HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS **ISSUE 1 | 2023**

EARTH CAPITAL LTD: WHY WE NEED SUSTAINABLE FINANCE

DEAL ACTIVITY REMAINS HIGH BUT FALLS BACK IN H2, 2022

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

INTERVIEW

AVENT BEZUIDENHOUDT, CEO OF EARTH CAPITAL LTD

BDO

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BDO GLOBAL CORPORATE FINANCE

2,095 COMPLETED DEALS IN 2022

WITH A TOTAL DEAL VALUE OF **$114.6bn**

38% PRIVATE EQUITY DEAL INVOLVEMENT

26% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE PROFESSIONALS

120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

1st Financial Advisor Globally - Factset league tables 2022
1st most active Advisor & Accountant Globally - Pitchbook league tables 2021
2nd leading Financial Due Diligence provider Globally - MergerMarket global accountant rankings 2022

WELCOME

WELCOME TO THE FIRST EDITION OF HORIZONS IN 2023, IN WHICH BDO M&A PROFESSIONALS AROUND THE WORLD PRESENT THEIR INSIGHTS ON MID-MARKET DEAL ACTIVITY AND TRENDS

New year, new beginnings, or at least, many of us hope that will be the case for a more hopeful, peaceful and economically benign 2023. China decided to end its Zero Covid policy to boost its economy but the IMF forecasts global growth to slow down from 6 per cent in 2021 to 2.7 per cent in 2023, which still represents good growth. It also expects global inflation to decline from 8.8 per cent in 2022 to 6.5 per cent in 2023*.

Our analysis of data shows that whilst M&A activity is still high, overall activity declined by around 25% - 30% during 2022 back to pre-COVID levels. At the time of writing this, several banks and professional firms have announced job cuts globally, in what many can see as an adjustment for the general slowdown in the economy. Nevertheless, depending on where we are in our global village, some will feel more cheerful than others about the near term. There remains a vast amount of global private equity capital available for investment.

Our environment and the green energy transition is still top of the agenda and reports coming from Davos deliver excitement around the shift towards hydrogen. Within our smaller remit, we are delighted to publish our interview with the CEO of Earth Capital Ltd, Avent Bezuidenhoudt, who is an authority in sustainable financing. Earth Capital is an early mover into this area and has received many industry accolades for their ground breaking work and approach to sustainable financing.

This issue of Horizons will review 2022 and provide some predictions on where we are going in 2023 in terms of M&A activity according to our proprietary data . We are focussing on our regions this time and hope you find this new Horizons interesting and refreshing.

Best wishes,

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

SUSANA BOO
DIRECTOR, GLOBAL CORPORATE FINANCE
susana.boo@bdo.global

Source: [World Economic Outlook, October 2022: Countering the Cost-of-Living Crisis (imf.org)]

GLOBAL VIEW

DEAL ACTIVITY REMAINS HIGH BY HISTORICAL STANDARDS BUT FALLS BACK IN THE SECOND HALF OF 2022

Global mid-market deal activity in 2022 ended up at over 10,000 transactions for the year, which was down a bit on the prior year but still at record levels. In comparison, deal activity in the six years prior to COVID-19 was in excess of 8,000 transactions a year. The most noticeable trend was the continued expansion of private equity as a buyer of companies. In the same six-year period prior to COVID-19, private equity averaged just over 13% of total deal activity. In 2020, this jumped to 20%, in 2021 it was 28% and in 2022 PE accounted for 31% of all deal activity. When you look at the chart below, you can see that trade activity has been pretty consistent from 2014 onwards (save for the dip in the COVID-19-affected year of 2020) at a rate in excess of 7,000 transactions a year.

When we look at the half-yearly data for 2022 however, we start to see a different picture emerging. Deal volume in the second half of 2022 was 25% lower than the first half of the year. The trend was even more noticeable with trade vs private equity buyers. Trade activity was down 17%, whereas PE activity dropped by over 40%. A similar pattern emerged in terms of the aggregate level of capital deployed by the respective buyer groups. So, PE, which had been leading the way in the surge in deal activity post-COVID-19, stopped to take a huge breath. In many ways this felt inevitable as M&A activity has been running at such a high level that it did not feel sustainable. The M&A world, having dealt with the impact of COVID-19 on earnings, supply chain and labour shortages and rising raw material prices, was bound to be impacted at some point.

Spiralling inflation driven by energy price rises, which was compounded by higher wage demands, triggered interest rate rises around the world. The rising cost of debt has compressed PE equity returns and made banks cautious about certain sectors.

Inflation has also made it harder for business to forecast costs accurately and to gauge the impact on demand. PE still has plenty of funding to deploy but may have temporarily backed off a bit to see if greater clarity can be seen in forecasts and to see if sellers price expectations adjust downwards. Meanwhile, some trade buyers have seen their share price falling in the capital markets, which has impacted on near term M&A appetite for some. It feels like we have moved or are moving from a sellers' market into a buyers' market.

In terms of sectors, deal activity was down across the board in the second half of 2022. The largest decline was in TMT, which was over 40% down compared to the first half of the year. That was followed by Leisure and Consumer at around 25% each. Industrials & Chemicals deal activity was down 14% and the lowest decline was seen in Real Estate at 12% and Energy, Mining & Utilities at less than 5%. We believe this reflects a relatively greater desire to invest in traditional industries and assets along with energy.

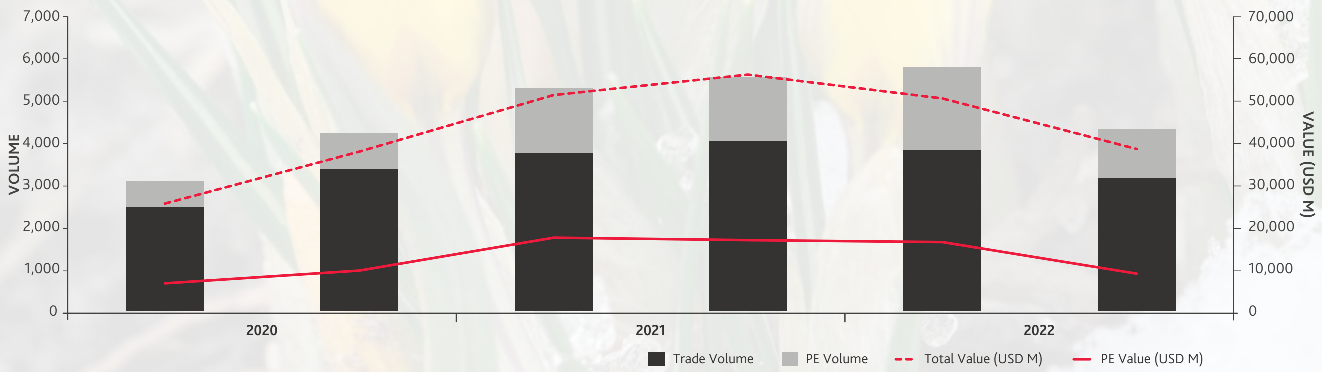
Looking around the world, every region saw a decline in deal activity. North America, Latin American, CEE, parts of Asia, many parts or Europe and India were all down around 30%. Greater China faired best of all regions with a decline of less than 1% on H1 2022.

OUTLOOK SUPPORTS A RETURN TO PRE-COVID-19 LEVELS OF M&A ACTIVITY

The outlook is far from doom and gloom with getting on for 9,000 rumoured transactions, which is more in line with pre-COVID-19 annual levels. Greater China and North America are the hottest regions on the map and TMT is the hottest sector around the world. Leisure looks like it could be the weakest global sector.

We expect this picture to be supported by the availability of cash in PE and on corporate balance sheets despite interest rates rising from what were historically very low levels.

GLOBAL MID MARKET M&A



GLOBAL HEAT CHART BY REGION AND SECTOR

	TMT	Industrials & Chemicals	Business Services	Pharma, Medical & Biotech	Consumer	Financial Service	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%*
North America	660	254	305	473	187	252	139	36	10	2,316	26%
Greater China	223	573	228	112	117	168	156	44	127	1,748	20%
CEE	147	119	64	27	81	54	42	21	15	570	6%
Southern Europe	170	135	96	46	143	53	62	43	18	766	9%
India	62	52	50	34	60	48	19	5	1	331	4%
Latin America	179	28	74	17	47	33	50	17	6	451	5%
Nordic	71	51	24	46	20	9	19	6	2	248	3%
UK/Ireland	156	78	59	42	49	54	24	36	2	500	6%
Australasia	68	48	44	36	55	37	37	22	8	355	4%
DACH	115	84	34	72	36	15	8	6	3	373	4%
Other Asia	42	36	13	8	16	17	8	13	2	155	2%
South East Asia	42	36	13	8	16	17	8	13	2	411	5%
Japan	18	27	7	6	8	10	9	10	2	97	1%
Middle East	19	5	16	7	15	13	22	2	3	79	2%
Africa	17	33	38	7	15	13	22		3	148	2%
Benelux	31	31	22	13	14	7	4			122	1%
Israel	47	28	6	12	15	10	5	2	4	129	1%
TOTAL	2,110	1,635	1,119	1,008	916	849	655	282	225	8,799	

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

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between 1 July 2022 and 31 December 2022. 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 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.

GLOBAL THEMES INFLUENCING M&A

Despite the negative impact of inflationary pressures, the availability of cash to invest should continue to fuel M&A activity but multiples may adjust down a little from very high levels. Despite a dip in activity in the second half of 2022, we expect that PE will be back investing in 2023. It may be a good time for strategic buyers to continue to be active in the market as they seek to add to capability, take a longer-term view and see some pricing benefits. Again, we expect ESG to be an important driver for deal activity.

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

WHY WE NEED SUSTAINABLE FINANCE

EARTH CAPITAL LTD CEO INTERVIEW: AVENT BEZUIDENHOUDT

As we cross over to 2023, we welcome Avent Bezuidenhoudt, CEO of Earth Capital Ltd, to help us open up a new year of M&A Horizons.

Avent is one of the leading water tech investors in the UK and in 2022 was named as one of the Top 10 female early-stage investors in Europe. She has over 25 years' experience in venture capital and private equity investing, portfolio management and corporate finance advisory. Avent is also a BDO Alumni and Horizons Editor, Susana Boo is delighted to catch up with her in her recently appointed role as CEO of Earth Capital Ltd. When asked about her recent appointment Avent describes it as "the moment when your passion and your job collide".

Earth Capital Ltd is an early mover into the sustainable finance area, investing across UK and Europe in clean technology solutions. It is a Top 10 Performer in the ESG Transparency – Private Equity and Venture Capital Index 2021 (Orbis Advisory | Driving Sustainable Transformation) and winner of 'ESG Assessment Tool of the Year' in the Environmental Finance Sustainable Investment Awards 2021 (ESG assessment tool of the year: Earth Capital – Environmental Finance (environmental-finance.com).

THE EARTH DIVIDEND™

The three areas where Earth Capital Ltd focuses are energy, food and water and the company has developed an award-winning proprietary tool called the Earth Dividend™, which provides a holistic overview of an investment's contribution to sustainable development and focuses on the connection between positive impact and commercial value. Avent supports the overwhelming scientific research that the impacts of climate change will worsen over the next decades and with this challenge, there is a great need and opportunity for sustainable finance to find and support those companies that can bring about the change that is needed.

Avent Bezuidenhoudt, CEO of Earth Capital Ltd.

When asked about her recent appointment Avent describes it as "the moment when your passion and your job collide."

LOOKING AHEAD

Following our Horizons theme and ethos, what are your predictions for clean/sustainable technology investment?

2022 was a year of turmoil, both politically and economically. The agenda of climate change and sustainability has been overshadowed by this turmoil. With the cost-of-living crisis showing further signs of exacerbation as we enter 2023, generating continued growth whilst driving the sustainability agenda in private equity markets will be key.

"The agenda of climate change and sustainability has been overshadowed by the turmoil of 2022."

However, those businesses we backed as private equity investors have begun to show real promise in finding solutions that tackle the impacts of climate change. With innovations that enable businesses to show their continued growth whilst positively impacting the world, we as an industry are in a privileged position to enable and drive the roadmap towards Net Zero and a sustainable economy.

With previous years very much focused on the energy transition this will continue, but I think we'll also see a growing focus on water and food security and efficiency. Food security was heightened during the Covid pandemic and has remained a serious challenge this year and last with the Ukraine invasion and the impacts of extreme weather globally. Clean tech innovation is moving fast to address these issues and we are seeing some strong management teams that are solving issues in the food systems to ensure they are more efficient and sustainable. This is being supported by suppliers, as well as regulation across the UK and EU.

Any darling specifics within your three areas of focus?

Looking at the deal flow we're seeing across our investment themes of energy, food and water, specifics that stand out as being a strong focus for us in 2023 are energy storage, sustainable aquaculture and solutions for improving the desalination process.

What is the Earth Capital Ltd fund size?

With our current portfolio valuation of £25m, our focus now is on growing our co-investment syndicate and managed account strategy working on a deal-by-deal basis, ahead of the launch of our next fund in 2024.

What do M&A advisors like us need to do more of or need to learn more of in the sustainability area?

It is important to remain aware of the changing and growing regulations in the sector, as well as understanding what best practice looks like to ensure there is no question of greenwashing. Helping clients identify how they meet ESG guidelines and what ESG expectations are will certainly add value in this area. A sustainable health-check tick list can be useful to help clients identify easily what they should be looking for.

Where possible it would be helpful to have a dedicated ESG position within the firm to demonstrate commitment and have that knowledge in-house.

Also, being able to share clearly and transparently the firm's view on sustainability and ESG, how this impacts the culture of the firm along with any Net Zero targets and strategy, also help show that this is taken seriously across the company.

The team at Earth Capital Ltd.

Do you find yourselves in a highly competitive environment for assets?

We are fortunate enough that the Earth Capital Ltd brand name is widely known and respected in the sustainable investing space and many companies are keen to work with us. Across the team, we are regularly asked to join judging panels, speak at industry events, and round table sessions and join boards and advisory panels. We are privileged to have this platform as it's a great way of meeting companies early in their journey and building relationships with them before they launch their fundraising round to the wider market.

I firmly believe that companies should get more than just money from their investors, and we are very much focused on the value add that we can bring.

When we engage with new companies that we're interested in investing in, we invite them to speak with our existing portfolio, so they understand what we're like to work with and also demonstrate transparency. We also work with them closely as part of our Earth Dividend™ process to ensure they are looking across the value chain of the company at the connection between positive impact and commercial value, ensuring continuous performance improvement.

How important is it to perform ESG Due Diligence ?

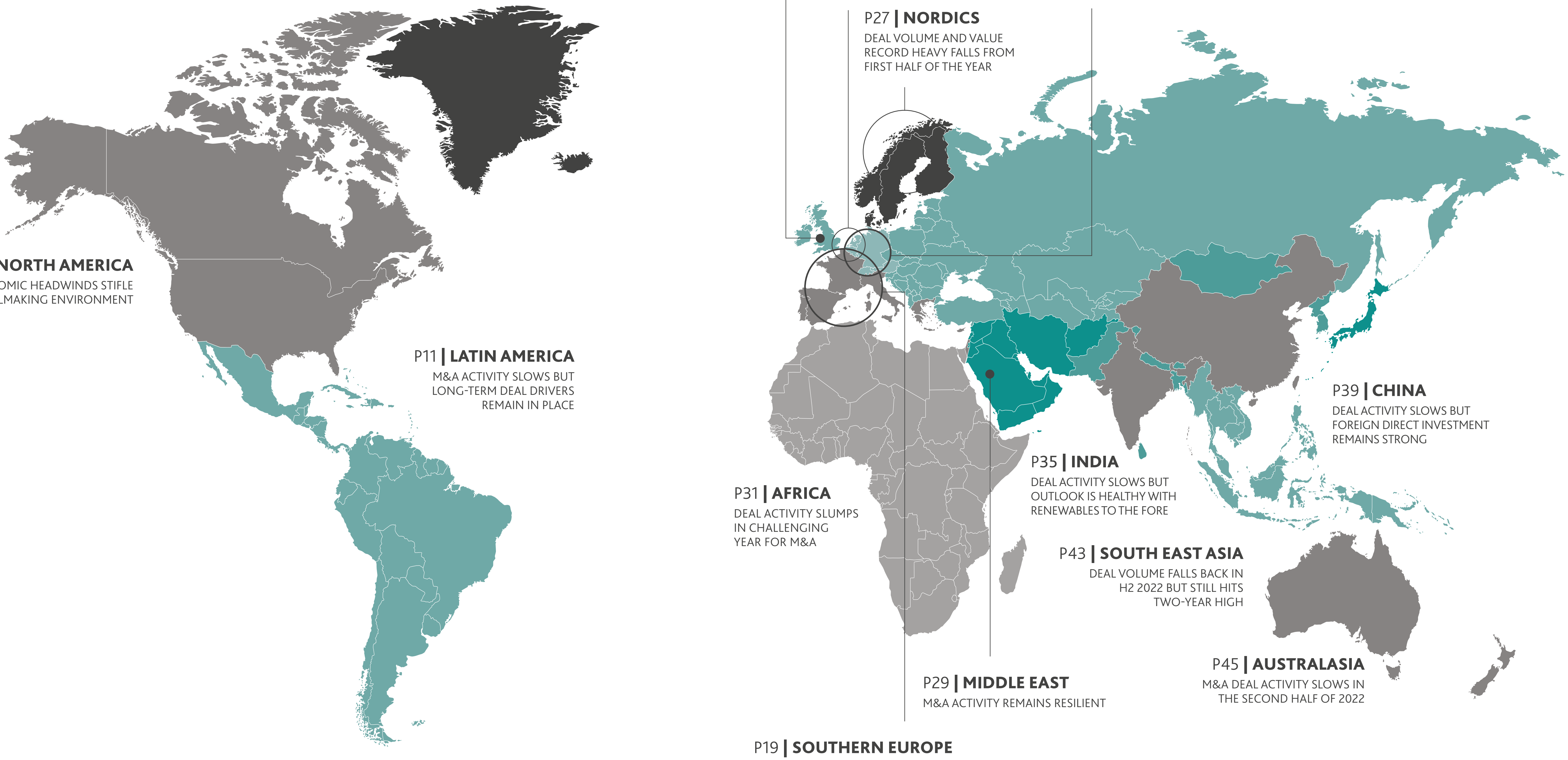
There is an increasing focus on ESG Due Diligence. Our Earth Dividend™ process helps prepare our companies for this. We focus on the areas of ESG that add commercial value as well as risk mitigation and very much see this as a value enhancer.

"Energy storage, sustainable aquaculture and desalination are a strong investment focus for us."

SUSANA BOO
DIRECTOR, GLOBAL CORPORATE FINANCE
susana.boo@bdo.global

GLOBAL

8,799 RUMOURED TRANSACTIONS



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ECONOMIC UNCERTAINTY LEADS TO REDUCED M&A ACTIVITY

Key % movement

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

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

NORTH AMERICA

MACROECONOMIC HEADWINDS STIFLE M&A DEALMAKING ENVIRONMENT

BIG PICTURE

- Deal volume was down 33% in H2 2022 and value was down 28% compared to H1 2022
- PE buyers remained active, representing 43% of deal volume and 30% of deal value in H2 2022, with 508 deals
- Macroeconomic headwinds including amplifying inflationary pressures and rising interest rates, geopolitical uncertainty, and a drop in equity markets have dampened the North American mid-market M&A environment
- H2 2022 M&A activity decreased across six of nine tracked sectors compared to H2 2021. The exceptions were Energy, Mining & Utilities, Pharma, Medical & Biotech and Leisure.

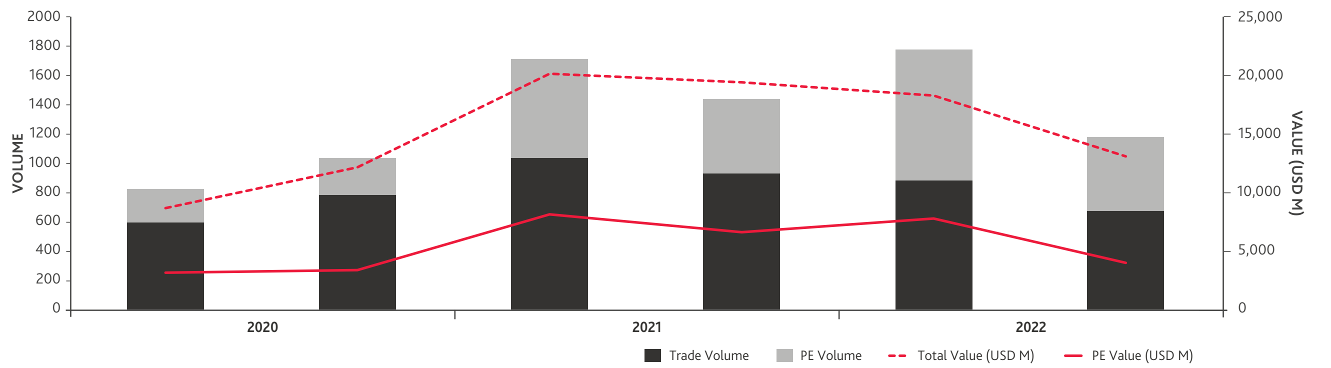
The record-setting level of M&A activity experienced in 2021 continued at the start of 2022 but was followed by a slowdown in the second half of the year driven by macroeconomic headwinds and geopolitical uncertainty, which seemed to be accelerating through year-end.

Some of the trends observed in M&A mid-market activity in 2020 and 2021 continued into 2022, such as the increased reliance on virtual diligence and a focus on earnings sustainability. Industry participants continued to leverage these tools to navigate through deal environments during the year.

North American mid-market M&A activity in 2022 can best be expressed as a tale of two halves. In H1 2022 the M&A aggregate deal volume was in line with the furious pace experienced throughout 2021 with 1,780 deals compared to 1,715 in H1 2021. Deal volume in H1 2020 was 826. Aggregate deal value however did not follow this trend as it dropped to USD 183bn in H1 2022 from USD 202bn in H1 2021. Aggregate deal value in H1 2020 was USD 87bn. This drop was driven by the market pricing in expectations of an upcoming economic recession as the year progressed, which adversely impacted offer prices. Another contributing factor that accelerated this drop was the ability of price-sensitive and cash-rich financial sponsors to emerge and rapidly purchase companies that were most impacted by the macroeconomic headwinds. This resulted in PE buyouts representing a higher proportion of overall deal activity, with PE buyouts accounting for 50% of aggregate deal volume in H1 2022 compared to 40% in H1 2021 and 28% in H1 2020.

The factors driving deal volume and value up in H1 2022 across all business sizes have been prevalent and pervasive for years in both Canada and the US. They are fuelled by the record amounts of dry powder held by sponsors, partially driven by low interest rates, strong equity markets, strong economic growth, pressure in some cases to deploy capital, and strategic buyers continuing to explore inorganic growth avenues.

PE/TRADE VOLUME & VALUE



In H2 2022 the trend inverted as a material drop in M&A activity was observed. However, H2 2021 serves as an inflated comparison point due to the uncertainty in the current M&A environment around inflation, supply chain disruptions, commodity volatility, and monetary policy. H2 2022 M&A activity was still higher than the lows observed in the early stages of the pandemic in H2 2020. M&A deal volume dropped to 1,183 in H2 2022 from 1,444 in H2 2021 versus 1,038 in H2 2020. Deal value also dropped correspondingly to USD 131bn in H2 2022 from USD 195bn in H2 2021 versus USD 122bn in H2 2020.

RANGE OF FACTORS HINDER M&A ACTIVITY

A number of factors in 2022 impacted dealmaking in the North American mid-market. This included amplifying inflationary pressures in both the US and Canada and ongoing geopolitical uncertainty caused by the Ukraine-Russia crisis and associated trade restrictions which caused material disruptions to supply chains. Russia is a major supplier of different types of metals such as copper and nickel, along with fuel and energy products such as crude oil and natural gas. Trade restrictions on these metals and commodities adversely impacted exports in 2022. Uncertainty around the procurement of these metals and commodities resulted in reduced finished goods production. Reduced production subsequently dampened top-line growth projections for the businesses operating in these industries, which adversely affected dealmaking. To combat inflationary pressures, the US Fed and the Bank of Canada tightened monetary policy, driving interest rates up and increasing the cost of capital for deal financing, all of which created additional headwinds for dealmaking activity.

Although rising interest rates have increased the cost of capital, interest rates are still lower than historical highs and are expected to level off by H2 2023. While there remains ample liquidity, volatile public equity markets and economic uncertainty surrounding a potential recession have increased pressure on corporate management to pursue their growth objectives with increased caution. Management teams are expected to place an increased emphasis on managing budgets and actively searching for opportunities to streamline costs. This has resulted in management actively deliberating the timing of acquisitions and conducting deeper diligence on potential targets prior to reaching an acquisition decision.

Equity indices experienced a substantial decline in 2022 with the S&P 500, Dow, and Nasdaq down 19.4%, 8.8% and 33.1% respectively. This effect has trickled down to private markets as lower valuations emerged across industries in 2022. Although lower valuations carry a negative sentiment among sellers, they do pose an opportunity for sponsors or corporates with cash and strong credit ratings to participate in a tepid marketplace, with the potential to generate attractive returns despite the higher financing costs. We believe in the near term that high-quality and profitable companies with strong earnings sustainability post-pandemic will continue to entertain highly competitive deal processes driving premium valuation multiples.

TMT and Pharma, Medical & Biotech drove the highest deal volumes in 2022. Even with the macroeconomic headwinds experienced during 2022, corporate management placed technological innovation among their top strategic priorities for 2022 and this is expected to continue into 2023. Prioritizing technological innovation has created opportunities to invest in adopting capabilities (i.e. artificial intelligence, Internet of Things), and products (virtual reality and augmented reality) that enable organisations to move closer to their end customers and speed up digital transformation initiatives initiated during the pandemic. This will drive growth in M&A activity in 2023, not only in TMT but also in adjacent sectors such as manufacturing and distribution, which continue to automate and digitize. On the other hand, the high deal volumes observed in Pharma, Medical & Biotech were driven by PE value roll-up and platform add-on transactions comprising a greater portion of the overall M&A deal volume in 2022.

PE-backed transactions continue to represent a large segment of overall M&A deal volume, accounting for 50% in H1 2022 and 43% in H2 2022. This is significantly higher than the proportions in H1 2021 and H2 2021 of 40% and 35%. This M&A activity is being driven by the dry powder available to PE firms, which remains near all-time highs. The trend of incorporating ESG considerations into investing, due diligence, and ultimately into dealmaking efforts continued into 2022. Buyers also began transitioning from simply performing traditional ESG risk assessments during due diligence to actively monitoring and viewing ESG considerations as value drivers.

LOOKING AHEAD

Looking forward to 2023, declining equity markets have created a substantial gap in pricing expectations between buyers and sellers. Sellers may continue to base pricing expectations on the recently seen valuation levels observed in 2021 and 2022, whereas buyers will place increased emphasis on the valuations currently being observed in equity markets amid higher financing costs and other macroeconomic factors. It will be interesting to see how dealmakers bridge these potential valuation gaps through the use of increased structuring or other means.

Offsetting these challenges are several fundamental pillars that remain in place to generate M&A activity, including the availability of capital and demographic trends around succession. There is also a belief that there will be an increase in opportunistic or distressed M&A in certain sectors as we move through the year, which will be dependent on the depth of the economic slowdown.

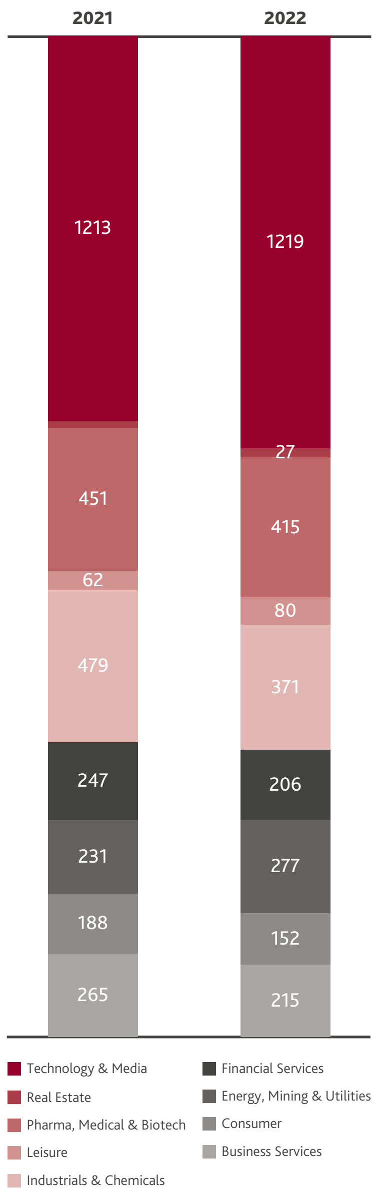
Overall our perspective is that these conflicting narratives lead us into a 2023 that will be shaped by volatility as it relates to dealmaking with the sufficient foundational drivers to see strong levels of overall M&A activity.

RYAN FARKAS
M&A PARTNER
rfarkas@bdo.ca

NORTH AMERICA
HEAT CHART BY SECTOR

TMT	660	28%
Pharma, Medical & Biotech	473	20%
Business Services	305	13%
Industrials & Chemicals	254	11%
Financial Services	252	11%
Consumer	187	8%
Energy, Mining & Utilities	139	6%
Leisure	36	2%
Real Estate	10	0%
Total	**2316**	

NORTH AMERICA
MID MARKET VOLUMES BY SECTOR



LATIN AMERICA

M&A ACTIVITY SLOWS BUT LONG-TERM DEAL DRIVERS REMAIN IN PLACE

BIG PICTURE

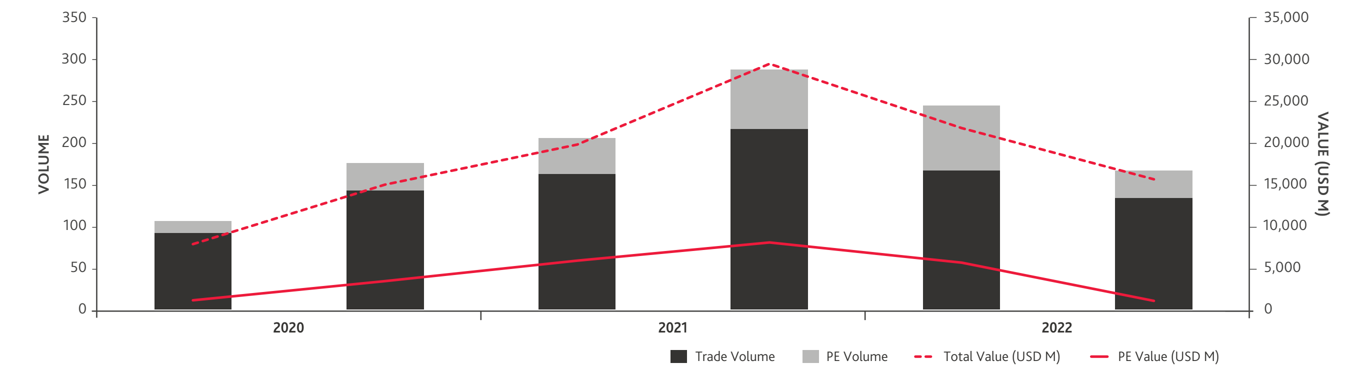
- With 167 deals worth USD 15,630m in H2 2022, the Latin America market saw deal volume and value fall sharply in comparison to H2 2021
- TMT, Business Services and Energy, Mining & Utilities were the leading sectors, with 46, 29 and 27 deals, respectively
- Brazil recorded 10 deals in the top 20, representing 48.8% of the total deal value, including the USD 474m sale by Brazil's Government of 11 airports to Aena SME, S.A. and Aena Desarrollo Internacional S.A.
- Latin American's economies are expected to display sluggish growth in 2023 due to internal and external factors which include persistently high inflation, political instability, the Ukraine war, and the global economic slowdown. In the medium and long term, however, the region still offers new investment opportunities
- Brazil's economic performance will depend on the new government's policies, which have brought uncertainty to investors. However, a fall in interest rates is still expected, which could help to boost investment.

The Latin America middle-market segment registered 167 deals worth USD 15,630m in H2 2022, which represented a sharp decrease in comparison to the first half of the year, both in terms of volume and value. The quarter represented the lowest volume of deals since H1 2020 and lowest value since H2 2020. Although the value per deal was 5.2% higher than the H1 2022 average, the region presented a 31.8% decrease in overall deal volume and 28.3% decrease in overall deal value.

Compared to H2 2021, the overall deal volume in H2 2022 represented a decline of 42.0%, while overall deal value reduced by 47.0%.

There were 33 PE-funded deals in the second half of the year, 57.7% less than H1 2022, with total PE deal value falling by 81.6%. In H2 2022 PE deals represented around 6.6% of overall value, a sharp decrease from H1 2022 when the figure was 25.8%.

PE/TRADE VOLUME & VALUE



The region's top 20 deals had a total value of USD 7,235m, representing 46.3% of the overall deal value, but only 12.0% of the overall deal volume.

Looking at the last 12 months, deal volume fell by around 16.6% from 494 in 2021 to 412 in 2022. Total 2022 deal value dropped by 24.1% compared to 2021.

KEY DEALS AND SECTORS

TMT, Business Services and Energy, Mining & Utilities led H2 2022 activity with 46, 29 and 27 deals, respectively, together accounting for approximately 61.1% of all deals closed in the period. They were followed by Industrials & Chemicals, with 24 deals, Financial Services, with 15 deals, Pharma, Medical & Biotech with 10, Consumer with 9, Real Estate with 5 and finally Leisure with 2.

In the top 20 deals, Brazil was the most targeted country, with 10, representing 48.8% of the top 20 value.

The biggest deal was the acquisition of 100% stake in Covalto Ltd by LIV Capital Acquisition Corp. II for USD 482m, allowing Covalto to become Mexico's first US-listed fintech.

Another deal worth noting was the sale by Brazil's Government of a 100% stake in 11 airports in Sao Paulo, Minas Gerais, Mato Grosso do Sul and Para for USD 474m to Aena SME, S.A. and Aena Desarrollo Internacional S.A.. According to the National Civil Aviation Agency, the airports represent around 16% of the country's total air passenger traffic, with around 30 million travellers per year.

POLITICAL AND ECONOMIC CONTEXT

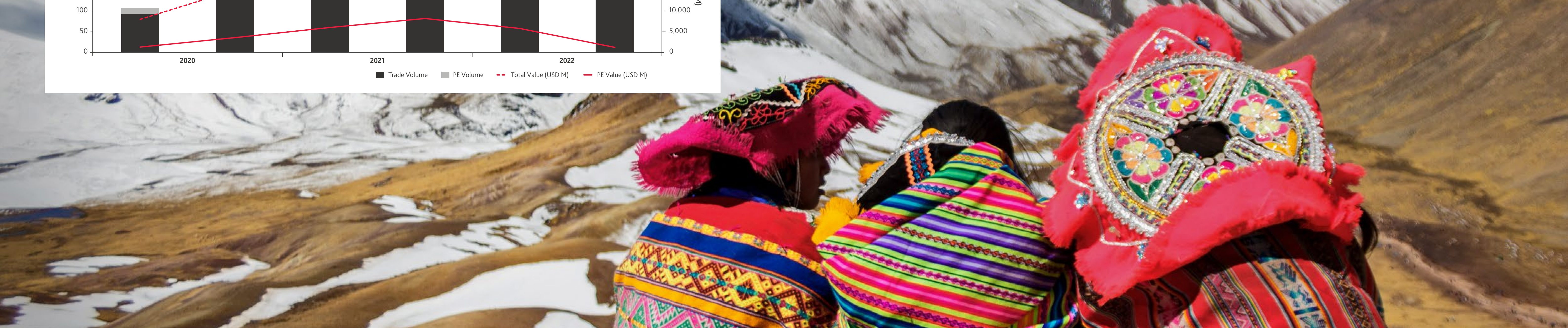
Latin America has seen continued instability in the past year, especially as the region is still struggling to recover from the economic effects of the COVID-19 pandemic.

The region has experienced high inflation for the past two years, and this is expected to continue into 2023. Investments are also being hindered in the short term by high interest rates, in addition to low levels of business confidence and the uncertainty brought on by political instability.

It is worth noting that other external events, such as the war in Ukraine and the overall global economic slowdown, have also played a role in preventing a rapid economic recovery in the Latin America region. For instance, as analysts have pointed out, stocks and bonds in emerging markets are often driven by variations in US interest rates and the US dollar, as well as global commodity prices. Additionally, increased global inflation generally results in lower capital flows to emerging economies.

In terms of the Brazilian economy, a technical recession is expected in the first quarter of 2023, according to JP Morgan. However, analysts have indicated that the country's performance will depend on fiscal policy. With the election of President Lula, the uncertainty regarding the Government's policy plans and their fiscal impacts is significant. It is noted, however, that Brazil's Central Bank still expects to be able to cut interest rates in 2023, which could be a positive sign for investments.

Bearing in mind the range of internal and external challenges facing the continent, Latin American economies are expected to grow slowly, with lower levels of investments and consumer consumption, coupled with limited fiscal spending and restrictive monetary policies.



LOOKING AHEAD

Latin America represents approximately 5% of the global market with 451 deals announced or in progress, as shown in the BDO Heat Chart. TMT is expected to dominate sector activity, with 179 deals, followed by Business Services (74), Energy, Mining & Utilities (50) and Consumer (47).

For the rest of the year, as global growth likely slows down and affects capital flows into emerging economies, Latin America is expected to experience sluggish growth and instability. In Brazil, while interest rates are expected to fall, the country's overall economic performance will depend on the new Government's policies, including its fiscal framework and economic stimulus.

In the medium to long term, however, Latin America still offers new investment opportunities, especially in the context of the competition between the US and China, which is driving a restructuring of the global supply chain, as well as global interest in the transition to clean energy. With this in mind, sectors such as renewable energy, mining, automotive, telecoms and advanced manufacturing appear to be well placed to attract foreign investment.

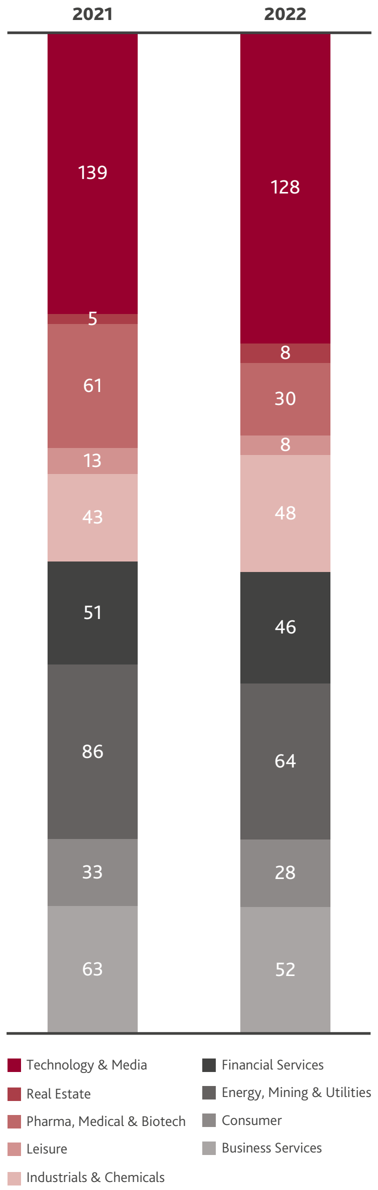
ROMINA LIMA
CORPORATE FINANCE AND ADVISORY PARTNER
romina.lima@bdo.com.br

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

LATIN AMERICA
HEAT CHART BY SECTOR

TMT	179	40%
Business Services	74	16%
Energy, Mining & Utilities	50	11%
Consumer	47	10%
Financial Services	33	7%
Industrials & Chemicals	28	6%
Pharma, Medical & Biotech	17	4%
Leisure	17	4%
Real Estate	6	1%
Total	**451**	

LATIN AMERICA
MID MARKET VOLUMES BY SECTOR



UNITED KINGDOM AND IRELAND

ECONOMIC UNCERTAINTY DAMPENS DEALMAKING IN H2 2022

BIG PICTURE

- Deal volume and value fell in H2 2022 when compared to the first half of the year
- PE-funded deal volume was flat in H2 2022 compared to H1 2022, but total value rose by 7% during the same period, and the average transaction size increased by 4%
- TMT led the way in sector activity and this is expected to remain the case going forward.

After a strong start to 2022 for dealmakers, early optimism evaporated as a result of the macroeconomic effects of the Ukraine war, which impacted deal activity for the rest of the year. Rising inflation and interest rates also dampened mid-market M&A activity, with both deal volume and value falling H2 2022 in comparison to the rest of the year.

A TALE OF TWO HALVES

The momentum created by the easing of lockdown measures and excess liquidity in the market saw deal activity in H1 2022 (373 reported transactions) start strongly in comparison to H2 2021 (347 reported transactions), an increase of 7%. However, deal value decreased by 2% in the same period.

Supply chain disruption, rising energy costs, inflation, and higher borrowing costs, alongside lower levels of consumer confidence and domestic political turmoil all contributed to volatility in the market.

In H2 2022, those factors began to impact dealmaking activity in the region. Sellers focussed on the record valuations achieved in 2021 and buyers looked at correction in the markets, with the end result that dealmaking became much harder. In addition, the rising interest rates made it more difficult for buyers to secure the funding to complete acquisitions.

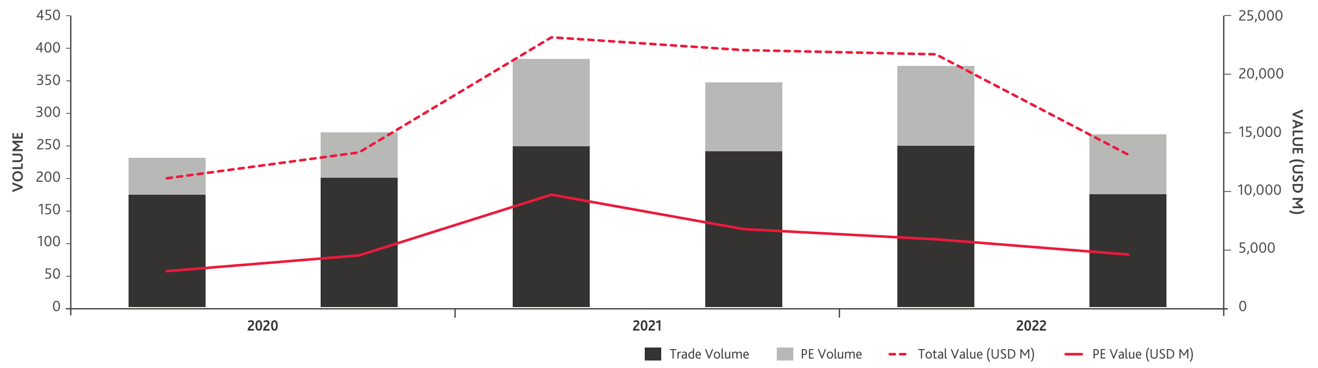
As a result, H2 2022 deal volume and value fell by 28% (267 vs 373) and 40% respectively (USD 21bn vs USD 35bn) compared to H1 2022.

PE ACTIVITY

As the PE/trade volume and value graph on these pages shows, the mix between trade and PE-funded deals only changed slightly from H1 2022 to H2 2022. In H2 2022 there were 175 trade deals completed compared to 92 PE-funded deals, resulting in a split of 66% of deal volume being trade deals compared to 34% PE deals. This compares to the 250 trade and 123 PE deals completed in H1 2022, which represented 67% and 33% respectively of the total volume.

Of the total deal numbers, PE-funded transactions increased from 33% to 34% by volume and from 27% to 34% by value from the first half of the year compared to the second, with 92 reported transactions with a deal value of UDS 7.2bn in H2 2022, down from the 123 deals and USD 9.3bn recorded in H1 2022. Despite the decline in total value, the average PE deal value increased from USD 76m in H1 2022 to USD 78m in H2 2022, a 4% increase. Total PE spend in 2022 was USD 16.5bn, down from the USD 26bn recorded in 2021.

PE/TRADE VOLUME & VALUE



The availability of capital and the low interest rate environment in 2021 was not prevalent in 2022 for the reasons outlined earlier and this impacted deal completions, especially with regards to PE involvement.

Deal volumes and values were lower when comparing 2022 to 2021 in total. 2022 saw a total of 640 deals complete with an aggregate value of USD 55.7bn, compared to 731 and USD 72bn in 2021, a decrease of 12% and 23% respectively.

However, it should be noted that the 2022 deal metrics still compare favourably to both 2020 and 2019 in terms of both volume and value.

KEY DEALS AND SECTORS

All sectors experienced a drop in deal volume in the second half of the year. TMT deals fell from 137 to 81, a 41% drop, Leisure from 26 to 11 transactions, a 58% drop, Consumer from 21 to 16, a 24% drop, Business Services from 49 to 45, an 8% drop, Pharma, Medical & Biotech from 28 to 27, a 4% drop, Financial Services from 37 to 28, a 24% drop and finally Industrials & Chemicals from 48 to 42 transactions, a 13% drop.

Of the 267 completed deals in in H2 2022, TMT led the way with 30% of total deal volume, followed by Business Services (17%), Industrials & Chemicals (16%) and Financial Services (10%).

Year-on-year all sectors recorded decreased deal volumes, apart from Leisure and Industrials & Chemicals, which saw increases of 9% and 11% respectively. The biggest decreases were seen in Real Estate (down 41%), Consumer (38%) and Pharma, Medical & Biotech (28%).

H2 2022 saw strong cross-border M&A activity with 11 out of the top 20 mid-market transactions involving an overseas buyer. A selection of the biggest mid-market transactions are highlighted below.

- US-based Blackstone Group Inc acquired UK-based Financial Services company Resolution Life Group Services Ltd for a consideration of USD 500m
- US-based CIIG Capital Partners II Inc acquired UK-based Zapp Electric Vehicles Ltd for a consideration of USD 500m
- UK-based Montagu Private Equity LLP acquired an 80% stake in Maritime Intelligence Ltd for USD 468m
- US-based Gilead Sciences Inc acquired MiroBio Ltd for USD 413m
- US-based Harris Family Trusts (US) acquired UK leisure resort business Butlins for USD 342m.

LOOKING AHEAD

While the current deal environment is likely to remain challenging, 2023 could still be a strong year for UK & Ireland M&A activity. Private equity firms have raised record levels of dry powder that will need to be invested and this, along with corporates having strong balance sheets, means that the key elements to drive M&A activity are already in place.

In addition, the fact that sterling remains at comparatively low levels means that UK businesses will continue to present themselves as attractive options to overseas buyers and as a result this should drive further cross-border activity.

The exact timings as to when 2023 deal activity could see an increase are going to be heavily dependent on when inflation and interest rates stabilise, with the latter driving the availability of debt on transactions.

The BDO Heat Chart is predicting an active market in the UK and Ireland with 500 rumoured deals. TMT is again expected to be the most active sector with 156 predicted deals, followed by Industrials & Chemicals (78 deals) and Business Services (59).

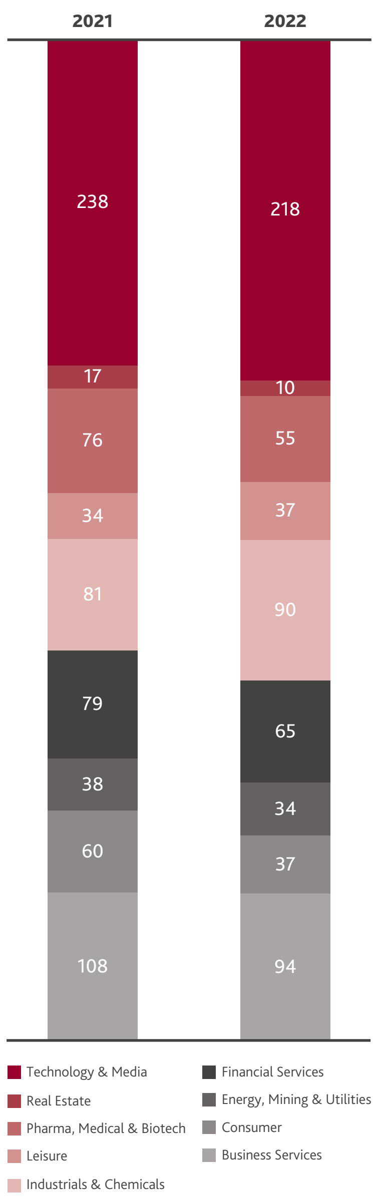
ISH ALG
DIRECTOR
ish.alg@bdo.co.uk

LAURA MCNAUGHTON
M&A PARTNER
laura.mcnaughton@bdo.co.uk

UNITED KINGDOM AND IRELAND
HEAT CHART BY SECTOR

TMT	156	31%
Industrials & Chemicals	78	16%
Business Services	59	12%
Financial Services	54	11%
Consumer	49	10%
Pharma, Medical & Biotech	42	8%
Leisure	36	7%
Energy, Mining & Utilities	24	5%
Real Estate	2	0%
Total	**500**	

UNITED KINGDOM AND IRELAND
MID MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

ECONOMIC UNCERTAINTY LEADS TO REDUCED M&A ACTIVITY

BIG PICTURE

- In H2 2022, the global economy suffered from the consequences of the war between Russia and Ukraine and uncertain macroeconomic conditions, prompting the M&A sector to slow down slightly compared to H2 2021
- Deal volumes and aggregate values fell moderately in H2 2022 compared to H2 2021
- The average PE deal size in H2 2022 was roughly similar to H1 2022, at USD 73m. PE deal numbers recorded a slight decrease
- TMT was the leading sector followed by Industrials & Chemicals
- BDO Heat Chart predicts that TMT will maintain its position as the region's most active sector.

In H2 2022, the Southern European mid-market recorded 379 transactions. This deal volume was higher than in H2 2020 (303 deals) and slightly lower than H2 2021 (393 deals), which suggests that the M&A mid-market has successfully come through the global pandemic. Despite the significant increase in geopolitical tensions due to the Russia-Ukraine war, the number of transactions in H1 2022 still stood at 522, the highest volume seen since 2019. In H2 2022, however, due to the ongoing macroeconomic crisis, there was a significant decrease in both transaction volume (approximately 27%) and value (approximately 25%) compared to the first half of the year.

Looking at the average deal size, in the second half of 2022 it reached USD 89m, up slightly from the first half of the year (USD 85m), an increase of around 4%. However, compared with the previous year, there was a 14% decrease in the average transaction value (USD 102m in H2 2021).

Looking at PE activity across the region, it is fair to say that the second half of the year was not great period for PE-funded deals, with deal numbers falling from 201 transactions in H1 to 135 in H2. PE deal numbers accounted for 39% of the total transactions in H1 2022 and 36% in H2 2022. Focusing on overall value, PE transactions in H2 2022 recorded a total of USD 9.9bn, 33% less than the value achieved in H1 2022.

However, in terms of the average PE deal value, the second half of the year was similar to the first half.

Overall, volatility and concern about macro variables strongly influenced M&A dealmaking in H2 2022.

KEY SECTORS AND DEALS

The leading sector in Southern Europe was TMT with 93 transactions, accounting for 25% of all deals in H2 2022. Even then, TMT deal numbers fell by 40% from H1 2022 (compared to a 18% increase from H1 2021 to H2 2021). TMT was followed by Industrials & Chemicals with 74 deals in H2 2022, accounting for 20% of all deals, in line with the 19% recorded in the previous half-year. The third most active sector was Business Services with 58 deals, accounting for 15% of all volume. Together, these three top sectors were responsible for about 60% of all transactions in H2 2022, followed by Consumer, Pharma, Medical & Biotech and Financial Services.

These last three sectors recorded a total of 98 transactions, with a significant increase in Consumer deals (up 20% compared to H1 2022) and a decrease in transactions in the Pharma, Medical & Biotech and Financial Services by 23% and 29% respectively compared to the previous half-year. Real Estate deal numbers fell by 60%, Leisure by 22% and Energy, Mining & Utilities by 47%, all compared to H1 2022.

The top 10 mid-market transactions in Southern Europe in H2 2022 totalled USD 4.7bn, accounting for 14% of the total transactions, while the top 20 deals accounted for about 25% of all transactions.

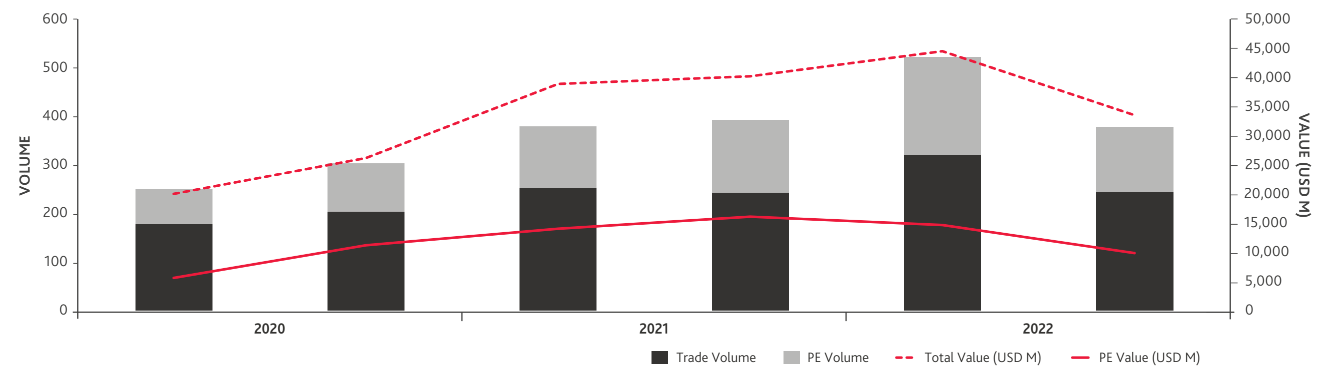
The biggest transaction was the acquisition of an Italian Business Services company, Bomi Italia S.p.A., by United Parcel Service, Inc. for USD 499m. The second biggest deal took place in the Energy, Mining & Utilities sector and saw the acquisition of Spanish company Wenea Mobile Energy SL for USD 497m by a group of investors including Vortex Energy. The third biggest was the acquisition of Spanish Industrials & Chemicals company Grupo Garnica Plywood S.A. by the Carlyle Group Inc., which acquired the stake from Intermediate Capital Group Plc, for USD 489m. Other significant transactions worth mentioning include the acquisition of Derichebourg Multiservices by Elior Group S.A., a French multinational company operating in the food and support services sector, for USD 478m and the purchase of 50% of the Italian Industrials & Chemicals company Gridspertise by CVC Advisers Ltd for USD 477m.

Looking at the top 20 deals in H2 2022, French companies appeared eight times as targets, totalling USD 3.3bn, followed by seven Italian companies with a value of USD 2.9bn billion and the last five companies were Spanish (three), Greek and Portuguese (one each), with a combined value of USD 2.2bn. In terms of sector activity in the top 20, Industrials & Chemicals led the way with 30% of deals, followed by Business Services with 25% and Energy, Mining & Utilities with 15%.

LOOKING AHEAD

Looking ahead, the BDO Heat Chart shows that Southern Europe could reach 766 transactions in the near future, accounting for 9% of the total possible global transactions. TMT is expected to remain the most active sector with 170 transactions, or 22% of the region's total transactions. Consumer is predicted to account for 143 transactions (19% of the total) and Industrials & Chemicals 135 transactions (18%). In addition, Business Services and Energy, Mining & Utilities are predicted to record 96 and 62 transactions, 13% and 8% of the total respectively. Together, these five main sectors account for about 80% of the total number of predicted transactions in Southern Europe.

PE/TRADE VOLUME & VALUE



FOCUS ON ITALY: KEY DEALS AND SECTORS

The Italian mid-market witnessed several transactions during the second half of 2022 that are worth mentioning; especially considering that the market was significantly affected by the geopolitical and economic tensions.

In December 2022, Asterion Industrial Partners SGEIC SA, a Madrid-based European investment fund specialising in infrastructure, finalised the acquisition of a majority stake (98%) worth USD 517m in IRIDEOS S.p.A., the Italian ICT hub and leader in cloud and data centre and fibre optic infrastructure. The transaction was announced July 2022, with the signing of the agreement for the acquisition of the majority stake (78% worth USD 405m) from F2i SGR S.p.A. (Fondi Italiani per le Infrastrutture) and the subsequent agreement for the remaining shares (20%) held by the European fund Marguerite. IRIDEOS S.p.A. is thereby added to Asterion's portfolio, of which Retelit S.p.A. is already a part, with the aim of pooling the technological platforms and expertise of the two groups. This will create the biggest Italian player focused on the corporate, PA and wholesale market and will be even more competitive in the telecommunications, cloud services and data centre markets.

CVC Advisers Ltd, a UK-based private equity and investment advisory firm, acquired 50% of Gridspertise S.r.l., the Italian smart grid technology provider from ENEL SpA, the generator, transmitter and distributor of electricity and gas based in Italy and across Europe. The cash consideration was USD 325m. The enterprise value of the transaction was USD 677m. In addition, the deal included potential deferred payments that could bring the enterprise value up to USD 1.08bn. The closing of the sale, which took place in December 2022, was subject to a number of conditions precedent, including obtaining the various administrative authorisations necessary for the transfer of the 50% stake in Gridspertise to CVC, in particular relating to the golden power procedure with the Prime Minister's Office and the authorisation issued by the competent Antitrust Authorities.

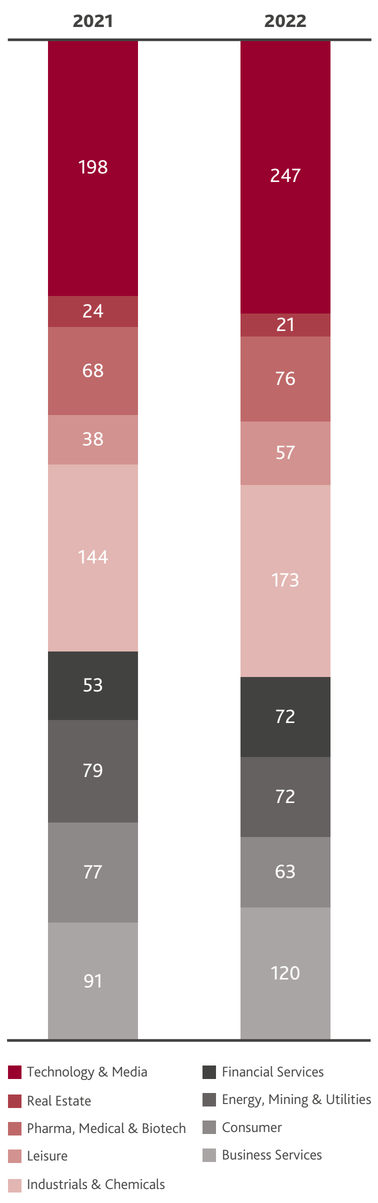
Satispay S.p.A. announced a new USD 347m Series D round in September 2022, exceeding the USD 1.08bn valuation threshold. The deal saw Addition Ventures LLC joining as lead investor. Greyhound Capital Management LLP, a shareholder since 2018, increased its stake in the company. Other existing shareholders that participated included Coatue Management LLC, Lightrock1, Block Inc.2, Tencent Holdings Ltd. and Mediolanum Gestione Fondi SGR S.p.A., who all joined in 2021. The company issued ordinary shares in the transaction. This round will be raised at a post-money valuation of over USD 1.08 bn. At closing, the company had raised USD 529m in funding.

STEFANO VARIANO
PARTNER
stefano.variano@bdo.it

SOUTHERN EUROPE
HEAT CHART BY SECTOR

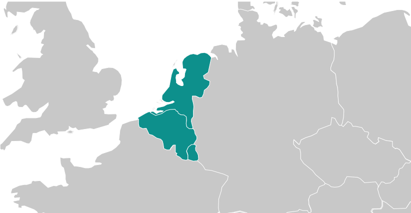
TMT	170	22%
Consumer	143	19%
Industrials & Chemicals	135	18%
Business Services	96	13%
Energy, Mining & Utilities	62	8%
Financial Services	53	7%
Pharma, Medical & Biotech	46	6%
Leisure	43	6%
Real Estate	18	2%
Total	**766**	

SOUNTHERN EUROPE
MID MARKET VOLUMES BY SECTOR



BENELUX

DEAL VOLUME AND VALUE FALL IN LINE WITH GLOBAL M&A TREND



BIG PICTURE

- Deal volume decreased by 15% in the second half of 2022, from 94 to 80 deals, compared to the first half of 2022
- PE accounted for 36% of all deals, a slight decrease compared to the last two years' average of 38%. However, this is still a large proportion compared to global numbers (an average of 29% in the last two years)
- 56% of total deal value was related to the top 10 transactions
- TMT, Industrials & Chemicals and Pharma, Medical & Biotech accounted for 64% of all deals
- Currently, there are 122 deals planned or in progress in the Benelux.

M&A activity in the Benelux mid-market recorded a slowdown in deal value compared to the first half of 2022 (from USD 7,736m to USD 6,192m), which can largely be attributed to the hesitant market sentiment caused by the Ukraine war and the associated changing economic circumstances.

PE players were involved in 29 deals, representing 36% of the total deal volume (versus 38% over the last two years) and 26% of the overall deal value (versus 29% over the last two years).

KEY SECTORS AND DEALS

20 deals were closed in TMT, making it once again the most active sector in the second half of 2022, followed closely by Industrial & Chemicals (17 deals), Pharma, Medical & Biotech (14), Consumer (eight) and Energy, Mining & Utilities (seven).

The total value of the top 20 deals in the second half of 2022, which totalled USD 4,519m, ranged from USD 485m to USD 80m (an average of USD 226m per deal). In the top 20, only three deals involved a domestic buyer, while the remainder were all cross-border transactions. PE firms accounted for 30% of volume in the top 20 (six deals). Overall, the top 20 deals accounted for 73% of the total deal value in H2 2022.

The region's biggest deal in H2 2022 involved France-based Primonial Real Estate Investment Management, which acquired a minority share of 33% in Belgian business Weerts Logistic Parks Holding for a price of approximately USD 485m. Weerts Logistic Parks (WLP) develops state-of-the-art logistics real estate for third-party logistics providers and end-users. WLP currently has a portfolio of 350,000 square metres and another 850,000 square metres are under construction in Belgium, the Netherlands, France, Germany, the United Kingdom, Hungary and Italy.

The second biggest deal in H2 2022 involved US-based Azenta, Inc.'s acquisition of B Medical Systems S.a r.l (B-Medical) and its Luxembourg subsidiaries for a total price of approximately USD 469m. B-Medical is the market leader in temperature-controlled storage and transportation solutions that enable the delivery of life-saving treatments across the globe.

Finally, the third biggest deal involved France-based Astorg Partners, which acquired a 100% stake in Belgian business IPCOM N.V. for a price of approximately USD 455m. IPCOM is a fast-growing European market leader in insulation solutions, specializing in the distribution and conversion of innovative solutions for thermal insulation, high temperature insulation, passive fire protection and acoustic insulation.

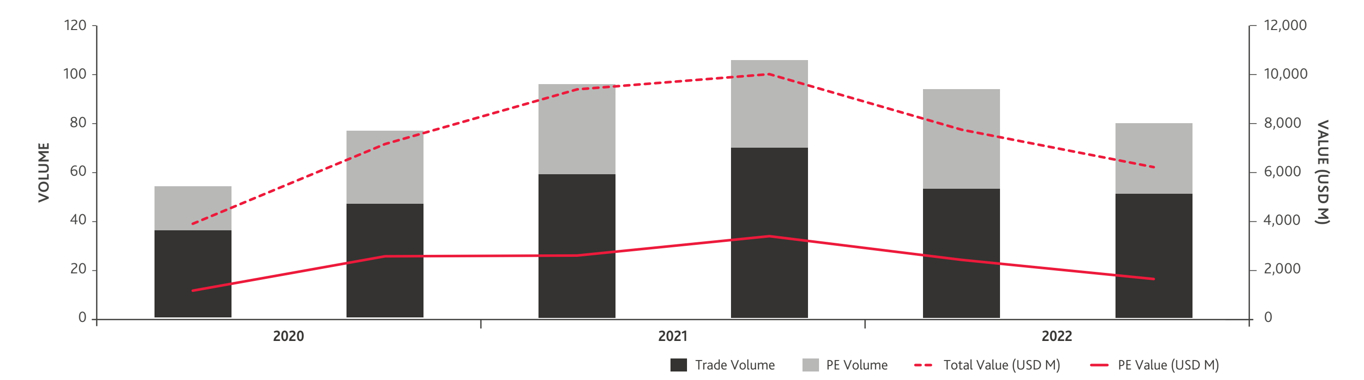
LOOKING AHEAD

The Benelux BDO Heat Chart shows that there are currently 122 deals planned or in progress. Most of the transactions in the pipeline relate to TMT (with 31 deals and 25% of the future total) followed by Industrials & Chemicals (31 and 25%), Business Services (22 and 18%), Consumer (14 and 11%) and finally Pharma, Medical & Biotech (13 and 11%).

LUC AUGUSTIJN
PARTNER
luc.augustijn@bdo.nl

ALEXI VANGERVEN
PARTNER
alexi.vangerven@bdo.be

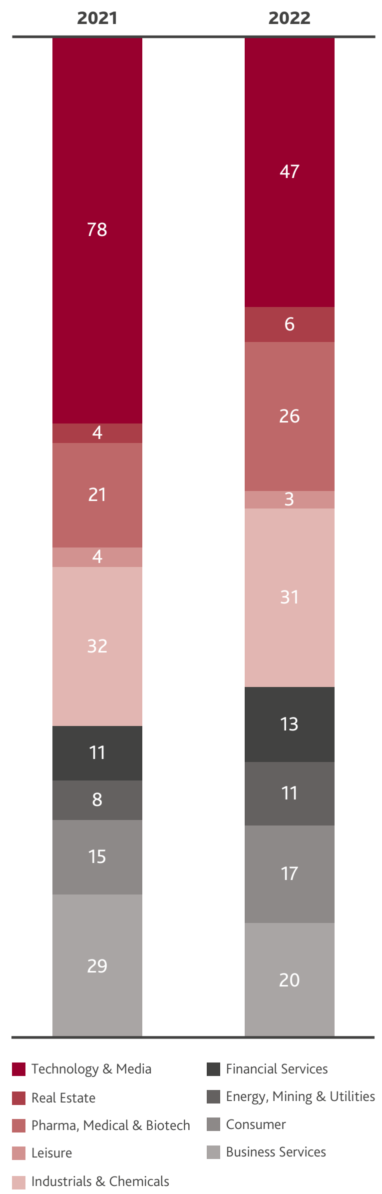
PE/TRADE VOLUME & VALUE



BENELUX
HEAT CHART BY SECTOR

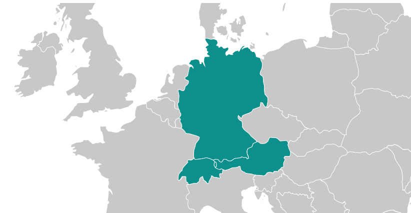
TMT	31	25%
Industrials & Chemicals	31	25%
Business Services	22	18%
Consumer	14	11%
Pharma, Medical & Biotech	13	11%
Financial Services	7	6%
Energy, Mining & Utilities	4	3%
Total	**122**	

BENELUX
MID MARKET VOLUMES BY SECTOR



DACH

DEAL VOLUME AND VALUE DECLINE IN SUBDUED DEALMAKING ENVIRONMENT



BIG PICTURE

- Deal numbers drop by 30% and value by 31% compared to H1 2022
- PE activity saw a dramatic decline between the first and second half of the year, both in terms of deal volume and deal value
- TMT, Industrials & Chemicals and Pharma, Medical & Biotech were the region's leading sectors in H2 2022.

The DACH region followed the global M&A trend with a slowdown in dealmaking activity in the second half of 2022.

M&A mid-market activity was subdued in H2 2022 with total deal numbers falling by 61 compared to H1 2022, resulting in a 30% drop in deal volume and deal value also fell by 31%. PE dealmaking saw a sharper decline in the same period, with volume down by 45% and value down by 54% compared to H1 2022.

KEY DEALS AND SECTORS

In H2 2022, the region's top 10 deals accounted for 61% of the total transaction value. Looking at the target companies in the top 20 deals, 17 were from Germany, two from Austria and one from Switzerland. Of these, eight companies had bidders from the DACH region, with Germany leading the way with six transactions, followed by Austria with two.

Continuing the trend of rising international interest in M&A in the DACH region, bidders from nine different countries were also involved in the top 20 deals, including France (three deals), USA (two deals), Sweden, United Arab Emirates, Qatar, Singapore, Canada and the Republic of Ireland (all with one deal each).

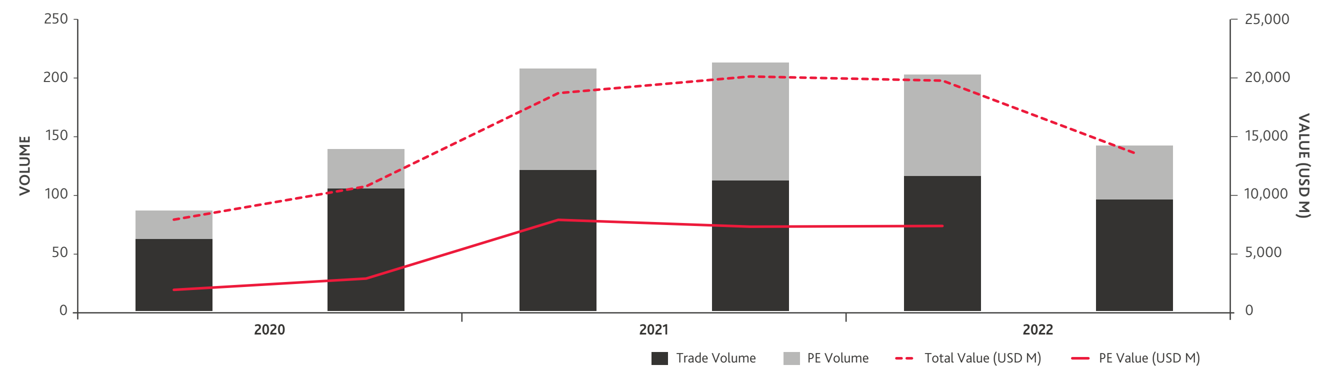
The biggest deal in H2 2022 was the acquisition of German-based Pharma Group Bayer AG by the German-based Gruenenthal GmbH, who paid USD 496m for a 100% stake. The second largest saw the sale of a 5.78% stake in German Energy, Mining & Utilities company Uniper SE to the German Government for USD 493m.

Completing the top three was the acquisition of German-based Blue Elephant Energy AG by France-based Antin Infrastructure Partners S.A.S. for a consideration of USD 436m.

A large cross-border deal in H2 2022 saw the acquisition of a 100% stake by Swedish Industrials & Chemicals company EQT in German va-Q-tec AG. The transaction was valued at USD 433m and will help EQT AB strengthen its global business.

The Austrian top 20 deal took place in the TMT sector. Vinci S.A. in France and VINCI Energies Schweiz AG in Switzerland acquired Austria-based Kontron AG and its related IT services business for a deal value of USD 411m.

PE/TRADE VOLUME & VALUE



The Swiss top 20 deal was another TMT transaction that saw the sale of a 7.14% stake in Acronis International GmbH for USD 250m to American multi-national investment company BlackRock Inc.

The smallest top 20 DACH transaction in the period was a USD 234m deal in Germany that involved SEFE Securing Energy for Europe GmbH (former GAZPROM Germania GmbH) selling a 100% stake to the German Government.

In H2 2022, the majority of the region's top 20 deals involved companies from the following sectors: TMT (30%), Industrials & Chemicals (23%), Pharma, Medical & Biotech (19%), Customer Services (10%), Business Services (9%) as well as Financial Services (4%) and others (5%).

Energy, Mining & Utilities, Financial Services and Leisure all recorded increases in deal activities compared to H2 2021. Most other sectors including Business Services, Customer Services, Pharma, Medical & Biotech, Real Estate and TMT saw deal numbers fall in H2 2022 compared to H2 2021. Deal activity in Industrials & Chemicals remained stable in comparison to H2 2021.

Energy, Mining & Utilities recorded an increase in deal activity in H2 2022 compared to the first half, as did the Leisure sector. Apart from Financial Services, all other sectors saw decreased deal activity in H2 2022 compared to the first half of the year.

There was a notable decrease in deal activity in the TMT sector, with just 48 closed deals in H2 2022 compared to 84 in H1 2022. Deal numbers in Industrials & Chemicals also recorded a slight fall to 39 in H2 2022 from 42 in H1 2022.

Finally, Energy, Mining & Utilities recorded the biggest year-on-year increase with 17 deals closed in 2022 compared to just five deals in 2021. There was also an increased deal count in the Leisure sector, with 14 deals in 2022 compared to eight deals in 2021.

LOOKING AHEAD

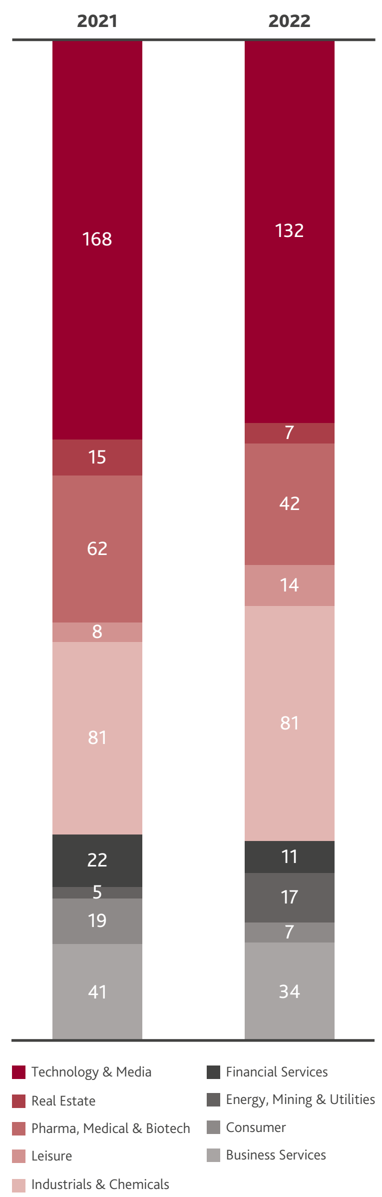
The second half of 2022 saw the continued economic recovery from the COVID-19 pandemic. However, the direction of future travel is still uncertain due to inflation and the European interest rate policy as well as the effects of the war in Ukraine. Other world events might also have an impact on trade relations and keep investors on the cautious side. The first half of the year – and specifically the first quarter of the year – is storically very busy with mid-market M&A transactions. This might come in a scaled-down form in 2023 due to the current uncertain economic situation and the ongoing war in Ukraine. However, we maintain our belief that the DACH M&A market will continue to recover and improve during the course of 2023.

CHRISTOPH ERNST
DIRECTOR – M&A
christoph.ernst@bdo.at

DACH
HEAT CHART BY SECTOR

TMT	115	31%
Industrials & Chemicals	84	23%
Pharma, Medical & Biotech	72	19%
Consumer	36	10%
Business Services	34	9%
Financial Services	15	4%
Energy, Mining & Utilities	8	2%
Leisure	6	2%
Real Estate	3	1%
Total	**373**	

DACH
MID MARKET VOLUMES BY SECTOR



NORDICS

DEAL VOLUME AND VALUE RECORD HEAVY FALLS FROM FIRST HALF OF THE YEAR

BIG PICTURE

- Total deal volume in H2 2022 was 159 and total value was USD 9.9bn, down 34% and 43% respectively compared to H1 2022
- H2 2022 deal volume and value were the Nordics' lowest recorded figures since H2 2020
- Increased inflation, rising interest rates and the invasion of Ukraine alongside the knock-on effects of sanctions on Russia are among the main concerns moving forward.

In 2022, the Nordic M&A market faced a range of economic and geopolitical challenges that negatively impacted deal volume and deal value in the second half of the year.

As a result, Nordic M&A deal volume in H2 2022 trended in a negative direction from the previous half year with a total deal volume of 159, down 34% from the 240 deals recorded in H1 2022. Overall, trade volume activity was down by 36% and PE volume dropped by 28%. Looking ahead, the main concerns for future M&A mid-market activity are around increasing inflation, rising interest rates, and developments in the Russia-Ukraine war.

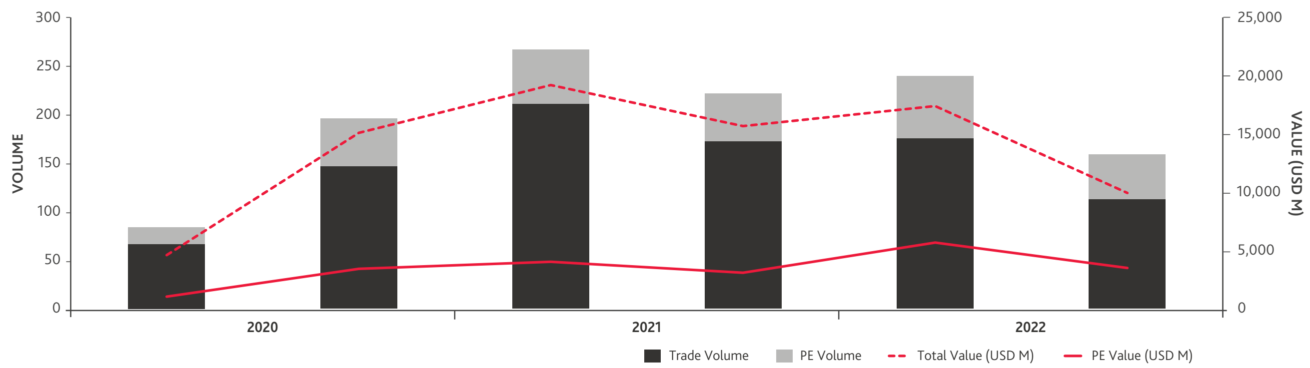
However, looking at year-on-year deal volume the picture is somewhat more positive, with numbers down by 28%. The total deal value in H2 2022 was USD 9.9bn, down 43% compared to the first half of the year and the year-on-year comparison indicates a slightly less dramatic decrease, down by 37%.

PE buyouts accounted for 46 (29%) of all deals made during H2 2022 and PE deal value accounted for USD 3.5bn (35%) of all deals. PE value increased year-on-year to USD 3.5 bn (13%), while PE deal volume fell to 46 (down by 6%).

KEY SECTORS AND DEALS

Real Estate was the only sector that recorded an increase in deal volume during H2 2022 (up by 14%), which can partly be explained by the fact that corporations needed to divest assets due to the increased costs attributable to rising interest rates in the Nordic region. Deal activity in Energy, Mining & Utilities remained constant with 20 deals in H2 2022 (20 in H1 2022). At the other end of the scale Consumer was the sector that recorded the biggest fall in deal numbers (down 850%), alongside Financial Services (down 225%) and Leisure (down 300%). Another sector worth mentioning was Pharma, Medical & Biotech, which in H2 2022 recorded its lowest deal volume seen since H2 2020. The Consumer sector also saw a rapid decrease in deal volume, with just two deals in H2 2022, in comparison to the 19 deals transacted during H1 2022. Finally, deal volume in Business Services decreased from the previous half year (down by 27%) but overall it remained the most consistent sector with more than 30 deals for each half year for the past two years.

PE/TRADE VOLUME & VALUE



Looking at the region's top 20 deals in H2 2022, Industrials & Chemicals accounted for 40% of the overall deal volume. The biggest transaction took place in Financial Services and involved Cinven Partners LLP's acquisition of the Swedish company Säkra AB from Adelis Equity Partners, with the deal valued at USD 496m. Adelis Equity Partners has been very active in the Nordic M&A market in 2022, with both cross-border and domestic deals (five companies sold and six acquisitions).

Of the top 20 deals in the Nordic region in H2 2022, nine were cross-border transactions.

LOOKING AHEAD

Moving forward, the main concerns for the Nordic M&A market are continuing developments around inflation, interest rate rise, uncertainty in stock markets, the ongoing invasion of Ukraine with the knock-on effects of sanctions on Russia and energy prices. These obstacles in the M&A market are all potential contributors to investors being more cautious in the months ahead.

The current high levels of inflation, both in Europe and the US, will influence interest rates moving forward. Nordic central banks and the FED continuously increased interest rates during H2 2022 and moving into the next half year the rates will most likely remain around their current levels. Therefore, high interest rates will continue to have a significant impact on investors looking to borrow capital.

Even though the pandemic is behind us and we have moved into a post-pandemic phase, the war in Europe is now the main concern and it is continues to impact M&A dealmaking and the stock market. Russia remains one of the biggest suppliers of energy to Europe - if they were to decide to strangle the supply due to sanctions, energy prices could increase significantly across the Nordic region.

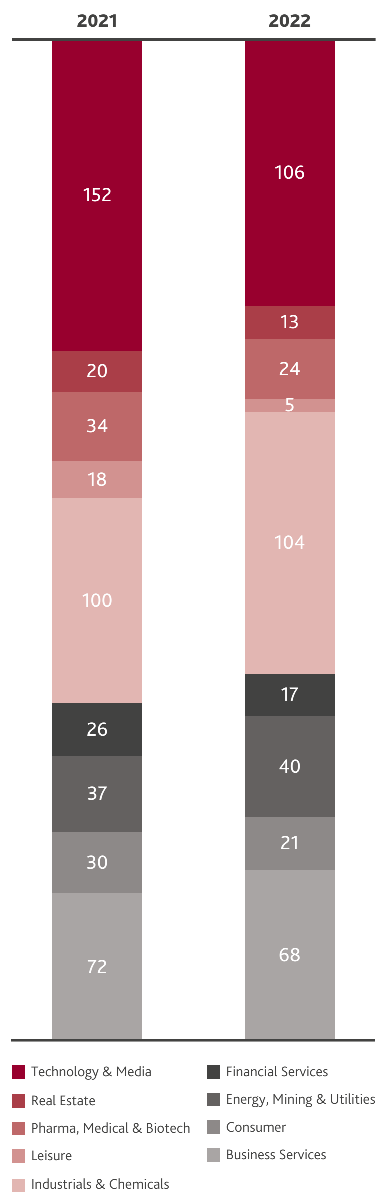
On a more positive note, if interest rates stabilize alongside inflation and the stock market sees an upswing, then the Nordic M&A market could yet see positive progress moving into H1 2023. To conclude, the M&A market is currently facing many obstacles, but there is already some evidence of an upswing in the stock market, alongside levels of inflation not increasing as rapidly as they were during H2 2022. In conclusion, as we move into H1 2023, the expectations are that both deal volume and deal value will be at levels similar to the previous half year.

CLAES NORDEBÄCK
PARTNER
claes.nordeback@bdo.se

NORDICS
HEAT CHART BY SECTOR

TMT	71	29%
Industrials & Chemicals	51	21%
Pharma, Medical & Biotech	46	19%
Business Services	24	10%
Consumer	20	8%
Energy, Mining & Utilities	19	8%
Financial Services	9	4%
Leisure	6	2%
Real Estate	2	1%
Total	**248**	

NORDICS
MID MARKET VOLUMES BY SECTOR



MIDDLE EAST

M&A ACTIVITY REMAINS RESILIENT

BIG PICTURE

- While the global M&A market suffered from an overall economic slowdown, the Middle East M&A activity remained strong and continued the historical growth in 2022 as well
- Americana Restaurant became the first company to offer its shares simultaneously on the Saudi and the Abu Dhabi Stock Exchange, making it a first-of-its-kind dual listing within the region raising a total of USD 1.8 billion
- 22.0% acquisition of DP World (USD 5.0 billion) by a Canadian pension fund, marked one of the biggest transactions in the region.

The uptick in the Middle East M&A market continued in 2022. Backed by 283 deals worth USD 23.8 billion, the M&A activity during the first nine months of 2022 witnessed a 16.0% increase in deal volume from the same period last year (244 deals during the first nine months of 2021).

Some of the key transactions were as follows:

- Canadian pension fund Caisse de dépôt et placement du Québec ('CPDQ') acquired a 22.0% stake in DP World (a Dubai-based logistics firm) for USD 5.0 billion
- Ghitha Holding PJSC acquired a 100.0% stake in Tamween Management LLC for USD 2.4 billion
- Emaar Properties PJSC (a sovereign wealth fund portfolio company) acquired Dubai Creek Harbour for USD 2.0 billion
- Q Holding acquired 100.0% ownership of Reem Investments for USD 1.6 billion
- International Holdings Company PJSC acquired a 17.0% ownership stake in Aldar Properties PJSC for USD 1.4 billion
- Actis LLP acquired Emirates District Cooling LLC for USD 1.0 billion.

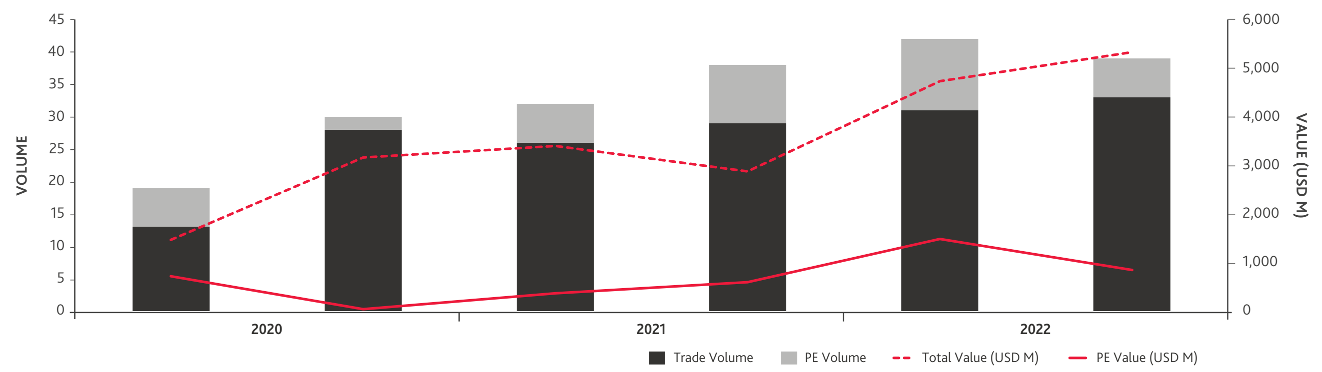
MID MARKET

In the mid-market space, the number of deals increased to 81 (70 deals in 2021), reflecting a 16.0% increase in total deal volume. Technology, Media, and Telecommunications ('TMT') was the most active sector in 2022, with 24 deals, followed by 15 deals in Industrials and Chemicals sector.

Some of the key mid-market transactions were as follows:

- ADES Arabia Holding PLC acquired a 100.0% stake in Seadrill Limited Drilling Rig Entities for USD 0.6 billion
- Qatar Electric Water Company acquired a 40.0% ownership stake in Nebras Power for USD 0.5 billion.

PE/TRADE VOLUME & VALUE



PRIVATE EQUITY AND SOVEREIGN WEALTH FUNDS

With a total of 17 deals worth USD 2.3 billion, 2022 marked a 13.0% increase in PE-backed deals.

Sovereign Wealth Funds ('SWFs'), including Mubadala, Abu Dhabi Investment Authority, Investment Corporation of Dubai, Abu Dhabi Development Holding Company, and Public Investment Fund ('PIF'), predominantly led the deals activity

Some of the key PE-backed transactions are as follows:

- PIF acquired a 16.8% stake in Kingdom Holding Company for USD 1.5 billion
- PIF acquired a 30.0% stake in Almosafer Travel & Tourism Company for USD 0.4 billion
- PIF in collaboration with Kohlberg Kravis Roberts and Global Infrastructure Partners, acquired a stake in Vodafone PLC (Tower business) for USD 15.0 billion
- ADIA acquired Zendesk and Emerson Electric Co's division of climate technologies for USD 10.2 billion and USD 9.5 billion, respectively.

With Assets Under Management (AUM) of USD 620.0 billion (as of November 2022), PIF became the third-largest SWF in the Middle East.

IPOS

In 2022, Saudi Arabia remained the most active IPO market of the Middle East region. The Primary and Secondary markets recorded a total of 36 listings with cumulative proceeds of USD 18.0 billion (15 listings during 2021).

Al Nahdi Medical Company (raising a total of USD 1.4 billion) was the second-largest IPO in KSA, only falling behind Saudi Aramco's listing in 2019.

2022 marked another milestone as the region witnessed its first cross-listing. Americana Restaurants International, the operator of KFC and Pizza Hut became the first company to offer its shares simultaneously on Saudi and Abu Dhabi Stock exchange and raised a total of USD 1.8 billion.

The UAE stock markets recorded three IPO's:

- Dubai Electricity and Water Authority's ('DEWA') IPO raised USD 6.1 billion
- Borouge PLC, an Abu Dhabi-based petrochemicals company IPO raised USD 2.0 billion, and
- Salik, a Dubai-based toll operator, raised USD 1.0 billion.

LOOKING AHEAD

The Middle East's expanding investment universe draws on the region's strong economic growth, which is aided by favorable energy prices. We expect noticeable M&A activity to continue beyond 2023 as Middle East companies strengthen core areas of their portfolio.

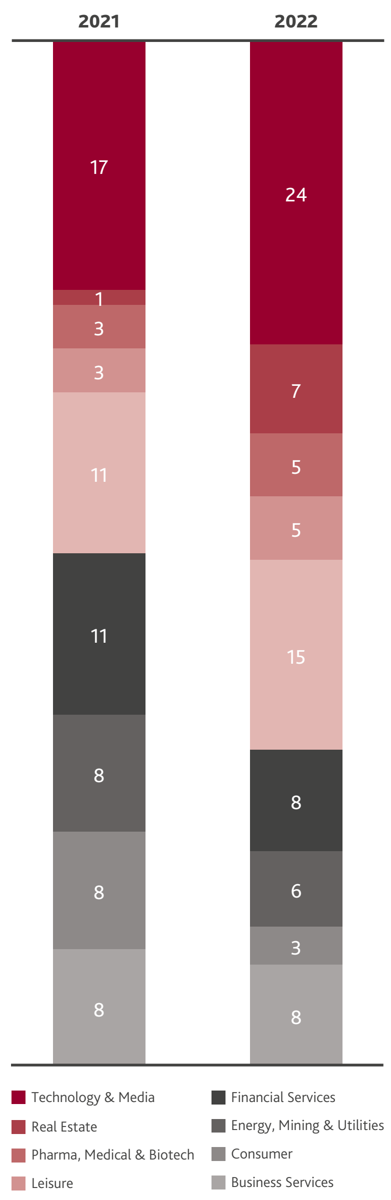
MUHAMMAD ASSAD BUTT
SENIOR DIRECTOR
HEAD OF CORPORATE FINANCE AT BDO
SAUDI ARABIA

m.butt@bdoalamri.com

MIDDLE EAST
HEAT CHART BY SECTOR

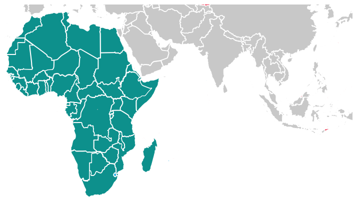
TMT	19	24%
Business Services	16	20%
Financial Services	16	20%
Consumer	8	10%
Pharma, Medical & Biotech	7	9%
Industrials & Chemicals	5	6%
Energy, Mining & Utilities	3	4%
Real Estate	3	4%
Leisure	2	3%
Total	**79**	

MIDDLE EAST
MID MARKET VOLUMES BY SECTOR



AFRICA

DEAL ACTIVITY SLUMPS IN CHALLENGING YEAR FOR M&A



BIG PICTURE

- Africa's M&A activity mirrored the global decline in dealmaking in H2 2022 with only 49 deals concluded
- Total deal value declined by 25% from H1 2022 and the average deal value was 16% lower than in the last three years. PE-backed deals accounted for just 6% of deal value in the second half of 2022
- In line with multi-year trends, the African continent remains a very small contributor to the Global M&A market (1.1% of total deal value)
- Looking ahead, three sectors (Business Services, Energy, Mining & Utilities and Industrials & Chemicals) are expected to account for the majority of future African dealmaking activity.

2022 was a challenging year for M&A on the African continent. M&A activity has been facing some aggressive headwinds with the hangover from the pandemic, global supply issues, the ongoing Russia-Ukraine war, rising levels of inflation, interest rate hikes and political uncertainty. Anu Aiyengar, J.P. Morgan's Global Co-Head of M&A summed it up well when she stated: "... uncertainty is not a good thing for M&A...you need a return to being able to predict what the future is".

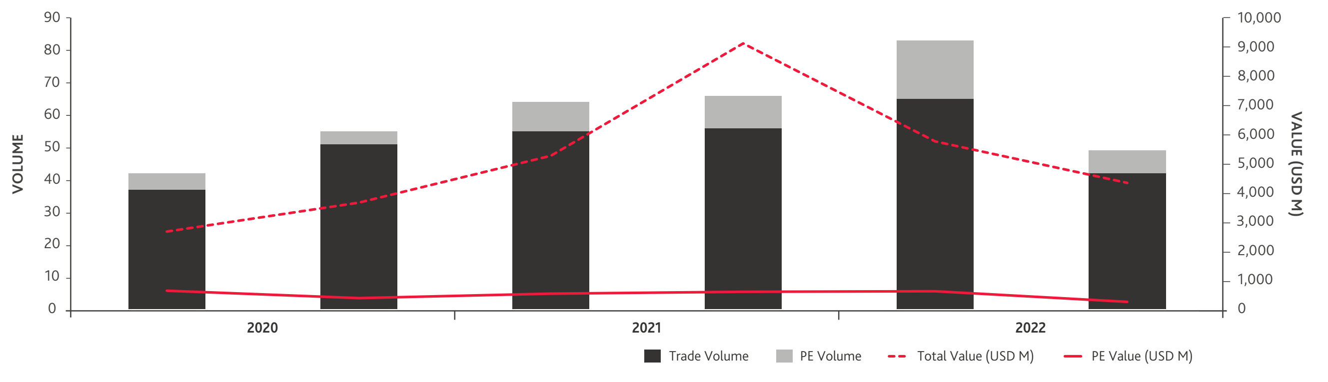
The second half of 2022 saw the lowest level of mid-market deal activity since the COVID-19-affected 2020. A total of 49 deals were concluded in Africa, 40% lower than the first half of the year. The total deal value was USD 4.3bn, 18% lower than the average deal value over the last three years. There was also a significant decline in PE-backed deals during H2 2022, with just seven PE buyouts, with a total value of USD 249m (c.6% of the total deal value).

An interesting study conducted by LEX Africa provided some interesting insight into M&A on the continent. The participants in the study were from Nigeria, Angola, Rwanda, Guinea, Zambia and Namibia and most territories reported rising levels of M&A activity (with the exception of Zambia which have seen some political changes in recent times).

The fact remains that much of the M&A activity on the African continent is in the private sector and therefore does not receive the same publicity as those deals that take place in the public sector. Nigeria and South Africa, which are Africa's largest and third largest economies respectively, both have very large private sectors. "Nigeria experiences high volumes of M&A transactions, from financial services to information technology, to oil and gas sectors, typically with little or no publicity," says Okayama Giwa-Osagie, senior partner at LEX Africa from member firm Giwa-Osagie & Co.

However, it's not all bad news for African M&A. South Africa remains a member of BRICS (Brazil, Russia, India, China and South Africa) and the five economies are considered to be the major emerging economies with more than three billion people or 40% of the world's population and contributing just over 25% of the global GDP.

PE/TRADE VOLUME & VALUE



KEY SECTORS AND DEALS

Consumer lead the way in terms of sector activity with 11 deals in the second half of 2022. This was followed by Financial Services with 10 deals. Only nine deals took place in Energy, Mining & Utilities, the lowest number of deals seen in this sector since 2020 and less than half of the amount concluded in the second half of the prior year. Real Estate, Pharma, Medical & Biotech and Leisure remained at the lower end of sector activity with one deal each and those sectors continue to record slow growth since the COVID-19 pandemic.

Of the top 20 deals, South Africa accounted for the most with six, followed by Egypt with four. Other countries that saw significant deals included Cameroon, Senegal and Ivory Coast.

Twelve of the top 20 involved acquisitions by foreign parties from, amongst others, France, United Arab Emirates, USA and the UK.

The region's biggest deal in H2 2022, and one of the aforementioned Consumer deals, was also noted in the last issue of Horizons. This was Diageo Plc's sale of its brewery in Cameroon, Guinness Cameroon S.A, to Castel Group for £460m. The transaction is expected to complete in the first half of 2023, subject to regulatory clearances. On completion, Castel will take over the production and nationwide distribution of Guinness in Cameroon under a licence and royalty agreement. Guinness' marketing in Cameroon will continue to be managed by the Guinness Global Brand Team, who will set strategy with dedicated Diageo resources, working alongside Castel.

The second biggest deal was the acquisition of a 100% stake in Real Estate company Madinet Nasr Housing & Development (MNHD) by Egyptian developer Sixth of October for Development and Investment Company (SODIC), with a total deal value of USD 444m. The Cairo-headquartered MNHD focuses on the East Cairo area, where its two flagship projects (Taj City and Sarai) are located. The transaction, once concluded, would expand SODIC's footprint in the East Cairo market, widen its customer base and leverage both developer's strengths to achieve scale and create value through a combined undeveloped land bank.

Finally, another deal noted in the last issue, and the third biggest deal recorded during H2 2022, was Wallmart Inc's acquisition of the 47% minority interest in Massmart Limited. Massmart shareholders were offered R62 per share in cash, 53% higher than Massmart's closing share price when the offer was announced. According to Massmart, aside from COVID-19, the civil unrest in 2021 and flooding in KwaZulu-Natal in South Africa earlier this year have compounded the weak consumer demand for general merchandise and an increasingly competitive operating environment. As part of its turnaround plan, Massmart plans to sell or close more of its non-core assets. The development of its e-commerce strategy will require significant additional financial investment.

LOOKING AHEAD

We predict a challenging 2023 for M&A in Africa. Rising interest rates mean more expensive debt and reduced serviceability. As a result, on leveraged acquisitions the debt component is likely to be reduced, resulting in additional equity being required. With market returns under pressure, the market will need to be cautious in deploying equity because reduced debt and increased equity cheques result in a lower internal rate of return. So, the lever to pull is the valuation or the purchase price. The question then remains, are sellers willing to take a discount on their sales price?

We expect that 2023 may drive some opportunistic dealmaking for well-funded businesses as the increased cost of debt and waning consumer spending may put pressure on marginal businesses. This expectation is partially driven by the data which indicates that c.60% of the deal value of the top 10 deals concluded in H2 2022 H2 was invested in the Consumer sector.

Anu Aiyengar, J.P. Morgan's Global Co-Head of M&A, said, when commenting on the drivers of 2023 activity:

"I do think it's the best of time for a strategic (buyer) who is well capitalized because they are not dependent on financing, and you can just use your balance sheet without putting it at stress and still do deals. But for the sponsors, It has been a barbell – some sponsors are willing to over equitize, while some are 'risk off' and will wait for both clarity of outlook and leverage finance markets to come back. They're looking for more clarity on the future and where growth, inflation, interest rates and unemployment will land. The proactive buyers are willing to take a bit of risk. They are actively engaging with sellers, and when the seller's mindset changes, the deals are happening. Buyers should not be too greedy and try to catch the absolute bottom. Some of the best deals for these buyers will get done over the next six months."

According to the BDO Heat Chart, Business Services, Industrial & Chemicals and Energy, Mining & Utilities will make up the bulk of activity across the continent for the foreseeable future, with the balance spread across the remaining sectors. As mentioned previously, the Real Estate, Pharma, Medical & Biotech and Leisure sectors continue to show low or no levels of M&A activity.

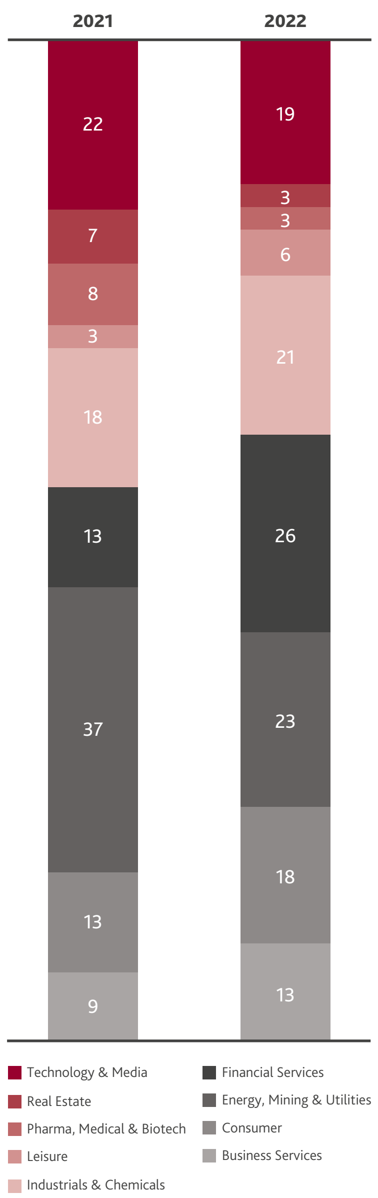
NICK LAZANAKIS
HEAD OF CORPORATE FINANCE
nlazanakis@bdo.co.za

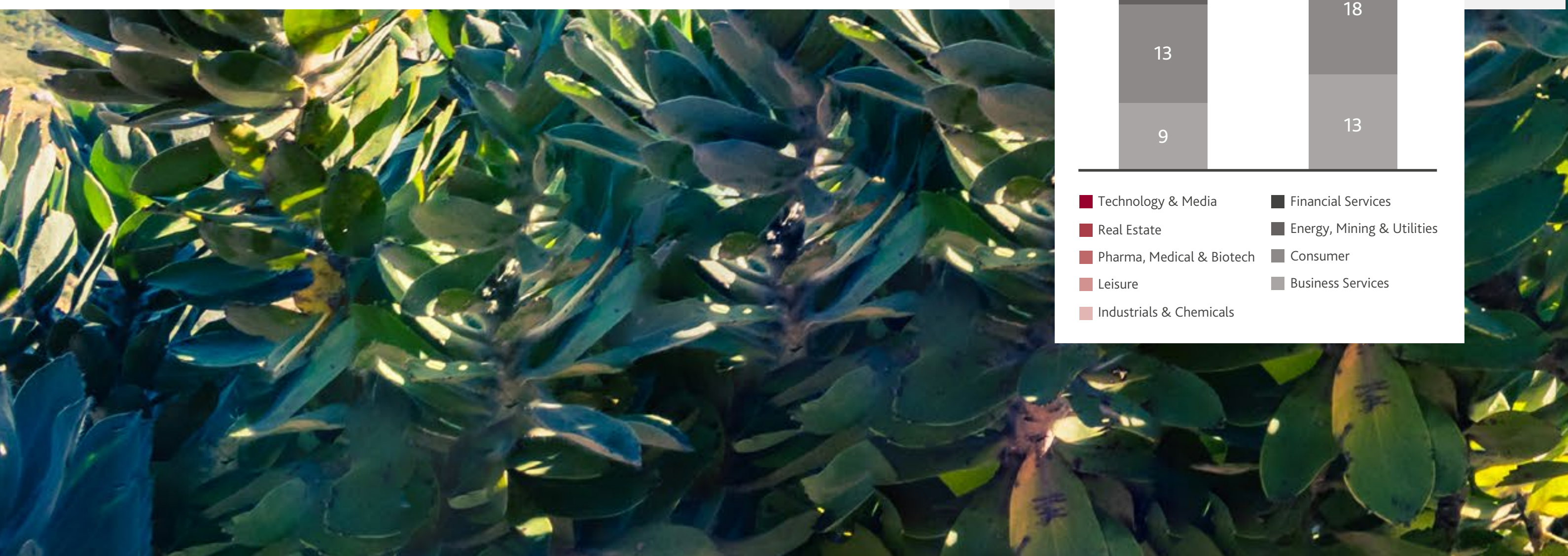
GUY STEELE
HEAD OF M&A
gsteele@bdo.co.za

AFRICA
HEAT CHART BY SECTOR

Business Services	38	26%
Industrials & Chemicals	33	22%
Energy, Mining & Utilities	22	15%
TMT	17	11%
Consumer	15	10%
Financial Services	13	9%
Pharma, Medical & Biotech	7	5%
Real Estate	3	2%
Total	**148**	

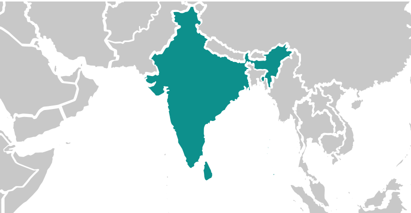
AFRICA
MID MARKET VOLUMES BY SECTOR





INDIA

DEAL ACTIVITY SLOWS BUT OUTLOOK IS HEALTHY WITH RENEWABLES TO THE FORE



BIG PICTURE

- Deal activity slowed in H2 2022 with volume down by 35% and value by 26%
- PE deals accounted for 43% of volume and 39% of value in the period
- TMT dominated sector activity, accounting for 31% of deals
- India's drive towards clean energy points to increasing deal activity in Renewables.

India's mid-market M&A segment recorded 204 deals in H2 2022, which represented a slow end to the year and a fall of 35% from the 315 deals that took place in H1 2022. In terms of value, deals in the second half of the year were worth a total USD 16,355m, a decline of almost 26% compared to the figure of USD 22,145m achieved in H1 2022.

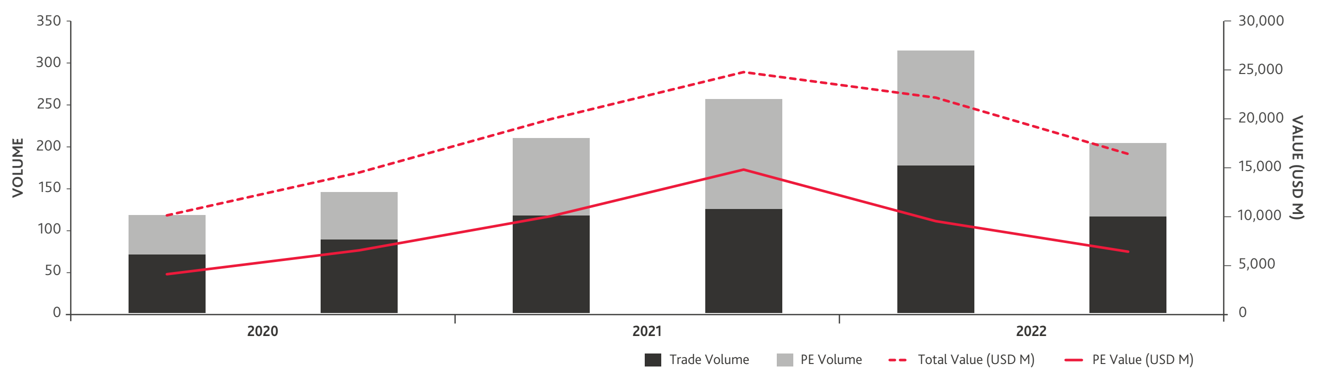
PE-funded transactions remained a key part of India's M&A activity in the second half of 2022, accounting for 43% of the total deal volume and 39% of the total deal value.

The last quarter of the calendar year is usually a rewarding one for M&A activities. However, as a result of factors including rising interest rates, a shake-up in the primary market and pulled back funding, mid-market M&A activity in H2 2022 was comparatively lower.

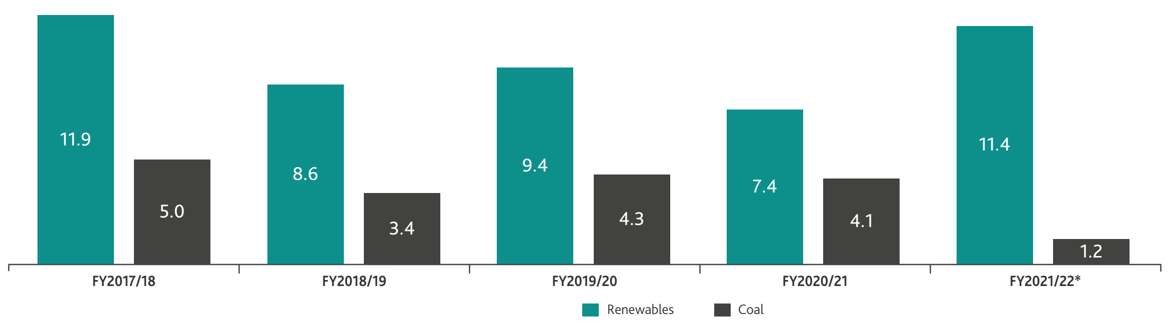
Looking at deal value in 2022, while India's mid-market activity totalled USD 152bn compared to USD 107bn in 2021, this increase was largely driven by one very large inter-group transaction, namely the merger of the Housing Development Finance Corporation (HDFC) and HDFC Bank, which had a total transaction value of USD 40bn.

Finally, as can be seen elsewhere on this page, there has already been significant activity in the country's Renewable Energy (RE) sector as the country expands its renewable energy ecosystem in the drive to reduce reliance on fossil fuels, which is driving significant investment and dealmaking in the sector.

PE/TRADE VOLUME & VALUE



RENEWABLE ENERGY SECTOR CONTINUES TO ATTRACT LARGE CAPITAL



Source: Economic Times CEA, MNRE, IEEFA calculations * Till January 2022

KEY SECTORS AND DEALS

As was the case in H1 2022, TMT led the way in sector activity with 63 deals in H2 2022, which represented 31% of total deal volume. In second and third place were Industrials & Chemicals and Business Services with 44 deals (22% of deal numbers) and 27 deals (13%) respectively. In addition, some deals also took place in the Pharma medical & biotech, Consumer and Financial Services sectors etc.

Some of the key deals in various sectors included:

TMT

- Dreamplug Technologies Private Limited (CRED) acquired Bengaluru-based wealth management firm Smallcase Technologies Private Limited for USD 400m from existing holders Amazon.com Inc., Sequoia Capital, HDFC Bank Ltd, PremjiInvest, Faering Capital, Blume Venture Advisors Pvt Ltd., Been Ext, WEH Ventures, Arkam Ventures and DSP Group Inc
- Walmart-backed Indian digital payments firm PhonePe raised USD 350m in a round led by US PE group General Atlantic, at a valuation of USD 12bn
- Online K-12 tutoring platform Focus Edumatics Pvt. Ltd. was acquired by San Francisco-based PE firm Alpine Investors LP from individual seller Anirudh Baheti for USD 300m, providing resources for Focus Edumatics to continue to grow its products and services

PHARMA, MEDICAL & BIOTECH

- Ontario Teachers' Pension Plan Board acquired a significant majority stake in Sahyadri Hospitals Group for USD 315m
- Viatris Inc. (formerly Mylan Labs) has agreed to acquire Famy Life Sciences Pvt. Ltd., the eyecare (ophthalmology) business of Famy Care group for USD 300m
- KKR & Co. is invest USD 300m in United Phosphorus Limited's subsidiary Advanta Enterprises Ltd for a stake of 13.33%.

POWERING INDIA FOR THE FUTURE

Powering a nation like India with a population of 1.3bn and a rapidly growing economy requires huge amounts of energy. Adopting the United Nations (UN) Sustainable Development Goals (SDGs) by ending our reliance on fossil fuels and investing in the clean-accessible-affordable-sustainable sources of energy seems to be the only pathway to a sustainable planet for generations to come. India, which was a power-deficit nation at the time of its independence, has already made significant efforts and shown substantial growth towards national self-sufficiency with a total installed electricity capacity of over 400 Gigawatts (GW).

At the recent UN Climate Change Conference in Glasgow, which brought more than 100 world leaders together to plan global action to solve the climate emergency, Indian Prime Minister Shri Narendra Modi announced India's vision to achieve net-zero carbon emissions by 2070. One of the key steps to reaching this goal is for India to generate 50% of its total energy requirements from renewable sources. India's power generation mix is already shifting towards a more significant share of renewable energy. As of September 2022, India was the world's third largest producer of renewable energy, with 40% of its installed electricity capacity coming from non-fossil fuel sources. India's combined installed capacity of renewable energy is 150+ GW with plans to expands to 500 GW by 2030, which is currently the world's biggest expansion plan in renewable energy. To achieve the target of net-zero carbon emissions, the Indian Government is extensively promoting switching to electric vehicles, the production of green hydrogen and solar equipment/solar modules, thereby reducing the usage of fossil fuels. The chart on this page shows the progress India has made so far in expanding the use of renewable energy and increasing capacity.

The Indian Government has also introduced other initiatives in the shift to renewable energy like the manufacture of solar Photovoltaic (PV) modules under a Production Linked Incentive (PLI) Scheme, the generation of offshore wind energy, the production of electrolysers as a part of national mission on Green Hydrogen and the establishment of significant hydro power projects. Together, all these initiatives are aimed at achieving the goal of 500 GW of clean energy by 2030, with investments in an entire 'ecosystem' likely toc ost billions of dollars.

Furthermore, India currently holds the presidency of G20 with the theme of 'One Earth-One Family-One Future' and a spotlight on the concept of 'LiFE' - Lifestyle for Environment which is a behaviour-based movement to adopt environmentally-conscious practices both at an individual and national level. Understanding and addressing the issue of climate change across all sectors, some of India's G20 priorities include 'Green Development, Climate Finance & LiFE', 'Accelerated, Inclusive & Resilient Growth' and 'Accelerating progress on SDGs'. India is setting a precedent for other developing nations as it transforms its assurances into actions and undertakes the energy transition towards a more sustainable future.

Renewable Energy investment in India hit a record of USD 14.5bn in the financial year (FY) 2021-22, an increase of 125% over FY 2020-21. Even though the investment climate was subdued during H2 2022, the RE sector still attracted significant investment.

Some of the key transactions included:

- KKR & Co. inc. investing USD 450m in Hero Future Energies Pvt. Ltd, the renewable energy platform of the Hero group
- Canada Pension Plan Investment Board made a further investment of USD 400m in NASDAQ-listed ReNew Power to become its largest shareholder
- Partners Group is investing USD 400m and acquiring a majority stake in Sunsure Energy, a leading renewables and decarbonisation solutions platform
- KKR & Co. Inc is investing USD 400m in decarbonization platform Serentica Renewable
- Ontario Teachers' Pension Plan Board has acquired a 30% stake in Mahindra Susten, the renewable energy arm of Mahindra group at an equity value of USD 300m
- Actis Llp's BluPine Energy has acquired 404 MW of solar power assets from the Atha Group for USD 265m.

However, for India to reach its target of 500 GW by 2030, investment in renewables would need to more than double to about USD 30-40bn per year.

LOOKING AHEAD

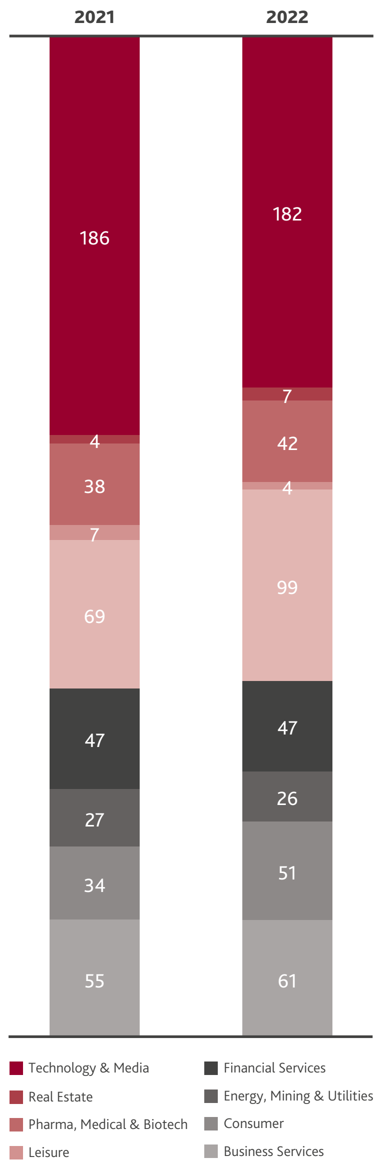
India represented a comparative bright spot in the global M&A market compared to the rest of the world, which saw deal value fall more sharply. While global headwinds continue to have an adverse impact on the world's economies, India seems to be on a much better footing with an expected GDP growth rate of 7%. The expectation is that 2023 will be a better year for M&A in India and that certain sectors, particularly renewable energy, electric vehicle/auto components, sustainability and green tech, will continue to shine.

SAMIR SHETH
PARTNER
samirsheth@bdo.in

INDIA
HEAT CHART BY SECTOR

TMT	62	19%
Consumer	60	18%
Industrials & Chemicals	52	16%
Business Services	50	15%
Financial Services	48	15%
Pharma, Medical & Biotech	34	10%
Energy, Mining & Utilities	19	6%
Leisure	5	2%
Real Estate	1	0%
Total	**331**	

INDIA
MID MARKET VOLUMES BY SECTOR



GREATER CHINA

DEAL ACTIVITY SLOWS BUT FOREIGN DIRECT INVESTMENT REMAINS STRONG

BIG PICTURE

- Deal volume decreased by 23.1% from 1,175 deals in H2 2021 to 904 deals in H2 2022. Deal values also decreased by 33.9% from USD 100.7bn in H2 2021 to USD 66.6bn in H2 2022
- Compared with the first six months of 2022, deal values fell by 6.4% from USD 71.1bn in H1 2022 to USD 66.6bn in H2 2022. However, deal volume recorded a slight increase of 0.2% from 902 deals in H1 2022 to 904 deals in H2 2022
- Slow recovery and heightened COVID-19 policies weakened China's economy in H2 2022. Nevertheless, investors' sentiment started to improve as China took steps to reopen its border in December 2022
- Private equity's proportion of overall deal volume fell from 12.2% in H1 2022 to 7.7% in H2 2022. PE deal values also decreased from 19.0% in H1 2022 to 11.4% in H2 2022.

China's cross-border M&A market continued to face difficulties in 2022, with a slowing economy and stringent COVID-19 restrictions weighing on the market. Market sentiment was also negatively influenced by the US-China trade tensions and the increasing regulatory scrutiny in sectors such as technology, internet, critical resources, gaming and education. These factors diminished China's appeal as an investment destination in 2022.

FDI MAINTAINS DOUBLE DIGIT GROWTH

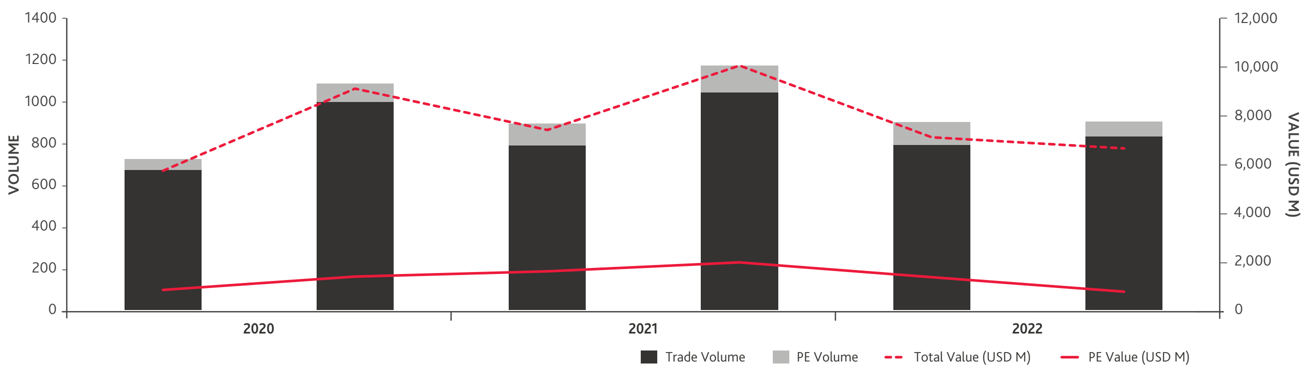
Nevertheless, China has still retained its attractiveness for global investors. The Ministry of Commerce of China announced in December 2022 that China's foreign direct investment (FDI) grew by 12.2% from USD 158.7bn to USD 178.08bn in the first 11 months of 2022. The FDI increase was mainly as a result of the growth in FDI inflows in the high-tech and service industries. FDI in the service industry rose 0.9% from a year earlier, while investment in the high-tech service and high-tech manufacturing sectors increased by 23.5% and 58.8% year-on-year respectively. Investments from companies in South Korea, Germany and the UK, the three key foreign countries investing in China, surged by 122.1%, 52.6% and 33.1% during this period.

NEW CATALOGUE OF INDUSTRIES UNVEILED TO ENCOURAGE FOREIGN INVESTMENT

In 2022, China implemented the shortened negative list for foreign investment and expanded the encouraged investment catalogue. In October 2022, the China National Development and Reform Commission announced that the revised industry catalogue of encouraged industries for foreign investment would be effective on 1 January 2023. The latest catalogue contains 1,474 items, among which 239 are new and 167 are modified from the 2020 version.

Furthermore, foreign-invested enterprises engaged in doing business in the listed industries published in the encouraged investment catalogue will have favourable treatments including: (i) tariff exemptions on imported equipment; (ii) access to preferential land prices and looser regulation of land use; and (iii) lowered corporate income tax. This revised catalogue marks a further liberalization of the China market for foreign investors. With China continuously offering unified provisions for the entry, promotion and protection of foreign investment, these revisions are intended to address foreign firms' concerns and facilitate foreign investment. New opportunities have therefore become available as the Chinese government continues to institute market-stimulating policies in these encouraged sectors.

PE/TRADE VOLUME & VALUE



PCAOB GIVEN ACCESS TO INSPECT CHINESE AUDIT FIRMS

In December 2022, the US Public Company Accounting Oversight Board (PCAOB) announced that it had secured complete access to the audits of the Chinese companies listed on the US stock markets through their auditors in China and Hong Kong. This has prevented Chinese companies from being mandatorily delisted from the US markets and provided more transparency and protection for investors. Consequently, a rebound in investment in Chinese companies from US investors, including the listing of Chinese companies in the US, as well as M&A activities, is expected in 2023 and beyond.

RELAXATION OF ZERO-COVID POLICY

In December 2022, the China National Health Commission announced that China's management of COVID-19 would be downgraded from Class A to Class B in January 2023. Accordingly, China has lifted restrictions on international travel including the removal of compulsory quarantine for inbound flight passengers. The loosening of travel restrictions will allow potential acquirers from China to travel freely to other countries for face-to-face communications with their targets as well as for due diligence. However, other countries have responded by announcing new testing and flight limitations for Chinese travellers since its reopening. This could limit business travel to China for the foreseeable future. Despite the challenges, it is anticipated that investors could start to re-evaluate their investment strategies in China in the years ahead.

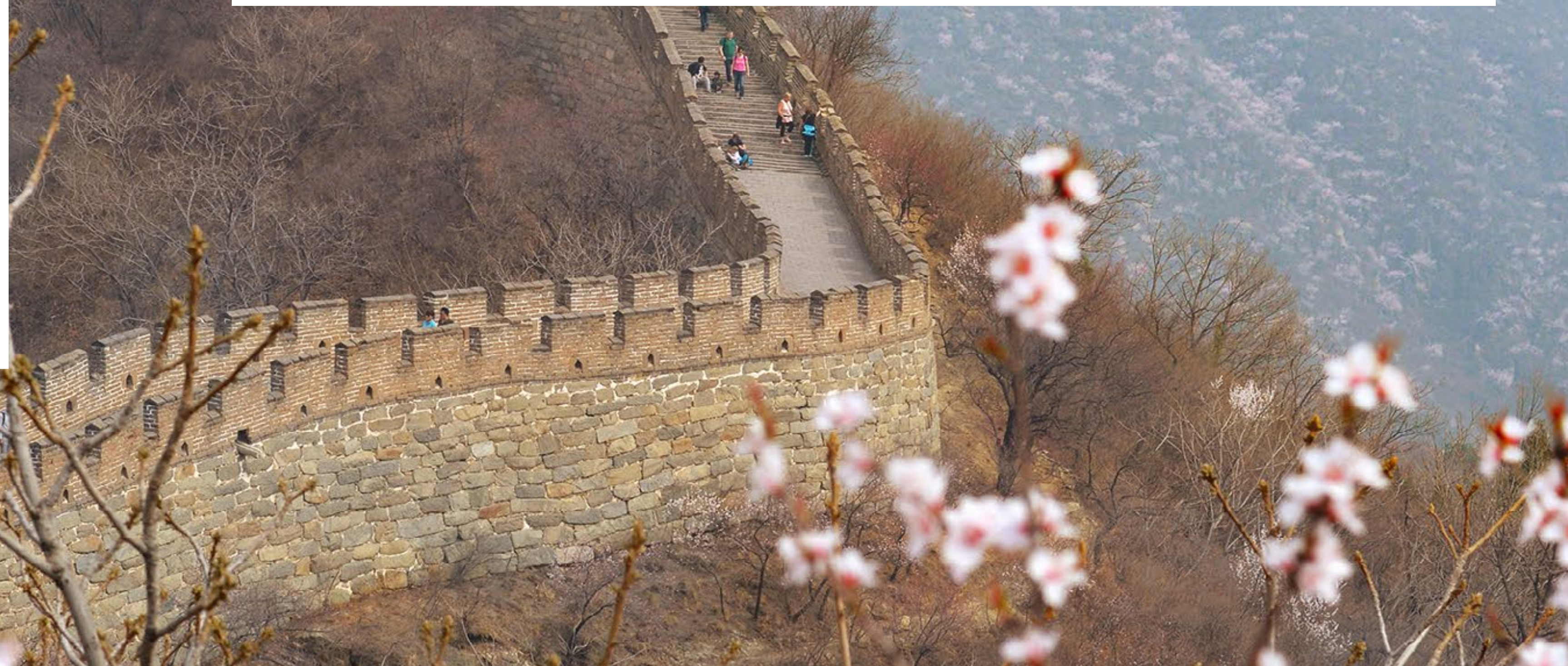
China may enter a transitional period from the border reopening in the short term. But given China's enormous domestic market, from the size of its population and the supportive government policies to attract foreign investment and recover business confidence, it is anticipated that M&A activities will rebound. Potential acquirers could take advantage of buying opportunities within favoured sectors in China as well as beneficial policies.

KEY DEALS

The largest mid-market deals in H2 2022 took place in many different sectors including TMT, Real Estate, Industrials & Chemicals, Financial Services, Pharma, Medical & Biotech, Energy, Mining & Utilities, Consumer and Business Services.

The top three mid-market deals were as follows:

- Hina Group Inc., Industrial Bank Co., Ltd., GF Xinde Investment Management Co., Ltd. and SummitView Capital acquired a stake in Black Sesame Technologies (Shanghai) Co., Ltd. at a consideration of USD 500m - announced in August 2022;
- An undisclosed bidder acquired a 90.0% stake in Shanghai Deze Properties Co., Ltd. from Shanghai Property Sanlin Binjiang Ecological Construction Co., Ltd. at a consideration of USD 486m - announced in October 2022; and
- Beijing Runshi Property Management Co Ltd. acquired a 100.0% stake in Beijing China Resources Xinzhen Properties Co., Ltd. from China Resources National Corp at a consideration of USD 468m - announced in October 2022.



LOOKING AHEAD

The latest BDO Global Heat Chart predicts that the Greater China region will be the second most active region moving forward with 1,748 deals announced or in progress. 573 (33.0%) of those predicted deals are related to Industrials & Chemicals, followed by 228 (13.0%) in Business Services and 223 (12.8%) in TMT.

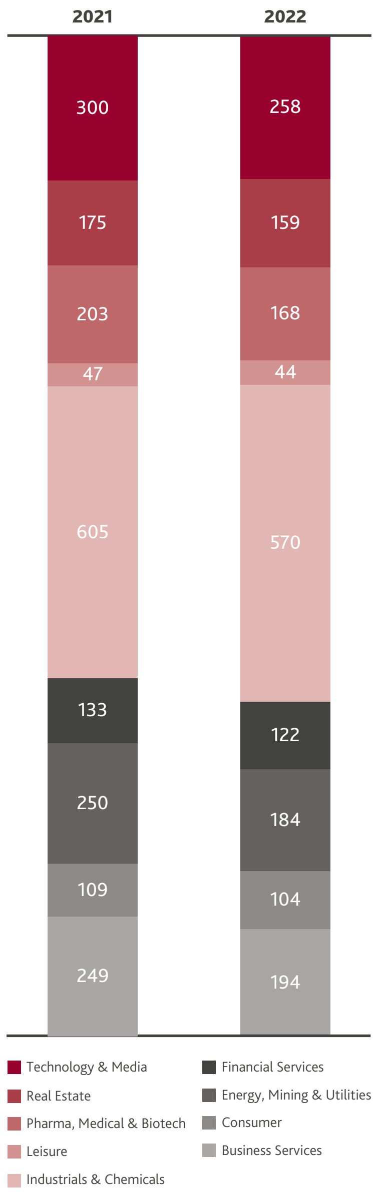
KENNETH YEO
DIRECTOR
kennethyeo@bdo.com.hk

KENNETH WONG
PRINCIPAL
kennethwong@bdo.com.hk

GREATER CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	573	33%
Business Services	228	13%
TMT	223	13%
Financial Services	168	10%
Energy, Mining & Utilities	156	9%
Real Estate	127	7%
Consumer	117	7%
Pharma, Medical & Biotech	112	6%
Leisure	44	3%
Total	**1748**	

GREATER CHINA
MID MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

DEAL VOLUME FALLS BACK IN H2 2022 BUT STILL HITS TWO-YEAR HIGH

BIG PICTURE

- H2 2022 deal volume drops to 158 compared to 197 in H1 2022 but value only records small fall
- PE continues to play an important role with 44.9% of deal volume and 39.8% of deal value in 2022 and the overall PE deal value of USD 7.1bn was the highest for two years
- TMT was the leading sector with 27.2% of the overall deal volume in H2 2022.

After the consistent growth in deal volumes seen since H2 2020, M&A activities in South East Asia in H2 2022 took a step backwards to 158 deals compared to the 197 deals recorded in H1 2022. However, on a year-on-year basis, 2022's total deal volume of 355 deals was still higher than 2020 and 2021, which saw 263 deals and 334 deals respectively.

Total deal value in the region in H2 2022 also decreased slightly to USD 17.7bn compared with USD 18.0bn in H1 2022. However, on a yearly basis, the total deal value in 2022 of USD 35.7bn was higher than both 2020 (USD 19.1bn) and 2021 (USD 25.5bn). The average deal value in 2022 was USD 100.7m and this figure was higher than the average deal value recorded in 2020 and 2021 of USD 72.6m and USD 76.3m respectively.

The drop in both deal volume and value in H2 2022 compared to H1 2022 may well be due to the higher number of deals that were completed in H1 2022 (197 deals) compared to the corresponding period in 2021 (153), resulting in reduced deal volumes and value in the second half of the year. Nevertheless, the overall performance of M&A activities in South East Asia in 2022 was better than the last two years on the back of improving economic conditions, falling COVID-19 cases, the relaxation of lockdown measures and the all-important recovery of business sentiment in the region.

IMPORTANCE OF PE SEGMENT

The PE segment continued to play an important role in the region's M&A in 2022 with overall deal volume and value accounting for 44.9% and 39.8% respectively. In 2022 PE also recorded its highest deal value in two years with USD 7.1bn compared to USD 3.1bn and USD 6.7bn in 2020 and 2021 respectively. The total deal volume for PE-backed deals was 81 compared to 31 in 2020 and 86 in 2021.

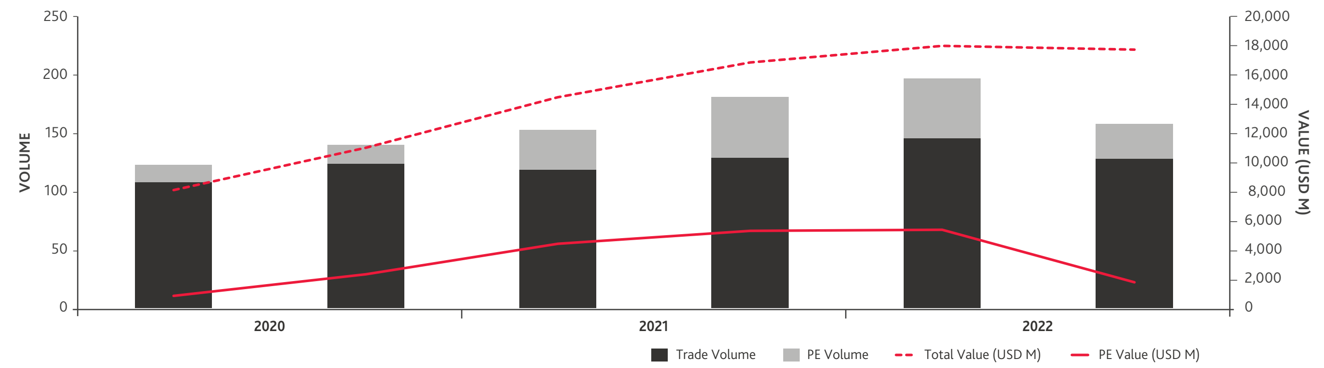
KEY SECTORS AND DEALS

TMT was the region's top performing sector with 43 deals during H2 2022, which represented 27.2% of the total deal count.

TMT was the leading sector overall in 2022 with a total of 96 deals (2021: 88 deals), followed by Industrials & Chemicals with 58 deals (2021: 68 deals) and Business Services with 47 deals (2021: 50 deals).

In H2 2022, the top 20 deal value in South East Asia was USD 8.3bn, which represented 46.9% of the total deal value of USD 17.7bn.

PE/TRADE VOLUME & VALUE



Looking at the top 20 deals, it is noteworthy that companies in Indonesia, the Philippines and Singapore were the top targets for M&A transactions, accounting for 70% of the top 20 deals in the second half of the year. South East Asia remains an attractive region for international investors, with 45% of the top 20 deals involving overseas bidders from outside the region.

LOOKING AHEAD

Despite 2022 being a challenging year, overall M&A mid-market activity in South East Asia performed better compared to 2020 and 2021 in terms of both total deal volume and value.

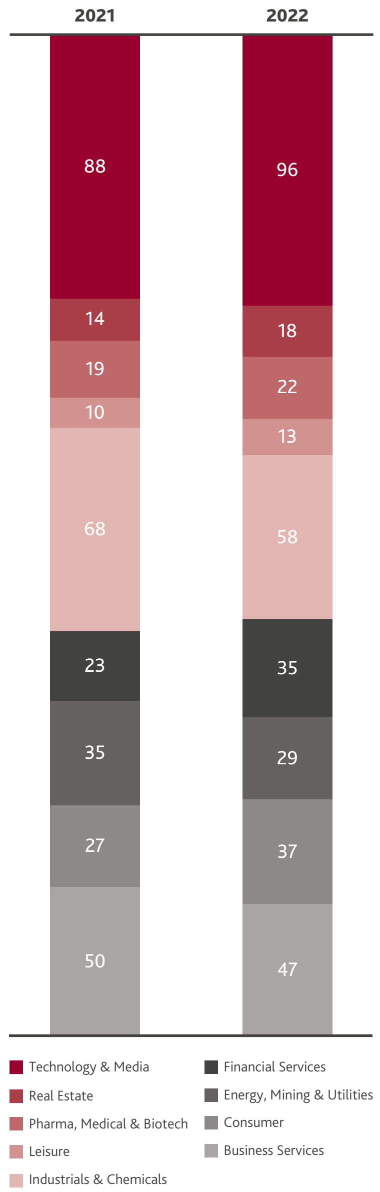
2022 has undoubtedly been a turbulent year for the global equity and bond market. Many countries around the world begun tightening their monetary policies to curb the impact of soaring energy and food prices, which resulted in widespread inflationary pressures on the global economy. As a result of the tightened monetary policies and a rising interest rate environment, investment decisions for M&A transactions in South East Asia in 2023 are likely to be increasingly challenging as investors will need to weigh up the economic uncertainties as well as the higher funding costs needed to finance M&A transactions, which may in turn affect the financial returns of the transaction. The economic uncertainties will also likely affect buyers and sellers' price expectations for M&A transactions, which could then complicate and delay the negotiation and decision-making processes, thereby extending the overall dealmaking process.

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

SOUTH EAST ASIA
HEAT CHART BY SECTOR

TMT	85	21%
Financial Services	53	13%
Industrials & Chemicals	53	13%
Pharma, Medical & Biotech	50	12%
Energy, Mining & Utilities	48	12%
Consumer	45	11%
Business Services	39	9%
Real Estate	19	5%
Leisure	19	5%
Total	**411**	

SOUTH EAST ASIA
MID MARKET VOLUMES BY SECTOR



AUSTRALASIA

M&A DEAL ACTIVITY SLOWS IN THE SECOND HALF OF 2022

A total of 224 deals were completed in H2 2022 with a combined value of USD 16.6bn. This represented an 18% decrease in deal volume from the 274 deals completed in H2 2021 and a 23% decrease in the total value of USD 21.6bn in the same period. This performance appears to reflect a return to a more normal level of M&A activity, compared to the strong H2 2021 activity which was fuelled by historic low interest rates.

BIG PICTURE

- H2 2022 deal volume fell by 18% compared to H2 2021, with deal value falling by 23% in the same period
- Overall 2022 deal volume declined by 7% compared with the prior year, while total deal value declined by 21%
- Foreign interest in Australasia remained strong, with foreign buyers involved in nine of the top 20 deals in H2 2022, albeit that the top three deals were all Australian-based acquirers
- There were 355 Australasian deals in the pipeline at the end of H2 2022 compared to 350 deals in the pipeline at the end of H1 2022, indicating that M&A activity over the next six months is on track to be in line with H2 2022.

The average transaction value in H2 2022 was USD 74m, 6% lower than the corresponding period in 2021.

The value of PE-backed transactions in H2 2022 saw a decrease of 57% to USD 2.2bn compared to USD 5.2m in the second half of 2021. This was driven by the volume of PE transactions falling to 28 in H2 2022, compared to 45 in H2 2021. Across the full year, PE accounted for 15% of the total transactions, compared to 14% in 2021. There were 71 PE transactions in both years.

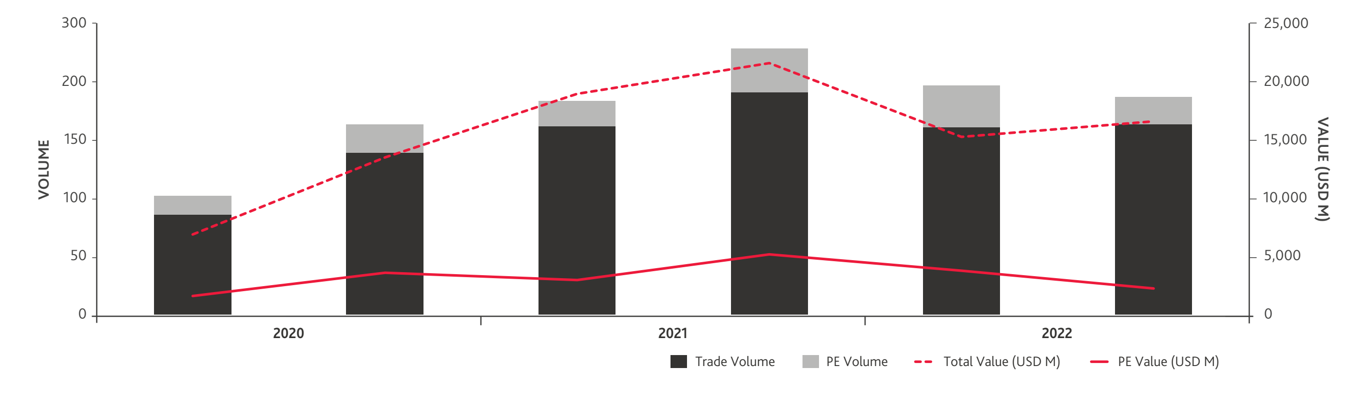
KEY SECTORS AND DEALS

TMT, Business Services and Energy, Mining & Utilities were the most active sectors in H2 2022, completing 45, 35 and 35 transactions respectively. However, Financial Services was the only sector that saw increased transaction volumes compared to the same period in 2021.

TMT recorded the biggest reduction in transaction volumes, with 21 fewer deals completed in H2 2022 compared to the same six-month period in 2021.

The largest deal in H2 2022 was APA Group Limited's USD 484m acquisition of Basslink Pty Ltd from Keppel Infrastructure Trust. Basslink Pty Ltd, which owns a high voltage electricity cable linking the states of Victoria and Tasmania, was subject to a receiver-led process for sale or restructure. APA Group Limited had already acquired a portion of Basslink Pty Ltd's debt at a discount prior to the acquisition. The next largest transaction was Thiess Pty Ltd's acquisition of 100% of the shares in Maca Limited for USD 385m. Thiess provides mining services across Asia, Australia and the Americas while Maca provides services to the mining, infrastructure, and construction sectors, including drilling, hauling and materials handling.

PE/TRADE VOLUME & VALUE



Another notable transaction in the Energy, Mining & Utilities sector was St Barbara Limited's acquisition of 100% of Genesis Minerals Limited for USD 381m. The two gold mining companies will combine to create a mid-tier gold producer in Western Australia, aiming to produce 300,000 oz of gold per annum.

LOOKING AHEAD

M&A dealmaking is expected to remain in line with the levels of activity seen in the second half of 2022. The BDO Heat Chart shows that there were 355 Australasian deals in the pipeline in H2 2022, compared to 350 deals in the pipeline at the end of H1 2022.

A number of headwinds, including persistent inflation and continued monetary policy tightening, along with a challenging global geopolitical backdrop, have dampened investor confidence in the region. This is expected to result in reduced M&A activity over the next year.

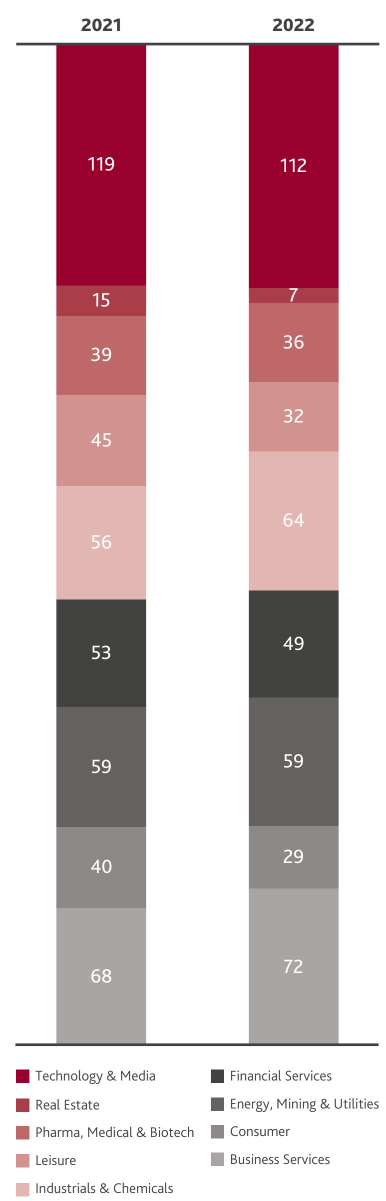
The BDO Heat Chart indicates that the most active sectors will be TMT, with a predicted deal flow of 68 transactions, Consumer with 55 transactions, Industrials & Chemicals with 48 and Business Services with 44.

DANIEL MARTIN
PARTNER,
daniel.martin@bdo.au

AUSTRALASIA
HEAT CHART BY SECTOR

TMT	68	19%
Consumer	55	15%
Industrials & Chemicals	48	14%
Business Services	44	12%
Energy, Mining & Utilities	37	10%
Financial Services	37	10%
Pharma, Medical & Biotech	36	10%
Leisure	22	6%
Real Estate	8	2%
Total	**355**	

AUSTRALASIA
MID MARKET VOLUMES BY SECTOR



SOME OF OUR RECENTLY COMPLETED DEALS

CHAS

BDO has provided M&A Advisory Services to the London Borough of Merton

DECEMBER 2022
UNITED KINGDOM

BARACK HOLDINGS

Sale of Barack Group of Companies to the Tahir Group

DECEMBER 2022
UNITED KINGDOM

laatta piste.

Financial advisor to Laattapiste Oy in their acquistion of Pukkila Oy Ab

DECEMBER 2022
FINLAND

GLOBEX

Financial advisor to Globex on the sale of minority stake to Amethis

DECEMBER 2022
MOROCCO

FRØYLAND GÅRDSBARNEHAGE

Lead advisor in the sale of Frøyland Gårdsbarnehage to Læringsverkstedet

NOVEMBER 2022
NORWAY

Dutchland INCORPORATED

Financial advisor to Dutchland on its sale to Middleground Capital

NOVEMBER 2022
USA

SUIR ENGINEERING

Sell-side advisors to Suir Engineering management to Duke Street

NOVEMBER 2022
IRELAND

PDS LTD

PDS Limited has acquired a 51 per cent stake in DBS Lifestyle

OCTOBER 2022
INDIA

CMW GEOSCIENCES

Kiwa Group Limited acquires CMW Geosciences Group

OCTOBER 2022
AUSTRALIA

SMT Corporation

Exclusive financial advisor to SMT

OCTOBER 2022
USA

GOLD SETU PRIVATE LIMITED

Gold Setu acquires BuymyJewel, an online platform of Hallmark certified jewelry

OCTOBER 2022
INDIA

NICON INDUSTRIES A/S quality on time

Nicon Industries A/S was acquired by private investors. Adviser to seller

SEPTEMBER 2022
DENMARK

LITOCAR GROUP

Financial advisor to Litocar Group in the acquisition of Ascendum A

JULY 2022
PORTUGAL

STEINFORM

Sell-Side Advisor to the sole shareholder in the sharedeal of Steinform Kistler AG

JUNE 2022
SWITZWERLAND

KLINIEK VOOR TANDHEELKUNDE SNEEK

Colossuem Dental purchased 100% of the shares in Kliniek voor tandheelkunde Sneek B.V.

JUNE 2022
NETHERLANDS

wesold The Instant Property Buyer

BDO assired We sold

JUNE 2022
BELGIUM

PRIDE MARINE

Financial advisor on the sale of Pride Marine Group

JUNE 2022
CANADA

VEGA

Sale of 100% of equity of the second largest pharma wholesale in Serbia

MAY 2022
SERBIA

PROSYS SERVICES

Convergint Technologies acquisition of Prosys Services Pty Ltd.

MARCH 2022
AUSTRALIA

DÖRKEN

Advisor to Ewald Dörken AG on the acquisition of Wi-sales GmbH

MARCH 2022
GERMANY

Alnova BALKONGSYSTEM

Financial advisor to the owners of Alnova in the divestment to Fasadgruppen

FEBRUARY 2022
SWEDEN

€15.00M

EZSA SANIDAD AMBIENTAL SL

Financial advisor to Ezsa Sanidad Ambiental in the sale to Soluciones Tecnicas Para La Infraestructura

FEBRUARY 2022
SPAIN

£12.72M

GB GROUP PLC

GBG acquired Verifi Identity Services Limited t/a Cloudcheck

JANUARY 2022
NEW ZEALAND

CMI

Merger between CMI and Cepheid Consulting

JANUARY 2022
FRANCE

FOR MORE INFORMATION:

SUSANA BOO

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

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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