HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 2 | 2016

IRELAND

How Ireland put the dark days of recession behind and is now enjoying an M&A boom

SEE INSIDE FOR ALL THE LATEST VALUABLE INSIGHTS

FEATURE

BREXIT: WHAT DOES IT MEAN FOR M&A?

REGIONAL VIEW

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BDO

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WELCOME

Welcome to the latest edition of BDO HORIZONS, addressing the quarter's most important mid-market M&A developments and examining at what lies ahead.

The time has come again to look at what is on the horizon, and BDO HORIZONS – the quarterly report from BDO on mid-market M&A activity around the world – is here to help. We offer views on deal activity around the world, with a special focus on selected sectors, to bring you a complete picture of how the market is evolving and where it is heading. This edition of HORIZONS covers the first quarter of the year, enabling you to get a glimpse on a region-by-region basis on how 2016 has started how 2016 has started. We take a look at our predictions from the previous quarter and see if they hold up, and provide at-a-glance summaries that can help you easily make regional comparisons. There is also expert commentary on recent trends, predictions for the coming quarter, and forecasts for regional sector activity through our BDO Heat Chart, which collates current, planned and rumoured deals.

To get a deeper understanding of what is really going on now and what may happen in the future, we focus on two distinct, but connected perspectives. While the first divides the M&A mid-market into 17 regions, the second looks at super-regional activity based on sectors classified into Energy, Mining & Utilities, Leisure, Industrials & Chemicals, Consumer, TMT, Business Services, Financial Services and Pharma, Pharma, Medical & Biotech.

INSIGHTS FROM A LEADING M&A ADVISOR

As political and economic conditions in Europe change, M&A activity faces new challenges and is confronted with new questions. One of these is whether the United Kingdom remains in the EU after its 23 June referendum and how this will affect attitudes towards European mid-market M&A. Furthermore, what will the challenges ahead be for the European Union in this context and how will this decision affect the European and global economy? You will find insight into this, and many other areas, in this edition of BDO HORIZONS.

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GLOBAL VIEW
COMPARING NOW AND THEN

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The first quarter of 2016 saw mid-market M&A deal value and volume fall below the previous quarter's levels, but our BDO Heat Chart expects transactions to rise in Q2 2016.

There were 1,549 transactions in 2015 Q1 with a total deal value of USD 139bn. This represents a fall of 42.6% by volume and 39% by value when compared to Q4 2015, and a fall of 14.3% by volume and 19% by value when compared to Q1 2015.

There were 186 transactions involving private equity in Q1 2016, representing a reduction of 23.1% in deal volume and 14.7% in deal value compared to Q4 2015 Against Q1 2015 figures, there was a decrease in deal volume of 15.8% and in deal value of 15.9%.

When we look at the composition of total deal volume in more detail, we find a negative trend in all sectors compared to Q4 2015.

An important feature of the first quarter of 2016 was the trend towards bigger deals. The average volume per deal was USD 89.9m, up 2.5% compared to Q4 2015 and representing the highest average deal volume since Q2 2012.

COMPARING HERE AND THERE

If we take a look at mid-market M&A activities in our 17 regions, we see that all except Japan and the Middle East underperformed against Q4 2015 and deal activity decreased in all sectors, especially in Leisure, compared to Q1 and Q4 2015. Here is a snapshot of some of the highs and lows:

North America was the most active region in Q1 2016, with 411 transactions, but this represented a decrease of 37.2% against Q4 2015 and 28.0% against Q1 2015. Looking at North American deal value, this sank to USD 46bn in Q1 2016.

Looking beyond North America, we saw a quarterly upward movement in deal volumes in Israel and Middle East. But Other Asia, Israel, Middle East, Nordic and Greater China were able to outperform Q1 2015. Latin America posted the worst results with a decline of 188% against Q4 2015 (and 44.6% against Q1 2015), followed by Benelux with 132% and Australasia with 127%.

If we look at deal values, Israel had a rise of 30.6% followed by North America with 12.9% and Other Asia with 12%. Benelux experienced the biggest fall (123.5%), followed by Latin America (89.6%) and the Middle East and Nordic regions (15.4%).

As for sectors, every sector completed fewer deals in Q1 compared to the same quarter last year and Q4 2015. By comparing the numbers with the preceding quarter, we saw the smallest decline in Industrials & Chemicals (30.9%) followed by Pharma, Medical & Biotech (32.3%) and TMT (40.7%). On the other hand, Leisure (72.7%), Energy, Mining & Utilities (57.7%) and Business Services (51%) saw the biggest declines.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology and Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Total	%*
North America	369	397	173	296	327	338	171	76	**2,147**	**26%**
China	368	202	138	106	90	83	94	64	**1,145**	**14%**
CEE & CIS	196	108	153	90	89	32	50	44	**762**	**9%**
Southern Europe	150	83	128	74	55	46	49	42	**627**	**8%**
Australasia	78	98	65	70	42	37	41	16	**447**	**5%**
South East Asia	125	51	52	51	53	17	44	24	**417**	**5%**
India	88	85	45	65	39	35	39	11	**407**	**5%**
DACH	128	63	61	40	32	36	29	11	**400**	**5%**
Latin America	77	54	67	72	66	15	26	15	**392**	**5%**
UK & Ireland	68	77	54	45	43	27	40	24	**378**	**5%**
Other Asia	86	45	25	12	12	22	29	19	**250**	**3%**
Nordics	67	49	35	13	15	15	16	6	**216**	**3%**
Japan	53	48	29	19	12	30	9	8	**208**	**3%**
Africa	54	13	21	22	50	5	18	6	**189**	**2%**
Benelux	30	18	33	13	13	17	15	8	**147**	**2%**
Middle East	14	29	13	13	14	10	9	6	**108**	**1%**
Israel	8	21	5	4	3	13	4	2	**60**	**1%**
TOTAL	**1,959**	**1,441**	**1,097**	**1,005**	**955**	**778**	**683**	**382**	**8,300**	**100%**
%	**24%**	**17%**	**13%**	**12%**	**12%**	**9%**	**8%**	**5%**	**100%**	

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

LOOKING AHEAD

According to our BDO Heat Chart, the number of companies up for sale or rumoured to be is forecast to rise by less than 1%, amounting to 8,300 companies. The brightest region is South East Asia, where the number of opportunities rose by more than 15%, followed by Australasia with almost 11% and India with 4%. The biggest driver of global M&A activity is expected to be North America, with a high number of potential deals in every sector. South East Asia follows close behind according to our forecast.

Based on our experience and assessment of current market conditions, we predict the most active sectors will be Industrials & Chemicals, TMT, Business Services and Consumer. We forecast the greatest decrease in deals will be seen in Leisure, followed by Energy, Mining & Utilities.

Overall, we expect a positive environment for deals, with low interest rates prevailing and many companies having solid cash reserves and healthy capital structures. Nevertheless, economic and geopolitical risks remain and could disrupt the otherwise bright outlook. In fact, many companies identify economic and political uncertainty as a key barrier to investment.

IRELAND

HOW IRELAND PUT THE DARK DAYS OF RECESSION BEHIND AND IS NOW ENJOYING AN M&A BOOM

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Ireland has the highest rate of economic growth in the EU for the last two years and is forecast to remain the fastest growing eurozone economy in 2016. With exports hitting an all-time high, employment levels increasing, tax intake at its peak and a strong foreign direct investment offering, Ireland's economic recovery is well underway.

Ireland has certainly come a long way from the dark days of 2010 when the country entered a three-year EU-IMF programme. The economic crash in 2008 was particularly severe in Ireland due to the over-exposure of the banks to an inflated Irish property market, resulting in a collapse of the banking system and the country being unable to access sovereign debt markets. Through an austerity programme of increased personal taxation, reduced public expenditure and deleveraging, the Irish Government and people have spent the last six years rebuilding the economy and restoring Ireland's international reputation.

A significant driver of growth has been the continuing success of the FDI programme with over €125bn invested into Ireland between 2009 and 2013. Ireland is now home to many of the world's leading high-performance companies including Intel, Twitter, Fujitsu, Huawei and Pfizer. These global businesses have chosen Ireland alongside the list of well-known 'home-grown' multinationals such as CRH, Smurfit Kappa, Ryanair, Paddy Power, Kerry Group, Primark, Glen Dimplex, Greencore and Kingspan.

VALUABLE BENEFITS FOR INVESTORS

So how does such a small island achieve such success in attracting and retaining global companies?

Forbes magazine has ranked Ireland as the top eurozone country and the fourth best country in the world to do business. Along with its strong economic growth, Ireland offers a range of valuable benefits to incoming investors including:

- access to an EU market of 500m consumers
- the youngest population in Europe with over 40% of the population under 30 years
- #1 ranking for Access to Talent according to IMD World Competitiveness Rankings with the Education system ranked as one of top ten in the world
- competitive 12.5% corporate tax rate
- a strong R&D environment where companies can receive a 25% tax credit against research and development costs.

In addition, Irish labour costs have remained relatively stable since 2008 compared to other EU countries, which have experienced significant increases in wages and salaries. This cost competitiveness, along with Ireland's business-friendly environment, is driving international investment from the United States, the UK and Asia. International acquirers are also dominating the Irish M&A scene across a number of sectors, with 2015 recording the highest level of transactions in Ireland since 2007 with over USD 80bn of deals completed.

STRONG OUTLOOK

With 5% GDP growth forecast for 2016 and a continued increase in the availability of funds, the outlook for Ireland is strong. There are uncertainties such as the impact of a potential Brexit but it is not yet clear whether this is a risk or a significant opportunity for Ireland. What is clear is Ireland's young and educated workforce and its position as a gateway to the EU will continue to make the Emerald Isle an ideal location for high-growth companies looking to set up or expand their operations in Europe.

THE FOUR KEY DRIVERS

So what's driving the M&A boom?

1 **CORPORATE MIGRATIONS** commanded the headlines in 2015 with the stand-out deal being Pfizer Inc's attempted USD 160bn merger with Irish-based Allergan plc. The recent moves taken by the US Treasury to deter tax inversion deals will certainly slow the pace of these mega-deals. However, according to IDA, Ireland's inward investment promotion agency, over 1,150 multinational companies have chosen Ireland as their strategic European base across sectors including Digital and Social Media, Gaming, Life Sciences, International Financial Services and Information and Communications Technology. These companies are accelerating M&A activity across the mid-market as they seek to bolt-on acquisitions to their Irish platforms.

2 **LOAN SALES AND SECONDARY BUY-OUTS** Ireland was one of the busiest loans sales markets in Europe in 2015 as banks continued to deleverage by selling large portfolios to international debt purchasers such as Cerberus, Lone Star and Goldman Sachs. As these loan sales start to slow down, the onward sales of former distressed assets will increase as management teams access funding to complete secondary buy-outs. The property and hotel sectors have been particularly active in secondary buy-outs, with more than €1bn of hotel deals transacted in 2015.

3 **FUNDING** in 2012 the Irish Government established the ISIF (Irish Strategic Investment Fund), committing €7.9bn of the national pension reserve to investment in Irish companies. The objective of the fund is to invest on a commercial basis to support economic activity and employment in Ireland. To date ISIF has committed €2.3bn across a broad range of sectors including Infrastructure, Energy and Healthcare. According to their most recent report over €355m has been invested to date in SMEs and €434m in venture funds.

The ISIF enabled the establishment of several funds at a time when there was a complete absence of funding or credit in Ireland by co-investing with international partners. These included Cardinal Carlyle SME fund, Highland Technology fund and one of Ireland's first alternative debt providers Bluebay Capital.

Enterprise Ireland (EI) is another Government organisation that has played a key role in rebuilding the confidence of Irish businesses over the last seven years by providing a network of financial and business support for SMEs from start-up through to global exports. EI also co-invested in Ireland's first dedicated growth capital funds, BDO Development Capital and MML Growth Capital.

The establishment of these dedicated funds triggered an improvement in business confidence and assisted in attracting international funders and providing businesses with a choice of alternative finance.

4 **START-UP BOOM** Ireland is also widely recognised as a technology hub, not just for its success in attracting Twitter and Facebook but also because of the significant number of entrepreneurs setting up businesses in Ireland. These start-ups are not only in technology but across all sectors, supported by a community of angels, venture funds, incubators and innovation centres – centres that are often sponsored by larger corporations looking to acquire these innovative, high-growth businesses.

IRELAND HAS BEEN CHOSEN BY:

9 OF THE TOP **10** GLOBAL **SOFTWARE** COMPANIES

9 OF THE WORLD'S TOP **10** PHARMA COMPANIES

13 OF THE WORLD'S TOP **15** MEDICAL TECHNOGY COMPANIES

9 OF THE TOP **10** US ICT COMPANIES

15 OF THE WORLD'S TOP **25** FINANCIAL SERVICES COMPANIES

Source: IDA

BREXIT
WHAT DOES IT MEAN FOR M&A?

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With the referendum on Britain's continuing membership of the EU imminent, how is the prospect of Brexit impacting M&A activity?

As the UK economy and the M&A market returned to business as usual following the outcome of the General Election last year, we knew that 2016 would bring another period of uncertainty as the referendum on Britain's membership of the EU got closer. Financial markets are forward-looking and one school of thought is that the risk of an exit has been priced into the markets and company valuations. We saw a poor start to the year for the UK capital markets in particular experiencing volatile conditions, but much of that could be attributed to the fears of a slowdown in Chinese growth and falling oil and commodity prices.

Despite that market turbulence we didn't see the tap off completely for IPOs and new investment. This was arguably helped by Chinese easing measures and a recovery in oil prices as the year progressed. Moreover, the UK was less badly affected than many other European and global IPO markets in the first quarter. That said, as the Brexit decision gets closer we know from our experience that a number of proposed IPOs are ready to go but are pausing to see the outcome.

RESILIENT MARKETS

How about the M&A markets where there is abundance of cash available for strategic and private equity buyers? Our experience is that there hasn't been a huge amount of debate around Brexit with owners and companies that are considering a sale or a purchase of a business. In part that may reflect the strategic or commercial imperative of an owner to progress a transaction. It may also reflect a view that while the prospect of Brexit creates uncertainty, it's not a factor that can be controlled and it's therefore wiser to focus on those business issues that can be.

To return to the fundamentals of the current M&A market, liquidity is strong and corporates, especially some of the multinational acquirers, have a large amount of cash on their balance sheets or access to funds. Private equity houses also have a large amount of uninvested funds at their disposal and, for many, a fixed period in which to deploy those funds. Interest rates remain low and banks are no longer the only source of debt with the rise of debt funds and asset-based finance. Valuations are relatively high and sellers can be driven to lock in these prices. Larger corporates, many of which are non-UK or European, with a clear M&A strategy will continue to focus on delivering that strategy.

We should also consider the impact of recession and recovery over the past eight to nine years. M&A volumes slumped in the face of diminishing liquidity, falling demand for company products and services and uncertainty. However, M&A activity recovered strongly as businesses adapted to these conditions, became more efficient, tapped into international markets and returned to growth strategies.

Innovation remains healthy in the UK, along with skills, quality and entrepreneurial behaviour. In terms of valuations, the UK remains attractive to overseas buyers, especially the US, and increasingly to Asian buyers as that region grows and continues to open up to M&A and overseas investment.

CONCLUSION

We do not believe the outcome of the Brexit vote will have a major impact on the level of M&A as long as liquidity remains strong and international trade, including non-EU trade, carries on. The current uncertainty that Brexit creates may have a short-term delaying effect for some deals but in our opinion the market should trade through that and adapt once the outcome is known after polling on 23 June.

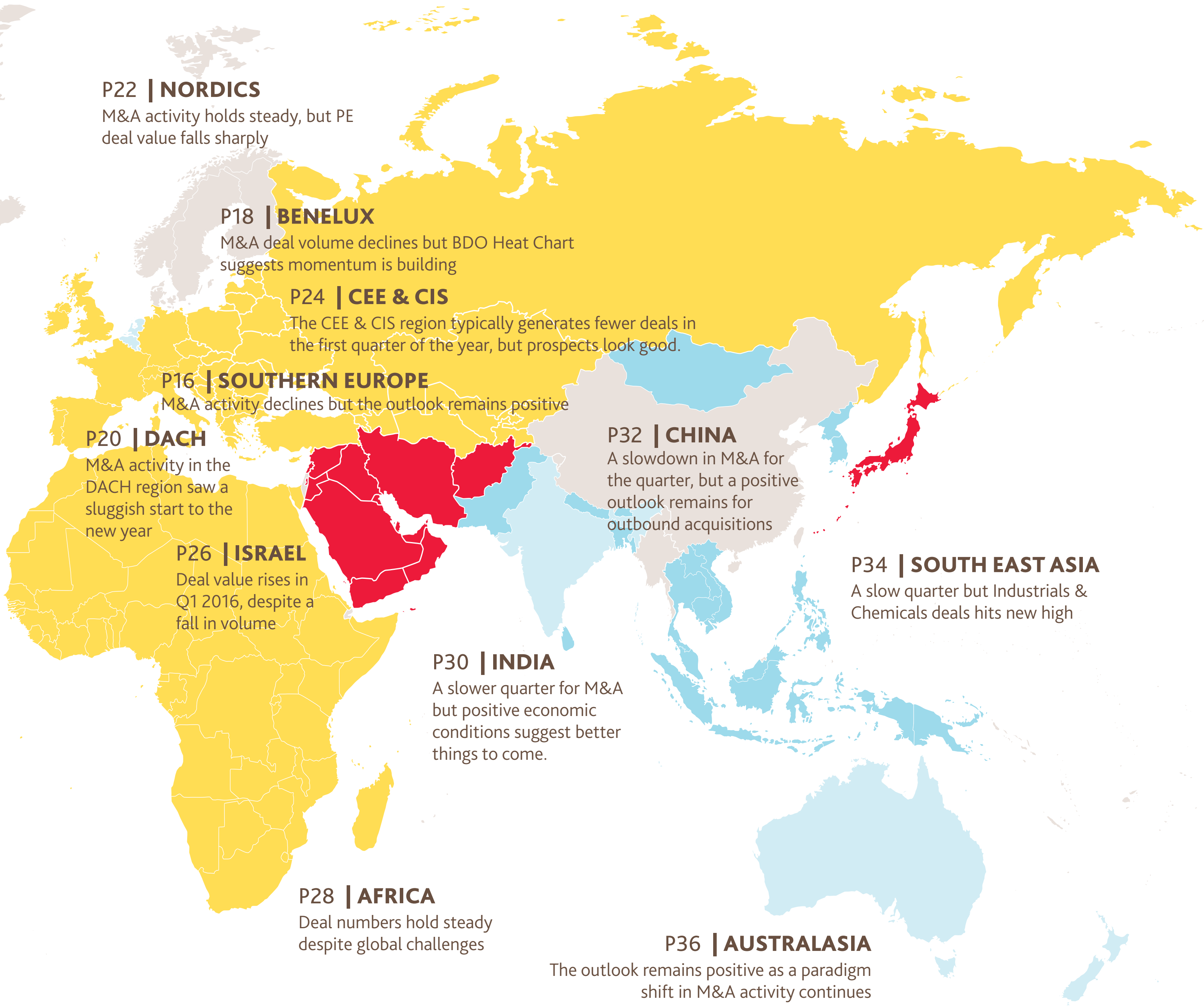
GLOBAL
8,300 RUMOURED TRANSACTIONS

SECTOR VIEW

TECHNOLOGY AND MEDIA

ENERGY – RENEWABLES

INDUSTRIALS AND CHEMICALS

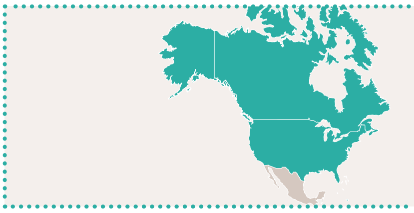


Key % movement

-30% to -20%	-20% to -10%	-10% to 0%	0%
0% to 10%	10% to 20%	20% to 30%	

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

NORTH AMERICA



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BIG PICTURE

- Mid-market deals fell 29% in Q1 2016 compared to Q1 2015 and decreased 28% from the prior quarter
- The dollar value of mid-market deals fell 5% in Q1 2016 compared to Q1 2015 and decreased 16% from the prior quarter
- Concerns over the global economy, equity market volatility, and the strong dollar negatively impacted activity
- Cross-border and inbound activity reduced significantly
- The Energy, Oil, & Mining sectors was particularly weak – but all sectors down.

Mid-market M&A down significantly but this is likely to be a lagging indicator.

North American mid-market M&A activity slowed during the first quarter of 2016, continuing the downward trends of 2015. Market participants are concerned that the M&A cycle peaked in mid-2014 and that the hypothesis that market weakness in 2015 was only temporary or a mild correction is not playing out.

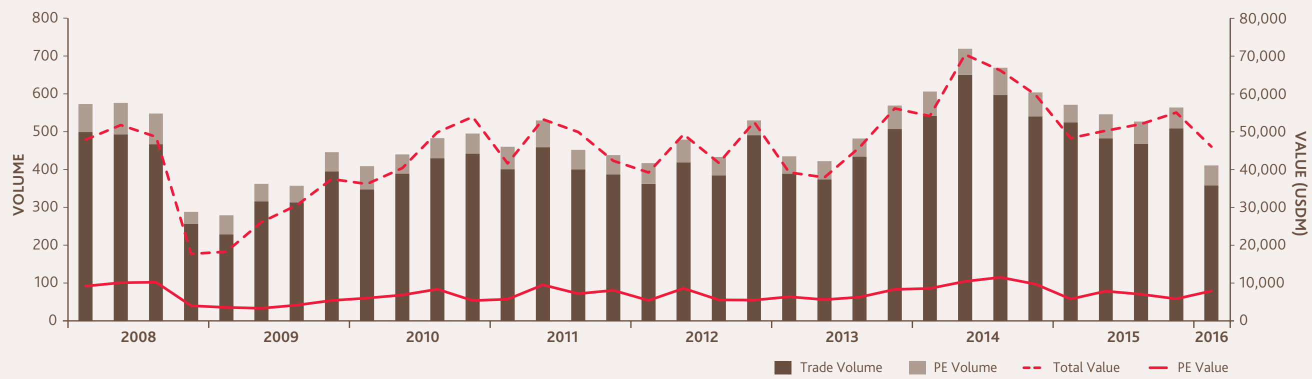
The North American capital markets in Q3 2015 and Q1 2016 were dominated by headlines of volatile equity markets and soft corporate debt markets, typically a foreshadowing of slower M&A activity. Lower than expected GDP growth in China, coupled with a strong US dollar, has negatively impacted corporate earnings and exports. Market volatility, along with a troubling world macro environment, terrorism, and an US election year cycle are fuelling a great deal of uncertainty and slowing the pace of deal activity. Additionally, many large serial acquirers are either working to complete or are digesting recent acquisitions. Last year, large-scale deals occurred across many industries, and those corporate mega-mergers reshaped the competitive dynamics of certain markets, so it is not surprising to see M&A activity take a breather while a rebalancing takes effect.

MARKET VOLATILITY

Severe equity and commodity market volatility in January disrupted acquisition plans and dampened corporate CEO confidence, which resulted in a stagnated and depressed M&A market for the first quarter. Most equity indices saw drops of 20% or more to start the New Year and the debt markets tightened at all levels. In addition, oil prices reached new lows, fuelling further concerns of deflation amid a contagion of commodity devaluation. The initial trigger for the volatility in the quarter was once again China, where the government's own GDP estimates missed the mark. Fears over China's slowdown and subsequent falling demand for raw materials, coupled with excess supply, meant a further step down for commodity prices – particularly oil, which hit USD 27 a barrel in February, a 15-year low.

Market volatility poses some practical challenges for the M&A markets. Valuation is obviously much harder to agree on and ascertain when prices are fluctuating so rapidly. Debt markets tend to turn far less liquid and lenders more cautious in volatile times as bankers wait for the storm clouds to clear.

PE/TRADE VOLUME & VALUE



RECOVERY ON THE WAY?

Ironically, increasing M&A activity is a rational response to the current volatility. The uneasiness the markets experienced in the first quarter was primarily driven by economic concerns such as slow growth, low inflation and excess supply. CEOs are facing enormous pressure to maintain corporate earnings growth. Competitive forces such as sector convergence and changing consumer patterns are adding to the challenges companies are facing. Growing, if not just sustaining, free cash flow has become more difficult. Most North American companies remain cash-rich, with low debt and historic purchasing power and it's only rational for these companies to take action. Volatility might turn companies off mega-deals, but doing nothing simply isn't an option for companies when their earnings, and even their entire business model, are under immense pressure. Add in lower valuations and nervous sellers that may see the window of opportunity closing, and a significant recovery in middle market M&A is a distinct possibility. A further silver lining is that towards the end of the first quarter the equity and commodity markets stabilised and began to recover. In fact, by the end of March, most market prices recovered to levels seen at the start of quarter – erasing many of the doomsday scenarios prognosticators spoke of in mid-January.

Meanwhile, the market jitters and uneven economic data caused the US Federal Reserve to delay any further interest rate hikes – further buoying the market recovery and bolstering hopes for better M&A activity ahead as maintaining low interest rates is key to any M&A market bounce-back. The Federal Reserve decided not to raise rates in March despite strong US unemployment figures. Weak domestic inflation on the Federal Reserve's preferred measure was part of the story, but the Federal Reserve also pointed to "recent global economic and financial developments" that may have the potential to restrain economic activity and "put further downward pressure on inflation in the near term".

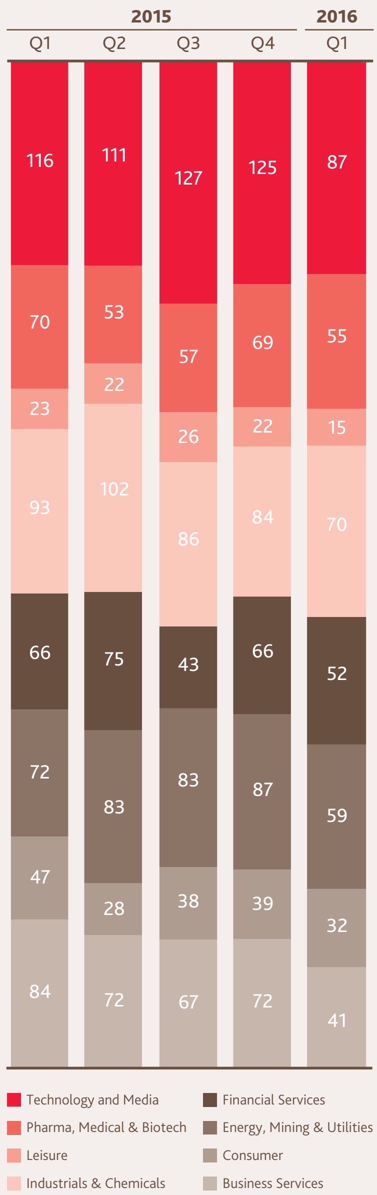
LOOKING AHEAD

Given recent market stability and recovery in the commodity sector, the M&A markets are poised to improve dramatically from the malaise experienced in the first quarter. Low interest rates, accommodating central banks, and cash-rich corporates looking to grow beyond meagre organic means will lead the resurgence, while private equity firms will continue to support overall activity levels for the balance of the year.

NORTH AMERICA HEAT CHART BY SECTOR

Technology and Media	397	18%
Industrials & Chemicals	369	17%
Pharma, Medical & Biotech	338	16%
Energy, Mining & Utilities	327	15%
Business Services	296	14%
Consumer	173	8%
Financial Services	171	8%
Leisure	76	4%
TOTAL	**2,147**	**100%**

NORTH AMERICA MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

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BIG PICTURE

- Low M&A activity level driven and challenging economic conditions
- Argentina's return to global markets opens up new M&A possibilities
- Energy, Mining & Utilities, Industrials & Chemicals, Business Services and Consumer remain the hot sectors.

Further slowdown in Latam M&A activity.

The new year began with a negative trend in terms of both deal numbers and value.

A total of 48 deals were closed in the region with a combined value of USD 2.84bn. This represents a fall in the number of transactions of 17.2% in Q1 2016 when compared to Q1 2015. Deal value fell 44.6% over the same period. Looking at previous quarter comparisons, Q1 2016 deal count fell 34.2% from Q4 2015 levels, while deal value fell 65.3%. There were four private equity transactions in Q1 2016, representing 8.3% of total deal count, and their combined value of USD 139m represented 8.3% and 4.9% of total deal value during the first quarter.

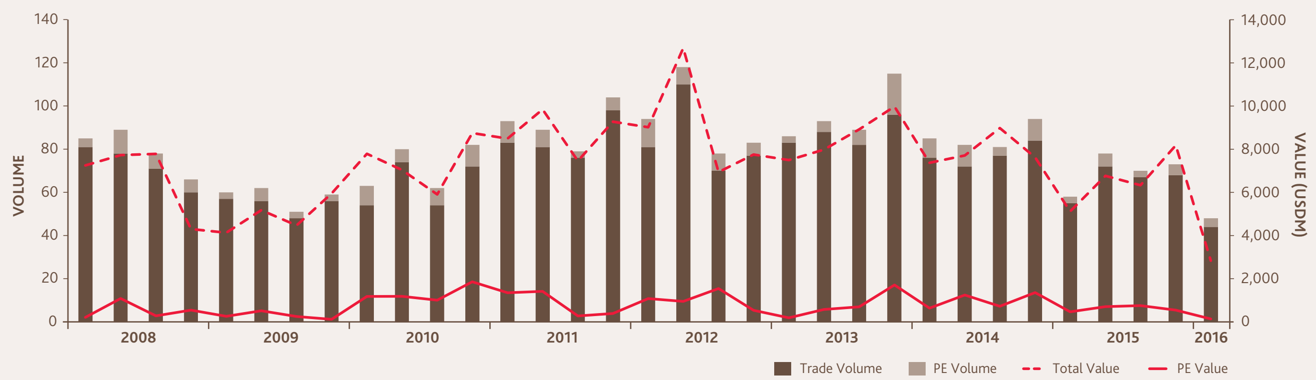
This trend is partly explained by seasonal drivers, given that the first months of the year usually see lower M&A activity rates in Latin America due to the summer vacations. We can therefore expect some recovery in the following quarter.

ECONOMIC OUTLOOK

However, the economic outlook is still negative for the region, with the IMF forecasting a negative GDP rate of 0.5% in 2016, which compares with a drop of 0.1% in 2015, before an expected recovery in 2017. This negative trend is led by Brazil, which experienced a GDP drop of 3.8% last year and is expected to experience a similar drop this year, driven by both the fall in international oil prices and the political and economic crisis in the country. Elsewhere, Mexico and the Caribbean will benefit from growth in the US economy. Argentina falls in the middle: although GDP is expected to contract slightly this year, the macroeconomic and business outlook is positive.

This is mainly due to the return of Argentina to the global markets. This followed the resolution in April of a two-year battle with hold-out creditors that implied the country was in a partial default of its sovereign debt and prevented the country from accessing international financial markets. It also resulted in poor credit ratings, holding back investment. With this long-running issue resolved, Argentina was able to go ahead and issue USD 16.5bn sovereign bonds, the largest in the country´s history. The resolution of this conflict, together with macroeconomic measures taken by Mauricio Macri's Government to free up

PE/TRADE VOLUME & VALUE



the economy, along with the liberalisation of the foreign currency market and foreign currency transactions, is opening up the path to new possibilities and may see postponed investments starting to enter the country. In fact, the country risk premium is at a historic low not seen since 2007. We believe that an iconic sign of this change was US President Barack Obama's visit in March this year.

In particular, and as further evidence of this change, our office in Buenos Aires is seeing an upsurge in the demand for M&A and Financial Due Diligence services. We believe that Argentina can drive a distinctive and positive trend in terms of M&A.

KEY DEALS

The top ten deals for the first quarter of 2016 amounted to USD 2.13bn, of which 59% (USD 1.26bn) have Brazil as the target country and 38% (USD 809m) were in the Energy, Mining & Utilities sector. Mexico was also a popular target country, with 22% of the top ten deal value at USD 469m. It is worth mentioning that 52% of the bids were from outside of the region, mainly the United Kingdom, with purchases for USD 662m in the Energy, Mining & Utilities and Consumer sectors, followed by USA with USD 253m of deals focused on the Business Services sector.

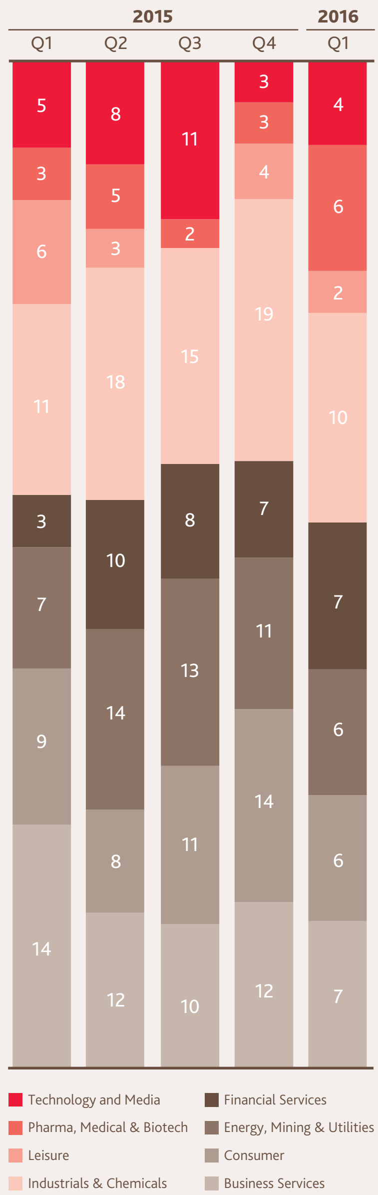
LOOKING AHEAD

Looking at the BDO Heat Chart for this quarter, we see a total of 392 deals announced or in progress, of which 86% are shared between Industrials & Chemicals (77 deals), Business Services (72 deals), Consumer (67 deals), Energy, Mining & Utilities (66 deals) and TMT (54 deals). If we compare this region-wide trend with Argentina, we see similarities in some of the heat sectors such as Energy, Mining & Utilities, Industrials & Chemicals and TMT. It is also worth keeping an eye on Argentina's agribusiness and logistics sectors, given the lack of opportunities in recent years.

LATIN AMERICA HEAT CHART BY SECTOR

Industrials & Chemicals	77	20%
Business Services	72	18%
Consumer	67	17%
Energy, Mining & Utilities	66	17%
Technology and Media	54	14%
Financial Services	26	7%
Pharma, Medical & Biotech	15	4%
Leisure	15	4%
TOTAL	**392**	**100%**

LATIN AMERICA MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

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BIG PICTURE

- A significant drop in Q1 deal activity
- Business Services, Consumer and Industrials & Chemicals are the most resilient sectors
- The region continues to attract overseas buyers
- No shortage of funds to fuel activity and prices going forward.

Deal activity dips but is expected to pick up.

The year started with a significant dip in deal activity both in terms of volume and value. At 110 completed transactions, this was the lowest quarter for six years. Aggregate deal value was down at USD 7.5bn.

Can this be attributed to the impact of uncertainty around Brexit or is it a continuation of a downward trend from the second half of last year or a simple decline following a period of high activity? It is not clear that any one factor has resulted in this picture although we have seen a fair amount of discussion around the impact of Brexit and there is further insight on this subject in the feature article towards the front of this publication.

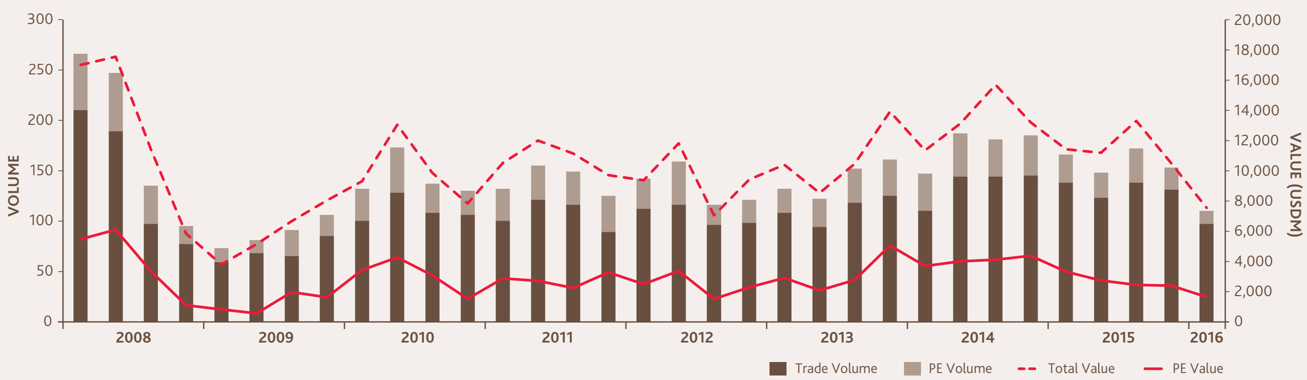
The trend is reflective of both trade and private equity activity. Trade deal volume dipped below 100 transactions for the first time since 2013 and private equity activity at 13 transactions was around half of the average quarterly activity in the prior year. What we can say is that neither trade nor private equity are lacking in funds as both groups of buyers have plenty of cash at their disposal.

KEY DEALS AND SECTORS

This strong access to funds is typified by three of the ten largest acquisitions in the quarter that were led by private equity, including the USD 479m acquisition of Grainger by Electra Private Equity and Patron Capital. Of the other seven trade-led acquisitions, all of them were by overseas buyers, with the US leading the way with four including the acquisition of Xtralis by Honeywell International and IOmet Pharma by Merck & Co. The most significant transaction however was that of the DIY chain Homebase by the Australian group, Wesfarmers at USD 482m. We believe that the UK and Ireland continues to represent good value compared to some domestic markets, especially the US.

From a sector point of view, the significant drop in deal activity for the quarter was almost entirely driven by the five sectors of Energy, Mining & Utilities, Financial Services, Leisure, Pharma, Medical & Biotech and Technology & Media. Business Services and Consumer held up well and Industrials & Chemicals deal activity was up on the previous quarter. We believe that points to the resilience of those three sectors, which between them accounted for 60% the activity in the quarter.

PE/TRADE VOLUME & VALUE



The capital markets started the year with what some fund managers described as very challenging market conditions reflecting concerns over Chinese growth and oil prices. Against that backdrop however, London remained attractive for IPOs with 18 in the quarter, split evenly between the Main Market/Specialist Funds Market and AIM. Financial Services was the leading sector in terms of activity, followed by Consumer. Notable IPOs included CYBG, Metro Bank and Countryside Properties.

M&A valuations meanwhile increased for trade buyers with BDO's private company price index (PCPI) rising to an EV/EBITDA ratio of 10.3x. We believe the multiple continues to reflect cash resources available and the preparedness to pay premium prices for a strong strategic fit. The private equity price index (PEPI) also increased at an EV/EBITDA ratio of 11.5x. We continue to see large amounts of cash to invest which in our opinion should keep overall multiples up.

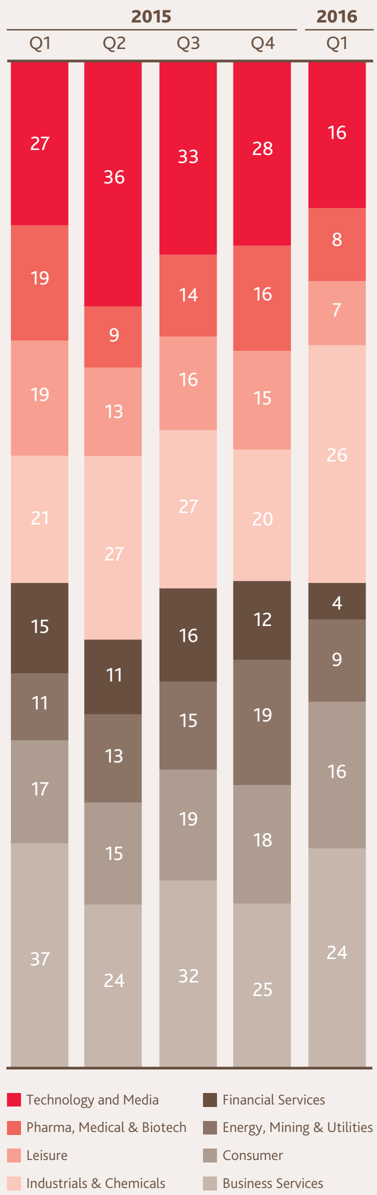
LOOKING AHEAD

Despite concerns over Brexit, we believe that the level of M&A activity will pick up in the rest of the year. We see encouraging growth prospects and ample funds for buyers. The heat chart which shows market intelligence on nearly 378 deals planned and in progress which is up slightly from the previous 357. TMT (recovering from a dip in the first quarter) and Industrials & Chemicals are leading the way in terms of sectors.

UK & IRELAND HEAT CHART BY SECTOR

Technology and Media	77	20%
Industrials & Chemicals	68	18%
Consumer	54	14%
Business Services	45	12%
Energy, Mining & Utilities	43	11%
Financial Services	40	11%
Pharma, Medical & Biotech	27	7%
Leisure	24	6%
TOTAL	**378**	**100%**

UNITED KINGDOM & IRELAND MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

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BIG PICTURE

- Deal value and volume fell in Q1 2016
- Private Equity's share of deal activity declines but it remains a key player in the region
- The outlook for M&A in the region is improving for most sectors.

M&A activity declines but the outlook remains positive.

Mid-market M&A in Southern Europe shrank during the first quarter of 2016, although this may have been partly driven by seasonal factors.

The last two years have witnessed cyclical behaviour, culminating in a slight recovery in deal value in the final quarter of 2015. However, Q1 2016 deal value was down 35% against 2015's quarterly average, while volume declined by 30%.

In Q1 2016, 101 mid-market deals were recorded, with a total value of USD 7.7bn.

PRIVATE EQUITY

The recent downward trend in private equity activity was maintained in Q1 2016, with a significant decline in PE's share of overall deals, both in terms of volume and value. Just 21 PE deals were completed, totalling USD 1.1bn. However, PE remains an important player in M&A activity in Southern Europe, accounting for 20% of deal numbers in the quarter (25% in 2015) and 15% of deal value (30% in 2015).

KEY SECTORS

Industrials & Chemicals remains the most active sector, being responsible for 29% of total transactions and reinforcing its leading position.

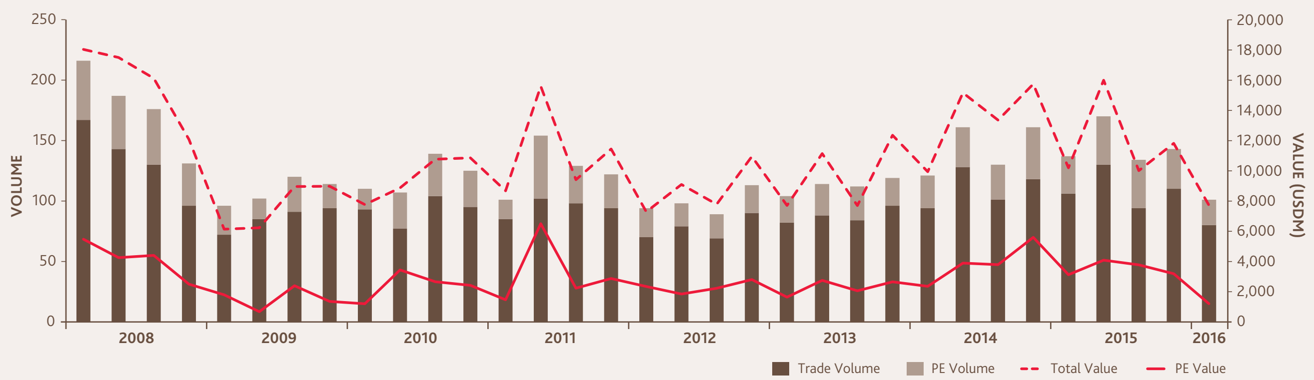
Consumer and Financial Services were the least active sectors in the quarter, with seven deals each. Consumer experienced the most noticeable decrease, achieving only 36% of the quarterly average achieved by this sector during 2015.

Business Services, Energy, Mining & Utilities and TMT share second place with 13 deals each. TMT, a hot sector in 2015 with 18% of the deals, has now reverted to the level seen in previous years (13%).

KEY DEALS

The quarter's top ten deals achieved a combined value of USD 2.98bn, representing 38% of total M&A transactions. Compared to the previous quarter's top ten deals, the average value per deal decreased by 20%.

PE/TRADE VOLUME & VALUE



The largest deal was the USD 448m acquisition of a 69.99% stake in Gameloft SE, a French video game development business, by French Group Vivendi SA.

In tenth place was the sale of the Hotel Villa Magna in Madrid, sold by the Portuguese company SODIM (owned by the Portuguese family Queiroz Pereira) to the Turkish group Dogus for USD 196 m.

While cross-border transactions stood out in the quarter, representing half of the biggest transactions, overseas bidders only accounted for 20% of the leading ten deals. Five target companies were based in Spain, three in Italy and two in France. All known sellers are from EU European countries and only three bidders are from outside Europe.

The top ten deals were spreads across eight different sectors. Financial Services and Industrial & Chemical sectors recorded two each.

LOOKING AHEAD

Despite the downward trend in completed deals, the number of companies up for sale rose in Q1 2016, showing 627 forthcoming deal opportunities, up from 583 in last quarter.

Industrial & Chemical (150 deals) and Consumer (128 deals) remain the leading sectors. Consumer saw deal opportunities increase by 20%.

TMT saw deal opportunities increase compared to last quarter, with 83 possible M&A transaction targets identified.

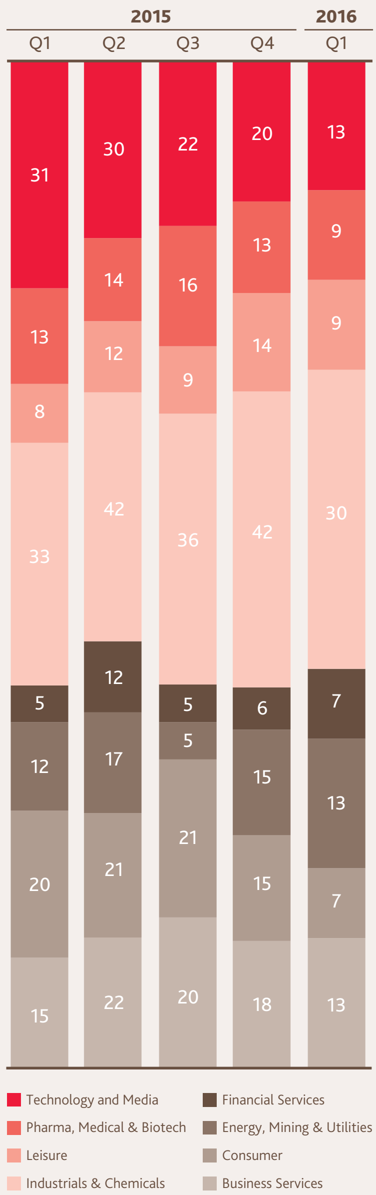
Pharma, Medical & Biotech and Leisure are the two other sectors showing increased opportunities in this quarter.

Overall, the outlook for M&A activity in Southern Europe appears highly positive.

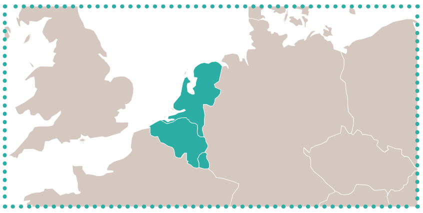
SOUTHERN EUROPE HEAT CHART BY SECTOR

Industrials & Chemicals	150	24%
Consumer	128	20%
Technology and Media	83	13%
Business Services	74	12%
Energy, Mining & Utilities	55	9%
Financial Services	49	8%
Pharma, Medical & Biotech	46	7%
Leisure	42	7%
TOTAL	**627**	**100%**

SOUTHERN EUROPE MID-MARKET VOLUMES BY SECTOR



BENELUX



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BIG PICTURE

- Total deal volume holds steady compared to previous quarters but is well below the 2015 average
- Average deal value drops sharply in Q1 driven by a fall in trade transactions, but private equity activity holds steady
- TMT and Industrials & Chemicals remain the most active sectors
- BDO Heat Chart suggests a significant pick-up in activity.

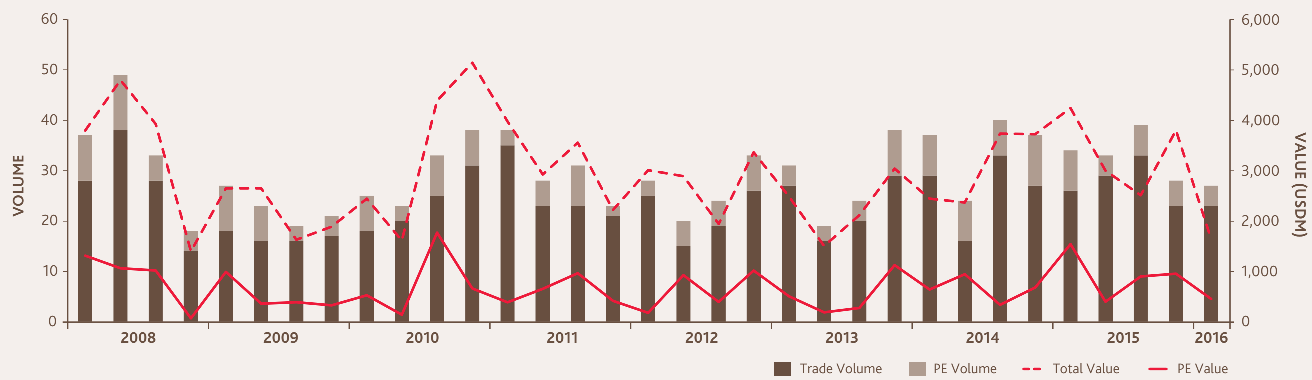
M&A deal volume declines but BDO Heat Chart suggests momentum is building.

With only 27 deals, mid-market M&A activity in Q1 2016 was significantly lower than its average of 34 deals per quarter over the last two years (2014 and 2015). In fact, apart from Q3 2015, there has been a declining trend in deal numbers since Q4 2014.

There were 23 trade deals in Q1 2016, compared to 27 deals per quarter over the last two years (2014 and 2015). The four private equity deals completed in Q1 2016 is comparable with the five deals seen in Q4 2015 but is nearly half the two-year average of seven deals.

Total value (trade deals and private equity deals combined) in Q1 2016 stood at USD 1.64bn, representing an average deal size of USD 61m. In fact, this was the lowest quarterly average deal size since 2008. This is solely due to a sharp decline in the value of trade deals, with the average deal size in Q1 2016 only USD 51m, compared to a three-year average of USD 85m. The average private equity deal size remained stable in Q1 2016 (USD 112m), compared to its three-year average of USD 109m.

PE/TRADE VOLUME & VALUE



Q1 2016 was marked by some notable mid-market private equity deals in Benelux. In Q1 2016 there were four private equity deals with a total value of USD 449m, representing 27% of total value, which is slightly above the three-year average of 23%.

A sector breakdown shows that Industrials & Chemicals and TMT continue to lead M&A activity. In Q1 2016, these two sectors each accounted for six deals out of a total of 27 deals. Looking back over the last two years, both sectors together represent almost 50% of the total deal activity in the region.

KEY DEALS

Within the Benelux region, Netherlands led the way for M&A activity, featuring in eight of the top ten transactions. The aggregate deal value of the top ten deals totals USD 1.3bn.

The largest deal was the acquisition of the Dutch Koninklijke Reesink N.V. by River Acquisition B.V., a company controlled by a consortium of investors led by Gilde Buy Out Partners for USD 279m. Closely behind in second place was the Belgium-based cooperative banking group Crelan's divestment of its online banking business Keytrade Bank to Crédit Mutuel Arkéa (deal value of USD 271m). The third largest deal was the acquisition of Utrecht-based IT–service provider Conclusion B.V. by the Dutch investment group NPM for a value of USD 152m. As you will note, private equity was involved in two of the top three deals.

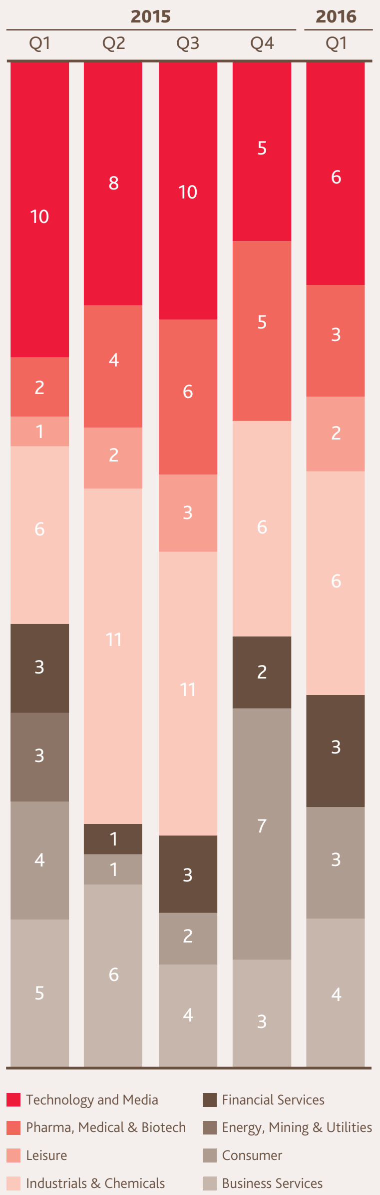
LOOKING AHEAD

The BDO Heat Chart is based on intelligence on deals planned, rumoured or in progress. The Benelux Heat Chart shows about 147 deals currently in progress or planned, a significant increase compared to the 110 deals projected in the previous quarter. The areas predicted to be the most active are Consumer and Industrials & Chemicals. We believe that in the next quarter and beyond Benelux M&A activity, fuelled by plentiful financial resources and low financing costs, can once more gain momentum.

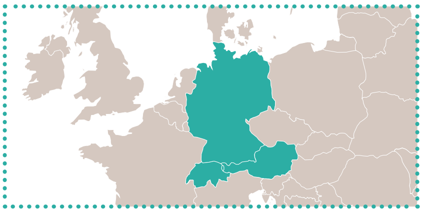
BENELUX HEAT CHART BY SECTOR

Consumer	33	22%
Industrials & Chemicals	30	20%
Technology and Media	18	12%
Pharma, Medical & Biotech	17	12%
Financial Services	15	10%
Business Services	13	9%
Energy, Mining & Utilities	13	9%
Leisure	8	5%
TOTAL	**147**	**100%**

BENELUX MID-MARKET VOLUMES BY SECTOR



DACH



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BIG PICTURE

- Q1 2016 volume down 36% compared to Q1 2015
- Private equity deal numbers held steady, but average deal size rises sharply
- High deal demand from Asia, especially China
- Industrials & Chemicals, Technology & Media and Business Services remain the most active sectors.

M&A activity in the DACH region saw a sluggish start to the new year.

M&A activity in the DACH region made a moderate start to 2016 with total deal value dropping 45% from USD 6.8bn in Q1 2015 to USD 3.8bn in Q1 2016, representing the lowest first quarter deal count since 2013. PE activity remained fairly constant in Q1 2016, accounting for about 9% of total deal volume. However, overall PE deal value rose significantly in Q1 2016, meaning that the average deal size increased dramatically to USD 152m.

Q1 2016 showed a significant decrease in comparison to Q4 2015 in terms of both deal volume and value. Despite the current low interest rate environment and prevailing market liquidity, mainly due to expansive ECB policy, firms were more cautious about future investment plans than in previous quarters.

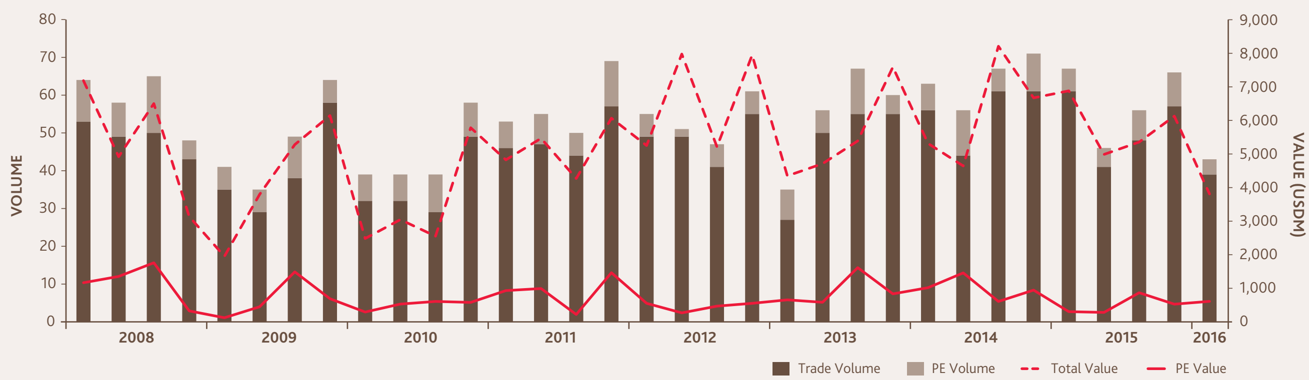
During Q1 2016 there was significant interest from Asian investors, especially the Chinese, encouraged not only by China's current drive to diversify investment abroad, but also by attractive valuations in Europe. Chinese investors mainly targeted Industrials & Chemicals, followed by Energy, Mining & Utilities. The state-owned China National Chemical Corporation (ChemChina) was involved in two of the top ten deals by value, acquiring not only Swiss-based Syngenta AG, but also German company KraussMaffei Technologies GmbH.

KEY DEALS

In the first quarter of 2016, the majority of the top ten transactions involved Swiss-based companies. The largest deal in the DACH region was the USD 45.9bn acquisition of Syngenta AG, a Swiss-based company engaged in the biotechnology, chemical and pharmaceutical sector by China National Chemical Corporation, a state-controlled company engaged in the manufacturing of chemical products. The deal is subject to approval but if ratified it would be the biggest acquisition of an overseas company by a Chinese state-owned enterprise. Furthermore, the deal would allow Syngenta AG to achieve its global expansion goal, especially in the Asian region.

The second-largest transaction in Q1 2016 involved another Swiss company. The Russian-based Sberbank OAO acquired

PE/TRADE VOLUME & VALUE



a 6.12% stake in LafargeHolcim Ltd, a manufacturer and supplier of cement and aggregates, for USD 1.3bn. The deal resulted from a repo agreement of Sberbank OAO and Eurocement Holding AG, as Sberbank OAO was one of the main financiers of the Holcim and Lafarge merger in 2015.

The largest PE deal by value also involved a Swiss-based company. EQT Partners AB, a Swedish private equity fund, announced a voluntary takeover offer of about USD 1.4bn for Kuoni Travel Holding Ltd, the Swiss-based tourist travel services company.

Looking at German M&A activity, Beijing Enterprise Holding Limited acquired German company EEW Energy from Waste GmbH, a waste incineration and power production business. The deal value was over USD 1.5bn and is in line with Beijing Enterprise Holding´s strategy to further improve its waste treatment solutions and enhance its sustainable development capacity.

One of the most notable deals in Germany was the acquisition of the defence electronics business of Airbus Group by the renowned New York-based private equity firm KKR for about USD 1.2bn. This transaction is in line with Airbus Group's rationale to divest non core-business.

The Austrian market was relatively quiet in the first quarter with only three major deals concluded: Airports Group Europe S.a.r.l. launched a partial voluntary offer to acquire a 10% stake in Flughafen Wien AG for USD 234m; Al Habtoor Group LLC agreed to acquire one of Austria's most exclusive hotels, namely the Hotel Imperial for USD 79m; and finally Cubic Ltd purchased a 30.2 % stake in C-Quadrat Investment AG for USD 30m in order to conduct a squeeze-out in the near future.

KEY SECTORS

In the first quarter of 2016, Industrials & Chemicals, Technology & Media and Business Services remained the most attractive sectors and contributed a combined 74% of total Q1 2016 deal volume. Of these, Industrials & Chemicals remained the most active, representing 42% of all deals in the first quarter. The Pharma, Medical & Biotech sector was subject to a major slump of almost 70%: from seven deals in Q1 2015 to two deals in Q1 2016. Demand for companies in the Consumer sector was also sluggish, with only three deals concluded in Q1 2016.

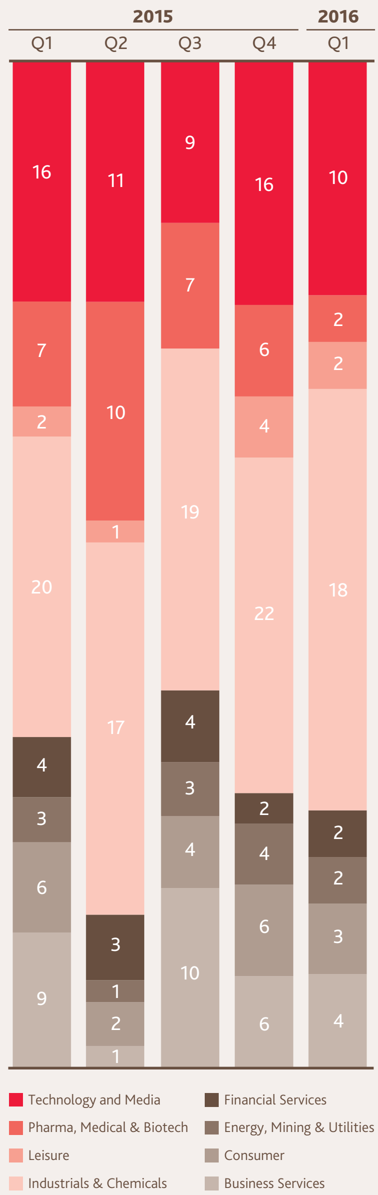
LOOKING AHEAD

In the coming months we expect M&A activity to gather pace as we believe that M&A bank lending will pick up, mainly triggered by increasing competition from alternative lenders such as debt funds and leveraged buy-out funds. In addition, the ongoing commodity slump could lead to a substantial boost in M&A deals within the commodity-related sectors. What is more, capital available for investment purposes at private equity funds is nearing record levels and could trigger an increase in buy-related deals. On the other hand, the upcoming UK Brexit referendum and the ongoing political challenge regarding the refugee crisis in Europe might inhibit M&A activity. Currently there are about 400 companies for sale in the DACH region as illustrated in the BDO Heat Chart. This represents an increase of 9% compared to the previous quarter. This strong deal pipeline hints towards a rebound in M&A activity in the DACH region in the coming months.

DACH HEAT CHART BY SECTOR

Industrials & Chemicals	128	32%
Technology and Media	63	16%
Consumer	61	15%
Business Services	40	10%
Pharma, Medical & Biotech	36	9%
Energy, Mining & Utilities	32	8%
Financial Services	29	7%
Leisure	11	3%
TOTAL	**400**	**100%**

DACH MID-MARKET VOLUMES BY SECTOR



NORDICS

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BIG PICTURE

- Total deal value falls compared to previous quarter but is up on the same period last year
- PE deal value falls but Q1 is historically weak
- Industrial & Chemicals remains the most active sector
- Top target companies are evenly spread between Sweden and Finland.

M&A activity holds steady, but PE deal value falls sharply.

The first quarter has been the weakest or second weakest quarter for the last seven years. Nonetheless, total deals amounted to 62, which is in line with the 66 transactions seen in Q4 2015.

However, when compared to the same quarter last year, deal volume was up 29% from its Q1 2015 total of 48 deals. Total transaction value decreased from USD 4.97bn in Q4 2015 to USD 4.04bn in Q1 2016. Comparing Q1 2016 to the same quarter of 2015, however, we see that total deal value rose markedly, up 53.8% from its Q1 2015 total of USD 2.63bn.

Private equity activity has been stable during the last four quarters, averaging between nine to 11 deals per quarter. Its share of total deals increased from 13.6% in Q4 2015 to 16.1% in Q1 2016. However, a significant fall in PE deal value was noted, down from USD 1.14bn in Q4 2015 to USD 338m in Q1 2016. The trend for lower first quarter PE deal value was also seen in Q1 2015.

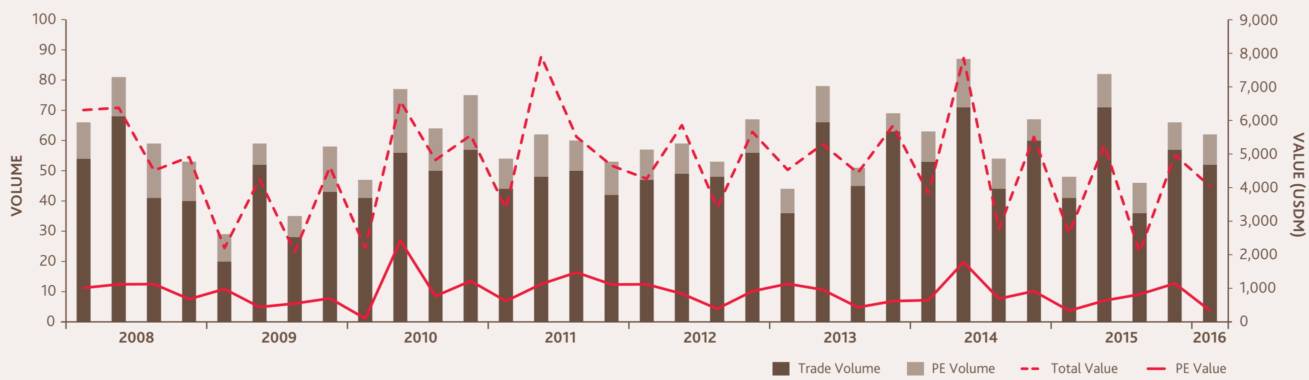
KEY DEALS

The prevalence of domestic deals was a new trend in Q1 2016, with five of the top ten deals being domestic transactions. Among the five cross-border deals were four from non-Nordic countries represented by Switzerland, USA, India and Italy.

In terms of target countries, Finland and Sweden shared first place with three deals. Two of the top ten deals featured target companies in Denmark and Norway.

The largest transaction was a 40% stake (deal value USD 490m) in Fosen Vind AS, a joint venture company that is developing Europe´s largest onshore wind power project in Central Norway, comprising six onshore wind farms with a combined capacity of 1,000 MW. The acquirer was the European investor consortium Nordic Wind power DA, created by Credit Suisse Energy Infrastructure partner (CSEIP) backed by BKW AG, a large Swiss utility. The second largest transaction was the domestic acquisition of Onninen Oy by Kesko Group with a deal value of USD 402m. Onninen is

PE/TRADE VOLUME & VALUE



a Finnish family-owned company providing comprehensive material and information flow solutions to contractors, industry, public organisations, technical product retailers and suppliers. With a deal value of USD 321m, the acquisition of Finnish BioTie Therapies Corp by US-based Acorda Therapeutics Inc was the third largest deal during Q1 2016. The acquisition positioned Acorda as a leader in Parkinson´s disease therapeutic development, with three clinical-stage compounds that have the potential to improve the lives of people with the disease.

The ten largest deals amounted to USD 2.5bn, representing 62% of total transaction value.

KEY SECTORS

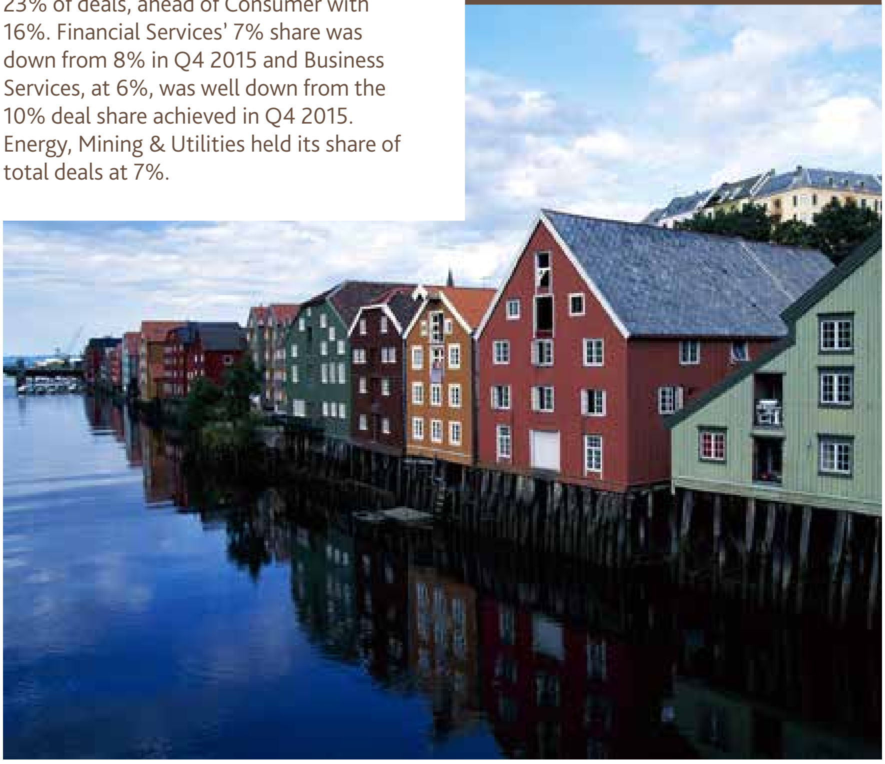
Industrials & Chemicals was once again the most active sector, accounting for 31% of transactions in Q1 2016. TMT was the second most active, accounting for 23% of deals, ahead of Consumer with 16%. Financial Services' 7% share was down from 8% in Q4 2015 and Business Services, at 6%, was well down from the 10% deal share achieved in Q4 2015. Energy, Mining & Utilities held its share of total deals at 7%.

LOOKING AHEAD

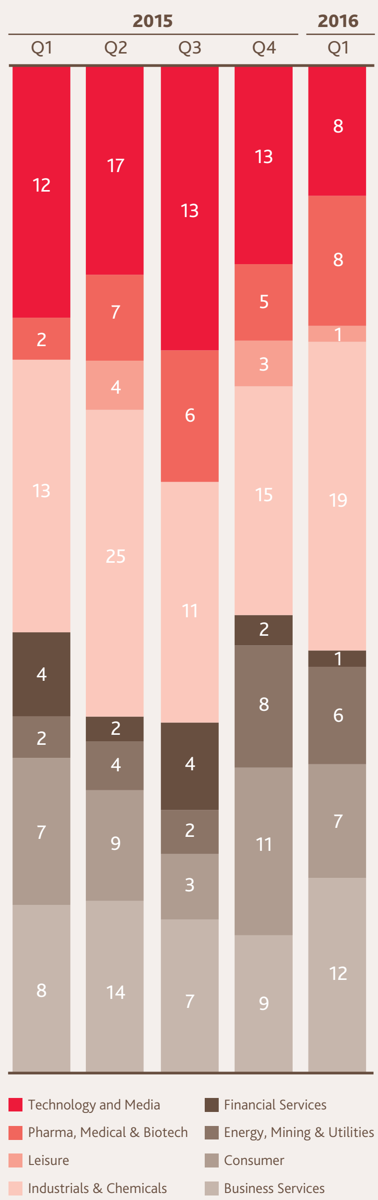
Total deal numbers were strong compared to the same quarter last year, while PE's total deal value fell even though numbers held steady. The top transactions reflect increasing international interest in Nordic energy, industrial and medical companies.

NORDICS HEAT CHART BY SECTOR

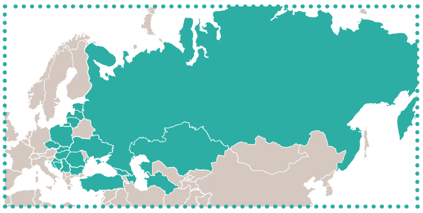
Industrials & Chemicals	67	31%
Technology and Media	49	23%
Consumer	35	16%
Financial Services	16	7%
Energy, Mining & Utilities	15	7%
Pharma, Medical & Biotech	15	7%
Business Services	13	6%
Leisure	6	3%
TOTAL	**216**	**100%**



NORDICS MID-MARKET VOLUMES BY SECTOR



CEE & CIS



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BIG PICTURE

- Deal volume falls in Q1 2016 but value holds steady
- Private equity takes biggest slice of activity for five years
- Consumer and Industrial & Chemicals are the most active sectors
- Strong deal pipeline raises expectations ahead.

M&A activity slows but prospects look good.

The CEE & CIS region typically generates fewer deals in the first quarter of the year and Q1 2016 continued this trend.

Sluggish trends in the CEE & CIS economies hit mid-market deal activity in Q1 2016, resulting in a notable drop when compared to the corresponding quarter last year.

There were mid-market 52 deals in the region during Q1 2016, down 44% from the 93 completed in Q4 2015. PE deals in Q1 2016, however, showed a 40% increase with seven transactions recorded.

Deal value was flat in Q1 2016, totaling USD 3.5bn. The average value per deal rose from USD 64m in the previous quarter to USD 67m in Q1 2016, which is the highest figure for the last five quarters, but far below the USD 79m average value per deal in global mid-market activity in the first quarter of 2013.

Private equity was responsible for a record slice of deal volume in Q1 2016, taking 13.5% of total transactions – its highest ratio for five years.

The year ahead is expected to see slow growth in the region, with some exceptions such as Russia.

KEY SECTORS AND DEALS

The most active sectors during Q1 2016 were Consumer and Industrial & Chemicals, which both reached ten deals in the first quarter.

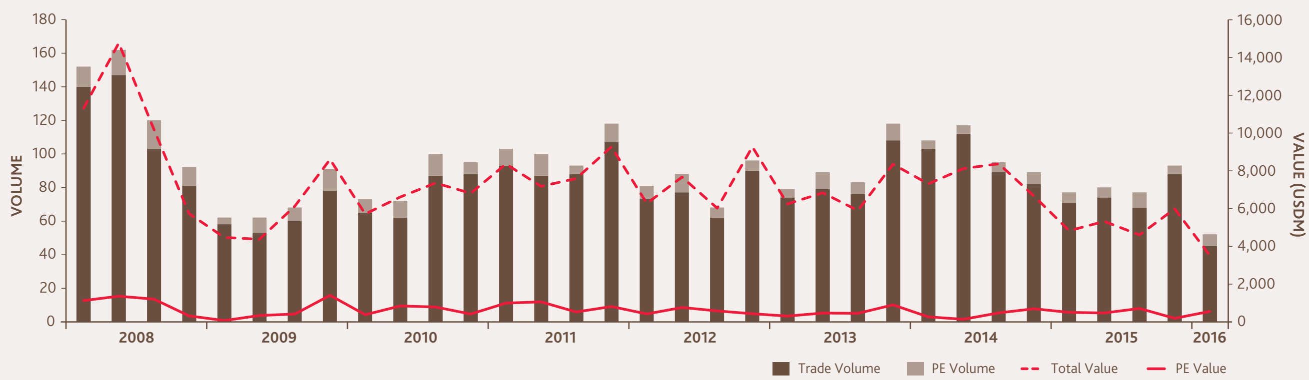
Energy, Mining & Utilities was a hot sector in 2015 with 47 deals, but in Q1 2016 there were just seven transactions, making it the second most active sector.

Two sectors with lower volumes of activity were Leisure (taking a 9.6% of total deals) and TMT (11.5%).

There were no registered deals in Pharma, Medical & Biotech during Q1 2016, which further enhances expectations for the following quarter, although the BDO Heat Chart does not indicate much of an up-tick in the sector this year.

Even though Financial Services deals slowed down in Q1 2016, it remains an important sector for the region with seven deals. Three of these were top ten deals, involving Hungarian, Ukrainian and Russian companies.

PE/TRADE VOLUME & VALUE



KEY DEALS

Looking at the top deals completed in the first quarter this year, four of the ten largest acquisitions were targeted at Poland.

The top ten deals in Q1 2016 had a total value of USD 2.1bn, averaging USD 210m per transaction.

The two biggest deals in this quarter involved MIDAS AS (USD 494m), a Polish TMT company and Ukrsotsbank OJSC (USD 307m), a Ukrainian company in the Financial Services sector which was acquired by UniCredit Group (99.41% Stake of Ukrsotsbank).

CEE & CIS HEAT CHART BY SECTOR

Industrials & Chemicals	196	26%
Consumer	153	20%
Technology and Media	108	14%
Business Services	90	12%
Energy, Mining & Utilities	89	12%
Financial Services	50	7%
Leisure	44	6%
Pharma, Medical & Biotech	32	4%
TOTAL	**762**	**100%**

LOOKING AHEAD

The BDO Heat Chart underlines the continuing strength of the Industrials & Chemicals sector, with 196 forthcoming deal opportunities.

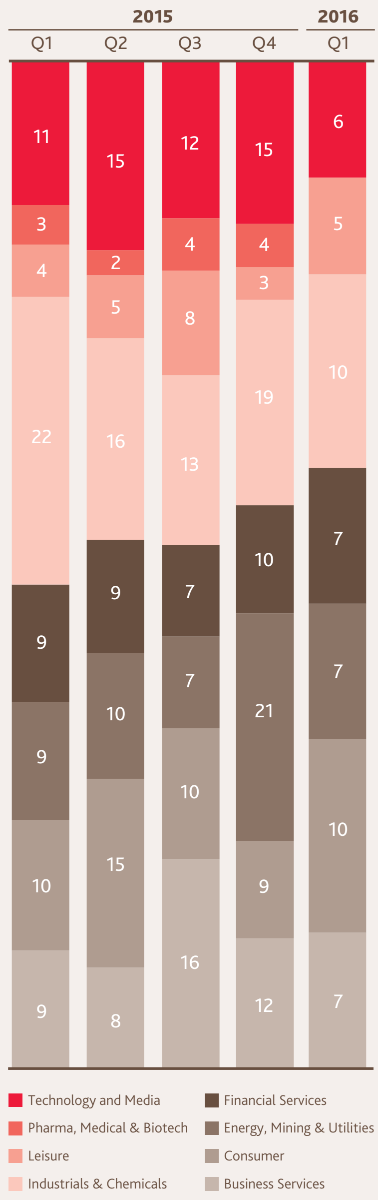
With a total of 762 planned or rumoured deals, Central and Eastern Europe and the Commonwealth of Independent States sits in third place among all the regions covered in this publication, close behind China. If a substantial proportion of these deals were to take place, then 2016 would be on course to top 2008's record high of 526 deals.

2013 and 2014 saw a remarkable 11% year-on-year improvement in total deal volume. This was followed by a 20% decline in 2015, but the goal is now to surpass the previous year's achievements. This is possible if the region can succeed in exploiting the numerous opportunities highlighted the BDO Heat Chart.

In terms of the sector outlook, Consumer is expected to be very active in 2016 with 153 predicted deals (the second largest number after North America). On the other hand, Pharma, Medical & Biotech's 32 predicted deals is far below the numbers expected in other regions.

Considering strong headwinds such as low oil prices and Western sanctions against Russia, the projected growth in deal numbers could be pushed back later into 2016 and hopefully gather further momentum in 2017.

CEE & CIS MID-MARKET VOLUMES BY SECTOR



ISRAEL

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BIG PICTURE

- Full year 2015 saw rising deal value and volume, but 2016 kicks off with higher value and lower volume
- Average deal value up 44% on previous quarter
- TMT continues to lead the way with 9 deals in Q1 2016.

Deal value rises in Q1 2016, despite a fall in volume.

In Q1 2016, the total deal value of USD 1.46bn was up 10% on the previous quarter, but total transaction numbers fell.

The first quarter of 2016 generated a total of 13 completed deals, with a total value of USD 1.46bn, reflecting an increase of USD 135m (10%) compared to Q4 2015 and a rise of USD 172m compared to Q1 2015. In terms of value, the first quarter was the busiest period since Q3 2015. However, this was the lowest performing quarter for the past two and a half years in volume terms, with the exception of Q4 2014, which also saw 13 deals.

An important trend reflected in our Q1 2016 figures is a shift towards large scale deals. The average value per deal was USD 112m, up 44% compared to Q4 2015 and this represents a higher average deal volume compared to previous quarters.

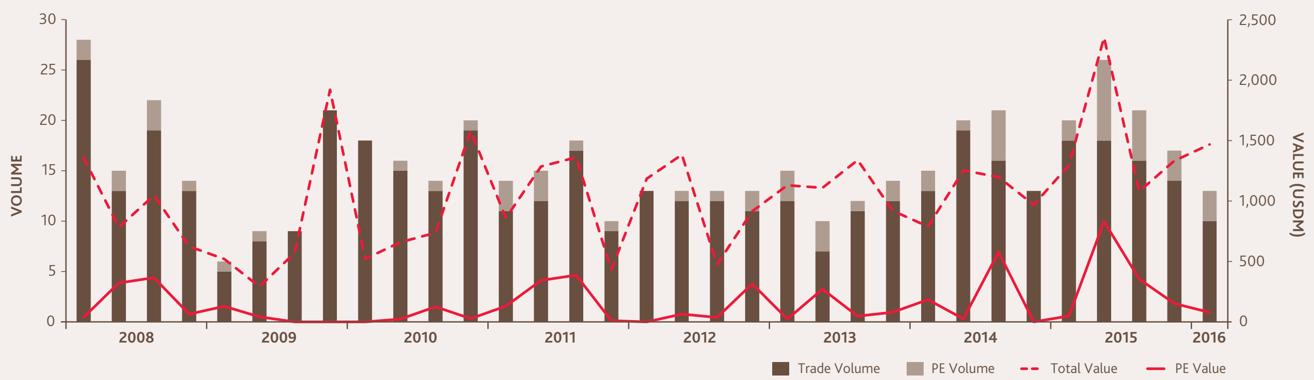
KEY SECTORS AND DEALS

Israel's top ten Q1 2016 deals had an aggregated value of USD 1.42bn. One of the largest transactions was the USD 301m acquisition of Natali Seculife, a leading provider of emergency medical services, telemedicine, and aid services to Israel's senior citizens, public schools and cardiac patients. Natali Seculife was purchased by the Chinese Company NanJing Xinjiekou Department Store, through an investor group led by SanPower Group.

Other transactions included the purchase of RR Media, owned by Rapac Communication & Infrastructure Ltd and Viola Private Equity, by SES S.A Company for USD 226m. Another fairly large deal was the purchase of Altair Semiconductor by Sony Corporation in a transaction valued at USD 212m.

Out of the top ten deals in Q1 2016, TMT was responsible for seven transactions, while the remaining three were split between Pharma, Medical & Biotech, Business Services and the Industrials & Chemicals sectors. Israel continued to attract significant interest from foreign investors looking for local acquisitions across a range of industry sectors, dominated mainly by the technology and pharmaceutical sectors. Seven transactions involved a foreign bidder, three of whom were US buyers, two Asian and two EU-based.

PE/TRADE VOLUME & VALUE



For the past year we have seen TMT take an increasingly larger share of M&A deals, while Energy, Mining & Utilities and Leisure have seen their share reducing.

PRIVATE EQUITY ACTIVITY

In Q1 2016, PE buy-outs represented only 5% of total deal value and 23% of total deal volume. For Q4 2015, these numbers were 11% and 17% respectively. Mid-market private equity (PE) recorded three transactions, the same number as in Q4 2015. First quarter PE deal value hit USD 78m, up on the USD 49m recorded in the same quarter of 2015. But when comparing it to the previous quarter, Q1 2016 PE deal value was down significantly against the USD 152m achieved in Q4 2015.

Chart does not indicate much of an up-tick in the sector this year.

LOOKING AHEAD

The BDO Heat Chart for Israel shows there are 60 deals planned or in progress for M&A, with 35% related to TMT and 21% involving Pharma, Medical & Biotech. Other key sectors are Industrials & Chemicals (13%), Consumer (8%) and Business Services (6%).

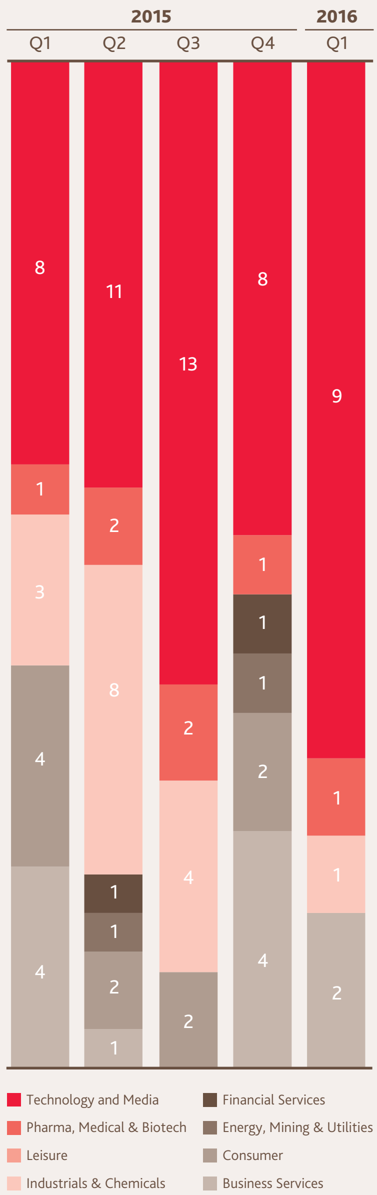
The industries predicted to be the most active are TMT and Pharma, Medical & Biotech as global technology and pharmaceutical companies are pursuing maturing Israeli companies in order to maintain their competitive advantage in global markets.

Overall we strongly believe that Israel will continue to deliver solid M&A activity, supported by positive macroeconomic conditions and increasing interest from cross-border investors. This will help to fuel M&A activity in the region, which we believe will be dominated by global technology companies.

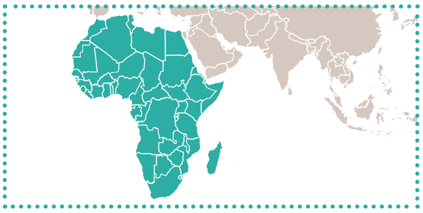
ISRAEL HEAT CHART BY SECTOR

Technology and Media	21	35%
Pharma, Medical & Biotech	13	22%
Industrials & Chemicals	8	13%
Consumer	5	8%
Business Services	4	7%
Financial Services	4	7%
Energy, Mining & Utilities	3	5%
Leisure	2	3%
TOTAL	**60**	**100%**

ISRAEL MID-MARKET VOLUMES BY SECTOR



AFRICA



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BIG PICTURE

- M&A activity in Q1 is very similar to the previous quarter
- PE buy-out numbers climb to eight and represent 25% of all Q1 deals
- TMT the most active sector in Q1 2016 but Industrials & Chemicals and Energy, Mining & Utilities expected to dominate ahead.

Deal numbers hold steady despite global challenges.

African M&A activity in Q1 2016 was very similar to that of Q4 2015, with 32 deals compared to 33 in the previous quarter. However, against the same quarter last year, the decline was sharper, with 11 less deals taking place and a 30% reduction in total deal value.

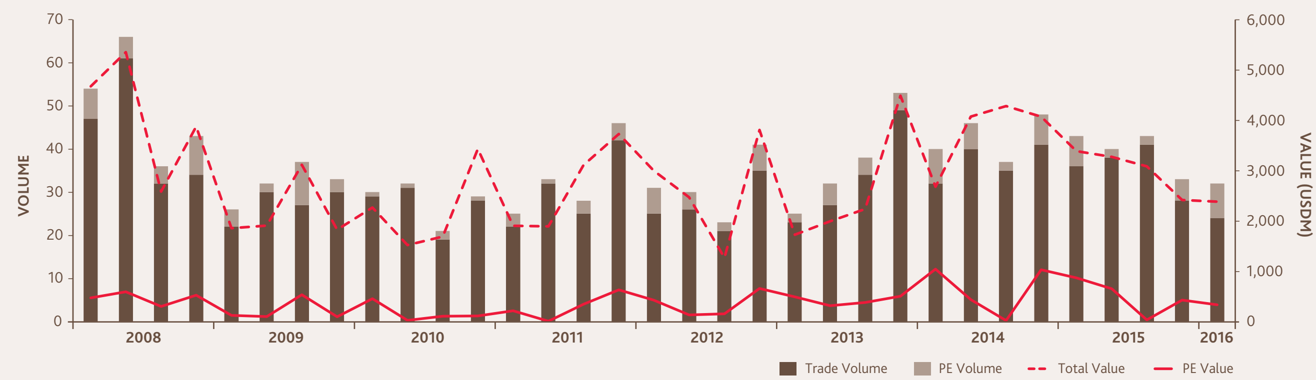
The number of PE buy-outs rose to eight but this was not matched by a proportionate increase in value. The average value of a PE buy-out in Q1 2016 was one third of that seen in Q1 2015. The deals were spread evenly across sectors, demonstrating a good diversification of investment interest in the continent. Only the leisure sector registered no deals at all. Falling oil prices seem to have impacted on the Energy, Mining & Utilities sector, leading to reduced interest in investment.

KEY DEALS AND SECTORS

An analysis of the top ten deal list shows the predominance of TMT, with four deals. The biggest was Blue Label Telecoms of South Africa's acquisition of a 65% stake in Cell C Internet Group at a value of USD 421m. The targets for the remaining three major TMT deals were Africa Internet Group, Airtel Tanzania Ltd and Oasis Ltd. Overall, there were six deals that involved a value in excess of USD 100m.

In terms of countries, South Africa benefited from four of the ten largest deals in the region. Another leading country was Nigeria, which saw Olam International Ltd investing USD 275m in Amber Foods Ltd and a consortium including Swiss Re investing USD 67m to acquire a 95.23% in Hygeia Nigeria Ltd, a leading healthcare provider. Another feature of the top ten deals was the exit of PE investment. For instance, Actis divested USD 340m from Emerging Markets Payments Group in South Africa. Elsewhere, geosecurity threats and electricity outage appear to have weakened growth in some countries. Looking forward, foreign direct investment flows are expected to continue to grow, although at a slower pace.

PE/TRADE VOLUME & VALUE



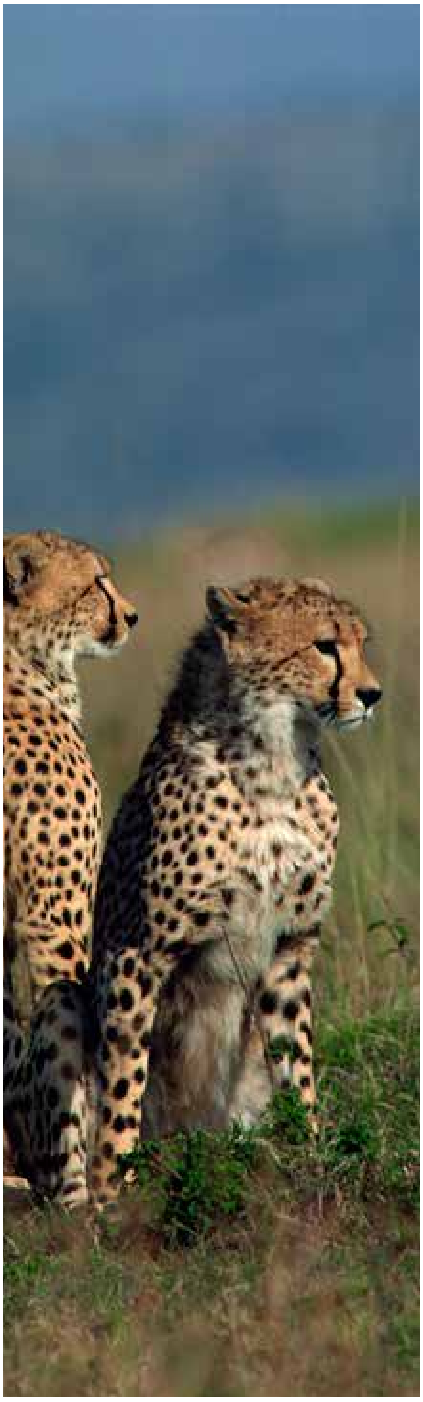
LOOKING AHEAD

As Africa continues to be under pressure from global challenges and declining commodity prices, economic growth is unlikely to exceed 5%. World Bank projections indicate a 4.2% GDP growth in Sub-Sahara Africa, an improvement from the 3.4% achieved in 2015. The best forecasts relate to Ethiopia (10.2%), DRC (8.6%), Cote d'Ivoire (8.3%) and Rwanda (7.6%). The forthcoming 26th World Economic Forum on Africa in May is much awaited as it will convene regional and global leaders from business, government and civil society to discuss key global and regional challenges. New strategies for growth are required to enhance investment and prosperity across the continent.

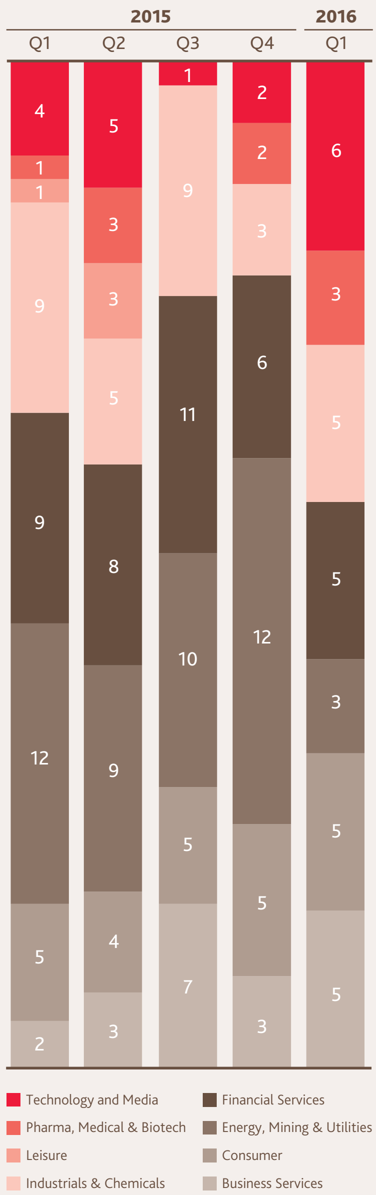
The BDO Heat Chart for African mid-market M&A features 187 deals and shows a stable outlook across the region in 2016. The most active sectors are expected to be Industrials and Chemicals (29%) and Energy, Mining & Utilities (26%). Consumer and Financial Services are also likely to see increasing investment, as they benefit from the rising purchasing power of African consumers, especially those living in urban settings.

AFRICA HEAT CHART BY SECTOR

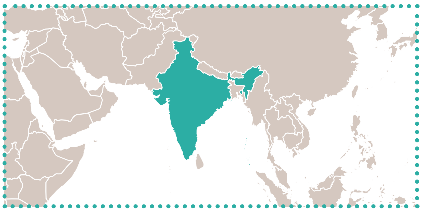
Industrials & Chemicals	54	29%
Energy, Mining & Utilities	50	26%
Business Services	22	12%
Consumer	21	11%
Financial Services	18	10%
Technology and Media	13	7%
Leisure	6	3%
Pharma, Medical & Biotech	5	3%
TOTAL	**189**	**100%**



AFRICA MID-MARKET VOLUMES BY SECTOR



INDIA



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BIG PICTURE

- Deal volume and value falls in Q1 2016
- Strong GDP growth expected to drive activity ahead
- TMT is the most active sector in Q1, but Industrials & Chemicals has the best prospects ahead.

A slower quarter for M&A but positive economic conditions suggest better things to come.

India is a rare beacon of light among emerging markets. The Government's various programmes are trying to create more employment as well as carry out administrative and policy reforms for sustained growth.

The Indian Finance Ministry's annual Economic Survey has rightly pointed out many positives – such as low inflation, increasing public investment and fiscal consolidation – despite challenges posed by the global economic slowdown.

The Finance Minister also recently stated that India's economic growth this year could outpace estimates and accelerate to as much as 8.5% as long as the monsoon arrives as expected after back-to-back years of drought.

Deal value decreased 24% to USD 5.19bn in Q1 2016 from Q4 2015, with a drop of 19% in deal volume to 52 deals. The average deal size also decreased to USD 100m from USD 106m. When compared to Q1 2015, the deal volume was down 27% (71 deals in Q1 2015) with deal value also falling by 16% (USD 6.21bn in Q1 2015).

In Q1 2016, PE buy-out deals represented 31 % of total deal value and 33% of total deal volume. For Q4 2015, these numbers were 26% and 39% respectively while for Q1 2015, these numbers were 23% and 39% respectively.

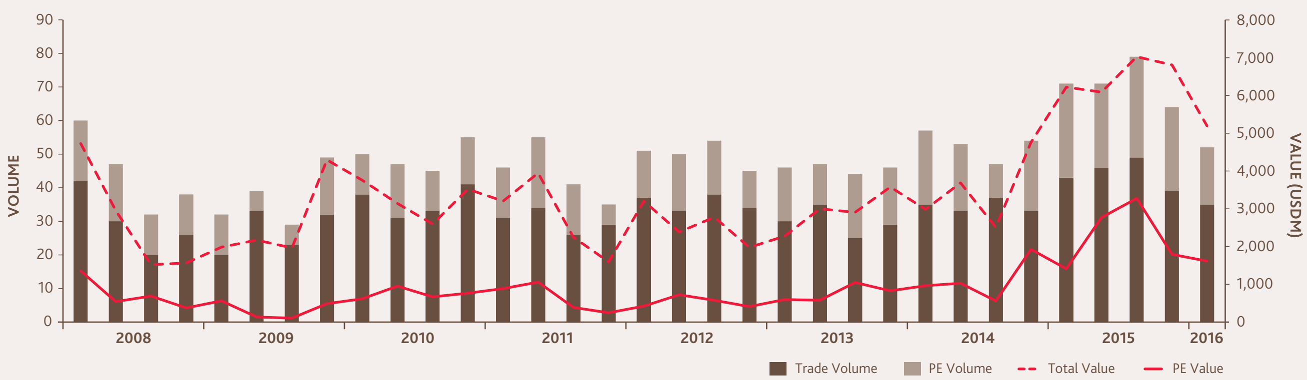
KEY SECTORS

In 2015, 285 transactions were completed across all sectors with 75 deals in the TMT sector (a 26% share of total deals), followed by Industrials & Chemicals with 65 (23%) and Financial Services with 35 (12%).

In Q1 2016, 52 deals were completed across all sectors with 14 deals in the TMT sector (27% of the total deals), followed by Industrials & Chemicals and Consumer with nine deals each (17% each) and Energy, Mining & Utilities with six deals (12%).

In terms of quarter-on-quarter comparisons, only three sectors (Business Services, Consumer and Energy, Mining & Utilities) saw growth in deal volume while four (Financial Services, Industrials & Chemicals, Pharma, Medical & Biotech

PE/TRADE VOLUME & VALUE



and TMT) saw a drop in deal volume, with one sector (Leisure) staying constant in Q1 2016 as compared to Q4 2015.

KEY DEALS

The biggest deal in Q1 2016 was in the Pharma, Medical & Biotech sector with Siemens AG acquiring the healthcare business division of Siemens Limited for USD 451m in March 2016.

Other major deals in Q1 2016 included BNP Paribas Cardif SA of France acquiring a 10% stake in SBI Life Insurance Company Limited for USD 375m from the State Bank of India; Plutus Financials Pvt. Ltd. acquiring GE Capital Services India Limited and GE Money Financial Services Private Limited for USD 330m from General Electric Company of USA; Fairfax India Holdings Corporation and FIH Mauritius Investments Ltd acquiring a 33% stake in Bangalore International Airport Limited for USD 320m from GVK Power & Infrastructure Limited; and Naspers Limited acquiring a 10% stake in the Ibibo Group from Tencent Holdings Ltd for USD 250m.

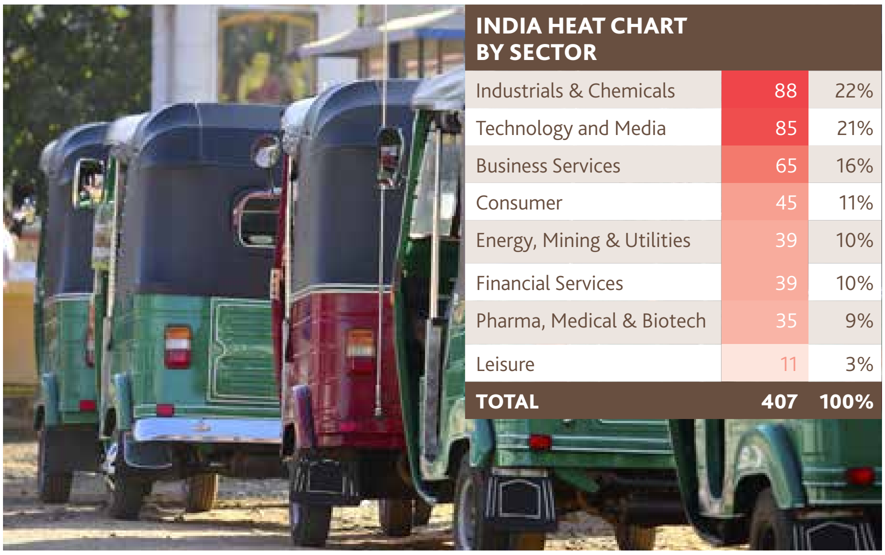
In 2015, the average number of deals per quarter was 71, considerably higher than the 52 transactions achieved in Q1 2016.

LOOKING AHEAD

Strong macroeconomic fundamentals, favourable business sentiment and the downward trend in interest rates are significant positives for the economy. On the other hand, a slowdown in advanced economies, including the US, lower commodity prices and the weakness in some major trading partners' currencies against the Indian rupee are likely to hit merchandise exports and financial, telecom businesses and other tradable services.

The combined effect of higher power generation, railway freight traffic and increased activity in the roads sector is likely to have a positive impact on growth prospects in the coming months as the budget has made significant allocations for infrastructure as well as provisions for the power sector.

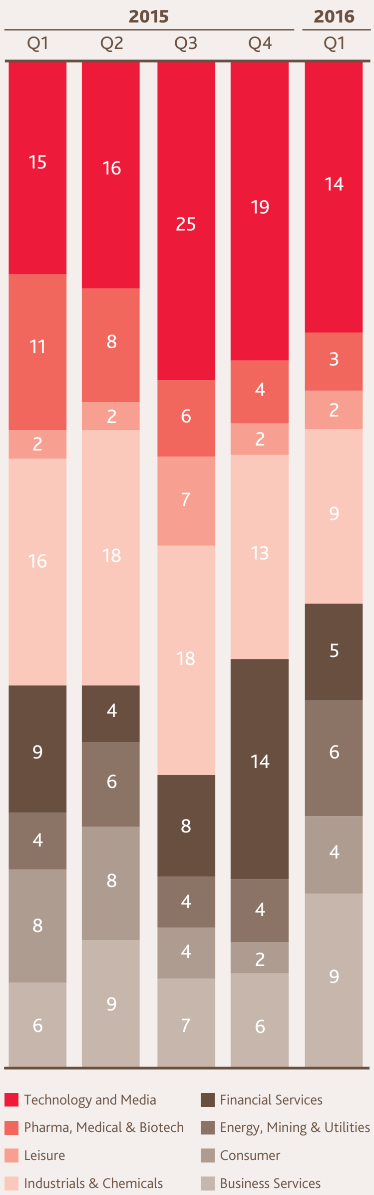
The BDO Heat Chart below is based on 'companies for sale' tracked by Mergermarket between 12 October 2015 and 12 April 2016. The Industrials & Chemicals sector is expected to top the chart with the highest number of potential deals.



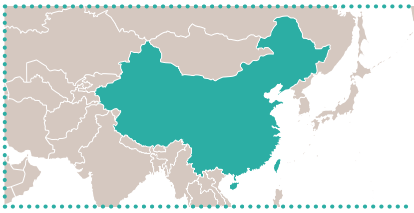
INDIA HEAT CHART BY SECTOR

Industrials & Chemicals	88	22%
Technology and Media	85	21%
Business Services	65	16%
Consumer	45	11%
Energy, Mining & Utilities	39	10%
Financial Services	39	10%
Pharma, Medical & Biotech	35	9%
Leisure	11	3%
TOTAL	**407**	**100%**

INDIA MID-MARKET VOLUMES BY SECTOR



CHINA



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BIG PICTURE

- M&A slows in the first quarter of 2016, falling below Q4 2015 levels
- However, this may be a seasonal trend driven by economic slowdown during the Chinese New Year period
- Q1 2016 M&A deal volumes still 17.9% ahead of Q1 2015
- Overseas acquisitions is a key driver for M&A, with Greater China generating almost 23% of global mid-market M&A deal volumes in Q1 2016.

A slowdown in M&A for the quarter, but a positive outlook remains for outbound acquisitions.

After the exceptional growth levels seen in 2015, the Greater China region has opened its account in 2016 with a somewhat muted performance.

As global M&A activity dipped in Q1 2016, China also saw a decline, reporting a 35.9% decrease in mid-market deal volume and a 31.3% fall in deal value against Q4 2015 levels.

Perhaps it was not surprising that global M&A took a breather given the astonishing takeover activity levels of 2015, but China also had its own regional drivers. The first quarter is traditionally the lowest for M&A activity in the region, with the Chinese New Year and its long build-up period resulting in a sharp decline in economic activity as the business world effectively closes down for a few weeks.

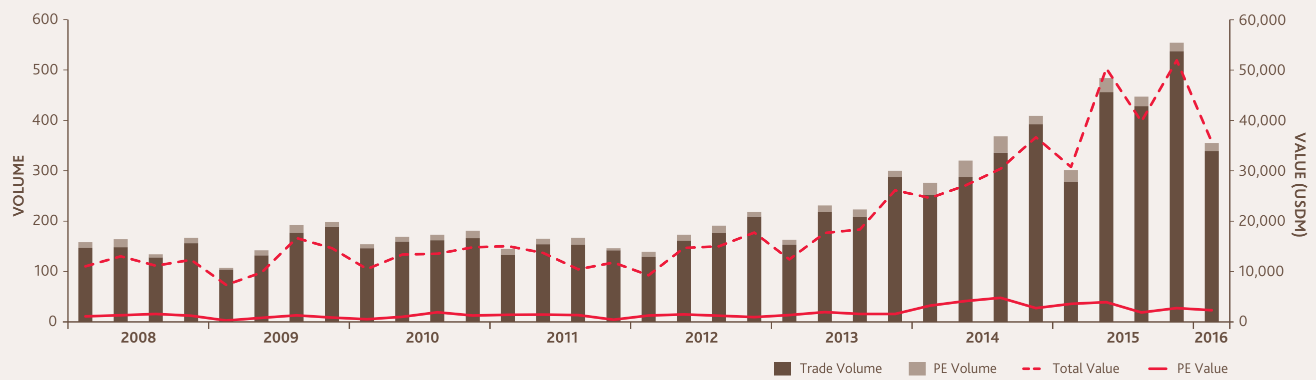
While M&A levels in Greater China declined from the last quarter, deal volumes in Q1 2016 were still 17.9% ahead of Q1 2015 levels (and 16.2% ahead in terms of deal value). This is in marked contrast to the decline in year-on-year M&A activity seen across all other major markets over the same period. Whether China is still on an upward M&A trend, and will move ahead to report full year growth in 2016, remains to be seen, but overall market sentiment for further growth appears positive, with a key driver being high demand for overseas acquisitions.

KEY DEALS AND SECTORS

With M&A levels falling in other markets at the start of 2016, China was able to register a 22.9% share of global mid-market deal volumes in Q1 2016. This quarter also saw the largest reported overseas acquisition made by a Chinese company to date, namely the announcement of Chinese state-owned chemical company ChemChina's USD 43.8bn acquisition of Swiss agribusiness Syngenta AG. This quarter also saw a USD 14bn bid attempt by Anbang Insurance to derail Marriott International's purchase of Starwood Hotels & Resorts, prior to Anbang's subsequent withdrawal from the process.

These transactions highlight the rising confidence of PRC companies and the increasing scale of their bidding for overseas targets. Supporting such large bids, Chinese companies continue to enjoy a moderately

PE/TRADE VOLUME & VALUE



low cost of capital relative to western buyers. Capital allocation in China has a long history of inefficiency, where typically only state-owned or larger privately-owned business would secure the lion's share of bank lending, at the expense of smaller privately-owned companies with good growth opportunities. Chinese banks are, however, now increasingly lending support to PRC firms on their overseas acquisitions, driven by government support, and often at high levels of leverage, allowing PRC companies to bid competitively against their international peers on global transactions.

OVERSEAS TARGETS

There are good reasons for Chinese companies to look overseas for growth, enabling them to gain access to IP, management expertise and advanced manufacturing technologies that may not be available domestically. As the growth rate in the domestic economy slows, and rising labour costs erode profit margins, overseas acquisitions are seen as a means of securing higher investment returns, and to improve competitive positioning in the highly congested domestic markets, through new brands, technologies and enhanced management know-how.

Some commentators highlight that Chinese companies have spent too long becoming the world's manufacturing hub. They argue that while this strategy may have raised living standards markedly throughout China over the last 30 years, China now has insufficient brands, services and technology to meet the rapidly changing tastes and rising income levels of its domestic population, which is increasingly being met by overseas acquisitions.

Industrials & Chemicals and TMT have remained the two key target sectors for M&A in the Greater China region, representing 58% of total deal volumes in 2015, and 55% in Q1 2016.

LOOKING AHEAD

European markets' slow recovery from the global financial crisis has continued to provide a good flow of assets at attractive valuations, which PRC companies have been increasingly targeting over recent years. Coupled with slowing economic growth in its home market, outbound M&A may provide a good basis for Chinese companies to secure growth overseas, which may also moderate the impact of economic volatility in the domestic market.

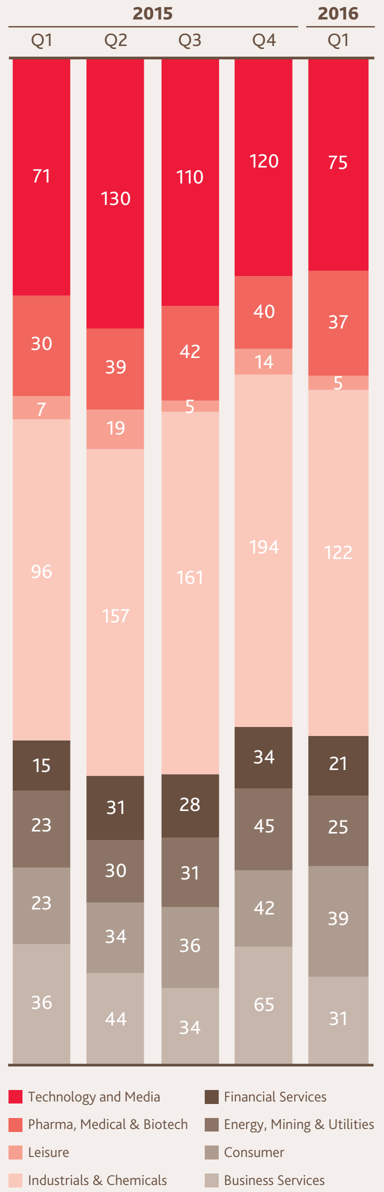
Despite the economic slowdown, the appetite of PRC companies for offshore investment has not slowed, and instead appears to be fueling demand for further investment overseas. The latest BDO Heat Chart as at Q1 2016 reports a total of 1,145 potential deals for the Greater China region, which is almost unchanged from its position at the end of 2015, suggesting continued momentum for M&A in the region.

Whether the decline in M&A seen over the latest quarter shows that Greater China is following global trends or is simply a temporary slowdown due to seasonality, strong momentum continues to build for overseas investment by PRC companies, in a trend that shows no sign of abating anytime soon.

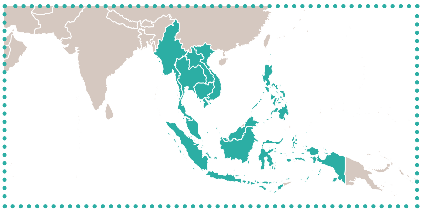
CHINA HEAT CHART BY SECTOR

Industrials & Chemicals	368	32%
Technology and Media	202	18%
Consumer	138	12%
Business Services	106	9%
Financial Services	94	8%
Energy, Mining & Utilities	90	8%
Pharma, Medical & Biotech	83	7%
Leisure	64	6%
TOTAL	**1,145**	**100%**

CHINA MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA



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BIG PICTURE

- Deal volume and value falls sharply in comparison to previous quarter
- Industrials & Chemicals is the most active sector, hitting a five-year quarterly high
- Outlook will depend on economic challenges including commodity prices and currency fluctuation.

A slow quarter but Industrials & Chemicals deals hits new high.

South East Asia saw a fall in M&A activity in Q1 2016, in terms of both the volume and value of deals. There were 46 deals during the first quarter compared with 67 in Q4 2015, representing a decrease of 31%, while total values fell by 25% from USD 5.49 billion to USD 4.11 billion.

The top ten deals for the quarter had a combined value of USD 2.82 billion, representing 69% of Q1 2016's total deal value. Private equity completed four deals in Q1 2016, one less than the corresponding period in 2015. This meant PE was responsible for a small proportion of total M&A activity for the quarter, representing 8% by volume and 15% by value.

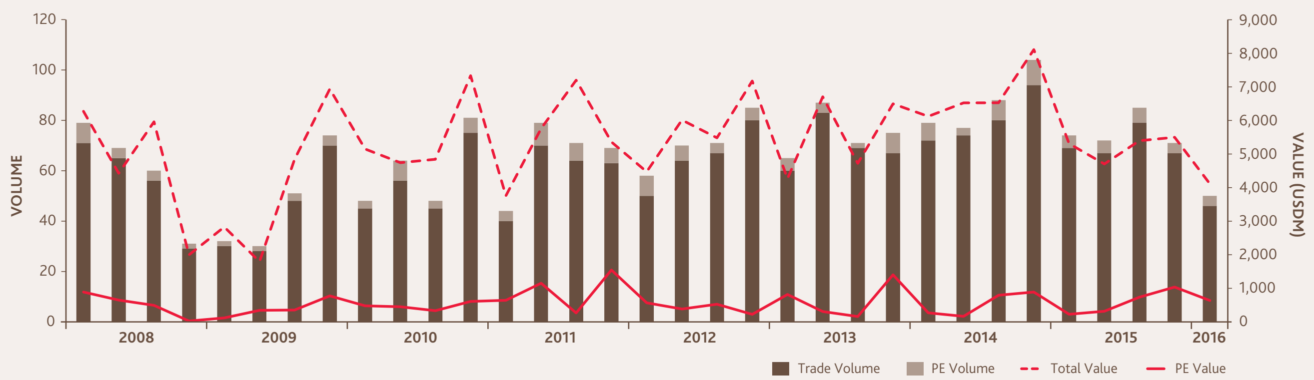
The two most active sectors in Q1 2016 were Industrials & Chemicals and Energy, Mining & Utilities, which together accounted for 56% of the Q1 2016 deal volume. Industrials & Chemicals was the most active, contributing 17 deals, the highest numbers for the past five years.

Industrials & Chemicals also contributed one of the top ten deals for Q1 2016, involving target companies in Malaysia.

Energy, Mining & Utilities contributed 11 deals in Q1 2016. These included five of the quarter's top ten deals, three of which involved target companies in Malaysia. The sector could also lay claim to the largest deal recorded for the M&A market in South East Asia during Q1 2016. This was the USD 472m acquisition by Shandong Hengyuan Petrochemical Company Limited of a 100% stake in Shell Refining Company (Federation of Malaya) Berhad.

The remaining top ten deals were split between Consumer, which saw two deals, and Industrial & Chemicals, TMT and Financial Services, which all had one deal.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

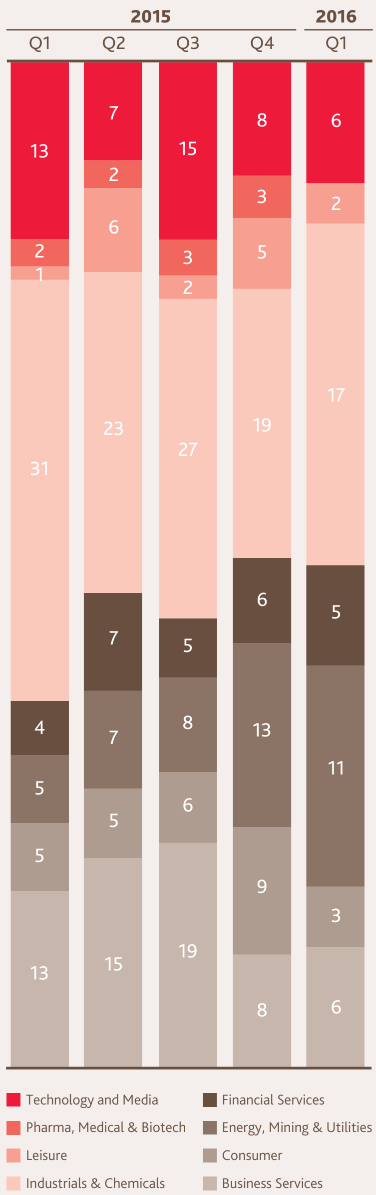
The focus of M&A activities will continue to be on Industrial & Chemicals. This sector has both the highest number of deals completed in Q1 2016 and the highest number of deals in the pipeline at 125. Meanwhile, M&A activity in the Energy, Mining & Utilities sector is slowing down with pipeline deals decreasing from 70 in Q4 2015 to 53 in Q1 2016. Forecast deals for other sectors, namely Business Services, Financial Services, Leisure and Pharma, Medical & Biotech, have decreased in comparison to the previous quarter. Conversely, deals in the pipeline for the Consumer and TMT sectors have increased from 51 in Q4 2015 to 52 in Q1 2016 and 50 in Q4 2015 to 51 in Q1 2016 respectively.

M&A activity in South East Asia will be largely dependent on the current economic challenges faced by South East Asia countries, which include the outlook for crude oil prices and the consequent fluctuation in the region's currencies. As South East Asia's currencies weaken against the US dollar, investors with predominant US dollar income or funding may find the region's assets attractive. Therefore, cross-border transactions may become more noticeable from such sources in the future.

SOUTH EAST ASIA HEAT CHART BY SECTOR

Industrials & Chemicals	125	30%
Energy, Mining & Utilities	53	13%
Consumer	52	12%
Technology and Media	51	12%
Business Services	51	12%
Financial Services	44	11%
Leisure	24	6%
Pharma, Medical & Biotech	17	4%
TOTAL	**417**	**100%**

SOUTH EAST ASIA MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

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BIG PICTURE

- The shift in major deal activity from the energy and resources sector to non-resource sectors continues
- Deal flow slowed in Q1 2016 but attractive exchange rates, low interest rates and foreign investors' perception of Australasia as a 'safe haven' support more activity ahead
- The downturn in commodity markets is generating deals driven by consolidation and divestment of assets to recoup capital
- Non-resource sectors such as TMT, Industrial & Chemicals and Business Services are expected to be the most active in 2016.

The outlook remains positive as a paradigm shift in M&A activity continues.

Heightened volatility in equity markets and an uncertain outlook for the global economy meant that 2016 got off to a cautious start. Coming off the back of a strong Q4 2015, Q1 2016 has in comparison been relatively quiet, with only 53 transactions at a combined value of USD 3.2bn.

Although the first quarter has historically been slower than subsequent ones, Q1 2016 recorded the lowest figures both in volume and in value since 2010. Quarter-on-quarter deal volume was down by 31% (77 deals in Q1 2015) while value dropped by 16% (USD 3.8bn in Q1 2015).

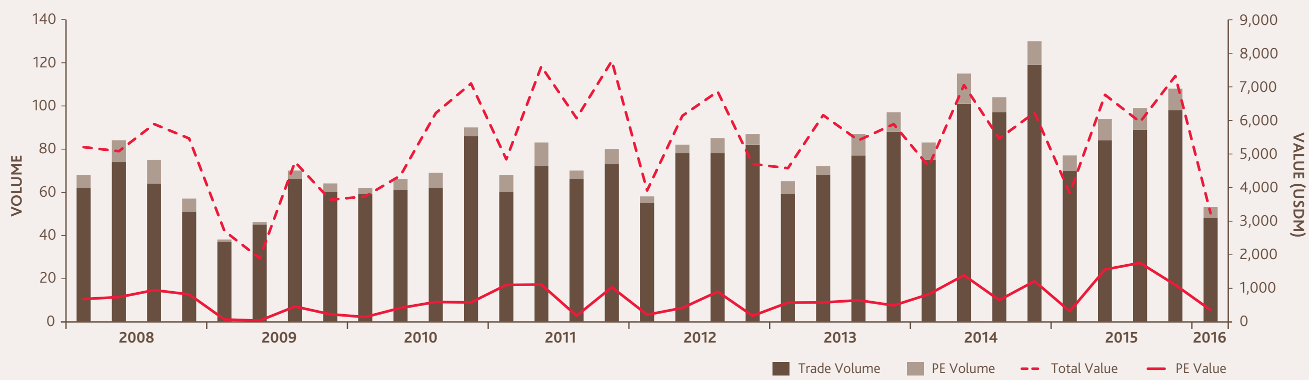
Similarly, the number of PE transactions also fell sharply, by 50% from Q4 2015 levels, while total value dropped by 69% to USD 0.3bn in Q1 2016. Despite the lower deal flow, PE's proportion of total M&A activity in Q1 2016 held steady at 9.4%, similar to Q4 2015 levels. Compared to the same quarter of last year 2015, Q1 2016 total PE deal value increased by 13%, suggesting higher value per transaction. In 2015, PE sponsors faced greater competition from corporates as the latter competed against PE for bolt-on acquisitions to enhance value or protect market positions through consolidation.

KEY DEALS AND SECTORS

Deal volume across all sectors declined with the largest fall-back in activity being from the Consumer sector, which saw only two deals completed in Q1 2016 compared to the 18 completed in Q4 2015. The top four sectors with the highest number of completed deals in Q1 2016 were Business Services (23%), Energy, Mining & Utilities (21%), Industrials & Chemicals (17%) and TMT (11%).

Compared to the corresponding quarter in 2015, all sectors demonstrated lower deal volume in Q1 2016 except for Energy, Mining & Utilities. Despite a greater concentration of deal activity around non-resource related sectors, deal flow within Energy, Mining & Utilities was still significant. This is largely due to industry consolidation and divestment of assets to recoup capital and/or minimise losses.

PE/TRADE VOLUME & VALUE



Out of the top ten largest mid-market deals in Q1 2016, four were from the Energy, Mining & Utilities sector. State Power Investment Corporation of China acquired a 100% interest in the 107MW Taralga Wind Farm in New South Wales for USD 224m; Rio Tinto sold its Mount Pleasant thermal coal assets to MACH Energy Australia Pty Ltd for USD 224m plus royalties; APA Group acquired a 50% stake in the Diamantina Power Station from its joint venture partner AGL Energy Limited for USD 112m; and DUET Group acquired the remaining 20% stake in the Bunbury Natural Gas Pipeline for USD 157m from Alcoa of Australia Limited.

The largest transaction in Q1 2016 was in Leisure, the acquisition of a 53% stake in Ainsworth Game Technology Limited by Novomatic AG Holding for USD 340m. Other sectors contributing to the top ten mid-market deals for Q1 2016 were as follows: the Industrial & Chemicals sector completed two major deals with a combined value of USD 324m; the Pharma, Medical & Biotech sector also closed two major transactions with a combined value of USD 251m; and the TMT sector saw one major deal worth USD 117m.

Half of the top ten mid-market deals involved foreign investments, representing 59% of total value, which indicates continuing interest from overseas buyers seeking acquisitions across a range of local sectors. Australasia continues to be perceived as a 'safe haven' prospect for foreign investment.

LOOKING AHEAD

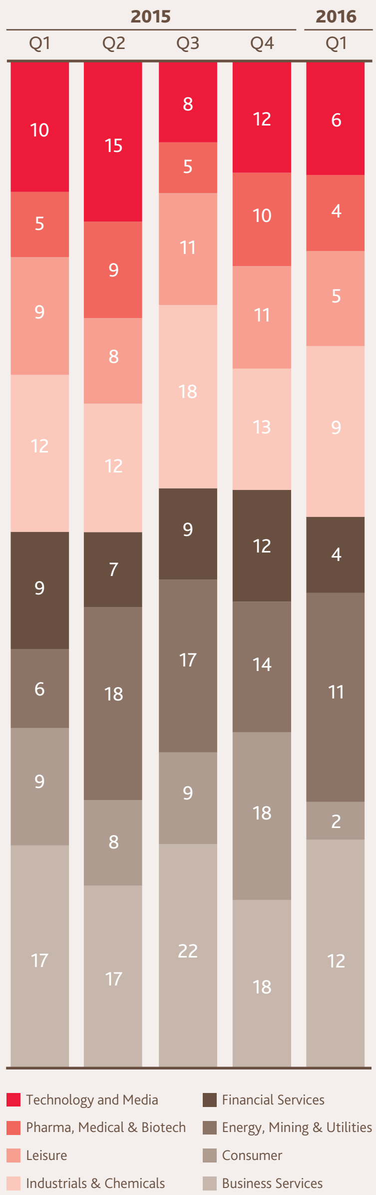
Despite the first quarter registering a significant drop in recorded M&A deals, the BDO Heat Chart (capturing all sales planned, rumoured or in progress) indicates that there will be an uptick in M&A activity going forward in 2016. The attractive exchange rates, low financing costs and steady interest from foreign investors should continue to be drivers of M&A activity for the year.

Based on BDO intelligence, there are about 447 deals planned, rumoured or in progress, compared to the 378 deals completed in 2015. The TMT sector tops the leaderboard as the most active sector, followed by Industrials & Chemicals, Business Services and Consumer as the market shifts its focus from mining and resources to non-resource sectors. In particular, as Australia increases its investment in innovation and science, there will be less reliance on the historical success of commodity-based deal activity. This is specifically in relation to the government's National Innovation and Science Agenda (NISA), which aims to further bolster confidence and re-balance the economy away from traditional industries like mining and manufacturing and into knowledge-based sectors.

AUSTRALASIA HEAT CHART BY SECTOR

Technology and Media	98	22%
Industrials & Chemicals	78	17%
Business Services	70	16%
Consumer	65	15%
Energy, Mining & Utilities	42	9%
Financial Services	41	9%
Pharma, Medical & Biotech	37	8%
Leisure	16	4%
TOTAL	**447**	**100%**

AUSTRALASIA MID-MARKET VOLUMES BY SECTOR



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TECHNOLOGY AND MEDIA

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BIG PICTURE

- A number of huge deals fuelled TMT's massive growth in 2015, but no such deals have been struck so far in 2016. As a result, deal value fell 43% in Q1 2016 against Q1 2015 and 69% compared to Q4 2015
- The US, China and the UK are the market leaders but only the US saw more than 100 transactions in Q1
- Application software product leads the sub-sectors with 253 deals at a value of EUR 26bn
- The search engines and website design/consultancy sub-sectors are particularly weak.

M&A activity falls in Q1 as mega-deals dry up.

TMT M&A activity fizzled out during the first quarter of 2016, flipping the upward trend of 2015. Market participants are concerned that the latest M&A cycle peaked in mid-end 2015 and the hypothesis that market weakness in early 2016 was only temporary is losing ground.

With a total of 677 deals worth EUR 86.3bn, TMT M&A value dropped by 18% from Q1 2015 - a quarter that saw 829 transactions worth EUR 151.4bn. Within TMT, Technology was responsible for the lion's share of the value with 489 transactions worth a total of EUR 53bn. This was, however, 74% below Technology's Q4 2015 total deal value.

Telecom recorded a 75% drop in value from Q4 2015 with 68 deals valued at EUR 14.4bn and an 80% fall compared to Q1 2015. It's important to note that as the value of deals in the Telecom sector is generally relatively low, any mid-to-high level deal can have a major impact on quarterly figures.

Media saw the smallest decline in value, with 117 deals valued at EUR 18.8bn Euro, compared to EUR 19.8bn.

The US still dominates M&A in the TMT sector with a total of 235 transactions, but the lack of big-ticket deals has kept the overall value of the market down. Other regions are experiencing economic slowdown or political uncertainties that have affected their respective markets.

The application software products sub-sector saw the highest level of activity by far with 257 deals, of which 117 (46%) were in the US market.

KEY DEALS

MEDTECH AND TELCO SECTORS ARE STILL HOT

The first quarter of 2016 saw four deals crossing the EUR 0.5bn mark:

- **Shaw communication Inc.** (Canada) was acquired by Corus Entertainment Inc. (Canada) in a EUR 1.7bn deal.
- **Netsmart Technologies, Inc.** (USA) was acquired by Allscripts Healthcare Solutions, Inc. (USA) in a EUR 846m deal. The selling company was Genstar Capital, LLC.
- **Brightree LLC.** (USA) was acquired by ResMed Inc. (USA) in for EUR 719m. The selling company was Battery Ventures.
- **Sunrise Communications AG.** (Switzerland) was acquired by Freenet AG. (Germany) in a EUR 713m deal. The selling company was UK-based CVC Capital Partners Limited.

The fuel for M&A deals to record levels last year dried up in the first quarter as markets faced significant economic and political headwinds. Falling oil prices, slowing growth in China and concerns about the health of the financial sector are all doing their part to cool M&A activity, but considering all the fundamentals that drove activity last year are still present, we may find that market stress is short-lived.

Despite its Q1 setback, TMT continues to see a good level of activity compared to other sectors.

AT A GLANCE

TECHNOLOGY

- The value of deals decreased by approximately 17% in Q1 2016 against Q1 2015 and 74% compared to Q4 2016.
- The number of deals decreased by approximately 16% in Q1 2016 against Q1 2015 and 21% compared to Q4 2016.

MEDIA

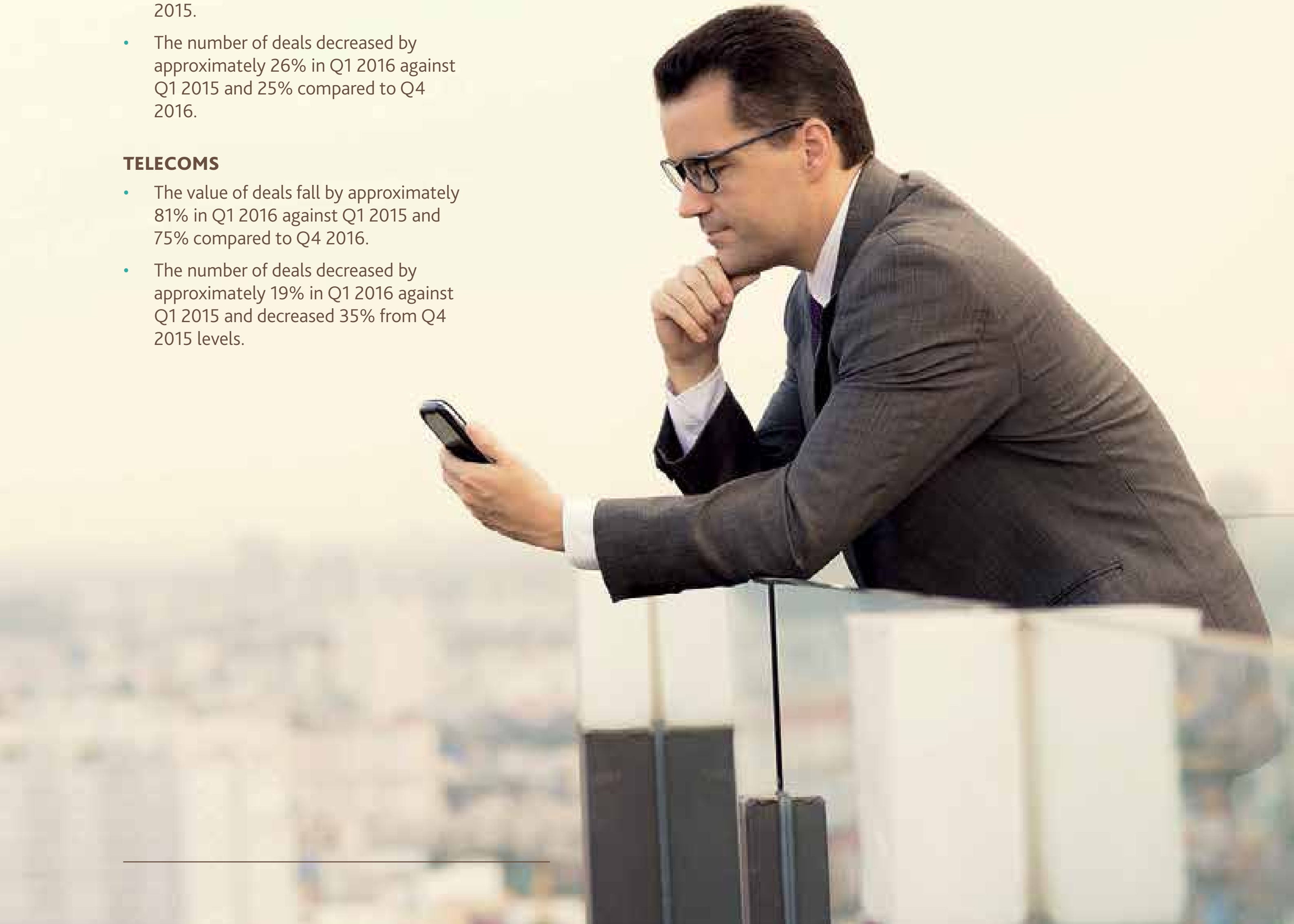
- Unlike Technology and Telecom trends, the value of deals increased by approximately 52% in Q1 2016 against Q1 2015 but decreased 5% from Q4 2015.
- The number of deals decreased by approximately 26% in Q1 2016 against Q1 2015 and 25% compared to Q4 2016.

TELECOMS

- The value of deals fall by approximately 81% in Q1 2016 against Q1 2015 and 75% compared to Q4 2016.
- The number of deals decreased by approximately 19% in Q1 2016 against Q1 2015 and decreased 35% from Q4 2015 levels.

LOOKING AHEAD

Generally, M&A markets tend to correlate with and lag economic indicators and the public equity and debt markets, as investor confidence moves with financial sentiment and outlook. Valuations in the M&A markets are also, in part, derived from the public markets and the recent pull-back in equities has made many market participants unnerved about the coming months. Others are optimistic that the past quarter is simply a pause in a bull market and that M&A activity will soon return to near record levels. There are two schools of thought at the moment, one is that we are in the seventh year of the M&A bull market and it has to end soon and can't go higher, especially considering the records set in 2015. The other is that we are on a downhill stretch that will help fuel the market for a longer bull cycle that may last several more years.



ENERGY – RENEWABLES
LESS ALTERNATIVE, MORE NORMAL

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BIG PICTURE

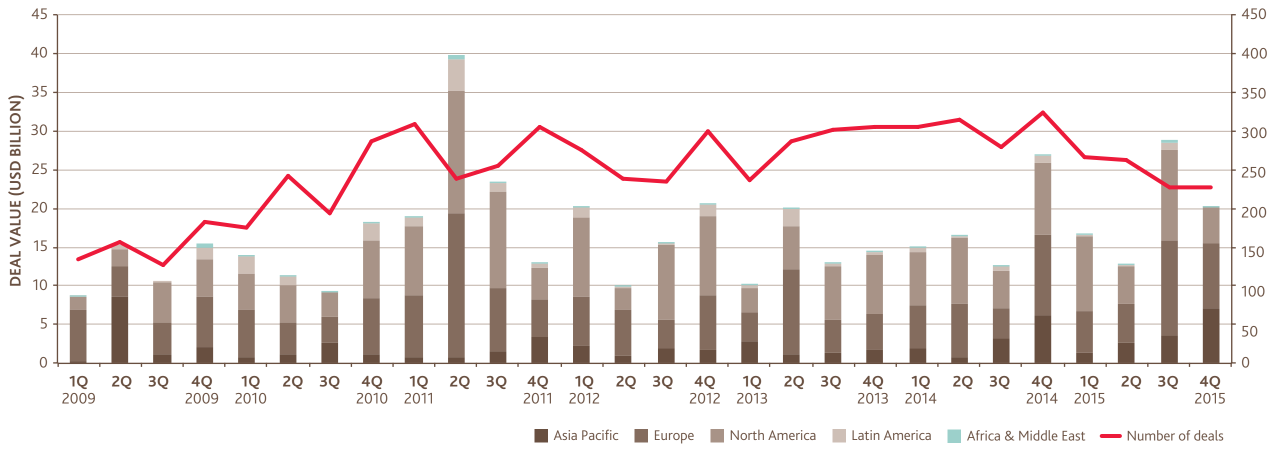
- Nearly USD 330bn was invested across clean energy in 2015 – dominated by wind and solar
- China, US, Japan and Europe attract the most investment but Latin America and India are rising fast
- Investment is primarily in new build and refinancing but M&A is growing and now worth USD 80bn a year.

Despite the collapse in commodity and oil prices, slowdown in China and weak recovery in Europe, investment in renewables has remained strong. The sector attracted a record USD 329bn of new investment in 2015, taking it above the highs recorded in 2011 at the peak of 'green stimulus' programmes and the solar boom in Italy and Germany. In fact, 2015 was a year of firsts, with more renewables capacity being added than conventional and nuclear power, and investment in developing countries overtaking developed countries for the first time.

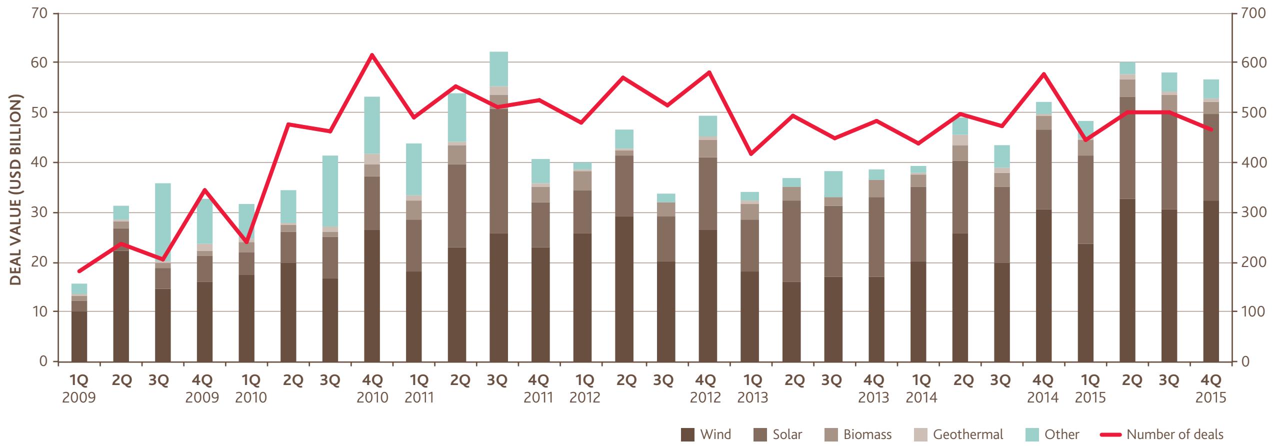
M&A only accounts for about a quarter of all the money going into renewables but this has been growing steadily as overall deployment increases. The number of deals fell to around 220 a quarter in 2015, down nearly a third in 2015 compared to the previous two years, but overall deal value has held steady around USD 80bn (see CleanEnergy Pipeline chart below). Declining costs, however, mean that investments buy much more capacity than they did even a few years ago. For example, solar module prices have dropped by 80% since 2009.

Project finance, particularly for new assets, has moved back up to the heights of 2011 with over USD 210bn invested worldwide. Traditional banks have been lending more as greater competition on wind and solar deals and lower subsidies push down the cost of capital. But with more equity chasing deals, many have been done as all equity transactions and will come back to the market in a few years to refinance and introduce senior debt.

M&A – FROM CLEANENERGY PIPELINE



PROJECT FINANCE – FROM CLEANENERGY PIPELINE



In a low interest rate environment and with the increasing maturity of the solar and wind sectors, the relatively strong yields available from renewables are becoming more interesting to institutional investors (particularly pension funds and insurance) as they can offer long-term, inflation-linked returns.

ENERGY – RENEWABLES
LESS ALTERNATIVE, MORE NORMAL

REGIONAL VIEW

US

Deal value rose strongly in the US helped by an unexpected extension of the wind production and solar investment tax credits to 2020. These are currently worth 30% of the upfront installation cost.

EUROPE

Although on a par with the US on total investment, Europe continues to decline from 2011 levels despite a bumper year in the UK, particularly from offshore wind and the impending end of the current Renewable Obligation Scheme. Policy uncertainty means that 2016 is likely to see a major drop in deployment in the UK, although potentially a pick-up in M&A activity.

ASIA

Investment in China continues to grow, with USD 96bn invested in new projects in 2015. Offshore wind broke through with nine projects being financed for around USD 5.6bn. Deployment in India and Brazil also grew quickly, with utility-scale solar in India falling to among the cheapest in the world and pursuing a target of 100GW by 2022.

UTILITIES

The old power utilities are facing major challenges as coal becomes less acceptable and renewable generation increasingly affects power prices, as well as diversifying ownership of generation. Many utilities are already restructuring to face the challenge, for example Enel and EDF have brought their renewable energy arms back in-house, while EON and RWE have taken the opposite approach of separating into conventional and renewables parts. Further challenges lie ahead as electric vehicle makers such as Tesla encroach on the energy space and IT majors such as Google enter. For example, Google's acquisition of smart home devices manufacturer Nest for USD 3.2bn.

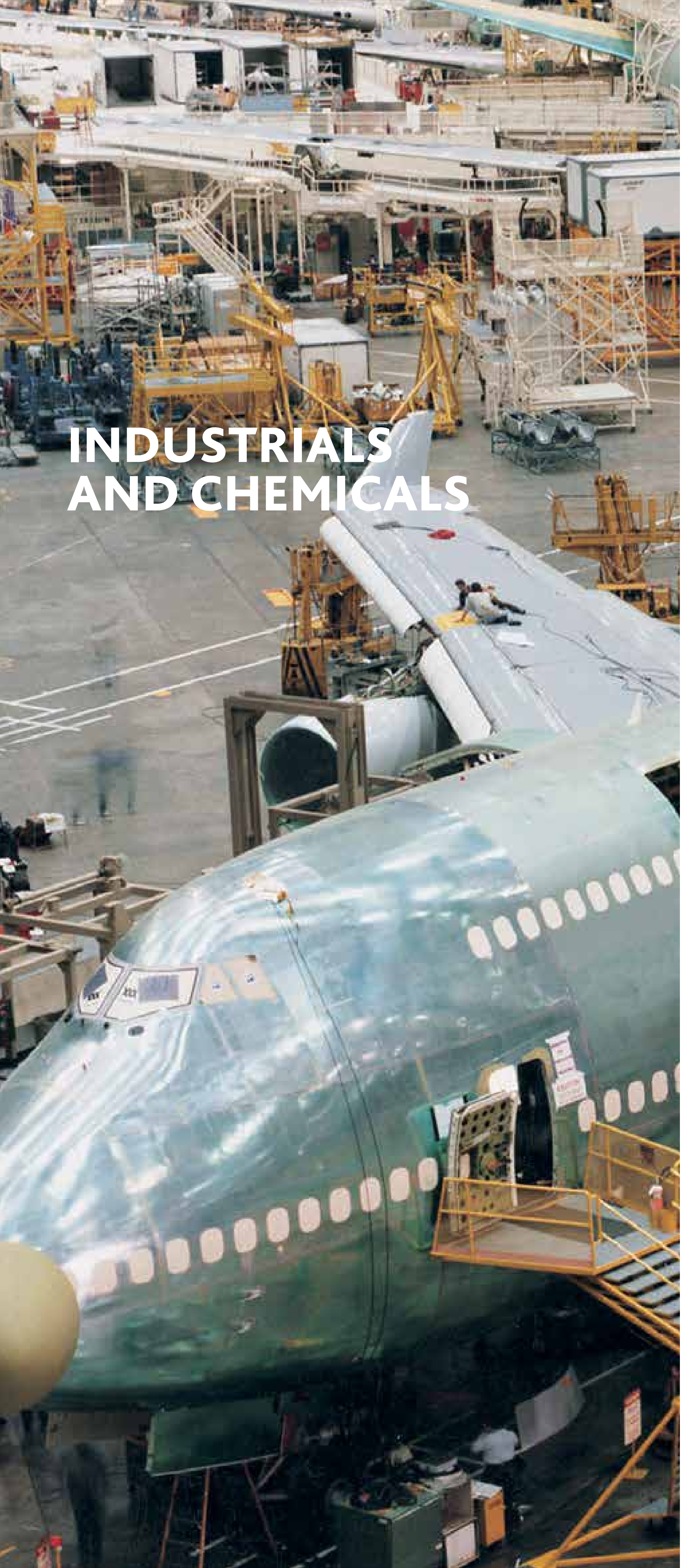
RENEWABLES AND STORAGE

The largest deployment of renewables has been in solar and wind, both variable sources of power. Storage should allow grids to accommodate a larger percentage of these renewables. Battery costs have been falling rapidly with the growth of the electric vehicle market – down from USD 1000/kWh in 2010 to USD 350/kWh in 2015 and with a roadmap to drop to a third of this by 2020.

Storage costs are now low enough for major deployment to start. Utility-scale battery storage is just starting with 250MW installed in 2015 but looks set to grow rapidly with 1.2GW already announced for 2016, and if costs continue to drop it could follow a similar path to solar. As well as supporting the grid, storage can allow larger consumers to be less passive and utilise any generation they may have while shifting demand to avoid costs at times of peak demand.

LOOKING AHEAD

Although renewables have come a long way over the last decade in developed nations and more recently China, there's ample room for further growth to meet stronger climate targets, as agreed in Paris at the 2015 COP climate conference. Other markets such as India, Latin America and the Middle East are developing rapidly and solar is in sight of cost-competitiveness with the cheapest conventional energy in several markets. Combined with the growth of storage and electric vehicles, changes across power generation will continue, leading to strong growth in M&A as the energy sector restructures and renewables assets move on to long-term asset holders.



INDUSTRIALS AND CHEMICALS

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BIG PICTURE

- A major sector responsible for 25% of all global M&A deals in 2015
- Q1 2016 saw M&A activity fall slightly but 2015 and 2014 were hard acts to follow
- A number of key trends are driving prospects ahead.

The Industrial Products sector – which includes Aerospace & Defense (A&D), Chemicals, Engineering & Construction, Industrial Manufacturing, Metals and Transportation & Logistics – accounted for 25% of all global deals in 2015. It saw an up-tick in deal total transaction value in 2015, driven by blockbuster deals in some sub-sectors and many smaller transactions throughout the whole sector. Global Industrials deals were up 60% compared to average levels over the past five years. However, the total number of deals was slightly lower than sector's record year in 2014.

A large number of smaller takeovers announced in December made 2015 the biggest year ever for mergers and acquisitions. It was also notable for some very large transactions in various sectors: Pfizer's roughly USD 160bn merger with Allergan; Dell's USD 67bn deal for EMC; and Anheuser-Busch InBev's USD 108bn acquisition of SABMiller.

The new year started reasonably well, albeit that the first quarter of 2016 was some 5% lower than Q1 2015 and about 12% below the comparative period in the record year of 2014, but was still higher than the first quarters of 2011, 2012 and 2013.

LOOKING AHEAD

Several trends are expected to affect the volume of deals within the sector during 2016:

STRATEGIC ACQUISITIONS

Are being made by Industrial companies which want to stay ahead, targeting internet technology companies, next generation robotics, additive manufacturing and nanotechnology.

PORTFOLIO ALIGNMENTS

Are expected to continue to better position capital towards high-growth acquisitions as well as strengthen portfolios by acquiring complementary products. Other motivations are cost synergies, purchasing power, lower cost manufacturing, scale and greater vertical integration.

ACTIVIST INVESTORS

Are pushing boards to engage in M&A activity and strategic decisions to increase shareholders' value. There is a high level of activity and a number of major potential carve-outs from large corporates such as Philips, Rexam/Ball, Emerson Electric and Sandvik have been announced this year. This could encourage others to follow.

CHINESE-LED CROSS-BORDER ACQUISITIONS

Another recent trend concerns the actions of a number of little-known Chinese players who have announced cross-border deals. Chinese investors and funds are assumed to be looking to acquire cross-border targets as a result of growing concerns regarding Chinese and European economies' abilities to drive top-line growth in 2016. Even though cross-border deals may increase we expect that local deal activity will continue to grow.

ASIAN EXPANSION

Will continue but the slowdown in China will impact exporters to the region and inevitably reduce the attractiveness of rural districts to investors. India is campaigning to make their country more attractive to industrial investors searching for lower cost production and an alternative to China.

LOW COMMODITY PRICES

Are forcing many countries' economies into recession and this is leading to currency devaluation.

Private equity has typically driven about one quarter of deals in the Industrial sector and remains attractive to financial sponsors also in 2016. However, private equity firms have been largely absent in the biggest transactions and were crowded out in many cases by corporate buyers. Going forward, this may cause large PE funds to increasingly focus instead on mid-market transactions.

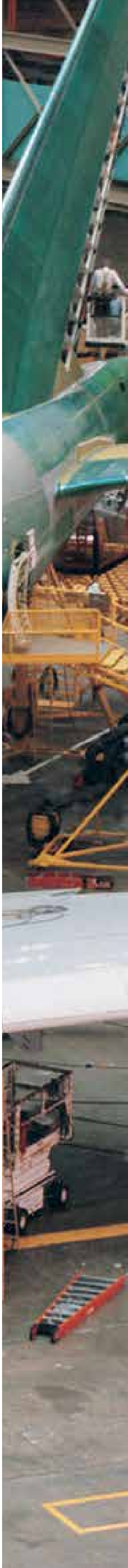
LOW INTEREST RATES

Certainly helped the M&A boom in 2015. The Fed's recent rate rise is unlikely to increase corporate borrowing costs dramatically but most players realise that the low interest rate phase may eventually come to an end. This may actually encourage deal-making this year as further rate rises ahead may lead to more expensive future acquisitions.

POLITICAL UNCERTAINTIES

In large economies such as the US, the UK and Brazil: the strengthening US currency could be a headwind for the Industrial sector, especially for export-driven companies. This year's presidential election might create uncertainty in the M&A market. The UK is preparing its vote on exiting the European Union which makes any prediction difficult for the next quarter. The six-month impeachment of Brazil's President makes it difficult to forecast the direction of this 200 million-population economy. However, the country's commodities exports have been badly hit by the slowdown in the Chinese economy and as a result the Brazilian currency has depreciated more than 40% against the US dollar. This is making Brazilian assets attractive for overseas investors and the M&A market in Brazil could pick up steam as a result.

Finally, last year's high volume points to the fact that companies are still searching for opportunities to offset depressed organic growth through portfolio expansion into high-growth markets and the divesting of non-core businesses.



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