HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS | **ISSUE 2** | 2015

THE VIEW FROM THE AIRPORT BUSINESS LOUNGE

SEE INSIDE FOR ALL THE LATEST VALUABLE INSIGHTS

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WELCOME

As globalisation continues, more and more mid-sized companies are considering international growth as a part of their strategy.

This trend is supported by good access to finance in most regions and the attraction of the Asian market for companies looking to expand across borders. All in all, the M&A market for mid-sized companies is highly active and ever changing.

That's where BDO HORIZONS can help. Our M&A professionals are at work right across the world and here they share with you their insights on the latest developments, trends and news on deal activity involving SMEs.

As in previous issues of BDO HORIZONS, our analysis of M&A activities is split not only by region (United Kingdom & Ireland, DACH, Benelux, Nordics, CEE & CIS, Southern Europe, Israel, North America, Latin America, India, South East Asia, Japan, China, Australasia and Africa) but also by industries (TMT, Industrials & Chemicals, Business Services, Consumer, Energy, Mining & Utilities, Leisure, Financial Services, and Pharma, Medical & Biotech). We also identify and feature key global trends.

INSIGHTS FROM A LEADING M&A ADVISER

M&A activity in the first quarter of 2015 was shaped by a number of events, which we examine in detail in this issue. We take a closer look at Europe, where a number of factors impacted the M&A market. Some of them, like the ECB's quantitative easing programme, are increasing activity by providing good conditions for cheap financing and increased stock market values. Others, like the difficulties in Greece and the Ukraine, are creating uncertainty and cooling down M&A activity. We investigate how these factors are playing out and look at many other aspects of the market. Just as in previous issues, we will also provide trends and forecasts for the upcoming quarter.

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

GLOBAL VIEW

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

Despite a strong ending to 2014, 2015 did not start as well as expected.

Overall global trade volume dropped from 2,101 deals in Q4 2014 to 1,513 in Q1 2015, a fall of 27%. Comparing Q1 2015 to the first quarter of 2014, there were about 20% fewer deal completions.

In terms of Private Equity, there were 170 buyouts in Q1 2014, which was a decline of 34% compared to Q4 2014's 216 deals, and a 29% fall compared to Q1 2014's 241 deals. Trade buyers notched up 1,343 deals in Q1 2015, which marks a decline of 27% on Q4 2014's 1,840 deals, and a fall of 18% compared to the first quarter of 2014.

Taking a closer look at why this fall in global deal numbers occurred, we find that transaction volume was lower in every region apart from Japan, China and Israel, where it increased slightly.

It was a similar picture for global deal value, which totaled US$ 133bn in Q4 2015, 11.5% lower than Q1 2014 and 29% lower than Q4 2014. However, it is hard to compare Q1 to Q4 because of the end-of-the-year effect. Looking at the split, private equity deal value in Q1 2015 was US$ 21bn, while trade value was US$ 112bn.

COMPARING HERE AND THERE

In our previous edition of BDO HORIZONS we were particularly excited about M&A activity in Europe, and the region continues to faces a lot of changes. These include the impact of the ECB's quantitative easing (QE) program and also the economic difficulties faced by countries such as Greece. Additionally, the minimum exchange rate between the Euro and the Swiss Franc was abolished in January 2015, which affects the DACH economy. Despite these challenges, M&A deal volume in Europe did not show a steeper fall than in other regions. In fact, China (+3%), Japan (+15%) and Israel (+6%) are the only ones, which made a better start to 2015 than 2014 in terms of deal volumes. In fact, Japan and Israel left the end-of-the year effect behind them and managed to increase deal volume from Q4 2014 to Q1 2015 by 6% (Japan) and 45% (Israel).

Some regions registered a notably high decrease in deal volumes. These include Latin America which managed only 39 deals in Q1 2015 compared to 86 deals in Q1 2014 (-55%), and CEE with 62 deals in Q1 2015 and 108 deals in Q1 2014 (-43%). The Middle East recorded a fall from 12 deals in Q1 2014 to 3 in Q1 2015 (-75%). However, it is difficult to make a meaningful comparison since there are so few deals in this region. The biggest players in terms of deal volume are North America (429), Greater China (281), and UK/Ireland (132).

Because fewer deals were completed in Q1 2015, total value fell in almost every region when compared to Q1 2014. Only Greater China (+22%), Japan (+72%), Israel (+73%), Benelux (+39%) and India (+43%) managed to post a higher total deal value in Q1 2015 than Q1 2014. This is quite a significant achievement for Benelux and India as in Q1 2015 both regions recorded a lower volume of deals. The biggest players in terms of deal value are North America (US$ 41bn), China (US$ 29bn), and UK & Ireland (US$ 9.8bn).

Industrials & Chemicals remained the leading sector by deal volume in Q1 2015, even though transaction value decreased by 22% compared to Q1 2014 and by 32% compared to Q4 2014. Business & Services managed to maintain deal value, with Q1 2015 edging up by 1% against both Q1 2014 and Q4 2014 deal value. Energy, Mining & Utilities saw deal value fall by 38% compared to Q1 2014, whereas Consumer saw a 32% decline, and TMT experienced a 11% fall in Q1 2015 deal value when compared to Q1 2014.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	TMT	Business Services	Consumer	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	Total	%*
North America	402	511	314	187	306	449	156	64	**2,389**	**29%**
China	294	144	96	91	70	53	78	43	**869**	**11%**
CEE & CIS	198	88	75	120	68	33	55	37	**674**	**8%**
Southern Europe	115	93	74	117	37	32	45	35	**548**	**7%**
South East Asia	137	51	75	55	71	12	50	23	**474**	**6%**
Latin America	114	50	66	67	97	12	40	14	**460**	**6%**
Australasia	73	66	65	74	62	37	38	24	**439**	**5%**
UK & Ireland	63	76	54	38	38	31	36	38	**374**	**5%**
India	96	91	46	43	23	21	36	15	**371**	**4%**
DACH	112	57	36	51	22	35	23	14	**350**	**4%**
Japan	78	73	42	40	11	24	22	18	**308**	**4%**
Other Asia	90	58	20	30	21	23	19	14	**275**	**3%**
Nordics	60	36	27	29	15	19	16	7	**209**	**3%**
Africa	60	15	23	28	45	6	19	9	**205**	**2%**
Benelux	47	39	17	18	9	12	13	2	**157**	**2%**
Middle East	15	16	12	13	7	2	12	2	**79**	**1%**
Israel	11	22	4	3	4	21	2	1	**68**	**1%**
TOTAL	**1,965**	**1,486**	**1,046**	**1,004**	**906**	**822**	**660**	**360**	**8,249**	**100%**
%	**24%**	**18%**	**13%**	**12%**	**11%**	**10%**	**8%**	**4%**	**100%**	

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

LOOKING AHEAD

The BDO Heat Chart shows that there are 8,249 companies either officially or rumoured to be up for sale, an increase of 1% versus last quarter. The biggest driver of global M&A activity is expected to be North America, with a high number of potential deals in every sector except Leisure. China follows close behind, according to our forecast. Southern Europe, India, DACH, and Other Asia all look promising according to the latest BDO Heat Chart. On the other hand, Australasia and Israel appear to be cooling off slightly.

We expect the most active sectors of M&A activity to be Industrials & Chemicals, TMT, Business Services, and Consumer. While Energy, Mining & Utilities and Leisure cool off, there appears to still be a lot of potential in the Pharma, Medical & Biotech, and Financial Services.

FEATURE
GLOBALISATION AND PRIVATE EQUITY

JOHN GILLIGAN
M&A Partner
john.gilligan@bdo.co.uk

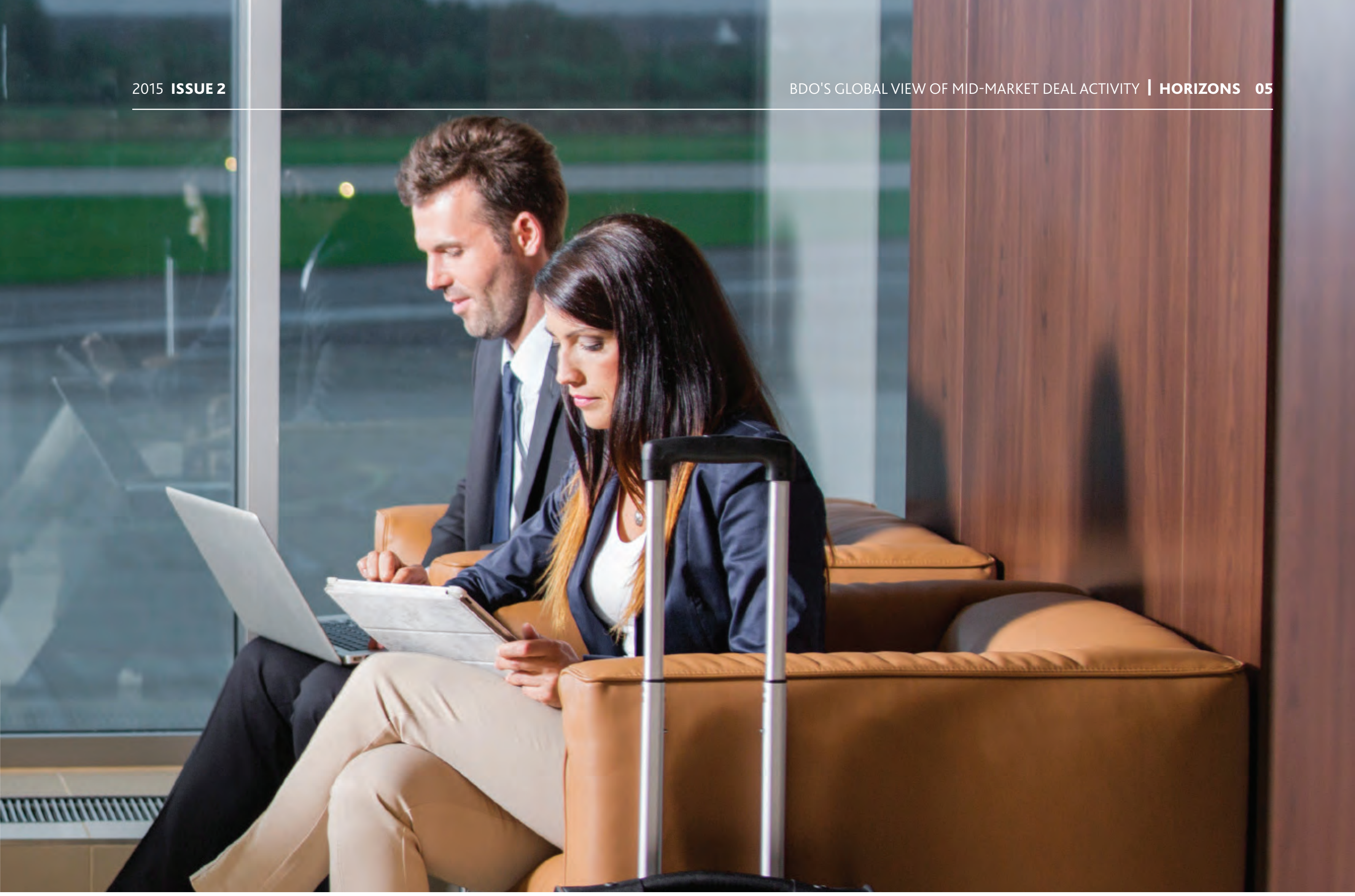
THE VIEW FROM THE AIRPORT BUSINESS LOUNGE

This year I have spent many hours in the business lounges of airports across the world. Our clients have taken me to all points of the compass and the hours spent eating from 24-hour buffets have given me time to think about how world cuisine, and the world of private equity, is changing. Now that I am back in London in the spring sunshine, I have been asked to share a few of those thoughts.

There are countervailing forces acting on the international private equity industry. On the one hand the pressure on investors to find returns is pushing capital across borders. On the other hand the slow creep of regulation is creating regional barriers, particularly between the EU and the US, and setting precedents that the newer economies will probably follow.

Wherever quantitative easing has been deployed it has necessarily pushed up bond prices. This inflation has spilled over and cascaded down through adjacent asset classes, pushing all investment and near-investment grade asset prices higher. On our regular calls with US colleagues we are struck by the frequency that price and leverage/EBITDA multiples are discussed. This inflation has encouraged US investment managers, many of whom were already eying the emerging and developing economies, to re-double their efforts to scour the world for opportunities to deploy capital in investment assets that will generate satisfactory risk-adjusted returns.

In private equity, US investors, who traditionally lead the global private equity market, are once again looking across, and flying across, both the Atlantic and the Pacific oceans. They are seeking deals away from the frenetic US markets. To Americans, Europe offers good value within a relatively familiar, historically stable, but in some cases newly volatile set of economies. The beer-drinking Northern European economies contrast with the Mediterranean wine drinkers: the former are seen as lower risk, lower return, the latter are still caught in the harsh glare of the Euro crisis and have been struggling to attract new international capital.



In many Asia Pacific countries, where the idea of 'the group' typically trumps that of 'the individual', private equity has for many years received only lukewarm acceptance. Historically, the region has been less culturally receptive to the tightly aligned, individual incentives that are implicit in management buy-outs. Furthermore, the Anglo-Saxon PE model has also run up against a lack of clear exit routes in a region where most large companies are still in private or state ownership. As Asian businesses have used the public markets to access capital, the routes to liquidity for private equity have started to unblock. Sustained economic growth has opened up niches that are attracting increasing numbers of PE Funds, both domestic and international.

We expect that the Anglo-Saxon model of limited life closed-end funds will need to evolve into a form that is more aligned to the rhythms of the East before its full force can be exerted. Developing greater sophistication within banking markets will also be necessary if the investment opportunities sensed by the private equity industry are to be fully exploited.

On the other hand the slow creep of regulation is creating regional barriers, especially between the EU and the US, and setting precedents that the newer economies will probably follow. Today the force against the barriers is strong enough to flow over them. If regulators act parochially or the economics driving money around the world change, we could be left with a few isolated pools of funds that could rapidly stagnate behind the high dams designed to protect the vulnerable.

Where I sit (most of the time) in London, there are increasing numbers of US firms setting up permanent establishments and becoming part of the landscape. I am struck by the fact that around one third of all the PE-backed deals completed in the UK in Q1 2015 had a sponsor from the US. This may just be a statistical anomaly, PE is a lumpy business and trends are hard to see in short runs of data. It could however be the first signs of the emergence of a tier of global mid-market PE firms that we have been anticipating for a few years. Just as the US mega LBO firms went global, so I expect to see truly international mid-market firms with mobile global capital pools and carried interest schemes in the not too distant future.

For BDO this means that closer co-operation is ever more important. Our clients are looking for their growth exactly where we are: in markets that are geographically distant from their traditional back yards. We are fortunate to be in one of the very few global accounting businesses that are able to assist those clients to spread their wings and build the next generation of global companies. We imagine these being unlike the 'multinational conglomerates' of old. There won't be more GEs or ICIs. Just as Starbucks took the niche coffee bar around (most) of the world, we see a world with many global specialists exist alongside a multitude of distinct local businesses. Private equity is a powerful transformative force that is highly incentivised to seek out and support these ambitious global brands of the future.

BDO was originally a Dutch brand. Just as the Dutch set sail in the Middle Ages in search of trading opportunities, so we board the aeroplane to help our clients build the trade networks of the future.

FEATURE
NORDIC PERSPECTIVES

JAN KOVERO
Director – Business Consulting
jan.kovero@bdo.fi

Investor interest in Nordic countries is driven by an improving economic outlook, a favourable business environment and an abundant supply of innovative companies.

Beginning with the wider economic context, according to the International Monetary Fund (IMF) there are signs of a pick-up in Europe as a whole and some positive momentum in the euro area. This reflects lower oil prices and improved financial conditions, especially since the ECB's recently launched its QE programme. However, risks of prolonged low growth and low inflation remain.

Focusing on the Nordics, growth is expected to remain strong in Sweden and pick up in Denmark and Finland. A 'soft landing' is in sight for Norway.

However, there are many uncertainties to the forecasts. In all four countries interest rates have been driven down to exceptionally low levels. The effects of very low monetary policy rates and QE programmes in Finland, Sweden and Denmark are neither fully understood nor predictable. Norwegian monetary policy has been less expansive, but as the economy slows due to falling oil prices, the Norwegian central bank could soon be following the example set by its neighbours.

Also, low interest rates and continuing rising house prices in Sweden and Norway may lead these countries to tighten fiscal and monetary policies.

Denmark and Finland are expected to pick up in 2015. Both countries have had a few challenging years. The Danish economy is in reasonably good shape, with six consecutive quarters of growth, albeit at a low rate. The main risks to recovery are Danish business confidence, which remains weak, and the strength of the economic recovery in Europe.

Finland has experienced three years of economic decline as a result of structural changes in the forest and electronics industries, the crises in Russia and weak domestic demand. The same challenges still remain, but assuming more favorable global economic conditions and a strengthening euro area, Finland is expected to show slow growth in 2015.

INCREASED INTEREST FROM INTERNATIONAL INVESTORS

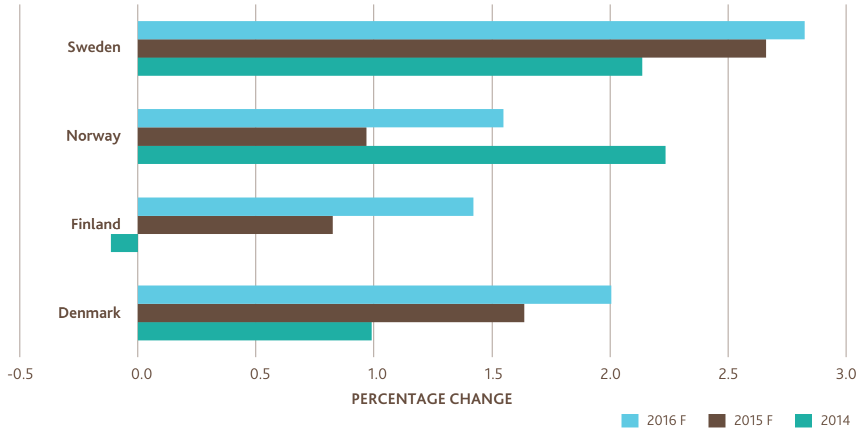
Deal volumes have picked up in the Nordic countries since 2009. There are also some signs of increased interest by international investors.

In addition to the comparatively positive economic outlook, interest in the Nordics is driven by the favourable business culture, the commitment to robust corporate governance, a high-quality regulatory environment, access to highly educated employees and innovative companies in fields such as mobile gaming, business services, online services and smart energy.

All four Nordic countries are small. The domestic market is often too limited to build a successful business around. Many companies are 'born global' and an international approach is ingrained in the Nordic corporate culture.

The Nordic countries have a strong track record and commitment to high-quality corporate governance. All four countries have a strong rule of law, support for civil society and clear rules governing the behaviour of those in public positions. All four countries were among the top five in Transparency International's Corruption Perception Index for 2014 (source: www.transparency.org/cpi2014/results).

GROSS DOMESTIC PRODUCT IN CONSTANT PRICES



Source: IMF, April 2015

The Nordic countries are also rated highly in the World Bank's latest global ease of doing business rankings, with Denmark in fourth place, Norway in sixth, Finland in ninth and Sweden in eleventh place (source: www.doingbusiness.org/rankings). A high ease of doing business ranking means that the regulatory environment is judged to be more conducive to setting up and operating a local firm.

Furthermore, access to well-educated employees is among the best in the world. Educational attainment is generally higher in the Nordic countries than in the EU as a whole. Between 35% and 50% of the Nordic population aged 15 to 74 have a secondary education and 22% to 30% have a tertiary education. The quality of education is also high: for example Finland scores highly in the OECD's Programme for International Student Assessment (PISA) rankings.

However, the developed regulatory system, strong rule of law and large public sector also has its downsides when it comes to doing business in the Nordics. The Nordic countries tend to have complex rules on employment, tax and pensions and those requirements vary between the countries.

The Nordic countries are home to some exciting success stories, especially in the converging technology, media and telecoms industries. These success stories, the business culture and the high level of education have also resulted in an increasingly thriving start-up scene and the rise of many new, innovative companies.

The region is home of a number of major multinationals such as H&M, Ericsson, Nokia, Statoil, Maersk, Novo Nordisk, Ikea, Volvo, ISS. However, the Nordics is also a hub for some of the world's fastest-growing digital businesses and other innovative companies, including Skype, Spotify, Supercell, Rovio and many others.

GLOBAL

8,249 rumoured transactions

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M&A takes a step back in Q1 but market remains strong

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North American deal prospects remains strong

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Positive outlook for 2015

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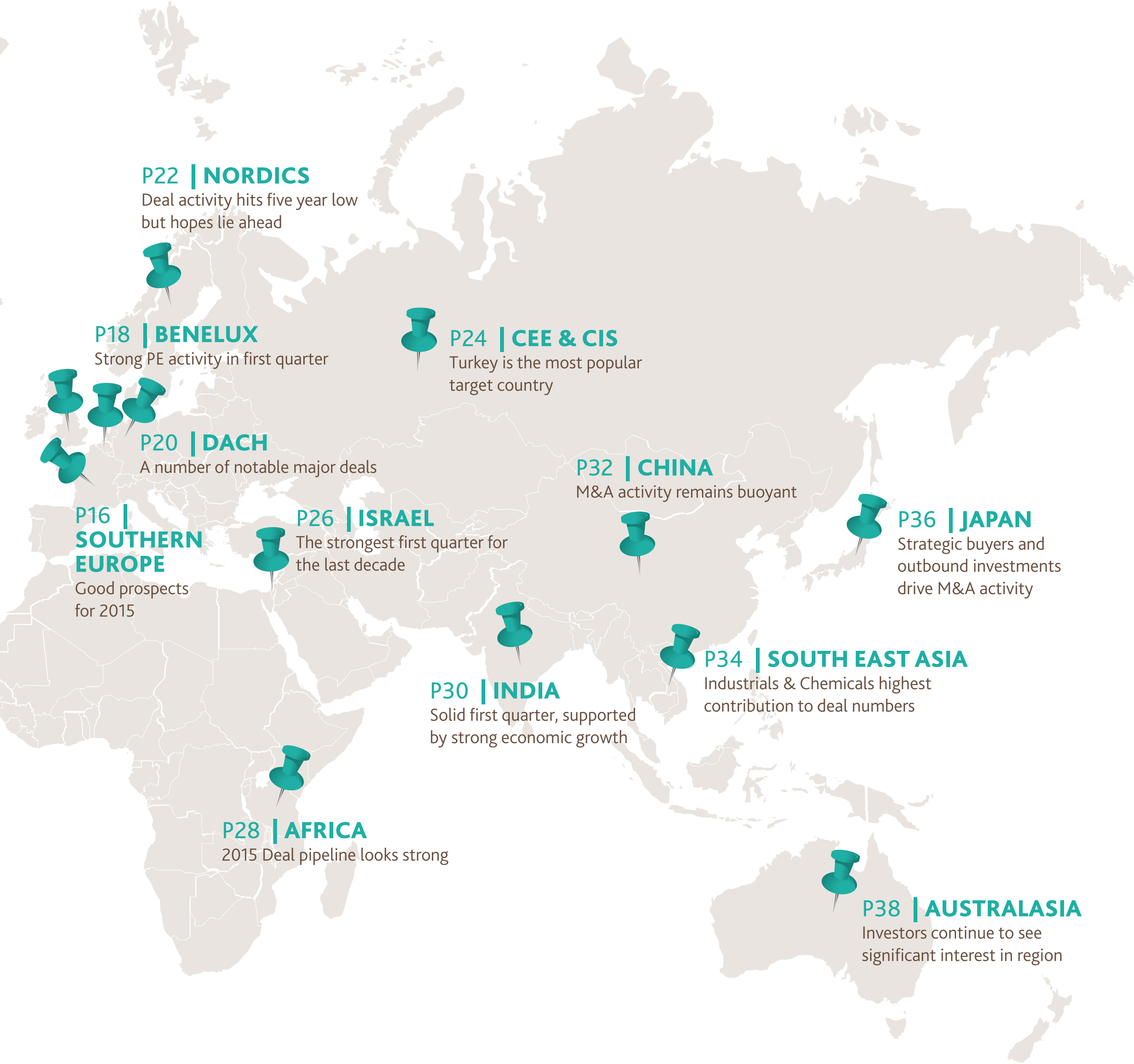


REGIONAL VIEW

NORTH AMERICA

BOB SNAPE
President
bsnape@bdocap.com

BIG PICTURE

- The number of Q1 2015 transactions down 35% and total value falls 28% compared to Q1 2014
- Weakening economic signals and the strong dollar negatively impacted activity
- A comparatively weak start to 2015, but a lot to live up to as 2014 was the best year since 2007
- Prospects good for renewed strength in North American M&A activity for the balance of 2015.

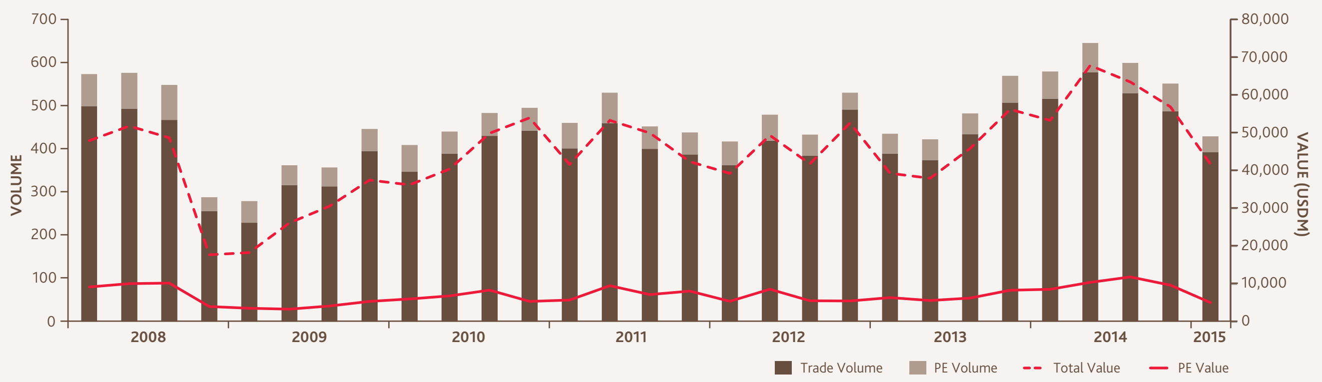
M&A activity slows in Q1 but the factors are in place for growth in the rest of 2015.

Generally, the first quarter of each year shows a decline in deal activity after the traditional rush of fourth quarter closings in the previous year. However, recent trends did not conform to tradition this time as fourth quarter 2014 activity was also soft and contributed to a declining deal environment that lasted through to March 2015. High company valuations, abundant lending sources, aggressive PE funds and well-capitalised strategic buyers all seem to suggest that we should see a more robust deal market and an increase, rather than decrease, in activity ahead. Since 2012, we have been in a strong, sustained sellers' market which may have temporarily exhausted the supply of new saleable companies to the M&A market. Concerns on the direction of the US economy may have contributed to a lack of seller commitment. The collapse in energy prices, general weakness in foreign markets and a strengthening dollar have all had negative effects on the US economy and, potentially, middle market M&A activity. Throughout 2014 the US economy posted improving quarterly GDP growth but many economists are now downgrading their growth predictions for 2015. On the plus side, strategic and financial buyers still have abundant capital to make acquisitions. The banks and other lenders are still anxious to make new loans to fuel corporate growth and acquisitions. And low interest rates make the costs of additional debt capital very low. Together, all of these factors should contribute to a stronger middle market M&A environment for the rest of the year.

KEY DEALS

While middle market activity paused, mega-deals continued at a torrid pace in the first quarter. M&A market activity for larger companies continued to show improvement during Q1 2015, building on last year's momentum. Q1 2015 deal activity includes 15 newly-announced M&A deals with a transaction size of over USD 10bn, resulting in a record quarter for large deal activity and putting 2015 on track to achieve a record annual M&A dollar volume. Some of the largest deals of the quarter included: Heinz Co., jointly owned by 3G Capital Partners Ltd and

PE/TRADE VOLUME & VALUE



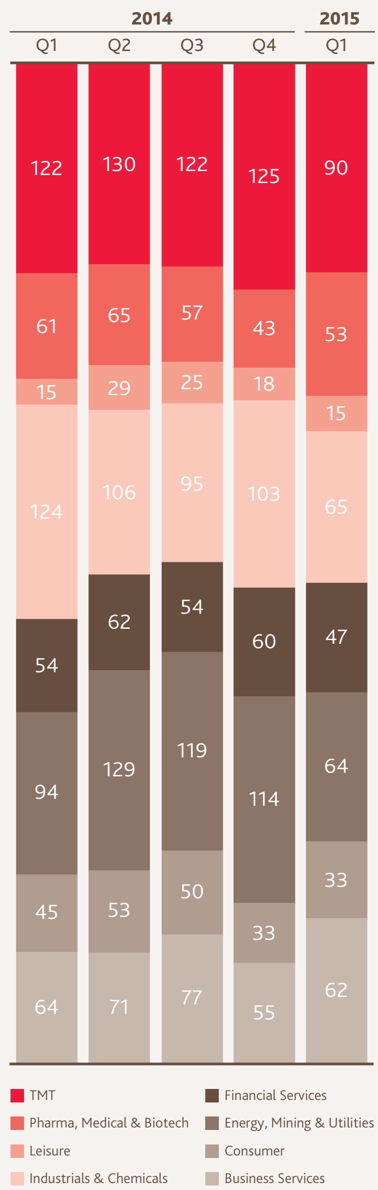
Berkshire Hathaway Inc., agreeing to acquire Kraft Foods Group, Inc. for USD 45.8bn; AbbVie, Inc. entering an agreement to acquire Pharmacyclics, Inc. for USD 19.9bn; OptumRx, Inc., ultimately owned by UnitedHealth Group, Inc., agreeing to acquire Catamaran Corp. for USD 12.8bn; NXP Semiconductors NV's agreement to acquire Freescale Semiconductor Ltd. for USD 11.1bn; and Charter Communications, Inc.'s agreement to acquire Bright House Networks LLC from Advance Publications, Inc. for USD 10.6bn.

For Q1 2015, TMT (90 deals) was the most active sector in middle market transactions followed by Industrials & Chemicals (65 deals). Continued energy price weakness in early 2015 led to a significant drop in M&A activity in the quarter for the Energy, Mining & Utilities sector, with deal numbers falling from 114 in Q4 2014 to 64 in Q1 2015.

NORTH AMERICA HEAT CHART BY SECTOR

TMT	511	21%
Pharma, Medical & Biotech	449	19%
Industrials & Chemicals	402	17%
Business Services	314	13%
Energy, Mining & Utilities	306	13%
Consumer	187	8%
Financial Services	156	7%
Leisure	64	3%
TOTAL	**2,389**	**100%**

NORTH AMERICA MID-MARKET VOLUMES BY SECTOR



OUTLOOK FOR 2015

With equity prices near records highs, abundant cash and low interest rates, the underlying fundamentals for North American deal-making remains extremely strong. The decline in activity levels is also sector and geographic specific. Weak oil prices have dramatically slowed deal activity in energy and related sectors. Likewise, the strong dollar has negatively impacted cross-border inbound M&A activity as U.S. companies are getting too expensive for foreign buyers. The recent decline in middle market activity is likely to be a temporary lull rather than something systemic and longer term. Although the US Federal Reserve recently announced that it is likely to raise rates, long-term rates remain at historically low levels and the prospect of inflation is muted. Recent economic weakness is creating uncertainty over when interest rates will rise and it is likely that the Fed will delay any rate hikes until later in 2015.

On the other hand, recent monetary stimulus in Japan and Europe has benefitted North American markets as participants see strong economies in Asia and EU as a key to sustaining economic growth at home. Obviously, the Fed's easy money policy cannot last forever and rates will eventually rise. When they do, and money becomes more expensive, deal prices will undoubtedly decrease, but for 2015 at least, the impact should be slow and gradual and middle market M&A should get back on track very soon. The temporary slowdown in middle market deal activity in the first quarter of 2015 is not due to falling valuations or credit disruptions, but rather a lack of quality deals coming to market. As values continue to rise, would-be sellers will be enticed to leave the sidelines for greener pastures, leading to rising deal counts once again.

LATIN AMERICA

FERNANDO GARABATO
Partner
fgarabato@bdoargentina.com

BIG PICTURE

- Deal volume and value fall sharply
- Weak economic growth driven by low commodity prices
- Industrials & Chemicals, and Energy, Mining & Utilities present interesting opportunities
- Growth expectations in Mexico and Peru, and the prospect of political and economic change in Argentina, support a positive outlook.

A drop in M&A activity during Q1 2015, but opportunities ahead.

The first quarter of 2015 showed a steep drop in both the number and value of deals in Latin America, with only 39 transactions completed to a total value of USD 4.2bn.

This in sharp contrast to Q1 2014, which saw 86 deals worth a total of USD 7.4bn, and Q4 2014, where 85 deals were completed at a total value of USD 7.5bn.

Out of the 39 deals in Q1 2015, three were private equity buy-outs, with a total value of USD 469m (11% of total Q1 2015 value), which compares with nine deals for USD 636m in Q1 2014 and nine deals for USD 1.3bn in the last quarter of 2014.

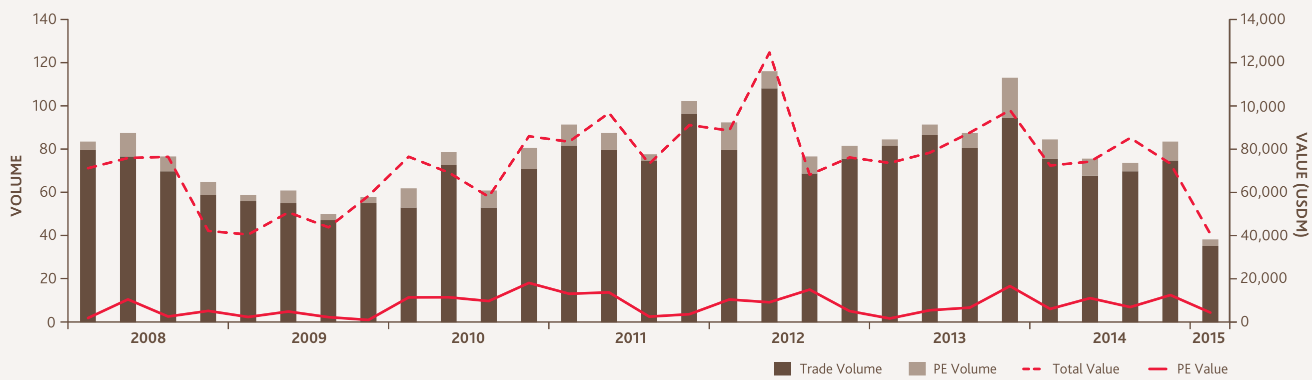
This drop is the highest registered since 2008 and is strongly related to low economic growth rates in the region during 2014, which were in turn driven by commodity and oil price falls during the second half of 2014.

AROUND THE REGION

The region's main economy, Brazil, is suffering both economically and politically. The corruption scandal involving Petrobras and the ruling party has negatively affected the image of the recently re-elected President, Dilma Rousseff. Argentina is also suffering from low levels of economic activity, high inflation rates, and a foreign exchange blockage that prevents capital flowing freely in and out of the country, thereby reducing investment and deepening the economic slowdown.

The year ahead is also expected to see slow growth in the region, with a few exceptions such as Mexico and Peru. These countries are expected to benefit from structural reforms and fiscal stimulus and attract investment. Mexico is also expected to benefit from the US's economic recovery.

PE/TRADE VOLUME & VALUE



KEY SECTORS

Brazil still remains the main target for transactions, and was responsible for six of the top ten deals in Q4 2014, representing USD 1.4bn million of the total top ten deal value of USD 2.4bn. More than half of this value (USD 752m) can be attributed to deals within the Business Services sector. In second place, the Energy, Mining & Utilities Sector reached a transaction value of USD 631 million on two deals, with Brazil and Chile as the target countries. In the third place, Consumer contributed three deals totalling USD 534m. It is interesting to note the high levels of activity in Brazil despite the current economic and political situation.

The BDO Heat Chart shows a total of 460 deals for the period between 14 October 2014 and 14 April 2015. This implies that there were 22 deals less than those registered in the second half of 2014. Industrials & Chemicals, together with Energy, Mining & Utilities remain the most active sectors with 114 and 97 deals respectively. It is worth mentioning that the Consumer sector is responsible for 18 less deals since the last review.

LATIN AMERICA HEAT CHART BY SECTOR		
Industrials & Chemicals	114	25%
Energy, Mining & Utilities	97	21%
Consumer	67	15%
Business Services	66	14%
TMT	50	11%
Financial Services	40	9%
Leisure	14	3%
Pharma, Medical & Biotech	12	3%
TOTAL	**460**	**100%**

LOOKING AHEAD

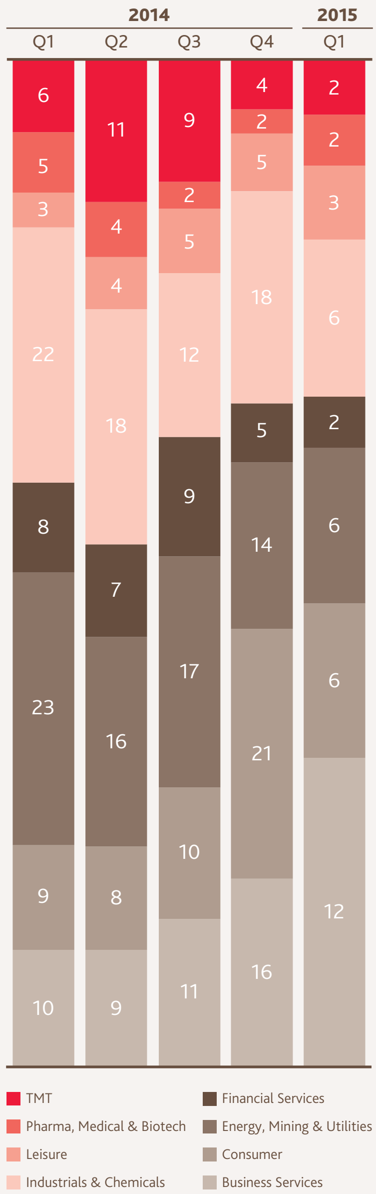
Despite poor performance in terms of number and value of deals during the first quarter, we remain confident that 2015 should be a good year for the region, given the liquidity levels in international markets and the growth potential of some countries of the region.

However, we need to keep a close eye on US interest rates. Although an increase will make the US dollar more attractive, Latin American countries will still offer opportunities for higher yield investors with an appetite for risk.

In relation to Argentina, it is worth mentioning that the Mining sector has positive prospects, as is proven by the recent announcement made by Glencore, confirming an investment of USD 3bn to develop a copper mine in San Juan to produce 200,000 tons of copper a year.

Also, with presidential elections taking place in October, 2015 is a hinge year for Argentina. There are high hopes that a change in the political situation will lead to an opening up of the economy. With a new administration restoring confidence in the Government, positive conditions should develop for investors.

LATIN AMERICA MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

KATHARINE BYRNE
Partner Corporate Finance
kbyrne@bdo.ie

BIG PICTURE

- M&A activity declines in Q1, with PE deals falling sharply
- Cross-border deals remain to the fore
- Pharma, Medical & Biotech bucks the trend with total deal value rising to USD 1.8bn
- TMT deals fall back as IPOs prove more attractive.

M&A takes a step back in Q1, but the market remains strong and prospects good.

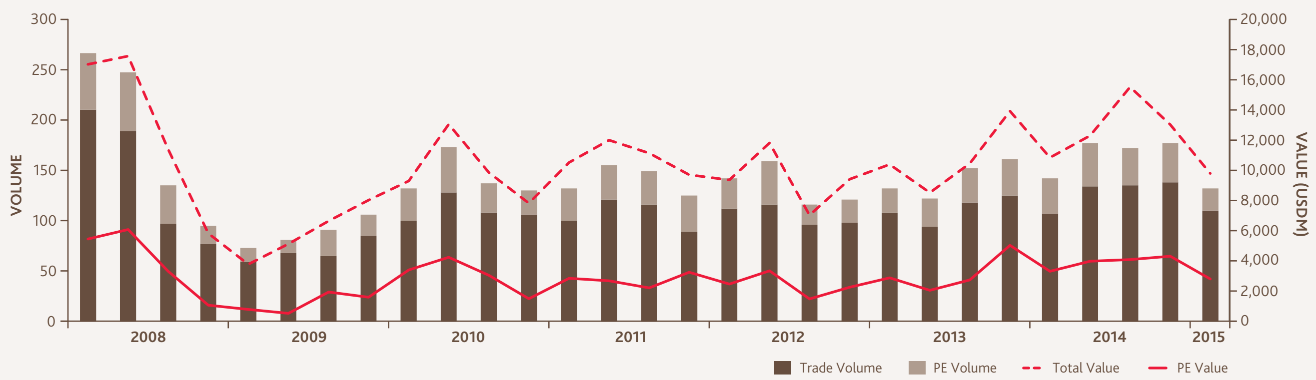
After a surge in M&A activity during the final quarter of 2014, this year started at a significantly slower pace with only 132 deals in Q1 2015, the least active quarter since Q2 2013. This should be seen in context that the push to complete deals at the end of a calendar year often results in a lower level of activity in the first quarter. However, in this case, the overall decline was driven by a 37% reduction in PE deals from Q1 2014 compared to a 3% increase in trade transactions. This significant drop in PE activity highlights the difficulty facing many funds in accessing deals at realistic valuations.

We also noted an increase in the number of non-disclosed PE transactions which could be driven by sensitivity surrounding valuations. But with PE firms sitting on over USD 1tn of funds, and trade increasingly looking to M&A for growth, we are confident that the rest of 2015 should see a pick-up in mid-market transactions.

In line with the decrease in activity, aggregate deal value was USD 9.8bn for the quarter; a 25% decline from previous quarter and 10% year-on-year. Despite the slight increase in trade transactions from last year, total trade values slipped to USD 6.9bn and 70% of trade deals were valued at under USD 50m as confidence among SMEs improves.

It is interesting to note that although PE deals represented only 16% of total activity, they continue to represent nearly a third of the total value, with five of the largest deals this quarter completed by PE funds. These included LDC 's USD 465m acquisition of NEC Birmingham and Exponent's acquisition of Big Bus Tours for USD 400m. But it's not just the large transactions that are being targeted, the recent sale of Irish educational publisher CJ Fallon highlighted PE's appetite for smaller cash generative businesses.

PE/TRADE VOLUME & VALUE



Cross-border deals remain to the fore with buyers from the US, Spain, Japan and South Africa all featuring in the top ten transactions. The largest transaction this quarter was the sale of Quinn Glass (rebranded as Encirc) for USD 479m to Spanish buyer Vidrala which, along with the sale this quarter of both Quinn Plastics and Laya Healthcare, completes the break-up of the Quinn Group.

KEY SECTORS

There was reduced deal activity across most sectors in Q1 2015, with the exception of Pharma, Medical & Biotech, which saw an uplifts of 15% from Q4 2014 and 50% from Q1 2014. Total Pharma, Medical & Biotech deal value reached USD 1.8bn, buoyed up by large transactions including Actavis' acquisition of Auden McKenzie's Pharma division and Nikon's initiative to enter the medical sector through the purchase of Optos Plc.

Deal activity in Business Services remained steady, representing nearly a quarter of all first quarter deal volume and, according to the BDO Heat Chart, this sector will continue to be active throughout the year. The largest declines were seen in TMT and Energy, Mining & Utilities, where deal activity in Q1 2015 fell by 44% and 40% compared to Q4 2014. While the reduction in Energy transactions was anticipated in light of ongoing oil price fluctuation, the sudden fall-off in TMT activity was a real surprise. The decline is partly attributable to a surge in IPO activity during 2014 which has resulted in more technology companies looking towards international capital markets instead of trade or private equity. For example, Irish biotech company Malin raised €330m in one of the largest life-science IPOs ever to take place in Europe.

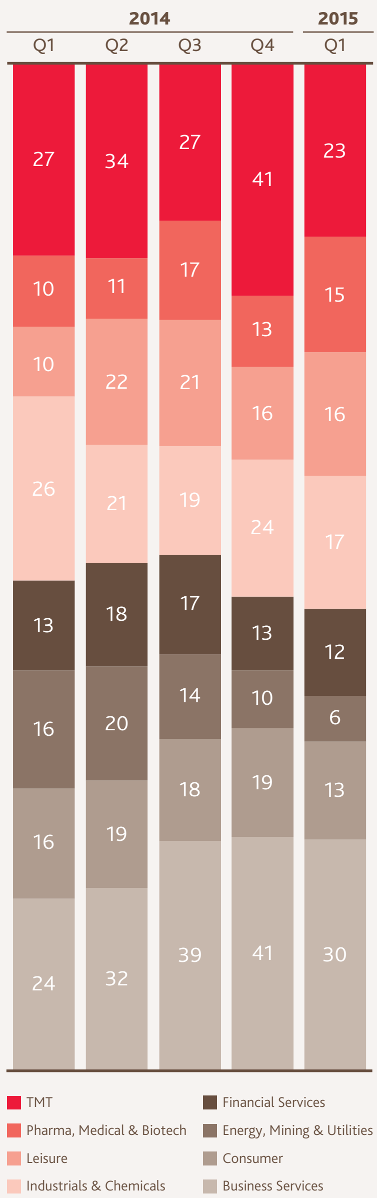
LOOKING AHEAD

While the general election in the UK is likely to cause some slowdown in deal activity, the BDO Heat Chart for UK & Ireland is still very strong, showing 374 transactions in the pipeline. In Ireland we have seen one of the busiest first quarters for mid-market deals since 2008. The establishment last year of the Irish Strategic Investment Fund (ISIF), with €7bn of funds to invest in the Irish economy, has generated significant activity across all sectors. The ISIF has already made investment commitments of €1.5bn to a number of long-term funds as well as through direct investment in companies. One particular area of focus for the ISIF is the provision of equity to Irish SMEs, so we expect to see a lot more deal activity over the coming year as the ISIF and other equity funds seek to deploy capital into ambitious growth companies.

UK & IRELAND HEAT CHART BY SECTOR

TMT	76	20%
Industrials & Chemicals	63	17%
Business Services	54	14%
Consumer	38	10%
Energy, Mining & Utilities	38	10%
Leisure	38	10%
Financial Services	36	10%
Pharma, Medical & Biotech	31	8%
TOTAL	**374**	**100%**

UNITED KINGDOM & IRELAND MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

CRISTINA SOUSA DIAS
M&A Director
cristina.dias@bdo.pt

BIG PICTURE

- Q1 2015 deals fell in terms of both volume and value
- Industrials & Chemicals and TMT stand out as the most active sectors for M&A
- Good prospects ahead for deals in 2015.

After a volatile 2014, the overall trend continues to be cyclical.

In the first quarter of 2015, both the number (102) and value (USD 8.1bn) of mid-market deals in Southern Europe was down vs the same period last year (which saw 118 deals with a total value of USD 9.8bn). When Q1 2015 is compared with the final quarter of last year the fall was still sharper, but as one of the features of M&A activity in 2014 was high quarterly volatility, this drop should be interpreted as a cyclical rather than falling trend.

SOUTHERN EUROPE MID-MARKET M&A

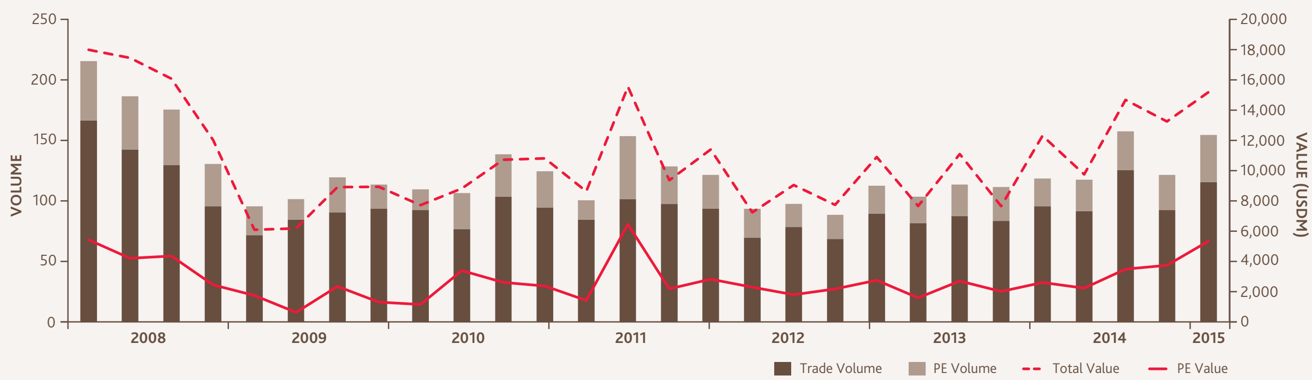
Private equity buyout deals added up to a total value of USD 3.2bn (40% of the total deal value), with 27 deals completed (amounting to 26% by volume). Since Q3 2013, private equity's contribution to M&A mid-market activity has been consistently rising, especially as a proportion of total deal value. This is a welcome development as it enhances business leverage and offers a more global vision to business strategy.

KEY SECTORS

Industrials & Chemicals continues to be the most active sector with 28 transactions, which represents 27% of total deal volume. Overall, the proportion of deals attributed to each sector was very similar to the average for 2014. TMT was an exception, with its share of deal activity increasing in Q1 2015 to 21% of the total, with 21 deals completed. After a period of some turbulence, Financial Services saw its deal volume fall to just five deals.

Looking at the top ten deals in Q1 2015, these added up to a combined value of USD 3.8bn and represented 47% of total deal value. Of these, six involved the acquisition of French companies at a total cost of USD 2.3bn. The French targets were spread across different sectors and the acquirers were primarily from Europe. The largest deal was the USD 490m acquisition of a 5% stake in Dassault Aviation SA. The second largest was the acquisition of a 7.8% stake in French reinsurance giant Scor SE by Sompo Japan Nipponkoa Holdings Inc

PE/TRADE VOLUME & VALUE



as part of their strategy to further expand their overseas insurance business. The top ten deals also included three Italian targets, from Business Services and Consumer, with a deal value between USD 360m and USD 450m. A consortium formed by Ardian (60%) and Crédit Agricole Assurances (40%) acquired 49% of F2i Aeroporti S.p.A, a holding company of F2i First Fund which owns 35.7% of SEA S.p.A. (Milan Malpensa and Linate Airports), 70% of GESAC S.p.A. (Naples Airport) and 54.5% of SAGAT S.p.A. (Turin Airport).

Lusort, a Portuguese company that manages the Vilamoura resort in Algarve, was sold to Lone Star Funds (an American private equity firm), along with Paul Taylor, the owner of Monte Quinta resort in Quinta do Lago. This USD 200m transaction was part of a divestment process by Catalunya Banc, S.A., which intends to focus more closely on retail banking.

LOOKING AHEAD

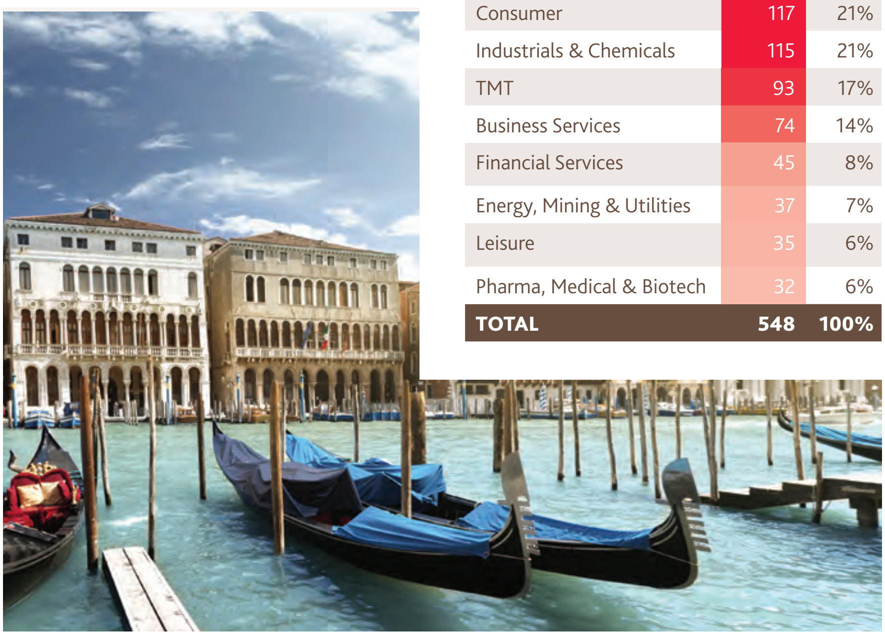
The Heat Chart shows a generally positive outlook for M&A with 548 opportunities identified, 12% more than the previous quarter.

The most active sectors are forecast to be Industrials & Chemicals, Consumer and TMT, which together represent 60% of the anticipated deals. Of these, the Consumer sector is expected to be the busiest sector with 117 deals.

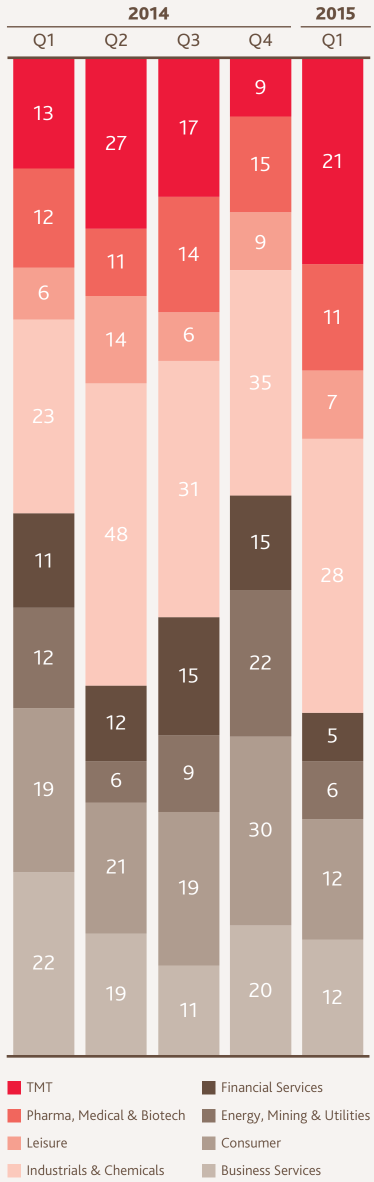
Business Services, Financial Services and Leisure should also contribute positively to the number of transactions. Although the prospects remain encouraging for most sectors, the overall trend since 2013 continues to be cyclical.

SOUTHERN EUROPE HEAT CHART BY SECTOR

Consumer	117	21%
Industrials & Chemicals	115	21%
TMT	93	17%
Business Services	74	14%
Financial Services	45	8%
Energy, Mining & Utilities	37	7%
Leisure	35	6%
Pharma, Medical & Biotech	32	6%
TOTAL	**548**	**100%**



SOUTHERN EUROPE MID-MARKET VOLUMES BY SECTOR



BENELUX

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

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

BIG PICTURE

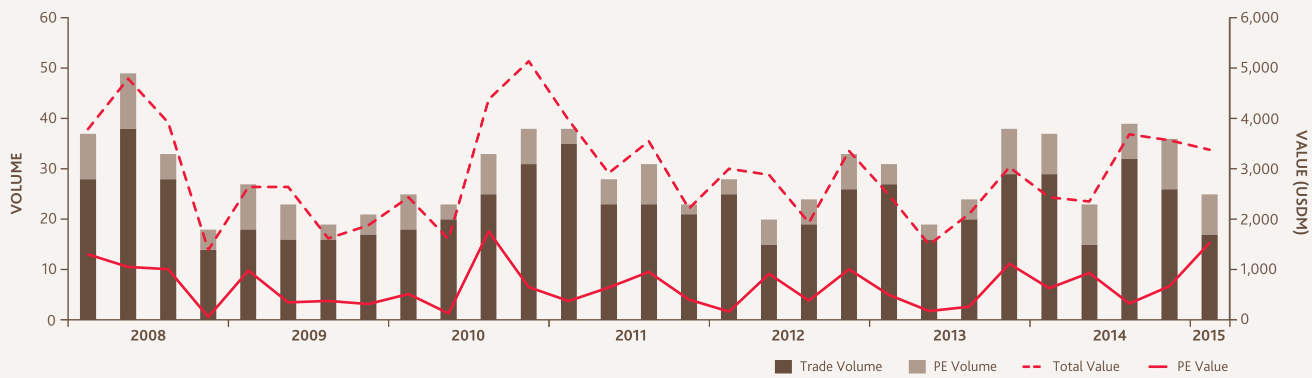
- Deal volume falls sharply in Q1 2015, driven by a drop in trade sales
- Total deal value remains strong, supported by strong PE activity with average deal value at a three-year high
- TMT and Industrials & Chemicals are the most important sectors for M&A.

Strong PE activity in what was otherwise a relatively quiet first quarter.

M&A activity in Q1 2015 was sluggish, with only 25 deals completed against an average of 30 deals per quarter over the last two years. Compared to the last two quarters of 2014 (Q3 2014: 39 deals and Q4 2014: 36 deals), there was a significant slowdown in activity. This drop can be largely attributed to a decrease in trade activity. In fact there were only 17 trade deals in Q1 2015, compared to 32 in Q3 2014 and 26 in Q4 2014. There were eight private equity deals in Q1 2015, in line with previous quarters.

In contrast, the total value of deals held up well, reaching USD 3.4bn in Q1 2015 and representing an average deal size of USD 135m. In fact, this is the highest average deal size for three years. Notably, the average private equity deal size in Q1 2015 climbed to USD 192m, the highest figure since Q4 2011. As we discuss in more detail later, Q1 2015 was marked by some exceptionally large private equity deals in the region. The eight deals that took place in the first quarter of 2015 had a total value of USD 1.54bn, meaning that private equity deals represented 45% of all M&A deal value in Q1 2015. This was a historic high water mark – on average over the last five years private equity only represented 22% of total quarterly deal value.

PE/TRADE VOLUME & VALUE



Our sector breakdown shows that TMT and Industrials & Chemicals continued to take the lead in M&A activity. In Q1 2015, these sectors accounted for eight and six deals respectively. Over the last two years, the two sectors combined represent almost 50% of total deal activity in Benelux.

KEY DEALS

As stated above, Q1 2015 was marked by some large private equity deals.

The largest deal was the USD 462m sale of 65% of Dutch Royal DSM's polymer intermediates and composite resins activities to private equity group CVC Capital Partners. Not far behind was French PAI Partners' USD 458m acquisition of Belgium-based A.S. Lathouwers, Europe's largest specialty retailer of outdoor equipment and clothing, from UK's Lion Capital LLP. A.S. Lathouwers has shops in Belgium (AS Adventure), the UK (Cotswold Outdoor) and the Netherlands (Bever), as well as an online retail business. Taking third place in the top ten was the sale of the Belgian steel panels specialist Joris Ide by Ergon Capital Partners and a private investor to the Irish building materials group Kingspan in a deal worth UDS 356m.

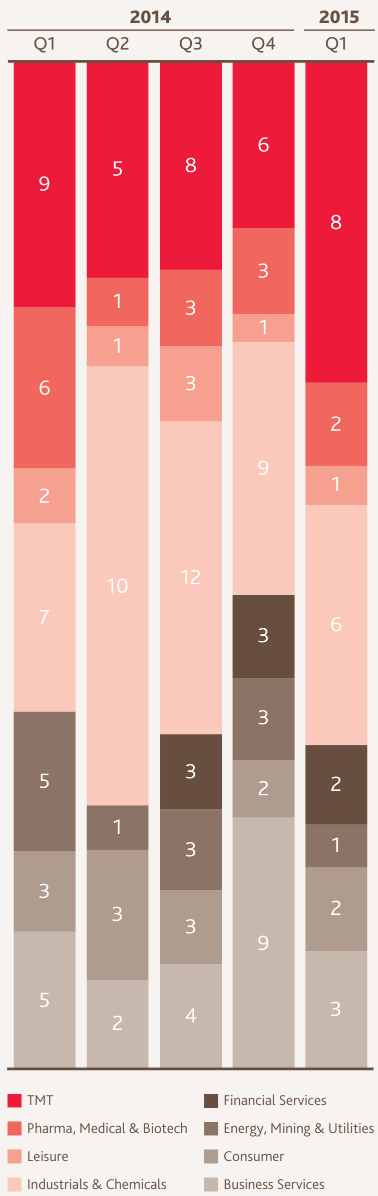
BENELUX HEAT CHART BY SECTOR

Industrials & Chemicals	47	30%
TMT	39	25%
Consumer	18	11%
Business Services	17	11%
Financial Services	13	8%
Pharma, Medical & Biotech	12	8%
Energy, Mining & Utilities	9	6%
Leisure	2	1%
TOTAL	**157**	**100%**

LOOKING AHEAD

The BDO Heat Chart shows 157 deals planned or in progress in Benelux, a slight decrease on the 163 deals projected in the previous quarter. The areas predicted to be the most active are, not surprisingly, TMT and Industrials & Chemicals. We believe that in the next quarter and further ahead Benelux M&A activity will gain momentum, fuelled by plentiful capital and low financing costs.

BENELUX MID-MARKET VOLUMES BY SECTOR



DACH

CHRISTOPH ERNST
BDO Financial Advisory Services, M&A
christoph.ernst@bdo.at

BIG PICTURE

- A number of notable major deals
- Total trade volume and value dips
- The proportion of PE sector deals falls
- Higher deal complexity may be driving lower completion rate.

The M&A market remains busy, but with activity lower than last year.

Despite high expectations of an improved market environment, both deal numbers and value took a backward step between Q4 2014 and Q1 2015.

Swiss M&A activity was heavily influenced by the Swiss National Bank's unexpected decision of to abandon the CHF/EUR exchange rate floor in January 2015, which immediately caused the Swiss currency to appreciate by approximately 20%. Based on these developments the priorities of Swiss businesses have shifted. Even though the purchasing power of Swiss companies looking for acquisitions abroad has increased, many companies are now busy making operational improvements.

Despite the decline in terms of volume and value, there was some very interesting M&A activity in the DACH region during Q1 2015.

In the real estate sector, Deutsche Wohnen, a German-based, listed real estate company, made a voluntary public takeover bid to the owners of its Austrian competitor Conwert Immobilien Invest SE. at EUR 11.5 in cash per Conwert share. The total deal value was just over USD 1bn.

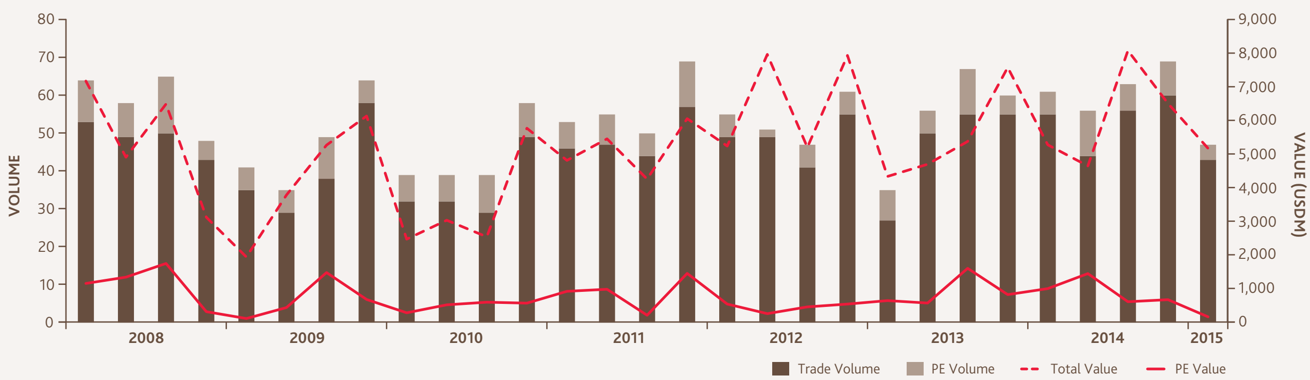
A gripping and increasingly bitter M&A battle is currently going on in Austria between Immofinanz AG and CA Immo, two Austria-based real estate companies. Both are attempting to buy minority stakes in one another in what analysts believe is a battle for control ahead of an eventual merger to create a group with a combined property portfolio of around USD 10.6bn. To make things even more complicated the two companies launched lawsuits against each other in April.

The Swiss M&A market was dominated by the acquisition of certain assets of Holcim Ltd. and Lafarge S.A. by CRH plc, which totalled USD 7bn. All three companies are listed and engaged in the production and sale of building materials. More generally the Industrials & Chemicals sector continued to dominate M&A activity in the DACH region, with almost 30% of the total deal volume in Q1 2015.

Among the most notable deals involving major foreign investments in Germany was the acquisition of German-based Detlev Louis Motorradvertriebs GmbH, Europe's largest catalogue and online motorbike accessories and clothing retailer, by Berkshire Hathaway Inc., Warren Buffet's listed, US-based investment management company. The deal value is estimated to be USD 435m.

In the financial services industry, two major transactions were closed. In February,

PE/TRADE VOLUME & VALUE



Aareal Bank Group, the listed German-based real estate bank, acquired all shares of Westdeutsche ImmobilienBank AG (WestImmo), which specialises in commercial property financing, for a cash consideration of USD 380m.

Swiss Union Bancaire Privee, UBP SA, has agreed to acquire Switzerland-based Coutts & Co. Ltd from the Royal Bank of Scotland Group plc for an estimated value of USD 363m with the aim of broadening its portfolio with private banking, wealth management and commercial banking services.

PE ACTIVITY

Although PE funds were generally less active, there were still a few notable transactions in Q1.

Centerbridge, a private investment firm with offices in New York and London, acquired Senvion, the German-based manufacturer and supplier of wind powered generating facilities, from the Indian wind turbine producer Suzlon, for approximately USD 1bn.

DS Smith plc has agreed to acquire Duropack Group, both manufacturers of corrugated cardboard packaging, from the private equity firm One Equity Partners LLC and Christine de Castelbajac, the daughter of Herbert Turnauer. Furthermore Wendel SA, the listed French private equity firm, has agreed to acquire a majority stake in Constantia Flexibles Group GmbH, another Austria-based provider of packaging solutions, from One Equity Partners LLC and Herbert Turnauer Foundation. The Herbert Turnauer Foundation plans to re-invest in Constantia Flexibles and remain as a significant shareholder.

Where would the M&A market be without any news from the Pharma, Medical & Biotech industry? As predicted in an earlier edition of BDO Horizons, industry consolidation is continuing. Baxter BioScience Inc. a subsidiary of Baxter International, Inc., the listed US-based healthcare company, has acquired SuppreMol GmbH, the German-based biotechnology company engaged in developing novel therapeutics for the treatment of autoimmune diseases, from private equity and venture capital firms for a cash consideration of USD 217m.

LOOKING AHEAD

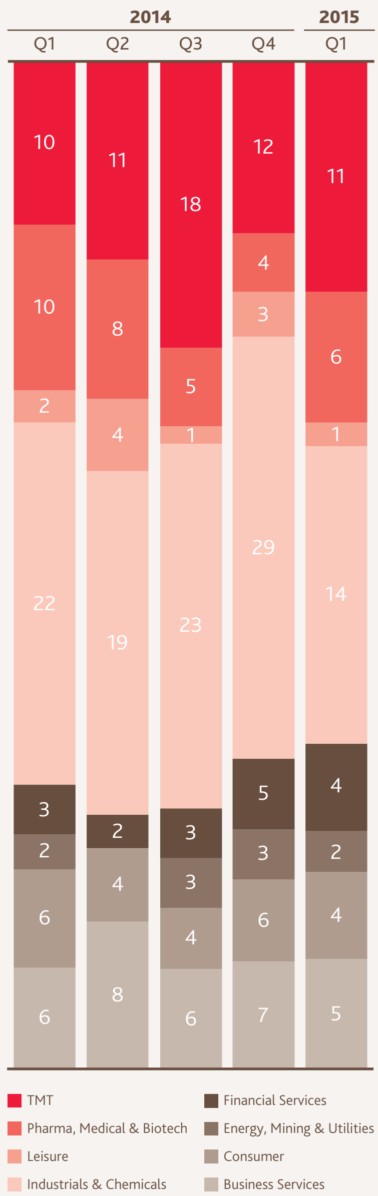
While Q1 2015 saw a drop in transaction values and volume compared to both the previous quarter and the first quarter of 2014, transaction levels are expected to remain generally strong for the rest of 2015, supported by favourable financing conditions. In terms of sectors, we expect increased activity in Industrials & Chemicals.

Even though the current projections for the economic development within the DACH region is diverse, all three countries expect a moderate (Switzerland and Austria) to high (Germany) BIP growth. The outlook for Switzerland in particular, is currently difficult to predict since it depends on whether Swiss companies decide to take advantage of their increased purchasing power, or whether they remain preoccupied with operational issues. In general the prognosis remains optimistic, tempered by prudent vigilance. More specifically, we anticipate increased deal activity in the financial services sector in Austria during Q2.

DACH HEAT CHART BY SECTOR

Industrials & Chemicals	112	32%
TMT	57	16%
Consumer	51	15%
Business Services	36	10%
Pharma, Medical & Biotech	35	10%
Financial Services	23	7%
Energy, Mining & Utilities	22	6%
Leisure	14	4%
TOTAL	**350**	**100%**

DACH MID-MARKET VOLUMES BY SECTOR



NORDICS

JAKOB SAND
Partner, Corporate Finance
jks@bdo.dk

BIG PICTURE

- Q1 2015 transaction value is half that of Q4 2014
- Private equity deal value and volume falls sharply
- Industrials & Chemicals and TMT are again the most active sectors
- Expectations for M&A activity during the rest of 2015 remain good.

First quarter M&A activity hits a five-year low but hope lies ahead.

Following a decent finish to 2014, Q1 2015 turned out to be a historically bad start to the year for Nordic mid-market M&A. First quarter transaction value of USD 2.5bn marks a five-year low and, at 42 transactions, volume is at its lowest level since the aftermath of the financial crisis in Q3 2009. When compared to Q4 2014, the first quarter of 2015 marks a drop of 36% in deal volume and 55% in deal value. Compared to Q1 2014, it constitutes a 33% drop in volume and 35% drop in value.

On the private equity side, we did not see last quarter's expectations being fulfilled, with deal numbers falling from seven to six in Q1 2015 and value down USD 914m to USD 311m, a drop of almost two-thirds compared to Q4 2014. PE buy-outs made up a larger share of total deal volume in Q1 2015 but a smaller share in total value, meaning that average PE deal value decreased compared to market average.

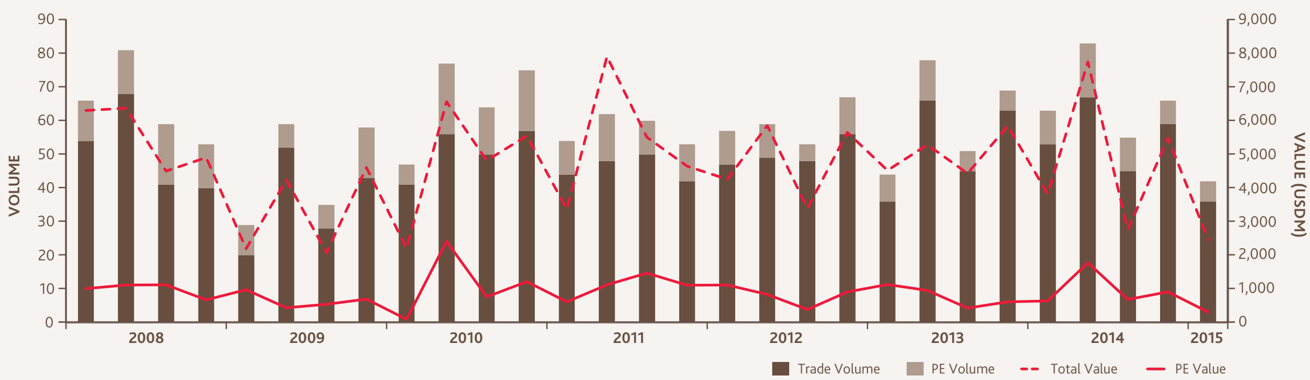
KEY DEALS

As was the case in the previous two quarters, seven out of the top ten deals in Q1 2015 were cross-border transactions and, as in Q4 2014, four of these were sales to non-Scandinavian countries (two to Germany and two to the US). Denmark was well represented in the top ten, with five involving sales of Danish companies.

The largest deal of the quarter was listed Finnish company Metso Oyj divesting their process automation systems business through its sale to another listed Finnish company, Valmet Corporation. The deal was announced at a value of USD 401m, making up 16.2% of total Q1 value. The sale is part of Metso's new strategy of refocusing on its core business in the mining, aggregates and oil & gas industries.

In total, the ten largest deals amounted to USD 1.8bn, representing 72% of total transaction value for the quarter.

PE/TRADE VOLUME & VALUE



KEY SECTORS

TMT and Industrials & Chemicals shared top spot for the most active sector, each representing 29% of total deal activity with 12 deals in each sector. The first quarter of 2015 saw a notably high sector concentration, with the two sectors above making up a particularly large share of total deals, indicating a steady interest within specific sectors and a higher volatility in the rest of the market.

LOOKING AHEAD

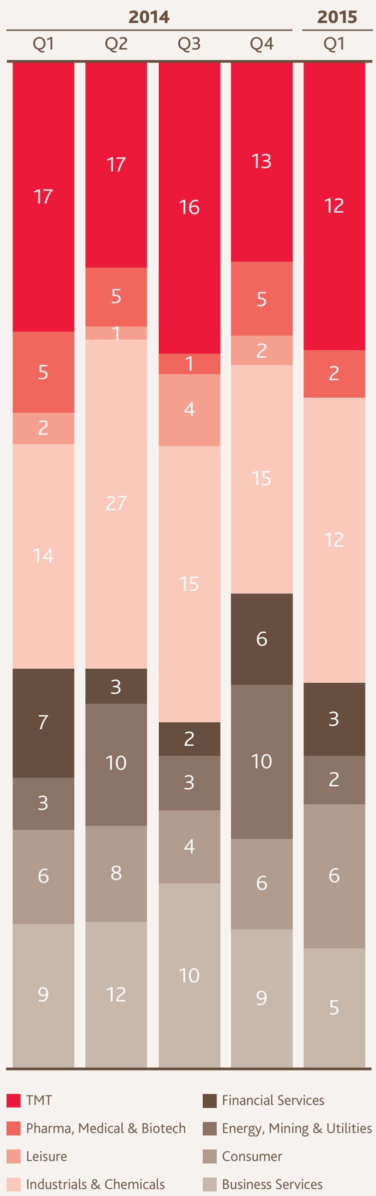
Even though 2015 has started sluggishly we maintain our belief that it will be a solid year for M&A activity, although not a spectacular one. The continued strength of the US dollar against the Nordic currencies means we expect American private equity funds to maintain their interest in Scandinavian countries. Strongly-performing Nordic stock markets indicate continued interest in the region and, combined with ever lower interest rates, this bodes well for M&A activity in the quarters to come.

We expect the Industrials & Chemicals and TMT sectors to maintain their momentum and remain among the most active sectors. Industrial companies are experiencing substantial global competitive pressure on their margins, which is increasing their need for scale and inorganic growth. TMT remains a highly dynamic sector with an increasing number of disruptive technologies, and the Nordics have the infrastructure and high levels of technological literacy across its population to stay relevant at an international level.

NORDICS HEAT CHART BY SECTOR

Industrials & Chemicals	60	29%
TMT	36	17%
Consumer	29	14%
Business Services	27	13%
Pharma, Medical & Biotech	19	9%
Financial Services	16	8%
Energy, Mining & Utilities	15	7%
Leisure	7	3%
TOTAL	**209**	**100%**

NORDICS MID-MARKET VOLUMES BY SECTOR



CEE & CIS

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

BIG PICTURE

- Total deal value and volume falls sharply in Q1
- Industrials & Chemicals was the single most active sector
- The BDO Heat Chart identifies significant prospects ahead
- Turkey, the most popular target country.

A quiet first quarter for M&A activity, but we expect a much stronger year ahead.

The first quarter is often weak in terms of deal activity and, with no evidence yet of the awaited turnaround, the total number of mid-market deals in Q1 2015 hit 2009 post-financial crisis lows. The overall number of transactions in the CEE & CIS region during Q1 2015 was 62, which is 24% down on the 82 deals seen in Q4 2014. Total deal value fell from USD 6.3bn in Q4 2014 to USD 4.4bn in Q1 2015, a reduction of 31%. The slump was also reflected in average deal value, which fell by 8.6% from USD 77m to USD 71m.

Although private equity still represents only a small fraction of total activity, the proportion of total PE deals by value (8.6%) matched the same time last year (8.4%) and was higher compared to the yearly average in 2014 (6.4%) and 2013 (7.3%). But in terms of volume, there was a significant reduction in Q1 2015, with just three PE deals completed.

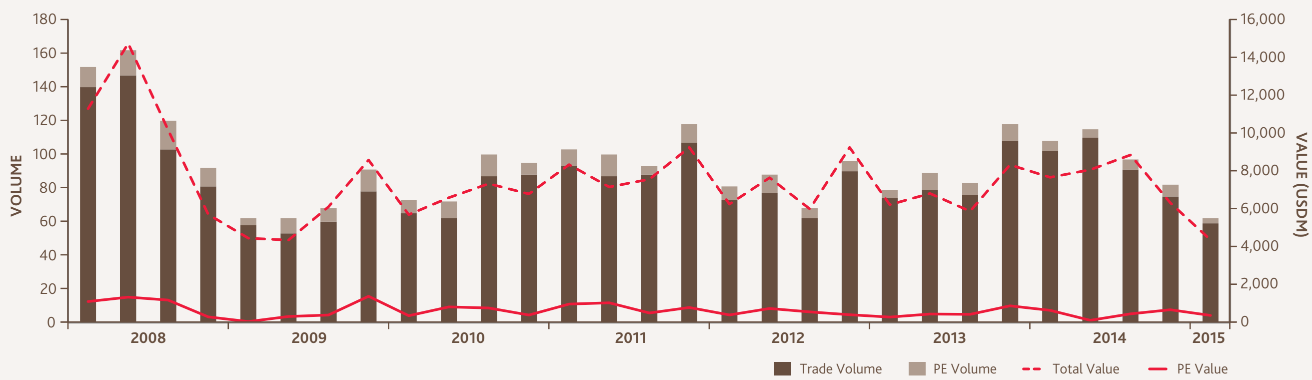
KEY SECTORS AND DEALS

Sector activity followed familiar patterns. As has been the case for several quarters, Industrials & Chemicals was the single most active sector with almost 34% of total M&A activity, followed by Consumer (14.5%), Energy, Mining & Utilities (12.9%) and Financial Services (11.3%). The sectors with the lowest volume of activity were Pharma, Medical & Biotech (3.2%) and Leisure (4.8%).

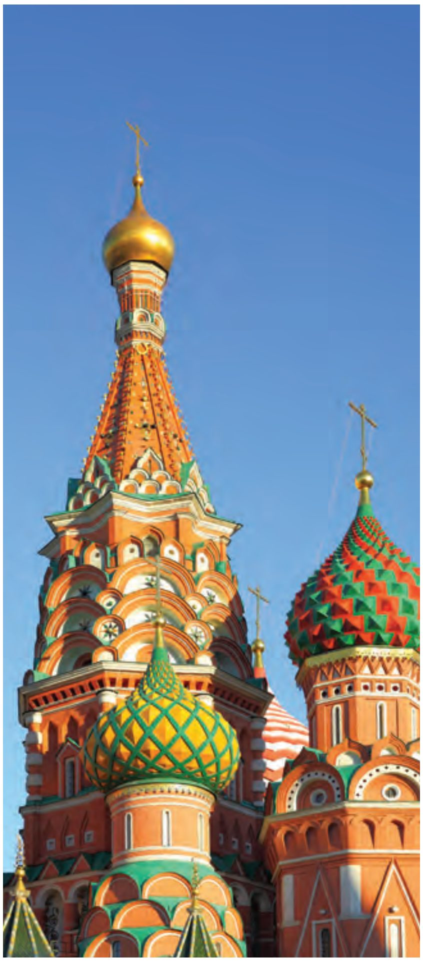
The ten largest deals in the region amounted to USD 2.8bn in the first quarter of 2015, representing 63% of total value. The single largest transaction was a domestic financial sector deal in Kazakhstan, which saw private investor Kenges Rakishev sell his 47.45% stake in BTA BANK JSC to Kazkommertsbank JSC for USD 403m. As might be expected for the region's most active sector, four of the top ten deals were in Industrials & Chemicals.

The BDO Heat Chart identifies the region as the third 'hottest' area after North America and Greater China.

PE/TRADE VOLUME & VALUE



The second busiest sectors within the top ten were Consumer and Energy and Mining & Utilities, which had two deals each. Four of the top ten deals in the first quarter were cross-border transactions. Turkey was the most active target country, representing three top ten transactions. Deals were also completed in Hungary, Russia, Poland and Bulgaria. On the bidder side, the US, China and the UK were all responsible for top cross-border transactions within the CEE & CIS region during Q1 2015.



LOOKING AHEAD

Although some investors may remain cautious because of the current Russia-Ukraine dispute, we believe that levels of M&A activity will increase in 2015. With low interest rates driving buyers to chase better returns elsewhere, we expect investment flows to continue seeking out opportunities in the emerging markets.

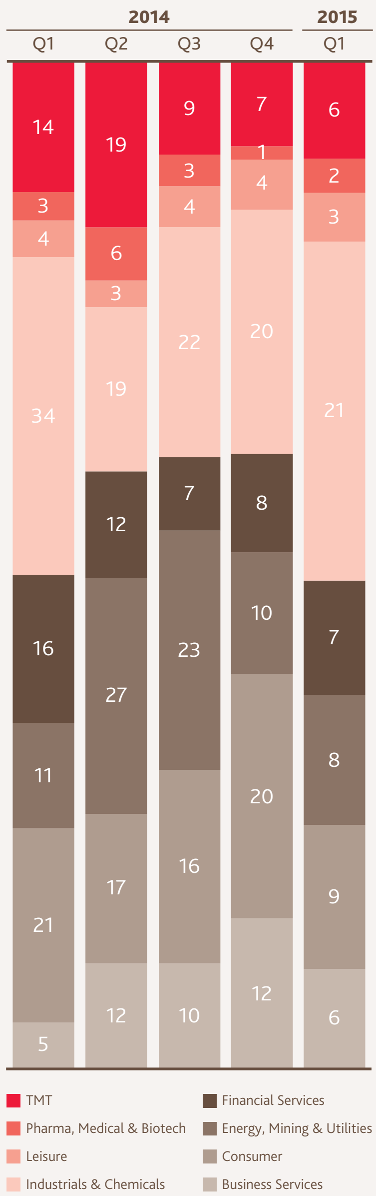
The BDO Heat Chart identifies the region (CEE & CIS consists of 33 countries altogether) as the third 'hottest' area after North America and Greater China, with a total of 674 deals forecast. As for the specific sectors, we expect the highest activity to be in Industrials & Chemicals followed by Consumer. We also expect high growth potential in TMT, which is chasing the leaders with 88 deals in the pipeline.

Other positive factors that we have highlighted in previous editions of BDO HORIZONS remain very much still in play and we expect them to continue to support M&A activity in the CEE & CIS region.

CEE & CIS HEAT CHART BY SECTOR

Industrials & Chemicals	198	29%
TMT	120	18%
Consumer	88	13%
Business Services	75	11%
Pharma, Medical & Biotech	68	10%
Financial Services	55	8%
Energy, Mining & Utilities	37	5%
Leisure	33	5%
TOTAL	**674**	**100%**

CEE & CIS MID-MARKET VOLUMES BY SECTOR



ISRAEL

MIKI BERKOVICH
Head of M&A and Investment Banking
mikib@bdo.co.il

BIG PICTURE

- Q1 2015 maintains 2014's positive momentum with a record first quarter in terms of deal volume
- TMT is the main driver and should continue to hold the wheel for 2015
- Private equity is expected to gain further dominance and help break records for M&A activity during 2015.

The strongest first quarter for the last decade – and the best may be yet to come in 2015.

The first quarter of 2015 generated a total of 16 completed deals with a combined value of USD 1.361m. This represents an increase of USD 573m (72%) compared to Q1 2014 and an increase of USD 420m (45%) compared to Q4 2014. This was, in volume terms, the strongest performing Q1 for the last decade.

The average deal size grew to USD 85m this quarter, in line with the long-term trend for growth in average deal size, which we expect to continue.

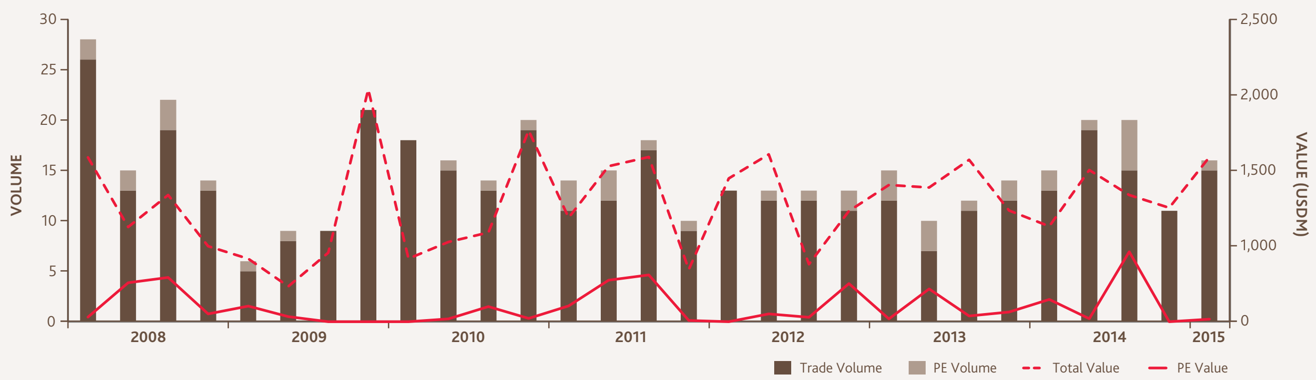
The TMT sector was the clear leader in terms of deal volume during the last quarter, with 56% of the transactions. Also, out of the ten largest mid-market deals in Q1 2015, seven were in the TMT sector (81% of deal value). The TMT sector is expected to maintain this momentum throughout 2015.

Consumer was the most active sector in Q1 with 18% of deal volume, similar to its share in 2014. However, it should be mentioned that small Biotech companies in Israel attract significant seed and venture capital funds and therefore fly ‘under the radar’. Together with traditional tech start-ups, they are expected, when mature, to create the next generation of M&A targets.

ISRAEL HEAT CHART BY SECTOR

TMT	22	32%
Pharma, Medical & Biotech	21	31%
Industrials & Chemicals	11	16%
Business Services	4	6%
Energy, Mining & Utilities	4	6%
Consumer	3	4%
Financial Services	2	3%
Leisure	1	1%
TOTAL	**68**	**100%**

PE/TRADE VOLUME & VALUE

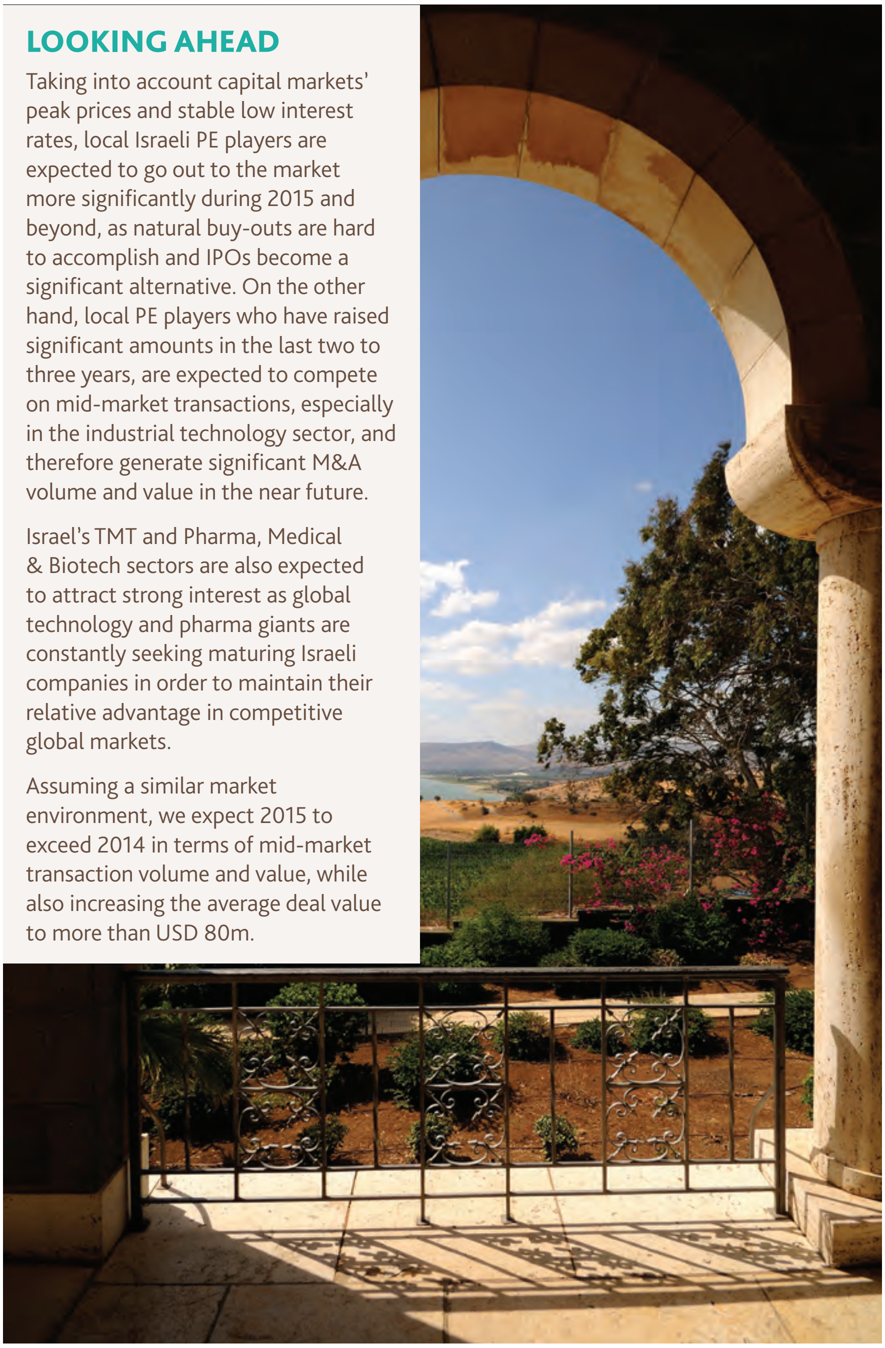


LOOKING AHEAD

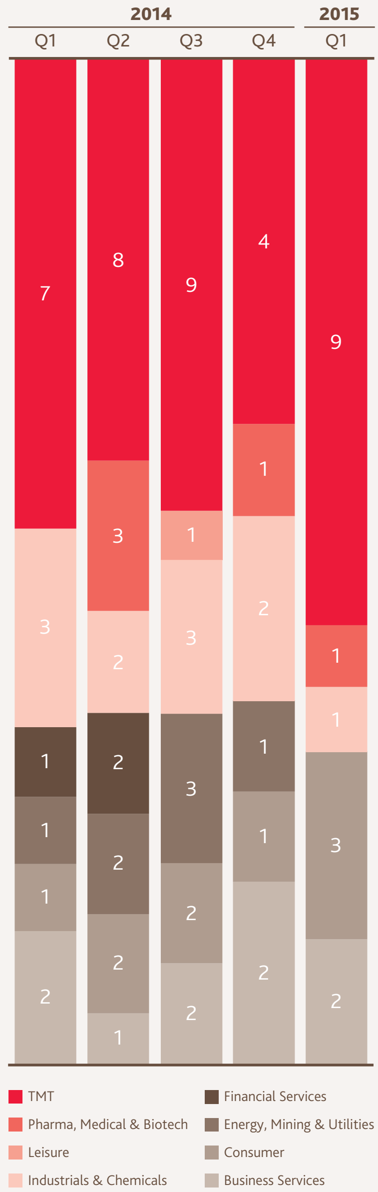
Taking into account capital markets' peak prices and stable low interest rates, local Israeli PE players are expected to go out to the market more significantly during 2015 and beyond, as natural buy-outs are hard to accomplish and IPOs become a significant alternative. On the other hand, local PE players who have raised significant amounts in the last two to three years, are expected to compete on mid-market transactions, especially in the industrial technology sector, and therefore generate significant M&A volume and value in the near future.

Israel's TMT and Pharma, Medical & Biotech sectors are also expected to attract strong interest as global technology and pharma giants are constantly seeking maturing Israeli companies in order to maintain their relative advantage in competitive global markets.

Assuming a similar market environment, we expect 2015 to exceed 2014 in terms of mid-market transaction volume and value, while also increasing the average deal value to more than USD 80m.



ISRAEL MID-MARKET VOLUMES BY SECTOR



AFRICA

AFSAR EBRAHIM
Deputy Group Managing Partner
afsar.ebrahim@bdo.mu

BIG PICTURE

- The number of M&A deals in the first quarter fell, as did the number of PE buy-outs
- South Africa accounted for four of the top ten deals in Q1 2015 while Nigeria and Kenya had two each
- The BDO Heat Chart forecasts 205 deals ahead in Africa, 28% in Energy, Mining & Utilities sector and 19% in Financial Services.

Activity slows in Q1 but the deal pipeline looks strong.

First quarter M&A activity in Africa fell by 16.7% compared to the preceding quarter with 36 deals concluded, while total deal value declined from USD 3bn to USD 2.6bn. The first quarter was also down against Q1 2014, which saw 39 transactions worth USD 2.7bn. In fact the total value of transactions has been declining constantly since Q2 2014.

In terms of first quarter PE buy-outs, there were six transactions worth a total of USD 852m – the highest figure since Q1 2014, when total value hit USD 1bn. PE buy-outs represented 33% of all M&A transactions by value in Q1 2015, compared to 25% during the preceding quarter.

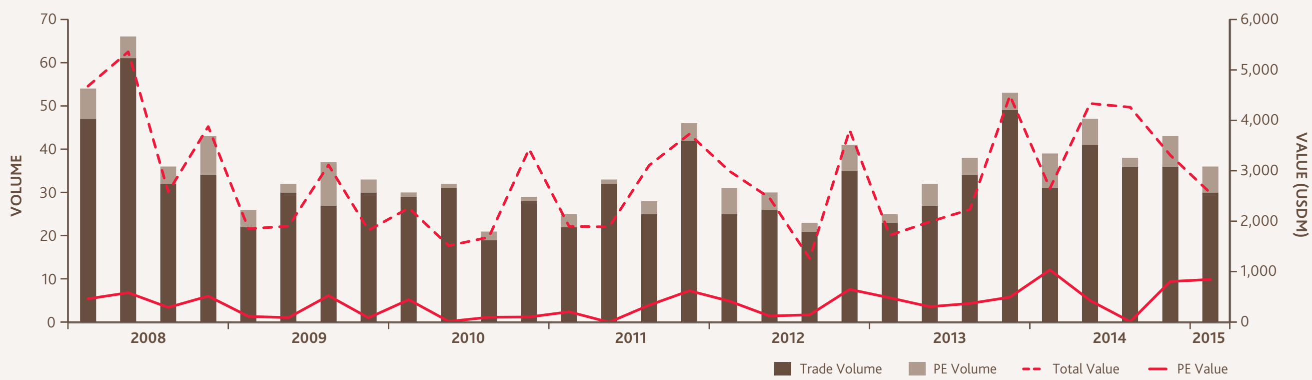
The sectors with the most deal activity were Energy, Mining & Utilities (ten deals and 28% of total deals) and Industrials & Chemicals (seven deals and 19%). The Financial Services sector registered six deals. Compared to Q4 2014, the first two sectors mentioned performed better while other sectors recorded a lesser or equal number of transactions.

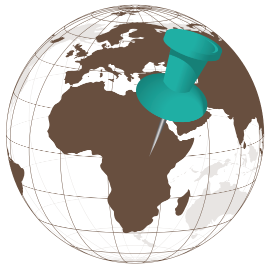
KEY DEALS

The most important deal in Q1 2015 concerned Seplat Petroleum Company plc, which acquired a 40% stake in Oil Mining Lease 53 in worth USD 259m. This transfer of interest from Chevron Nigeria Limited was contested but went ahead. The same stakeholders were also involved in the Oil Mining Lease 55 deal, acquiring a stake of 22.5% totalling USD 132m. Four out of the top ten mid-market deals in Africa were realised in South Africa in a mixture of sectors. For instance, China-based Hebei Zhongbo Platinum Co. Limited invested USD 225m in Eastern Platinum Limited, a South African Platinum group metal business. Also, Rebosis Property Fund acquired a 67.9% stake in Ascension Properties Limited worth USD 231m.

Kenya had two transactions, both of them in the Financial Services sector. Norfund AS was the bidder company in two of the top ten market deals in Kenya and South Africa. The Norwegian development fund has teamed up with British development fund CDC to invest in Globeleq Africa, a power company which aims to add 5,000

PE/TRADE VOLUME & VALUE





megawatt of new capacity. It plans to double or even triple its investment in Africa by 2020. Norfund and NorFinance AS, a joint venture investment company between Norfund and Norwegian private investors, has also purchased from Helios Investment Partners a stake equivalent to 12.22% in Kenya-based Equity Group Holdings Ltd.

LOOKING AHEAD

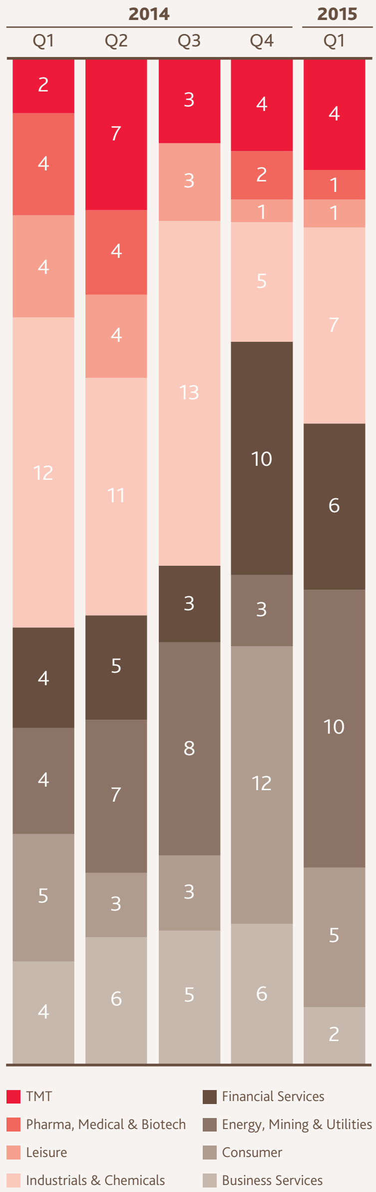
According to both the International Monetary Fund (IMF) and the World Bank, economic growth in Sub-Saharan Africa remains strong this year although it is forecast to be slower than in 2014. The April issue of 'Africa Pulse' from the World Bank projects real GDP growth for Sub-Saharan countries at 4%, attributed largely to falling commodity prices. The IMF's forecast in the most recent World Economic Outlook on the other hand stands at 4.5%. Countries expected to fare extremely well in 2015 include Ethiopia (8.6%), the Democratic Republic of Congo (9.2%), Cote d'Ivoire (7.7%) and Chad (7.6%). The two main hurdles faced by the continent are the decline in the prices of oil and other commodities and a rise in the frequency of violent events. The outbreak of Ebola also worsened the economic situation in some West African countries.

The BDO Heat Chart shows there are 205 M&A deals planned or in progress. The leading sectors are Industrials & Chemicals (60 deals), Energy, Mining & Utilities (45 deals). The other sectors where a significant number of deals are expected are Consumer, Business Services, Financial Services and TMT.

AFRICA HEAT CHART BY SECTOR

Industrials & Chemicals	60	29%
Energy, Mining & Utilities	45	22%
Consumer	28	14%
Business Services	23	11%
Financial Services	19	9%
TMT	15	7%
Leisure	9	4%
Pharma, Medical & Biotech	6	3%
TOTAL	**205**	**100%**

AFRICA MID-MARKET VOLUMES BY SECTOR



INDIA

DILIP DUSIJA
Partner, Corporate Finance
dilipdusija@bdo.in

BIG PICTURE

- Q1 deal volume falls but total and average deal value rises
- Positive macroeconomic conditions supportive of further deal activity
- Industrial & Chemicals continue to lead the way for M&A.

A solid first quarter for M&A activity, supported by strong economic growth.

According to International Monetary Fund (IMF) figures, India will outgrow China and its peer BRIC countries with a GDP increase of 7.5% in 2015-16. The Government's economic reforms and proposed new legislation on insurance, coal mines and land acquisition should further fuel the economy. The Indian Government is aggressively promoting its 'Make in India' campaign with the aim of putting the country on the global manufacturing map. The initiative facilitates the inflow of new technology and capital while creating millions of jobs. By promoting higher growth this can lead to more foreign direct investment and further increase the number of inbound deals.

The Indian economy is also benefitting from a fall in commodity prices, especially crude oil, which is a big positive for net energy importing countries like India, helping to reduce the budget deficit while also reducing inflation. The Reserve Bank of India has also initiated the easing of lending rates to further boost the economy.

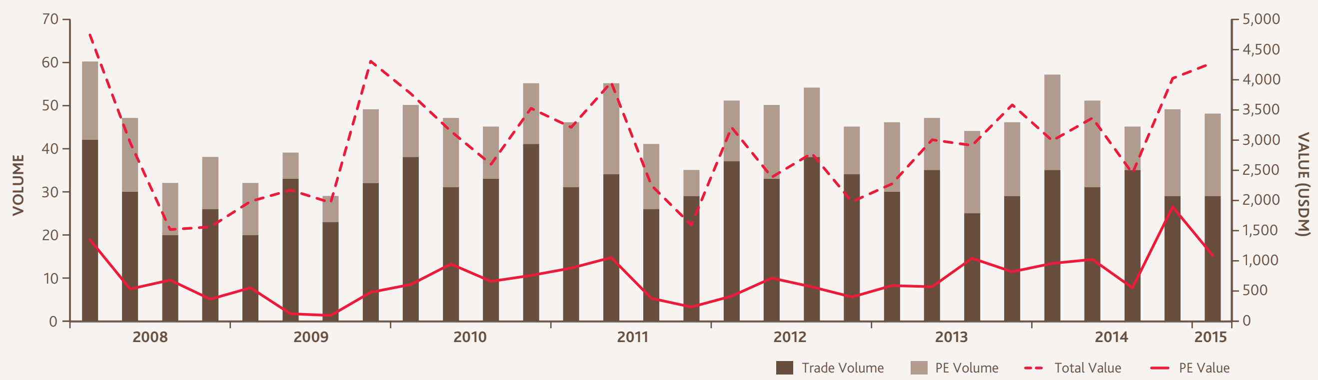
First quarter deal value increased 6% to UDS 4.27bn compared to Q4 2014. Deal volume dropped by 2% over the same period to 48, but the average deal size rose from USD 82m to USD 89m. Compared to Q1 2014, deal volume was down 16% (57 deals in Q1 2014) but deal value was up by 43% (USD 2.9bn in Q1 2014) supported by a small number of big-ticket deals.

In Q1 2015, PE buyout deals represented 26% of total deal value and 40% of total deal volume. For Q4 2014, these numbers were 47% and 41% respectively.

KEY SECTORS

The total number of deals in 2014 increased by 10% to 202 compared to 183 deals in 2013. In terms of sectors, Industrials & Chemicals saw the highest deal volume with 50 deals (25%) followed by TMT with 49 deals (24%) and Consumer with 27 deals (13%).

PE/TRADE VOLUME & VALUE



In terms of quarter-on-quarter comparison, only three sectors (Business Services, Financial Services and Energy, Mining & Utilities) saw growth in deal volume, while four (Consumer, Industrials & Chemicals, Pharma, Medical & Biotech and TMT) experienced a drop in deal volume and one sector (Leisure) stayed at the same level in Q1 2015 as Q4 2014.

The biggest deal in Q1 2015 was in the TMT sector with Star India Pvt. Ltd. acquiring MAA Television Network Ltd for USD 400m in February 2015.

Other major deals in Q1 2015 included: Ajay Singh (private investor) acquiring a 58.46% stake in SpiceJet Limited for USD 364m from Kalanithi Maran (private investor) and Kal Airways Private Limited; the Government of India acquiring a 47.31% stake in United Bank of India for USD 350m; Reliance Infrastructure Ltd acquiring a 44.36% stake in Pipavav Defense & Offshore Engineering Co Ltd (formerly Pipavav Shipyard Limited) for USD 339m; and Dalmia Cement (Bharat) Limited acquiring a 26.7% stake in OCL India Limited from the Mridu Hari Dalmia Parivar Trust for USD 266m.

In 2014, there were an average of 50 deals per quarter and this decreased marginally to 48 in Q1 2015.

INDIA HEAT CHART BY SECTOR

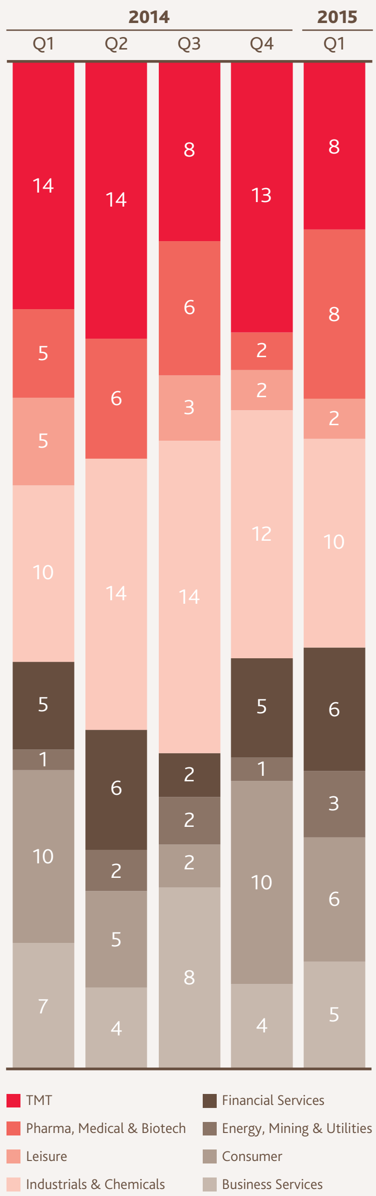
Industrials & Chemicals	96	26%
TMT	91	25%
Business Services	46	12%
Consumer	43	12%
Financial Services	36	10%
Energy, Mining & Utilities	23	6%
Pharma, Medical & Biotech	21	6%
Leisure	15	4%
TOTAL	**371**	**100%**

LOOKING AHEAD

The Indian Government has devised a strategy to boost economic growth and increase infrastructure spending. The 2015-16 budget focused on the manufacturing sector and India is expected to witness more investments, especially in the Industrials & Chemicals area of this sector in the near future. Pharma, Medical & Biotech and TMT will continue to be major sectors for M&A. The Indian economy may also see M&A activities in e-commerce and online services as business try to increase market share.

The BDO Heat Chart is based on companies for sale tracked by Mergermarket between 14 October 2014 and 14 April 2015. The Industrials & Chemicals sector tops the chart with highest number of potential deals.

INDIA MID-MARKET VOLUMES BY SECTOR



CHINA

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

BIG PICTURE

- China's GDP growth slows to 7% in Q1 2015 as it transitions from high to sustainable growth
- M&A markets perform well, with Q1 2015 deal volumes up 3.3% from Q1 2014 levels
- A key trend is the emergence of Chinese investors seeking outbound opportunities.

M&A activity remains buoyant and a number of emerging trends should support increased activity in 2015.

M&A across the Asia Pacific region hit record levels during 2014 and this trend has continued into the first quarter of 2015, with transactions involving Asian companies again hitting new highs.

China's economic growth fell to a six-year low of 7% in Q1 2015, with growth in exports, investment, industrial output and domestic consumption all declining. Despite this backdrop, the M&A market in Greater China continues to perform well, leading the way for M&A in the region by achieving higher activity levels than most other Asian markets.

Looking at the figures, there were 281 mid-market deals in Q1 2015, which is lower than the 400 recorded in Q4 2014. However the first quarter is traditionally a quieter period given the Chinese New Year period, and by comparing Q1 2015 with Q1 2014 we see that deal numbers actually increased by 3.3% from Q1 2014 levels.

Hong Kong companies generated a number of sizeable transactions in Q1 2015, alongside their mainland counterparts. This included Hutchison Whampoa's announcement of a GBP 10.25bn acquisition of O2 in the UK, and the USD 45bn partial restructuring of Hong Kong billionaire Li Ka Shing's Cheung Kong and Hutchison Whampoa empires, creating the largest restructuring in Hong Kong corporate history.

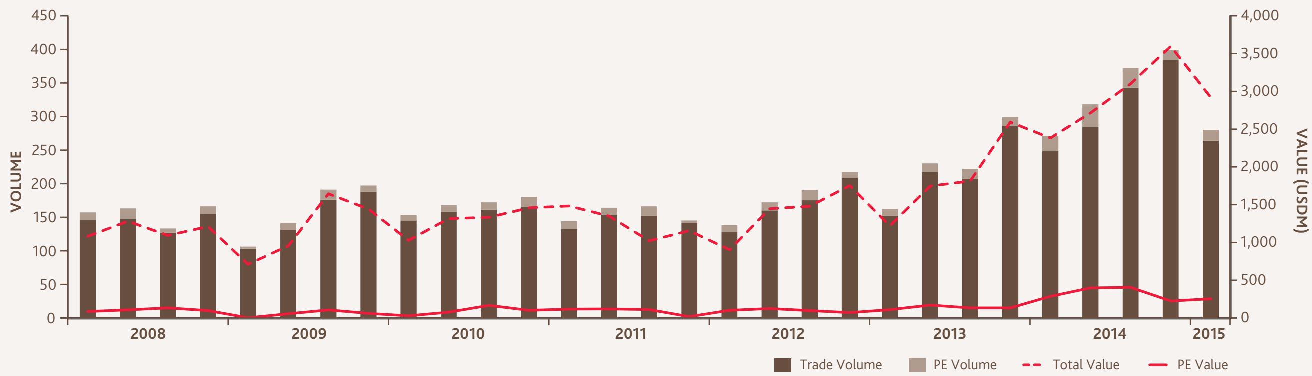
OUTBOUND INVESTMENT

Outbound investment by Chinese corporations continued apace, with record investment levels reported in 2014. Notable transactions by SOEs included: China Minmetals/CITIC Group's USD 7bn acquisition of Glencore/Xstrata's Las Bambas copper mine in Peru; COFCO's USD 2.8bn 51% acquisition of Dutch agri-trading business Nidera; and the further 51% acquisition of Noble Agri Limited, Noble Group's agri-trading business.

This quarter also saw large acquisitions by private enterprises, including Lenovo Group's USD 3.1bn acquisition of Google's Motorola Mobility and the USD 2.3bn purchase of IBM's x86 server business. Fosun Group's USD 1.5bn acquisition of a controlling interest in a Portuguese insurance group and Anbang Insurance Group's purchase of the landmark Waldorf Astoria hotel in New York were other notable acquisitions by private enterprises.

Despite the prevalence of large transactions involving private companies, the mid-market remains a significant component of deal volumes across Asia, with deal sizes of between USD 50m-USD 500m generating close to 40% of total deal volume. Chinese investors are now focusing on an ever-widening range of industries for investment, including agribusiness, TMT, real estate and healthcare.

PE/TRADE VOLUME & VALUE



A further emerging theme in 2014 has been the entrance of financial investors from China onto the global stage. Previously only sovereign wealth funds such as China Investment Corporation have been active in overseas markets, but 2014 saw the rise of financial players, including private equity, insurance funds and financial conglomerates. It is estimated that such buyers represented over 20% of total outbound M&A value in 2014, and over double the average of the previous five years.

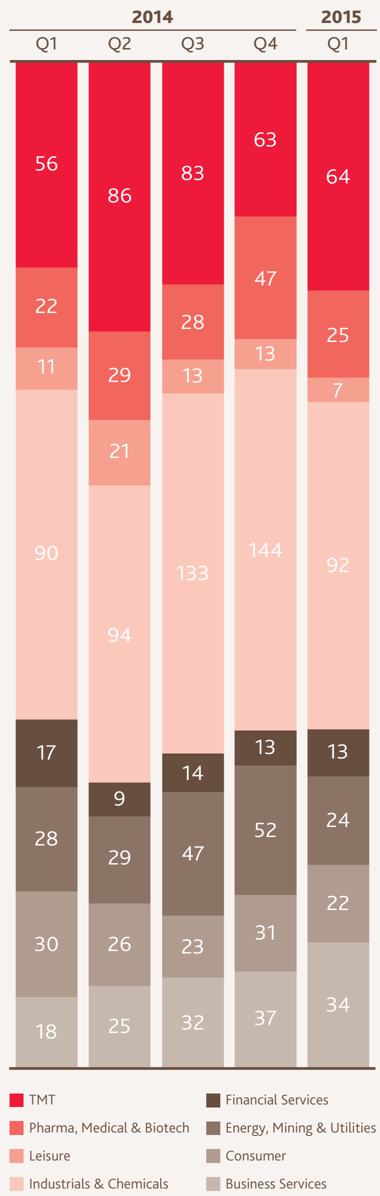
Strategic inbound investment remained at reasonable levels in 2014 and Q1 2015, although with fewer mega-deals reported. US and Western European companies have refocused back on Asia in the last year, yet the largest ten mid-market transactions in Greater China in Q1 2015 were purely domestic deals between PRC and Hong Kong companies, reflecting the dominance of domestic transactions in the Greater China market. However, China released a draft for a new foreign investment law in January 2015, which if implemented, would remove many of the pre-approval requirements currently needed by foreign investors in permitted investment sectors, simplifying investments into China as part of the country's ongoing market reforms.

China's emerging influence on the global stage was further demonstrated by the formation of the Asian Infrastructure Investment Bank (AIIB) in October 2014. Headquartered in Beijing, the bank's key purpose as a multilateral development bank is to provide funding for infrastructure projects in Asia. Regarded by some as a rival to the IMF, the World Bank and the Asian Development Bank, the AIIB finalised its 57 prospective founding members in mid-April. These include key Western allies such as the UK, Germany and France, and the AIIB is expected to create more capital mobilisation channels for countries in Asia, particularly for developing countries in Central and Southern Asia.

CHINA HEAT CHART BY SECTOR

Industrials & Chemicals	294	34%
TMT	144	17%
Business Services	96	11%
Consumer	91	10%
Financial Services	78	9%
Energy, Mining & Utilities	70	8%
Pharma, Medical & Biotech	53	6%
Leisure	43	5%
TOTAL	**869**	**100%**

CHINA MID-MARKET VOLUMES BY SECTOR



LOOKING AHEAD

With 869 deals reported in the latest BDO Heat Chart, the current positive trends in the Greater China M&A market are expected to continue throughout 2015, with further consolidation driving domestic M&A levels, supported by ongoing SOE reforms. Within the Greater China region, there is also a high level of current transactions and continued interest from PRC companies seeking backdoor listings through Hong Kong-listed entities, creating high premiums for listed shells in the Hong Kong market.

Recently signed free trade agreements by China with Australia and South Korea are also expected to support further deal flow. An agreement currently being negotiated between China and the US is also expected to be a landmark case, setting a precedent for other trade agreements between China and its global trading partners.

Private companies are expected to be the main drivers of outbound M&A, and companies that were formerly just focused on the PRC domestic market have now fast-tracked on to the global stage. Using acquisitions to bring in experience, recognised brands, technology, human capital and new sales channels, their focus is to increase efficiency in the domestic PRC market, as ongoing market reforms provide a more level playing field for foreign companies operating in China. While the success of such outbound acquisitions is still to be determined, the continued awakening of Chinese companies to overseas acquisitions, supported by the relaxation of governmental approval requirements for outbound investments, is expected to drive increased levels of investment for many years to come, particularly in more value-added industry sectors.

SOUTH EAST ASIA

FEIZAL MUSTAPHA
Executive Director
feizal@bdo.my

BIG PICTURE

- Q1 deal volume and value falls compared to Q4 2104
- Industrials & Chemicals leads the way with its highest contribution to deal numbers for five years.
- Currency fluctuations could stimulate cross-border activity in 2015.

A relatively quiet start to 2015, but M&A activity expected to pick up as we head further into 2015.

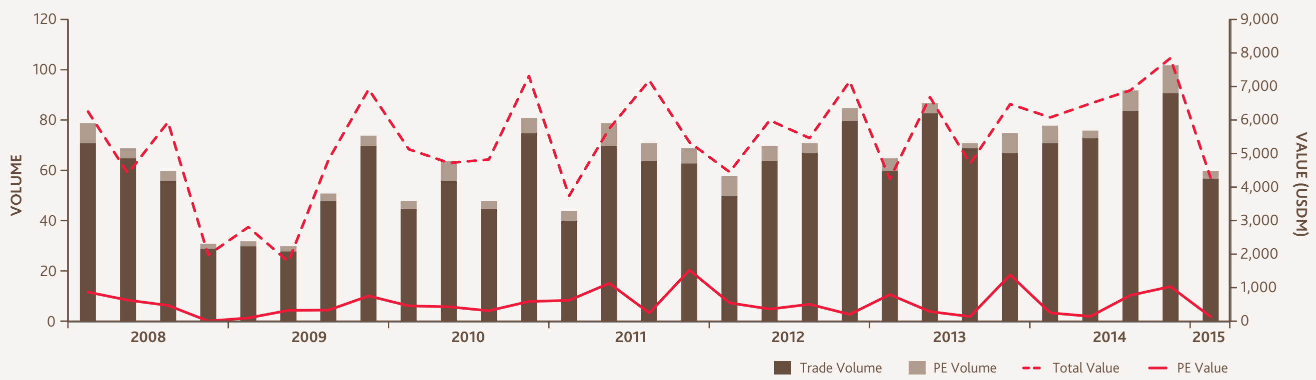
The South East Asian M&A market saw a decrease in activity during Q1 2015, both in terms of the volume and value of deals. A total of 60 transactions were completed during the quarter compared to 102 deals in Q4 2014, representing a fall of 41%. Total values decreased by 45% from USD 7.9bn to USD 4.3bn. The top ten deals for the quarter had a combined value of USD 2.6bn, representing 60% of Q1 2015's total deal value.

Private equity completed just three deals in Q1 2015, which was the lowest first quarterly figure for five years. PE therefore formed a small proportion of total M&A activity for the quarter, representing 5% of deal numbers and 3% of transaction value.

The most active sectors for Q1 2015 were Business Services, Industrials & Chemicals and TMT, which together contributed 75% of the total number of deals for the period. Of these, Industrials & Chemicals led the way and was responsible for 40% of transactions in Q1 2015 – its highest contribution to deal numbers for five years. The sector also contributed three of the top ten deals for Q1 2015, all involving target companies in Singapore.

Although there were only four Financial Services deals in Q1 2015, three of them made it into the region's top ten deals and two out of these three involved target companies in Indonesia. The largest deal recorded in the region during Q1 2015 was the USD 461m acquisition of a 17.5% stake in Bank Tabungan Pensiunan Nasional Tbk, PT by Sumitomo Corporation. The remaining top ten deals were one each from Leisure, TMT, Consumer and Business Services.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

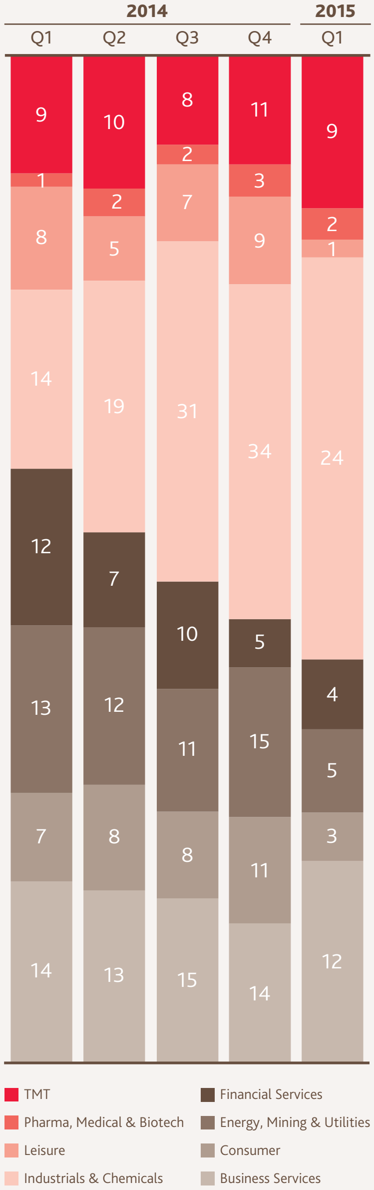
The Industrial & Chemicals sector was not only responsible for the most deals during Q1 2015 (24 transactions) but, according to the BDO Heat Chart, it also has the highest number of in the pipeline. In second place, Business Services is also expected to gain traction, with the BDO Heat Chart forecasting a 23% rise in M&A activity. Energy, Mining & Utilities and Pharma, Medical & Biotech have seen their deal pipeline reduce by 21% and 50% respectively compared to the previous quarter.

Looking ahead, M&A activity will depend to a large extent on the economic challenges currently faced by South East Asian countries. These include the outlook for crude oil prices and consequent fluctuation in the region's currencies. With South East Asian currencies weakening against the US dollar, investors with predominantly US dollar income or funding may find South East Asia's assets attractive. This may help to drive cross-border transactions in 2015.

SOUTH EAST ASIA HEAT CHART BY SECTOR

Industrials & Chemicals	137	29%
Business Services	75	16%
Energy, Mining & Utilities	71	15%
Consumer	55	12%
TMT	51	11%
Financial Services	50	11%
Leisure	23	5%
Pharma, Medical & Biotech	12	3%
TOTAL	**474**	**100%**

SOUTH EAST ASIA MID-MARKET VOLUMES BY SECTOR



JAPAN

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

BIG PICTURE

- Trade sales lead the way in Japan's M&A market
- Business Services, Leisure and TMT are expected to drive M&A activity in Japan
- Outbound investment into USA and Southeast Asia is expected to continue and increase.

Strategic buyers and outbound investment continue to drive M&A activity.

Looking at all M&A activity in Q1 2015 (not just the mid-market), there were a total of 611 deals, representing an increase of 6.4% on 2014 Q1. These included 430 domestic deals, 130 outbound deals and 51 inbound transactions. Or viewed by deal type, there were 356 acquisitions, 244 minority investments and 8 mergers.

The mid-market alone delivered 66 deals in Q1 2015. Although this was an increase in transaction volume compared to the previous quarter, deal numbers fell in comparison to Q1 2014. The dip is mainly due to a drop in activity in two sectors, namely TMT (from 15 deals to nine) and Leisure (from five to two deals).

Looking at Q1 deal numbers in comparison to the previous quarter, the volume increased from 57 to 66, driven by activity in the Business Services (+2), Leisure (+3), and TMT (+5) sectors, while there was falls in the Consumer (-3), Pharma Medical & Biotech (-3) sectors.

Although the fact that deal numbers rose from Q4 2014 to Q1 2015 Q1 is a positive sign, perhaps we should not read too much into this as it is a trend we have seen over several years.

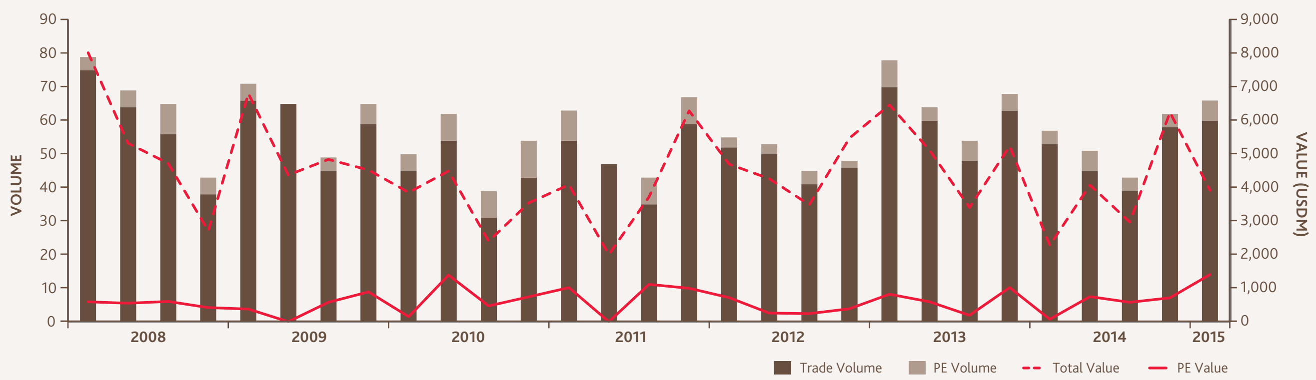
TRADE SALES LEAD THE WAY

The graph of Japan's mid-market M&A shows that trade sales lead the way, far ahead of private equity in both volume and value terms. This is because the market is driven largely by strategic buyers rather than financial investors (such as funds).

Companies are mainly using M&A to expand their business into new markets or to strengthen their core business (both overseas and domestic).

These trends apply not just to the mid-market but to Japan's M&A deals in general.

PE/TRADE VOLUME & VALUE



OUTBOUND INVESTMENT IS KEY

Returning to the market as a whole, we can see the continuing role played by outbound investment, which was responsible for 130 deals in Q1 2015. This was consistent with the first quarter last year, which saw 132 deals completed.

In terms of the destination for outbound investments, the Asia (especially ASEAN) region accounted for 33% and the US for 28% of all deals in Q1 2015. This is driven in part by negative internal factors such as Japan's low birth rate and ageing population, which are shrinking consumer demand. Positive external factors include Asia's thriving population, consumer market and economy, combined with lower manufacturing and labour costs. The sectors most active for outbound investments into Asia include Food Services and related businesses, Manufacturing, Construction and IT.

JAPAN HEAT CHART BY SECTOR

Industrials & Chemicals	78	25%
TMT	73	24%
Business Services	42	14%
Consumer	40	13%
Pharma, Medical & Biotech	24	8%
Financial Services	22	7%
Leisure	18	6%
Energy, Mining & Utilities	11	4%
TOTAL	**308**	**100%**

LOOKING AHEAD

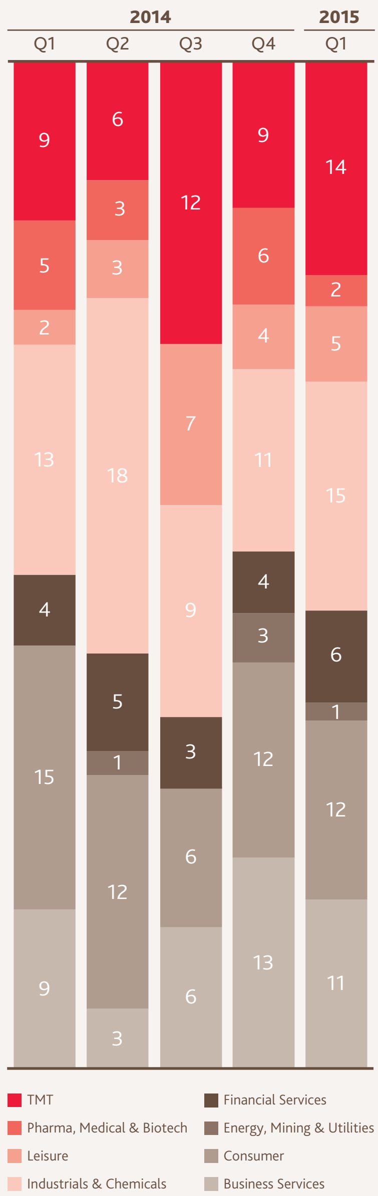
The BDO Heat Chart underlines the continuing strength of the leading sectors – TMT, Industrials & Chemicals, Consumer and Business Services – which share 233 forthcoming deal opportunities between them. These sectors are expected to be the main engine driving Japan's M&A market going forward.

The outlook for deal activity in 2015 is cautiously positive. Following December's election victory, the ruling coalition can continue to push ahead with 'Abenomics'. The second phase of consumption tax rises has been postponed. The preliminary data for October-December 2014 real GDP growth increased by 0.6% (an annualised rate of 2.2%). Personal consumption was up by 0.3%, its second consecutive quarterly increase.

At the moment there are two key problems in Japan: the ageing population and the restructuring of infrastructure facilities, such as bridges and highways. While these create challenges, they also present potential market opportunities.

We expect outbound investment into Asia to continue and increase. Meanwhile the approach of the 2020 Olympics should drive a recovery in the construction, real estate and tourism industries, bringing with it a potential boost to inward investment from overseas. We should also see continued recovery in the IPO market.

JAPAN MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

CATHARINE HOLLAND
Associate, Corporate Finance
catharine.holland@bdo.co.nz

BIG PICTURE

- Mid-market deal numbers and value down significantly
- Inward investors continue to see significant interest in the region
- The rest of 2015 expected to be buoyant as the appetite for deals remains strong
- Consumer, and Industrials and Chemicals sectors expected to lead the way.

A slow first quarter that does not reflect the level of optimism and interest across the region.

Australasia experienced a slow first quarter but the outlook for M&A activity for the remainder of the year is positive. Historically the first quarter has been a low deal period in Australasia due to the summer shutdown and, with the exception of 2014, Q1 2015 was in line with historical deal volumes. A total of 67 deals were done in the quarter with total deal value decreasing significantly to USD 3.3bn – the lowest quarterly deal value since Q2 2009.

Mid-market PE transaction numbers fell from eight in Q1 2014 to five in Q1 2015, with total value falling significantly from USD 809m to USD 184m. Although PE interest in the mid-market continues to be strong, and 2014 saw an uplift in activity compared to prior years, 2015 has got off to a slow start but we anticipate PE deals to increase in the remainder of the year.

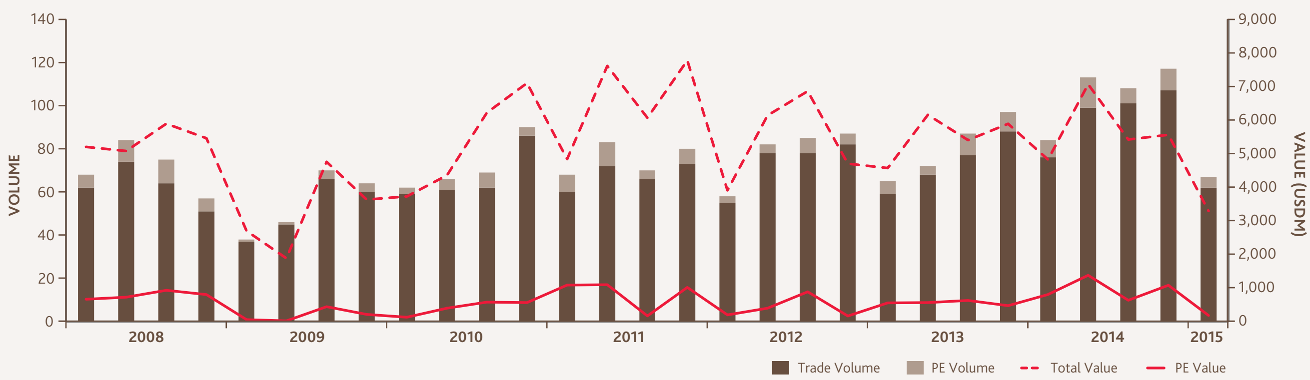
Energy, Mining & Utilities has declined quarter on quarter since Q1 2014 and this trend continued in Q1 2015, completing only six deals compared to 18 in the same period last year. The last quarter saw the lowest volume of deals completed in the sector for six years and we do not anticipate any significant change in the short term.

The majority of sectors were relatively flat on the same period last year with Business Services and TMT declining slightly on Q1 2014 but remaining higher than their pre-2014 Q1 levels. Financial Services saw an increase to eight deals completed in the quarter compared to three in Q1 2014. As Energy, Mining & Utilities has historically been a large contributor to deal volumes, its decline in activity of around 20% has impacted the region's total deal volumes.

KEY DEALS

The most significant transaction in the quarter was the sale of Underwriting Agencies Group and Corporate Home Underwriting by QBE Insurance to a rival local insurance group Steadfast for USD 409m. The Financial Services sector saw another major Q1 deal with Westpac selling five of its Pacific Island banking operations to the Papua New Guinea – owned Bank of South Pacific Limited for USD 100m.

PE/TRADE VOLUME & VALUE



Australasia continues to see significant interest from foreign investors looking to acquire local businesses across a number of industry sectors. Although only two of the ten largest transactions in the quarter were sales to companies outside Australasia, this does not reflect the foreign interest that is being seen across the region.

The Business Services sector, despite M&A activity declining slightly on the same period last year, had two of the top ten transactions in the region. ASX-listed Chandler Macleod Group, a human resource outsourcing and recruitment company, was sold to Japanese human resources giant Recruit Holdings for USD 327m. Australian light rail operator Keolis Downer acquired one of Australia's largest bus operators, Australian Transit Enterprises, with the CEO stating that the acquisition created Australia's largest privately owned multi-modal public transport operator.

Other major transactions for the quarter included the sale of New Zealand's Accent Group, a distributor and marketer of footwear and apparel brands across Australia and New Zealand, to Australian listed RCG Corporation for USD 138m, and Webster Limited, an ASX-listed agriculture business, acquired Tandou Limited and PrimeAg Australia, both cotton producers, for USD 116m and USD 97m respectively.

AUSTRALASIA HEAT CHART BY SECTOR

Consumer	74	17%
Industrials & Chemicals	73	17%
TMT	66	15%
Business Services	65	15%
Energy, Mining & Utilities	62	14%
Financial Services	38	9%
Pharma, Medical & Biotech	37	8%
Leisure	24	5%
TOTAL	**439**	**100%**

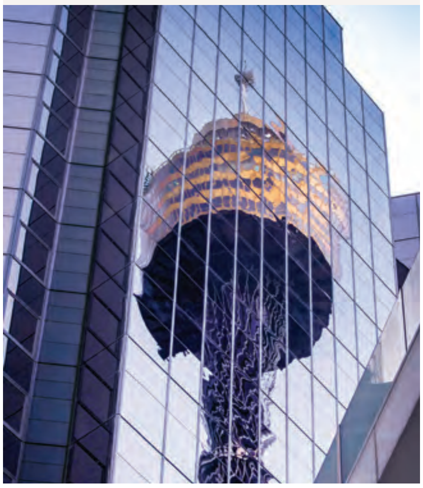
LOOKING AHEAD

We expect the remainder of 2015 to be buoyant as the appetite for investment remains strong. We anticipate interest from PE players to remain robust and overseas investors to stay active throughout the year. The BDO Heat Chart reflects this sentiment, indicating a possible 439 deals underway. This would exceed the 422 deals completed in 2014, a year which saw the highest level of deal activity for six years.

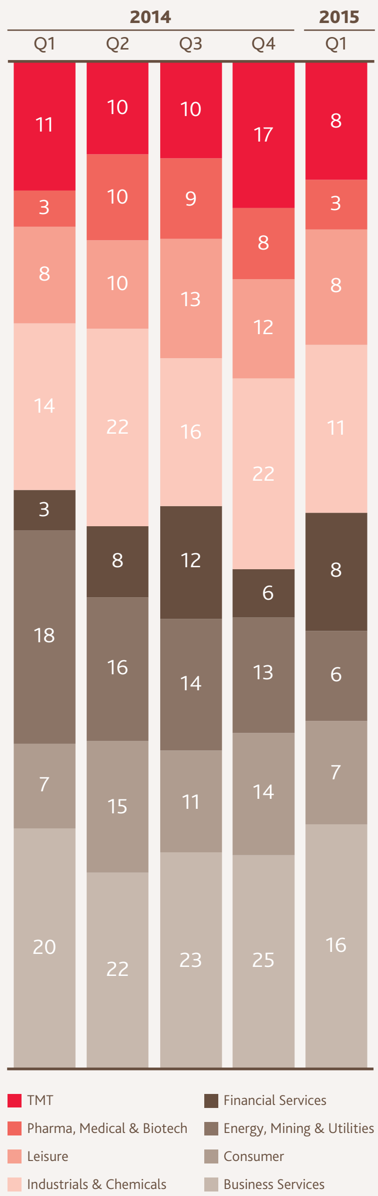
The BDO Heat Chart indicates that the Consumer and Industrials & Chemicals sectors in particular will be the most active. Business Services and TMT are also likely to see a moderate level of activity going forward.

While we do not anticipate a pick-up in the Energy, Mining & Utilities sector, there will continue to be some activity during the year and there is some speculation that, due to the continuing decline in iron ore prices, the sector giants may take advantage of low asset values to consolidate the sector.

Overall, and despite the slow start, the region is anticipating another positive year.



AUSTRALASIA MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

ENERGY, MINING & UTILITIES

SHERIF ANDRAWES
Partner, Corporate Finance
sherif.andrawes@bdo.com.au

BIG PICTURE

- Deal numbers at lowest level since 2009
- Most energy and mining companies have been focusing on reducing costs with little appetite for deals
- New trends are emerging that can drive M&A activity.

Current low deal volumes do not tell the whole story – there are new forces at work that may drive transactions ahead.

The first quarter of 2015 was a low point for M&A transactions in the Energy, Mining & Utilities sector, with only 146 deals announced. This was the lowest quarterly deal number since the immediate aftermath of the global financial crisis in Q1 2009.

Then, as now, the sector took a pause as we stood at the crossroads of uncertainty. The lifeblood of this sector comprises two key elements: a healthy outlook for commodity prices and access to capital through public equity markets. Then, as now, both of these elements are missing.

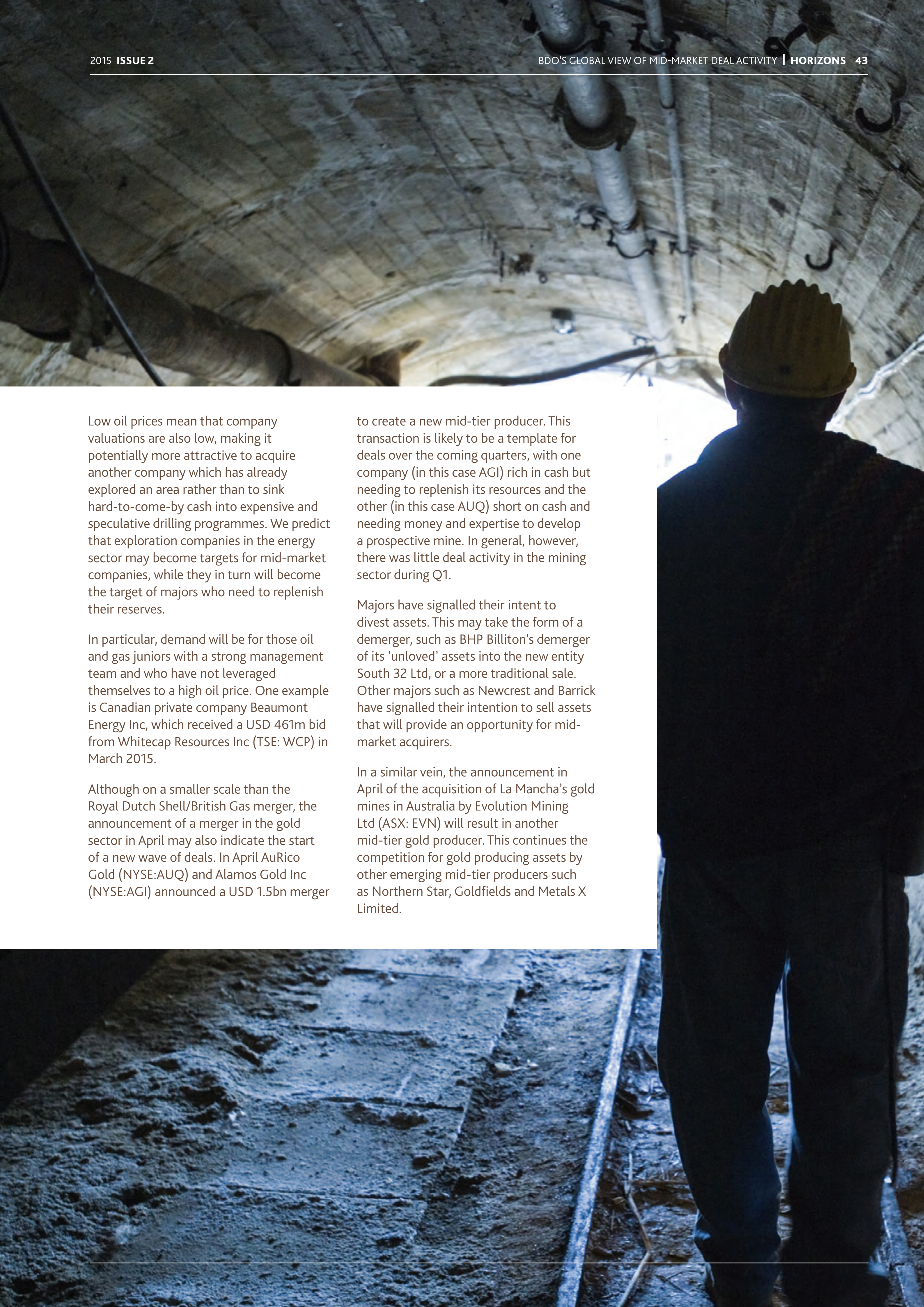
In the intervening years we saw a return to strong commodity prices and the ability to access public equity. The number of deals in Q1 2015 (146) is roughly half of the number seen in each of the previous three quarters (each quarter saw between 281 and 283). It is no coincidence that this coincided with a drop in the price of key commodities, with the biggest falls seen in oil and iron ore (see chart).

The largest number of deals announced in the sector were in power generation and renewable energy. One of the most significant examples of this during the quarter was the acquisition of a 70% stake in the listed Chilean hydropower company Empresa Eléctrica Pilmaiquén S.A. by Europe's largest generator of renewable energy, Norwegian company Statkraft, for USD 416m.

Commodity Prices	01 Jul 14 USD	27 Mar 15 USD	Percentage Fall
Copper	7,039.50	6,064.50	14%
Oil	105.34	44.84	57%
Iron Ore	93.77	51.35	45%
Gold	1,326	1,184	11%
Thermal Coal	73.45	58.85	20%

In recent months most energy and mining companies have been focusing on reducing costs in the face of falling commodity prices. There has been little appetite for deals. If M&A is to increase, and it is likely that it will, this will be in the form of defensive transactions. These occur when companies understand that they will be stronger together to survive lower commodity prices without the need to go to equity markets.

During the quarter there were few deals in the energy sector. However, the announcement of the USD 70bn offer for British Gas by Royal Dutch Shell in April 2015 has generated much speculation that this will trigger a rush of mid-market transactions in the energy sector.



Low oil prices mean that company valuations are also low, making it potentially more attractive to acquire another company which has already explored an area rather than to sink hard-to-come-by cash into expensive and speculative drilling programmes. We predict that exploration companies in the energy sector may become targets for mid-market companies, while they in turn will become the target of majors who need to replenish their reserves.

In particular, demand will be for those oil and gas juniors with a strong management team and who have not leveraged themselves to a high oil price. One example is Canadian private company Beaumont Energy Inc, which received a USD 461m bid from Whitecap Resources Inc (TSE: WCP) in March 2015.

Although on a smaller scale than the Royal Dutch Shell/British Gas merger, the announcement of a merger in the gold sector in April may also indicate the start of a new wave of deals. In April AuRico Gold (NYSE:AUQ) and Alamos Gold Inc (NYSE:AGI) announced a USD 1.5bn merger to create a new mid-tier producer. This transaction is likely to be a template for deals over the coming quarters, with one company (in this case AGI) rich in cash but needing to replenish its resources and the other (in this case AUQ) short on cash and needing money and expertise to develop a prospective mine. In general, however, there was little deal activity in the mining sector during Q1.

Majors have signalled their intent to divest assets. This may take the form of a demerger, such as BHP Billiton's demerger of its 'unloved' assets into the new entity South 32 Ltd, or a more traditional sale. Other majors such as Newcrest and Barrick have signalled their intention to sell assets that will provide an opportunity for mid-market acquirers.

In a similar vein, the announcement in April of the acquisition of La Mancha's gold mines in Australia by Evolution Mining Ltd (ASX: EVN) will result in another mid-tier gold producer. This continues the competition for gold producing assets by other emerging mid-tier producers such as Northern Star, Goldfields and Metals X Limited.

CONSUMER – RETAIL

NICOLA SARTORI
Director, M&A
nicola.sartori@bdo.co.uk

BIG PICTURE

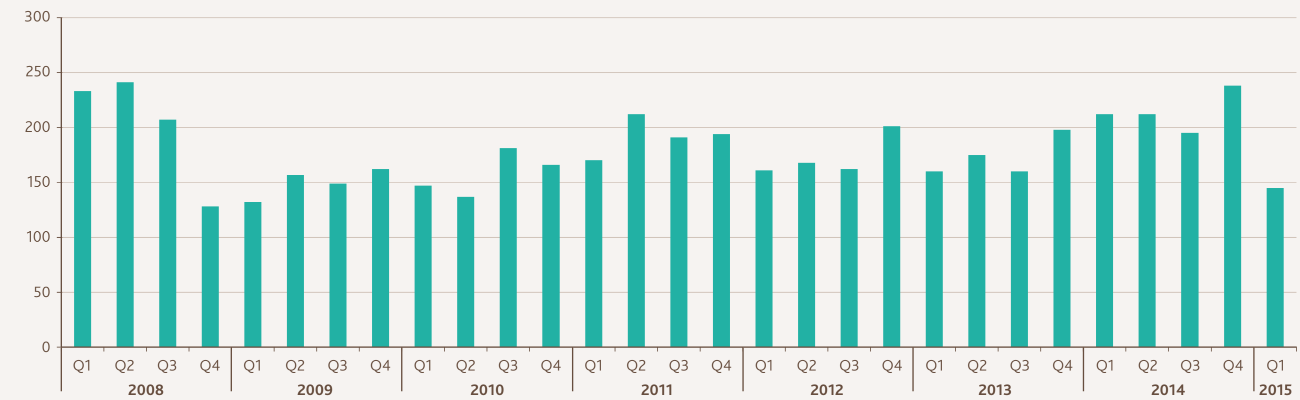
- The amount of capital available is the highest for years but deal volume has recessed
- A global M&A market with a real appetite to invest – but a perceived lack of quality assets to invest in
- More investors are expected to buy assets outside of their home markets in order to gain international exposure.

Although there is plenty of capital and appetite available for deals, Retail presents some unique challenges for investors.

During the recession consumer markets were shrouded in uncertainty, with many investors struggling to find confidence in a sector so closely linked to economic outlook. Over the course of 2014 some of that confidence returned, as evidenced in particular by the high number of retailers achieving a public market listing in the first half of 2014. However, moving into 2015, in line with fears that a global slowdown is on the horizon, the picture has become less clear. Consumer markets, particularly retail, are wrought with challenges. Consumers are growing increasingly savvy and businesses have to work harder than ever to convince them to part with their hard-earned cash. First and foremost product remains king. The retailers who get their product right continue to thrive. Secondly, good service is no longer a differentiator, it's a must. If businesses do not have it, consumers lose patience and take their custom elsewhere. Finally, consumers want to be able to shop where they want, how they want and when they want so being omnichannel-enabled is critical.

The amount of capital available to deploy is the highest it has been in years but deal volume has recessed. In the first quarter of 2014 we saw 212 consumer deals completed in the mid-market globally. Jump forwards 12 months and the comparable quarter of this year saw just 145 – a decrease of 32%. The situation we have been left with is a global M&A market with a real appetite to invest but a perceived lack of quality assets to invest in. In the UK we have noticed a profound effect on pricing with two trends of note. Firstly, those star assets with a strong brand and an enviable growth profile are finding themselves in very competitive auction processes with EBITDA multiples stretching well into double digits in some cases. Secondly, the length of the deal process appears to be stretching out with some deals taking significantly longer to complete due to increased due diligence as a result of higher prices. In some cases we are seeing deals collapsing late on, as financial backers struggle to get comfortable with paying high sums or, for lower quality assets, vendors pulling out due to their higher price expectations.

CONSUMER DEALS VOLUME



Despite the dip in volume there have been some deals of significant note. In the UK we saw Phase Eight sold to the South African-based Foschini Group for USD 360m while in Germany, US-based Berkshire Hathaway completed the USD 455m deal for Detlev Louis Motorradvertriebs. We have found that cross-border activity has become increasingly common, with large foreign investors or corporates taking an interest in assets that historically would remain in domestic investors' hands. Launching successful consumer concepts in different geographical locations sounds like it should be easy but consumers are closely connected to the cultures they come from and simply recreating a concept in a foreign market has proved challenging. Rather than seeing more international roll-outs we therefore expect to see more investors buying assets outside of their home markets in a bid to gain international exposure.

If the global economy continues on its road to recovery, then corporate activity should begin to increase. While it would be foolish to give outright forecasts against a backdrop of investors keen to get back into the consumer markets after a number of lean years, we feel the conditions are right to be cautiously optimistic.

> "In the first quarter of 2014 we saw 212 consumer deals completed in the mid-market globally. Jump forwards 12 months and the comparable quarter of this year saw just 145 – a decrease of 32%."

NOTES

Data produced by The Mergermarket Group.

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