HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 4 | 2016

SCANDINAVIA

Stable, predictable and open for business.

FEATURE

WHY THE NORDICS
ARE SO ATTRACTIVE
TO INVESTORS

REGIONAL VIEW

VIEWS FROM
AROUND THE GLOBE

SECTOR VIEW

ENERGY, MINING & UTILITIES

LIFE SCIENCES

TESTING-MEASURING
EQUIPMENT

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WELCOME

BDO is thrilled to present the fourth edition of BDO Horizons in 2016. As we gather in Copenhagen for the annual BDO Corporate Finance conference in November, we ask our hosts to explain what makes this small part of the world so big in business. The result is our featured article: Scandinavia.

As we move into the last quarter of 2016, it is the perfect time to look ahead by first looking back. Is it still possible that 2016 M&A levels could yet surpass 2015 (the most active year since the financial crisis)?

Events in the last months have affected certain regions, for example Britain has voted to leave the European Union, Brazil has staged the Olympic Games in Rio and in the US the election preparations are taking place. What's the impact on the M&A market of these events?

We focus on our customary selected sectors across 17 global regions, giving you a comprehensive, international overview of the M&A mid-market. We hope that BDO Horizons will provide some of the context necessary to understand the current M&A market and to help you make valuable decisions in what is a complex environment.

INSIGHTS FROM A LEADING M&A ADVISER

Many factors influence the level of M&A activity, but confidence is key. What we are seeing now is a fall in M&A activity, so perhaps that is indicative of weakness in the global economy. Nevertheless, once you are in the middle of a possible transaction it is not just about your confidence in the specific deal or the wider economy, you also have to have confidence in your team. You need to feel they know your strategy and your objectives, that they are committed to you and not just to the project. You need to be sure that they have a professional approach and understand the local success factors in the region/sector. Given the increasing importance of cross-border transactions, soft factors or 'cultural aspects' become more and more important. So it is worth working closely with M&A professionals who are on the ground, combining local expertise with global experience.

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GLOBAL VIEW

COMPARING NOW AND THEN.

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In recent years, Q3 M&A activity has rarely surpassed Q2 and unfortunately 2016 is no exception. Furthermore, Q3 2016 is the weakest quarter since Q1 2013 and our BDO Heat Chart indicates even lower activity for Q4. This is disappointing as, since 2012, Q4 has always been the best quarter of the year.

Overall, global trade volume dropped from 2,018 deals in Q2 2016 to 1,500 in Q3 2016, a decrease of 25.7%. Comparing Q3 2016 to Q3 2015, there were about 29.3% fewer deal completions. Total deal value was USD 131,068m, a decrease of 26.8% compared to Q2 2016 and a decrease of 24.6% compared to Q3 2016.

In terms of private equity, there were 168 buy-outs in Q3 2016, which was a decline of 36.4% compared to Q3 2015's 264 deals, and a 28.2% fall compared to Q2 2016's 234 deals. Deal value decreased to USD 20.1bn, which was a decline of 28.2% compare to the previous quarter and a fall of 17.2% compared to the same quarter of last year.

Looking at total deal volumes in detail, we see a negative trend in all of the seven sectors compared to Q2 2016 and Q3 2015.

The average deal value was USD 87.4m, a fall of 1.5% compared to Q2 2016 but still in the top ten since Q1 2008.

COMPARING HERE AND THERE

If we look at M&A mid-market activity in our 17 regions, we see that North America and China are still the main drivers for global mid-market M&A. Here is a snapshot of some of the highs and lows:

North America had the highest number of Q3 transactions with 356 deals, a decrease of 31.9% compared to the previous quarter and of 38.3% compared to Q3 2015. The total value of US deals declined to USD 38.3bn, a decrease of 31% compared to Q2 and a fall of 30.8% compared to Q3 2015. Greater China is the second biggest player in the M&A mid-market, with 350 transactions in Q3, representing a decrease of 20.3% compared to the previous quarter and a fall of 23.1% compared to Q3 2015. Deal value also fell, although less sharply, with its Q3 total of USD 34bn representing a 12.7% decline compared to the previous quarter and 17.5% below Q3 2015 levels.

This trend for lower deal numbers and values compared to Q2 2016 and Q3 2015 was similar across 13 of our 17 regions. Israel posted the worst results for deal numbers, with a decline of 56.5% against Q2, followed by Africa with 50% and CEE & CIS with 43%. If we look at deal values it is a similar picture; Israel had the biggest fall of 78.6%, followed by CEE & CIS and Benelux.

Only the Nordics were able to buck the trend in Q3 2015, with growth of 21.7% in deal numbers and 114% in deal value compared to the previous quarter, but set against Q2 2016 the Nordic region saw a decline of 26.3% and 27.7% respectively. The biggest growth in terms of transaction numbers was seen in the Middle East with a 33.3% rise compared to the previous quarter, followed by India with 31.3%. Looking at deal value, India has the biggest growth with 64.5% followed by Middle East with 40.7% and Japan with 1.9%.

In terms of sectors, they all saw far fewer deals in Q3 2016 than in both Q2 2016 and Q3 2015. By comparing the numbers with the preceding quarter we saw the smallest decrease in Business Services (-16.8%) and Pharma, Medical & Biotech (-20.4%). The most resilient in terms of value were Industrials & Chemicals, followed by Technology & Media, Business Services, Energy, Mining & Utilities and Consumer.

LOOKING AHEAD

By comparing the number of companies either officially up for sale or rumoured to be, the BDO Global Heat Chart shows 8,205 potential deals, a decrease of 7.2% since last quarter. The biggest growth was posted by South East Asia, where the number of opportunities rose 6.3%, followed by Japan and Australasia with a near 1.4% rise anticipated. The biggest driver of global M&A activity is expected to be North America, with a high number of potential deals in every sector. Greater China follows behind according to our forecast.

We expect the most active sectors for M&A to be Industrials & Chemicals, Technology & Media, Consumer and Business Services and we expect the least active to be Pharma, Medical & Biotech.

The continued availability of debt and capital reserves should provide a good deal-making environment ahead, but there are still many economic and geopolitical risks that could hold activity back. On balance, we believe that, as in the past, the M&A market for mid-caps should prove stable.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology & Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	TOTAL	%*
North America	350	441	317	292	242	368	153	60	**2,223**	**27%**
China	307	184	122	119	60	63	91	49	**995**	**12%**
CEE & CIS	198	112	165	74	92	33	56	36	**766**	**9%**
Southern Europe	136	93	131	67	42	33	43	27	**572**	**7%**
South East Asia	122	61	49	59	74	27	50	30	**472**	**6%**
India	98	85	46	63	34	34	65	15	**440**	**6%**
Australasia	65	85	72	61	46	36	46	26	**437**	**5%**
Latin America	81	70	77	69	71	22	22	18	**430**	**5%**
UK & Ireland	50	75	49	65	49	27	36	25	**376**	**5%**
DACH	102	40	41	38	20	31	25	13	**310**	**4%**
Japan	59	66	45	23	11	39	18	10	**271**	**3%**
Other Asia	67	30	30	19	20	22	23	14	**225**	**3%**
Nordics	44	33	30	31	24	18	12	5	**197**	**2%**
Benelux	33	27	35	36	12	20	16	8	**187**	**2%**
Africa	52	11	18	18	47	5	20	4	**175**	**2%**
Middle East	8	21	8	11	12	3	9	6	**78**	**1%**
Israel	3	22	1	4	1	12	6	2	**51**	**1%**
TOTAL	**1,775**	**1,456**	**1,236**	**1,049**	**857**	**793**	**691**	**348**	**8,205**	**100%**
%	**22%**	**18%**	**15%**	**13%**	**10%**	**10%**	**8%**	**4%**	**100%**	

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

SCANDINAVIA

STABLE, PREDICTABLE AND OPEN FOR BUSINESS.

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WHY THE NORDICS?

Here are seven reasons why the region is so attractive to investors:

1. AT THE LEADING EDGE OF THE WORLD'S LARGEST MARKET.
2. IF SWEDEN, DENMARK, FINLAND AND NORWAY WERE COMBINED THEY WOULD REPRESENT THE WORLD'S 11TH LARGEST ECONOMY.
3. SCANDINAVIA'S TALENT HUB (LOCATED IN THE GREATER COPENHAGEN AREA).
4. EASY INTERACTION WITH PUBLIC AUTHORITIES.
5. WORLD-CLASS INDUSTRIES WITHIN OIL AND GAS, ENERGY, MARITIME AND THE TECHNOLOGY SECTOR.
6. CLOSE COOPERATION BETWEEN THE INDUSTRY AND R&D WITH MANY GOVERNMENT-FUNDED CLUSTERS.
7. STABLE, PREDICTABLE AND OPEN FOR BUSINESS.

BIG PICTURE

- M&A activity has grown stronger in the Nordic region as the economic stability and variety of companies attract an increasing number of Investors.
- The World Bank ranked Denmark the easiest place to do business in Europe in 2012-2016.
- Industrial products and services as well as computer software are the leading target sectors.

KEY SECTORS AND COUNTRIES

The most active sectors in the Nordics this year were Industrial products and services, which represented 13% of total deal volume for the first three quarters of 2016.

In terms of countries, Sweden led the way with 32% of total transactions, followed by Denmark and Norway with 25% each and Finland with 18%.

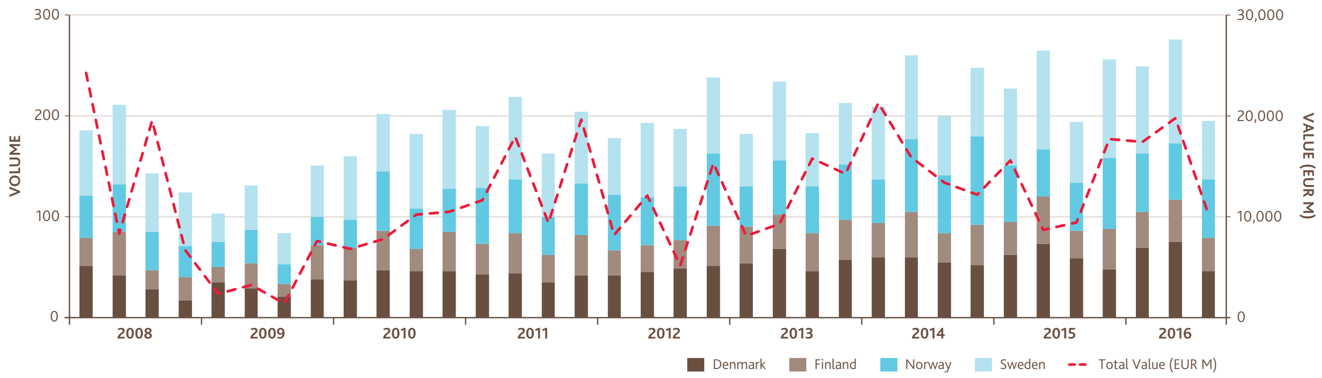
PE buy-outs tend to focus on industrial products and computer software. Just over two thirds of deals were within the Nordic countries (Sweden 28%, Norway 17%, Denmark 14% and Finland 10%), while the US is responsible for almost 10% of buy-outs in the Nordic countries and the UK for another 6%.

9-MONTH REVIEW

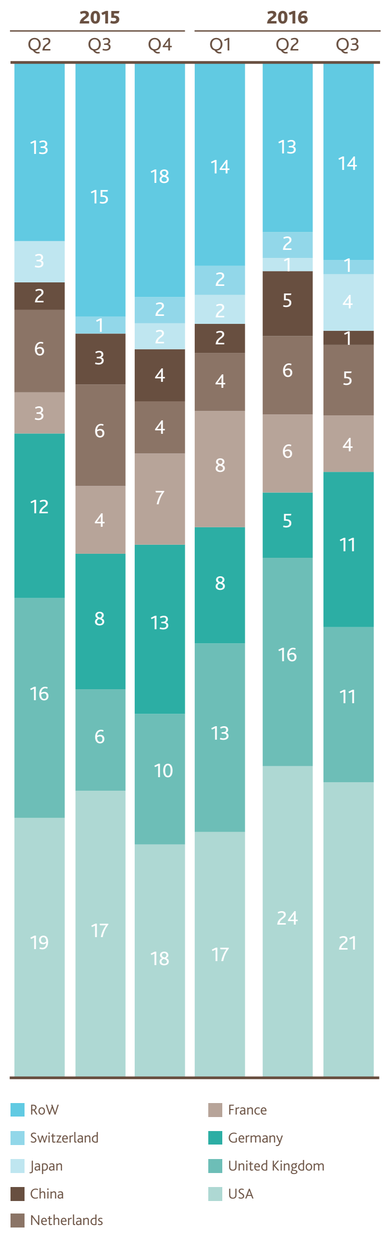
M&A activity for the first three quarters of 2016 was higher than 2015 in terms of both volume and value. The number of deals increased from 686 in 2015 to 720 in 2016, representing an increase of 5%. Total deal value increased more significantly, from USD 36.6bn in 2015 to USD 51.5bn, representing an increase of 40%.

All Nordic countries saw greater deal volume in 2016 and all except Denmark saw increased deal value compared to the same period in 2015. The most notable increase occurred in Finland, where the value of deals more than tripled.

NORDIC / TRADE VOLUME & VALUE



VOLUMES BY BIDDER COUNTRY*



* Bidders exclude Nordics

NORDICS GDP GROWTH PER CAPITA
GROWTH FORECAST

Country	Current	2020
Sweden	54,989	58,349
Finland	45,289	47,729
Denmark	58,208	59,647
Norway	89,741	90,465

Sources: OECD and tradingeconomics.com

LOOKING AHEAD

Nordic countries are well known for their strong economies and high rates of GDP per capita. This translates into great purchasing power and impacting the businesses in different sectors. Norway is leading with USD 89k GDP per capita and expected to grow 1%. Denmark is second in value with USD 58k GDP per capita, Sweden is third with USD 55k GDP per capita and Finland is the last with USD 45k GDP per capita. The latter two are expecting growth of 5-6% in the next three years.

Considering growth rates and current GDP levels, we expect private equity to build up its reserves of 'dry powder' and, along with continued investor interest from outside the region, this should help support M&A activity in the Nordics. On a sector level, we expect industrial products and computer software to remain the most active.

GLOBAL

8,205 RUMOURED TRANSACTIONS

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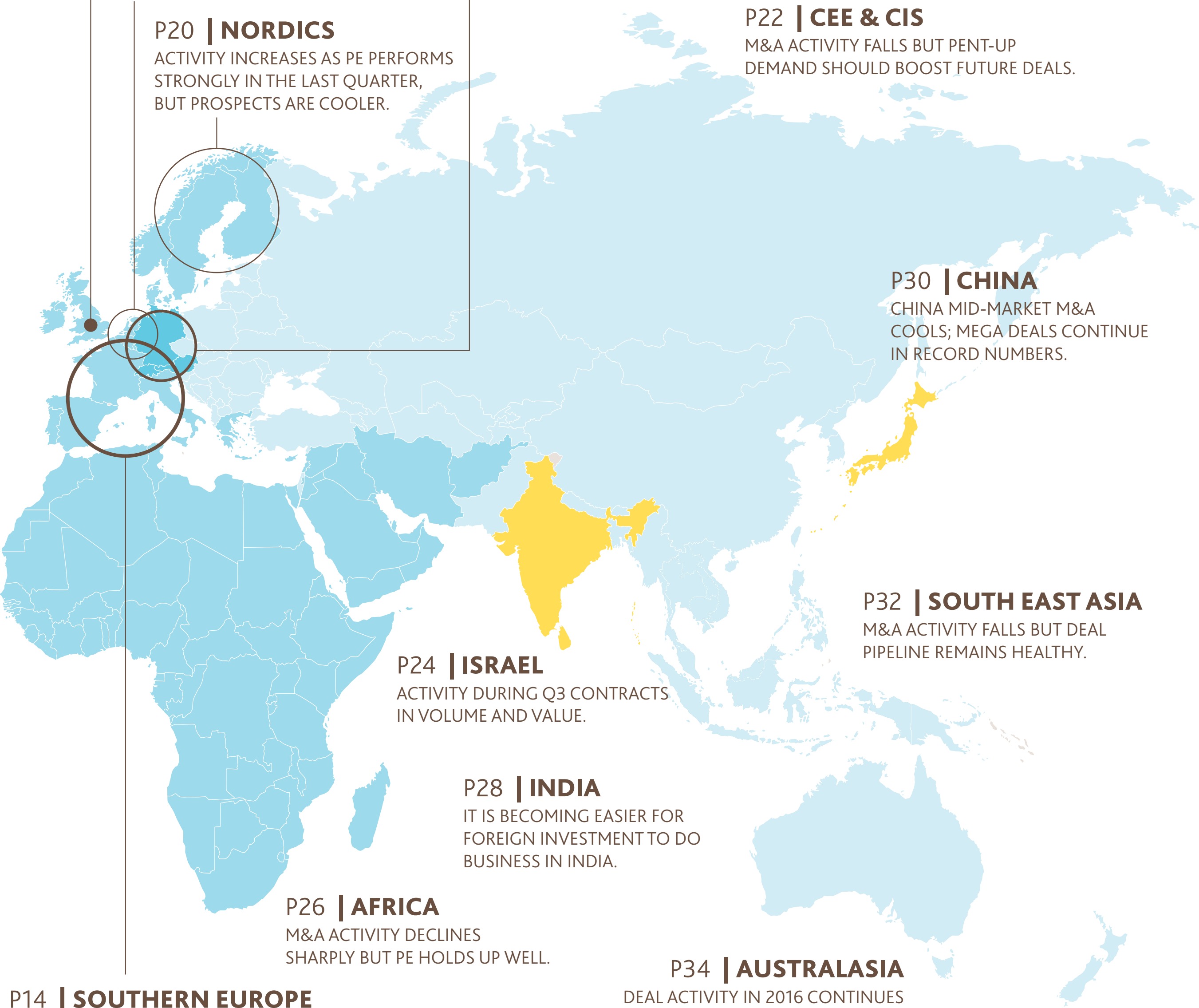

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Key % movement

-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

NORTH AMERICAN MIDDLE MARKET M&A ACTIVITY PLUMMETS.

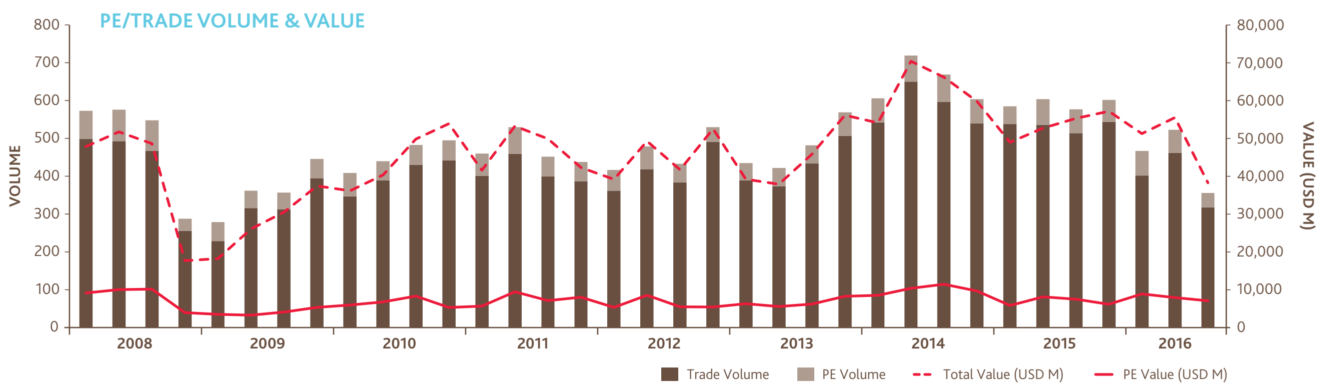
BIG PICTURE

- The number of North American middle market deals decreased by approximately 62% in Q3 2016 compared to Q3 2016 and decreased 46% from prior quarter.
- Worst quarter for North American middle market M&A deal activity since Q2 2009.
- Concerns over the Global economy, equity market volatility, political uncertainty, and the strong dollar negatively impacted activity.
- Cross-border and inbound activity down significantly.

North American middle market M&A dropped significantly during the third quarter of 2016 as just 356 transactions were reported, the slowest quarter of deal activity since the second quarter of 2009. Market participants are concerned that the M&A cycle peaked during the record-breaking mid-2014 to mid-2015 period and that the hypothesis that market weakness earlier in 2016 was only temporary or a mild correction is not playing out.

The North American capital markets in Q3 2016 were dominated by headlines of a slowing U.S. economy, terrorism, a cautionary Federal Reserve, and an U.S. election year cycle unlike any other. This confluence of factors is fuelling a great deal of uncertainty and slowing the pace of deal activity. The election jitters have caused pundits to flood the markets with predictions ranging from larger budget and trade deficits to higher taxes to outright recession. Q3 also saw mostly negative economic data that did nothing to calm increasing concerns that the performance of the auto and housing sectors have peaked – particularly troublesome since these segments have been the main catalysts for economic growth in recent years. Weak economic data from China, a strong U.S. dollar, and a hostile regulatory deal environment were also frequently mentioned by market observers for the poor quarter. Dramatic activity declines in the Technology & Media, Financial Services and Energy, Mining and Utilities sectors were mostly to blame from an industry perspective.

While 2015 was a record year for overall North American M&A, 2016 is shaping up to be a record year for deal withdrawals, as the U.S. regulatory authorities flex their antitrust muscle and seek to crack down on deals that aid tax avoidance via inversion tactics or risk harming national security. Such intervention by the U.S. government has caused company executives to think twice before contemplating complex deals that could attract intense government scrutiny. While the middle market is relatively immune to the level of regulatory scrutiny



LOOKING AHEAD

It is likely that bigger deals and increased activity won't return to North America until after the U.S. election when uncertainty subsides and market participants can take stock of the next four years.

In terms of sectors, perhaps no surprise that innovative industries such as technology and Life Sciences are expected to yield the most M&A activity in the near future.

endured by the mega-deal participants, many argue the malaise is having an effect on all segments of the market. Last year's biggest deal, U.S. drug maker Pfizer's USD 160bn agreement to acquire Dublin-based Botox maker Allergan, was abandoned after the U.S. Treasury introduced new rules to curb so-called inversions that are used by companies to lower their bills by re-domiciling overseas. U.S. oilfield services providers Halliburton and Baker Hughes terminated their USD 38bn merger deal after opposition from U.S. and European antitrust regulators. In February, Philips NV cancelled a planned USD 2.8bn sale of its lighting-components unit to a consortium led by China's GO Scale Capital after the Committee on Foreign Investment in the United States, which scrutinizes deals on national security grounds, objected. Such moves affected new deal-making as CEOs and board of directors view the costs and risks of pursuing complex deals too high and the timing too uncertain to justify the potential return on investment.

The more optimistic M&A market observers say the severe slowdown in Q3 was less about the negative and more about the positive. They argue that the stock market is hovering at record highs, while the S&P 500 Index's price-to-earnings ratio is at its highest level since the 2008 financial crisis. Combined with uncertainty over the U.S. Federal Reserve's policy on interest rates, companies have naturally become more cautious when it comes to M&A. Buoyant equity markets and high price-to-earnings multiples are simply causing buyers to be more selective than they have in the recent past. Many argue that high valuations and record activity in prior quarters is the principal reason we have experienced the recent slowdown. Also weighing on M&A has been the recent negative reaction that acquirers have seen in their stock price following a deal announcement. This may be partly due to companies paying more on average to buy companies this year than they did last year and concerned shareholders are voicing their reservations about big bets.

To pay the high multiples being commanded by sellers today, buyers need to clearly demonstrate to stakeholders that the target has high potential to fuel growth and drive profitability via synergies – especially given the backdrop of a slowing economy and change in sentiment. Finding such deals at a time where sellers are increasing their demands is proving difficult and suppressing activity in the short term. The optimistic camp also point to the fact that many large serial acquirers are either working to complete or are digesting recent acquisitions. Last year, large-scale deals occurred across industries at a frenetic pace, and as those corporate 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.

The fact remains that while the uneasiness the markets experienced in Q3 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 is only rational for these companies to take action. Rich valuations might turn companies off mega deals, but doing nothing just isn't an option for companies when their earnings, and even their entire business model, are under immense pressure. Low interest rates, accommodating central banks, and cash rich corporates looking to grow beyond meager organic means will lead the resurgence, while private equity firms, backed by newly raised funds, will continue to support overall activity levels.

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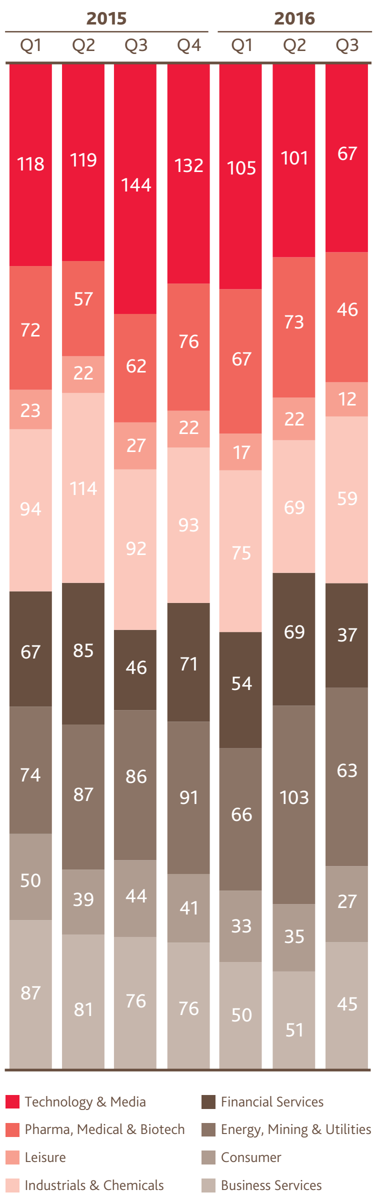
NORTH AMERICA
HEAT CHART BY SECTOR

Technology & Media	441	20%
Pharma, Medical & Biotech	368	16%
Industrials & Chemicals	350	16%
Consumer	317	14%
Business Services	292	13%
Energy, Mining & Utilities	242	11%
Financial Services	153	7%
Leisure	60	3%
TOTAL	**2,223**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

ACTIVITY IS DOWN AND INVESTORS CAUTIOUS OF THE US ELECTIONS.

BIG PICTURE

- Looking ahead into the next quarter, it is worth monitoring the results of US elections to weight its possible impact on M&A activity in the region.
- Brazil continues to attract the most of investments as demonstrated by the top ten deals of the region, in spite of its economic situation.
- Energy, Mining & Utilities and Industrials and Chemicals are among the most active sectors, together with Consumer.

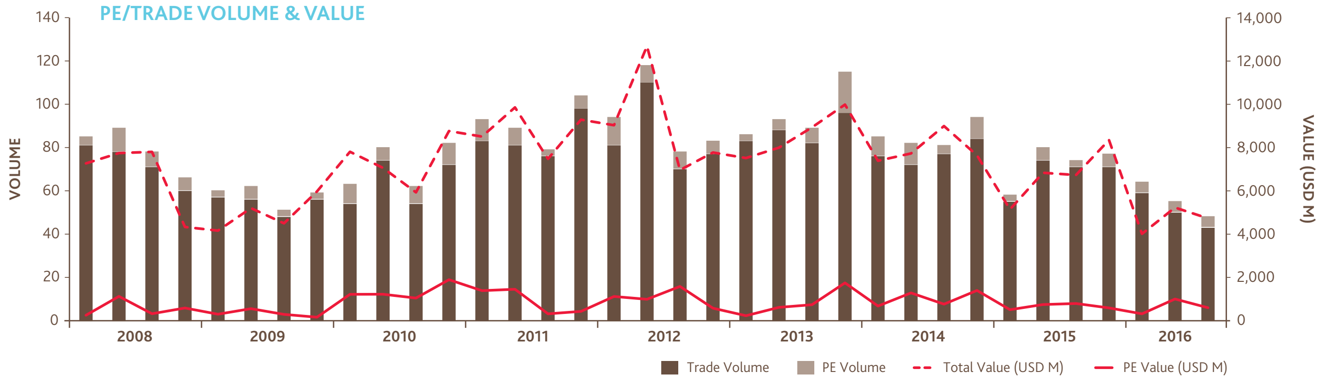
M&A activity in Latam for the mid market segment threw a total of 48 deals worth USD 4,702m, which represents a drop of -35.1% in terms of number of deals and -29.9% in terms of value compared with the third quarter of the previous year, and a decline of -12.7% and -9.6% respectively, in comparison with the 2Q16.

Out of these totals, 5 deals worth USD 560m belong to PE transactions, representing 10.4% and 11.9% respectively of the deal count and value of the quarter. If we compare these figures with the previous quarter, we can see that the number of deals kept steady with a declining value per deal, going from an average of USD 193m to USD 112m (-41.9%).

This way, although the heat chart keeps showing positive perspectives, the M&A activity keeps declining and this has still to do with economic fundamentals in a year were the region GDP is expected to decline (-0.5% according to IMF). The low commodity prices, particularly of oil and soybeans, negatively affect the region where many economies rely on these products.

The heat chart shows a total of 430 deals announced / in progress in comparison with 428 deals from the previous quarter. The most active sectors in the period were Industrials & Chemicals with 81 deals, Consumer with 77 deals, Energy, Mining & Utilities with 71 deals and Technology & Media with 70 deals. These four sectors account for 70% of the total deals announced / in progress.

The top ten deals for the 3Q16 reached a total of USD 2,889m, with transactions concentrated by target country mainly



LOOKING AHEAD

In terms of the region as a whole, for the quarter ahead we consider is key to monitor the evolution of the national elections in United States, since the impact in terms of economic activity and M&A activity for Latam will be very different whether Clinton or Trump wins. In the second case, we think this could have a negative impact mainly on Mexico´s economy. On the other hand, we expect US interest rates to remain steady the next quarter, which will be positive in the sense that liquidity will remain at current levels, against an scenario with increased US interest rates, which will attract flow to the US dollar and detract from Latam M&A markets.

in Brazil (52.5% and 5 deals) and Chile (22.8% and 2 deals). In terms of the target sector, 33.2% of the deals were concentrated in the Industrials & Chemicals sector and 33.1% in the Energy, Mining & Utilities sector. The major bidder country was USA with a total of USD 1,313m (45.4%), that were destined 100% to Brazil. In second place, Mexico participated with 2 deals worth USD 414m, and destined to an investment in Argentina and another intra-country investment focused in the Consumer sector. Mexico´s investment in Argentina reached USD 230m, related to the Industrials & Chemicals sector.

Expectations are placed on 2017, when the region is expected to grow again, driven by a recovery of Brazil, whose GDP is forecasted to increase by +1.36%. Argentina is also expected to grow 3.0% next year, fostered by Brazil´s recovery, plus the expectation of a boost in investment and public expenditure. In September Argentina's Government organized a "Business & Investment Forum" where more than 1,600 CEOs of renowned multinational companies participated, with the aim of attracting investors.

In relation to Argentina, fundamentals are still suffering a re-accommodation process, driven by a lower inflation expectation and lower interest rates. The decline in interest rates is key to re-activate the economy through bank credit and the decline in inflation is key to support better operating margins. These variables are key drivers that investors analyse at the moment of making an investment decision. It is worth mentioning that the country risk has dropped around 150 basis points in the last twelve months, signalling an increased confidence in the country. For the next year, we expect this variable to further improve and see a potential reduction between 100 and 150 basis points, converging to the average of the region, which we expect will also be a driver for investments.

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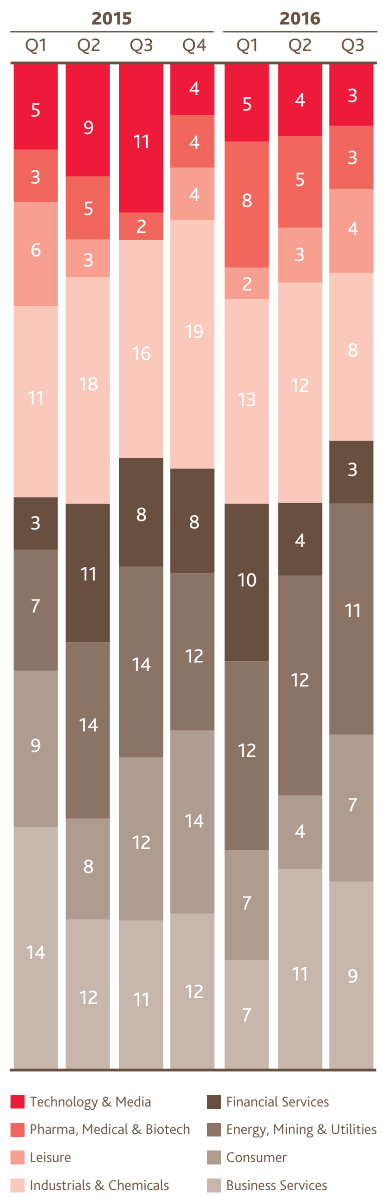
LATIN AMERICA
HEAT CHART BY SECTOR

Industrials & Chemicals	81	19%
Consumer	77	18%
Energy, Mining & Utilities	71	17%
Technology & Media	70	16%
Business Services	69	16%
Pharma, Medical & Biotech	22	5%
Financial Services	22	5%
Leisure	18	4%
TOTAL	**430**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

M&A ACTIVITY FALLS BUT BREXIT IMPACT LESS THAN FEARED.

BIG PICTURE

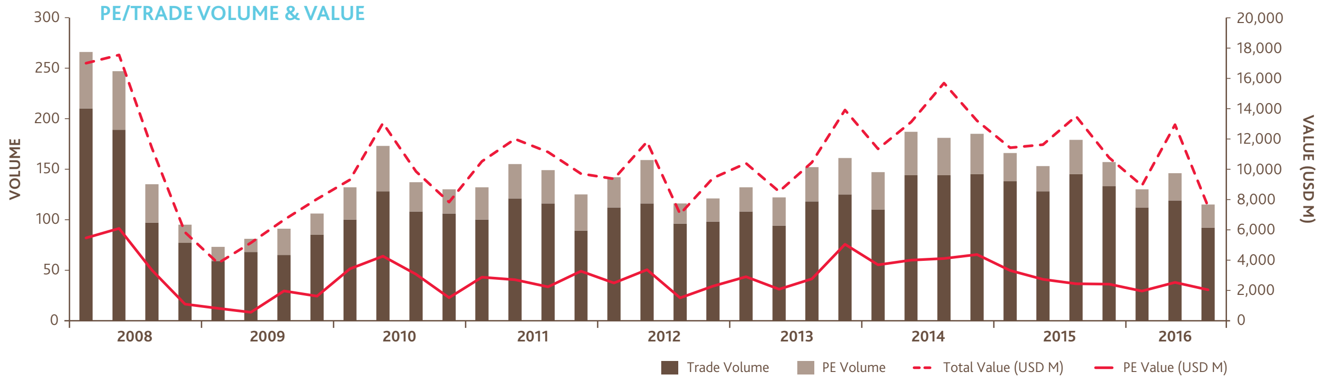
- Deal volume and value falls in Q3.
- UK attractive to overseas buyers in the wake of sterling weakness.
- Technology & Media expected to remain the most active sector.
- Brexit impact not as large as feared.

A further quarter on from Brexit and it continues to feature large in the media but our experience so far is that Brexit has been a lower key factor for deals and M&A.

We have seen some transactions impacted by it but we have seen others complete post the referendum and many others that are proceeding or starting. It has created uncertainty but there are enough signs that some see it as a good time to invest and are taking a longer term view on the prospects for the UK economy and markets. The obvious benefit for overseas buyers is that with the fall in the value of sterling, the purchase price has got lower. Of course the value of pure UK earnings streams has also got lower after currency translation but that can recover whereas the purchase price benefit is permanent. For Ireland it could also create more opportunities.

Notwithstanding these views, the reality is that both deal volume and value were down in the third quarter. Deals totalled 115 with an aggregate value of USD 7.5bn. You would have to go back to the same quarter in 2012 to find a comparable number and value of deals.

The decline was more marked with trade deals than private equity which does not surprise us. Private equity deals were down 15% in number and 19% in value whereas trade deals were down 23% in number and 42% in value. Speaking to both types of buyers, private equity are saying it remains a good time to invest and some trade are saying that they would wait to see how the market settled down after Brexit. What has not changed in anywhere near the same proportion is the amount of resources available to both sets of buyers to invest in growth. We therefore see the decline in activity as a short term reaction.



LOOKING AHEAD

Looking ahead, despite the dip in the quarter, we believe that the level of M&A activity will continue as the shock of Brexit dissipates although some trade buyers may continue to choose to soft pedal while they look to see what happens to economic indicators. We see no shortage or cash available to trade and private equity. The BDO Heat Chart shows market intelligence on nearly 376 deals planned and in progress which is down from the previous 431 but in line with the outlook at the end of the first quarter of 378 deals. Technology & Media is by far the strongest sector in that pipeline of deals.

KEY DEALS AND SECTORS

The largest ten transactions in the quarter were equally split between private equity and trade, with the largest being the USD 489m takeover of the film studios Pinewood Group by Venus Grafton, followed by the USD 393m acquisition of the potato crisp manufacturer Tyrrells Group by Amplify Snack Brands of the USA. The split was also even between UK and overseas buyers in contrast to the previous quarter when only one buyer was from the UK.

In terms of sectors, the most active were once again Technology & Media, Business Services and Industrials & Chemicals. Of those, Business Services saw the least reduction in activity at a steady 27 deals in each of the last two quarters. Every other sector was down on the quarter with Energy, Mining & Utilities and Financial Services experiencing the biggest falls in activity.

The capital markets reaction to Brexit was no surprise with an initial fall in the indices but we have since seen a strong recovery in the markets with values standing well above pre-Brexit levels. The number of UK IPOs were, though, at odds with the indices' performance, with IPO numbers down along with the amount raised. However, this downward trend was in line with Europe as a whole even if the impact was more pronounced. There are signs of an uptick in activity going into the final quarter and the start of next year.

M&A valuations fell slightly for trade buyers with BDO's private company price index (PCPI) falling to an EV/EBITDA ratio of 10x. Despite the movement, we believe the multiple continues to reflect cash resources available and the preparedness to pay premium prices for a good strategic fit. The private equity price index (PEPI) also fell slightly at an EV/EBITDA ratio of 11.3x. We continue to see large amounts of cash to invest which in our opinion should keep overall multiples up.

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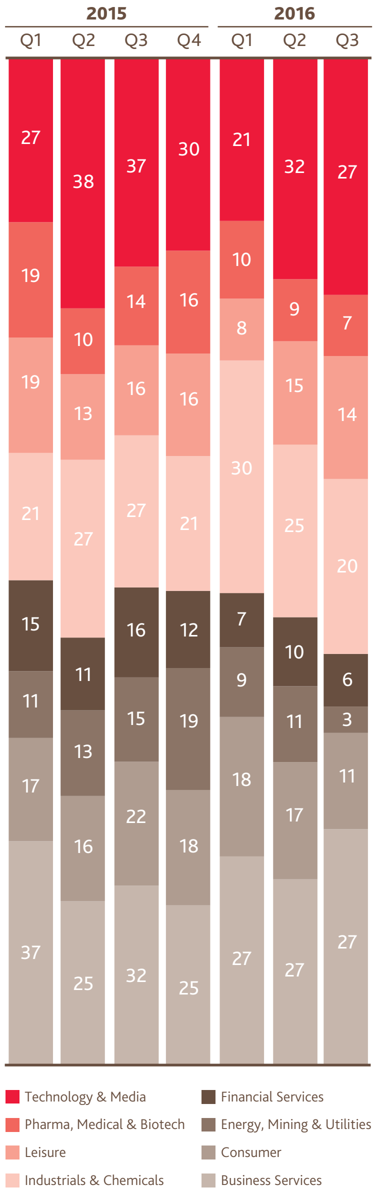
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	75	20%
Business Services	65	17%
Industrials & Chemicals	50	13%
Consumer	49	13%
Energy, Mining & Utilities	49	13%
Financial Services	36	10%
Pharma, Medical & Biotech	27	7%
Leisure	25	7%
TOTAL	**376**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

M&A ACTIVITY ROLLS BACK FROM HIGH Q2 LEVELS.

BIG PICTURE

- After a strong Q2, deal volumes and values fall in Q3.
- Italy leads the way, active in seven of the region's top ten Q3 deals.
- Energy, Mining & Utilities is the most active, but Industrial & Chemicals is forecast to be a hot sector ahead.

The third quarter of 2016 saw M&A activity decreasing. Mid-market Q3 deal volumes reached 111, but total deal value of USD 8.3bn was down 52% compared to the previous quarter.

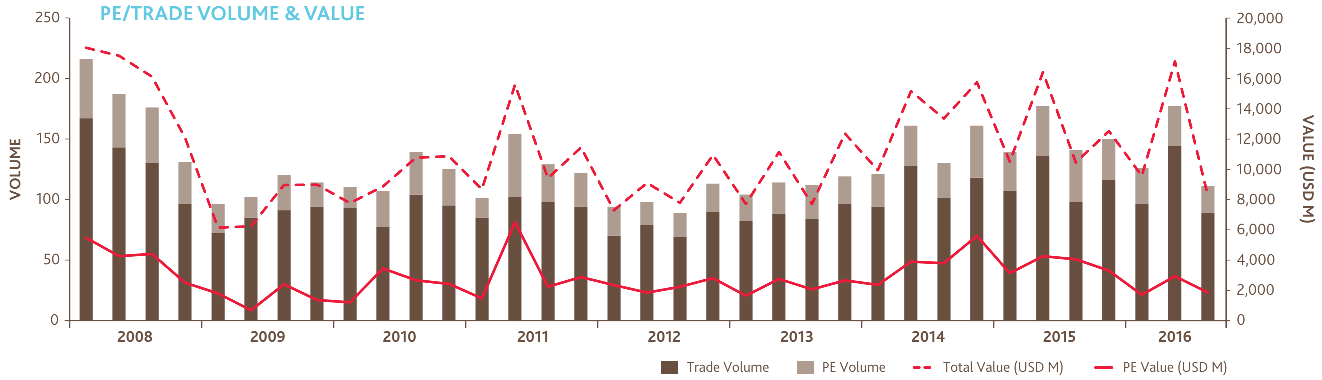
This fall-back was seen across all sectors especially in the Leisure industry, which saw six deals, 54% less than Q2. However Energy, Mining & Utilities witnessed strong M&A activity, with its 15 deals in Q3 on a par with Q2 levels. This sector was involved in two of Southern Europe's top ten transactions in Q3, with a total value of c.USD 600m: the sale of a minority stake (10.85%) in ACEA S.p.A. by Caltagirone S.p.A. to Suez S.A. for USD 322m; and the acquisition by Agence des partecipations de l'Etat of a 25.66% stake in Eramet S.A. for USD 275m.

Q3 M&A activity in the Technology & Media and Consumer sectors was up on Q1 but lower than Q2, with Technology & Media responsible for 20 deals in the third quarter, three more than in the first quarter. Southern Europe's biggest deal in Q3 was the USD 465m acquisition of a 12.35% stake in Gestamp Automocion S.L. by Japanese company Mitsui & Co. Ltd.

The lower levels of M&A in Q3 may have been influenced by a climate of greater uncertainty, created in part by events like the French national election, the Italian referendum and Brexit. From a global view, in 2016 there were 414 deals, 9% less than Q3 2015: only Greece and Portugal performed better than 2015, achieving, respectively, 30% and 37% more than last year in terms of value.

ITALY: FOREIGN INVESTORS ARE COMING BACK

Italian M&A activity continued to grow in Q3 2016, despite signs of uncertainty. In terms of volume, the first nine months of 2016 saw 12% more deals than in the same period of 2015. Q3 deals were spread across Industrials & Chemicals, Energy, Mining & Utilities, Technology & Media, Financial Services and Customer. Italy



LOOKING AHEAD

The BDO Heat Chart indicates there are over 570 deals in the pipeline. Industrial & Chemicals and Consumer are expected to remain the most active sectors, followed by Technology & Media and Business Services – with these four sectors representing over 70% of all transactions. Despite the uncertain macroeconomic environment, we expect M&A mid-market activity to grow, albeit slowly, benefitting from the historical trend for a strong fourth quarter performance.

was responsible for seven of the top ten Southern Europe transactions and it is important to highlight that these seven deals not only had Italian targets but also Italian bidders. The second largest transaction of the third quarter was the acquisition of Sirti S.p.A. by Pillarstone Italy S.p.A. for cUSD 355m, while the third largest was the acquisition of Stroili Oro S.p.A. by French company Thom Europe S.A.S. for cUSD 333m. Other key transactions in the quarter included: SIA S.p.A. (14.58% Stake) bought by Poste Italiane; the acquisition of Old Mutual Wealthy Italy S.p.A. by Ergo Italia S.p.A.; Moncler S.p.A. (6.44% Stake) bought by Temasek Holdings Pte Ltd.; and the acquisition of Ravaglioli S.p.A. by Dover Corporation.

Foreign investors' interest in Italian assets remained strong, especially those 'Made in Italy'. The main bidders were private equity funds like CVC Capital and BC Partners which acquired Sisal and Hydro Dolomiti. There were also transactions that involved industrial players and the main one was the acquisition of a minority stake (45%) in Italcementi by Heidelberg for cUSD 1.7bn. In the first nine months of 2016, we saw a slow recovery in terms of the involvement of Italian companies in cross-border deals. The most important transaction was the acquisition of Partner-Re by Exor (Agnelli holding company). The financial services sector benefitted from the capital increases made by Fondo Atlante in Banca Popolare di Vicenza and in Veneto Banca (respectively USD 1.7bn and USD 1.1bn). Moreover, the sector was influenced by the sale of non-core activities of financial institutions in order to improve the capital ratios.

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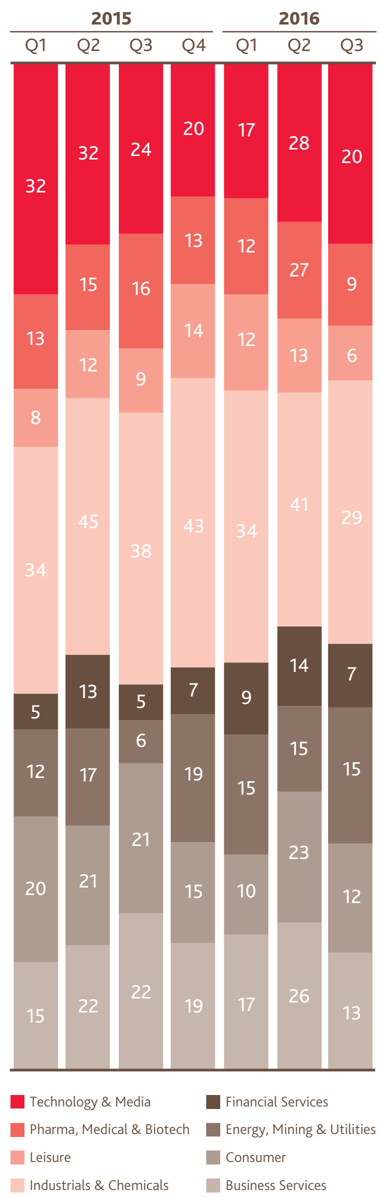
SOUTHERN EUROPE
HEAT CHART BY SECTOR

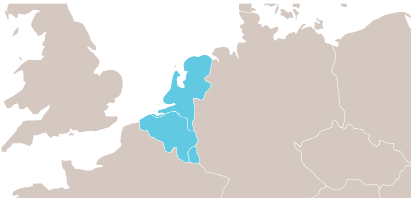
Industrials & Chemicals	136	24%
Consumer	131	23%
Technology & Media	93	16%
Business Services	67	12%
Financial Services	43	7%
Energy, Mining & Utilities	42	7%
Pharma, Medical & Biotech	33	6%
Leisure	27	5%
TOTAL	**572**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

DEAL MAKING IS DOWN AND UNCERTAINTY IS EXPECTED TO CONTINUE THIS TREND.



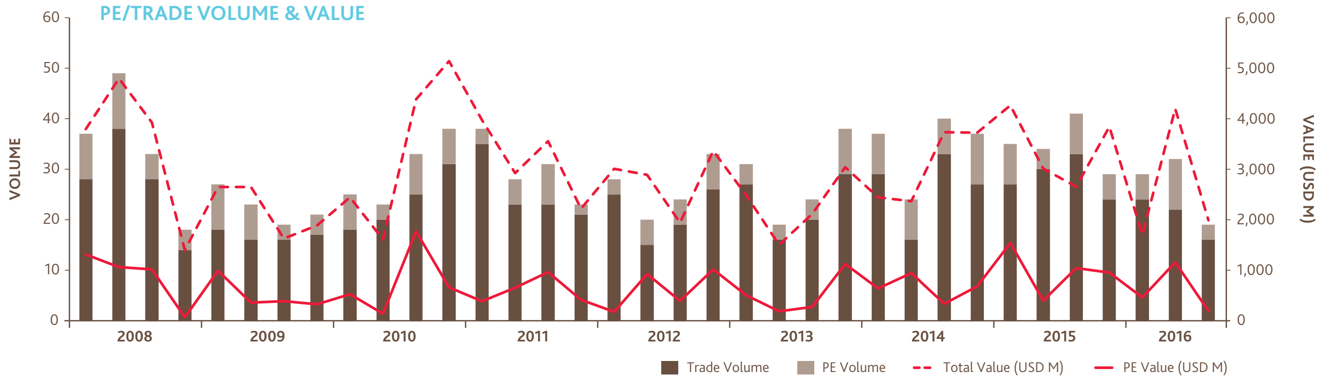
BIG PICTURE

- Q3 2016 was a rather weak quarter, in terms of deal volume as well as deal value.
- Over the last three quarters, the average number of deals per quarter has decreased significantly to about 27, compared to a quarterly average of 35 deals in 2015.
- In Q3 2016, the total deal value amounted to USD 1,989m, being second lowest figure for the last three years.
- With three deals involving PE in Q3 2016 versus ten deals in Q2 2016, PE makes only 16% of total deal volume. The average private equity deal size has decreased significantly from USD 116m in Q2 2016 to USD 64m in Q3 2016.
- Since the start of the year, the most active sectors have been Industrials & Chemicals, Business Services, Consumer and Technology & Media. The 'Benelux heat chart by sector' indicates a strong growth in deal activity in the Business Services, Consumer and Industrials & Chemicals sector in the short term.

M&A deal volume sees a significant decrease in Q3 2016 as well in deal number as in deal value. Especially, private equity shows a slowdown in activity.

With only 19 deals in Q3 2016, the global deal volume (trade deals and private deals combined) decreased significantly compared with the first two quarters of 2016 which had an average of 31 deals. This is the lowest number of deals per quarter in the last three years. Also, the total deal value suffered a blow, totalling only USD 1,989m in Q3 2016, compared with a quarterly average of USD 3,083m for the last three years.

In Q3 2016, only three deals involved private equity buyouts, being the lowest quarterly count of deals of the past three years. Consistently, also the private equity deal value of Q3 2016 touched an almost all-time low, totalling only USD 192m. Putting this figure into perspective, note



LOOKING AHEAD

The BDO Heat Chart is based on intelligence on deals planned, rumoured or in progress. The Benelux chart shows 187 deals currently in progress or planned. This is a decrease of 9 % compared to the 205 deals projected in the previous quarter. The industries predicted to be the most active in the months to come in the Benelux are Business Services, Consumer and Industrials & Chemicals. We believe that in the next quarter(s), the Benelux M&A activity, fuelled by plentiful financial resources and low financing costs, will take momentum again momentum in the next quarter(s).

that this amount is only 25% of the quarterly average of the past three years. In Q3 2016, the average PE deal size amounted to USD 64m.

Though showing a somewhat better performance than the private equity activity, also the trade deal activity was sluggish in Q3 2016. The total trade deal volume in Q3 2016 stood at 16 deals, compared with a past three years' quarterly average of 26 deals. The total deal value amounted to USD 1,797m in Q3 2016, more than 20% lower than the quarterly average of the last three years.

A sector breakdown shows that Consumer, Industrials & Chemicals and Technology & Media have been the most active sectors in Q3 2016. These sectors represent 58% of the total deal number. To date, Industrials & Chemicals have been the most active sector since the start of 2016. Compared to 2015, Financial Services, Consumer and Leisure are the biggest risers, and Technology & Media and Pharma, Medical & Biotech the biggest fallers.

KEY DEALS

The deals in Q3 2016 show a decrease in size of both trade deals and private equity deals. The top 10 deals vary between approximately USD 37m and USD 425m.

The largest deal during the third quarter of 2016 was the acquisition of 43,75 % of the shares in the Luxembourg based Grohe Group S.a.r.l., the world's leading provider of sanitary fittings, by the Japanese building materials group LIXIL from the Development Bank of Japan. The deal was valued USD 425m.

The second largest transaction was the sale of Compagnie des Ciments Belges S.A. (CCB), a subsidiary of the Italcementi Group, one of the world's largest cement producers, to Cementir Holding, an Italian multinational cement producer. The transaction has been valued at USD 342m. The deal included all of Italcementi's cement, ready-mix and aggregates assets in Belgium.

Thirdly, Jerónimo Martins, leader in food distribution in Portugal sold 100% of its wholly owned subsidiary Monterroio – Industry & Investments B.V. to Sociedade Francisco Manuel dos Santos B.V. (SFMS) for a deal value of USD 341m. Monterroio was Jerónimo Martins's sub-holding for manufacturing and services businesses.

On a fourth place was the sale of the Belgian Brewery Bosteels, owned by Waterland Private Equity Investments B.V. and the Bosteels family to Anheuser-Busch InBev NV for a transaction value of USD 225m.

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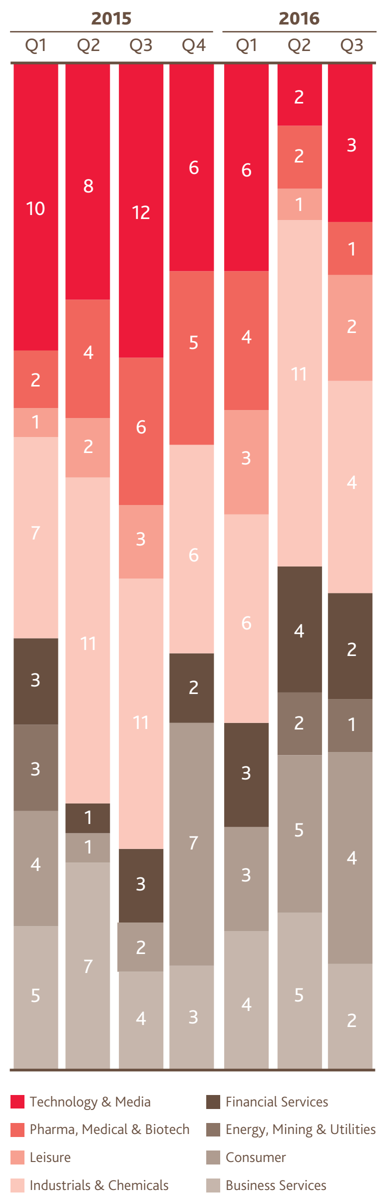
BENELUX
HEAT CHART BY SECTOR

Business Services	36	19%
Consumer	35	19%
Industrials & Chemicals	33	18%
Technology & Media	27	14%
Pharma, Medical & Biotech	20	11%
Financial Services	16	9%
Energy, Mining & Utilities	12	6%
Leisure	8	4%
TOTAL	**187**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

ACTIVITY IS DOWN AND BREXIT CONTINUES CASTING A SHADOW.

BIG PICTURE

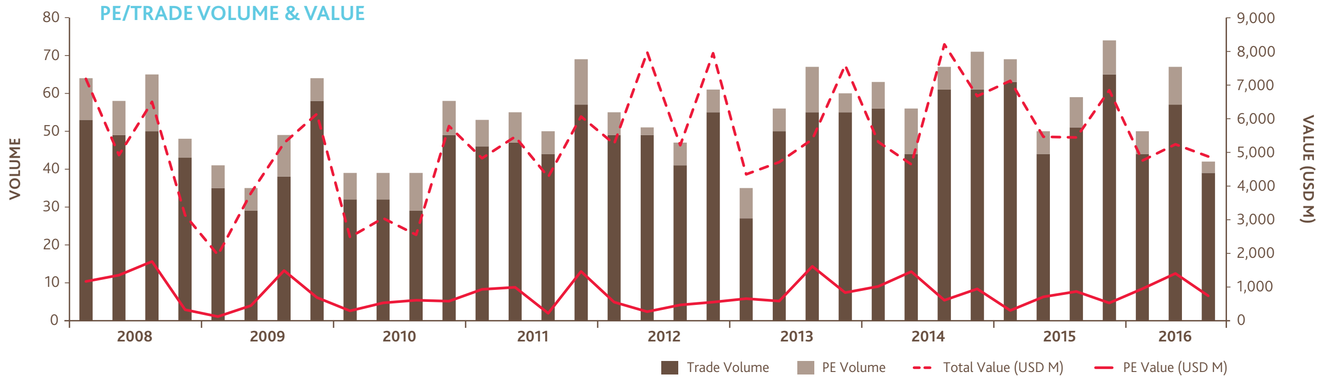
- Total value drops by 7% in this quarter.
- Continuous low interest rates have yet to show an impact.
- Largest deal by value involved PE.
- International investors are expected to contribute to the DACH's M&A rebound.

As predicted Brexit caused a slump in DACH's M&A activity in the third quarter of 2016, with total deal value dropping 7% from USD 5.2bn in Q2 2016 to USD 4.9bn in Q3 2016, representing the lowest third quarter since 2010. Private equity transactions were also sluggish in Q3 2016, representing only 7% of total deal volume. Nevertheless, the largest deal by value in Q3 2016 resulted from a PE involved activity with a value of USD 440m.

Q3 2016 showed a significant decrease in comparison to Q2 2016 in terms of deal volume while deal value almost remained stable with a slight drop. The continuing low interest rate environment, mainly caused by the expansive ECB policy, has yet to show its intended impact. Adding the uncertainty in connection with the upcoming Brexit firms are still careful and observant about future investment plans.

KEY DEALS

In the third quarter of 2016, the bulk of the top ten transactions involved target companies based in Germany. In terms of bidder companies, the majority was European although three of them were from China. The largest deal in the DACH region by value was a deal with PE involvement. With a deal value amounting to USD 440m Ledvance GmbH, a German-based company engaged in the lamps and lighting business sector was acquired by a Chinese trio of buyers. The involved parties were IDG Capital Partners, acting as leading part of the consortium, MLS Co Ltd., a Chinese LED manufacturer and lighting company and Yiwu State-Owned Assets Operation Center as financial investor. The deal is subject to approval and is expected to be closed in the seller's fiscal year 2017.



LOOKING AHEAD

Currently there are 310 companies up for sale in the DACH's mid-market as illustrated in the BDO Heat Chart. Although Austria was not represented in the top ten deals during this quarter, there is a strong deal pipeline that will result in some bigger deals in the upcoming period. The areas predicted to be most active in the next months are Industrials & Chemicals, Technology & Media and Consumer. Overall, cross-border transactions backed by plentiful financial resources especially from Asia are expected to be a significant source for a rebound of DACH's M&A activity in the following quarters.

Also in the second-largest transaction in Q3 2016 a German company was in the focus of the buyers. The Swiss-based company TE Connectivity Ltd. acquired INTERCONTEC Produkt GmbH, a manufacturer of electrical components, especially current-carrying wiring devices, for USD 336m. From the perspective of the buyer the deal is a major step toward offering customers a wide and unique product portfolio in industrial power and signal connectors.

The largest deal in the pharmaceutical, medical and biotechnological sector involved once more a German-based company. The Chinese Luye Pharma Group Ltd. was willing to pay USD 269m for the takeover of Acino AG (and Acino Supply AG). Acino AG with its approx. 200 employees is located in Miesbach, Germany, and is a subsidiary of Acino International AG, Switzerland. The transaction of Acino's transdermal patch and implant business (incl. distribution and R&D) is part of Acino's strategy of shaping the organization for future growth in emerging markets.

Looking at M&A activity in the technology, media and telecommunications sector, the German-based company ProSiebenSat.1 Media SE acquired a 50.01 % stake in the German company PARSHIP ELITE Group GmbH from Oakley Capital Limited, a UK-based company engaged in the venture capital and private equity sector. The deal value was USD 224m and is in line with ProSieben's strategy to build a digital footprint beyond classical TV advertising.

KEY SECTORS

In the third quarter of 2016, Industrials & Chemicals and Technology, Media & Telecommunications were the most attractive sectors and represented 57% of total mid-market deal volume, followed by Pharma, Medical & Biotech, Financial Services and Consumer each accounting 12% of total Q3 2016 deal volume. Of these, Industrials & Chemicals remained the most active, representing 36% of all deals in the third quarter. The Business Services sector was subject to a major drop: from ten deals in Q3 2015 to one deal in Q3 2016. Demand for companies in the Leisure sector was also sluggish, only two deals closed in Q3 2016.

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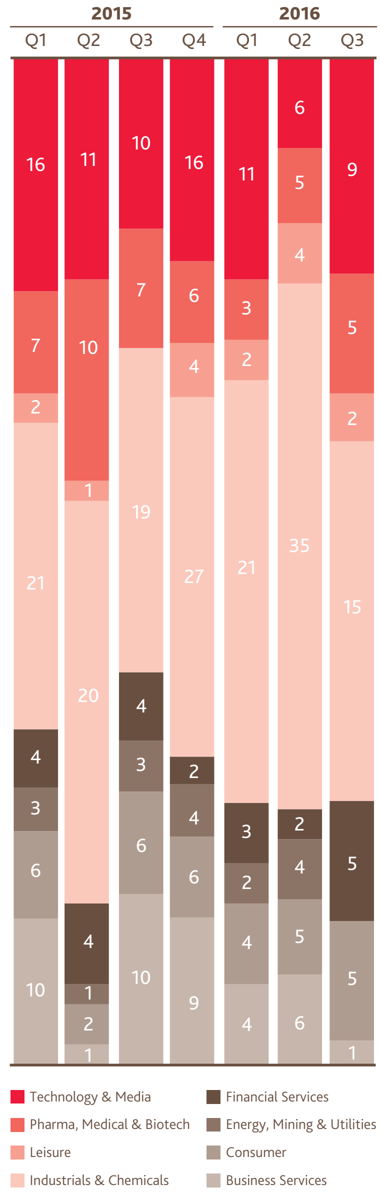
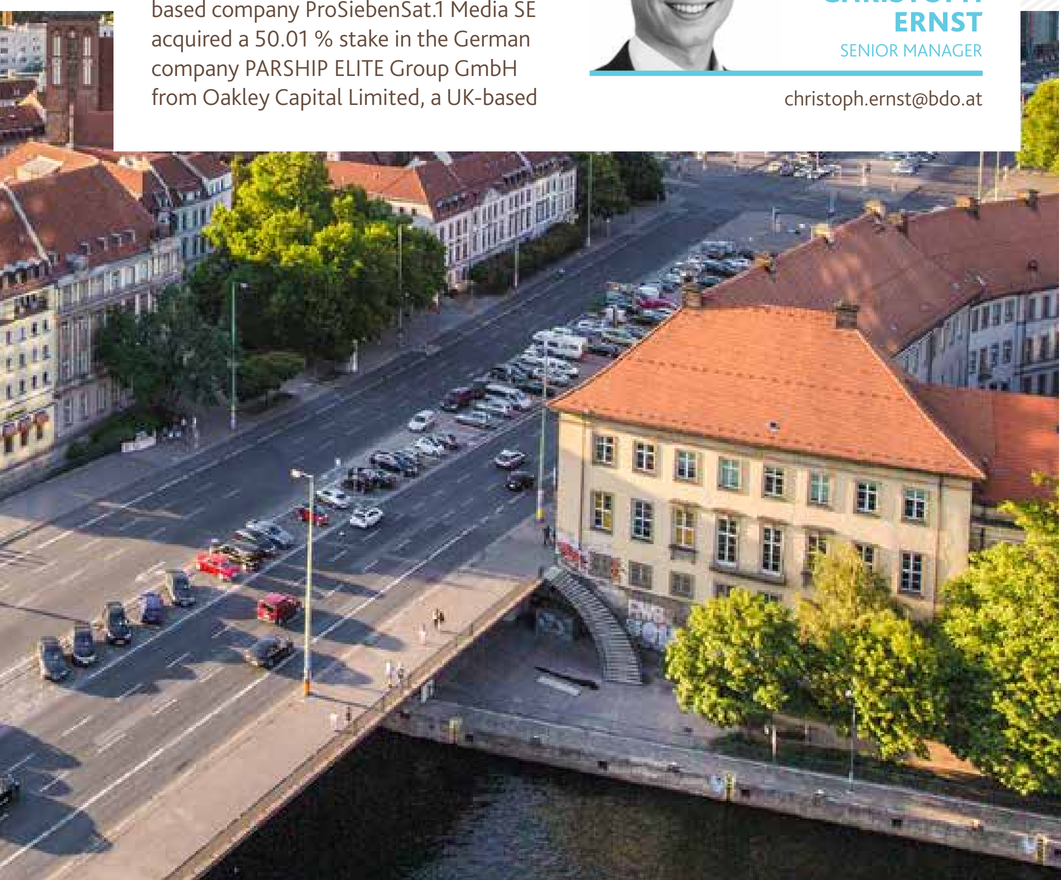
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	102	33%
Consumer	41	13%
Technology & Media	40	13%
Business Services	38	12%
Pharma, Medical & Biotech	31	10%
Financial Services	25	8%
Energy, Mining & Utilities	20	7%
Leisure	13	4%
TOTAL	**310**	**100%**

DACH
MID-MARKET VOLUMES BY SECTOR





NORDICS

M&A ACTIVITY INCREASES AS PE PERFORMS STRONGLY.

BIG PICTURE

- Q3 M&A deal value is more than double that of the same quarter last year.
- PE takes a much bigger share of total transaction value.
- Top target companies were mainly from Norway, and five of the top ten transactions were cross-border.

Third quarter M&A deal activity has historically been weak in the Nordics. However, Q3 2016 was an exception, seeing deal numbers increase from 46 in Q3 2015 to 56 in Q3 2016, and value surge from USD 2,073m in Q3 2015 to USD 4,446m in Q3 2016.

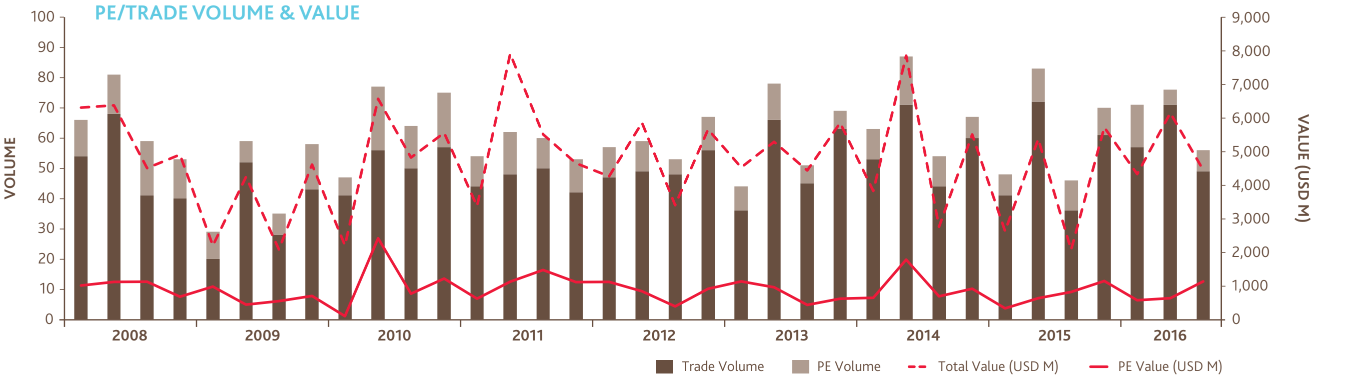
Private equity completed seven deals during Q3 2016, which was in line with previous years and represented 12.5% of the total transaction volume. However, private equity's proportion of total deal value during Q3 2016 was up significantly at 25.5%, compared to 13.2% in Q1 2016 and 10.3% in Q2 2016. The total private equity deal value in Q3 2016 was USD 1,132m, which was the second highest since Q2 2014.

KEY DEALS
NORWAY TAKES THE LEAD

Five of the top ten Nordic deals during Q3 2016 involved Norwegian target companies and the remainder consisted of two Danish, two Finnish and one Swedish. Five of the deals were cross-border, of which three were US companies, one from Japan and one from Sweden. UK firms owned two of the top three targets.

The largest transaction was the all-Norwegian merger of Rem Offshore ASA and Solstad Offshore ASA into a wholly-owned subsidiary of Solstad as part of a restructuring process. Rem Offshore ASA operates offshore construction vessels, platform supply vessels and construction subsea vessels. The deal value was USD 488m and the new company will operate 62 vessels.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The Nordic M&A market is clearly still in good health and moving forward the Technology & Media sector is expected to be particularly active throughout the Nordics. PE activity and interest is still strong, especially from the UK and the US.

The second largest transaction was the USD 357m acquisition of Plantasjen AS, the Nordic region´s leading chain store for plants and gardening accessories. Plantasjen has over 120 stores in different formats and a growing number of smaller shops across Norway, Sweden and Finland. The divestor was the UK based fund Apax Partners, a leading global private equity advisory firm and the acquirer was the Swedish investment company Ratos AB.

The third largest deal was Mitsubishi Materials Corporation´s acquisition of Luvata SP (Special Products Division) with a deal value of USD 347m. The seller was Luvata Group, which is a UK-based international supplier of heat transfer technology, resistance-welding technology, superconductors and switchgear. Luvata Group has around 6,400 employees globally and a presence in 18 countries. Mitsubishi Materials Corp. is a Japanese manufactures and sells cement products, metals, materials and tools, and electronic materials worldwide. Luvata SP has its main business entities in Finland, US, UK, China, Malaysia, Russia and Brazil and total sales amounted to EUR 642m in FY15.

Deal value for the top ten Nordic transactions amounted to USD 2,941m, which represented 66% of Q3 2016's total deal value.

Industrials & Chemicals remained the most active sector, accounting for 22% of the 197 total top eight sector transactions in Q3 2016 in the Nordics. Technology & Media was the second most active sector, accounting for 17% of the deals, edging ahead of Business Services, which was responsible 16% of the deals. Other significant sectors were Consumer (15%), Energy, Mining & Utilities (12%) and Pharma, Medical & Biotech.

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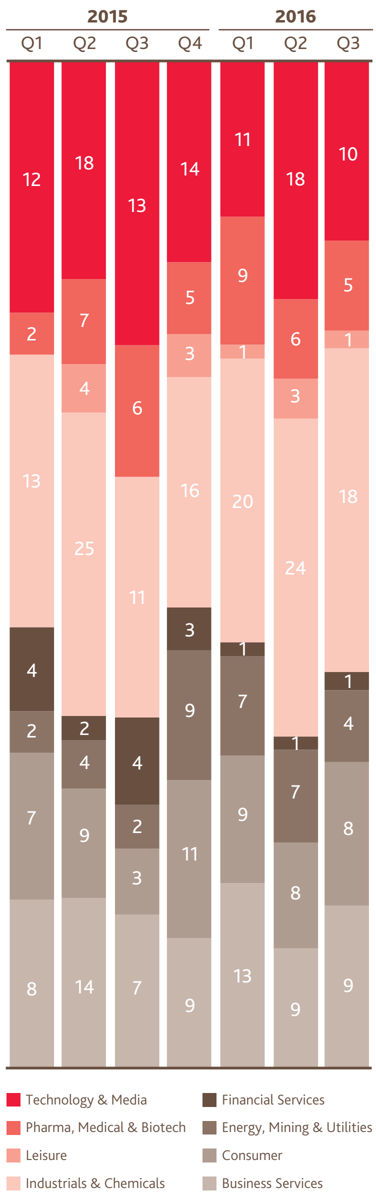
NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	44	22%
Technology & Media	33	17%
Business Services	31	16%
Consumer	30	15%
Energy, Mining & Utilities	24	12%
Pharma, Medical & Biotech	18	9%
Financial Services	12	6%
Leisure	5	3%
TOTAL	**197**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR



CEE & CIS

M&A ACTIVITY FALLS BUT PENT-UP DEMAND SHOULD BOOST FUTURE DEALS.

BIG PICTURE

- Substantial decrease in deal activity.
- Drop in activity particularly significant in PE deals.
- Prevalence of domestic deals.
- Businesses are optimist and we should expect greater M&A activity for the remainder of 2016.

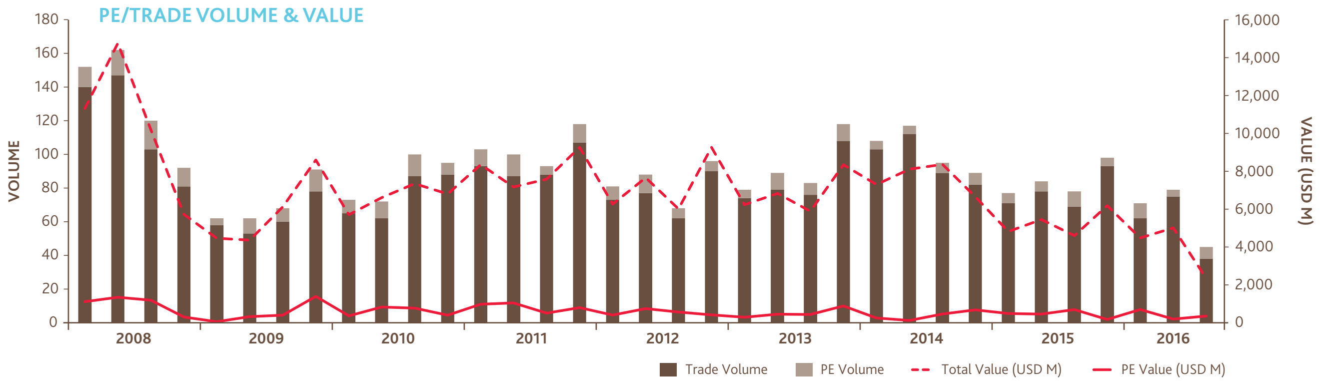
M&A Activity in the CEE & CIS region has entered a waiting period with just 45 mid-market deals completed in Q3 2016, representing a combined value of just USD 2.3bn.

This means the third quarter of 2016 saw 43% less deals with a combined value 53.5% below Q2 2016 figures – the lowest for eight years. Although Private Equity still represents only a moderate fraction of total activity, the proportion of total PE deals by volume (15.6%) and value (15.2%) are both the highest proportions since 2008. But in terms of nominal volumes and values of PE deals there was a notable fall in Q3 2016, with just seven PE deals completed which is 22% less than the same period last year. The total value of USD 353m is slightly more than half of the USD 692m value PE deals reported the same period last year.

KEY SECTORS AND DEALS

Sector activity mainly followed familiar patterns. As has been the case in the last quarter, Industrials & Chemicals was the single most active sector with 20% of total M&A activity, followed by Consumer (17.8%), Business Services (15.6%) and Technology & Media & Telecom (13.3%). The sector with the lowest volume of activity was Financial Services with only three deals (6.7%), after very strong quarters in the last few years. Even though Financial Services deals slowed down in Q3 2016, it remains an important sector for the region. Two of these three Financial Services deals were top ten deals in the region, involving Georgian and Polish targets.

The combined value of the region's top 10 deals was USD 1.4bn, or 60% of total transaction value. Industrials & Chemicals was the most active sector, contributing three of CEE & CIS' top 10 mid-market deals for 2016 Q3.



LOOKING AHEAD

Rising business optimism in the CEE & CIS means we can expect greater M&A activity for the remainder of 2016. The continuing convergence of buy-side and sell-side pricing expectations, coupled with the increasing availability of equity and debt financing, should continue to drive up both the volume and value of M&A activity over the remainder of the year. Things already seem to be heating up – as the heat chart makes plain. Current market intelligence reveals 766 deals either in progress or planned, with this 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 this figure is borne out by reality, with interest rates remaining low and confidence growing, then the region may see a busy last quarter in year 2016 and CEE & CIS continues to be a region of economic importance, with a high volume of deals.

In terms of the sector outlook, Industrials & Chemicals is expected to be very active in 2016 with 198 (26%) predicted deals. The BDO Heat Chart underlines the continuing strength of the Consumer sector, with 165 (22%) forthcoming deal opportunities. On the third place Technology & Media & Telecom with 112 (15%) predicted deals remains an important sector in the last quarter of 2016. On the other hand Pharma, Medical & Biotech with 33 planned deals and Leisure with 36 deal opportunities are below the numbers expected in other sectors.

So even though the first three quarters figures did not deliver the upswing predicted by the heat chart, this moderate activity and transactions experienced in the first three quarters are likely to accelerate over the remainder of the year. Many analysts expect

CEE & CIS
HEAT CHART BY SECTOR

Industrials & Chemicals	198	26%
Consumer	165	21%
Technology & Media	112	15%
Energy, Mining & Utilities	92	12%
Business Services	74	10%
Financial Services	56	7%
Leisure	36	5%
Pharma, Medical & Biotech	33	4%
TOTAL	**766**	**100%**

The prevalence of domestic deals was a new trend in Q3 2016 in the CEE&CIS region, with seven of the top ten deals being domestic transactions in terms of the target and bidder countries. The most active country was Poland with 3 domestic deals among the top ten deals. Among the cross-border deals were non-CEE&CIS countries represented by the USA, the Netherlands and the United Kingdom.

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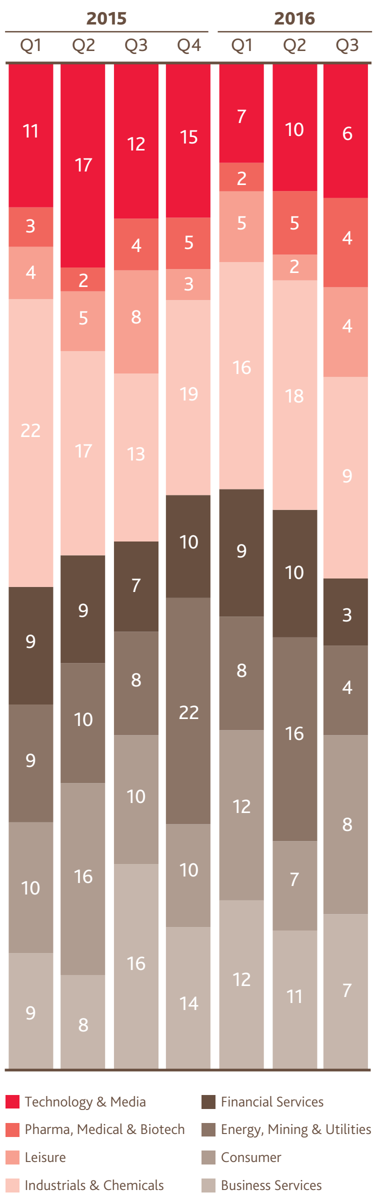
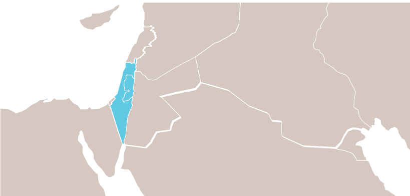
CEE & CIS
MID-MARKET VOLUMES BY SECTOR



strategic buyers to get more aggressive in doing deals, given that organic growth prospects are limited. We continue to see large amounts of liquidity and the upward trend for 2016 is still very much expected in the coming months. In addition, private equity buyers are still dealing with a capital overhang from prior fundraising efforts and need to put their money to work. Private equity buyers are also more confident to do deals, and are aided by lenders eager to originate new loans and economic conditions that continue to improve. Overall we strongly believe that CEE & CIS will continue to deliver solid M&A activity, supported by positive macroeconomic conditions and increasing interest from cross-border investors.

ISRAEL

M&A ACTIVITY DURING Q3 CONTRACTS 2016 IN TERMS OF VALUE AND VOLUME.



BIG PICTURE

- Deal volume and value decreased in Q3 2016 compared to Q2 2016.
- Technology & Media is the most active sector and continues to lead the way in 2016.

The third quarter of 2016 saw mid-market M&A deal value and volume contraction compared to the previous quarter.

In Q3 2016, deal values declined by 79% compared to Q2 reaching a total value of USD 437m and a reduction in the amount of completed deals – 10 completed deals. This reflects a decrease of USD 1,606m compared to Q2 2016 and a decline of USD 642m (60%) compared to Q3 2015. In terms of value, as well as volume, the third quarter was the worst performing quarter since Q3 2012. Overall, since Q3 2015 we witnessed a contraction in M&A activity.

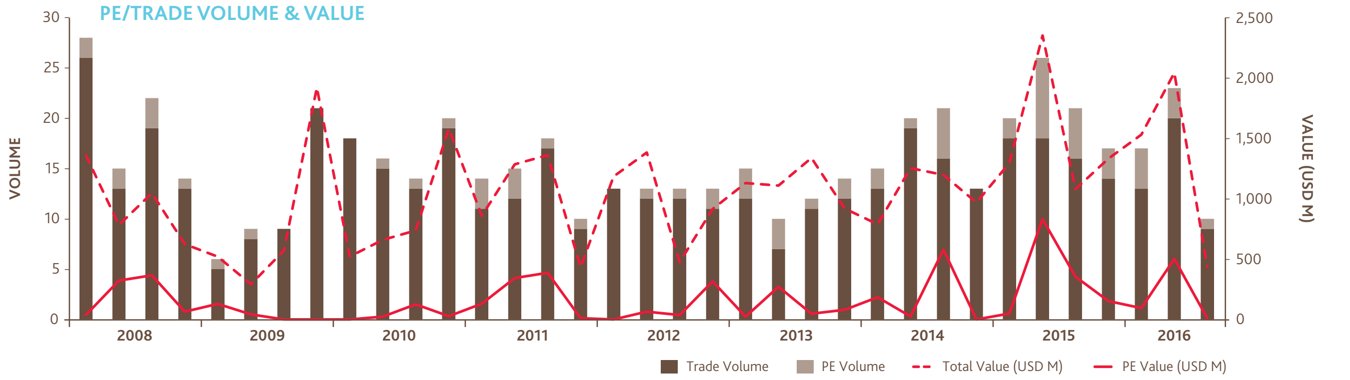
There was one private equity transaction in Q3 2016, representing 10% of total deal count at a value of USD 10m.

During Q3 2016, the average volume per deal was USD 43.7 Million, down 50% compared to Q2 2016, maintaining similar levels as Q4 2011.

KEY SECTORS AND DEALS

Israel had only ten deals during Q3 2016 with an aggregated value of USD 437m. The largest transaction was the USD 285m acquisition of Space-Communication Ltd., which supplies and markets satellite communication services. Space-Communication Ltd. was acquired by Beijing Xinwei Telecom Technology Group Co., Ltd.

Besides Space-Communication Ltd. transaction, other deals included the acquisition of ERN Israel Ltd. (40% Stake), privately held company which provides check processing services, for total value of USD 27m. Another relatively large transaction was the USD 25m acquired of 50% stake in Amal Meever and Meal Ltd. by El-Nur Center for Nursing Ltd.



LOOKING AHEAD

The BDO Heat Chart for Israel shows there are 51 deals planned or in progress for M&A with 22 (43%) related to Technology & Media and 12 (24%) involving Pharma, Medical & Biotech. Other sectors include Financial Services with six deals (12%), Business Services with four deals (8%), and Industrials & Chemicals with three deals (6%). Leisure with two deals (4%) and Consumer, Energy, Mining, and Utilities expect to have one deal. Technology & Media and Pharma sectors continue to lead the way. Overall, the outlook for M&A activity in Israel maintains positive.

Consumer sector relapsed in Q3 2016 with no deals from its recovery in Q2 2016. Pharma, Medical & Biotech remained at similar levels with three deals during Q3 2016 and two deals in Q2 2016.

Out of the ten deals in Q3 2016, Technology & Media, Industrials & Chemicals, Financial Services were each responsible for two deals. Consumer, Energy, Mining & Utilities, and Leisure had no deals. Pharama led the quarter with three deals. Most of the transactions were domestic rather than cross-border. Of the cross-border transactions two were Chinese and two were American acquirers.

During 2016, Technology & Media remains the most active sector, responsible for 48% of total number of transactions. Leisure and Energy, Mining & Utilities were the least active sectors in the quarter, with one deal each. Pharma came in second with seven deals.

Overall, we continue to witness an emphasis on Technology & Media M&A deals, while experiencing a shrinking deal flow in the Energy, mining, utilities and leisure sectors.

PRIVATE EQUITY

Private Equity activity remains a relatively marginal player in M&A activity, representing merely one transaction out of a total of 10 deals (10%) and USD 10m out of overall USD 437m during Q3. The third quarter in 2016 recorded downward trend in private equity activity in comparison with Q2 2016 and Q3 2015. The third quarter of 2016 reflected an overall decline of 80% in deal count and 97% reduction in value, compared with Q3 2015.

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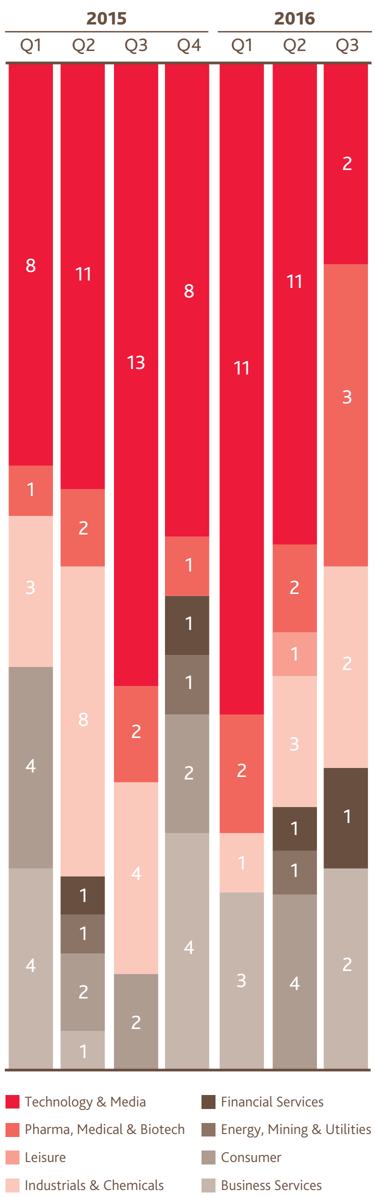
ISRAEL
HEAT CHART BY SECTOR

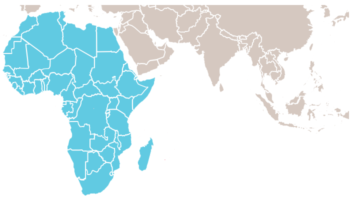
Technology & Media	22	43%
Pharma, Medical & Biotech	12	23%
Financial Services	6	12%
Business Services	4	8%
Industrials & Chemicals	3	6%
Leisure	2	4%
Consumer	1	2%
Energy, Mining & Utilities	1	2%
TOTAL	**51**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR



AFRICA

M&A ACTIVITY DECLINES SHARPLY BUT PE HOLDS UP WELL.



BIG PICTURE

- 19 deals were recorded in Q3 2016, the lowest number since 2008.
- Deal value held up well, down 5% compared to previous quarter.
- PE deal volume held steady and value rose strongly compared to previous quarter.

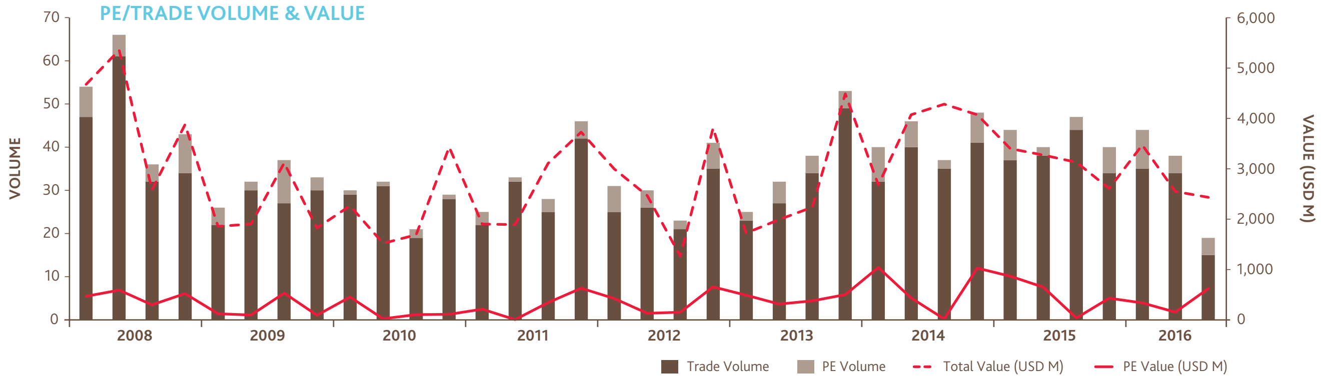
The number of deals in Q3 2016 dropped sharply from 38 to 19, representing a 50% fall when compared to the previous quarter and the lowest level of quarterly M&A activity for eight years. Last year there were 47 deals in Q3. However, deal value only fell 5%, reaching USD 2,432m in Q3 2016 compared to USD 2,549m in Q2 2016.

In Q3 2016, there were four private equity deals, the same number as there were in Q2 2016. But the total value of those deals was USD 621m, which was four times higher than in Q2 2016.

KEY SECTORS AND DEALS

In terms of sectors, the most active in Q3 2016 remained Industrials & Chemicals and Energy, Mining & Utilities, with eight and five deals respectively. The sector with the lowest volumes of activity were Business Services, Financial Services and Technology & Media, all accounting for one deal each. Leisure and Pharma, Medical & Biotech registered no deals in Q3 2016 compared to three deals each in the previous quarter. All sectors witnessed a drop in deal volume between Q3 and Q2 2016.

The largest deal for Q3 2016 was Woodside Petroleum Ltd's acquisition of a 35% stake in ConcoPhillip's assets in Senegal for USD 430m, enabling the Australian company to gain a strategic stake in exploration blocks off the West



LOOKING AHEAD

The BDO Heat Chart for African mid-market M&A activity shows 175 deals either planned or in progress. The predominant sectors are Industrials & Chemicals with 52 deals and Energy, Mining & Utilities with 47 deals, accounting for 30% and 27% respectively of all forecasted deals.

African country.

Also in the Energy, Mining & Utilities sector, another Australian company Iluka Resources Limited acquired the rutile mining operations of Sierra Rutile Limited (SRL) for a value of USD 325m. Rutile is a major ore of titanium, a metal used for high-tech alloys in the aviation industry among others. In the business sector, French-based Wendel SA acquired Tsebo Outsourcing Group Proprietary Limited from various South African shareholders for a value of USD 371m. Notably, South Africa accounted for four of the top ten transactions in Africa in Q3 2016, with all four of them being intra-country deals in the Industrials & Chemicals sector.

ECONOMIC OUTLOOK

The decline in the total number of deals registered in Q3 2016 reflects the economic slowdown in Sub-Saharan Africa. According to the International Monetary Fund Economic Outlook, Africa's average economic growth is expected to remain moderate in 2016 (3.7%) because of the sharp decline in commodity prices, tighter financing conditions and the severe drought in southern and eastern Africa, but growth is expected to improve in 2017 (to 4.5%). Stimulated by strong domestic investment and lower oil prices, the growth in oil importing countries (excluding South Africa) is projected to be 5.2% in 2016 (5.4% in 2015). More specifically, growth in Kenya is projected to rise 6%, aided by investment in the transport sector, a pick-up in electricity production and a recovery in tourism. Similarly, Senegal's strong growth is expected to remain broadly unchanged at 6.6%, supported by improving agricultural productivity and a dynamic private sector.

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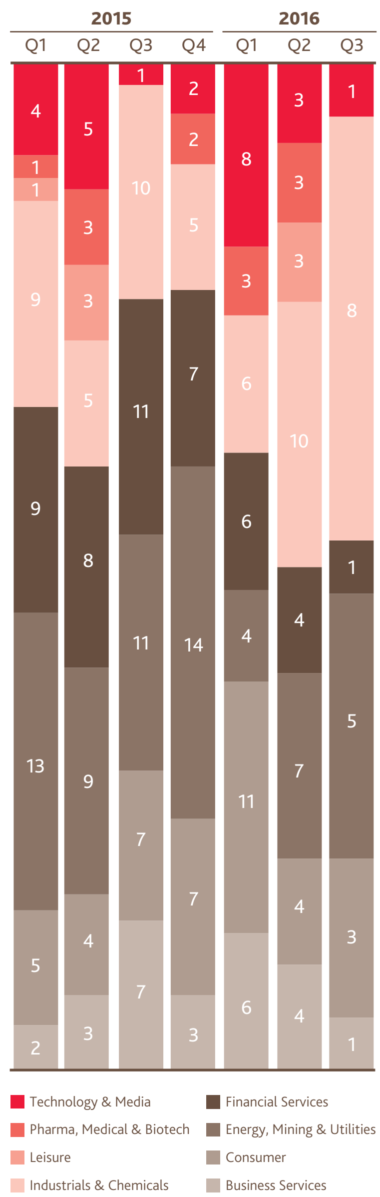
AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	52	30%
Energy, Mining & Utilities	47	27%
Financial Services	20	12%
Consumer	18	10%
Business Services	18	10%
Technology & Media	11	6%
Pharma, Medical & Biotech	5	3%
Leisure	4	2%
TOTAL	**175**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

IT IS BECOMING EASIER FOR FOREIGN INVESTMENT TO DO BUSINESS IN INDIA.

BIG PICTURE

- Deal volume and value increases significantly in the quarter.
- PE has increased its slice of the total deal volume.
- However, activity is down in comparison to the same quarter of 2015.

According to CRISIL, a subsidiary of Standard & Poor's, India's Gross Domestic Product (GDP) is expected to grow at 7.9% in FY 2016-17, primarily let by growth in private consumption. Much waited tax reform of Goods and Service Tax (GST) from next financial year is expected to further boost the economic growth.

Deal value increased 64% to USD 5.9bn in Q3 2016 over Q2 2016, with an increase of 31% in deal volume to 67 deals from 51 deals in Q2 2016. The average deal size increased to USD 88.1m from USD 70.3m. As compared to Q3 2015, both deal value and deal volume have decreased by 17% (81 deals amounting to USD 7.12bn in Q3 2015).

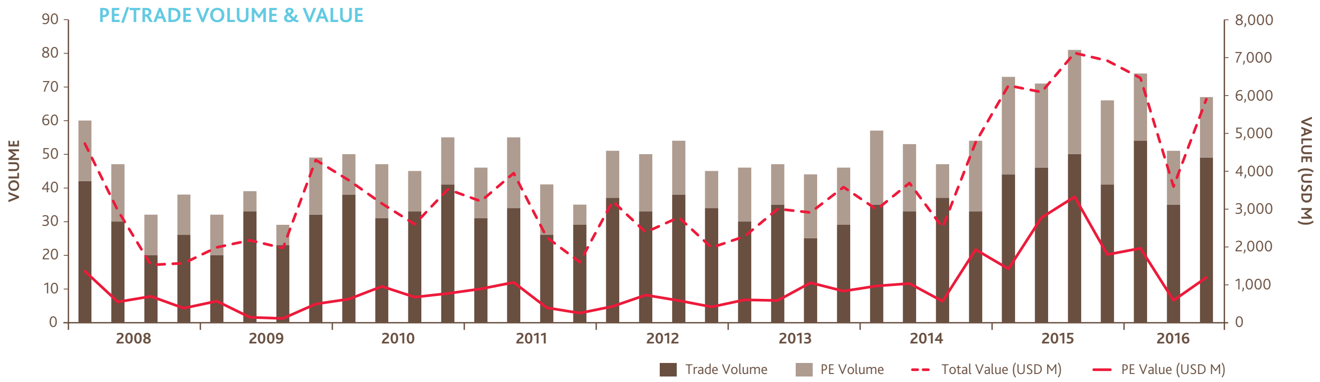
In Q3 2016, PE buyout deals represented 20.1 % of total deal value and 26.9% of total deal volume. For Q2 2016, these numbers were 16.1% and 31.4% respectively while for Q3 2015, these numbers were 46.6% and 38.3% respectively.

Total number of deals in 2015 amounted to 291 while the total number of deals in up to Q3 2016 is 192 deals.

In terms of sectors, Industrials & Chemicals has seen the highest deal volume with 46 deals (24%) followed by Technology & Media with 35 deals (18%) and Business Services with 30 deals (16%).

In 2016, average no of deals each quarter was 64 as compared to 73 in 2015.

In terms of Q-o-Q comparison, six sectors (Technology & Media, Pharma, Medical & Biotech, Leisure, Industrial & Chemicals,



LOOKING AHEAD

Numerous foreign companies are entering the Indian market by setting-up Indian operations or through strategic acquisitions on account of inherent attractiveness of Indian market supplemented by various government initiatives like 'Make in India' and 'Digital India' coupled with ease of doing business reforms and tax reforms. The Government of India aims to improve its ease of doing business ranking from 130 to within the top 100 by 2016 and the top 50 by 2017.

Improvement in the economic scenario and favourable economic reforms are leading to further increases in investment activities along with domestic and cross border M&A activities.

The below Intelligence Heat Chart is based on "companies for sale" tracked by Mergermarket between 3 April 2016 and 3 October 2016. The Industrials & Chemicals sector is expected to top the chart with highest number of potential deals followed closely by the Technology & Media sector and the Financial Services sector.

Financial Services and Energy, Mining & Utilities) have seen a growth in deal volume while the remaining two sectors (Consumer and Business Services) have seen a drop in deal volume in Q3 2016 as compared to Q2 2016.

The biggest deal in Q3 2016 was of USD 423m in the Pharma, Medical & Biotech sector which involves demerger of diagnostic business (Super Religare Laboratories Limited) from Fortis Healthcare Limited to Fortis Malar Hospitals Limited with an objective to separately list the diagnostic business.

Other major deals in Q3 2016 include:

- JSW Energy Limited acquired Bina Power Supply Company Ltd from Jaiprakash Power Ventures Limited for USD 402m
- Yara Fertilisers India Private Limited of Norway acquired Tata Chemicals Ltd (Urea business) from Tata Chemicals Ltd for USD 401m
- Sony Pictures Networks India Pvt. Ltd. of Japan acquired Ten Sports Network from Zee Entertainment Enterprises Limited for USD 385m
- TPG Capital LP of USA acquired ICICI Home Finance Company Limited from ICICI Bank Limited for USD 320m.

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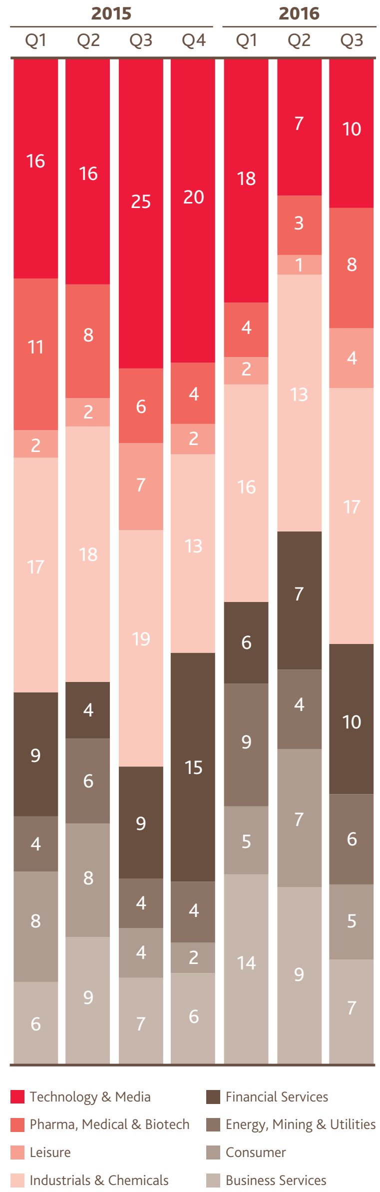
INDIA
HEAT CHART BY SECTOR

Industrials & Chemicals	98	22%
Technology & Media	85	19%
Financial Services	65	15%
Business Services	63	14%
Consumer	46	11%
Energy, Mining & Utilities	34	8%
Pharma, Medical & Biotech	34	8%
Leisure	15	3%
TOTAL	**440**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

CHINA MID-MARKET M&A COOLS; MEGA DEALS CONTINUE IN RECORD NUMBERS.

BIG PICTURE

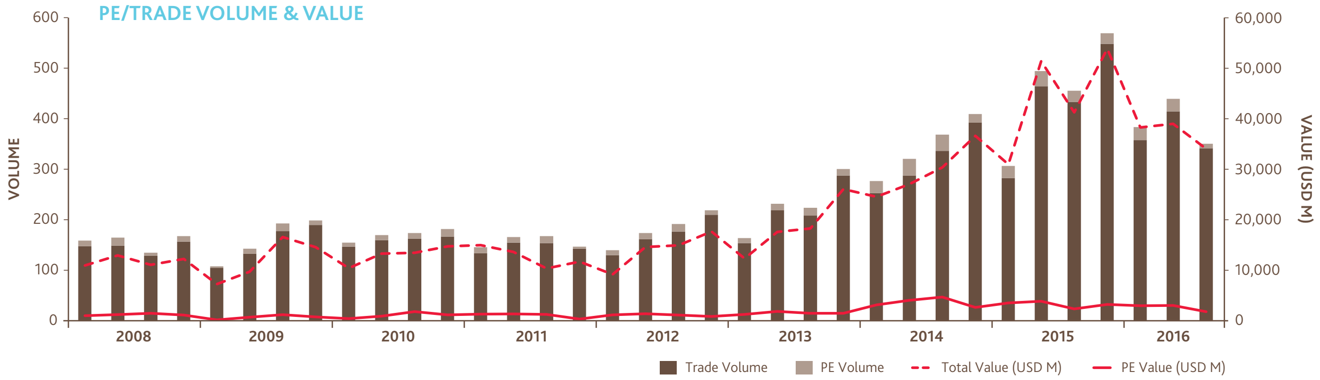
- Mid market deal volumes soften for the first nine months in 2016, falling 7% compared to the same period in 2015. However, mega-deals continued to push total China outbound M&A to new record highs.
- China overtakes the US as the world's largest asset acquirer with M&A transaction values of USD 174bn for the first nine months of 2016, a 68% increase compared to prior year period.
- China's economic transition and 'two-track' economy is shaping the outbound M&A landscape for Chinese companies. Brands, technology and advanced manufacturing have been actively acquired offshore.

There was a notable slow down in Greater China's M&A mid-market transactions in Q3 2016. This saw transaction volumes in the 9MPE September 2016 decrease to 1,172 deals, compared to 1,255 deals for the same period in prior year (a 7% decline). The 2016 numbers are still, however, strong against a record 2015 year.

This pause in momentum in the mid-market has been caused by uncertainties in the larger overseas markets and the slowing Chinese economy. The political uncertainty resulting from Brexit; the upcoming US elections; unstable governments in some European states; and potential non-performing loans ("NPL") have had an impact on inbound China M&A, and also subdued mid-market M&A activity in China. This weakening has also been reflected in the top 10 mid market deals in Greater China. The deals were all between domestic Chinese companies, with no inward foreign investment recorded in the Top 10 Q3 2016 data.

CHINA'S ECONOMIC TRANSITION

There has been a lot of discussion concerning China's slowing economic growth rate. The Chinese government is aiming for growth of 6.5% to 7% this year, a slower pace than the past two decades. This is at a time when the Chinese economy is transitioning from an investment-heavy, export-driven model to one driven by domestic consumption and value-add or innovation. Many economic commentators have labeled this a 'two-track' economy. One track consists of China's traditional industries (e.g. manufacturing and steel production) which is struggling; while the second track is based on services, consumer markets and technology – which is showing strong growth opportunities.



LOOKING AHEAD

The latest BDO Heat Chart shows a slight decline in the number of mid-market Greater China deal opportunities. This has been a common trend each quarter in 2016, with deal opportunities falling from 1,145 in Q1 to 995 in Q3. There is no reason for alarm, as mid market deal opportunities will continue at robust levels, driven by a maturing nation, sector consolidation and a transitioning economy. The traditional sectors of Industrials & Chemicals, Technology & Media, Consumer and Business Services are still where the majority of opportunities exist, together representing more than 70% of deal opportunities.

However, we believe there will be more activity in the Energy, Mining & Utilities sector in China in the coming months. Although not currently in the top five 'hot' sectors, there is an expectation that major Chinese oil & gas companies will start off-loading some of their high priced assets. The major oil and gas companies acquired assets when the oil prices were at its peak. The continued depressed oil prices have put stress on their balance sheets, and this will create M&A opportunities in future.

We also believe there will be greater and more sought after opportunities in the Pharma, Medical and Biotech sector in the next 12 - 18 months, as early stage companies in this sector start maturing and developing revenues and know-how. Various policy initiatives like the two-child policy and the ageing population also make companies in this sector more attractive M&A targets.

This 'two-track' economy is having and will continue to have a corresponding impact on the Greater China M&A market, affecting both inbound and outbound investment. This combined, with the demands and motivations of Chinese citizens, and Chinese government priorities, is expected to affect investment strategies of foreign firms and Chinese firms investing abroad. Consistent with this shift, the targets of China outbound M&A moved from resource-abundant nations to developed jurisdictions that house companies with best-in-class capabilities and technologies.

An example of this was Midea Group's (China's largest manufacturer) acquisition, acquisition of an 80.1% stake in Toshiba's Home Appliance Business for c.USD 500m earlier this year. This was an investment in a well recognized and long established brand, with strong technical know-how and a range of complimentary products. Midea Group also recently announced it had secured 95% of the shares in German Robotics maker, Kuka AG for c.USD 5-6bn. Kuka AG supplies key components to automobile giants like Volkswagen, BMW and Tesla. Midea Group has now gained access to valuable technology and is the latest example of Chinese companies buying into advanced manufacturing technologies across the world.

RECORD OUTBOUND M&A

The Chinese government's mandate to encourage Chinese companies to buy assets and technology from abroad, combined with slowing growth in their home market, has pushed outbound M&A to record highs. The total value of outbound M&A by Chinese companies increased by 68% from prior year to USD 174bn in the nine months to 2016. This is the world's largest outbound M&A value in 2016, with China overtaking the US for the first time in deal value.

However, it was not all smooth sailing for Chinese outbound M&A. There were a record number of reported deals (42) withdrawn in the first nine months of 2016. Commonly sighted reasons for this include financing concerns, government approvals, regulatory concerns and not providing deal certainty. This trend may well continue, as we see record numbers of Chinese companies seeking to invest overseas, especially on this scale.

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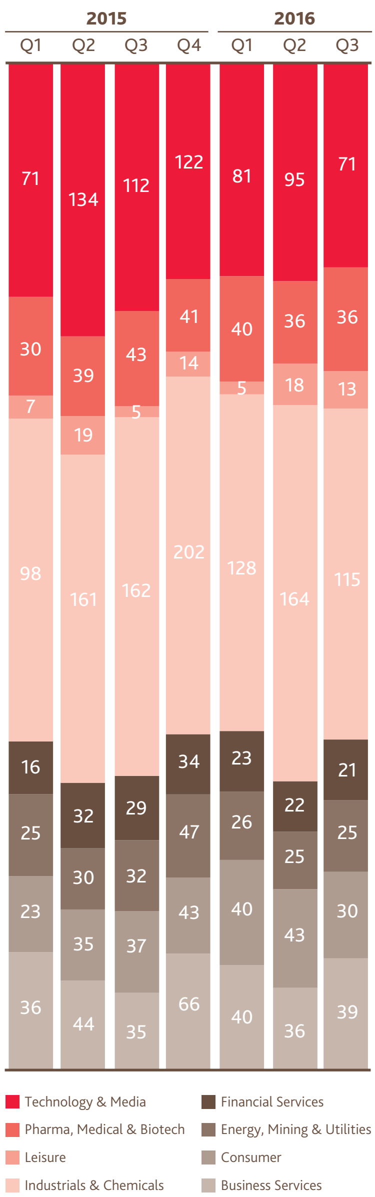
With China outbound M&A levels already at record levels in 2016, supported by strong investment fundamentals and long term drivers for outbound M&A activity, we expect to see strong activity levels continue in the Greater China M&A market in the remainder of this year and going forward.

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	307	31%
Technology & Media	184	19%
Consumer	122	12%
Business Services	119	12%
Financial Services	91	9%
Pharma, Medical & Biotech	63	6%
Energy, Mining & Utilities	60	6%
Leisure	49	5%
TOTAL	**995**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITY FALLS BUT DEAL PIPELINE REMAINS HEALTHY.

BIG PICTURE

- Q3 deal volume is down by 31%.
- Industrials & Chemicals, energy and natural resources accounted for over 50% of the deal activity.
- M&A activity is very dependent on oil prices and the strength of the USD, which seems to be recovering.

The M&A market in South East Asia saw a slowdown in Q3 2016, with both deal volume and value falling. A total of 61 deals were completed during the quarter compared with 88 in Q2 2016, representing a drop of 31%, while total deal value fell by 50% from USD 8.05bn to USD 4.03bn.

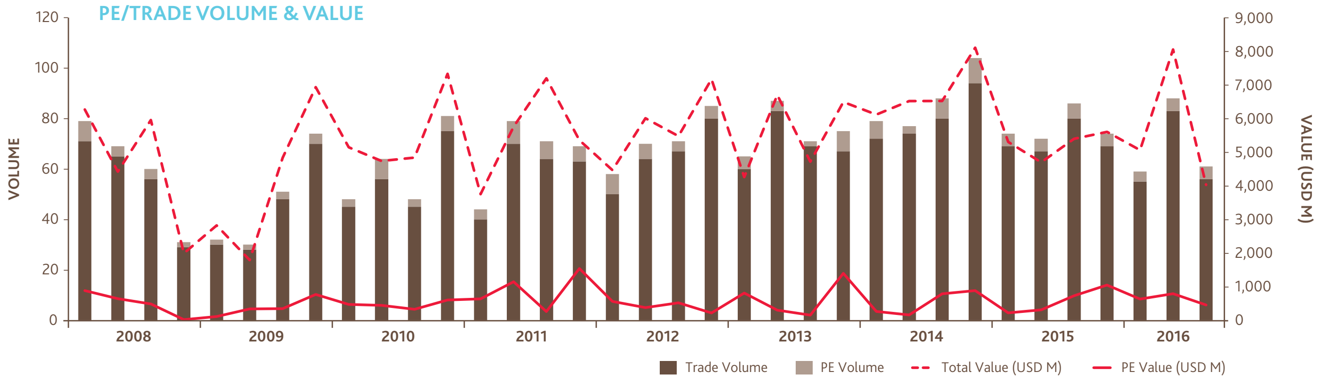
The combined value of the quarter's top ten deals was USD 1.88bn, representing 47% of Q3 2016's total deal value. Private equity completed five deals in Q3 2016, one less than in the same quarter of 2015. This represented a small proportion of total M&A activities for the quarter, just 8% of deal volume and 11% of transaction value.

KEY DEALS AND SECTORS

The most active sectors for Q3 2016 were Industrials & Chemicals and Energy, Mining & Utilities, which together contributed 51% of total Q3 2016 deal volume. Industrials & Chemicals was the busiest sector in Q3 2016 with 20 deals, followed by Energy, Mining & Utilities with 11 deals.

Five of the quarter's top ten deals were from the Industrials & Chemicals sector, where the target companies were from Malaysia, Thailand and Philippines respectively. The largest South East Asia M&A deal recorded during Q3 2016 was in the Industrials & Chemicals sector. It saw Guangdong Farms Agribusiness (Group) Corporation acquire a 60% stake in Thai Hua Rubber Public Company Ltd for USD 270m.

The remaining top ten deals were two from the Business Services sector and one each from Energy, Mining & Utilities, Leisure and the Pharma, Medical & Biotech sectors.



LOOKING AHEAD

Industrial & Chemicals looks set to remain the main focus for M&A activity for the rest of 2016. This sector had the highest number of deals completed in Q3 2016 and also the largest number in the pipeline, with 122 deals forecast as at the end of Q3 2016.

M&A activity in Pharma, Medical & Biotech is also expected to gain traction, with deals in progress rising to 27 as at the end of Q3 2016, ahead of previous quarter expectations. This ranks as the sector second behind Industrial & Chemicals. Pipeline deals in the Consumer and Financial Services sectors have reduced by 18% and 7% respectively against the previous quarter.

Deal activity in South East Asia will depend on the current economic challenges faced by the region, which includes the outlook on crude oil prices and the consequential fluctuation of currencies in the region. With South East Asia's currencies having weakened against the US dollar, investors with predominantly US dollar income or funding may find assets and targets in the region more attractive. Cross-border transactions may therefore become more prevalent.

SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	122	26%
Energy, Mining & Utilities	74	16%
Technology & Media	61	13%
Business Services	59	12%
Financial Services	50	11%
Consumer	49	10%
Leisure	30	6%
Pharma, Medical & Biotech	27	6%
TOTAL	**472**	**100%**

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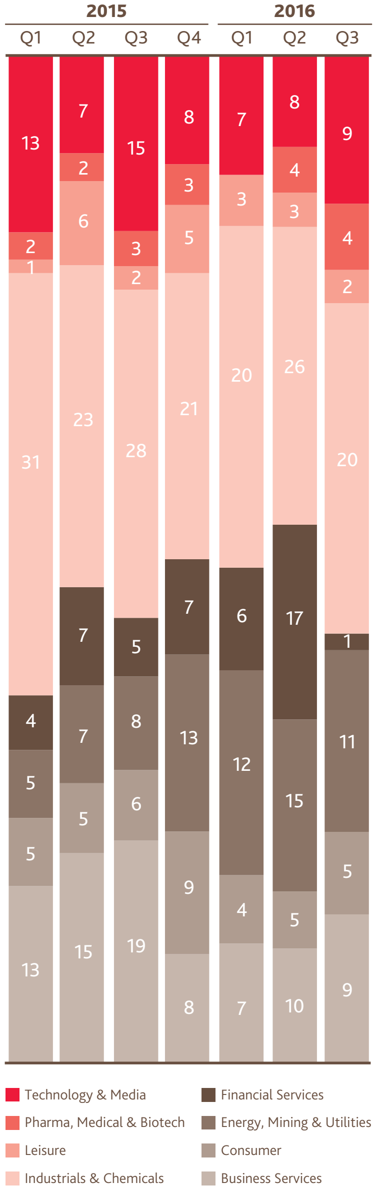
SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

DEAL ACTIVITY IN 2016 CONTINUES TO COOL DOWN FROM 2015.

BIG PICTURE

- Deal activity in 2016 continues to cool down from 2015, with deal value in Q3 2016 down 26% from Q3 2015.
- The Technology & Media sector continues to experience deal activity growth with three of the top ten largest deals in Q3 2016 coming from the Technology & Media sector.
- Foreign investment continues to remain strong aided by depreciation of the Australian Dollar and Australia's reputation as a safe investment hub.

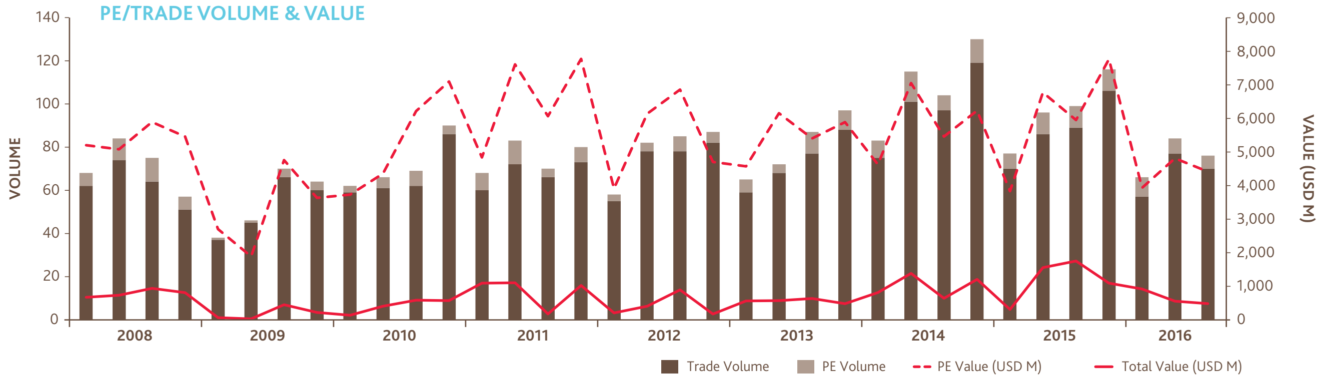
Seventy-six deals with a combined value of USD 4.4bn were successfully completed in Q3 2016. This was a 23% decline on Q2 2016 deal volumes of eighty-four and a 26% decline in deal value compared to the corresponding quarter in 2015 (USD 6.0bn).

Australasian mid-market M&A activity in 2016 has slowed somewhat from the high levels of activity seen in 2015. Total deal volumes were down 17% for the three quarters ended September 2016 compared to the same period in 2015. In Q3 2016, 76 deals worth USD 4.4bn took place. That represents a 26% per cent decrease by value compared to the corresponding 2015 quarter, where 99 deals were done, totalling USD 6.0bn. Australasian Q3 2016 deal value was the lowest Q3 seen in the last eight years.

Mid-market PE transaction volumes have declined in line with the overall market, down by 19% for the three quarters ended September 2016 when compared to the same period last year. Further, the average size of the deals completed in Q3 2016 have declined to just USD 80m which is down 54% from the USD 175m average seen in Q3 2015. PE's proportion of total mid-market M&A activity also fell slightly to 8% in Q3 2016, compared to 10% in Q3 2015.

Deal volume across most sectors has declined. Especially, Business Services, Energy, Mining & Utilities and Financial services, where total deal volumes have declined 34%, 20% and 20% respectively for the three quarters ended September 2016. This is in line with the downturn in the commodity markets seen in recent years with the RBA commodities index down 10% over the two years ended September 2016. Financial Services volumes are down from their high of 40 deals completed in bumper 2015 year.

Technology & Media is the only industry sector which has seen improved deal



LOOKING AHEAD

We expect the last quarter of 2016 to increase in line with historic trends as companies try to close out current deals before the calendar year end. Foreign interest in premium assets is also forecast to remain strong for the remainder of 2016. In particular, we expect foreign investors to remain interested in the Australasian market. With ongoing volatility in global investment markets, Australasia's economic reputation makes it a safe, reliable and long term investment destination.

Overall, M&A activity within the mid-market is forecast to increase over the remainder of the calendar year. The BDO Heat Chart shows that 437 deals are currently underway, representing a significant increase compared with the 388 deals completed in 2015. Our analysis suggests the Industrials & Chemicals sector and the Technology & Media sector are likely to be the most active sectors, followed by the Consumer sector.

activity for the three quarters ended September 2016 with a growth of 6% in volumes compared to 2015. In Q3 2016, Technology & Media deals accounted for 24% of the total deals in line with global trends (18% of the total deal volumes in Q3 2016) as companies look for new growth opportunities in an age of digital disruption.

Four of the top ten mid-market deals involved foreign investors indicating continued appetite from overseas buyers across a range of sectors, namely Consumer, Pharmaceuticals, Technology & Media, and business services. Foreign investment has been aided by the relative depreciation of the Australian dollar and Australia's reputation as a safe place in which to invest.

KEY DEALS

The largest deal in the quarter was the acquisition by food conglomerate Universal Robina Corporation ("URC") of Consolidated Snacks in a USD 459m deal. URC previously purchased New Zealand based biscuit maker Griffin's Foods for close to USD 1bn. Given the devaluation of the Australian Dollar it indicates that foreign companies are taking advantage of their stronger currency to invest in well-established companies with strong growth prospects.

The second largest deal in the third quarter was the acquisition by Growthpoint Properties Australia of the GPT Metro Office Fund, an Australia-based real estate investment trust with a portfolio of metropolitan and business properties. Tim Collyer, managing director of Growthpoint Properties Australia noted that property pricing in the direct market is "very competitive". Consolidation in the industry is likely to continue as REITs look for fairly priced quality assets.

Three of the top ten largest mid-market deals were in the Technology & Media sector namely Superloop Limited's USD 187m takeover offer to acquire all the outstanding shares of BigAir Group Limited (Australia-based provider of wireless broadband and data services); Ontario Teachers' Pension Plan acquired Nextgen Group Pty Ltd for USD 145m and the acquisition of an undisclosed majority stake by WEL Networks Limited in New Zealand-based retail broadband service, Ultrafast Fibre Limited, for USD 139m.

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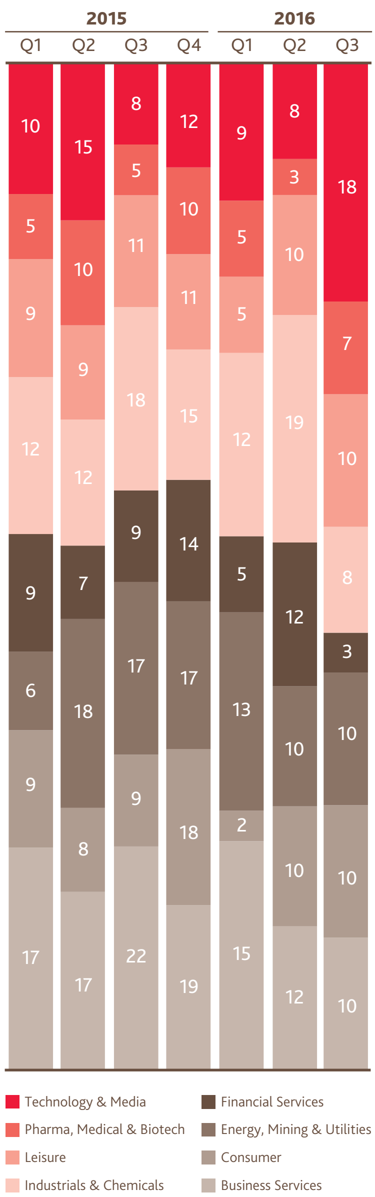
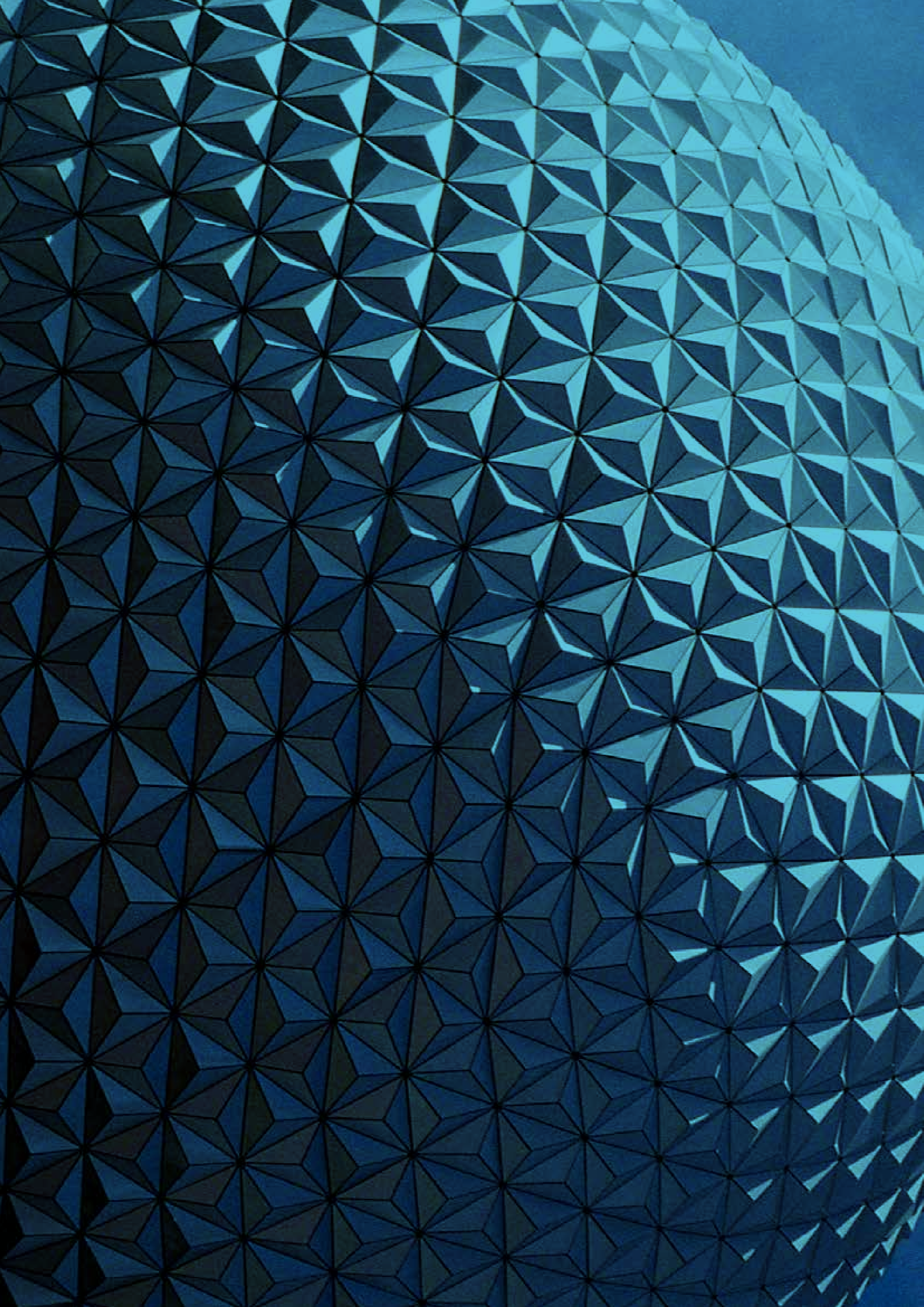
AUSTRALASIA
HEAT CHART BY SECTOR

Technology & Media	85	19%
Consumer	72	16%
Industrials & Chemicals	65	15%
Business Services	61	14%
Energy, Mining & Utilities	46	11%
Financial Services	46	11%
Pharma, Medical & Biotech	36	8%
Leisure	26	6%
TOTAL	**437**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR





SECTOR VIEW

We are beginning to see positive momentum in the sector.

After two record years, M&A activity slows slightly but stays strong.

A vibrant sector with an exciting future and strong M&A opportunities.

NATURAL RESOURCES

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After a couple of years in the doldrums as a result of lower commodity prices we are beginning to see positive momentum in the sector. However, we have a long way to go before the industry regains full strength. Even as commodity prices slowly inch upward, global demand is unlikely to soon reach the levels the industry once enjoyed.

Equity capital markets have opened for many companies in this sector. Gold stocks have been particularly favoured by the market due to the increased economic uncertainty stemming from global political risk, in particular uncertainty around the outcome of the US Presidential election and Britain's exit from the European Union.

Renewable power generation and the interest in battery storage technologies have seen an increase in interest for demand for lithium based companies too.

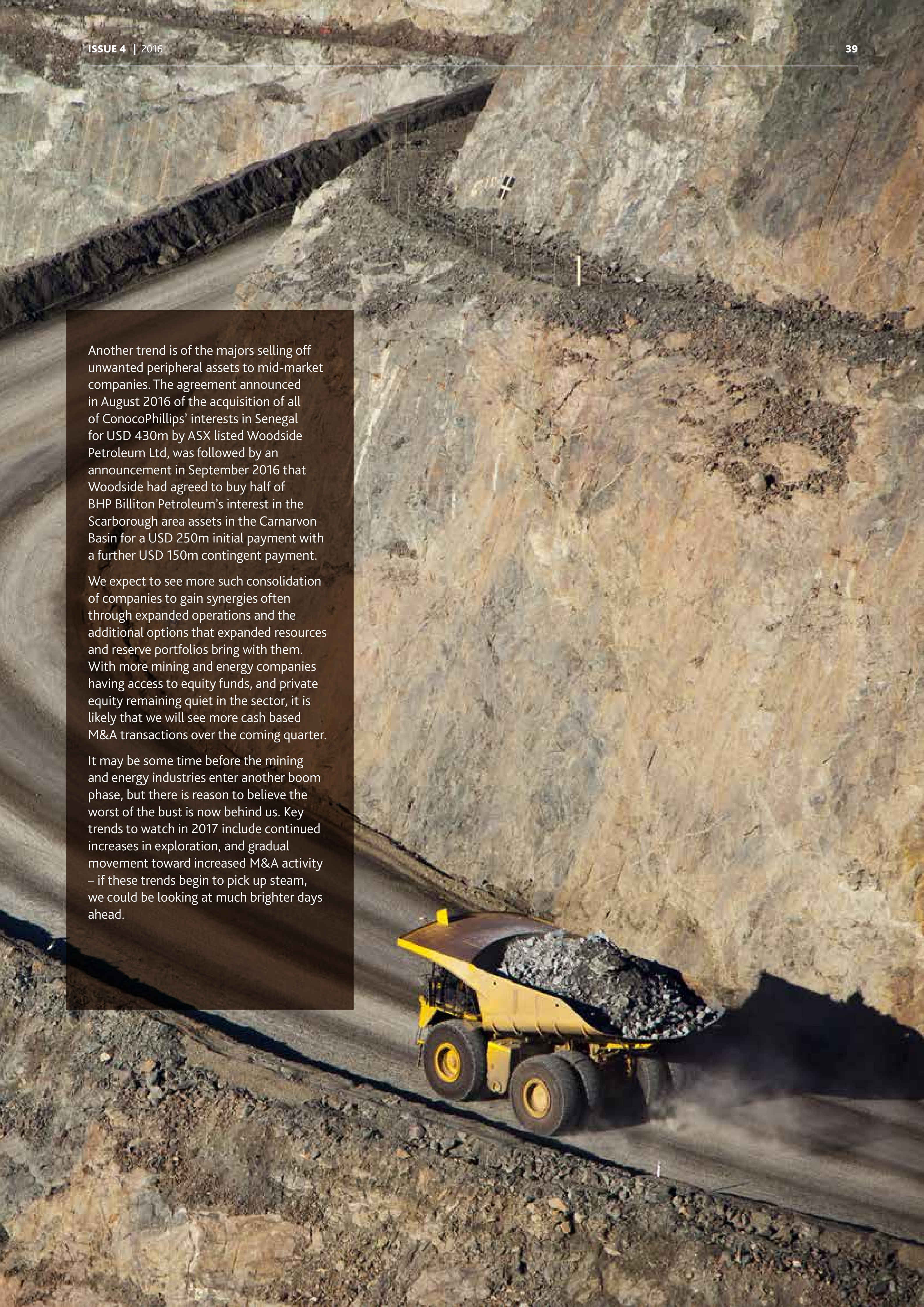
Middle market mining and energy companies tend to exhibit a high degree of flexibility and manoeuvrability compared to their larger counterparts. Over the past couple of years most companies in this sector have cut costs and cut back exploration expenditure as much as they can. That means that their options to downsize further are reduced. There is generally little more that they can cut. Many companies are now considering the ability to grow operations and make smart investments as the markets improve and opportunities to make acquisitions at low values arise.

Consolidation is likely to increase as we see smaller companies coming together to pool resources and make themselves more attractive for funders and investors.

We are certainly seeing an increase in M&A activities in the sector. With the value of most assets other than gold being reduced, many companies are looking to acquire, restructure or consolidate so that they are ready for the next phase of what may be an increase in the commodity cycle.

There is no single, obvious global trend line for M&A activity in the mining and energy sector. In some countries, like Canada, consolidation has been an important avenue for struggling companies to shed underperforming assets, shore up their operations and stay afloat. But in other countries, such as the UK, the cost of M&A is high, and capital is too scarce for transactions to be a viable option.

We have seen Australian and Canadian based companies, where the equity capital markets have recovered the most, as being likely acquirers. A good example of this during the quarter was the announcement on 1 August 2016 of the offer by ASX listed Iluka Resources Ltd for all of the issued shares of LSE listed Sierra Rutile Ltd which valued Sierra Rutile at £215m, plus Iluka assuming USD 60m of debt. Sierra Rutile is a major minerals sands producer, specifically rutile, from its mine in Sierra Leone. Iluka is also major minerals sands producer with a focus on zircon whilst also producing rutile. Another relevant feature of this transaction is that it was all for cash with no scrip element reflecting the availability of cash in the equity markets, in this case the ASX.



Another trend is of the majors selling off unwanted peripheral assets to mid-market companies. The agreement announced in August 2016 of the acquisition of all of ConocoPhillips' interests in Senegal for USD 430m by ASX listed Woodside Petroleum Ltd, was followed by an announcement in September 2016 that Woodside had agreed to buy half of BHP Billiton Petroleum's interest in the Scarborough area assets in the Carnarvon Basin for a USD 250m initial payment with a further USD 150m contingent payment.

We expect to see more such consolidation of companies to gain synergies often through expanded operations and the additional options that expanded resources and reserve portfolios bring with them. With more mining and energy companies having access to equity funds, and private equity remaining quiet in the sector, it is likely that we will see more cash based M&A transactions over the coming quarter.

It may be some time before the mining and energy industries enter another boom phase, but there is reason to believe the worst of the bust is now behind us. Key trends to watch in 2017 include continued increases in exploration, and gradual movement toward increased M&A activity – if these trends begin to pick up steam, we could be looking at much brighter days ahead.

LIFE SCIENCES

AFTER TWO RECORD YEARS, M&A ACTIVITY SLOWS SLIGHTLY BUT STAYS STRONG

As reported previously, the record number of deals seen in Life Sciences during both 2015 and 2014 led to speculation that a bubble was building in the Life Science market.

BIG PICTURE

- A 6% slowdown in global deals, but European deal values rise.
- Increased private equity interest in the sector.
- Strong positive indicators for the health of the market.

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Commentators agreed that an implosion was on the horizon and that 2016 could be the year it all fell apart. The shock outcome of the Brexit vote in the UK has added further uncertainty across global markets and has already had a marked effect in other sectors. There is concern that this could further suppress the M&A market, especially in the EU, as decisions are delayed as countries, as well as companies, try to work out the implications of a 'hard' or 'soft' UK Brexit.

Now the Q3 figures are in we can see that there has indeed been approximately a 6% slowdown in Life Science mid-market M&A deal volumes, with the main weakness seen in the UK and Ireland, the DACH region and the Benelux countries. However, this should be seen in relation to other sectors where larger slowdowns in deal volume were seen.

EUROPE LEADS THE WAY

Despite the apparent slowdown in volume, the European Life Science M&A markets saw higher deal values in 2016 than in the same period of (USD 35.2bn in the first six months vs USD 32.9bn for the whole of 2015). One reason for this increase was a number of large cross-border deals such as the acquisition of Baxalta, the rare disease specialist spun out of Baxter Bioscience last year, by Irish headquartered Shire, which completed in July 2016 for a total value of USD 32bn; and the transfer of the animal health arm of Sanofi, Merial valued at USD 12.5bn, to Boehringer Ingelheim in exchange for their Consumer Healthcare business valued at USD 7.3bn, plus a cash payment of some USD 5.1bn. The companies announced that contracts were signed in the summer and that completion is expected by the end of 2016 (dependent upon approval by the regulatory authorities).

PRIVATE EQUITY INTEREST HEATS UP

As well as looking at the numbers we must take into account market sentiment. Far from being a slowdown there remains great appetite for M&A activity. One of the drivers behind this is the increasing interest in Life Sciences by numerous private equity houses due to the perceived defensive nature of the sector compared with stalwarts such as construction and healthcare, which have all been hit by Brexit fears and rises in minimum wages respectively. Most of these PE houses have successfully raised new funds at the height of the recent cycle off the back of successful exits of key assets. It is estimated that a huge wall of private equity money of circa USD 62bn, remains unspent in the UK market alone, which will need to be deployed over the next three to five years. Life Sciences companies in the services sector are seen to be attractive targets for buy-and-build models, further fuelling the M&A market. Added to this a scarcity of such businesses in the USD 3,7-12m EBITDA range has fuelled some very aggressive pricing in the market in the past year, pushing deal values much higher. Examples that we have worked on include Hg Capital's acquisition of Kinapse in January at a reported return to Synova Capital of over 16x.

This scarcity of assets of scale in the market is also driving many PE houses, especially those in the UK, which usually have tight geographical restrictions, to look further afield for their targets. Two recent examples that we have worked on include: Sovereign Capital's acquisition of Xendo, a regulatory compliance business in Holland, reported in May; and Kester Capital's acquisition of Factory CRO, a medical device CRO also in Holland. In both cases neither target company has significant operations in the UK, but this did not deter either from completing the deals.

TEST & MEASUREMENT (T&M)

A VIBRANT SECTOR WITH AN EXCITING FUTURE AND STRONG M&A OPPORTUNITIES.

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BIG PICTURE

- Consolidation drives M&A activity
- T&M sector outperforms wider market
- New technologies support future growth.

The global T&M equipment market is forecast to grow at a compound annual growth rate (CAGR) of 5.2% during the period 2016-2020[2].

Key drivers in the T&M market include:

- increased regulation
- industry standardisation and sophistication
- globalisation and increasing industrial output and innovation
- the ever-increasing complexity of products, materials and supply chains
- a continuing need for efficiencies and cost reduction in the production process
- an increasing 'cost of failure'
- outsourcing
- technological advances.

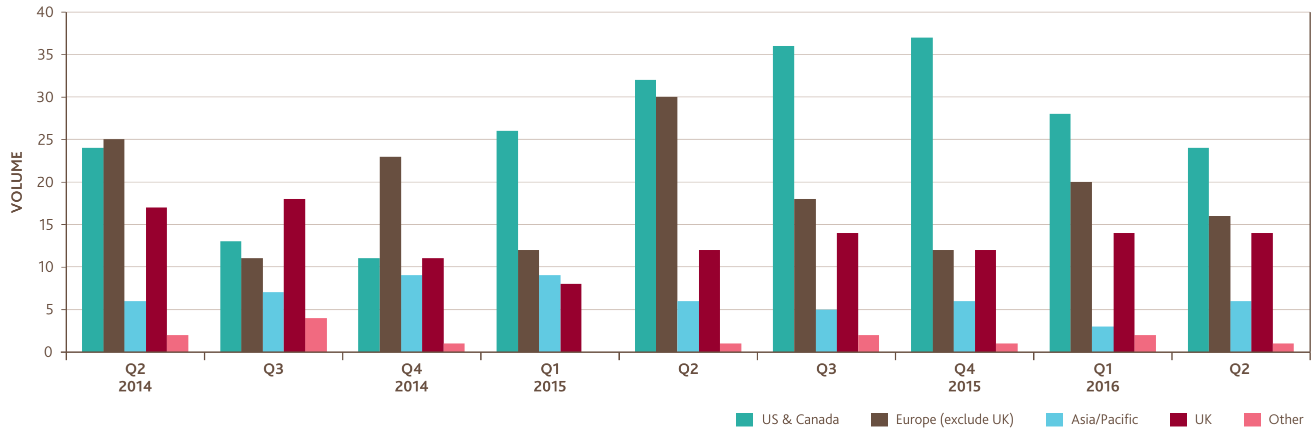
INDUSTRY CONSOLIDATION CONTINUES

The T&M sector is broad and highly fragmented but industry consolidation is continuing, fuelled particularly by the M&A activity of large global players.

- Transaction activity slowed a little in the first half of 2016, which is unsurprising given market uncertainties during that period.
- However, UK deal flow has remained resilient across both quarters, with 34 deals involving either a UK seller or buyer, accounting for 27% of deals worldwide. The US and Canada saw the most deal activity over the period, with 41% of all targets and buyers.
- Cross-border deals are a key feature of the market, accounting for 43% of all transactions in H1 2016. However, this varies by target geography: 43% of UK targets were sold to overseas buyers compared to 72% of targets in mainland Europe. 63% of targets in Asia-Pacific were sold to European buyers, and just 17% of North American businesses were sold to international purchasers.
- Private equity continues to invest in the sector, funding 17 transactions in H1 2016, representing 13% of total activity.
- Quoted company valuations and transactions in the sector both consistently achieve double digit EBITDA multiples.

The Test and Measurement (T&M) sector is focused on the development, production and use of equipment designed to detect, measure and control a variety of factors in manufacturing processes such as power, flow, temperature and vibration. T&M also includes Testing, Inspection and Certification services[1].

QUARTERLY M&A ACTIVITY BY SELLER REGION[3]

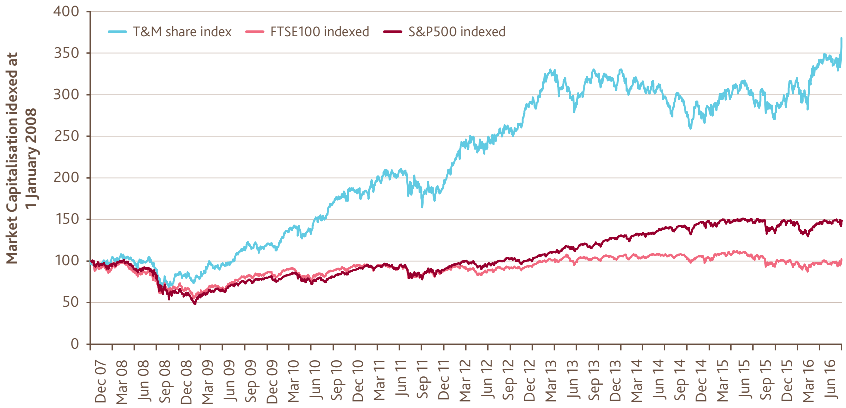


SHARE PRICES AND TRADING MULTIPLES STRENGTHEN

The diagram below compares the BDO T&M index of 20 quoted T&M companies to the FTSE 100 and S&P 500 since 1 January 2008. This reveals that while rises in all-share indices have been muted since 2013, the T&M sector continues to outperform the FTSE index and has remained resilient despite recent Brexit uncertainties.

Trading multiple valuations for the T&M index averaged 13.8x EBITDA over the last year, continuing to exceed the S&P 500 and FTSE All-Share averages.

SHARE PRICE PERFORMANCE COMPARISON[4]

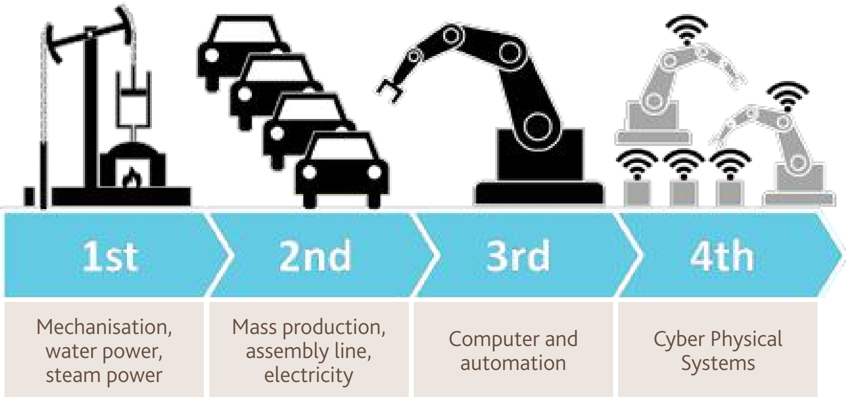


Notes and sources:

1. Our analysis of the T&M market includes testing, inspection & certification, instrumentation and equipment, and associated markets, but excludes life sciences
2. Ibisworld
3. MarketIQ
4. Thomson Reuters
5. Yole

THE FOURTH INDUSTRIAL REVOLUTION WILL FUEL CONTINUED INVESTMENT IN T&M...

The INDUSTRIE 4.0 project (aka the fourth industrial revolution) began in 2011 as a marketing opportunity to help Germany establish itself as an industry leading market and technology provider.



It has now entered the business lexicon as a catch-all covering the automation of manufacturing, machine-to-machine and machine-to-product communication, the industrial internet and technology needed for mass customisation of production.

It essentially means smart, flexible factories where machines capture and convey more useful data to business operators so that they can make quicker, better decisions about how something is manufactured.

The main drivers for the digital factory evolution are:

- Higher productivity
- Product variation and customisation
- Quality control and consistency
- Traceability
- Supply chain responsiveness.

The emergence of Industry 4.0 is expected to ignite the global T&M market as it responds to the challenge of monitoring and measuring increasingly complicated systems and processes, providing and using 'big data' for automated decision-making.

SPOTLIGHT ON MEMS TECHNOLOGY

The global trend towards miniaturisation of devices and components is a key driver of innovation in the Test & Measurement market.

Micro-Electro-Mechanical Systems, or MEMS, are miniature devices comprised of integrated mechanical (eg levels, springs, vibrating structures, etc) and electrical (resistors, capacitors, inductors, etc) components, designed to sense, report and interact. Examples include airbag deployment in vehicles, and motion and orientation detection in smartphones.

In less than 20 years, this technology has developed from being an interesting academic pursuit to gaining a stronghold in the automotive sector, becoming an integral part of many common products, and both improving functionality and disrupting the status quo.

The MEMS sector is expected to grow at 8.9% CAGR to 2021, increasing in value from USD 11.9bn in 2015 to USD 20bn in 2020[5]. Over the same period, the CAGR of units shipped is expected to be 13%, reflecting falling prices.

Commoditisation is a key challenge in the sector: the consumer market is now highly competitive. Despite this trend, the future of MEMs is rich with commercial possibilities, including the trillions of MEMS sensors envisioned to be used as the eyes and ears of the Internet of Things, ongoing demand from the smartphone and wearable device markets, and increasing opportunities in the automotive sector with the rise of driverless cars. Industrial, environmental and medical applications will also spur development.

Key innovations surfacing in the sector include:

- Identifying new applications and component combinations (eg combined environmental sensors that can detect more than one gas, and also incorporate pressure, particle, humidity and temperature sensors).
- Ongoing miniaturisation of inertial sensors (eg accelerometers, gyroscopes).
- Embedding software to increase functionality and create value.
- Decreasing power consumption, especially for mobile device applications.
- Advanced packaging to decrease sensors' footprint.

The future for sensing, measuring, and reporting has rarely looked so strong.

FOR MORE INFORMATION:

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