



HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 1 | 2016

CAPITAL MARKETS

Despite FTSE woes,
UK Capital markets
prove resilient

SEE INSIDE FOR ALL THE LATEST
VALUABLE INSIGHTS

REGIONAL VIEW

VIEWS FROM
AROUND THE GLOBE

SECTOR VIEW

CONSUMER
UK CAPITAL MARKETS
LIFESCIENCES
FINANCIAL SERVICES



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WELCOME

After another fast-paced year of M&A, BDO HORIZONS celebrates its second anniversary. Many thanks to our readers from all over the world for their positive response.

As we move into 2016, it's the perfect time to look back in detail. Analysing global mid-market deal activity in 17 major regions and selected sectors around the world, we examine the factors that have slowed mid-market M&A activity down to pre-2014 levels. This edition includes expert commentary on recent trends and forecasts for the coming year. In order to gain a more precise understanding of where the M&A market is heading, we publish our BDO Heat Chart, which forecasts the most active sectors and regions around the world.

Utilities sector, and we believe that deal-making momentum will continue, driven by the competitive business environment.

As for where the market as a whole is heading, there are generally two views. One is that we are in the second year of a mid-market M&A bull market and it has to end soon. The other view is that we are in a period of slow gradual recovery that is part of a longer cycle that can support high levels of M&A activity for several more years.

INSIGHTS FROM A LEADING M&A ADVISOR

Despite the challenging political conditions seen in Europe during recent months, M&A activity has been resilient as companies try to strengthen and protect their positions in an increasingly competitive environment. Deal makers are encouraged by low interest rates, record stock prices and improving employment numbers. Volatile oil and gas prices have first muted and then heated M&A activity in the Energy, Mining &



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GLOBAL VIEW

COMPARING NOW AND THEN



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As predicted 12 months ago, 2015 was unable to surpass 2014 – a year which saw mid-market M&A activity rise to levels last seen before the financial crisis.

Although Q4 2015 deal activity saw an uptick compared to the previous quarter, with volume up 3.1% to 2,051 deals and value 11.3% higher at USD 182bn, it was not enough to prevent an overall annual decline. Total transaction numbers in 2015 fell to 7,880 (from 8,449 in 2014) and deal value was down 6%. Comparing Q4 2015 to Q4 2014, which saw a strong year-end effect, deal volume was down by 7.9%. However, going back to full year 2015, it did notch up an impressive total transaction value figure of USD 683bn. We might therefore observe that although deal activity is declining, it is departing from a high level.

The proportion of private equity buy-outs crashed to a new record low in terms of total deal volume. Less than 10% of all transactions involved private equity in Q4 2015, with its share of deal value also declining. PE deal value totalled USD 20.1bn in Q4 2015, compared to USD 25.8bn in the previous quarter.

An important feature of the final quarter of 2015 was the trend towards bigger deals. Average volume per deal was USD 89m, up 7.9% compared to Q3 2015 and representing the highest average deal volume since Q2 2012.

COMPARING HERE AND THERE

Some of our 17 regions enjoyed a very good year in 2015 but with some big differences between geographies. As for sectors, the picture is more balanced. Here is a snapshot of some of the highs and the lows:

Greater China and India had a strong 2015 with transaction volume up to 1,762 and 275 deals respectively, representing a growth rate of 30% compared to 2014. This was clouded by a comparatively weak end to the year, with final quarter deals in India down by 26.9% against the previous quarter. North America registered 2,048 mid-market transactions in 2015, a decrease of 21.7% against 2014, with deal value also dropping, down 21.3% to USD 197bn. In fact, there was a decline in all geographical areas except Japan, Other Asia, Israel and the above mentioned Greater China and India.

By comparing Q4 2015 deal volume with Q3 2015, we see the biggest decrease in the Middle East and Benelux, but during the same period deal value in those regions rose exponentially, up by 35.6% and 107% respectively. This confirms the shift towards bigger deals. Another high-flyer was the Nordics with a growth in deal volume of 33.3%.

As for sectors, the final quarter of 2015 saw more deals than the previous quarter in all sectors, with the exception of Technology and Media and Business Services, and the risers were headed by Energy, Mining & Utilities, which had seen a very slow Q3 2015. But if we compare 2015 with 2014, every sector except Pharma, Medical & Biotech and Technology and Media scaled down M&A significantly. This was led by the Energy, Mining & Utilities and Consumer sector, with declines of 23.9% and 16% respectively. In terms of volume the leading sectors were Industrials & Chemicals, followed by Technology and Media and Business Services.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology and Media	Business Services	Consumer	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Total	%*
North America	368	457	311	210	314	319	163	75	2,217	27%
China	395	213	100	114	91	82	96	56	1,147	14%
CEE & CIS	189	106	98	131	76	28	65	35	728	9%
Southern Europe	149	72	77	107	59	38	51	30	583	7%
Australasia	81	97	71	94	54	45	36	18	496	6%
South East Asia	143	50	65	51	70	25	50	26	480	6%
India	93	80	73	39	36	42	58	12	433	5%
Latin America	82	53	69	57	60	12	31	17	381	5%
DACH	105	65	37	52	24	49	23	11	366	4%
UK & Ireland	65	68	45	44	43	33	33	26	357	4%
Other Asia	93	47	19	22	11	29	24	15	260	3%
Nordics	61	53	22	24	16	16	18	7	217	3%
Africa	63	10	28	16	44	4	17	6	188	2%
Japan	43	29	23	30	6	19	10	10	170	2%
Benelux	26	15	12	25	8	7	11	6	110	1%
Middle East	13	21	7	8	8	5	8	4	74	1%
Israel	10	19	6	6	4	10	4	1	60	1%
TOTAL	1,979	1,455	1,063	1,030	924	763	698	355	8,267	100%
%	24%	18%	13%	12%	11%	9%	8%	4%	100%	

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

LOOKING AHEAD

Our global BDO Heat Chart for regions and sectors shows a decrease of 1.8%, with 8,267 companies either officially up for sale or rumoured to be. The biggest decline is posted by Japan and Latin America where the number of opportunities fall by more than 15%. The Middle East, Israel and Greater China are expected to generate a higher deal flow than in Q4 2015. In summary it appears that 2016 deal activity will again be headed by the North American market but the Greater China market will once more make ground on the leaders.

As for sectors, we believe the positive trends seen in Energy, Mining & Utilities M&A may be repeated and we forecast the greatest decrease in activity to be in Business Services, followed by Pharma, Medical & Biotech.

Overall, we still see a good deal-making environment but forecast that it will be very difficult to keep up with either 2014 or 2015, the most successful periods for mid-market M&A activity in the last seven years. Further factors such as high valuation levels and geopolitical risks may also influence global M&A mid-market activity. Taking this all into account, we expect that deal activity will decrease slightly but continue to operate at a relatively high level.

UK CAPITAL MARKETS



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Despite FTSE 100 woes UK capital markets prove resilient.

Disappointingly, London's main stock index, the FTSE 100, was one of the few major benchmarks to lose ground during 2015, falling 4.9%, although the US Dow only fared slightly better, closing down 1.2%. Contributing to this result and reflecting the wider economy was the changing weightings of the FTSE 100 sectors, with the Consumer Goods sector weighting rising by 1.99% to 16.65%, Financials up by 1.86% to 22.54% and Oil and Gas falling by 1.66% to 15.02%.

The other major exchanges all managed to post significant positive growth: German DAX: + 9.85%; French CAC: +8.5%; Japan's Nikkei: +9% and China's Shanghai Composite +9.5%. It was reassuring to see that the FTSE 250 appears to have better reflected this global growth, closing up 8.43%, but the AIM All-Share's performance of 4.5% suggests the junior market struggled to reflect the wider global optimism.

NEW LSE LISTINGS PERFORM STRONGLY

UK public market activity levels were modest in 2015, with broadly the same number of companies seeking admission to the Main Market as to AIM, at 60 compared to 61 respectively, although as expected the total quantity of funds raised was considerably higher on the Main Market at £6.8 billion compared to £1.2 billion on AIM.

The Main Market continued to attract companies from a diverse range of countries with IPOs coming from 13 different countries including the US, China and Israel. The size of the new entrants was also notable, with 15 of 2015's IPOs joining the FTSE 250 soon after admission. Overall the LSE IPOs performed strongly in the aftermarket and, weighted by market cap, they had returned an average of 22.2% by the year end.

MAJOR IPOS LED BY FINTECH

Worldpay was the largest company to list on the London Stock Exchange in 2015 and the largest ever UK Fintech IPO, with a market capitalisation of £4.8 billion and a fund raise of £2.48 billion. The second largest IPO of 2015 was Auto Trader, which raised £1.60 billion, valuing the company at £2.35 billion. The technology sector saw Sophos come to market in the largest software IPO in UK history, raising £405 million and valuing the company at £1.0 billion.

FUND LISTINGS RISE

Fund listings also saw strong market conditions with 25 funds raising £3.3bn in 2015. These proceeds were up 22.5% on 2014 and represented 24.8% of all 2015 IPO proceeds across the wider market. The Financial Services sector was one of the more active sectors and 2015 saw significant capital raisings by innovative funds focusing on investing in alternative finance such as peer-to-peer lending (e.g. Funding Circle) or SME lending such as Honeycomb Investment Trust, which was the latest fund to list in London on 23 December, raising £100 million.

AIM CELEBRATES IN STYLE

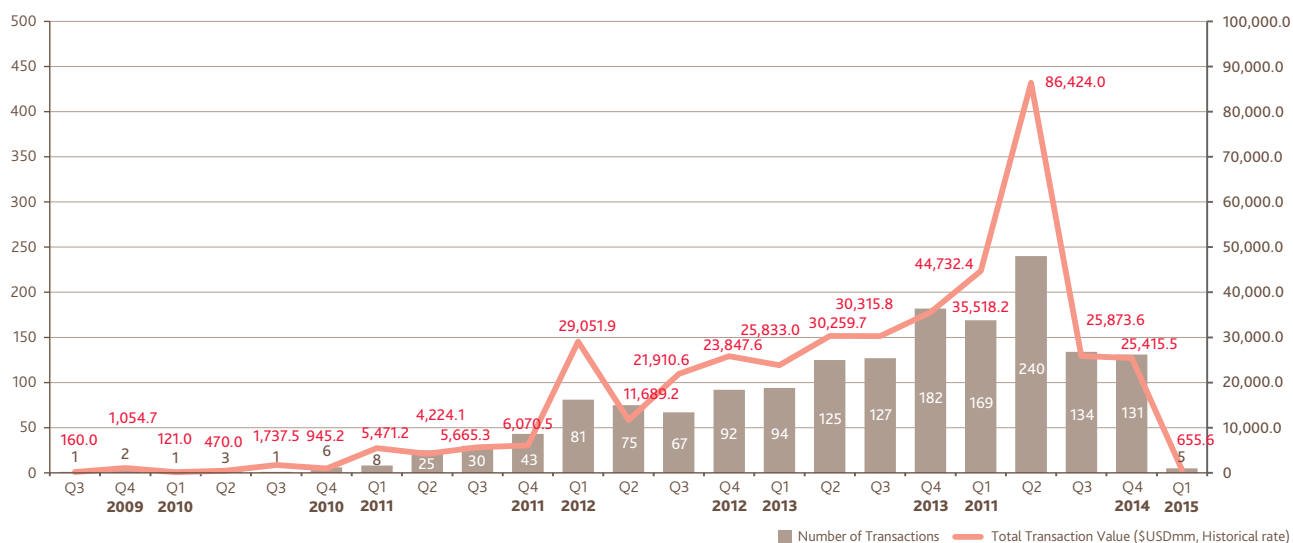
AIM celebrated its 20th anniversary in 2015 and thankfully rose to the occasion by achieving the fifth highest year on record for the quantum of further monies raised, with 1,880 supplementary issues made by AIM companies raising a total of £5.5bn. The London Stock Exchange proudly observed that since its inception over 3,600 companies have joined AIM and they have collectively raised over £92 billion. AIM's economic impact on the UK was also highlighted as being equivalent to £25 billion in GDP per annum or 731,000 UK jobs.

As witnessed in the Main Market, Pharmaceuticals and Biotechnology was AIM's most active sector with eight IPOs, raising £390m and 122 further issues raising £1.9 billion. Diurnal was the latest specialist pharma company to float on AIM on 23 December 2015, raising £25 million, valuing it at £75 million. Again, similar to the Main Market, the Financials sector was also particularly active, with 17 IPOs raising £380m and 227 new issues raising £1.1 billion. In stark contrast to recent years there was notably a mining IPO which raised no new funds and 346 further issues which cumulatively raised £398 million, the equivalent to approximately £1.15m per further issue.

LOOKING AHEAD

In a year that saw a General Election, continued commodity price crises and tumultuous geopolitical events in Europe and further afield, the UK capital markets provided a robust defence but failed to excite investors – and as 2016 commences difficult times look set to continue for the foreseeable future.

GLOBAL IPO TRANSACTIONS: VOLUME AND VALUE



GLOBAL

8,267 rumoured transactions

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Deal volumes continue to fall in Q4 2015

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A slow final quarter but good prospects ahead

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Q4 deal value rises – prospects ahead uncertain

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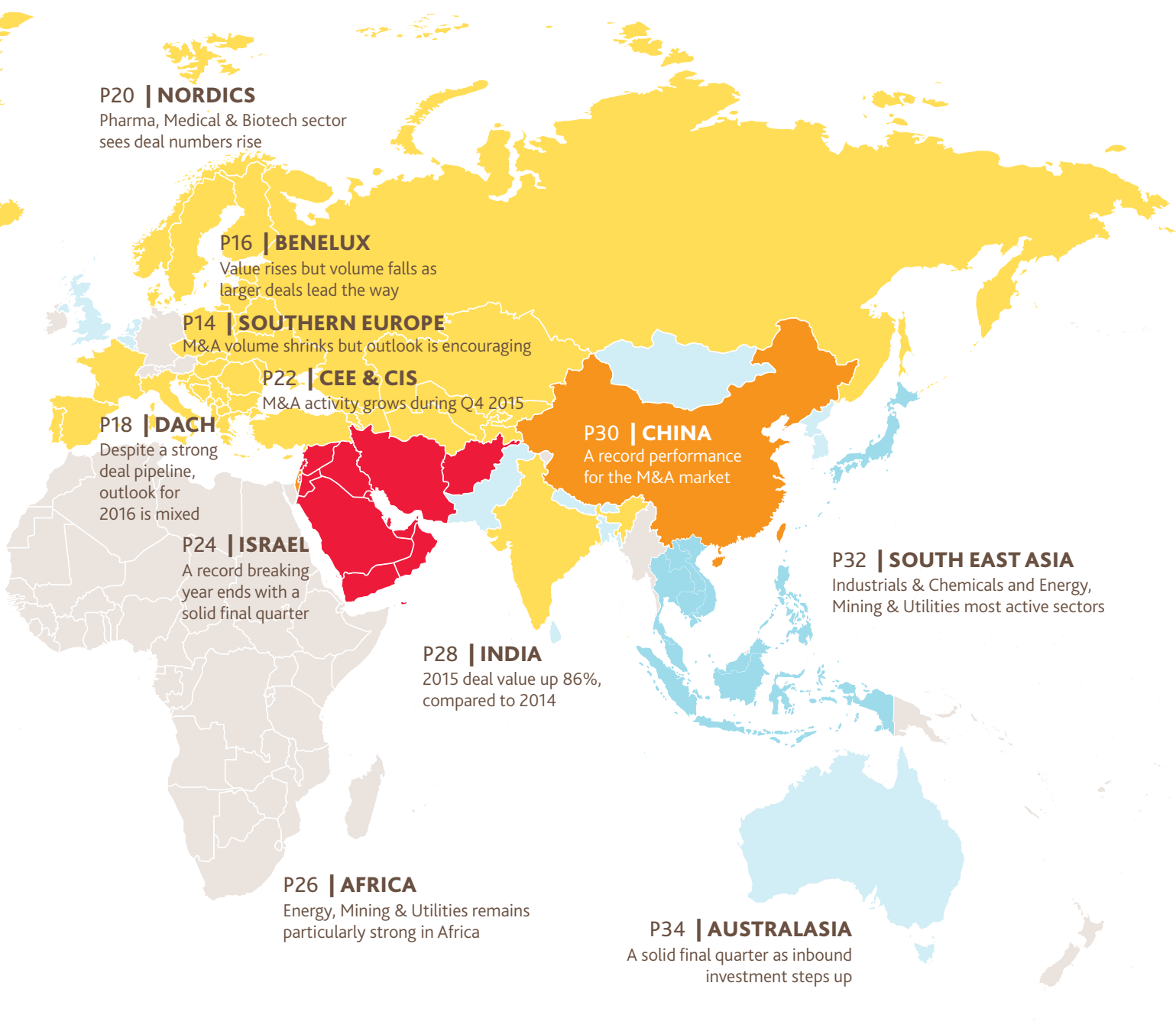


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FINANCIAL SERVICES



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Key % movement

-30% to -20%	-20% to -10%	-10% to 0%	0%
0% to 10%	10% to 20%	20% to 30%	

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

NORTH AMERICA



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BIG PICTURE

- Deal volumes continue to fall well short of 2014's record-breaking numbers
- Q4 2015 saw the lowest quarter-over-quarter decline in 2015, suggesting a gradual recovery may be under way
- Favourable demographic trends, commodity weakness and the abundance of cash should drive M&A ahead.

This bull market may still have legs.

North American mid-market M&A activity continued to decline in Q4 2015, with volume down 13% and 21% on a quarter-over-quarter and year-over-year basis. When viewed in isolation this is clearly not a positive trend and it would be an easy leap for one to conclude that the best M&A days are behind us. But this trend must be viewed within the context of the previous year's record-breaking performance. Deal volume in 2014 rose a whopping 36% year over year and reached a level not seen since pre-crisis 2007, while Q2 2014 produced the best quarterly performance on record for mid-market M&A. Clearly a difficult year for 2015 to be held accountable against.

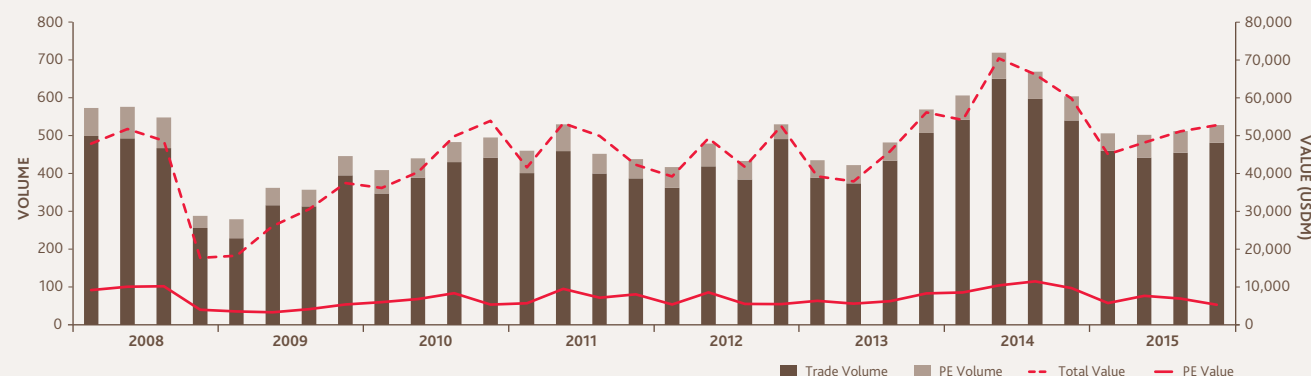
In last quarter's issue, we outlined two schools of thought about where mid-market M&A currently stands. The first is that after six years of bullish mid-market M&A conditions, an end must be in sight. The second believes that it has been a slow, gradual recovery and this bodes well for a longer bull cycle that may last several more years, albeit at a decelerated rate. We tend to fall in the latter category, with the belief that the bull market still has some life in it, but not at the pace of growth seen in 2014.

There are already some signs that a gradual recovery is under way as the quarter-over-quarter pace of decline in activity in 2015 has slowed in each of the last three quarters, with Q4 2015 driving the lowest quarter-over-quarter decline in 2015. We expect a number of trends to contribute to supply and demand within the market.

FAVOURABLE MACRO TRENDS

Both the US and Canada should see tailwinds associated with an aging population. With wealth levels now recovered since the events of the financial crisis, baby boomers are nearing the age of retirement, which should drive an increase in the turnover of small and medium-sized enterprises within the mid-market. For example, according to Industry Canada, by the end of the decade almost 350,000 small and medium-sized business owners will be over the age of 55 and a third of these are expected to leave or transfer control of their businesses within the next five years. As this supply is forced into the market over the next few years, we expect a pick-up in deal activity as companies stuck in our current static growth environment look to M&A to enhance sales and as private equity continues to search for options to deploy capital.

PE/TRADE VOLUME & VALUE



PERSISTENT WEAKNESS IN NATURAL RESOURCES

Commodity prices have collapsed over the last few years. Gold is down 41.6% from a high of 1890 in 2011. Crude oil reached USD 102.10 in January 2014, yet as of the time of this article now hovers precariously around USD 30/barrel with many believing there is still more room to fall. Resource stocks have taken a beating in public markets, while M&A activity in the sector has dried up. A significant amount of deal flow was lost in 2015 from this dry spell, particularly in Canada where resource companies can be responsible for up to 40% of total M&A activity (15% in the USA). We expect this volume to begin to come back as compressed valuation multiples drive consolidation and deal-making, and bargain hunters speculate that markets have reached a floor. Signs of this are already present, with Suncor recently announcing its USD 6.6bn acquisition of Canadian Oil Sands after first initiating a hostile takeover process back in December. While this trend will be most readily apparent at the upper/mega end of the market, where oil majors are most active, we expect a quick trickle-down effect to the mid-market as smaller entities such as well services companies follow in kind.

STABLE SELLING CONDITIONS

While 2015 activity has declined from that of 2014, the same selling conditions remain: relatively high company valuations, abundant lending sources, aggressive PE funds and well-capitalised strategic buyers. All of the conditions would seem to point to a continued robust deal market moving forward.

In Q4 of 2015 the US Fed raised its benchmark rate for the first time in nearly a decade, yet short and long-term borrowing rates remain at historically low levels. With equity markets off to one of the worst starts to a year in recent memory, many economists are rethinking the idea of a further rate increase and some are even predicting that the Fed might reverse last month's historic rate increase.

In Canada, the economy continues to stutter on weakness in oil and gas and the Bank of Canada is widely expected to

cut rates further in the future barring any further weakness in the Canadian dollar. Governor Stephen Poloz even opened the door back in December to the possibility of negative overnight rates, much like those already seen in some countries in Europe.

Capital isn't just cheap, it's abundant. Strategic and financial buyers are flush with cash: North American non-financial companies are currently holding an estimated USD 1.9 trillion of liquid assets, while North American private equity funds raised USD 140.9bn in capital through Q3 2015 (a level, when annualised, that would exceed the ten year average). In the current low growth environment we expect these strong cash positions for both North America's financial and strategic buyers alike to continue to drive M&A in 2016.

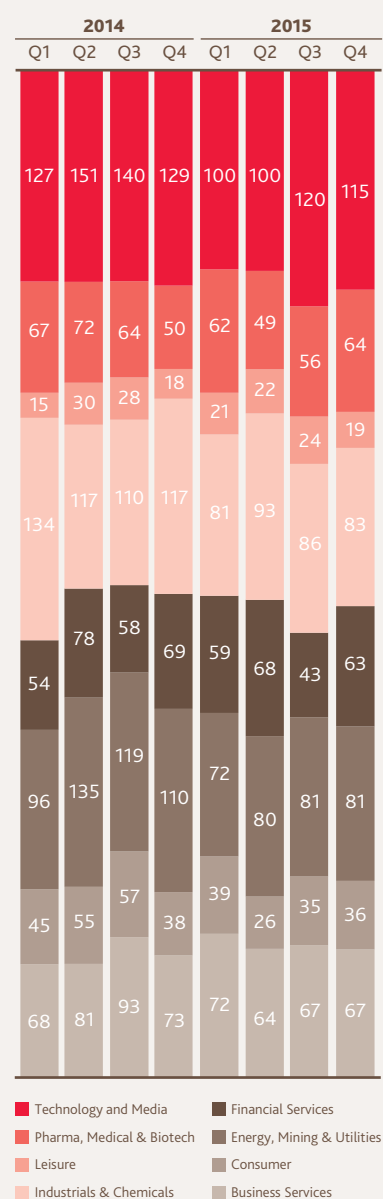
LOOKING AHEAD

We expect mid-market M&A activity in 2016 to keep up, but at a softened pace. Equity markets are in a state of flux right now as depressed oil prices sink ever further and growth expectations for China continue to be lowered as it transitions to a service economy. This will no doubt have an impact on mid-market activity. The fact is, favourable conditions may prevail. Private equity funds and strategic investors alike will continue to aggressively try to place capital, interest rates remain low, and look set to remain so for some time, while retiring baby boomer business owners will drive the supply of new targets to meet the demands of investors.

NORTH AMERICA HEAT CHART BY SECTOR

Technology and Media	457	21%
Industrials & Chemicals	368	17%
Pharma, Medical & Biotech	319	14%
Energy, Mining & Utilities	314	14%
Business Services	311	14%
Consumer	210	9%
Financial Services	163	7%
Leisure	75	3%
TOTAL	2,217	100%

NORTH AMERICA MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA



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Q4 deal value rises but prospects ahead uncertain.

BIG PICTURE

- Q4 beats previous quarter and same quarter last year for deal value
- FY 2015 M&A activity down on 2014 as Brazil's economy struggles
- Industrials & Chemicals continue to lead the way.

In Q4 2015 deal numbers increased slightly, up from 66 in Q3 2015 to 67 in the final quarter. The value of those deals rose more sharply, up 42.5% on Q3 levels to reach a total value of USD 7.9bn in Q4.

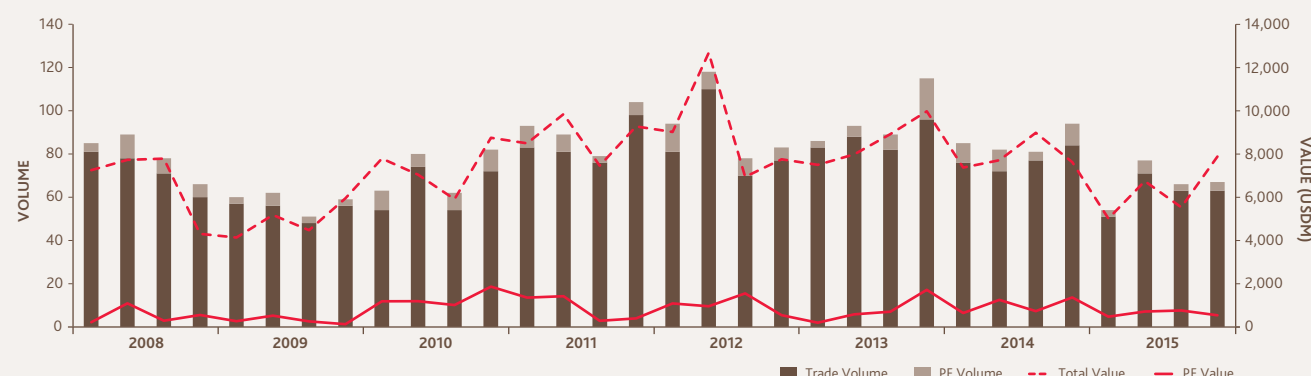
In comparison to the same quarter of 2014, Q4 2015 showed an increase of 3% in value, but a decrease of 28.7% in the number of deals. Looking at the full year 2015, a total of 264 deals were concluded with a total transaction value of USD 25.2bn, which was lower than the same period of 2014.

In value terms, private equity buy-outs reduced by 29% to USD 535m in Q4, from USD 754m in Q3 2015. PE also represented a smaller proportion of overall transactions, equivalent to 6.0% in volume and 6.8% in deal value in Q4 of 2015.

ECONOMIC CONDITIONS

The lower number of transactions seen in 2015 is linked to what is, according to commentators, Brazil's worst recession since 1901. The intensity of the country's downfall has shocked many investors who, until recently, have poured funds into the world's seventh-largest economy. Currently, Dilma Rousseff's Government is on the brink of a collapse. Despite the negative economic situation and problems that include fraud scandals involving Petrobras, public anger, political instability, and the recent downgrade by rating agencies, commentators believe there is a 70% chance that the president is going to defeat impeachment attempts and stay in office through the end of her term in 2018. The journey will not be easy, and this can be clearly seen by analysing some of the most important economic indicators, such as a 3% fall in Gross National Product, a devalued currency and high inflation rates.

PE/TRADE VOLUME & VALUE



According to Reuters, Rousseff stated that she believes Brazil needs to control inflation and balance the Government's overdrawn books in order to be able to grow again, but an expansion of credit is also needed. The president has declared that, if necessary because of the falling oil price, the Government may inject capital into the state-run oil company, and that the fiscal adjustment remains a priority.

Due to these economic and political problems, the Brazilian currency has been weakening, especially since Q2 2015. Sales have been dropping all around the country, but international investors are looking at the changing foreign exchange rates as an opportunity for acquiring Brazilian businesses at a reduced cost.

The GDP forecast for other Latin American countries is better, with Chile expected to grow by 2.4%, Peru by 3.5% and Colombia by 2.6%.

KEY SECTORS AND DEALS

In Latin America, the sector that saw the most Q4 deals was Industrials & Chemicals with 19 transactions, representing 28.4% of total Q4 deals. The second most active sector was Consumer, with 13 deals representing a 19.4% share. Business Services and Energy, Mining & Utilities sector both completed 11 deals in Q4, together representing a combined share of 32.8%. Financial Services, Leisure, Pharma, Medical & Biotech, and Technology and Media together took a 19.4% share.

In comparison to the previous quarter, Industrials & Chemicals had six less deals in Q4, while Technology and Media had eight more. Deal activity in the remaining sectors held steady.

Out of Q4's top ten deals, seven took place in Brazil. The sectors varied: two were in Energy, Mining & Utilities, two in Industrials & Chemicals, one in Business Services and one in Technology and Media.

Together the combined value of the deals that took place in Brazil was USD 2,58bn, representing 69.6% of top ten deals. The most notable top ten deal in terms of value involved Petrobras Gas SA, valued at USD 490m. The two remaining top ten deals in Q4 took place in Mexico (Consumer and the Energy, Mining & Utilities sectors) and in Guatemala (Energy, Mining & Utilities sector).

LOOKING AHEAD

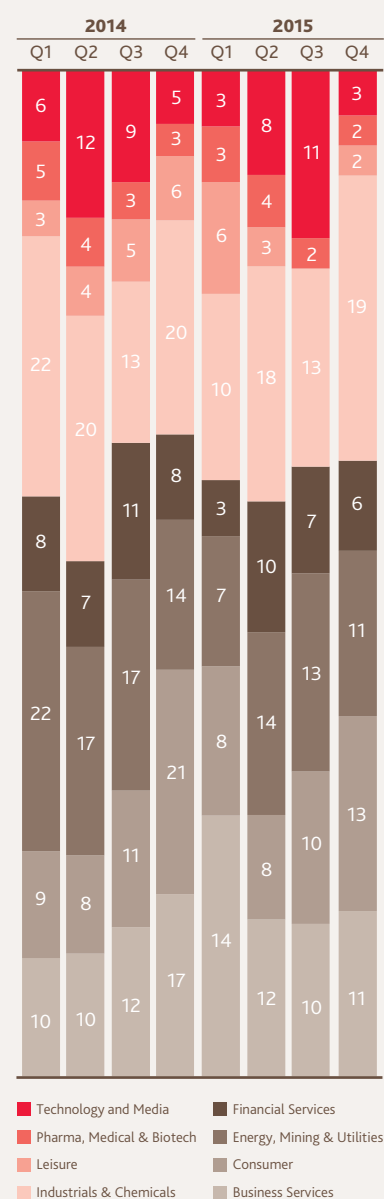
The BDO Heat Chart shows current market intelligence on 381 deals in progress or planned in Latin America. Industrials & Chemicals and Business Services are, in line with the Q4 trend, set to be the most active, with 82 and 69 potential deals respectively. The third most active sector is the Energy, Mining & Utilities, with 60 potential deals. Globally, the second most active sector was Technology and Media for Q4.

Some Latin American countries are entering a period of potentially slow growth, while Brazil endures a suffocating economic and political scenario. Investors and business owners are acting cautiously in response to the troubles facing Latin America's largest economy and we are already seeing this impact the number of deals taking place in the region.

LATIN AMERICA HEAT CHART BY SECTOR

Industrials & Chemicals	82	22%
Business Services	69	18%
Energy, Mining & Utilities	60	16%
Consumer	57	15%
Technology and Media	53	14%
Financial Services	31	8%
Leisure	17	4%
Pharma, Medical & Biotech	12	3%
TOTAL	381	100%

LATIN AMERICA MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND



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BIG PICTURE

- M&A activity down as Q4 ends with slowest quarter since 2013
- Full year 2015 M&A volume and value below 2014 levels
- Strong US dollar drives increasing inbound investment
- 2016 expected to deliver increased M&A activity, with Technology and Media the hottest sector.

A slow final quarter but good prospects ahead.

While most regions saw a strong finish to the year in terms of M&A activity, the final quarter for UK & Ireland was the least busy period since Q2 2013, with only 137 deals completed at a combined value of USD 9.6bn. This meant the total deal count for 2015 was 614 and total deal value was USD 45bn, representing a 12% drop in volume and a 15% decline in value when compared to 2014.

So is this the end of a bull run or simply a levelling off of M&A activity from the highs of 2014? Compared to 2013 we are still 8% up on the overall number of transactions and 5% up in total value, which would indicate a return to more sustainable growth rates. It is also interesting to note that the number of trade buyers versus PE buyers has increased steadily over the last three years, with 510 trade deals completed in 2015 – a 15% increase on 2013.

KEY SECTORS

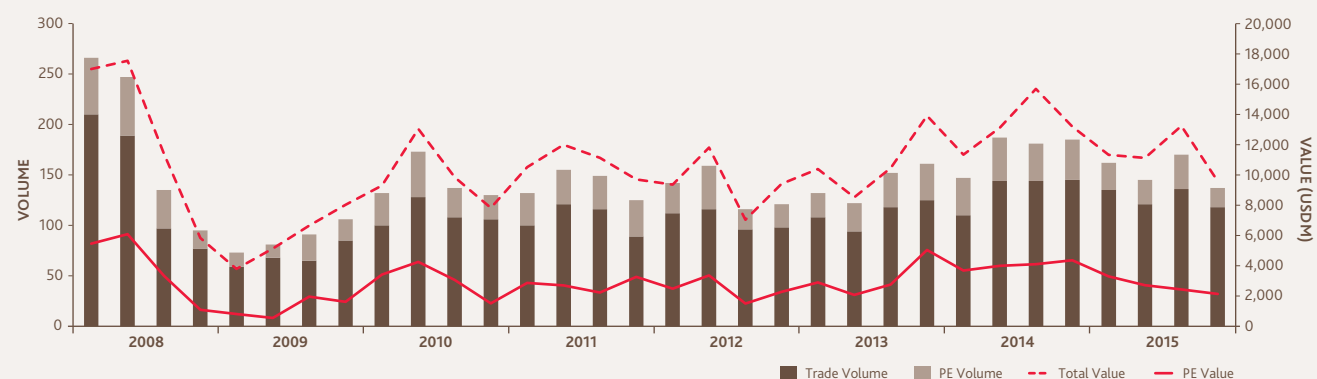
In terms of sector mix, the decline in activity was across all sectors with the exception of Pharma, Medical & Biotech, which saw a 15% increase year on year. This is not attributable to the headline grabbing

'tax inversion deals' but is principally due to the ongoing consolidation that is driving M&A activity across the mid-market.

Technology and Media continues to represent nearly one-fifth of all transactions and is responsible for a significant proportion of cross-border transactions as companies look to reinvent themselves in the search for new technology, IP and talent. The range of activity is right across the mid-market with larger deals such as Roper Technology's acquisition of Clinisys Solutions for USD 260m through to TransUnion LLC's €19m acquisition of Trustev Limited, the Ireland-based company engaged in providing digital fingerprinting technology.

Leisure and Consumer are back in vogue, with Q4's four largest deals all within these sectors; including the sale of Kurt Geiger to Cinven for USD 385m and the USD 400m investment by Chinese consortia into Manchester City Football Group. In Ireland there were over USD 1bn hotel transactions with US buyers to the fore as debt funds seek to divest assets at significantly improved valuations on the back of Ireland's growing economy.

PE/TRADE VOLUME & VALUE



The Energy markets were also busy as financial buyers look to expand into established renewable energy businesses, with 18 deals completed in the last quarter. The largest of these was the sale of a 49% stake in Vattenfall's offshore wind farm to AMF Pension fund for USD 256m.

REVIEW OF THE YEAR

In overall terms 2015 was the quietest year for PE since 2009 with only 104 deals completed. While the average deal value is being maintained it would appear that there are increasing challenges for PE buyers to source quality businesses. With US valuations at an all-time high and the continued strength of the dollar, we have seen increasing number of US buyers look to Ireland and the UK for M&A opportunities, with particular focus on mid-market companies that can provide a platform into Europe. Over six of the top 10 deals were international bidders and it is expected that the level of cross-border transactions will continue to increase as businesses look to become global. This trend highlights the importance of mid-market companies being more informed about the varying styles and transaction structures adopted by certain international buyers. In our experience the management teams need to ensure they are fully prepared for the due diligence process and the selling shareholders have to understand the type of warranties and representations sought as this can often be a deal-breaker for US buyers.

Valuations continue to rise as competition grows and alternative funding options emerge.

This is supported by BDO's private equity price index (PEPI) which reported a peak EV/EBITDA ratio of 10.9x while the private company price index (PCPI) stayed constant at an EV /EBITDA ratio of 9.3x throughout 2015.

LOOKING AHEAD

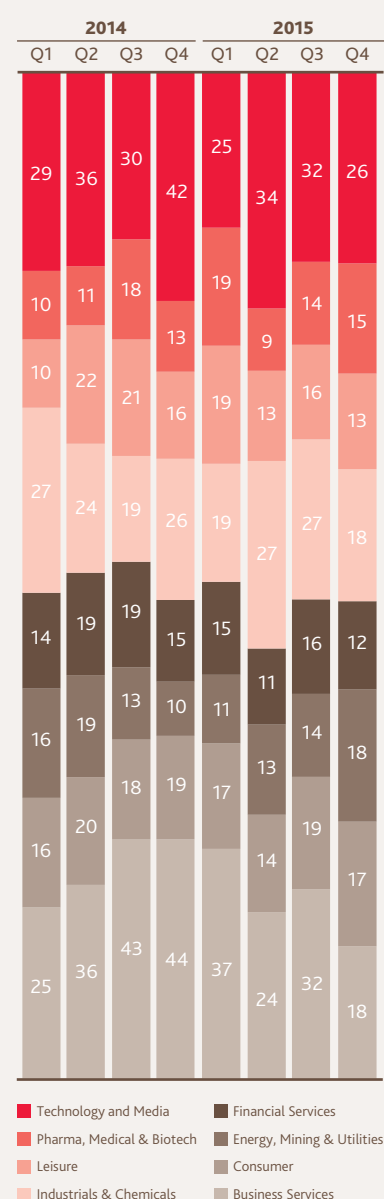
Despite the shaky start to the year, with China's slowdown triggering global market fears and oil prices continuing to decline, economic forecasts for the UK are strong and Ireland is still predicted to remain the fastest growing economy in the EU. With more companies returning to M&A as a core part of their strategic growth plans, and increasing level of funds available to the mid-market, we anticipate 2016 will continue to deliver strong M&A activity. This is supported by the BDO Heat Chart, which shows 357 deals in the pipeline with Technology and Media remaining the hottest sector closely followed by Industrials & Chemicals.

UK & IRELAND HEAT CHART BY SECTOR

Technology and Media	68	19%
Industrials & Chemicals	65	18%
Business Services	45	13%
Consumer	44	12%
Energy, Mining & Utilities	43	12%
Pharma, Medical & Biotech	33	9%
Financial Services	33	9%
Leisure	26	7%
TOTAL	357	100%



UNITED KINGDOM & IRELAND MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE



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BIG PICTURE

- After two volatile years, M&A volume shrinks in Q4 2015 but value rises
- Private equity's share of total deal activity declines
- Improving economic conditions enhance the outlook for M&A activity in the region.

Despite a downward trend in mid-market M&A activity, the outlook is encouraging.

Since Q1 2014, the Southern Europe market for M&A deals has seen volatile levels of activity. Quarters of remarkable growth have been followed by less prolific ones, indicating an M&A market prone to cyclical behaviour.

Q4 2015 saw deal volume drop for the second consecutive quarter, although deal value rose. In the last quarter of 2015, 123 mid-market deals were completed, with a total value of USD 10.3 bn.

Looking at the full year 2015 and comparing it to 2014, deal volume fell by 3% (from 573 deals in 2014 to 555 in 2015), while deal value was down 15% (from USD 54bn to USD 46bn).

PRIVATE EQUITY ACTIVITY

Q4 2015's downward trend was driven mainly by private equity underperformance. PE deals represented a significantly smaller proportion of overall transactions in terms of both volume and value in Q4 2015, with just 25 deals completed at a total value

of USD 2.5bn. However, PE continues to play an important role in M&A activity in Southern Europe, and was responsible for 25% of all deals in 2015 and 30% by value, representing a modest rise compared to 2014.

KEY SECTORS

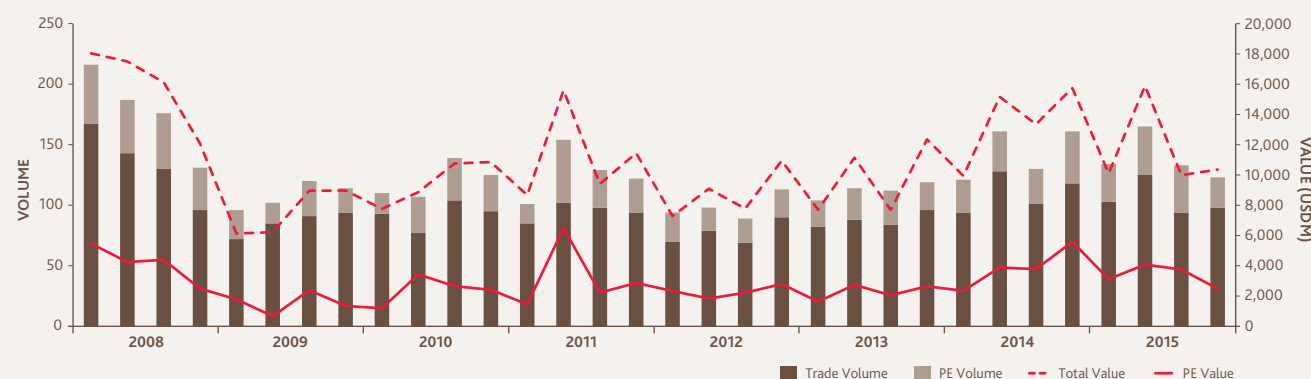
Industrials & Chemicals remains the most active sector, with a 31% share of Q4 deals and 26% of all 2015 transactions.

Financial Services was the least active sector in the quarter, highlighting the reversal that has taken place since its dynamic performance during 2014 when restructuring drove deals across the region.

In contrast, TNT was a hot sector for deals in 2015, scaling up its deal count by 42% to 97 and claiming second spot in the most active sectors.

Even though Consumer deals slowed down in Q4 2015, it remains an important sector for the region with 73 deals.

PE/TRADE VOLUME & VALUE

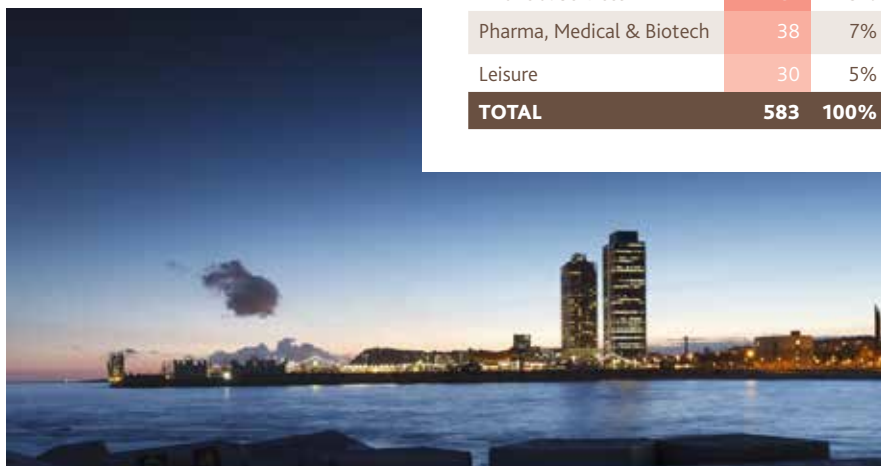


KEY DEALS

The top ten deals for the quarter had a combined value of USD 3.8bn, representing 37% of total M&A deals by value.

The largest deal was the USD 473m acquisition of Spanish company GlobalVia Infraestructuras S.A., a leading concession management business that oversees 29 projects in seven countries, most of them focused on highways and railways. The deal saw Canadian pension fund manager OPTrust, in partnership with Netherlands-based PGGM and the UK-based Universities Superannuation Scheme, acquire all the shares in Globalvia from the sellers Fomento de Construcciones y Contratas and Bankia.

In term of cross-border activity, Q4's top ten deals saw five target companies based in Italy, from different sectors, and transactions involving buyers from three regions (EU, US and Australia). Energy, Mining & Utilities and Leisure were the most targeted sectors in Q4 2015's top ten deals. Cross-border transactions were a major feature of the quarter, being responsible for nine of the ten biggest deals, with overseas bidders responsible for 40% of the leading ten deals. This highlights the region's status as a hunting ground for bidders from all regions.



LOOKING AHEAD

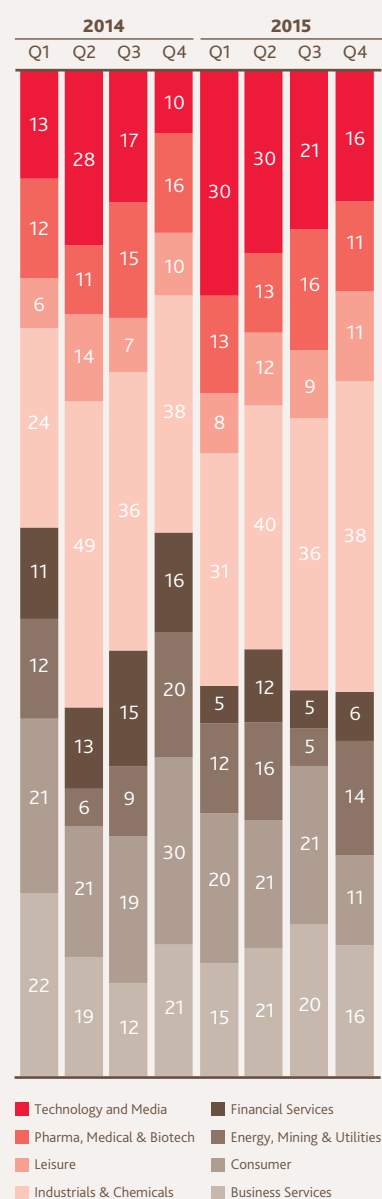
Despite the recent trend for fewer deals, the number of companies up for sale rose in Q4 2015, indicating 583 forthcoming deal opportunities. Industrial & Chemical (149 deals) and Consumer (107 deals) remain the leading sectors, with the former reinforcing its position. Technology and Media's strong performance in 2015 may be set to continue. The sector is forecast to see the same number of opportunities ahead as were identified in Q3 2015. The number of Energy, Mining & Utilities companies available for purchase is on the up, showing 59 opportunities in Q4 2015.

Overall, after a period of challenges, we believe that improving economic conditions can enhance the outlook for M&A activity in Southern Europe.

DACH HEAT CHART BY SECTOR

Industrials & Chemicals	149	26%
Consumer	107	18%
Business Services	77	13%
Technology and Media	72	12%
Energy, Mining & Utilities	59	10%
Financial Services	51	9%
Pharma, Medical & Biotech	38	7%
Leisure	30	5%
TOTAL	583	100%

SOUTHERN EUROPE MID-MARKET VOLUMES BY SECTOR



BENELUX



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BIG PICTURE

- 2015 sees a shift towards larger M&A transactions as total deal value and average deal value climbs
- Deal volume falls slightly in 2015 but is above the five-year average
- Private equity deal value rises sharply in 2015, up 46% when compared to 2014
- Consumer, Pharma, Medical & Biotech, Technology and Media and Industrials & Chemicals are the most active sectors.

Value rises but volume falls as larger deals lead the way.

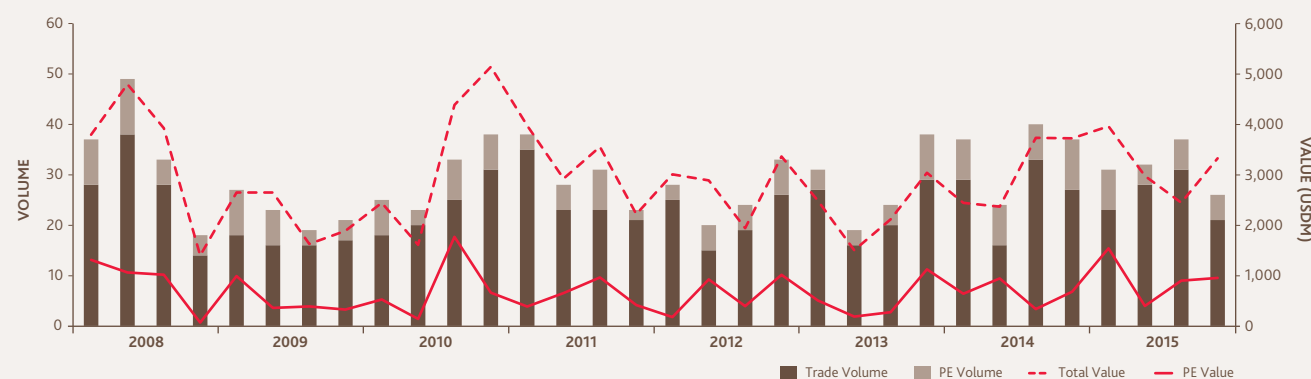
The final quarter of 2015 saw a fall in mid-market M&A deal volume, but average deal value almost doubled compared to the previous quarter. Similarly, for the full year 2015 there was a slight decrease in deal numbers, but transaction values rose. Private equity deal numbers held steady in Q4 2015 compared to Q3 2015, but the average deal value increased. This helped 2015 total average private equity deal value to double compared to 2014, even though the total number of transactions fell.

In 2015, M&A activity shows a shift towards larger transactions, for all mid-market M&A as well as private equity transactions. After a highly successful

2014, 2015 showed a slight decrease in the total number of deals (-9%) but total value increased by 4%. The average deal value in 2015 rose from USD 89m in 2014 to USD 101m in 2015. For private equity transactions, the average deal value more than doubled in 2015 (USD 164m) compared to 2014 (USD 79m).

In the last quarter of 2015, the average deal value (USD 128m) almost doubled compared to the average deal value in Q3 2015 (USD 66m) and equalled the average deal value of the first quarter of 2015. For private equity deals, the average deal value increased from USD 150m in Q3 2015 to USD 190m in Q4 2015.

PE/TRADE VOLUME & VALUE



A total of 26 deals were successfully completed in Q4 2015, making the total number of deals in 2015 126 (2014: 138). Q4 2015 showed a decrease in deal numbers compared to Q3 2015, a trend which was also seen in 2014 when Q4 2014 was lower than Q3 2014. When we look at the average number of transactions during the last five years (119) we find that 2015's total of 126 deals is above trend.

Private equity deal numbers remained stable, with five transactions in Q4 2015 and six deals in Q3 2015. The overall number of private equity deals in 2015 (23) declined 30% compared to the previous year. However, a shift towards larger transactions is clearly visible with average private equity deal value reaching USD 164m in 2015, a figure not seen since 2008.

Total deal value in Benelux during 2015 was USD 12.1bn, of which private equity was responsible for approximately 30% (up from 21% in 2014). Total private equity deal value in 2015 was USD 3.8bn, representing a rise of 46% compared to 2014.

KEY DEALS

Deal sizes in Q4 were larger, particularly those involving private equity, which was responsible for seven of the quarter's top ten transactions.

The largest deal in the last quarter of 2015 was the divestment by France-based private equity firm PAI Partners SAS of their controlling stake in women's lingerie retailer Hunkemöller B.V to Carlyle Europe Partners IV for USD 483m. The second largest deal was a global partnership between the Belgian Galapagos N.V. and Gilead Sciences Inc (USA) to develop treatment of rheumatoid arthritis and other inflammatory diseases. Gilead Sciences acquired a 15% stake for USD 425m. In third place, Vermaat Groep B.V., a caterer from the Netherlands, was acquired by the Swiss private equity firm Partners Group Holding AG for USD 417m.

LOOKING AHEAD

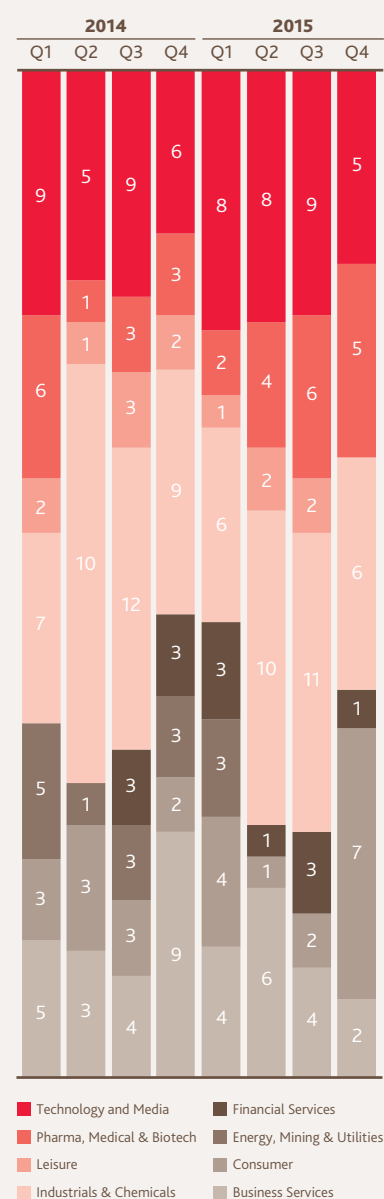
The BDO Heat Chart is based on intelligence on deals planned, rumoured or in progress. The Benelux chart shows 110 such deals. This is a slight decrease compared to the 117 deals projected in the previous quarter. The industries predicted to be the most active are Industrials & Chemicals, Technology and Media and Consumer. Overall we believe that M&A activity in Benelux will build momentum in the next quarter(s) as the financial resources available and financing costs continue to below.

BENELUX HEAT CHART BY SECTOR

Industrials & Chemicals	26	24%
Consumer	25	23%
Technology and Media	15	14%
Business Services	12	11%
Financial Services	11	10%
Energy, Mining & Utilities	8	7%
Pharma, Medical & Biotech	7	6%
Leisure	6	5%
TOTAL	110	100%



BENELUX MID-MARKET VOLUMES BY SECTOR



DACH



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BIG PICTURE

- 217 mid-market deals were recorded in 2015, a significant decrease from 2014
- Private equity activity was weak throughout 2015
- Strategically motivated transactions dominated
- Euro weakness drove inbound cross-border deals
- Industrials & Chemicals and Technology and Media remain the most active sectors
- Despite a strong deal pipeline, outlook for 2016 is mixed.

M&A activity falls well behind previous year's record high and the outlook is mixed.

The DACH region recorded a relatively weak year in terms of M&A activity, with total deal value dropping from USD 24.8bn to USD 22.3bn, a decrease of 10% compared to 2014. The combined impact of a significantly lower number of deals involving PEs (-23%) and the fact that those deals had lower average transaction values were the main factors behind the decline. Indeed, overall PE deal value in 2015 dropped to USD 1.9bn compared to USD 4.0bn in 2014. Another factor was lower deal volume, with 217 deals completed in 2015 compared to 257 deals in 2014.

Looking at quarterly M&A activity, Q4 showed a moderate improvement over Q3 in both deal volume and value, largely due to a higher number of strategically motivated transactions. However, when comparing Q4 2015 to the same quarter in 2014, both value and volume decreased significantly, by 15%. Again the most important contributory factor was an overall decrease in PE deal value and volume of 48% and 20% respectively,

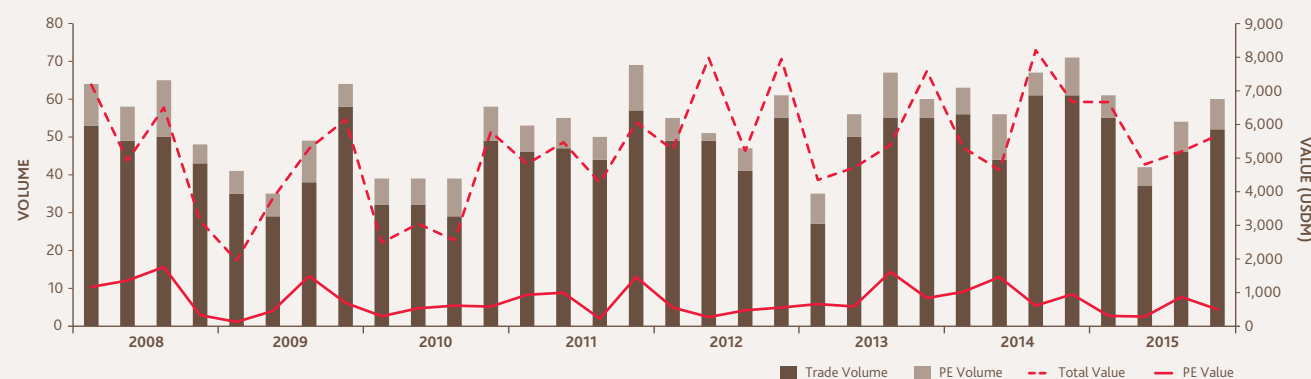
albeit both fell by just 10% and 15% respectively in transactions involving strategic players.

KEY DEALS

While the devaluation of the euro is a major factor holding back DACH companies from investing abroad, it has contributed to an uptick in inbound cross-border deals. Looking at the largest transactions during Q4, eight of the Top 10 deals were led by international buyers, of which three were from the US and two from Japan. The fact that companies in Germany were the targets in 70% of these deals reflects the attractiveness of Germany as a target market.

The largest mid-market deal in Germany and the DACH region was the USD 430m disposal of Unify GmbH & Co. KG, the former JV of US private equity firm The Gores Group LLC and German industrial conglomerate Siemens AG to Atos SE, a French IT services and consulting company. Atos intends to use the acquisition to enter the enterprise unified communications market.

PE/TRADE VOLUME & VALUE



The largest deal with a Swiss involvement was the acquisition of dermatology specialist Poli Group Holding, which comprises three operating companies (Polichem SA, Taurus Pharma GmbH, and Polichem Srl) by Spanish pharmaceuticals company Almirall S.A. for USD 386m.

Finally, Austria reported that Gerald Schweighofer Privatstiftung acquired the real estate company CORE Handels- und Beteiligungsgesellschaft m.b.H of Raiffeisen Zentralbank AG for an estimated value of USD 45m.

KEY SECTORS

Industrials & Chemicals and Technology and Media remained the most active sectors in 2015. Together they contributed 56% to total deal volume, with Technology and Media representing an increasingly large proportion. While Industrial & Chemicals recorded 72 deals, a decrease of 27% from 2014, Technology and Media remained stable with 50 recorded deals.

Pharma, Medical and Biotech and Business Services maintained their third and fourth rankings with 27 (-4%) and 23 (-18%) deals during 2015. Only Energy, Mining & Utilities recorded a higher year-on-year deal count with ten closed deals, an increase of 20% vs 2014.

DACH HEAT CHART BY SECTOR

Industrials & Chemicals	105	29%
Technology and Media	65	18%
Consumer	52	14%
Pharma, Medical & Biotech	49	13%
Business Services	37	10%
Energy, Mining & Utilities	24	7%
Financial Services	23	6%
Leisure	11	3%
TOTAL	366	100%

LOOKING AHEAD

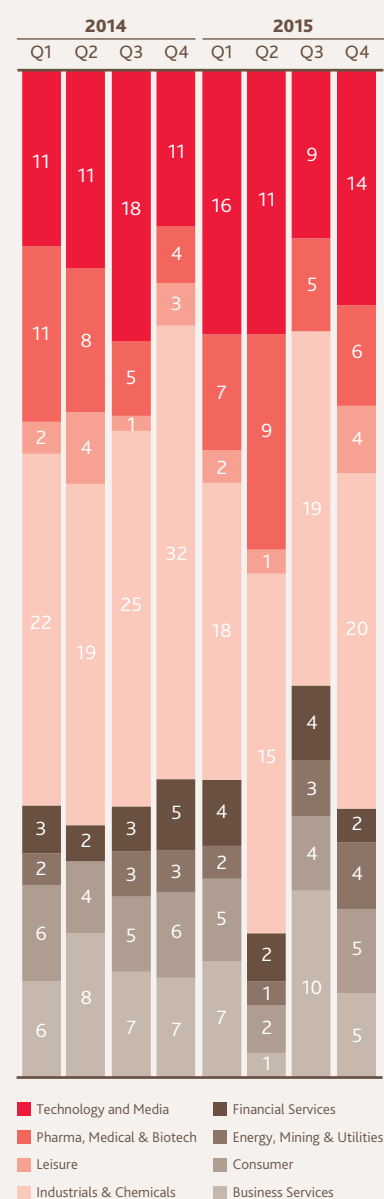
Prospects for 2016 appear to be somewhat mixed. After record levels of M&A activity in 2014, the DACH mid-market seems to be taking time out to digest those completed deals. In addition, turbulence on worldwide stock markets, China's weakening economy and political challenges such as the refugee crisis – which has the potential to jeopardise the cohesion of the entire eurozone – are also affecting DACH's M&A activity. In addition, Switzerland's economy is still suffering from an overvalued Swiss franc. These factors are likely to persist in 2016, potentially further diminishing the confidence of key decision makers.

All this is reflected in the German IFO Business Climate Index, which dropped to 107.3 points in January 2016, its second consecutive monthly fall (109 points in November and 108.7 points in December), and suggests growing concerns among company executives. On the other hand, we still expect to see further inbound acquisitions with a weak euro spurring the interest of foreign investors.

As illustrated in the BDO Heat Chart, 366 mid-sized companies are 'for sale' in the DACH region, an increase of 8% on the 2015 outlook, giving reason to hope that the M&A market will not (automatically) follow the stock market's current trend.



DACH MID-MARKET VOLUMES BY SECTOR



NORDICS



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BIG PICTURE

- Q4 sees the lowest final quarter deal volume since 2011, but a big improvement compared to the previous quarter
- M&A activity for the whole year drops significantly
- Pharma, Medical & Biotech sector sees deal numbers rise.

A flat final quarter caps a slow year for mid-market M&A.

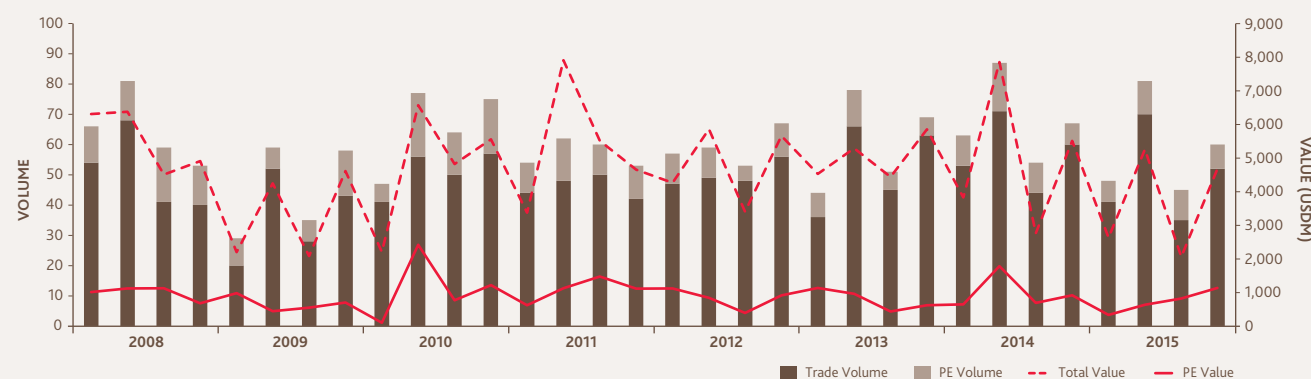
M&A activity continued to fall during 2015, making the final quarter the slowest Q4 in terms of deal volume since 2011. Total deal value in Q4 2015 was USD 4.7bn, which compares to USD 5.5bn in Q4 2014 and USD 5.9bn in Q4 2013. This represents a decrease of 15% compared to Q4 2014 and a decrease of 20% compared to Q4 2013. Deal volume also decreased in comparison to Q4 2014 and Q4 2013. There were 60 deals in Q4 2015 compared to 67 in 2014 and 69 in 2013. However, Q4 2015 did show a big improvement against the previous quarter, with deal value up 127%, from USD 2.06bn to USD 4.67bn. Deal volume also increased, up from 45 in Q3 to 60 in Q4.

KEY SECTORS AND DEALS

The most active sectors in Q4 were Technology and Media and Industrials & Chemicals, which represented 22% and 20% of total deal volume respectively. Compared to Q4 in 2014, PE buy-outs made up a larger percentage of the total deal value in 2015, posting a 24% share as compared to 17% in the final quarter.

Seven out of the top ten deals in Q4 were cross-border deals and five of these were sales to non-Nordic countries. All cross-border transactions were to European countries, with the exception of one to the US. The largest transaction in Q4 was in the Industrials & Chemicals sector and took place in Denmark. Immeo Dansk Holding ApS acquired a 94.82% stake in Berlin IV A/S from three private individual owners for USD 363m. The aggregated value of the region's top ten deals was USD 2.6bn, representing 44% of total transaction value.

PE/TRADE VOLUME & VALUE



REVIEW OF THE YEAR

M&A activity for full year 2015 was lower than 2014 in terms of both volume and value. The number of deals dropped from 271 in 2014 to 234 in 2015, representing a decrease of 14% and the lowest level since 2011. Deal value also fell significantly, down from USD 19.9bn in 2014 to USD 14.6bn in 2015, the lowest total since 2009.

All sectors apart from Consumer, Pharma and Medical & Biotech saw reduced deal volume in 2015. The most notable drop in deal value occurred in Financial Services and Energy, Mining & Utilities. The Financial Services sector saw deals drop by 39% (from 18 to 11 deals) in 2015 and the Energy, Mining & Utilities sector saw a decline of 46%. The only sectors showing growth in deal volume were the Consumer sector and the Pharma, Medical & Biotech sector, the latter showing a 25% gain. Industrials & Chemicals remains the most active sector in the Nordic region with 61 deals completed in 2015. The least active continues to be Leisure with seven deals during the same period.



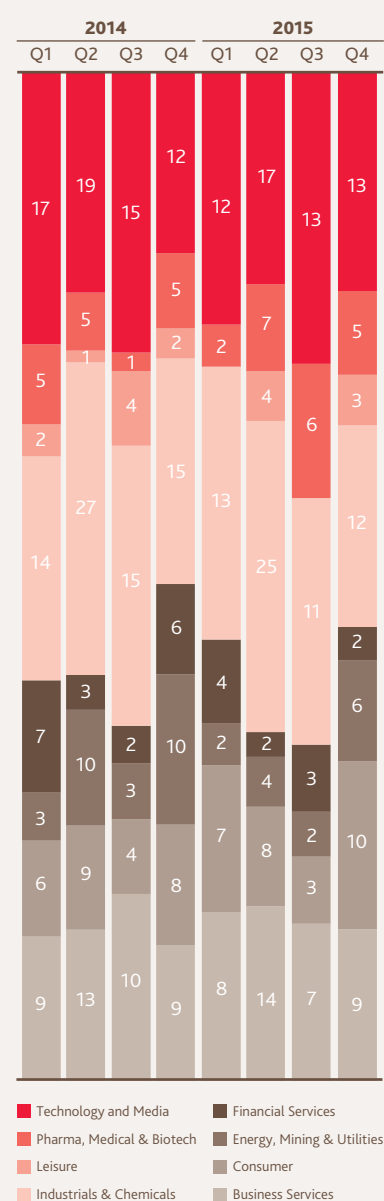
LOOKING AHEAD

The year ahead is expected to see 2015's trends continue, but with a little more growth. Private Equity is building up its reserves of 'dry powder' and, along with continued investor interest from outside the region, should help support M&A activity in the Nordics. On a sector level, we expect Industrials & Chemicals and Technology and Media to remain the most active, and Consumer deals to grow as brands consolidate. The largest challenge is likely to be economic with Denmark recovering at a slower pace than previously forecasted. Sweden's domestic economy is likely to cool a bit, although GDP growth of between 2% and 2.5% is still expected, making it the best performing country in the region. Norway's large exposure to oil-related sectors has worsened its short-term outlook with secondary effects now becoming visible. Private consumption and construction are still going strong, but the future will depend heavily on the continued development of the oil sector. Finland will largely be impacted by reforms, with the new Government committed to increasing long-term growth potential but implementing some tightening in the short term.

NORDICS HEAT CHART BY SECTOR

Industrials & Chemicals	61	28%
Technology and Media	53	24%
Consumer	24	11%
Business Services	22	10%
Financial Services	18	8%
Energy, Mining & Utilities	16	7%
Pharma, Medical & Biotech	16	7%
Leisure	7	3%
TOTAL	217	100%

NORDICS MID-MARKET VOLUMES BY SECTOR



CEE & CIS



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BIG PICTURE

- Q4 sees deal volume and value rise compared to Q3, but average deal value falls
- Trade volume continues to increase while PE deal numbers decline
- BDO Heat Chart shows a positive outlook with 728 new deals forecast
- Total M&A mid-market deals in CEE region in 2015 Q4 amounted up to USD 4.6bn.

Mid-market M&A activity grows during Q4 2015.

When compared to the previous quarter, mid-market M&A volume in CEE showed a significant improvement, with volume up 7.9% and value up 1.5%.

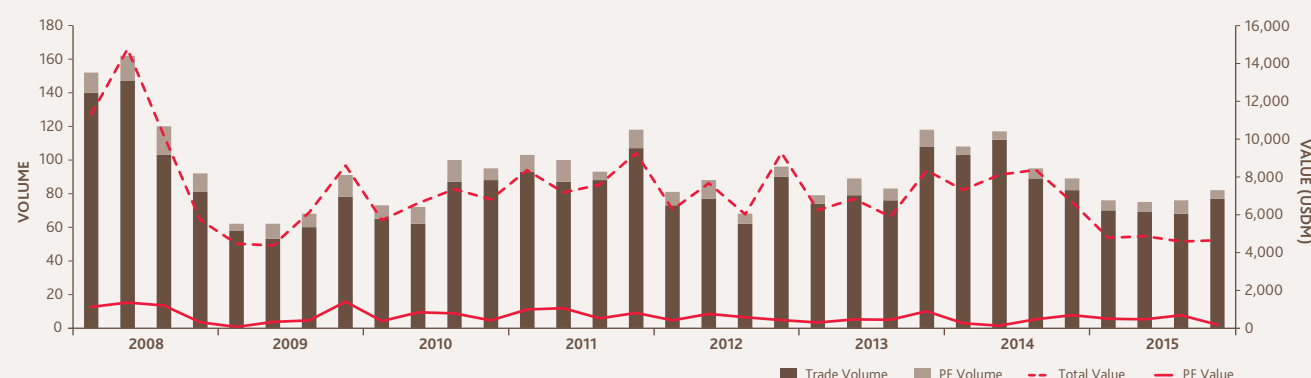
With a significant increase in deals completed but a significant decrease in average deal value, total transaction value in Q4 only registered a small rise. Average deal value fell to around USD 57m, its lowest level since 2008 and around 40% below its Q4 2012 high. In terms of private equity, there were five deals representing around 6% of overall Q4 2015 deal volume, worth a combined value of USD 169m. Private equity deals recorded a four-point decline in total transaction volume compared to previous quarter.

KEY DEALS AND SECTORS

The combined value of the Top 10 deals amounted to USD 2.5bn and they represented around 53% of total mid-market M&A deals in the CEE region in Q4 2015.

Energy, Mining & Utilities and Technology and Media were the most active sectors, contributing six of CEE's top ten mid-market deals in Q4 2015. Industrials & Chemicals was responsible for 16 deals (19%), Technology and Media saw 15 deals (18%) and Energy, Mining & Utilities registered 15 deals (18%). This was in line with the full year trend, which saw Industrials & Chemicals contribute 67 (22%) deals and Technology and Media 52 deals (17%). The sectors that contributed the least were: Leisure, with only three deals (4%) in Q4 2015 and 19 in full year 2015 (6%); and Pharma, Medical & Biotech industry, with four deals (5%) in Q4 2015 and 12 deals (4%) in 2015. Looking at historical data, we see that the Industrials & Chemicals sector leads Q4 deal activity between 2008 and 2014 with an average of 25 final quarter deals (25%), which demonstrates the downtrend trend in terms of deal volume in this sector (16 deals in Q4 2015). This downward trend is also seen in the total deal volume as the average number of all sector deals was 100

PE/TRADE VOLUME & VALUE



during Q4 2008-2014. The Technology and Media and Business Services sectors were the only industries that performed better than the historical average. Since 2008, all other industries have performed below their historical average in Q4 2015.

The S&P 500 fell heavily in August 2015, as well as in September 2015, as a result primarily of the financial situation in China, a stronger US dollar and higher commodity prices that negatively influence corporate earnings. Nevertheless, the S&P 500 stabilised in October and rose steadily until December. On the other hand, the S&P 400 index of mid-cap companies saw a gradual decline in Q4 2015 but was stable overall in 2015.

CEE & CIS HEAT CHART BY SECTOR

Industrials & Chemicals	189	26%
Consumer	131	18%
Technology and Media	106	15%
Business Services	98	13%
Energy, Mining & Utilities	76	10%
Financial Services	65	9%
Leisure	35	5%
Pharma, Medical & Biotech	28	4%
TOTAL	728	100%

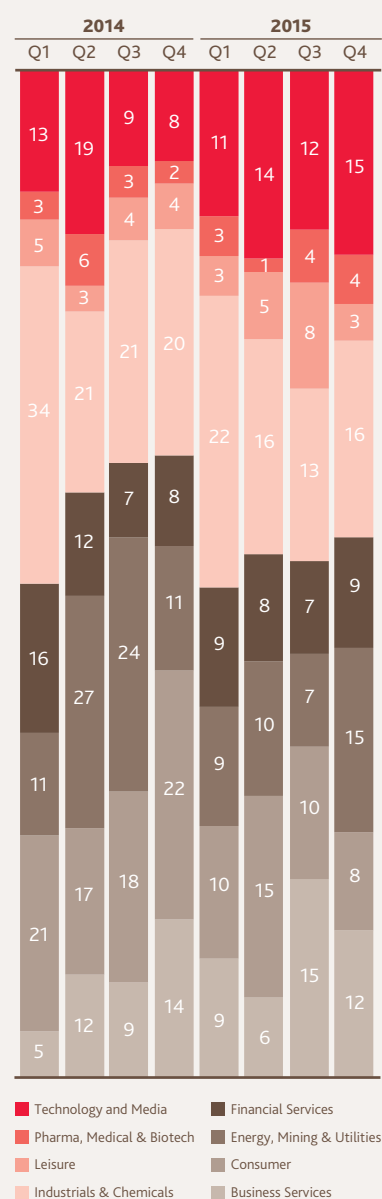


LOOKING AHEAD

According to the BDO Heat Chart and other reliable sources, we can expect more activity in mid-market M&A deals, supported by economic growth. The IMF has projected global growth of around 3.4% in 2016. However, China represents a major risk since economic transition is needed to avoid a potential steep decline in growth which could lead to a sudden rise in global risk aversion and hence negatively influence mid-market M&A deals in the CEE region, especially in those economies, like Russia, that are closely related to China. The M&A markets tend to correlate to and lag economic indicators as well as debt markets as investor confidence moves with financial sentiment and outlook. The market at this point shows a gradual recovery and could, according to analysis, either achieve a very sharp increase in a short period of time or, more likely, see a sustained and steady recovery over several years.

The BDO Heat Chart forecasts 728 prospective deals which would represent a 9% share of total worldwide mid-market deals. As for sectors, the BDO Heat Chart expects Industrials & Chemicals to lead the way for the CEE mid-market M&A with 189 deals (26%), followed by Consumer with 131 predicted deals (18%) and Technology and Media with 106 deals (15%). In line with historical trends, Leisure and the Pharma, Medical & Biotech industry will be the sectors with the least deals ahead.

CEE & CIS MID-MARKET VOLUMES BY SECTOR



ISRAEL



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BIG PICTURE

- Q4 deal value and volume up on previous quarter
- Private equity takes a back seat in Q4 after a stellar 2015
- FY 2015 mid-market M&A breaks volume and value records.

A record breaking 2015 ends with a solid final quarter.

M&A activity generated new records in 2015, continuing the positive trend seen in recent years. The second quarter saw the fastest growth, with several major transactions completed, while the third and fourth quarters showed more moderate results in comparison.

2015 saw nine more mid-market transactions than 2014, and an additional USD 1.49bn in total deal value. This made 2015 a record year in terms of both volume and value, with 78 deals completed at a combined value of USD 5.7bn. The average deal value was USD 73m.

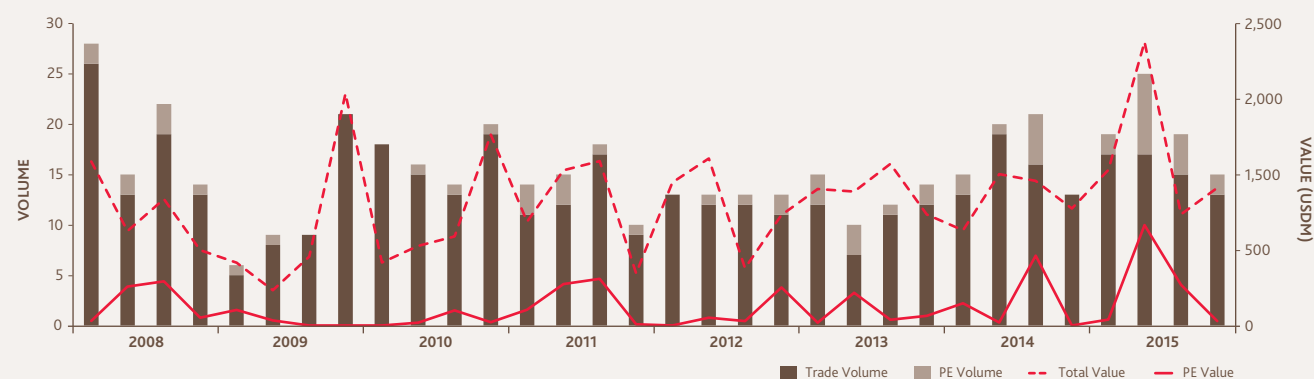
This substantial increase in volume and value of deals during 2015 was partly due to the continued low interest rate environment that characterised the global market. The improving macro environment also helped boost confidence in the Israeli economy, stimulating the interest of local and foreign investors alike.

Technology and Media was the main driver of activity in 2015, as it has been for the past few years and is expected to remain so in the future. The Pharma, Medical & Biotech sectors are generating opportunities for potential M&A activity in the far future.

The fourth quarter of 2015 saw a total of 15 completed deals, with a combined value of USD 1.14bn. This represents an increase in deal value of USD 219m (+24%) compared to Q3 2014, but a decrease of USD 1,208m (-51%) compared to Q2 2015. Average transaction value in Q4 was USD 76m, an improvement on the USD 74m average seen in the same quarter of last year.

After an exceptional performance in the second and third quarter of 2015, private equity firms played a smaller role in the Israeli mid-size M&A market during Q4. Volume decreased and as a result PE accounted for only about 3.2% of the total transaction value, 33.5% less than the previous quarter.

PE/TRADE VOLUME & VALUE



KEY SECTORS

The Technology and Media sector again took the lead in terms of deal volume during Q4, with seven completed transactions. Global and domestic investors are expected to maintain their confidence in this sector, supporting deal momentum ahead.

Strong interest by Venture Capital funds in Israel's biotech and 'traditional' tech start-ups is expected to create the next generation of mature M&A targets, driving a long-term trend for future deals.

Israel's mid-market industrial sector saw an uptick in M&A, representing 15% of deal volume in 2015, compared to 14% in 2014.



LOOKING AHEAD

Taking into account ongoing capital markets' peak prices and stable low interest rates, local PEs which have raised significant amounts in the last two to three years are expected to continue competing on main transactions and be major players in the Israeli M&A mid-market.

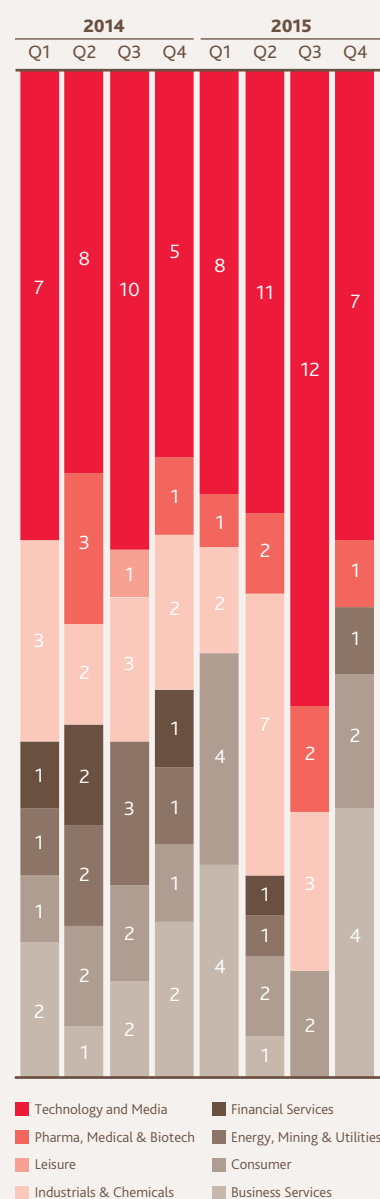
On the other hand, natural buy-outs are hard to accomplish, but strategic cross-border investments are increasingly visible and IPOs continue to be a significant alternative.

The Technology & Media and Pharma, Medical & Biotech sectors are expected to attract most interest in the foreseeable future as global technology and pharma giants are constantly seeking maturing Israeli companies in order to maintain their competitive advantage in global markets.

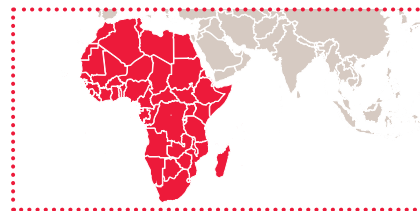
ISRAEL HEAT CHART BY SECTOR

Technology and Media	19	32%
Industrials & Chemicals	10	17%
Pharma, Medical & Biotech	10	17%
Business Services	6	10%
Consumer	6	10%
Energy, Mining & Utilities	4	7%
Financial Services	4	7%
Leisure	1	2%
TOTAL	60	100%

ISRAEL MID-MARKET VOLUMES BY SECTOR



AFRICA



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BIG PICTURE

- Q4 deal volume down 27% from previous quarter and 31% compared to Q4 2014
- The overall dollar value of mid-market deals decreased by 41% year over the year
- Energy, Mining & Utilities remains particularly strong in Africa
- The BDO Heat Chart suggests positive outlook for 2016.

Mid-market M&A falls significantly but the outlook is positive.

African mid-market M&A activity slowed by 31% in the fourth quarter of 2015 with 33 deals completed, as compared to 42 deals in Q3. Total deal value fell 17% to USD 2.42bn in Q4, down from USD 2.92bn in the previous quarter. However, there was an increase in the number of PE buy-outs, which rose again in prominence compared to Q3 2015 (five buy-outs), although at a lower level than the same period in the previous year. Over the year, there was an 8% reduction in the number of PE deals, representing a 21% fall in value terms.

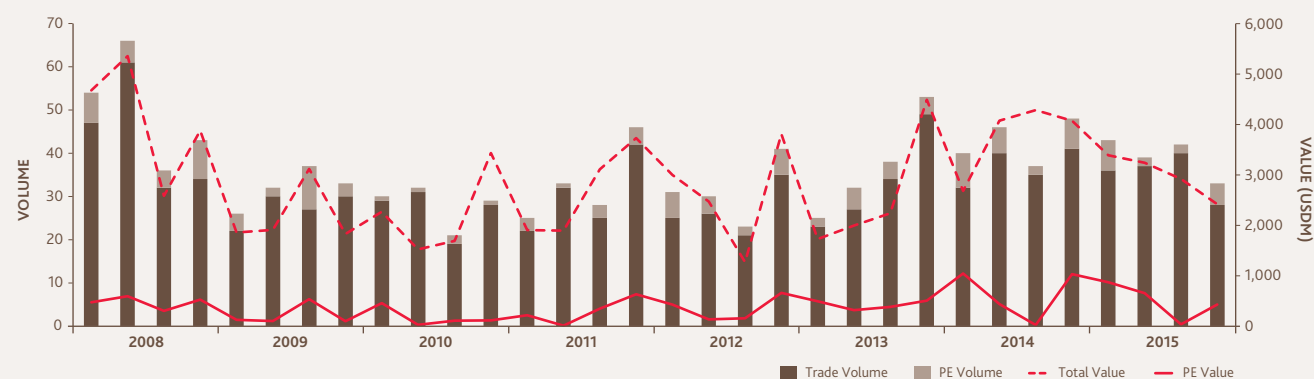
KEY SECTORS AND DEALS

The most active sectors in Q4 2015 were Energy, Mining & Utilities and Financial Services, a trend which is consistent with the previous quarters. Compared to 2014, there was a slower level of M&A activity in the following sectors: Leisure, Industrial, Pharma, Medical & Biotech. Compared to Q3 2015, most sectors recorded a decline or a stagnation in M&A deals. The only exception was Energy, Mining & Utilities which accounted for 12 out of 33 deals, representing two deals more than the previous quarter.

Six of the Q4 Top 10 deals were related to Energy, Mining & Utilities, while half of them were intra-country deals. The countries with the largest number of deals within the Top 10 are South Africa (2) and Egypt (3). Other top ten deals featured companies located in Morocco, Kenya, Mauritius, Angola and Eritrea. The largest deal involved the acquisition of a 30% stake in Saham Finances of Morocco by the leading South African insurance company Sanlam Ltd/Santam Ltd for USD 375m.

Another significant deal saw A.P. Moller – Maersk A/S invest USD 365m in a 50% stake of three Kenyan offshore oil blocks owned by Africa Oil Corp. It was the most important European investment into Africa in Q4 2015 and Maersk Oil also has an interest in onshore exploration licences in Ethiopia. Chinese investment is also positioning itself well on the continent, with large state-owned enterprise Sichuan Road and Bridge Group (SRBG) acquiring a 60% stake in the Eritrea-based Asmara Mining Share Company. SRBG has been active in infrastructure projects in Eritrea since the 1990s.

PE/TRADE VOLUME & VALUE



GROWING PRIVATE EQUITY ACTIVITY

Africa is still portrayed as the land of abundant opportunities and soaring potential, a situation ascribed to robust and sustained GDP growth rates over the last decade. The World Bank growth forecasts for Sub-Sahara Africa are 4.4% in 2016 and 4.8% in 2017. A growing consumer market has been crucial in opening doors to private equity. During the year, leading pan-African PE player Helios Investment Partners closed its third fund at USD 1.1bn. This third fund aims at investing between USD 30m and USD 200m of equity per transaction in the core economic sectors of key African countries. For its part, the Abraaj Group, raised over USD 1.3bn in 2014-2015 for two funds investing in Africa in consumer goods and services, consumer finance, and resource and infrastructure services in Nigeria, Ghana, Côte d'Ivoire, South Africa and Kenya. Other significant PE firms include Carlye, Brait and Afrininvest. The African Private Equity and Venture Capital Association (AVCA) reports that the outlook for PE investment is still nascent in Africa and as such represents a quite attractive emerging market.



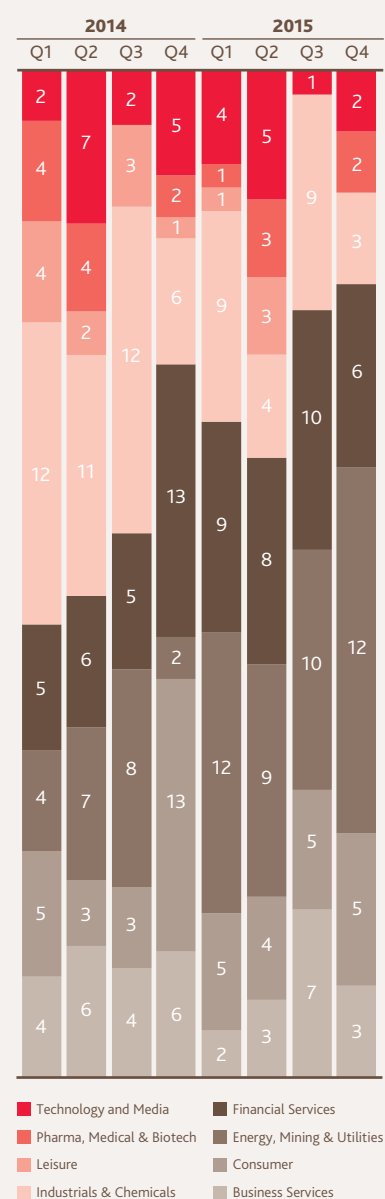
LOOKING AHEAD

The BDO Heat Chart shows 188 anticipated deals and provides a positive outlook for M&A activity across Africa in 2016. The most buoyant sectors by far are Industrials & Chemicals (34%) and Energy, Mining & Utilities (23%). About half of the 12 world's fastest-growing economies are in the continent, where the population will grow to two billion in less than 50 years and the number of middle-class households is expected to expand by over 50% between 2008 and 2020. Investment opportunities may increase in response to rising disposable incomes and higher consumption. Yet all is not glittering in Africa. The African Union and the UN Economic Commission for Africa estimate that over the last 50 years Africa lost in excess of USD 1 trillion in illicit financial outflows. Much capital is also required to address the challenges of poverty and infrastructure development. The energy debate roars more than ever, particularly in the aftermath of the convention on climate change – the challenge being to find energy solutions that are climate-friendly, despite the continent's low carbon footprint.

AFRICA HEAT CHART BY SECTOR

Industrials & Chemicals	63	34%
Energy, Mining & Utilities	44	23%
Business Services	28	15%
Financial Services	17	9%
Consumer	16	9%
Technology and Media	10	5%
Leisure	6	3%
Pharma, Medical & Biotech	4	2%
TOTAL	188	100%

AFRICA MID-MARKET VOLUMES BY SECTOR



INDIA



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BIG PICTURE

- 2015 deal value up 86% and deal volume up 30% compared to 2014
- Q4 activity down against previous quarter, but average deal value rises
- Technology and Media and Industrials & Chemicals lead the way
- India is now the world's fastest growing economy.

A strong 2015 for M&A activity with good prospects ahead.

In terms of GDP growth, India has emerged as the world's fastest growing major economy in 2015 - ahead of China. As per a report by the World Bank, Indian GDP is expected to grow at 7.5% during the financial year 2015-16 (Apr 2015 to Mar 2016).

The improvement in India's economic fundamentals has accelerated in FY 2015-16 and a fall in the prices of various commodities, especially oil, has been a big positive for net energy importing countries like India. This has helped strengthen India's fiscal position as well as reduce inflation, thus providing room for the Reserve Bank of India to cut lending rates and adding a further boost to the economy.

DEAL VOLUME AND VALUE

Total deal value in Q4 2015 was USD 6.62bn, down 5% from the USD 6.96bn seen in the previous quarter. Q4 2015 deal numbers fell 27% against the previous quarter, with 57 deals completed, but the average deal size rose to USD 116m from USD 89m.

For 2015 as a whole, deal value rose by 86% to USD 25.84bn, up from USD 13.93bn in 2014. Deal volume also increased in 2015 with 275 deals completed, up 30% on the 211 deals achieved in 2014.

PRIVATE EQUITY ACTIVITY

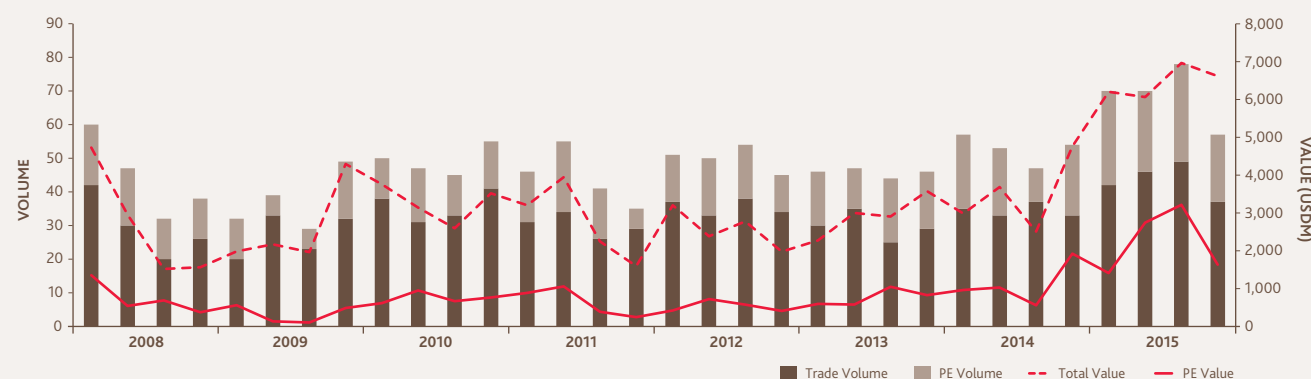
In Q4 2015, PE buy-out deals represented 25% of total deal value and 35% of total deal volume. For Q3 2015, these numbers were 46% and 37% respectively.

For 2015 as a whole, PE buy-outs represented 35% of the total deal value and 37% of the total deal volume. For 2014, these numbers were 32% and 35% respectively. The average ticket size per deal rose from USD 61m in 2014 to USD 89m in 2015.

KEY SECTORS

Technology and Media saw the highest deal volume in 2015 with 72 deals (26%), followed by Industrials & Chemicals with 63 deals (23%) and Financial Services with 34 deals (11%).

PE/TRADE VOLUME & VALUE



In terms of Q-o-Q comparison, only one sector (Financial Services) saw growth in deal volume while six (Consumer, Business Services, Industrials & Chemicals, Leisure, Pharma, Medical & Biotech) saw a drop in deal volume and one (Energy, Mining & Utilities) remained constant in Q4 2015 as compared to Q3 2015.

The biggest deal in Q4 2015 was in the Technology and Media sector with Idea Cellular Limited acquiring Videocon Telecommunications Limited (Spectrum in Gujarat and Uttar Pradesh (West circles) for USD 500m in November 2015.

Other major deals in Q4 2015 included UPL Ltd acquiring a 51.56% stake in Advanta Ltd for USD 484m; Nippon Life Insurance Company increasing its stake by 23% to 49% in Reliance Life Insurance Company Limited (a JV with Reliance Capital) for USD 342m; JK Tyre & Industries Ltd (formerly JK Industries) acquiring Cavendish Industries Ltd from Kesoram Industries for USD 339m and the Government of India acquiring a 15.58% stake in IDBI Bank (formerly known as Industrial Development Bank of India) for USD 337m.

In 2014, the average number of deals per quarter was 53, which increased to 69 in 2015. In terms of value, the quarter average in 2014 was USD 3.5bn, which increased to USD 6.5bn in 2015.



LOOKING AHEAD

India is expected to continue to be one of the fastest growing economies in 2016, due in part to the Government's commitment to improving India's ranking for ease of doing business. Some of the structural reforms undertaken by the Government include changes in industrial and trade policy as well as reforms in the financial services sector.

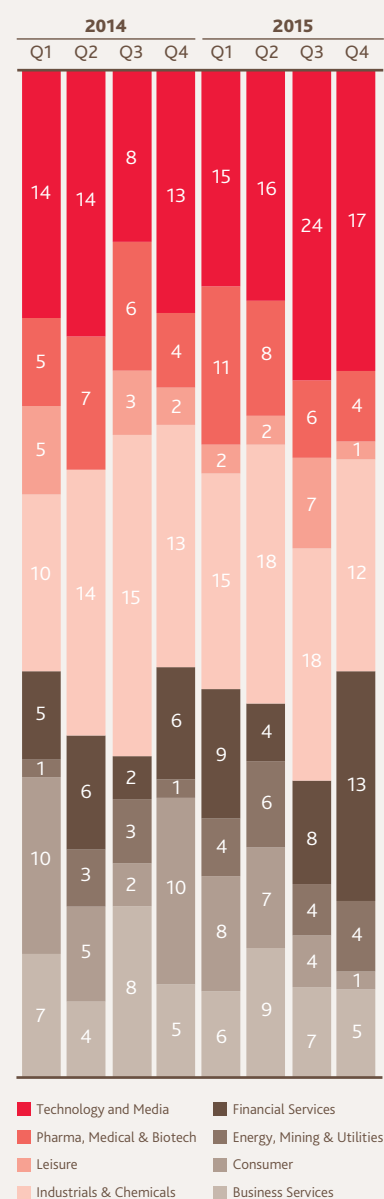
A fall in crude oil prices has led to redemption pressure on various emerging market funds and the impact is now being felt in most emerging markets, including India. Falling commodity prices have resulted in sovereign wealth funds reducing their allocations to emerging markets (EMs). There have also been cases of withdrawals, particularly by sovereign wealth funds, from EMs. This trend is expected to remain as long as commodity prices continue to behave this way.

The BDO Heat Chart is based on companies for sale tracked by Mergermarket between 14 July 2015 and 14 January 2016. Industrials & Chemicals and Technology and Media are expected to top the chart with highest number of potential deals.

INDIA HEAT CHART BY SECTOR

Industrials & Chemicals	93	21%
Technology and Media	80	18%
Business Services	73	17%
Financial Services	58	13%
Pharma, Medical & Biotech	42	10%
Consumer	39	9%
Energy, Mining & Utilities	36	8%
Leisure	12	3%
TOTAL	433	100%

INDIA MID-MARKET VOLUMES BY SECTOR



CHINA



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BIG PICTURE

- A record performance for the M&A market in Greater China for the fourth consecutive year
- The last three quarters in 2015 were the highest on record for both deal volumes and values
- Fewer mega-deals in 2015, but the mid-market has remained highly active
- Private equity buy-out volumes declined in 2015, but a broader spread of financial investors were active in the market
- China still dominates M&A activity levels in the Greater China region, but Hong Kong and Taiwan also saw high levels of M&A in 2015.

Mid-market M&A hits new heights.

The Greater China M&A market reached new heights in 2015, with deal volumes up 28.3% and deal values up 44% compared to 2014, as PRC companies put China's widely reported economic concerns to one side and pushed ahead with purchases of strategic overseas and domestic assets.

In a year when China's widespread economic woes, including slowing economic growth, unexpected currency devaluations, and highly volatile equity markets have generated economic uncertainty across global markets, the M&A market in Greater China has continued to power ahead.

Despite economic turbulence in the domestic market and its expected impact on deal appetite, the last three quarters have been the three highest on record for both deal volumes and values. Looking at 2015 as a whole, there was a 28.3% growth in mid-market deal volumes to 1,762 transactions (2014: 1,373), and a 44% growth in deal values to USD 50.4bn (2014: USD 39.2bn).

FLEXIBLE APPROACHES

PRC buyers, who are typically heavily focused on control transactions, showed more flexibility in investment approaches

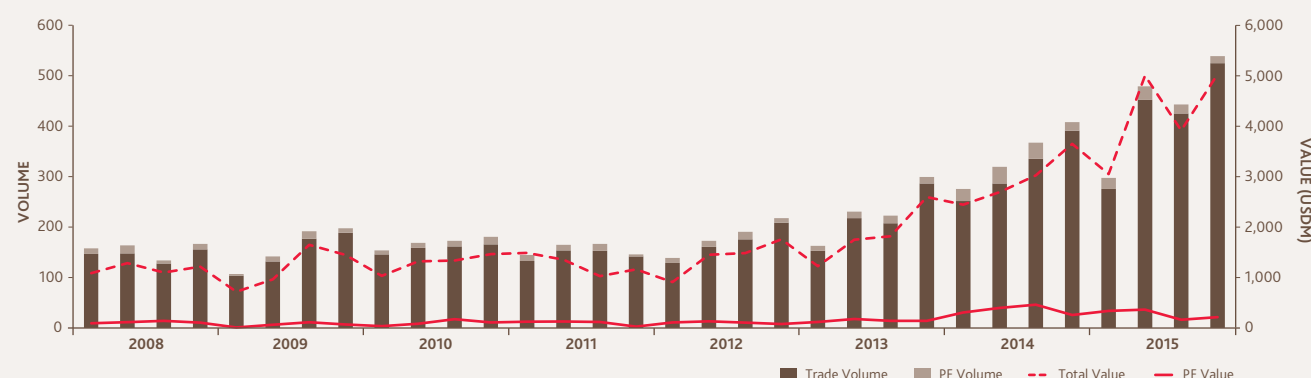
during 2015, conducting a higher proportion of transactions involving minority investment equity stakes. This will typically give the PRC investors some time to gain familiarity with the overseas target, with options or informal agreements for subsequent top-up investments a common feature of transactions that we have worked on in recent years.

2015 will also be remembered for the emergence of financial investors in China. While private equity transactions reported a 24% decrease in both deal volume and value in 2015, in recent years there has been a broader spread of financial investors engaging in larger overseas transactions, including financial conglomerates, insurance companies and family offices. Within private equity, this has seen an increasing focus on quality overseas assets by PRC fund houses, who were previously primarily focused on opportunities in the domestic market, and this is a trend expected to continue going forward.

BEYOND CHINA

While the PRC market remains the bellwether for M&A activity, both within the Greater China market and across the whole of Asia, Hong Kong and Taiwanese companies also reported good

PE/TRADE VOLUME & VALUE



M&A activity levels in 2015. Hong Kong witnessed the reorganisation of Cheung Kong Group and Hutchison Whampoa Group, two of Hong Kong's largest conglomerates, resulting in the largest restructuring exercise ever completed in Hong Kong's corporate history. This year also saw the USD 15.3bn announced acquisition of UK mobile network O2 UK by Hutchison Whampoa, and Cheung Kong Group's USD 3.8bn acquisition of Eversholt Rail Group, both UK-based targets.

Notable transactions in Taiwan in 2015 included Cathay Financial Holdings, one of Taiwan's leading insurance companies, acquiring a 40% stake in Indonesian banking group Bank Mayapada Internasional, and Taiwanese steel group

China Steel Corporation's purchase of a 20% stake in Vietnamese steel producer Formosa Ha Tinh Steel.

CHINA HEAT CHART BY SECTOR

Industrials & Chemicals	395	34%
Technology and Media	213	19%
Consumer	114	10%
Business Services	100	9%
Financial Services	96	8%
Energy, Mining & Utilities	91	8%
Pharma, Medical & Biotech	82	7%
Leisure	56	5%
TOTAL	1,147	100%

LOOKING AHEAD

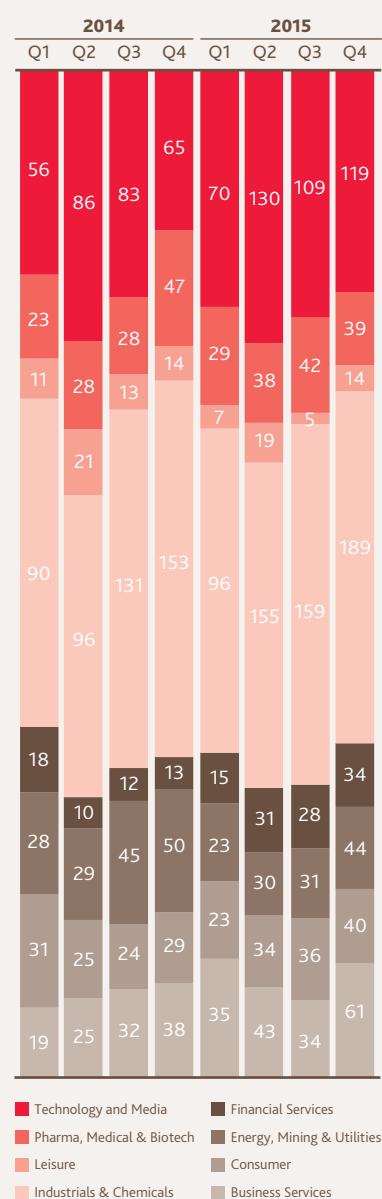
The recent economic volatility in the PRC market has not diminished the appetite of its domestic companies, who appear keenly focused on making investments both domestically and offshore. This has been supported by the further easing of regulations governing overseas investments, supporting the growing wave of PRC companies seeking to further build their overseas footprint.

The mood coming into 2016 still appears positive, with over 1,100 pending transactions reported in the latest BDO Heat Chart. Industrials & Chemicals remains the hottest sector, consistent with the number of deals completed in this sector in 2014 and 2015. The Technology, Media & Telecommunications sector has also been very active in the last two years, with a high number of domestic acquisitions by the country's major internet and e-commerce giants, who are jostling for position as their respective businesses continue to overlap. There have also been a number of sizeable overseas acquisitions in this sector, with US technology targets particularly sought after.

China has now reached new heights in its push to take on a bigger role in global affairs. With an increasingly diverse consumer appetite and rising spending in the domestic market, demand for overseas products and brands in China has never been stronger, as evidenced by the expenditure of an ever-burgeoning Chinese population on vacation in major cities around the world.

Supporting this demand, Chinese companies are increasingly looking to expand overseas to extend their market reach, and to increase their competitiveness in the domestic market. Despite the recent economic slowdown, China is still expected to achieve annual GDP growth rates of between 6%-7% over the coming years. Given the size of the PRC economy, this relatively high GDP growth rate generates a huge economic output each year, which the PRC government is encouraging to be invested overseas. This has resulted in M&A deal volumes growing consistently year after year – a trend that is expected to continue for many years to come.

CHINA MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA



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BIG PICTURE

- Q4 deal volume falls by 20% against previous quarter but deal value holds up well
- Industrials & Chemicals and Energy, Mining & Utilities are the most active sectors
- Currency weakness may spur future inbound investment.

M&A activity in South East Asia slows in Q4.

M&A activity in South East Asia fell in terms of both volume and value during the final quarter of 2015. There were 67 deals during Q4, compared to 84 in the previous quarter, representing a decrease of 20%, while total value fell by 2% from USD 5.38bn to USD 5.28bn during the same period.

The combined value of Q4's top ten deals was USD 3.57bn, representing 68% of the quarter's total deal value. Private equity completed four deals in Q4, six less than in the same quarter of 2014, meaning that PE was responsible for just 6% of total Q4 deal volume and 20% of transaction value.

The most active sectors during Q4 2015 were Industrials & Chemicals and Energy, Mining & Utilities, which together contributed 42% of the quarter's total deal numbers. Industrials & Chemicals had the highest number of completed deals (16) and represented the largest numbers of deals for the past five years. Furthermore, Industrials & Chemicals was responsible for one of the top ten deals of Q4 2015, involving a target company in Malaysia. The largest deal recorded during Q4 2015 was

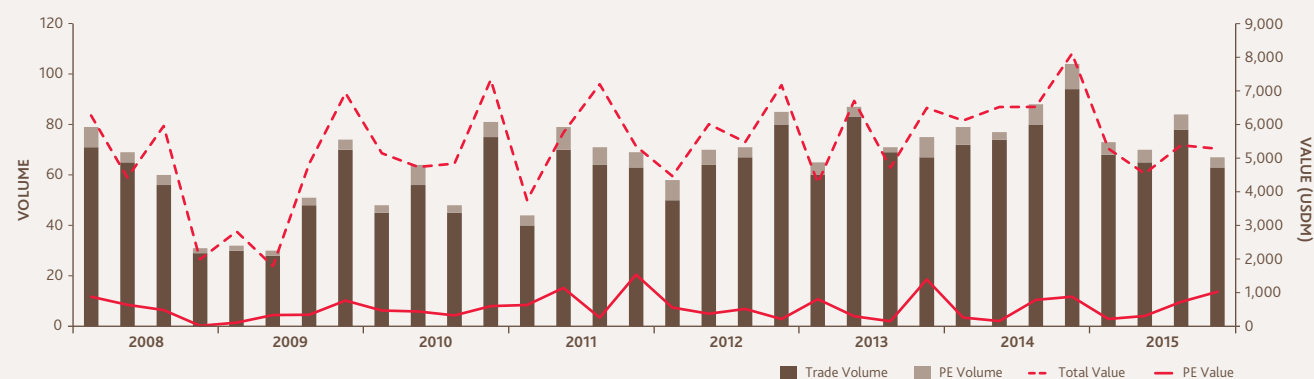
in the Technology and Media sector when Guangdong Golden Glass Technologies Limited paid USD 469m to acquire a 100% stake in Onwards Media Group Pte Ltd.

The remaining top ten deal spots were filled by three each from Consumer and Business Services and one each from Technology and Media and the Pharma, Medical & Biotech sectors. Although the Energy, Mining & Utilities sector contributed 12 deals for Q4 2015, none of these figured in the top ten.

SOUTH EAST ASIA HEAT CHART BY SECTOR

Industrials & Chemicals	143	30%
Energy, Mining & Utilities	70	15%
Business Services	65	14%
Consumer	51	11%
Technology and Media	50	10%
Financial Services	50	10%
Leisure	26	5%
Pharma, Medical & Biotech	25	5%
TOTAL	480	100%

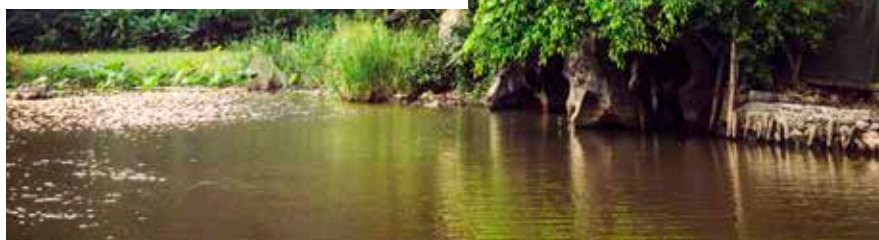
PE/TRADE VOLUME & VALUE



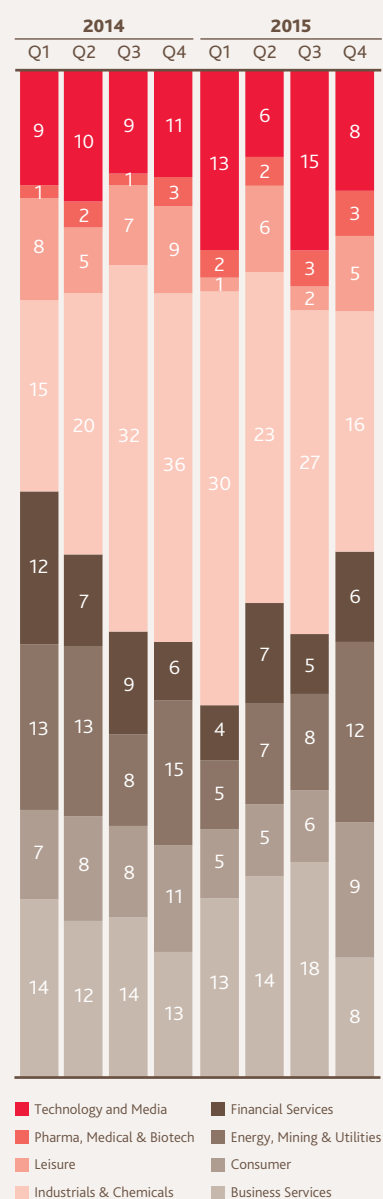
LOOKING AHEAD

M&A activity is heavily focused on the Industrial & Chemicals sector. This sector had the highest number of deals completed in Q4 2015 (16) and the highest number of deals in the pipeline as at the end of Q4 2015 (143). Meanwhile, M&A activity in the Energy, Mining & Utilities sector is slowing down with the total number of deals in the pipeline decreasing from 76 in Q3 2015 to 70 in Q4 2015. Prospective deals for other sectors, namely Business Services, Consumer, Technology and Media, Financial Services and Pharma, Medical & Biotech sector have also decreased from the previous quarter. Conversely, deals in the pipeline for the Leisure sector have increased from 20 in Q3 2015 to 26 in Q4 2015.

M&A activity in South East Asia will largely depend on the current economic challenges being faced by South East Asia countries, which include crude oil prices and the resulting fluctuation in the region's currencies. With South East Asian currencies weakening against the US dollar, investors with predominantly US dollar income or funding may find the region's assets more attractive. Therefore, cross-border transactions may become more of a feature ahead.



SOUTH EAST ASIA MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA



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BIG PICTURE

- Mid-market deal volume down but value up on Q4 2014
- Overseas investors continue to show significant interest in Australasian companies
- Looking ahead, Technology and Media and Consumer sectors are anticipated to be the most active sectors.

A solid final quarter as inbound investment steps up.

There were 95 transactions in Q4 2015 with a total value of USD 6.8bn. Comparing these figures to the previous quarter, deal volume was down slightly (96 in Q3 2015) but deal value registered a 16% increase on Q3 2015's total of USD 5.8bn. Similarly, when comparing Q4 2015 to the same quarter last year, total transaction value was up 8%, despite there being 35 fewer deals. As a result, the average deal value in Q4 2015 (USD 71m) was significantly greater than in Q4 2014 (USD 48m). Relative to historical levels, Q4 2015 value was the strongest fourth quarter since 2011.

Mid-market private equity (PE) transactions fell from 11 in Q4 2014 to nine in Q4 2015, with total value decreasing marginally from USD 1.2bn to USD 1.08bn. Compared to the previous quarter, Q4 2015 represented a significant decline in PE transaction value as Q3 2015 saw the highest PE deal value (USD 1.7bn) since 2008. Total PE value fell by USD 624m to USD 1.07bn, representing a 37% decline on the previous quarter. Despite the fall, Q4 2015 total PE deal value remains at the highest level since 2008 with the exception of Q3 2015. PE

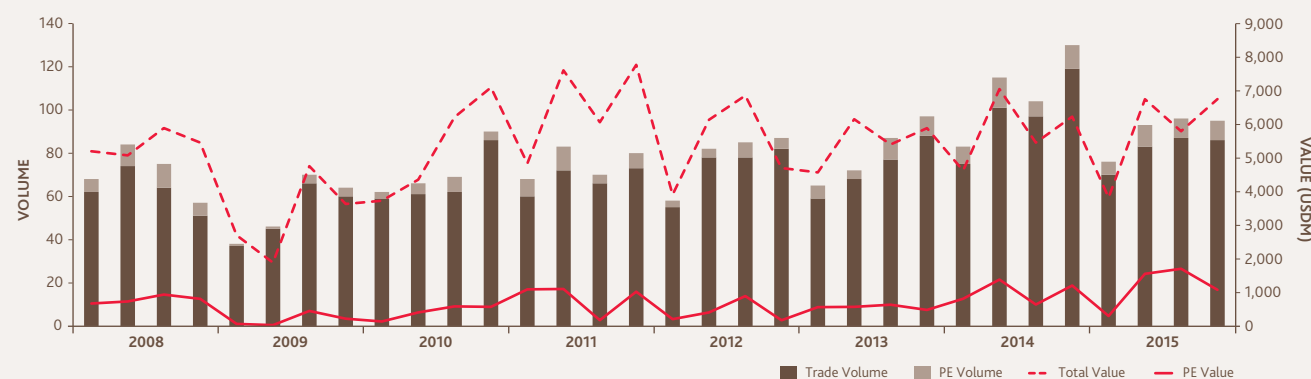
deals accounted for 10% of the total deals in the quarter and 16% of the total value, indicating that PE interest in the market remains positive.

KEY DEALS AND SECTORS

Q4 2015 saw a decline in deal volume across all major sectors compared with the corresponding period in 2014, with the exception of Financial Services, which saw 11 deals in the quarter (eight deals in Q4 2014) and Pharma, Medical & Biotech, which was flat with nine deals in each period. However, compared with Q3 2015, Q4 2015 saw increases for five of the seven sectors, with Consumer, Financial Services, Leisure, Technology and Media, and Pharma, Medical & Biotech all showing improved deal volume over the period.

The largest transaction in the quarter was Norwegian chemical company Yara International ASA's acquisition of Apache Fertiliser, the holder of a 49% stake in Yara Pilbara Holdings Pty Ltd (YPHL). The USD 391m acquisition gave Yara International 100% ownership of YPHL, which owns one of the world's largest ammonia production

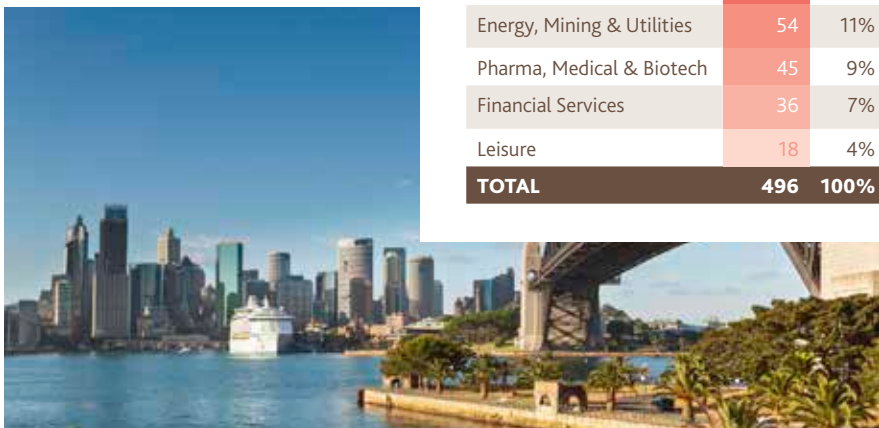
PE/TRADE VOLUME & VALUE



facilities. Another significant Q4 deal saw Australia's Northern Territory Government selling the lease to operate the Port of Darwin. China's Shandong Landbridge Group Co Ltd acquired an 80% ownership stake in the 99-year deal for USD 372m.

Despite a slight decline in M&A activity against the same period last year, the Energy, Mining & Utilities sector had three of the top ten transactions in the region in Q4 2015. Oil and gas exploration and production company Mitsui E&P Australia Pty Ltd acquired Santos Ltd's 35% interest in the Kipper gas and condensate field for USD 366m. Hony Capital, a Beijing-based private equity firm, purchased a 6.6% stake in Santos Ltd for USD 352m, and Beach Energy Limited acquired a 95% stake in oil and gas company Drillsearch Energy Limited for USD 287m. Q4 also saw significant activity in the Industrials & Chemicals sector with three major deals in the top ten, worth a combined value of USD 865m.

During Q4 2015 Australasia continued to attract significant interest from foreign investors looking to make local acquisitions across a range of industry sectors. Seven of the top ten deals in Q4 2015 involved overseas investors, up two from Q3 2015's five deals. This was equivalent to 33% of total Q4 deal value.



LOOKING AHEAD

We expect 2016 to continue to be buoyant in terms of M&A, with PE activity also remaining strong. With the appetite from foreign investors remaining high, we anticipate further growth in mid-market activity.

The BDO Heat Chart indicates that a possible 496 deals are under way or planned, which would represent a significant increase on the 360 deals completed in 2015.

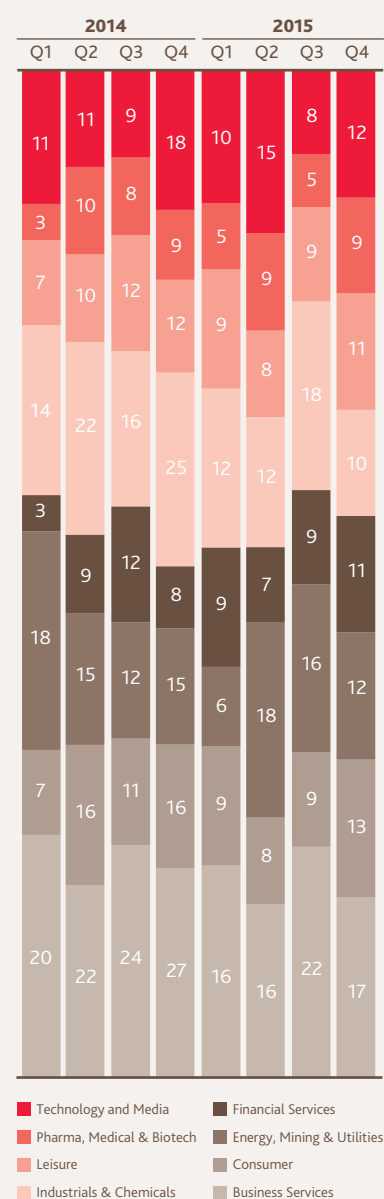
The chart suggests that Technology and Media will be the most active sector, followed closely by Consumer. As in the previous quarter, the BDO Heat Chart suggests that Industrials & Chemicals & Chemicals and Business Services are also expected to see moderate to strong levels of activity going forward, with 81 and 71 possible deals under way respectively.

The BDO Heat Chart indicates that 2016 will be another strong year.

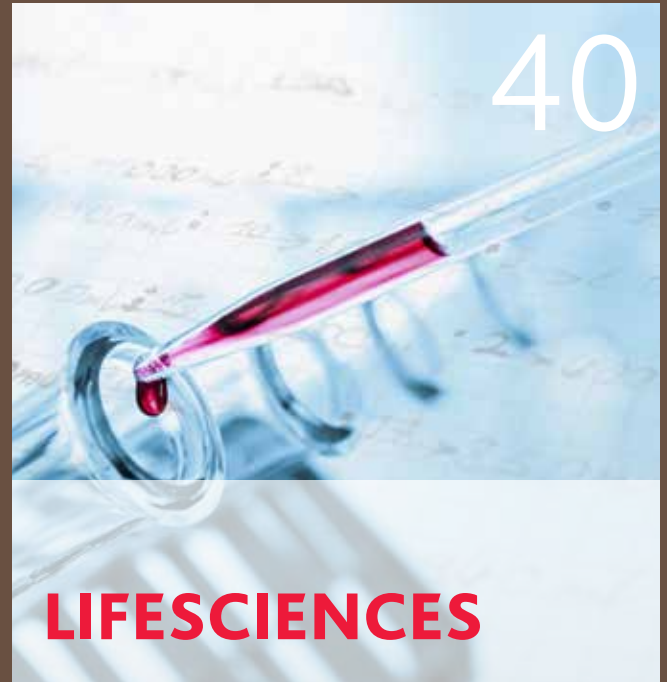
AUSTRALASIA HEAT CHART BY SECTOR

Technology and Media	97	20%
Consumer	94	19%
Industrials & Chemicals	81	16%
Business Services	71	14%
Energy, Mining & Utilities	54	11%
Pharma, Medical & Biotech	45	9%
Financial Services	36	7%
Leisure	18	4%
TOTAL	496	100%

AUSTRALASIA MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW



CONSUMER

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President

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Strong Appetite For Mega Consumer Deals.

Fueled by a triple-digit percentage increase in the number of deals over \$10 billion, which account for record-breaking 41% of announced M&A value, worldwide M&A totalled US\$4.7 trillion during 2015, a 42% increase from comparable 2014 levels and the strongest annual period for worldwide deal making since records began.


Seventy-one deals with a value greater than \$10 billion were announced during 2015, their combined value more than double the level seen during 2014. Overall, just over 42,300 worldwide deals were announced during 2015, a 0.2% increase compared to last year. 2015 will certainly be remembered as the year of the mega deal and the consumer sector was a major contributor to the robust activity levels and one of the most active sectors overall.

In March, H.J. Heinz and Kraft Foods Groups announced an historic merger valued at \$62.6 billion. The deal makes the new company, Kraft Heinz Co., the fifth largest food company in the world. Many believe the merger move was a defensive one aimed at addressing relatively low sales growth by cutting costs in order to make two of world's largest food companies more profitable. Aggressive cost cutting and economies of scale will likely further drive food company CEO's appetite

to consolidate and keep up with ever-increasing competition from specialized providers including healthy and fresh organic alternatives. M&A activity in the food sector will likely continue in 2016 as companies continue to look for sales growth and margin improvement while focusing on revitalizing somewhat tired and stale core brands.

While Kraft Heinz got much bigger to improve margins, Procter & Gamble elected to divest certain lines and brands rather than acquire new ones to boost the bottom line. This strategy is embodied by Coty's massive acquisition of Procter & Gamble's beauty business for \$12.5 billion. The sale is the single-largest divestiture ever by P&G, which said in early 2015 it would sell off about 100 brands to focus on 70 to 80 brands, products that were responsible for about 90% of the company's recent sales and 95% of its profit. In November, P&G announced it





Going forward renewed focus on margin improvement by jettisoning under-performing brands and non-core assets should accelerate in 2016 which will likely lead to an increase in overall M&A activity levels. Meanwhile, large, cash rich US-based consumer companies looking to take advantage of the strong US dollar and the low cost of capital will further consolidate market share by acquiring weaker players overseas. Going forward we expect the levels of M&A activity to increase as companies pursue these strategies and react to the acquisitions and divestitures of their competitors in an ever-increasing eat or be eaten world.

was selling its Duracell battery brand to Warren Buffett's Berkshire Hathaway, a few months after it sold its pet foods business to Mars. There have also been other smaller transactions as P&G loses the fat to focus on its strongest brands and end-markets.

The supermarket sector also saw a new transformational wave of consolidation in 2015 as Ahold bought Delhaize in a \$28 billion mega-deal continuing a trend of retailers seeking to dominate a particular geography. The deal between the Dutch and Belgian supermarket groups demonstrates a focus on local markets and maximizing regional market share, rather than outright globalization. While retailers struggle to balance the local needs of their customers with the demands of a global business to ensure purchasing power and cost management through volume, M&A is being used to quickly transform business plans and address local customer needs and emerging competition. Ahold/Delhaize

will operate over 2,000 stores on the East Coast of the United States. The success of the deal will be measured by the ability of the combined retailers to serve the diverse needs of its customers with local and fresh offerings to compete against the likes of Whole Foods and Fresh Market, while competing on price and scale with big boxes such as Walmart. The rationale behind the Ahold/Delhaize transaction is likely to be used in future retailing mergers as CEOs realize their companies are stretched too thin or lack strategic advantages while operating in too many markets.

The largest consumer deal of 2015 was Anheuser-Busch InBev's \$106 billion purchase of its competitor SAB Miller. The acquisition makes Anheuser-Busch InBev the largest player in the beer industry and expands the company's footprint in Africa and Latin America. The AB InBev/SABMiller deal is a good example of old

fashioned deal making where the rationale is tied closely to Global macro-economic conditions, availability of low cost debt financing, and the desire to expand market share. The AB InBev/SABMiller is the penultimate deal in the consolidated beer sector and it is very hard to imagine one bigger ever happening again.

While the mega deals get all the attention and media coverage, middle market M&A in the consumer sector performed quite nicely in 2015 driven by the low cost of debt, abundant cash, and a buyers needs for specialization – unique, higher margin consumer products. Of course, positive consumer sentiment helps fuel CEO confidence when making deals. Although volatile and region specific, most Global surveys show consumers continuing to voice the largest and most sustained increase in economic optimism since before the financial crisis.



LIFESCIENCES



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Valuations rise and drivers change as mid-market M&A shifts up a gear.

2015 was an exciting year for lifesciences and Pharma deal making, with record levels of M&A reported. Over \$400bn of deals were completed in 2015, up from a record \$202bn in 2014 – and that's without including Pfizer's recently reported \$160 billion merger with Allergan.

When finalised, the Pfizer/Allergan merger will create a company valued at more than \$300 billion, larger than current industry leader Johnson & Johnson which is currently valued at \$278 billion. The rationale for the deal is that it will enable Pfizer to take advantage of lower corporate tax rates in Ireland, where Allergan is domiciled. This motive is similar to that behind AbbVie's bid for Shire in 2014, which was effectively thwarted by US regulators. However, Pfizer appear to have circumvented any similar problems through the cunning ploy of, following the acquisition of Allergan, renaming the new company Pfizer.

MID-MARKET SHIFT

However exciting these mega-deals and numbers are, I would like to focus instead on mid-market deals in the Pharma services, which has seen a remarkable shift in valuations and buyer groups.

2015 saw a raft of lifescience service company deals hit multiples in the high teens. While multiples on past deals for CROs, CMOs, regulatory services businesses and consultancies have been historically high, they have rarely been beyond ten to eleven times EBITDA. What has driven this increase in multiple and is it likely to continue into 2016?



FIVE KEY FACTORS

In our experience five key factors have been driving such high multiples:

- 1 | Scarcity value of assets in the market
- 2 | Scale of the assets – anything generating £5M EBITDA and upwards is considered 'of scale', but the sweet spot range is £8M+
- 3 | Strong management teams
- 4 | Quality of earnings
- 5 | Competition for assets and the re-emergence of Private Equity (PE) as a potent force in the market

In reality the first four factors above tend to drive the competitive tension we have seen in the deals we have advised on, with the presence of PE in the deal process as a significant driver of higher valuations.

THE FACTORS AT WORK

A great example of these five factors at work is the acquisition of CRF by Vitruvian from Verdane Capital earlier in 2015. BDO advised management on the deal and experienced a fevered and highly competitive process between trade and PE. CRF is a healthcare tech business offering the capture of patient recorded data in clinical trials using mobile devices. It was one of only two remaining major players in the sector following the earlier acquisition of PHT by ERT, giving it the 'scarcity value' that is number one of the five key factors listed. CRF was considered to have a superior platform to PHT and a 'strong management team' - another key factor. It had been growing quickly with offices in UK, Finland and the US with an EBITDA well north of £10M, so it also had the 'scale' factor. Lastly the projects it was working on were multi-year, so the 'high quality of earnings' box was also ticked. Consequently, after a fevered bidding process Vitruvian emerged the victor with a record multiple achieved, well beyond the usually exceptional 12x EBITDA.

Another acquisition that BDO advised on later in the year was the acquisition of Quotient by GHO, a comparatively recent PE entrant into the market, raising €600M in mid-2015. Though a new player on the market GHO is staffed with both Industry and finance veterans from Quintiles, 3i and JP Morgan. By leveraging their sector expertise and making a knock out offer for an early phase CRO with an onsite reformulation business they were able to break a process and beat off Trade interest to secure the deal.

Private equity did not get it all their own way this year however, Chiltern managed to double its size to become the largest mid-size CRO, with some 4,200 people globally, through the acquisition of Theorem, a CRO specialising in oncology. This makes Chiltern now twice the size of their nearest mid-size competitor Medpace, and half the size of ICON, the smallest of the 'majors'.

LOOKING AHEAD

So how is next year shaping up? GHO and another healthcare specialist in the sector, Archimed are sharpening their pencils and we know of several major assets in the space either in the process or starting processes in Q1 2016, so the battle for scarcity and scale between PE and Trade will likely continue in just as fevered a fashion. Whatever happens in 2016, rest assured that BDO Lifesciences will be in the thick of it.

FINANCIAL SERVICES



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BIG PICTURE

- In 2015, global Financial Services mid-market deals fell 5% compared to 2014, capping two previous years of double digit increases
- The slowdown was largely driven by Europe, where mid-market deals fell by 28% in 2015 (-49% in Southern Europe). However, North America also saw a 10% fall
- In contrast, mid-market FS deal numbers in Greater China more than doubled in 2015.

M&A dips in 2015 but the causes are likely to be temporary.

When looking at mid-market Financial Services transactions, either closed or announced during 2015, certain general themes can be extracted. We have used these to identify five key industry trends and the 2015 European M&A transactions that illustrate them.

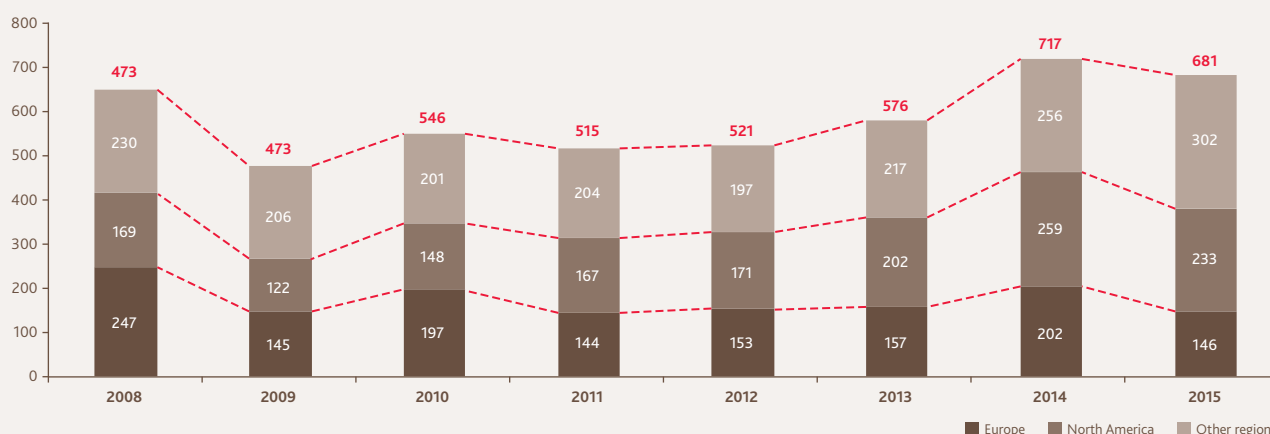
1 | INBOUND ACQUISITIONS FROM OUTSIDE THE REGION

A number of European financial institutions were acquired by strategic and financial investors from outside Europe during 2015. For example, Fosun Industrial Holdings, a wholly-owned subsidiary of Shanghai-based Fosun International Limited, bought Hauck & Aufhäuser, the German private bank, for EUR 210 million. Fosun had also announced the acquisition of BHF Kleinwort Benson Group in mid-2015, which was ultimately acquired by French Oddo & Cie. Fosun has made a number of major European investments in recent years, including the acquisition of Portuguese Fidelidade from Caixa. Another example of a 2015 inbound transaction into Europe was the acquisition of 12 million shares of Dutch Delta Lloyd for USD 204m by Fubon Life, a subsidiary of Taipei-based Fubon Financial Holdings.

2 | DISPOSALS OF NON-CORE, NON-PERFORMING BANKING ASSETS

European asset management vehicles, also called 'bad banks', assumed a large volume of non-core and/or non-performing banking assets as a result of the 2008-09 financial market crisis. In order to unwind these assets, the typically state-owned agencies divest banks and portfolios to investors. 2015 examples include the disposal of a performing loan portfolio to Oaktree by FMS Wertmanagement, the German asset management vehicle. Oaktree, after a back bid sale of a Bilbao shopping centre and the removal of two loans prior to transaction close, paid around EUR 260m in cash for the reduced 'Project Gaudi' portfolio. Another example of a disposal by an asset management vehicle was the 2015 acquisition of Westdeutsche ImmobilienBank by Aareal Bank, the German real estate financier. The disposal of a portfolio of loans held by The Royal Bank of Scotland Group to Cerberus, the financial investor, also illustrates this theme.

FINANCIAL SERVICES MID-MARKET TRANSACTION VOLUMES BY GEOGRAPHIC REGION, 2008-2015



Source: Mergermarket, BDO analysis



LOOKING AHEAD

Based on the five general themes laid out below, we estimate that the 2015 slowdown in Financial Services mid-market M&A activity – both in Europe and globally – will only be temporary. Appetite from financial investors, regulatory activity, evolving digital/online business models and strategies to explore growth in new markets will continue to trigger M&A deals in the Financial Services industry.

3 | PRIVATE EQUITY-LED ACQUISITIONS

Private equity investors announced or closed multiple Financial Services mid-market deals in Europe in 2015. For example, Apollo affiliated funds, together with the Bank for Reconstruction and Development (EBRD), acquired 100% of the shares held by the Republic of Slovenia in Nova, Slovenia's oldest and second largest bank, for EUR 250m. And Blackstone purchased 34% of the operative business of Agasti Holding, the Norwegian investment company, in autumn 2015.

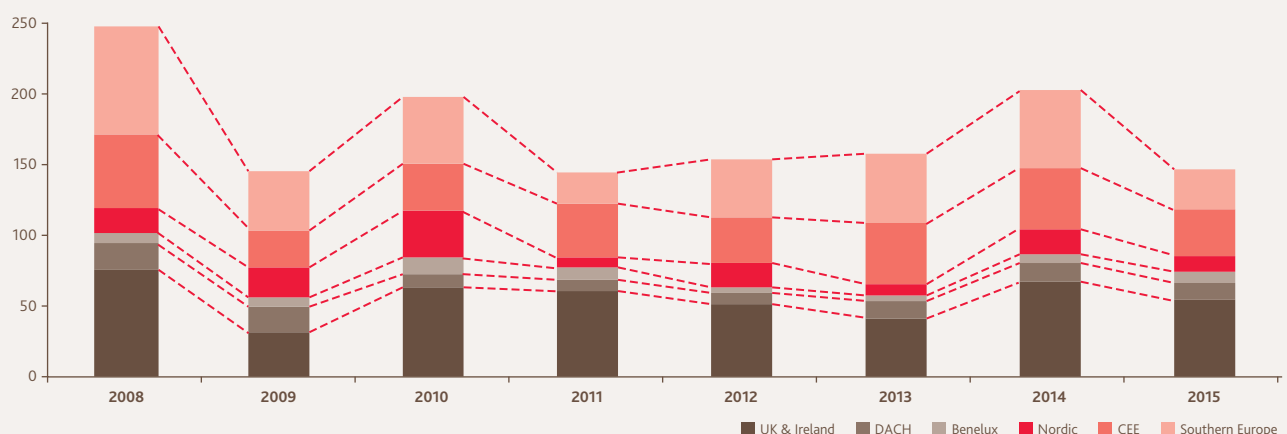
4 | ACQUISITIONS IN DIGITAL/ ONLINE BUSINESS MODELS

Online and other digital targets continued to be on the agenda for both strategic and financial investors in 2015. For instance, Playtech, the leading online gaming software supplier listed on the London Stock Exchange, acquired TradeFX, the holding company behind the forex and CFD broker Markets.com. Following this transaction and also during 2015, TradeFX itself entered into a share acquisition agreement under the terms of which it acquired the entire issued share capital of Ava Trade, an online B2C CFD broker for approximately EUR 95m.

5 | CONSOLIDATION IN THE INSURANCE BUSINESS

2015 deal flow in the insurance industry was mainly a result of the expected effects of Solvency II requirements, of solutions for closed life books and of manoeuvres to drive consolidation in insurance distribution. In order to enter a new business segment, listed financial advisor MLP acquired Domcura, the German non-life underwriting agency, in 2015 for a total of USD 13m, partly through issuing new MLP shares as a capital increase against contribution in kind. Another example was Ageas's 2015 acquisition of AXA's share in its Portuguese insurance operations for a total of USD 139m. Through this transaction, Ageas intends to strengthen its position in Portugal, especially in non-life, and to complement its existing activities by broadening distribution reach.

FINANCIAL SERVICES MID-MARKET TRANSACTION VOLUMES BY EUROPEAN COUNTRY, 2008-2015



Source: Mergermarket, BDO analysis





Data produced by The Mergermarket Group.

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