HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 2 | 2021

A STRONG Q1 WITH MOMENTUM SET TO BUILD THROUGH 2021

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

MANUFACTURNG
NATURAL RESOURCES
TECHNOLOGY

BDO

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BDO GLOBAL CORPORATE FINANCE

1,546 COMPLETED DEALS IN 2020

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

32% PRIVATE EQUITY DEAL INVOLVEMENT

23% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE **PROFESSIONALS**

120 COUNTRIES PROVIDING DEDICATED **CORPORATE FINANCE SERVICES**

*1st most active M&A Advisor Globally - Pitchbook league tables 2020
1st most active Advisor & Accountant Globally - Pitchbook league tables 2020
2nd leading Financial Due Diligence provider Globally - MergerMarket global accountant league tables 2020

WELCOME

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

Our theme for our second publication of the year, is building momentum after the strong bounce back in global mid-market M&A activity in the second half of last year. Whilst on the face of it, the year has begun with a dip in deal activity, we are not too concerned about that as it is not unusual in the first quarter of a year and we can see positive underlying trends that support momentum in the M&A market.

As we write this “Welcome”, global health and economies are still clearly impacted by COVID-19 with improvements in some areas with the vaccine roll out programmes but less so in other areas such as India. This mixed picture of easing and tightening of lock-downs and travel restrictions is likely to continue for some time but businesses have learned to adapt to it and M&A intent and processes have too.

The most striking trend is the growth and growth of private equity led M&A since the onset of the pandemic. Private equity deal volume has gained share and aggregate deal value is breaking all records with in excess of USD 54m in the first quarter of the year. That is not just higher than any quarter in 2020 but materially higher than any quarter in in each of the last dozen or so years. Private equity led M&A now represent 30% of all deal value. That is remarkable and is a reflection of the available funds and appetite to deploy.

We look at the private equity trends more on our Global View article, along with the picture by sector and by region. We see recovery in M&A in all sectors to differing degrees and in most regions and expect positive momentum. We have yet to see the expected pick up in more distressed M&A across all sectors but we may see more of this as Government support programmes are eased back.

In previous publications, we have included our own Rethink model which our clients have found a helpful framework to order their thinking and articulate their plans to stakeholders. As part of Rethink, we have developed a 7p model of seven core business functions which is a tool for helping to Rethink business models and can also be used in M&A strategy and assessment.

In our leader article, we look further at private equity which has been a powerful investor of businesses within countries and regions and is increasing its share of cross-border investment the industry continues to grow and globalise.

In our sector view, we look at manufacturing where we see an acceleration in digital transformation. We also look at natural resources where we see that the availability of public funding may have impacted the levels of M&A. Finally, in our technology mid-market assessment, we analyse how E-Commerce is driving investment.

We believe that despite all of the obvious challenges presented by the pandemic that momentum will continue to build with the global M&A market and that we will have further evidence of this to report in the second half of the year. In the meantime, we hope your transactions progress and that you stay safe and well.

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GLOBAL VIEW

RECORD LEVELS OF PRIVATE EQUITY CASH DEPLOYED IN DEALS SUPPORT CONTINUED M&A RECOVERY

2020 was an M&A tale of two halves. The first half massively impacted by COVID-19 and the second half an impressive recovery to pre-pandemic levels of deal activity. 2021 has, at face value, started in a similar manner to 2020, with overall mid-market deal volumes at just under 1,700, which is almost identical to Q1 2020. However, we expect the similarities to end there.

The first quarter of any year is typically slower than the other quarters and there is always a lag in deal recording such that by this time next quarter, Q1 2021 will be showing higher levels than now. Moreover, with investors and acquirers having adjusted to the remote working way of doing deals and an ample supply of cash, we firmly believe 2021 will not see a repeat of last year.

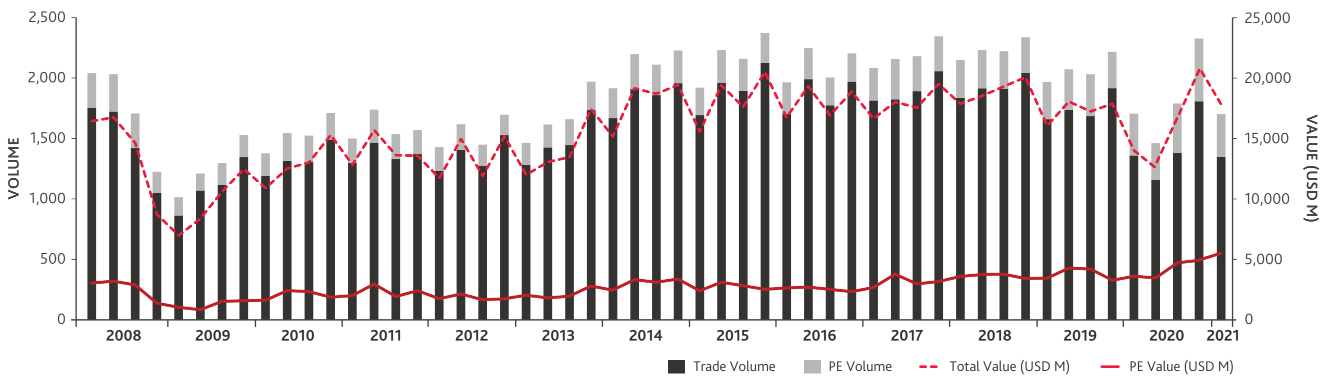
When we look at aggregate deal value, our view is supported by the data. Q1 2021 had an aggregate value of USD 178bn, which is 28% up on the corresponding quarter of 2020 and 11% up of 2019. It is clear that there is no shortage of cash being deployed in M&A activity and the average deal size has gone up, which we see as a measure of confidence.

Turning to the composition of deals, what we are seeing is that private equity investing has continued at pace. The 350 plus investments in Q1 2021 (representing one-fifth of all deals) compares well with the second recovery half of last year and is some way ahead of the opening quarter of prior years. In value terms it is even more marked. At USD 54bn of aggregated deal value, it is not just higher than any quarter in 2020 but materially higher than any quarter in in each of the last dozen or so years. To put it another way, PE-led deals accounted for over 30% of all deal value in Q1 2021. That is remarkable and is a reflection of the amount of PE funds have to deploy and the appetite that they have to do so.

Given this private equity surge in investing, the usual dip in Q1 2021 deal activity is therefore more pronounced for trade acquirers, with the number of deals dipping to Q1 2020 levels. That said, aggregated deal value for trade buyers has held up better and is nearly 20% higher than Q1 2020 and is on a par with the recovery quarter of Q3 2020.

In summary, looking at the Global mid-market M&A chart, the eye may at first be drawn to the bars and the decline in Q1 2021 but the real tale of the tape is the red line below which highlights the continued rise of PE investing in M&A deals.

GLOBAL MID-MARKET M&A



When we look at the picture by sector, we see a drop in deal activity across all sectors in Q1 2021 compared to the final quarter of 2020, with Financial Services being the least effected. However, when we compare the figures to Q1 2020, we see that deal activity in Energy, Mining & Utilities, Real Estate and TMT is higher, with a number of other sectors being on a par. The only sectors to have declined based on this comparison are Business Services and Consumer, and Leisure is only marginally down.

Looking around the world, Q1 2021 saw a reduction in deal activity in nearly all regions when compared to the final quarter of 2020. The decline in North America, UK and Ireland and Benelux was less pronounced though. Making the same comparison with Q1 2020, half of the regions around the world are at higher levels and this is most noticeable in the Nordics, Middle East and Israel. The regions that show a significant decline on both comparisons are Japan, Southern Europe, India and South East Asia.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	Technology & Media	Industrials & Chemicals	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Real Estate	TOTAL	%*
North America	695	321	203	372	101	574	1213	65	59	3,603	36%
Greater China	219	536	96	164	122	136	75	32	88	1,468	15%
Southern Europe	97	145	147	82	68	73	62	36	13	723	7%
CEE & CIS	124	137	91	65	52	33	44	18	17	581	6%
South East Asia	56	89	37	66	50	40	40	21	30	429	4%
UK & Ireland	82	42	63	58	34	51	67	20	5	422	4%
Australasia	80	47	78	57	36	31	40	30	10	409	4%
Latin America	89	38	50	52	50	27	64	12	5	387	4%
DACH	77	107	58	33	12	49	26	11	8	381	4%
India	93	97	39	30	9	16	41	3	1	329	3%
Nordic	83	47	36	26	16	36	16	2	6	268	3%
Japan	42	89	32	43	7	14	20	8	7	262	3%
Other Asia	74	68	24	18	4	24	21	17	3	253	3%
Benelux	34	44	45	16	10	19	16	7	6	197	2%
Africa	38	19	8	18	23	14	17	2	7	146	1%
Middle East	41	14	7	13	8	7	11	3	4	108	1%
Israel	23	24	3	7	3	11	3			74	1%
TOTAL	1,947	1,846	1,017	1,120	605	1,155	1,776	287	269	10,040	100%
	19%	19%	10%	11%	6%	11%	18%	3%	3%	100%	

Note: The Intelligence Heat Charts are based on "companies for sale" tracked by Mergermarket in the respective regions between 1 July 2020 and 31 December 2020. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does not differentiate between small and large transactions, nor between deals that could happen in the short or long-term.

OUTLOOK SUPPORTS OUR RENEWED FEELING OF RECOVERY

For the third quarter running our BDO Heat Charts show even more rumoured mid-market deals and add to the encouraging picture of bounce back and resilience in the M&A markets. For the second quarter in a row there are over 10,000 rumoured deals. That compares with a typical quarterly total of 8,000 or more and really gives grounds for optimism for M&A markets despite the continued effect on economies around the world of the pandemic.

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

GLOBAL THEMES INFLUENCING M&A

In most quarters we have included a number of factors that are driving deal activity such as the availability of cash, the continued growth of private equity funds, the plans of strategic buyers and the desire to acquire digital capability. In 2020 these were overshadowed by the impact of the pandemic but with the strong recovery in deals in the second half of 2020, and the rise of private equity investing in Q1 2021, we can see the continued importance of these drivers, especially digital. As before, we would add to those factors the rise in the ESG agenda for investors. We further expect that there will be a rise in stressed and distressed M&A and special situations M&A as some of the government support measures around the world are withdrawn.

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PRIVATE EQUITY

A STRONG Q1 WITH MOMENTUM SET TO BUILD THROUGHOUT 2021

The much-anticipated end to the decade-long bull market finally arrived in 2020, though no one expected a global pandemic to be the bearer of the bear market. More than a year later, however, markets have largely recovered, and though uncertainty about the course of COVID-19 – and thus, the global economy – persists, there is more clarity and optimism governing business today, setting the stage for robust private equity deal-making activity to continue through the balance of 2021.

The first quarter of 2021 is the first since 2008 in which private equity has represented over 30% of global middle market deal value, according to Mergermarket data. At nearly USD 54bn of the USD 177bn total, PE comprised nearly a third (30.3%) of global middle market deal value, with activity in both cyclical and defensive sectors.

Investors have traditionally seen the healthcare industry as a defensive sector, and the global pandemic magnified this perception. In North America, the Pharma, Medical & Biotech sector saw four deals take place with a total deal value of US 1.88bn. However, the TMT sector still took the top spot, tallying USD 3.37bn in seven deals.

For prospective deals globally, TMT is expected to see the highest amount of deal activity – perhaps indicating a shift in perception of technology as a more defensive sector – followed by Industrials & Chemicals, Financial Services, and Pharma, Medical & Biotech. At the other end of the spectrum, Leisure and Real Estate are projected to see the least amount of activity among the sectors that Mergermarket tracked.

2021 PROJECTED DEAL ACTIVITY
GLOBAL BDO HEAT CHART BY REGION AND SECTOR

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REGIONAL M&A OPPORTUNITY

When benchmarked against other regions, North American deal volume represented over a third (36%) of global volume in 2020. Along with North America, it's expected that companies based in South East Asia and China will be very active in 2021, setting up a banner year for global M&A. In early 2020, Asia and South East Asia overtook Continental Europe as the region with the most opportunity for private equity investment, according to BDO's 2020 U.S. Private Capital Outlook Survey. Despite the lull in H1 2020, private equity activity in China ranked second globally in terms of prospective deal activity. Elsewhere in Asia, the south eastern region is one to watch.

While 4% may not seem like a significant percentage, smaller countries such as Malaysia and Singapore have surpassed the projected deal volume of regions with economies much greater than theirs. According to the BDO Heat Chart, the South East Asia region had more companies to sell than Australia, Latin America, the UK and Ireland.

Cross-border M&A may also see a healthy boost in activity, provided that investors see continued economic recovery. Several indicators point to market optimism for 2021, including the effectiveness of vaccine distribution and government stimulus measures worldwide. Once in place, borders and economies can move towards full reopening, helping to alleviate the challenges of deal making and conducting due diligence posed by pandemic-related restrictions on travel and business operations.

Overall, deal flow was relatively more favourable in the US than internationally in H2 2020 and total deal value for US targets tripled in H2 2020 compared to the first half of the year. Deal flow will likely increase abroad as pent-up activity hits the market.

2020 SET THE STAGE FOR DEAL ACTIVITY TO REBOUND

In spite of the challenges created by the coronavirus pandemic, in some ways 2020 was a banner year for private equity. Starting in Q1 2020, private equity buyouts represented over one-third (33.9%) of total mid-market deal value in North America – up from 20.7% in Q4 2019 – marking the first time ever that the proportion has surpassed 30%.

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GLOBAL

10,040 RUMOURED TRANSACTIONS

SECTOR VIEW

P11 | UNITED KINGDOM & IRELAND

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

P19 | DACH

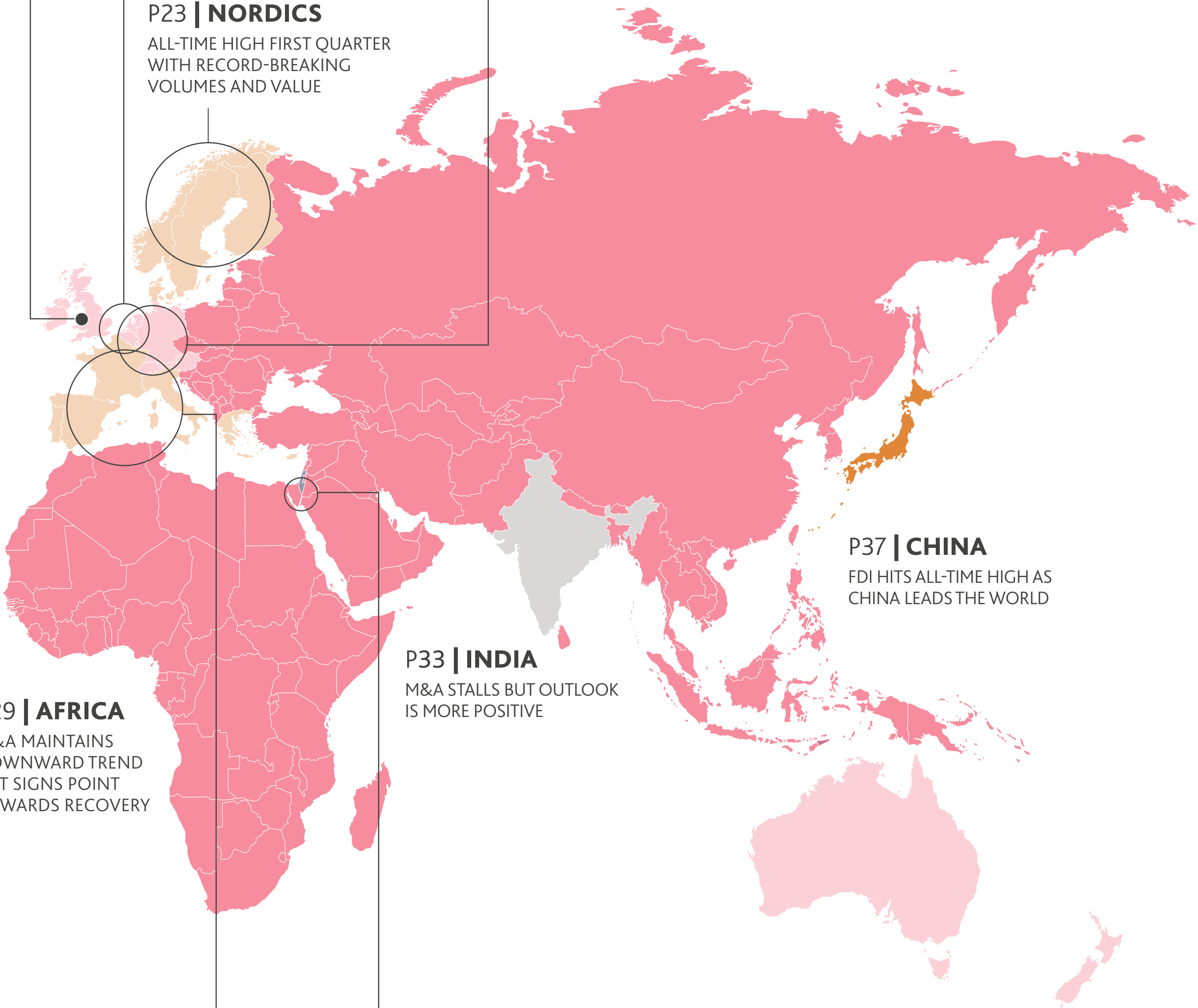
INCREASED M&A ACTIVITY UNDERPINNED BY STRONG PE, BUT THE ADVERSE CONDITIONS CAUSED BY COVID-19 CONTINUE TO IMPACT OVERALL STATISTICS

P17 | BENELUX

DEAL VOLUME AND VALUE FALL SLIGHTLY AS M&A SLOWS DOWN

P23 | NORDICS

ALL-TIME HIGH FIRST QUARTER WITH RECORD-BREAKING VOLUMES AND VALUE



P37 | CHINA

FDI HITS ALL-TIME HIGH AS CHINA LEADS THE WORLD

P33 | INDIA

M&A STALLS BUT OUTLOOK IS MORE POSITIVE

P29 | AFRICA

M&A MAINTAINS DOWNWARD TREND BUT SIGNS POINT TOWARDS RECOVERY

P41 | AUSTRALASIA

DEAL NUMBERS FALL BUT AVERAGE VALUE RISES

P15 | SOUTHERN EUROPE

MID-MARKET M&A MAKES SLOW START TO 2021

P27 | ISRAEL

M&A ACTIVITY IN FINAL QUARTER SEES SLIGHT RECOVERY

Key % movement

-50% to -41% | -40% to -31% | -30% to -21% | -20% to -11% | -10% to -1%

0 | 1% to 10% | 11% to 20% | 21% to 30% | 31-40% | 41-50%

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

NORTH AMERICA

NORTH AMERICAN M&A: OFF TO THE RACES

BIG PICTURE

- Overall dollar volume dramatically increases to near record high of $66 billion
- Deal count approaching pre-pandemic levels
- Tech and Pharma activity continues to lead all sectors by a wide margin
- Private equity activity surging representing 35% of all M&A dollar volume

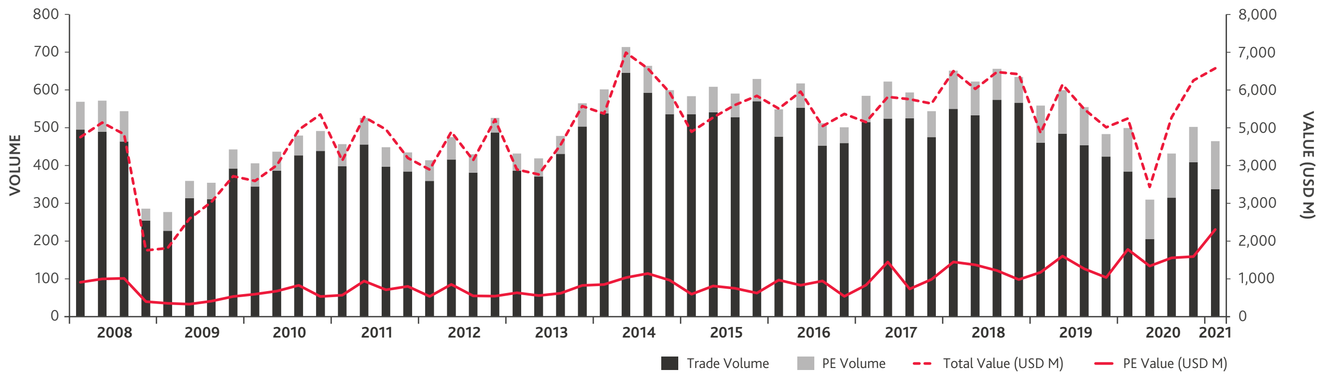
The M&A markets resembled a wild rollercoaster ride in 2020, but deal-making activity finished the year with a flourish and that trend accelerated during the first quarter of 2021.

Much of the euphoria around deal-making is linked to the overall liquidity-driven economic recovery which is reaching a pace not seen in decades. Business conditions in virus-impacted sectors are improving as the rate of vaccinations increases and the number of new cases in North America subsides. Stay-at-home orders have been lifted and consumers are feeling a pent-up urge to shop and travel once again, all while spending yet another round of stimulus checks further driving demand for goods and services.

Corporates are now focused more than ever on deploying abundant, low-cost capital to accelerate growth and expand market share. The pandemic taught many lessons about the importance of scale and technology in operating a successful business and companies are rapidly trying to play catch up via M&A where they see deficiencies in their operating models. The capital markets are highly supportive with sustained low interest rates, a healthy banking sector and highly receptive equity markets. Such conditions combined with renewed CEO confidence to deploy capital is fueling increased deal flow.

The pandemic's impact on M&A differed by industry, with activity strongest in sectors that were least impacted such as technology and life sciences. Meanwhile, deals were harder to find in areas that lacked a near-term path to recovery, such as brick-and-mortar retail.

PE/TRADE VOLUME & VALUE



While sectors more sheltered from COVID-19 continued to contribute strong deal volume to overall transactions in Q1, industries more affected by the crisis began to show signs of life in the quarter. Given the economic recovery and a return to normalcy, most businesses are now emerging with better insight on their prospects going forward, which means more clarity on valuation, a key component to making deals.

Private equity firms continued to contribute significantly to Q1 M&A volume. Financial buyers accounted for nearly 28% of overall middle-market M&A activity in Q1. By the end of the quarter, private equity firms were sitting on nearly $3 trillion of investment capital. The sheer amount of private-equity dry powder combined with a booming economy and a liquid debt market could result in 2021 being a record year for sponsor-backed deal-making.

In addition, special purpose acquisition companies or SPACs continued to be a significant presence in Q1 In the past 15 months, over 300 SPACs have successfully raised close to $100 billion of acquisition capital, and when levered, amounts to roughly a half a trillion dollars of purchasing power to do M&A.

These "blank-check" companies have a short window to find transaction targets which in turn creates high demand to do deals in the near term further driving activity higher.

LOOKING AHEAD

For the balance of 2021, North American M&A activity looks to offer great promise due to underlying fundamentals of abundant cash, a surging economy, and the prospect of continued low interest rates. Activity levels are rising rapidly, and most market participants expect one of best years for deal-making on record – if not the best. Meanwhile, private equity firms are still basking in piles of cash after yet another robust fundraising cycle and were happy to see the leverage loan market back in full swing. Total leverage ratios and overall covenants have returned to pre-pandemic levels. These developments continue to buoy North American PE activity, and this is expected to further grow transaction counts throughout the remainder of 2021.

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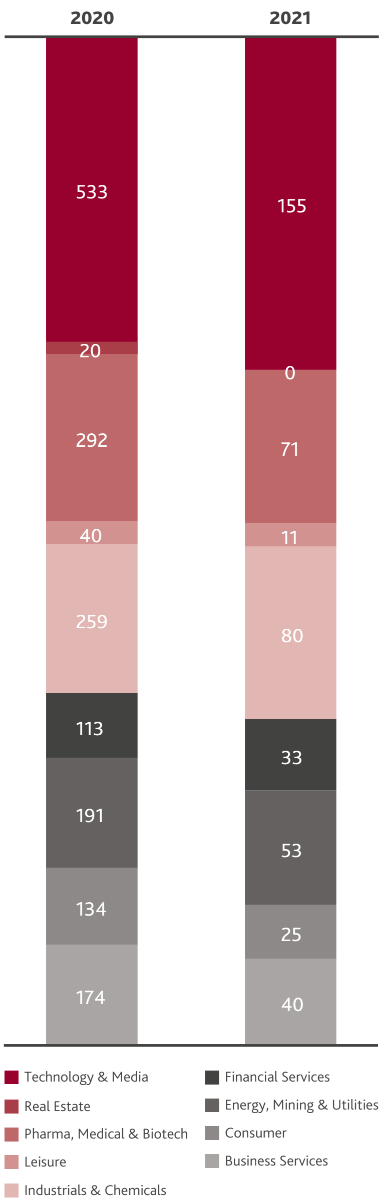
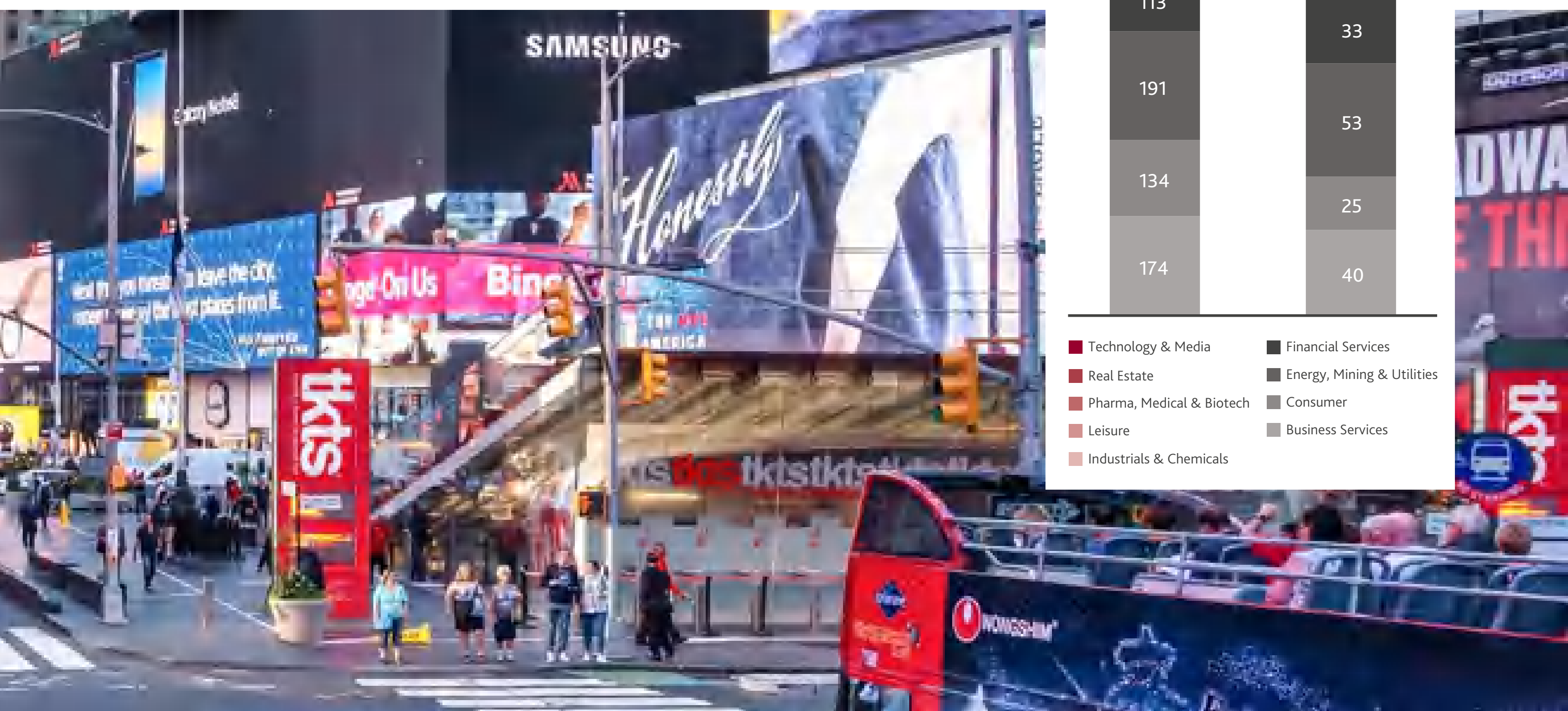
NORTH AMERICA
HEAT CHART BY SECTOR

Financial Services	1,213	34%
TMT	695	19%
Pharma, Medical & Biotech	574	16%
Business Services	372	10%
Industrials & Chemicals	321	9%
Consumer	203	6%
Energy, Mining & Utilities	101	3%
Leisure	65	2%
Real Estate	59	2%
TOTAL	**3,603**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





LATIN AMERICA

M&A DEAL ACTIVITY SLIPS BACKWARDS

BIG PICTURE

- Brazil accounted for 16 of the region's top 20 deals worth a combined USD 3,816m
- TMT topped the sector chart with three deals worth USD 1,071m, followed by Energy, Mining & Utilities with USD 911m
- Cayman Islands took second place in the country ranking with one deal worth USD 400m and there was one deal in Chile worth USD 108m.

M&A activity in Latin America for the mid-market segment in Q1 2021 saw a total of 59 deals worth USD 5,636m, which represented decreases of 32.2% in deal numbers and 15.6% in deal value compared with the previous quarter. In comparison with Q1 2020, deal numbers and value were down 10.6% and 6.6% respectively. Putting it all together, the accumulated number of deals over the last 12 months stands at 263 with a value of USD 22,002m, which compares with 344 deals and a value of USD 32,037 million for the same period in the previous year, representing drops of 23.5% in deal numbers and 31.3% in deal value.

Returning to Q1 2020, there were seven PE deals worth USD 1,071m, which represented 11.86% of the deal count and 19.0% of the quarter's value, resulting in a high average PE deal value of USD 152,98m versus USD 87.8m for non-PE transactions.

Looking at the overall value per deal, the average was USD 95.5m, which represented an increase of 24.5% from the previous quarter.

The BDO Heat Chart shows that there a total of 387 deals announced/in progress for the region, which represents 3.9% of BDO's Global Heat Chart. Future deal opportunities are likely to be concentrated in TMT, Financial Services, Business Services, Consumer and Energy, Mining & Utilities, with a total of 89, 64, 52, 50 and 50 deals respectively.

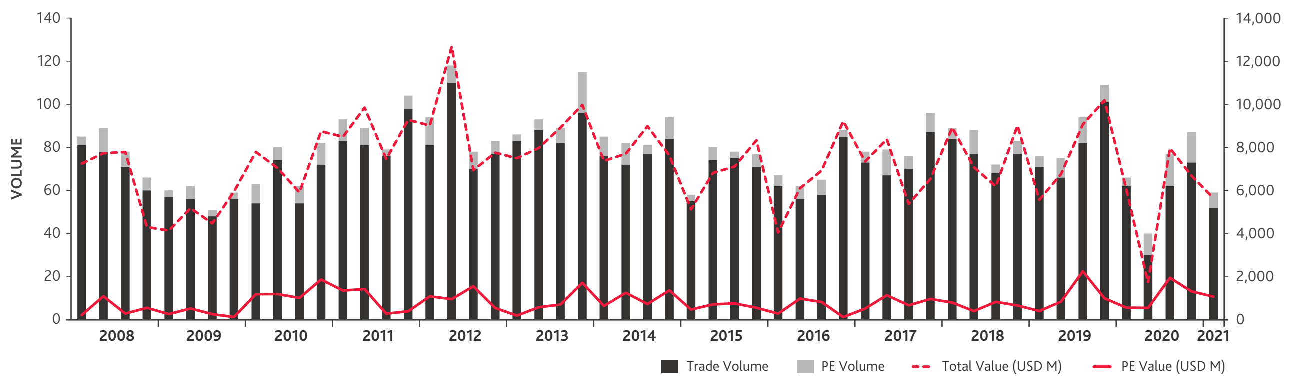
KEY DEALS AND SECTORS

The top 20 deals for 2021 totalled USD 4,655m, with Brazil leading the way as the top target country with 16 deals worth USD 3,816m, followed by the Cayman Islands which had one deal worth USD 400m. Chile registered one deal worth USD 108m in the Energy, Mining & Utilities sector.

Looking at bidder countries, 66.1% of investments came from inside the region, with Brazil again leading the ranking with purchases worth USD 2,237m, followed by the Cayman Islands (USD 400m), British Virgin Islands (USD 248m), Chile (USD 108m) and Mexico (USD 83m); all the investments were in their own countries. The remaining investments came from Canada, with purchases worth USD 536m, followed by the US (USD 425m), Israel (USD 401m) and Belgium (USD 217m).

The region's leading sectors were TMT and Energy, Mining & Utilities.

PE/TRADE VOLUME & VALUE



ECONOMIC OUTLOOK

The IMF recently released its World Economic Outlook (WEO) report, in which it improved its growth estimate for both the world and Argentina for 2021 and 2022. A recovery of 5.8% is projected for Argentina's economy in 2021, unlike the estimate announced in January earlier this year that projected growth of 4.5% (1.3% above January's figure). In 2022, an increase of 2.5% is expected. Gita Gopinath, Director of IMF'S Research Department and Economic Counsellor of the Fund, explained that this improvement is due to the increase in food prices since it is one of the country's main export products. In addition, a drop in the country's unemployment rate is also expected, falling from 11.4% to 10.6% in 2021 and 9.3% in 2022. Furthermore, Argentina's economic rebound is expected to be the strongest within the region's four largest economies, which include Brazil, Mexico and Colombia.

In addition, Alejandro Werner, Director of the Western Hemisphere Department of the International Monetary Fund, is looking to reach an agreement between Argentina's government and the IMF on its external debt during May, the outcome from which will create a more attractive scenario for investors.

Finally, last but not least, 2021 is set to be a challenging year, not just for Argentina but for the whole world. Argentina, which, in addition to the mid-term elections in October, knows that like many countries the future health of its economy will depend on the progress of its COVID-19 vaccination programme. One encouraging fact in this regard is that the country has already vaccinated more people with the first dose than the total number of Argentinians infected by the virus since March 2020.

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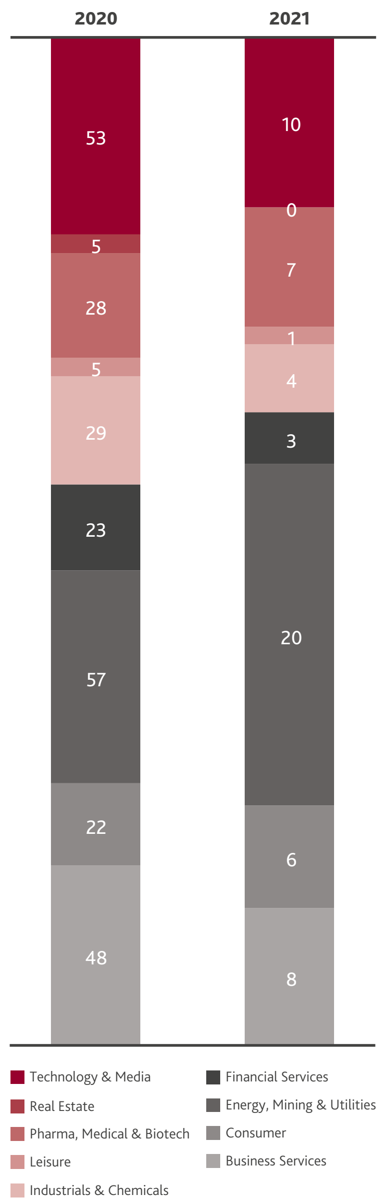
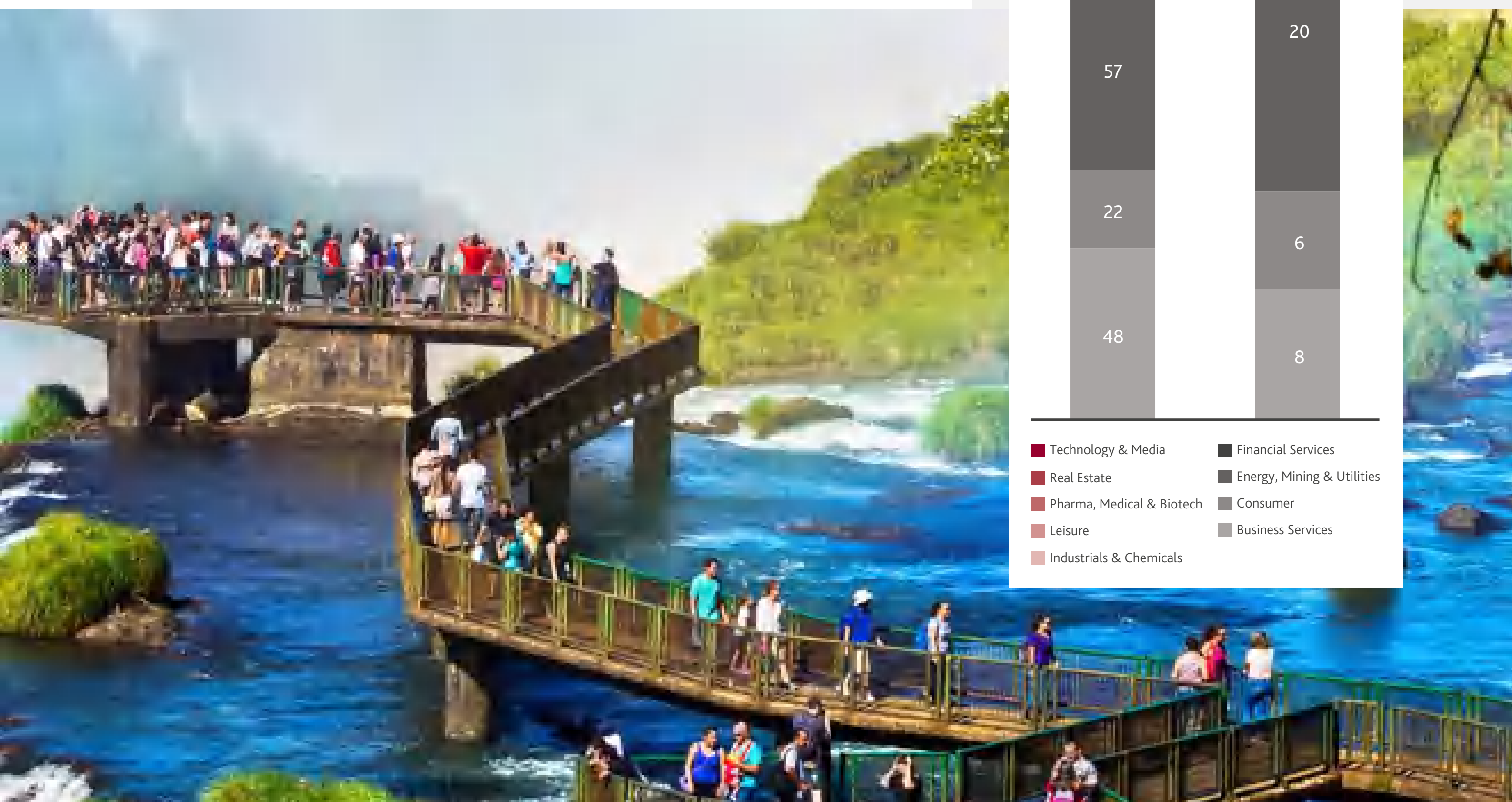
LATIN AMERICA
HEAT CHART BY SECTOR

TMT	89	23%
Financial Services	64	17%
Business Services	52	13%
Consumer	50	13%
Energy, Mining & Utilities	50	13%
Industrials & Chemicals	38	10%
Pharma, Medical & Biotech	27	7%
Leisure	12	3%
Real Estate	5	1%
TOTAL	**387**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

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

BIG PICTURE

- Strong rebound in M&A due to pent-up demand and availability of capital
- Globalisation driving cross-border M&A activity across sectors
- 2021 expected to continue having high levels of M&A activity.

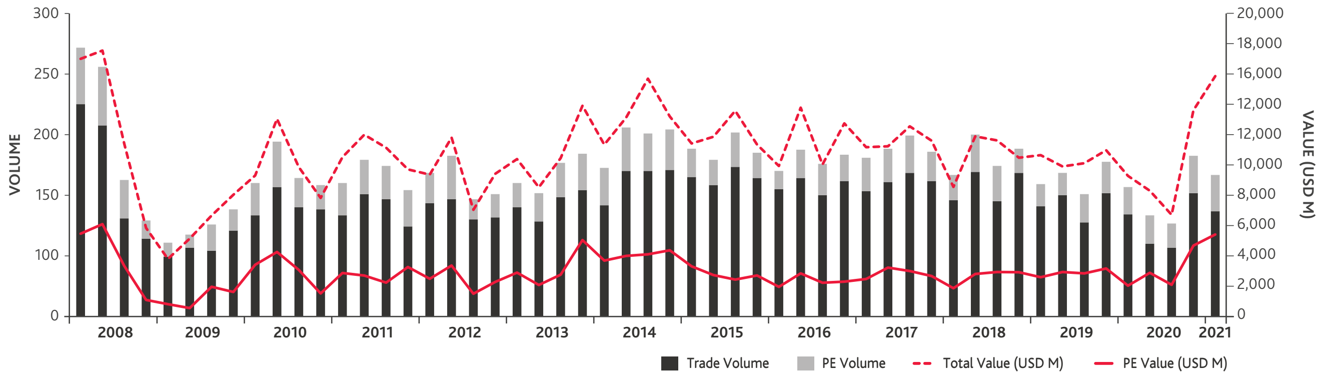
2021 has certainly got off to a flying start with one of the busiest first quarters in several years. The strong rebound in mid-market M&A activity during final quarter of 2020 continued its momentum with over 140 transactions completed across UK and Ireland with a record-breaking aggregate value of nearly $16bn.

While a lot of the activity can be attributed to the pent-up demand after the initial COVID slump, we are also seeing continued increase in M&A as record amounts of capital seek businesses to invest and grow.

At time of writing there were 36 reported private equity transactions with total value of $5.4bn equating to 20% increase in average deal value from the previous quarter. Similarly there was 104 trade deals with aggregate value of $10.5bn, representing a 36% increase in average deal value from any quarter in preceding five years.

In looking at what is driving the overall value we can see five key trends: (i) Increasing amounts of capital to deploy with institutional and long-term investors now actively targeting mid-market opportunities as well as emergence of Special Purpose Acquisition Companies (SPACs); (ii) Globalisation of businesses is increasingly driving cross-border M&A activity but not just confined to sectors such as TMT and financial services but also across consumer, leisure and business services; (iii) UK & Irish share valuations comparably lower than US stocks supporting growth of inbound M&A; (iv) overall increase in confidence post COVID as businesses return to normalised trading; (v) increase in owner-managers looking at succession planning, especially in aftermath of COVID.

PE/TRADE VOLUME & VALUE



SECTOR ACTIVITY

This overall increase in M&A activity and deal value is evidenced across a number of sectors. TMT continue to remain the most active at 24% of all transactions, slightly lower than 30% of all activity during 2020 but this likely to be just timing. Notable transactions included Crowdstrike's acquisition of Humio for $400m, John Wiley & Sons acquisition of Hindawi Limited for $300m and the sale of Communicorp Group to Bauer Media Group for reported €100m+. There was also a number of significant funding rounds in the first quarter of this year including $450m investment in Checkout.com (the UK-based payment processing software developer), $180m investment in Deliveroo, $200m investment in Notonthehighstreet.com and over €100m investment in Carne Group led by Vitruvian Partners.

There was significant uptick in activity in Industrials sector with 24 transactions (17%) with many large corporations looking to divest of non-core businesses. One such transaction was the sale of Wolseley UK for £300m by Ferguson plc, in line with their strategy of simplifying the Group in order to focus entirely on developing its business across North America.

Business Services remained busy with 21 transactions reported, representing 15% of total Q1 activity compared to 16% in 2020. This is a particularly active sector for private equity buyers with a lot of consolidation opportunities at lower end of the mid-market.

Financial services has also been hot sector for consolidation, particularly the sub-sectors of Insurance and Wealth management. Some notable transactions this quarter was Inflexion's sale of Bollington Wilson Group to AJ Gallagher & Co for £250m, the acquisition of UK wealth management firm, AFH Financial Group by Flexpoint Private equity firm and Fexco's sale of Goodbody stockbrokers to AIB for €138m.

The Top 20 transactions represented $7.9bn, nearly half the combined value of all M&A activity during the first quarter. Five of these transactions were in the Financial Services sector totalling $1.9bn, including the sale of ERS Insurance Group to ABRY Partners for $350m and the investment of $376m in UK digital challenger bank Starling Bank .

The US continues to drive the larger transactions with 70% of the top 20 deals involved US buyers. This trend is likely to continue as the Biden administratio n roll-out incentives for the growth of US companies.

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LOOKING AHEAD

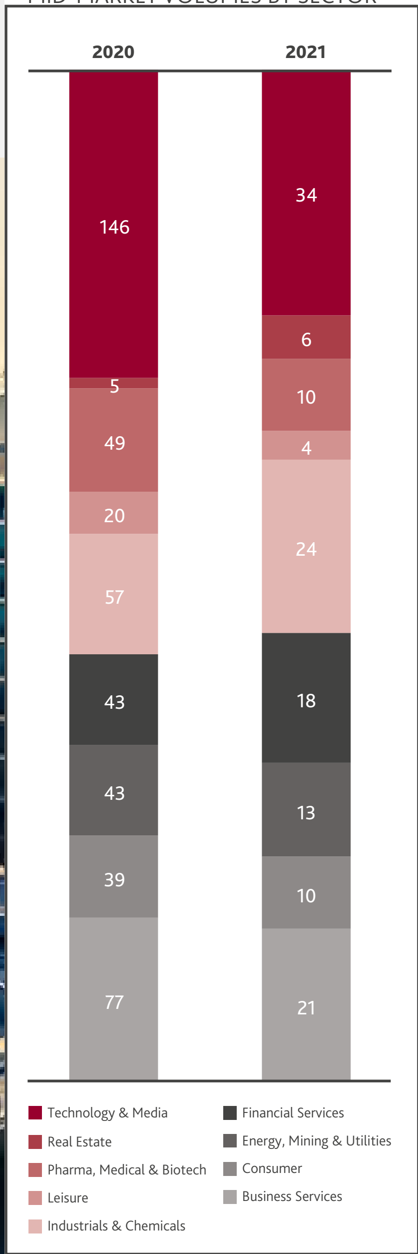
As we look ahead we anticipate M&A activity in UK & Ireland to remain strong for remainder of the year. TMT will continue to attract the most activity, while financial services will remain a hot sector to invest in. While there may be some slowdown during the summer months it is expected that the easing of lockdown restrictions will result in significant increase in consumer spend which will drive a lot of consolidation and investment activity across the Consumer & Leisure sectors. However we also expect an increase in accelerated M&A as government COVID supports are withdrawn, funders of distressed businesses look to restructure and divest and buyers seek out opportunistic deals.

SPACs are also expected to be a key feature of M&A activity over the next 12 months as they look to deploy significant amounts of capital. This may support a rebound in the Real Estate sector which has been exceptionally quiet over the last year as the markets wait to assess the long-term impact of COVID on both commercial real estate and the high-street.

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	82	19%
Financial Services	67	16%
Consumer	63	15%
Business Services	58	14%
Pharma, Medical & Biotech	51	12%
Industrials & Chemicals	42	10%
Energy, Mining & Utilities	34	8%
Leisure	20	5%
Real Estate	5	1%
TOTAL	**442**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

MID-MARKET M&A MAKES SLOW START TO 2021

BIG PICTURE

- The number of mid-market deals was the lowest recorded since 2012 as the pandemic loomed large, also leading to a fall in deal value compared to Q4 2020
- PE's M&A deal count was the same as the previous year's first quarter
- Industrials & Chemicals was the most active sector and, together with the Business Services and TMT, accounted for 52% of closed deals
- The outlook for the next quarter suggests a slight recovery in deal activity.

Southern Europe's mid-market M&A activity in Q1 2021 saw declines in both the volume and value of completed transactions, resulting in the lowest quarterly deal count since Q3 2012, as M&A was impacted by one year of the global pandemic and the partial economic shutdowns throughout the Southern Europe region.

The transactions totalled USD 10.5bn, a reduction in both the number of deals (42%) and volume (24%) compared to the previous quarter, while also maintaining the trend of a weaker first quarter in terms of deal volume.

Despite the fall in the volume of transactions, the average value per deal increased from USD 85m to USD 112m.

PE's share of deal activity remained low in terms in volume (12%) but its proportion of deal value rose sharply (30%). In fact, the average value per deal was the highest in more than a decade, reaching USD 142m.

KEY SECTORS AND DEALS

Leisure was the only sector to record a slight increase in deal volume in Q1 2021, and the collective adverse performance of the remaining sectors contributed to a 42% decline in M&A activity compared to the previous quarter.

The sectors most affected by the decline were TMT (17 deals vs 35 in Q4 2020), Industrials & Chemicals (18 deals vs 34 in Q4 2020) and Consumer (nine deals vs 21 in Q4 2020).

Industrials & Chemicals maintained its position as the top performing sector in terms of deal volume, as has been the case in 13 out of 16 quarters over the last four years.

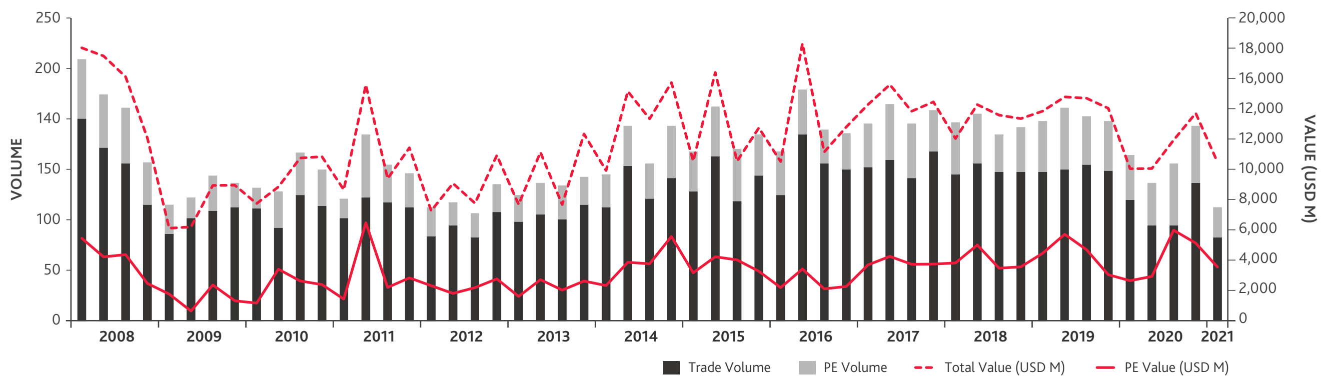
The deals in Q1 2021 were heavily concentrated in the three most active sectors, with Business Services, Industrials & Chemicals and TMT accounting for 52% of all deals.

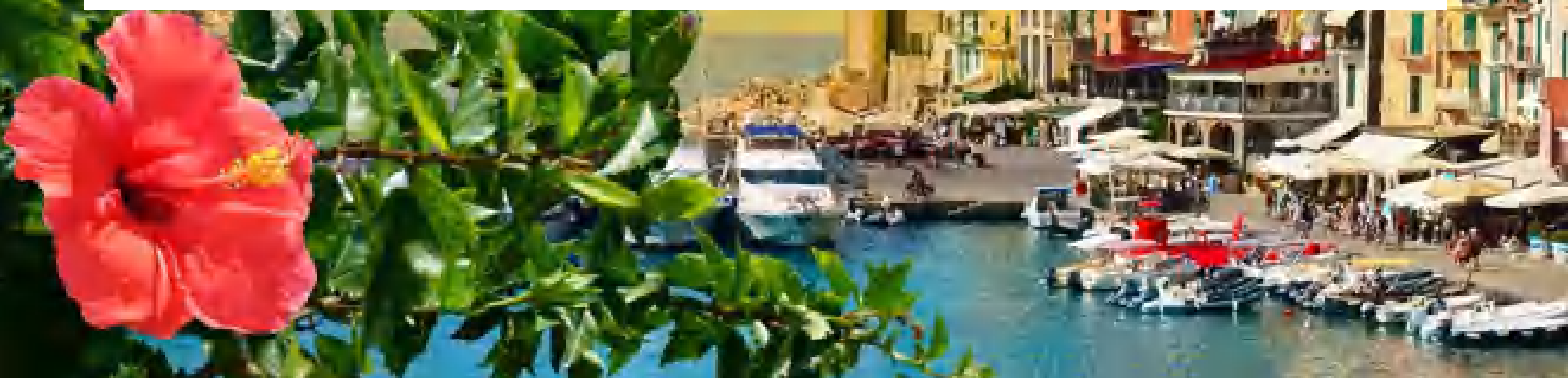
The top 10 deals amounted to USD 4.14bn, representing 39.5% of the volume of all the region's mid-market transactions in Q1 2020.

The biggest deal took place in Energy, Mining & Utilities and involved the acquisition of 400 MW of operating renewables (11 wind farms and a solar photovoltaic park in Spain), by the Chinese utilities company, China Three Gorges, for USD 485m.

The second biggest deal was the acquisition of CARGEAS Assicurazioni S.p.A., an Italian insurance company owned by BNP Paribas Cardif SA, by Italian insurance company Intesa Sanpaolo Vita S.p.A, for USD 473m.

PE/TRADE VOLUME & VALUE





The third biggest deal took place in Industrials & Chemicals and saw the acquisition of PHOTONIS France SAS, a French manufacturer of electro-optic and high precision sensor products, by Groupe HLD, a PE firm based in Luxembourg, for USD 449m.

Focusing on Portuguese mid-market activity, the top 20 deals included the USD 317m acquisition of the remaining stake (28.09%) of listed company SEMAPA by current majority shareholder Socim SGPS. SEMAPA has activities in the Industrials & Chemicals sector, namely its paper manufacturing business led by the Navigator brand.

The top 10 deals were spread across several sectors, led by Financial Services, which had three deals in the top 10.

The targets in the top 10 were distributed across several countries, with Spanish and Italian companies accounting for three targets each. Target companies in France and Greece accounted for two deals each.

Finally, the majority of the top 10 were cross-border transactions, with European companies accounting for seven of the deals. Companies from the US, Italy and the UK led the list of acquirers with two deals each.

LOOKING AHEAD

Looking into the next quarter, the outlook suggests a slight recovery in deal activity. According to the BDO Heat Chart, 723 deals are predicted to take place in Southern Europe, representing 7% of the rumoured mid-market deals worldwide. These figures represent a 5% increase over the 692 rumoured deals in Q4 2020.

Consumer is predicted to lead the way in deal volume, as has been the case since Q2 2018, accounting for an estimated 20% (147 deals), followed closely by Industrials & Chemicals with 145 deals. Looking at other sectors, TMT is in third place and is expected to account for 13% of the next quarter's deals (97).

These three sectors are the most prominent in the BDO Heat Chart for rumoured future deal activity in Southern Europe and are predicted to account for 53% of all transactions (58% in Q4 2020).

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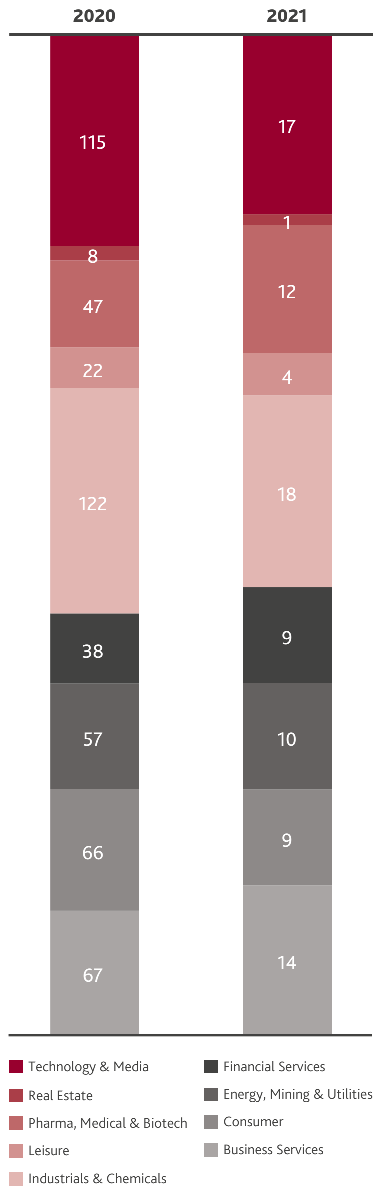
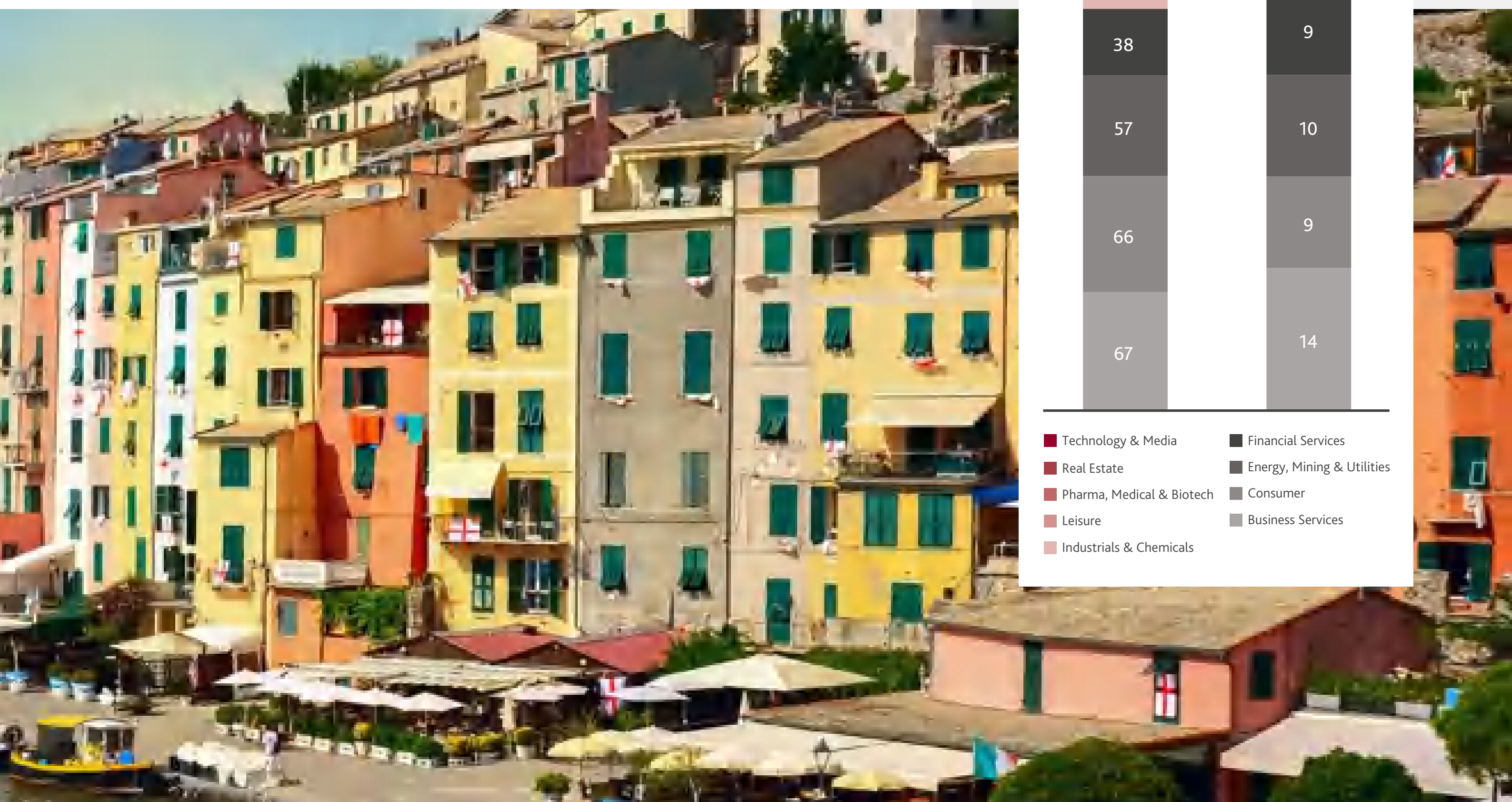
SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	147	20%
Industrials & Chemicals	145	20%
TMT	97	13%
Business Services	82	11%
Pharma, Medical & Biotech	73	10%
Energy, Mining & Utilities	68	9%
Financial Services	62	9%
Leisure	36	5%
Real Estate	13	2%
TOTAL	**723**	**100%**

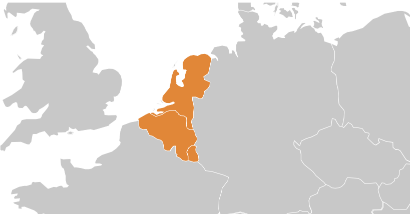
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

DEAL VOLUME AND VALUE FALL SLIGHTLY AS M&A SLOWS DOWN



BIG PICTURE

- Deal volume in Q1 2021 fell slightly from 41 to 36 deals compared to Q4 2020
- 31% of deals involved PE firms, exactly in line with the last two years' quarterly average (31%)
- 70% of total deal value was related to the top 10 transactions
- TMT and Pharma, Medical & Biotech accounted for 64% of all deals (23)
- Looking ahead, there are 197 deals planned or in progress in the Benelux.

At a global level, M&A activity saw a slowdown in the first quarter of 2021 compared to Q4 2020, with a decrease in both deal volume (27%) and deal value (14.8%). In the Benelux, compared to Q4 2020, M&A activity in Q1 2021 saw a slight fall in the number of deals from 41 to 36. Combined with a reduced average deal value (from USD 122.7m to USD 114.8m), this resulted in total deal value dropping from USD 5,031m to USD 4,133m.

PE players were involved in 11 deals, representing 31% of total deal volume (in line with the last two years) and 20% of overall deal value (versus 31.3% over the last two years). Transactions involving PE had an average deal value of USD 74.7m, significantly behind 2020 when the average deal value was USD 83.8m.

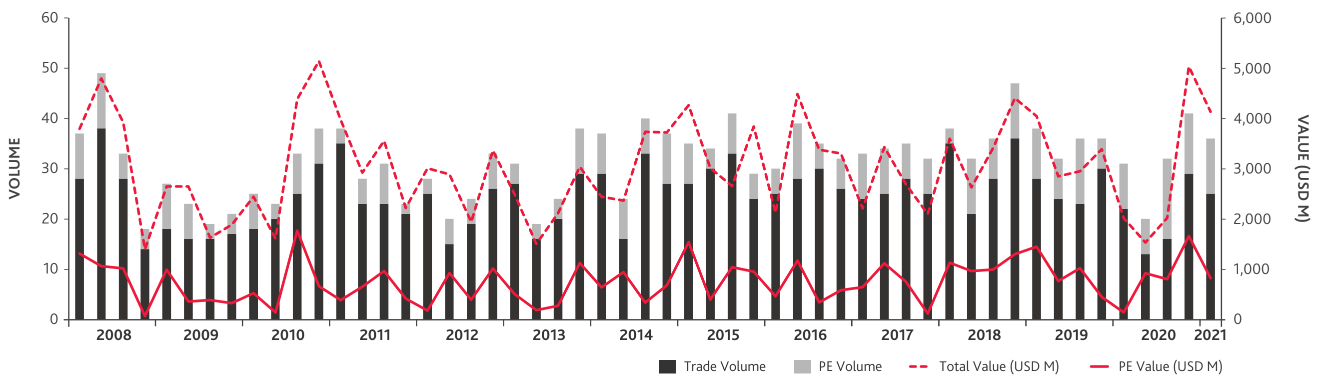
KEY SECTORS AND DEALS

A total of 17 deals were closed in TMT, followed by six in Pharma, Medical & Biotech. Business Services ranked third with five deals, ahead of Industrial & Chemicals (four), and Energy, Mining & Utilities and Leisure (two deals each). There were no deals in the Consumer, Financial Services and Real Estate sectors in the first quarter.

The top 10 deal values in the Benelux ranged between USD 190m and USD 434m. Out of the top 10, three deals involved a domestic buyer, while the remaining seven were all cross-border transactions.

The quarter's biggest deal (USD 434m) was driven by the BSioen family who, through the Sihold company, launched a voluntary public takeover bid on the shares of the Ardooie, West-Flanders based Sioen Industries in order to delist the textile company from the Stock Exchange.

PE/TRADE VOLUME & VALUE



The second biggest deal involved the sale of BauWatch, the market leader in construction site security, whose ownership changed from Nordian Capital to the German strategic investor Haniel, in a deal worth USD 394m. This acquisition enables BauWatch to further accelerate its growth and expand its international footprint.

The third key deal involved DFDS, the Danish shipping and logistics company, which agreed to buy cold chain logistics provider HSF Logistics Group, in a deal worth USD 359m. As a result of this deal, DFDS is expected to quadruple its cold chain business and become a leading North European cold chain logistics provider.

LOOKING AHEAD

On a global basis, the majority of future deals are expected to take place in the TMT, Industrials & Chemicals and Financial Services sectors, accounting for respectively 19%, 19% and 18% of total deal volume.

In the Benelux, the BDO Heat Chart identifies 197 deals as being currently planned or in progress. Most of these deals (45) are expected to take place in the Consumer sector, which would account for 23% of the region's total. The second and third most active sectors are expected to be Industrials & Chemicals (22%) and TMT (17%).

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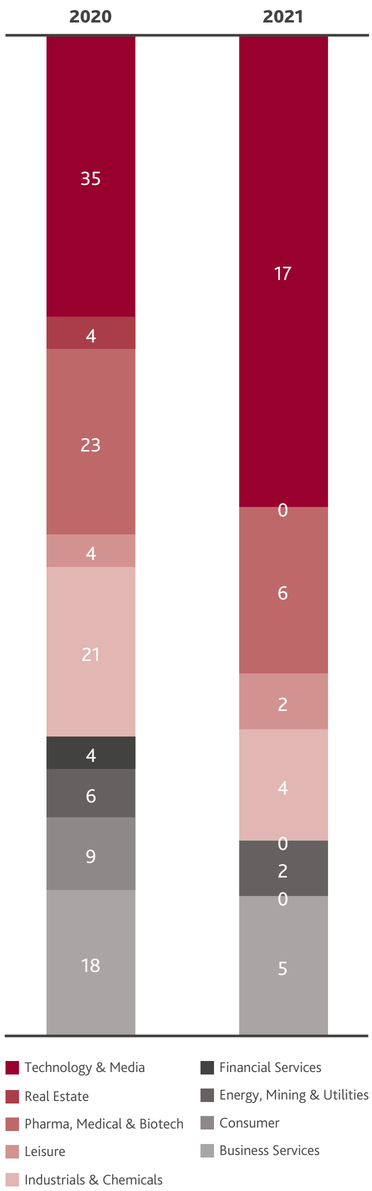
BENELUX
HEAT CHART BY SECTOR

Consumer	45	23%
Industrials & Chemicals	44	22%
TMT	34	17%
Pharma, Medical & Biotech	19	10%
Financial Services	16	8%
Business Services	16	8%
Energy, Mining & Utilities	10	5%
Leisure	7	4%
Real Estate	6	3%
TOTAL	**197**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

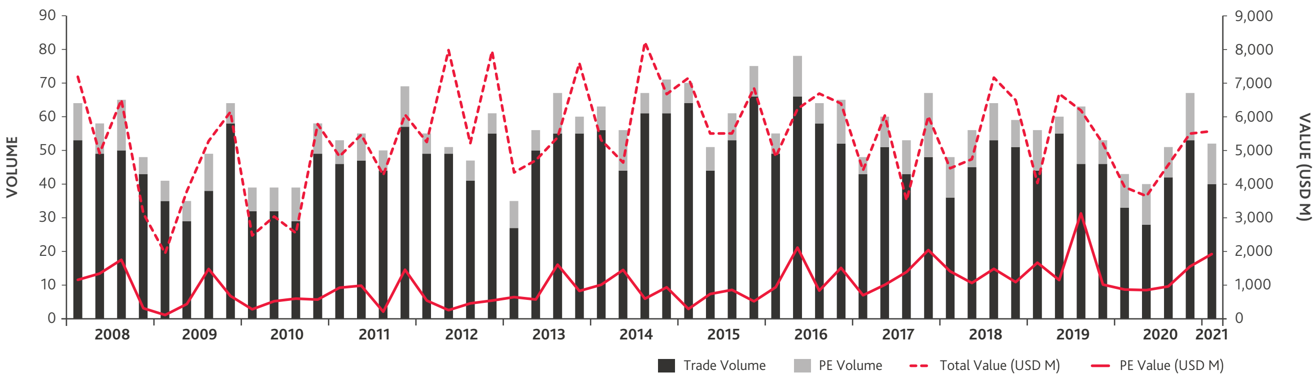
INCREASED MID-MARKET M&A ACTIVITY IN DACH UNDERPINNED BY STRONG PE ACTIVITY IN Q1 2021 BUT THE ADVERSE CONDITIONS CAUSED BY COVID-19 AND THE ASSOCIATED ECONOMIC UNCERTAINTY CONTINUES TO IMPACT OVERALL STATISTICS

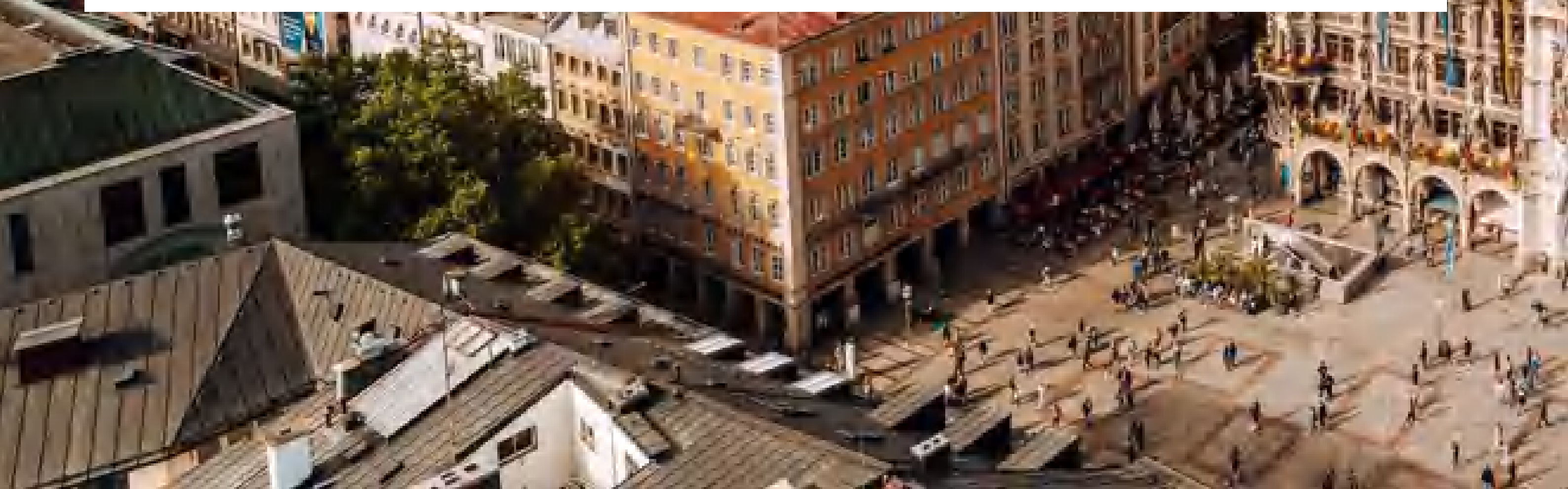
BIG PICTURE

- Significant increase in both volume (+21%) and value (+43%) of deals in Q1 2021 compared to Q1 2020. The value of transactions stagnated at the relatively high levels of activity in Q4 2020, while volume declined (-22%) quarter on quarter implying a relative increase in average deal values.
- Transactions involving PEs demonstrated strong trends with rising volumes compared to Q1 2020. On a year-on-year basis both volume and value increased by 20% and 120% respectively. On a quarterly basis, volume decreased by 14% while values rose by 24%.
- A year-on-year growth in number of transactions is driven primarily by TMT, Industrials and Chemicals and to a lesser extent Business Services.
- Strong international interest in the DACH market continued. In 7 out of the largest 20 closed deals acquirers were European (other than German) while 9 were US-based. The greatest number of transactions in the Top 20 involved German targets (60%) but there was strong interest in Austria and Switzerland as well.

On a year-on-year as well as on a quarterly basis, the DACH Mid-Market M&A demonstrated similar trends to the global M&A activity but was slighter stronger. Global Mid-Market M&A transaction volumes stagnated (DACH +21%) transaction values were up by 28% (DACH +43%) compared to Q1 2020. Quarter on quarter, the global M&A volume decreased by 27% (DACH -22%) and the values by 15% (DACH +1%) compared to Q4 2020. The market outlook for DACH is expected to remain uncertain and mixed. The US election outcome is regarded as a positive for EU-US relations and trade as is the roll out of COVID-19 vaccine programmes in countries such as the US and UK. On the other hand the ongoing higher lockdown measures and low rates of vaccination particularly in the DACH region are negative.

PE/TRADE VOLUME & VALUE





The number of mid-market M&A transactions reported in DACH in Q1 2021 was 52, an increase of 21% compared to Q1 2020. This dynamic reflects an increased confidence about the overall impact of the Covid-19 pandemic compared to the global state of emergency in the first two quarters of 2020. However, it should not be forgotten that the increase in volumes is from a very low level in Q1 2020 (43 deals). The same applies to a quarter on quarter analysis. The value of transactions stagnated, and the volume declined by 22% compared to Q4 2020.

The uncertain market conditions appear to have less impact on PE activity in the DACH region. Aggregate deal values were up significantly year-on-year (+120%) as well as on a quarterly basis (+24%). Deal volumes increased by 20% year-on-year but decreased slightly by 14% compared to the last quarter. Why? – a mixture of factors: PEs adopted early digital tools to execute M&A processes and once their existing portfolios were secured they could take advantage of cheap debt capital to bid for attractive targets.

Of the 20 largest mid-market transactions in DACH (by value) in Q1 2021, 12 took place in Germany and 4 in Switzerland and in Austria respectively. International interest in the DACH market continued to be very buoyant with buyers from 7 different countries (excluding Germany). European buyers (including domestic German buyers) accounted for just 50% of the Top 20 transactions. With 9 acquisitions, a significant US activity is evident, marking US buyers the second largest group. Japan was involved in one deal.

KEY DEALS AND SECTORS

The largest Mid-Market M&A deal in the region in the first quarter of 2021 was the sale of the window division of Arbonia AG to the DOVISTA Group for CHF 350 million. Arbonia AG is a listed Swiss building components supplier focused on heating, air-conditioning and ventilation technology, sanitary equipment and doors. The windows division was no longer regarded as core. DOVISTA is a Danish holding owned by VKR Holding A/S. Its focus is on the North European market with portfolio companies providing products and services for vertical windows and doors.

In the financial services sector, FFG FINANZCHECK Finanzportale GmbH was acquired by smava GmbH from Speedster Bidco GmBH, an investment vehicle of the US PE firm Hellman & Friedman for approx. EUR 200 million. Speedster Bidco GmbH becomes a minority shareholder of smava. FFG FINANZCHECK Finanzportale GmbH, known as 'Finanzcheck', is a German online portal for comparison of personal loans and private financial products. Founded in Berlin in 2005, smava GmbH is German platform providing a wide range of personal loans to customers.

German-based atai Life Sciences AG successfully closed a USD 157 million Series D financing led by Apeiron Investment Group (the family office of atai founder Christian Angermayer) and a US consortium of funds including Thiel Capital and Woodline Partners LP. Atai is a biopharmaceutical company focusing on the clinical-stage development of psychedelic and non-psychedelic drugs for mental health indications.

The sectors TMT, Industrials & Chemicals and Business Services were the most active mid-market sectors in the DACH region in Q1 2021 with 17, 11 and 8 deals respectively. All three sectors together account for approx. 70% of all deals in the DACH region. The TMT sector deserves special mention; it recorded 17 transactions, as many as in Q4 2020 and an increase from 11 transactions in Q1 2020. This constitutes a year-on-year growth of approx. 55% and brings the volume of quarterly TMT deals back to historically high numbers. The Business Services sector marked a significant increase of 75% year-on-year as well, with 8 deals in Q1 2021 compared to 2 in Q1 2020.

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LOOKING AHEAD

Like the rest of Europe Germany, Austria and Switzerland recorded historic falls in GDP in 2020. The GDP growth rates (compared to full-year 2019) fell by approx. 6.7% (AT), 5.3% (DE) and 2.9% (CH). The latest projections (March 2021) for GDP growth for 2021 show the DACH region with some recovery ranging from approx. 4.1% (AT) to 3.6% (D) and 3.2% (CH). The Industrial and Manufacturing sector, including exports, are holding up particularly well. The DACH region is proving more resilient than the rest of Europe and as seen above remains interesting for international investors.

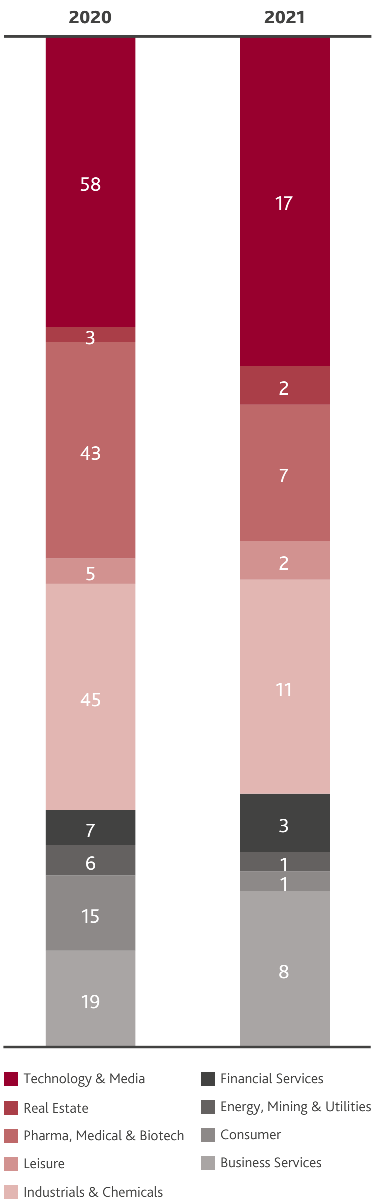
We expect Mid-Market M&A activity to remain overall relatively subdued for the next quarter given further increases in Covid-19 cases and the introduction of new containment measures by national DACH governments. That said volumes and multiples in the TMT and Pharma, Medical & Biotech are set to remain very buoyant as well as Business Services sectors particularly those businesses which have benefited from the pandemic. The large sums of uninvested PE capital ('dry powder') and the increased focus of European PE funds on the DACH region create a more positive outlook for the second half of 2021.

Both corporates and PEs will take advantage of strategic opportunities or assets to be picked up at the right price. In addition, the backlog of restructuring and divestment of noncore and distressed assets is high and is more likely to contribute to deal volumes going forward.

DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	107	28%
TMT	77	20%
Consumer	58	15%
Pharma, Medical & Biotech	49	13%
Business Services	33	9%
Financial Services	26	7%
Energy, Mining & Utilities	12	3%
Leisure	11	3%
Real Estate	8	2%
TOTAL	**381**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

ALL-TIME HIGH FIRST QUARTER WITH RECORD-BREAKING VOLUMES AND VALUE

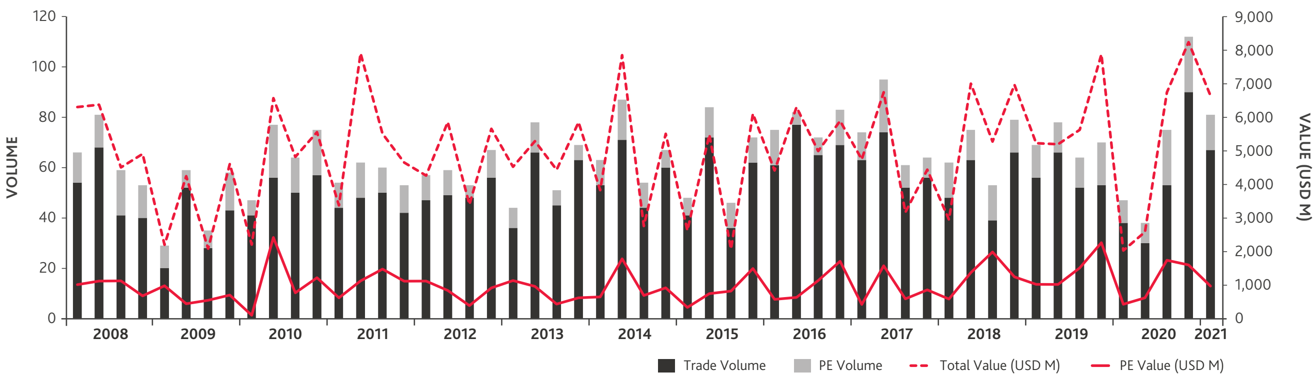
BIG PICTURE

- The total deal value in Q1 2021 were 3.3x higher than the same quarter last year. The increase is explained by larger average transaction size (+90.1 %), as well as an increased volume (+72.3 %). The large increase should be viewed in relation to the especially weak performance last year due to the onset of COVID-19.
- Both trade buyers and PE players increased their activity. The largest increase was from trade buyers, which did a larger number of deals (+76.3 %), with an increased average size (+200.7 %). The combined effect is a total deal value from trader buyers of 3.5x the value last year. Private Equity increased their activity as well. Their total deal value increased by 2.3x, of which the volume grew by 55.6 % and the average size increased by 46.5 %.
- Due to the increase in activity from trade buyers in the quarter, the share of volume and value by Private Equity decreased to a historically low of 17.3 % and 14.5 %, respectively.
- Industrials & Chemicals, TMT and Business Services were the sectors with the largest volume during the quarter. 24 deals (38.1 % of total) were made within Industrials & Chemicals in Q1 2021. TMT accounted for 22 deals (34.9 % of total) and Business Services ended up at 9 deals (14.3 % of total).

The positive development seen in Q4 2020 continued into 2021. The first quarter of 2021 was the strongest first quarter since before the global financial crisis of 2007-2008, both in terms of volume and value. A total of 81 transaction with a combined value of USD 6.7bn was recorded during the quarter, driven by significantly higher activity from trade buyers. Private Equity activity increased as well. A renewed optimism, on the back of postponed deals due to COVID-19, partly explains the recent development.

A total of 81 transactions was completed during the first quarter of 2021, with a total deal value of USD 6.7bn. Although the performance is strong, Q1 is typically not the most active period of the year. Thus, the volume and value of transactions decreased in Q1 compared to Q4 2020 by -27.7 % and -19.4 %, respectively. Please note that Q4 2020 was a particularly strong quarter in the Nordics. It was the strongest quarter ever recorded with a total of 112 transaction and a total deal value of USD 8.2bn.

PE/TRADE VOLUME & VALUE



The sharp uplift in Q1 2021 is explained by larger average transaction size (+90.1 % compared to Q1 2020), as well as an increased volume (+72.3 % vs. Q1 2020). The upsurge is ascribed to the abrupt onset of COVID-19 during Q1 2020, which temporarily postponed deals which resulted in a remarkably weak quarter. Both trade buyers and Private Equity contributed to the strong growth of in Q1 2021. The largest increase was from trade buyers, which did a larger number of deals (+76.3 %), with an increased average size (+200.7 %). The combined effect is a total deal value from trade buyers of 3.5x the value last year. Private Equity increased their activity as well. Their total deal value increased by 2.3x, of which the volume grew by 55.6 % and the average size increased by 46.5 %.

As evidenced by the numbers, the recent comeback of the M&A market is driven by trade buyers doing larger deals. At the onset of the pandemic, larger deals were postponed more than smaller deals, and deals by trade buyers were postponed relative to private equity firms with ample dry powder. As markets improved, trade buyers returned and started doing larger deals again.

Private equity, on the other hand, limited their activity on the onset of the pandemic, but kept on doing smaller deals. A possible explanation could be the postponement of new platform investments, but continued add-on activity of existing investments. Due to the large growth of trade buyers in the quarter, the share of volume and value by Private Equity decreased to a historically low of 17.3 % and 14.5 %, respectively. In other words, less than 1 in 5 deals were made by private equity firms, which is lower than prior quarters.

KEY SECTORS AND DEALS

The 3 sectors with the most deals in the quarter were Industrials & Chemicals (24 deals), TMT (22 deals) and Business Services (9 deals), which together accounted for 87.3 % of the volume in the quarter. So far in 2021 there has only been 1 deal within Leisure and no deals within Real Estate, which is considerably lower than prior years.

Of the 81 deals in the quarter, the Top 10 and Top 20 deals accounted for 54.2 % and 77.5 % of the total value, respectively. 4 of the top 20 deals were within Industrials & Chemicals of which the acquisition of the Freyr AS (Norway) by Alussa Energy Acquisition Corp. (Cayman Islands) was the largest (USD 418m).

The transaction was the 3rd largest across all sectors in the quarter. TMT recorded 4 deals in the quarter that made the Top 20. The largest deal (USD 221m) was the acquisition of Planday A/S (Denmark) by Xero Limited (New Zealand). The deal was the 10th largest deal across all sectors. None of the deals within Business Services made the Top 20 list. The largest deal of them all was within Financial Services. Arbejdernes Landsbank A/S acquired a majority stake (67.6 %) in Vestjysk Bank A/S for a deal value of USD 458m.

The three sectors that experienced the largest increase in deal volume over the last twelve months (LTM Q1 2021 vs. LTM Q1 2020) were Financial Services (+100 %), Business Services (+64.7 %) and TMT (22.5 %).

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LOOKING AHEAD

The M&A market is improving in the Nordics, despite local outbreaks of COVID-19 and strict measures in some regions. The unpredictable nature of the virus due to its high mutation rate, and consequently the uncertain long-term efficacy of a vaccine, makes it difficult to make predictions for the coming quarters.

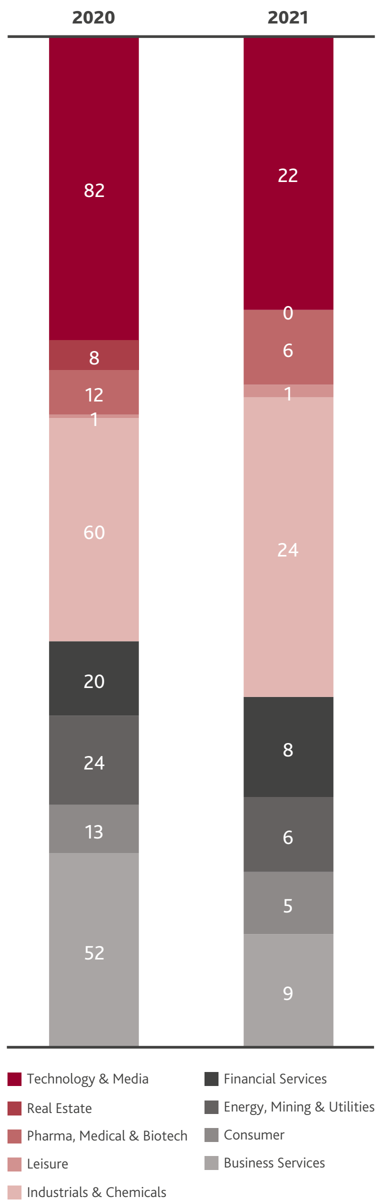
The vaccination programs in the Nordics are developing in line with other European countries, especially for Norway and Sweden where approximately 5 to 6 % of the population were fully vaccinated by the end of Q1. The rate is slightly higher in Denmark, but significantly lower in Finland.

The strong comeback of Q4 2020 and Q1 2021 is expected to continue into Q2, as vaccination programs allows for a re-opening of the society and a renewed optimism in the M&A market. Transactions with resilient businesses will likely continue to be an important driver for the recovery of the M&A market, as well as larger deals by trade buyers. The private equity sector in the Nordics is expected to be active as well, as recent record-setting fundraisings have resulted in ample dry powder and incentives to invest. The first half of 2021 is therefore expected to end up at a significantly higher level than the first half of 2020. The overall performance of the year remains too been seen, but it has undoubtedly been a good start to the year.

NORDICS
HEAT CHART BY SECTOR

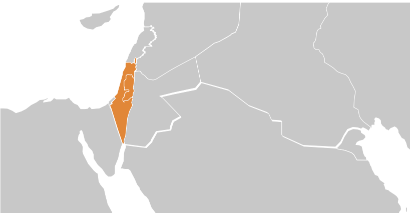
TMT	83	31%
Industrials & Chemicals	47	18%
Pharma, Medical & Biotech	36	13%
Consumer	36	13%
Business Services	26	10%
Energy, Mining & Utilities	16	6%
Financial Services	16	6%
Real Estate	6	2%
Leisure	2	1%
TOTAL	**268**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

M&A ACTIVITY SLOWS DOWN IN SUBDUED FIRST QUARTER



BIG PICTURE

- Deal volume in Q1 2021 fell slightly from 41 to 36 deals compared to Q4 2020
- 31% of deals involved PE firms, exactly in line with the last two years' quarterly average (31%)
- 70% of total deal value was related to the top 10 transactions
- TMT and Pharma, Medical & Biotech accounted for 64% of all deals (23)
- Looking ahead, there are 197 deals planned or in progress in the Benelux.

M&A ACTIVITY DECREASED DURING Q1 2021 IN TERMS OF VALUE

A total of 32 deals, with a combined deal value of USD 1,982m, were successfully completed in Q1 2021. This represented a significant 32.6% drop (USD 960m) in deal value from the previous quarter but there was a slight increase in deal volume to 32 from the 30 completed deals in Q4 2020. Deal value fell heavily, triggering a 36.8% depreciation in the average transaction value from USD 98.1m in Q4 2020 to USD 61.9m in Q1 2021, indicative of the fact that the deals that did take place were for smaller amounts.

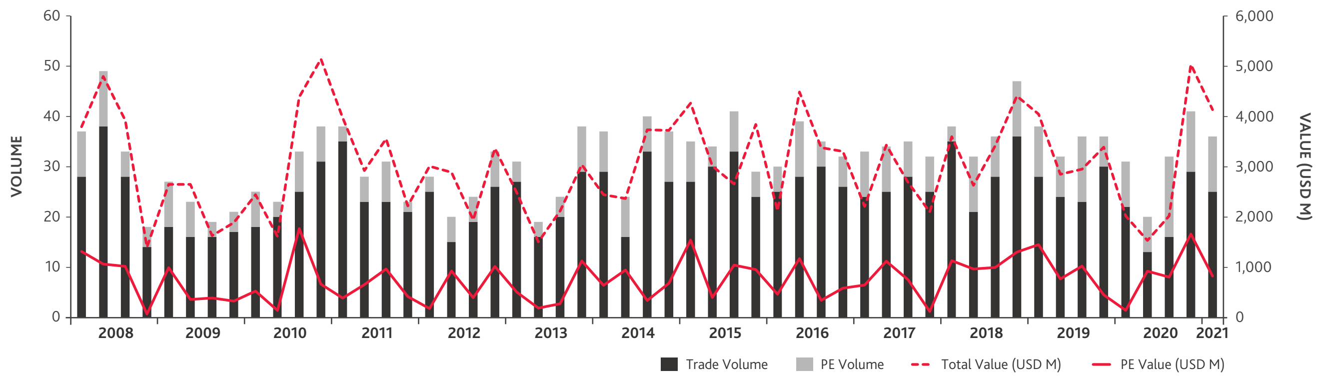
However, PE activity was strong with the Q1 2021 figures showing an upturn in terms of both volume and value. In Q1 2021, PE was responsible for 13 deals, worth a total of USD 925m, which represented 40.6% of the deal count and 46.6% of the quarter's value.

KEY SECTORS AND DEALS

Israel's top 10 deals in Q1 2021 had an aggregated value of USD 1,438m, representing 72.6% of the total M&A transactions. The largest transaction was the USD 280m acquisition of Psagot Investment House Ltd., one of Israel's largest investment houses. Other deals included the USD 208m acquisition of DriveNets. This acquisition was led by Bessemer Venture Partners, Pitango Venture Capital, D1 Capital Partners L.P. and Atreides Management, LP. Further large transactions included the USD 173m acquisition of Otonomo Technologies Limited by Fidelity Management & Research Company, BNP Paribas Asset Management Holding, Hearst Ventures, Dell Technologies Capital and Senvest Management LLC.

TMT led the way in terms of sector activity in the quarter, accounting for 15 deals (46.9% of total transactions). Business Services was in second place with five deals (15.6% of total transactions). Next was Financial Services with four deals (12.5% of all

PE/TRADE VOLUME & VALUE



transactions), followed by Pharma, Medical & Biotech, with three deals, Industrials & Chemicals and Leisure, with two deals each, Energy, Mining & Utilities with one deal and there were no deals in the Consumer and Real Estate sectors.

Six of the top 10 deals involved foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. The foreign bidders consisted of four buyers from the USA and one buyer each from the United Kingdom and Sweden.

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

LOOKING AHEAD

Looking ahead, the data supports a ramp-up in M&A mid-market activity. The BDO Heat Chart for Q4 2020 showed 63 deals planned or in progress, compared to 74 deals in Q1 2021, which suggests a 17.5% increase in pipeline deals.

The BDO Heat Chart for Israel indicates that there are 74 deals planned or in progress for M&A with 24 (32%) related to Industrials & Chemicals and 23 (31%) involving TMT. Other active sectors include Pharma, Medical & Biotech with 11 deals (15%), Business Services with seven deals (9%), and finally Consumer, Energy, Mining & Utilities and Financial Services, all with three deals each (4%).

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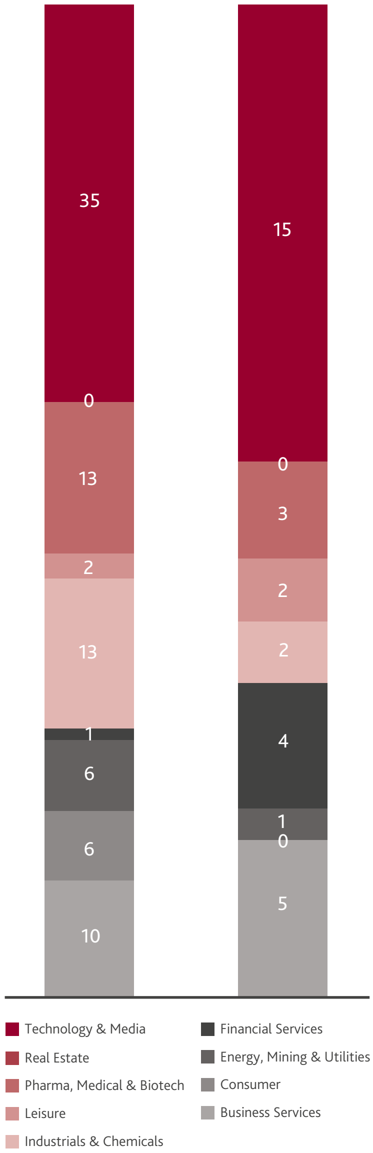
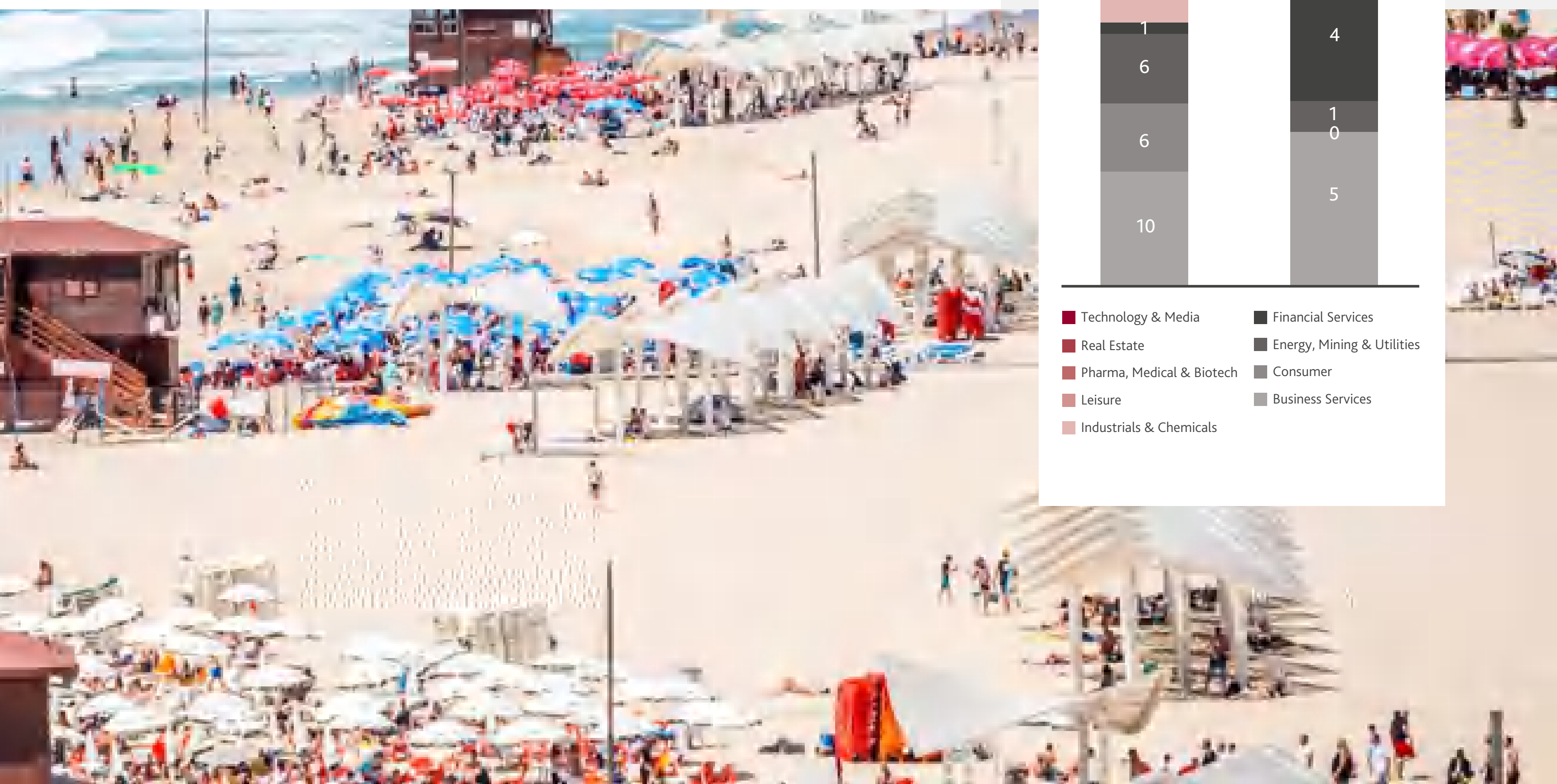
ISRAEL
HEAT CHART BY SECTOR

Industrials & Chemicals	24	32%
TMT	23	31%
Pharma, Medical & Biotech	11	15%
Business Services	7	9%
Consumer	3	4%
Energy, Mining & Utilities	3	4%
Financial Services	3	4%
TOTAL	**74**	**100%**

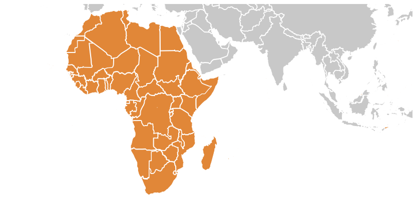
ISRAEL
MID-MARKET VOLUMES BY SECTOR





AFRICA

M&A MAINTAINS DOWNWARD TREND BUT SIGNS POINT TOWARDS RECOVERY



BIG PICTURE

- Following the worst year in memory for African and Global M&A, indicators are pointing towards a recovery in deal making activity
- Although deal volumes are still depressed, PE appears to be stepping up deal making
- Foreign Direct Investment (FDI) remains of paramount importance to the continent's continued growth and sustainability
- Energy, Mining & Utilities maintained its position as Africa's leading sector.

Despite a slow start to the year in Africa's M&A activity, we are cautiously optimistic that 2021 will be a better year, although the lag in deal closure may mean that the recovery is only truly visible in 2022. The main reasons for a positive deal making outlook are as follows:

- We anticipate that PE firms may come under pressure to invest their capital
- Corporates are looking to offload non-core and poor performing assets to streamline and focus on core operations
- Corporates are looking to acquire market share and revenue
- The distressed market seems to be gaining traction, with many of the rescue processes executing on approved plans to dispose of assets in order to settle with creditors.

For non-distressed sellers in the mid-market, the M&A space remains challenging, as earnings have not fully recovered and sellers are competing for the attention of buyers who have multiple options and opportunities.

We are beginning to wonder when pre-COVID-19 multiples in the mid-market will be seen again and if the fallout from the pandemic will leave a legacy of caution in mid-market valuation assumptions. All this is in contrast to the premium valuations seen in certain sectors.

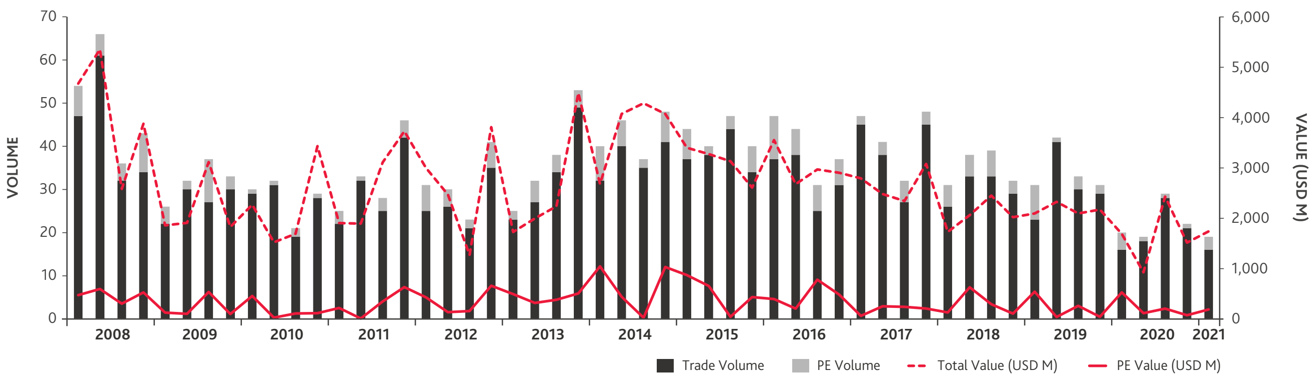
NEW TRENDS FOR M&A ACTIVITY

As the vaccine rollout in Africa commences, companies have largely restructured themselves into much leaner, core-focused entities, and there is much speculation on which asset class will lead the way in reviving Africa's M&A market post-COVID-19.

The general consensus from investment banks, legal firms and advisory houses seems to be that there could be a 'commodity super-cycle', with headlines saying that 'M&A activity will be all the rage for resources in 2021'.

Craig Brewer, Managing Director of Investment Banking Division at Absa CIB, said: "Favourable commodity prices across most commodities have ignited the underlying operational cash flows and this has been reflected in upward share price movements.

PE/TRADE VOLUME & VALUE



If the global vaccine programme rollout picks up momentum, this will also build real confidence in the global recovery which will underpin the commodity cycle and be the catalyst for M&A.

"While there is a degree of scepticism about the manufacturing data coming out of China, what is clear is that China is continuing to invest in its infrastructure programme to generate its own economic recovery, and with supply constraints for key commodities – partly caused by Covid – this demand is creating pricing pressure for base metals."

With these and other underlying drivers, Absa is of the view that 2021 may well be a breakout year for mining and commodity M&A with clear trends in acquisition activity.

Furthermore, a continent that was once on a drive to privatise key national assets has now realised that certain industries are best left for the private sector. State-owned assets are plagued by corruption, poor management and absolutely no balance sheet strength and are in need of financial bailouts to survive, opening the door for the private sector to exploit some of the opportunities created by defunct state-owned enterprises.

KEY SECTORS AND DEALS

The Energy, Mining & Utilities sector again lead the way with nine Q1 deals, followed by TMT with five deals and Financial Services and Industrials & Chemicals with two deals each.

In terms of geography, South African companies were involved in five of the top 10 deals, followed by Egypt with two.

The quarter's biggest deal was the acquisition by Arab Banking Corporation of BLOM Bank Egypt SAE for a total consideration of USD 429m. Khaled Kawan, CEO of Bank ABC Group, said: "This step will provide us with a well-established banking platform that enjoys great prestige and has tremendous potential for future growth in one of the most appealing markets in the region."

Following a trend that started in 2020, only two of the top 10 deals were made by an in-country acquirer and for one of the deals it was announced that a competing offer was received from a Canadian Software Company. For a continent yearning for FDI, this may be the turning point most African countries have been waiting for, showing a return of confidence in at least some of the continent's assets.

Private equity was involved in the most deal activity in the region since the onset of COVID-19, with three deals completed in the quarter. Last year, BDO reported several times on the lack of PE deal flow and activity, with firms taking a 'wait and see' approach. If these cautious deployers of funds have decided that the market is safe again, it would provide real hope for a recovery in deal making activity.

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AFRICA
HEAT CHART BY SECTOR

TMT	38	26%
Energy, Mining & Utilities	23	16%
Industrials & Chemicals	19	13%
Business Services	18	12%
Financial Services	17	12%
Pharma, Medical & Biotech	14	10%
Consumer	8	5%
Real Estate	7	5%
Leisure	2	1%
TOTAL	**146**	**100%**

LOOKING AHEAD

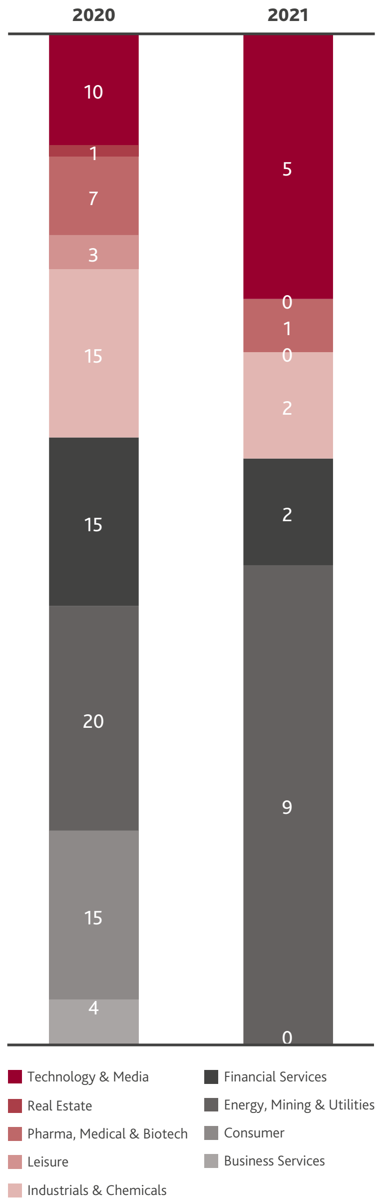
According to the BDO Heat Chart, TMT, Energy, Mining & Utilities will account for the bulk of M&A activity across the continent for the foreseeable future, with the balance spread across the remaining sectors.

Deal activity is expected to remain on the low side for the Real Estate, Consumer and Leisure sectors, which continue to suffer from the ongoing impacts of COVID-19.

Recent developments in Africa's trade and investment policies have reignited interest in African M&A activity, shining a light on the continent's medium and long-term prospects.

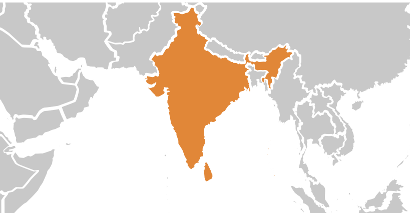
It's perhaps a little too early to start hoping for an improved year for African M&A activity, but nonetheless we are hopeful that all the signs are pointing in the right direction.

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

M&A STALLS BUT OUTLOOK IS MORE POSITIVE



BIG PICTURE

- M&A volume and value fell by 30% in Q1 2021 v Q4 2020
- Start-ups raised a total of USD 2.7bn from 268 funding deals in Q1 2021
- Looking ahead, TMT, Consumer, Business Services and Pharma, Medical & Biotech are expected to dominate deal making.

M&A mid-market activity in India was down by 30% in Q1 2021 compared to the previous quarter. With the economy in steady recovery and fiscal stimulus packages introduced, the outlook looks positive, however the second wave of the pandemic could yet be a dampener.

The start of 2021 ushered in new market sentiments in favour of economic growth. 2020 altered the operation and administration of all business activities, impacting it in the long term. The COVID-19-induced lockdowns and government guidelines imposed to protect and help over 1.36bn people have done a startling job at ironing out the existing creases in many supply chain and customer relationship mechanisms.

The Indian economy has realised the importance of effective communication, seamless online presence and integrating human discretion along with well-established business principles after a trying year. The recovery was on track until the end of Q1 2021 when the second wave of COVID-19 erupted, leading to fear, uncertainty and insecurity. However, there is a general belief that the government learned from the first wave and instead of a complete lockdown, there will be a much more targeted approach, thereby minimising any adverse impact on the economy. Additionally, the availability of vaccines could be a saviour.

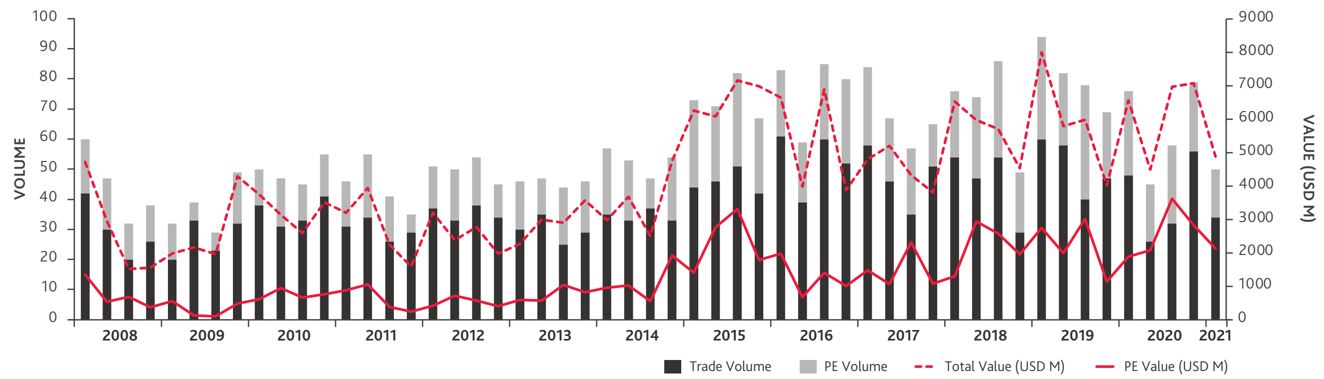
ECONOMIC GROWTH

The easing of restrictions, festive and pent-up demand, lower interest rates, the nationwide rollout of the vaccination campaign, the Capex focussed Union Budget 2021 and easier liquidity conditions have resulted in a sharp improvement in the country's economic indicators.

However, Q1 2021 could not maintain the progress of the previous quarter. The market saw a diminished pace of growth with many factors contributing to the worsening statistics. Despite this picture, the following are the growth driving parameters:

- IMF: After an estimated contraction of 8% in the fiscal year ending 31 March, the IMF said that India is projected to grow at 12.5% during the current year, the fastest growing economy in the world.

PE/TRADE VOLUME & VALUE



- GDP upgrades: The NSO estimates FY2021 (April 2020- March 2021) real GDP growth at (-)7.8% against 4% in FY2020 (April 2019 - March 2020). With H1FY21 (April – Sept 2020) GDP growth at (-)15.7%, the implied H2FY21 GDP growth (Oct 2020 to March 2021) is expected to be far better than H1FY21. Many agencies have upgraded India's economic outlook and the RBI now expects a 7.5% contraction in FY2021 compared to its earlier estimate of a 9.5% decline. The Economic Survey which was introduced in the Union Budget 2021-22 has forecast India's real GDP to record a growth of 11% in 2021-22 and nominal GDP to be by 15.4%, the highest since independence
- GST collections: Feb 2021 GST Collections (collected in March 2021) exceeded INR 1trn for the sixth consecutive month, aided by economic recovery and compliance. The GST revenues during March 2021 were the highest since the introduction of GST.
- India's COVID-19 vaccination drive started in January 2021 and is progressing well country-wide with people over 45 being targeted first. With a surge in cases due to the second wave, all hopes rely on the success of the vaccination programme.

However, there are a few uncertainties that warrant caution:

- With Non-Performing Loan (NPL) recognition on hold for the past few quarters, it is likely that these will be at elevated levels once recognition resumes. This is set to dominate conversations and earnings in the coming quarter in the crucially important BFSI sector.
- Loan losses in the banking sector could nearly double to 13.5% by September 2021 in a baseline scenario, and to as high as 14.8% in a severe-stress scenario resulting from the pandemic, according to the RBI.
- The steep upsurge in COVID-19 cases may affect the economy. But there is strong hope that a targeted approach will reduce any adverse impact on the economy.
- The persistent renewal of extensions of inhibitions concerning moratorium periods and initiation of Insolvency and Bankruptcy Code (IBC) resolutions have staved off bankruptcies but have bottled up disputes that could seriously impact Indian business once the situation returns to normality adding pressure to an already ailing economy.

FARM BILL OFFERS CHALLENGES AND OPPORTUNITIES

India has seen protests by farmers against the bills backed by the government. The new Farmers bill 2020 proposes to liberalise India's agricultural sector by eliminating some middlemen, facilitating better realisations for farmers, attracting investment, and enhancing technology in the sector. Agriculture employs 58% of India's population and contributes to 15% of GDP. In 2020 the sector grew by 4%. The rigorous protests have challenged the growth of the sector and have negatively impacted the Indian economy. This is a big hurdle and a cordial dialogue needs to be established between farmers and governmental agencies to remedy the situation.

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FISCAL STIMULUS

The Union Budget was introduced with the sole intention of establishing a crucial equilibrium in the economy. The Government policies and decisions were more on the supply side stimulus in 2020, which helped act as a catalyst to the initial swift recovery from COVID-19. The Union Budget and the fiscal policies for 2021-2022 aim to address both supply and demand, in particular addressing of investment and liquidity shortcomings. The gross budgetary support towards capital expenditure has been increased significantly to INR 5.54 lakh crore in 2021-22 BE (up 34% from 2020-21 BE) with higher allocation towards the infrastructure sector (roads, railways, etc.)

START-UP FUNDING

Despite the havoc inflicted by the pandemic, Indian start-ups managed to raise USD 11.5bn from 924 funding deals in CY2020. In Q1 2021, Indian start-ups raised a total of USD 2.7bn from 268 funding deals. While the funding amount was 12% lower than the quarterly average (2017-2020) of USD 3.1bn, the deal count was 20% higher than the quarterly average (2017 to 2020) of 223.

M&A ACTIVITY

Mid-market investment activity in Q1 2021 was significantly lower than the previous quarter. The value and volume of deals in Q1 2021 fell by over 30% vs Q4 2020 and were only marginally higher than Q2 2020, which was at the peak of the pandemic lockdowns. We believe this was an aberration and expect that M&A activity will pick up, along with start-up funding activity, for the rest of the year. We expect sectors such as TMT, Consumer, Business Services and Pharma, Medical & Biotech to dominate activity.

OUTLOOK

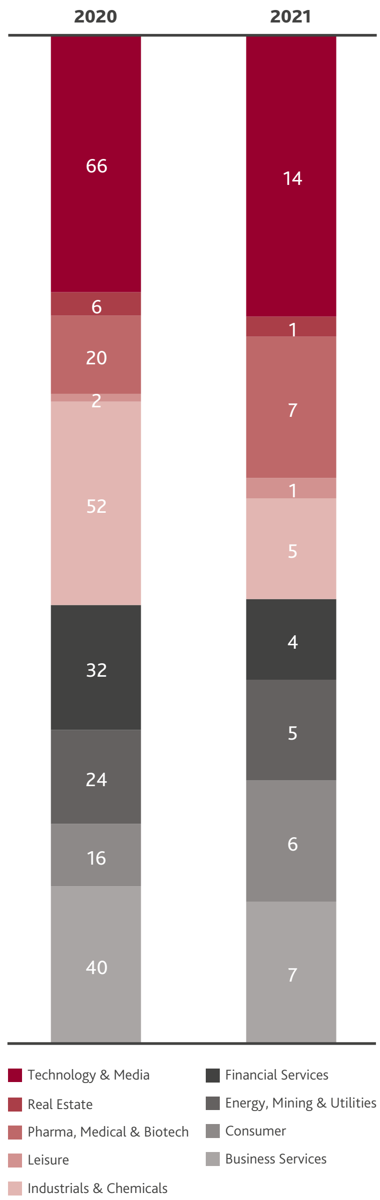
Atmanirbhar Bharat is the policy embraced by the Indian Government to unlock the optimal value of public sector assets. It hopes to result encourage innovative ideas in the field of revenue generation, research, and human capital.

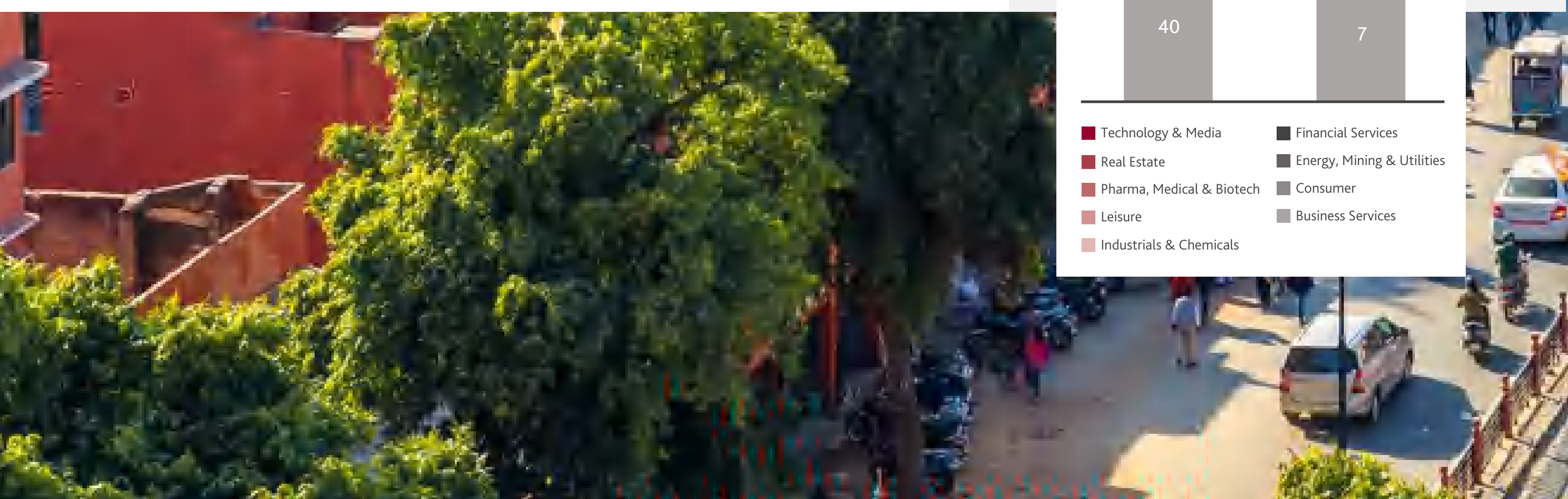
India's digitisation and urbanisation story continues to gather pace month-on-month (digital transaction, smartphone users etc.). Rural India is an equally promising story and has remained less affected by coronavirus. Two successive monsoons and better price realisations have provided a much-needed boost to rural demand. There are strong hopes that despite the second wave there will be no country-wide lockdown as seen last year and rather a targeted approach that will ensure minimum damage to the economy.

INDIA
HEAT CHART BY SECTOR

Industrials & Chemicals	97	29%
TMT	93	28%
Financial Services	41	12%
Consumer	39	12%
Business Services	30	9%
Pharma, Medical & Biotech	16	5%
Energy, Mining & Utilities	9	3%
Leisure	3	1%
Real Estate	1	0%
TOTAL	**329**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR





GREATER CHINA

FDI HITS ALL-TIME HIGH AS CHINA LEADS THE WORLD

BIG PICTURE

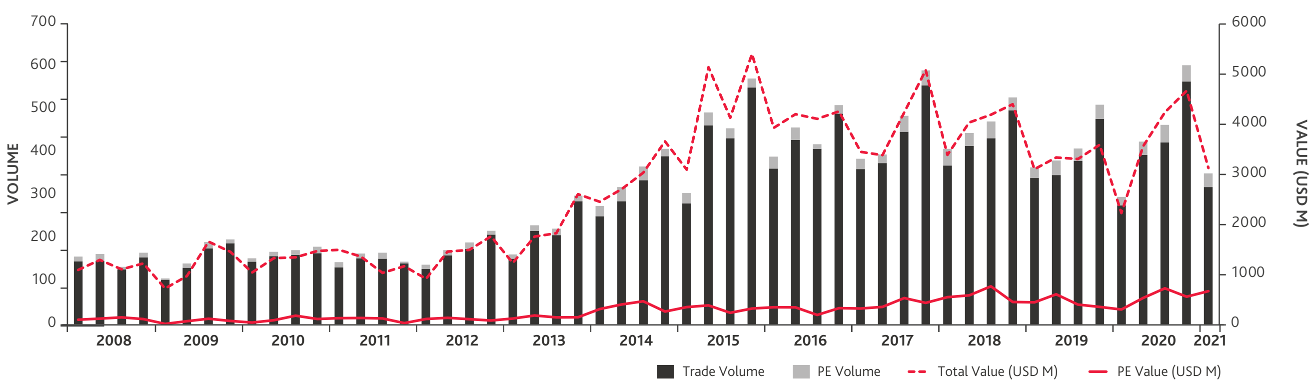
- Total mid-market deal value in the Greater China region increased by 41% to USD 31.3bn in Q1 2021 compared to the low numbers recorded in Q1 2020. Deal volume also grew by 19% to 352 deals in the quarter
- Compared with the previous quarter, deal volume and value both declined (deal value from USD 46.7bn in Q4 2020 to USD 31.3bn in Q1 2021 and deal volume from 604 deals in Q4 2020 to 352 deals in Q1 2021). M&A activities in Q1 2021 were concentrated in developed countries such as North America and Israel, largely due to the rollout of vaccination programmes in those countries
- PE buyouts reached a new record high in Q1 2021 compared with all quarters in the previous two years. In each quarter from 2019 to 2020, the proportion of PE buyouts to the total mid-market deal value ranged from 9.7% to 18%. This figure increased to 21.2% in Q1 2021. PE's total mid-market deal volume accounted for between 6.3% and 8.9% in each quarter in the last two years and in Q1 2021 this increased to 9.1%.

INCREASED FOREIGN DIRECT INVESTMENT

According to a report from the United Nations Conference on Trade and Development issued in January 2021, global foreign direct investment (FDI) fell by 42% from USD 1.5 trillion in 2019 to an estimated USD 859bn in 2020. This FDI decline mainly took place in developed countries. In particular, FDI to the US fell by 49% to USD 134bn. However, China's inbound FDI reported a growth of 4% to USD 163bn in 2020. High-tech industries in China reported an increase of 11% in 2020. Cross-border M&As also improved by 54% during last year, mostly in the information and communications technology and pharmaceutical industries. According to China's Ministry of Commerce (MOC), 39,000 new foreign-invested enterprises were registered in China in 2020. FDI in China's non-financial sector grew by 4.5% year on year. Overall, China surpassed the US as the largest recipient of FDI in the world for the first time in 2020.

From January to February 2021, FDI in China improved by 34.2% to USD 26bn. This increase can be attributed to the low numbers in the corresponding months in 2020.

PE/TRADE VOLUME & VALUE



During those months, FDI in China fell by 8.6% due to the COVID-19 outbreak. Investment in China from ASEAN and the EU regions increased by 28.1% and 31.5% respectively in January and February 2021. The services sector, which comprises wholesale and retail, accommodation and catering, leasing and business services, was the largest sector for FDI. This sector accounted for 80.2% of total FDI in China during these periods. The Chinese Government also made a series of regulatory reforms to attract further FDI in Q1 2021. As a result, a similar growth trend in China's M&A activities is expected in H1 2021.

GOVERNMENT POLICIES ENCOURAGE FOREIGN INVESTMENT

An updated list of encouraged industries for foreign investment was released by the Chinese Government in December 2020, which became applicable in January 2021. This added 127 new items and 88 modified items compared to the previous version. The new items mainly included advanced manufacturing in new materials, environmental protection, research and development, cross-border e-commerce, online education and online medical care.

Promoting the integrated development of the manufacturing and service industries were the focal points in the new catalogue. Foreign investment in industries included in this new catalogue will qualify for the Chinese Government's preferential policies, such as tax relief.

In addition, the MOC announced a new notification for stabilizing foreign investment on 1 March 2021. This consisted of the implementation of 22 specific measurements from five key aspects, including (a) a reduction of the negative list for foreign investment access; (b) an expansion in the encouraged sectors for foreign investment; (c) the promotion of major foreign-funded projects; (d) the enforcement of the post-establishment national treatment for foreign investment; and (e) the strengthening of the oversight of services from foreign enterprises.

The MOC has also been drafting a development plan on new measures for foreign investment in the Chinese Government's 14th five-year plan (2021-2025).

The new measures aim to strengthen China's supply chains through an increase in foreign investment. China is seeking to increase its self-reliance in sensitive sectors under its 'dual-circulation' model, but foreign investment will still be an important driver of China's regional development, employment growth, source of technology and expertise. New FDI policies are expected to target strategic industries like electronic information, smart manufacturing, biopharmaceuticals and energy conservation.

As well as the above state policies, the Chinese Government released a specific measurement for the Hainan Free Trade Zone (FTZ) on 31 December 2020, which came into effect from 1 February 2021. There was a revised 'negative list' for the Hainan FTZ, which included new investment restrictions in exploration, mining and auto manufacturing. However, the restrictions on telecommunications, education and legal services were reduced. The restrictions on foreign investment access to online data processing and transaction processing businesses were also removed.

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TOP DEALS

Six out of Greater China's top 20 mid-market deals in Q1 2021 took place in the TMT sector, including two of the quarter's top three deals:

- Robert Bosch GmbH; Toyota Motor Corporation; Mercedes-Benz AG and seven other companies jointly acquired Momenta Global Limited at a consideration of USD 500m - announced in March 2021;
- Huike Co., Ltd. acquired a 17.78% stake of Mianyang Huike Optoelectronics Technology Co., Ltd. from Mianyang Investment Holding (Group) Co., Ltd. at a consideration of USD 494m - announced in January 2021; and
- Shengda Resources Co.,Ltd. acquired a 72.5% stake of Guizhou Dingshengxin Mining Development Co., Ltd. from Dong Ying and Bai Guanghui (private investors) at a consideration of USD 493m - announced in March 2021.

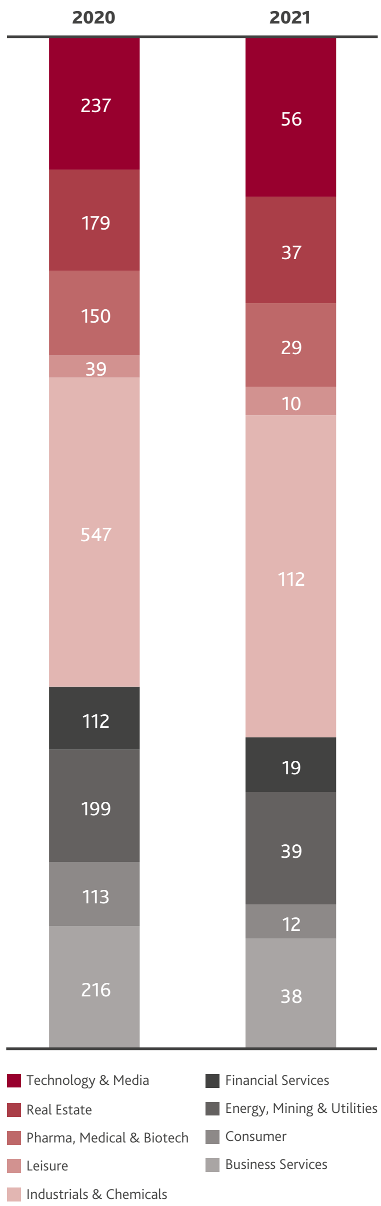
LOOKING AHEAD

The latest BDO Heat Chart for the Greater China region indicates that there are a total of 1,468 deals planned or in progress with 536 (37%) related to Industrials & Chemicals and 219 (15%) related to TMT. Other key sectors include Business Services and Pharma, Medical & Biotech.

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	536	37%
TMT	219	15%
Business Services	164	11%
Pharma, Medical & Biotech	136	9%
Energy, Mining & Utilities	122	8%
Consumer	96	7%
Real Estate	88	6%
Financial Services	75	5%
Leisure	32	2%
TOTAL	**1,468**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

DEAL NUMBERS FALL BUT AVERAGE VALUE RISES

BIG PICTURE

- Deal volume declined by 42% from Q4 2020 to Q1 2021 (from 115 deals to 67 deals) and total deal value decreased from USD 7.9bn to USD 5.4bn. This also represented a slight decrease from 69 deals in Q1 2020 to 67 deals, however total deal value in Q1 2021 increased by 93% (from USD 2.8bn to USD 5.4bn)
- The proportion of PE declined from 17% in Q1 2020 to 13% in Q1 2021
- The largest sector by deal volume was TMT, accounting for 22 (33%) of the 67 transactions.

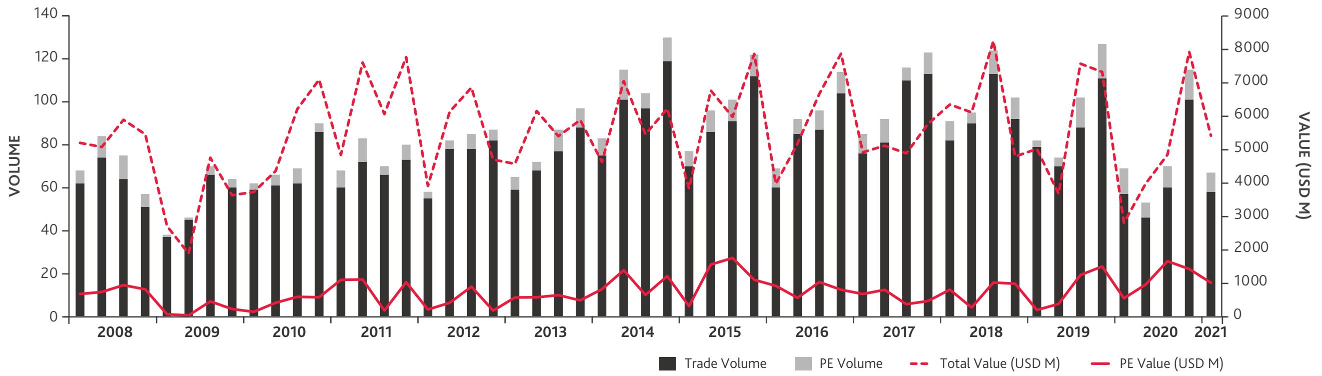
In Q1 2021, there were 67 deals completed with a combined value of USD 5.4bn. This represented a 3% decrease on Q1 2020's deal volume of 69 and a 93% increase in deal value compared to the corresponding quarter in 2019 (USD 2.8bn).

Average deal value rose to USD 81m in Q1 2021 compared to USD 41m in Q1 2020 and USD 69m in Q4 2020.

PE transactions accounted for USD 1.0bn (19%) of the quarter's total deal value, representing a 29% decrease on the previous quarter.

The Energy, Mining & Utilities sector saw the biggest drop in volume in the quarter, with five deals compared to 11 in the same period in 2020. TMT continued to record high levels of deal activity, up 47% compared to Q1 2020, achieving the same deal volume as recorded in Q4 2020.

PE/TRADE VOLUME & VALUE



KEY DEALS

The quarter's biggest deal saw Ceridian HCM Holding Inc., a US-based holding company which, through its subsidiaries develops human capital management software, purchase Ascender Group, an Australian company which provides integrated HR and payroll software, for USD 500m+.

The second ranked deal was the purchase of a 25% stake in LendLease Retirement Living for USD 352m by Aware Super, one of Australia's largest superannuation funds. Lendlease is one of Australia's largest owners, operators and developers of retirement villages with a portfolio of 75 retirement villages across Australia. Aware Super's investment in the Retirement Living business extends an already strong relationship, which includes the Lendlease Americas Residential Partnership that invests in urbanisation projects across the US.

LOOKING AHEAD

At the end of Q1 2021, there were 409 deals in the pipeline, a slight decrease from the 413 rumoured deals at the end of Q1 2020. More than half of these proposed deals are attributable to three sectors (53%). These include 80 deals in TMT (20%), 78 deals in Consumer (19%) and 57 deals in Business Services (14%).

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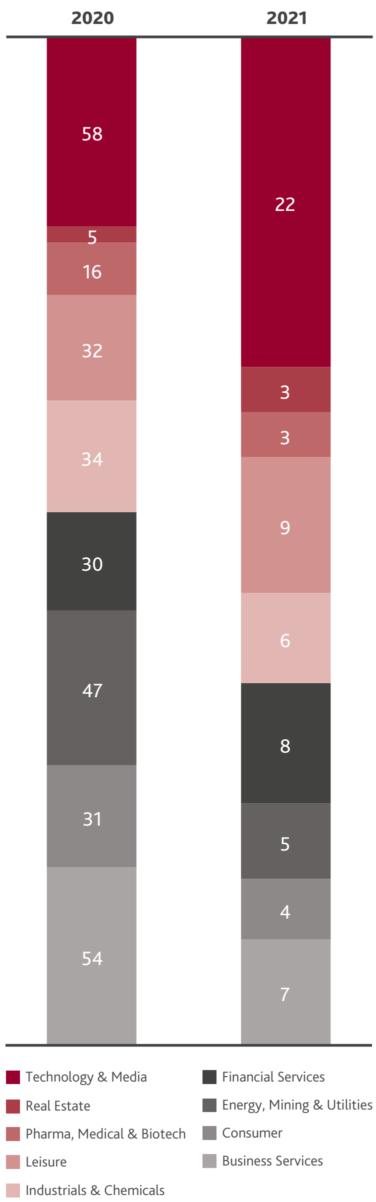
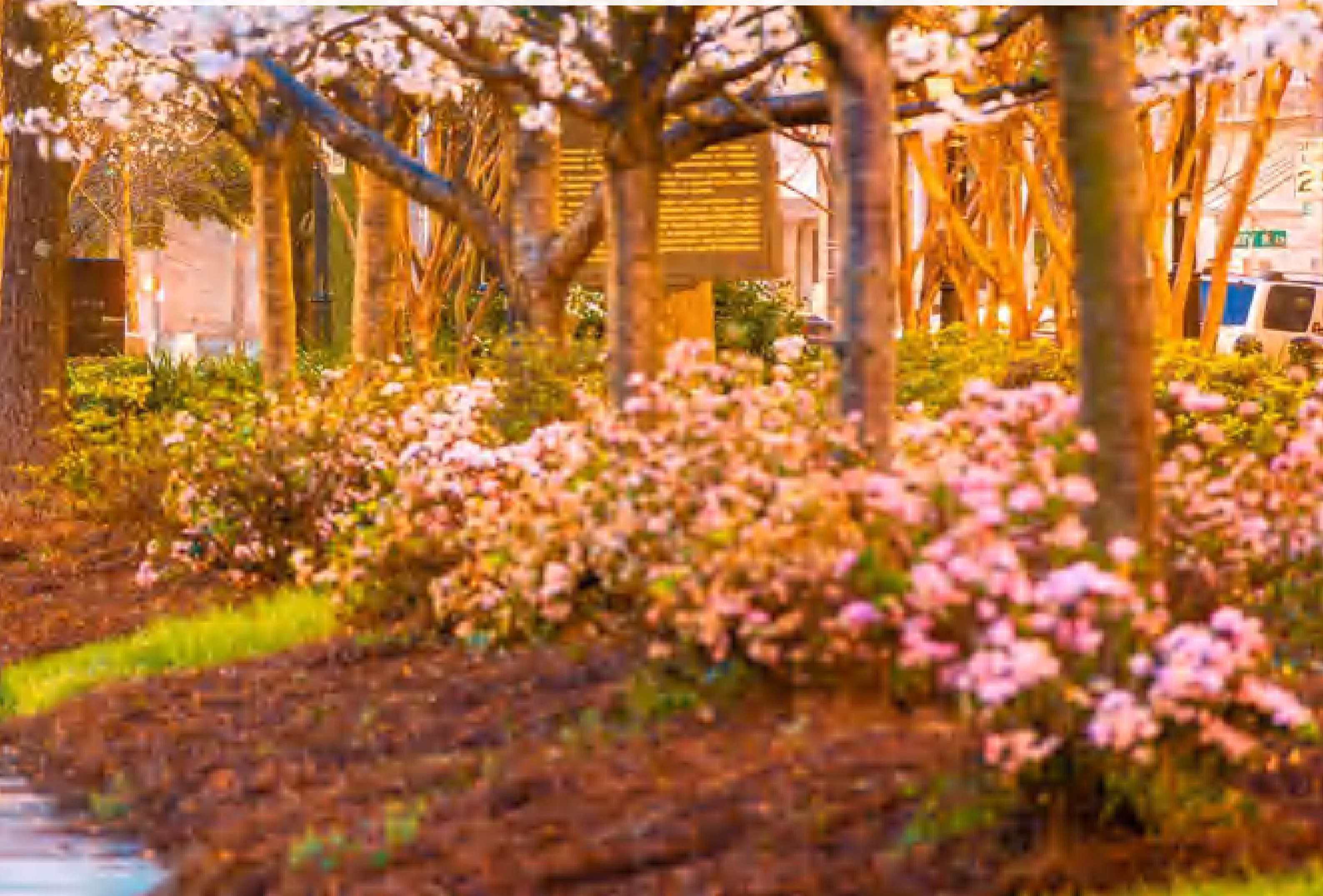
AUSTRALIASIA
HEAT CHART BY SECTOR

TMT	80	20%
Consumer	78	19%
Business Services	57	14%
Industrials & Chemicals	47	11%
Financial Services	40	10%
Energy, Mining & Utilities	36	9%
Pharma, Medical & Biotech	31	8%
Leisure	30	7%
Real Estate	10	2%
TOTAL	**409**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW



MANUFACTURING

COVID-19 SPURS MANUFACTURERS TO ACCELERATE DIGITAL TRANSFORMATION

These have been challenging times for all sectors across the globe yet Manufacturing businesses have proved more resilient than many first feared. Manufacturers have adapted their processes to continue operating amid shifting requirements and are now accelerating strategies to position themselves for the future.

We can see these trends reflected in the M&A market, where 2020 deal volumes in the UK manufacturing sector revealed a hiatus in Q2 2020, followed by a resumption of activity in the second half of the year. In fact, Q4 2020 was the busiest period for trade deal volumes for two years, and the highest for private equity since Q4 2016. While the surge in transactions could be attributed to catch-up activity on M&A processes that had stalled earlier in the year, COVID-19 has also acted as a catalyst for manufacturers to look at their businesses in a different way and reshape for the future.

A number of trends, such as digitisation and automation were already in progress, but COVID-19 has accelerated them. In the digital arena, many teams have had to embrace new ways of working and communicating, and many businesses had to consider new, digital routes to market. The rise in the 'direct-to-consumer' channel is gathering pace, and we have seen examples of M&A being used to achieve the step-change required.

Likewise, we are seeing the increased adoption of automation, which goes some way to address skills shortages and social distancing requirements, alongside the need for higher quality and consistency of product.

We expect to see further investment in automation in the UK as the new super-deduction tax allowance rolls out. Two of our deals in Q4 2020 underlined the importance of automation: the sale of Baker Perkins, a provider of food processing equipment, to Schenck Global; and the sale of staircase manufacturer StairBox to Grafton, whose operations include a highly automated offsite manufacturing operation. These deals also highlight the importance of cross-border transactions, which increased to 45% of all UK manufacturing deals in 2020.

FACTORS ENCOURAGING INVESTMENT

Increasingly, supply chain issues, higher raw material prices and rising shipping costs are becoming major issues for many UK manufacturers. Some of these pressures will ease as the global economy rebounds to growth in 2021 and the Brexit transition progresses; but other pressures are more fundamental, requiring a rethinking of supply chains to sustain product supply and preserve margins. We expect M&A to continue to play its part in making supply chains more resilient, whether through domestic deals that allow businesses to onshore, re-shore or near-shore their supply, or alternatively, to divest as operations move overseas.

Another key driver in the market is the rising ESG agenda, which in some sectors is considerably raising the bar of compliance, making certain sustainability targets a prerequisite to trade and driving corporate carve-out decisions. Europe has earmarked USD 168 billion in green-tinged recovery aid while US President Biden has tabled a USD 2.3 trillion climate-friendly spending plan.

In the UK, the March 2021 Budget included a green savings bond and a plastics packaging tax, among other measures. The UK Government's vision to Build Back Better will create further opportunities for businesses to realign and innovate.

Tied to this is the vast upcoming spend in infrastructure, which will surely tempt investors. The UK's recent Budget, for example, saw the announcement of a national infrastructure bank with USD 16.7 billion of equity and debt for projects. Meanwhile President Joe Biden's American Rescue Plan Act of 2021 includes a USD 1.3 trillion spend on infrastructure over 10 years.

Given the scale of opportunity and government-backed initiatives, we expect to see private equity playing an increasing role in the manufacturing sector. Buyouts accounted for one in five deals in 2020, but this could rise further given the quantity of dry powder available and the size of the opportunity. Corporates too, will be competing for attractive assets, while considering carve-outs, to allow them to focus on key prospects.

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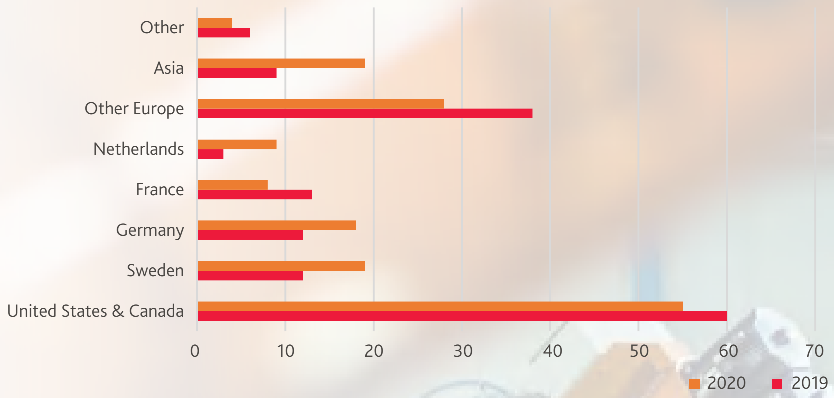
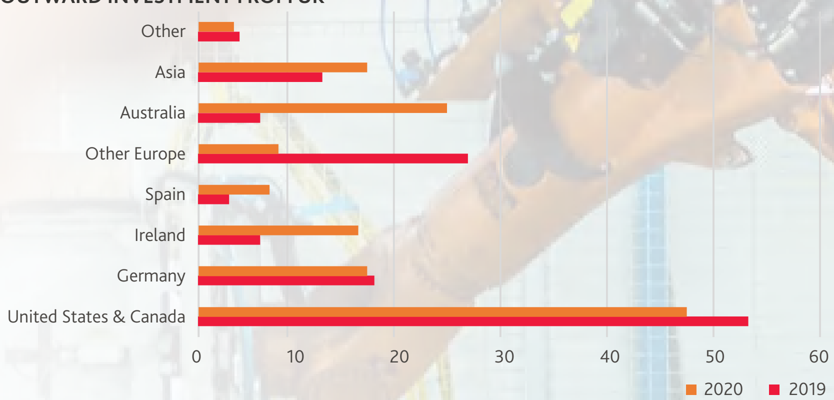
CROSS-BORDER DEAL VOLUMES

INWARD INVESTMENT TO UK



OUTWARD INVESTMENT FROM UK



UK MANUFACTURING REVIEW HIGHLIGHTS

- 595 deals involving a UK manufacturer were completed in 2020
- A 13% decline in volumes but a strong performance considering market conditions
- Engineering was the most active sub-sector, followed by Food & Drink, Building Products and Life Sciences
- Life Sciences was the fastest growing sub-sector, with deal volumes rising by 68% in 2020
- There was increasing international interest, with cross-border deals rising from 41% of deals in 2019 to 45% in 2020
- Inward investment to the UK increased by 5%, with notable increases from Asia, Sweden and Germany
- Despite outward investment from the UK decreasing by 17% in 2020, the strength of the US and Canadian connection was evidenced with the same number of acquisitions in 2020 as 2019, representing half of all overseas targets acquired.

NATURAL RESOURCES

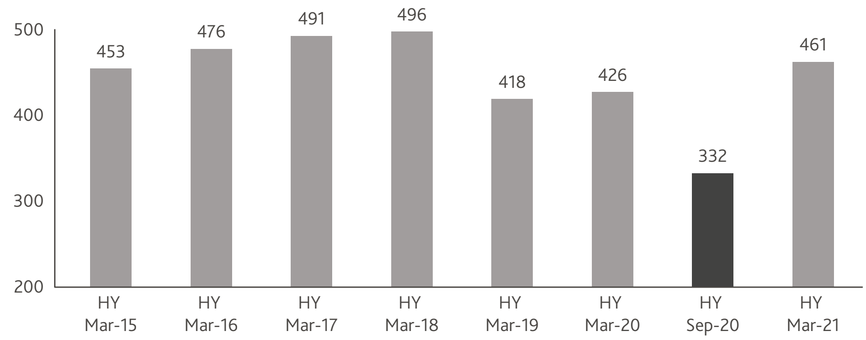
AVAILABILITY OF PUBLIC FUNDING IMPACTS THE LEVEL OF NATURAL RESOURCES M&A ACTIVITY

The Natural Resources sector has come through the initial COVID-19 pandemic period with varying degrees of strength. The key factors that have impacted the sector have been the plentiful availability of funding through both debt and equity; the stimulus measures undertaken by governments across the globe and the acceleration of sustainability as a focus.

Low interest rates have resulted in access to funding for Natural Resources companies becoming easier. This is both in the form of debt and equity. Institutional funds seeking a return have seen the availability of public and private equity increasing. This has been most obviously seen in the number of Initial Public Offerings of mining and mining services companies increasing dramatically, most notably in Australia and the UK. In fact, the availability of funding in these markets appears to have reduced the level of M&A.

The overall level of M&A activity in the sector was reduced in the two initial quarters of the pandemic (Q2 and Q3 of 2020), however the following two quarters have seen a return to pre-pandemic levels and at slightly higher levels than in the same quarters in the two years prior to 2020.

NUMBER OF M&A DEALS



Government stimulus measures across the world have increased the demand for construction materials (such as iron ore) and consumer materials (requiring many commodities such as copper). Commodity prices across the board are at multi-year highs, meaning that whilst there are many buyers for mining and exploration companies, the valuations are higher than they have been for some time. There is a price expectation issue. However, there are opportunities for companies to dispose of non-core assets at these prices.

With mining companies generating healthy cash flows as a result of high commodity prices, mining services companies across the spectrum, from drilling and assaying to construction and maintenance, are struggling to service their clients and as a consequence M&A has increased and this is a feature that we are likely to see increase for an extended period.

Perhaps reflecting China's quicker recovery from the pandemic, Chinese companies were active acquirers in the mining sector. Significant acquisitions included the acquisition of a copper mine in the Democratic Republic of Congo by JCHX Mining Management and the acquisition of a 50% interest in the Thunderbird Mineral Sands Project in Australia by Chinese company Yansteel for USD 101m.

In the Oil & Gas sector, the recovery of prices to above USD 60 a barrel has breathed new life back into a sector in which there has been little M&A other than in the distressed part of the market.

Mid-market Oil & Gas M&A activity remains subdued, but we have seen transactions involving minority stakes in North Sea gas fields, where the intention appears to be for low cost or non-core assets to be acquired by specialist companies looking for company-making projects such as the acquisition of stakes in the Catcher and Kraken oil fields by Waldorf Production Limited from Cairn Energy Plc for USD 460m.

In the renewables space, Europe saw the most significant M&A activity in the last quarter of 2020 with notable transactions including the acquisition by China Three Gorges of a portfolio of more than 400MW operational wind and solar plants from a consortium backed by wealthy European families for USD 485m. Another key transaction was the acquisition of a 50% interest in Rabbalshede Kraft AB, a Scandinavian owner of 143 wind turbines, by the Canadian TD Greystone Infrastructure Fund, where having a strong institutionally-funded backer should allow further growth.

ENERGY MINING & UTILITIES
HEAT CHART

Greater China	122	8%
North America	101	3%
Southern Europe	68	9%
CEE	52	9%
Latin America	50	13%
South East Asia	50	12%
Australasia	36	9%
UK/Ireland	34	8%
Africa	23	16%
Nordic	16	6%
DACH	12	3%
Benelux	10	5%
India	9	3%
Middle East	8	7%
Japan	7	3%
Other Asia	4	2%
Israel	3	4%
TOTAL	**605**	**6%**

LOOKING AHEAD

Looking forward, the Mergermarket Heat Map predicts a moderate level of M&A activity, with the highest level of activity taking place in the largest markets of North America and China. As a percentage of overall M&A activity, Natural Resources will form a larger part of overall M&A where the traditional projects are located rather than where the money is, for example Africa, Latin America and South East Asia.

Growth in M&A is likely in copper. Mining has suffered a period of underinvestment, most notably in the last 10 years. Copper is a vital part of renewable infrastructure from wind turbines to power distribution networks. Future demand for copper, and other minerals used in renewable projects which have suffered from underinvestment, will likely see a surge in M&A demand.

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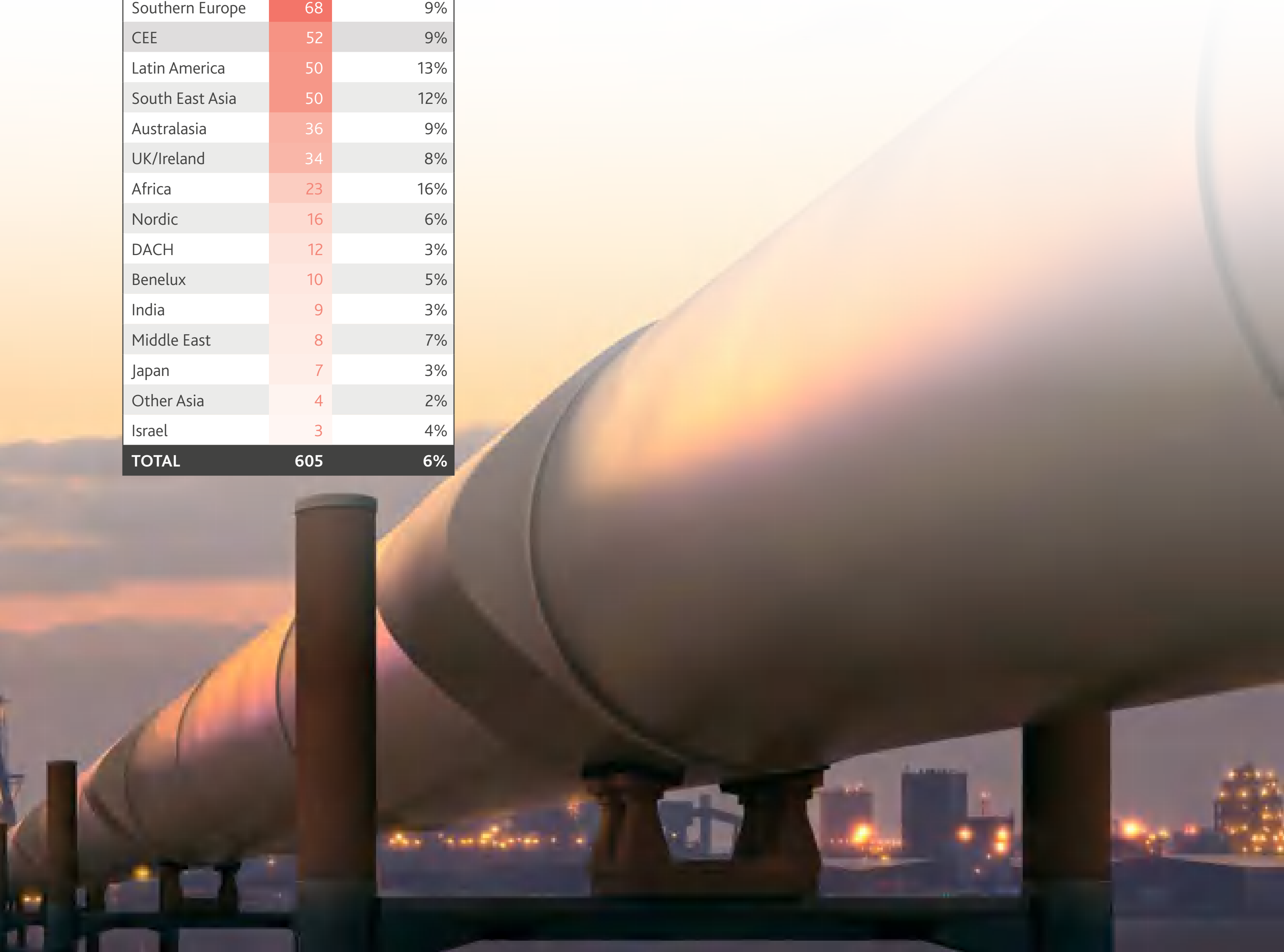

TECHNOLOGY MID-MARKET

E-COMMERCE CHANGES ARE DRIVING INVESTMENT

TMT M&A in the mid-market segment remained strong through the first quarter of 2021. Deal activity included a string of e-commerce plays. As shopping continues to move online, e-commerce technology and infrastructure is developing, with the so-called 'headless e-commerce' solutions and online marketplace roll-ups as two of the driving M&A trends.

TMT LEADS DEAL ACTIVITY

After a busy Q4 2020, which saw 515 fourth-quarter mid-market TMT deals, some speculated if deal activity would maintain momentum. The first quarter of 2021 answered with 438 M&A deals, one of the strongest first quarters in recent years. While slightly down from very strong Q4, a more marked M&A slow-down in other industries highlights TMT's resiliency, strong market prospects and investor interest. If deal activity continues, 2021's TMT deal total will eclipse 2020.

Private Equity contributed strongly to mid-market deal value and totals with 154 PE buyouts in the first quarter (35.2% of deal volume and 46.6% of deal value). Total deal value across all TMT mid-market deals topped $51 billion, just beating 2020 Q4 and solidly outperforming previous quarters.

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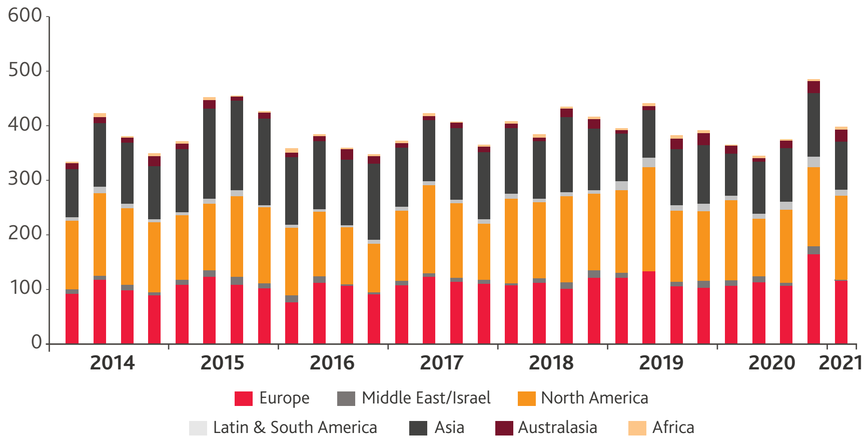
TMT M&A SELECT REGIONS | 2014 Q1 - 2021 Q1

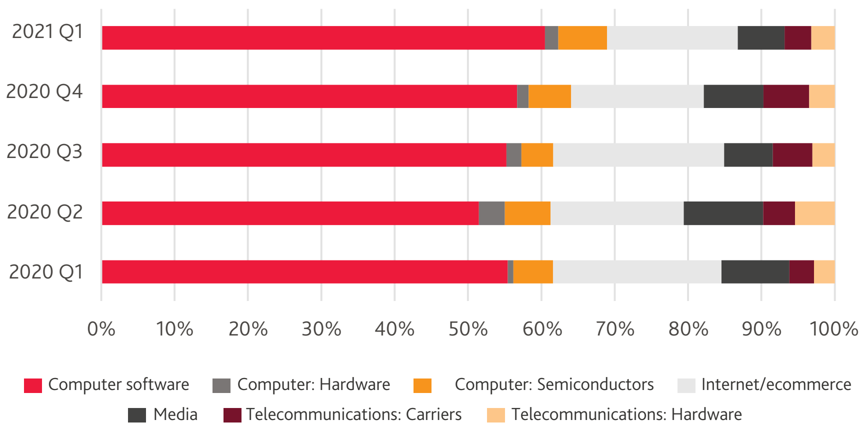


Within TMT, software (265 deals) dominated activity followed by Internet/e-commerce (78 deals); a fact linked to the continued growth of e-commerce.

FUNDING AND M&A FOLLOWS SHOPPING ONLINE

COVID-19 led to an unprecedented increase in online retail. Analysts predict e-commerce will represent 18.1% of worldwide retail sale value in 2021, reaching 22% by 2023. Globally, e-commerce revenue is expected to reach $6.54 trillion by 2022.

TMT DEAL ACTIVITY PER SUB-INDUSTRY SPACE | 2020 - 2021 Q1



Hampleton Partners analysis shows that digital commerce saw deals with disclosed transaction values worth a combined $61 billion with a $20 million median transaction value over the past 30 months.

Across the world, e-commerce companies are raising growth capital. Examples include Turkish start-up Getir ($300 million), Germany's Gorillas ($290 million) and Finland's Wolt ($530 million).

E-COMMERCE GOING HEADLESS

While Amazon still dominates, the e-commerce landscape is changing rapidly. For example, in the US where Amazon captured 31.4% of all e-commerce retail sales in 2020, down from 43.8% in 2019.

One reason is more companies investing in stand-alone online sales platforms. Some choose end-to-end platforms or in-house dev elopment. However, these approaches' downsides include low sales channel flexibility and high development costs.

Another approach is headless e-commerce architecture, which has seen increased media and market interest. Headless e-commerce separates front-end segments like storefronts and device-specific design elements from core back-end commerce functions like payment processing. It offers brands and retailers easier online store optimisation through a multitude of mediums, including voice, text, web, and mobile.

AMAZON MARKETPLACE ROLL-UPS

Another driving trend in the space is acquisition companies focusing on Amazon sellers. The business model involves buy-outs and scaling smaller brands and sellers (often mom-and-pop businesses) that are already successful on Amazon.

Buyers will try to leverage on their expertise and sources in e-commerce infrastructure on areas such as data analytics, digital marketing and international manufacturing and fulfilment.

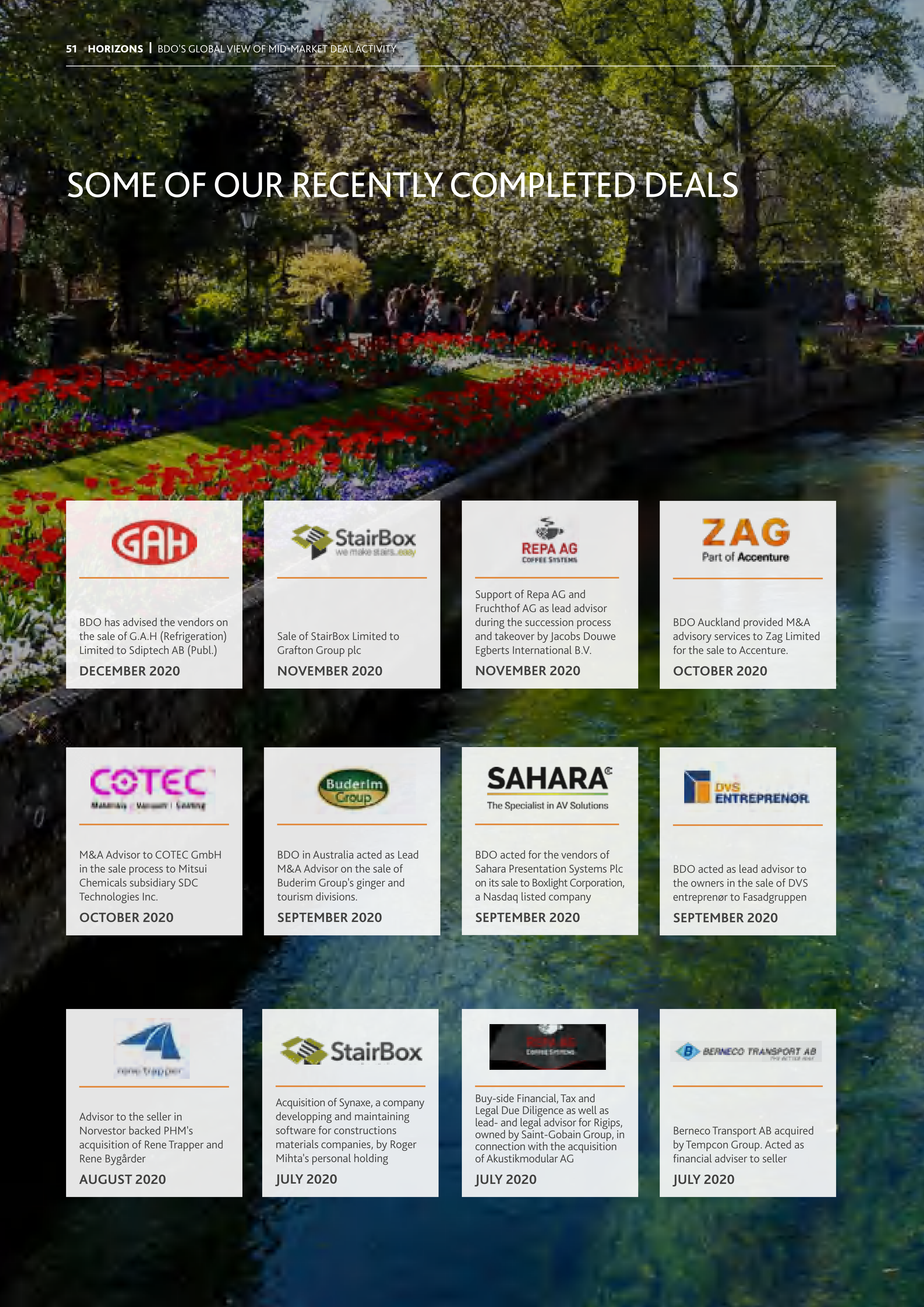
This will enable them to scale brands internationally, drive conversion and increase margins by better pricing and more buying power in their supply chain.

These Amazon aggregators are seeing interest from investment banks, venture firms and private equity houses. Thrasio, one of the largest in the space, announced that it raised another $750 million in capital. It has to date acquired nearly 100 Amazon sellers. Another example is SellerX's $118 million seed round.

HEADLESS FUNDING AND M&A PICKS UP PACE

Headless e-commerce funding and M&A is also on the rise. Fabric landing a $43 million Series A and Webscale closing $26 million in growth capital are funding examples. Acquisitions and consolidation plays include Sitecore acquiring headless e-commerce company Four51 and Chord, itself a headless e-commerce vendor, acquiring e-commerce data start-up Yaguar.

Big tech companies are also making headless M&A plays, such as Salesforce's purchase of Mobify for $60 million. Many are trying to emulate one of the most successful established online storefront vendors, Shopify. Perhaps the potential of headless e-commerce is best exemplified by Amazon acquiring Selz. This Australian platform that helps small businesses create sales channels similarly to how Shopify works.



SOME OF OUR RECENTLY COMPLETED DEALS

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

DECEMBER 2020

Sale of StairBox Limited to Grafton Group plc

NOVEMBER 2020

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

NOVEMBER 2020

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

OCTOBER 2020

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

OCTOBER 2020

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

SEPTEMBER 2020

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

SEPTEMBER 2020

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

SEPTEMBER 2020

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

AUGUST 2020

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

JULY 2020

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

JULY 2020

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

JULY 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

JUNE 2020

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

MAY 2020

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

MARCH 2020

BDO Capital served as exclusive financial advisor to Left Hand Robotics, Inc. ("LHR" or the "Company") on its sale to The Toro Company (NYSE:TTC)

MARCH 2021

IdVerde acquires Bras Groenvoorziening

BDO M&A acted as advisor to the buyer.

JANUARY 2021

Pinewood has been acquired by Interstellar Group, part of Quadrum Capital. BDO M&A and BDO Legal acted as advisor to the seller in this transaction

JANUARY 2021

Advisor to Adler Ortho S.p.A. (Equity Value of Euro 40,000,000) in the sale of 35% to Space Capital Club

JANUARY 2021

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Data compiled by Acuris.

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

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