HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

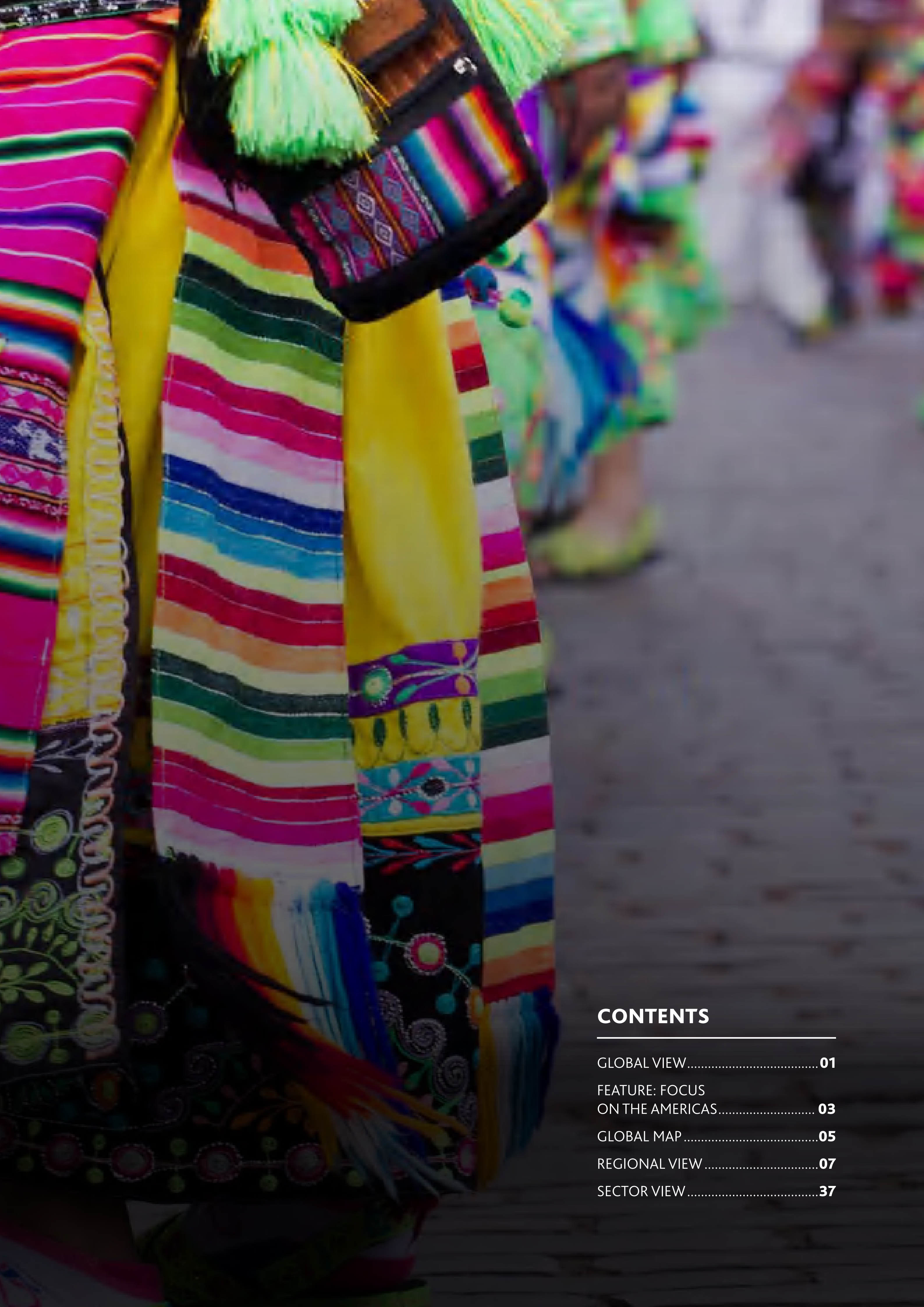
MERGERS&ACQUISITIONS

ISSUE 1 | 2018

FOCUS ON THE AMERICAS

GLOBAL RISING TIDE AND IMPROVING ECONOMIES SET TO BOOST CROSS-BORDER INVESTMENT

BDO



CONTENTS

WELCOME

WELCOME TO THE FIRST BDO HORIZONS OF 2018, IN WHICH OUR M&A PROFESSIONALS REVIEW THE PAST YEAR AND ANALYSE WHAT LIES AHEAD.

The last few issues of HORIZONS were characterised by the uncertainty caused by numerous political and economic events. Exactly a year ago, we were quite unsure about how the US presidential elections would affect M&A activity and impact Europe. Today we know a little more and some level of predictability has returned.

The defeat of populist candidates at the elections in Holland and France and Chancellor Merkel's victory in Germany have all contributed to reducing the fears of anti-European populism and have therefore strengthened businesses and investor confidence in the European project. At the same time the Eurozone economic recovery has gathered pace and it looks as the Old Continent is celebrating a comeback. Furthermore, it has become apparent that President Trump's trade policies have proven less radical than his campaign pledges. Mr. Trump's greatest political success so far, the implementation of tax reform, is supporting the US economy. But what are the long-term effects on the US budget deficit and how sustainable will the tax cuts be? To discuss these and other issues, the next BDO Corporate Finance Americas meeting in February will be held in the US. This event will bring together Corporate Finance Delegates to exchange views on the latest developments and discuss how they use their experience to add value to their clients' projects.

INSIGHTS FROM A LEADING M&A ADVISER

Tracking M&A activity through 2017, we saw signs of improvement in Q2, but Q3 failed to back this up, despite improvements in the wider deal-making environment.

As a result of the improving confidence of market participants, Q4 2017 was able to put a halt to Q3's downward trend. Whilst overall deal volume declined slightly from 2,011 transactions in Q3 2017 to 1,961 transactions in Q4 2017 (-2.5%), overall deal value increased by 3.6% from USD 170bn to USD 176bn. However, 2017 as a whole recorded a weaker performance than the three previous years, both in terms of deal value and volume.

We are confident that several macroeconomic and financial deal drivers will support M&A activity in 2018 and reduce the held-back deals illustrated in the BDO Global Heat Chart. However, 2018 might also mark the high point of a deal cycle, especially as asset markets might run out of air and historically low financing costs will not remain available forever. Whatever the case, 2018 will be an exciting year for M&A.

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GLOBAL VIEW

Political uncertainties in 2017 driven by a number of key elections made it challenging to predict the influence on M&A activity in 2017. Even though big surprises have failed, a sustainable trend reversal has not taken place. The conditions for 2018 becoming a transitional year in M&A are intact.

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As we have spoken of first foreseeable signs of improvement in terms of M&A activity in Q2/2017, one quarter on in Q3/2017, we had to notice that the upward trend was not sustainable. Now Q4/2017 figures determine that the Q3/2017 setback was only of short duration. Whilst overall deal volume has slightly declined from 2011 transactions in Q3/2017 to 1961 transactions in Q4/2017 (-2.5%), overall deal value has increased from USD 170 bn to USD 176 bn (+3.6%). Nevertheless, it was by far not enough to prevent an overall annual decline. Total 2017 deal volume fell by 5.4% from 8420 deals in 2016 to 7963 deals and deal value decreased by 5% from USD 718bn in 2016 to USD 682bn in 2017. If we compare Q4/2016 to Q4/2017 we can see that both in terms of deal volume (-11%) and deal value (-6.8%) resulted weaker. Although deal activity in 2017 declined, we have to bear in mind, that the previous three years belong to the strongest since finical crisis in 2008.

The sharp fall back in private equity transactions, which we had to notice in Q3/2017, has proceeded. Only 228 transactions were registered in Q4/2017, representing a decrease of 17.4% in deal volume and a drop of 11.8% in deal value compared to the previous quarter.

An important feature of Q4/2017 was the prominent increase of average deal size, amounting to USD 89.7bn. This is by far the highest value since Q2/2012.

COMPARING HERE AND THERE

As we take a look at M&A mid-market activity in our 17 regions, the weaker performance in global deal activity is widely detectable such as in the regions as well as in the sectors.

North America, strongest M&A player, registered 2076 transactions in 2017 amounting to a total value of USD 210,139m, reflecting a minus of 5.5% in terms of deal volume and a minus of 4.6% in terms of deal value. With 1676 transactions resulting in a total value of 154,096m in 2017, Greater China is by far the second biggest M&A player. But compared to previous 2016, deal volume as well as deal value dropped by 5.9% respectively 6.5%. Outliers in terms of deal value are Japan and CEE. In Japan, deal value increased by 15.2% to 17,345m in comparison to 2016 and in CEE deal value grow by 18.37% to 22,954m. If we compare the relative change of deal volume and value to the previous year, we have to realise that the DACH region surprisingly performed the weakest in 2017. Deal volume decreased by 21%, deal value by 20.4%.

By comparing deal volume in Q4/2017 to previous Q3/2017 we can see that the biggest riser was Middle East (200%) followed by Africa (+70%), Greater China (+17%), India (+16%), Latin/South America and South East Asia (both +15%).

As for sectors, the final quarter of 2017 saw less deals than the previous quarter for all except Energy, Mining & Utilities (+12.9%), Industrials & Chemicals (+10.2%) and Real Estate (+25%). If we compare 2017 with 2016, we see that Real Estate (+46.4%) is the only positively performing sector. Pharma, Medical and Biotech (-19.3%), Consumer (-8.5%) and Industrials & Chemicals (-7.5%) were the weakest sectors in 2017.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology & Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Real Estate	TOTAL	%*
North America	564	562	365	290	251	312	123	57	24	2,548	31%
China	304	199	117	139	80	62	86	44	39	1,070	13%
CEE & CIS	175	104	125	85	66	40	49	36	19	699	8%
Southern Europe	109	90	102	67	31	33	51	24	6	513	6%
South East Asia	100	84	62	73	53	22	49	33	24	500	6%
Australasia	76	96	84	63	54	37	45	26	6	487	6%
UK & Ireland	41	116	48	55	45	27	59	26	6	423	5%
Latin America	66	43	92	67	63	25	24	11	5	396	5%
DACH	107	60	47	45	15	36	24	9	4	348	4%
India	63	31	57	32	25	27	34	7	3	279	3%
Other Asia	64	57	27	12	9	29	16	13	3	230	3%
Nordics	50	48	23	34	16	18	14	5	2	210	3%
Japan	32	43	34	30	2	42	9	2	4	198	2%
Benelux	32	27	33	30	11	13	21	5	3	175	2%
Africa	27	12	12	14	29	7	14	1	9	125	2%
Israel	11	28	7	4	5	15	4	2	-	76	1%
Middle East	5	14	6	8	5	3	2	2	1	46	1%
TOTAL	1,826	1,614	1,241	1,048	760	748	624	303	158	8,322	100%
	21%	19%	15%	13%	10%	9%	8%	4%	2%	100%	

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

LOOKING AHEAD

BDO Global Heat Chart for regions and sectors either shows a slight increase of 1%, amounting to 8322 companies officially, or rumoured to be, up for sale. The biggest increase in comparison to the previous quarter was posted by Israel and Japan, where the number of opportunities rose by 13% and 11% to 76 and 198 opportunities respectively.

Once again, deal activity will be headed by the North American market, where we can find nearly one third of all the global opportunities. In terms of sectors, Industrials & Chemicals and Technology & Media are seen once again to be the most active sector for M&A activity.

Deal making environment in 2018 in general is promising and supported by a combination of important economic and political deal drivers. There are less economic and political risks than within the past twelve months. Global economic growth, solid buoyant asset markets and historically low interest rates might boost M&A activity in 2018. It's time that market participants lose their cautious behavior and increase their risk propensity in order to reduce the consisting "backing up" of deals which are illustrated in the BDO Global Heat Chart.

FOCUS ON THE AMERICAS

GLOBAL RISING TIDE AND IMPROVING ECONOMIES SET TO BOOST CROSS-BORDER INVESTMENT

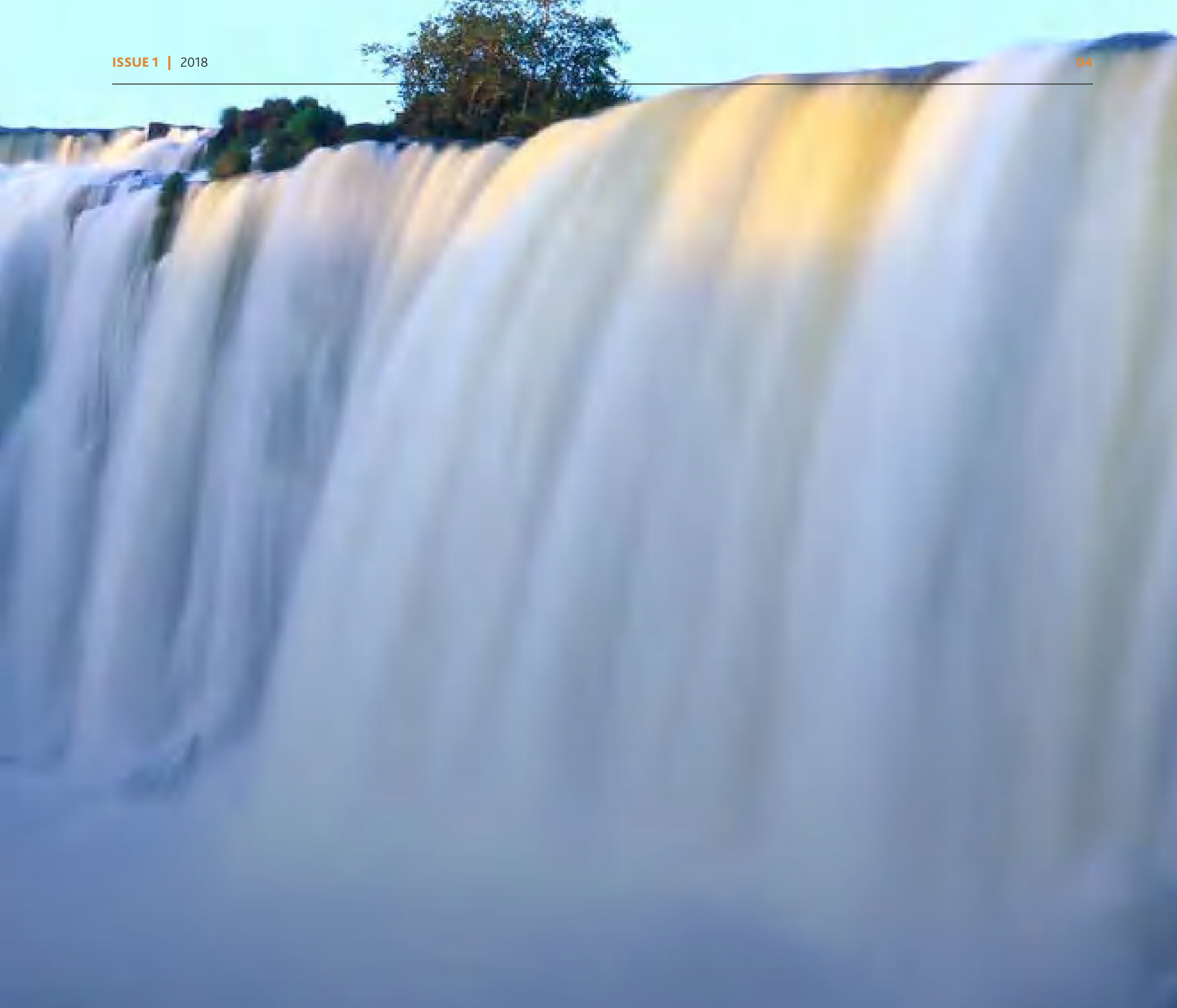
After several years of economic contraction and uncertainty due to political corruption, energy deflation and low consumer confidence, Latin America has seen a recovery in its capital markets and foreign investment in recent quarters.

The positive trend in the region's financial markets is somewhat inconsistent with the continued relative weakness of economic activity and the gradual reduction in the differential between regional interest rates and those of the major global developed economies. Consensus forecasts of Latin America's combined GDP in 2018 of 1.5% to 2.0% continue to lag global growth, which is viewed as picking up pace to 3.0%-3.5%, driven by greater contributions and acceleration from China, Europe and the US. Although the prospects for recovery in economic activity typically propel financial asset prices and investment in any region, many market observers believe the recent improved performance in Latin America primarily reflects a sharp advance in the global environment. Specifically, that the comparative weakness of the dollar, excess global liquidity, the gathering pace of global growth and the increases in world commodity prices are the main drivers behind the recent gains in Latin America. However, as the region's own economic conditions improve as exports and commodity prices rise, including oil and copper and consumer sentiment and demand flourishes in the wake of pro-growth infrastructure projects and monetary stimulus, the outlook for future financial gains in Latin America will be tied more closely to regional fundamentals while growth accelerates and inflation remains intact.

Similar to the broader improvement in the financial markets, Latin America has seen an upturn in M&A activity and cross-border investment, with total deal values rising to USD 94bn in 2017, up from USD 76bn in 2016. Mega-deals substantially boosted M&A activity in Latin America in 2017, while the rally in prices for oil, copper and iron ore and the economic recovery in Brazil should help investment activity accelerate into 2018 and beyond.

Latin America has benefited from two positive deal drivers in 2017, namely the easing of fears that US President Donald Trump will impose 35% tariffs on Mexican exporters and a rapid easing of inflation in Brazil. These developments have improved business and investor confidence in the region's two largest economies and have contributed to a more bullish outlook overall.

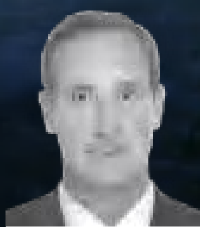
While over the past five years approximately 60% of M&A activity in Latin America has been intra-regional, with Brazil and Mexico the most active countries, foreign investment has been steadily increasing with North America (especially the United States) and Europe (countries such as Spain and the United Kingdom) becoming the two largest investors in Latin America's inter-regional deals, as companies from these economies look to capture investment opportunities in developing markets, particularly in the oil & gas, mining and agricultural sectors.



As at the global level, in addition to positive economic developments in Latin America, underlying strategic drivers like the search for growth and yield, the use of consolidation to achieve synergies, the deployment of unspent capital and the use of M&A to drive business model changes will all help boost M&A activity in 2018 throughout the Latin America region.

The risks for Latin America going forward are a balance between self-inflicted and external factors. In both cases, such risks are arguably substantially reduced from a year ago, which should continue to fuel further investment. On the domestic side, while the situation overall has stabilised, the potential for political change continues to exist in the majority of countries in the region. There are a large number of additional elections on the horizon which will provide fertile ground for surprises and for continuing political uncertainty. Meanwhile, external risk factors include a pronounced slowdown in global macroeconomic activity and demand for the region's commodities and goods, something that seems highly unlikely given IMF growth projections for 2018 and 2019. Clearly, the more significant external risk for Latin America is related to US trade policy. Although dramatic threats on trade have diminished since Trump was elected, there is still a high risk that a renegotiation of NAFTA will reduce trade between Mexico and the US. Most analysts believe a deal will be worked out that will be less favourable to Mexico going forward but avoids the worse-case scenario of the US withdrawing from NAFTA altogether. If a deal can be reached that eliminates uncertainty and is viewed by investors as being somewhat fair to both sides, then the markets are likely to rally around the news while inbound investment accelerates.

On balance, while storm clouds persist, the environment for economic growth and greater cross-border investment throughout Latin America is the best it has been in over a decade. Certainly the global tide of robust economic growth has helped lift Latin America out of the doldrums, but underlying improving fundamentals inherent to the Latin American region are likely to sustain and increase cross-border investment and M&A activity for the foreseeable future.



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GLOBAL

8,322 RUMOURED TRANSACTIONS

P07 | **NORTH AMERICA**

MID-MARKET M&A ACTIVITY CONTINUES TO LAG IN 2017 DESPITE POSITIVE ECONOMIC SIGNS

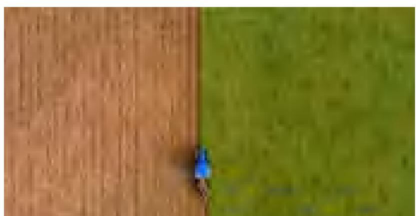
P09 | **LATIN AMERICA**

ACTIVITY INCREASES IN Q4 AND POSITIVE ECONOMIC FACTORS BODE WELL FOR 2018

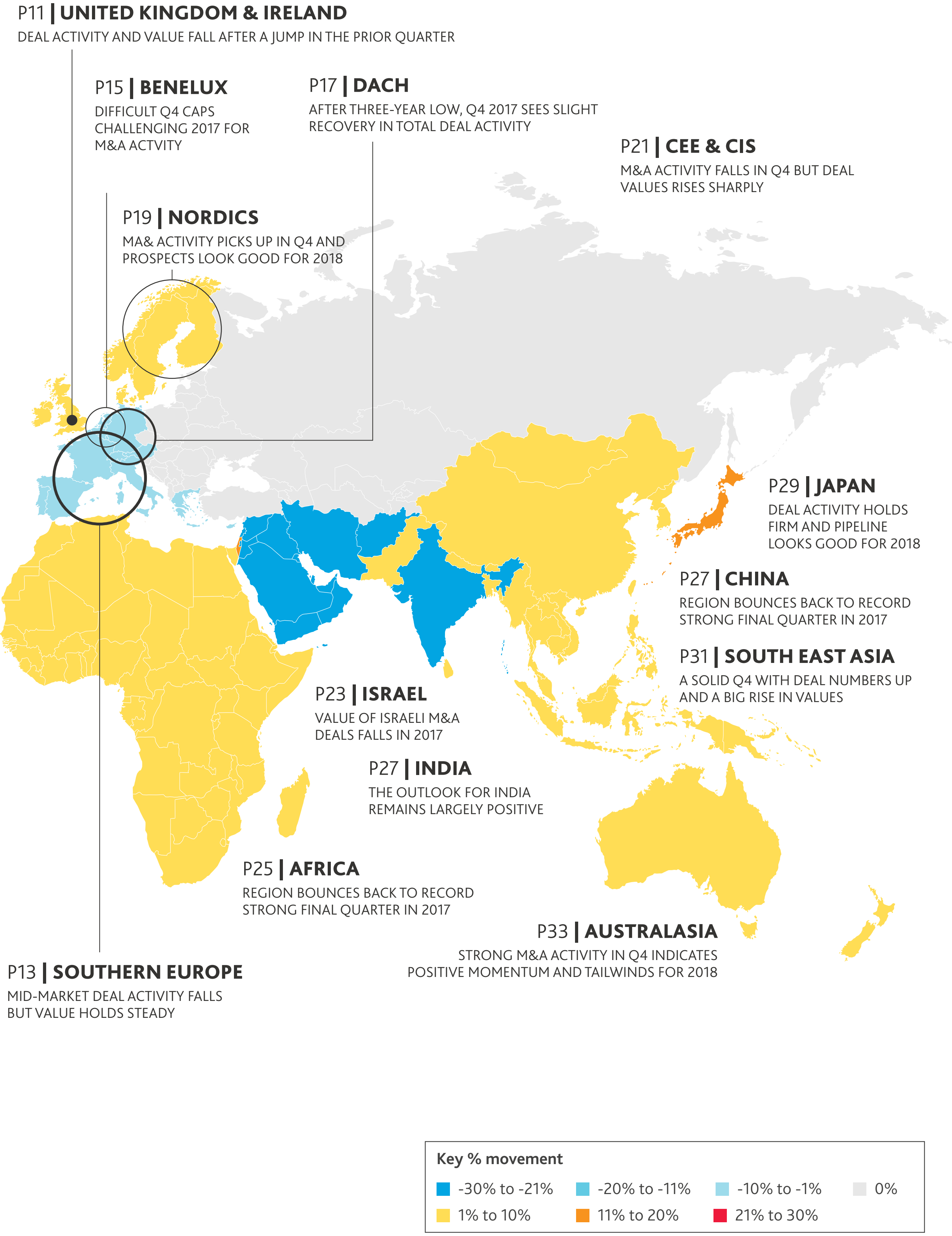
SECTOR VIEW

FINANCIAL SERVICES **P39**

REAL ESTATE **P41**



AGRI-FOOD **P43**



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

NORTH AMERICA

MID-MARKET M&A ACTIVITY CONTINUES TO LAG IN 2017 DESPITE POSITIVE ECONOMIC SIGNS

BIG PICTURE

- Deal volume down 18% in Q4 against Q3 and 15% compared to Q4 2016. Full-year 2017 volume was 5% below 2016 levels
- Deal value down 13% in Q4 against Q3 and 11% compared to Q4 2016
- Concerns over the global economy, regulatory uncertainty and the strong dollar negatively impacted activity
- Real Estate and TMT saw more deal activity than the prior year while Pharma, Medical & Biotech saw a significant decline.

Overall, the North American market experienced a downward trend in the volume of mid-market M&A deals during 2017.

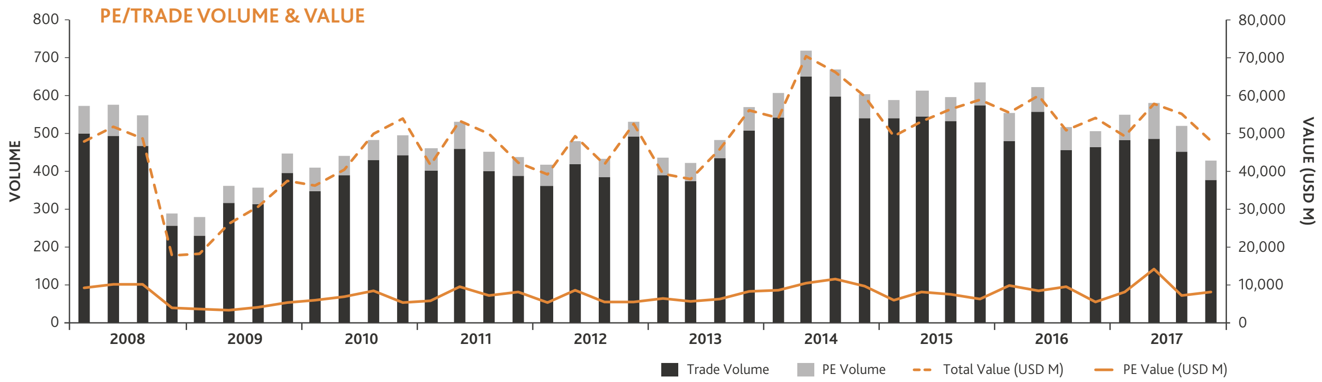
This decline continued into Q4 2017 with 428 deals reported, generating an aggregate value of USD 48.0bn. This lack of momentum further supports market participants' concerns that the M&A cycle exhibited in 2016 and 2017 may be a new and sustained transaction environment.

The overall economic landscape did, however, show positive signs in Q4 and throughout 2017. The Dow Jones has spiked 36% since President Trump's election and hit 24,000 for the first time in Q4. Both the Nasdaq and S&P 500 saw strong returns in 2017 of 27% and 19%, respectively. After seeing strong quarterly growth in the US, the New York Federal Reserve forecasted growth for Q4 to increase to 4%. Canadian GDP growth was also widely expected to grow to 2% in Q4. The Canadian economy also saw record job creation and maintained a low unemployment rate of 6.3%. This strengthening economic picture drove the US central bank to raise its base rate by 25 basis points three times in 2017, citing increased economic growth. Similarly, the Bank of Canada raised its benchmark rate twice in 2017 by 25 basis points.

DEAL-MAKERS 'WAIT AND SEE'

Despite the positive economic trends, deal-makers have continued to employ a 'wait and see' approach with regards to M&A, just as they did in 2016. This is a result of political and regulatory uncertainty surrounding the Trump administration, high valuations, an unprecedented year of natural disasters and increasing protectionist sentiments possibly discouraging foreign investment.

A number of political and regulatory factors remained in question throughout 2017 that probably stifled both buyers and sellers as they waited for final decisions.



Rising interest rates in both Canada and the US are part of a gradual process which is expected to be drawn out into 2018. As a result, the increases this year did not have a significant effect on raising capital for buyers to deploy. However, aggressive valuation expectations from sellers hindered the deployment of many buyers' available capital. Additionally, 2017 was the costliest disaster year in US history, totalling USD 306bn in damages in the wake of California wildfires and hurricanes Harvey, Irma and Maria among other significant weather events. In certain regions, the disasters diverted buyers' and sellers' focus from M&A for a significant portion of 2017.

Finally, the effect of American protectionist policies, such as withdrawing from the Trans-Pacific Partnership, have yet to be seen. Two arguments can be presented regarding increasing protectionism and how it relates to deal activity. On one hand, dependent on policy, the restriction of free trade and cross-border flows of capital may be inherently viewed as a deterrent for investment and thus slow deal activity. On the other hand, cross-border M&A may provide additional means to circumvent declining trade and further cross-border integration. Either way, the effect of nationalist and protectionist policies will have a significant impact on the economic landscapes of both North America and across the globe going forward.

LOOKING AHEAD

Moving into 2018, we expect mid-market M&A activity to trend positively. Against the backdrop of US tax reform, a strong, growing economy and perceived business-friendly economic policies administered by Trump, a rise in M&A activity could be on the horizon, making up for lost time in 2016 and 2017. Moreover, oil prices increased in 2017 and are expected to further increase, which will help stimulate the American and Canadian economies. Risks to this momentum, specifically in Canada, include the pending North American Free Trade Agreement (NAFTA) negotiations and the Trudeau government's reforms which will raise taxes on businesses. Lastly, the continued ageing of business owners and the availability of capital should improve the deal-making environment and drive increased activity in 2018.

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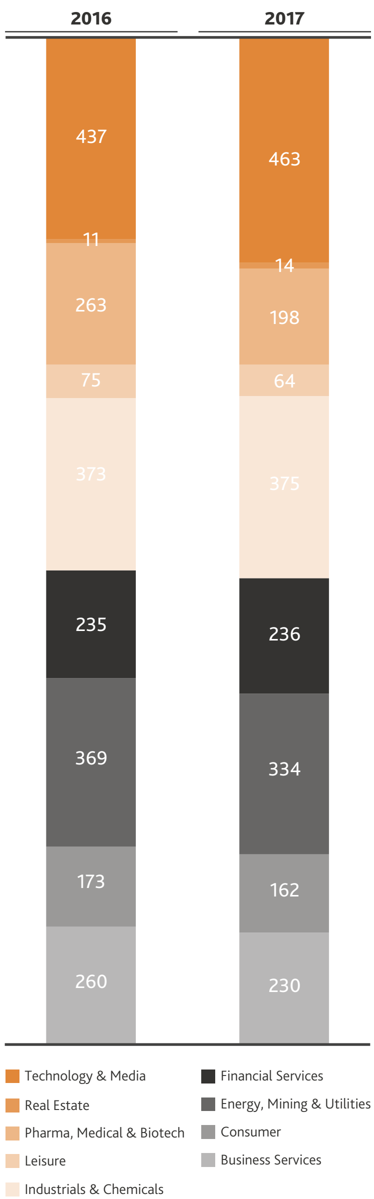
NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	564	22%
Industrials & Chemicals	562	22%
Pharma, Medical & Biotech	365	14%
Consumer	312	12%
Business Services	290	11%
Energy, Mining & Utilities	251	10%
Financial Services	123	5%
Leisure	57	2%
Real Estate	24	1%
TOTAL	**2,548**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

ACTIVITY INCREASES IN Q4 AND POSITIVE ECONOMIC FACTORS BODE WELL FOR 2018

BIG PICTURE

- Deal volumes and values up on previous quarter
- Economic recovery in Brazil set to boost investment activity
- Energy, Mining & Utilities remains the region's most important sector.

Latin American mid-market M&A transactions recorded 75 deals in Q4 2017, a 15.4% increase compared to the previous quarter.

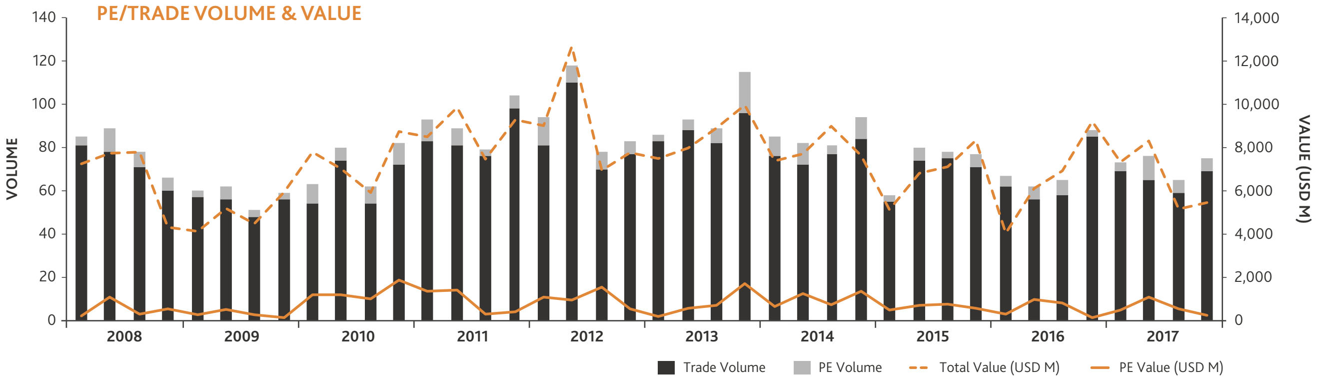
However, as historical results show, deals volume tend to increase in the last quarter of the year and as a result the Q4 figures represent a 14.8% decrease compared to the same quarter in 2016. In value terms, M&A activity grew by 5.7% to USD 5.4bn in Q4, up from USD 5.1bn in Q3. Compared to the same quarter of the previous year, however, there was a fall of 41%, when the total value reached USD 9.2bn.

Looking at full year figures, 2017 saw 289 deals that totalled USD 26.2bn. This performance was a slight growth in M&A deal volume of 2.5% compared to the previous year and stable deal value. Private equity buy-outs represented about 9.3% of the deals in 2017, with an 8.9% share in the total value of deals.

POLITICAL AND ECONOMIC CONTEXT

Brazil, which is Latin America's largest economy, takes seven top spots in the top 10 mid-market deals in Q4 2017. Chile had two top deals, whereas Mexico had the remaining transaction. The main sector for M&A activity was Energy, Mining & Utilities and half of these deals had a foreign country as an acquirer.

Brazil's capital markets are in a vigorous phase, with Ibovespa (Brazilian Stock Exchange benchmark index) beating weekly records in the last quarter of 2017. The country's corporate sector and financial markets are less sensitive to the outcome of the ongoing political turmoil, but are paying attention to the market and the government's ambitious plans for privatisations and creating opportunities in infrastructure concessions.



This context has seen leading bankers in Brazil revise their expectations upwards for new equity transactions, with Bradesco BBI, BofA Merrill Lynch and BTG Pactual believing that deals could add up to R$ 50 billion this year, which would result in the largest offering of shares since 2009. Other important investors also estimate that Ibovespa could reach a record 100,000 points in dollar terms in the upcoming years.

Continued uncertainties regarding political turmoil and the delayed economic recovery of big countries such as Brazil has resulted in the moderate M&A growth in Latin America in 2017. Nonetheless, there were some positive economic and political signs in the overall landscape throughout the second half of the year. Important political measures, such as the labour reform, the newly implemented government spending cap and the adoption of the market-aligned long-term rate (TLP) to be used in BNDES's (Brazilian Development Bank) future loans, have already been approved by Congress. These measures represent large breakthroughs and pave the way for more optimism in the economy and generate popular support for remaining measures, such as pension reform.

Ultimately, after going through what can be considered as the worst recession the country has ever seen, Brazil has been attracting investors with renewed prospects for a new and more pro-market government, with presidential elections in 2018, making the current timing opportune for strategic investors to position themselves in the country, which has a large scale, a diversity of businesses in which to invest and geopolitical stability. Several key factors are already shifting in perspective, as inflation hits a new 20-year low and interest rates are at the lowest level in Brazil's history and with consumer confidence and unemployment levels improving and commodity prices and sovereign credit ratings becoming more stabilised, these factors are reducing the high levels of uncertainty for the country's future prospects.

LOOKING AHEAD

Energy, Mining & Utilities was the most active sector in Q4 2017, with 26 deals closed, representing about 35% of all transactions in Latin America. The sector was followed by Industrials & Chemicals, which closed 14 deals, or 19% of all transactions. Consumer, Business Services, Pharma, Medical & Biotech, TMT, Financial Services, Leisure and Real Estate each represented less than 9% of all transactions in Latin America.

Although there are many offshore investors interested in a variety of businesses in Latin American countries, especially Chinese investors, most of them are primarily focused on large infrastructure projects in Energy, Mining & Utilities, or on optimising commodities production. As these sectors close the gap on the systemic shortfall of investments in Brazil, there could also be a change in focus in mid-market M&A, as more and more capital is injected into, for example, the Consumer, TMT and Financial Services sectors.

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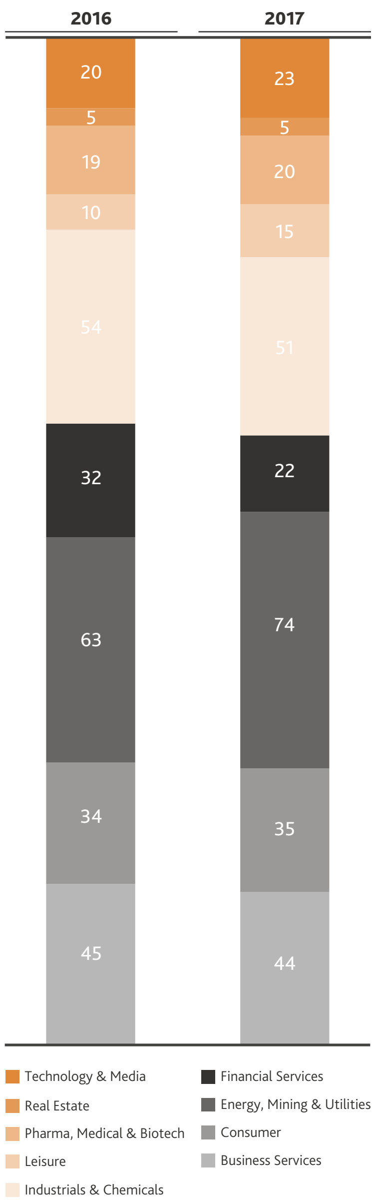
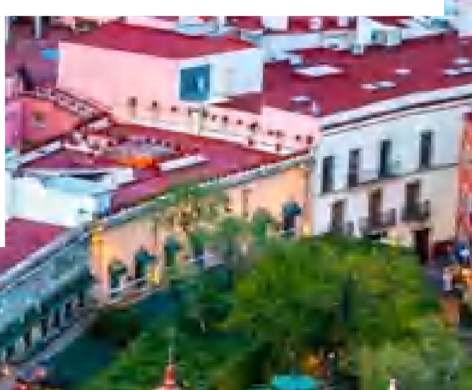
LATIN AMERICA
HEAT CHART BY SECTOR

Consumer	92	23%
Business Services	67	17%
Industrials & Chemicals	66	17%
Energy, Mining & Utilities	63	16%
Technology & Media	43	11%
Pharma, Medical & Biotech	25	6%
Financial Services	24	6%
Leisure	11	3%
Real Estate	5	1%
TOTAL	**396**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR





UNITED KINGDOM & IRELAND

DEAL ACTIVITY AND VALUE FALL AFTER A JUMP IN THE PRIOR QUARTER

BIG PICTURE

- Leisure and TMT experience the largest decline
- Capital markets close on a high
- UK remains good value and attractive for overseas buyers.

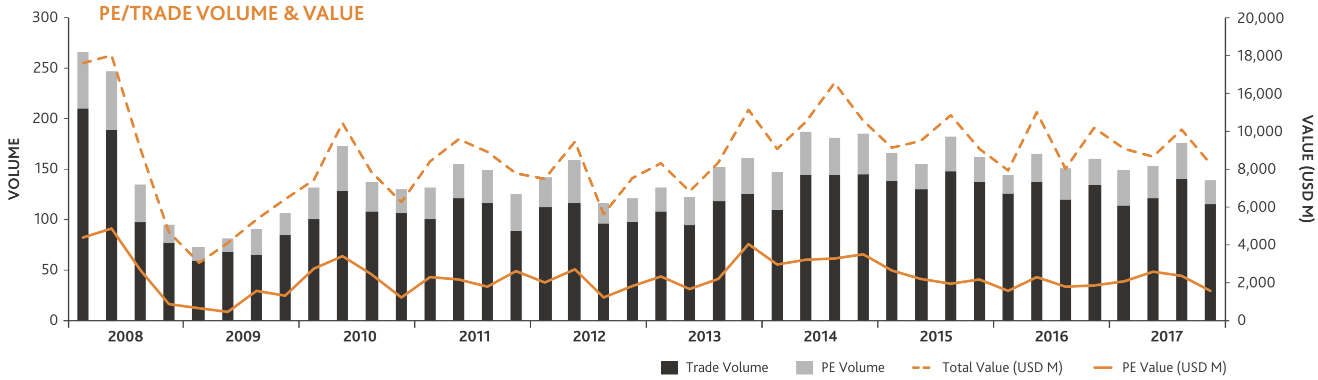
After a sharp increase in activity in Q3, the final quarter of 2017 saw a tail-off in deal volumes, which we believe is more a reflection of the ebb and flow of deal activity than a cause for any real concern.

At close to 140 deals it remains a pretty healthy deal flow, in line with what we are seeing in the marketplace. We believe that the biggest issue for buyers remains finding the right business to buy in the face of strong competition and pricing.

The deals were a mix of around one fifth private equity lead and four fifths trade. We know that private equity has ample funds to invest and new houses continue to enter the market. Trade buyers are also well funded and their strategic intent remains strong. In value terms, the trend followed the number of deals but average deal size held up remarkably well. At over USD 10bn of value the mid-market remains healthy, fuelled by the continued availability of well-priced debt to supplement cash reserves.

Cross-border deal activity remained strong with UK and Ireland seen as a good location to acquire companies. In particular, the region remains highly attractive to US buyers, which was reflected by US buyers accounting for an impressive 40% of the largest deals in the period. Notable transactions included the USD 454m acquisition of the Taliesin Property Fund by Blackstone Group and the acquisition of Shazam Entertainment by Apple for USD 400m. These deals were all achieved despite a recovery in the value of GBP against the USD. Adding to the North American theme was the acquisition of Hyperion Insurance Group by Caisse de Depot et Placement du Quebec from Canada.

In terms of sectors, Business Services and TMT led the way with 29 and 25 deals respectively. Industrials & Chemicals was lower than usual with 17 deals. The Leisure sector experienced the greatest squeeze, which may reflect the oversupply of casual



dining in the region and TMT was also down. Real Estate and Pharma, Medical & Biotech were the least active sectors with single digit volumes.

The capital markets continued to perform well with the FTSE All Share closing the year strongly at a high of 4,221.8 which was well up on the prior quarter. The trend was reflected across all of the main market and AIM indices. New issues remained strong including Sabre Insurance Group with an initial market capitalisation of USD 800m, raising funds of nearly USD 400m. On AIM, there were 16 IPOs in the quarter which was up on the previous quarter. We believe that the stock market remains a leading indicator of the strength and resilience of the economy in the region and continues to defy any fears of a Brexit-associated slowdown and rising inflation.

M&A valuations decreased slightly for trade buyers with BDO's private company price index (PCPI) to an EV/EBITDA ratio of 10.1x. We believe the multiple continues to reflect cash resources available and the preparedness to pay premium prices for a good strategic fit. BDO's private equity price index (PEPI) increased to an EV/EBITDA ratio of 11.3. We continue to see large amounts of cash to invest, which in our opinion should keep overall multiples up aided by the theme of continued digitalisation within businesses.

LOOKING AHEAD

Looking ahead, the market intelligence in terms of the BDO Heat Chart shows a strong level of activity, with 423 rumoured deals. This is much more on keeping with our own experience and the amount of funds that are available for M&A transactions, both on corporate balance sheets and in private equity funds and the cost of debt, despite an interest rate rise, is still relatively low. The TMT sector leads the way with a massive 115 deals, representing over one quarter of all rumoured deals. TMT is followed by Financial Services and Business Services with half that number each. Leisure is down at 26 deals. We remain optimistic for the M&A prospects of the region as whole.

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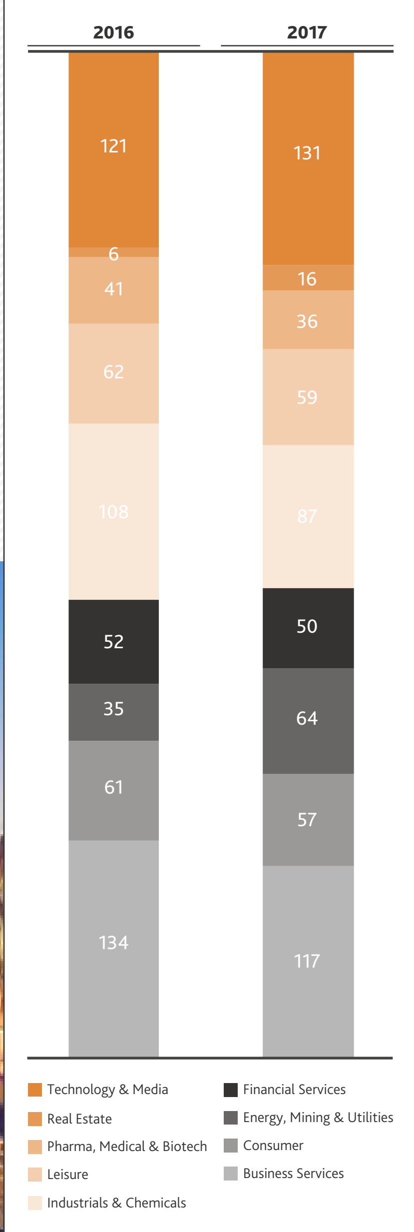
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	116	27%
Financial Services	59	14%
Business Services	55	13%
Consumer	48	11%
Energy, Mining & Utilities	45	11%
Industrials & Chemicals	41	10%
Pharma, Medical & Biotech	27	6%
Leisure	26	6%
Real Estate	6	1%
TOTAL	**423**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

MID-MARKET DEAL ACTIVITY FALLS BUT VALUE HOLDS STEADY

BIG PICTURE

- Deal count down but average deal size grows in Q4 2017
- Industrials & Chemicals led the way again with the highest number of transactions
- Italy confirmed its status as the region's leading country for M&A activity.

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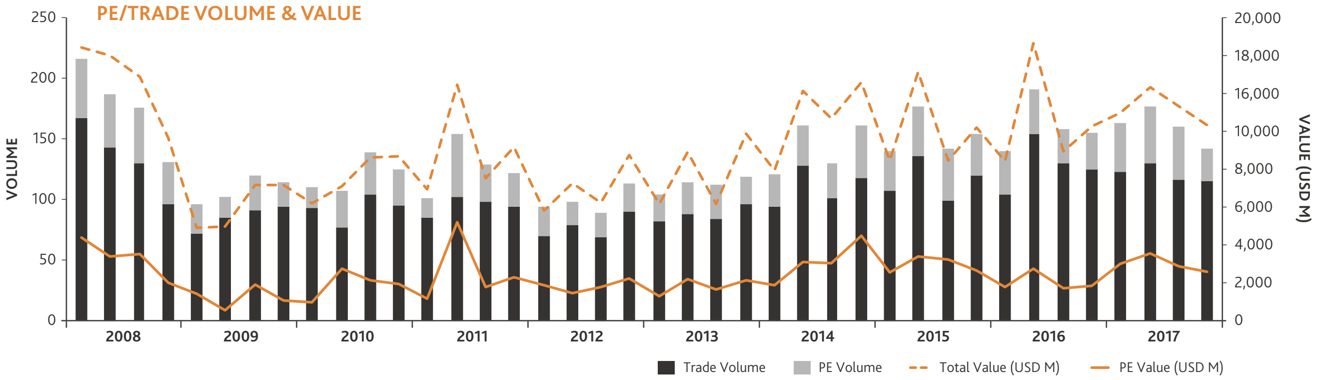
The last quarter of 2017 saw 142 mid-market transactions completed in Southern Europe, with an overall value of USD 12.89bn.

The M&A deal count decreased for the third consecutive quarter, resulting in 2017's smallest transaction values. However, when compared to Q4 2016, although the number of deals declined, the overall value remained relatively constant.

A second meaningful comparison, between Southern Europe and global data, shows that the reduction in the number of deals is consistent with what is happening worldwide. However, the global value of transactions has grown since the third quarter, bringing to light a clear weakness in Southern Europe.

A positive element from Southern Europe's performance is that the average deal size grew from USD 88.6m in Q3 2017 to USD 90.8m in Q4 2017. This trend is aligned with the projections for Q1 2018, which suggests that there will be fewer but larger deals, caused by a series of uncertain events that have characterised 2017, such as the start of the Brexit negotiations and the impact of Presidents Trump's policies affecting the worldwide economy.

PE still has a big influence on mid-market M&A activity, even in Q4, with 2017 ranking as a particularly strong year for private equity. Looking at the number of PE transactions from the overall volume of deals, Q4 2017 was pretty consistent when compared to Q4 2016 (19.0% and 19.4% of deals respectively). To further illustrate this point, the overall value generated by PE increased from 17.9% (USD 2.29bn) to 24.9% (USD 3.21bn).



KEY SECTORS

Industrials & Chemicals recorded the highest number of transactions in 2017, in line with 2016. This sector represents almost 23% of Southern Europe's mid-market, based on a strong collection of good businesses and deep knowledge in the sector. However, the Q4 statistics bucked the trend, as Business Services was the best performing sector in terms of the number of deals closed, with 28 deals against 25 in Industrial & Chemicals. Business Services was ranked second for M&A transactions in 2017.

Looking at Q4 2017, Energy, Mining & Utilities experienced strong growth, increasing by 36.4% from 11 transactions to 15. Technology, Media & Telecommunications grew by 15.0%, while Business Services and Financial Services held steady. The sectors which underperformed included Consumer and Industrial & Chemicals, with deal numbers falling by 23.1% and 26.5% respectively, with Pharma, Medical & Biotech and Leisure decreasing by more than 30.0%. Real Estate also fell sharply (40.0%), though this sector is not very active in terms of volumes: there was a drop in closed deals from five in Q3 2017 to three in Q4 2017.

KEY DEALS

The value of the top 10 deals completed in Q4 2017 was USD 3.84bn, accounting for 29.8% of the total value generated in Southern Europe. In Q4, Italian companies were the most targeted in the region, with four transactions completed in different sectors.

The quarter's major deal was the acquisition of 92.7% of Compania Trasmediterranea S.A. by Naviera Armas S.A. for USD 457m, both Spanish companies. Also worthy of mention are Groupement de Mousquetaires' acquisition of Bricorama SAS, Bricorama Mediterranee SL and Bricorama Asia Ltd for USD 456m and the acquisition of 90% of MCS Groupe by BC Partners Limited for USD 447m.

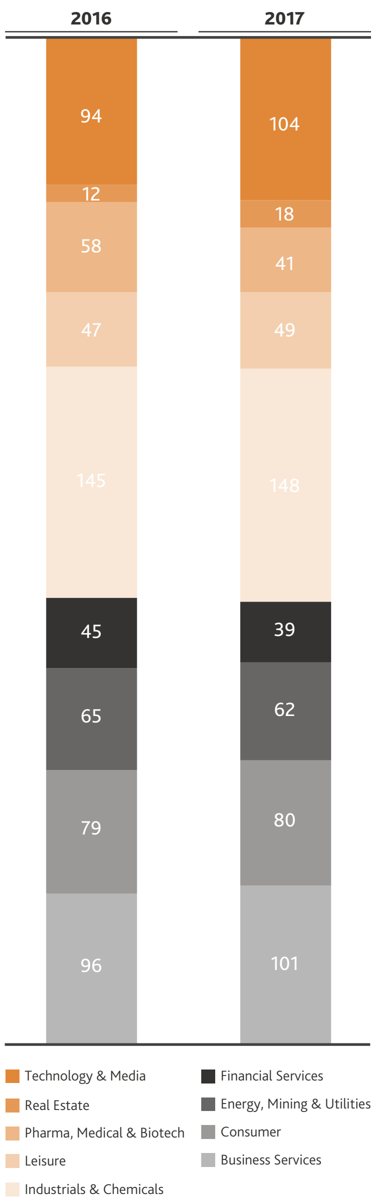
LOOKING AHEAD

The BDO Heat Chart suggests that the first quarter of 2018 will probably see Industrials & Chemicals, Consumer and TMT being the most active industries, a forecast that also reflects the global trends. The Heat Chart identifies 513 possible global deals, a sharp decrease from the 550 forecasted deals for Q4 2017.

SOUTHERN EUROPE
HEAT CHART BY SECTOR

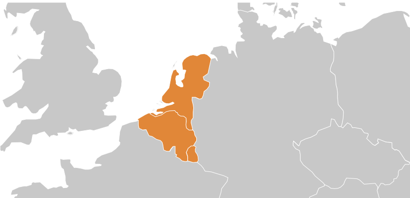
Industrials & Chemicals	109	21%
Consumer	102	20%
Technology & Media	90	18%
Business Services	67	13%
Financial Services	51	10%
Pharma, Medical & Biotech	33	6%
Energy, Mining & Utilities	31	6%
Leisure	24	5%
Real Estate	6	1%
TOTAL	**513**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

DIFFICULT Q4 CAPS CHALLENGING 2017 FOR M&A ACTVITY



BIG PICTURE

- Q4 deal volume falls by 18% and value by 38% from previous quarter
- Average deal value hits all-time low
- Three sectors account for 23 of the 27 deals completed in the quarter.

The final quarter of 2017 showed a considerable decrease in deal volume and especially deal value compared to Q4 2016. Private equity deal volume and deal value also decreased significantly.

Q4 turned out to be the poorest quarter of 2017. 2017 as a whole underperformed compared to the last four years with regard to deal volume and value.

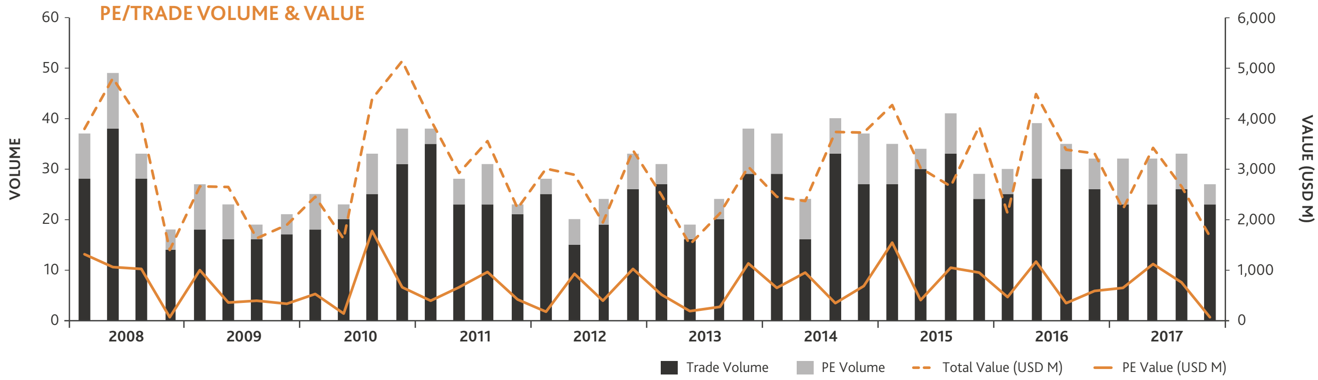
A total 27 deals were completed in Q4 2017. This represents an 18% decrease compared to the 33 deals in Q3 2017. The total deal value compared to Q3 2017 dropped by 38% to USD 1.654m. The total deal value in Q4 2017 was 46% below the average quarterly deal value over the latest three years (approximately USD 3.081m). The average deal value per transaction fell from USD 80.3m in Q3 2017 to USD 61.3m in Q4 2017, an all-time low!

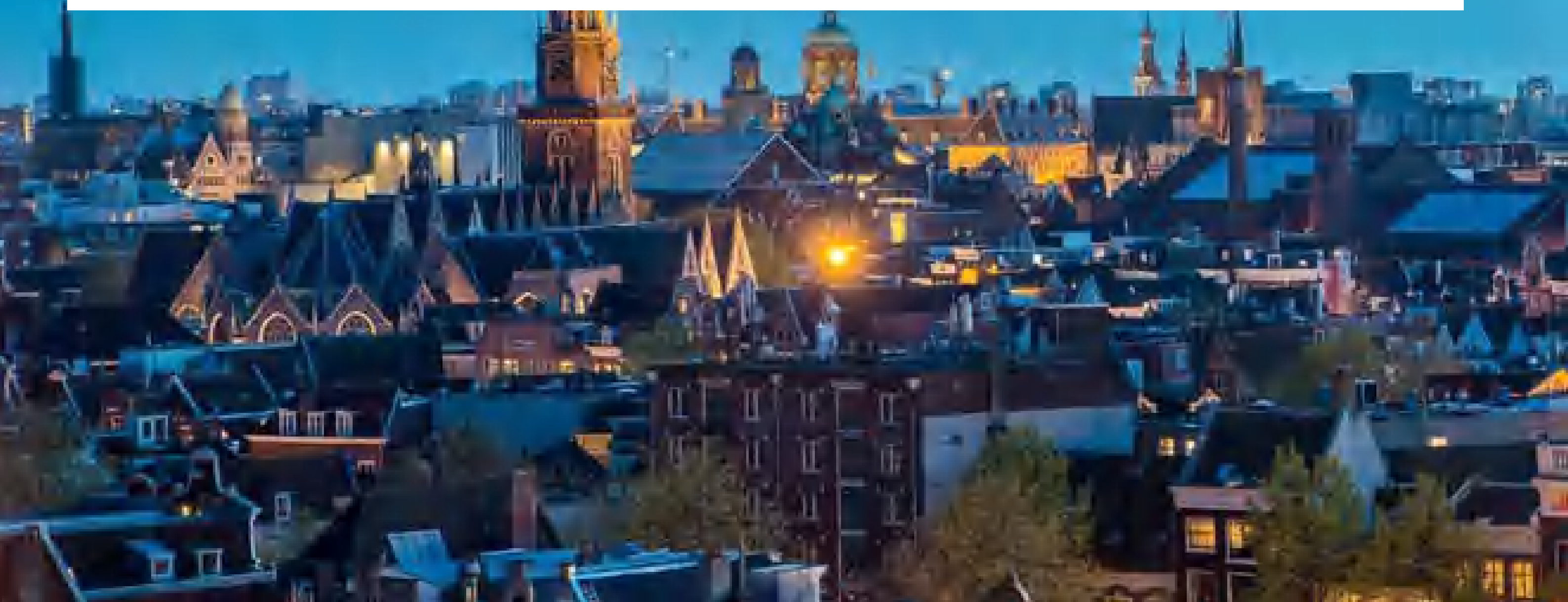
On a yearly basis, the total number of deals decreased with 9% from 136 deals in 2016 to 124 deals in 2017. The total deal value decreased with 25% from USD 13,287m in 2016 to USD 9,919m in 2017. As a result, the average transaction value decreased from USD 97.7m in 2016 to USD 79.9m in 2017.

Private equity saw deal numbers decrease significantly with 43% from seven transactions in Q3 2017 to four in Q4 2017. In Q4, PE was responsible for 14.8% of the total number of deals, compared to 21.2% in Q3 and 28.1% in Q2. The average deal value decreased to its lowest point in years (USD 16.3m). For full year 2017, PE was responsible for 29 deals (27 deals in 2016). The total deal value for PE in 2017 held steady compared to 2016.

KEY DEALS AND SECTORS

Industrials & Chemicals, Technology, Media & Telecom and Business Services were the most active sectors in Q4 2017, accounting for 44%, 26% and 15% respectively of the total deal numbers. 23 of the 27 (85%) deals





in Q4 were conducted in these sectors. The Industrials & Chemicals sector is the fastest growing sector with an increase in deals from seven in Q3 2017 to 12 in Q4 2017, suggesting greater interest in this sector than in previous years. No deals were closed in the Consumer and Real Estate sectors, which is just a little below average.

The top 10 deals in Q4 2017 ranged between approximately USD 52m and USD 226m and were mainly in the following sectors: Industrials & Chemicals, Energy, Mining & Utilities and Technology, Media & Telecom. Half of the deals were within Benelux and the other half were companies being sold to other European, Chinese and US companies.

The largest deal was the sale of a 35% stake of Siat SA, an agro-industrial group to Fimave SA. This collaboration had been announced before. A more appealing transaction was the sale of Tele2 to T-mobile Netherlands B.V.

Looking outbound, the largest deal in Q4 2017 was in the Real Estate sector and involved the 25% acquisition of Australia-based Lend Lease Primelife Limited, a listed property and infrastructure development company, by APG Group N.V. in the Netherlands, one of the largest providers of collective pensions, for an amount of approximately USD 370m.

LOOKING AHEAD

The BDO Heat Chart for Benelux shows 175 deals currently planned or in progress. This is in line with the 178 deals projected in the previous quarter, but much lower than the 199 deals projected in the second quarter. The industries forecasted to be the most active are Consumer, Industrials & Chemicals, Business Services and Technology, Media & Telecom with 33, 32, 30 and 27 deals respectively. The spread of deals across the different sectors is predicted to be higher than in Q4 2017.

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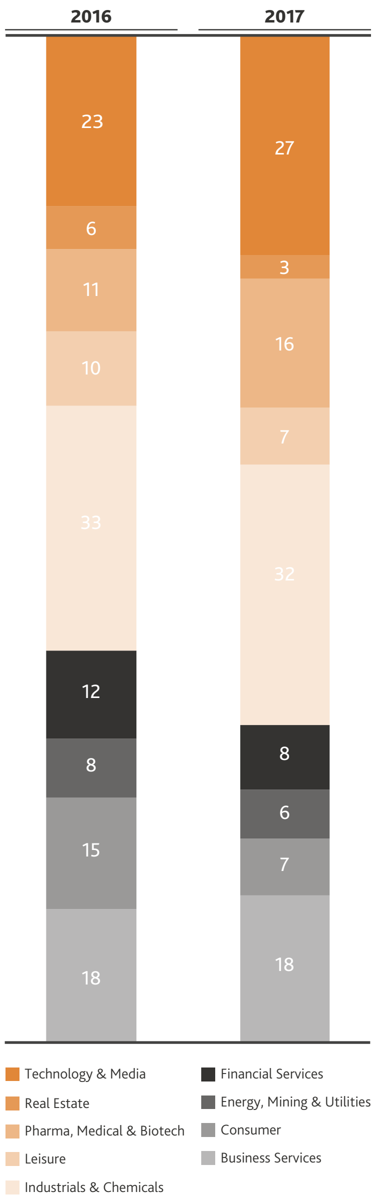
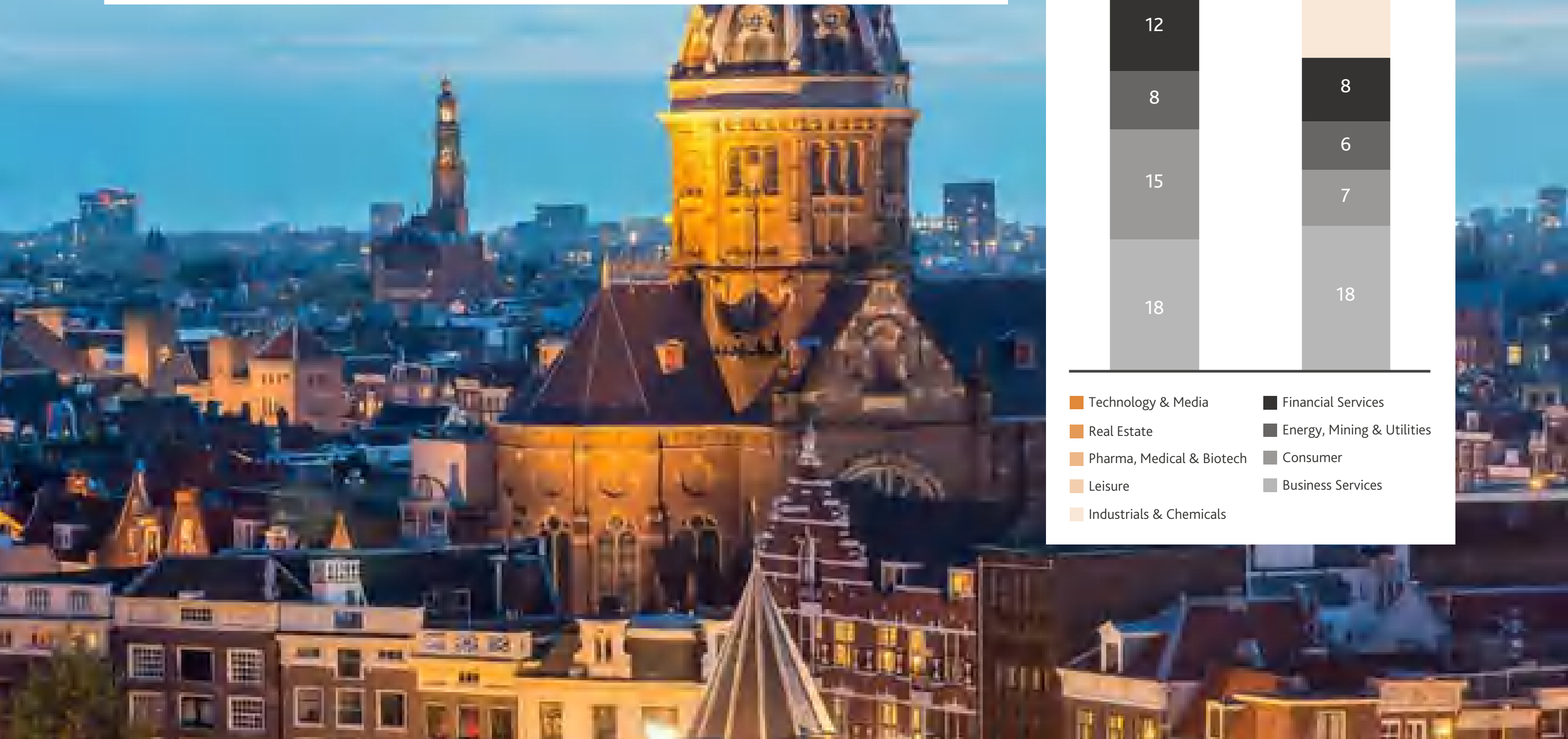
BENELUX
HEAT CHART BY SECTOR

Consumer	33	19%
Industrials & Chemicals	32	18%
Business Services	30	17%
Technology & Media	27	15%
Financial Services	21	12%
Pharma, Medical & Biotech	13	7%
Energy, Mining & Utilities	11	6%
Leisure	5	3%
Real Estate	3	2%
TOTAL	**175**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

AFTER THREE-YEAR LOW, Q4 2017 SEES SLIGHT RECOVERY IN TOTAL DEAL ACTIVITY

BIG PICTURE

- Q4 deal value increased compared to record low in previous quarter
- Germany remained the most attractive target country by deal value
- Rise in total deal volume mainly caused by increased PE activity
- TMT was the most attractive sector in 2017, closely followed by Industrials & Chemicals.

Compared to the third quarter of 2017, the DACH region slightly increased its M&A activity, recording 53 deals in Q4 2017. The rise in the total deal value was mainly due to increased private equity activity.

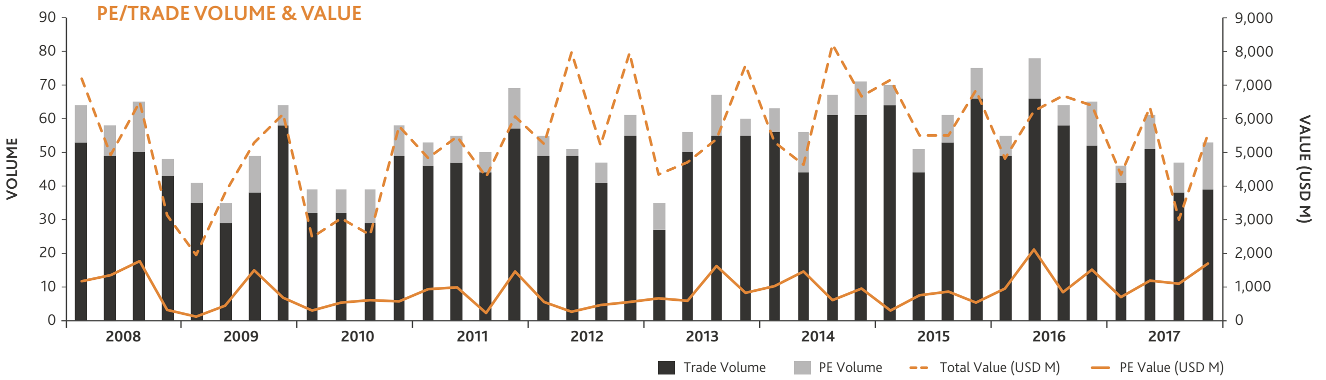
Both deal volume and deal value experienced growth in Q4 2017. While deal value increased strongly from USD 3.0bn in Q3 2017 to USD 5.5bn in the last quarter of 2017, deal volume only edged up slightly (13% compared to the previous quarter) as a result of a rise in private equity deals. Focusing on PE transactions, Q4 2017 volume saw an upswing to a nine-year high with 14 deals.

KEY DEALS

The largest deal in Q4 2017 was in Business Services. ATESTEO GmbH, a German-based leading international drivetrain testing specialist for automobile manufacturers and automotive suppliers, was acquired by IHO Holding GmbH & Co. KG, a company of the Schaeffler family for USD 473m. ATESTEO is planning international expansion into growth markets such as China with IHO Holding.

The sale of ACCENTRO Real Estate AG, a listed German-based real estate company focusing on residential properties, represented the second largest deal in the DACH region. The UK-based acquirer was Vestigo Capital Advisors LLP and the deal value was USD 410m.

In Q4 2017, the bulk of the top 10 transactions involved target companies based in Germany (seven). Two target companies were based in Austria and one in Switzerland. In terms of bidder companies, it was a mostly international



clientele with two from the US and five from Europe. Eight of the top 10 transactions were cross-border deals.

The DACH market was quite calm during 2017. Total deal volume (62 deals) and value (USD 6.3bn) peaked in Q2 2017, which still represented a decrease in M&A activity compared to the best quarter of the prior year (78 deals, USD 6.2bn in Q2 2016).

KEY SECTORS

Focusing on deal activity across the sectors, the overall picture was stable. The main exceptions were Business Services and Energy, Mining & Utilities, which saw increases in total deal activity in Q4 2017 compared to the previous quarter. These sectors showed an uplift of 80%-100 % in the number of deals completed.

In Q4 2017, the majority of M&A deals in the DACH region involved companies from TMT (25%) and Industrials & Chemicals (21%). Financial Services, Leisure and Real Estate kept deal volumes stable compared to the previous quarter. The only falls (from Q3 to Q4 2017) were in the Consumer (33%) and the Industrials & Chemicals (8%) sectors.

LOOKING AHEAD

Even though 2017 has started sluggishly and the Q3 figures represented a three-year low in deal volume, we maintain our belief that the DACH M&A market will recover and improve within the next few quarters. Interest rates will stay low in the near future, providing good financial conditions for transactions.

Currently, there are 423 companies up for sale in DACH's mid-market. We expect all the sectors to keep up their momentum. Industrials & Chemicals, Technology & Media and Consumer are predicted to remain among the most active sectors. And especially Industrials & Chemicals, which is forecast to record a significant increase in deal volumes. Overall, cross-border transactions backed by plentiful financial resources are expected to be a significant area for DACH's M&A activity in the next few quarters.

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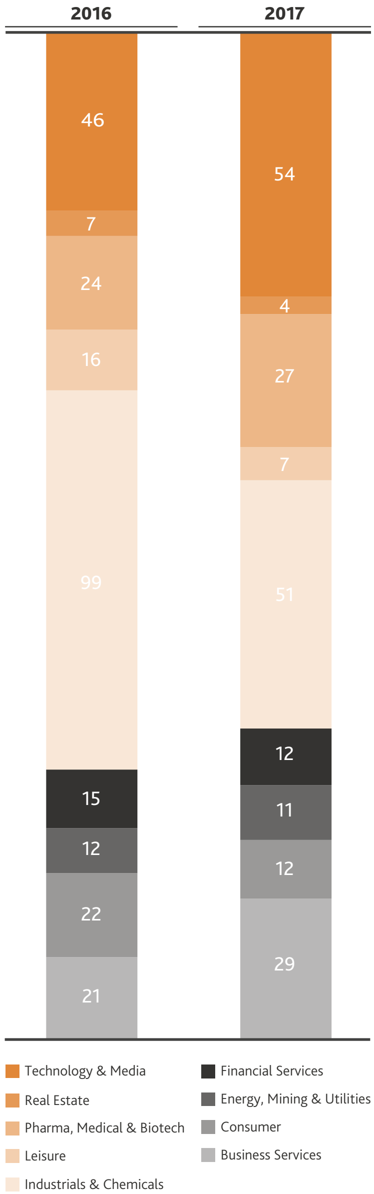
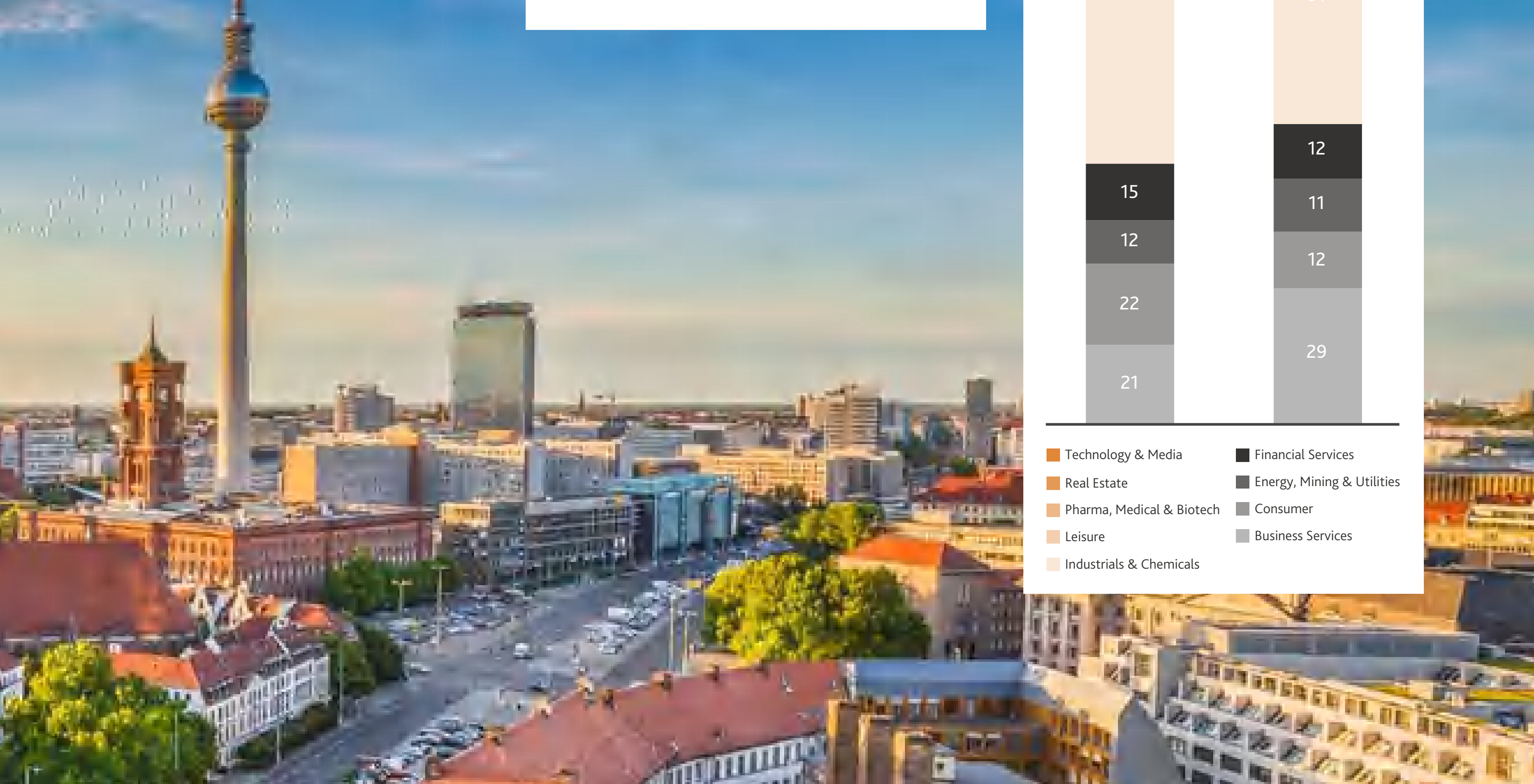
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	107	31%
Technology & Media	60	17%
Consumer	47	14%
Business Services	45	13%
Pharma, Medical & Biotech	36	10%
Financial Services	24	7%
Energy, Mining & Utilities	15	4%
Leisure	9	3%
Real Estate	4	1%
TOTAL	**347**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR





NORDICS

MA& ACTIVITY PICKS UP IN Q4 AND PROSPECTS LOOK GOOD FOR 2018

BIG PICTURE

- Volume and value of deals both up in Q4
- Complex but overall positive macro climate in the region
- Positive outlook for M&A activity in 2018.

The talk on the Nordic streets over the past quarter or so has been all about the falling house prices in Norway and Sweden.

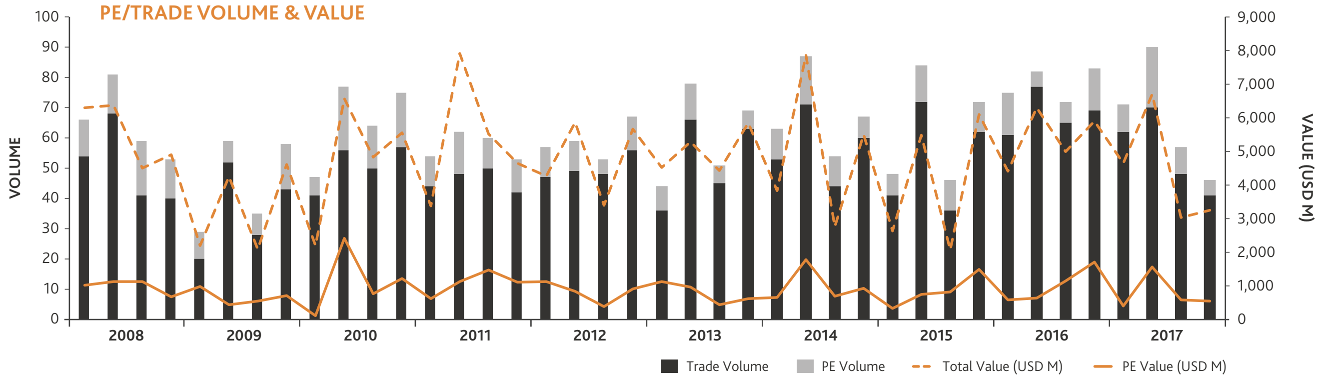
Consequently, Nordic equity markets overall have been declining because of the insecurity and investors remorsefully remembering the last time there was a decline in house prices. However, this time the market correction is more a question of excess supply and the new 1% saving rule in Sweden, as opposed to previous cases of solvency and high interest rates, which is probably the reason why equity markets gained pace again towards the end of the quarter, when investors came to this realisation. During Q4 2017, only the Danish c20 index and the Finish Helsinki 25 index kept their heads above waters.

Despite the uncertainty in the housing and equity markets, there were no repercussions for the region's M&A market. Overall activity in the Nordic region has increased by just south of 8% from Q3 to Q4, reaching 234 deals in the mid-market segment in Q4. Compared to the previous year, Q4 2017 was 3% above Q4 2016. In addition, the average deal value was slightly above the 2016 level at around USD 71m. Private equity activity did fall back, decreasing 5% from the previous quarter and 6% from the previous year, but this does not affect the overall positive picture of the quarter.

The continued 2% and 3% growth rates and growth forecasts for the Danish and Finnish economies respectively, the turnaround in Norway's oil industry and the termination of planned new QE purchases by the Swedish Risksbankhave have all indisputably fueled the positive development in the M&A activity and by doing so have offset some of the negative effects from the equity and housing markets.

Nordic interest rates, which are stable at historically low levels, are a trend that is expected to continue in the short and medium run and this adds further positive

PE/TRADE VOLUME & VALUE



fuel to both the equity markets and the M&A industry. As are new positive fiscal policy incentives – especially in Denmark, where a total of USD 800m will enter the economy in early 2018, due to new laws that allow refunds of early retirement contributions, as well as extraordinary pay-outs in early 2019 of past excess property taxes totalling just north of USD 1.3bn. However, low unemployment rates in all Nordic countries – in Denmark in particular, however, will be facing some challenges with regards to labour shortages. The political debates are currently somewhat antagonistic towards foreigners, especially those in low income jobs – resulting in the firm enforcement of repatriation laws of foreigners without work permits. Can Denmark overcome this? The country's economic growth could easily rise above the current 2% forecast and add to the positive overall economic outlook of the Nordic region in the short and medium run. All this adds to the optimism among investors and companies and their inclination to engage in acquisitions.

OUTLOOK

Recently, a large bulk of Nordic funds have closed, thereby adding dry powder to the market in near future. Moreover, several new funds were set up in late 2017, among these are the Nordeas fintech fund, the Inventure new tech fund and Secure Alternative Investments' recently opened mid-market tech and medtech fund. In addition, the general tendency among investors has been to move down in market cap over the recent year or so and as a result more investors are now looking at mid-market investments, adding further liquidity into the market. Add to this the positive economic outlook in the Nordic region and we are confident that M&A activity will continue to deliver strong numbers and overall growth in 2018. We expect PE activity to co-fuel general M&A activity by reaching previous levels of investment, particularly in light of the newly raised funds and the increasing interest in mid-market investments.

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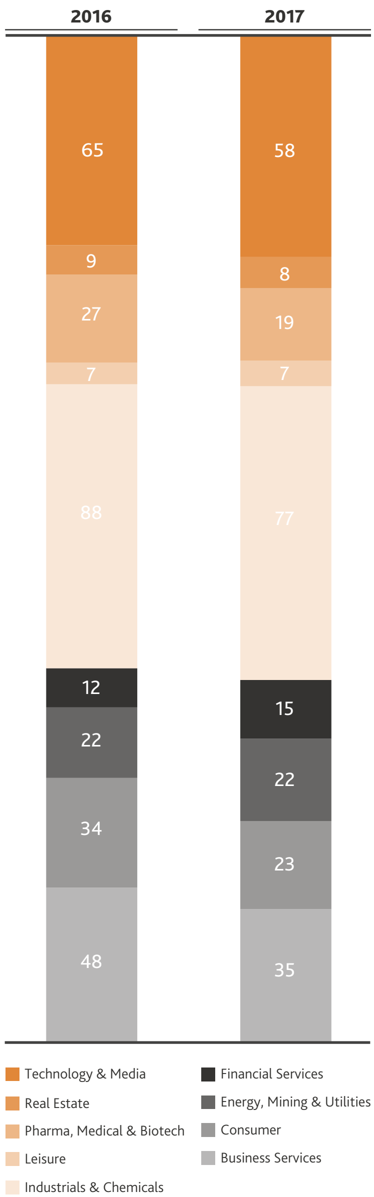
NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	50	24%
Technology & Media	48	23%
Business Services	34	16%
Consumer	23	11%
Pharma, Medical & Biotech	18	9%
Energy, Mining & Utilities	16	8%
Financial Services	14	7%
Leisure	5	2%
Real Estate	2	1%
TOTAL	**210**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



CEE & CIS

M&A ACTIVITY FALLS IN Q4 BUT DEAL VALUES RISES SHARPLY

BIG PICTURE

- 2017 saw a shift towards fewer, larger transactions
- Private equity activity remained stable in 2017 and average yearly deal hits 10-year high
- Mid-market deals dominated by Industrials & Chemicals, TMT and Consumer, with more than half of the total deals.

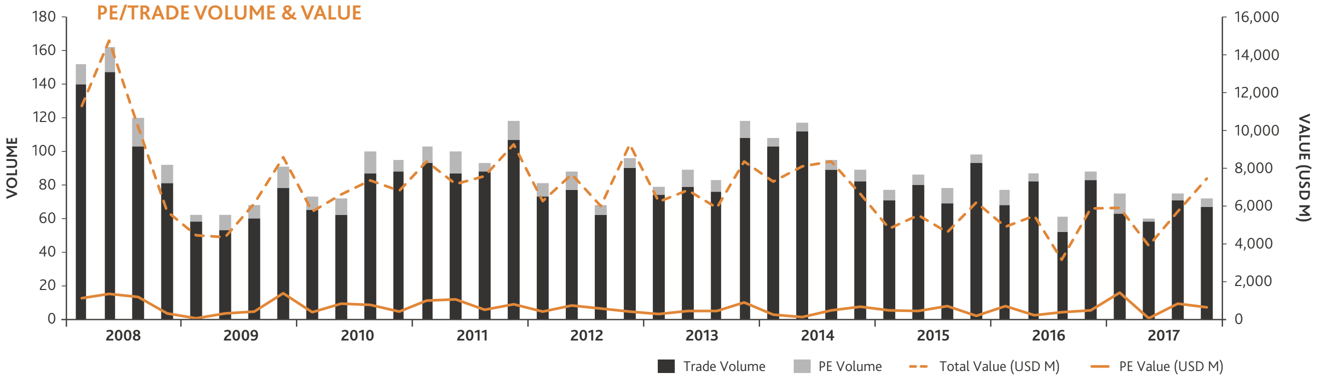
In the final quarter of 2017, M&A activity decreased in terms of the deal numbers compared to Q4 2016, but the average deal value increased significantly. Looking at full year 2017, there was a slight decrease in deal numbers but the average transaction size increased. Private equity's deal numbers held steady in Q4 2017 compared to Q4 2016, while the average deal value rose significantly. For full year 2017 the trend is the same with PE's total deal value (USD 2,951m) and average deal value (USD 128m) considerably higher than in 2016 (USD 1,763m and USD 63m respectively), while the total number of PE deals decreased from 28 to 23.

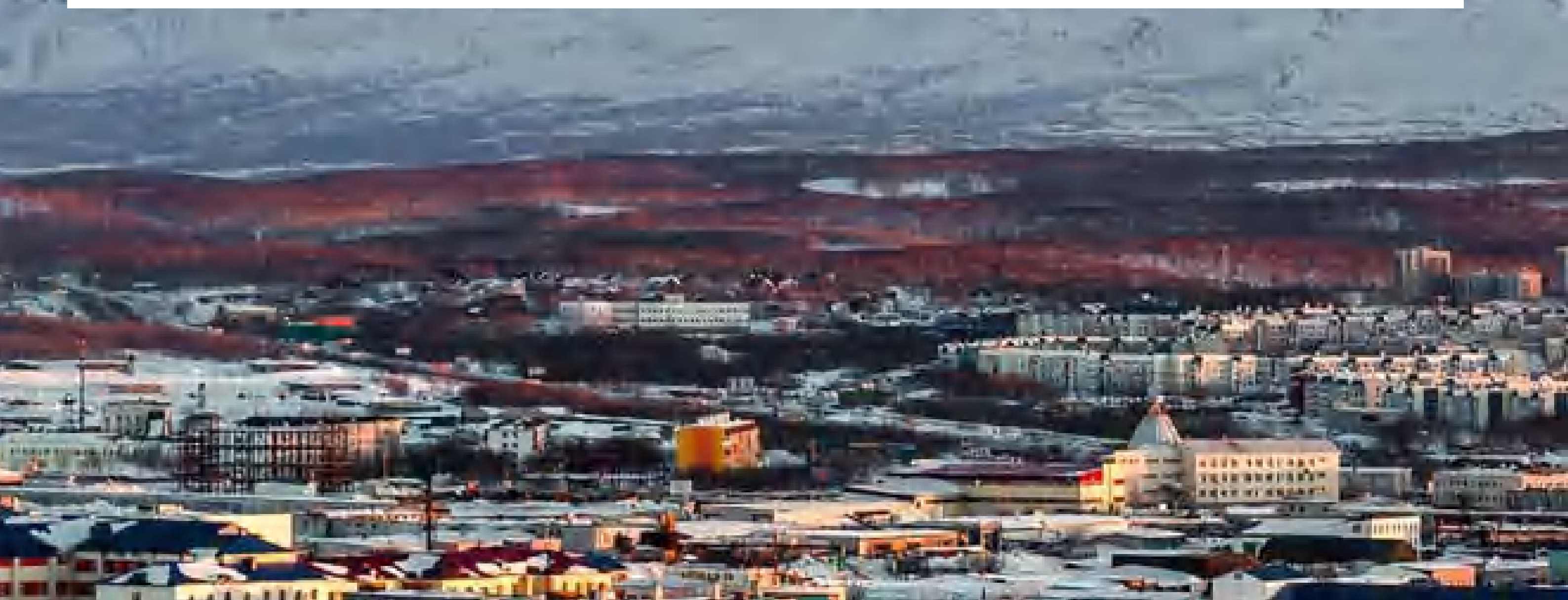
The total number of deals in 2017 fell by 10%, however, the total deal value increased by 18%. Overall average deal value increased from USD 62m in 2016 to USD 77m in 2017, reflecting a shift towards larger transactions. The quarterly average deal value of USD 102m in Q4 2017 was the highest in the last 10 years.

Although PE still only represents a moderate fraction of total activity, with 8% of the volume, it accounts for 13% of the value as a result of the highest average PE deal value (USD 128m) recorded in the last 10 years.

TOP DEALS

The combined value of the top 10 deals amounted to USD 3.88bn, representing around 52% of total mid-market M&A deals in the CEE & CIS region in Q4 2017. Russia and Poland were the most active target countries with four deals each in the top 10. The two largest deals in Q4 2017 were both Russian inbound deals in the Energy, Mining & Utilities sector, each with a deal value of USD 500m. The most active outbound bidder country was the United Kingdom with two deals, one in Poland and one in the Czech Republic.





KEY SECTORS

In 2017, the most active sectors were Industrials & Chemicals with 69 transactions, followed by Technology & Media with 46 transactions and Consumer with 41 deals. Together, these three sectors accounted for 55% of all deals in 2017. Industrials & Chemicals increased its share of overall deals by 3% to 24%. Despite significantly lower deal volumes, Industrials & Chemicals and TMT increased their volumes by 10 deals from 2016 (105 deals combined) to 2017 (115 deals combined). The deal activity in the Business Services sector decreased significantly from 52 deals in 2016 to 31 in 2017, however the sector is still ranked in fourth place. As has been the case in the last few quarters, the sector with the lowest volume of activity was Real Estate, with three deals in 2017 and only one deal in the last quarter. However, this one deal was the third largest of the 72 CEE & CIS deals that took place in Q4 with a value of USD 488m. Finally, an uptick in M&A activity was recorded in the Leisure sector, which saw a deal count of 19, representing 7% of total deal volume, which is the sector's highest share in the last four years.

LOOKING AHEAD

In 2017, a number of significant political events occurred, the impacts of which cannot yet be predicted. Uncertainty is set to continue and this could lead to risk aversion, which could negatively impact deal appetite. These political uncertainties notwithstanding, the key drivers of deal activity remain unchanged: high levels of corporate funds, a positive economic environment in the CEE & CIS region and Europe and low interest rate levels. These are all positive factors for M&A in 2018.

Overall, the CEE & CIS region continues to be a region of economic importance and is expected to remain attractive for foreign investors, with a high volume of deals. We continue to see large amounts of liquidity and private equity buyers are also more confident in their ability to do deals and are being aided by lenders eager to originate new loans and economic conditions that continue to improve. The BDO Heat Chart indicates that 699 mid-sized companies are seeking to be sold in the CEE & CIS region. M&A activity is primarily expected to come from Industrials & Chemicals (175), followed by the Consumer (125) and TMT sectors (104).

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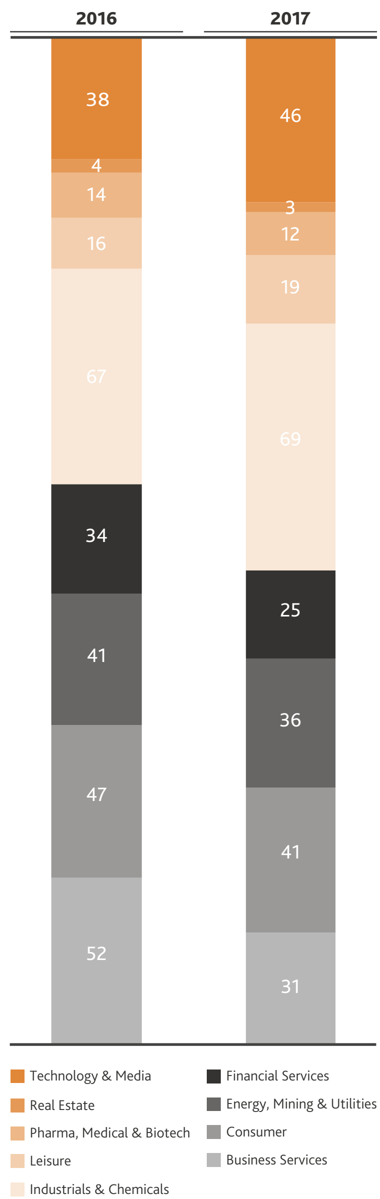
CEE & CIS
HEAT CHART BY SECTOR

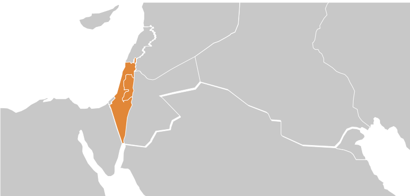
Industrials & Chemicals	175	25%
Consumer	125	18%
Technology & Media	104	15%
Business Services	85	12%
Energy, Mining & Utilities	66	9%
Financial Services	49	7%
Pharma, Medical & Biotech	40	6%
Leisure	36	5%
Real Estate	19	3%
TOTAL	**699**	**100%**

CEE & CIS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

VALUE OF ISRAELI M&A DEALS FALLS IN 2017



BIG PICTURE

- Q4 2017 M&A value recorded similar levels compared to previous quarter as volume dropped significantly (33%), from 18 deals in Q3 2017 to 12 deals
- Compared to Q4 2016, Q4 2017 deal volume was down 25% while deal value maintained similar levels
- TMT and Industrials & Chemicals were the most active sectors in 2017.

With 72 reported deals in Israel, M&A activity in 2017 was slightly weaker than in 2016 (75). Total deal value decreased by 15% from USD 6.15bn in 2016 to USD 5.21bn in 2017. However, PE registered an eight-year high with 24 deals and an accumulated value of USD 1.48bn.

Israeli M&A activity in 2017 cooled from the high levels of activity seen in 2016. Total deal value dropped by 15% and volume recorded similar levels with a slight decrease of 3% (75 to 72).

There were 12 transactions during Q4 2017, compared with 18 deals in Q3 2017, representing a fall of 33%, while total value grew slightly to USD 1.50bn from USD 1.45bn. The combined value of Q4's top 10 deals was USD 1.47bn, representing 97% of the Q4 2017 total.

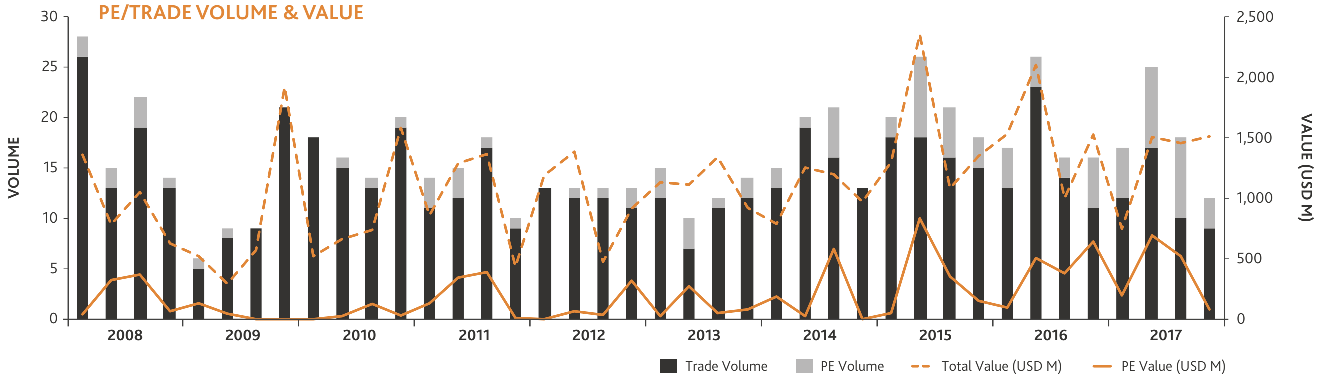
Private equity completed three deals in Q4 2017, which was two less than the corresponding period in 2016. PE formed a small proportion of total M&A activities for the quarter, representing 25% of the number of deals and 5% of the transaction value.

In Q4 2017, the average deal value (USD 125m) increased by 55% compared to Q3 2017 and by 31% in comparison with Q4 2016.

KEY DEALS AND SECTORS

Israel's top 10 Q4 2017 deals had a combined value of USD 1,472m, representing almost 97% of the total M&A transactions. The largest was the USD 450m acquisition of Argus Cyber Security by Continental Aktiengesellschaft. Argus Cyber Security addresses security issues in connected automobiles by providing comprehensive cyber security solutions. The second largest transaction was the USD 404m acquisition (75% stake) of the Union Bank of Israel (the country's sixth-largest bank) by Mizrahi Tefahot Bank

PE/TRADE VOLUME & VALUE



(the fourth largest bank). Other deals included the purchases of Enzymotec (81.26% Stake) by Frutarom Industries, the Waldorf Astoria Jerusalem, which was bought by Michel Ohayon and magicJack VocalTec, which was acquired by B. Riley Financial.

Q4 2017's cross-border inbound deals recorded relatively low levels compared to previous quarters, with only three transactions involving a foreign bidder, one from Germany (Continental Aktiengesellschaft, which acquired Argus Cyber Security), one from France (Michel Ohayon's acquisition of Waldorf Astoria Jerusalem) and one from the USA (B. Riley Financial, Inc.'s acquisition of magicJack VocalTec).

The most active sectors in 2017 reflected similar trends recorded in 2016. Technology & Media lead the way with 25 deals followed by Industrials & Chemicals with 17, Pharma, Medical & Biotech with 11, Consumer recorded six transactions, Leisure five transactions, Business Services and Energy, Mining & Utilities three each and finally Financial Services and Real Estate with one deal each.

PRIVATE EQUITY

Private equity activity was relatively sluggish in Q4 2017, representing a significantly lower share of total deals compared with Q3 2017 figures. Q4 2017 saw a downward trend in both value and volume compared to previous quarter and also in comparison to Q4 2016.

Private equity accounted for three transactions in Q4 2017 (25% of total deals), compared to eight deals in Q3 2017 and five recorded deals in the 2016's equivalent quarter.

In terms of value, Q4 2017 private equity deal value was USD 80m, down from USD 518m in Q3 2017 and from the USD 640m recorded in Q4 2016.

LOOKING AHEAD

The BDO Heat Chart for Israel shows 76 deals planned or in progress with TMT, Pharma, Medical & Biotech and Industrials & Chemicals leading the way, indicating a positive tailwind compared to the previous Heat Chart, which indicated only 67 deals.

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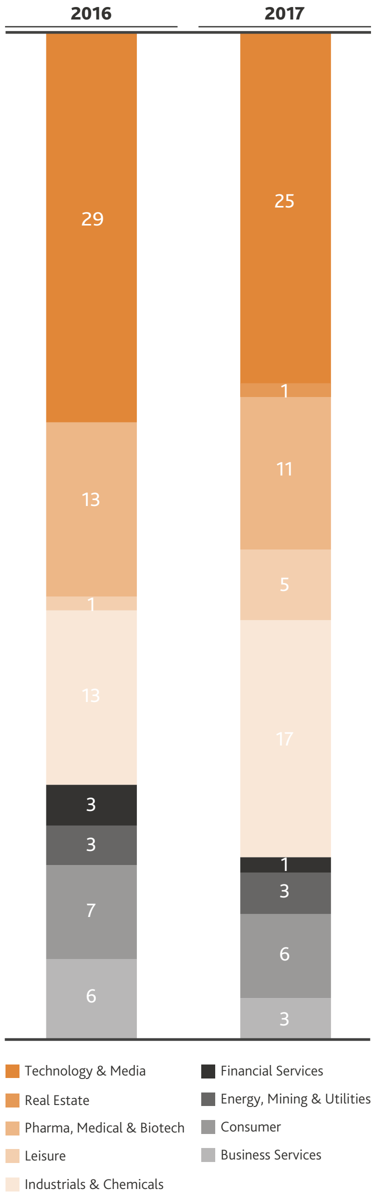
ISRAEL
HEAT CHART BY SECTOR

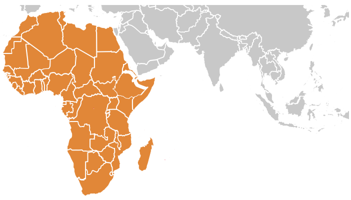
Technology & Media	28	37%
Pharma, Medical & Biotech	15	20%
Industrials & Chemicals	11	14%
Consumer	7	9%
Energy, Mining & Utilities	5	7%
Business Services	4	5%
Financial Services	4	5%
Leisure	2	3%
Real Estate		0%
TOTAL	**76**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR



AFRICA

REGION BOUNCES BACK TO RECORD STRONG FINAL QUARTER IN 2017



BIG PICTURE

- Deal volume and value recover in Q4
- Energy, Mining & Utilities and Industrials & Chemicals lead the way but biggest deal is in Consumer sector
- Sub-Saharan countries facing financial and environmental risks.

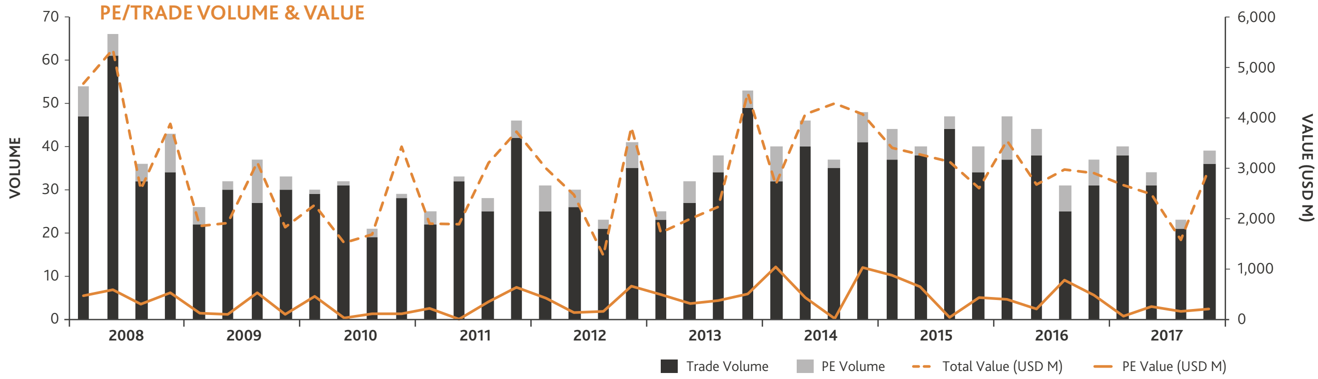
Q4 2017 saw a total of 39 mid-market deals completed in Africa with a total value of USD 2,986m. This represents an increase of 5% compared to the corresponding quarter last year in terms of volume and a 3% increase in terms of value. There were three PE buy-outs in Q4 2017, with a total value of USD 203m. Compared to Q3 2017, M&A activity has significantly increased with a 70% increase in volume and an 89% increase in value.

KEY DEALS AND SECTORS

The most active sectors in Q4 2017 were Energy, Mining & Utilities, Consumer and Industrials & Chemicals, compared to Q3 2017 where the majority of deals occurred in Energy, Mining & Utilities and Financial Services. The number of deals in Energy, Mining & Utilities increased from six in Q3 2017 to 15 in Q4 2017.

Two of the quarter's top three deals were in the Energy, Mining & Utilities sector. The biggest deal, however, was in the Consumer sector, where National Tobacco Enterprise (Ethiopia) S.C, a company owned by the Ethiopian government, sold its remaining 30.95% stake after disposing of 40% of its shares earlier in 2017. The bidder was the leading Japanese tobacco company, Japan Tobacco Inc (JTI). The deal value was USD 434m and JIT now holds 70% of the company's shares.

The second largest transaction took place in South Africa, namely the acquisition of a 29.6% stake by the main copper supplier in China, Baiyin Nonferrous Group Co. Ltd, in Gold One Group Limited. The selling company was the China Africa Development Fund and the deal was estimated at USD 331m.



Another major transaction in the Energy, Mining & Utilities sector was the acquisition of the Moab Khotsong and Great Noligwa mining operations from AngloGold Ashanti Limited, a global gold mining company with 21 operations on four continents. The bidder company was Harmony Gold Mining Company Limited, a South African gold mining and exploration company. The company is listed on the Johannesburg Stock Exchange (JSE) with a secondary listing on the NYSE. The value of the deal was USD 300m.

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LOOKING AHEAD

Sub-Saharan Africa (SSA) saw growth of 2.6% in 2017 compared to 2016, where growth stood at only 1.4%, the lowest growth rate for 22 years. According to the IMF, the growth in 2017 can be mainly attributed to one-off factors such as drought relief, commodity prices and external factors and its growth is anticipated to improve further to 3.4% in 2018.

Weak growth in commodity exporting countries was noted, mainly relating to the oil exporters. However, relatively higher growth was recorded in a number of countries with more diverse export bases such as Ethiopia, Tanzania, Kenya and East Africa.

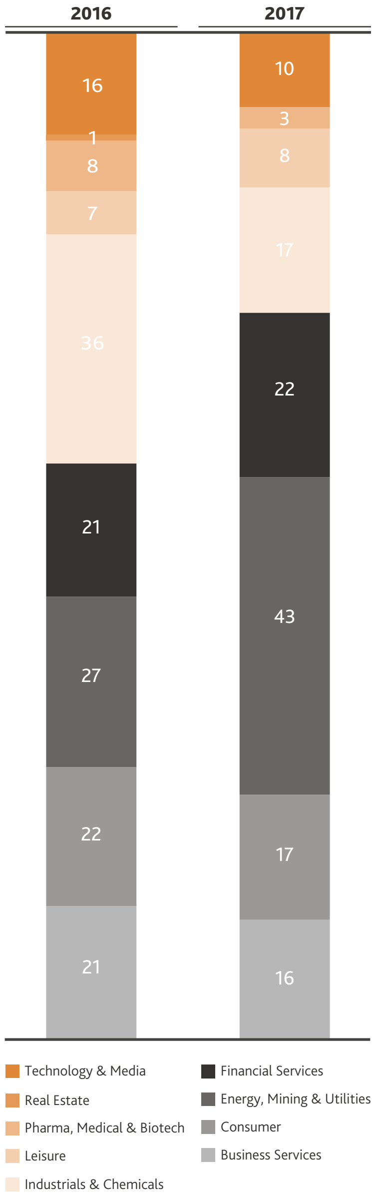
Sub-Saharan countries continue to be under pressure due to the increasing risk of financing stress as they approach the peak of maturing international debt in the early 2020s. Existing credit weaknesses mean Gabon, Ghana and Zambia are the most susceptible to risk of financing stress given the large Eurobond maturities falling due in the next decade. Furthermore, environmental risks remain one of the main concerns in SSA, particularly in countries whose economies rely mainly on the agricultural sector. In Zimbabwe, Mugabe's 37-year tenure has ended and expectations are high about its economic revival given the country's resources and prospects.

The BDO Heat Chart for Africa mid-market M&A Activity forecasts 125 deals in 2018. The predominant sectors are likely to be Energy, Mining & Utilities, with 29 deals, representing 23% of the total deals expected in 2018 and Industrial & Chemicals with 27 deals, representing 21% of the forecast deal volume.

AFRICA
HEAT CHART BY SECTOR

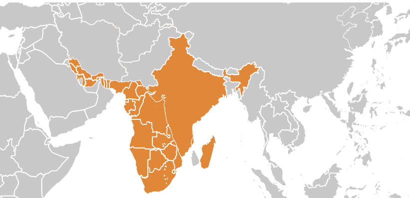
Energy, Mining & Utilities	29	23%
Industrials & Chemicals	27	22%
Business Services	14	11%
Financial Services	14	11%
Technology & Media	12	10%
Consumer	12	10%
Real Estate	9	7%
Pharma, Medical & Biotech	7	6%
Leisure	1	1%
TOTAL	**125**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

DEAL ACTIVITY 2017



BIG PICTURE

- The number of PE Deals in the year 2017 have decreased however in terms of overall deals value, it has increased by 36% from 2016.
- The new Bankruptcy Code allows attractive valuations for stressed assets.
- M&A Activity in India estimated to reach USD 50 Billion by 2018 due to government support and healthy investor activity.

India is on a growth fast track with a growing youth population and an emerging middle class that is driving consumption.

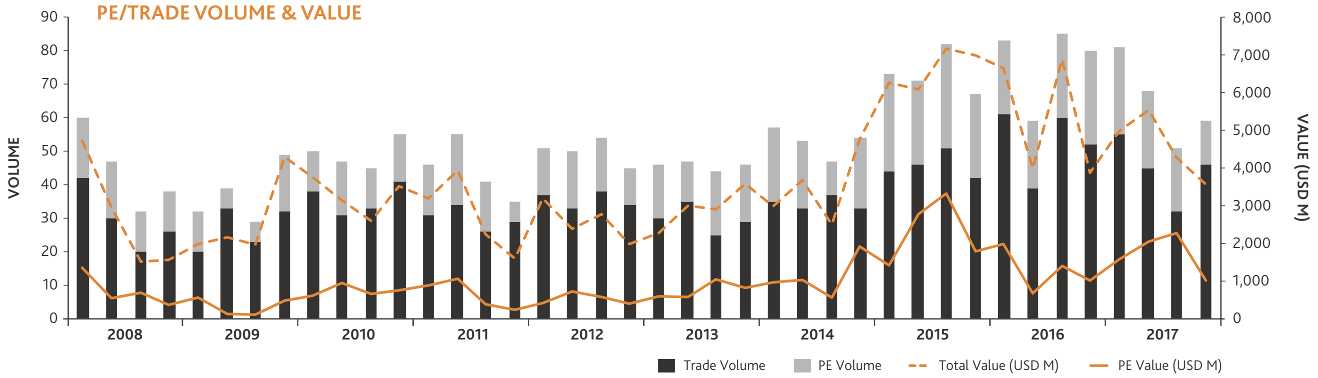
These factors combined with an upswing in demand for technological advancements, infrastructure development and upgrading, a welcoming regulatory policy framework and 'Make in India' impetus are driving sectoral growth. At the same time with the introduction of the new Bankruptcy code, stressed assets are available at attractive valuations.

As a result, M&A activity is expected to surge with ASSOCHAM Year Ahead Outlook (AYAO) putting the overall M&A activity estimate in India at USD 50 billion in 2018.

Despite the slowdown observed in early 2017 and the lingering effects from the demonetization policy, the outlook for India remains largely positive. The Indian economy is expected to grow at 7.2% in 2018 and accelerate to 7.4% in the forthcoming year following robust private consumption, public investment and structural reforms, according to a United Nations report.

India has continued to be a healthy deal-making market throughout 2017 and is expected to keep growing in the coming years. In the calendar year 2017, India witnessed USD 18billionn+ worth of M&A activity in the mid-market segment. However, compared to 2016 when the mid-market witnessed M&A worth USD 21bn+, the M&A transactions were lower in 2017 both in terms of volume & value.

This could partly be attributed to effects of demonetization, the initial phase of Goods & Services Tax implementation and rigorous implementation of the Insolvency and Bankruptcy Code 2016. This in turn had temporarily halted a lot of M&As due to happen in 2017. The total of mid-market deals in 2017 was were 259 as compared to 307 in 2016.



However, with the continuing impetus of the "Make in India" theme, growth in consumption and effective structural reforms, the Mid Market segment continues to see lots of activity. This is also driven by the Mid Market businesses' investment in technology, need for capital for growth, increasing domestic market penetration and seizing of overseas opportunities.

Trade deals accounted for 69% of the total deals whereas PE deals were at 31%. This is very similar to 2016. Though the number of PE deals in the mid-market reduced from 95 in 2016 to 81 in 2017, the PE deal value increased by 36% for 2017 to ~USD 6.9bn from ~USD 5bn in 2016.

Additionally, in Q4 of 2017, just 13 PE deals carried a value of USD 3.5bn. A stark contrast with the 28 deals at a value of USD 3.9bn in 2016.

I predict that the opportunities in the Mid-market segment in India will drive more cross border activity in 2018.

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KEY SECTORS AND DEALS

In 2017, Industrials & Chemicals contributed to 63 deals (23% of the total) followed by Consumer accounting for 20% and Financial Services 12%

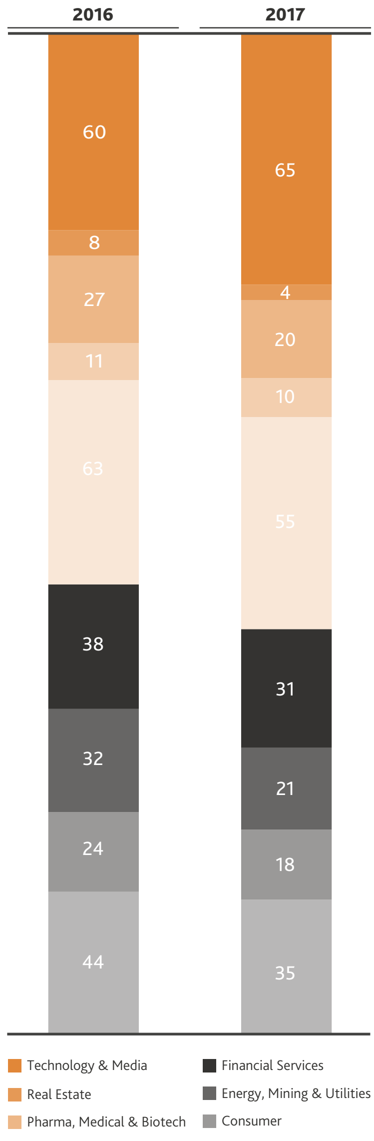
In conclusion, to highlight a few of the deals that made a large impact in the past year are:

- The Indian arm of Warburg Pincus announced that it would be acquiring upto 20% stake in Bharti Airtel which is one of India's largest telecom operator. The partnership is poised to reap returns since Airtel has been the outperformer in the telecom space post demonetization.
- The Retail sector witnessed traction through the Future Retail-Hypercity deal. Hypercity is a chain of high end grocery and merchandise outlets and also the listed arm of Shoppers Stop/ Rahejas.
- In the Industrials segment, JSW Group has taken a 49% stake in Brahmani River Pellets (BRPL) which makes iron ore pellets. BRPL is owned by Aryan Mining and Trading Corp Pvt Ltd, a joint venture between British mineral trading company Stemcor and Calcutta-based Saraf Group.
- In the consumer / food space, South Korean major Lotte Confectionery of made a foray into the Indian ice cream market by purchasing 100% of homegrown ice cream brand Havmor for a reported all-cash deal valued at USD 152mn.
- In the Ecommerce segment, Alibaba.com entered into a definitive agreement to acquire a stake in online grocer Supermarket Grocery Supplies Pvt. Ltd. (BigBasket.com). The deal is potentially to the tune of USD 300mn.

INDIA
HEAT CHART BY SECTOR

Industrials & Chemicals	63	23%
Consumer	57	20%
Financial Services	34	12%
Business Services	32	11%
Technology & Media	31	11%
Pharma, Medical & Biotech	27	10%
Energy, Mining & Utilities	25	9%
Leisure	7	3%
Real Estate	3	1%
TOTAL	**279**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

M&A ACTIVITY ENDS YEAR WITH STRONG QUARTER AND OUTBOUND INVESTMENT CAN DRIVE DEALS IN 2018

BIG PICTURE

- Total deal volume increased by 4% in Q4 2017 compared to Q4 2016. However, total deal volume for the full year of 2017 fell by 6% compared to 2016
- Outbound deals from Chinese companies are expected to increase in the longer run as the Chinese government encourages overseas expansion, particularly favouring advanced technology deals that can support China's One Belt One Road (OBOR) programme
- Industrial & Chemicals, Real Estate, Energy, Mining & Utilities, Business Services and TMT were the most popular sectors.

Total deal value in Q4 2017 increased by 16% to US 49bn, up from USD 42.5bn in Q4 2016. This is despite there being only a 4% increase in deal volume for the same period.

However, total deal value for the full year 2017 decreased by 7% compared to the full year 2016. The drop in deal volume was 6% over the same period. This reflected the restrictions placed on outbound deals as part of the Chinese government's attempts to control capital flows since 2016. Control was similarly tightened on foreign deals by acquisitive and highly indebted conglomerates in 2017. Increased scrutiny on outbound deals from overseas regulators also raised the deal execution risk for Chinese companies, which in turn resulted in less mega-deals in 2017.

The Chinese government will, however, continue to support acquisitions that are aligned with the OBOR initiative and the Made in China 2025 programme. The objectives of such acquisitions should include obtaining technological expertise and developing distribution networks beyond the domestic market.

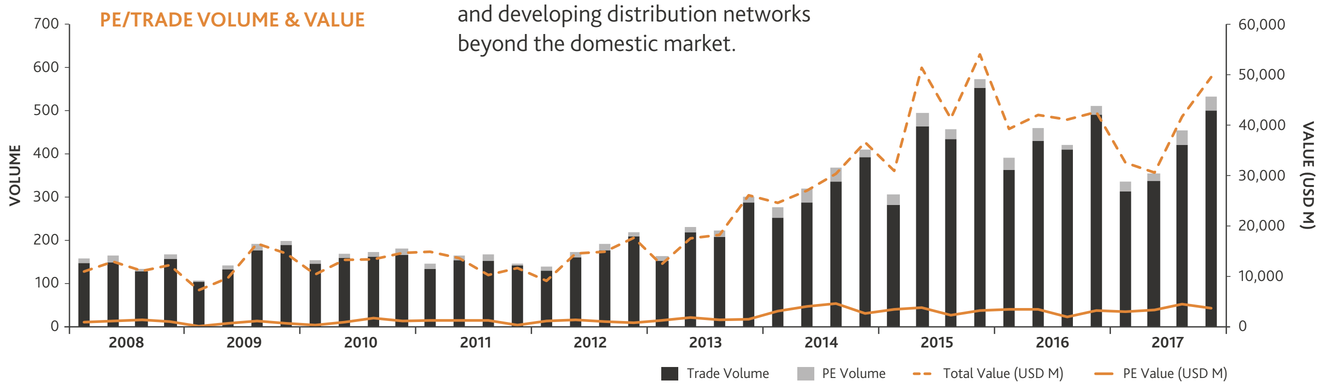
OBOR-DRIVEN

The OBOR is expected to be the driver of outbound investments this year. The Chinese government made several announcements during the 19th National Congress of the Communist Party of China in October 2017 to encourage outbound deals related to the OBOR programmes. Investments in industrial and manufacturing sectors in emerging economies around the world will be targeted in this respect.

In particular, existing free trade zones in China will be given more discretion to explore new initiatives, including the setting up of 'free trade harbours'. Chinese state-owned enterprises are expected to lead outbound investments in the OBOR countries to boost China's plan to connect with Asia, Europe, Middle East and Africa.

Whilst we expect deal activities in China to grow in 2018, non-strategic mega-deals will continue to remain subdued.

PE/TRADE VOLUME & VALUE



LIFTING BARRIERS OF ENTRY

China also announced a series of commitments in Q4 2017 aimed at establishing an economy with a higher level of openness. This included the implementation of the unified negative list system nationwide from 2018 to reduce ministerial approval requirements. China will further ease restrictions on foreign ownership of firms in the securities, banking and insurance industries. The key policies include:

1. Securities industry: the current cap on shareholding by a single foreign investor and by multiple foreign investors in aggregate in a securities company, mutual fund management firm or futures brokerage company will be raised from 49% to 51%;

2. Banking industry: the current cap on shareholding by a single foreign investor (i.e. 20%) and by multiple foreign investors in aggregate (i.e. 25%) in a domestic commercial bank or a financial asset management company will be removed; and

3. Insurance industry: the current cap on shareholding in a life insurance company by a single foreign investor or multiple foreign investors in aggregate will be extended to 51% in three years.

TOP DEALS

China's major mid-market deals in the fourth quarter of 2017 were primarily focused in the Industrials & Chemicals, Real Estate, Energy, Mining & Utilities, Business Services and TMT sectors. The top three major deals were:

- East Group Co., Ltd's investment in Ningbo Jiangbei Yize New Energy Technology Co., Ltd for USD 472m – announced in November 2017;
- Financial Street Chang'an Property Co., Ltd's 30% investment in Beijing Wuyi Real Estate Development Co., Ltd. for USD 469m – announced in December 2017; and
- Hainan Airlines Holding Co., Ltd's investment in a 37.62% stake in Chang'an Airlines for USD 465m – announced in October 2017.

LOOKING AHEAD

The latest BDO Heat Chart for Greater China indicates that there are a total of 1,070 deals planned or in progress. This represents a small 5% increase compared to the third quarter, with 304 (28%) related to Industrials & Chemicals and 199 (19%) related to TMT. Other key sectors include Business Services, Consumer and Financial Services.

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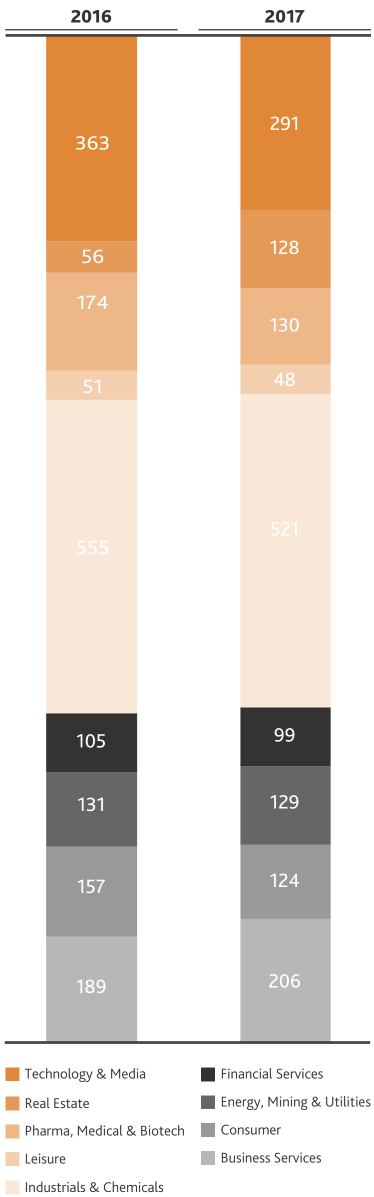
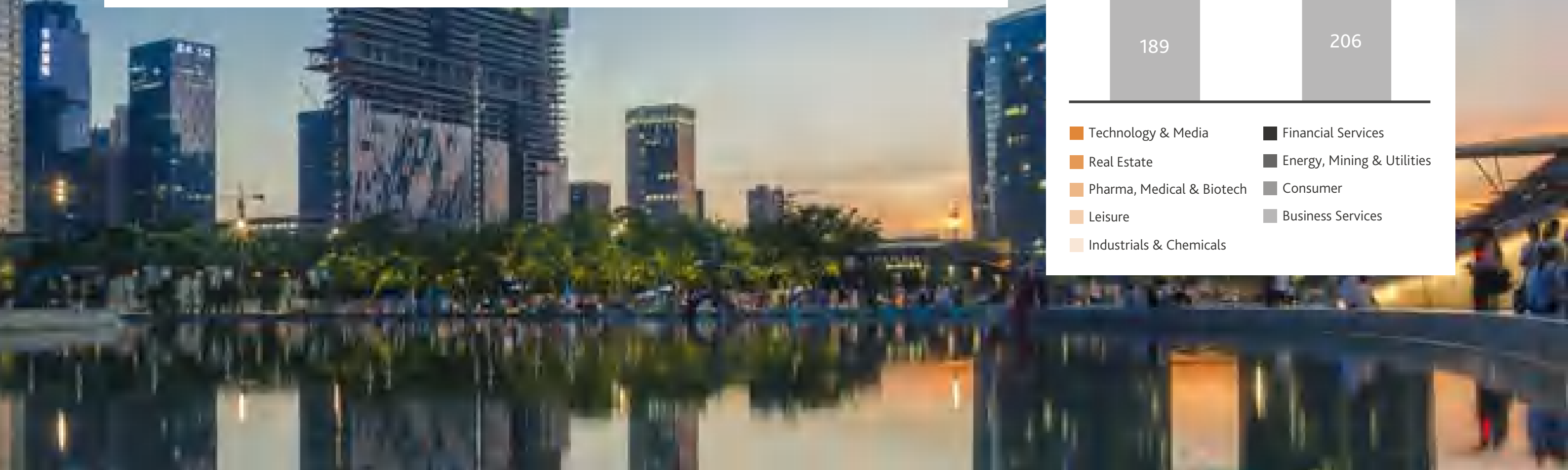
CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	304	28%
Technology & Media	199	19%
Business Services	139	13%
Consumer	117	11%
Financial Services	86	8%
Energy, Mining & Utilities	80	7%
Pharma, Medical & Biotech	62	6%
Leisure	44	4%
Real Estate	39	4%
TOTAL	**1,070**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR





JAPAN

DEAL ACTIVITY HOLDS FIRM AND PIPELINE LOOKS GOOD FOR 2018

BIG PICTURE

- Deal volume stays at the same level as Q3 2017
- Deal pipeline looks promising for Technology & Media, Pharma, Medical & Biotech and Consumer
- Industrials & Chemicals and Business Services account for approximately 50% of the top 10 deals.

Deal volume remained at approximately the same level as the previous quarter.

In terms of deal value in Q4 2017, it decreased from USD 5,260m to USD 4,155m, which represents a 21% decrease, largely due to the number of small-scale deals.

Looking at the make-up of the deals, there was a slight decrease in the volume of trade deals and a slight increase in the volume of PE deals.

KEY DEALS AND SECTORS

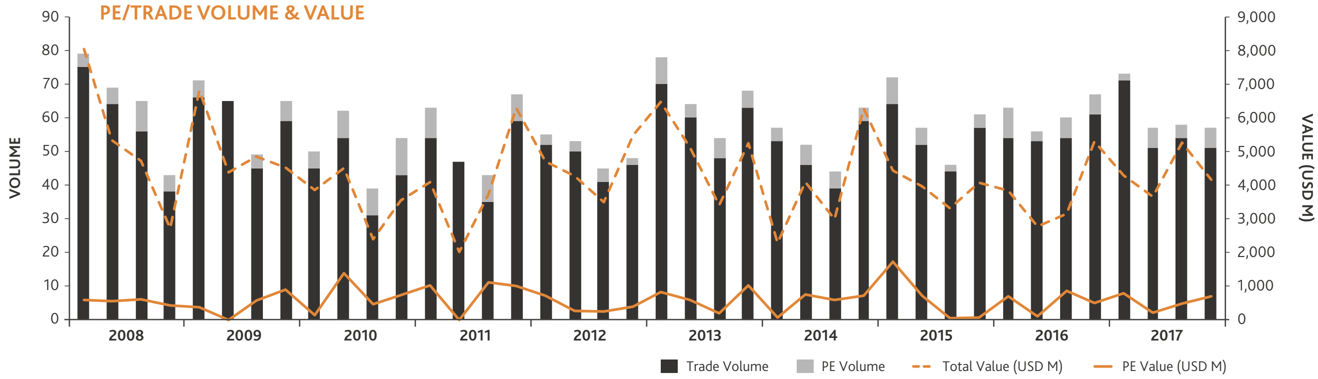
The top 10 deals in Q4 2017 included three deals in Industrials & Chemicals and two in Business Services.

These two sectors accounted for approximately 50% of the top 10 deals in Q4 2017. The mid-market volume by sector figures show that the top three sectors are Industrials & Chemicals, Technology & Media and Consumer.

TMT had a high number of transactions, but they were not large-scale deals.

With the Olympic Games on the horizon, there is a positive tone to the economy. Many sectors are likely to be positively impacted by the Olympics including Real Estate, (including construction) and Leisure. Japan's roads, bridges, railways and other infrastructure systems were

PE/TRADE VOLUME & VALUE



constructed during the mid-1950s-1960s and these facilities are in need of renewal and the Olympics will help Japan redevelop some of this infrastructure.

A number of sectors will potentially benefit from these infrastructure projects (Real Estate and Energy, Mining & Utilities) but currently there is little sign that the economic growth will result in more opportunities in mid-market M&A.

Looking elsewhere, Japan's Pharma, Medical & Biotech sector remains unpredictable. The sector faces the possibility of a yearly review of pharmaceutical prices from 2018 onwards and at this stage it's difficult to know what impacts these regulatory changes will have on the sector and its M&A opportunities.

LOOKING AHEAD

The BDO Heat Chart indicates that the TMT, Pharma, Medical & Biotech and Consumer will account for nearly 60% of the total deal volume. As these sectors are not directly related to the Tokyo 2020 Olympic Games or infrastructure reconstruction projects, it's feasible that Real Estate and Leisure may see increased M&A deal-making activity in the future. Finally, there is possibility that more M&A deals due to business succession issues will take place, due to small companies not currently having future successors in place as a result of Japan's falling birthrate and ageing population.

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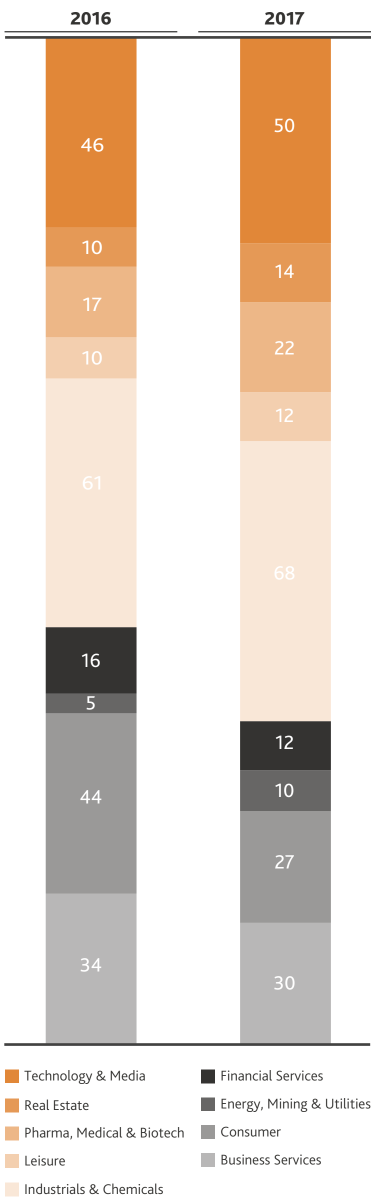
JAPAN
HEAT CHART BY SECTOR

Technology & Media	43	22%
Pharma, Medical & Biotech	42	21%
Consumer	34	17%
Industrials & Chemicals	32	16%
Business Services	30	15%
Financial Services	9	5%
Real Estate	4	2%
Energy, Mining & Utilities	2	1%
Leisure	2	1%
TOTAL	**198**	**100%**

JAPAN
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

A SOLID Q4 WITH DEAL NUMBERS UP AND A BIG RISE IN VALUES

BIG PICTURE

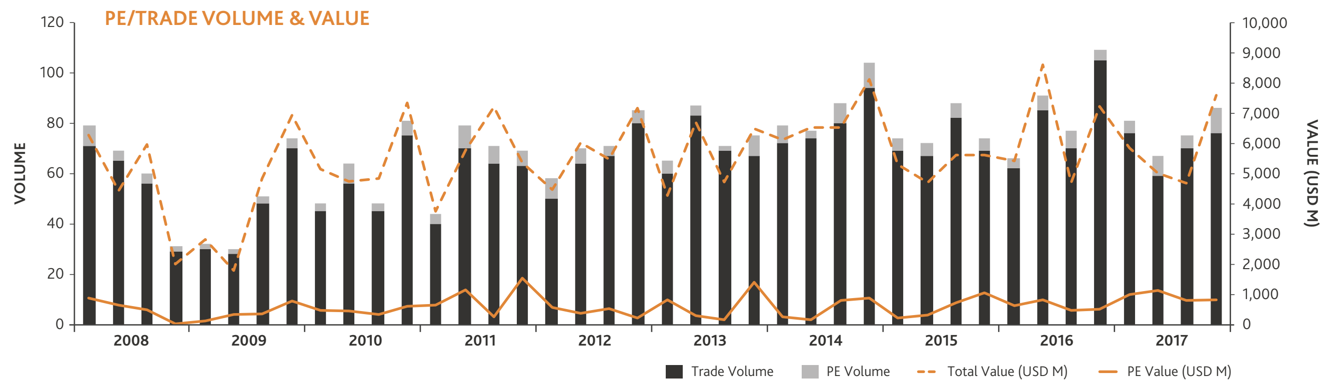
- Deal volumes and values up on previous quarter
- Industrials & Chemicals continues to lead the way
- Currency fluctuations mean region remains attractive for investors.

M&A volumes and values in South East Asia were higher in Q4 2017 compared with the previous quarter.

A total of 86 deals were transacted during the quarter, compared to 75 deals in Q3 2017, representing an increase of 14.7%, whilst total values increased significantly to USD 7.6bn from USD4.7bn in Q3 2017. The top ten deals amounted to USD 3.2bn, representing 42% of the total deals' value for Q4 2017. The private equity segment completed 10 deals in Q4 2017, six deals more than the corresponding period in 2016. PE formed a small proportion of the total M&A activities for the quarter, representing 6.7% of the number of deals and 11.6% of transaction value.

The most active sectors in Q4 2017 were Industrials & Chemicals, Business Services, Consumer and Financial Services, which together contributed 66% of the total deal numbers in Q4 2017. Industrials & Chemicals was the most active sector, contributing the highest number of completed deals with 18, followed by Business Services with 15 deals. Consumer and Financial Services contributed 12 deals each.

The top three deals took place in the Business Services and Real Estate sectors. The largest deals were the acquisition in Singapore of a 100% stake in Cogent Holdings Limited by COSCO Shipping International Singapore Company Limited for a consideration of USD 401m, followed by the acquisition of Cube Highways and Infrastructure Pte. Ltd. by Mitsubishi Corporation, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development and East Nippon Expressway Co., Ltd from International Finance Corporation and I Squared Capital at USD 390m.



LOOKING AHEAD

The main focus of M&A activities appears to be in the Industrial & Chemicals sector. This sector not only had the highest number of deals completed in Q4 2017 (18 deals) but also has the highest number of deals in the pipeline as at the end of Q4 2017 (77 deals). Meanwhile, M&A activities in Business Services achieved a total cumulative number of 47 deals, as of Q4 2017.

M&A activities in South East Asia remain dependent on the current economic challenges faced by the region, which includes the outlook on crude oil prices and the consequential fluctuation of currencies in the region. With South East Asia's currencies weakened against the US dollar, investors with predominant US dollar income or funding may continue to find assets and targets in the region attractive.

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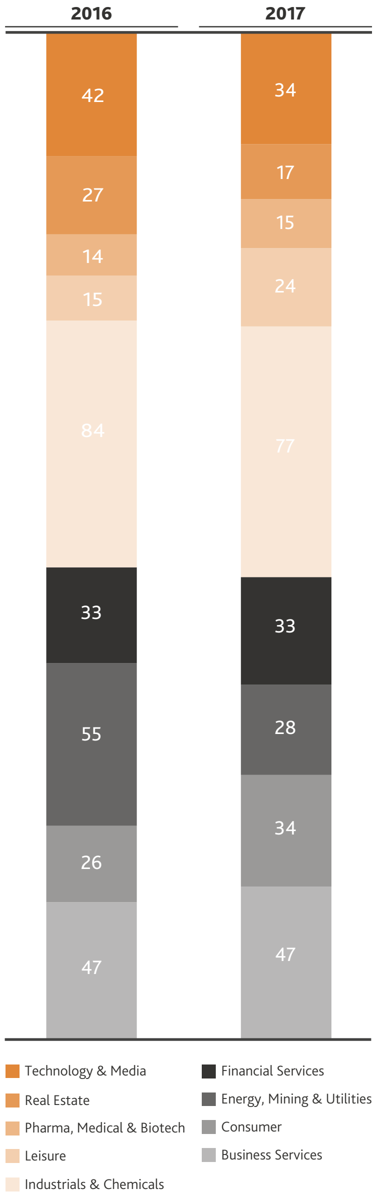
SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	100	20%
Technology & Media	84	17%
Business Services	73	15%
Consumer	62	12%
Energy, Mining & Utilities	53	11%
Financial Services	49	10%
Leisure	33	7%
Real Estate	24	5%
Pharma, Medical & Biotech	22	4%
TOTAL	**500**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

STRONG M&A ACTIVITY IN Q4 INDICATES POSITIVE MOMENTUM AND TAILWINDS FOR 2018

BIG PICTURE

- Total activity value fell 11% in 2017 relative to 2016, continuing the downward trend from a strong 2015
- Australasia remains high on the international trade players' shopping list, with seven out of the top 10 deals featuring foreign buyers
- PE activity is historically low with only 6% of value, compared to its three-year average of 16%.

With 106 deals with a total value of USD 6bn completed in Q4 2017, this represents a significant increase in the total value (USD 1.8bn) compared to Q3 2017. However, this performance was 20% down in deal value compared to the corresponding quarter in 2016.

Total deal volumes were up 5% for 2017 relative to 2016, with Q4 2017's deal volumes posting a 7% decrease on the corresponding period in 2016. The average transaction value for Q4 2017 was USD 59m, 14% lower than the same period in 2016, reflecting a drop in big-ticket deals.

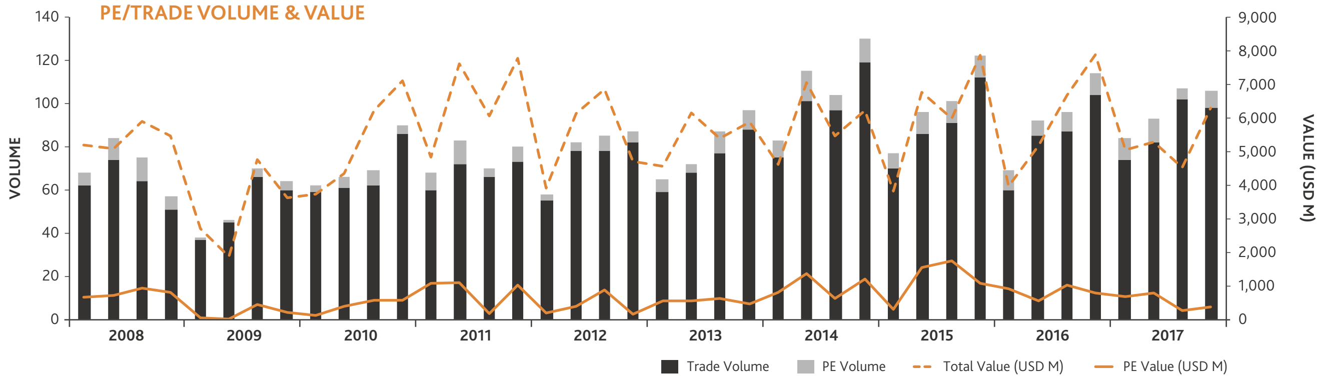
Mid-market PE transaction volumes accounted for 6% of deal activity in Q4 2017. The eight deals, which totalled USD 380m, represents a 60% rise in PE deal volume and a 45% rise in PE deal value from the prior quarter. The average mid-market PE deal was USD 48m in Q4 2017, a decrease of USD 5m from the prior quarter. Comparing Q4 2017 to Q4 2016, PE activity has stalled significantly with deal volumes down 20% and values down 40%. This drop-off in the PE sector activity indicates that PE firms are keeping their powder dry and are being trumped by trade players prepared to pay higher prices.

KEY DEALS

The largest deal in Q4 2017 was the acquisition of AWE by Mineral Resources for USD 437m. The strategic motivations for this deal included access to AWE Limited's lucrative Perth Basin gas assets and a continuation of Mineral Resources Limited's entry into the oil and gas sector. The second largest deal in the quarter was the 25% stake acquisition of Lend Lease Primelife Limited by Netherlands-based pension fund APG Group N.V. for USD 370m.

Other notable deals included the delisting of Trilogy International Limited by Hong Kong PE firm CITIC Capital Partners Limited. The NZ-based consumer beauty products manufacturer, Trilogy International Limited, was purchased for USD 173m. The move indicates an

PE/TRADE VOLUME & VALUE



appetite for PE firms to acquire smaller listed entities where they see value-added opportunities. Another transaction of note was the acquisition of Rawson Group Pty., Ltd. by Japanese corporate Daiwa House Industry Co., for USD 315m. International interest in Australasian companies remains high as foreign firms continue to view the region as a safe investment hub offering diversification benefits and attractive returns.

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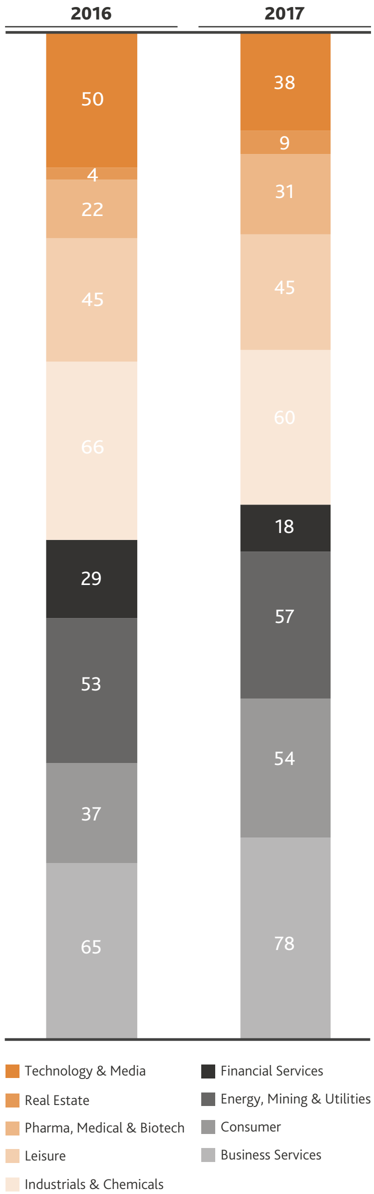
LOOKING AHEAD

We anticipate higher levels of M&A activity heading into 2018 with 487 deals under consideration, slightly up on the 483 deals in Q3 2017. Our analysis indicates that the Technology, Media & Telecommunications and Consumer sectors are expected to receive the most M&A activity with 96 and 84 deals in the pipeline respectively. They are closely followed by Industrials & Chemicals at 76 and as the top three sectors they are all up in terms of volume relative to the Q3 2017 outlook. Activity in the Financial Services and Leisure sectors is expected to heat up relative to Q3 2017, with the BDO Heat Chart indicating 45 and 26 deals in the pipeline respectively.

AUSTRALASIA
HEAT CHART BY SECTOR

Technology & Media	96	20%
Consumer	84	17%
Industrials & Chemicals	76	16%
Business Services	63	13%
Energy, Mining & Utilities	54	11%
Financial Services	45	9%
Pharma, Medical & Biotech	37	8%
Leisure	26	5%
Real Estate	6	1%
TOTAL	**487**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

FINANCIAL SERVICES

SECTOR M&A ACTIVITY HOLDS UP WELL IN 2017, HELPED BY ANOTHER STRONG YEAR FOR CHINA

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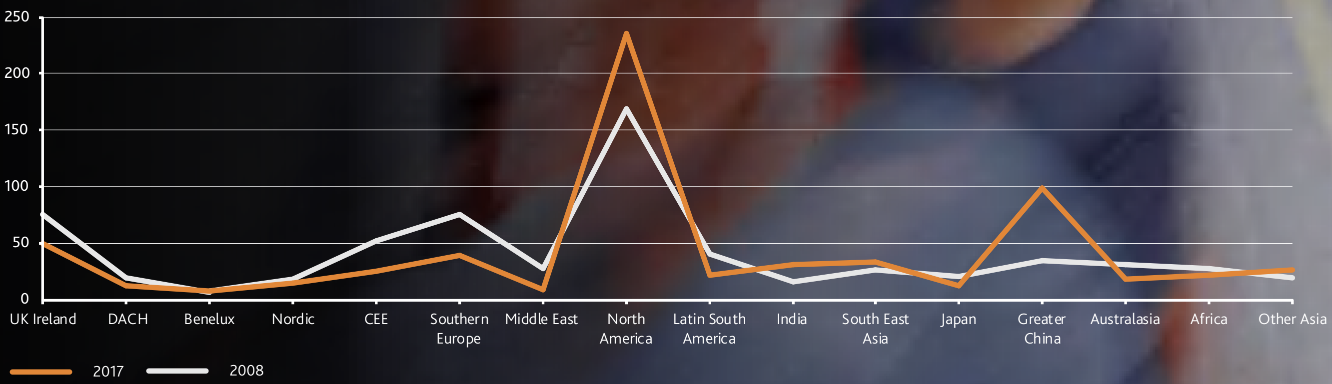
With a total of 657 transactions in 2017, global mid-market Financial Services (FS) M&A remained largely stable in 2017.

In previous editions of Horizons, we explained that Greater China deal volume doubled in 2015 compared to 2014 (to 111 from 53) and that we expected Chinese deal volume to remain at a high level in 2016. In fact, Chinese deal volume was 105 in 2016. Based on 2017 figures, total volume of 99 demonstrates the continued strength of the FS M&A mid-market in Greater China.

THE RISE OF CHINA AND THE US

There is no doubt that the importance of the Chinese market has risen over the last decade. Our chart compares FS M&A mid-market volume per country in 2008 and 2017. While the totals are almost equal – 658 in 2008 compared to 657 in 2017 – the transaction market in 2008 was significantly affected by the global financial market crisis. Therefore, one can argue that the numbers are not comparable. However, the illustration highlights the rise of the M&A transaction markets in North America (mainly in the US) as well as in Greater China. In contrast, the volume of nearly all European markets has declined.

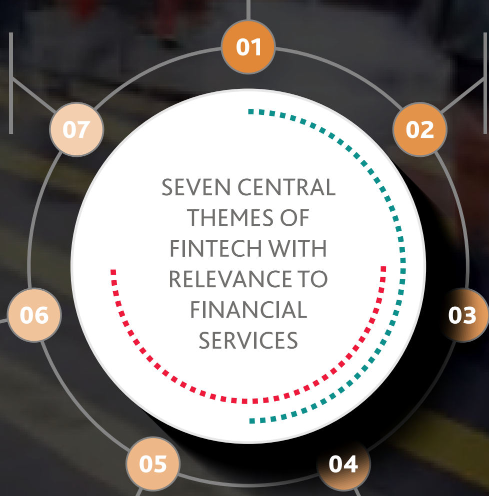
FS MID-MARKET TRANSACTION VOLUME



SPECIAL

FINTECH M&A

Fintech M&A deals can be used to add value to both incumbent financial institutions and Fintechs. BDO expects that Fintech M&A and investment deals will grow substantially over the next few years and has recently published a paper identifying seven central themes of Fintech with relevance to Financial Services.



NEW INFORMATION TECHNOLOGY

Aggregation and analysis of information is organised in a new manner, improving connectivity and reducing the marginal costs. Platforms and decentralised technologies play an integral role of such approaches.

ALGORITHMS SUPPORT AUTOMATION

Algorithms and computing power support highly automated activities which were previous performed manually. Such new level of automation allows cheaper, faster and more scalable financial products and services.

INCREASING VALUE OF DATA SETS

Data sets are of increasing value as they allow customers and markets to be better understood. Access to such data may lead to competitive advantages in the relevant market.

DIRECT ACCESS TO CUSTOMERS

Fintech innovations may streamline streamline or even eliminate traditional intermediary functions and hence change indsutry structure, with customers potentially benefiting from lower prices or higher returns.

CUSTOMER EMPOWERMENT

Fintech innovations provide access to previously restricted assets and services. Higher visibility into services and control over choices empower customers.

NEW SPECIALISED COMPETITORS

Highly targeted financial products and services are offered by new market entrants, leading to increased competition, significant regulatory uncertainty and potentially to regulatory arbitrage.

CHALLENGE FOR INCUMBENTS

Fintech innovations carry the potential to challenge the business model of traditional financial services providers. Decentralised systems, such as the blockchain protocol, threaten the processes of incumbents

Trend Digitalisation
Trend Customisation

DOWNLOAD: 'FINTECH M&A: UNLOCKING THE BENEFITS OF DISRUPTIVE TECHNOLOGY'

REAL ESTATE

'RED-HOT' CHINESE REAL ESTATE INDUSTRY DRIVES GLOBAL GROWTH

Recent HORIZONS articles have examined the increasing trend of Asian real estate dominating M&A activity in the sector.

Driving the growth in Asia is the 'red-hot' Chinese real estate industry. As a result of restrictive policies being put in place by the Chinese government, a number of large Chinese real estate companies have taken the decision to expand through increased M&A activity.

Q4 2017 saw the most quarterly transactions recorded in the last four years, with c65% of these Q4 transactions (and 52% of the sector's global activity in 2017) originating from the Chinese market. The 'Belt and Road' initiative is only likely to support increased investment going forward which may help drive even larger increases in 2018.

The traditional real estate hubs such as Europe, North America and Australasia saw relatively stable M&A activity during 2017. This may be a reflection of geopolitical uncertainty and maturity in these markets causing a plateau.

However, it is clear that Asia and more specifically China, is propping up global activity. Other major jurisdictions have seen stable activity across the four-year period. Asian activity, however, doubled its levels from 2014, primarily relating to China, which represented 52% of global transactions in 2017. The next largest jurisdiction (South East Asia) saw a decrease in real estate M&A activity in 2017, compared to 2014-2017.

The explosion of Chinese real estate M&A activity was the main story of 2017, with a peak in Q4 2017. Consolidation within the industry has been one of the main drivers behind this increased activity, with other drivers including increased sales of minority shareholdings by some corporations.

Europe has consistently been the second most active continent since 2014, although activity has begun to slow down in the last few years. Some of this may be down to the impact of political elections in France and Germany, although it's noticeable that there has been increased activity in UK & Ireland in 2017, following the quieter 2016 Brexit year. With further macro instability predicted for Europe in 2018, it will be interesting to see how this impacts real estate M&A.

North American activity continued its plateau in 2017, which may represent a hangover from the global Financial Crisis, sluggishness or the political uncertainty which currently surrounds US politics.

In Australasia, it was a steady 2017 for M&A activity in the sector, in line with previous years. Despite a stable 2017, we expect to see a livelier 2018 for Australasian real estate M&A, especially with the recent trend of large foreign real estate companies investing in Australian REITs.

Other regions such as the Middle East, South America and Africa, had relatively little M&A real estate activity in 2017.

Overall, 2017 was a year dominated by China for real estate M&A. With all the signs suggesting that this will continue in the future, what may be more interesting is whether the other countries can increase their levels of activity in 2018 to match the Chinese surge.

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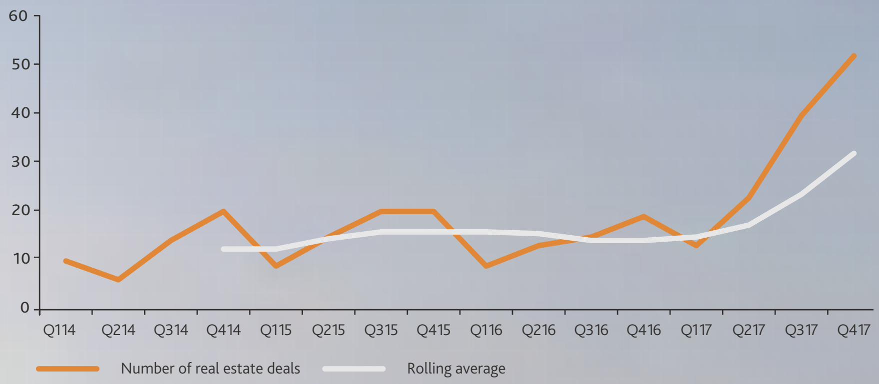
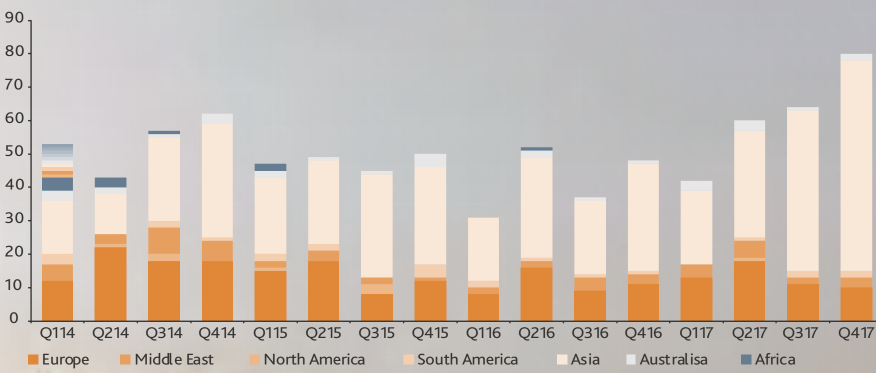
CHINESE REAL ESTATE M&A ACTIVITY



DEAL ACTIVITY BY CONTINENT



	2014	%	2015	%	2016	%	2017	%	Total	%
China	50	24.4	64	33.5	56	33.3	128	52.0	298	36.8
South East Asia	28	13.7	27	14.1	27	16.1	17	6.9	99	12.2
Other	9	4.4	17	8.9	20	11.9	20	8.1	66	8.1
Asia	87	42.4	108	56.5	103	61.3	165	67.1	463	57.2
Southern	19	9.3	12	6.3	12	7.1	18	7.3	61	7.5
UK & Ireland	15	7.3	16	8.4	6	3.6	16	6.5	53	6.5
DACH	11	5.4	12	6.3	7	4.2	4	1.6	34	4.2
Other	25	12.2	13	6.8	19	11.3	14	5.7	71	8.8
Europe	70	34.1	53	27.7	44	26.2	52	21.1	219	27
North America	22	10.7	8	4.2	11	6.5	14	5.7	55	6.8
Australasia	9	4.4	8	4.2	4	2.4	9	3.7	30	3.7
South America	6	2.9	8	4.2	5	3.0	5	2.0	24	3.0
Africa	8	3.9	2	1.0	1	0.6	-	0.0	11	1.4
Middle East	3	1.5	4	2.1	-	0.0	1	0.4	8	1.0
Total	**205**	100.00	**191**	100.0	**168**	100.0	**246**	100.0	**810**	100.0

2017 saw the highest number of real estate transactions for four years, with a ramp-up across the year culminating in the busiest quarter (Q4) in the last four years.

NOTABLE DEALS

A number of prominent real estate deals occurred within Q4 17:

EUROPE

- Blackstone Group LP invested in Taliesin Property Fund Limited (USD 454m).
- Vestigo Capital Advisors, a UK company, invested in the German real estate company Accentro Real Estate AG (USD410m).

ASIA

- BTS Group Holdings PCL, a Thai company, sold its stake in Unicorn Enterprise to U City Plc (another Thai company), for USD 389m.
- Don Quijote Holdings Co. Ltd purchased a 33.8% stake in Japan Asset Marketing Co. Ltd for USD 360m.
- China Wuyi Co. Ltd, a Chinese company, sold its 30% stake in Beijing Wuyi Real Estate Development Co Ltd to Financial Street Chang'an Property Co. Ltd for USD 469m.
- Ying Li International Real Estate Limited, a Chinese company, sold Shiny Profit Enterprises Limited to the China Evergande Group for USD 419m.

AUSTRALASIA

- Lend Lease Group sold a 25% stake in Lend Lease Primelife Limited to APG Group N.V. (a Netherlands company) for USD 370m.
- Cromwell Group sold a 9.9% stake in Investa Office Fund to Investa Property Group Holdings Limited for USD 217m.

FOCUS ON

IRELAND'S AGRI-FOOD AND BEVERAGE SECTOR

SECTOR SEES BUOYANT M&A ACTIVITY DESPITE BREXIT UNCERTAINTY

The agri-food and beverage sector is Ireland's most important indigenous industry and has seen a surge in export growth in recent years. 2017 has been another mega year for food and drink exports which rose to a record USD15.1 billion in value terms, a 13% increase from 2016 and the eighth year of consecutive growth.

As expected, the dairy and meat sectors have been substantial contributors to the overall growth, but the scaling up and internationalization of prepared/consumer foods and more recently drink companies is a significant development.

It is well known that Ireland is hugely dependant on the UK market for exports. The UK remains a key export destination and accounted for 35% of exports in 2017, which equates to nearly USD 5.4 billion in value. This is down from 43% in 2015 and 37% in 2016. Ireland's unique reliance on the UK market is in marked contrast to fellow member states within the EU. In addition, some sectors such as Ireland's beef industry exports in excess of 50% of its output to the UK and the potential introduction of tariffs and/or quotas when the UK separates from the EU could be devastating for the industry.

However, improved market reach has been evident over the past 12 months or so, as a greater proportion of Ireland's exports have gone to other European countries and international markets. The initial depreciation and ongoing volatility of sterling post the Brexit vote in June 2016 and an increasingly competitive UK market environment for Irish products has forced businesses to look beyond the UK. According to the latest Bord Bia export performance and prospectus report (an Irish state agency responsible for promoting sales of food internationally and in Ireland), Irish food and drink exports to international market increased by 17%. This was driven by increased exports of dairy, prepared foods and drink to the United States, Middle East, Asia and Africa. The United States is now Ireland's second largest export market with circa. USD 1.2 bn in sales, followed by China.

The Irish beverage industry continues to thrive, now exporting drinks to 139 markets. There has been growing international demand for premium Irish whiskey (on the back of the ongoing emergence of new distilleries), craft beer and other liquor products, particularly in North America and throughout Asia.

Agritech is another area which has shown potential with number of emerging companies in this space. Finistere Ventures from the US and ISIF, an Irish sovereign development fund have partnered up, launching a USD 24m investment fund to help agritech companies maximise their potential and exploit growth opportunities in international markets.

FUTURE PROSPECTS

There is no doubt Brexit initially had a slowing effect on M&A transactions as companies adopted a cautious "wait and see" approach to events. However, despite the ongoing Brexit cloud, the Irish agri-food and beverage sector experienced a significant uplift of M&A activity over the last 12 months, with a significant proportion of these deals being cross-border.

This has been driven in part by the need for market consolidation in certain industries and by others seeking to diversify and develop an international footprint, looking for new customers and markets.

Furthermore, there are more funding options available than any time in the recent past. There is a large pool of uninvested growth capital finance available from equity providers, both locally and internationally, to support ambitious Irish food companies that can demonstrate growth potential in global markets.

In terms of notable deals, there were a significant number of transactions in the protein processing sector. ABP, one of Europe's leading privately owned beef processors, made acquisitions in Poland and the UK.

Another major player in the Irish meat space, Dawn Meats, acquired Dunbia's beef and lamb processing division in Ireland and entered into a strategic partnership with Dunbia to service the UK market as well. Capvest purchased a leading player in the pork sector, Karo Group, who have operations in Northern Ireland and the UK. 2017 also saw the sale of Irish-based chicken processors Moypark to Pilgrim Pride for USD 1bn and Carton Group to Scandi Standard AB, a Swedish-listed business. There is no doubt that some of the aforementioned deals are seeking to mitigate in part, any post-Brexit impacts.

In the food service, prepared/consumer foods area, Mayfair Equity Partners in the UK acquired a majority stake in Promise Gluten Free, a bakery business based in Donegal, for a reported USD 120m. At the back end of the year Musgrave, a leading retail/food distribution group, announced the acquisition of La Rousse Foods and Lily O'Brien's, the Irish manufacturer of premium chocolate and desserts, agreed to be acquired by Colian Holding SA, listed on the Warsaw Stock Exchange. Kerry Group, Total Produce, Glanbia plc and Valeo Foods were all involved in a number of deals throughout the US, UK and Europe.

The drinks industry saw significant investment by private equity and family office funds alike, along with international trade players. Renegade Waterford Distillery raised USD 24m investment, Teelings

Whiskey received investment from Bacardi and Spanish drinks group Hijos de Rivera acquired a minority stake in well-known Irish craft beer brand O'Hara, owned by Carlow Brewing company.

OUTLOOK

We expect M&A activity to be buoyant again in 2018 with a significant portion of cross-border deals. Despite the ongoing challenges faced by certain sub-sectors of the Irish food industry, there is a growing level of confidence amongst Irish companies to scale and diversify beyond the traditional UK market, which they are increasingly doing through M&A activity. Furthermore, Irish food and drink companies will continue to be attractive targets for both UK and international suitors as they seek to maintain free access to EU markets.

There is no doubt the uncertainty of Brexit will disrupt M&A transactions. However, it will also create new opportunities for those seeking to adapt.

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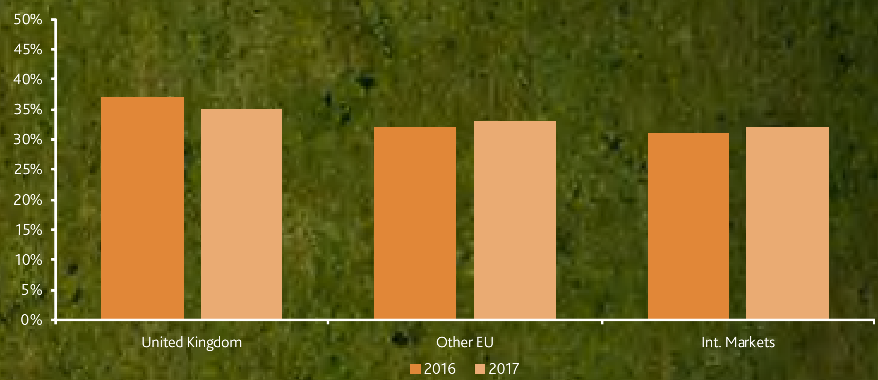
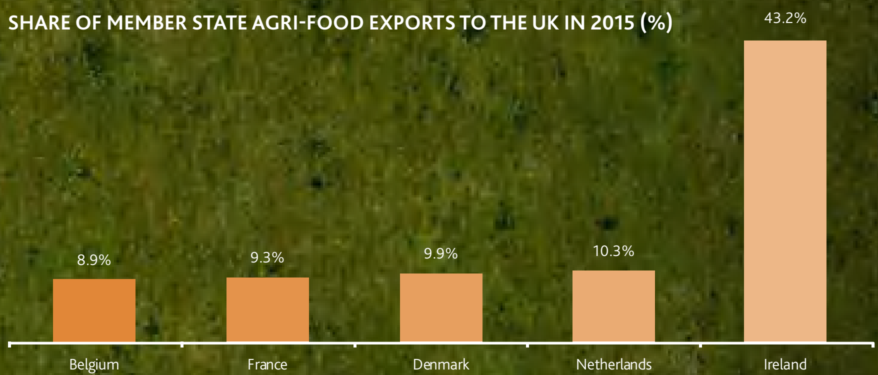
MARKET DISTRIBUTION OF IRISH FOOD AND DRINK EXPORTS (%)



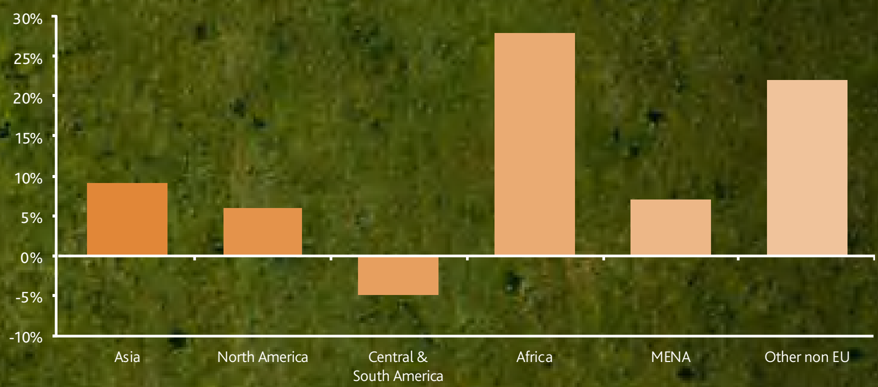
Source: Bord Bia export performance and prospectus report 2017- 18

SHARE OF MEMBER STATE AGRI-FOOD EXPORTS TO THE UK IN 2015 (%)



Source: Eurostat

CHANGE IN INTERNATIONAL EXPORTS BY REGION 2016 VS. 2017 (%)



Source: Bord Bia export performance and prospectus report 2017- 18

FOR MORE INFORMATION:

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Data compiled by Acuris.

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

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