HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 2 | 2019

SEARCHING FOR STABILITY AND PROSPERITY IN CENTRAL AMERICA

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

BUILDING PRODUCTS & SERVICES

NATURAL RESOURCES

INDUSTRIALS & CHEMICALS

BDO

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BDO GLOBAL CORPORATE FINANCE

1,440 COMPLETED DEALS IN 2018

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

36% PRIVATE EQUITY DEAL INVOLVEMENT

28% OF OUR DEALS ARE CROSS BORDER

ONE OF THE **MOST ACTIVE** ADVISORS GLOBALLY*

AN **AWARD WINNING CORPORATE FINANCE** BUSINESS

2,000 CORPORATE FINANCE **PROFESSIONALS**

100 COUNTRIES PROVIDING DEDICATED **CORPORATE FINANCE SERVICES**

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

WELCOME

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

As we write this welcome, we have just finished our annual BDO International M&A conference in Vienna, Austria. The event was attended by delegates from the Americas, Europe, the Middle East and Asia, along with guest speakers from industry and international private equity and law firms. We discussed market developments and trends with the overriding feeling that deal activity remains high against a backdrop of widely available capital, low interest rates, high values and competition for assets.

The global M&A market in contrast has started the year with a marked dip in deal activity compared to recent years.

In the **'Global View'** article, we take a closer look at this market data and ask the question as to whether this decline in the quarter relates to confidence, the supply of available targets or simply a blip in the data. The BDO Heat Charts for predicted global deal activity still reveal reasons to be optimistic over the outlook.

As usual, we also look at the global themes that are influencing M&A and we continue to believe that they are in favour of maintaining momentum in the market in the medium to long term. In the short term however, political factors including the EU and US and China trade relationships are having an impact. Global economic factors are also having an impact. Despite these issues, we believe that strategic drivers, cash and opportunities will continue to fuel M&A activity.

In the **'Central America'** article, we look at how ineffective past policy has proved detrimental to economic prosperity in nearly all countries save for Costa Rica and Panama where stable leadership and investment in infrastructure, security and social services has translated to stronger economies. Leadership elections in Guatemala and El Salvador could be pivotal this year.

In the **'Sector View'** articles, we examine Building Products & Services, Natural Resources and the wider Industrials & Chemicals. In Building Products & Services, we have seen unprecedented levels of M&A. In Natural Resources, North America and China lead the way in deal-making activity. In Industrials & Chemicals, we identify how political and economic concerns are likely to impact on deal activity.

In summary, the deal data presents a paradox to the start of the year. The sharp decline could be concerning but there remains great promise in the underlying fundamentals of abundant cash and cost of debt. We need to navigate through the current impact of trade policy, political polarization and economic uncertainty.

We hope you enjoy this edition of Horizons whilst progressing deals and tackling the challenges that exist.

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GLOBAL VIEW

FIRST SHARP DIP IN GLOBAL DEAL ACTIVITY FOR FIVE YEARS

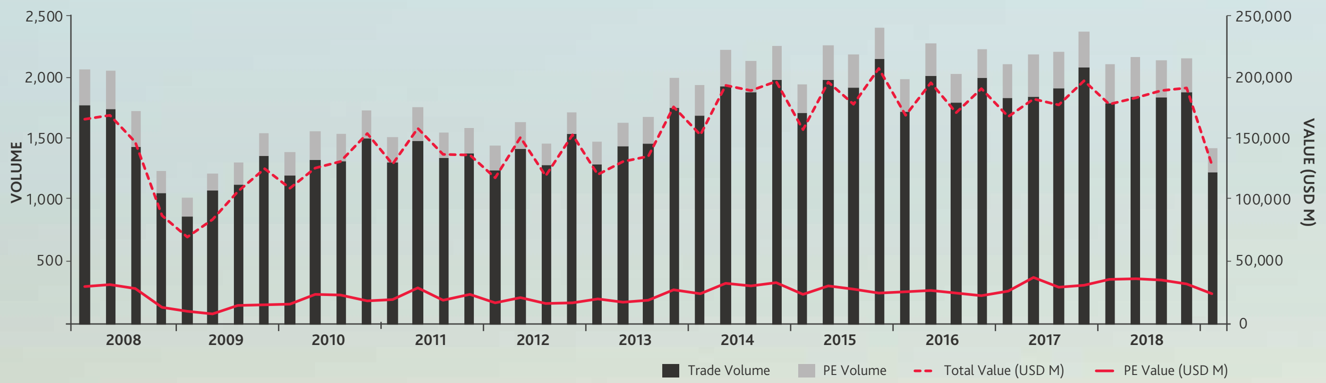
For M&A advisers, the first quarter deal data for this year makes sobering reading. Our sample of global mid-market deal volume dipped sharply to 2013 levels, falling from over 2,000 deals per quarter to less than 1,500. Aggregate deal value followed this trend with a fall from over USD 190bn per quarter to less than USD 130bn. Viewed in any language that is a sizable market correction.

In our last Global View, we noted that there is always a lag in the data and that while the activity had dipped below 2,000 deals in Q4, we expected that this understated the actual. This proved to be the case with actual Q4 deal volume coming in at over 2,100 deals, which was slightly up on Q3. Even allowing for that characteristic, while we can say that Q1 will be higher than 1,500 when all the data is available, it will still be well down on recent years.

This warrants a closer look at the underlying data. The first thing we observe is that the sharp decline is across both strategic and financial buyers alike. There is no shortage of available capital across either of these groups, so either this relates to confidence, the supply of available targets or maybe it is a blip in the recent buoyant market conditions.

Looking at geographies, the sharp dip was seen in 12 of the 17 regions that we cover. There were marked declines in activity in North America, China and Europe. Only the Middle East, India, Africa and Japan held up. Turning to sectors, the sharp decline was across the board. Every one of the nine sectors that we cover has suffered. Even our bellweathers of Industrials & Chemicals and TMT have been hit.

GLOBAL MID-MARKET M&A



The BDO Heat Charts of predicted deal activity make for much happier reading. They show that there are just under 8,000 rumoured mid-market deals around the world. This is actually up on the last quarter and corresponds to over a year's pipeline of deals at usual quarterly volumes of completed transactions. This support the view that there is no shortage of capital available and hints at Q1 being a blip rather than a trend.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Technology & Media	Industrials & Chemicals	Consumer	Business Services	Pharma, Medical & Biotech	Financial Services	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%*
North America	683	293	207	192	385	187	148	70	22	2,187	28%
China	203	347	117	159	92	93	101	46	60	1,218	15%
Southern Europe	101	119	136	83	37	41	44	23	12	596	7%
CEE & CIS	114	169	105	83	29	43	47	36	17	596	8%
South East Asia	78	73	61	56	26	49	41	26	21	431	5%
UK & Ireland	112	55	64	47	31	30	42	32	3	416	5%
Australasia	66	60	56	58	47	51	36	21	7	402	6%
DACH	50	116	59	37	19	11	21	9	2	324	4%
Latin America	64	42	55	58	16	50	21	13	1	320	4%
Other Asia	71	84	27	27	24	9	12	10	7	271	3%
India	61	33	24	25	10	7	38	11	5	214	3%
Nordic	40	44	27	31	27	13	17	7	4	210	3%
Benelux	40	46	33	30	22	8	9	6	2	196	2%
Japan	45	39	28	27	23	4	8	12	8	194	2%
Africa	19	44	21	24	3	34	18	5	10	178	2%
Israel	47	19	6	10	11	5	4	0	1	103	1%
Middle East	14	8	2	6	3	8	3	0	1	45	1%
TOTAL	1,808	1,591	1,028	953	805	643	610	327	183	7948	100%
	23%	20%	13%	12%	10%	8%	8%	4%	2%	100%	

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

GLOBAL THEMES INFLUENCING M&A

Despite the sharp decline at the start of the current year as outlined earlier, we still believe there are multiple factors that will drive deal flow, including:

Strategic buyers still dominate global deal flow – over 85% of global deals are led by strategic buyers but they remain selective and high prices can limit appetite.

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

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

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

Industrials & Chemicals and TMT remain the dominant sectors – between them, they represent more than one in four transactions.

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

Global politics is a factor – some European groups are still waiting to see what a Brexit deal looks like (and with the deal still rejected in a series of Parliament votes, we are no clearer on that) and Chinese outbound focus is shifting from the US to Europe.

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SEARCHING FOR STABILITY AND PROSPERITY IN CENTRAL AMERICA

Once dominated by agricultural exports and tourism, the adoption of market-oriented economic initiatives and reforms in Central America in the late 1980s and 1990s produced greater macroeconomic diversity and opportunities for foreign investment.

However, due to ineffective governance, civil war, corruption and a legacy of inequality and discrimination, such economic gains were short-lived and have not translated into improved living conditions for the majority of the region's residents. To make matters worse, Central America currently is undergoing a dramatic demographic transition in which the working age population, as a proportion of the total population, has grown significantly and is expected to continue growing in the coming decades. Although this transition presents a window of opportunity to boost economic growth, the region is failing to generate sufficient employment and economic stability to absorb the growing labor pool. Such factors have led to rampant poverty in the Northern Triangle region. With the exception of Panama and Costa Rica, the Central American people are among the poorest in the Western Hemisphere with scarce social services, limited opportunities to learn and exposure to endemic crime and violence.

As a result, asylum seekers are fleeing the region to seek refuge in Mexico or the United States in record numbers. In reply, President Trump and the Mexican government have taken aggressive actions to stem the flow of migrants through policy changes, heightened security and border reinforcement. The US has historically provided significant financial assistance to the region and in December 2018, Mexican Foreign Minister Marcelo Ebrard and the US State Department announced in a joint statement that the United States is committing $5.8 billion toward development in Central America. However, critics have since argued that much of this pledge is not new money and is contingent on the viability of proposed projects and mostly through loan guarantees, not direct assistance. More recently, in March 2019, the Trump Administration has threatened to reduce financial assistance and trade to Central America altogether unless migration is tamed, adding further confusion and uncertainty to the region's economic development and prospects for financial assistance.

In terms of economic development and prosperity, Costa Rica and Panama stand apart from their Central American neighbors to the north. Since 2010, Costa Rica has enjoyed strong and stable economic growth. Exports of bananas, coffee, sugar, and beef are the backbone of Costa Rica's commodity exports and the government maintains a strong relationship with key trade and corporate partners. Various industrial and processed agricultural products have broadened exports in recent years, as have high value-added goods, including medical devices which has created jobs and prosperity. Costa Rica is known for its beaches, volcanoes, and impressive biodiversity which makes it a key destination for ecotourism. Costa Rica stands as the most visited nation in the Central American region with close to three million foreign visitors annually which is more than 25% of visitors to all of Central America.

Panama's dollar-based economy relies primarily on a well-developed services sector that accounts for more than three-quarters of GDP. Services include operating the Panama Canal, logistics, banking, the Colon Free Trade Zone, insurance, container ports, flagship registry, and tourism.Panama is also a center for offshore banking. Panama's transportation and logistics services sectors, along with infrastructure development projects, have boosted economic growth as well. Future growth will be bolstered by the Panama Canal expansion project that began in 2007 and was completed in 2016. The expansion project more than doubled the Canal's capacity, enabling it to accommodate high-capacity vessels that are too large to traverse the existing canal. The United States and China are the top users of the Panama Canal and a new trade pact between the two economic superpowers will lead to increased maritime activity. In addition, the commissioning of the Cobre Panama copper mine, scheduled for 2019, should boost growth. Investment, both public and private, will also contribute to growth, and will focus on the continuation of major infrastructure projects, such as the building of new metro lines in the capital and an additional bridge over the canal, as well as the construction of other road infrastructure.

Costa Rica and Panama, while not perfect, prove that economic viability and independence are achievable in Central America through stable leadership and investments in infrastructure, security and social services. While the situation in the Northern Triangle has deteriorated for its citizens in the short term, the shift in the US approach to Central America coupled with unprecedented commitments from Mexico heighten the region's geopolitical stature and the need for impactful change.

2019 should prove to be a pivotal year as new elections in Guatemala and El Salvador offer some hope to change course and there are encouraging signs at the United Nations and other world organizations that the situation in Central America is dire and requires renewed focus, prioritization and increased aid and support.

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GLOBAL

7,948 RUMOURED TRANSACTIONS

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Q1 MID-MARKET M&A ACTIVITY SLOWS TO LEVELS NOT SEEN IN RECENT YEARS

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TREND OF LOW DEAL VOLUMES AND VALUES RETURNS AFTER TWO-YEAR HIGH OF PREVIOUS QUARTER

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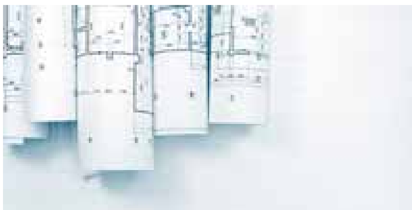

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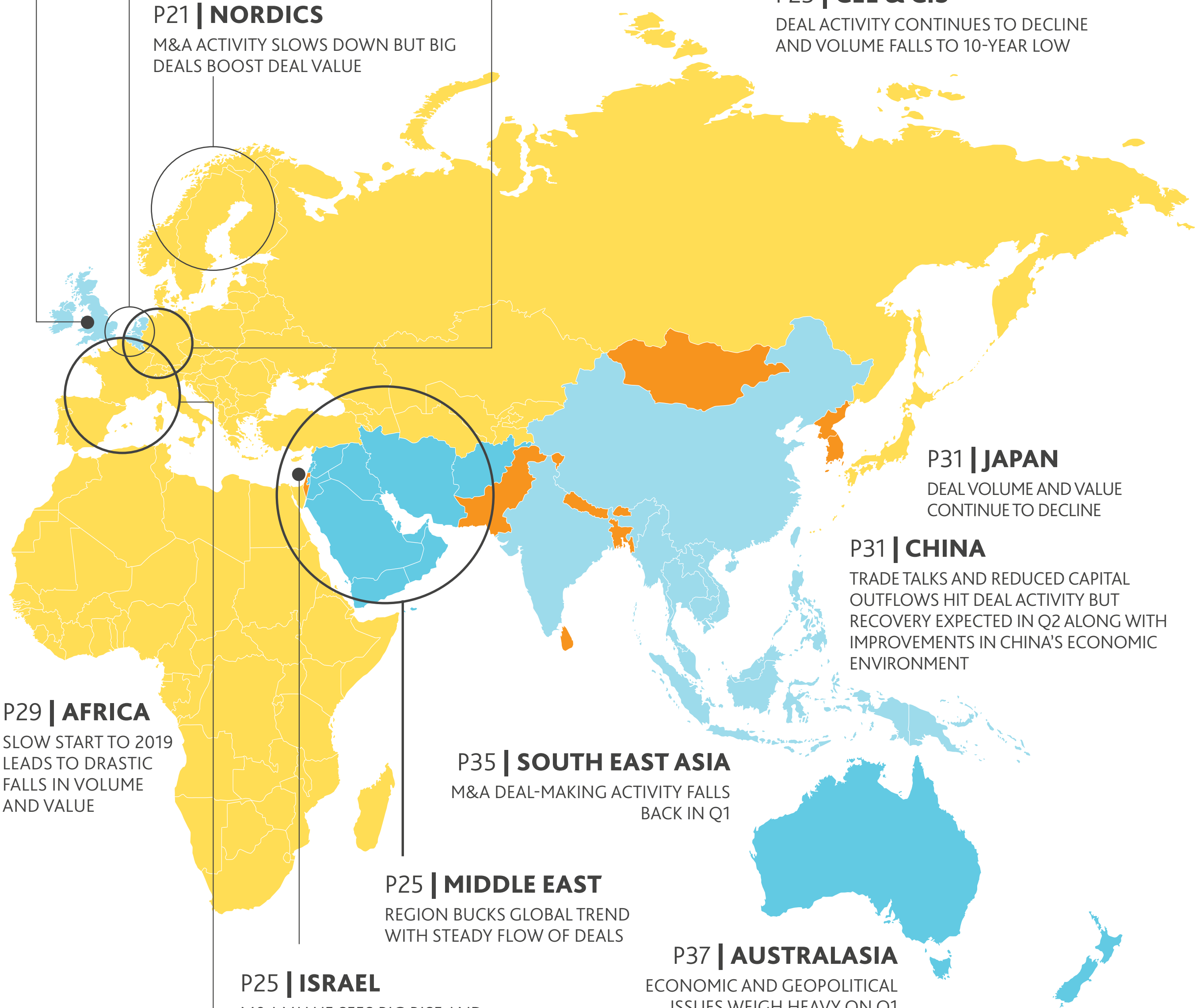

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SLOW START TO THE YEAR FOR DEAL VOLUMES AND VALUES BUT AVERAGE VALUE RISES

Key % movement

-20% to -11% | -10% to -1% | 0%
1% to 10% | 11% to 20%

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

NORTH AMERICA

Q1 MID-MARKET M&A ACTIVITY SLOWS TO LEVELS NOT SEEN IN RECENT YEARS

BIG PICTURE

- Deal volume was down 36.1% in Q1 2019 compared to Q4 2018 and down 42.8% compared to Q1 2018
- Deal value was down 41.1% in Q1 2019 compared to Q4 2018 and down 43.3% compared to Q1 2018
- Economic uncertainty, political headwinds and trade wars translated into decreased mid-market M&A activity despite a continuing abundance of dry power and access to capital
- Q1 2019 activity declined for all sectors over the prior quarter and compared to Q1 2018. Seven of the nine tracked sectors experienced the lowest deal volumes in five years with the exceptions being TMT and Consumer.

Overall, the North American mid-market experienced a significant downward trend in the volume of M&A deals during Q1 2019.

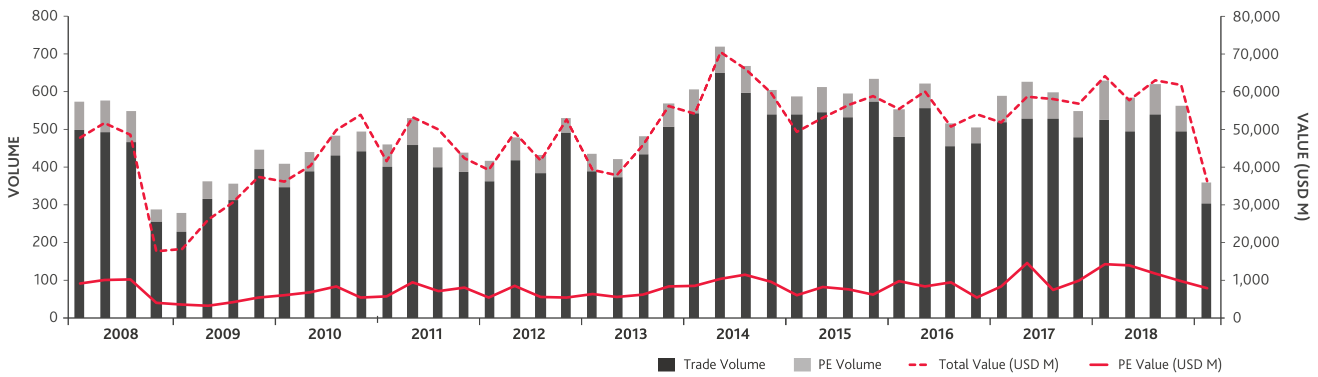
Deal volume fell to the lowest level since Q1 2009 with 360 deals reported, generating an aggregate dollar value of USD 36.4 billion. Despite strong underlying fundamentals, both strategic and PE investment weakened in the quarter.

The overall economic landscape for both Canada and the US showed a mix of positive and negative indicators. In Q1, the S&P 500 and NASDAQ grew 13.6% and 16.5% respectively after a significant market sell-off in the last quarter of 2018. US gross domestic product is anticipated to slow in the first quarter of 2019 to approximately 1.0% after the significant growth seen in 2018. The US employment rate continues to be at record lows at approximately 4%. Canadian equity markets also rebounded from the previous quarter with the S&P/TSX Composite Index increasing 11% in Q1 2019. Canadian unemployment rates continued to hold close to multi-decade lows at 5.8%. Sparked by slower than expected growth, the US Federal Reserve changed its forecast from two federal rate hikes to none in 2019. Likewise, Canada's overnight rate is expected to remain at 1.75% after multiple increases in 2018. The sudden change in monetary policy could continue in the wake of the first inverted yield curve on three-month and 10-year US Treasury bonds since late 2006 and early 2007. A persistent inverted yield curve has historically been a precursor to a recession and may indicate a downturn in the North American economy.

PERCEIVED HEADWINDS SLOW M&A ACTIVITY

A combination of indicators drove a slowdown in M&A activity in the first quarter of 2019 with the negative appearing to outweigh the positive. After a sharp downturn in Q4 2018, equity markets rebounded in the first quarter and despite multiple interest rate hikes in 2018, rates still remain low and PE firms continue to sit on high levels of dry powder. On the other hand, political instability, potential trade wars and volatile markets present ongoing issues that market participants are continually cognizant of before deploying capital. Couple these factors

PE/TRADE VOLUME & VALUE



with the general sentiment of North America soon entering a recession and you are left with cautious strategic and financial buyers. Furthermore, trade tensions in Canada and the US with both international countries and each other are also fueling uncertainty, especially in recent months. Sparked by the arrest of Huawei's CFO in Canada in December, China has implemented a number of punitive trade measures on Canada similar to those seen by the US. Closer to home, the United States-Mexico-Canada agreement (USMCA), agreed to by the three countries on 30 September, still has not been ratified as Canada and Mexico seek exemption from US tariffs on metal imports. The effect of these tensions, in many cases, is driving up input prices, lowering lofty seller valuation expectations and presenting macro level risks that are weighing on M&A activity.

Despite a pessimistic outlook by many, an economic downturn could spark opportunities for others. Private equity firms who have retreated due to recent inflated valuation expectations might have new-found interest if pricing inflation ceases. Strategic buyers who have reached a mature point in their life cycle and look to capitalise on record profits in 2018 may need to seek growth inorganically when the market slows. Both strategies could be a driver of deals in a potentially slowing market.

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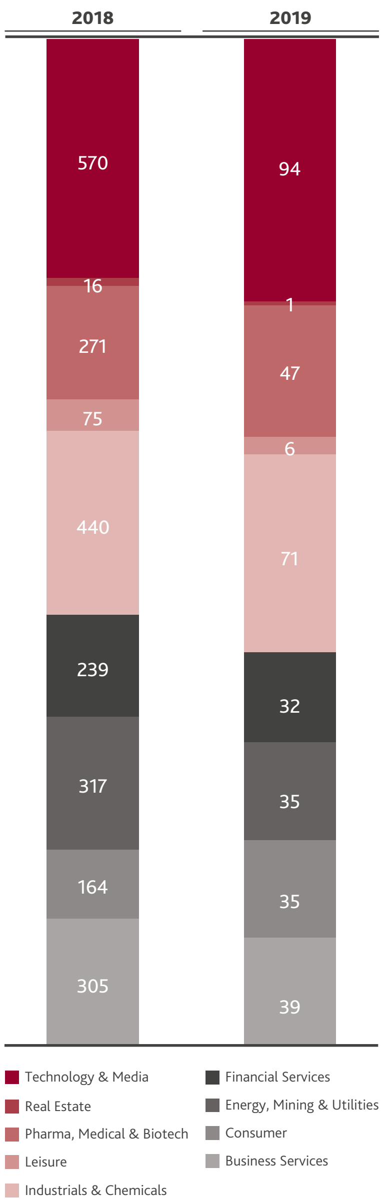
LOOKING AHEAD

Moving forward, North American M&A mid-market participants will tread cautiously on the heels of changing trade policy and economic uncertainty despite a continued abundance of cash and low interest rates. While much of the abundant cash driven by tax reform and repatriation in 2018 was used by strategic buyers for share repurchases and dividends, in 2019, we could see a shift to deploying extra cash for inorganic initiatives. Additionally, with a Canadian Federal election in late 2019 and the US presidential election in 2020, market participants will be actively watching and deciding whether or not now is the time to buy or sell. Conversely, there are plenty of positive industry dynamics which present the opportunity to fuel the market in the near and long term. First, the composition of much of the lower mid-market is baby boomer-owned and managed businesses. A number of these businesses are profitable but without an immediate succession plan and therefore represent attractive targets for acquisitions. This subsection of the market will significantly contribute to M&A activity moving forward as it has over the past couple of years, regardless of the economic lifecycle. Secondly, a number of specific sectors are experiencing rapid change in North America and could fuel M&A as well, particularly the new-found legal cannabis sector in Canada. TD Bank estimates that the cannabis sector will contribute as much as USD 8 billion to Canada's GDP. In parallel, M&A activity is growing as deal-makers become comfortable with and seek exposure to this new market. Market incumbents are also sparking growth as they continue to prepare for retail, expand distribution and strengthen their supply chain. Sustained growth is expected in the near term as more and more traditional capital providers and investors become comfortable with the sector, both in Canada and abroad.

NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	683	31%
Pharma, Medical & Biotech	385	8%
Industrials & Chemicals	293	13%
Consumer	207	9%
Business Services	192	9%
Energy, Mining & Utilities	187	9%
Financial Services	148	7%
Leisure	70	3%
Real Estate	22	1%
TOTAL	**2,187**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

TREND OF LOW DEAL VOLUMES AND VALUES RETURNS AFTER TWO-YEAR HIGH OF PREVIOUS QUARTER

BIG PICTURE

- M&A activity continued the trend of low deal volumes and values, which has been the case since Q4 2017, the only exception being Q4 2018, which saw the highest volume and value in the past two years
- Brazil was the most active country with seven deals worth USD 1,364m in the top 20
- Looking ahead, TMT tops the BDO Heat Chart and Business Services and Consumer are also predicted to see increased deal activity.

M&A activity in Latin America for the mid-market segment completed a total of 50 deals worth USD 4,811m, which represented falls of 35.8% in terms of the number of deals and 46.8% in terms of value compared with the previous quarter. In comparison with the corresponding quarter in 2018, both volume and value were down (38.2% and 42.8% respectively).

The accumulated number of deals in the last 12 months was 286 with a value of USD 27,905m, which compares with 332 deals and a value of USD 28,704m for the previous year, showing drops of 13.9% and 2.8% respectively.

Of the 50 deals completed in Q1 2019, three deals worth USD 313m were PE transactions, representing 6.0% of the deal count and 6.5% of the quarter's value.

Looking at deal value, the average was USD 96m, which although it represented a drop of 17.0% compared with the last quarter, was the second biggest deal average in the last 12 months.

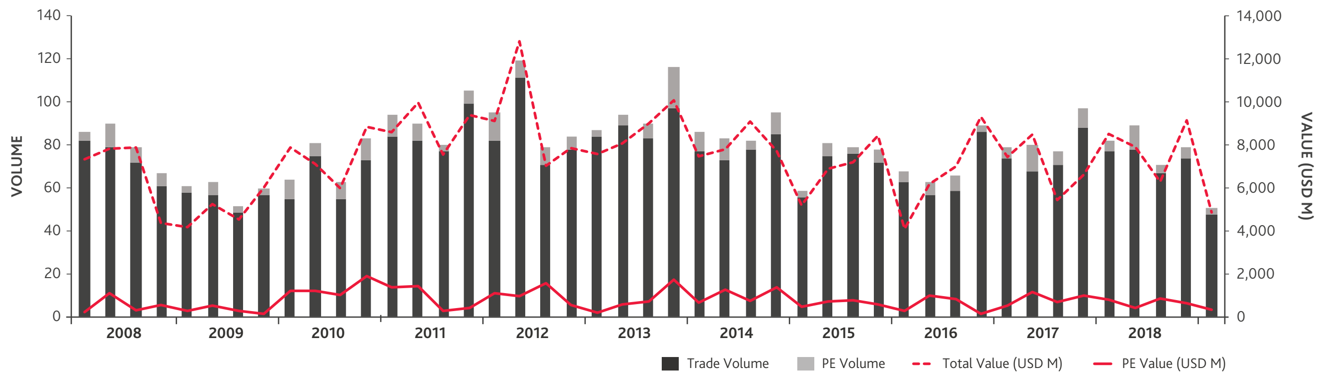
KEY DEALS

The top 10 deals for Q1 2019 totaled USD 2,948m, with Brazil leading the way in terms of target countries with four deals worth USD 1,053m, followed by Nicaragua with one deal worth USD 430m and Guatemala with one worth USD 333m. Looking at bidder countries, Mexico topped the list with two deals worth USD 648m, followed by USA with two deals worth USD 638m and Hong Kong, with two deals worth USD 491m. If we look at deal value from the bidder perspective, 82.1% of investment came from outside the region.

The region's top deal was in Industrial & Chemicals, namely the sale of 85% of the shares of transport and logistics operator Concessionaria Rota das Bandeiras S.A. to Farallon Capital Management and Mubadala Development Company from the US for USD 452m. The second biggest deal was in TMT, which was the USD 430m sale of mobile telecoms provider Telefonia Celular de Nicaragua, S.A to Millicom International Cellular S.A. from Luxembourg.

Argentina also featured in the region's top 10 deals with the sale of thermoelectric power plant Central Termoelectrica Brigadier Lopez to Central Puerto S.A, for USD 326m.

PE/TRADE VOLUME & VALUE



FOCUS ON ARGENTINA

From our experience in Argentina's Corporate Finance sector, we are now seeing a solid interest in cross-border transactions that we have not seen in previous years, in spite of the negative trends in Latin America's M&A market.

Interest in investing in Argentina is coming from both the US and Europe from front-line players at global level. We are also seeing divestment cases in specific industries where local players are taking over the business.

It is also worth noting the interest in oil and gas projects in the Vaca Muerta region. Vaca Muerta is the star of non-conventional oil and gas in Argentina, located in the south of the country in the Neuquén province. We see a lot of potential for growth in this area, not only related to the oil and gas industry but also in the wide variety of services required to support the development of Vaca Muerta including roads, telecommunications, housing, and other related services to facilitate increasing numbers of people in a region where the cities are relatively new and lack infrastructure.

LOOKING AHEAD

The BDO Heat Chart shows a total of 320 deals announced or in progress, which represents 4.0% of the Global Heat Chart. Opportunities are concentrated in TMT, Business Services, Consumer and Energy, Mining & Utilities, with a total of 64, 58, 55 and 50 projected deals respectively.

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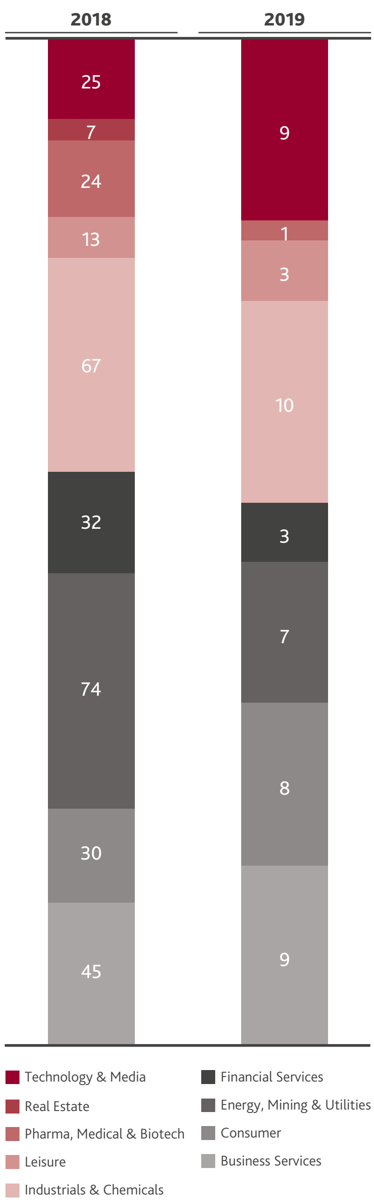
LATIN AMERICA
HEAT CHART BY SECTOR

Technology & Media	64	20%
Business Services	58	18%
Consumer	55	17%
Energy, Mining & Utilities	50	16%
Industrials & Chemicals	42	13%
Financial Services	21	7%
Pharma, Medical & Biotech	16	5%
Leisure	13	4%
Real Estate	1	0
TOTAL	**320**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

DEAL ACTIVITY IS SUBDUED AND DAMPENED BY EXTENSION OF BREXIT, BUT THERE IS PENT-UP DEMAND

BIG PICTURE

- Slowdown in deal making tallies with the overall global decline
- Aggregate values remain relatively robust
- Higher prices being paid by Private Equity as increasing funds are allocated to the mid-market.

Midmarket M&A in UK and Ireland sank 35% in the first quarter of 2019, as fears of a no-deal Brexit put a halt on corporate activity. Only 93 midmarket deals were announced during the quarter compared to an average of 150 transactions for the previous twelve quarters.

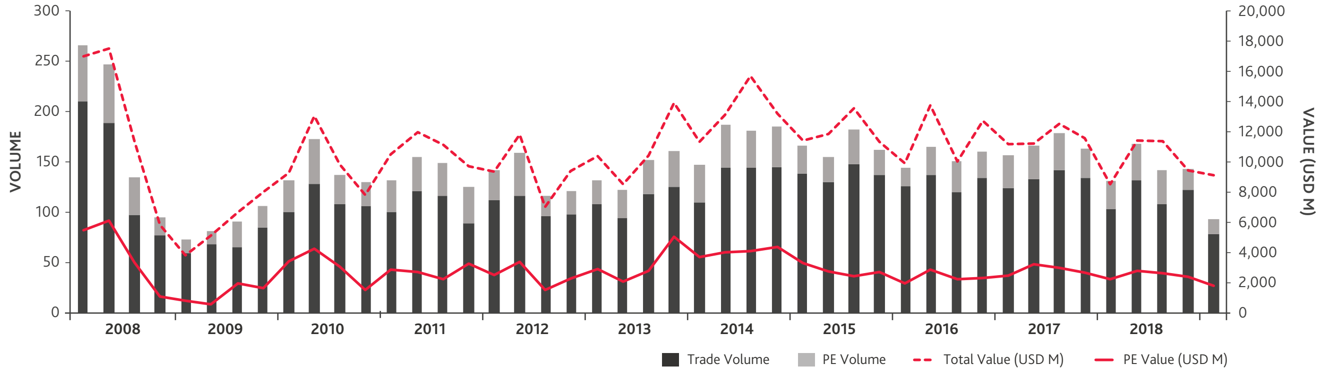
The slump in UK & Ireland tallies with an overall decline in M&A activity across the world, as investors and corporates are concerned about international trade tensions and a general slowdown in global economic growth.

The slowdown is evident across both trade and private equity, with buyers increasingly focussed on scaleable and strategic transactions. Although the number of private equity transactions did not decline by as much, they were still at their lowest levels in value terms since 2008 with only 15 deals reported with a total value of $1.7bn.

However it's not all bad news. Despite the significant decline in M&A activity, aggregate values remained relatively robust at $9.1bn; representing only 4% drop from last quarter and a 7% increase from the start of 2018. The total value of midmarket transactions in the region was buoyed by some larger deals, with the top twenty transactions representing over 70% of the aggregate value, as buyers seek scale for some transformative deals. As the quarter drew to a close a number of mega deals were announced and it will be interesting to see whether the trend towards larger deal-size continues across both trade and financial buyers.

While there was a notable drop in cross-border activity, nearly half of the top twenty transactions were international buyers from Japan, USA & ME, with the largest deal being SoftBank's investment in British digital bank OakNorth. The Financial services sector was one of the sectors that experienced the least

PE/TRADE VOLUME & VALUE



decline in activity with some significant transactions announced including Arthur J Gallaghers acquisition of specialist insurance brokerage Stackhouse Poland from Synova as well as their acquisition of the aerospace division of JLT plc.

Both TMT and Business Services were the busiest sectors across UK & Ireland as growing SMEs look to capitalise on the strong valuations and increasing number of buyers. Sucession planning continues to be at the forefront of these discussions where growth capital is seen as a key stepping stone towards a full exit for many SME owners. The Leisure and Consumer sectors also remained resilient as buyers look to consolidate with longer-term or “patient capital” being the principal source of funding.

According to the BDO PCPI/PEPI , we are also witnessing higher prices being paid by Private Equity buyers as increasing funds are allocated to the mid-market and to minority investing. This trend is likely to continue as the level of dry powder grows, compounded by the ongoing volatility of the capital markets.

LOOKING AHEAD

Looking ahead the BDO heat chart still highlights TMT as the most active sector, as both traditional and tech buyers look to innovate their businesses and accelerate growth through tech M&A. With valuations increasing and new venture capital funds continuing to enter the market it looks like Technology will underpin the bulk of M&A activity going forward.

According to the Heatchart, both the Consumer and Industrials & Chemicals sectors are also forecast to be active. While there is certainly pent-up demand, the extension of Brexit discussions to 31 October is likely to continue to dampen transactions across all sectors as the markets await the final outcome.

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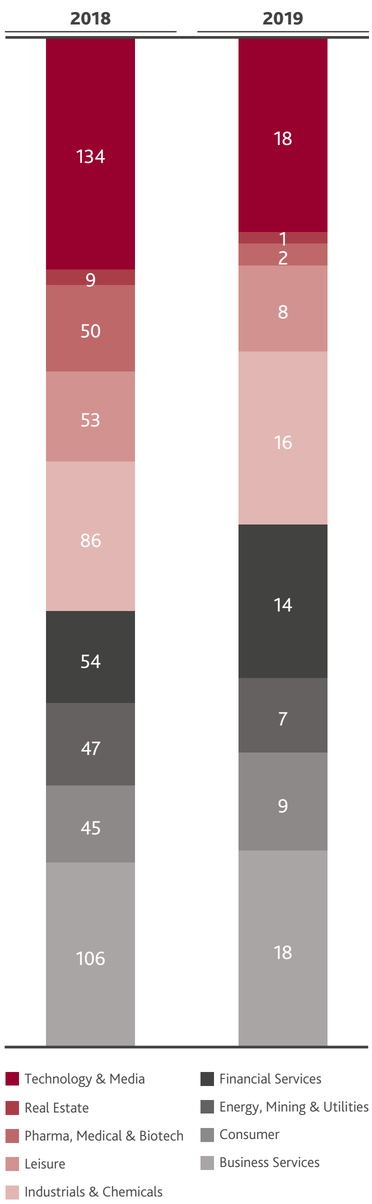
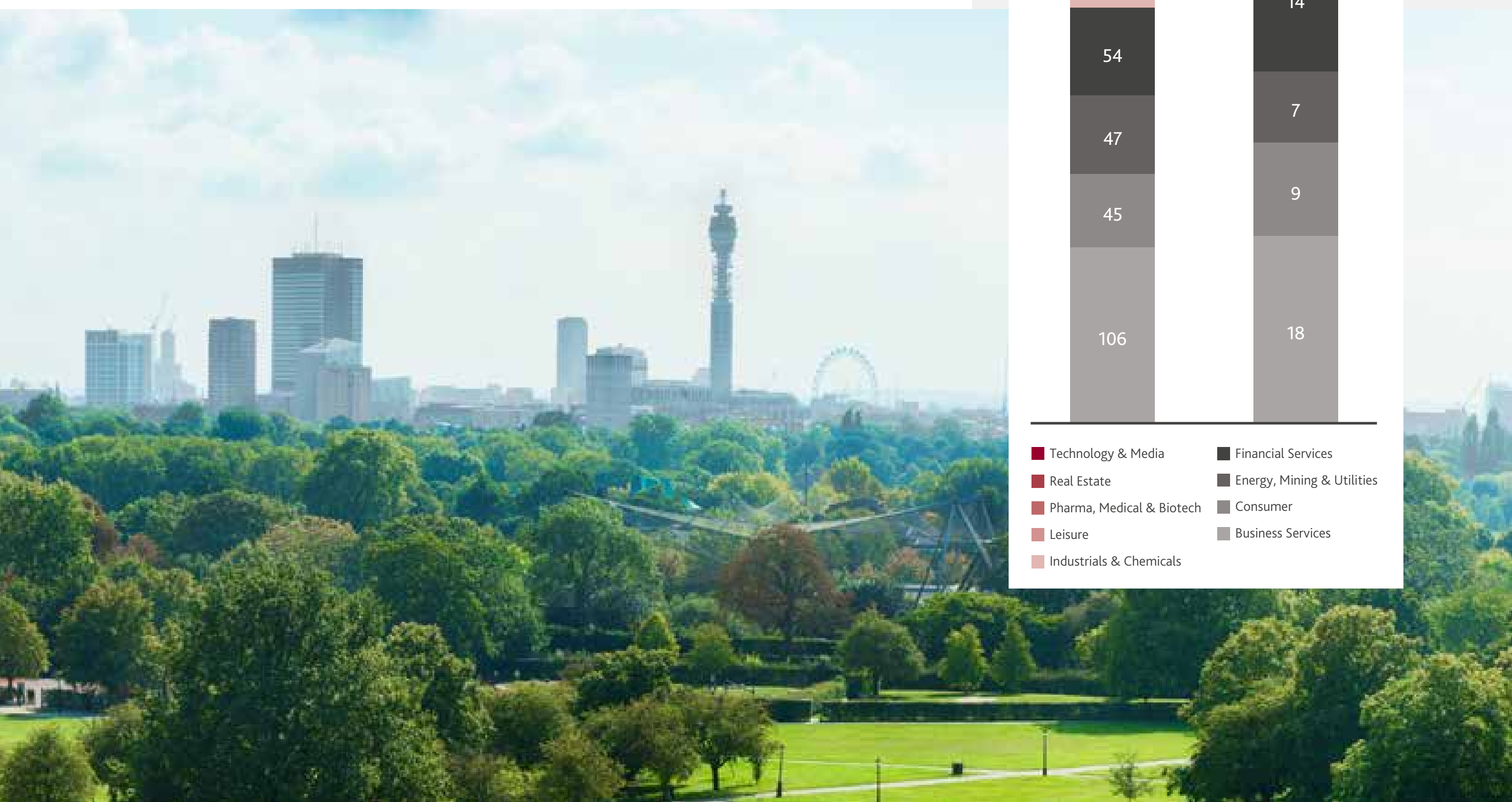
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	112	27%
Consumer	64	15%
Industrials & Chemicals	55	13%
Business Services	47	11%
Financial Services	42	10%
Leisure	32	8%
Pharma, Medical & Biotech	31	7%
Energy, Mining & Utilities	30	7%
Real Estate	3	1%
TOTAL	**416**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR





SOUTHERN EUROPE

SLOW START TO THE YEAR FOR DEAL VOLUMES AND VALUES BUT AVERAGE VALUE RISES

BIG PICTURE

- Q1 2019 saw declines in deal volumes and values but average value per deal increased
- Industrials & Chemicals lost its position as Southern Europe's most active sector, after 15 quarters in top spot
- The majority of the region's top 10 deals took place in Italy

Q1 2019 was a slow quarter for mid-market M&A activity in Southern Europe, with declines in deals by both volume and value, resulting in the lowest quarterly performance since Q1 2013. The deals totaled USD 9.6bn, dropping below the USD 10bn barrier for the first time since Q1 2014.

The number of deals fell by 21% and value fell by 16% compared to the previous quarter, maintaining the trend of a slower start to the calendar year.

The majority of the 113 deals completed in Q1 2019 (73%) did not involve PE M&A activity. However, generally speaking PE firms have been strengthening their position in Southern Europe's mid-market sector in terms of the number and volume of transactions.

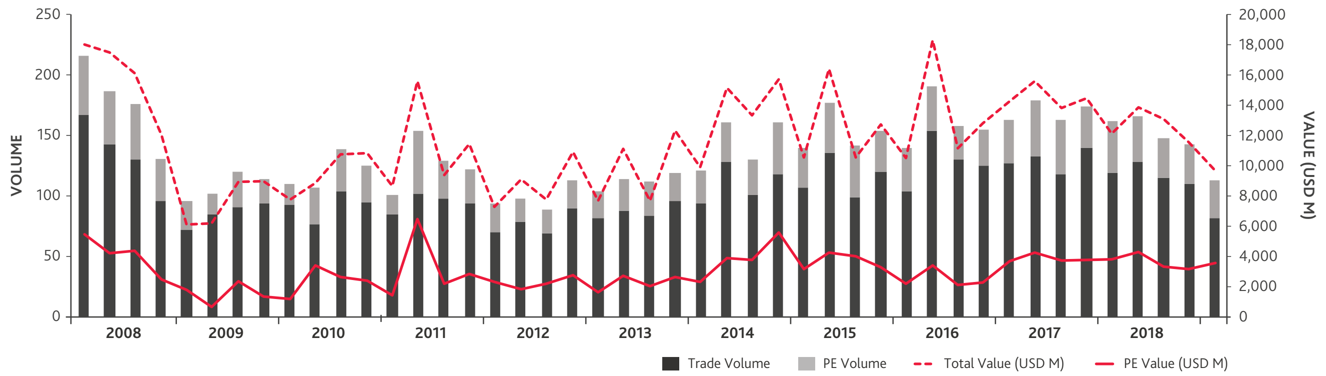
KEY SECTORS

The sectors most affected by the decline in M&A activity in Q1 2019 were Industrials & Chemicals, Leisure and Pharma, Medical & Biotech.

Industrials & Chemicals lost its place as Southern Europe's most active sector after 15 quarters in top spot, accounting for 17 deals in Q1 2019. The new top performing sector was TMT, with 25 deals completed during Q1 2019, representing a 22% share of the transactions. Overall, these performances contributed to a decline in M&A activity and the volumes recorded were at their lowest levels since Q3 2013 and also represented a fall of 30% from Q1 2018.

Business Services and Consumer Services, which followed TMT with 20 and 18 deals closed respectively (a combined 56% of the total transactions), were the only sectors to show increases in volume. Leisure, Pharma, Medical & Biotech, Financial Services and Real Estate were responsible for the largest relative decline in deal volumes.

PE/TRADE VOLUME & VALUE



KEY DEALS

The top 10 mid-market deals totaled USD 3.27bn, representing 33.7% of all transactions that took place in Southern Europe in Q1 2019.

The largest deal was the acquisition of a 48.2% stake in OLT Offshore LNG Toscana SpA, an Italian company operating in the Energy, Mining & Utilities sector, by the Australian company Colonial First State Global Asset Management for USD 453m.

The second biggest deal was the acquisition of Igenomix, a Spanish company operating in the Pharma, Medical & Biotech sector, by the Swedish fund EQT Partners AB for USD 450m. Another highlight was the acquisition of a 30% stake in Transdev S.A., a French company operating in the Business Services sector, by the German company Rethmann SE & Co. KG for USD 391m.

The top 10 deals were spread among several sectors, with no single sector dominating the quarter's biggest deals. Three sectors – Industrials & Chemicals, Financial Services and Energy, Mining & Utilities – shared top spot with two transactions each.

Italian companies were the most coveted targets in the top 10 with seven transactions, and Spanish companies were involved in two deals.

Half of the quarter's biggest deals were cross-border transactions and the nationality of buyers was headed by Italian companies, with four transactions (responsible for four national targets).

LOOKING AHEAD

Looking ahead, the market intelligence of the BDO Heat Chart predicts 596 deals, totaling 7.5% of the rumoured deals worldwide. This figure represents a 6% increase compared to the 563 rumoured deals for Q4 2018.

The Consumer sector is expected to lead the way in the region in terms of deal volume, accounting for 23% (136 deals), with Industrials & Chemicals and TMT expected to account for 20% (119 deals) and 17% (101 deals) respectively. This trio of the most active sectors is predicted to achieve 60% of transaction volumes.

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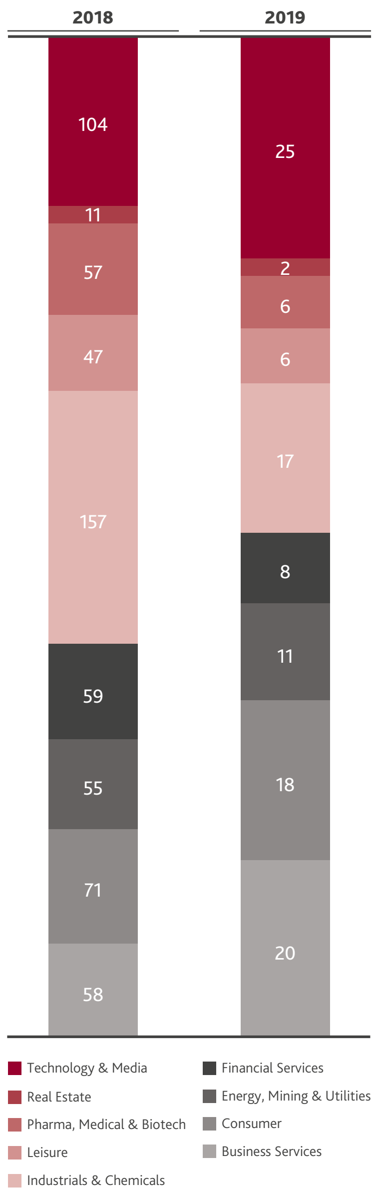
SOUTHERN EUROPE
HEAT CHART BY SECTOR

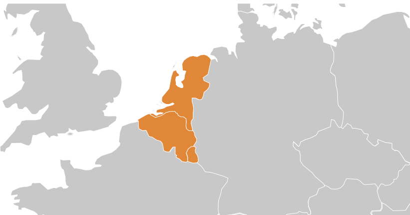
Consumer	136	23
Industrials & Chemicals	119	20
Technology & Media	101	17
Business Services	83	14
Financial Services	44	7
Energy, Mining & Utilities	41	7
Pharma, Medical & Biotech	37	6
Leisure	23	4%
Real Estate	12	2%
TOTAL	**596**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

DEAL NUMBERS FALL BUT AVERAGE VALUE INCREASES



BIG PICTURE

- Q1 2019 saw a low number of deals but a high average deal value
- PE M&A activity was limited in terms of deal value
- TMT accounted for 38% of deals

Compared to Q4 2018, Q1 2019 showed a decrease in both the number of deals (from 40 to 29) and the overall deal value (down from USD 3.718m to USD 3.328m). Compared to the corresponding quarter in 2018, the number of deals was lower (29 deals versus 33 in Q1 2018) but total deal value increased slightly (from USD 3.322m to USD 3.328m), illustrating that the average deal value per transaction in Q1 2019 was unusually high (USD 114.8m). By comparison, the average deal value per transaction in 2018 was USD 92.5m.

PE accounted for six transactions in Q1 2019, representing just 17.6% of the overall deal value, which was on the low side compared with the 34.6% recorded in Q1 2018. Transactions involving PE in Q1 2019 had an average deal value of USD 97.5m.

Looking at the global M&A trend, Benelux performed relatively well in Q1 2019.

KEY SECTORS

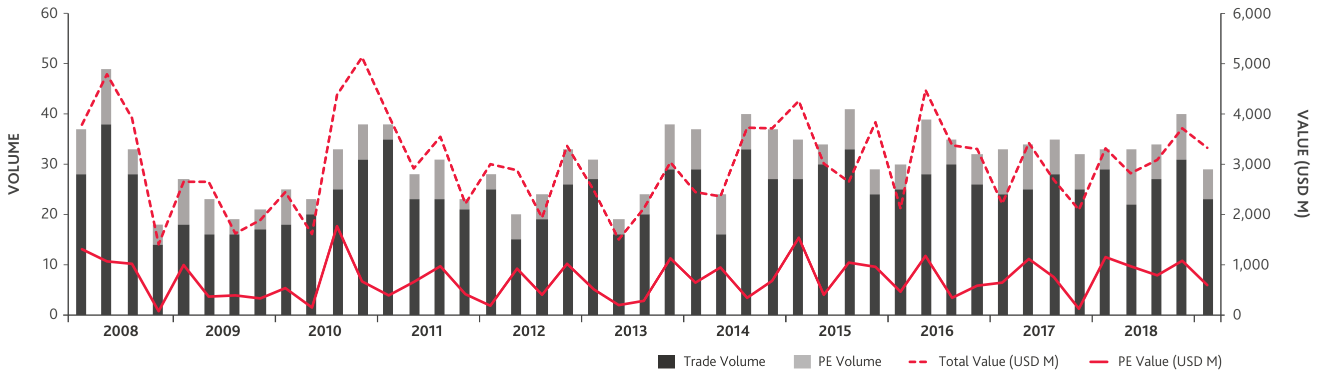
TMT and Industrials & Chemicals were the most active sectors in Q1 2019, accounting for 38% and 28% of deals. These two sectors accounted for 19 out of the 29 deals completed in Q1 2019. No deals were closed in the Consumer, Leisure, Real Estate and Pharma, Medical & Biotech sectors.

The top 10 deals in Q1 2019 ranged between USD 113m and USD 457m and took place in various sectors, including Energy, Mining & Utilities, Business Services, Financial Services and TMT. In the top 10 deals, there were nine foreign bidders (three from the United Kingdom) and only one was domestic.

KEY DEALS

The biggest deal in Q1 2019 was the sale of Miya Luxemburg Holdings S.a.r.l (a water technology solutions operator) by Arison Investments Ltd to International PE group Bridgepoint, for a total deal value of USD 457m.

PE/TRADE VOLUME & VALUE



The second biggest deal involved Q-Park Operations B.V., the holding company for parking facilities in Sweden, Norway and Finland ("Q-Park Nordics") from Q-Park Operations Holdings B.V, which was acquired by the Japanese Trading House Sumitomo Corporation from US investment fund Kohlberg Kravis Roberts & Co. for a total value of USD 450m. Q-Park Nordics operates about 370.000 parking lots and has a 20% market share of parking facilities in Sweden, Finland and Norway. In addition to the traditional operation of parking facilities, Q-Park Nordics is active in introducing new services such as electric vehicles charging equipment, car maintenance, tyre replacement, home delivery lockers, and cashless payment options.

In third place, 3i Infrastructure acquired Dutch energy infrastructure equipment provider Joulz Diensten BV through a USD 351m investment.

The fourth biggest transaction took place in Belgium and was the acquisition of a 4.92% stake in financial services company Euroclear by the London Stock Exchange Group for a deal value of USD 319m.

LOOKING AHEAD

The BDO Benelux Heat Chart by sector shows that there are 196 deals currently planned or in progress, which represents 2% of the total global deal volume. In the coming months, Industrials & Chemicals is expected to generate 46 deals, accounting for 23% of the region's total activity. The second most active sector is expected to be TMT (the most active sector in global M&A activity), which is predicted to complete 40 deals. Consumer, Business Services and Pharma, Medical & Biotech are expected to account for 17%, 15% and 11% respectively of all deals. The predicted deal numbers in these three sectors are in line with the expected global M&A trend.

The Intelligence Heat Charts are based on companies for sale tracked by Mergermarket in the respective regions between 2 October 2018 and 2 April 2019. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does not differentiate between small and large transactions, nor between deals that could happen in the short or long term.

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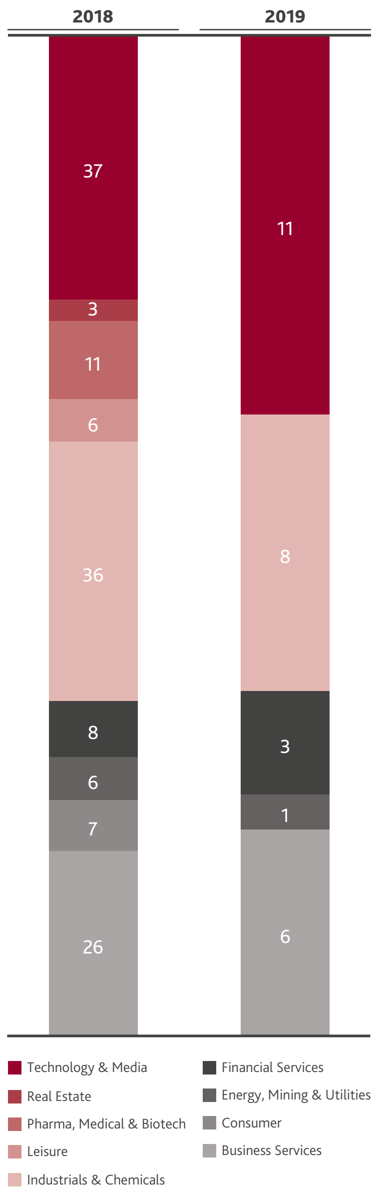
BENELUX
HEAT CHART BY SECTOR

Industrials & Chemicals	46	23%
Technology & Media	40	20%
Consumer	33	17%
Business Services	30	15%
Pharma, Medical & Biotech	22	11%
Financial Services	9	5%
Energy, Mining & Utilities	8	4%
Leisure	6	3%
Real Estate	2	1%
TOTAL	**196**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

VERY WEAK MID-MARKET DEAL ACTIVITY IN Q1 BROADLY IN LINE WITH GLOBAL TRENDS

BIG PICTURE

- Q1 deal values fell 51% compared to Q4 2018 and the number of deals declined 31% in comparison to the previous quarter. Q1 2019 deal activity also compares weakly to Q1 2018
- Industrials & Chemicals together with TMT remained the most active sectors for M&A active; only Business Services &, Pharma (+1 respectively) and Leisure (flat) did not decline
- Q1 PE activity was also very subdued but increased its percentage share of total deals by value and number compared to Q4 2018 and year on year
- The largest deal in the quarter was in Switzerland, with Germany remaining the most attractive target country within the DACH region and the second largest European market for M&A activity

DACH M&A activity trended markedly weaker in Q1 with a very sharp decline in both total deal value deal volume. PE deal value increased marginally but the number of deals declined to a 2 year quarter low.

With 35 transactions in DACH, recorded deal activity decreased by 31% in comparison to Q4 2018 and also declined by 26% compared to Q1 2018 which was itself a relatively weak quarter. The aggregate value of transactions fell sharply (-51%) to USD 3.1bn in Q1 2019 from USD 6.3bn in Q4 2018 and was 32% below the corresponding deal value of USD 4.5bn in Q1 2018. Q1 is traditionally a relatively weak quarter. However the negative trend in Q1 2019 which followed but was stronger than global mid-market M&A trends reflects increased risk aversion and pessimism around economic data and geo-political risks. Seller exit multiple expectations remain unchanged and high.

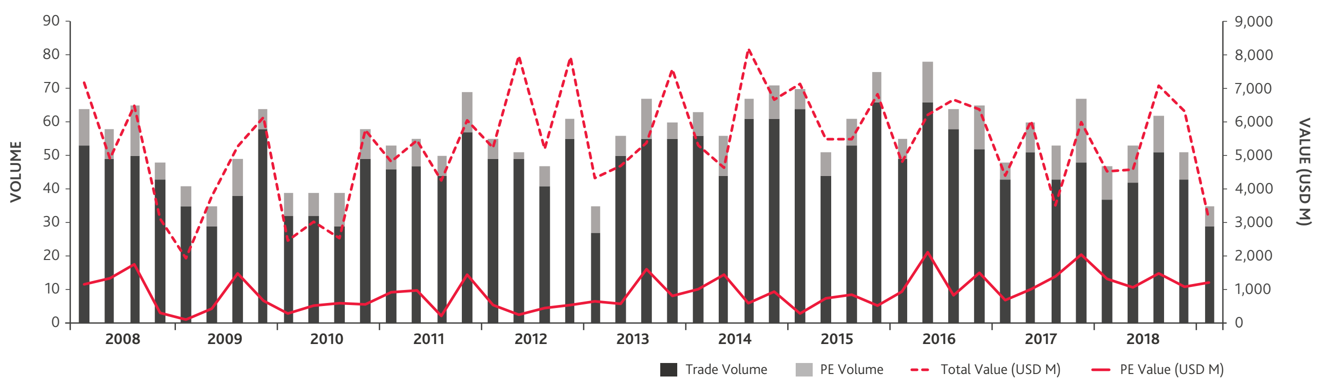
The total number of private equity deals was at its lowest level for any quarter since Q1 2017 with just 6 deals compared to 8 in Q4 2018 (-25%) and compared to 10 in Q1 2018 (-40%). The value of PE deals did increase 11.7% compared to Q4 2018 but conversely decreased 7.9% compared to Q1 2018. As a result PE deals increased their relative percentage of both the total number of deals and aggregate deal value in Q1 2019 to 17.1% and 39.4% respectively. The low level of PE deal activity reflects the dearth of targets and increased competition from family offices. PE interest in mid-market German companies is as strong as ever.

Nine of the top ten mid-market deals in DACH in Q1 2019 were in Germany and one in Switzerland. 90% of the deals were cross-border reflecting the ongoing high interest from international companies from the US, China, Middle East and Western Europe. Deals were driven by a mixture of trends, accelerate growth, access to new technology, PE exits, access to German market, refocus of activities and some restructuring.

KEY DEALS

The largest deal in the first quarter of 2019 was in the TMT sector and followed the announcement that Insight Venture Partners LLC (leading US tech finance investor) and Canada Pension Plan Investment Board have invested US$500m (to accelerate growth

PE/TRADE VOLUME & VALUE



organic and through M&A) in the Swiss software company, Veeam Software AG, based in Baar. Veeam is a leading privately owned software companies in the world with sales of US$1bn and a global market leader in cloud data management solutions (automate data management and ensure availability).

Two other interesting significant deals in the tech sector were 1) the acquisition by Alibaba (the Chinese online shopping giant) of German start up Data Artisans for a reported US$103m in January 2019. The Berlin startup is a pioneer in stream processing of data which will be increasingly important with the growth of AI and IoT and 2) the Series D US$300m financing of German Fintech N26 GmbH valuing it at US$2.7bn. Insight Ventures again led the round which also included a new investor Singapore Wealth fund, GIC. N26 is a mobile retail bank targeting the self-employed and SOHOs and is active in 24 countries having tripled its customer base in 2018 to 2.3m.

Also worth noting and to underscore international strategic interest in DACH was the acquisition by ITT Inc. (US) of Rheinhuette Pumpen GmbH (GER) a market-leading designer and manufacturer of centrifugal and axial flow pumps, from Aliaxis Group S.A for US$92m: rationale – gain IP and manufacturing capabilities in a target segment, complimentary to other products, bolster presence in Europe.

Loomis AB (Swe) one of the world's leading cash handling companies made its second acquisition in Germany within 12 months to establish a national footprint in Germany. It acquired Ziemann Sicherheit Holding GmbH for US$183m a provider of cash handling services. Loomis sees the German market as a key large market with cash circulation growing and an opportunity to provide a wide range of its portfolio services.

The largest Austrian deal in Q1 2019 was the sale for US$82m of Austria's largest family adventure park 'Familypark' by the founder shareholders to French strategic investor Compagnie des Alpes SA, a leading player in the European leisure industry. Compagnie des Alpes operates the biggest ski resorts in the French Alps and a number of leisure parks in Europe. Key to the investment was Familypark's catchment area: seven million people less than 2 hours drive away in Austria, Hungary and Slovakia.

KEY SECTORS

Quarter on quarter deal volumes were lower in Q1 2019 compared to Q4 2018 in all segments other than Business Services and Pharma, Medical & Biotech where each recorded one more deal than in Q4 2018 (6 and 5 respectively) and leisure which was flat – 3 deals.

Industrials & Chemicals followed by TMT remained the most active sectors for M&A activity in the DACH region (which has been the case since Q1 2014). The number of deals in each respective sector fell more steeply than the fall in the overall number of deals in DACH; a decline of 47% in Industrials and Chemicals and 40% in TMT. As a result TMT drew level with Industrials & Chemicals each with 9 deals which representing 25.7% of all deals respectively.

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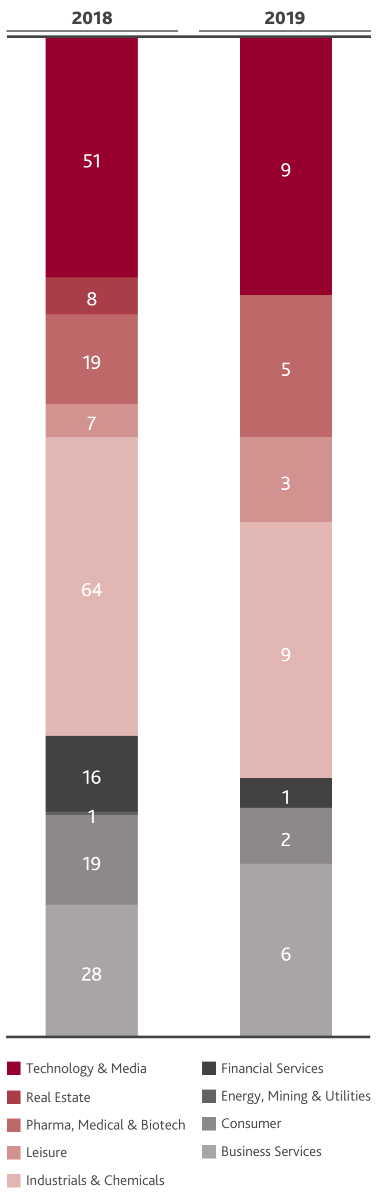
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	116	36%
Consumer	59	18%
Technology & Media	50	15%
Business Services	37	11%
Financial Services	21	6%
Pharma, Medical & Biotech	19	6%
Energy, Mining & Utilities	11	3%
Leisure	9	3%
Real Estate	2	1%
TOTAL	**324**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



DACH CONTINUED...

LOOKING AHEAD

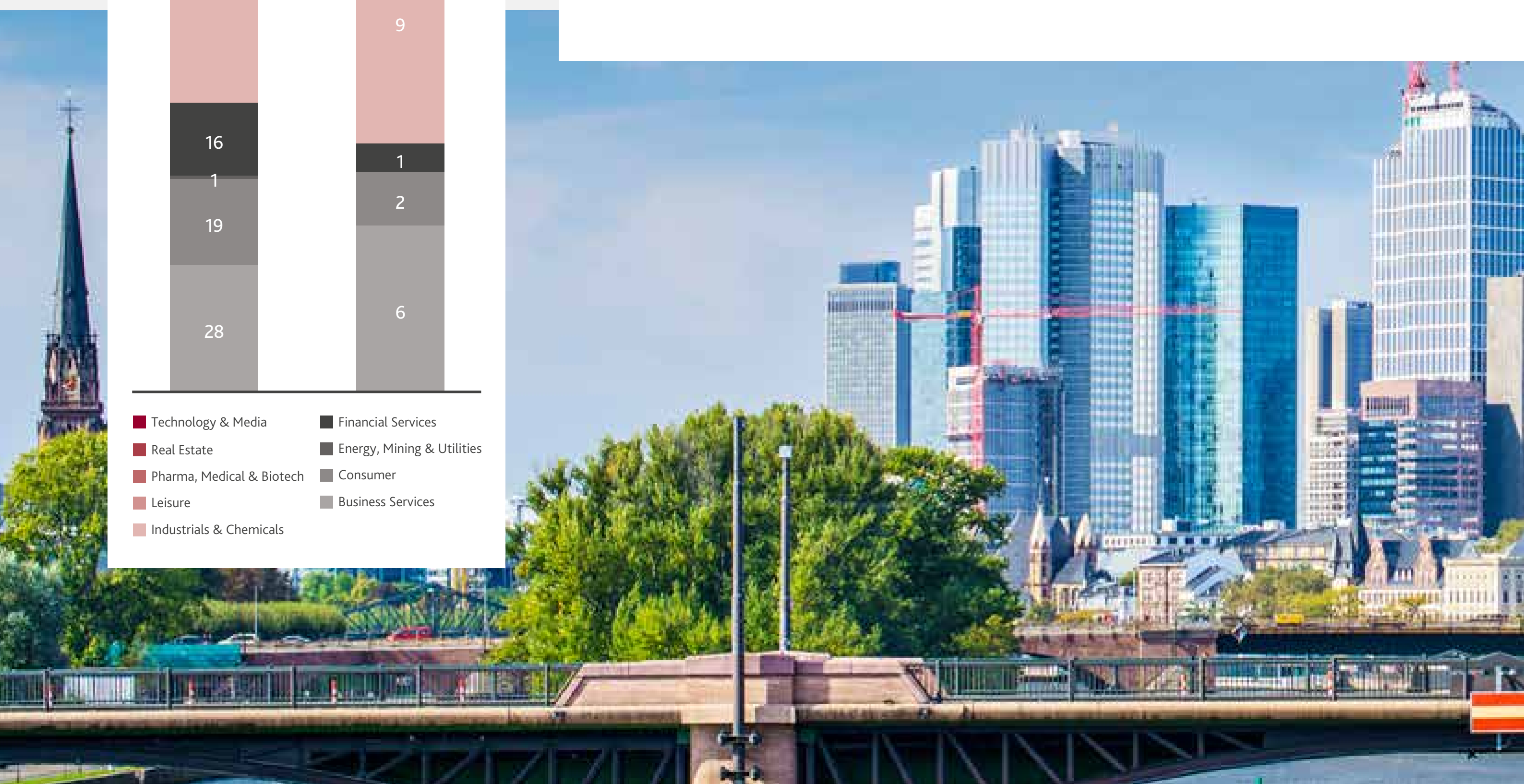
A year ago for Q1 2018 we reported lower than expected levels of mid-market M&A deal activity in DACH. At that time the trend seemed out of sync with DACH sentiment surveys and other core M&A markets. In Q1 2019 M&A DACH mid-market has been very weak but this is more in line with weak global M&A trends for the same period.

Whilst key economic drivers of deal activity in DACH (high levels of corporate funds/ favorable low interest rate environment) remain positive not only is the political environment regarded as increasingly fragile (including the risk around trade tariffs (very bad for the German automotive sector) and BREXIT outcome) but the German economic outlook is somewhat less positive. The German IFO Business Climate Index is now at 99.6 points in March 2019 compared to 103.4 points a year ago. In particular manufacturing companies are less optimistic about order levels reflecting a perception that the world economy will not be as strong overall in 2019 as in 2018.

Other key non-macro-economic drivers of deal activity - global trends, growth acceleration and gaining access to new technologies particularly in the face of digitization remain valid. As we have seen in Q1 2019 interest from international investors in the German market given its size and relative strength as the 4th largest economy in the world is expected to remain very strong. The impact of new tighter German non-EU foreign investment controls which will be approved in Q2 2019 remains to be seen.

The BDO Heat Chart indicates that 324 mid-sized companies are seeking to be sold in the DACH region at the end of Q1 2019 this is up 4.9% compared to 309 companies at the end of Q4 2018. Industrials & Chemicals and for a change Consumer are projected to be the most active sectors, making together 54% of all deals. The number of companies seeking to be sold in DACH has remained within a corridor of +/- circa 10% over the last 16 quarters (apart from three). This statistic is both a floor and potential cap on overall levels of mid-market M&A activity in DACH.

In summary we do not necessarily expect to see a significant pick up of levels of DACH mid-market M&A activity in Q2 2019 but, subject to unknown extraneous shocks, might expect stronger deal activity in H2 2019 when the German economy is also expected to pick up. The heat map suggests that the number of mid-market M&A deals in 2019 could still match at least levels of deal activity in 2018



NORDICS

M&A ACTIVITY SLOWS DOWN BUT BIG DEALS BOOST DEAL VALUE

BIG PICTURE

- Q1 2019 saw falls in deal volume and value compared to the previous quarter. However, total deal value in Q1 2019 was up 73% from Q1 2018 due to fewer and larger deals
- PE activity in Q1 2019 was 50% higher in deal value compared to Q1 2018, despite significantly fewer deals
- TMT was the dominant sector in Q1 2019 with 17 deals, followed by Industrials & Chemicals, Financial Services and Business Services, all with eight deals each

The total number of M&A transactions in Q1 2019 fell to 54 deals from the 61 deals completed in Q1 2018.

Deal activity in Q1 2019 represented the second weakest quarterly performance since Q3 2015, marginally outperforming Q3 2018. Despite the lower number of deals in Q1 2019 compared to Q1 2018, the total deal value in the same two quarters was USD 5,093m and USD 2,936m respectively. As a result, the average deal value nearly doubled from Q1 2018 to Q1 2019. Overall, Q1 2019 has fewer but larger deals than Q1 2018.

There were eight deals involving PE firms, a decrease from the corresponding period in 2018, and together with Q4 2017, Q1 2019 was the lowest quarter for PE deal volume since Q3 2016. However, the total deal value for PE firms in Q1 2019 was USD 873m, up approximately 50% from Q1 2018.

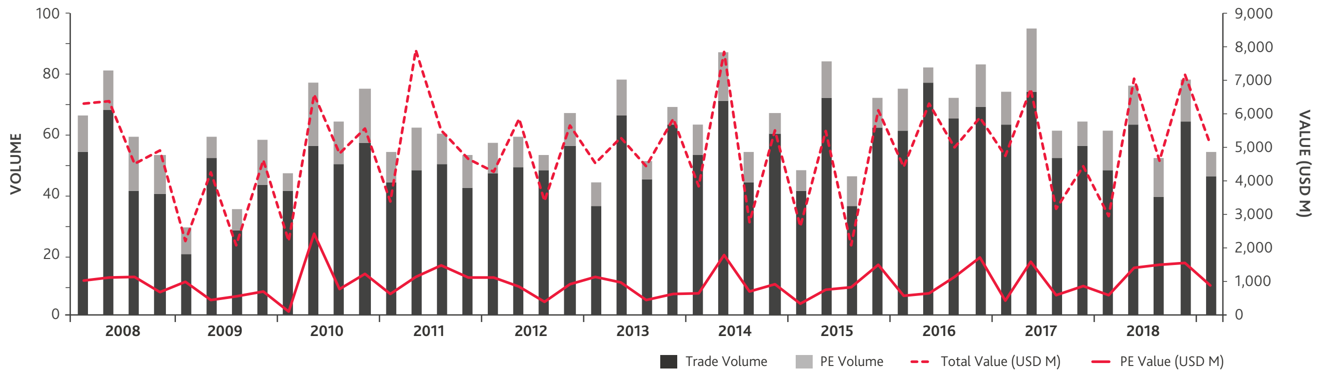
KEY SECTORS AND DEALS

The top 10 deals in the Nordics in Q1 2019 accounted for approximately 60% of the total transaction value ¬— Sweden and Denmark each had three; Norway had two; and Finland and Iceland had one each. Three of the top 10 deals were in the TMT sector, and there were two deals each in Industrials & Chemicals, Energy, Mining & Utilities, and Financial Services. The last of the top 10 deals was a Real Estate transaction in Norway.

The largest reported transaction by deal value was the USD 468m acquisition of the outstanding stake of 25.8% in investment company Awilhelmsen by the Arne Wilhelmsen family, which after the deal became the sole owner.

The second largest deal, at USD 450m, was the acquisition of a 30% stake in the Denmark-based catalysis company Haldor Topsoe A/S, by Singapore-based state-owned sovereign wealth fund Temasek Holdings Pte. Ltd. Following the

PE/TRADE VOLUME & VALUE



transaction, Haldor Topsoe is set to grow its operations in the Asian and other emerging markets through Temasek's network and connections in the region.

The Canadian global IT consulting company CGI Group's acquisition of listed IT consulting company Acando AB was the third largest deal in Q1 2019, with a deal value of USD 449m. This deal is part of CGI's growth strategy to strengthen its capabilities in Northern Europe and will bring more than 2,100 professionals with complementary expertise into the Canadian group.

TMT was the most active sector in the Nordics with 17 of the reported 54 deals in Q1 2019. In second place, three sectors tied with eight deals each, namely Industrials & Chemicals, Financial Services and Business Services. The same sectors were also the most active during 2018 apart from Financial Services, which reported 15 deals, whereas there were 65 deals in Industrials & Chemicals, 58 in TMT and 50 in Business Services.

LOOKING AHEAD

M&A activity seems to have slowed down somewhat in 2018 and Q1 2019 compared to 2016 and 2017 but it is expected to remain stable for the rest of the year. However, in many aspects market uncertainty has increased due to the expected increase in interest rates, trade war, geopolitical uncertainties and the ongoing turmoil in the stock markets, which saw a recovery in Q1 2019. We expect the TMT sector to remain active throughout the Nordics and PE firms to contribute to deal-making activity going forward.

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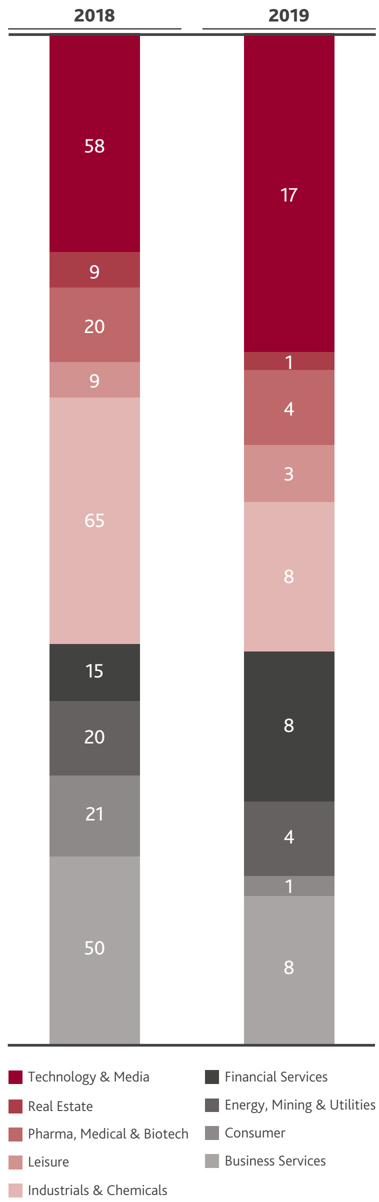
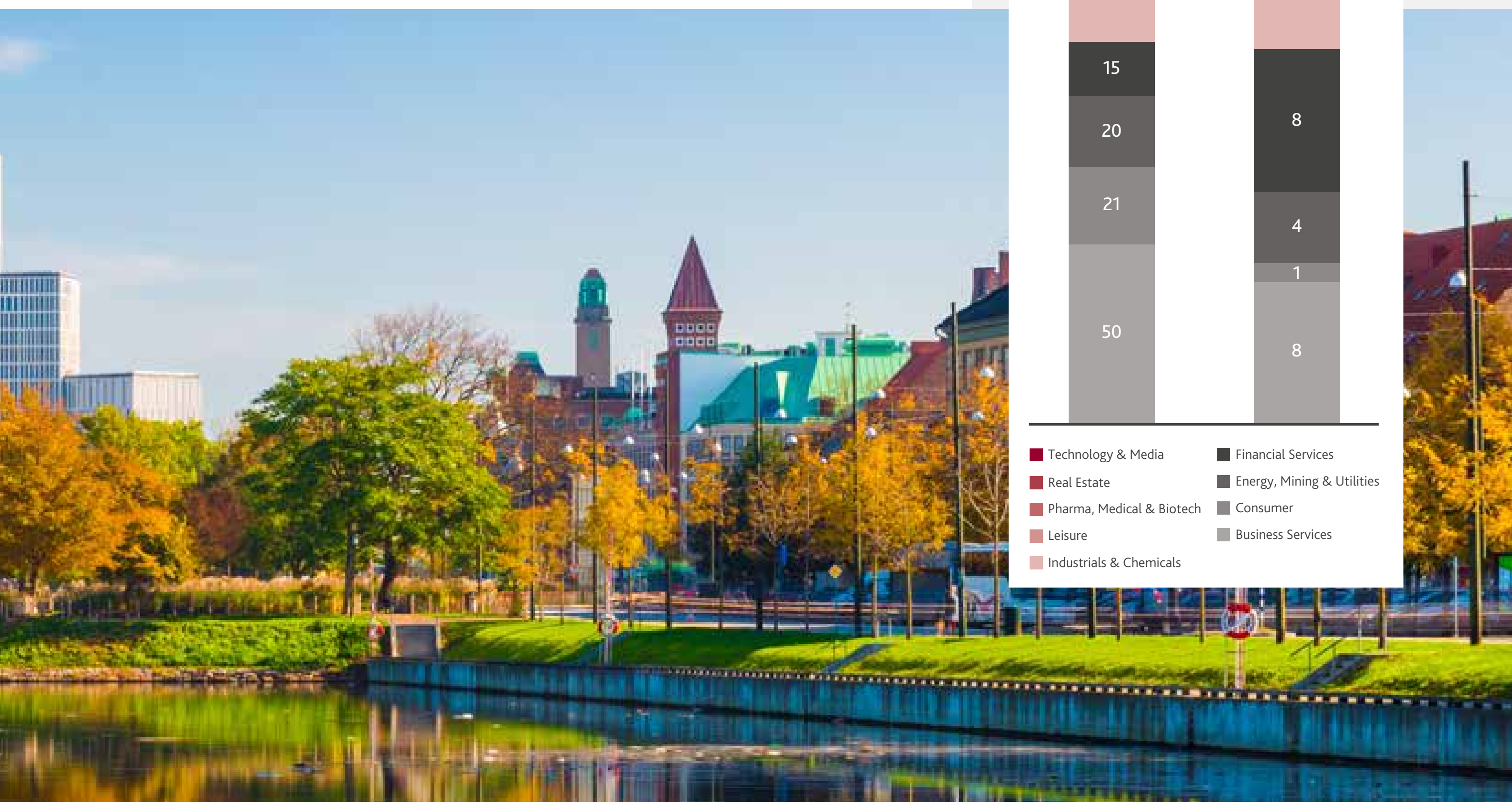
NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	44	21%
Technology & Media	40	19%
Business Services	31	15%
Consumer	27	13%
Pharma, Medical & Biotech	27	13%
Financial Services	17	8%
Energy, Mining & Utilities	13	6%
Leisure	7	3%
Real Estate	4	2%
TOTAL	**210**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR





CEE & CIS

DEAL ACTIVITY CONTINUES TO DECLINE AND VOLUME FALLS TO 10-YEAR LOW

BIG PICTURE

- Q1 deal activity fell compared to Q4 2018 in terms of value and volume. Total deal volume was down 45% in Q1 2019 versus Q4 2018 and down 36% compared to Q1 2018. Average deal value increased by 25% compared to the same quarter last year
- Industrials & Chemicals remained strong in CEE & CIS, but Energy, Mining & Utilities recorded no transactions (15 in Q4 2018)
- Surprisingly there were no PE transactions in Q1 2019.

In Q1 2019, the CEE M&A mid-market continued to decline. There were only 41 deals completed with a total value of USD 3,68bn, which represented a fall of 36% and 21% respectively in volume and value compared with Q1 2018, and a drop of 46% and 31% compared with Q4 2018. In terms of volume, Q1 2019 was the weakest quarter in the last decade. On the positive side, average deal value increased by 25% from USD 72m in Q4 2018 to UDS 90m in Q1 2019.

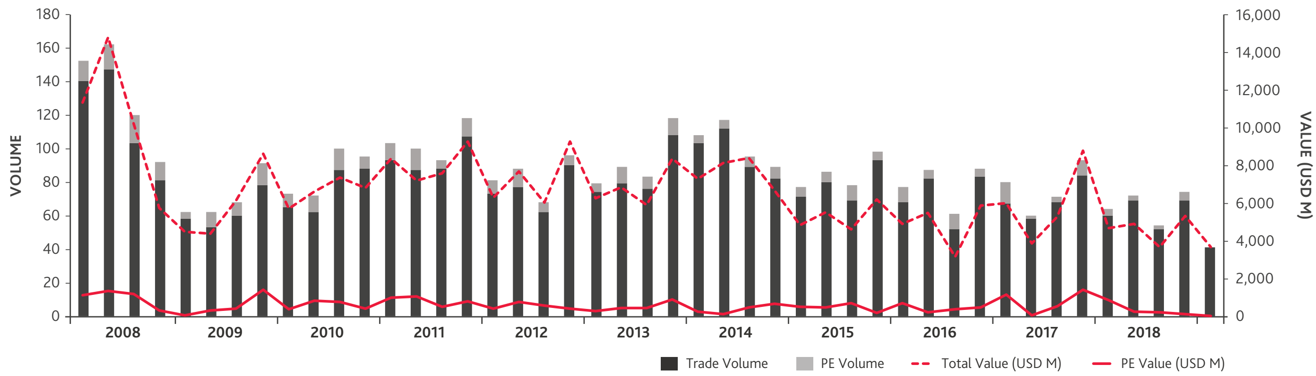
The sluggish M&A market was also illustrated by the fact there were no PE buy-outs in Q1 2019, compared to four in Q1 2018. However, the significant fall-back in the number of PE deals was in line with global trends, where there was a drop of 32% in total volume compared to Q1 2018.

KEY SECTORS AND DEALS

Three of the region's five biggest deals were in Industrials & Chemicals. The biggest deal was the sale of assets of CEMEX to German building materials group SCHWENK, for approximately USD 386m. The second largest deal was an acquisition, which saw Coca-Cola HBC buy the Serbian biscuit and confectionery maker Bambi for an enterprise value of USD 294m from PE investor Mid Europa Partners.

The region's top 10 deals had a combined value of USD 2,3bn, which represented 62% of the quarter's overall deal value. The most active sector was Industrials & Chemicals, which accounted for 12 of the quarter's 41 transactions, representing 29% of total deal volume. There were six transactions in the Financial Services, Leisure and TMT sectors.

PE/TRADE VOLUME & VALUE



Overall, the majority of sectors performed poorly compared to Q1 2018, apart from Financial Services and Leisure. The real stand-out was Energy, Mining & Utilities, which had zero transactions in Q1 2019, something which has never happened before.

On the bidder side, Germany, Greece, the United States, Bulgaria and Ireland were responsible for the region's biggest cross-border transactions.

Looking at target countries for Q1's top 10 deals, three were Russian and two of those were domestic deals.

LOOKING AHEAD

Despite the decline in CEE & CIS's M&A mid-market, deal activity is expected to pick up in the second half of the year. The BDO Heat Chart for CEE & CIS forecasts 643 deals in 2019. The dominant sectors are likely to be Industrials & Chemicals, with 169 deals, representing 26% of expected deals, with TMT in second place with 114 deals (18%) and Consumer in third place with 105 deals (16%). Despite the decline in M&A activity, CEE & CIS remains the third biggest M&A market globally, behind North America and Greater China.

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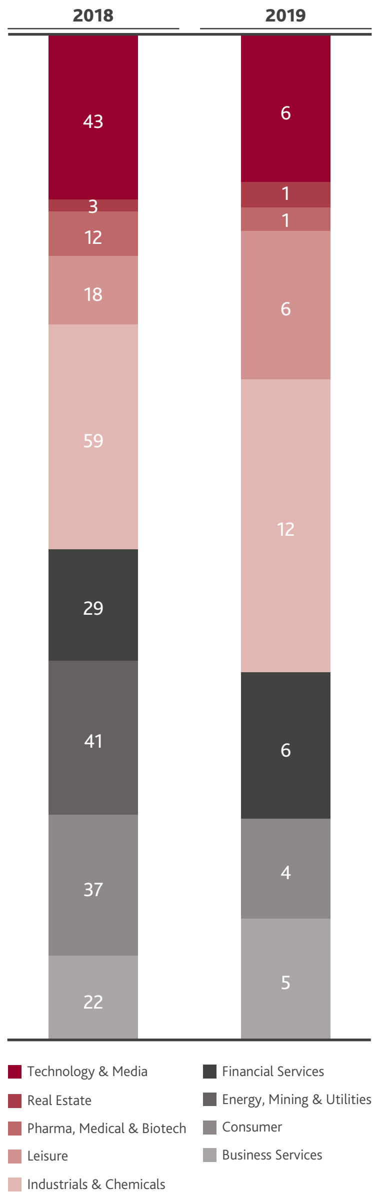
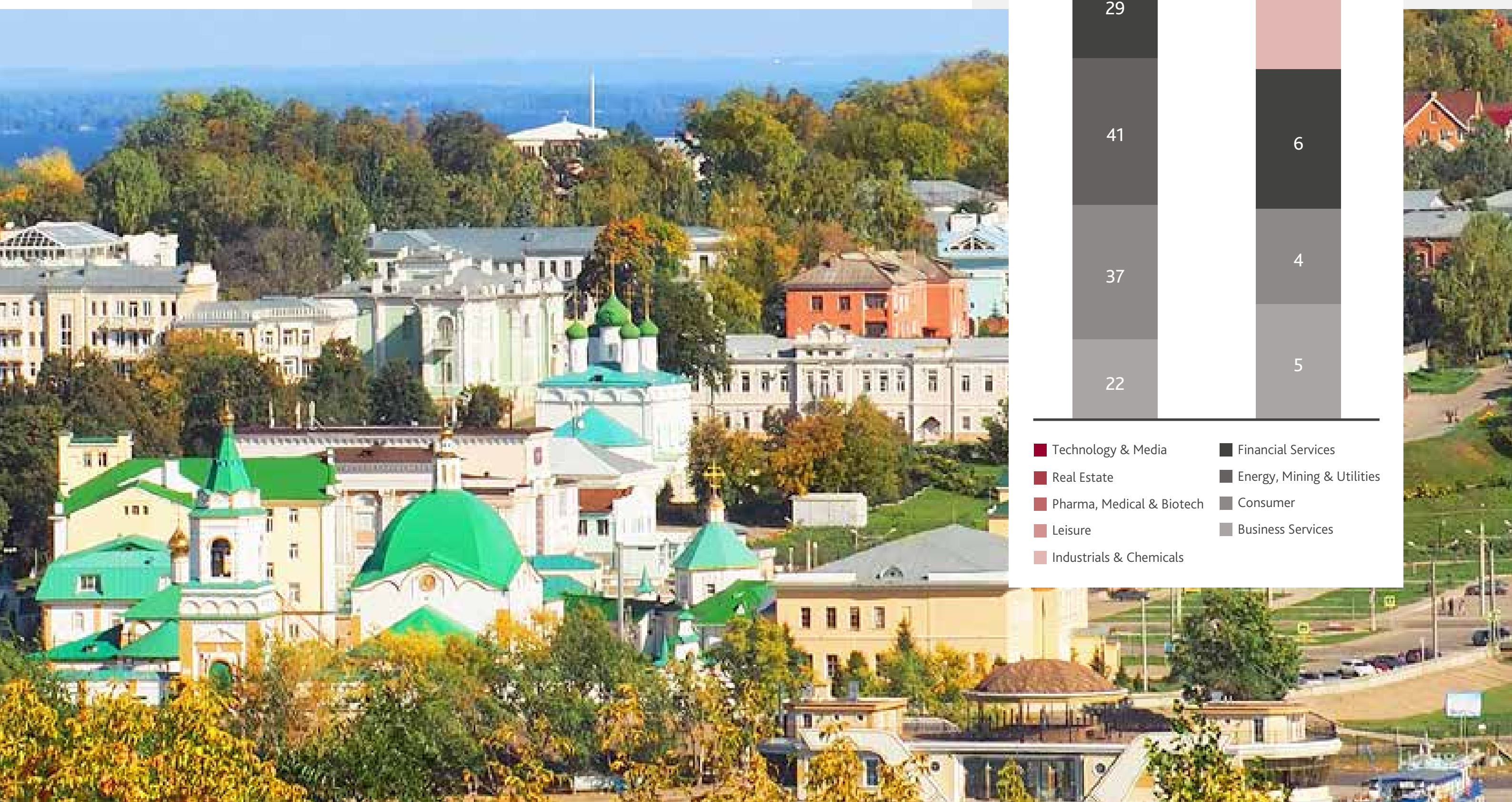
CEE & CIS
HEAT CHART BY SECTOR

Industrials & Chemicals	169	26
Technology & Media	114	18
Consumer	105	16
Business Services	83	13
Financial Services	47	7
Energy, Mining & Utilities	43	7
Leisure	36	6
Pharma, Medical & Biotech	29	5
Real Estate	17	3%
TOTAL	**643**	**100%**

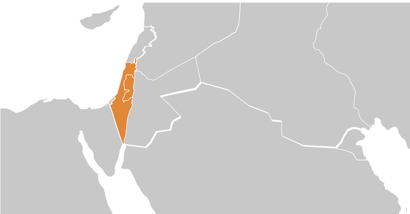
CEE & CIS
MID-MARKET VOLUMES BY SECTOR





ISRAEL

M&A VALUE SEES BIG RISE AND DEAL PIPELINE LOOKS GOOD



BIG PICTURE

- Q1 2019 M&A value increased significantly (51.84%) compared to Q4 2018 and deal volume fell from 21 deals in Q4 2018 to 18 deals in Q1 2019
- PE activity increased slightly in Q1 2018 from Q4 2018
- The BDO Heat Chart shows 103 potential deals, suggesting a ramp-up in activity ahead.

M&A activity increased dramatically during Q1 2019 in terms of value.

A total of 18 deals, with a combined deal value of USD 2,141m, were successfully completed in Q1 2019. This performance represented a 51.84% increase in deal value compared to Q4 2018 and a 14.29% decrease in deal volume from 21 completed deals in Q4 2018 to 18 in Q1 2019. Deal value strengthened significantly, based on a staggering 77.15% increase in the average transaction value to USD 119m for the quarter, reflecting the large number of big deals that were completed.

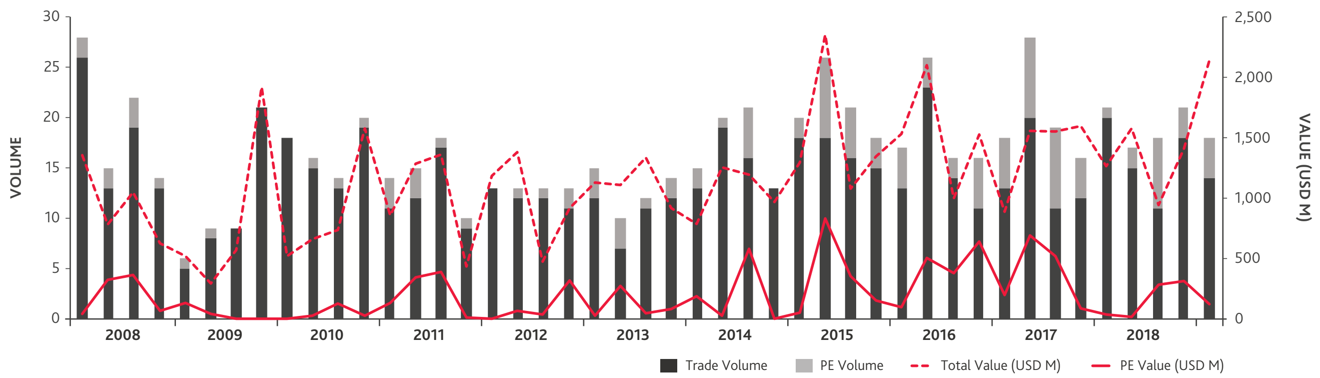
PE performance in the quarter was mixed as figures showed an uptick in terms of volume but a notable decrease in terms of value. In Q1 2019, PE was responsible for four deals, worth a total of USD 119m, which represented 22.2% of the deal count and 5.6% of the value for the quarter.

KEY SECTORS AND DEALS

Israel's top 10 Q1 2019 deals had an aggregated value of USD 1,956m, representing 91.36% of total M&A transactions. The largest transaction was the USD 498m acquisition of Attunity by Qlik Technologies. Attunity is a pioneer in heterogeneous data availability, supporting many styles of integration across the industry's broadest array of platforms.

Other deals included the USD 250m acquisition of CloudEndure Ltd., a cloud service company which minimizes data loss and downtime due to human errors, network failures, external threats, or any other disruptions. The acquisition was led by Amazon Web Services, the world's leading online retailer. Further transactions included the USD 236m acquisition of Aeronautics Ltd. by Rafael Advanced Defense Systems Ltd. and Avichai Stolero (private investor), from Viola Ventures, Kedma Capital, and Aaron Frenkel (private investor).

PE/TRADE VOLUME & VALUE



TMT was the most active sector, accounting for five deals (28% of total transactions) in Q1 2019. Business Services and Industrials & Chemicals took second place, each accounting for four deals (22% of transactions). Next was Pharma, Medical & Biotech, with three deals and finally Leisure with two deals.

Six of the top 10 deals involved foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. The foreign bidders comprised five buyers from the US buyers and one from South Korea.

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

LOOKING AHEAD

Looking ahead, the data supports a moderate growth rate. Israel's BDO Heat Chart for Q4 2018 showed 91 deals planned or in progress, compared to 103 deals in Q1 2019, which is a 13% growth in pipeline deals, reflecting a considerable improvement.

Of the 103 deals planned or in progress, 47 (46%) are related to TMT and 19 (18%) involve Industrials & Chemicals. Other active sectors include Pharma, Medical & Biotech with 11 deals (11%), Business Services with 10 (10%), Consumer with six (6%), Energy, Mining & Utilities with five (5%), Financial Services with four (4%) and Real Estate with one (1%).

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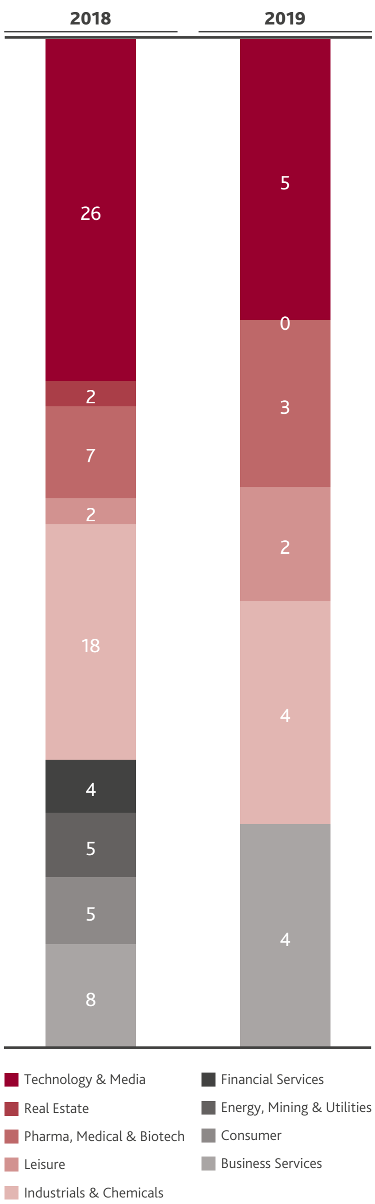
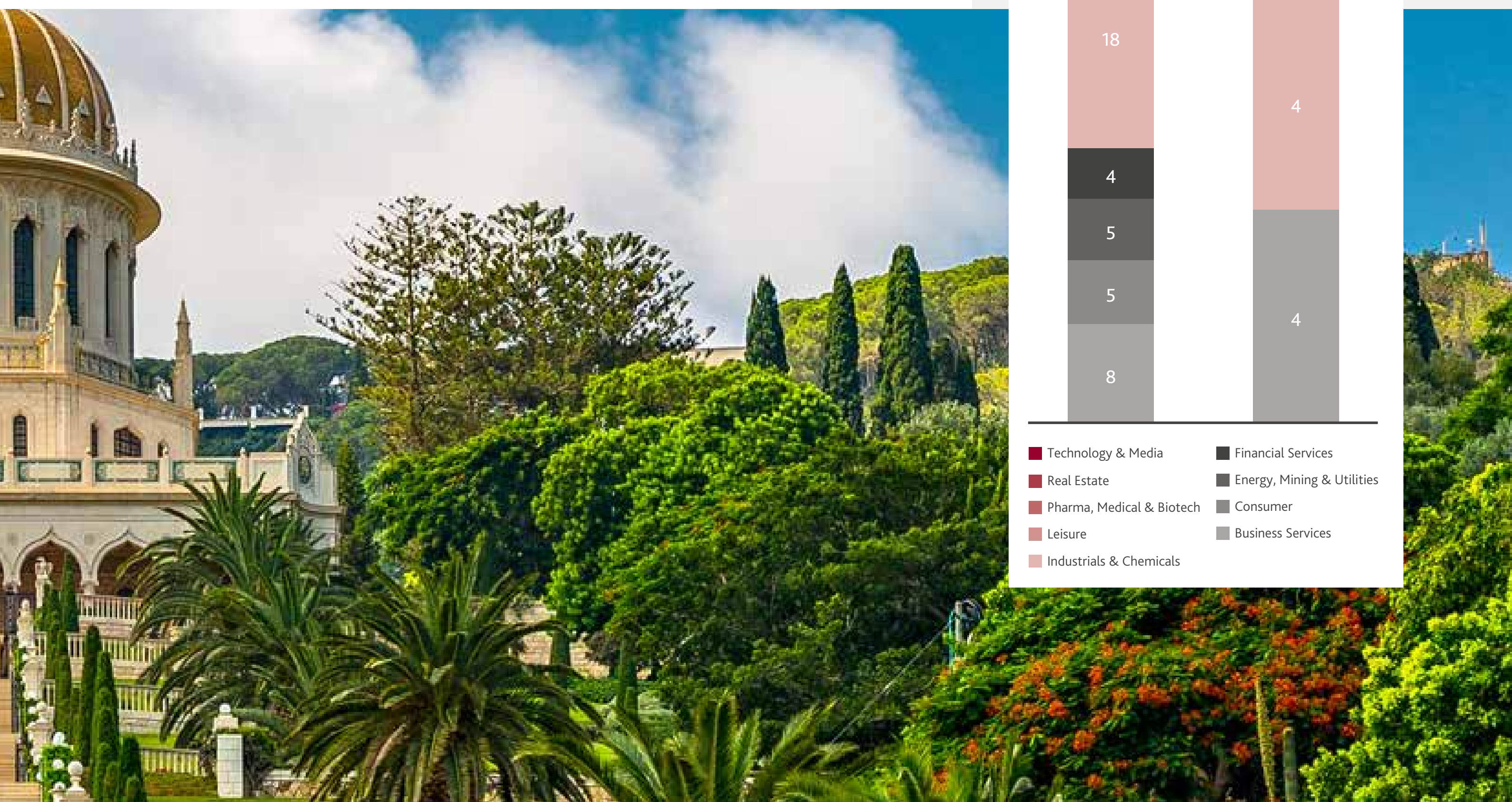
ISRAEL
HEAT CHART BY SECTOR

Technology & Media	47	46
Industrials & Chemicals	19	18
Pharma, Medical & Biotech	11	11
Business Services	10	10
Consumer	6	6
Energy, Mining & Utilities	5	5
Financial Services	4	4%
Real Estate	1	1%
Leisure	0	0%
TOTAL	**103**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR





MIDDLE EAST

REGION BUCKS GLOBAL TREND WITH STEADY FLOW OF DEALS

BIG PICTURE

- M&A deal value in Q1 2019 increased (83%, USD 1,759m) compared to Q4 2018 (USD 959m) with a steady deal flow
- Deal volume remained consistent in Q1 2019 compared to Q4 2018 with 12 deals in each quarter
- PE only completed one deal with a value of USD 65m, a 75% decrease on the four deals in Q4 2018
- Financial Services dominated M&A activity, accounting for the highest transaction value (USD 769m) followed by Energy, Mining & Utilities (USD 465m) and TMT (USD 301m).

Following the spike in M&A deal activity in 2018 (50 transactions) compared to 2017 (40 transactions), Q1 2019 got off to a steady start with 12 completed transactions across various sectors, accounting for a value of USD 1,759m.

Industrials & Chemicals accounted for 25% of the total volume with three deals. Business Services, Energy, Mining & Utilities, Financial Services and TMT all recorded two deals each during Q1 2019. 78% of the total deal value (USD 1,378m) was generated by bidders within the Middle Eastern region, with the remaining 22% of value (USD 381m) driven by buyers from outside the region.

Financial Services was the biggest contributor to Middle Eastern mid-market activity with a deal value of USD 769m (44% of the total) followed by Energy, Mining & Utilities, which recorded deals worth USD 465m (26%) and TMT with deals worth USD 301m (17%).

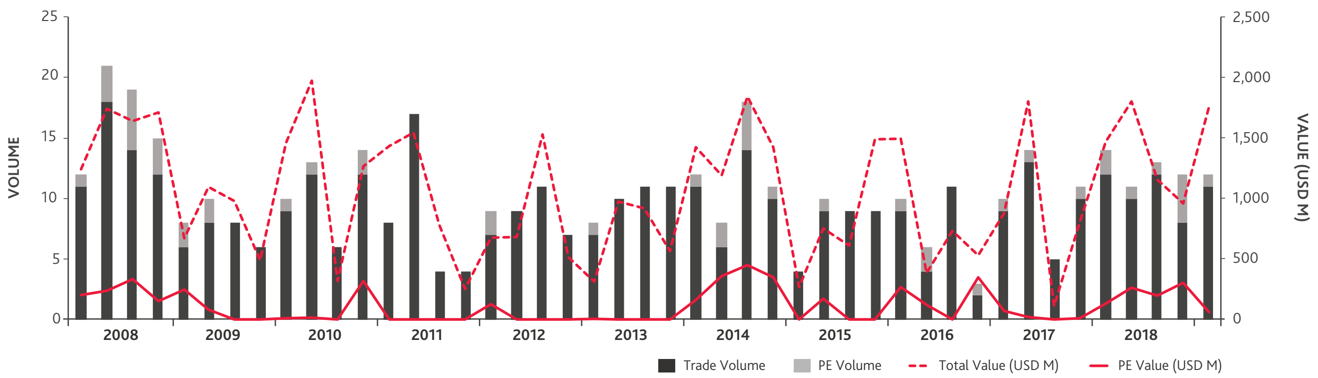
Strategic M&A buy-outs dominated 2018's deal activity (value USD 4,484m) compared to PE buy-outs (deal value USD 910m). This trend continued in Q1 2019 with a deal value of USD 1,694m (96%) being driven by strategic M&A activity, with PE only responsible for a deal value of USD 65m (4%).

KEY DEALS

The top five deals in Q1 2019 recorded an aggregate value of USD 1,470m, representing 84% of the total value (USD 1,759m) of M&A transactions in the region.

- The largest transaction was a cross-border deal in Saudi Arabia in Financial Services. Olayan Saudi Investment Company Limited acquired a 4.9% stake in Banque Saudi Fransi for USD 497m. France-based Credit Agricole Corporate and Investment Bank was the seller company.

PE/TRADE VOLUME & VALUE



- Utico FZC, a leading power production and waste water treatment company in United Arab Emirates, was acquired by Oman based Majis Industrial Services S.A.O.C for USD 400m.
- Another key Financial Services deal was the three-way merger of Al Hilal Bank, Abu Dhabi Commercial Bank (ADCB) and Union National Bank (UNB) at a deal value of USD 272m.
- A landmark TMT deal took place as online restaurant search business Zomato Media Private Limited was sold to Delivery Hero SE at a deal value of USD 172m.

LOOKING AHEAD

The BDO Heat Chart predicts strong levels of M&A deal activity ahead in the region with 45 rumoured deals, with TMT leading the way with 31% of the expected deals. Industrials & Chemicals and Energy, Mining & Utilities are each expected to account for 18% of the predicted deals, closely followed by Business Services with 13%.

Sectors such as Pharma, Medical & Biotech and Financial Services are also expected to play a major role in the region's M&A activity moving forward. We are optimistic about M&A deal activity in the Middle East as domestic as well as cross-border interest remains resilient across various sectors.

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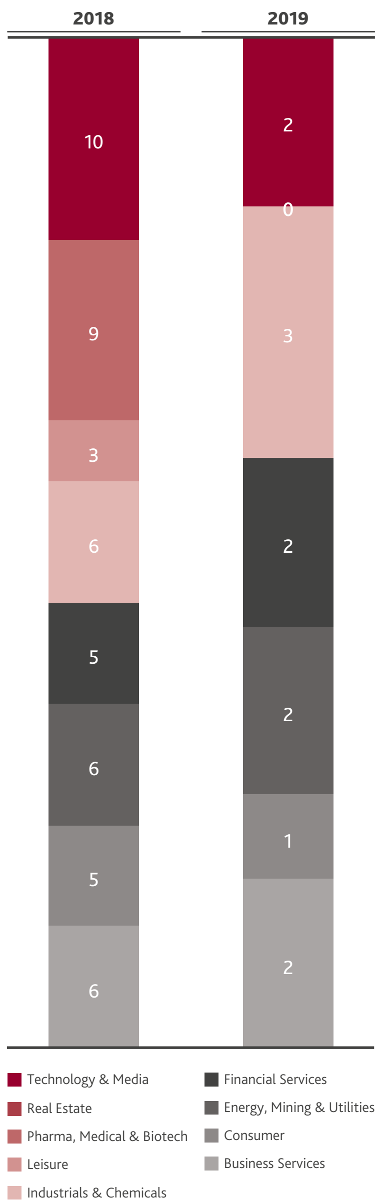
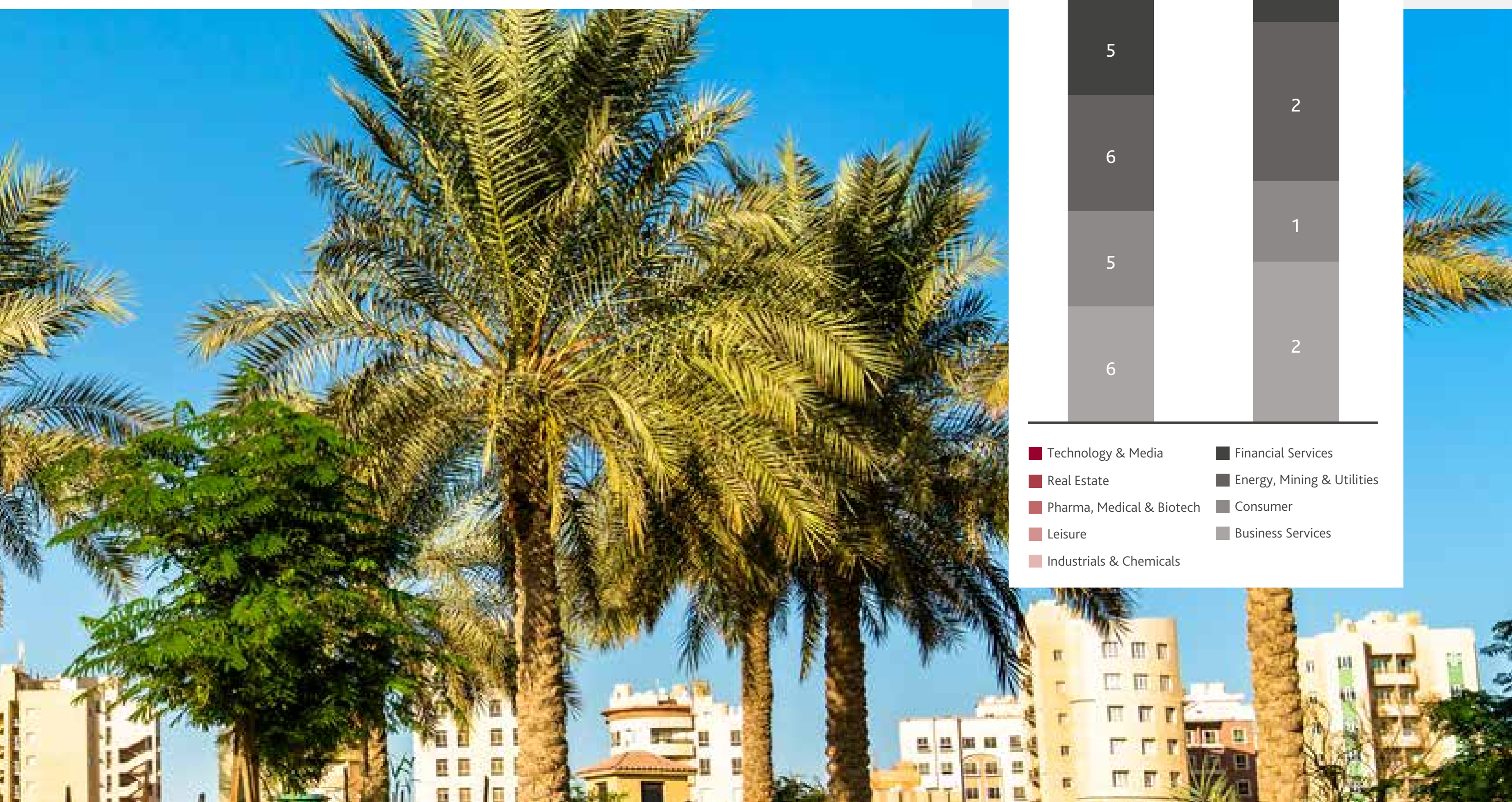
MIDDLE EAST
HEAT CHART BY SECTOR

Technology & Media	14	31%
Industrials & Chemicals	8	18%
Energy, Mining & Utilities	8	18%
Business Services	6	13%
Pharma, Medical & Biotech	3	7%
Financial Services	3	7%
Consumer	2	4%
Real Estate	1	2%
Leisure	0	0%
TOTAL	**45**	**100%**

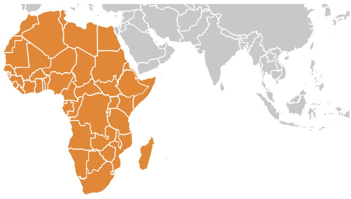
MIDDLE EAST
MID-MARKET VOLUMES BY SECTOR





AFRICA

SLOW START TO 2019 LEADS TO DRASTIC FALLS IN VOLUME AND VALUE



BIG PICTURE

- Q1 2019 saw 18 mid-market completed deals in Africa with a total value of USD 1,509m, representing drastic falls in volume (33%) and value (26%) compared to Q1 2018
- There were two PE buy-outs in Q1 worth USD 416m, higher in value relative to the two PE deals in Q4 2018
- Q1 2019 was the slowest quarter for mid-market M&A deal volume and value since Q3 2012.

In Q1 2019, a total of 18 deals worth USD 1,509m were completed, down from the 22 deals in the previous quarter and value also fell. Nevertheless, the number of PE buy-outs (two) was the same as Q4 2018, but with a higher value of USD 416m.

In comparison to Q1 2018, which recorded 27 deals with a value of USD 2,033m, the number of completed deals represented drastic falls in volume of 33% and 26% in value. It is also worth noting that this quarter was the slowest quarter for mid-market M&A deal volume and value since Q3 2012.

The most active sectors were Energy, Mining & Utilities with six deals, followed by Consumer and Industrials & Chemicals with four deals each. Business Services, Financial Services, Real Estate and TMT all recorded one deal in the quarter. Of the 18 top deals completed in Africa, the majority took place in South Africa (seven deals), while the others (with one each) were in Botswana, Morocco, Namibia, Gabon, Egypt, Mauritius, Angola, Algeria, Ivory Coast, Zambia and Nigeria.

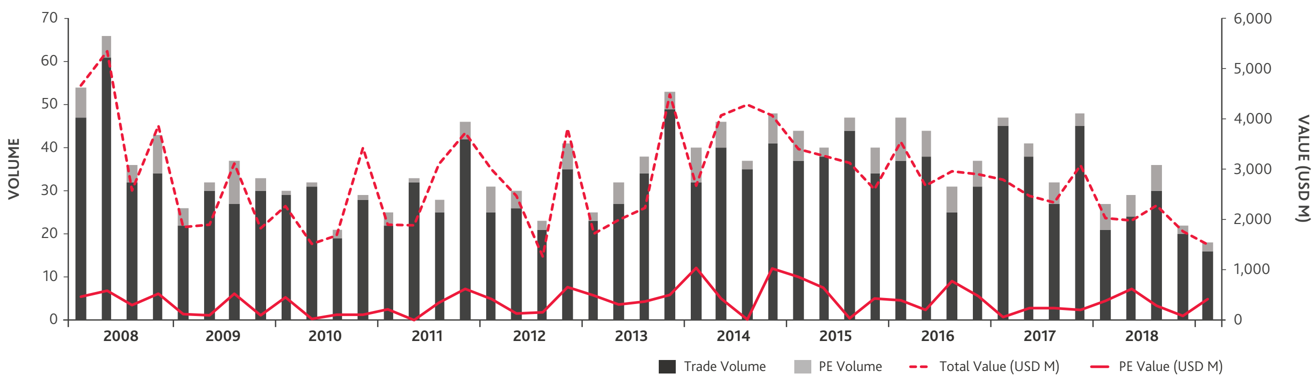
The quarter's biggest deal was in the Consumer sector in South Africa, where Milco SA Proprietary Limited acquired all the issued shares in South African food and beverage company Clover Industries Limited at a value of USD 404m. The acquisition will allow Milco to combine its capabilities with Clover to unlock value through key strategic initiatives, primarily aimed at accelerating sales, distribution and efficiency opportunities within Clover's product portfolio in South Africa, with expansion into selected sub-Saharan Africa territories. Additionally, Milco plans to delist the company from the Johannesburg Stock Exchange.

The second largest deal of the quarter took place in the TMT sector in Botswana, where Zimbabwean telecommunication group, Econet Wireless Zimbabwe Limited, acquired a majority (53%) stake in telecommunications company Mascom Wireless Botswana (Proprietary) Limited. The deal value was USD 300m.

Another major transaction was in Financial Services, with Capitec Bank Holdings Limited, a South African retail bank, acquiring the entire stake in Mercantile Bank Holdings Limited (worth USD 230m), a Portuguese-owned bank based in South Africa. Capitec's objective is to better position itself to serve South African customers as well as entering the business banking space.

In Industrials & Chemicals, a few Moroccan institutional investors acquired a 7.8% stake, for a value of USD 159m, in Ciments du Maroc, from German company HeidelbergCement AG.

PE/TRADE VOLUME & VALUE



ECONOMIC OUTLOOK

According to the International Monetary Fund, GDP growth in Sub-Saharan Africa (SSA) is projected to fall to 3.5% in 2019 from the 3.8% projected in October 2018. In fact, this updated forecast is more optimistic than that of the World Bank, which held the view that economic recovery in SSA would take longer than previously expected and as a result revised its growth forecast to 2.8% from 3.3%. While the slower-than-expected growth pattern is partly reflective of the ongoing global uncertainty, it is mostly attributable to the domestic macroeconomic instability including poorly managed debt, inflation and deficits.

Moreover, the performance of individual countries is predicted to vary massively. For instance, South Africa, the region's most advanced economy, saw a downgrade to 1.2% in its growth rate on account of policy uncertainty in the economy due to upcoming elections in May. While Ghana and South Sudan are expected to be the fastest-growing economies in 2019, with an expansion rate of 8.8% each. South Sudan is emerging from years of conflict after a peace deal last year, which has allowed it to start pumping crude oil.

Nevertheless, global uncertainties such as ongoing global trade disruptions and rising developed market interest rates may affect SSA countries. Collapsing oil prices may also impact these economies and societies adversely.

LOOKING AHEAD

The BDO Heat Chart for Africa's mid-market M&A predicts a positive outlook for 2019, forecasting a promising total of 178 deals. The dominant sectors are likely to be in Industrials & Chemicals, with 44 deals, representing 25% of the total deals projected in the year, followed by Energy, Mining & Utilities and Business Services. A total of 58 deals are predicted in these two sectors, representing 33% of the forecasted deal volume for 2019.

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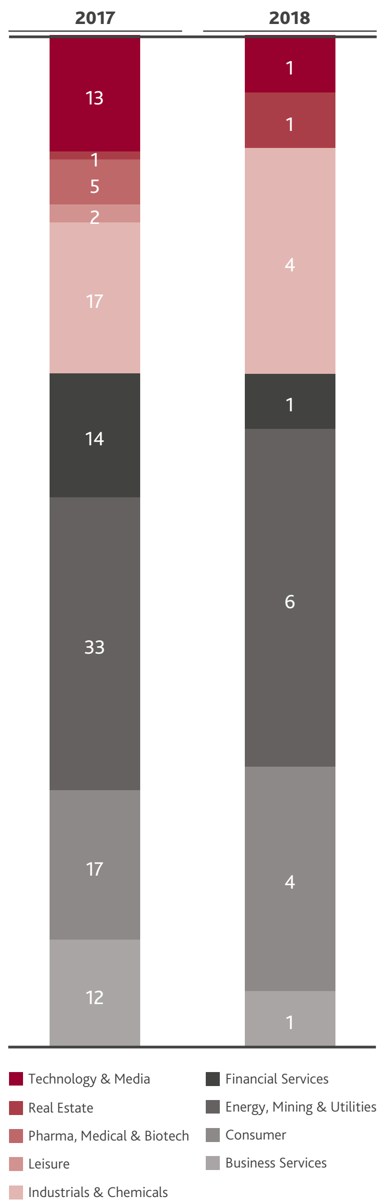
AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	44	25%
Energy, Mining & Utilities	34	19%
Business Services	24	13%
Consumer	21	12%
Technology & Media	19	11%
Financial Services	18	10%
Real Estate	10	6%
Leisure	5	3%
Pharma, Medical & Biotech	3	2%
TOTAL	**178**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



CHINA

TRADE TALKS AND REDUCED CAPITAL OUTFLOWS HIT DEAL ACTIVITY BUT RECOVERY EXPECTED IN Q2 ALONG WITH IMPROVEMENTS IN CHINA'S ECONOMIC ENVIRONMENT

BIG PICTURE

- Deal volumes decreased from 403 deals in Q1 2018 to 301 deals in Q1 2019. Deal value also fell to USD 25.7bn in Q1 2019 from USD 40.9bn in Q4 2018
- Despite the decreases, the M&A market is expected to recover in Q2 in line with an anticipated improvement in China's economic environment in China
- The Chinese government has introduced various policies to stabilize and improve its local economy, including increasing lending to private businesses and reducing overall value-added tax rates effective from Q2 2019.

M&A levels in the Greater China region recorded a 22% decrease in deal value in Q1 2019 compared to Q1 2018. This was driven in particular by the 36% decrease in PE buy-outs in the same period. Deal volume also decreased by 25%, which was mainly due to declines in deal volume in the TMT and Real Estate sectors.

The ongoing US-China trade talks and Chinese state-owned enterprises making fewer overseas deals to focus on investments in the domestic market have led to the deceleration in deals.

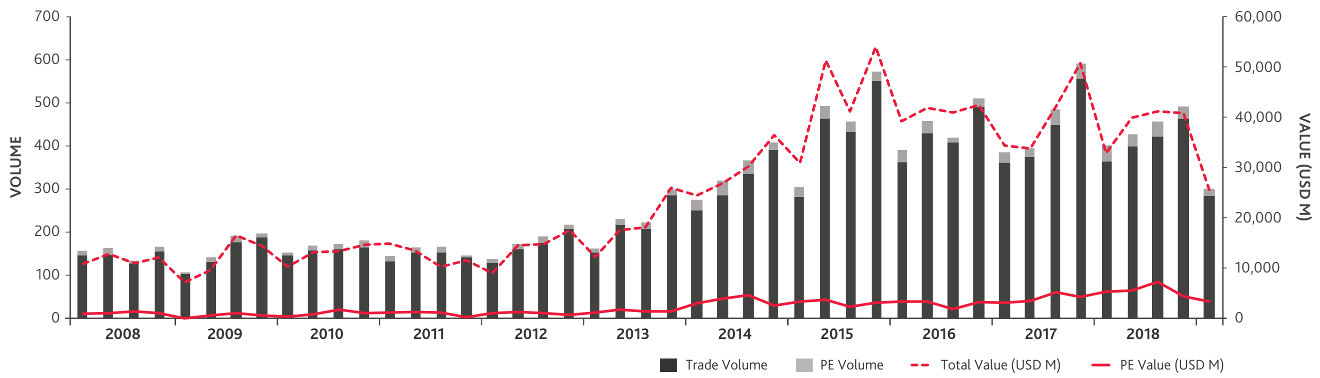
Amid the uncertainties, a number of policies have been introduced by China to support domestic businesses. These included the lowering of the deposit-reserve ratio to free up more cash to increase liquidity and boost lending to private firms. This initiative will positively impact China's manufacturing activities and moderate the pessimistic expectations from the US-China trade talks.

China's National Committee of the National People's Congress and the Chinese People's Political Consultative Conference, which were held in March 2019, announced that VAT rates would be reduced from 16% to 13%. VAT rates for specific sectors like construction, retail, entertainment, hotel, catering services, transportation and logistics would be reduced from 10% to 9%. The reduction in VAT is aimed at helping local businesses and promoting organic growth. This is set against the backdrop of potential further increases in US tariffs on Chinese manufacturers and a potential decline in domestic demand.

In terms of China's outbound M&A activity, Europe continued to be the most popular destination for Chinese buyers, followed by Asia and the US.

Despite the uncertainties affecting China's deal-making environment in Q1 2019, the recent policies and developments by the Chinese government could lead to better overall M&A activity in the second half of 2019. PE activity and foreign inbound transactions could increase due to China further opening up specific sectors such as automotive, financial services and technology.

PE/TRADE VOLUME & VALUE



TOP DEALS

The largest mid-market deal in Q1 2019 was in the Real Estate sector. The top three mid-market deals were as follows:

- Multiple investors including Tiger Global Management; CMC Capital Partners; Primavera Capital Group; Beijing Gaorong Capital Management Consulting Co., Ltd.; Ant Financial Services Group ; and Beijing Joy Capital Investment Management Co., Ltd. invested USD 500m in Ziwutong (Beijing) Asset Management Co., Ltd. – announced in March 2019;
- Hillhouse Capital Management, Ltd. invested USD 500m in TAL Education Group – announced in February 2019; and
- Guangdong Guangxin Holdings Group Ltd. invested in a 70% stake of Xingfa Aluminium Holdings Limited for USD 487m – announced in February 2019.

LOOKING AHEAD

The latest BDO Heat Chart for Greater China indicates that there are a total of 1,218 deals planned or in progress with 347 (28%) related to Industrials & Chemicals and 203 (17%) related to TMT. Other key sectors in the months ahead include Business Services, Consumer and Financial Services.

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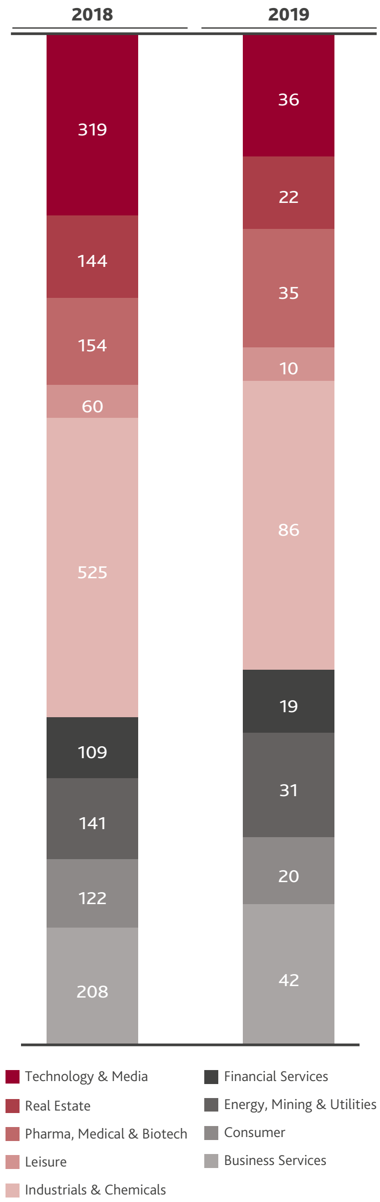
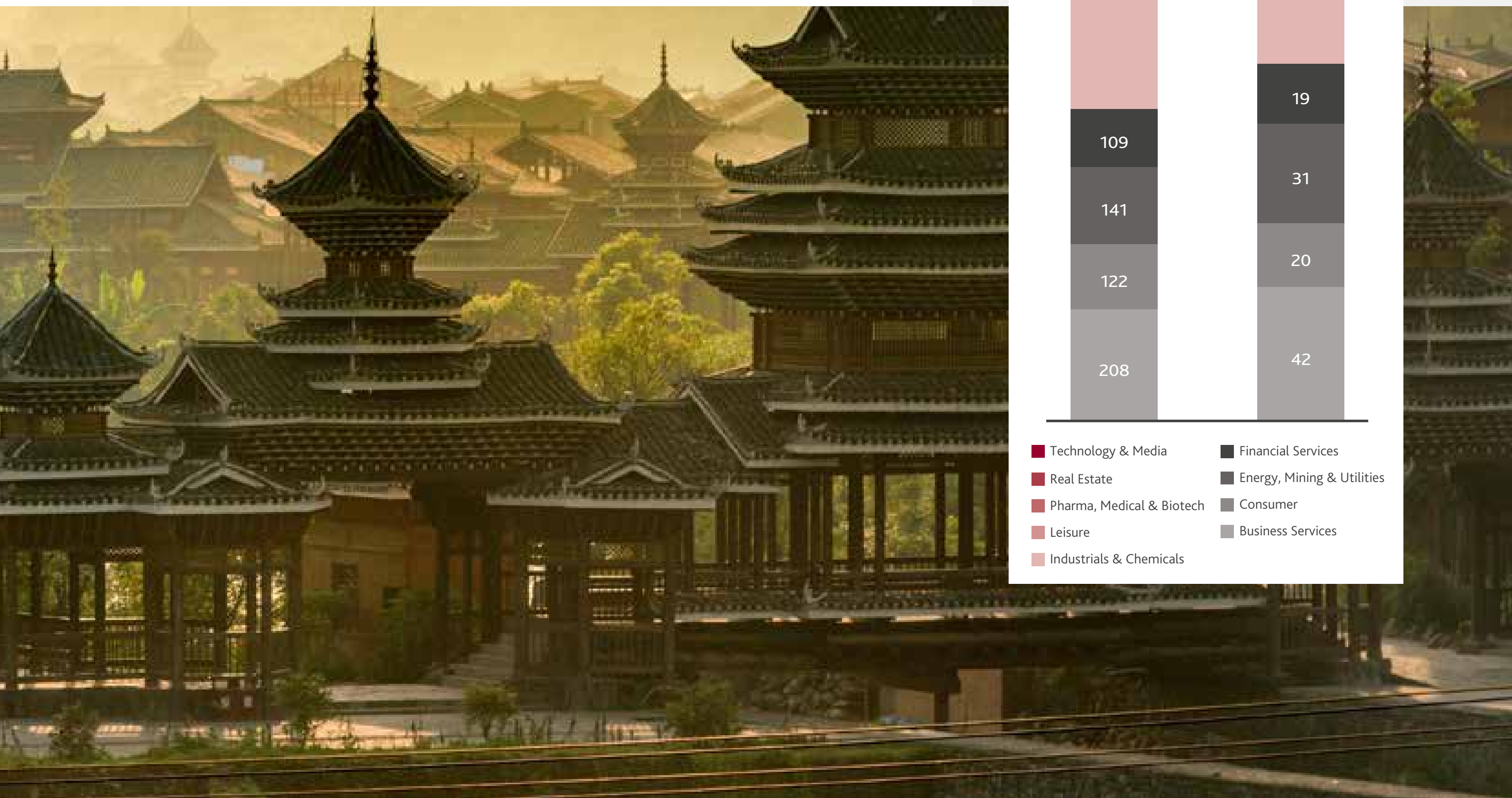
CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	374	28%
Technology & Media	203	17%
Business Services	159	13%
Consumer	117	10%
Financial Services	101	8%
Energy, Mining & Utilities	93	8%
Pharma, Medical & Biotech	92	8%
Real Estate	60	5%
Leisure	46	4%
TOTAL	**1,218**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR





JAPAN

DEAL VOLUME AND VALUE CONTINUE TO DECLINE

BIG PICTURE

- TMT, Industrials & Chemicals and Business Services sectors set to lead M&A activity in 2019
- Financial Services is gaining momentum in Japan's mid-market M&A
- SME business succession remains an urgent issue.

The total value of Japan's top 10 deals in Q1 2019 was USD 2,830m, with the Pharma, Medical & Biotech and Business Services sectors accounting for about 65% of deal value.

Deal activity in TMT, Financial Services, and Business Services in Q1 2019 was very strong compared to Q4 2018. However, Industrials & Chemicals, which has generally seen strong levels of activity, saw a fall in deal numbers.

Although deal volume fell for the fifth consecutive quarter, deal value had maintained its upward trend. However, in Q1 2019, there was also a decrease in deal value. We have to keep an eye on future M&A trends but the market looks to be contracting. Although total value decreased, PE value has maintained strong growth for three consecutive quarters and leads Japan's M&A mid-market. With PE volume decreasing in Q1 2019 compared to Q4 2018, the general assumption to be drawn is that PE deals are becoming bigger.

KEY DEALS AND SECTORS

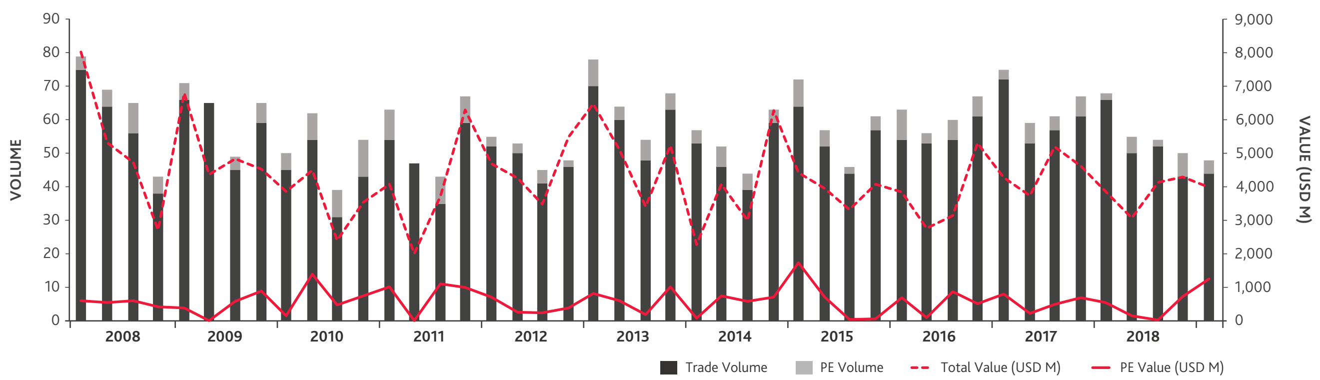
Although Industrials & Chemicals' deal volume has begun to decline, it still remains a driving force in Japan's mid-market. Financial Services has seen its deal volumes grow significantly, and along with Industrials & Chemicals, TMT and Business Services, is driving mid-market activity.

Looking at two of the leading sectors' share of deal volume in 2018, TMT represented 22% in Q1, 27% in Q2, 30% in Q3 and 17% in Q4, with Industrials & Chemicals accounting for 24% in Q1, 31% in Q2, 36% in Q3, and 33% in Q4. Unsurprisingly, the two sectors have dominated Japan's M&A for three quarters in a row from Q1 2018 .

The two biggest deals in the top 10 were the acquisition of ORIX Living Corporation by the Daiwa Securities Group and the acquisition of HITOWA Holdings by Polaris Capital Group. The total value of these two deals was USD 910m, which represented 65% of the value of the top 10 deals. Both these deals took place in the nursing care business, and they reflect the trends of Japan's declining birthrate and ageing population.

Figure 1 is from Japan's METI* and shows the ageing of the country's SME management. To address this issue, the SMEA (Small and Medium Enterprise Agency) have formulated a Five-year Business Succession Plan.

PE/TRADE VOLUME & VALUE



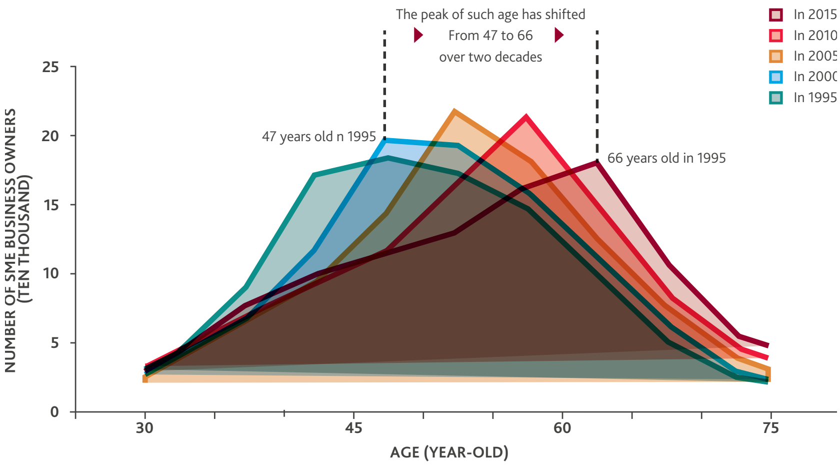
LOOKING AHEAD

Looking at the BDO Heat Chart, the TMT, Industrials & Chemicals, Consumer and Business Services sectors are predicted to account for 71% of all transactions moving forward. And according to the chart, TMT and Industrials & Chemicals will continue to be the driving forces in the country's M&A mid-market activity.

From the data available, it is difficult to tell how much of the current aggregate value corresponds to M&A activity for SMEs, but an increase in M&A to resolve long-standing SME business succession issues is expected in the future.

FIGURE 1

Distribution of age of SME business owners by 5 year period



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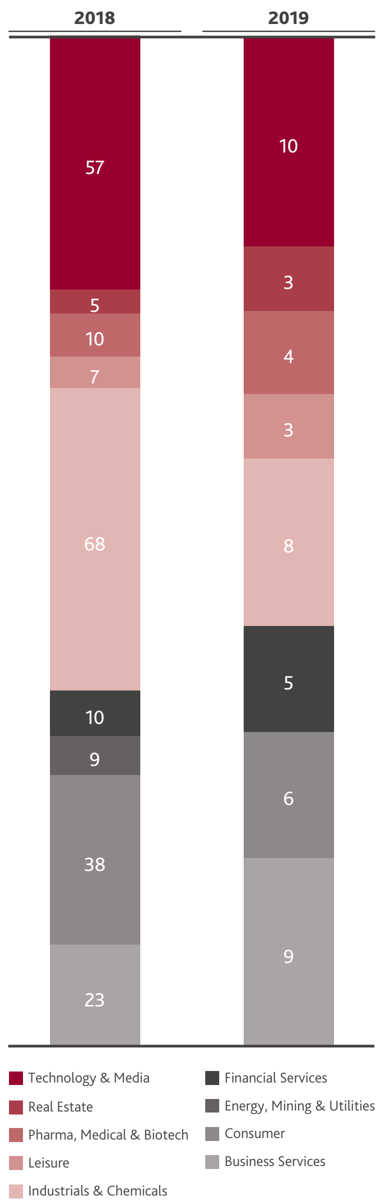
* www.meti.go.jp/english/press/2017/0707_001.html

JAPAN
HEAT CHART BY SECTOR

Technology & Media	45	23%
Industrials & Chemicals	39	20
Consumer	28	14
Business Services	27	14
Pharma, Medical & Biotech	23	12
Leisure	12	6
Financial Services	8	4
Real Estate	8	4
Energy, Mining & Utilities	4	2
TOTAL	**194**	**100%**

JAPAN
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A DEAL-MAKING ACTIVITY FALLS BACK IN Q1

BIG PICTURE

- Deal volume falls by 37.5% compared to Q4 2018 and value drops to USD 5.5bn from USD 7.1bn in Q4 2018
- Industrials & Chemicals strengthens position as region's top sector
- M&A activities remain dependent on current economic challenges faced by countries in South East Asia.

There was less M&A mid-market activity in South East Asia in Q1 2019 compared with the previous quarter, both in terms of the volume and value of deals. A total of 60 deals were transacted in Q1 2019 compared to 96 deals in Q4 2018, representing a fall in volume of 37.5% and total value fell to USD 5.5bn from USD 7.1bn in Q4 2018.

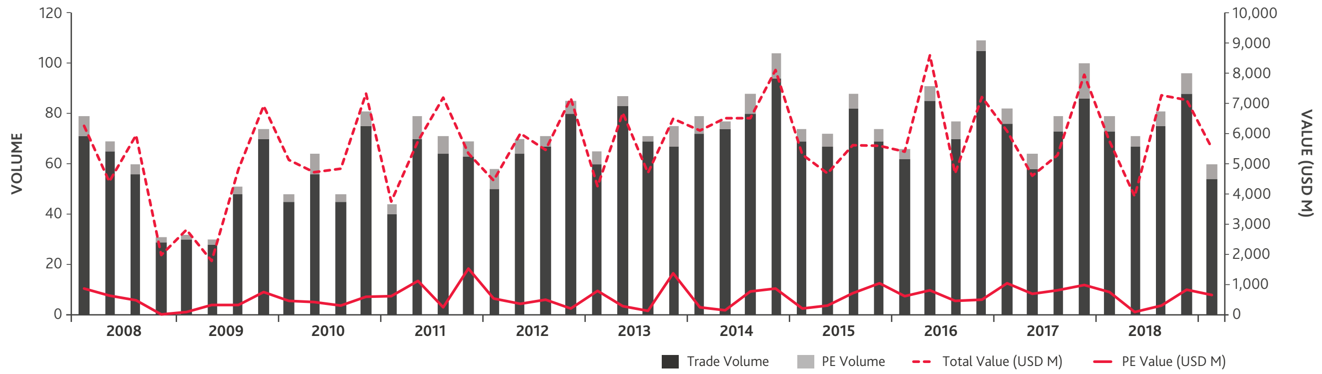
The top 10 deals amounted to USD 2.7bn, representing 49.8% of the total deal value for Q1 2019. PE completed six deals in Q1 2019, which was the same as the corresponding period in 2018. PE's contribution to the quarter's M&A activities was small, representing 10.0% of the total volume and 12.2% of the total value.

KEY DEALS AND SECTORS

The most active sectors in Q1 2019 were Industrials & Chemicals, Business Services, TMT and Energy, Mining & Utilities, which together accounted for 65% of the deals. Industrials & Chemicals was the leading sector with 12 completed deals, followed by Business Services with 10 and TMT with nine.

The top three deals took place in the Business Services, Consumer and Leisure sectors respectively. The largest deal was the acquisition of a 54.7% stake in Epic Gas Limited Corporation in Singapore by BW Group Limited Corporation for a consideration of USD 373m, followed by the acquisition of BRF SA's Consumer business operations in Thailand and Europe by Tyson Foods Inc. for a consideration of USD 340m. Finally, InterContinental Hotels Group Plc acquired a 100% stake in Six Senses Resorts & Spas in Thailand at a consideration of USD 300m.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

As in previous quarters, the main focus of M&A activities was in Industrial & Chemicals. This sector achieved the highest number of deals based on the four-quarter cumulative sum as of Q1 2019 with a total of 63 deals and the sector also led the way in Q1 2019 with 12 completed deals. M&A activities in Business Services achieved a four-quarter cumulative number of 45 deals as of Q1 2019.

M&A activities in South East Asia remain dependent on the current economic challenges faced by the region, which include the outlook on crude oil prices, the ongoing US-China trade war situation and the consequential fluctuation of currencies in the region as well the general elections taking place across major South East Asia countries (Indonesia, Thailand and the Philippines).

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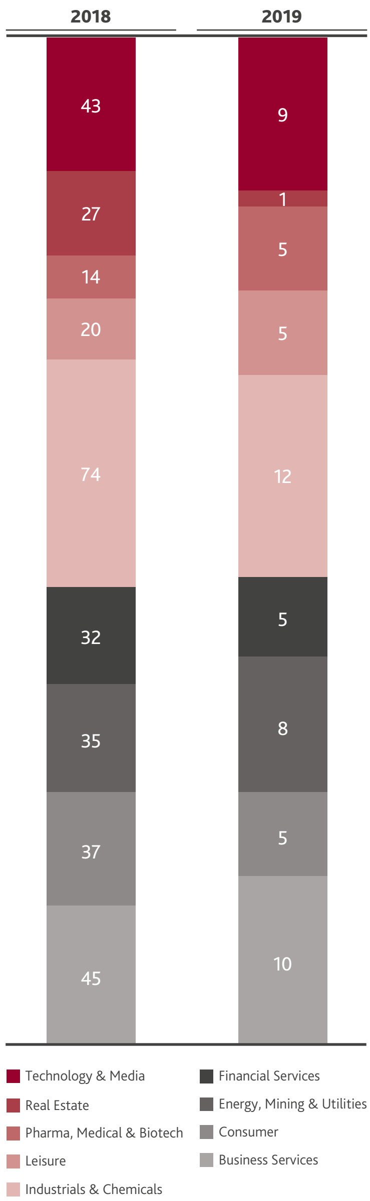
SOUTH EAST ASIA
HEAT CHART BY SECTOR

Technology & Media	78	18
Industrials & Chemicals	73	17
Consumer	61	14
Business Services	56	13
Energy, Mining & Utilities	49	11
Financial Services	41	10
Pharma, Medical & Biotech	26	6
Leisure	26	6%
Real Estate	21	5%
TOTAL	**431**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

ECONOMIC AND GEOPOLITICAL ISSUES WEIGH HEAVY ON Q1 DEAL ACTIVITY

BIG PICTURE

- Q1 2019 deal value declined 36% under the weight of trade tensions and tariff hikes between China and the US, as well as softer business confidence
- PE buy-outs dropped significantly with two deals worth USD 87m, the lowest level recorded since Q2 2009
- All sectors except for Business Services recorded a decline in M&A activity compared to Q1 2018.

A total of 58 deals with a combined value of USD 4bn were successfully completed in Q1 2019. This represented a 41% decrease on Q4 2018's deal volume of 99 and a 36% decrease in deal value compared to the corresponding quarter in 2018 (USD 6.3bn).

Deal volume in Q1 2019 was 33% down from the corresponding quarter in 2018 (87 deals) and the decline in deal value relative to the previous quarter resulted in the lowest recorded level since Q1 2016. The decline in M&A activity can be attributed to several economic and geopolitical issues, including China's tighter credit policies and the ongoing trade tension with the US.

The average transaction value for Q1 2019 increased by 55% from the previous quarter, driven by a number of big-ticket deals, including three deals valued at over USD 400m. Appetite for large mid-market deals offering strategic value remains high, particularly from overseas bidders who accounted for 70% of the top 10 deals for the quarter.

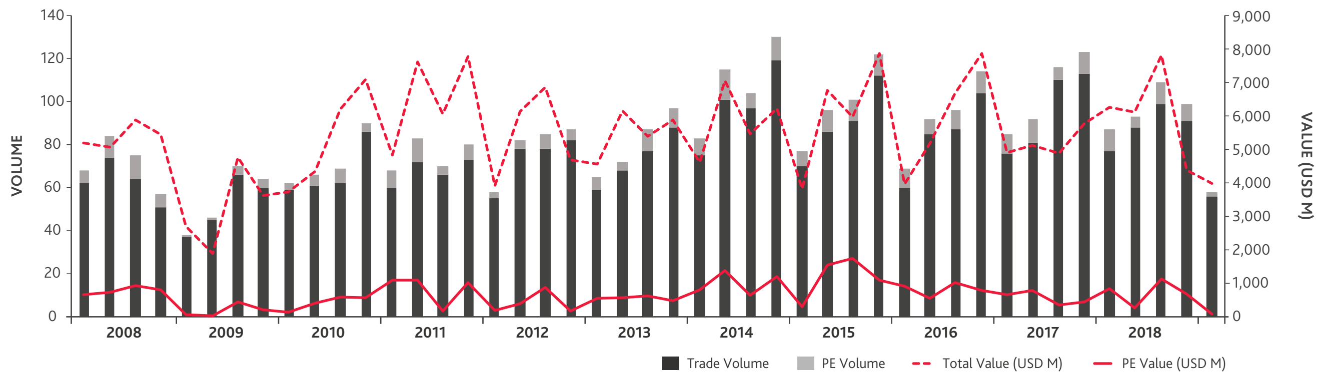
PE transaction volumes accounted for 2.2% of deal activity in Q1 2018. The two deals, totalling USD 87m, represented the lowest PE value recorded since Q2 2009. The poor levels of PE activity were in line with global trends, with PE transaction value down 31% from the corresponding period in 2018.

The largest drop in deal volumes compared to Q1 2018 was in the Pharma, Medical & Biotech and Leisure sectors, down by 92% and 67% respectively. Despite recording the highest number of deals in 2018, Industrials & Chemicals also recorded low levels of deal activity this quarter, down 23% compared to Q1 2018. Business Services was the only sector which recorded an increase in deal volume from the prior corresponding quarter, up 63%.

KEY DEALS

Nutrien Ltd, a Canada-based provider of crop fertilisers, entered into a binding agreement to acquire Ruralco Holdings, an Australian Securities Exchange-listed Australian agribusiness, for USD 417m. The acquisition of Ruralco will strengthen the

PE/TRADE VOLUME & VALUE



operations of Landmark, an Australian agriculture business currently owned by Nutrien. The combination of Nutrien's expertise and the synergies derived from the combined business are expected to ensure a greater service offering and value to Australian growers in an increasingly competitive global market.

Other notable deals that took place included the acquisition of Australian flour and baked goods manufacturer Allied Pinnacle Pty Limited by Nisshin Seifun Group Inc for USD 411m and the acquisition of Westland Co-operative Diary Company Limited by Inner Mongolia Yili Industrial Group Co Ltd for USD 403m. The Allied Pinnacle acquisition represents a step in Nisshin's international expansion strategy, enabling the Japan-based company to further expand its distribution networks. The dairy transaction took place following a strategic review by Westland to seek future ownership options following the company's inability to deliver a competitive milk payout to farmers in recent years. The acquisition is in line with Yili's strategic development plans to grow its global business and enhance its competitive position in the Asian dairy products sector.

LOOKING AHEAD

The current pipeline indicates that mid-market M&A activity should increase with 402 deals under consideration. The potential for further inbound M&A activity, particularly from the US, may rise as trade tensions improve and China begins to ease restrictions on foreign investment. Additionally, China's economic stimulus measures, including tax cuts and reserve requirement ratio cuts, should increase M&A prospects in the Australasian region.

Our analysis indicates that the TMT sector will see the greatest level of M&A activity, with 66 deals in the pipeline. This is followed by the Industrials & Chemicals and Business Services sectors with 60 and 58 deals respectively in the pipeline.

SEBASTIAN STEVENS
PARTNER
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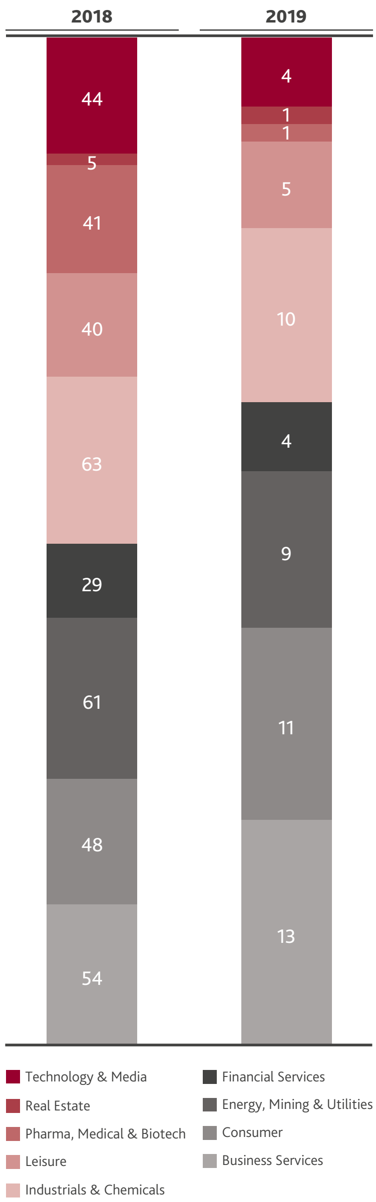
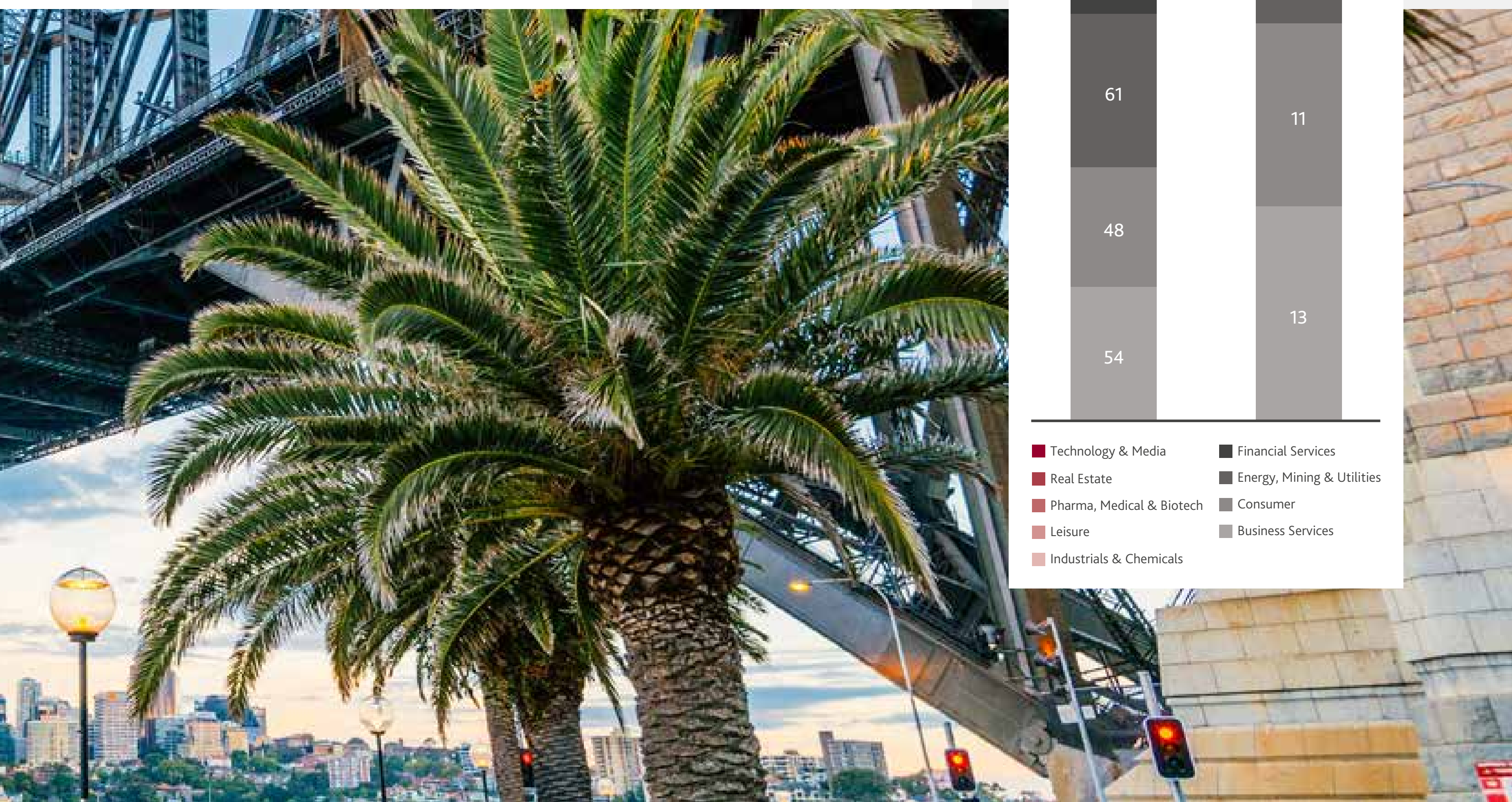
AUSTRALASIA
HEAT CHART BY SECTOR

Technology & Media	66	16
Industrials & Chemicals	60	15
Business Services	58	14
Consumer	56	14
Energy, Mining & Utilities	51	13
Pharma, Medical & Biotech	47	12
Financial Services	36	9
Leisure	21	5%
Real Estate	7	2%
TOTAL	**402**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR





SECTOR VIEW

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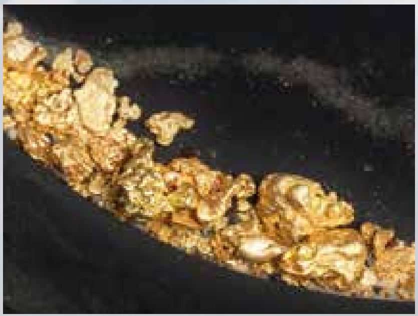
BUILDING PRODUCTS & SERVICES

SECTOR SEES UNPRECDENTED M&A IN 2018



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NATURAL RESOURCES

NORTH AMERICA AND CHINA CONTINUE TO LEAD THE WAY IN DEAL-MAKING ACTIVITY

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INDUSTRIAL & CHEMICALS

POLITICAL AND ECONOMIC CONCERNS LIKELY TO IMPACT M&A ACTIVITY IN 2019

BUILDING PRODUCTS & SERVICES

SECTOR SEES UNPRECDENTED M&A IN 2018

Over 3,300 sector transactions have been completed across the globe in the last six years.

JOHN STEPHAN
HEAD OF GLOBAL M&A

john.stephan@bdo.co.uk

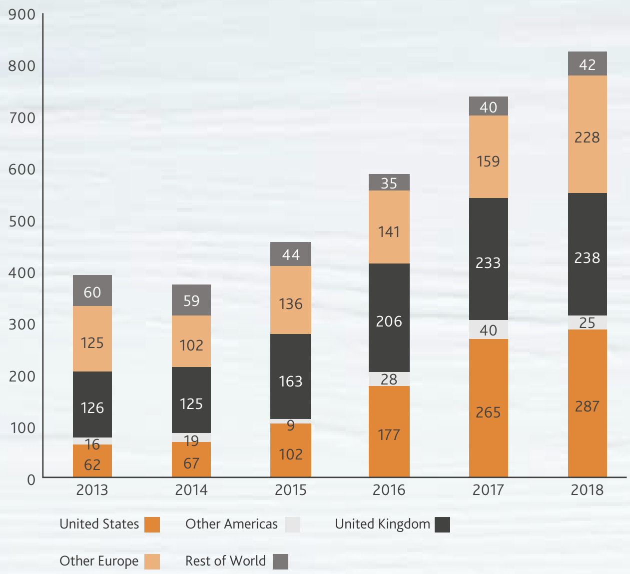
BUILDING PRODUCTS & SERVICES M&A SEES ANOTHER YEAR OF DOUBLE-DIGIT GROWTH WORLDWIDE

The Building Products & Services sector has seen over 3,300 transactions completed in the last six years, with double-digit growth in volumes sustained for the last four years. Despite the muted economic backdrop, interest in construction materials and associated services is growing, as strong fundamentals and bright spots in the market drive opportunities for growth.

All global regions saw increases in 2018 M&A activity, with 820 transactions completed, an increase of 11% on 2017 volumes. The UK and US remain by far the most active markets for deals, but it is Europe that saw the greatest increase in deal activity, with a 43% rise. This is a truly international sector, with more than one in four deals being a cross-border transaction.

Growth in volumes has been driven by rapid technological innovation and legislative changes, plus evolutions in supply chains and business models. The skills shortage, the imbalance of power in the supply chain, and thin profit margins are all piling on pressure, spurring business leaders towards new innovations and opportunities for growth.

TRANSACTIONS BY TARGET LOCATION, 2013-2018



INFRASTRUCTURE SPEND SET TO BE GROWTH DRIVER

According to Euroconstruct, civil engineering is expected to become the new driving force over the coming years in Europe, with annual growth rates of between 2.5% and 5%. The sector is expected to benefit from European Commission infrastructure plans, as well as from national plans, especially for highways and rail renovation.

In the UK, infrastructure construction is expected to rise by 8.8% in 2019 and 7.7% in 2020, as the Thames Tideway Tunnel project continues, work on HS2 accelerates and the main work at Hinkley Point C gets underway. By the end of the forecast period, infrastructure output is projected to be £23.2bn, 18.2% higher than 2017 and at the highest level on record.

The UK construction sector contributes 8% of GDP and employs over 3.1 million workers, so it is not surprising to see the government putting weight behind it. Adopting a two-pronged approach, the government is aiming to stimulate demand on the one hand and tackle the £15 billion productivity gap on the other. The £37 billion National Productivity Investment Fund is galvanising growth in infrastructure, while a whole raft of policy measures are in place to support the new-build housing market. Meanwhile, the government continues to incentivise innovation through its sector deal, advocating productivity-boosting off-site construction methods and supporting regulatory changes that improve the sector's environmental impact.

INTERNATIONAL OUTLOOK

UNITED KINGDOM

- Rising transaction volumes and valuations across all sectors. Average EV/EBITDA paid in 2018 was 7.1x (6.9x in 2017).
- Cross-border activity increased to 19%, reflecting the importance of the UK as an international trading partner.
- Financial investors backed 26% of UK deals (20% in 2017).
- Market challenges ahead, but strong underlying demand to sustain M&A. High potential for deal flow in timber, HVAC and infrastructure services.

MITHUN PATEL
M&A Director, United Kingdom

UNITED STATES

- US economy is relatively strong, and demand for new construction and remodels continues, thanks to low unemployment, gradually increasing wages and a stabilising interest rate environment.
- Headwinds, including the increasing cost of material and labour inputs will remain a drag on sector growth.
- Modest growth expected in 2019, with M&A activity fuelled by industry players seeking to improve efficiencies, in part through synergistic acquisitions.

DANIEL SHEA
Managing Director, United States

SWEDEN

- 2018 saw a boom in M&A in the Nordics, with 180 deals involving a Nordic buyer or seller, up by 89% compared to 2017.
- We expect M&A activity in the sector to be sustained at the current levels throughout 2019.

CLAES NORDEBÄCK
Corporate Finance Partner, Sweden

FRANCE

- M&A activity in France was sustained at high levels in 2018, supported by 3.2% growth in construction output in the year.
- The outlook for M&A in 2019 is positive: construction output continues to develop particularly in infrastructure as opportunities arise in preparation for the Paris 2024 Olympics.

PASCAL MARLIEZ
Partner, Le Bipe, BDO Advisory, France

GERMANY

- 2018 was a very buoyant year with deals involving a Germany target increasing by 77% and those involving a Germany bidder increasing by 66% compared with 2017.
- The German construction market is the largest in Europe, and while growth is expected to slow in 2019, the level of output is still very high in absolute terms.
- The key risk to growth is a lack of capacity and skilled workers, which is already leading to an increase in prices and delays on projects in some regions. These factors, combined with technological and regulatory trends, should sustain and possibly increase M&A deal volumes in 2019.

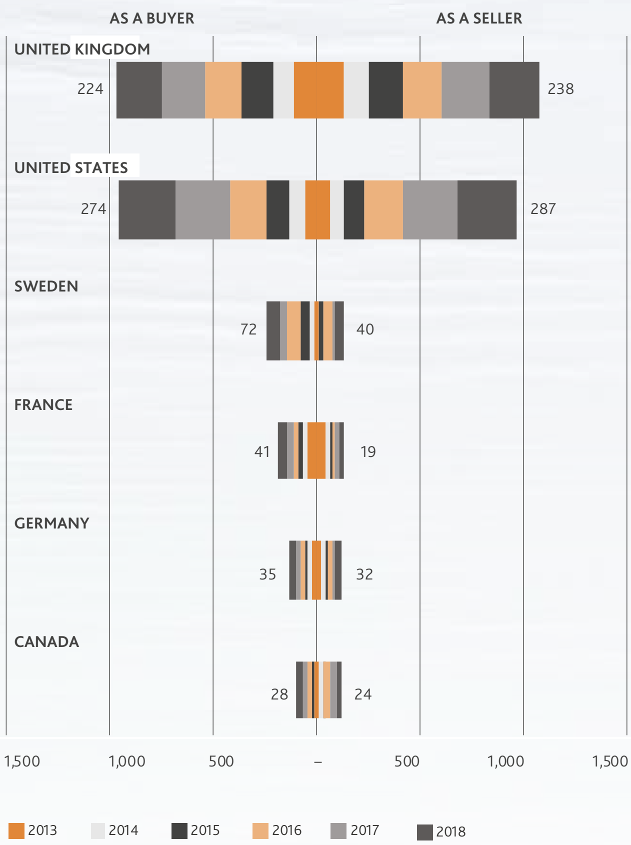
JANE EVANS
M&A Senior Manager, Germany

CANADA

- Deal volumes pulled back from a record 2017, but remained strong relative to longer term historical levels.
- A key factor driving reduced activity in 2018 was the renegotiation of the North American Free Trade Agreement (NAFTA) with the US and Mexico that persisted through the majority of the year, threatening the ability of market participants to access the US market.
- Looking forward, a new trade agreement signed in November 2018 and reasonably strong underlying fundamentals are expected to stabilise the sector as we move through 2019.

RYAN FARKAS
M&A Managing Director, Canada

SECTOR TRANSACTION VOLUMES 2013-2018



Source: Market IQ and BDO analysis

NATURAL RESOURCES

NORTH AMERICA AND CHINA CONTINUE TO LEAD THE WAY IN DEAL-MAKING ACTIVITY

SHERIF ANDRAWES
PARTNER, GLOBAL LEADER NATURAL RESOURCES

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2018 was a mixed year for commodities as escalating concerns over slowing global growth and the US-China trade war rhetoric saw increased volatility in financial markets adversely impact commodity prices. As market sentiment toward battery metals such as lithium, cobalt, and graphite waned so did their prices, which saw large pull-backs. Falls in battery metals prices were closely followed by thermal coal and natural gas, which both tumbled in recent quarters, wiping out last year's gains.

Individual sectors have seen surprising and material market shifts, with two of the largest gold mergers in history announced last year completed this quarter, and the tragic Brumadinho dam collapse in Brazil constraining iron ore supply, sending the leaner, lower cost iron ore majors to record all-time highs.

During Q1 2019, a total of 422 M&A mid-market transactions closed in the Natural Resources sector. M&A targets were headquartered in 65 jurisdictions, with just under half of these transactions taking place in the US or Canada, which continue to be the primary markets for M&A activity.

Africa continues to be under-represented in the data, comprising only 6% of total transactions, however this does not capture the reality that many African companies are based in developed markets, and continue to be an area of renewed interest, especially for diversified and battery metals.

TARGET COMPANY HEADQUARTERS	TOTAL	%
USA	115	27.3
Canada	85	20.1
Australia	37	8.8
Russia	21	4.9
China	19	4.5
Other	145	34.4
TOTAL	**422**	**100**

MEGA-MERGERS IN THE GOLD INDUSTRY

The start of 2019 saw the creation of the world's largest gold companies arising from the mega-mergers undertaken by Barrick and Newmont, merging with Randgold and Goldcorp respectively. For a combined total of USD 28 billion these transactions, together with a rising gold price, have justifiably fed a wave of M&A speculation toward mid-tier and junior gold producers. Current data suggests this increase in activity may already be taking place, with 60 mid-market gold M&A transactions taking place in Q1 2019, up from just 34 a year earlier. As the theme of consolidation underpins the current wave of M&A activity, we expect quality junior producers to continue to gain increasing relevance.

One of the more interesting unfolding transactions is the interest in London-listed (and Australian-based) copper explorer SolGold plc, with BHP and Newcrest both holding significant shareholder stakes. While recent M&A activity in the copper market has been low, as prior years depressed prices and oversupply diminished exploration investment, the level of interest in SolGold plc may signal a turning point for the market, pushing majors to M&A in search of prospective tier one assets that sit within mid-market companies.

M&A activity in oil and gas continues to increase alongside significant oil price volatility. The number of oil and gas transactions increased 17% to 170 from the same time last year. Oil and gas transactions comprised more than 75% of the overall mid-market deal value for the quarter. February 2019 saw the close of Chesapeake's USD 4 billion acquisition of Wild Horse Development Corp and this transaction typifies the ongoing M&A trend which will flow through to the mid-market space in the sector, as well as the challenges faced by indebted, high-cost US shale producers which are seeking scale and free cashflow to rationalise their operations.

INDUSTRY CLASSIFICATIONS [TARGET]	TOTAL	TRANSACTION VALUE US$M
Diversified Metals and Mining	114	1,398
Oil and Gas Exploration and Production	70	23,114
Gold	60	8,339
Oil and Gas Storage and Transportation	43	41,864
Oil and Gas Equipment and Services	39	424
Steel	32	1,263
Coal and Consumable Fuels	18	357
Aluminium	11	288
Oil and Gas Refining and Marketing	10	996
Copper	9	1,650
Precious Metals and Minerals	8	464
Oil and Gas Drilling	8	1,520
TOTAL	**422**	**81,677**

OUTLOOK

Mergermarket's Heat Chart indicates that North America will continue to see strong M&A activity by the anticipated number of transactions in the sector, as will Greater China. In other regions the deal numbers will be lower but the sector provides an important proportion of anticipated M&A transactions in Africa (19%) and Australasia (13%).

North America	187	9
Greater China	93	8
Australasia	51	13
Latin/South America	50	16
South East Asia	49	11
Central & Eastern Europe	43	7

INDUSTRIALS & CHEMICALS

POLITICAL AND ECONOMIC CONCERNS LIKELY TO IMPACT M&A ACTIVITY IN 2019

The broad sector of Industrial & Chemicals includes Aerospace, Chemicals, Engineering, Construction, Industrial Manufacturing, including Automotives, as well as Metals. 2018 was a strong year for the sector, with a global count of 8,463 closed mid-market transactions, just shy of the 2017 volume which saw 8,767 mid-market closed deals. However, 2019 has experienced a slow start. Most markets had a softer first quarter than a year earlier, the exception being the UK & Ireland, which almost reached pre-year levels. There are several reasons for these different developments.

As with many industries at the moment, the Industrials & Chemicals sector is being hit by uncertainty surrounding trade negotiations and protectionism, as well as political factors such as Brexit and the trade and tariffs disputes between the US and other large economies.

If we look at the growth rates and profitability margins within the sector, many industrial conglomerates are working hard to maintain healthy profits and many are substantially changing their business models. A prominent example is General Electric, which announced major changes to its business portfolio in June 2018, with the aim of stimulating growth and generating more value for shareholders. Conglomerates who are retreating from the traditional model are under pressure, sometimes from activist investors, to find new ways to increase profitability. This leads to more spin-offs and joint ventures; ABB was an example of such pressure. 2018 was a seller's market with high valuations for assets, hence there was pressure on companies to divest non-core or underperforming portfolio companies as long as the valuations maintained their levels. However, carve-outs and disposals of underperforming assets tend to slow deal activity.

The main drivers for 2018's M&A activity, despite significant funds in the PE industry looking for investments, seemed to be:

1. The appetite of international and strategic buyers; and
2. The increasing convergence of manufacturing and technology. 72% of acquisitions were made by strategic buyers, driven by very strong balance sheets of corporate acquirers. This should continue to lead to further strategic acquisitions in 2019.

Financial sponsors support this trend as they are willing to bid on more complex carve-out deals, whereas historically they wouldn't have competed in such deals as these types of transactions take time and resources to set these companies up on their own. One of the most prominent deals in this area in 2018 was the USD 12.5 billion disposal of Akzo Nobel's chemicals unit to US private equity firm Carlyle Group.

In Asia, the Chinese government has proposed the introduction of special funds to promote M&A deals to enhance the sector's competitiveness. Aimed at boosting the industrial development by promoting M&A in the steel sector, such funds will help big industry players gain larger market share to generate economies of scale, lower production costs and help the sector to cope better with external pressures. In Greater China, the volume of transaction in all sectors was slightly lower in 2018 (1,782) than in 2017 (1,860), whereas the number of closed transactions in Industrials & Chemicals was nearly unchanged (585 in 2018 vs. 564 in 2017).

ADVANCED MANUFACTURING TRENDS

There seem to be a few key trends that will guide strategic investment decisions and influence M&A in the Industrials & Chemicals sector:

Industry 4.0: due to increased connectivity and automation, there is a convergence between manufacturing and technology. As a result, analytics and software capabilities are now often a key consideration in M&A strategies for many groups. Successful industrial companies will have adapted to a new business model, with physical products still at the core, but will be increasingly supported by digital interfaces and data-based analytical services.

Increased energy efficiency: carbon neutrality and other eco-aspects of industrial products will force manufacturers to take this aspect into consideration as governments increase regulation.

Regulation and compliance: safety regulations, quality controls and testing processes will increase.

Geopolitical instability: Brexit is still unresolved. The US government has recently implemented tariffs on industrial products. This offers further risks in planning as manufacturers of steel and aluminum products will be forced to adapt their business models. And this may even increase M&A activity in the industry.

OUTLOOK

We believe that corporate buyers with strong balance sheets will continue to use M&A to grow and to reshape their portfolios of businesses leading to spin-offs. There are significant funds available within the PE industry looking to be invested. Recent signs from the central banks suggest that interest rates will remain low and as a result bank debt will continue to be available at historically low rates. However, political risks and economic uncertainty may increase the scrutiny of transactions and could lead to lower deal volumes in 2019.

JUERG GLESTI
PARTNER
juerg.glesti@bdo.ch

SOME OF OUR RECENTLY COMPLETED DEALS

Sale of Adam Equipment Co. Limited to Indutrade AB

May 2019

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

APRIL 2019

CMS Acquisition Company Limited

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

MARCH 2019

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

MARCH 2019

Erdo Holland Co purchased Gilden Holding

DECEMBER 2018

Advisor of Toni Müller Haustechnik AG during the sales process to Alois Bättig AG

NOVEMBER 2018

Advisor to Novartis and Clariant on the sale of two major industrial parks in Muttenz to GETEC

NOVEMBER 2018

€977.00k

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

NOVEMBER 2018

Advisor to Allianz Real Estate on the acquisition of a share in the Ocean Financial Centre Singapore

NOVEMBER 2018

Supporting the shareholders as Lead Advisor in the succession process, whereby an MBO was carried out

SEPTEMBER 2018

BDO assisted the Seller in the sale of the shares in Jan Kuipers Nunspeet B.V.

SEPTEMBER 2018

BDO provided CF advice to Key Capital on the sale of the Sunday Business Post to Kilcullen Kapital

SEPTEMBER 2018

Unitek Engineering AG

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

FEBRUARY 2019

Kaliko Textile Finishing GmbH

BDO acted as Advisor to Kaliko

AUGUST 2018

Pihlajalinna Oyj acquired healthcare company Terveyspalvelu Verso Oy. BDO Finland acted as the advisor to the sellers

DECEMBER 2018

BDO acted as lead adviser in the sale of BWML to LDC

DECEMBER 2018

BDO advised on the sale of PrivateFly Limited to SkyJet Europe Limited, a portfolio company of Directional Aviation LLC

SEPTEMBER 2018

Advisor to Zhejiang Tieliu on acquisition of Geiger Fertigungstechnologie from KAP

AUGUST 2018

Supporting the shareholders of Tecsedo SA as Lead Advisor during the sale to the Riverside-Group

JULY 2018

A Canadian importer and distributor of a leading brand of premium canned seafood products was acquired by a Canadian competitor

JULY 2018

BDO Capital Advisors' Chicago office advised Security Steel Supply Co.

JULY 2018

Independent limited assurance report for an initial public offering on the ASX

JULY 2018

M&A sell-side advisory

JULY 2018

£393.00M

BDO acted as 21.5% shareholder, in connection with the £393 million offer for Hogg Robinson Group Plc by American Express GBT

JULY 2018

FOR MORE INFORMATION:

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Data compiled by Acuris.

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

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