights evaluation companies' measure, as well as the removal of 14 regulatory measures including approvals for the qualifications of the directors, supervisors and senior executives of securities companies.

Furthermore, according to a circular released jointly by the Ministry of Commerce and the China Banking and Insurance Regulatory Commission on 10 December 2020, key foreign-funded companies will be able to gain equal access to some of the same financing programmes as their Chinese counterparts.

PE/TRADE VOLUME & VALUE



These companies are also eligible for relending and rediscount quotas totalling RMB1.5 trillion (or around USD 230bn) from the People's Bank of China. Meanwhile, RMB 570bn (USD xxxxbn) worth of new loans from the Export-Import Bank of China could be available to support qualified major foreign-funded companies to offer them more diversified financial support. These policies aim to lower fundraising costs and promote cooperation between foreign-funded companies and China's financial institutions.

China has surpassed most countries in its recovery from COVID-19 and limited the reduction in trade in 2020, due to its effective containment of COVID-19. China also introduced various policy stimulus earlier than expected, including the normalization of production activity to enable exports to continue to gain international market share. It is expected that China will be the only major economy to record positive GDP growth in 2020 and such growth will accelerate to an above-market speed in 2021.

TOP DEALS

Seven out of Greater China's top 2020 mid-market deals in Q4 2020 took place in the TMT sector. The top three major mid-market deals were as follows:

- Tencent Holdings Ltd, Trustbridge Partners and Hillhouse Capital Management Ltd, jointly acquired LinkMed Co. Ltd at a consideration of USD 500m - announced in December 2020;
- DouYu International Holdings Limited acquired Tencent Holdings Ltd (Penguin Business) from Tencent Holdings Ltd at a consideration of USD 500m - announced in October 2020; and
- Compagnie Financiere Richemont SA and Alibaba Group Holding Co. Ltd. acquired Farfetch China at a consideration of USD 500m - announced in November 2020.

LOOKING AHEAD

The latest BDO Heat Chart for the Greater China region indicates that there are a total of 1,748 deals planned or in progress with 565 (23%) related to Industrials & Chemicals and 270 (15%) related to TMT. Other key sectors include Business Services and Pharma, Medical & Biotech.& Chemicals and 247 (16%) related to TMT. Other key sectors include Business Services and Consumer.

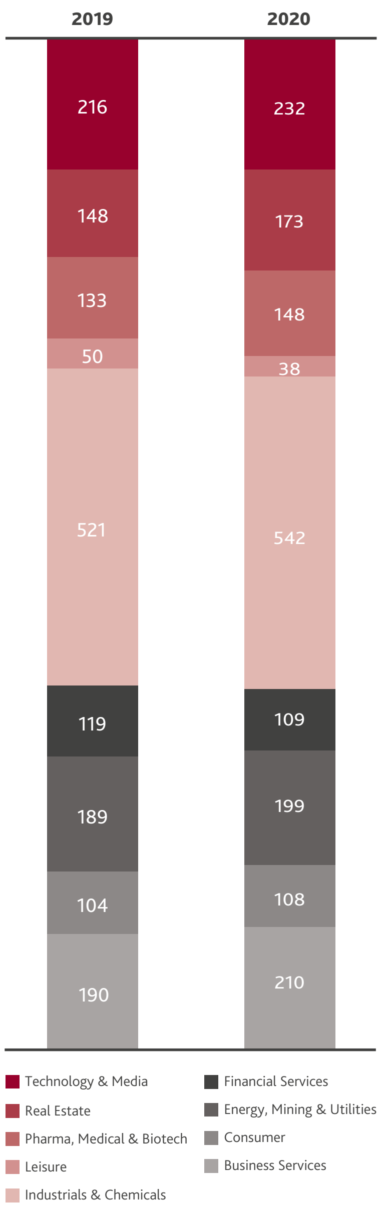
KENNETH YEO
DIRECTOR
kennethyeo@bdo.com.hk

KENNETH WONG
SENIOR MANAGER
kennethwong@bdo.com.hk

CHINA
HEAT CHART BY SECTOR

TMT	270	9%
Industrials & Chemicals	565	17%
Business Services	208	6%
Pharma, Medical & Biotech	173	38%
Energy, Mining & Utilities	144	20%
Consumer	117	-9%
Financial Services	117	4%
Real Estate	103	45%
Leisure	51	4%
TOTAL	**1,748**	**17%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

DEAL VOLUME IMPROVES AND DEAL VALUE RECORDS SIGNIFICANT INCREASE

BIG PICTURE

- M&A activity recovers in Q4 2020 with increased deal numbers and a big rise in overall deal value
- Top 20 deals account for 80% of the quarter's overall value
- Region's main M&A focus remains in the Industrials & Chemicals sector.

M&A mid-market deal activity in South East Asia in Q4 2020 improved compared with the previous quarter with increases in both deal volume and deal value. In total there were 63 deals transacted in Q4 2020 compared to 56 deals in Q3 2020, and there was a huge 94.2% increase in overall value to USD 6.5bn in Q4 2020 from USD 3.3bn in Q3 2020. Average deal value was also substantially higher at USD 102.4m in Q4 2020 compared to USD 59.3m in Q3 2020.

The top 10 deals amounted to USD 3.6bn, which represented 55.1% of the quarter's total deal value. In the previous quarter, the top 10 deals totaled USD 2.0bn, which represented 64.4% of total deal value.

PE completed six deals in Q4 2020, an increase of one deal from the previous quarter but a drop from the 10 completed in Q4 2019. Meanwhile, the total value of PE buy-outs in Q4 2020 was USD 1.2bn, representing significant increases of 90.0% from USD 0.62bn in Q3 2020 and 84.3% from USD 0.64bn in Q4 2019. Overall, PE accounted for 9.5% of total deal numbers and 18.1% of total deal value in Q4 2020.

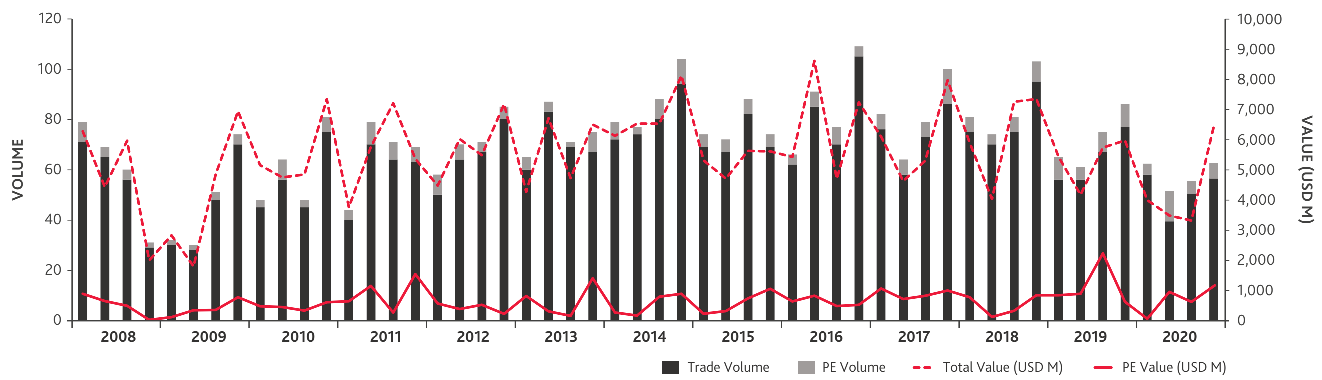
Looking at the year as a whole, 234 deals with a deal value of USD 17.3bn were transacted in South East Asia in 2020, a 23.5% drop in volume compared to the 289 deals in 2019 and a 18.7% drop in value compared to USD 21.3bn in 2019, predominantly due to the COVID-19 pandemic.

KEY SECTORS AND DEALS

The top three sectors in Q4 2020 were Energy, Mining & Utilities, Industrials & Chemicals sector and Business Services, which together contributed 61.9% of the total deal numbers, an increase from the previous quarter where the same four sectors were involved in 55.4% of all deals. In Q4 2020, Energy, Mining & Utilities and Industrials & Chemicals led the way with 15 deals each (Q3 2020: 10 deals each), followed by Business Services with nine deals (Q3 2020: 11).

The three biggest deals in terms of value took place in the Energy, Mining & Utilities, Business Services and TMT sectors. The biggest deal was the acquisition of 56% stake in Global Business Power Corporation in the Philippines by Meralco PowerGen Corporation at a consideration of USD 467m from Metro Pacific Investments Corporation.

PE/TRADE VOLUME & VALUE



The second largest deal was the acquisition of Everise Holdings Pte. Ltd. in Singapore by Brookfield Asset Management Inc. at a consideration of USD 450m from Everstone Capital Asia Pte Ltd and Sunrise BPO Pte Ltd. Finally, in third place was the acquisition of 100% stake in COL Public Company Limited in Thailand by Central Retail Corporation Public Company Limited at a consideration of USD 414m.

Overall in 2020, the top three sectors in South East Asia were Energy, Mining & Utilities, Industrials & Chemicals and Business Services. Together, these three sectors generated 130 deals (2019: 149).

LOOKING AHEAD

Although total deal flow in South East Asia in 2020 decreased due to the increased scrutiny of deal terms and deals being put on hold due to market volatility amid the COVID-19 pandemic, M&A market activities saw both a higher volume of deals and a higher value per deal in Q4 2020 compared to the previous quarter.

The region's top 20 deals accounted for 80% of all deals in Q4 2020, and 57% of the top 20 were investors from the same region. As in previous years, the main focus of M&A activities continues to be in Industrials & Chemicals.

This sector achieved the highest cumulative number of deals based on the four-quarter cumulative sum of 51 out of the 234 deals in 2020. In 2019 and 2018, this sector also had the highest deal numbers of 69 and 78 respectively, out of the 289 and 339 deals recorded in 2019 and 2018 respectively.

While the COVID-19 pandemic has affected many businesses negatively, the recent rebound in M&A activities indicates a gradual recovery in investor sentiment. The various stimulus packages introduced by governments in the region are aimed at helping enterprises and people to weather the impact of the pandemic and deal volumes in the region are expected to return gradually in 2021 as economic activities increase, leading to improved investor confidence.

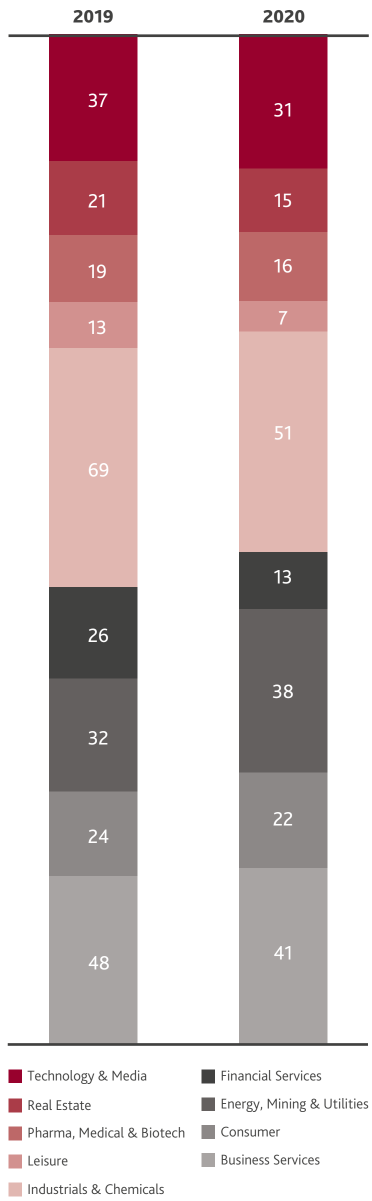
Consequently, the business environment and pace of economic recovery in South East Asia will determine the volume, value, motivation and type of M&A activities that take place in the coming months.

WONG WING SEONG
EXECUTIVE DIRECTOR, ADVISORY
wswong@bdo.my

SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	93	12%
Business Services	80	-9%
TMT	74	-14%
Energy, Mining & Utilities	58	-3%
Consumer	56	-7%
Financial Services	39	-5%
Pharma, Medical & Biotech	38	27%
Real Estate	28	12%
Leisure	16	-16%
TOTAL	**482**	**-2%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

M&A DEAL-MAKING REMAINS ON HOLD BUT BETTER TIMES LIE AHEAD

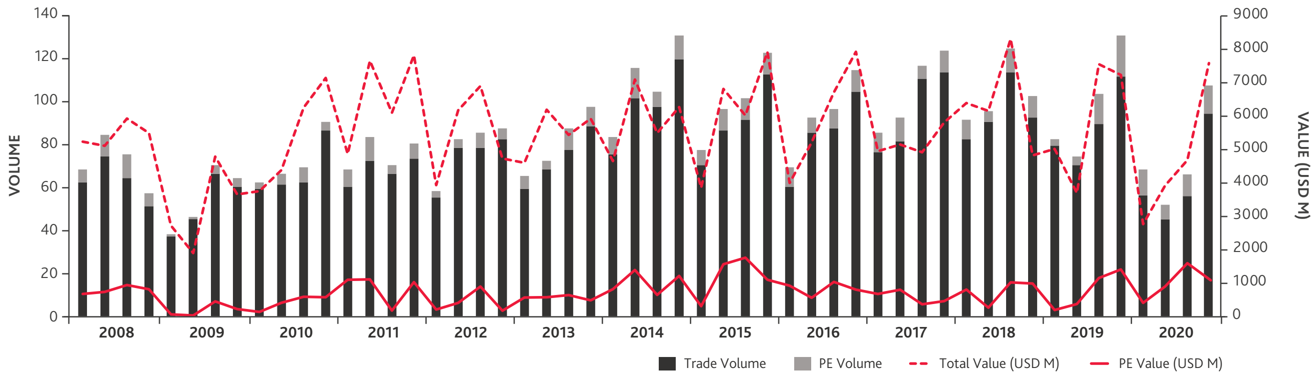
BIG PICTURE

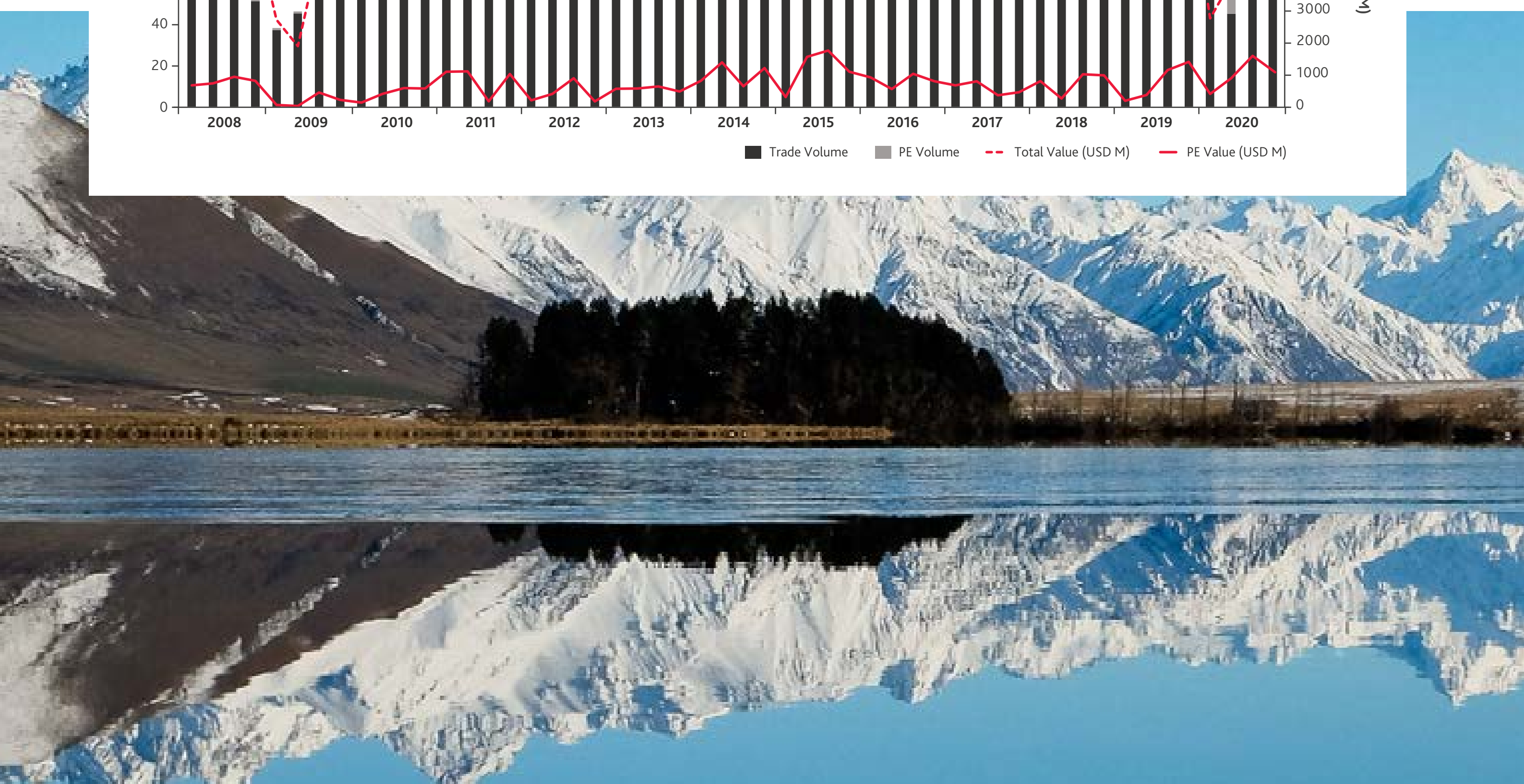
- Deal volume in Q4 2020 fell by 15% from Q4 2019 but total disclosed deal value rose by 3.8% to USD 7.6bn
- The number of PE deals in Q4 2020 dropped to 13 from 16 in the corresponding quarter in 2019. PE deal value also decreased from USD 1.49bn to USD 1.20bn
- The most active sectors were TMT and Business Services, accounting for 18.5% and 17.6% of the quarter's transactions respectively
- Overall, Australasian M&A activity remained low in 2020 due to COVID-19, with activity in 2021 expected to increase as investor confidence improves from the vaccine roll-outs, greater political stability in the US and businesses adjusting to the 'new normal' working environment.

Q4 2020 saw 108 deals completed with a combined value of USD 7.6bn, which represented a moderate decrease on deal volume (down 15%) and a slight increase on disclosed deal value (up 3.8%), compared to Q4 2019.

COVID-19 continued to suppress investor appetite and put a hold on M&A activity in Australasia across both trade and PE acquirers, with Q4 2020 being the third straight period of quarter-on-quarter deal volume decline compared to 2019. However, overall deal value increased in Q4 2020, due to some large deals such as Bega Cheese's acquisition of Lion-Dairy and Drinks for USD 393m. These large deals resulted in an increase in the average transaction value of USD 70.4m for Q4 2020, a 22% increase on the Q4 2019 figure of USD 66m.

PE/TRADE VOLUME & VALUE





While Australasian PE firms are well funded with significant levels of dry powder, they remain opportunistic and cautious in the current environment. This resulted in PE deal numbers falling from 16 in Q4 2019 to 13 in Q4 2020.

Despite fears of additional scrutiny on transactions by the Foreign Investment Review Board and the continued closure of international borders curtailing cross-border M&A activity, 35% of the quarter's top 20 deals involved an overseas bidder, such as Australian Westpac Banking Corporation's sale of their Fiji-based financial services operations.

Deal volume within the Business Services, Industrials & Chemicals, Pharma, Medical & Biotech and TMT sectors saw notable drops compared to Q4 2019, reflecting continued investor concerns and greater economic uncertainty. However, deal volumes within Financial Services and Energy, Mining & Utilities increased slightly from the Q4 2019 figures, with Financial Services remaining a focus for investment as Fintech players continue to disrupt the landscape, and stronger commodity prices such as lithium, iron, gold and silver, which have rallied in the COVID-19 environment, are sustaining investor appetite and M&A activity in the mining and utilities space.

KEY DEALS

The largest disclosed deal in Q4 2020 was Australian-owned Bega Cheese Limited's USD 393m acquisition of Lion Dairy & Drinks Pty Ltd from Lion Pty Limited, which is expected to complete in early 2021. Bega Cheese will use this acquisition to diversify and strengthen its position in the flavoured milk, yoghurt and juice categories with the acquisition of brands such as Pura, Dairy Farmers, Dare, Masters and Yoplait.

The second largest transaction was the sale of Consolidated Pastoral Company Pty Ltd by UK-based private equity firm Terra Firma Capital Partners Limited to Guy Hands, a British investor, for USD 381m. The sale includes just under 300,000 head of cattle, nine pastoral leases across the Northern Territory and Queensland totalling around 3.2 million hectares, and a 90% stake in a feedlot business in Indonesia.

A general trend across the region has been the restructure of financial institutions as banks responded to recommendations from the Financial Services Royal Commission and focused on strengthening their balance sheets in the uncertain economic environment.

This has resulted in the divestment of various ancillary offerings such as international operations and insurance divisions to enable the banks to focus on their core banking businesses. This included Westpac Banking Corporation's sale of its pacific businesses, Westpac Fiji, and its 89.91% stake in Westpac Bank PNG Limited, to Kind Securities Limited, a diversified financial services company based in Papua New Guinea, for USD 312m. The quarter also saw the sale of National Australia Bank's New Zealand insurance arm, BNZ Life, for USD 205m to local New Zealand insurer, Partners Life, in line with the bank's current strategy of concentrating on its core banking businesses.

SEBASTIAN STEVENS
PARTNER

sebastian.stevens@bdo.co.nz

AUSTRALASIA
HEAT CHART BY SECTOR

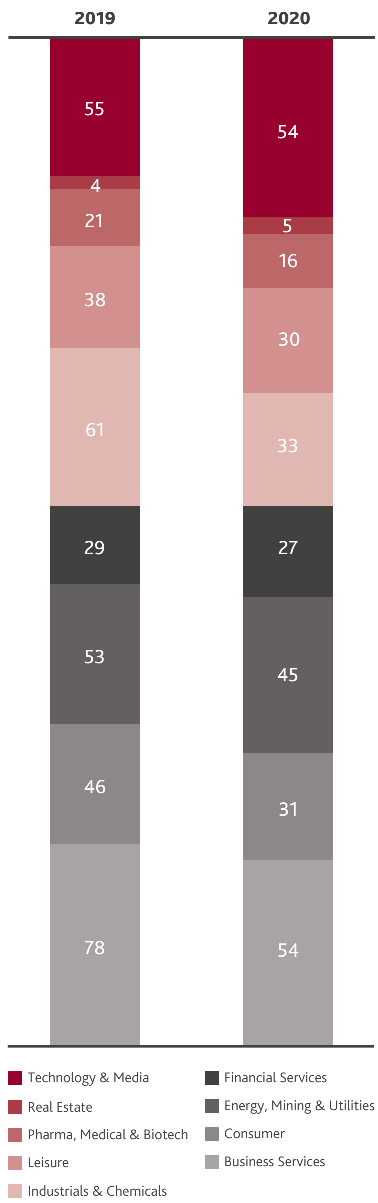
TMT	101	11%
Consumer	62	-9%
Industrials & Chemicals	59	4%
Business Services	59	7%
Financial Services	51	0%
Energy, Mining & Utilities	35	-20%
Pharma, Medical & Biotech	34	-15%
Leisure	26	53%
Real Estate	10	43%
TOTAL	**437**	**2%**

LOOKING AHEAD

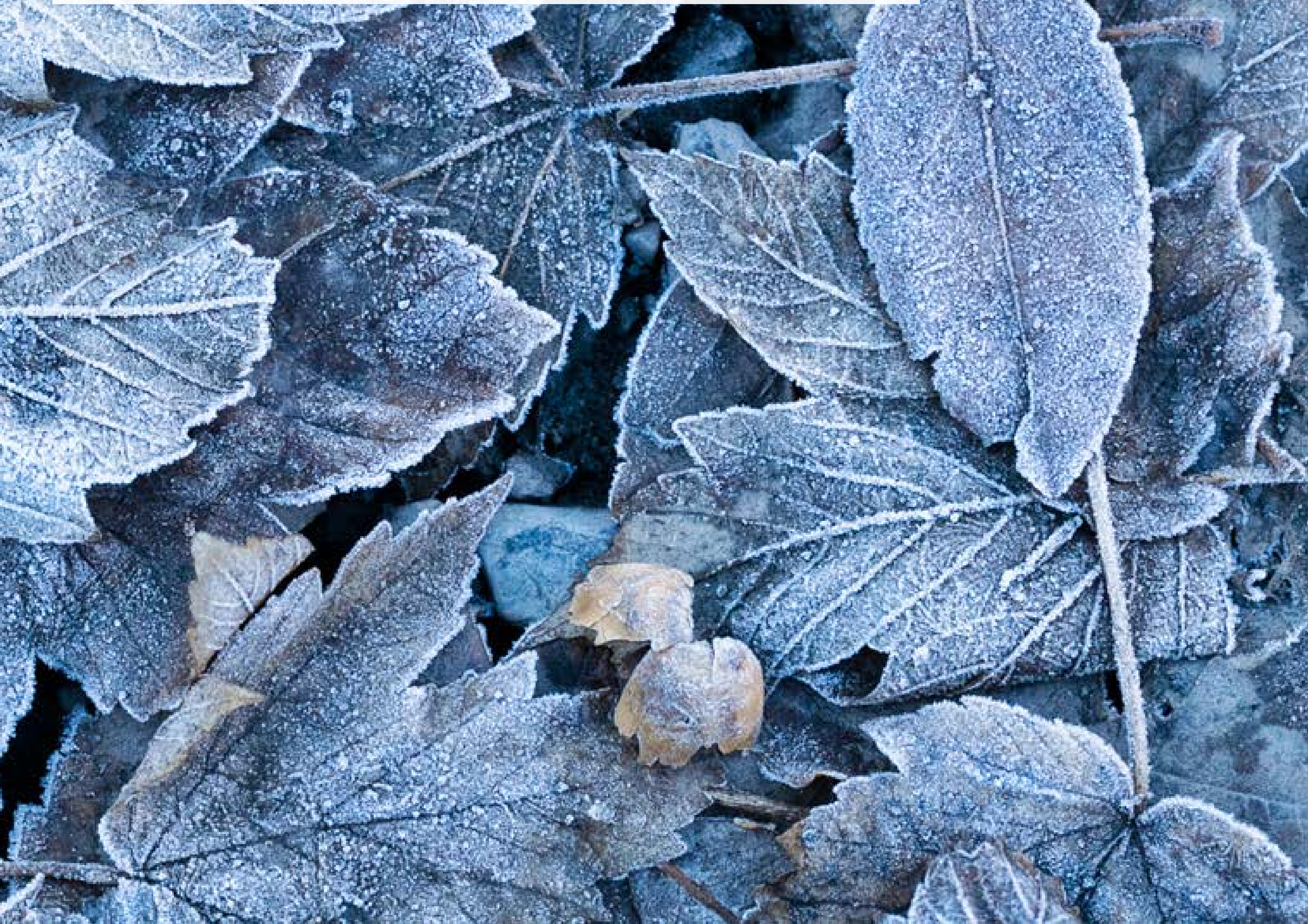
While there are still notable trade tensions between Australia and China, and significant restrictions on international travel due to COVID-19, cross-border and foreign interest in Australasia is still expected to remain strong in 2021. This is due to a number of factors such as lower interest rates, the significant levels of dry powder being held by PE firms and a backlog of transactions that have been temporarily put on hold as investors and companies assess the macroeconomic environment, which we expect to regain traction over the next year. Moving forward in 2021, with COVID-19 vaccines rolling out internationally and certainty around the US election result, global economic confidence is expected to improve, with M&A deal volumes likely to be one of the beneficiaries.

The BDO Heat Chart indicates a significant pipeline of 437 total deals in Australasia and TMT is expected to be the most active sector with 101 deals in the pipeline. Consumer, Business Services, and Industrials & Chemicals follow as the most active sectors, with 62, 59 and 59 deals in the pipeline respectively. As per the prior quarter, the deal pipeline for Real Estate remains low, particularly for commercial properties as many businesses based in congested cities continue to encourage working from home in the COVID-19 environment.

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW



LOGISTICS AND SUPPLY CHAIN MANAGEMENT

INDUSTRY RESET IS ACCELERATING M&A IN 2021

2020 was a year of extremes, and none more so than in UK logistics, where the global pandemic polarised the sector. Some companies were forced to reposition themselves in the wake of the pandemic, while others had to positively adjust to manage a sharp increase in volume. Add to that the long and drawn-out saga of Brexit which has sat heavily on the sector's shoulders, and these factors have combined to pile considerable pressure on the industry.

Released in November 2020, the recent edition of the BDO & Barclays UK Logistics Confidence Index presents the results of our survey of the views and insights of 100 senior decision makers in the UK logistics sector. This year the Confidence Index fell to its lowest level since the survey began in 2012. Unsurprisingly given the circumstances, more than two-thirds of logistics companies said trading was tougher in 2020 and almost a quarter said that market conditions are much more difficult than in 2019, the highest proportion since 2012.

However, the Index masks the divergent experiences of operators, with results differing depending on the sectors they were most exposed to. More than a third of operators reported that the pandemic has had a positive impact on their company's performance, despite the economic disruption. Those focused on e-commerce and last-mile deliveries have fared relatively well, while others operating in manufacturing sectors, such as automotive, aerospace, or oil and gas, have seen unprecedented levels of disruption.

TECHNOLOGY ADOPTION

The pandemic has also shaken up the sector by rapidly accelerating a number of existing trends, particularly the move to e-commerce and the rise of e-fulfilment services. The rate of development and adoption of technology has increased as operators have looked to differentiate and enhance their service offerings, whilst access to skills remains a challenge in the sector, with a new issue around accessing warehouse staff adding to the perennial shortage of drivers. Logistics continues to be a strong and resilient sector, where the appetite to invest for the future is strong, and many businesses are continuing to invest in sustainability by putting funds into projects with environmental benefits, particularly where they deliver long-term cost savings.

Regarding Brexit, the last-minute announcement of a deal will have undoubtedly been met with some relief. While operators' attitudes were perhaps slightly more relaxed about – or perhaps simply resigned to – Brexit than the previous year's survey, almost half feared it would affect their level of trade with the EU if there was no deal. Although the Free Trade Agreement has established zero tariffs on goods, it has put up new barriers to the flow of goods, including fresh paperwork, customs checks, and health/standards checks that are adding significant new costs to the expense of cross-border trading. As the operational and financial impact of the trade agreement becomes more visible, it will no doubt throw out new opportunities for those who embrace the changes more efficiently.

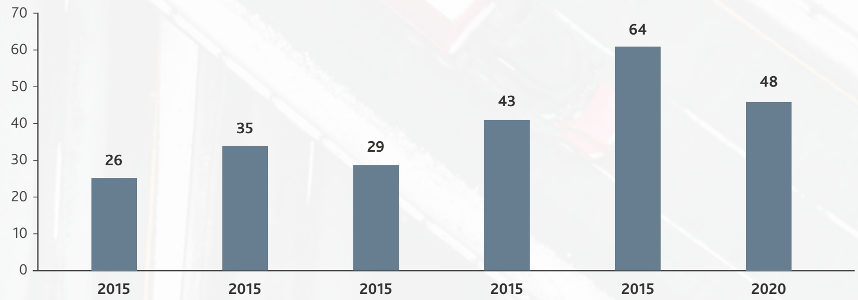
In the context of a changing market, it is perhaps no surprise that M&A is in the plans of many companies. The number reporting an expectation to make acquisitions is close to the all-time high of 2017, with 38.9% of respondents saying they are likely to transact within the next 12 months. Based on our analysis of reported UK deals, 48 deals were completed in 2020. Although lower than 2019, this is still a 10% increase on 2018 even after accounting for the slowdown that occurred in Q2 2020 and Q3 2020. Despite the continued uncertainty around the pandemic and trade deal in the run-up towards the end of 2020, Q4 2020 proved a particularly active period for transactions, with quarterly deal volumes back at a level consistent with 2019, with 15 transactions.

For trade buyers, the benefits of consolidation continue to drive activity, as well-financed companies seek improved market position and the economies of scale to reduce costs to drive up margins. Meanwhile institutional appetite to invest in the sector continues to grow as investors increasingly compete to seek out value and growth, particularly across key technologies, e-commerce, last-mile, fulfilment and international freight management. Add to the mix the chance to make opportunistic buys in a tough environment, refinancing over-leveraged operators and acquiring non-core operations or more distressed assets that will come to market as financial pressures continue to mount.

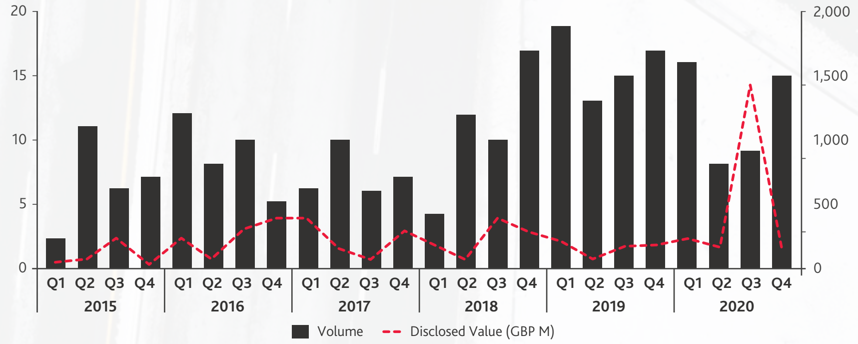
Companies are looking to bolt on more value-added services to improve margins, including processes such as product assembly, reverse logistics, product reconditioning and end-of-life waste management to name a few. In addition they are seeking means to target new customer markets or industry sectors, to reflect the changes to both consumer spending behaviour and end-user markets that have been accelerated by the pandemic.

It is likely that the most agile and adaptable businesses will emerge the strongest from the crisis, but the period of adjustment facing the sector may be painful for some. As we embark on a new year, the focus remains on adapting to the new constraints and market conditions, but confidence is building as trade buyers and investors start to see opportunities to generate value.

ANNUAL DEAL ACTIVITY

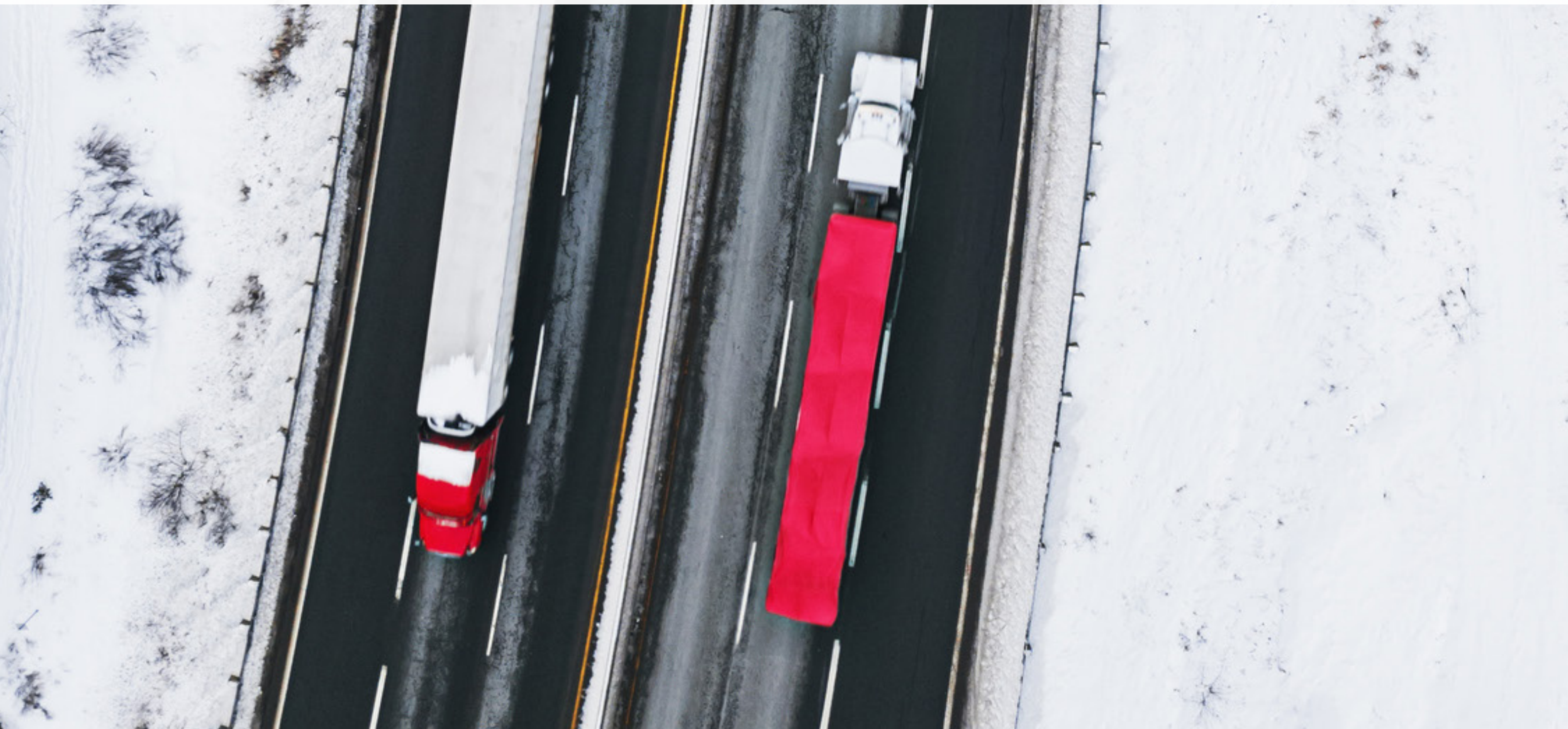


QUARTERLY DEAL VOLUME & VALUE 2015-2020 (Q4)



JASON WHITWORTH
PARTNER
jason.whitworth@bdo.co.uk

Read the full report from our recent survey in the 2020 edition of the BDO & Barclays Logistics Confidence Index on the BDO UK website, where you can also find our quarterly deals updates for the sector.



TECHNOLOGY MID-MARKET

CONTINUED RISE OR RESET? BOOMING METRICS DEFINE TECH M&A LANDSCAPE

Technology mid-market deal and valuation numbers have bounced back from COVID-19's initial impact. The question is: Will the trends continue throughout 2021?

Throughout 2020, W, U – and even K – were mentioned as possible post-COVID-19 recovery shapes. For the technology sector, the recovery seems to have been a strong V. Following initial weakening, mid-market tech M&A deal volumes and valuations have risen rapidly.

On the investor side, an abundance of dry powder and competition for investment targets has pushed deal totals and valuations ever higher. In a market regarded by some as already being overheated before COVID-19, the question is if the industry's remarkable momentum will continue throughout 2021.

DEAL FLOW CONTINUES

Exclusive BDO M&A data reveals that there were 476 mid-market Technology, media and telecoms (TMT) deals in 2020 Q4 – a five-year high – with technology leading the way. The performance of the TMT sector mirrors the general mid-market M&A developments in 2020. After abruptly slowing down during H1 2020, deal activity rose throughout H2 2020. PE activity stayed relatively stable throughout 2020, continuing a trend of growing deal numbers and totals. H2 2020 saw 359 PE deals in Q3 2020 and 334 in Q4 2020.

TMT's M&A momentum saw it top both buy-out deal volume and total deal value in 2020. Increased deal activity levels are linked to the increased focus on digital solutions across all industries. Digital transformation, IT infrastructure, collaboration software, data processing, cybersecurity and cloud technology are proving especially popular, as companies look to build out existing solutions and future proof operations in the wake of COVID-19.

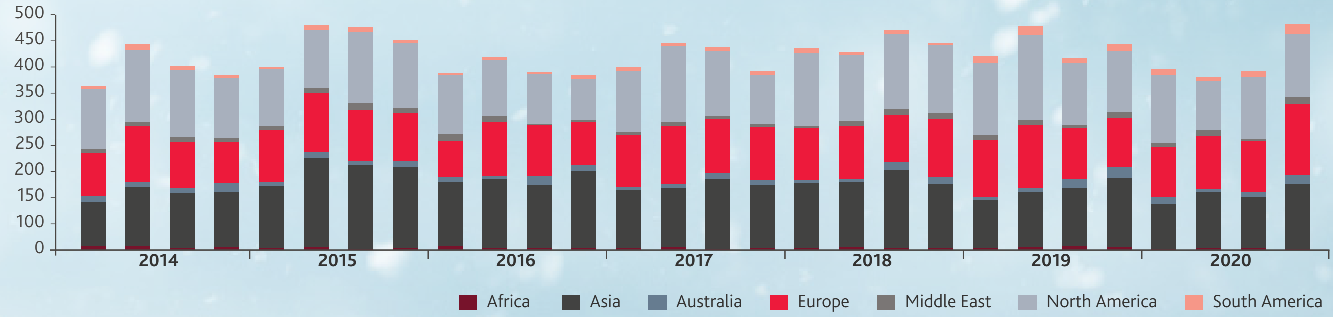
As a result, technology subsectors such as software/SaaS have seen a significant uptake in investor focus, representing around 20% of global mid-market TMT deals. M&A activity in 2020 was particularly driven by companies looking to build their presence in new markets, ongoing industry consolidation and increased PE investment.

ALLOCATING DRY POWDER

Tech's investment allure is partially connected with a 'flight to quality,' as investors are looking for safe havens during uncertain times. However, post the first market reaction to COVID-19, interest has primarily been driven by technology's attractiveness as a growth sector for years to come. The increased interest has seen valuations and deal metrics rise rapidly.

Some investment industry insiders question whether there is currently a scarcity of value assets in the market, including in the mid-market range. Our view is that this is not the case. Instead, broader trends, such as PE investors securing unprecedented funds, are driving up prices; a trend BDO – Pitchbook research shows is set to continue in 2021.

DATA: MM (DEALS WITH KNOWN VALUE), GRAPH: BDO GLOBAL



BDO data analysis shows an increase in valuations in H2 2020 to pre-COVID-19 levels and record deal multiples in excess of 15 to 18x EV/LTM EBITDA and 4 to 5x EV/LTM revenue.As a result, technology subsectors such as software/SaaS have seen a significant uptake in investor focus, representing around 20% of global mid-market TMT deals. M&A activity in 2020 was particularly driven by companies looking to build their presence in new markets, ongoing industry consolidation and increased PE investment.

Another trend to note is the continued rise of lower middle market PE funds and their vertical and SMB software sector interest. Digital services for SMB/SMEs remain fragmented, as out-of-the-box solutions do not generally work across all company sizes or industries, opening the door for more tailored software solutions.

PEs are seeing scaling and market share growth opportunities through roll-ups that can lead to scale advantages and further organisational professionalisation within acquired software/SaaS companies. We expect to see further increased activity in this space during 2021.

SUSTAINABLE GROWTH OR RESET?

One of the most interesting M&A conundrums for 2021 is whether current valuations will prove sustainable. Unprecedented levels of capital in the market, a healthy industry outlook and potentially some fears of missing out, have all encouraged investment competition. While some investors view the current valuations as being too high, there are few apparent, equally attractive, capital deployment alternatives.

Market uncertainty about the year ahead is being reflected in deal structures. Macroeconomic uncertainties, created by COVID-19, and ongoing issues such as Brexit and global trade disputes, have led to a rise in contingent and deferred elements. The trend includes longer earn-out targets for sellers. The perceptions are that valuations run the risk of being inaccurate and that market growth is not sustainable.

However, companies across industries remain under increased pressure to digitise and integrate new solutions and emerging technologies to stay competitive. The same goes for service providers.

Our conclusion is that although the TMT M&A space is facing uncertainties, we expect to see technology growth capital and M&A markets continuing to lead overall mid-market M&A activity and valuations throughout 2021.

BART PAALMAN
PARTNER
bart.paalman@bdo.nl

PRAS KAYILASANATHAN
DIRECTOR
pkayilasanathan@bdo.ca

Sources: Mergermarket and BDO proprietary data and publicly available data.

TRENDS AND DEALS

THEME OR TRENDS	M&A INFLUENCE	DEAL IMPACT AND EXAMPLES
Investor interest at record levels	Increased competition among investors sees rising deal multiples	• Increase in average deal multiples • PE-driven deal total in Q4 2020 sets a high watermark.
Increased digital transformation	Growing interest in cloud, infrastructure and cybersecurity acquisitions	• ASG Group acquires Group 10 Consulting • TMT valuations are trading above their four-year multiple average.
X-as-a-Service	Subscription-based, SaaS-like solutions see strong growth, driven by customers' preference for low CAPEX alternatives	• MessageBird acquires Pusher to build out cloud communications • The median SaaS M&A EV/Revenue multiple reached a record 5x+ level during Q3 2020.
Vertical market/ SMB software	Increase in financial investors focused on vertical software solutions in the mid-market range	• Jonas (part of Constellation Software) acquires RewardOps to enter loyalty vertical • Sales and EBITDA multiples in horizontal software saw sharp V-shaped recovery – with many subsectors ending the year at high points.

SOME OF OUR RECENTLY COMPLETED DEALS

BDO has advised the vendors on the sale of G.A.H (Refrigeration) Limited to Sdiptech AB (Publ.)

DECEMBER 2020

Sale of StairBox Limited to Grafton Group plc

NOVEMBER 2020

Support of Repa AG and Fruchthof AG as lead advisor during the succession process and takeover by Jacobs Douwe Egberts International B.V.

NOVEMBER 2020

BDO Auckland provided M&A advisory services to Zag Limited for the sale to Accenture.

OCTOBER 2020

M&A Advisor to COTEC GmbH in the sale process to Mitsui Chemicals subsidiary SDC Technologies Inc.

OCTOBER 2020

BDO in Australia acted as Lead M&A Advisor on the sale of Buderim Group's ginger and tourism divisions.

SEPTEMBER 2020

BDO acted for the vendors of Sahara Presentation Systems Plc on its sale to Boxlight Corporation, a Nasdaq listed company

SEPTEMBER 2020

BDO acted as lead advisor to the owners in the sale of DVS entreprenør to Fasadgruppen

SEPTEMBER 2020

Advisor to the seller in Norvestor backed PHM's acquisition of Rene Trapper and Rene Bygårder

AUGUST 2020

Acquisition of Synaxe, a company developping and maintaining software for constructions materials companies, by Roger Mihta's personal holding

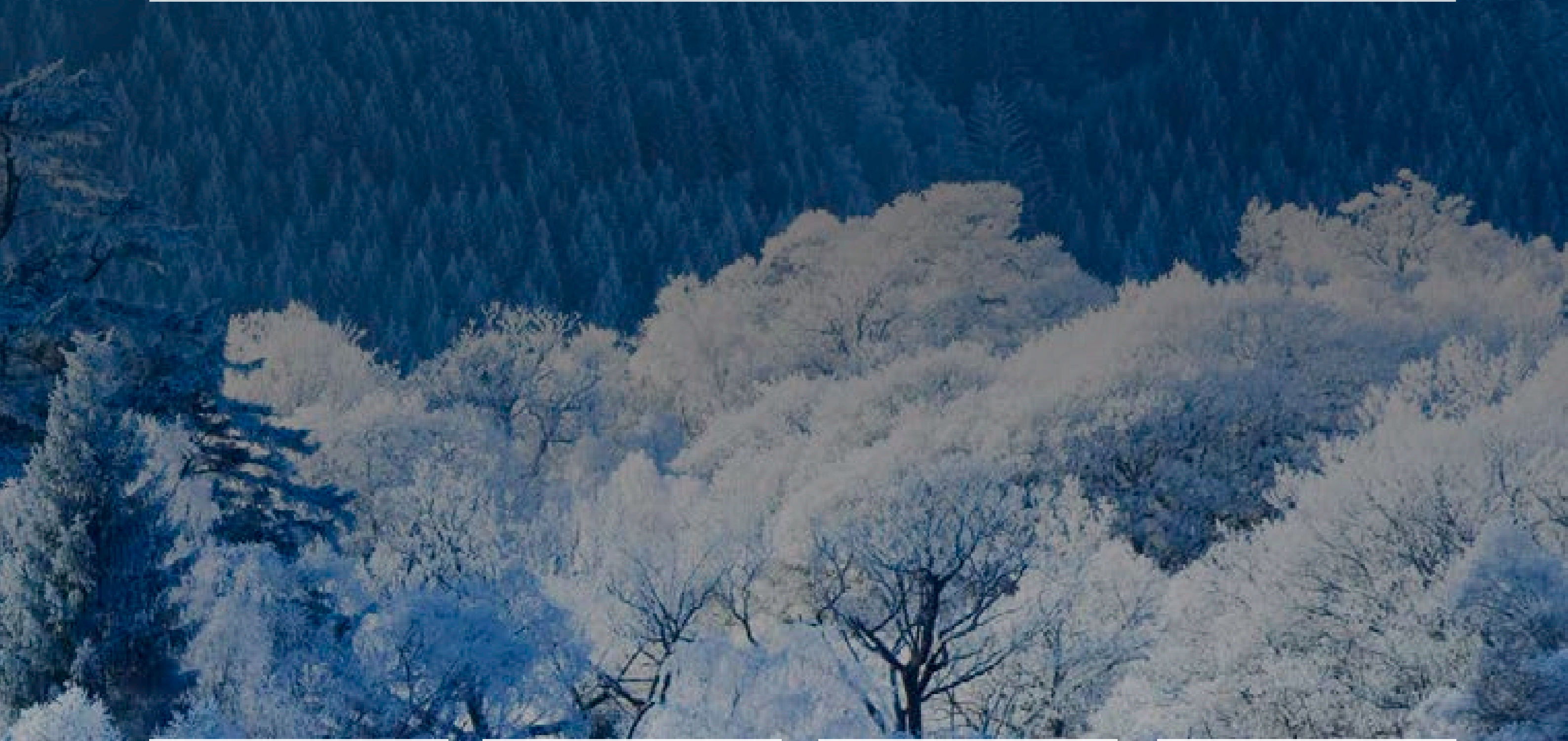
JULY 2020

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

JULY 2020

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

JULY 2020



Australian Valve Group Pty Limited (AVG), has sold a majority staTechnologieske in its business to Watts Water (Australia) Pty Limited (Watts) in an all cash transaction

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

BDO advised Last Mile Infrastructure Limited (formerly Energetics) on the acquisition of Icosa Water

MAY 2020

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

MARCH 2020

PayFacto Inc a leading payment solution provider in North America, acquired all of the issued and outstanding common shares of Posera Ltd. a global provider of hospitality industry software

FEBRUARY 2020

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

FEBRUARY 2020

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

FEBRUARY 2020

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

FEBRUARY 2020

FOR MORE INFORMATION:

SUSANA BOO

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

Data compiled by Acuris.

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

www.bdo.global
www.bdohorizons.com

42009828