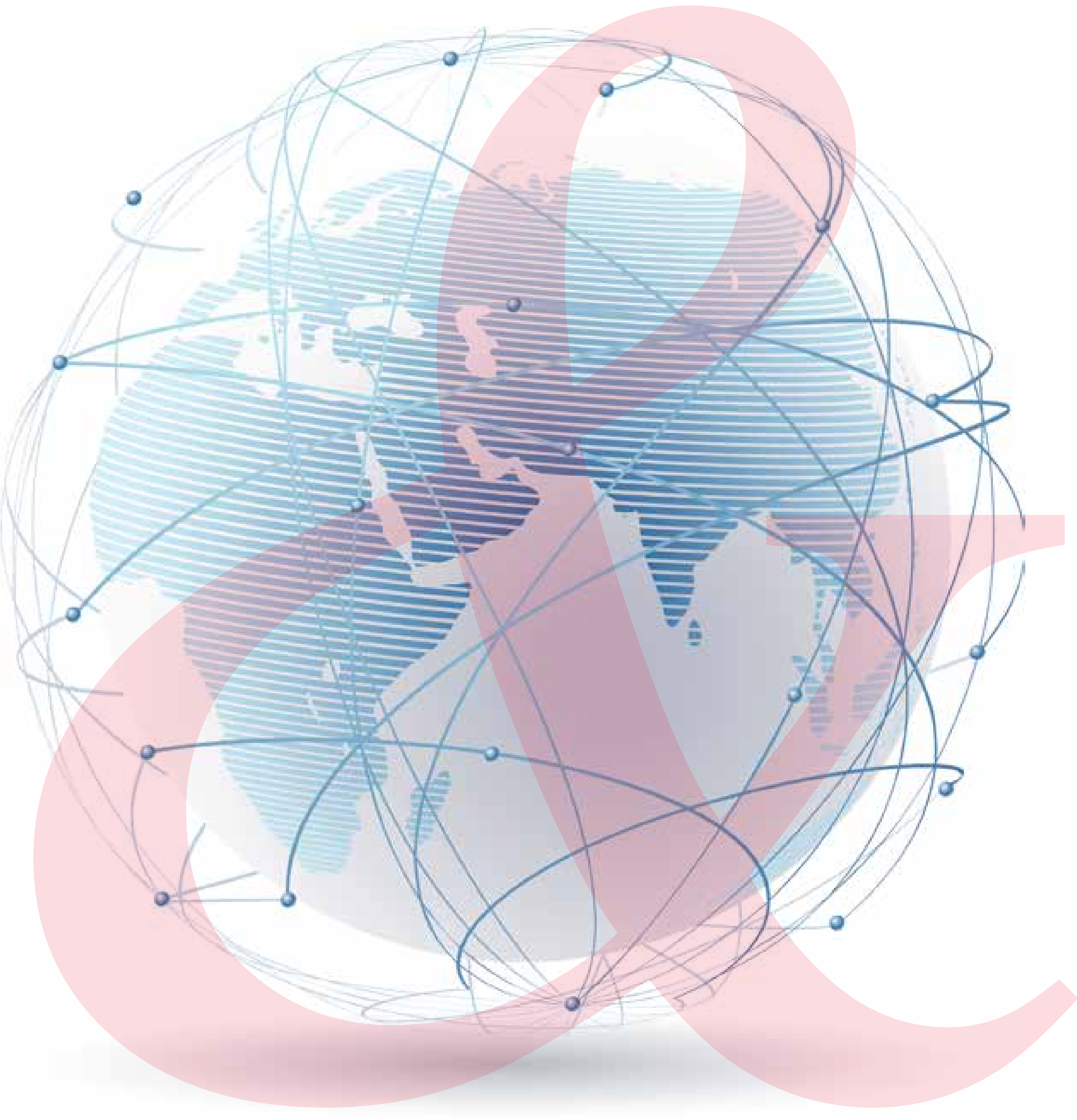
MERGERS & ACQUISITIONS

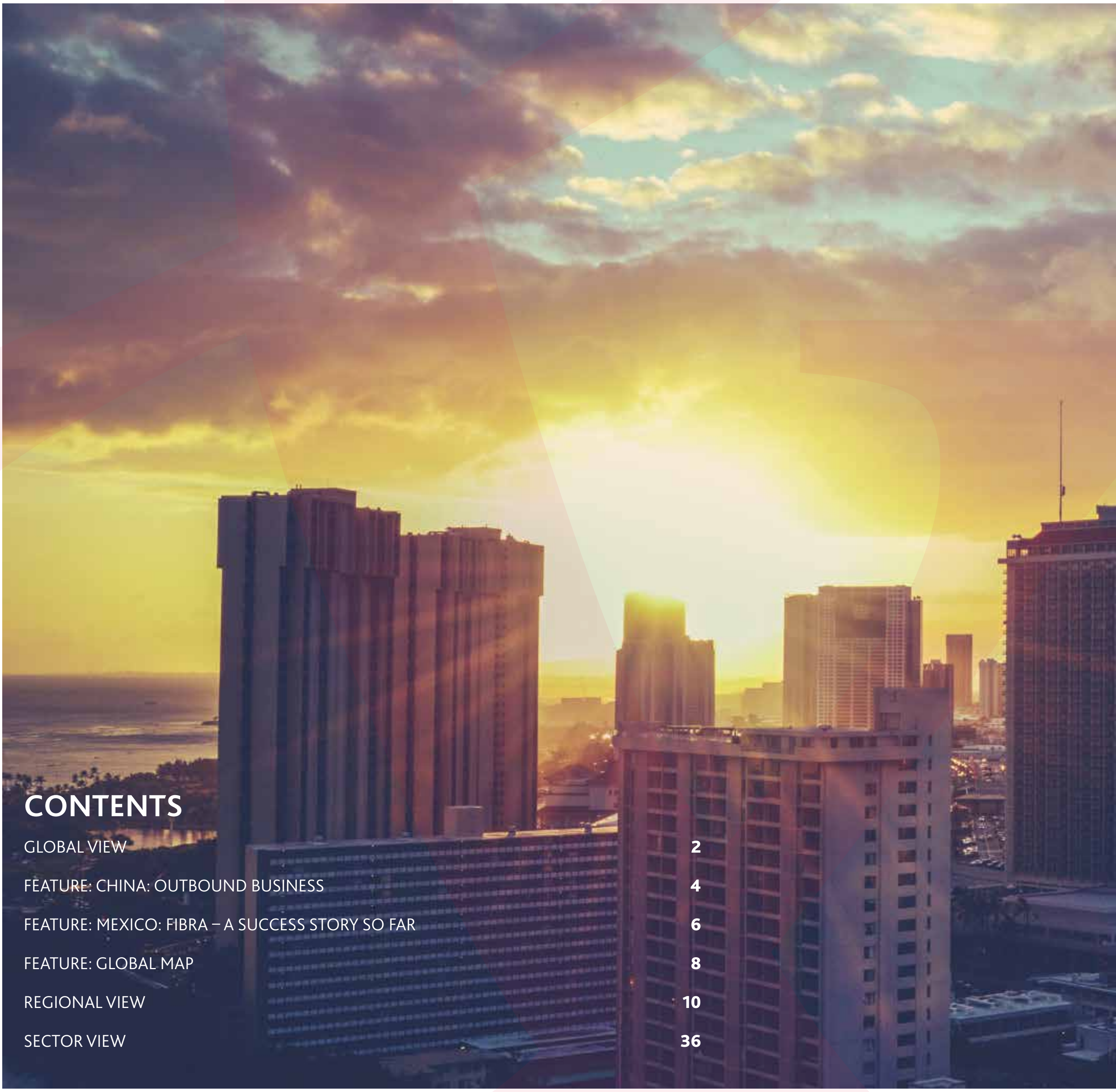


ISSUE 4: Q4 2014

HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

BDO



CONTENTS

WELCOME

MAREK FRANKE
Global Head, M&A
marek.franke@bdo.ch

BDO is delighted to provide you with the fourth edition of Horizons, our quarterly report, examining Mid-Market M&A activity (with features on China and Mexico) across 13 major regions and selected sectors globally.

We start the report by examining the global development of M&A deal activity and providing a comparison between each region. Then, we look at the highlights of the M&A market over the course of the Quarter, before – with the aid of the BDO Heat Chart - trying to predict the key developments and themes that are likely to characterise M&A activity in 2015.

We conclude the report with a look at year-end predictions and forecasts of sector activity through our Heat Chart, which evaluates the most active sectors for company transactions.

We hope that Horizons will give you some of the context necessary to understand the current M&A market and to help you make valuable decisions in what is a complex and fast-moving environment.

INSIGHTS FROM A LEADING M&A ADVISER

To get a deeper understanding of what is actually going on and what the future will look like, our review fundamentally follows two perspectives that ultimately conjoin. While the first viewpoint divides the M&A mid-market into the regions North America, Latin America, United Kingdom & Ireland, Southern Europe, Benelux, DACH, Nordics, CEE & CIS, India, China, South East Asia, Japan, Australasia, the second perspective considers super-regional specificities based on sectors classified into Energy, Mining and Utilities, Leisure - Bars & Restaurants, Industrials & Chemicals and Consumer.

Particular highlights in our review are the Heat Charts and future prospects described below:

- **Heat charts:** For each of the regions we report on, we provide a Heat Chart. The Heat Charts of predicted deal flows is based on the intelligence collected in the mergermarket database relating to companies rumoured to be up for sale, or officially up for sale
- **Looking ahead:** Every article presents trends and forecasts for the quarter. We do hope that this review helps you in your day-to-day M&A life.

GLOBAL VIEW

MAREK FRANKE
Global Head, M&A
marek.franke@bdo.ch

COMPARING THE NOW AND THEN

The third Quarter of 2014 saw transaction values exceed USD 171.1bn across a total of 1,804 transactions. The third Quarter was the strongest Q3 since 2007. However, deal volumes fell by 8% and the value of deals value by 7% compared to Q2-14.

One aspect of the M&A market over Q3 was the high level of activity seen in the Business Services sector. And in terms of market segmentation, our analysis confirms that there has been a shift towards bigger deals.

There are a number of indicators that 2014 will close out a great year for M&A deal activity. By comparing the first three Quarters of 2013 and the same period in 2014, an improvement in volume as well as in value is clear, with activity in the first nine months in 2014 equaling 90% of the total set in 2013.

Given that the pattern of a strong year-end is a natural phenomenon of M&A activity, we are looking forward to further market improvements in the next three months, which we anticipate will reach the highest level of deal flow since 2007.

While overall deal activity has been very strong, a close examination of the statistics reveals that the Private Equity market has proven slightly disappointing, with the number of deals falling by 20% against the Q2 figures, whereas the volume of trade deals decreased only by 7%.

Looking at the combined value of Private Equity, deals value lost 10% compared with Q2, however it improved by 40% over the Q3-13 figures. Furthermore, if we collate the first three quarters of 2013 and 2014 the Private Equity deals improved, with the number of deals increasing by nearly 14% and the deal value by 39%.

COMPARING HERE AND THERE

If we take a look at M&A mid-market activity, we see that some sectors and regions enjoyed a very good Q3. Deal activity rose almost in every region compared to Q3-13.

Here is a snapshot of some of the highs and lows. China had a strong third Quarter with transaction volumes rising to 355 deals in Q3, representing a growth rate of 58% compared with Q3-13. Also the value of deals climbed to USD 30.2bn, an increase of 65% over the previous year, making China the second biggest market after North America.

This trend was very similar across the UK & Ireland, the Benelux region and South East Asia, with M&A activity increasing in both deal volume and value. We find evidence for bigger deals in Southern Europe and the CEE & CIS region recording a large rise in average deal values. These findings are consistent with trends in deal flow in the global M&A mid-market.

Deal volume fell in India, Africa, Japan and Latin America in comparison to the same period of the previous year. However, even here we noticed an increase in the value of deals (except in Japan, India and Latin America).

The value of deals in the DACH region continued to flourish, with a gain of 69% compared with Q2. Japan accounted for the largest decline in deal flow, dipping by 13% compared with the same quarter in 2013.

The Benelux region recovered well after the low deal volume in Q2-14, attaining high deal values comparable with Q3-11 and confirming the suspicion that Q2 was a non-confirming period.

Following the high performance in Q2-14, the Nordic regions mid-market M&A plummeted in both deal volume and value in Q4, with -41% and -64% respectively.

The biggest players in the M&A mid-market were North America, China and UK & Ireland. All of these regions sustained strong deal volumes and values.

In terms of sectors, every industry – with the exception of Business Services, which saw an increase of 8% had recorded fewer deals in Q3 than in Q2. However, looking at number of deals over the course of the year, there has been a broad spread of deals across all sectors, with TMT sectors performing the best, with growth rates of 36% and 33% respectively.

GLOBAL HEAT CHART BY SECTOR

	Industrials & Chemicals	TMT	Consumer	Energy, Mining & Utilities	Business Services	Pharma, Medical & Biotech	Financial Services	Leisure	Total
North America	429	521	287	305	268	387	194	80	2,471
China	357	161	107	88	85	53	73	59	983
CEE & CIS	241	130	149	126	94	52	66	45	903
Southern Europe	132	102	107	50	82	41	52	37	603
Latin America	97	71	92	110	59	20	34	20	503
Australasia	93	67	83	74	64	44	36	22	483
South East Asia	124	44	52	100	59	27	37	25	468
UK & Ireland	78	89	69	45	59	43	47	38	468
India	94	94	57	30	59	47	40	21	442
DACH	128	75	58	20	27	30	26	16	380
Japan	71	63	54	8	36	17	14	23	286
Nordics	60	45	37	19	34	20	9	6	230
Benelux	41	56	41	11	21	14	14	5	203
Africa	42	19	21	55	16	11	25	8	197
Middle East	15	14	15	14	11	3	11	4	87
Israel	13	29	4	5	3	25	2	1	82
TOTAL	2,099	1,619	1,256	1,080	999	846	702	427	9,028

LOOKING AHEAD

The end of 2014 looks set to herald the long-awaited global resurgence in mid-market M&A, which should take the market back to pre-financial crisis levels.

With the continuing availability of debt, increased corporate cash and capital reserves, Q4 is expected to close as the most successful quarter within the last five years.

In addition to this, many companies have a number of deals queued in the pipeline for completion either in Q4 or 2015.

The global Heat Chart for Q4-14 shows a reduction of 10.8% in comparing the number of companies either up for sale or rumored to be on the block, compared with Q3.

The Business Services sector saw the biggest decline in terms of deals in the pipeline, and in terms of regions, North America saw a decrease of 18%, while Latin America, South East Asia and Middle East continued to impress with a high number of deals.

In summary, it would appear that whereas the majority of markets will decline in terms of M&A activity, going forward, transaction volumes will be headed by the Asian markets.

In addition to the number of deals in the pipeline, there are other elements influencing the global M&A market; such as the ongoing impact of the global economy, the direction of consumer sentiment and the performance of global Stock Exchanges.

FEATURE
CHINA: OUTBOUND BUSINESS

DECAI ZHANG
Partner
zhangdecai@bdo.com.cn

NEW TRENDS IN CHINA'S OUTBOUND DIRECT INVESTMENTS

China's Outbound Direct Investments (ODIs) have become an important topic in today's world economy. During the first nine months of 2014, China's ODI reached RMB 461bn (USD 71.1bn) and spread into 4,475 overseas enterprises across 152 countries, according to the country's Ministry of Commerce. It is expected that, going forward, China's ODI will, for the first time, be bigger than foreign direct investments into China in 2014 on a yearly basis. China's ODI in the past years has exhibited dramatic changes and also continue to display new trends.

Firstly, State-Owned-Enterprises (SOEs) used to be the main players within the Chinese market, accounting for the bulk of the largest deals. However, today privately-owned businesses are taking the lion's share of transactions in this segment. A recent report found that the number of ODI transactions carried out by China's private enterprises accounted for more than double that of SOEs during the first three quarters of 2014. As an example, one Chinese company - Fosun - has completed more than ten overseas deals this year, with a combined transaction value of more than USD 1bn.

Secondly, whereas previously ODIs focused on the Natural Resources sector, which aimed to fuel the country's rapid economic growth, in recent years, investment areas have become more diversified. For example, in the technology sector, in 2012, the Chinese company Sany acquired the iconic German concrete-pump maker Putzmeister for USD 449.6m. And in the food sector, last year China's Shuanghui International made a record-breaking USD 4.7bn acquisition of the US's largest pork-producer, Smithfield Foods.

Thirdly, the Real Estate sector has grown in importance for ODIs. This development has come at a time when China's real estate sector has been experiencing downturns after years of unprecedented growth, which now looks to be leveling off. From Australia to Malaysia, Chinese property developers are pouring billions of dollars into property development, with primary customer targets being, not surprisingly, Chinese buyers.

Fourthly, whereas in previous years, Chinese ODI investors would embark on investments alone, today they are seeking to partner with other local or global investors. For example, the Chinese steel giant Baosteel and Australian railway operator Aurizon recently together made a successful joint USD 1.4bn takeover bid for Australia's Iron Ore Mining conglomerate, Aquila Resources. Further to this, Fosun partnered with a global Private Equity firm Ardian in an acquisition bid for French resort company Club Med.

Finally, the way in which Chinese investors are financing their overseas transactions is becoming more sophisticated. For example, Fosun acquired a majority stake in Portugal's largest insurance company at the beginning of this year in a USD 1bn plus deal, and just a couple of months later it also bought another Portugal medical group. Both deals were financed by the backing of an insurance company – today one of the cheapest sources of financing - as opposed to traditional bank debt.

LOOKING AHEAD

Going forward, we fully expect ODI in China to increase and display more interesting characteristics and analysing these characteristics could be a key tool in understanding the trend of the economic giant's ODI.

FEATURE
MEXICO: FIBRA – A SUCCESS STORY SO FAR

EUGENIO LABARTHE
Partner
eugenio.labarthe@bdomexico.com

The most important structural change in the Real Estate market in the last few years has been the creation of FIBRA.

WHAT IS A FIBRA?

Introduced in the last decade and implemented in recent years, the Fideicomiso de Inversión en Bienes Raíces (FIBRA) is a Real Estate Investment Trust (REIT) similar to the REITs in the US. A FIBRA is an Investment Trust dedicated to the acquisition and development of Real Estate in Mexico held for leasing. A FIBRA is essentially a vehicle enabling Real Estate financing. It allows for periodic payments and also has the advantage of the possibility of allowing capital gains.

CHARACTERISTICS OF A FIBRA

FIBRAs are regulated under Articles 223 and 224 of the Mexican Federal Income Tax Law, and are required to comply with the following:

1. At least 70% of the underlying assets must be invested in the acquisition, development, financing and leasing of real estate properties, with the balance required to be invested in securities issued by the Federal Government, or in shares of debt-instrument mutual funds
2. Real estate properties that are acquired or developed must be leased, to generate income, and held for at least four years by the trust, upon their acquisition or development
3. Comparison Price Indices (CPIs) are issued for their public or private placement at the domestic and/or international markets. If private, the CPIs need to be acquired by a group of at least ten investors not related to each other with none of the investors allowed to own more than 20% of the total number of CPIs issued)
4. At least once a year, no later than March 15, the trustee of the FIBRA must distribute 95% of the FIBRA's prior-year-end profits to the CPIs holders.

In this context it is easier to understand why the FIBRA has changed the Real Estate landscape in Mexico.

In short, the introduction of the FIBRA has resulted in the following positive changes:

- The efficient access for the commercial real estate to public capital markets, domestic and foreign
- The sector's liquidity, since it changed the illiquid nature of a property to the liquid nature of an instrument traded on the Stock Exchange (which represents ownership of a leased property)
- The renewed interest of foreign funds in the Mexican Real Estate market, which has resulted in a restoration of appetite to invest in both private and public markets
- FIBRA has also allowed access to Mexico-based Institutional Investors (mainly Afores) to the Real Estate sector, through an instrument traded in the Stock Exchange with tax benefits;
- Finally, FIBRA has also opened the door to the Small-to-Medium sized investor or saver, with the opportunity to invest in Real Estate through a liquid instrument with low transaction costs.

In summary, FIBRA has changed the rules in the Mexican Real Estate market.

THE MEXICAN ECONOMY

Mexico is the world's 11th-largest economy and the second in Latin America after Brazil, in terms of Gross Domestic Product (GDP). Having said that, Mexico has a higher GDP per capita (USD 15.6bn) compared with Brazil's USD 12.1bn in 2013.

The macroeconomic indicators for Mexico in recent years have been improving; public finances becoming more secure, inflation under control for over a decade and interest rates declining. At the year-end 2013 inflation stood at 3.97%, meaning that the macroeconomic situation has created a favourable environment for doing business in Mexico.

EXAMPLES OF FIBRA IN ACTION

Mexico City-based FIBRA Uno, the first to test Mexico's tax-advantaged REIT structure, has used acquisitions to boost its stock-market value 16-fold to USD 10bn over the three years since going public turning the company into the world's biggest diversified property trust (according to Bloomberg). Furthermore, FIBRA Uno's track record is providing investors with the confidence that the latest purchase will generate returns. Recently, FIBRA Uno's stock has rallied 144% since its 2011 IPO.

FIBRA Macquarie, specialising in the Industrial, Commercial and Offices Real Estate market, reported increases in revenues of 43% over the previous financial year and a net operating income increase of 32%. Analysts predict that FIBRA Macquarie will increase its assets by 26% in 2015.

Furthermore, FIBRA Inn, which owns and manages hotels, reported an increase in its EBITDA of 49% in Q3-14 compared with the same period of the last year.

At the end of October 2014, the total stock value of FIBRAs has grown by 15% on the Mexican Stock Market, with some FIBRAs accumulating more than 30% returns.

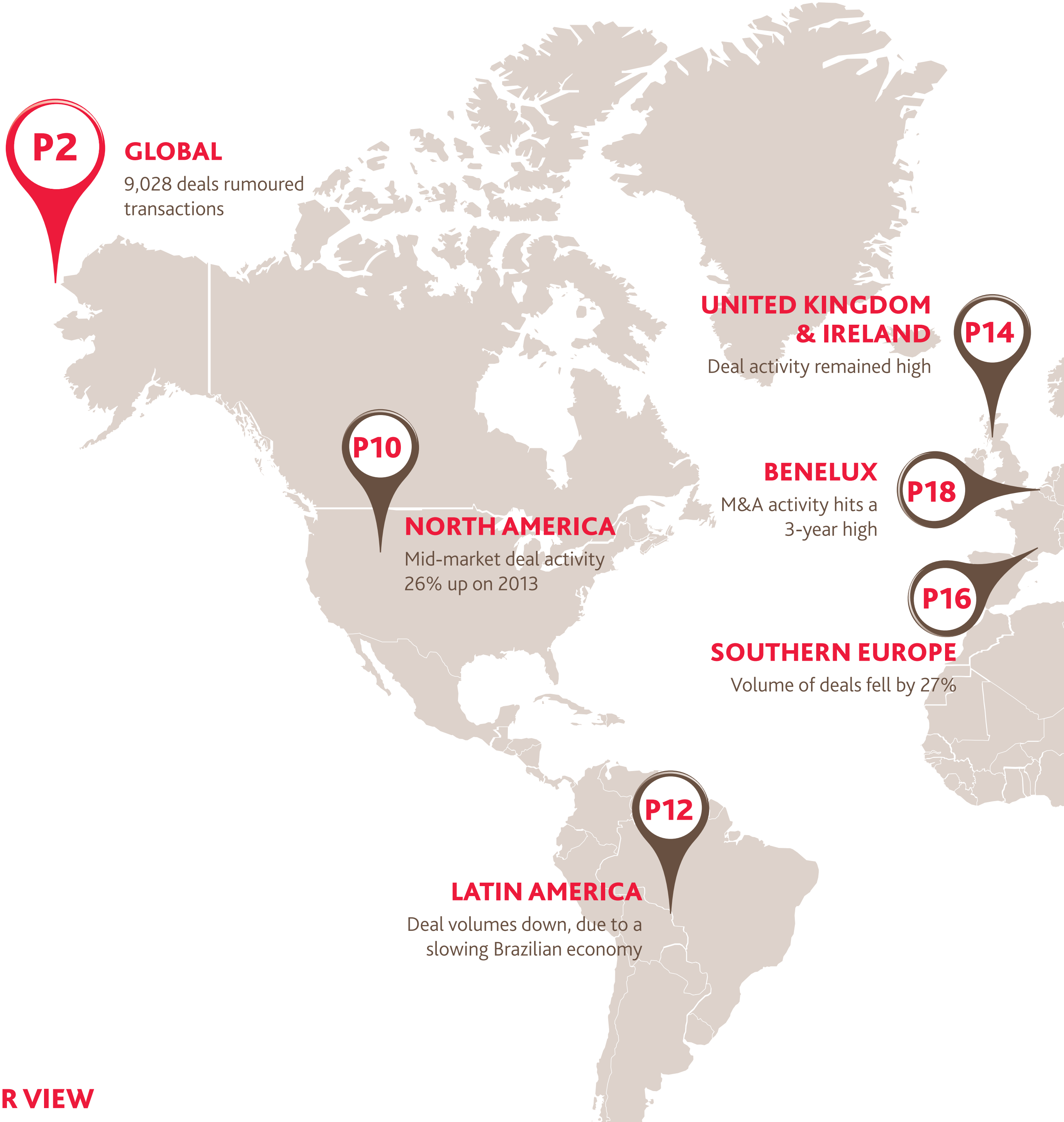
The amount of equity raised by FIBRAs is more than 3x that of public companies raised in 2014, with the amount of equity raised in 2014 is close to USD 4bn.

LOOKING AHEAD

FIBRAs in Mexico have come a long way in recent years, both in terms of their Stock Market performance and also their distributions. This down to, on the one hand, the performance of the management and strategic teams which currently manage the existing FIBRAs, and on the other the good times Mexico is experiencing currently. Both of these factors mean that the FIBRA is an attractive and efficient Real Estate investment vehicle.

As private consumption in the domestic market in Mexico increases, so too will rentable commercial Real Estate benefit. The indicator for private consumption of goods and services in the domestic market is expected to increase, based on macroeconomic stability and structural reforms. The energy reform, a recently–passed piece of legislation, is a good example of this.

Job creation and the increase in their quality in certain industries which are expected in the country over the next five years will be directly related to the money available for Mexican's consumption of better services in the future. The economic prospects are good for Potential Investors in FIBRAs.



SECTOR VIEW

ENERGY, MINING & UTILITIES

LEISURE – BARS & RESTAURANTS

INDUSTRIALS & CHEMICALS

CONSUMER

REGIONAL VIEW

NORTH AMERICA

BOB SNAPE
President
bsnape@bdocap.com

The Beat Goes On as M&A Activity Keeps Pace in the Third Quarter of 2014.

In the Third Quarter of 2014, the M&A markets in North America remained active. Whereas the total number of deals and aggregate dollar volume fell slightly from Q2's pace, Q3-14 saw an 11% rise in the number and total dollar volume of mid-market M&A transactions in North America when compared to the same period the previous year.

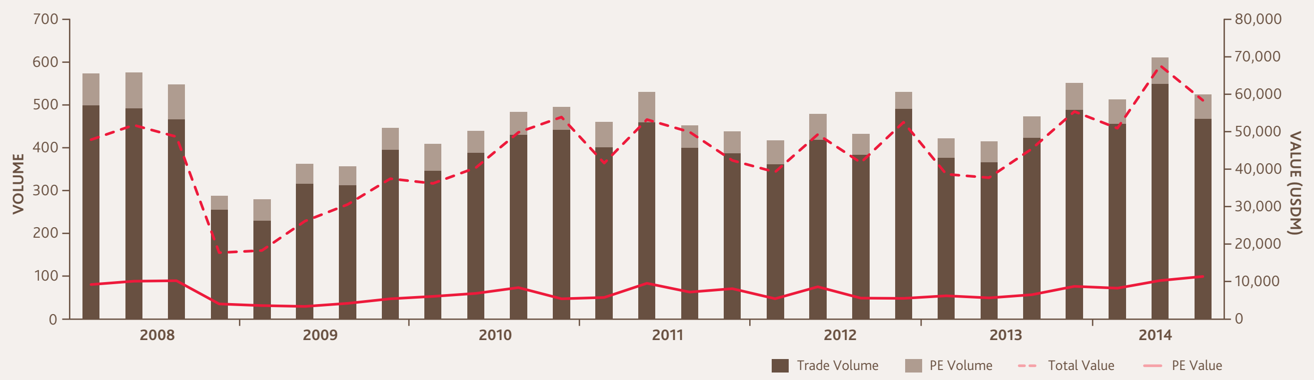
In the year to date, mid-market deal activity in North America rose by 26% when compared with 2013, fuelled by buoyant equity markets, low interest rates, and improving economic conditions. Most indications, including the Intelligence Heat Charts of "companies for sale" tracked by Mergermarket, suggest that robust M&A activity will continue in North America for the foreseeable future with over 2,400 deals rumoured to be for sale or officially on the market.

Private Equity-backed transactions comprised 19% of the overall M&A mid-market deal value in the Third Quarter of 2014, a five-year high. Private Equity firms continued to deploy capital in larger deals at a brisk pace, as the number of buyouts in the year to date rose by 22% compared with 2013 and the volume of deals also climbed by 60% over the same period. The average deal size increased, by 45%, as prices continued to rise and buyout professionals get became more bullish. Several Private Equity mega-deals (those with a transaction value greater than USD 1bn) dominated the headlines in North America, including 3G Capital / Burger King's acquisition of Tim Horton's for USD 11.5bn, Carlyle's purchase of Acosta Sales for USD 4.7bn, and Vista Equity acquisition of TIBCO Software for USD 4.3bn.

In the market as a whole, financing to support buyouts in North America continues to be readily available as banks look aggressively to build loan volumes. Financing is not only abundant, it is highly favourable to the debtors, and typically includes competitive pricing, covenant-lite structures, and cash flow as opposed to collateral-based instruments. Leverage multiples have reached pre-recession levels as commercial lenders loosen lending standards to stay in the game. The competition for deals is often leading to a bidding war among lenders hoping to secure the loan, which is advantageous for Private Equity firms in lowering their cost of capital and boosting their returns. Currently, the senior tranche for an average healthy middle market buyout is generating between 8-10 term sheets from lending institutions, giving Private Equity professionals room for negotiation.

Offsetting the favourable dynamics of the financing markets is the fact PE firms are paying much higher prices for companies, reaching levels not seen since 2007. Cash rich strategic buyers are also more active and participating in auctions putting pressure on investment houses to pay high prices in order to win deals. Private Equity financing in 2014 has returned to pre-recession levels, meaning that the

PE/TRADE VOLUME & VALUE



diminishing PE capital overhang that has been deployed over the past three years is quickly being replenished with fresh infusions from Limited Partners eager to put money to work.

For Q3-14, Energy, Mining & Utilities remained the most active sector, with 107 mid-market transactions, closely followed by Technology, Media & Telecoms at 101 and Industrials & Chemicals at 81 deals. Even though oil prices dropped significantly in the quarter to near USD 80 per barrel, M&A deal-makers were not dissuaded as Oil & Gas-related transactions totalled 48 alone. Overall, M&A in the Oil & Gas industry reached the highest levels in the past decade during Q3-14. Mid-market activity, along with continued interest from foreign buyers - specifically in upstream shale plays - together with the abundance of Mega Deals, contributed to record-breaking deal activity in Q3.

The improved Global economic outlook, particularly in North America, also boosted CEO confidence to do deals. Rising public equity valuations have given large strategic buyers increased purchasing power and enhanced their ability to do accretive deals. Consequently, Large-Cap public companies' pursuit of strategic acquisitions to bolster market share and grow earnings, fuelled M&A activity in Q3. Foreign buyers also looked to at US-based assets as a means to deploy cash and expand market share.

NORTH AMERICA HEAT CHART BY SECTOR

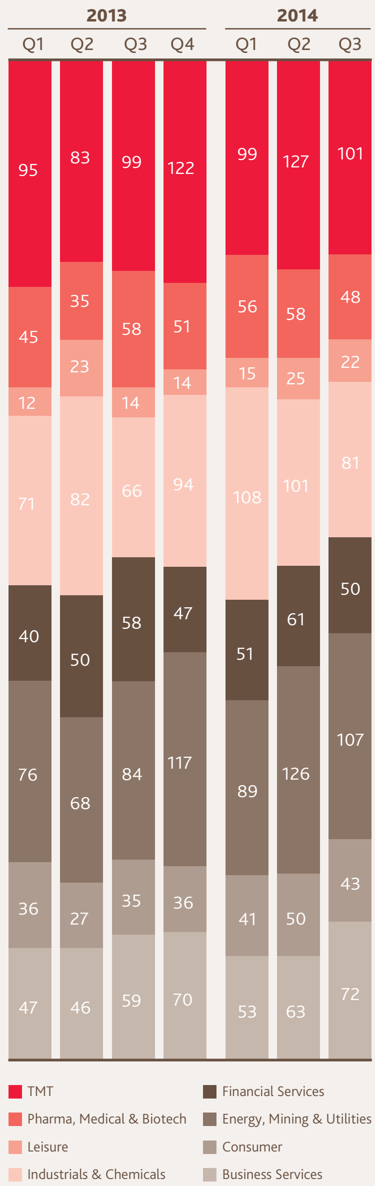
TMT	521
Industrials & Chemicals	429
Pharma, Medical & Biotech	387
Energy, Mining & Utilities	305
Consumer	287
Business Services	268
Financial Services	194
Leisure	80
TOTAL	**2,471**

LOOKING AHEAD

While equity markets took a pause in Q3 from recent record highs, the outlook for North American M&A remains extremely strong. The increased activity and larger transactions, experienced in the first three quarters of 2014 is likely to accelerate over the remainder of the year, with many analysts expecting strategic buyers to become even more aggressive in doing deals, especially as organic growth prospects are limited. Rising equity values have allowed large public buyers to pursue more accretive deals and pay higher prices for mid-market companies, which should continue to entice sellers off the sidelines.

While many fear the looming prospect of rising interest rates, the reality is that rates remain low and favourable for continued deal making. Although the US Federal Reserve recently announced the end of its unprecedented bond-buying programme, long-term rates remain at historically low levels as the prospect of inflation is muted. On the contrary, recent monetary stimuli in Japan and Europe has benefitted the North American markets, as participants see strong economies in Asia and the EU as key to sustaining economic growth at home.

NORTH AMERICA MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

MAURO JOHASHI
M&A and Advisory Partner
mauro.johashi@bdobrazil.com.br

THE BIG PICTURE

- Reduction in the volume of deals, due to the slowing Brazilian economy
- Energy, Mining & Utilities in the spotlight
- Stable growth in Colombia and Mexico
- Large internal market continues to attract foreign investors

In the Third Quarter of 2014, there was a continued retraction in the number of deals in the Latin American market. The 58 deals conducted from July to September reflected a 17% decrease in volume from the 70 deals in the Second Quarter. In value terms, however, there was a slight increase, to USD 7.5bn - a rise of 1.3% in relation to Q2-14, which raised USD 7.4bn.

In comparison to the same quarter of 2013, the third quarter of 2014 showed a reduction of 14% in the value of deals. In 2014, until September, 211 deals were concluded, with a total transaction value of just under USD 22bn, a reduction from the same period of 2013.

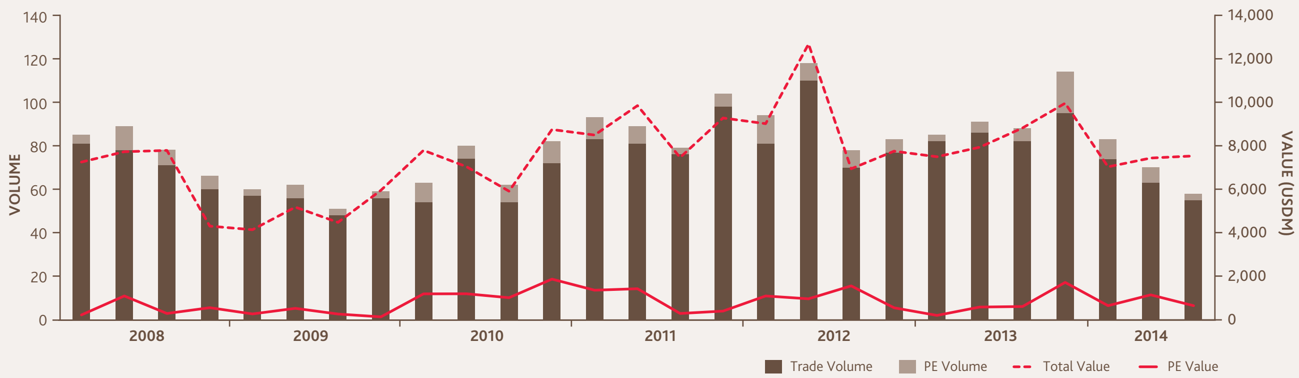
In value terms, Private Equity buyouts reduced by 44%, to USD 636m in Q3 from USD 41.1bn in Q2-14. Buyouts represented a relatively small portion of the overall transactions, equivalent to 5% in volume and 8% in deals in Q3-14.

The overall reduction in transactions can be largely attributed to Brazil's economy - Latin America's largest economy and the world's seventh largest. The country's current president, Dilma Rousseff, has left the country in a state of recession, with inflation above the Central Bank's target, opaque public accounts, rising public debt, and the risk of a downgrade in the credit rating, as stated by the Economist (The Economist, Oct. 31).

According the Brazilian's Central Bank's Focus Survey, private sector analysts project Brazil to grow at a rate of 0.3% in 2014, and estimate 1% growth in 2015. The Government's official projection is of a 0.9% growth in 2014, which the Central Bank expecting GDP to expand slightly at 0.6%.

While the President needs to "restore order to public finances to get Brazil's stalled economy back in gear", according to Reuters writer Alonso Soto (Reuters, Oct. 27), other Latin American economies have shown a more favourable outlook.

PE/TRADE VOLUME & VALUE



According to Focus Economics, Mexico has shown year-on-year growth of 2.5% in July (Focus Economics, Oct. 14). LatinFocus panelists project the Mexican economy will rise by 2.5% by the end of 2014 while also estimating a 3.7% growth in 2015.

While Argentina still has relatively flat growth and complications related to the restructured debt and lack of payment of the holdouts, Colombia's economic indicators depict solid growth projections. According to Focus Economics (Focus Economics, Oct. 14), the country showed growth of 6.5% in Q1-14, and 4.3% in the Q2-14. According to FocusReports, the forecast is for 4.9% growth in 2014 and 4.6% in 2015, due to factors "like internal demand, home-buying, investment, the outlooks for industry and retailers" (Reuters, October 3).

Of the total 58 transactions that took place in Latin America in Q3-14, the sector that saw the most deal activity was the Energy, Mining & Utilities, with 16 deals, equivalent in volume to 28% of all deals. The second-most active sector was the Industrials & Chemicals (with nine deal representing 16% of the total deal volume)Business Services with eight, equivalent to 14%, and Consumer, Financial Services, and TMT, with seven each, equivalent to 12%.

In comparison with the previous quarter, the Q3-14 displayed rises in transactions in the Business Services, Consumer and Energy, Mining & Utilities sectors. However, there were fewer transactions when compared with Q2. There was a sharp decline in the Industrials & Chemicals sector (from 17 to nine), also in Pharma, Medical & Biotech (from four to one) and also in the TMT sector, from ten to seven.

Of the ten most relevant deals in Latin America in Q3-14, seven took place in Brazil. In terms of value, these transactions represented 66% of the top ten mid-market operations, raising USD 2.4bn. The most relevant deal valued at USD 490m, - was in Brazil's Leisure industry, involving BHG SA Brazil Hospitality Group, GTIS Partners, Latin America Hotels LLC.

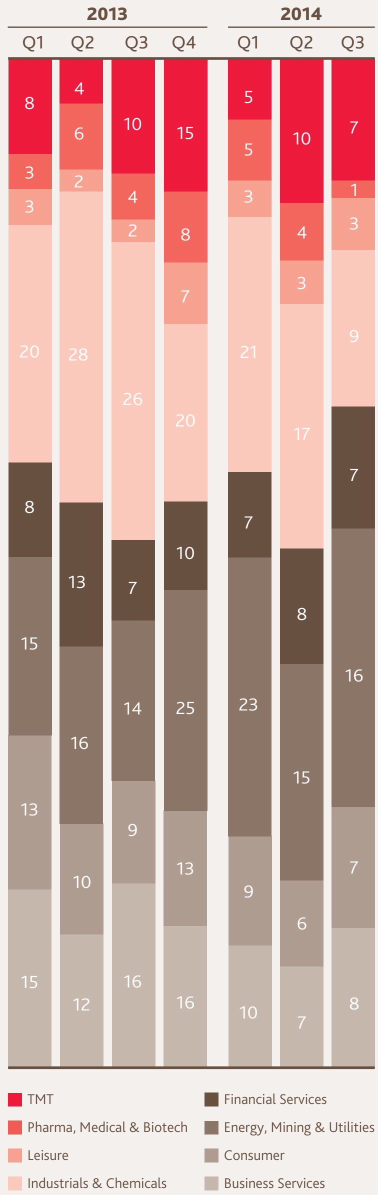
The heat chart shows current market intelligence is available on over 503 deals in progress or planned, up from 496 in the second quarter of 2014. The Energy, Mining & Utilities and the Industrials & Chemicals Sectors are set to be the most active, sustaining the trends for Q3, with 110 and 97 potential deals respectively. The third most active sector is the Consumer industry, with 92 potential deals.

Latin America is experiencing a period of slower than normal growth. Brazil is facing a stagnant economy and, while other countries, such as Mexico and Colombia, are more stable economically, the region as a whole shows a reduction in the number of deals.

LATIN AMERICA HEAT CHART BY SECTOR

Energy, Mining & Utilities	110
Industrials & Chemicals	97
Consumer	92
TMT	71
Business Services	59
Financial Services	34
Pharma, Medical & Biotech	20
Leisure	20
TOTAL	**503**

LATIN AMERICA MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

JOHN STEPHAN
M&A Partner
john.stephan@bdo.co.uk

THE BIG PICTURE

- Deal activity remains at a high level
- The availability of funding and the economy continues to be positive
- The region remains an attractive source of acquisition opportunities
- The outlook continues to appear strong.

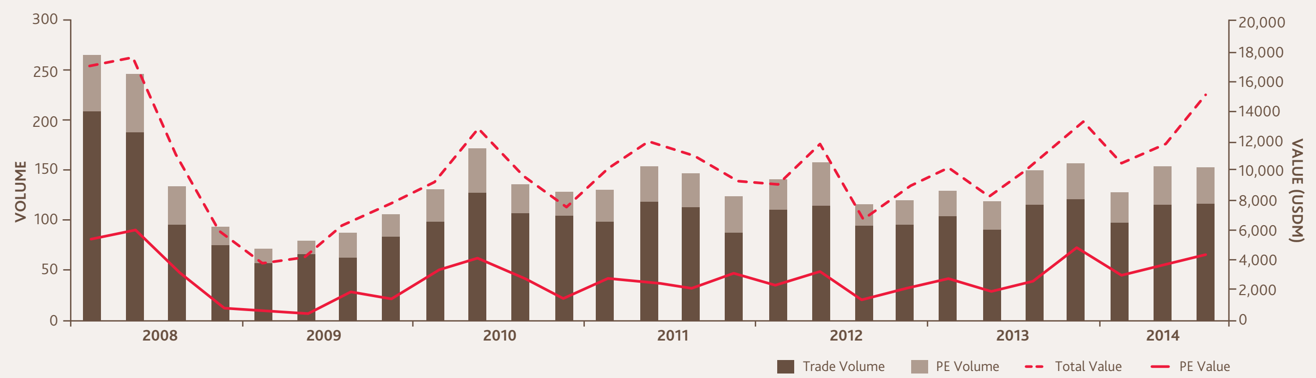
For the second Quarter in a row the volume of deals in the UK and Ireland remained constant, with 154 deals completing in Q3 - just one short of the tally for Q2. This confirms our previous view that first Quarter of the year was an anomaly, with 129 deals. With the exception of Q1 every quarter in the last five has seen deal volumes above the 150 mark.

The aggregate deal value soared to over USD 15bn in Q3, the highest since the first half of 2008. We believe this continues to reflect a greater confidence in the market as a whole, as well as the increasing number of private vendors, corporate buyers and Private Equity funds that want to make transactions in a market that displays excellent selling conditions.

Private Equity deals were also on a par with three of the previous four quarters at 36 completed deals, representing an aggregate value of USD 4.5bn, which was up on the prior quarter. Private Equity was represented in half of the ten largest transactions, with three acquisitions and two exits. These predominantly involved UK houses, although Ontario Teachers' Pension Plan acquired a 50% stake in Bristol Airport, with Macquarie European Infrastructure Fund as the seller in a deal worth USD 407m. The largest deal in the Quarter was also Private Equity led, with Blackstone Group and Bluewater Energy LLP acquiring Siccar Point Energy for USD 500m. Going forward, we expect to see more mid-market firms and the larger Private Equity funds as active players, especially in a market that is assisted by more favourable lending multiples from the banks.

Trade buyers were also active over the period, with deal flow accounting for more than three quarters of the deals by volume and 70% by value. Two of the ten largest deals involved Ireland-domiciled target

PE/TRADE VOLUME & VALUE



companies, namely Start Mortgages which was acquired by Lone Star Funds and Santander Consumer Finance (in which CNP Assurances SA acquired a 51% stake). Cross border activity continues to be an important part of the UK market and as such we are seeing a greater proportion of the lower mid-market as well as the larger deals go to overseas buyers.

In terms of sectors, the two busiest were Business Services (representing 25% of the total volume of deals) and by some way the greatest upturn in activity was the TMT sector, which accounted for 14% of the total deals by volume. The Consumer sector just nudged ahead of Industrials & Chemicals to take third spot.

M&A valuations moved ahead for trade buyers with BDO's Private Company Price Index (PCPI) rising to an EV/EBITDA ratio of 10x. We believe this reflects the preparedness to pay premium prices for a strong strategic fit. The Private Equity Price Index (PEPI) declined slightly to an EV/EBITDA ratio of 8x.

In line with the recent publicity surrounding the amount of cash held on balance sheets of the larger trade buyers, and also Private Equity funds, these dynamics should keep overall entry multiples high.

We have yet to see whether there will be any effect on prices ahead of the forthcoming General Election, especially with the associated uncertainty over changes to Capital Gains Tax rates and reliefs.

LOOKING AHEAD

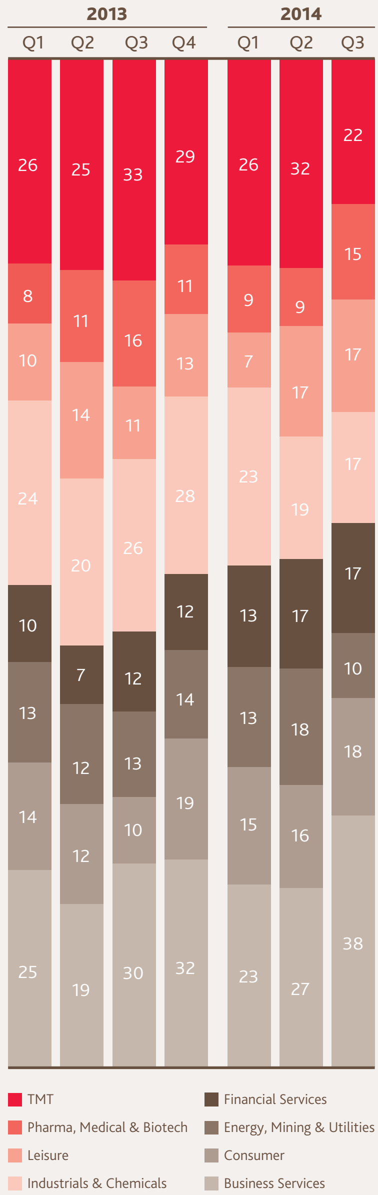
We believe that the level of M&A activity will continue, as available cash chases deals, investors look for returns and trade buyers seek to enhance capabilities, coverage and earnings.

This view is reflected in the Heat Chart, which shows market intelligence on 468 deals planned and in progress, being the highest level for some time.

UK & IRELAND HEAT CHART BY SECTOR

TMT	89
Industrials & Chemicals	78
Consumer	69
Business Services	59
Financial Services	47
Energy, Mining & Utilities	45
Pharma, Medical & Biotech	43
Leisure	38
TOTAL	**468**

UNITED KINGDOM & IRELAND MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

THIBAUT BAPTISTE
Senior Manager M&A
thibaut.baptiste@bdo.fr

THE BIG PICTURE

- The volume of deals fell by 27% in Q3-14, compared with Q2
- The Pharmaceutical and Energy sectors performed better than in Q2
- Large transactions were driven by bidders from other regions

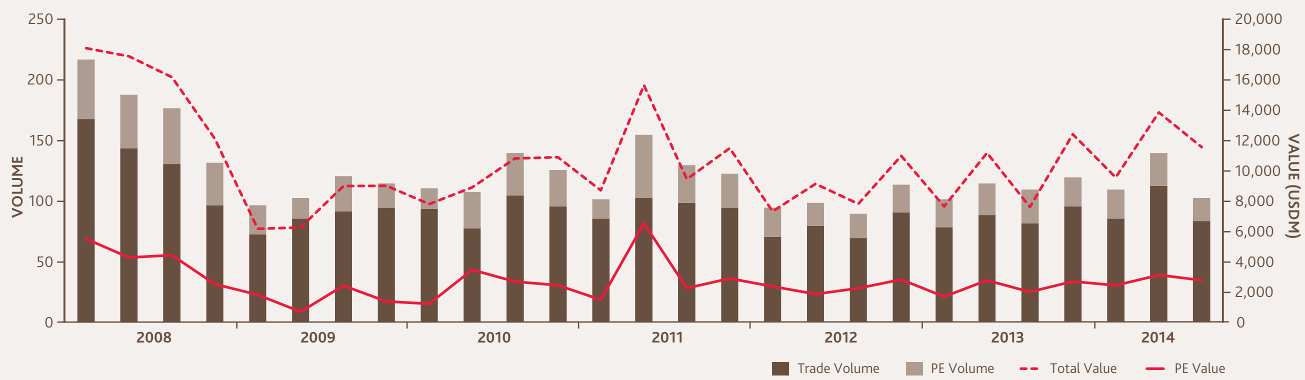
WE OBSERVED A DOWNTURN IN Q3, BOTH IN THE VOLUMES AND VALUE OF DEALS

After a strong rebound in Q2, and contrary to expectations, the M&A market in Southern Europe experienced a significant downturn in Q3, both in terms of the volume and value of deals, dropping from 139 deals to 102 in Q3 (a 27% decline), with the total value of deals declining from USD 2.9bn from USD 13.8bn in Q2, representing a 17% decrease. This slowdown affected the majority of sectors, with the exception of the Pharma, Medical & Biotech and Energy, Mining & Utilities sectors. Whereas regional buyers retracted from the market and focused on domestic deals, buyers from outside the region remained active and contributed to six of the largest ten transactions.

MOST SECTORS AFFECTED BY A SLOWDOWN IN VOLUMES AND VALUES

Q2 expected to see a continuous growth of M&A mid-market, still driven by deals within the Industrials & Chemicals and Consumer sectors, which altogether accounted for almost 45% of all 2013 mid-market transactions. Surprisingly, both of these sectors experienced a significant downturn despite two major international transactions. The Brazilian firm, A.Y.U.S.P.E. Empreendimentos e Participacoes SA took a majority stake in the Spanish denim manufacturer Grupo Tavex, in a deal worth USD 432m and the UK-based Kingfisher entered exclusive negotiations with the French quoted DIY chain, Mr. Bricolage, in a USD 364m deal.

PE/TRADE VOLUME & VALUE



The sharpest decline occurred across three other sectors. The TMT sector, the third largest contributor to the volume of deals in 2013 dropped by 46% compared to Q2 with only 14 transactions recorded. Having said that, there remained some large transactions in this sector, including two domestic deals with combined values exceeding USD 400m, namely the Mediaset España and Telefonica SA deals.

The Leisure, albeit not the largest contributor to Spanish M&A dealflow, experienced the most significant decline, with volumes falling by 64% in relation to in Q3.

The Business Services sector also saw a significant decline, with volumes halved compared with the previous Quarter.

Financial Services is the only sector that remained stable in Q3, recording 13 transactions (compared with 12 the previous Quarter), with two of these deals in the top ten in terms of deal value for the Quarter.

SOUTHERN EUROPE HEAT CHART BY SECTOR	
Industrials & Chemicals	132
Consumer	107
TMT	102
Business Services	82
Financial Services	52
Energy, Mining & Utilities	50
Pharma, Medical & Biotech	41
Leisure	37
TOTAL	**603**

PHARMA, MEDICA & BIOTECH AND ENERGY, MINING & UTILITIES SHOWED PERFORMANCES

The Pharmaceuticals, Medical & Biotech was by far the most active sector in Q3-14, recording 13 transactions, which represents an 86% growth over the previous Quarter and making Q3-14 the second best quarter for this sector in the past six years. Furthermore, it also records the largest deal of the period, namely the buyout by CVC Capital Partners of the French clinic group Vedici SA for USD 486m.

The Energy, Mining & Utilities sector also managed to recover in Q3, although the 8 transactions recorded (compared with 5 in Q2) still represent a very low level of deals.

LOOKING AHEAD

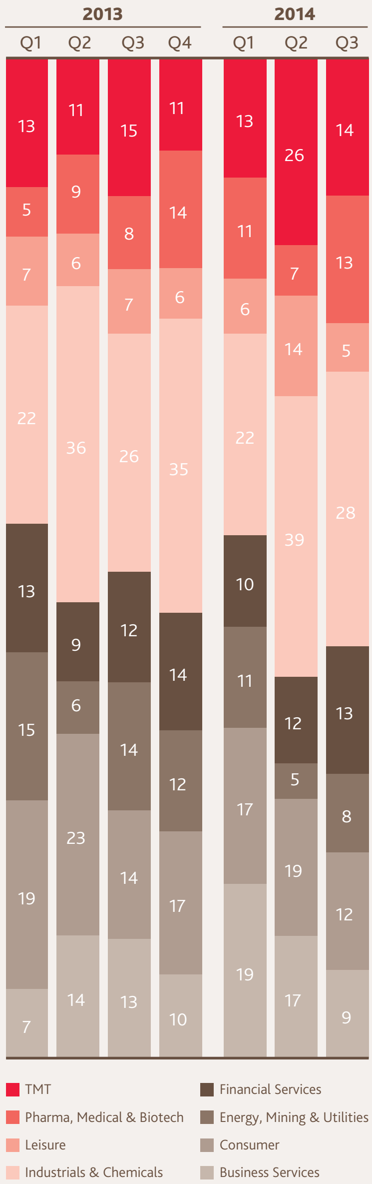
The outlook for the region is less optimistic than it used to be with a number of business opportunities identified declining by 16% to only 603 versus 718 in the last quarter. This decline in confidence is across most sectors, although the Industrials & Chemicals remains one of the most active.

The Q3 results clearly demonstrate that regional buyers withdrew from the market and focused more on domestic transactions. Out of the ten largest deals, only three involved Spanish parties.

All other six transactions in the top ten involved buyers from other regions, as other opportunities continue to arise from their home regions.

Finally, the Greek market may still be of interest to foreign investors, in spite of the economic downturn, as is demonstrated by Vodafone's acquisition of Hellas Online there for USD 375m.

SOUTHERN EUROPE MID-MARKET VOLUMES BY SECTOR



BENELUX

GEERT COSTERS
M&A Partner
geert.costers@bdo.be

ALBERT KOOPS
M&A Partner
albert.koops@bdo.nl

THE BIG PICTURE

- After a weak second quarter, M&A activity rose significantly in Q3-14 with 36 deals, reaching a three year high
- This recovery is entirely attributable to the trade activity, as, with five transactions totaling USD 76m, the PE deal activity drops to an all-time low
- The largest deals were in the TMT and Industrials & Chemicals sector
- Against a decline compared with Q2-14, there remains a sustained level of prospective deal activity, especially in the Industrials & Chemicals sector.

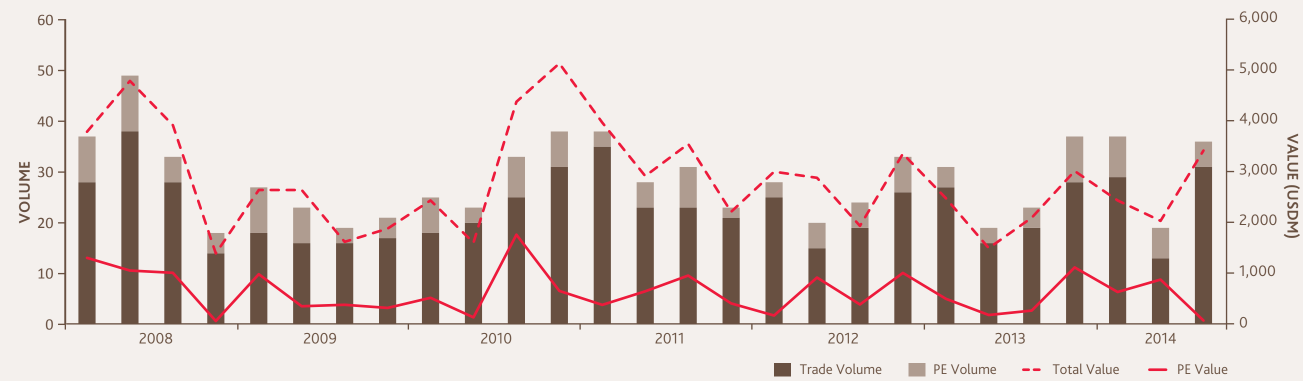
A strong recovery in M&A activity in the third quarter, entirely attributable to the sustained trade activity.

In the previous edition of Horizons, we concluded that deal activity in that Quarter was at a historic low (with only 18 deals, it was the lowest number of deals per quarter over the last five years). However, looking back, the heat chart projecting deal activity fuelled optimism for a rapid revival in the market. At the end of Q3, we need to look at whether the heat chart lived up to its expectations?

In short, the answer is yes. M&A activity in Q3-14 picked-up dramatically, with 36 deals (a 100% increase compared with Q2-14) representing a total value of USD 3.4m (a 68% increase over the previous quarter). As such, deal activity in Q3-14 reached its highest level in the last three years. This strong performance was entirely attributable to the trade deals, as private equity transactions accounted for just 2.2% of the total value of deals.

Most notably, private equity deal activity in Q3-14 dropped to an all-time low, with just five transactions registering a value of USD 76m, compared with a Quarterly average over the last five years of USD 600m. Furthermore, the average size of a private

PE/TRADE VOLUME & VALUE



equity deal was at a historic low in Q3 (USD 15m, compared to a five-year average of USD 109m per PE deal). As such, it is no surprise that all of the top ten mid-market deals in the Benelux region originated took the form of trade sales.

In terms of sectors, a breakdown of the Q3-14 figures by sector shows that the TMT sector leads the ranking, representing three out of the five largest deals over the period.

Two of the largest providers of payment technologies joined forces, as Florida-based Fidelity National Information Systems (FIS) acquired Brussels-based Clear2Pay for a total value of USD 493m, which was the largest deal of the quarter. The sellers were the founding shareholders as well as the company's private equity backers.

The second largest deal, valued at USD 401m, was the sale of the Belgian company Agriphar, which specialises in crop protection (herbicides and insecticides), by a private investor, to the US-based Platform Specialty Products Corp, a global leader in Specialty Chemicals.

In the third largest deal for the Benelux region, the French group Dassault Systèmes, which specialises in the development of 3D software applications, acquired the Dutch company Quintiq Holding, an industry-leader in supply chain planning and optimization, for USD 337m.

Finally, the 4th highest-ranking deal in over the period was the sale by the troubled Dutch engineering group Imtech of its Information Technology division, Imtech ICT, to a French construction firm for USD 336m.

LOOKING AHEAD

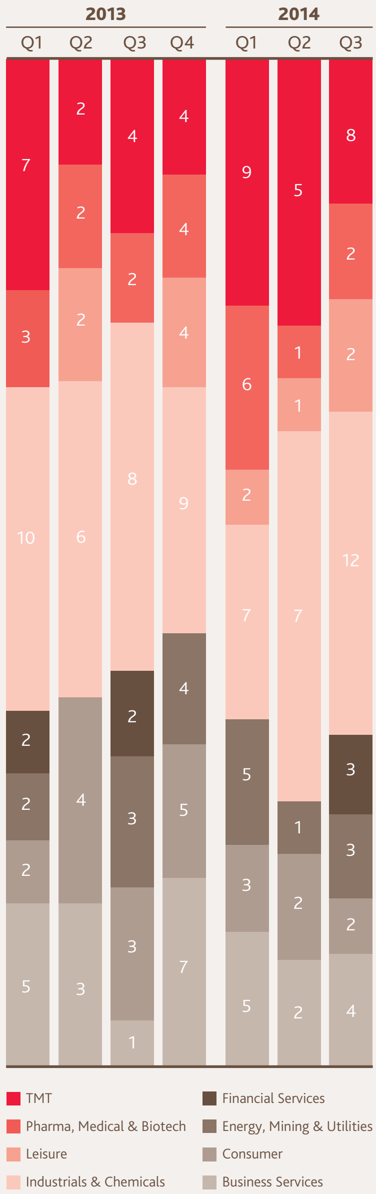
The heat chart shows approximately 203 deals currently in progress or planned, representing a slight shortfall on the 243 projected in the previous quarter's heat chart. Consistent with previous Quarters, the Industrials & Chemicals, Consumer and TMT sectors take the top three positions in terms of deal volume, accounting for 150 out of the 203 deals in the heat chart. Also worthy of note, the Industrial & Chemicals sector seems to be moving forward, with 67 deals compared to 41 deals rumored in the previous Quarter.

We believe that in the next quarter, M&A activity in the Benelux region will continue to rise, especially as the driving forces for a healthy M&A appetite remain unchanged: namely the current high stock prices, low interest rates and the available financial resources waiting to be deployed.

BENELUX HEAT CHART BY SECTOR

TMT	56
Industrials & Chemicals	41
Consumer	41
Business Services	21
Pharma, Medical & Biotech	14
Financial Services	14
Energy, Mining & Utilities	11
Leisure	5
Total	**203**

BENELUX MID-MARKET VOLUMES BY SECTOR



DACH

AXEL MAACK
M&A Partner
axel.maack@bdo.de

THE BIG PICTURE

- Significant growth in the volume and value of trade transactions.
- A decline in the number of private equity deals.
- The US played a greater part in the deals completed.
- The total value of deal was driven by the larger transactions.

Following a hot summer, the DACH Region (Germany, Austria and Switzerland) displayed a significant increase in M&A activity.

Q3-14 was a hot summer for M&A in the DACH region. The total volume and the transaction value increased by 12% and 69% respectively, compared to the previous Quarter, and also in comparison with the same quarter in the previous years. This incline was mainly thanks to a number of USD 1bn+ transactions, with the US being the predominant target country for DACH investors.

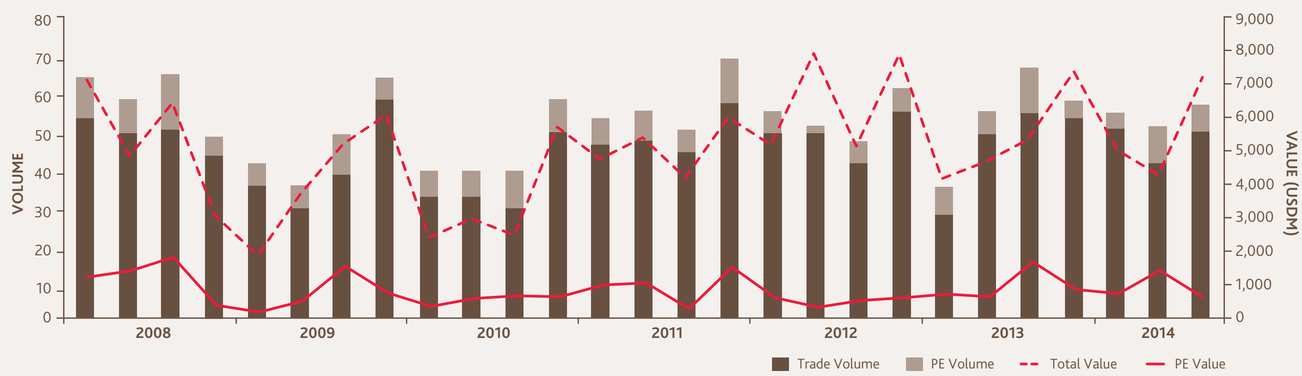
Two sectors particular dominated M&A activity in Q3-14: Industrials & Chemicals and TMT.

DEAL HIGHLIGHTS IN Q3-14

The biggest German transaction was Mercks' acquisition of US-based Life Science and High Technology company, Sigma-Aldrich Corporation, with a transaction value of USD 16.2bn.

Another big transaction was US-based Cerner Corporations' acquisition of the Healthcare Information Technology business of Siemens AG for USD 1.3bn. In addition to this, Siemens also sold its 50% share in its joint venture BSH Bosch und Siemens Hausgeräte GmbH to Robert Bosch GmbH for USD 3.9bn.

PE/TRADE VOLUME & VALUE



In addition to these major deals, the M&A mid-market also showed some traction. Germany-based systems and robotics focused engineering company KUKA AG acquired the Swisslog Holding AG - an automated storage systems developer - in a USD 365m deal.

The biggest deal in Austria was the acquisition of Trans Austria Gasleitung GmbH by Snam SpA, an Italy-based natural gas supplier, for USD 1.2m. In addition to this, a number of smaller deals underlined the activity of DACH's M&A market. For instance, the German-based producer and distributor of alcoholic beverages Berentzen Gruppe AG agreed to acquire T M P Technic-Marketing-Products GmbH, an Austrian manufacturer of juicing equipment, for a minimum consideration of USD 20m.

The biggest deal of the third quarter in Switzerland was the acquisition of a 55% stake in Swiss-based Alliance Boots GmbH by Wallgreen Company, the US drug store chain operator, for USD 23.8bn.

Finally for Switzerland, Swiss Life AG acquired the German-based real estate developer Corpus Sireo Holding GmbH & Co KG, in a USD 281m deal.

DACH HEAT CHART BY SECTOR

Industrials & Chemicals	128
TMT	75
Consumer	58
Pharma, Medical & Biotech	30
Business Services	27
Financial Services	26
Energy, Mining & Utilities	20
Leisure	16
Total	**380**

DACH PRIVATE EQUITY TRANSACTIONS STALL

While the overall M&A activity in DACH increased, the value of private equity-driven deals declined significantly.

Private equity-led transactions represented just 12% of all announced transactions over the period, accounting for just 9% of the total mid-market value of deals. However, taking into account the record low interest rates and relatively attractive company valuations, an increase in PE is expected in 2015.

One of the most significant deals in the private equity space occurred in the mid-market, with Partners Group Holding AG's (Switzerland) acquisition of Suzhou Savera Shangwu Elevator Riding System Co Ltd, a China-based manufacturer of elevator riding path solutions, with a deal value of USD 450m.

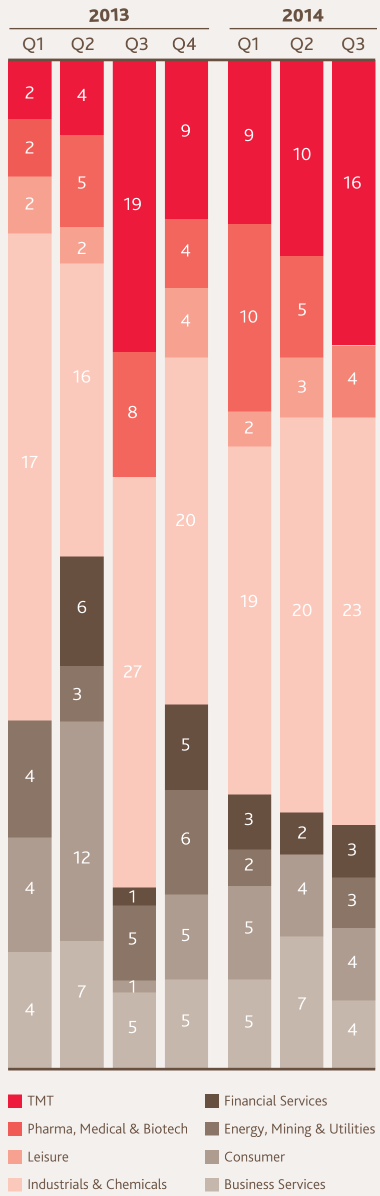
Finally for private equity, Wild Flavors GmbH, a business backed by Hans-Peter Wilds and private equity firm KKR, was sold to Archer Daniels Midland Company, a US listed company. Wild Flavors is a German-based supplier of ingredients to the food and beverage industry. The value of the transaction is USD 31bn.

LOOKING AHEAD

As recognised in Q3, we expect to see continuing deal activity, in terms of US companies investing in the DACH region although the volume and value of deals is likely to be lower.

Finally, considering the disappointing performances of recently-floated businesses, including Rocket Internet, Zalando and TLG Immobilien as well as the sharp decrease in the Ifo Business Climate Index, it is likely that the 'hot M&A summer' of Q3-14 will cool down significantly.

DACH MID-MARKET VOLUMES BY SECTOR



NORDICS

JAKOB SAND
M&A Partner
jks@bdo.dk

THE BIG PICTURE

- Notable lower transaction volumes with a record low value
- Cross-border deals account for the majority of transaction values
- Focused activity in the TMT and Industrials sectors
- Increasing Private Equity attention towards the region.

Nordic M&A activity calms down after heated first half of the year.

Historically, a very stable and consistent market in terms of M&A deal flow, in Q3-14 the Nordic Region has experienced a drop from 80 to 47 transactions (a 41% decrease in terms of actual deals) and a 65% decrease in total transaction value from last quarter, resulting in the lowest deal value, over the four years, at USD 2.6bn.

The region's Private Equity firms increased the size of their assets under management by USD 605m with 7seventransactions. Whereas both the volume and value of these transactions has decreased from last quarter (by 53% and 58% respectively), both have increased substantially year over year (17% for volume, 51% for value).

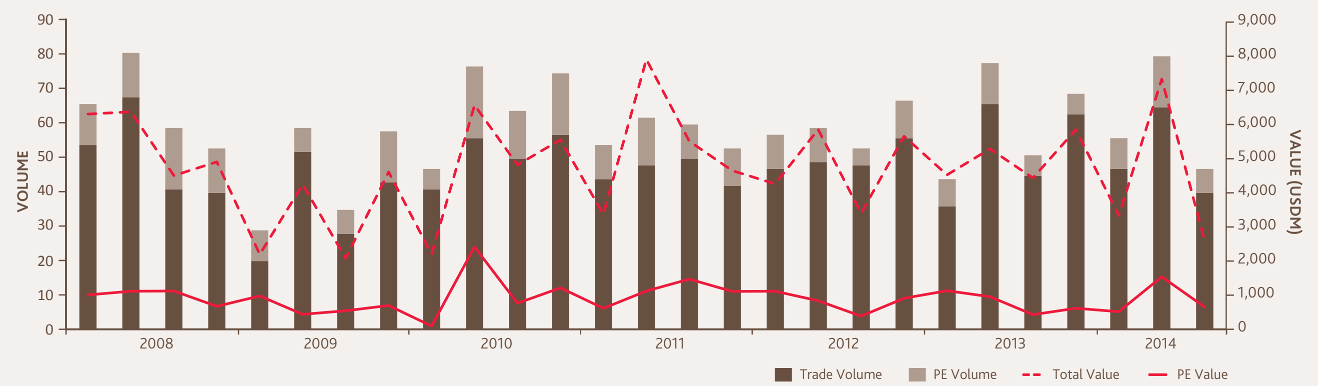
In all, Private Equity transaction values accounted for 25% of total transaction value, the largest percentage in two-and-a-half years, while Private Equity volumes made up 15% of total mid-market deals.

INTERNATIONAL ATTENTION IN THE NORDICS

Of the ten largest transactions in Q3-14, seven were cross border deals, with six of these were sales to non-Nordic companies. The top five largest deals were all to buyers located outside the Nordic Region, with sales to Japan, the UK and Switzerland.

The ten 10 biggest deals amounted to USD 1.9m, representing 72% of the total transaction value.

PE/TRADE VOLUME & VALUE



The largest deal of the Quarter was Finnish Supercell Oy, a company engaged in development of games for tablet and mobile devices, which agreed to sell a 10% stake, for USD 336m, to the Japanese group, GungHo Online Entertainment Inc.

The second-largest transaction in the Nordic region was by private equity group Triton Partners, which acquired Scandinavian Business Seating AS for USD 311m, from Ratos AB, in a Secondary Buyout deal. Norway-based SBS designs, develops, manufactures and sells office chairs and seating solutions.

INDUSTRY AND TMT ONCE AGAIN MOST ACTIVE SECTORS

The Industrials & Chemicals and the TMT sectors once again remained the most active sectors, accounting for 57% of the transactions in Q3-14 split, with 30% within TMT and 28% in Industrials & Chemicals. These sectors have proven to be the most active sectors since 2008 with an average of 16 and 12 transactions per Quarter respectively.

NORDICS HEAT CHART BY SECTOR

Industrials & Chemicals	60
TMT	45
Consumer	37
Business Services	34
Pharma, Medical & Biotech	20
Energy, Mining & Utilities	19
Financial Services	9
Leisure	6
Total	**230**

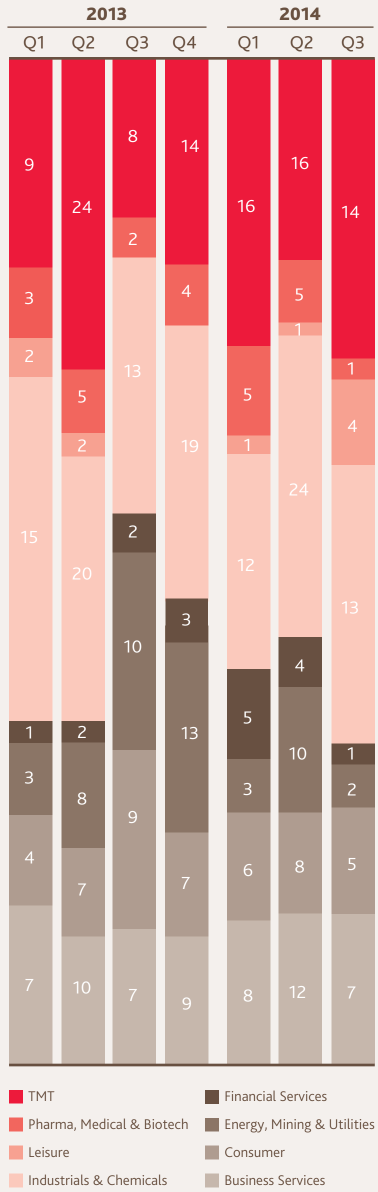
LOOKING AHEAD

Taking a broader perspective and looking at the whole spread of M&A transaction activity across the Nordic Region, Q3-14 has experienced high levels of deal activity in terms of the value of deals, although the volume has dropped.

In Q3-14 there have been a number of major transactions, leading to an increased focus upon the region and the major companies within it.

The increasing attention of both domestic and overseas investors into the Nordic region, especially from international Private Equity funds, is expected to maintain its impetus in terms of both the volume and value of deals into the last quarter of 2014.

NORDICS MID-MARKET VOLUMES BY SECTOR



CEE & CIS

AKOS BOROSS
M&A Partner
akos.boross@bdo.hu

THE BIG PICTURE

- The average deal value was the second highest over the last seven years
- The top five in Russia, in terms of deal value, accounted for 22% of the total deal value in the region
- Mid-market deals dominated over the quarter, with the Industrial & Chemicals and Energy Mining & Utilities sectors showing a strong performance.

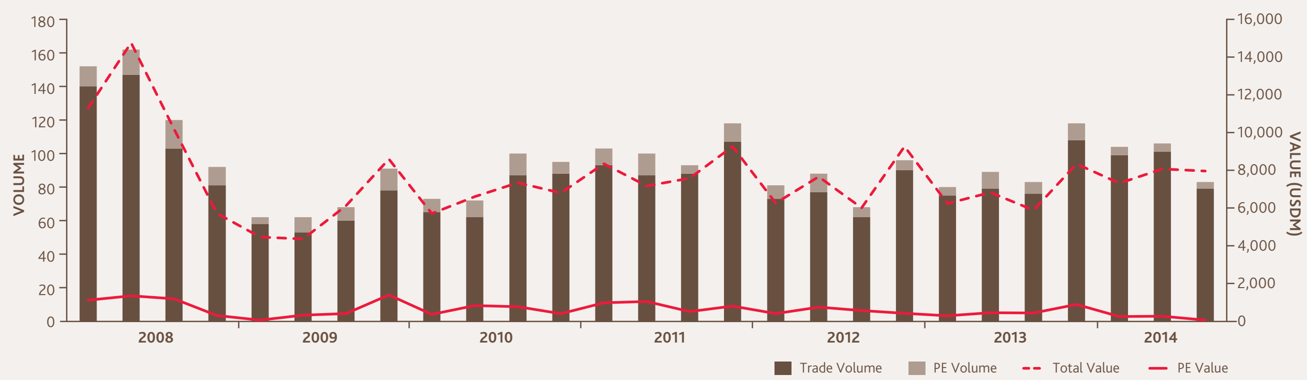
In Q3-14, the 83 deals for Central and Eastern Europe (CEE) and in the Commonwealth of Independent States (CIS) represented a decline of 22% over the previous Quarter. However, the USD 7.96bn value in transactions remained in line with Q2 (USD 8.07bn).

Overall for Q3-14, the average deal size reached its second-highest peak over the last seven years, resulting in an average deal value of USD 95.9m per deal.

Private Equity-funded deals accounted for just 0.7% of transactions in value terms. This rate was the lowest since 2008, which means that Q3-14 was the least active period for the private equity industry.

In terms of sectors, the most active industries in Q3 were Industrials & Chemicals (21 deals) and Energy, Mining & Utilities (20 deals). The number of deals in the TMT sector declined between Q2 and Q3 (17 to 6 respectively). However, the Industrials & Chemicals (21 deals), Consumer (16 deals) and Leisure (3 deals) is roughly in line with the same volume as Q2.

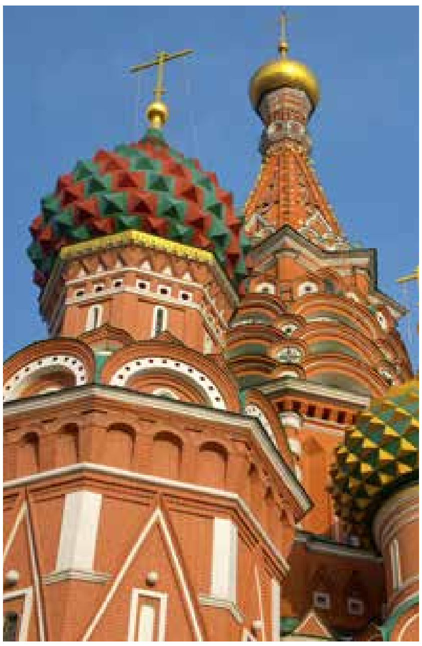
PE/TRADE VOLUME & VALUE



In the Business Services, Financial Services and Pharma, Medical & Biotech sectors, deal volumes fell although not by as big a margin as in the TMT sector. In the Energy, Mining & Utilities sectors, the decline was by 6 deals in total (from 26 to 20) compared with the previous quarter dropping back to second place by the number of the deals behind the Industrials & Chemicals sector.

The top ten mid-market deals in Q3-14 shows that Russia plays a significant role. These ten deals cover 43% of the total deals in value terms over the period. In Q3-14, the five of the top ten deals were within Russia (with the bidder and the target company located in Russia), and these five deals covered 22% of the total deal flow over the period in terms of the value of transactions.

Overall for the period, the most active sector in the top ten was the Energy, Mining & Utilities, with the TMT, Business Services and Consumer sectors also in the top ten mid-market transactions.



LOOKING AHEAD

Comparing 2014 (Q1-Q3) to 2013 (Q1-Q3) we can see a growth by 16% in the number of deals, and also a significant rise in the total deal values. Altogether these increases confirm the previous expectations that the CEE & CIS still have a big potential which is seen in the heat chart as well.

The heat chart underlines the continuing strength of the leading sectors: TMT, Industrials & Chemicals, Consumer, and Energy, Mining & Utilities, with 646 forthcoming deal opportunities between them. These sectors are expected to remain the main engine driving in CEE's M&A market.

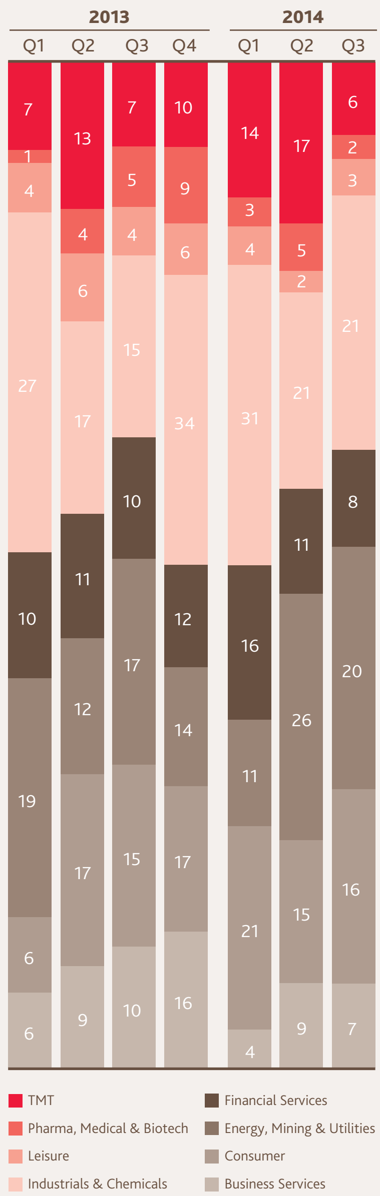
Although it has not yet translated into the number of deals completed in 2014, we are nevertheless expecting to see private equity funds expanding their presence and coverage in this region.

Given the continuing low yields in the debt markets, we can expect to see international investor finance seeking quality equity investment opportunities which will be the main driver of M&A activity over the remainder of 2014.

CEE & CIS HEAT CHART BY SECTOR

Industrials & Chemicals	241
Consumer	149
TMT	130
Energy, Mining & Utilities	126
Business Services	94
Financial Services	66
Pharma, Medical & Biotech	52
Leisure	45
Total	**903**

CEE & CIS MID-MARKET VOLUMES BY SECTOR



INDIA

ZULFIQAR SHIVJI
M&A Partner
zulfiqarshivji@bdo.in

THE BIG PICTURE

- The mood is positive following the election
- Government has taken steps to aid investment in Construction, Defence & Retail
- India has 442 rumoured deals in the pipeline.

Following the historic election and clear mandate given by the people of India, the mood continues to be buoyant as portrayed by the Stock Index, which reached the 28K level in Oct14 as compared to 20K level in the same month during 2013.

However, the time has come to take tangible steps towards revitalising the economy and industrial relations. To this end, the Government has already taken certain steps including liberalising foreign investments in the sectors such as Construction, Defense and Retail. There are many challenges ahead and the Government's extensive agenda for action includes Infrastructure, Land, Labour, Trade Facilitation, and in particular, the Power sector-subsidies and the allocation of Natural Resources. All of this activity is expected to increase the number of market entries in the long run, by local and global firms, both organically and through acquisitions.

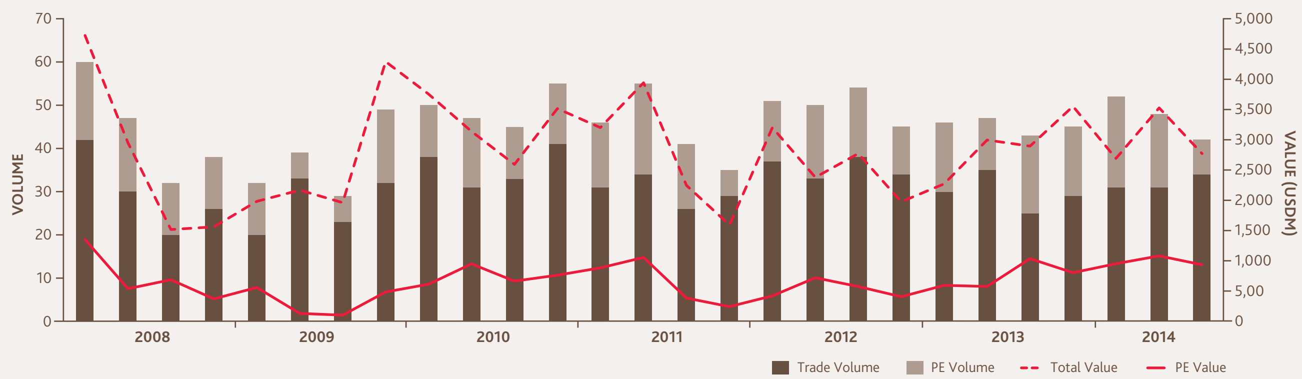
The value of deal value fell by 21% from USD 3.53bn in Q2-14 to USD 2.77bn in Q3-14, with the volume of transactions falling by 13% from 48 deals to 42 deals.

The biggest deal in the M&A space during Q3-14 was in Consumer, with Metmin Investments Holdings Ltd acquiring a 28% stake in Spykar Lifestyles Pvt Ltd for USD 494m in Aug14, with the Private Equity seller, Avigo Capital Partners, divesting its stake in the transaction.

Other major deals in Q3-14 included Kirloskar Oil Engines Ltd's acquisition of Kirloskar Brothers Investment Ltd for USD 318m, Strides Arcolab Ltd acquisition of Shasun Pharmaceuticals Ltd for USD 294m, JSW Steel Ltd's acquisition of Welspun Maxsteel Ltd from Welspun Enterprises Ltd for USD 164m, and the Asian Development Bank and GEF SACEF India of Philippines acquiring ReNew Power Ventures Pvt. Ltd. for USD 140m.

In Q3-14, Private Equity deals, aggregated USD 934m in value terms (representing 34 % of total deal value) with eight deals

PE/TRADE VOLUME & VALUE



(which represented 19% of the total number of deals). The composition of M&A deals to Private Equity deals has undertaken a significant change in favour of M&A.

The headline deal in the raising of funds through the Public, as well as Private Equity, markets, came with Flipkart, a well-known player within the e-commerce sector, raising USD 1bn from various investors including Tiger Global Management, Naspers and, Singapore's Sovereign Wealth Fund, amongst others.

The total number of deals in 2013 fell by 10% to 181, compared with 200 deals in 2012. Industrials & Chemicals saw the highest deal volume with 55 deals (representing 30% of the total number of deals) followed by Pharma, Medical & Biotech with 31 deals (17%) and Business Services with 28 deals (15%) in 2013.

In terms of Quarter-on-Quarter comparison, only two sectors (Business Services and Leisure) saw growth in deal volumes, while four (Consumer, Financial Services, Industrials & Chemicals and TMT) saw drop in deal volumes, while the remaining Sectors (Energy, Minerals & Utilities; Pharma, Medical & Biotech) maintained the same volume in Q3-14 and Q2-14.

In 2013, average number of deals for each quarter was 45, which increased to 52 in Q1-14, but fell to 48 in Q2-14 and fell further to 42 in Q3-14. In terms of value, the average for each quarter in 2013 was USD 2.9bn, which fell to USD 2.7bn in Q1-14, but increased to USD 3.5bn in Q2-14, while falling again to USD 2.7bn in Q3-14.

INDIA HEAT CHART BY SECTOR

Industrials & Chemicals	94
TMT	94
Business Services	59
Consumer	57
Pharma, Medical & Biotech	47
Financial Services	40
Energy, Mining & Utilities	30
Leisure	21
Total	**442**

LOOKING AHEAD

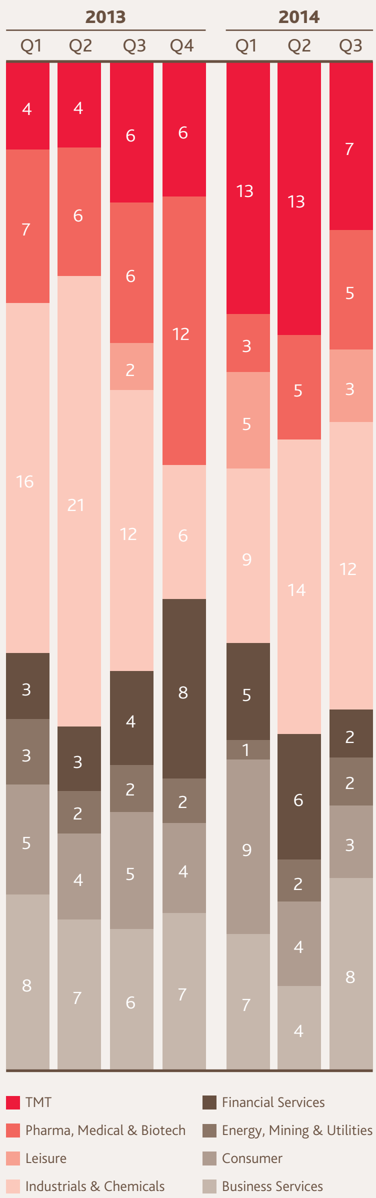
The Heat Chart is based on "companies for sale" tracked by Mergermarket between Apr14 and Oct14. The Industrials & Chemicals sector, along with TMT, is expected to top the chart with highest number of potential deals.

Recent results of the State Elections could lead to a better co-ordination between State and Central Government in helping the implementation of national reforms, relating to, for example, the taxation of such as Goods and Service, the Land Acquisition act, as well as the simplification of industrial registrations. However the recent court ruling on the cancellation of coal blocks is likely to have an impact upon investor confidence, although such judgments were intended to act as corrective action for past failings. Investors today are looking out for substantial measures towards clarifying recent policy statements and definitive steps forward.

However, as showcased by the heat map, India has begun to witness an improvement in traction volumes as well as and improved interest in deals, a trend that is expected to continue towards the end of 2014.

The current conducive business environment following a period of economic stress and capital chasing growth, should provide greater opportunities in the M&A space. This is already visible through deals in the TMT sector and going forward we expect further M&A activity in sectors such as Pharma, Medical & Biotech and Energy, Mining & Utilities.

INDIA MID-MARKET VOLUMES BY SECTOR



CHINA

PAUL WILLIAMS
M&A Director
paulwilliams@bdo.com.hk

THE BIG PICTURE

- Continued record deal volumes and values in Q3-14 further sustain China's push as a major M&A market globally.
- Private Enterprises expected to continue to drive outbound M&A levels.
- Further SOE reforms expected to create investment opportunities for both domestic and foreign investors.
- A strong pipeline of deals highlights the optimism for future M&A levels.

As predicted in the previous quarter, M&A deal levels in China have continued their ascent in the quarter, reporting record deal levels, with both deal volumes and values in the first three quarters of 2014 having already exceeded full year levels in 2013, and with continued optimism for the markets going forward.

In Q3, a total of 355 deals were reported, representing a 58% increase from the 224 deals reported in Q3-13, and a 12% increase from the previous Quarter. Average deal sizes remained broadly consistent at between USD 85-90m in each of the last Four Quarters, with total deal values rising to over USD 30.2bn - a 9% increase from the record levels set in the previous quarter.

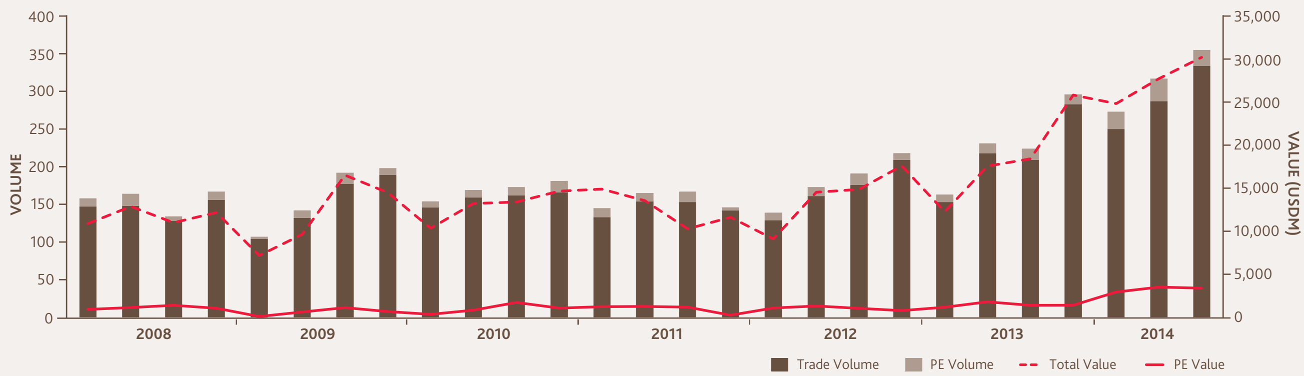
A WIDE RANGE OF DRIVERS FOR M&A PERFORMANCE

Outbound M&A remained a key driver of transactions within the region, with intermediaries now actively looking to companies based in the People's Republic of China (PRC) as potential bidders on global sales mandates.

In terms of the type of transaction in Q3-14, acquisitions by private enterprises continued to contribute to the volume of M&A transactions, representing more than one-third of total deal volumes announced. However, while private enterprises continued to struggle in sourcing cost-efficient financing, PRC regulations increasingly allow China-based companies to move quicker and compete more effectively on overseas transactions.

In terms of sectors and markets, in Q3-14, there was a growing trend for outbound acquisitions, with a number of Technology and Consumer brand acquisitions in Europe and North America, which continue to remain attractive markets for PRC acquirers. In contrast, deal values of larger State-Owned Enterprises (SOEs) declined in Q3-14.

PE/TRADE VOLUME & VALUE



POLITICAL INFLUENCES ON M&A

The anticipated SOE reforms could provide momentum for new investment opportunities. Following Xi Jinping's appointment as President of the PRC in March 2013, his administration has introduced a number of far-reaching market reforms, including corruption probes of leading government officials and new SOE reforms.

With many SOEs considered to be poorly managed, with low-profitability, a high-debt burden, and enjoying what could be considered to be an unfair but protected competitive advantage in the PRC market, the new branch of `Xi-economics` has introduced tougher market reforms beyond the growth-driven policies of previous administrations.

One deal following this change has been the proposed sale of a 29.9% equity stake in Sinopec Marketing, the retail arm of the PRC oil giant. With this transactions, more than USD 16.3bn has been raised from 25 investors, with the proposal to bring in management improvements from strategic investors. However, with new shareholders holding only small minority stakes, any reform is still expected to be government led. While the benefits to overseas strategic investors are not yet clear, this mixed-ownership model is expected to be rolled-out to many other SOEs, with pilot reforms for a further six large selected SOEs announced in July 2014, including COFCO, Sinopharm and the State Development and Investment Corporation (SDIC).

CHINA HEAT CHART BY SECTOR

Industrials & Chemicals	357
TMT	161
Consumer	107
Energy, Mining & Utilities	88
Business Services	85
Financial Services	73
Leisure	59
Pharma, Medical & Biotech	53
Total	**983**

INDUSTRIALS & CHEMICALS AND TMT DOMINATE SECTOR ACTIVITY

The Industrials & Chemicals sector remained the most active deal sector, with 127 deals in Q3-14, representing 35% of all deals.

Four of the top ten largest deals in the mid-market were in the Industrials & Chemicals sector, including the acquisition by Partners Group of a controlling stake in Suzhou Savera Shangwu Elevator Riding System Co Ltd, one of the world's largest manufacturers of elevator components, and Baosteel Gases Ltd co-investment with Warburg Pincus in the acquisition of the industrial gas assets of Henan Jinkai Chemical Investment Holding Group, in a deal valued at USD 488m.

In terms of public market activity, the TMT sector continued to be hot, with Alibaba raising USD 21.8bn in its IPO on the NYSE in September.

LOOKING AHEAD

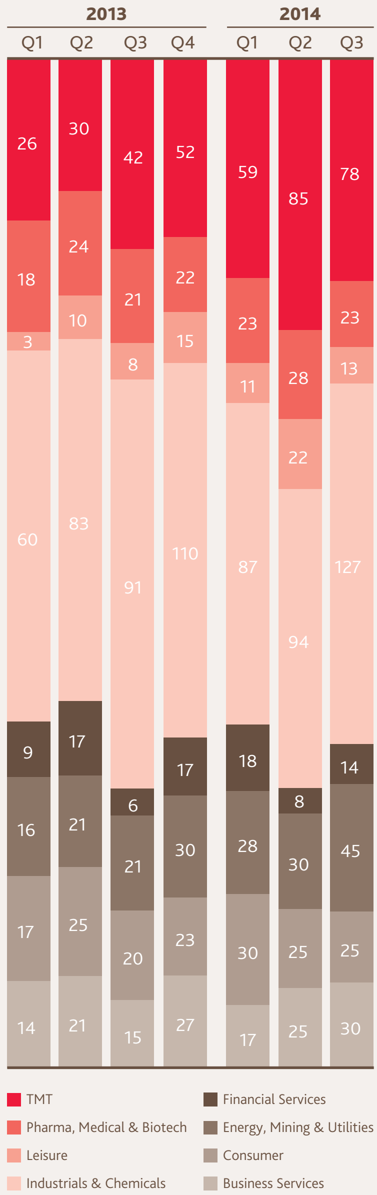
Against the backdrop of slowing economic growth and falling productivity in China, the M&A market has continued to grow, with a total of 983 deals announced in the latest Mergermarket heat chart.

The prospects for the market in the short-to-medium term appear positive, and with outbound M&A expected to be led by private enterprises, especially within the TMT, Consumer, Property and Pharmaceuticals seen to be key beneficiaries, with both SOEs and private enterprises setting up operations in Hong Kong as a platform for executing future deals.

Domestic and intra-region deals still, however, continue to dominate the Asian M&A market, especially in China. Excess capacity in many Industry segments is expected to drive further consolidation, and further SOE reforms are expected to be announced, creating investment opportunities that may not have previously been available to overseas investors.

As a result of these market dynamics there remains optimism that the M&A market will continue to perform well in the region.

CHINA MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

SUWARDY KUO
Managing Director
skuo@bdo.co.id

THE BIG PICTURE

- 20% increase in deal volume and 11% increase in value for Q3-14
- South East Asia saw a 136% increase in PE deal value.

In Q3-14 there were 89 deals completed in the South East Asian Region, with a combined value of USD 7.2bn. This represented a 20% increase in terms of the number of deals and an 11% increase by value.

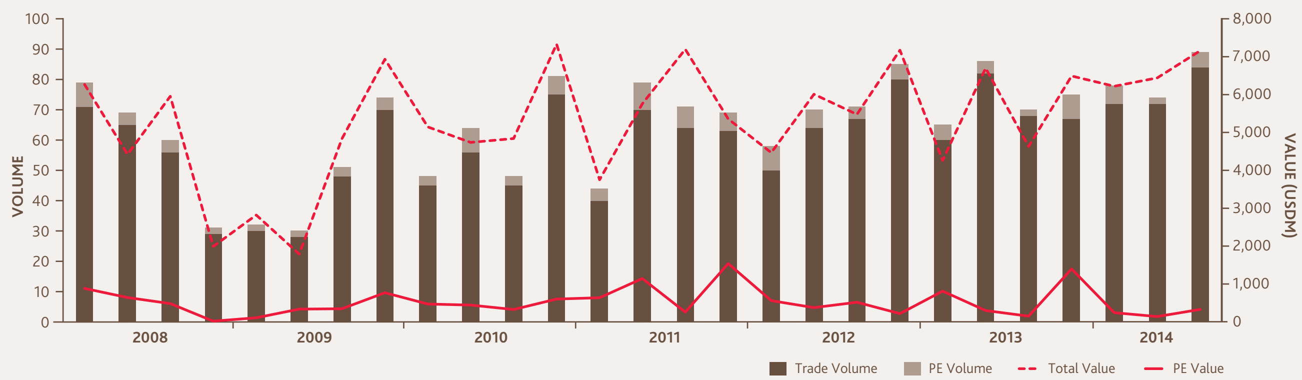
In comparison to the corresponding quarter in 2013 this represented a 27% increase by number of deals and a substantial 55% increase by value. When looking at the same quarter over the past five years, Q3 was the best Quarter in terms of both number of deals and a very close second by value (behind Q3-11).

After Q2-14, in which Private Equity deals contributed just two deals, Q3 saw a significant increase, with five PE deals. While completed PE deals continued to form a small proportion of total deal activity, in value terms these five deals represented a 136% increase over the previous quarter and also a 117% increase compared to the corresponding quarter in 2013.

Q3-14 sector activity produced a broadly similar picture to the previous quarter. The Industrials & Chemicals, Business Services, Energy Mining & Utilities, Financial Services and Consumer sector comprised the majority of deals. As has been the case for several quarters Industrials & Chemicals was the single most active sector, with 35% of total deal flow, while the Business Services sector was the second most active, accounting for 16% of all deals.

Q3's top 10 deals include four from the Industrials & Chemicals sector and two from the Energy, Mining & Utilities sector. The top two deals reported in the mid-market space in Q3-14 were, Khazanah Nasional Bhd's bid for the 31% stake in Malaysian Airlines, held by minority shareholders, as part of the Malaysian Government's plans to restructure the airline in response to the challenges it faces following the loss of both flight MH 370 and flight MH 17, and the acquisition by the Japanese institution, J Trust Co Ltd, of a controlling stake in a small Indonesian bank, Bank Mutiara (formerly Bank Century) which had previously been held by the Indonesia Deposit Insurance Corporation, following Bank Century's takeover by the Indonesian Government in 2008.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

There was a slight increase in deals in the pipeline at the close of Q3-14, compared with the same quarter the previous year, with volumes rising from 461 to 468. Consistent with the previous quarter, the Industrials & Chemicals and Energy, Mining & Utilities sectors combined accounted for 48% of the 468 work in progress deals captured in the Heat Chart. A significant quarter-on-quarter increase was also seen in the number of deals from the Industrials & Chemicals sector. In addition, whereas the Leisure sector recorded a 9% quarter-on-quarter increase, the Pharma, Medical & Biotech, Consumer and TMT sectors saw reductions in the volume and value of deals.

Conditions for M&A continued to be attractive, with investors both from outside the region as well as intra-regional players seeking to access the opportunities represented by the rising middle class in South East Asia.

A number of commentators have recently noted that Indonesia continues to be a target market for Japanese investors and also, to a lesser extent, Korean investors.

The attraction of the Indonesia market includes its young population, rising per-capita income and stable economic growth, in addition to its abundant natural resources. There is cautious optimism now that the new Indonesian parliament has been appointed, that deals which have been delayed earlier in the year, will now come to fruition.

Looking at specific sectors within Indonesia, the Financial Services industry (which includes the Insurance sector) offers significant potential due to its relatively low market penetration rate. The current cap on foreign ownership of 80% is far more competitive than either India (26%) or Thailand (49%).

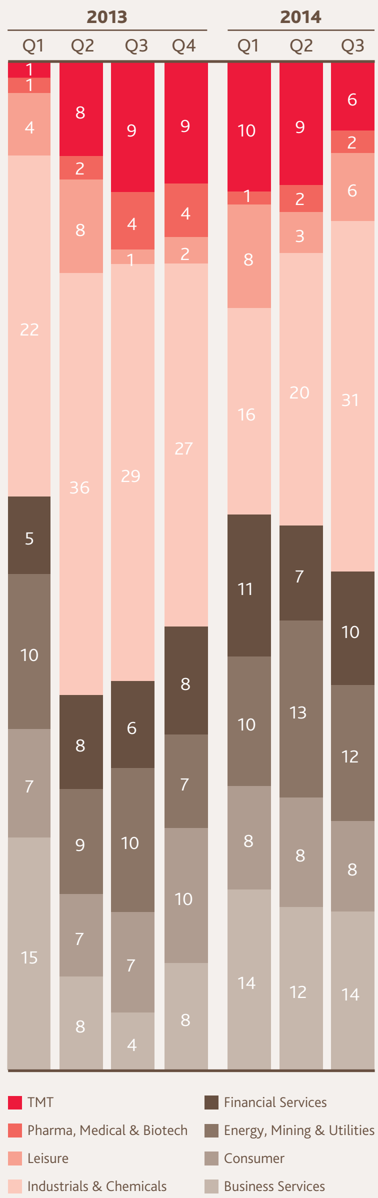
Anecdotal evidence indicates that an increasing number of companies based in the region believe that their local economies are improving and that they are now more willing to grow and strengthen their businesses by pursuing M&A. As mentioned in the previous edition of Horizons, we believe that the scheduled start of the ASEAN Economic Community in 2015 is expected to provide incentives for regional M&A, including regional Private Equity deals, as companies continue to position themselves to take advantage of the increased opportunities becoming available through the establishment of a single market and production base formed from the economies of the 10 member states of ASEAN.

Separately we note that Wood Mackenzie, the specialist consultant to the Energy, Metals and Mining sectors, in an opinion piece posted on their website in early Oct14, suggests that there could be an increase in regional Oil & Gas M&A activity as the major international oil companies, under pressure to seek higher returns from projects located in other hydrocarbon production regions, seek to rationalise their South East Asia portfolios.

SOUTH EAST ASIA HEAT CHART BY SECTOR

Industrials & Chemicals	124
Energy, Mining & Utilities	100
Business Services	59
Consumer	52
TMT	44
Financial Services	37
Pharma, Medical & Biotech	27
Leisure	25
Total	**468**

SOUTH EAST ASIA MID-MARKET VOLUMES BY SECTOR



JAPAN

MASARU MURAKAMI
M&A Partner
mmurakami@bdo.or.jp

THE BIG PICTURE

- Most M&A deals involved Strategic Buyers rather than Private Equity Investors
- Asia, especially ASEAN region, is proving a major attraction for the M&A market in Japan
- Activity within the whole M&A market (including internal, outbound and inbound deals) has remained flat. Whereas the total volume of mid-market M&A has decreased by 38% from Q4-13, the TMT, Leisure, and Business Services volumes are increasing.

GDP is decreasing for two quarterly periods in a row, and the second phase of consumption tax rising will be postponed.

April's increase in consumption tax seems to have done its job, overcoming the feared economic slowdown.

STABLE WHOLE-MARKET, STAGNANT MID-MARKET

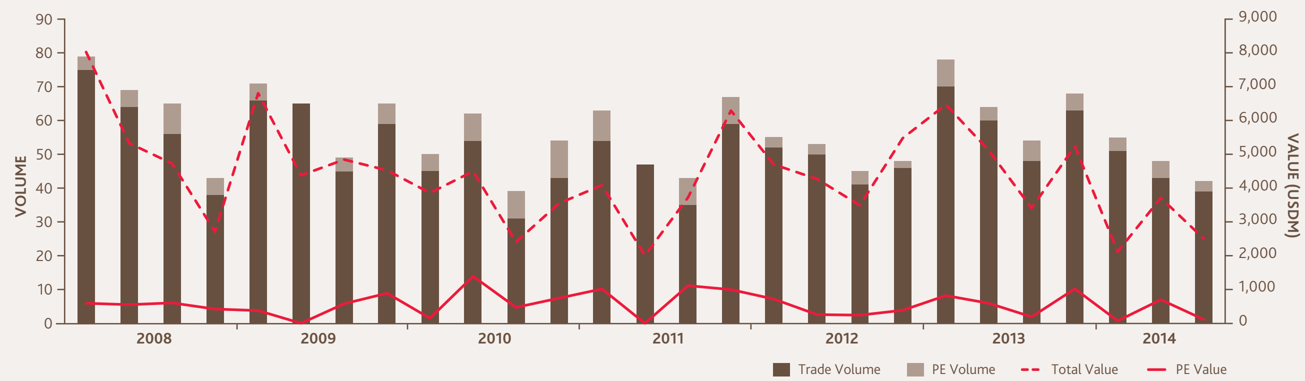
Taking the market as a whole, not just in the mid-market, there has been a total volume of 566 deals in Q3-14. This breaks down to 380 domestic deals; 138 outbound, 48 inbound, or, viewed by deal type, 301 Acquisitions, 258 Minority Investments and seven Mergers. The figure is up by 54 deals (10%) on Q3-13 these figures demonstrate an increase in terms off the number of deals, from 297 to 339 (14%) compared with corresponding period of previous year.

By contrast, the mid-market delivered just 42 deals in the same quarter, substantially below its performance over the same period last year. The dip is mainly due to the drop in activity in two sectors in particular, namely Industrials & Chemicals (from 16 deals to nine) and Consumer (from 12 to five).

MID-MARKET ACTIVITY FAILS TO MATCH THE WIDER GROWTH TREND

The graph of Japan's mid-market M&A shows that Trade sales are by far the biggest player, far ahead of Private Equity both in volume and value terms, as the market is driven mainly by strategic buyers rather than by financial investors (such as funds). Companies are mainly using M&A to expand their business into new markets (both overseas and domestic), or for the consolidation of their core businesses. These trends apply not just to the mid-market but to Japan's M&A deals in general.

PE/TRADE VOLUME & VALUE



OUTWARD INVESTMENT STAY FLAT

Returning to the market as a whole, we can see the continuing major role played by outbound investment. Though it has remained broadly flat (131 to 138 deals compared with the same period last year), it still comprises the majority of cross-border investment.

In terms of the destinations for outbound investments, the Asia (especially ASEAN) region accounted for around 40% of all deals. This is largely down to the twofold negative internal factors (low birth rate and ageing population), which are shrinking consumer demand. By contrast, positive external factors include Asia's thriving population, consumer market and economy, combined with lower manufacturing and labor costs than in Japan. The sectors most active in outbound investments into Asia include Food Services (and related) businesses, Manufacturing, Construction and IT.

Deal activity in Q3-14 was dominated by a handful of sectors, with TMT, Industrials & Chemicals, and Leisure between them accounting for more than 67% of all transactions. However, it should be noted that activity with the TMT, Leisure and Business Services sectors are increasing drastically, although they are generally categorised as lighter, more compact, knowledge-intensive industries.

The least active sectors were in Pharmaceuticals, Medical & Biotech, Energy and Mining & Utilities. As a whole, there were no sectors which maintained their stability from Q2 to Q3.

LOOKING AHEAD

The adjacent heat chart underlines the continuing strength of the leading sectors; Industrials & Chemicals, TMT, Consumer, and Business Services, with 224 forthcoming deal opportunities between them. These Sectors are expected to be the main engine driving Japan's M&A market going forward.

The outlook for deal activity in the remainder of 2014 is cautiously positive. Triggered by negative GDP growth, the result of Abenomics remains uncertain.

It just so happens that the second phase of the raising of the consumption tax has been postponed. At present, it is difficult to say whether this political measure will bring the business community good news or not.

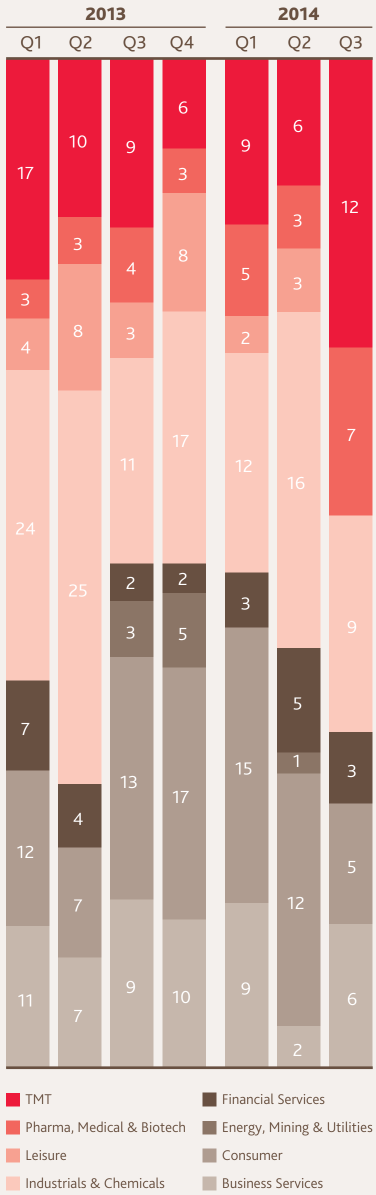
At this moment in time, there are two problems in Japan: One is the aging society and another is the restructuring of infrastructure facilities, such as bridges and highways. Whereas, they do create challenges, they also present potential market opportunities in Japan.

We can expect outbound investment into Asia to continue and increase. Meanwhile the approach of the Olympics should drive a recovery in the construction, real-estate and tourism industries, bringing with it a potential boost to inward investment from overseas. We should also see continued recovery in the IPO market.

JAPAN HEAT CHART BY SECTOR

Industrials & Chemicals	71
TMT	63
Consumer	54
Business Services	36
Leisure	23
Pharma, Medical & Biotech	17
Financial Services	14
Energy, Mining & Utilities	8
Total	**286**

JAPAN MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

SEBASTIAN STEVENS
Partner
sebastian.stevens@bdo.com.au

THE BIG PICTURE

- Q3-14 transaction volumes again increased year-on-year, however there was a fall in the total transaction value as the average deal size fell
- The Business Services sector was the most active sector in Q3-14, contributing to 22 of the 94 transactions
- M&A activity in the Energy, Mining & Utilities sector continues to lag as a result of low commodity prices and a lack of medium-term confidence in the sector
- Low interest rates, a stable exchange rate and reasonably strong economic fundamentals continue to provide a supportive environment for M&A activity in Australasia in the mid-market space

The third quarter of 2014 has again seen a large number of mid-market M&A transactions in Australasia.

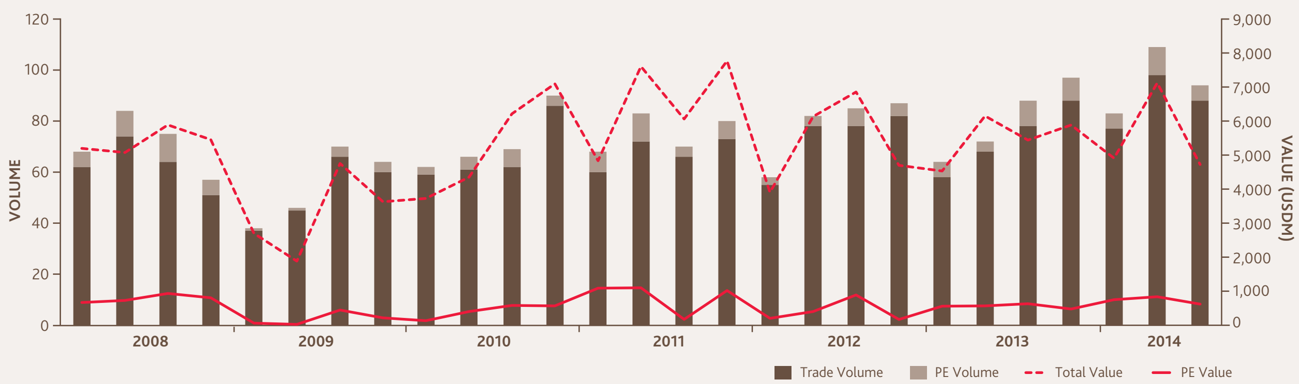
However, there has been a considerable reduction in the total transaction value, relative to the second quarter of 2014 and the corresponding quarters in previous years. While deal volumes for the quarter (94 deals) were the second-highest since 2007, total deal value (USD 4.7bn) was the lowest third-quarter result for over five years.

Sector activity during the quarter was dominated by the Business Services sector which contributed 22 of the total 94 transactions. The Financial Services, Industrials & Chemicals and Leisure sectors each contributed 12 transactions.

In the Business Services sector, the major transactions included the acquisition of LCR Group Pty Limited, an Industrial and Mining Services company, providing bulk material handling, transport, mining and associated services, by Australian private equity fund manager, Archer Capital, for USD 187m.

In New Zealand, a consortium comprising two Maori funds, Tainui Group Holdings Ltd and Ngai Tahu Holdings Corporation Limited, acquired Go Bus Limited, which operates urban, school and charter bus services throughout New Zealand, from Australian based private equity fund, Next Capital, for USD 144m.

PE/TRADE VOLUME & VALUE



Uncertainty around key commodity prices (iron ore, gold and coal) continues to impact confidence in the Energy, Mining & Utilities sector, with the sector contributing only 11 transactions (the 5th highest) during the Quarter. Interestingly, the Energy, Mining & Utilities sector contributed three of the top five mid-market deals for Q3-14.

Major transactions in the Energy, Mining & Utilities sector included ASX-listed BC Iron Limited's takeover of ASX-listed Iron Ore Holdings Limited in a transaction valued at USD 175m, and China's privately owned Fosun International Group's takeover of ASX-listed ROC Oil Company Limited in a transaction valued at USD 175m.

Consistent with recent trends, Private Equity continues to increase its presence in mid-market transactions, contributing 13% of the total deal value this Quarter. In the previous quarter, Private Equity contributed 12% to the overall value of deals, whilst only making up 12% of deal value in the corresponding quarter last year.

In other notable cross border transactions, France based VINCI Energies SA acquired Electrix Limited in New Zealand and Electrix Pty Ltd in Australia, (a Utility, rRsources and Infrastructure Services provider) for USD 128m. And US based Global Payments Inc. acquired Ezi Holdings Pty Limited, an integrated payments technology company, for USD 275m.

AUSTRALASIA HEAT CHART BY SECTOR

Industrials & Chemicals	93
Consumer	83
Energy, Mining & Utilities	74
TMT	67
Business Services	64
Pharma, Medical & Biotech	44
Financial Services	36
Leisure	22
Total	**483**

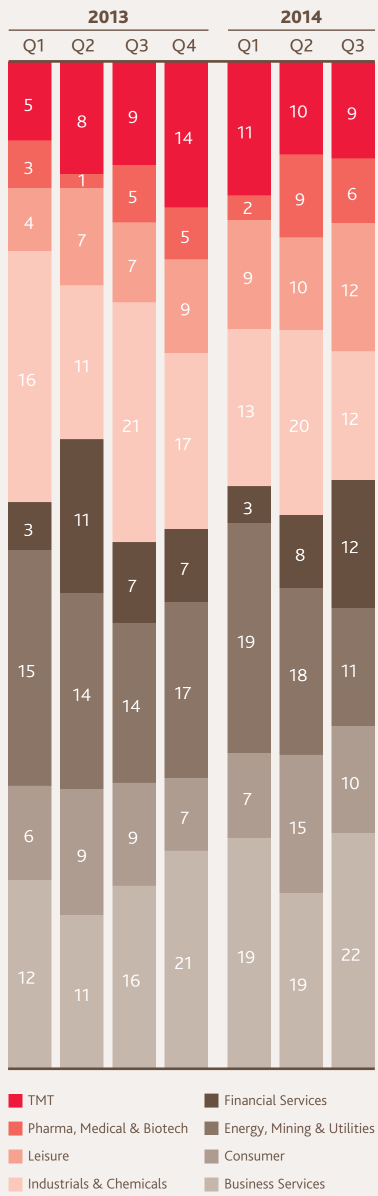
LOOKING AHEAD

The heat chart for Australasia for Q3-14 suggests that the Industrial & Chemicals sector is expected to regain top spot and contribute the largest amount of transactions over the short–to-medium term.

The Energy, Mining & Utilities sector in Australia remains a key driver of economic activity in Australia, yet mining M&A activity remains low. The heat chart suggests that, at least in the near term, transactions in the Energy, Mining & Utilities sector are unlikely to increase substantially. However, if the valuations of Energy, Mining & Utilities companies remain at the current low point in the cycle, then they will represent an attractive investment proposition for other Mining businesses looking to secure reasonably cheap access to bolster their existing reserves and resources.

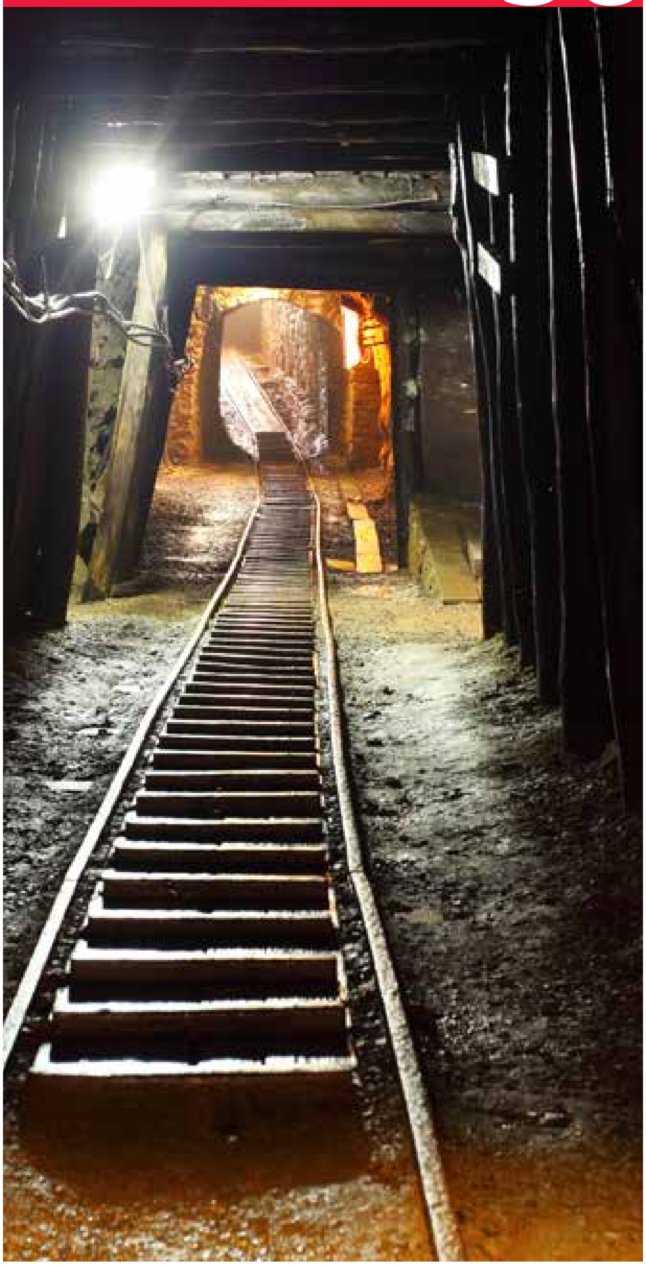
In short, Australasia continues to represent an attractive investment opportunity for offshore firms looking for a stable investment destination to diversify their operations. In addition, local private equity firms and superannuation funds retain high cash balances, which they are looking to apply. Combined with generally strong economic fundamentals, the environment is very supportive for continued strength in M&A activity in Australasia.

AUSTRALASIA MID-MARKET VOLUMES BY SECTOR



ENERGY, MINING & UTILITIES

38



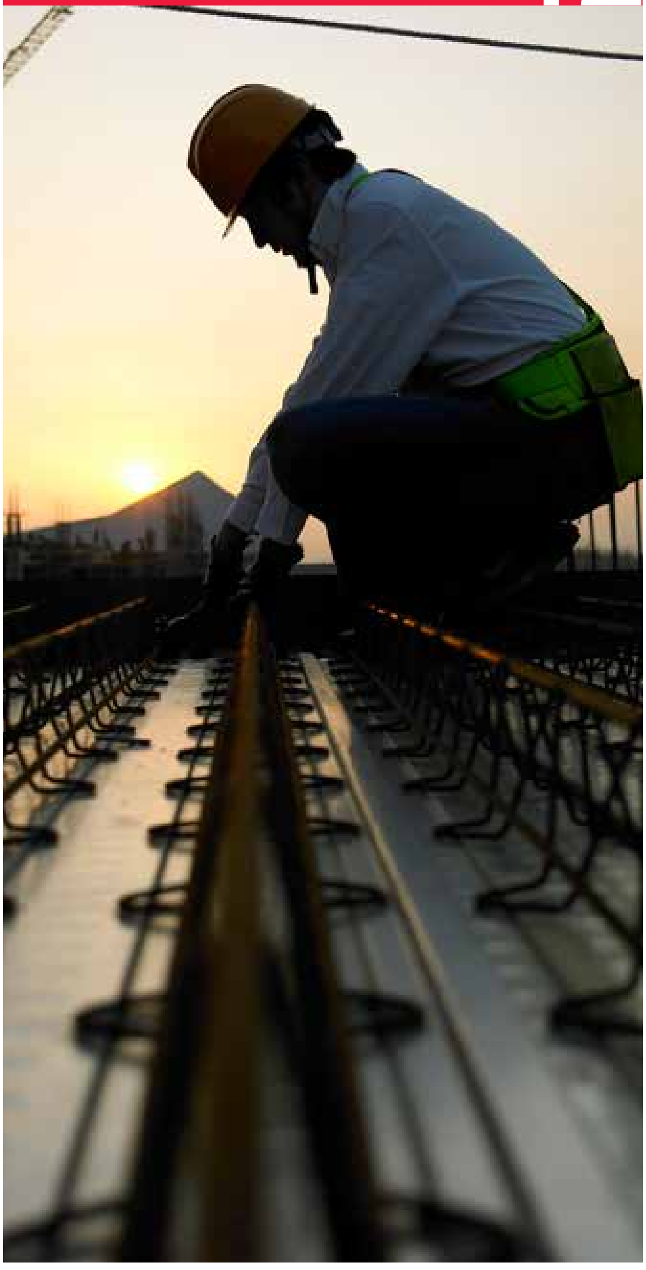
LEISURE – BARS & RESTAURANTS

40

SECTOR VIEW

INDUSTRIALS & CHEMICALS

42



CONSUMER

44

ENERGY, **MINING** & UTILITIES

SIMON LEATHERS
M&A Director
simon.leathers@bdo.co.uk

Despite the announcement of a few exceptional megadeals (those with the a transaction value in excess of USD 1bn) in Q2 (notably Glencore's sale of Las Bambas and the Osisko Mining Corp acquisition by Yamana Gold and Agnico Eagle), both the volume and value of Mergers and Acquisitions in the global Mining sector fell to a new recent low in Q3-14.

Given the challenging environment in terms of the price of commodities, the lack of deal activity will not come as surprise to many market participants. After many years of strong acquisitive growth by a number of mining companies, the inevitable period of difficulty since the cycle turned continues to dominate the headlines. The driving reasons are clear: iron ore spot prices are down by 40% in the year to date having sunk to a five-year low, while the gold price has slipped to a four-year low.

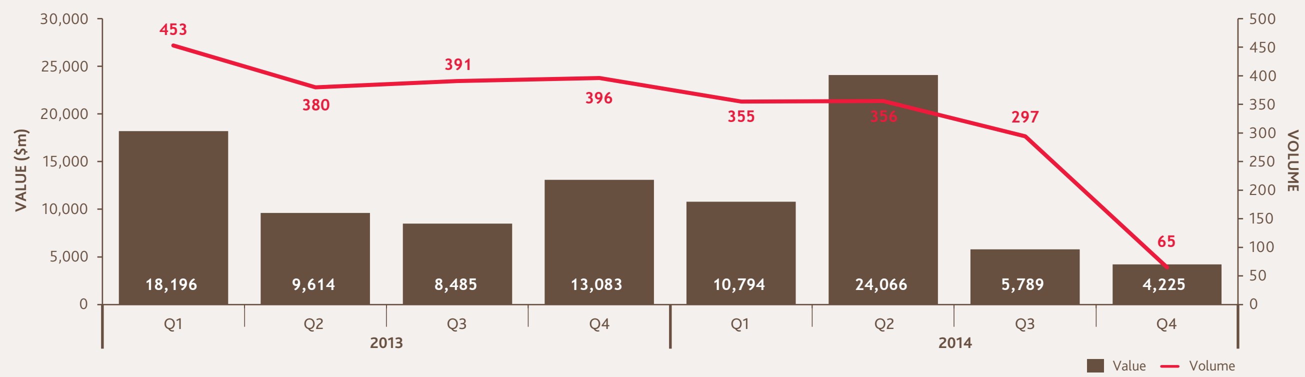
In terms of M&A, the appetite of the major players has continued to be very cautious, as they sought to maintain their recently-rediscovered commitment to capital discipline. Also, a dwindling number of buyers interested in an increasing number of the available assets has resulted in a lack of competitive tension, leading to with an absence of aggressive deal structures.

However, partial divestments have remained a mainstay of the M&A market with notable transactions including Barrick Gold sale of a 50% stake in the Saudi Arabian Jabel Sayid Copper Project to Ma'aden for USD 210m and Newmont selling their 44% stake in the Penmont JV to Fresnillo for USD 450m.

On a similar theme, Joint Venture deals have remained popular across the sector as companies have sought to mitigate project and financing risks through diversified ownership structures. Stratex's 33% investment in Goldstone is a typical example of a company that is prudently looking to broaden its exploration exposure in a given region. Unfortunately, restructuring deals have also increased as a result of the poor trading conditions, as companies seek to alleviate their now unsustainable debt levels, and - at the time of writing - Petropavlovsk appears to be one of such companies in the closing stages of assembling a consortium of new financial backers to support the business.

With some commentators reporting that M&A deal activity is at the lowest level it has been in a decade, it is perhaps inevitable that the biggest M&A story of the Quarter was for a deal that never got off the starting blocks, namely Glencore's delicately-orchestrated approach to the industry behemoth Rio Tinto. In this deal, the trader's approach was deliberate, subtle and seen by many as opportunistic in light of the weak iron ore price environment. Rio Tinto has a much greater exposure to this commodity than Glencore and so the long-

GLOBAL MINING M&A



Source: Thomson Reuters

term strategic fit is widely touted as being an appealing rationale for the deal. The general press consensus appears to be that this is story that has a long way yet to run.

The impact on the small and mid-market iron ore companies across the globe has been dramatic and many have found themselves in financial difficulties as they struggle to maintain cash-generative production plans in a typically capital-intensive bulk commodity sector.

Within this sector, Australia's BC Iron managed to complete its £250m offer for Iron Ore Holdings despite the falling commodity price. However, others have not been so fortunate. With an increasingly unsupportable debt burden, London Mining went into administration in mid-October and the Marampa mine was subsequently sold to Frank Timis, the Chairman of African Minerals, with the agreement that both operations will benefit from rail and port cost synergies associated with greater economies of scale.

In a wider context, the Ebola crisis has continued to impact those mining companies operating in West Africa and until there is clarity as to the long-term effects of the disaster most operators and consultancy firms have understandably slowed their operational activities within the region and we expect regional M&A activity to follow suit for some time to come.

On a brighter front, Copper has not suffered from the same downward price pressure as gold and Iron Ore and whilst Altona Mining Ltd sold its Finnish assets to Boliden AB for USD 95m it is also worth noting that Trafigura has acquired a 20% stake in EMED Mining Ltd.

LEISURE
BARS & RESTAURANTS

KIERAN LAWTON
Director M&A
kieran.lawton@bdo.co.uk

Dining out on a renewed confidence in the Restaurant Sector

The UK has seen a significant upturn in M&A activity in recent years. Consumer confidence is on the rise and there has been a favourable cultural shift towards eating out, despite the recent recession, which has meant that the Restaurant sector has proven remarkably resilient. Such factors have given investors renewed confidence in employing growth capital into restaurant groups to help them embark on both national and international expansion plans.

Significant recent transactions such as CBPE's purchase of Côte, LDC's investment in D&D London, Bowmark Capital's buyout of Drake & Morgan and Hutton Collins' purchase of Byron demonstrate the Private Equity industry's appetite for the UK Restaurant industry. Scalability, cash generation and viable exit routes all make the sector attractive for Private Equity investors. As testament to this, over two thirds of UK mid-market transactions in the sector since January 2011 involved a Private Equity bidder. In the sector, entry multiples can be high (7-9x EBITDA is not uncommon) and confidence in the concept, management team, roll-out potential and exit routes means investors comfortable that, if all goes to plan, the returns can be significant.

Deal activity in the sector looks set to continue, with brands such as Yo! Sushi, TGI Friday's and Las Iguanas all known to be on the market, and others, such as Bill's and Loungers, rumoured to be considering a sale within the next 12 months.

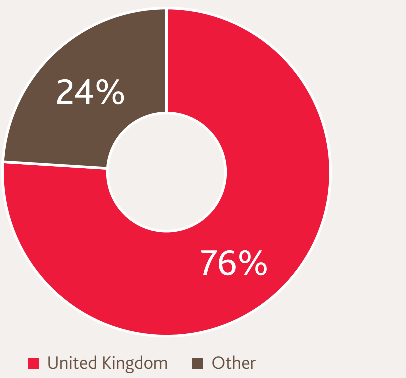
In terms of transactions across the globe, there is a more even split between PE and trade deals over the same period. Again, the prices paid can be high and it is not uncommon to see double-digit entry multiples.

Worthy of note is that the vast majority of deals, both in the UK and globally, are internal, domestic transactions.

In terms of cross-border activity, M&A is nowhere near as prevalent in the Restaurant sector as it is in most other sectors. Whereas the industry has international capabilities, expanding overseas is more likely to be through the roll-out of an existing successful brand than simply buying a complementary business or concept in another country.

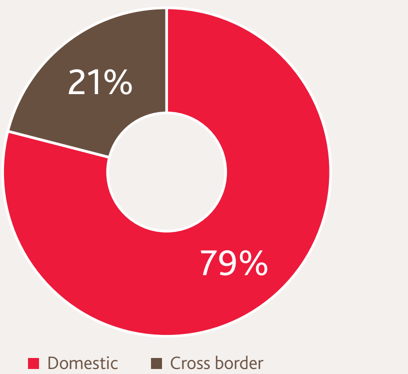
Having said that, the Private Equity industry's understanding of the sector, together with increased debt availability, cash-rich trade buyers and the opening up of the public equity markets should help pave the way for further international expansion of restaurant concepts and, potentially, an increase in cross-border deals.

UK - UK VS OVERSEAS BIDDER



Source: Allegra Strategies, Project Restaurant, 2013

ROW - DOMESTIC VS X-BORDER



Source: Allegra Strategies, Project Restaurant, 2013

Hony Capital's recent purchase of UK-based Pizza Express is one example of an overseas buyer(in this case a Chinese PE house) identifying an opportunity to roll-out a restaurant in a region where the concept had been introduced but not fully exploited.

There has to be an element of saturation in home markets once a group reaches a certain size, whereby international expansion is the obvious route to take. It is therefore no surprise to see successful concepts such as Chipotle, Shake Shack and Give Guys entering the UK, or to see the likes of Jamie's Italian and Carluccio's expanding outside the UK.

Wagamama is another business that began in the UK but is embarking on overseas expansion. When Duke Street Capital purchased the Asian noodle chain from Lion Capital in 2011, the potential for an international roll-out was key.

As Investment Director **PAUL ADAMS** explains:

"Given the strength and unique nature of the brand, international expansion, alongside continued UK rollout, was a key component of our wagamama investment thesis.

The group already had operations overseas and we were keen to leverage the successful base to grow the brand internationally, both through franchising and company owned sites. We have recently strengthened the international management team, both in global franchising and in the US, where we own all of our sites. wagamama remains a very popular brand for potential franchisees, and provides the company with a comparatively low risk platform in new territories.

We intend to capitalise on very strong current trading across the UK and international estate to explore new areas of growth for the company."

Key to international expansion is making sure you understand the market you're entering. On a UK level, there is a common perception that for a London-based operator to expand into other regions, and for a regional operator to expand into London, it requires time being spent understanding those very different markets and potentially varying the offering (and economic model) accordingly. The same principle applies on an international level.

Hony know the Chinese market and have bought an exportable product. Duke Street have invested in a management team with international expertise and use a franchise model where appropriate. Others will use JVs or partnerships to ensure they benefit from the experience of a local operator.

Whatever the method, it is not just large, established groups looking to expand overseas. As a relative newcomer to the congested burger market, Caliburger is one such brand looking to make an international splash despite being in its early stages of development. In doing so, the owners are conscious of remaining relevant to local markets and adapting their approach accordingly. As Global CEO **SILAS ADLER** explains:

"As a new emerging global brand, CaliBurger is perceived differently around the world. In Asia for example where the better burger market is evolving, we are an aspirational experience. In other markets there's less focus on the experience and more on the price and accessibility. What bonds it all together is a great quality product at a reasonable price and matching the consumer's expectation.

We've grown in an unorthodox manner; as a startup we went global day one. Having had first hand experience in franchising, JVs and company owned structures across 3 continents, we've learnt that one size does not fit all. We've adapted our model locally and learned from our experience, without compromising on the end product."

International expansion is set to continue. In addition to those mentioned already, Guangzhou Restaurant (the Guangdong-based state-owned restaurant and catering business) has stated that it is actively looking for overseas partners and is speaking to operators in the US, Europe and Asia. in addition, US restaurant groups Johnny Rockets and Red Lobster have recently entered the Brazilian market; Jolibee Foods, the Philippine-listed restaurant group, is interested in expanding into the US and is said to be actively looking at targets; French potato concept La Pataterie is looking to expand further into Europe; Family-run gourmet burger concept Hache has discussed potential launches in France and the US; Elior has just raised cash on the public markets to fund international expansion; and international premium bar, restaurant and club operator Hakkasan has recently started making acquisitions in its existing operating territories.

Analysis suggests the UK Restaurant sector will become increasingly dominated by casual dining brands as opposed to independents, and the situation is similar in other countries, such as the US and Germany. As such, it is likely that international investors will continue to look at the Restaurant sector as one worthy of their time and money. We expect deal activity to continue to remain strong, with continuation of the expansion of UK brands overseas.

INDUSTRIALS & CHEMICALS

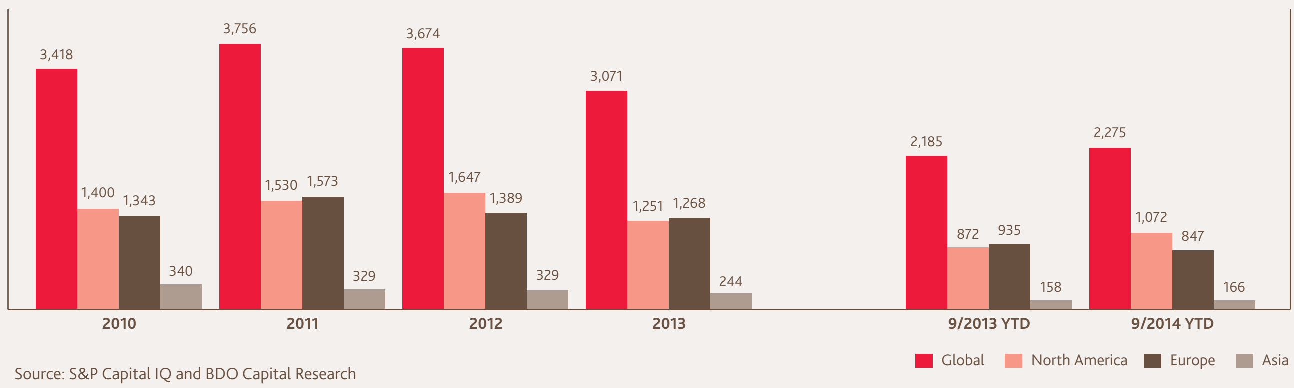
DAN SHEA
Managing Director
dshea@bdocap.com

M&A activity in the Industrials & Chemicals sector is again on the rise but the growth is uneven from a geographic standpoint. Going forward, certain market drivers will continue to spur on expansion in selective regions across the globe.

Global M&A in the Industrials & Chemicals sector grew substantially after the recession, peaking in 2011. With the economy seemingly on the mend, deal makers were surprised to see sector transaction volume decline – albeit modestly - by 2.2% in 2012 and then more materially in 2013, declining by an additional 16.4%. A number of factors led to the decline, most notably the lingering economic uncertainty and a limited number of investment options.

Whereas these concerns have abated somewhat, as evidenced by an increase in the number of transactions concluded in the first nine months of 2014, with the M&A deal count in the sector up by 4.1%. However, a closer look shows that the gain was uneven. While North America and Asia expanded by 22.9% and 5.1%, respectively, Europe continued to decline, down another 9.4% during Q1-Q3 2014. A lack of closings in Germany, and in the UK in particular, weighed on the aggregate numbers for Europe. These two regions account for approximately 60% of all European deal activity in the sector. Similarly, Asia was hampered by a lack of deal flow in China and India, which hindered Asia's overall growth result.

DEAL VOLUME PER YEAR



Source: S&P Capital IQ and BDO Capital Research

LOOKING AHEAD

There are several forces at work in the global M&A market that will favorably drive deal closings in the Industrials & Chemicals sector in the near-to-medium term, and should support further increases in the overall volume of deals going forward.

In North America, where industrial companies are experiencing steady gains in productivity, as well as enjoying relatively inexpensive energy prices, there has already been an increase in investment activity, including foreign corporations such as ZF Friedrichshafen AG arranging to buy Michigan-based TRW Automotive Holdings Corp for USD 11.7bn in Sept 2014. We are also seeing similar activity in the mid-market, with BDO having recently advised on the sale of several industrial clients, including Accumetrics, ElecComm, MWS Wire and Truetech) to both European and Asian buyers.

In Europe, it is hard to predict when a reverse trend will form but we sense that it is coming. The European marketplace is rich with high quality, innovative companies that are attracting attention. Consider Schneider Electric SA's acquisition of Invensys plc for USD 5.4bn in early 2014. BDO's ongoing M&A advisory work as well as our "heat chart" of Industrials & Chemicals activity in the region suggests that Schneider Electric is not alone in terms of its appetite for growth through acquisition within Europe.

Lastly, we have also seen increasing interest in emerging markets. Economic uncertainties and other challenges have placed downward pressure on valuations, which has consequently provided investors with an opportunity to selectively enter or expand in these markets at lower purchase prices.

Large and growing populations in countries such as India and on the continent of Africa provide for a board base of customers in need of industrial products and services, making M&A investment an attractive, long-term investment.

CONSUMER

CESAR PARRA
Managing Director, Head of M&A
Consumer Business
cesar.parra@bdo.es

As the recession passes, companies that have a stronger financial profile are becoming very serious about using their strong cash position to embark upon strategic M&A deals.

The prospects for the Food and Beverage sector remain robust as small-to mid-market players continue to pursue consolidation opportunities. It seems to be a good time to be a seller, with the number of buyers increasing, as well strategic acquirers, global players, and financial sponsors.

Many strategic investors understand that consolidating their core business is crucial in the post-crisis era, and as such, we anticipate more opportunistic M&A deals driven by corporate consolidations, as well as the acquisition of Private Equity-owned assets from PE firms keen to exit highly-leveraged acquisitions completed in the boom years.

M&A ACTIVITY STILL STRONG IN CONSUMER:
GROWTH AND CONSOLIDATION

Strong interest from strategic buyers has driven the M&A activity in 2014. As companies see fewer options to grow organically, combined with the need to accelerate growth internationally, the M&A is increasingly becoming the answer. Activity is expected to continue its strong momentum with robust deal flow throughout next year, a trend that is likely to be assisted by Private Equity firms looking to make acquisitions in the Food & Beverage and Retail sectors, where there remains as a high degree of fragmentation in many regions.

A total of 1,281 M&A deals were recorded in the Consumer sector in Q3-14. Europe was the most relevant region accounting for more than 36% of the total deal flow. North America followed, with nearly 22.9% of the total transaction volume. Within Europe the Southern Europe and the CEE & CIS region registered 8.5% and 11.9% respectively of total deal flow, demonstrating consolidation within these two regions.

Some sectors are performing better than others. 185 deals were recorded in the Agri Processing representing an increase from the Q1 records (51 deals). The Household & Personal Care) sector was also significant, with 109 deals. The Other Processed Foods sector also maintained its momentum, recording 99 deals in Q3.

CONSUMER	
Agribusiness	185
HPC	109
Other Processed Foods	99
Apparel	89
Protein Processing	67
Baked goods	57
Frozen	57
Food Ingredients	40
Dairy	37
Confectionary	35
Luxury goods	34
Soft drinks	31
Wine/Spirits	27
Beer	19
Fresh Produce	17
Total	**903**

The Hotels sector represented the largest number of deals in Q3, a combination of market consolidation and international investors looking to participate in this market place. In another sector, the revitalisation of the Restaurant industry is directly related to increased public optimism and improvement in the perception of many brands in the quality:price ratio.

RETAIL	
Hotel	137
Restaurants/Food Service	117
Fashion retailers	76
Grocery Distribution/Food Retail	48
Total	**378**

There were several investors looking at the Retail Industry, both strategic and financial. Operators in the quick service sector have advanced their plans to grow internationally, having achieved their goals within their domestic markets. These players are also looking to acquire businesses where customer footfall has declined, either due to an over-spend on upgrades, relaunches or the owners' expansion plans in international markets.

Private Equity continued to be an active player in the consolidation of the retail space. Both buying and selling sponsors today see a lot of opportunities in concepts that have shown resilience in the face of the current economic situation. Private Equity firms look to identify and grow existing platforms and capitalise on a favorable exit window to realise aging portfolio investments executed in the boom years.

NOTABLE DEALS

Selected categories within food and beverage and consumer goods businesses have registered a large amount of deals.

FOOD & BEVERAGE

In the fish products processing, the Japanese conglomerate Mitsubishi has acquired the shares of the Norway-based Cermaq for USD 1.7bn strengthening its foothold in Europe and in the fish industry.

In the processed meat segment, buyout firm PAI has bought a majority stake in Labeyrie a French duck and fish products manufacturer for over USD 737m, in a buyout deal.

HPC

In the HPC segment, Bayer AG, has agreed to acquire the consumer care business of Merck & Co., Inc, for a cash consideration of USD 14.2bn. The German multinational Henkel AG has agreed to acquire the French Spotless Group from BC Partners Limited, a London-based private equity fund.

RETAIL

Notable strategic deals include the announced acquisition by Carrefour SA, the listed France-based supermarket operator of DIA France for an enterprise value of USD 749m.

Burger King has completed the acquisition of Canadian multinational Tim Hortons has completed the acquisition of Harris Teeter Supermarkets. Tim Hortons is a fast casual restaurant known for its coffee.

Data produced by The Mergermarket Group.

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