HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 3 | 2022

M&A DEAL ACTIVITY STILL HIGHER THAN PRE-COVID

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

BUILDING PRODUCTS
NATURAL RESOURCES
TMT

BDO

CONTENTS

BDO GLOBAL CORPORATE FINANCE

2,020 COMPLETED DEALS IN 2021

WITH A TOTAL DEAL VALUE OF **$128.6bn**

36% PRIVATE EQUITY DEAL INVOLVEMENT

26% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

2,500 CORPORATE FINANCE PROFESSIONALS

120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*1st most active M&A Advisor Globally – Pitchbook league tables 2021
1st most active Advisor & Accountant Globally 2021 – Pitchbook league tables 2021
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2021

WELCOME

WELCOME TO THE THIRD EDITION OF HORIZONS IN 2022, IN WHICH BDO M&A PROFESSIONALS AROUND THE WORLD PRESENT THEIR INSIGHTS ON MID-MARKET DEAL ACTIVITY AND TRENDS

"Welcome to the summer of travel disruption" has been a headline we have repeatedly seen in the northern hemisphere during the last few weeks. As with many others travelling for business, we experienced the "going back to normal travel" in May, when some of our BDO M&A practitioners met up in Germany for a long overdue get together. Our travel was delayed on both legs, the meeting became hybrid and much of the social conversation post meeting revolved around the disruption to the travel we were used to before the pandemic, how busy everywhere was and how few business suits we saw walking around airports.

Suit or no suit, M&A practitioners are busy and global deal activity is still very healthy despite the ever growing list of negative factors including rising inflation, energy supply concerns, war in Ukraine, people and raw materials shortages and higher interest rates.

Private Equity has continued to make up a larger proportion of completed deals at levels that are higher to pre-COVID, both in volume and value. North America continues taking the largest share of deal activity, followed by China which has started growing its share of the total global volume probably following the easing of lock downs. The TMT sector continues to see the largest share of deals and predicted activity.

In our sector view, we look at Natural Resources, TMT, and Building Products & Services. Our Energy team in Germany has provided a very current assessment of the country's planned transformation of its energy industry. On Technology, wequestion if M&A is insulated from rising interest rates and inflation. And, finally on Building Products & Services, we see rising volumes and valuations in a sector embracing sustainable innovation.

We hope that you enjoy this edition of Horizons and if you are breaking up for the Northern summer holidays, we wish you a nice break and easy travels. Stay safe and well.

JOHN STEPHAN
HEAD OF GLOBAL M&A
john.stephan@bdo.co.uk

SUSANA BOO
GLOBAL CORPORATE FINANCE DIRECTOR
susana.boo@bdo.global

GLOBAL VIEW

M&A DEAL ACTIVITY STILL HIGHER THAN PRE-COVID LEVELS

As we look around the world today, we see raw material shortages, rising inflation levels, higher energy prices and concerns over energy supplies later in the year and foodstuff shortages. Some of this was brought on by COVID but it has been exacerbated by the war and conflict in Ukraine. Governments and central banks are responding by starting to raise interest rates, but these still remain low by historic standards. In contrast, in many countries there is a shortage of labour and low unemployment. It would be easy to assume that all of this would have an adverse effect on deal activity.

However, as we look at the deal data, after a huge jump in deal activity in the year or so following the onset of COVID, the latest Q2 data suggests deal activity is still very healthy but moving back towards pre-COVID levels. Arguably though, activity is still running higher than that as there is always a lag in quarterly deal data meaning that the last quarter tends to understate deal activity. So, the Q2 level of 2,200 deals is likely to end up at 2,500 or more. That would be more in line with Q1 and Q3 of 2021 and would be 25% higher than pre-COVID levels.

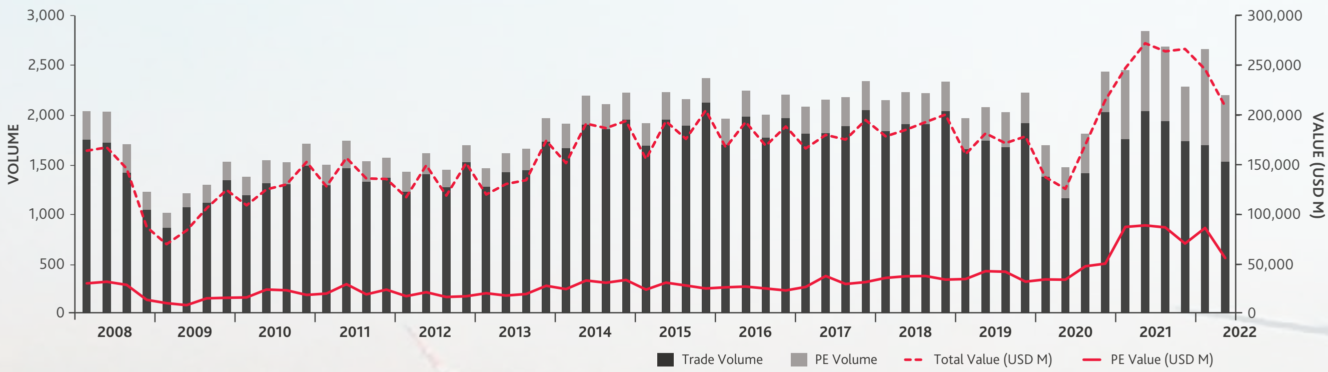
The amount of capital being deployed would support that argument. The average aggregate value over the six quarters from Q4 2020 to Q1 2022 is in excess of USD 250bn. Allowing for catch up in deal data for the last quarter, that is some 40% higher than average quarterly investment over the period of 2014-19. In terms of the mix of deals, private equity remains very buoyant at around 30% of deal volume and value. Again, this continues to be well up on pre-COVID levels.

So, despite the economic worries, M&A remains healthy, buoyed by large amounts of cash with investment funds and balance sheets. With inflation eroding the real value of money at current interest rates, equities may continue to offer a better return on capital.

In terms of sectors, TMT is king with well over 30% of the global mid-market deal flow. This is followed by Industrials & Chemicals with around 20%, meaning that once again these two sectors alone account for over half of global deal activity.

Looking around the world, we saw a quarter where most regions were down save for the Nordics. Once again, North America remains the dominant region, accounting for nearly 29% of global mid-market deal flow, albeit down on the proportion of the previous quarter. In contrast, Greater China at around 17% of the global cake, saw growth in share on the prior quarter. Greater China activity gains may be linked to the easing of recent COVID restrictions.

GLOBAL MID-MARKET M&A



GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	TMT	Industrials & Chemicals	Business Services	Consumer	Pharma, Medical & Biotech	Financial Service	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%*
North America	603	262	290	184	400	168	119	27	18	2,071	22%
Greater China	218	535	175	132	169	147	135	39	81	1,631	17%
CEE	183	145	86	95	36	50	46	27	7	675	7%
Southern Europe	205	195	108	154	67	52	68	32	16	897	10%
India	89	57	43	39	48	50	14	3	6	349	4%
Latin America	207	32	86	31	33	113	53	28	5	588	6%
Nordic	62	48	31	27	25	8	12	5	5	223	2%
UK/Ireland	147	89	73	97	34	54	36	41	8	579	6%
Australasia	55	65	43	39	30	34	59	18	7	350	4%
DACH	87	108	38	45	53	27	18	2	5	383	4%
Other Asia	84	67	22	32	25	23	11	17	4	285	3%
South East Asia	110	73	74	53	29	60	42	13	26	480	5%
Japan	46	65	28	28	10	12	13	4	4	210	2%
Middle East	43	12	14	9	7	16	13	4	4	122	1%
Africa	36	28	31	23	8	30	21	2	5	184	2%
Benelux	23	36	21	24	36	14	6	6	3	169	2%
Israel	31	34	23	24	9	15	7	5	12	160	2%
TOTAL	2,229	1,851	1,186	1,036	1,019	873	673	273	216	9,356	100%

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

Note: The Intelligence Heat Charts are based on "companies for sale" tracked by Mergermarket in the respective regions between 1 January 2022 and 30 June 2022. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does **not differentiate between small and large transactions, nor between deals that could happen in the short or long-term.**between small and large transactions, nor between deals that could happen in the short or long-term.

THE OUTLOOK SUPPORTS HEALTHY M&A MARKETS

The outlook remains remarkably strong. For the eighth quarter running our heat charts showed high levels of rumoured mid-market deals. However, for the first time in nearly two years rumoured deal activity has dipped below 10,000 deals. It still compares favourably with historic numbers of 8,000 or more. That supports the continued positive outlook for M&A markets.

We expect this picture to be supported by the availability of cash in private equity and capital markets coupled with still relatively cheap debt, albeit rising a little. We believe there will continue to be high deal activity across owner managed business, private equity and larger corporates.

GLOBAL THEMES THAT ARE INFLUENCING M&A

Despite the negative impact of inflationary pressures, the availability of cash to invest should continue to fuel M&A activity. The continued growth of private equity funds should remain a major factor. We also expect strategic buyers to continue to be active in the market as they seek to add to capability, especially technology and digital. We continue to see the growth of ESG investing as companies and funds seek to acquire businesses with activities that benefit the carbon footprint of the world.

JOHN STEPHAN
HEAD OF GLOBAL M&A
john.stephan@bdo.co.uk

GLOBAL

9,356 RUMOURED TRANSACTIONS

P05 | **NORTH AMERICA**

M&A DEALMAKING ACTIVITY SLOWS TO PRE-PANDEMIC LEVELS

P09 | **LATIN AMERICA**

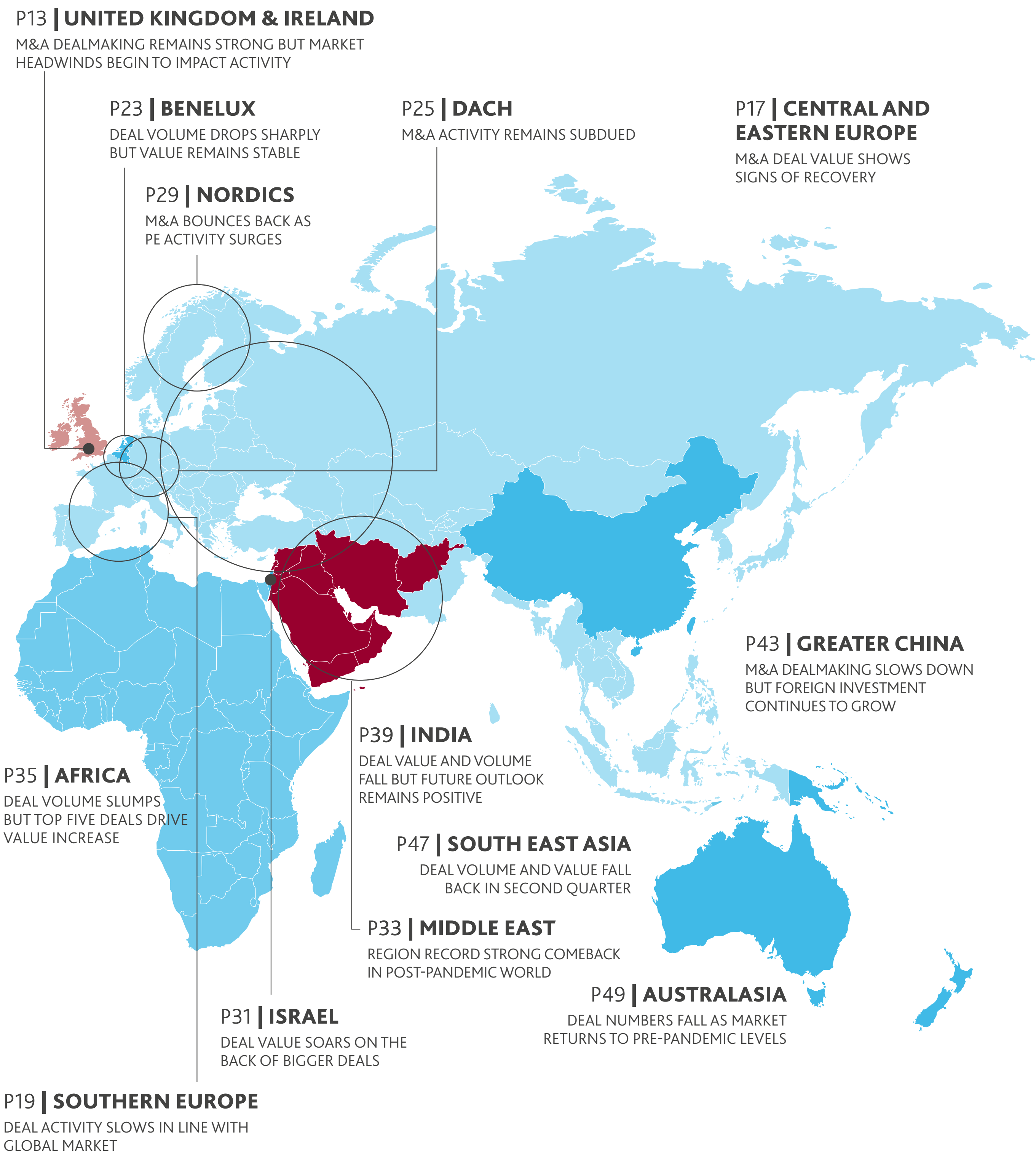
DEAL ACTIVITY SLUMPS TO TWO-YEAR LOW

SECTOR VIEW

BUILDING PRODUCTS & SERVICES | P53

NATURAL RESOURCES | P55

TMT | P59



Key % movement

- -20% to -11%
- -10% to -1%
- 0
- 1% to 10%
- 11% to 20%
- 21% to 30%
- 31-40%

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

NORTH AMERICA

M&A DEALMAKING ACTIVITY SLOWS TO PRE-PANDEMIC LEVELS

BIG PICTURE

- Overall deal volume was down 29% in Q2 2022 compared to Q1 2022
- Deal value was also down 33% in Q2 2022 from Q2 2021
- PE buyers were still active with 303 deals, representing 47.7% of deal volume and 36.9% of deal value
- Uncertainty caused by the geopolitical and macroeconomic environment, including the war in Ukraine, has slowed the mid-market M&A environment.

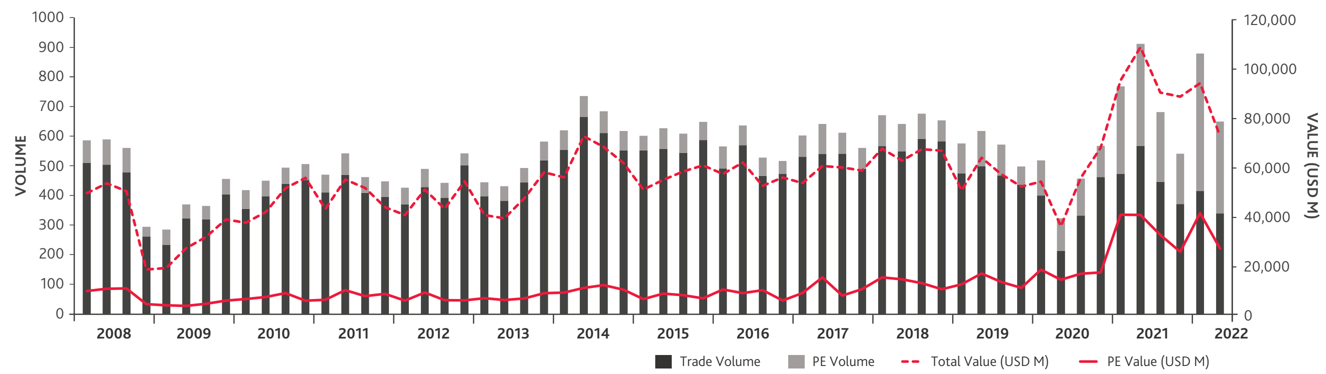
After the frenzied, record-setting pace of M&A activity during 2020 and 2021, dealmaking has slowed in the first half of 2022. With the onset of numerous macroeconomic and geopolitical headwinds and corresponding surrounding uncertainties, the value and volume of deals in both Canada and the USA has returned to levels last seen in 2019 prior to the pandemic. While 2019 levels of deal activity represent a decline, it likely represents a more sustainable M&A environment.

North American mid-market M&A volume fell from 891 deals in Q2 2021 to 635 deals in Q2 2022, which was more comparable to Q2 2019, which saw 604 deals. There was a corresponding decrease in aggregate deal dollar value in Q2 2022 to USD 71bn versus USD 106bn in Q2 2021. 2021 is likely an inflated comparison period, however, as the uncertainty around inflation, the war in Ukraine, commodity volatility and a tightening of monetary policy on both sides of the Canada and US border have resulted in a cautiousness in financial sponsors and a difficult business environment to predict for strategic corporates.

Increasing inflation has certainly had a trickle-down effect on the pace of dealmaking in the mid-market. The increase in prices is primarily being driven by both the war in Ukraine and continued global supply chain issues that in turn has resulted in never-before-seen commodity volatility and increasing interest rates aimed at tempering demand. While access to capital is still relatively cheap, volatile public equity markets have slowed corporates' strategic growth objectives and encouraged second guessing as to if now is the right time to deploy capital, irrespective of whether that capital is available or not. All of these factors have contributed to concerns of a lingering recession and a shift in priorities. While dealmakers approached deals in the past couple of years with a mandate to assess the sustainability of COVID-driven results, moving forward, at least in the short term, dealmakers will be keeping a close eye on the assessment of various inflation scenarios and evaluating the effects of a continuing, challenging supply chain.

Equity markets have seen a substantial decline in valuations with the S&P 500, Dow and Nasdaq down by 19.9%, 14.6% and 28.6%, respectively at the end of Q2 2022. While there is typically a lag from public to private valuations, the

PE/TRADE VOLUME & VALUE



effects are also starting to be observed on dealmaking processes. We are beginning to see the transition to lower valuations across a variety of industries. The decline is certainly a negative indication for sellers but the transition is expected to provide opportunities for strategic and PE dealmakers to generate healthy returns in the current volatile market. Further indications of lower public valuations driving M&A activity are already being seen, as public-to-private transactions increased by more than 50% in 2022 compared to the prior year period. Despite a large decline in public valuations, we expect, in the near term, high-quality and resilient assets to continue to encounter highly competitive deal processes and premium valuations.

From an industry perspective, unsurprisingly the TMT and Healthcare sectors drove the most significant deal volumes in the quarter. Continuing on the theme of fast-forwarded digitalization seen during the pandemic, the adoption of new technologies remains a priority for small and large organizations alike, which will likely drive increased M&A opportunities not only in the technology sector but in manufacturing and distribution, which continues to automate and digitize. In the wake of a global health crisis and increased scrutiny, the Healthcare industry will drive inorganic growth strategies to facilitate adaptation to an ever-changing health landscape. The Consumer sector will largely be focused on consumer sentiment in a time of high inflation and will be examining how a corresponding M&A strategy could reposition the sector to changes in consumers' buying behaviours and preferences.

PE continued to be a large factor in M&A activity, contributing 48% and 37% of total deal value and volume in Q2 2022 respectively. Many funds find themselves at a short-term crossroads with the conflicting goals of deploying record amounts of dry powder while simultaneously navigating a business landscape which appears to be on the precipice of a recession, or at least significantly uncertain. However, tenured and selective dealmakers will still have the opportunities to drive higher returns in a time of volatility.

KEY SECTORS

In Q2 2022, M&A activity decreased across six of nine tracked sectors compared to Q2 2021, with the exception of Energy, Mining & Utilities and Leisure. Real Estate was consistent with four deals in each quarter. Financial Services experienced the largest decrease with a 50% decline compared to Q2 2021. Pharma, Medical & Biotech, Business Services and Industrials & Chemicals all declined by 45%, 44% and 40%, respectively. Of the sectors with falling levels of activity, TMT had the lowest with a decline of 18%.

LOOKING AHEAD

Dealmaking in the first half of 2022 showed signs of slowing down due to geopolitical and macroeconomic uncertainty. The M&A mid-market has been a seller's market for a long time and while that is not expected to change immediately, the scales may be tipping for less resilient, lower-quality assets which were still valued at a premium over the past couple of years.

The eyes of all dealmaking stakeholders will be on the tightening of monetary policy and its effects on the economy over the latter half of 2022. Despite the uncertainty, M&A activity remains at healthy levels and there is optimism that deal flow will be robust moving ahead. From a PE perspective, interest rates, while increasing, are still at historically low levels and investors still have ample dry powder to deploy, which should continue to drive significant levels of M&A activity. While many strategic corporates will inevitably become cautious, a number will continue to prioritize M&A to quickly drive growth, increase resilience (particularly around supply chains) and capitalize on smaller deal opportunities.

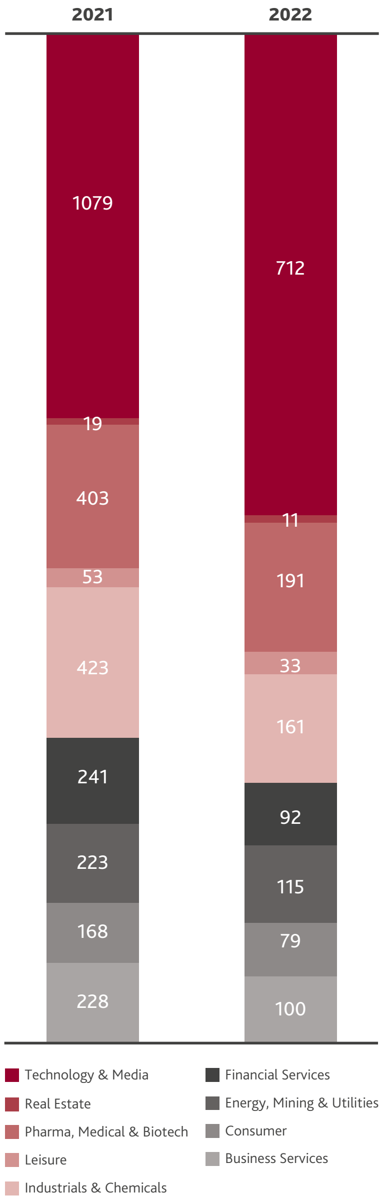
RYAN FARKAS
MANAGING DIRECTOR
rfarkas@bdo.ca

ALEX ARDIZZI
DIRECTOR
aardizzi@bdo.ca

NORTH AMERICA
HEAT CHART BY SECTOR

TMT	603	29%
Pharma, Medical & Biotech	400	19%
Business Services	290	14%
Industrials & Chemicals	262	13%
Consumer	184	9%
Financial Services	168	8%
Energy, Mining & Utilities	119	6%
Leisure	27	1%
Real Estate	18	1%
TOTAL	**2,071**	

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

DEAL ACTIVITY SLUMPS TO TWO-YEAR LOW

BIG PICTURE

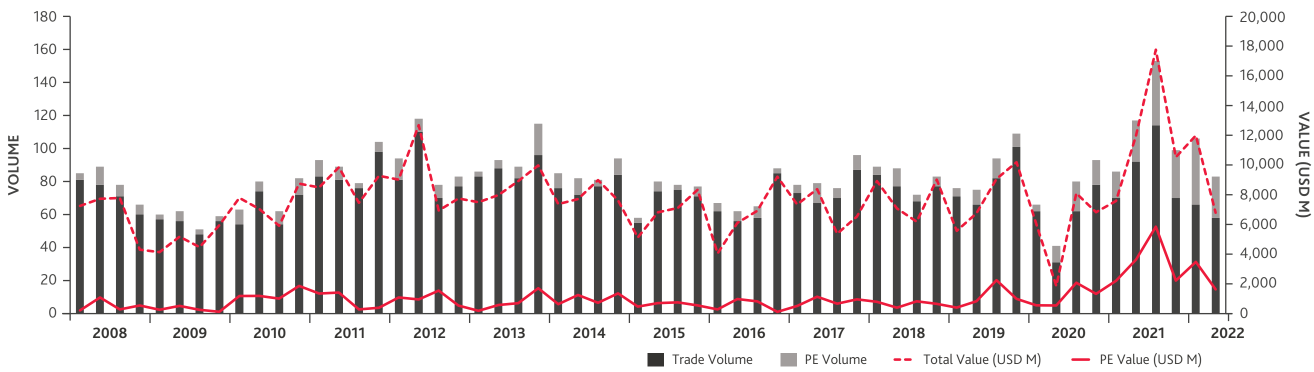
- In Q2 2022, there were 83 deals worth a total USD 6,790m, representing a decrease in both deal volume and value compared to all quarters in 2021 and Q1 2022
- The two leading sectors were TMT with 32 deals and Energy, Mining & Utilities with 14 deals
- Brazil recorded 13 deals of the quarter's top 20, accounting for 65.1% of total deal value
- The Latin American economy is still struggling to recover from the global pandemic, while also being affected by other global events such as the ongoing war in Ukraine and supply chain issues
- Brazil's rising inflation and interest rates, as well as the upcoming presidential elections in October, bring uncertainty for the remaining half of 2022. However, this scenario also creates consolidation opportunities for well-capitalized investors
- BDO Brazil participated in the privatization of Eletrobras, the biggest utilities offer in the world since 2010 and second biggest stock offering in Brazilian history, which will enable the company to help expand the electric power transmission sector in Brazil.

Latin America's mid-market segment recorded 83 deals worth USD 6,790m in Q2 2022, which was a sharp decrease compared to the previous four quarters, both in volume and value terms. The quarter saw the lowest volume of deals since Q3 2020, and the lowest value since Q2 2020. The average value per deal was down 27.7% compared to the Q1 2022 average, the overall deal volume was down by 21.7% and the overall deal value fell heavily by 43.3% compared to the previous quarter.

In comparison to Q2 2021, overall deal volume fell by 29.1%, while overall deal value was down by 43.4%.

There were 25 PE deals in the quarter, 37.5% less than Q1 2022, with a decline of 53.2% in overall value. It is worth noting that the overall value of PE deals was USD 1,628m, which also represented a decline in comparison to previous quarters. Overall, PE transactions accounted for 24.0% of the quarter's overall deal value.

PE/TRADE VOLUME & VALUE



Looking at the quarter's top 20 deals, the total value of USD 4,369m represented 64.3% of the region's overall deal value, while representing only 24.1% of the overall deal volume.

Looking at the last 24 months, deal volume increased from 376 between Q3 2020 and Q2 2021 to 441 between Q3 2021 and Q2 2022, representing growth of 17.3% The overall value grew by 36.4%, due to the average deal value being 16.3% higher. This highlights that the accumulated volume and value of PE deals in the last 12 months, in comparison to the period from Q3 2020 to Q2 2021, represented rises of 79.7% and 42.5% respectively.

KEY DEALS AND SECTORS

TTMT and Energy, Mining & Utilities led sector activity with 32 and 14 deals respectively, accounting for approximately 55.4% of all deals closed. They were trailed by Industrials & Chemicals with 11 deals, Consumer with nine, Financial Services with seven and Business Services and Pharma, Medical & Biotech, each with five deals. No transactions were registered in both the Real Estate and Leisure sectors.

The top 20 deals, as previously mentioned, represented approximately 64.3% of all Latin America mid-market activity in Q2 2022, with a total value of USD 4,369m. Brazil was the most targeted country with 13 deals, representing 65.1% of the top 20's deal value.

The quarter's biggest deal was the acquisition of a 100% stake in Brazil-based Eleva Global Schools by China-based Education Holdings Limited for USD 396m, as part of the company's efforts to accelerate its global expansion.

In June 2022, Brazil's state-owned Eletrobras, a leading player in the country's electric power transmission, was privatized. The privatization represented the biggest utilities stock offer in the world since 2010, the biggest privatization in Brazil since 1998 and it was also the second biggest stock offering in the country's history. The privatization is expected to result in the expansion of Brazil's electric power sector by reestablishing Eletrobras's investment capacity. BDO Brazil was part of the consortium which was responsible for the accounting, financial, tax and labour due diligence processes and the economic valuation of the company.

POLITICAL AND ECONOMIC CONTEXT

Latin American was one of the most impacted regions in the crisis brought on by the COVID-19 pandemic and its economies continue to struggle with its after-effects.

In addition, other global events such as the war in Ukraine, new lockdowns in China and supply chain bottlenecks around the world have also impacted economic prospects for the next year as global growth is expected to be on the slow side while the emerging economies face the possibility of recessions.

These weak prospects for the global economy are also expected to make investors more adverse to risky assets, which is likely to impact Latin American unicorns. Some of these unicorns have already begun to cut costs through lay-offs, while others have postponed their IPO plans.

However, it is also worth highlighting that as some investors pull back from financing Latin American start-ups, some of these companies will look to consolidate, which could represent potential opportunities for investors with high levels of capital.

In addition, it is also noteworthy that the Latin American region could profit from opportunities generated from recent geopolitical events as it is a region abundant with key resources such as commodities, food, fuel and renewable energy, while also being located close to one of its main markets, the US. However, structural reforms, such as administrative and tax reforms, as well as improving infrastructure and education, would be essential for Latin American companies to be able to benefit from this geographical advantage.

The Brazilian economy, like many other economies across the world, has seen a rise in the rate of inflation, which is due to global hikes in fuel and food prices. To try to contain the rise of inflation, Brazil's Central Bank has repeatedly increased the country's basic interest rate, which reach 13.25% in June 2022, a sharp increase from the historic low of 2.0% in late 2020 to early 2021, when the country appeared to have successfully staved off the inflationary pressures brought on by the pandemic. It's also worth noting that even during a period of high inflation and weak growth, Brazil's rate of unemployment has fell sharply, reaching its lowest level since Q4 2015. In addition, recent initiatives such as tax cuts to reduce fuel prices are expected to have a positive impact in the short term.

All these scenarios, along with the increased uncertainty generated by the country's upcoming presidential elections in October, may temporarily affect Brazil's investment attractiveness. However, even in this challenging period, M&A specialists are suggesting that the Brazilian market still presents significant liquidity with sectors such as TMT and Financial Services expected to thrive.

LOOKING AHEAD

Latin America represents approximately 6% of the global market, with 588 deals announced or under way, as shown in the BDO Heat Chart. This reflects an increase in M&A activity as Latin America normally represents 4%-5% of the global market's Heat Chart. TMT is expected to top the BDO Heat Chart as the most represented sector, with 207 deals, followed by Financial Services (113), Business Services (86), and Energy, Mining & Utilities (53).

For the remaining half of 2022, with various events expected to slow global growth and affect emerging economies, Latin American economies will likely be facing a period of uncertainty. In Brazil, while there are some indications of economic improvement, such as lower unemployment, the overall scenario remains uncertain due to inflation hikes and the increase in interest rates to combat said inflation, in addition to the upcoming presidential elections.

Finally, it should be noted that, as previously mentioned, this scenario is a favourable one for well-capitalized investors seeking consolidation opportunities, as late-stage start-ups may fail to find funding from international investors unwilling to deal with potentially riskier assets.

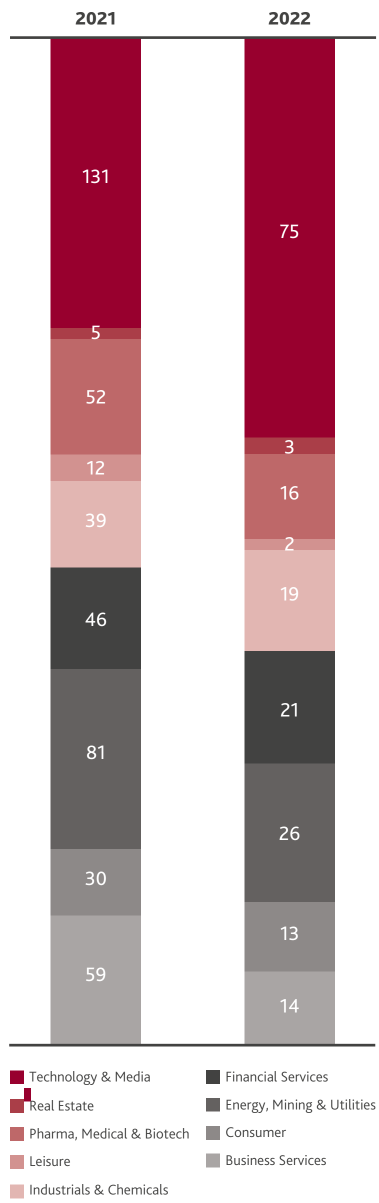
ROMINA LIMA
CORPORATE FINANCE AND ADVISORY PARTNER
romina.lima@bdo.com.br

ADRIANO CORREA
CORPORATE FINANCE AND ADVISORY PARTNER
adriano.correa@bdo.com.br

LATIN AMERICA
HEAT CHART BY SECTOR

TMT	207	35%
Financial Services	113	19%
Business Services	86	15%
Energy, Mining & Utilities	53	9%
Pharma, Medical & Biotech	33	6%
Industrials & Chemicals	32	5%
Consumer	31	5%
Leisure	28	5%
Real Estate	5	1%
TOTAL	**588**	

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

M&A DEALMAKING REMAINS STRONG BUT MARKET HEADWINDS BEGIN TO IMPACT ACTIVITY

BIG PICTURE

- H1 2022 saw high levels of M&A activity, with deal volume maintaining momentum from H2 2021 at levels similar to H1 2021
- Market nervousness began to emerge in Q2 2022 with declines in both deal volume and value
- Deal volume continued to be driven by the TMT sector, while Energy, Mining & Utilities rebounded in Q2 2022
- Overall, H1 2022 continued to see deal values well above pre-pandemic levels.

M&A activity continued to be boosted by significant dry powder in the market in H1 2022, with deal volume maintaining levels seen in H2 2021 with 303 reported transactions (H2 2021: 303). In Q1 2022, the total deal value of USD 17.2bn was greater than in each of the three previous quarters, as the UK&I M&A market carried forward its momentum from 2021 and remained well above pre-pandemic activity levels.

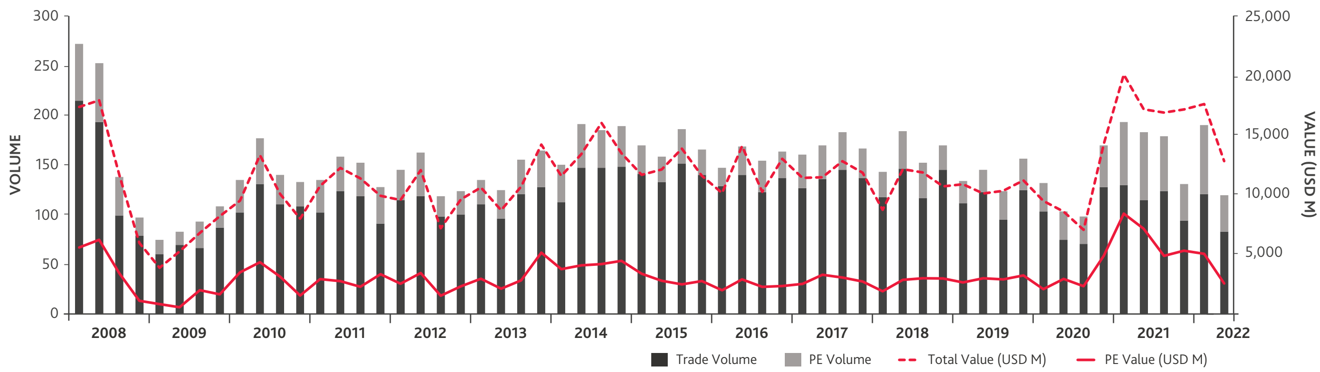
However, the second quarter of 2022 saw a sharp slowdown in deal volume, with a decline from 186 to 117 completed transactions and deal value dropping from USD 17.2bn to USD 12.5bn, equating to declines of 37% and 27% respectively. As a result, deal value in H1 2022 dropped to USD 29.8bn, down 11% from USD 33.3bn in H2 2021 as fears of a recession and higher interest rates began to bite in the market.

As the PE/trade volume and value graph on these pages show, the mix between trade and PE-funded deals shifted slightly towards trade from Q1 2022 to Q2 2022. Of the total number of deals, PE-funded deals declined from 37% to 31% by volume and 29% to 20% by value from Q1 2022 to Q2 2022, with a reported 36 transactions at a total value of USD 2.5bn in Q2 2022, down considerably from the 68 deals and value of USD 4.9bn recorded in the first quarter of the year.

Despite market uncertainty, trade deal value was bolstered by several notable deals including the sale of Chelsea Football Club to a consortium led by Todd Boehly for USD 3.1bn. As a result, Q2 2022's trade deal value of USD 10.0bn represented a 2% year-on-year increase from Q2 2021. However, trade deal volume declined significantly to 81 transactions, the lowest level seen since Q3 2020 and marking a 31% decline from Q1 2022 (118 transactions). Trade parties were involved in 69% of all deals by volume in Q2 2022, with those deals contributing 80% of the total deal value (71% in Q1 2022).

The high-inflation, high-interest rate environment led to increased caution from investors in Q2 2022, in turn driving lower valuations. Average PE deal value decreased only marginally from USD 72.7m to USD 69.7m in Q2 2022, however it remained well below the average 2021 deal value of USD 115.0m. The lower valuations

PE/TRADE VOLUME & VALUE



being seen across the market are expected to create considerable opportunities to generate improved investor returns in volatile trading conditions.

KEY DEALS AND SECTORS

With the backdrop of a decrease in deal volume from Q1 2022 to Q2 2022, all sectors bar Energy, Mining & Utilities experienced a drop in deal volume quarter-on-quarter. Business Services saw the largest percentage decline, falling 60% from 25 transactions in Q1 2022 to 10 in Q2 2022. In H, the Leisure sector began to see improved M&A activity as it emerges from the COVID-19 pandemic, with H1 2022 Leisure deals up 29% from H2 2021 with 18 completed transactions.

TMT remained the most active sector with 46 closed deals in Q2 2022, representing 39% of all transactions in the quarter, but this was 38% lower than in Q1 2022, which boasted a record 74 TMT deals. Significantly, Q2 2022 TMT deal volume remained well above pre-pandemic levels.

As energy prices were driven higher in Q2 2022, Energy, Mining & Utilities companies were increasingly targeted as deals in the sector increased 67% from Q1 2022, up to 10 deals in Q2 2022. However, deal volume in this sector remains below the levels seen in H1 2021, which is to be expected given the well-publicised difficulties faced by several notable UK energy companies in the past 12 months.

Q2 2022 again saw strong cross-border M&A activity with 12 out of the top 20 mid-market transactions involving an overseas buyer. A selection of the largest mid-market transactions are highlighted below:

- Ocean Outdoor Ltd, the London-based digital out-of-home advertising firm was acquired at a valuation of USD 580m by New York-based investment firm Atairos Group Inc
- ReViral Limited, a privately held, clinical-stage biopharmaceutical company focused on discovering, developing, and commercializing novel antiviral therapeutics that target respiratory syncytial virus (RSV), was acquired by Pfizer for a consideration up to USD 525m
- GFTN Holdings Inc. acquired Pryvate Technologies Limited for consideration of USD 400m. Pryvate is a company that focuses on providing a comprehensive communications security solution that protects customers' on/offline communications
- SSE plc have entered into an agreement to acquire Triton Power Holdings Ltd from Energy Capital Partners for a total consideration of USD 418m shared equally between the partners. Triton Power operates Saltend Power Station which is a 1.2GW combined cycle gas turbine (CCGT) and combined heat and power (CHP) power station located on the north of the Humber Estuary in East Yorkshire
- Morphy Richards Ltd was sold to Guangdong Xinbao Electrical Appliance Holdings (Xinbao), which trades under the brand Donlim, for a consideration of USD 214m.

LOOKING AHEAD

Overall, M&A activity across UK & Ireland continued to soar above pre-pandemic levels in H1 2022. Although there were signs that the market is slowing down in Q2 2022, there remain significant levels dry powder among investors and lower valuations due to market uncertainty may create a new wave of opportunities with the potential for higher returns.

The second half of 2022 is also expected to see a rise in distressed opportunities as the inflationary environment and the withdrawal of COVID-related Government support schemes starts to take effect on UK mid-market businesses.

The BDO Heat Chart shows continued strong appetite for deals in the UK & Ireland mid-market with 579 rumoured deals. TMT is predicted to continue to be the dominant sector with 147 deals, followed by Consumer (97) and Industrials & Chemicals (89).

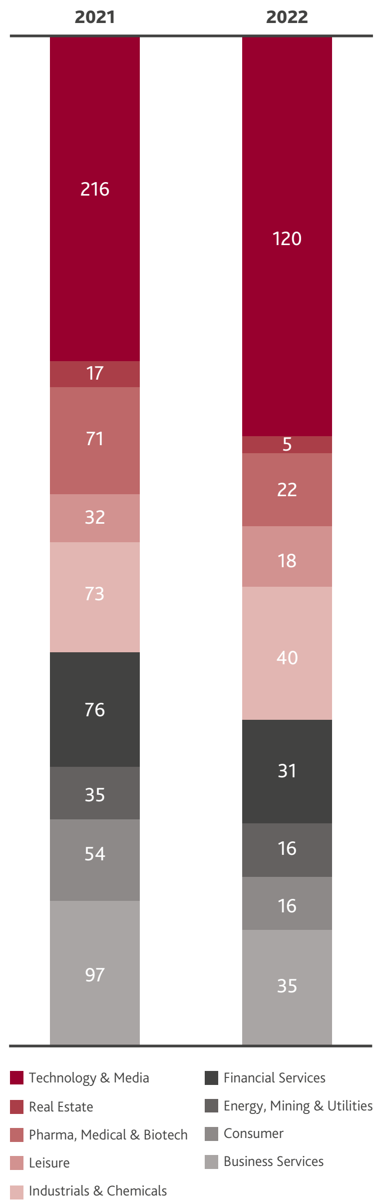
ISH ALG
DIRECTOR
ish.alg@bdo.co.uk

CALLUM LONG
ASSISTANT MANAGER
callum.long@bdo.co.uk

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

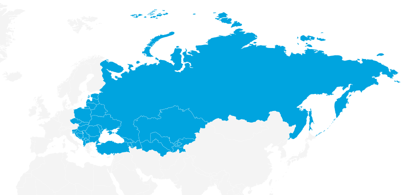
TMT	147	25%
Consumer	97	17%
Industrials & Chemicals	89	15%
Business Services	73	13%
Financial Services	54	9%
Leisure	41	7%
Energy, Mining & Utilities	36	6%
Pharma, Medical & Biotech	34	6%
Real Estate	8	1%
TOTAL	**579**	

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



CENTRAL AND EASTERN EUROPE

M&A DEAL VALUE SHOWS SIGNS OF RECOVERY



BIG PICTURE

- Total deal volume (65) fell by 27% compared to Q2 2021
- PE's share of deal value (11%) was 8% lower than the year before
- With 18 deals, TMT accounted for 28% of total transaction volume.

With the ongoing war between Ukraine and Russia creating turmoil in the CEE region, M&A activity saw a significant drop in Q2 2022 compared to Q2 2021, although M&A total deal value was at its highest level since Q2 2021. The average deal value was higher than in any of the previous 11 quarters.

There were 65 deals completed in Q2 2022, meaning that overall deal volume was down 27% compared to Q2 2021. Overall deal value dropped by 7% to USD 6.5bn compared to Q2 2021. However, the CEE region recorded an average deal value of USD 100m, the highest seen since Q2 2019.

The overall decline in value was mainly related to the fall in PE deals, with PE buyouts accounting for just 11% (at USD 685m) of total value in the quarter. By comparison, in Q2 2021, PE's percentage of deals was 18% (at USD 1280m). PE deal volume also dropped to nine from the 19 deals completed in the second quarter of 2021.

Finally, trade value remained relatively consistent over the past couple of quarters.

KEY SECTORS AND DEALS

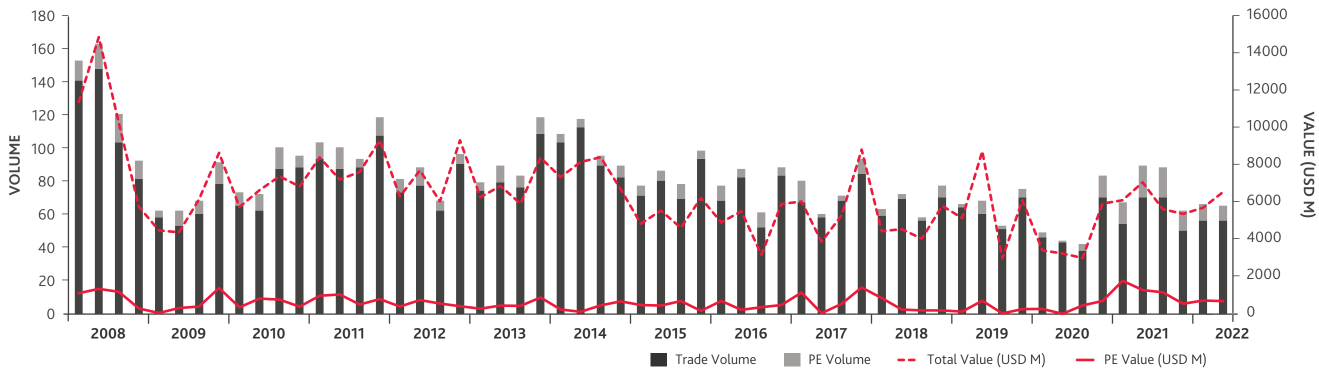
The quarter's top performing sector was TMT with 18 transactions, which represented 28% of the total volume.

Industrials & Chemicals was in second place with 14 deals and Energy, Mining & Utilities was in third with 10. Deal numbers in both sectors were close to their average deal numbers in previous years.

The region's top three deals were as follows:

- Entek Elektik Uretim A.S.: Turkish Petroleum Refineries Corporation bought a 99.24% stake in the fellow Turkish Energy, Mining & Utilities company for USD 484m
- Multiple PPF Group N.V. companies: Ivan Tyryshkin (Russia) acquired a majority stake in multiple PPF Group Financial Services companies, including a 50.5% stake in Home Credit Insurance LLC, a 50.5% stake in MCC Kupi ne kopi LLC, a 100% stake in Vsegda Da LLC, a 100% stake in Forward Leasing LLC and a 50.5% stake in Home Credit & Finance Bank LLC, for a total of USD 406m
- Yapi ve Kredi Bankasi Anonim Sirketi: Koc Holding AS (Turkey) acquired a minority interest (a 32.03% stake) in the Turkish Financial Services company for USD 401m.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The BDO Heat Chart indicates that TMT (183 deals) and Industrials & Chemicals (145) are likely to be the region's top two sectors in the near future, accounting for 27% and 21% of the total future deal count respectively.

The Russia-Ukraine war continues to generate uncertainty in the region. Global supply chain issues and historically high commodity and energy prices in particular are causing high rates of inflation and supply chain difficulties. Short-term economic growth expectations in the region have been revised downwards. Interest rates are continually rising in the CEE region as central banks continue to intervene against inflation.

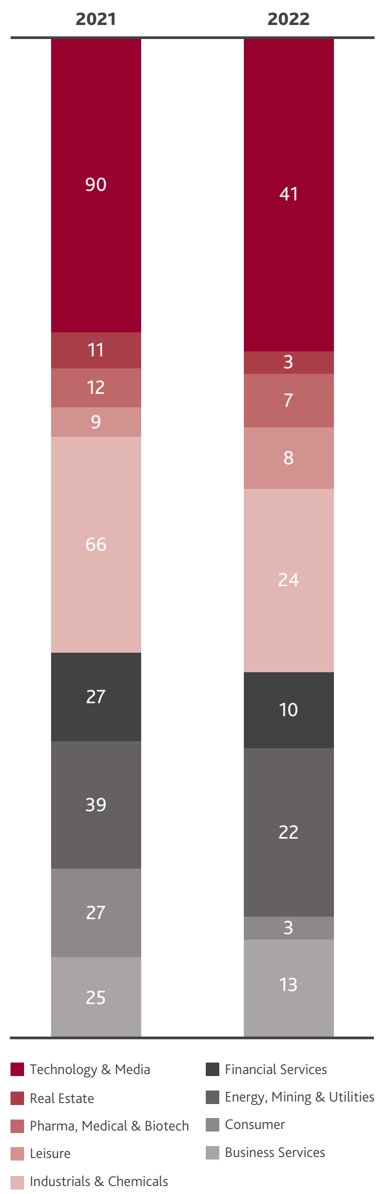
Most regional currencies remained fairly stable against the EUR in Q2 2022, but weakened against the USD, as the EUR continued its devaluation against the USD in the quarter. This has the potential to create attractive investment opportunities for foreign investors in the region.

MÁRK FEKETE
MANAGING PARTNER
mark.fekete@bdo.hu

CENTRAL AND EASTERN EUROPE
HEAT CHART BY SECTOR

TMT	183	27%
Industrials & Chemicals	145	21%
Consumer	95	14%
Business Services	86	13%
Financial Services	50	7%
Energy, Mining & Utilities	46	7%
Pharma, Medical & Biotech	36	5%
Leisure	27	4%
Real Estate	7	1%
TOTAL	**675**	

CENTRAL AND EASTERN EUROPE
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

DEAL ACTIVITY SLOWS IN LINE WITH GLOBAL MARKET

BIG PICTURE

- Worldwide M&A slows in Q2 2022 due to the Russia-Ukraine war and inflation concerns
- Deal volume and value record moderate decrease in Q2 2022 compared to Q2 2021
- Average PE deal size dropped by 46% (USD 61m) compared to the previous quarter
- The BDO Heat Chart forecasts that TMT will remain the region's most active sector.

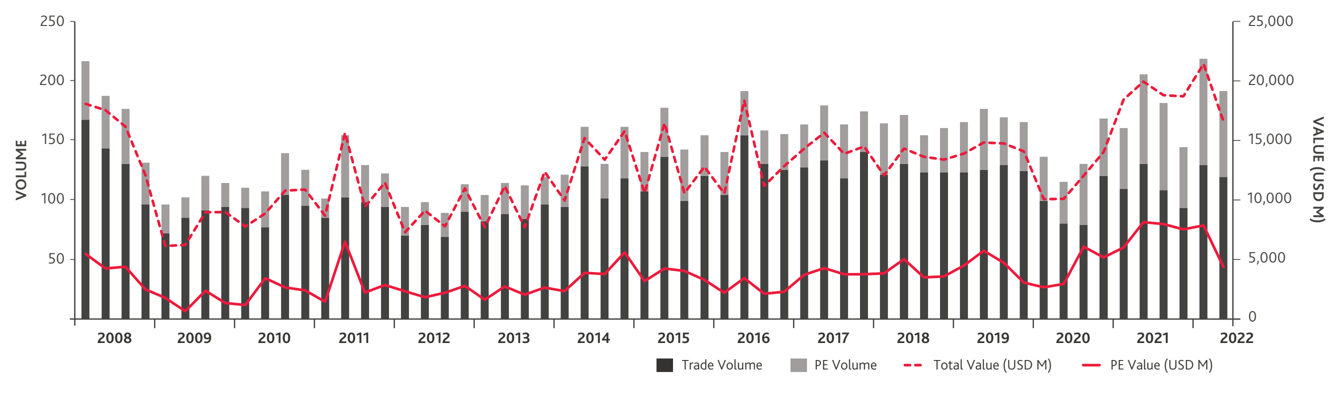
In Q2 2022, Southern Europe's mid-market M&A recorded 191 transactions. It is noteworthy that the deal volumes in Q2 2022 were higher than those in Q2 2019, suggesting that the M&A market has been almost completely restored to normal levels following the global pandemic. Although it represented an improvement compared to Q2 2019, the market is now being influenced by concerns about the Russia-Ukraine war and inflationary pressures and as a result there was a fall of 7% in transaction volumes compared to Q2 2021. Moreover, comparing Q2 2022 with Q1 2022, there was a sharp decline in value of 23% as well as a drop in deal numbers of 12%.

Looking at average deal size, the quarter's figure of USD 87m was 12% down on the previous quarter.

Overall, Q2 2022 was not a great period for PE activity as deal numbers fell to 72 from the 89 transactions recorded in Q1 2022. As a result, PE's share of total deal numbers dropped to 26% compared to 37% in the previous quarter. Market volatility and concerns regarding the macro variables have strongly influenced the two first quarters of 2022 and PE deals numbers cannot compete with last year's record-breaking volumes. However, when comparing Q2 2022 with Q2 2021 and Q2 2020, it is noticeable that PE's proportion of overall transactions was still slightly higher (at 38%) than both previous years, when it was 37% and 30% respectively.

In terms of value, PE-funded deals in Q2 2022 recorded a total value of USD 4.4bn, which was 44% lower than the previous quarter. Finally, the average PE deal size was the lowest recorded since Q2 2019, indicating that PEs are now focusing their attention on slightly smaller deals compared to 2021.

PE/TRADE VOLUME & VALUE



KEY SECTORS

Most sectors increased or maintained tTMT led the way in sector activity with 61 deals, representing 32% of the quarter's total transactions. Compared to the previous quarter, TMT's share of overall deals was down 10%. TMT was followed by Industrials & Chemicals, which, with 38 deals, accounted for 20% of all total mid-market deals, in line with the 20% recorded in the previous quarter. The third most active sector was Business Services, with 10 deals that accounted for 12% of all transactions. These three sectors accounted for around 64% of all quarterly deals and in terms of sector activity were followed by Financial Services and Pharma, Medical & Biotech. Both sectors registered 17 deals, increases of 2% and 3% respectively compared to the previous quarter. Real Estate activity showed some growth compared to the previous quarter (1%), while Consumer stayed at the same level (5%). Finally, the Leisure and Energy, Mining & Utilities sectors registered the lowest quarterly sector performances: Leisure deal activity fell by 47% compared to Q1 2022 and Energy, Mining & Utilities dropped by 54%.

KEY DEALS

The top 10 mid-market deals in Southern Europe totalled USD 4.1bn, which represented 25% of the quarter's overall transactions.

The biggest deal in terms of value was the acquisition of a French company operating in the TMT sector, EcoVadis S.A.S., by a group of investors, for USD 500m. The second biggest deal took place in Business Services sector and involved the acquisition of French company GEFCO S.A. for USD 489m by French company CMA-CGM S.A. In third place was the acquisition of La Villata S.p.A., an Italian Real Estate company, by Esselunga S.p.A., who purchased the stake from UniCredit Group for USD 465m. Other deals that are worth mentioning include the acquisition of the merchant acquiring and POS management businesses of Italian Financial Services company BPER Banca S.p.A., for USD 410m; and the buy-back of a 6% stake in Spanish Consumer company El Corte Ingles S.A. by the Qatar investment vehicle Primefin, for USD 408m.

Looking at the quarter's top 20 deals, Italian companies appeared eight times as targets, representing a total deal value of USD 2.4bn. After that, six Spanish companies were acquired with a value of USD 2.0bn followed by five French companies with a value of USD 1.7bn.

Finally, it was noteworthy that the top 20 deals spanned multiple sectors, with Financial Services and Industrials & Chemicals being the most represented sectors.

FOCUS ON ITALY: KEY DEALS AND SECTORS

The Italian market saw several transactions in Q2 2022 that are worth mentioning; especially with the overall market being deeply affected by geopolitical tensions, inflationary fears and price volatility.

In June, Esselunga S.p.A., the Italy-based supermarkets chain, announced the acquisition of a 32.5% stake in La Villata S.p.A., the Italy-based Real Estate development company that owns and operates real estate assets. The Enterprise value was estimated at USD 1,37m with a deal value of USD 446m. Esselunga has funded the acquisition through cash to the value of 60% of the deal (around USD 261m and the remaining 40% (around USD 185m) through an unsecured loan with the same credit institution.

Another important deal completed at the end of June when Cobepa S.A., a Belgium-based private equity firm specializing in growth capital investments, agreed to acquire the totality of Arturo Salice S.p.A. The enterprise value is estimated at USD 314m. Partnering up with Cobepa will bring several synergies, such as reinforcing Salice's market leading position and opening up further growth opportunities, in terms of both geographical expansion and the penetration of new market segments. The Salice family remains as part of the company as a minority shareholder.

In May, Assicurazioni Generali S.p.A., one of the largest global insurance and asset management providers, acquired 16m shares of Società Cattolica di Assicurazioni, an Italy-based listed insurance company. A previous step acquisition took place at the end of 2021, when Assicurazioni Generali S.p.A. bought the 76.33% of Società Cattolica di Assicurazione for a final value of USD 988m. The recent step-up acquisition equalled almost 7% of the capital through a procedure of reverse accelerated book-building that was directed to institutional investors. The consideration for the purchase was equal to USD 6.92 for each share, which incorporated a premium on the closing price of the Società Cattolica di Assicurazioni ordinary share of about 7.7%, for a total disbursement around USD 108 m.

Finally, another important deal took place in May that involved Crédit Agricole, a European banking giant as well as being the largest retail bank in France, acquiring a 9% stake of Italian back Banco BPM S.p.A. The deal was estimated at USD 359m and post transaction the French bank became Banco PBM's leading shareholder. As yet, Crédit Agricole has not requested permission to exceed the 10% threshold in Banco BPM's share capital.

LOOKING AHEAD

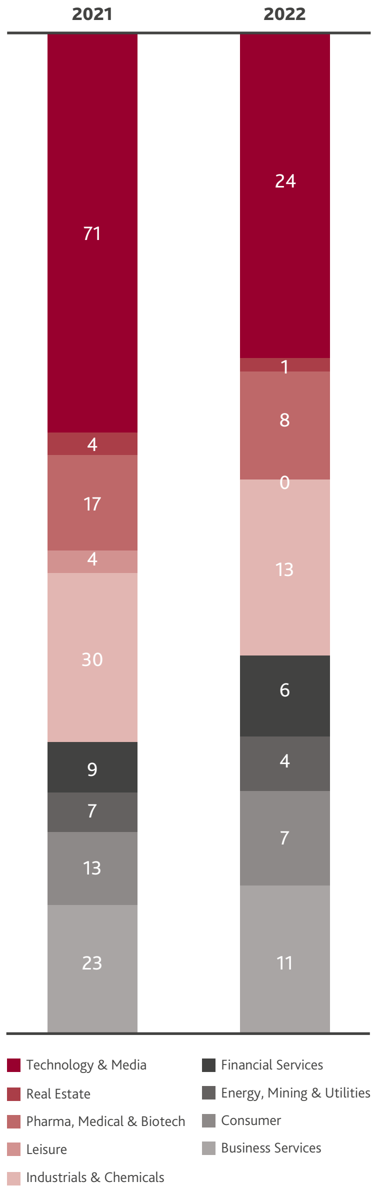
The BDO Heat Chart indicates that Southern Europe may reach 897 new deals, representing 10% of the total global possible transactions. TMT is predicted to keep growing and lead the way as the most active sector in the foreseeable future with 205 deals, accounting for 23% of the region's total deal numbers. It is followed by Industrial & Chemicals, which is expected to account for 195 deals (22% of the total), then Consumer and Business Services with 154 and 108 deals, with 17% and 12% of the total respectively. Overall, these top four sectors combined are expected to account for around 74% of all future deals in Southern Europe.

STEFANO VARIANO
PARTNER
stefano.variano@bdo.it

SOUTHERN EUROPE
HEAT CHART BY SECTOR

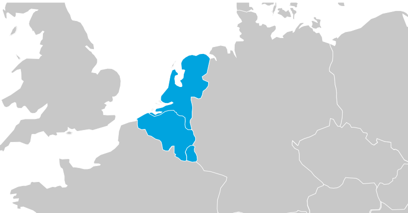
TMT	205	23%
Industrials & Chemicals	195	22%
Consumer	154	17%
Business Services	108	12%
Energy, Mining & Utilities	68	8%
Pharma, Medical & Biotech	67	7%
Financial Services	52	6%
Leisure	32	4%
Real Estate	16	2%
TOTAL	**897**	

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

DEAL VOLUME DROPS SHARPLY BUT VALUE REMAINS STABLE



BIG PICTURE

- Deal volume in Q2 2022 (29 deals) fell by almost 36% compared to Q1 2022 (45 deals)
- PE deals accounted for 31% of the quarter's overall volume, with PE deal value accounting for 17% of the overall deal value
- Deal volume is trending towards a more equal distribution between the different sectors. TMT still leads the way with seven deals (24% of all deals) but this was significantly lower than the previous quarter when it was responsible for 38% of total deal volume
- Currently, there are 169 deals planned or in progress in the Benelux.

Compared to Q1 2022, Q2 2022 recorded a significant downturn in M&A activity in terms of volume but deal value remained stable. In fact, while deal volume dropped from 45 deals in Q1 2022 to 29 deals in Q2 2022, the average deal value increased from USD 70m to USD 108m, with total deal value remaining stable at USD 3,125m in Q2 2022 (vs. USD 3,156m in Q1 2022). The last time the deal count dropped below 30 was in Q2 2020 at the start of the COVID-19 pandemic (22 deals). The decrease in deal volume was most likely caused by the uncertainty in the market due to the ongoing unrest in Europe and rising interest rates. The decline was particularly significant in the TMT sector. In H1 2021 41 TMT deals were closed compared to 24 deals in H1 2022.

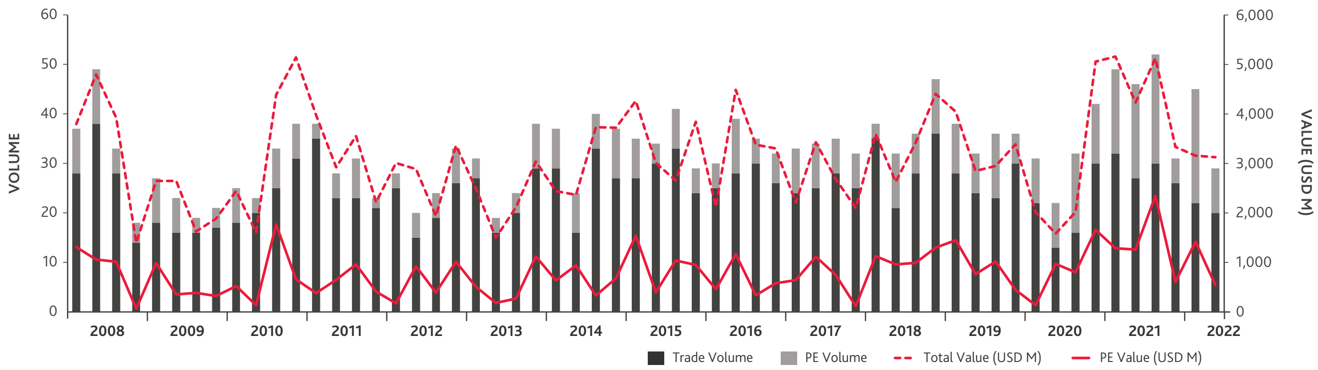
Looking at the 29 deals closed in Q2 2022, nine were related to private equity, accounting for 31% of all deals (vs. 51% in Q1 2022). Despite the drop in PE-related deals, the average PE deal value in Q2 2022 (USD 60.3m) was almost as high as in Q1 2022 (USD 61.8m). However, this average was significantly lower compared to 2021 when the average PE deal value was approximately USD 87.3m.

KEY SECTORS AND DEALS

In Q2 2022, TMT was the leading sector with seven deals. This was followed by Business Services with five deals and a shared third place went to the following three sectors: Industrials & Chemicals, Pharma, Medical & Biotech and Consumer, each with four deals. No deals were closed in either Real Estate or Leisure and the last deal in the Leisure sector took place in Q3 2021.

The total value of the quarter's top 20 deals amounted to USD 3,006m and ranged from USD 27m to USD 406m. Most of the deals were closed by buyers outside of Europe (seven) or European buyers (eight) while only five deals involved Benelux buyers.

PE/TRADE VOLUME & VALUE



The region's biggest deal in Q2 2022 was the 100% sale of EverZinc Group SA, a Belgium-based producer of zinc chemicals with three product lines: fine zinc powders, zinc oxide and zinc powders for batteries. The company was sold for USD 406m to US-based U.S. Zinc Corporation.

The quarter's second biggest deal was in Financial Services and involved the sale of 48% of the shares of TCR International, a leading global provider of ground support equipment rental solutions and services, supporting air industry customers in their ground handling processes. The company, originating in Belgium, was sold to 3i Infrastructure plc from the UK, with a total deal value of USD 404m.

Concluding the top three deals was the 100% sale of Belgian firm Anima, which is active in the high-quality senior care market and currently operates 24 residential care centres. The company was sold for USD 315m to France-based AG Real estate NV and Credit Mutuel Alliance Federale.

LOOKING AHEAD

The Benelux BDO Heat Chart shows that there are currently 169 deals planned or in progress in the region. Most of the transactions in the pipeline are related to Industrials & Chemicals and Pharma, Medical & Biotech, both with 36 projected deals, each representing 23% of total future deal volume. They are followed by Consumer (24 deals) and TMT (23), both accounting for 14% of projected activity.

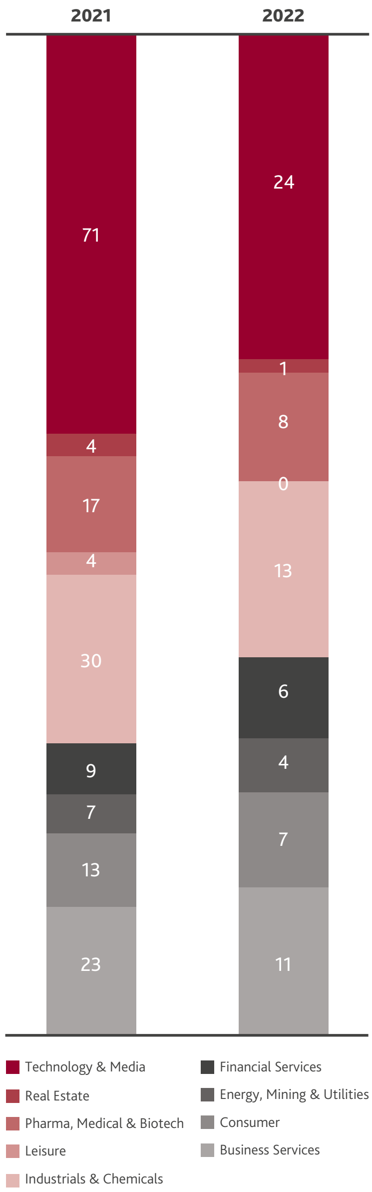
LUC AUGUSTIJN
PARTNER
luc.augustijn@bdo.nl

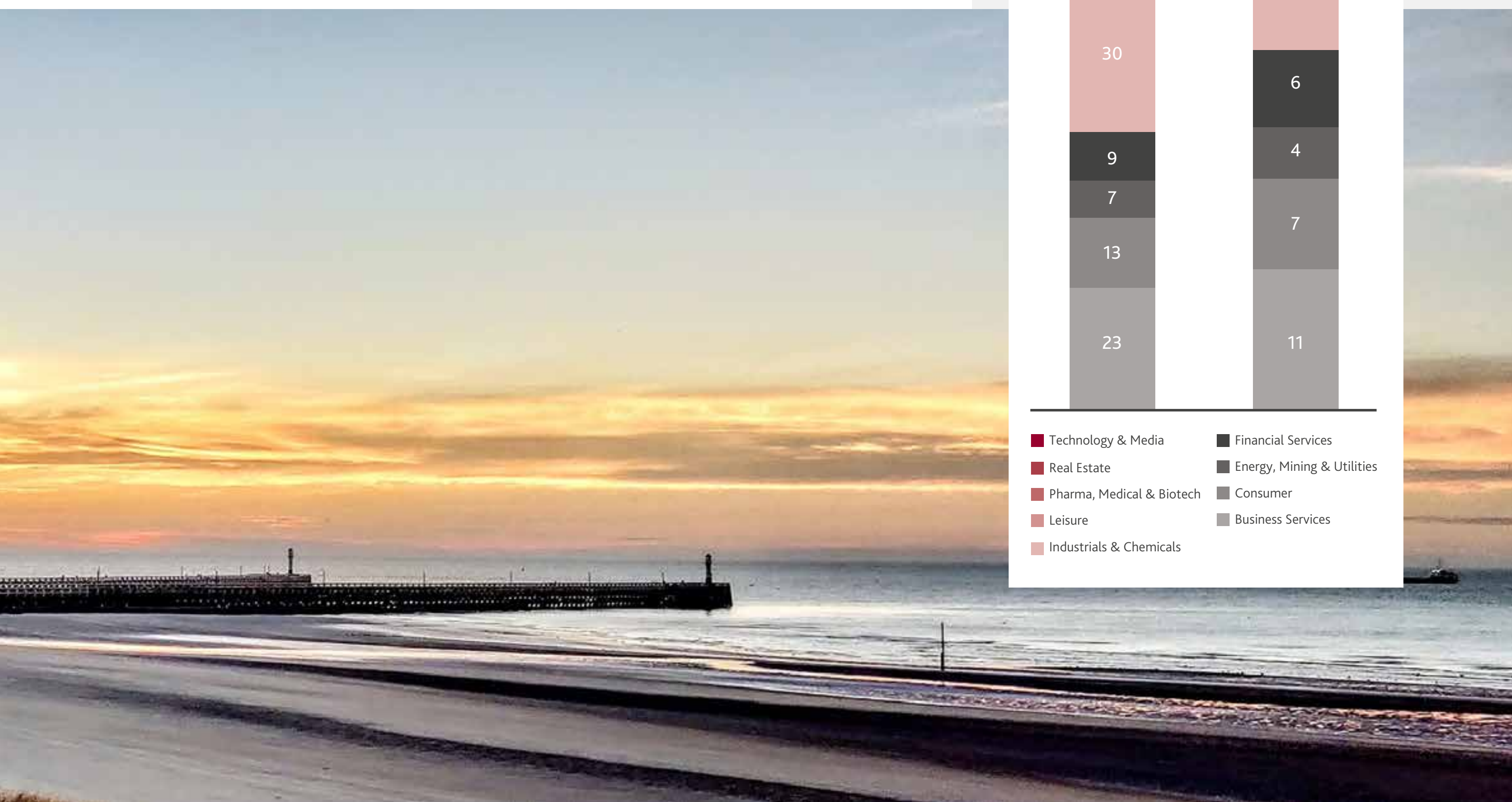
ALEXANDER VEITHEN
PARTNER
alexander.veithen@bdo.be

BENELUX
HEAT CHART BY SECTOR

Pharma, Medical & Biotech	36	21%
Industrials & Chemicals	36	21%
Consumer	24	14%
TMT	23	14%
Business Services	21	12%
Financial Services	14	8%
Energy, Mining & Utilities	6	4%
Leisure	6	4%
Real Estate	3	2%
TOTAL	**169**	

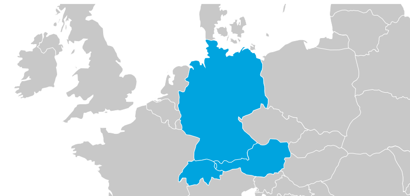
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

M&A ACTIVITY REMAINS SUBDUED



BIG PICTURE

- Deal value and volume in the DACH region fell compared to the previous quarter
- PE buyouts decreased but value increased by 10% compared to Q1 2022
- The Industrials & Chemicals and TMT were the sectors with the most M&A activity.

Both the trend in M&A mid-market activity in DACH and the overall number of deals remained stable in Q2 2022. However, PE deal volume fell and deal value increased.

In Q2 2022, deal numbers in the DACH region decreased by 20% and value fell by 5% compared to the previous quarter. It was a different situation for the quarter's PE deals, with volume decreasing by 18% but value rising by 10%. Compared to Q2 2021, there were 34 less deals overall, representing a decrease of 30%. In retrospect, due to concerns of a global recession, especially in a fraught economic environment, and uncertainty resulting from Russia's unprovoked invasion of Ukraine, mid-market M&A activity in the region remained relatively subdued. On a global M&A scale, there were declines in both deal volume and value.

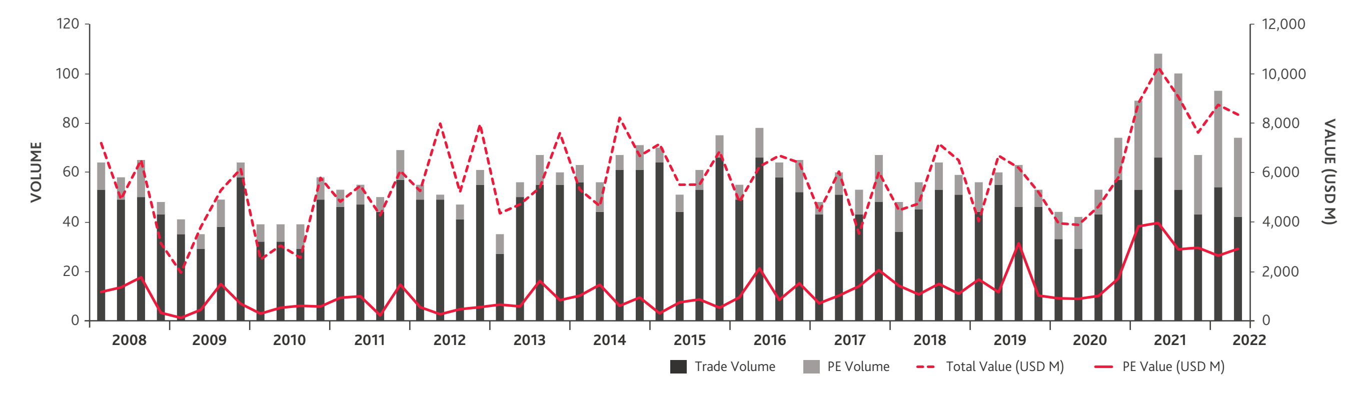
KEY DEALS AND SECTORS

In Q2 2022, the top 10 deals in the DACH region accounted for 44% of the value of all transactions. Looking at the 20 top deals, 16 German companies and four Swiss companies were targeted. Only five of those deals involved a bidder from the same country, maintaining the trend of international interest in the region, with bidders from six different countries outside the region involved in the top 20 deals. The most active were bidders from the US with nine transactions. Countries including Canada (two deals), Sweden the Netherlands, Spain and Denmark (all with one deal each) were also involved in DACH mid-market deal activity.

The biggest single deal was the acquisition of a 5.01% stake in Lufthansa AG, Germany's biggest airline, by the German private investor Klaus-Michael Kuehne. This deal was worth USD 463m.

The second biggest transaction, a cross-border TMT deal, took place in Switzerland. US-based companies Permira Advisers LLP, Advent International Corporation, Insight Partners, General Catalyst Partners, all leading private equity investors, acquired a 8.77% stake in SonarSource SA. The transaction was valued at USD 429m and will help SonarSource SA, a leading platform for clean code, to expand globally, grow its

PE/TRADE VOLUME & VALUE



go-to-market and help drive the company to USD 1bn in total revenue.

The third biggest transaction involved a German target in Industrial & Chemicals, with a deal value of USD 396m. It saw Swedish company Nordic Capital acquire a 75% stake in German company ProGlove, which was formerly the stake of US-based Summit Partners LLP; Bayern Kapital GmbH; and Deutsche Invest Capital Partners GmbH.

The next substantial deal also took place within German borders. Knorr-Bremse AG, a German industrial group, acquired a 20% stake in Knorr-Bremse Systeme für Schienenfahrzeuge GmbH and a 20% stake in Knorr-Bremse Commercial Vehicle Systems Japan Ltd for a total deal value of USD 391m from Robert Bosch GmbH.

Another big Swiss deal took place in the TMT sector and was valued at USD 300m. It saw Swiss cloud-based enterprise software company beqom SA receive strategic investment of USD 300m from US-based Sumeru Equity Partners.

The biggest Austrian transaction was the acquisition of a 60% stake in Flughafen Wien AG, the Austria-based operator of Vienna International Airport and the transaction was valued at USD 1.95bn. The stake was acquired by IFM Investors Pty Ltd, the Australia-based provider of fund management services through its subsidiary IFM Global Infrastructure Fund, a local infrastructure fund focused on the development and operation of infrastructure assets such as toll roads, airports and LNG terminals and Airports Group Europe Sarl, an investment holding company with interests in companies engaged in developing, building, and operating Vienna International Airport.

The next biggest Austrian transaction involved CPI Property Group SA, the Czech-based lessor of non-residential buildings, focusing on office buildings. The company acquired a 57.45% stake of S IMMO AG, the Austria-based lessor of commercial real estate property and the deal was valued at USD 1.94bn.

The country's third biggest transaction took place in the Industrials & Chemicals sector. Agrofert a.s., the Czech-based dealer of commodities in the chemical and agriculture food sector, acquired the nitrogen business from Borealis AG, the Austria-based provider of polyolefins, base chemicals and fertilizers. The consideration was USD 865.89m.

In Q2 2022, the majority of deals involved companies from TMT (46%), Industrials & Chemicals (24%), Pharma, Medical & Biotech (11%), Business Services (7%), Energy, Mining & Utilities (7%) as well as Financial Services and Leisure (5% each).

Apart from Energy, Mining & Utilities, all other sectors recorded a decrease in deal activity in Q2 2022 compared to Q2 2021. Energy, Mining & Utilities saw an increase in deal activity to five deals in Q2 2022 compared to just one in Q2 2021. At the other end of the scale, Pharma, Medical & Biotech saw transaction volumes drop by 44% from H1 2021 to H2 2022. This fall was linked to the immense deal activity related to the spread of COVID-19 in 2021 and a return to more normal levels of deal activity in the first half of 2022.

DACH
HEAT CHART BY SECTOR

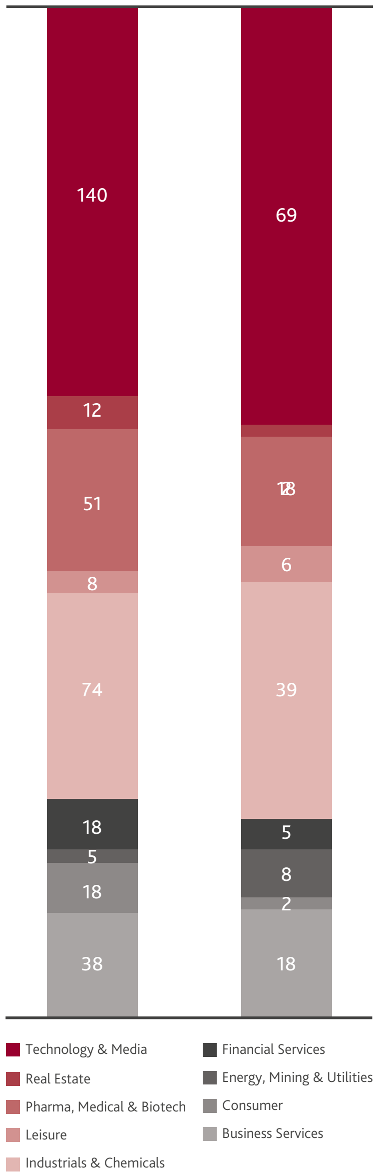
Industrials & Chemicals	108	28%
TMT	87	23%
Pharma, Medical & Biotech	53	14%
Consumer	45	12%
Business Services	38	10%
Financial Services	27	7%
Energy, Mining & Utilities	18	5%
Real Estate	5	1%
Leisure	2	1%
TOTAL	**383**	

LOOKING AHEAD

M&A mid-market activity in Q2 2022 saw a continuation of a stable recovery from the COVID-19 pandemic. However, the direction of future dealmaking is still uncertain, as the ongoing situation around the pandemic and Russia's military aggression in Ukraine might well have an impact on trade relations and keep investors cautious. Historically, the third quarter of each year accounts for a large number of mid-market M&A transactions. We expect this to be the case in 2022. However, this might come in a scaled-down version due to the current uncertain economic situation, the unpredictable developments surrounding the pandemic and the war in Ukraine. In summary, we maintain our belief that the DACH M&A market will continue to recover and improve over the coming periods.

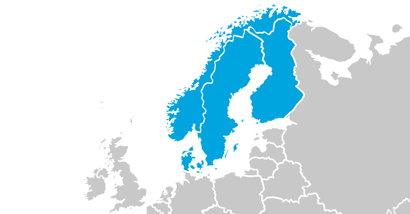
CHRISTOPH ERNST
DIRECTOR – M&A
christoph.ernst@bdo.at

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

M&A BOUNCES BACK AS PE ACTIVITY SURGES



BIG PICTURE

- M&A deal volume and value climb in Q2 2022 compared to the previous quarter with volume up by 19% to 107 deals and value up by 26% to USD 8.2bn
- PE activity surges with volume up by 65% to 33 deals and value up by 184% to USD 3.5bn compared to Q1 2022
- Looking ahead, rising inflation, increased interest rates, potentially tougher sanctions and falling stock markets remain the main concerns regarding future M&A activity.

Nordic M&A deal volume in Q2 2022 continued the positive trend seen in the previous quarter with deal numbers up 19% to 107 from the 90 deals recorded in Q1 2022. PE deal volume and value recorded significant increases in the quarter, up by 65% and 184% respectively compared to Q1 2022. Moving forwards, headwinds for M&A activity include raising inflation, increased interest rates, falling stock markets and potential sanctions.

Emerging from the previous slowdown due to the global pandemic, Nordic dealmaking activity grew strongly, both in terms of volume and value. So, it is perhaps unsurprising that Q2 2022 was down (24%) from the previous record-breaking highs seen in 2021. The increased number of PE buyouts accounted for 31% of all Q2 2022 deals and PE deal value, at USD 3.5bn, accounted for 43% of all finalized deals. This surge in PE buyouts can be explained by the large amount of dry powder in the market, alongside somewhat lower valuations.

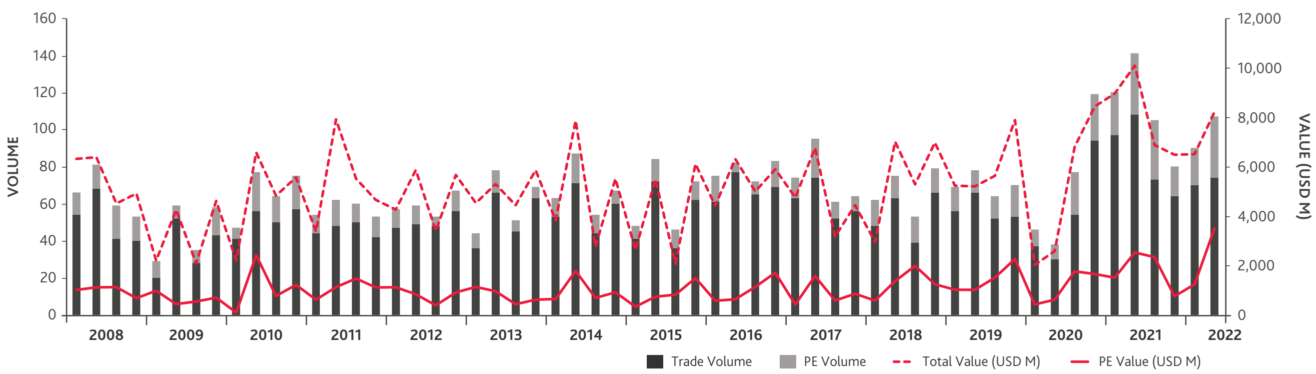
KEY SECTORS AND DEALS

Business Services, which was one of the few sectors to experience an increase in dealmaking volume during the pandemic, was responsible for 21% of all deals made during Q2 2022 and, along with TMT (25%) and Industrials & Chemicals (27%), were the three leading sectors, accounting for 73% of all deals in the region.

The sectors that saw the most momentum were Business Services (23 deals) and Pharma, Medical & Biotech (seven deals), up 229% and 133% respectively, from the previous quarter. Real Estate maintained its downward trend with just one deal, down 75% from the previous quarter. The sector is facing headwinds as a result of rising interest rates, in conjunction with inflation concerns and greater economic uncertainty.

Looking at the region's top 20 deals, TMT and Industrials & Chemicals accounted for 60% of all deal numbers. The two biggest deals were both cross-border TMT transactions; Thoma Bravo LLC's (USA) acquisition of the Norwegian Mercell Holding AS, with a deal value of USD 491m;

PE/TRADE VOLUME & VALUE



and Apax Partners LLP's (UK) acquisition of the Norwegian EcoOnline Holding AS, with a deal value of USD 407m. Another deal worth mentioning was the USD 190m equity investment made by Verdane, EQT Ventures and M2 Asset Management in Swedish e-commerce shipping company Instabox, which was recently named Europe's third fastest-growing tech company.

Among the quarter's top 20 deals, six of the transactions were cross-border deals between the Nordic countries.

LOOKING AHEAD

Moving forwards, the main obstacles to M&A activity are inflation, rising interest rates, falling stock markets, sanctions and rising energy prices. These are all potential contributory factors to investors becoming more cautious and having a tougher time attracting new capital. On the other hand, PE firms significantly increased their activity in Q2 2022 and still possess large amounts of dry powder. Alongside PE firms, several Nordic conglomerates with a strong focus on acquisitions can help boost the M&A market in the future.

Nordic central banks and the Fed have both initiated increases in interest rates and will most likely continue to do so as long as inflation remains at its current levels. This will have an immediate effect on investors looking to borrow capital. Assuming that interest rates remain at their current levels, Real Estate investments will not appear as attractive as they previously were and the sector might lose momentum.

Even though the pandemic is still present in the Nordic region, the war in Europe is now the top concern and will have significant impacts on the M&A and stock market moving forward. Russia is one of Europe's largest energy suppliers and, if it decides to restrict supply due to sanctions, energy prices could increase significantly across the Nordics.

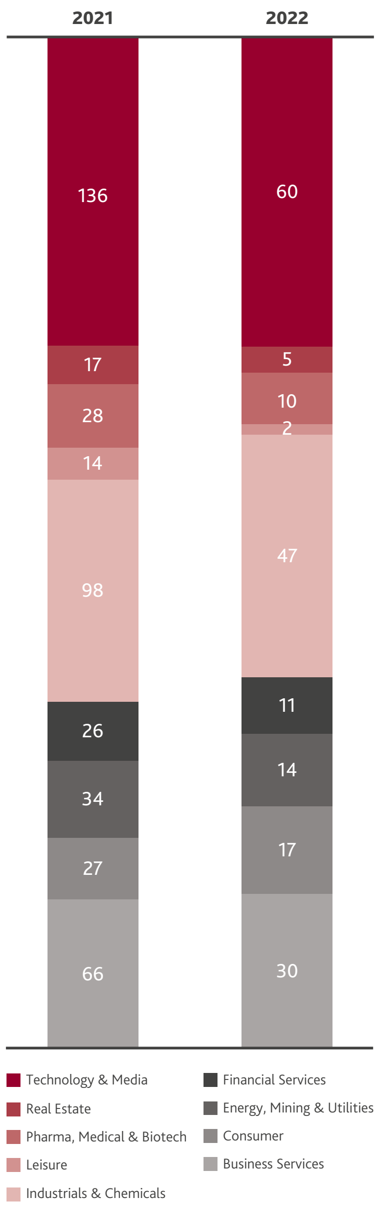
On a more positive note, there are still large amounts of dry powder in the market, PE firms have increased their dealmaking activity and the overall deal volume and value seem to be recovering well from the previous quarter's dip. To conclude, although there are challenges ahead and the near future might not match the previous record-breaking highs, we believe that Nordic M&A activity will remain near its current levels.

CLAES NORDEBÄCK
PARTNER
claes.nordeback@bdo.se

NORDICS
HEAT CHART BY SECTOR

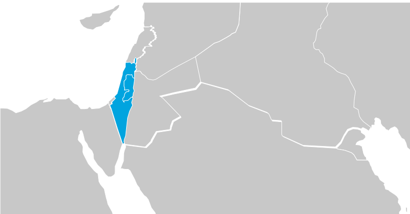
TMT	62	28%
Industrials & Chemicals	48	22%
Business Services	31	14%
Consumer	27	12%
Pharma, Medical & Biotech	25	11%
Energy, Mining & Utilities	12	5%
Financial Services	8	4%
Real Estate	5	2%
Leisure	5	2%
TOTAL	**223**	

NORDICS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

DEAL VALUE SOARS ON THE BACK OF BIGGER DEALS



BIG PICTURE

- Deal value increased significantly (c.55%) compared to the previous quarter. Deal volume also increased slightly, up from 37 deals in Q1 2022 to 39 deals in Q2 2022
- PE-related activity fell compared to Q1 2022
- The BDO Heat Chart shows 160 potential deals, suggesting a slowdown in activity ahead.

M&A activity increased in Q2 2022 in terms of value.

A total of 39 deals, with a combined value of USD 3,965m, were successfully completed in Q2 2022. This represented a c.55% increase in deal value, and there was also a slight uptick in deal volume from the 37 deals completed in Q1 to 39 in Q2 2022. The boost in deal value was far more substantial than the increase in deal volume, which led to an increase of 47% in average transaction value, up to USD 102m for the quarter, indicating that more larger-sized deals were completed. The average deal size was also up 47% compared to the previous quarter (USD 69m).

Private equity-related activity recorded declines in both volume and value in Q2 2022, with just 13 deals completed worth a total of USD 731m, which represented 33% of the overall deal count and 18% of the value for the quarter.

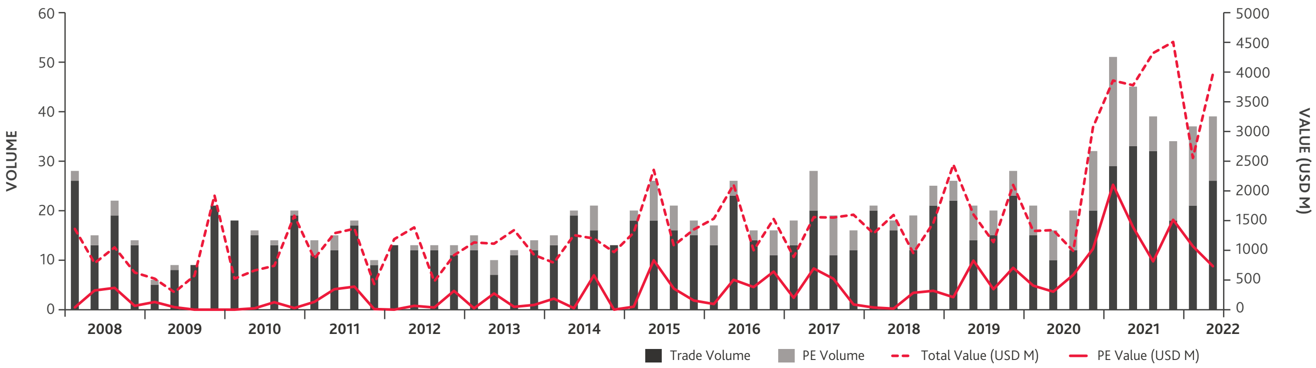
KEY DEALS AND SECTORS

Israel's top 10 deals in Q2 2022 had an aggregated value of USD 2,498m, representing 63% of the quarter's total M&A transactions.

The single largest transaction was the USD 439m acquisition of Freightos Ltd by Gesher I Acquisition Corp. Other key deals included the USD 405m acquisition of Holisto by Moringa Acquisition Corp and the USD 352m acquisition of Sugat Power Plant by OPC Energy Ltd.

TMT accounted for 18 deals (46% of the total quarterly transactions). Industrials & Chemicals took second place, accounting for seven deals (18% of transactions). The top two sectors were followed by Pharma, Medical & Biotech with six deals (15% of transactions), Consumer with three deals (8%), Business Services and Energy,

PE/TRADE VOLUME & VALUE



Mining & Utilities, each with two deals (5%) and Financial Services with one deal (3%). No deals were completed in the Leisure and Real Estate sectors.

Six of the top 10 deals involved foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. All of the foreign bidders were from the US. Israel continues to attract foreign investment due to its favourable economic conditions, considerable incentives, and strong R&D sector, coupled with the country's high-skilled and multilingual workforce.

LOOKING AHEAD

Looking ahead, the data supports a slowdown in the M&A growth rate. The BDO Heat Chart for Israel for Q2 2022 shows that there are 160 deals currently planned or in progress, compared to 189 deals in Q1 2022, which indicates a 15% drop in pipeline deals.

Industrials & Chemicals is expected to lead the way with 34 deals (21% of future deals). TMT is predicted to be in second place with 31 deals (19%), followed by Consumer with 24 deals (15%). Other active sectors include 23 deals (14%) related to Business Services, 15 (9%) in Financial Services, 12 (8%) related to Real Estate, nine (6%) in Pharma, Medical & Biotech, seven (4%) related to Energy, Mining & Utilities and finally five (3%) transactions in the Leisure sector.

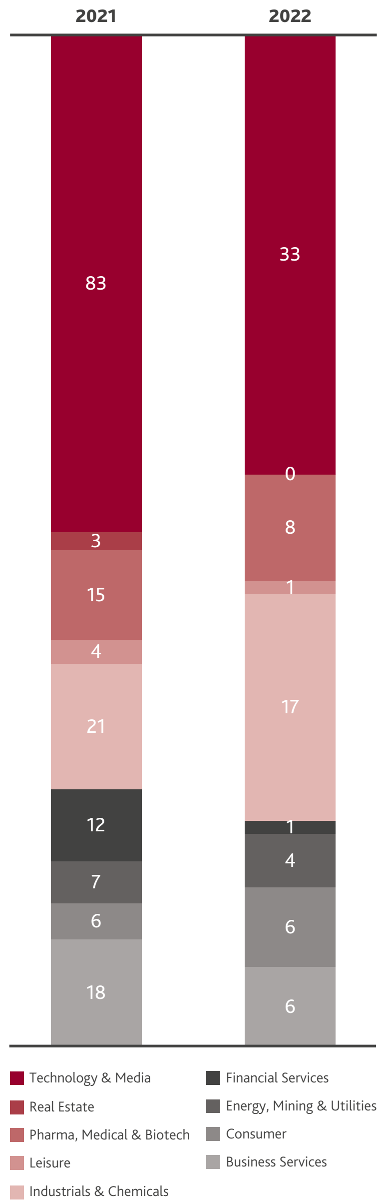
TAMAR BEN-DOR
DIRECTOR, M&A

tamarbe@bdo.co.il

ISRAEL
HEAT CHART BY SECTOR

Industrials & Chemicals	34	21%
TMT	31	19%
Consumer	24	15%
Business Services	23	14%
Financial Services	15	9%
Real Estate	12	8%
Pharma, Medical & Biotech	9	6%
Energy, Mining & Utilities	7	4%
Leisure	5	3%
TOTAL	**160**	

ISRAEL
MID-MARKET VOLUMES BY SECTOR



MIDDLE EAST

REGION RECORD STRONG COMEBACK IN POST-PANDEMIC WORLD

BIG PICTURE

- Overall, the Middle East's M&A market records strong post-pandemic comeback
- In H1 2022, deal numbers fell by 25% while total deal value was consistent with the previous year at USD 3.3bn billion (USD 3.4bn in H1 2021)
- The IPO market continues its upward trend in the region. Saudi Arabia (KSA) saw 17 listings during the first half of the year and there were also two in the UAE and Oman. The IPO pipeline is expected to remain strong for the rest of 2022.

M&A activity in the Middle East region remains stable showing that the UAE was the key target country with a combined deal total of USD 4.3bn (a 5% increase from last year's comparative period), according to BDO regional data.

KEY DEALS AND SECTORS

The region's biggest deal was the sale of NMC Healthcare for USD 2.2bn to its creditors.

Another of the quarter's biggest deals involving a Middle East entity was the acquisition of an additional 14.3% stake of John Menzies PLC by GIL International Holdings V Ltd (a subsidiary of Kuwait's Agility Public Warehousing Co KSCP). GIL already owned a 19.0% stake in Menzies, making it the company's largest shareholder at 33.3%.

Software, internet and Financial Services were the most active areas in H1 2022, although the TMT sector went down slightly from the previous comparable period in 2021 when the TMT sector was at the forefront of dealmaking in the region. The largest software deal in Q1 2022 was Merak Capital's investment of USD 40.0m in Saudi-based Master Works. The company provides services across multiple technology fields in data management, artificial intelligence, software development and robotics.

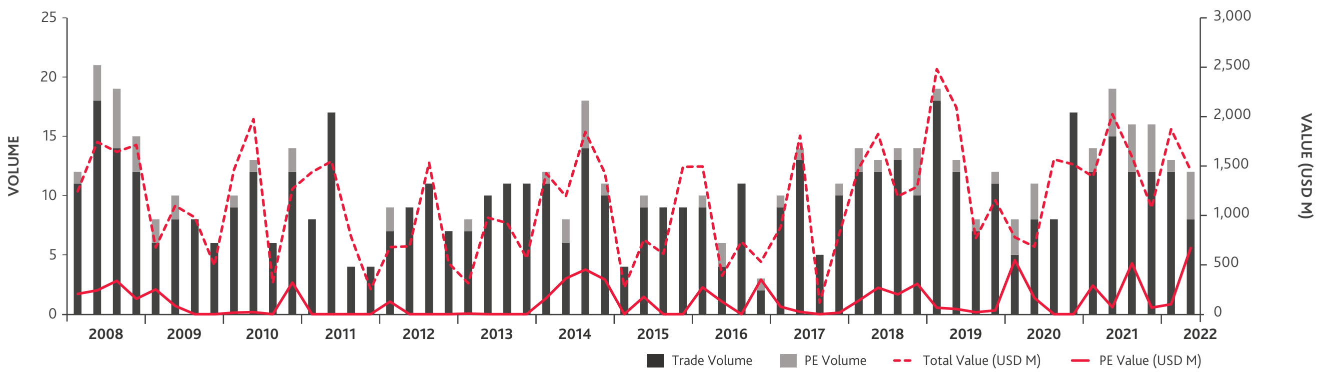
PE GROWTH

The Middle East's PE market has seen continuous growth following a contraction in 2016. Since 2019, the AUM has increased by 52%, primarily driven by the growth in market share (24% as of 2021). According to investment data company Prequin: "The recent increase in oil and, more dramatically, gas prices, is driving private capital's improved fortunes in the Middle East."

Although European governments are trying to reduce their reliance on imported hydrocarbons, which will have implications in the long run, the region stands to gain in the short to medium term.

During H1 2022, PE-backed deal volume in the mid-market reached USD 769m (up by 114.2% compared to last year).

PE/TRADE VOLUME & VALUE



IPO TREND CONTINUES

The uptick in the KSA IPO market continued in the first half of 2022. In 2021, there were 15 in total whereas the first half of 2022 saw 17 listings in the primary and secondary market, with total proceeds of USD 4.2bn (USD 5.1bn in 2021). Al Nahdi Medical Company, which raised a total of USD 1.4bn, was the second-largest IPO ever in KSA, behind only Saudi Aramco's listing in 2019.

The IPO trend continued in other Middle Eastern markets as well. Dubai Electricity & Water Authority's (DEWA) IPO raised a total of USD 6.1bn in the Dubai Financial Market exchange and represented the world's second-biggest initial public offering so far this year. The IPO was a part of the plan announced by the Dubai government to list 10 state-owned enterprises on the local exchange, including the TECOM (Technology, Electronic Commerce and Media) Group.

Oman joined the Middle East IPO boom with Barka Desalination Company's IPO (the country's first in three years), raising a total of USD 11.4m. Oman plans to list 35 state-owned entities in the next five years.

LOOKING AHEAD

Traditionally viewed as a source of capital, the Middle East is now increasingly seen as a region with promising investment opportunities. We expect notable M&A activity to continue in 2022 as Middle East companies strengthen core areas of their portfolios. Both private and public sector entities will likely continue to pursue investment activity in the region, selling off non-core assets either to free up funds for strategic allocation or pursing government agendas of privatizing public sector entities.

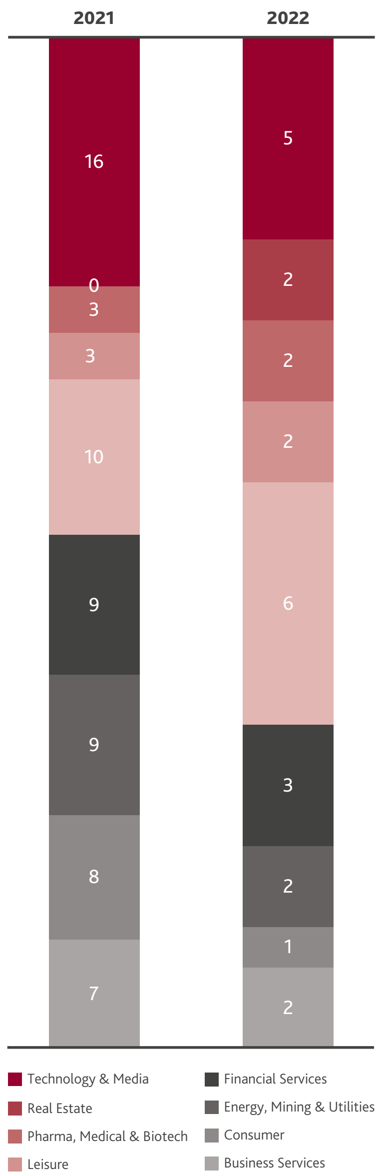
MUHAMMAD ASSAD BUTT
SENIOR DIRECTOR
HEAD OF CORPORATE FINANCE AT BDO SAUDI ARABIA

m.butt@bdoalamri.com

MIDDLE EAST
HEAT CHART BY SECTOR

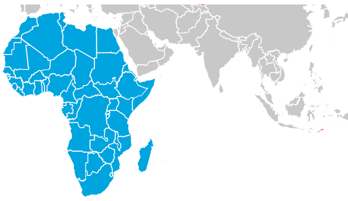
TMT	43	35%
Financial Services	16	13%
Business Services	14	11%
Energy, Mining & Utilities	13	11%
Industrials & Chemicals	12	10%
Consumer	9	7%
Pharma, Medical & Biotech	7	6%
Real Estate	4	3%
Leisure	4	3%
TOTAL	**122**	

MIDDLE EAST
MID-MARKET VOLUMES BY SECTOR



AFRICA

DEAL VOLUME SLUMPS BUT TOP FIVE DEALS DRIVE VALUE INCREASE



BIG PICTURE

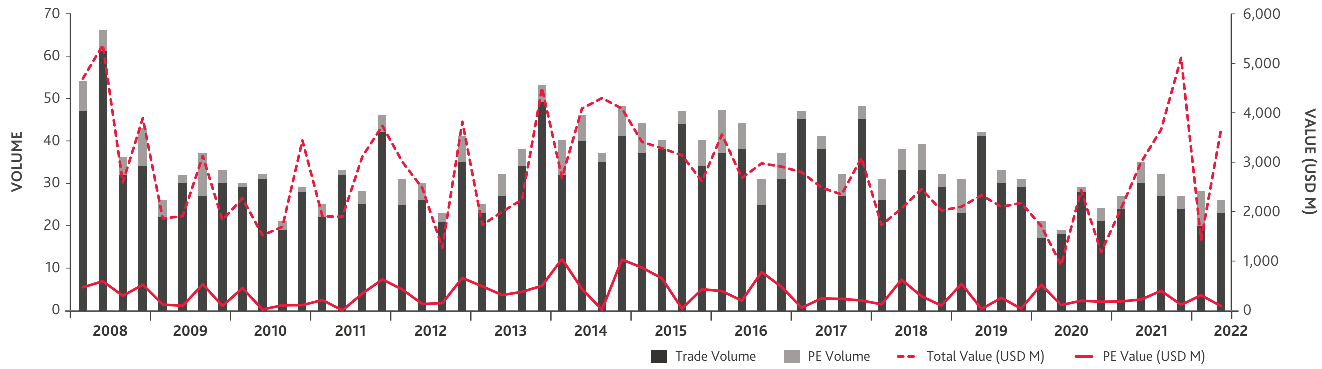
- Q2 2022 continued the previous quarter's trend of depressed deal activity on the continent. Discounting the mediocre deal activity seen during 2020, Q2 2022 saw the lowest deal activity recorded since 2013. Deal volume declined to just 26 deals (7% down from Q1 2022 and 26% down from Q2 2021), with only three PE transactions
- Deal value however increased by 157% from Q1 2022 to USD 3.661bn, with the top five deals accounting for more than half of total deal value
- Regardless of the historic performance, we remain hopeful that rising commodity prices will benefit Africa's mineral-rich continent, provided it can weather the storm of drastically rising input costs
- In addition, relatively low interest rates and available capital for some corporates means there are still exciting prospects for acquisitions in the future.

Q2 2022 saw the lowest deal activity recorded since 2013 (excluding 2020 which had an average quarterly deal volume of 23 deals). In fact, deal activity was even below the levels seen during the 2008 global financial crisis (GFC), with just 26 deals completed. However, the combined deal value of USD 3.661bn was 37.1% higher than the average deal value over the last decade. This was mainly due to the top five deals, with each having a deal value of over USD 300m.

KEY SECTORS AND DEALS

Following on from the trend of the last quarter, Industrials & Chemicals led sector activity with eight deals. This sector was followed by Financial Services and Energy, Mining & Utilities, which recorded seven and five deals respectively.

PE/TRADE VOLUME & VALUE



In terms of deal geography, the countries with the most deals were Egypt (seven) and South Africa (five), contributing c. 29% and 27% of total deal value respectively, with the balance being spread across other countries including Angola, Liberia and Ghana.

It is again interesting to note that 17 of the top 20 deals were acquisitions by foreign parties from, inter alia, United Arab Emirates (five), the UK (three) and the US (two).

The quarter's biggest deal was in Energy, Mining & Utilities and saw the purchase of Sonangol E.P.'s 10% participating interest in Block 15/06, a 40% participating interest in Block 23, and a 35% participating interest in Block 27 (all offshore Angola), by Sungara Energies Limited. The deal was concluded in April 2022 for a total consideration of USD 500m. Sungara is a new entity with a focus on Sub-Saharan African upstream oil and gas, combining world-class technical expertise with local capability and commitment and it operates and develops oil and gas assets throughout the region.

The second biggest deal was Akzo Nobel N.V.'s acquisition of Kansai Plascon Africa from its Japanese holding entity Kansai Paint Co. Ltd for USD 450m. The deal will further strengthen Akzo Nobel's African footprint after reaching an agreement with Kansai Paint to acquire its paints and coatings activities in the continent. Completion, which is subject to regulatory approvals, is expected during the course of 2023. "Acquiring Kansai Paint's activities in the region will help us to further expand our paints and coatings business in Africa and provide a strong platform for future growth… Kansai Paint shares our commitment to innovation and sustainability, and we look forward to combining our expertise, which will result in a wider range of innovative products and more sustainable solutions for our customers," said Akzo Nobel CEO, Thierry Vanlancker.

DELISTING IN SOUTH AFRICA

In previous editions, we have reported that South Africa, in particular, has seen large-scale delisting activity in recent years. The entities listed on the Johannesburg Stock Exchange have declined to the lowest levels in memory to 315 entities (as of April 2022) from the highs of c. 776 entities in the early 1990s, a decline of nearly 60% over the past 30 years or just over an average of 14 entities per year. The public stock exchanges have seemingly lost favour with some of their participants but on the flip side that does potentially leave a gap for those fortunate enough to have sufficient surplus funds to invest. Might we see a reversal of the current trend in the near future with companies looking to access this available funding through a new listing?

LOOKING AHEAD

The African continent has proven to be quite resilient over the years. African countries have successfully negotiated the worst pandemic in recent history, and in many instances, have emerged stronger, leaner and more agile. The invasion of Ukraine has been less than ideal on many levels but while African consumers may never lift a weapon, it can be relatively certain that the conflict will impact consumers' pockets with sky rocketing oil prices and as well as cost increases in basic foodstuffs like sunflower oil and wheat. The current energy crisis in South Africa has had a severe impact on the economy with rolling blackouts affecting all sectors.

On a more positive note, many are hopeful of a recovery in 2022 to more acceptable levels of M&A activity. The continent remains mineral rich and, whilst the so called 'commodity boom' may have failed to reach the heights anticipated (especially in South Africa), the outlook is still very positive for the continent. China and other international investors are still laying at the door of Africa and their investments are likely to have significant and far-reaching impacts on the success of the continent.

According to the BDO Heat Chart, TMT, Business Services, Financial Services, Industrial & Chemicals, Consumer and Energy Mining & Utilities will be involved in the bulk of activity across the continent for the foreseeable future, with the balance spread across the remaining sectors.

Real Estate and Leisure remain at the other end of the scale and dealmaking activity in these two sectors continues to suffer from both the slow recovery and the institutional memory surrounding the COVID-19 pandemic.

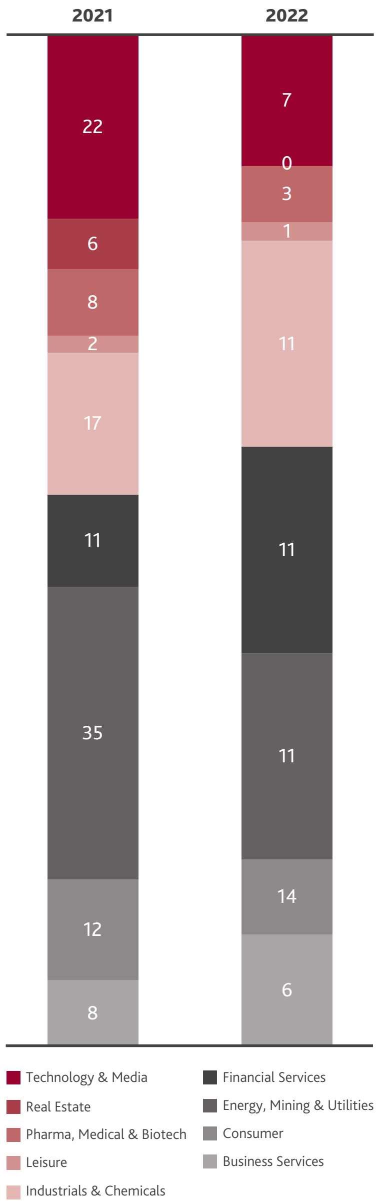
NICK LAZANAKIS
HEAD OF CORPORATE FINANCE
nlazanakis@bdo.co.za

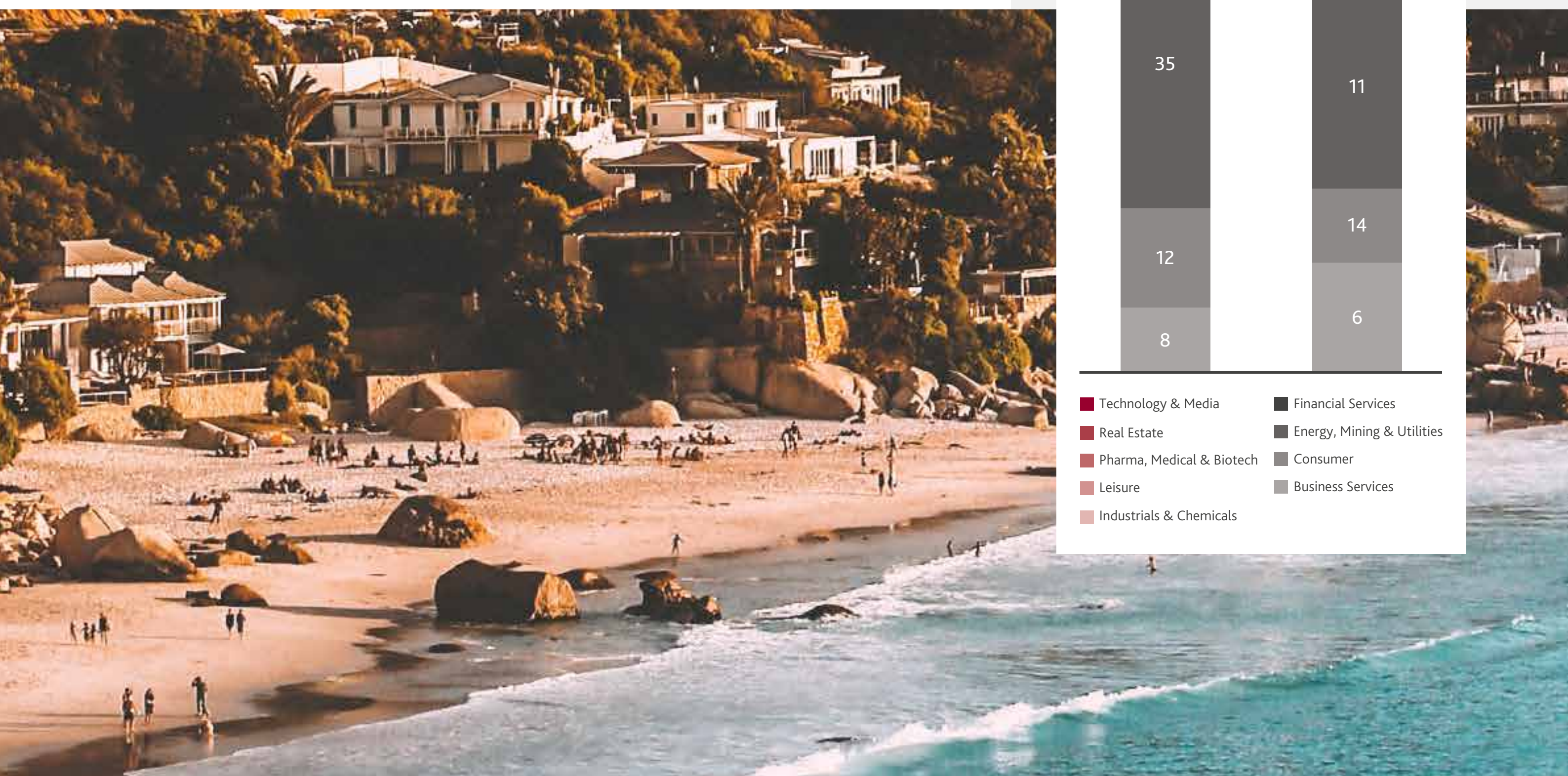
GUY STEELE
HEAD OF M&A
gsteele@bdo.co.za

AFRICA
HEAT CHART BY SECTOR

TMT	36	20%
Business Services	31	17%
Financial Services	30	16%
Industrials & Chemicals	28	15%
Consumer	23	13%
Energy, Mining & Utilities	21	11%
Pharma, Medical & Biotech	8	4%
Real Estate	5	3%
Leisure	2	1%
TOTAL	**184**	

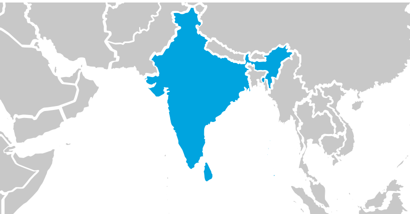
AFRICA
MID-MARKET VOLUMES BY SECTOR





INDIA

DEAL VALUE AND VOLUME FALL BUT FUTURE OUTLOOK REMAINS POSITIVE



BIG PICTURE

- Deal volume falls by 17% and value by 20% compared to the previous quarter
- PE deals account for 43% of the quarter's total volume and 39% of the value
- Outlook suggests India's M&A market will remain strong for the rest of 2022.

India's mid-market segment saw 108 deals completed in Q2 2022, which was 17% less than in Q1 2022 (130 deals). Deal value also dropped by 20% to USD 8376m in Q2 2022 from USD 10657m in the previous quarter. Furthermore, PE transactions accounted for 43% of total deal volume and 39% of total deal value in the quarter.

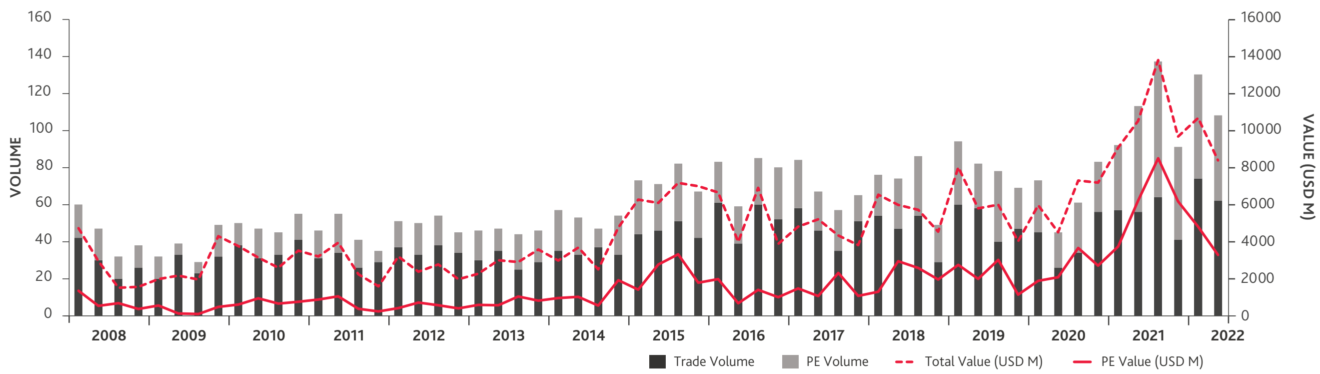
PE/VC FUNDS AND NEW AGE DIGITAL COMPANIES

2021 saw a historic boom in private equity (PE)/venture capital (VC) funding, where the funds were in heavy competition to grab a bite of India's start-up and new age digital corporations, resulting in as many as 44 unicorns. However, so far this year, just 18 start-ups have achieved unicorn status and there were only four unicorns in Q2 2022. This has led to concerns for various stakeholders regarding valuations and future fund raises. Some of the key drivers which have played a role in slowing down PE/VC funding in new age digital companies are the geopolitical tensions that have arisen due to Russia's invasion of Ukraine, global inflation and the hawkish stance of central banks, which has taken away the easy money that was available in the last few quarters.

Overall PE/VC transactions reduced from USD 14.87bn (579 deals) in Q1 2022 to USD 13.84bn (431) in Q2 2022. VC funding declined by more than 30% from ~USD 11bn (199 deals) in Q1 2022 to ~USD 7bn (159) in Q2 2022. While the headline M&A figures show that Q2 2022 was the best quarter since 2018 with deals worth USD 86bn, it was largely due to the USD 64bn merger between HDFC Bank and its parent HDFC Limited, the biggest deal ever seen in India's corporate history. Excluding this transaction, overall M&A deal value during Q2 2022 was USD 22bn vs USD 15bn in Q1 2022.

While valuations may moderate to some extent, we still believe that PE funding for good companies will continue. The market could see some shifting in capital allocation from new age digital companies to more traditional sectors. A number of small/mid-market players in traditional sectors have realised that they need to scale up for further growth and may resort to consolidation to achieve this, which will result in more M&A. This would also provide an opportunity for platform plays

PE/TRADE VOLUME & VALUE



by private equity firms. Some of the high-growth companies with significant cash burn rates may also have to go down the M&A route and make themselves available for acquisition as venture capital funding slows down. There are a set of companies which have reserves available for expansion, including large conglomerates like Reliance, Adani, TATAs, and they are in a race to acquire new age technologies to expand their horizons. We believe that all these factors will keep the overall M&A activity strong for the next few quarters.

KEY SECTORS AND DEALS

Looking at sector activity in Q2 2022, TMT led the way with 37 deals, accounting for 34% of deal volume, followed by Industrials & Chemicals with 20 deals (19%) and Pharma, Medical & Biotech and Financial Services, with 10 deals each (9%). There was also deal activity in the Business Services, Consumer and Energy, Mining & Utilities sectors.

TMT, which has accounted for most of the deal volume in last four quarters, was involved in many of the quarter's key deals, which included:

- Chinese technology conglomerate Tencent bought a 0.72% stake worth USD 264m in Flipkart from its co-founder Binny Bansal through its European subsidiary, Tencent Cloud Europe BV. Post transaction, Bansal now holds around a 1.84% stake in Flipkart
- Higher education company UpGrad raised USD 225m from James Murdoch's Lupa Systems, Educational Testing Service and existing investor Temasek Holdings Pte. Limited for its 10% stake
- Quick commerce start-up Zepto raised USD 200m in a Series D round led by the Y Combinator Continuity Fund. While US-based Kaiser Permanente Ventures joined as a new investor, existing investors, including Nexus Venture Partners, Glade Brook Capital Partners and Lachy Groom, also increased their investment in Zepto
- Food delivery giant Swiggy signed a deal with Times Internet to acquire a 100% stake in Dineout, a popular dining out and restaurant tech platform, which is valued at about USD 200m.

While the aforementioned transactions were largely funding transactions, with the exception of Swiggy's Dineout acquisition, outbound M&A transactions also accounted for a significant share of the pie in Q2 2022 as Indian IT majors sought out acquisitions in the overseas markets to foray into new areas, expand their business offerings and acquire new talent. In total, there were 35 outbound deals during Q2 2022, primarily driven by deals such as: IT major Wipro Limited acquiring Rizing Intermediate Holdings Inc, a global SAP consulting firm for USD 540m; and ITC Infotech Ltd acquiring a portion of PTC's PLM implementation services business for USD 115m.

Other notable deals in the quarter included:

- Industrials & Chemicals: Greaves Electric Mobility, which manufactures two and three-wheel mobility scooters and is the e-mobility subsidiary of diversified engineering company Greaves Cotton, allotted a 35.80% stake to global investor Abdul Latif Jameel for his USD 150m capital infusion in the company, by way of preferential allotment through private placement basis
- Pharma, Medical & Biotech: PAG Capital, an Asia-Pacific focussed investment firm, acquired a controlling stake in Hyderabad-based Optimus Drugs Private Limited. PAG Capital, along with consortium partners CX Partners and Samara Capital, have reached an agreement to invest USD 253m in Optimus Drugs
- Financial Services: Abu Dhabi Investment Authority agreed to pay USD 278m to acquire a 20% stake in IIFL Home Finance Limited, one of the largest equity investments in India's affordable housing finance market
- Financial Services: Global PE major KKR & Co. signed a definitive agreement to acquire a 9.99% stake in Shriram General Insurance for a consideration of nearly USD 238m, taking forward the Shriram Group's plan to spin its insurance business into a separate entity.

LOOKING AHEAD

With global economic dynamics changing rapidly in Q2 2022 due to the ongoing Ukraine war, some shifts of global manufacturing from China, global inflation, the hawkish stance of most central banks and the meltdown of tech stocks, it will be interesting to see if the existing trend of huge investments in new age digital companies with high valuations temporarily take a back seat and the M&A focus shifts to some of India's traditional sectors. If that happens, there is potential for consolidation, including platform plays for private equity funds in those sectors.

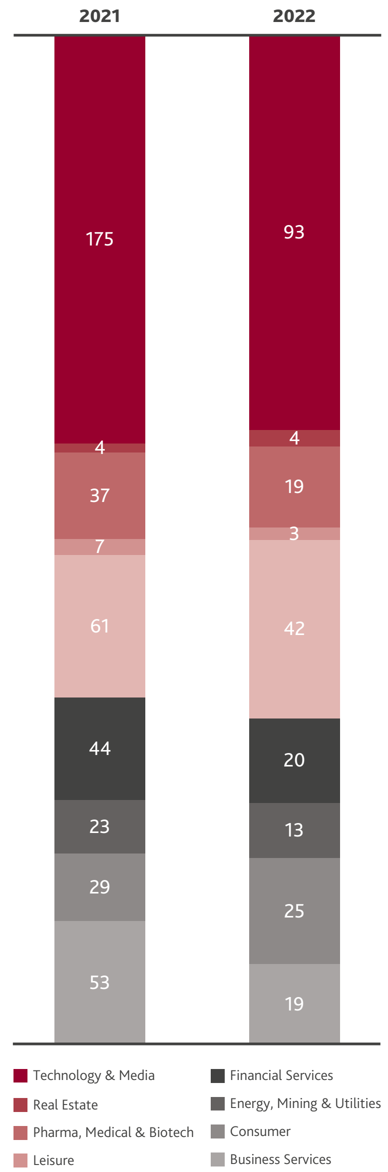
SAMIR SHETH
PARTNER

samirsheth@bdo.in

INDIA
HEAT CHART BY SECTOR

TMT	89	26%
Industrials & Chemicals	57	16%
Financial Services	50	14%
Pharma, Medical & Biotech	48	14%
Business Services	43	12%
Consumer	39	11%
Energy, Mining & Utilities	14	4%
Real Estate	6	2%
Leisure	3	1%
TOTAL	**349**	

INDIA
MID-MARKET VOLUMES BY SECTOR



GREATER CHINA

M&A DEALMAKING SLOWS DOWN BUT FOREIGN INVESTMENT CONTINUES TO GROW

BIG PICTURE

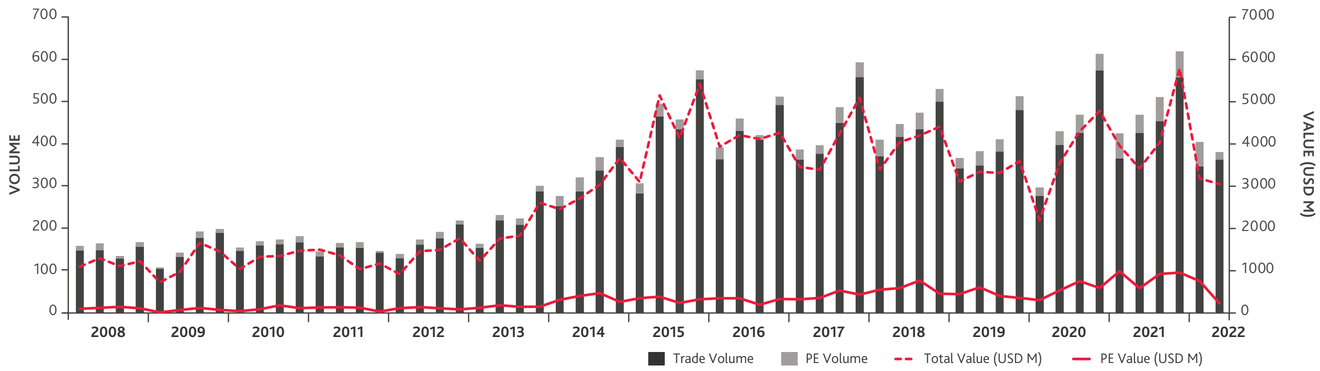
- Mid-market deal activity in Greater China region declined in Q2 2022. Year-on-year (y-o-y) deal volume fell by 18.8% from 468 deals in Q2 2021 to 380 deals in Q2 2022. Deal values also dropped by 10.8% from USD 34.1bn in Q2 2021 to USD 30.4bn in Q2 2022
- Compared with the previous quarter, deal value decreased by 4.1% from USD 31.7bn in Q1 2022 to USD 30.4bn in Q2 2022. Similarly, deal volume declined by 5.9% from the 404 deals in Q1 2022 to 380 deals in Q2 2022. Many investors were more conservative in Q2 2022 in the light of global and economic uncertainties as a result of the war in Ukraine. Volatile market conditions, logistics and supply chain disruptions and China's post-pandemic recovery also impacted investments
- PE's proportion of deal volume fell from 14.4% in Q1 2022 to 4.7% in Q2 2022. PE's proportion of deal value also dropped from 23.6% in Q1 2022 to 7.1% in Q2 2022.

FOREIGN DIRECT INVESTMENT GREW DESPITE LOCKDOWNS

In Q2 2022, China heightened COVID-19 controls, including the sudden shutdown of factories and logistics networks. Many foreign manufacturers in major cities experienced sluggish production levels during the period due to a lack of employees and an inability to obtain supplies resulting from the lockdowns. The unpredictable nature of the restrictions and unclear timelines for reopening significantly disrupted business planning. A number of foreign business chambers in China believed that the region's zero-COVID controls will represent one of the key impediments to doing business in China over the next couple of years. This also triggered many foreign companies to consider reducing investments in China. Other foreign companies have indicated they will implement diversification strategies to enhance their supply-chain resilience if these restrictions remain in place next year.

In spite of the lockdowns, China's Ministry of Commerce announced in June 2022 that China's FDI grew by 17.3% from USD 71.4bn to USD 83.8bn in the first five months of 2022. The FDI increase was mainly a result of growth in FDI inflows in the high tech and service industries. FDI in the service industry rose 10.8% from a year earlier, while in the high-tech service and high tech manufacturing sectors the figures rose by 45.4% and 32.9% respectively, year-on-year. Investments from companies in South Korea, the US and Germany, the three key foreign countries investing in China, surged by 52.8%, 27.1% and 21.4% respectively during this period. This indicates that the disruptions to China's economy and business output have not deterred the interest of foreign companies in the Chinese market in the longer term. This also reflects China's importance in global production networks, as well as the vast potential of its consumer market. Strong growth in Chinese household spending over the past decade has enabled international companies to continue to both produce and sell their products in China. A step back from China would entail greater costs both in terms of lost sales and higher production costs.

PE/TRADE VOLUME & VALUE



NEW ANTITRUST RULES COME INTO FORCE

In June 2022, the Standing Committee of the National People's Congress of China adopted amendments to China's Anti-Monopoly Law (AML), which will come into force in August 2022. This is the first set of amendments to the AML since it was passed in 2008. Key amended policies relating to merger and acquisitions activities in China are as follows:

- Relaxation on notification thresholds: A planned merger or acquisition in China will need regulatory approval (i.e. notification threshold) from China's market regulator. The new notification thresholds proposed that (a) the global turnover threshold combined from the transacting parties will increase from USD 1.49bn to USD 1.79bn in the last fiscal year; (b) the combined China turnover threshold will increase from USD 299m to USD 598m; and (3) the China turnover test applicable to one party alone will increase from USD 59.8m to USD 119.6m. This proposed increase in thresholds is aimed at monitoring transactions that have a greater impact in China and decreasing transaction costs for small- to medium-sized transactions
- New supplementary thresholds: If the thresholds above have not been exceeded, transacting parties would still need to examine if one party with China turnover exceeded USD 14.9bn in the previous fiscal year; and another party (either the merging party or target) has either (a) market value or valuation of USD 119.6m or above and (b) more than one third of its worldwide turnover is generated from China. The existing approval process relied only on revenue as a benchmark for whether a deal needed to seek approval from China's market regulator. Therefore, this new supplementary notification threshold could impact future start-up acquisitions. For example, technology start-ups are generally highly valued but only report minor revenue in their early operating stages

The proposed amendments are still at the public consultation stage and are likely to be further revised before they are implemented in August 2022. Nonetheless, these proposed changes will require close attention from international companies wishing to ensure ongoing compliance on merger and acquisitions in China.

Overall, pandemic-related policies may continue to dampen sentiment for pursuing investments in China in the immediate future. But the degree to which companies are entrenched in China will make it difficult for them to pivot away from China's market in the near term. Investors still expect there to be a strong rebound in China's economic activity once lockdown measures are lifted. The proposed relaxation on notification thresholds will likely encourage small- to medium-sized M&A activities amid China's growing economy, as a result of more onerous restrictions for mega-deals.

KEY DEALS

The biggest mid-market deal in Q2 2022 was diversified in different sectors, including TMT, Real Estate, Industrials & Chemicals, Financial Services, Pharma, Medical & Biotech, Energy, Mining & Utilities and Consumer. The major mid-market deals in Q2 2022 were as follows:

- Dongfeng Motor Corporation and Dongfeng Motor Group Co., Ltd. acquired a 50.0% stake of Dongfeng Peugeot Citroen Auto Finance Co Ltd. from Stellantis N.V. at a consideration of USD 486m - announced in April 2022;
- BYD Company Ltd, Ningbo Shanshan Co. Ltd, Contemporary Amperex Technology Co. Ltd, CNPC Kunlun Capital Company Ltd and Ningde New Energy Technology Co. Ltd acquired a 25.8% stake of Shanghai Shanshan Lithium Battery Material Technology Co., Ltd at a consideration of USD 475m, as part of a strategic investment - announced in April 2022; and
- Zhejiang Huayue Enterprise Management Co. Ltd acquired a 100.0% stake in Qinghai Huzhu Jinyuan Cement Co. Ltd. from Jinyuan EP Co. Ltd at a consideration of USD 464m - announced in April 2022.

LOOKING AHEAD

The latest BDO Global Heat Chart shows that Greater China region is expected to be the second most active region with 1,631 deals announced or in progress. 535 deals (33%) are predicted to be related to Industrials & Chemicals, followed by 218 deals (13%) in TMT and 175 deals (11%) in Business Services.

KENNETH YEO
DIRECTOR

kennethyeo@bdo.com.hk

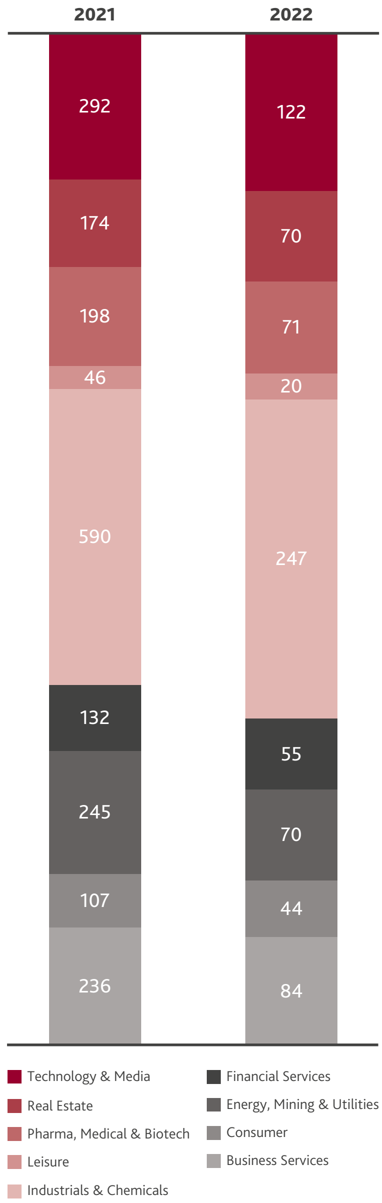
KENNETH WONG
PRINCIPAL

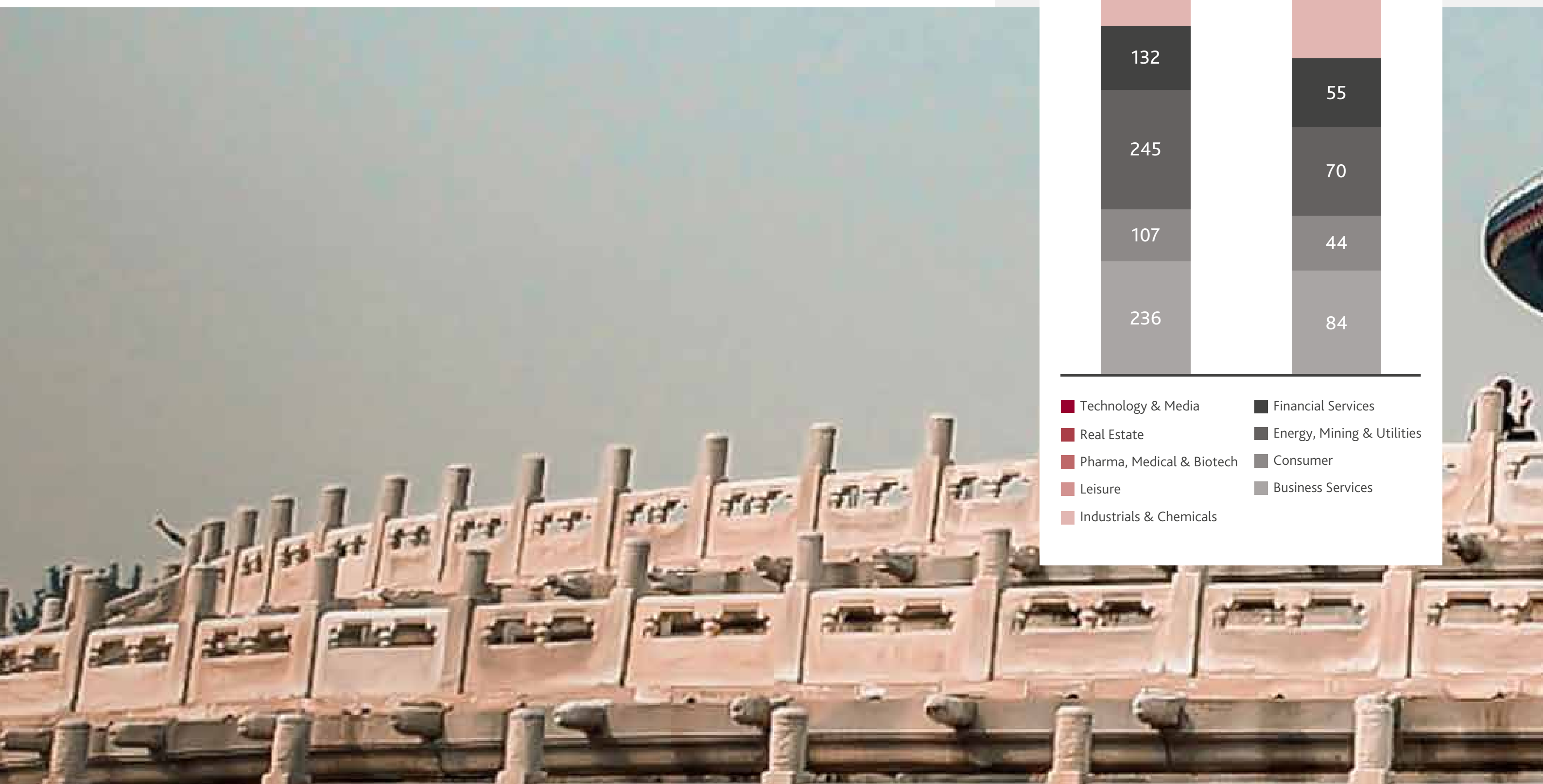
kennethwong@bdo.com.hk

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	535	33%
TMT	218	13%
Business Services	175	11%
Pharma, Medical & Biotech	169	10%
Financial Services	147	9%
Energy, Mining & Utilities	135	8%
Consumer	132	8%
Real Estate	81	5%
Leisure	39	2%
TOTAL	**1,631**	

CHINA
MID-MARKET VOLUMES BY SECTOR





SOUTH EAST ASIA

DEAL VOLUME AND VALUE FALL BACK IN SECOND QUARTER

BIG PICTURE

- Deal volume falls to 67 deals from 88 in the previous quarter and value drops to USD 7.1bn from USD 9.7bn
- Average deal size remains above USD 100m, suggesting a focus on bigger deals
- TMT maintains top sector spot with 18 deals.

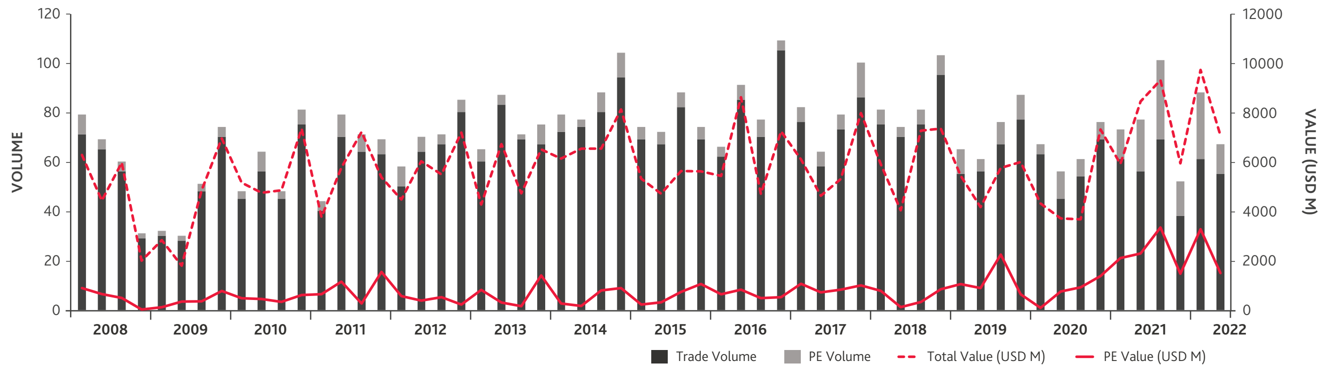
Mid-market M&A in South East Asia remained active in Q2 2022, with the TMT sector dominating the region's activities with 18 deals (Q1 2022: 25 deals). This was followed by Industrial & Chemicals with 10 deals (Q1 2022: nine deals) and Business Services with eight deals (Q1 2022: 13 deals). Collectively, these three sectors accounted for 54% of the quarter's total deal volume.

In comparison with Q1 2022, M&A deal volume dropped back with 67 deals recorded in Q2 2022 compared to 88 deals. Total deal volume was also lower than the corresponding quarter in 2021, which saw 77 deals completed. Deal value also fell from USD 9.7bn in Q1 2022 to USD 7.1bn in Q2 2022. Finally, the total deal value in Q2 2022 was also lower than in the corresponding quarter of 2021 (USD 8.4bn).

It is important to note that although total deal volume and deal value both fell in Q2 2022, the average value per deal has remained above USD 100m in four out of the last five quarters. Prior to 2021, the region had not seen quarterly average deal values rise above USD 100m since 2011. This clearly indicates that increasingly, South East Asia's M&A landscape is focusing on larger-sized deals.

Looking at PE activity, the recorded deal volume in Q2 2022 dropped by 55% to just 12 deals (Q1 2022: 27 deals) and deal value fell by 54% to USD 1.5bn (Q1 2022: USD 3.3bn) respectively. This slump in PE deal-making activity in South East Asia represented a reversal of the growth trend seen in the previous four quarters.

PE/TRADE VOLUME & VALUE



KEY DEALS

The total value for the top 20 deals was USD 4.8bn, which represented 68.5% of South East Asia's total deal value of USD 7.1bn. Singapore maintained its position as the most popular target country for M&A deals, accounting for 30% of the top 20 deals in Q2 2022 (Q1 2022:40%).

The region's three biggest deals were as follows:

- Real Estate: Acquisition of a 5.47% stake in No Va Land Investment Group Corp in Vietnam by NovaGroup Corp JSC of Vietnam for USD 374m
- Real Estate: Acquisition of a 37.48% stake in Frasers Hospitality Trust in Singapore by Frasers Centrepoint Ltd of Singapore for USD 363m
- Pharma, Medical & Biotech: Acquisition of a 9.04% stake in Bumrungrad Hospital Public Co Ltd in Thailand by two banks from Thailand for USD 357m.

South East Asia remained an attractive region for international investors in Q2 2022, with 50% of the top 20 deals involving overseas bidders from outside the region (Q1 2022: 55%).

LOOKING AHEAD

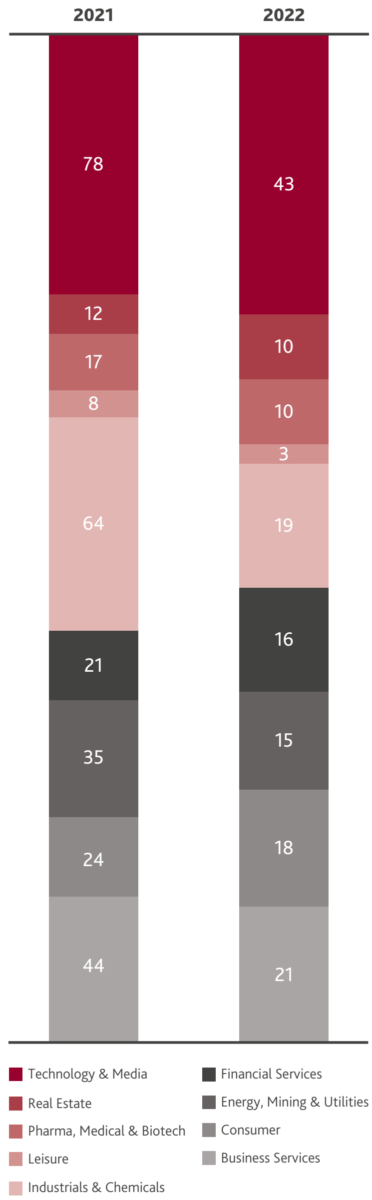
After a strong recovery in 2021, the region's M&A activities face a number of headwinds in the remainder of 2022, arising from the geopolitical tensions surrounding the Ukraine-Russian conflict, the continuing disruption in global supply chains, global inflationary pressure and rising interest rates. This will likely weigh heavily on investment decisions for M&A transactions. However, it is likely that there will still be strong interest in investments that are value-accretive.

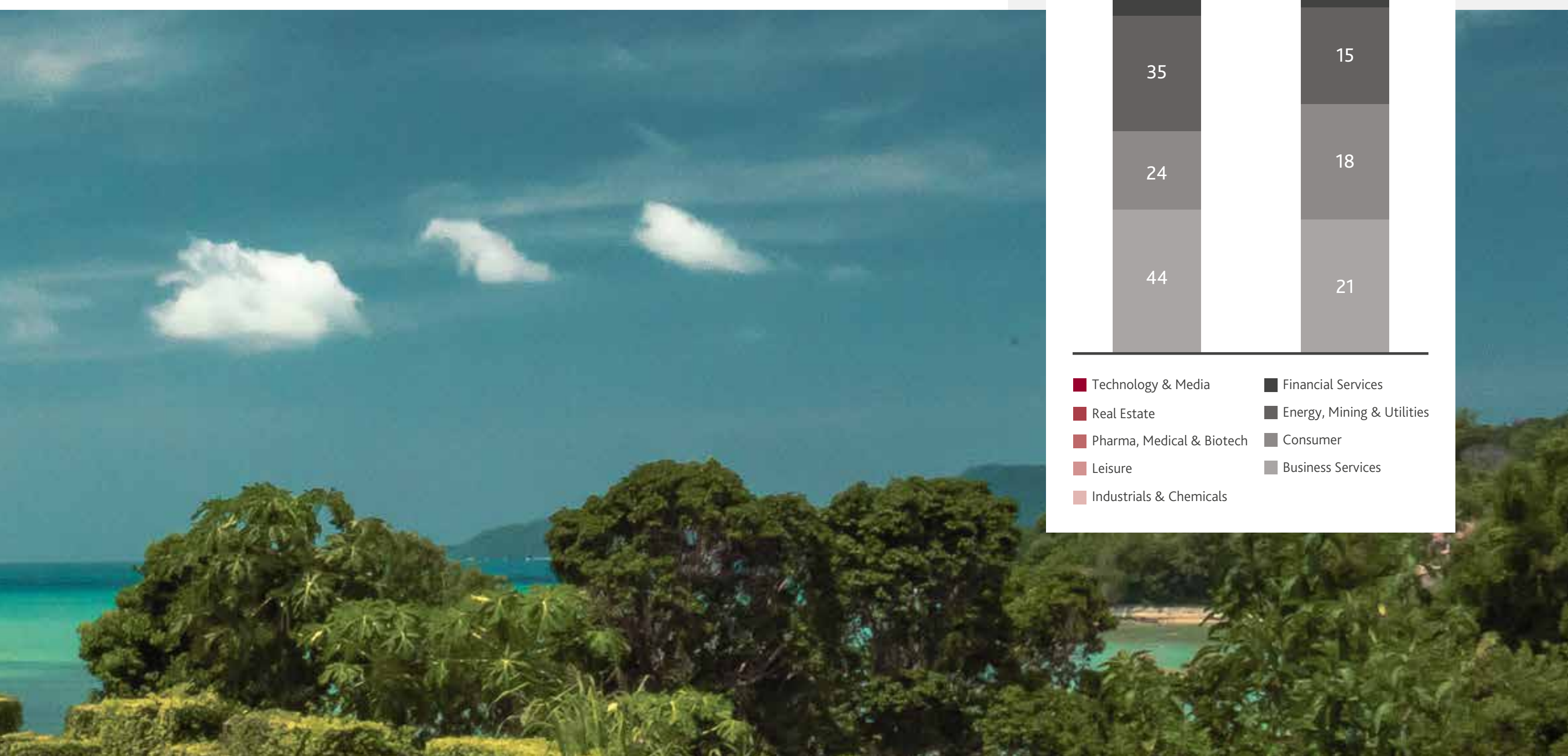
WONG WING SEONG
EXECUTIVE DIRECTOR, ADVISORY
wswong@bdo.my

SOUTH EAST ASIA
HEAT CHART BY SECTOR

TMT	110	23%
Business Services	74	15%
Industrials & Chemicals	73	15%
Financial Services	60	13%
Consumer	53	11%
Energy, Mining & Utilities	42	9%
Pharma, Medical & Biotech	29	6%
Real Estate	26	5%
Leisure	13	3%
TOTAL	**501**	

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR





AUSTRALASIA

DEAL NUMBERS FALL AS MARKET RETURNS TO PRE-PANDEMIC LEVELS

BIG PICTURE

- Deal numbers fall by 45% to compared to Q2 2021
- TMT accounts for 31% of all quarterly transactions
- BDO Heat Chart suggests reduced appetite for deal-making moving forwards.

In Q2 2022 there were 88 deals successfully completed in the Australasia region with a combined value of USD 8.54bn. Compared to the previous quarter in 2021, this represented a 45% decrease in deal volume (128 deals in Q2 2021) and a USD 3.06bn (35%) decrease in deal value (USD 11.6bn in Q2 2021). The reduced level of deal activity appears to represent a return to pre-pandemic norms as the second quarter average in 2017, 2018 and 2019 was 87 deals and the high deal volumes seen in Q2 2021 were largely driven by historically low interest rates and large fund flows seeking higher returns.

The number of PE-related deals increased from 10% in Q2 2021 to 17% in Q2 2022. PE transactions accounted for USD 2.01bn (25%) of total deal value in Q2 2022, following a first quarter of high transaction volumes (26) and a total deal value of USD 3.03bn. This represented an 18% decrease in the total transaction value of PE transactions compared to the previous quarter.

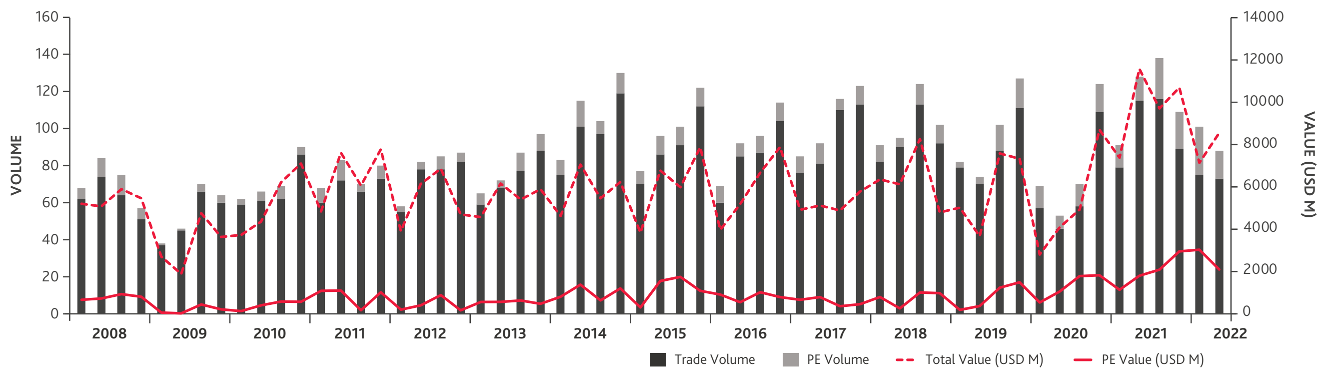
Overall, deal volume in the quarter declined 15% from Q1 2022 (from 101 deals to 88 deals), with total deal value increasing from USD 7.13bn to USD 8.54bn, which was reflected by an increase in the average deal value rising from USD 90.3m in Q2 2021 to USD 97.1m in Q2 2022.

KEY SECTORS AND DEALS

The Consumer sector has experienced the biggest drop in volume in the current year with just three deals completed compared to 14 in the corresponding quarter in 2021. The Business Services and Energy, Mining & Utilities sectors also saw decreases in volumes with eight fewer transactions than the same quarter in 2021. The leading sector by deal volume was TMT, which accounted for 27 (31%) of the quarter's 88 transactions.

The biggest transaction in Q2 2022 was the sale of 100% of AMP Capital Holdings Limited's subsidiary Collimate Capital, an asset management business, which was sold to the Digital Bridge PE Group for USD 499m. AMP Capital Holdings Limited also sold its Australian real estate and domestic infrastructure business to the Dexus Property Group for USD 393m.

PE/TRADE VOLUME & VALUE



A further notable transaction was the USD 489m capital injection in TagEnergy Australia Pty Limited by Mirova SA, Omnes Capital and Impala SAS Limited. TagEnergy is a clean energy enterprise focused on the accelerated transition to sustainable energy sources, including the development and investment in competitive and clean power stations.

LOOKING AHEAD

The BDO Heat Chart indicates that there were 350 Australasian deals in the pipeline at the end of Q2 2022, a decrease in projected activity from the 409 deals at the end of Q1 2021, reflecting a decline in appetite from both domestic and overseas investors. The reserve banks of Australia and New Zealand both increased their official cash rates in early July, partially to combat high rates of inflation. This increase in the cost of debt has the potential to further reduce the heat of the Australasian mid-market.

The BDO Heat Chart suggests an even spread of activity across sectors moving forwards. This is reflected by 65 predicted deals in Industrials & Chemicals (19%), 59 deals in Energy, Mining & Utilities (17%), 55 deals in TMT (16%), 43 in Business Services (12%) and finally 39 deals in the Consumer sector (11%).

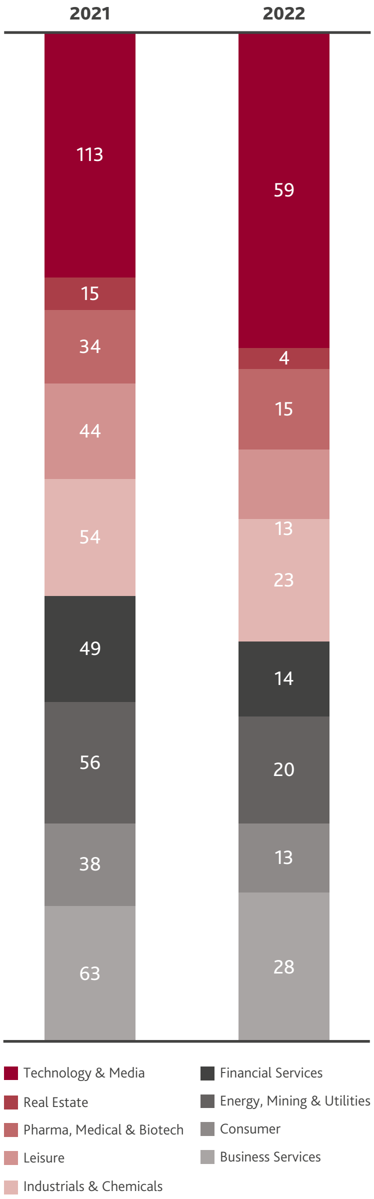
ANDREW GRACE
PARTNER

andrew.grace@bdo.co.nz

AUSTRALASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	65	19%
Energy, Mining & Utilities	59	17%
TMT	55	16%
Business Services	43	12%
Consumer	39	11%
Financial Services	34	10%
Pharma, Medical & Biotech	30	9%
Leisure	18	5%
Real Estate	7	2%
TOTAL	**405**	

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



SECTOR VIEW

P53

BUILDING PRODUCTS & SERVICES M&A

RECORD DEAL VOLUMES AND RISING VALUATIONS IN SECTOR EMBRACING SUSTAINABLE INNOVATION

P55

NATURAL RESOURCES

GERMAN ENERGY MARKET FACES TURNING POINT

P59

TMT

IS TECHNOLOGY M&A INSULATED FROM RISING INTEREST RATES AND INFLATION?

BUILDING PRODUCTS & SERVICES M&A

RECORD DEAL VOLUMES AND RISING VALUATIONS IN SECTOR EMBRACING SUSTAINABLE INNOVATION

JOHN STEPHAN
HEAD OF GLOBAL M&A
john.stephan@bdo.co.uk

SUSANNAH PERKINS
SENIOR MANAGER
susannah.perkins@bdo.co.uk

BOUNCE-BACK IN INTERNATIONAL DEAL VOLUMES

The Building Products & Services sector saw record deal volumes in 2021, as transactions rose 69% to an all-time high. The sector saw 1,329 deals – and that figure may well represent a significant understatement, owing to the reporting deficiencies outside the major markets of North America and Europe.

Pent-up demand following lockdown was a major factor driving deal flow, but liquidity, private equity interest, strong market fundamentals and sustainable innovation also contributed to the rise.

LIQUIDITY LEADS TO RECORD GROWTH IN US

The US was the clear frontrunner for 2021 deal volumes, seeing transaction levels rise by 81%, reflecting a pace not seen in decades as GDP growth reached nearly 6%. New commercial and residential construction, elevated housing starts and pent-up construction demand all supported increased volumes and strong valuations as acquirers sought to expand product offerings and market share.

Unprecedented dealmaking activity was linked to the overall liquidity-driven US economic recovery, as all segments of the market actively sought to deploy capital in the sector, given its growth prospects, combined with the backdrop of low interest rates and a strong underlying economy.

PRIVATE EQUITY APPETITE HUGE IN UK

The UK market was another hotbed of activity and was notable for a boom in private equity-backed deals, which rose by 92% last year, increasing from 79 transactions in 2020 to 152 in 2021. The merchants subsector in particular saw high levels of activity, with 58% of all 2021 deals reflecting new or follow on investments led by private equity.

Attracted to its potential for value creation, private equity players buy small family businesses, equip them with more professional systems and processes and integrate them into larger entities to create significant portfolio plays. The competition for quality companies has contributed to a rise in company valuations, which are at their highest in years.

SUSTAINABILITY DRIVING VALUE FOR BUSINESSES, BUT SCRUTINY REQUIRES PREPARATION

Alongside the dynamics of supply & demand which have pushed up valuations, there has been a shift in favour of certain features that can attract a premium. Sustainability is a prime example, which is fast moving from a nice-to-have add-on to a basic business requirement.

Tier 1 contractors are increasingly setting down sustainability targets as a requirement for suppliers. The ability to include sustainable metrics in tender documents is now seen as an important factor in winning business. For some, this has been a wake-up call, and is encouraging all parts of the supply chain to consider issues such as adopting electric vehicle fleets, using renewable energy, increasing recycling and developing circular economy processes.

Companies are also looking to acquisitions as a way of upping green credentials. New entrants to the renewables market from the more traditional Building Products market include lighting maker Luceco's acquisition of electric vehicle charging point specialist Sync EV and Brickability Group's purchase of renewable energy systems installer HBS NE.

With ESG scrutiny on the rise, businesses need to consider how they are positioned. Listed companies and private equity investors will be looking for robust ESG credentials within acquisition targets as a fundamental pillar of strategy. It has become a key area of focus for our Building Products & Services team, as we help businesses prepare for a successful sale.

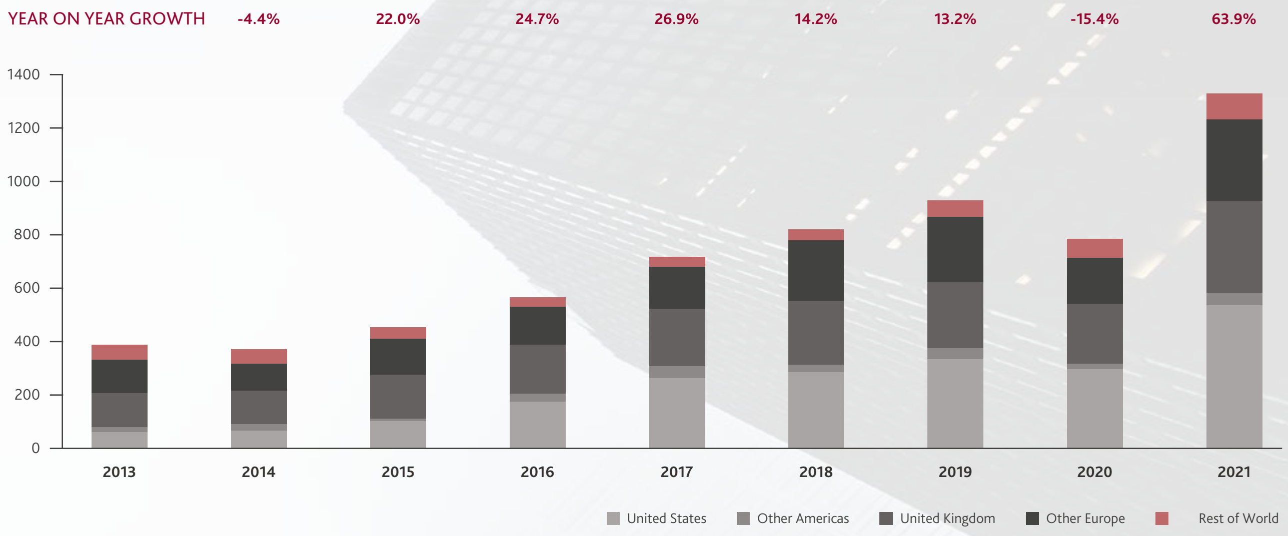
LOOKING AHEAD

Growing uncertainty over the macroeconomic picture makes it difficult to make hard and fast predictions about the market. Many Building Products & Services businesses are having to contend with inflation, rising input costs and challenging supply chain conditions, and it remains to be seen how these issues will affect the prospects for growth across the sector.

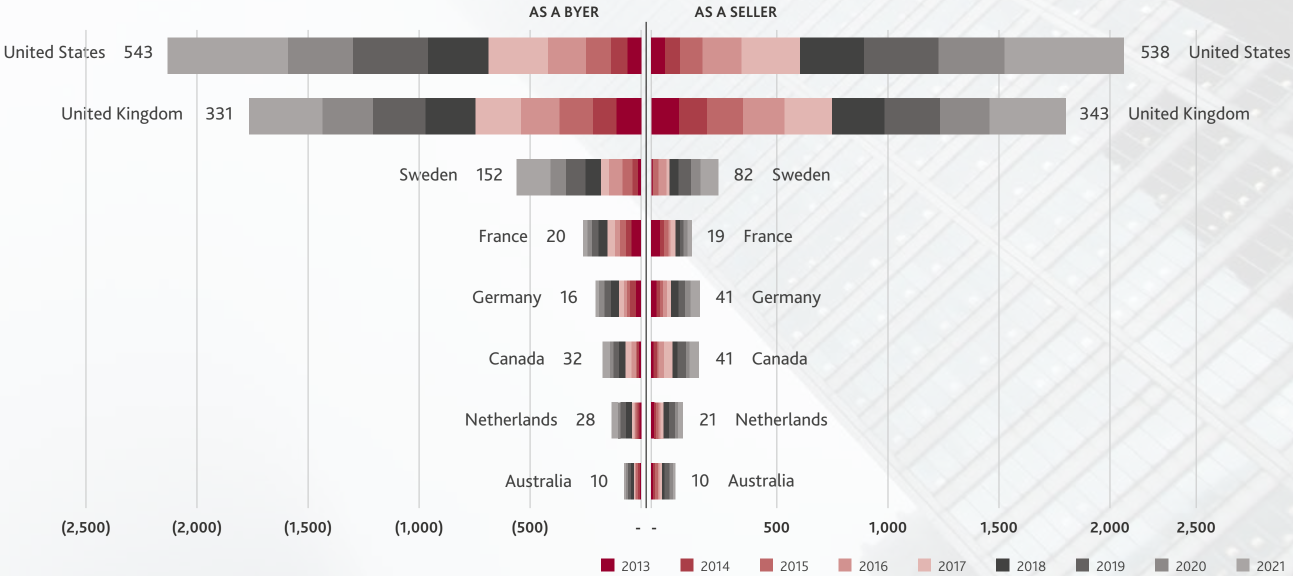
On the plus side, Building Products & Services has more than demonstrated its resilience to shocks in the last couple of years – and we see strong indicators that businesses are continuing to adapt to overcome the challenges they face and position to take advantage of opportunities for growth. Businesses that can clearly align with strong market themes such as sustainability will open the door to plenty of potential for innovation and value creation.

Read more in our Building Products & Services 2022 Sector Insights publication.

GLOBAL DEAL VOLUMES, 2013-2021



PRIMARY DEAL MARKETS



Source: Experian MarketIQ, BDO Analysis

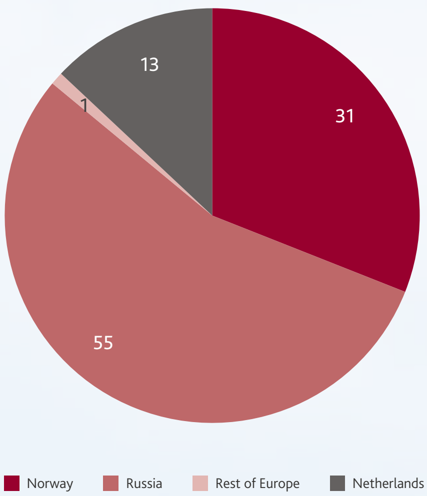
NATURAL RESOURCES

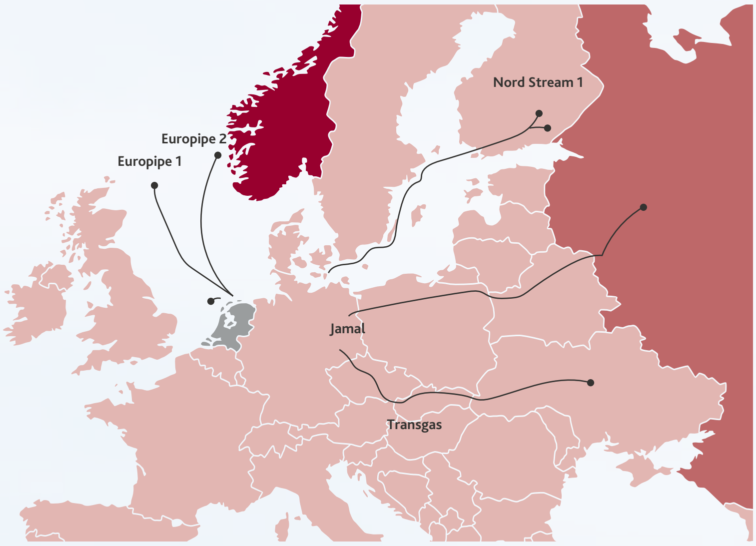
GERMAN ENERGY MARKET FACES TURNING POINT

ANDRÉ HORN
PARTNER
andre.horn@bdo.com.de

The German energy industry is currently in a state of shock. Due to the country's high dependence on Russian natural gas, there is enormous uncertainty regarding the security of gas supplies. This has led to limited liquidity in the gas trading market and high price sensitivity.

PROPORTION OF GERMAN GAS SUPPLY





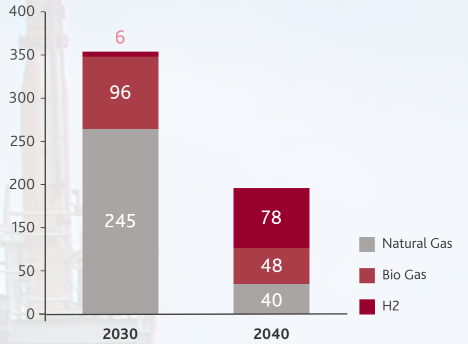
The German Government has taken several measures to alleviate this dependency. For example, a minimum filling level for gas storage facilities has been set and the construction of LNG terminals has been significantly accelerated. Moreover, several protective measures are being discussed for the energy industry in the event of a possible Russian supply stop. Without further measures, a supply freeze could lead to a wave of insolvencies among German energy suppliers. The enormous price increases already pose a serious challenge for the German economy and consumers.

Even before the Ukraine crisis, the long-term transformation of the German energy industry was planned, and natural gas was only ever envisaged as being a transitional technology. The current turbulence is now leading to an acceleration of the planned transformation and the German energy market is facing a turning point.

HEAT SUPPLY

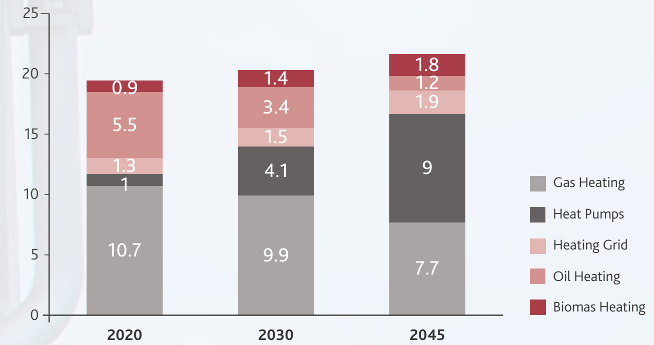
The current crisis has had the greatest impact on the heating sector. More than 50% of residential buildings are currently heated with natural gas. In the future, a significantly higher share of the supply is expected to come from heat pumps, as underlined by a recent study by the German Energy Agency (dena).

FINAL ENERGY CONSUMPTION IN THE BUILDING SECOTR (IN TWh)



Source: Bundesministerium für Bildung und Forschung, Excel Template

HEATING STRUCTURE OF RESIDENTIAL BUILDING (IN MILLION)



Source: Dena Studie 2021, Page 268 Abschlussbreicht dena-Leitstudie Aufbruch Klimaneutralitaet

In addition to the transformation of the energy generation structure, large effects are expected from the measures aimed at saving energy. In the future, the remaining gas heating systems will operate with a mix of hydrogen (including synthetic methane), biogas and natural gas.

ELECTRICITY AND GAS GRIDS

The transformation towards a more decentralized generation will also have an indirect effect on the electricity and gas grids.

The electricity grids require extremely high investment due to the connection of renewable energies, the expansion of the charging infrastructure for e-mobility and the increasing usage of heat pumps. In addition, the complexity with regard to grid control will increase significantly.

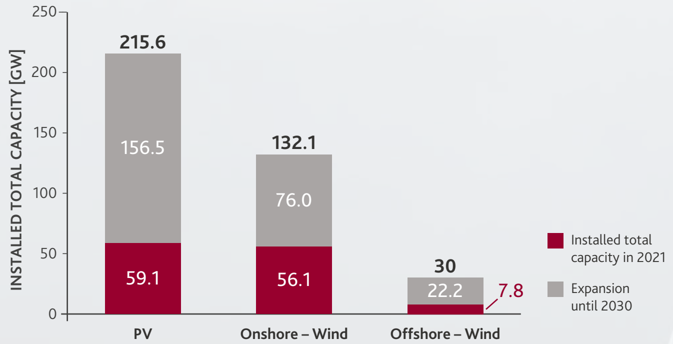
However, in our view, the future of the gas grids is still partly uncertain. Much will depend on whether the existing infrastructure will continue to be used for the supply of hydrogen.

RENEWABLES

The key prerequisite for the success of the energy transition is the timely expansion of generation capacities in the field of renewable energies. Even now, the supply of energy to large customers is often not possible without direct access to the respective quantities of renewable energy. The current demand for power purchase agreements (PPAs) from wind and solar parks is very high. In addition, green hydrogen will play a major role, not only with regards to heat supply, but for the future energy supply of Germany as a whole, thus contributing to the high demand for green electricity.

Germany has set itself ambitious targets for the expansion of renewable energies.

GERMAN EXPANSION TARGETS FOR RENEWABLE ENERGIES



A comprehensive package of measures has been adopted to significantly accelerate the expansion of renewable energies. The main focus in this area is on increasing the availability of land and reducing legal obstacles, especially those caused by the protection of endangered species.

The renewable energy assets are very attractive propositions for investors, which leads to very high competition, which in turn leads to high prices. For this exact reason, many investors are entering at early project stages, as we are seeing an increase in the number of transactions of project pipelines.

CONCLUSION

Even though Germany is currently experiencing difficulties due to its dependence on Russian natural gas, it remains an attractive market for investors, due to the ambitious expansion targets set by the German Government. This is especially true for investments in renewable energies, hydrogen and the area of decentralized heat supply. Nevertheless, competition for these assets will remain high, which means that any acquisition strategies should be adjusted accordingly.

TMT

IS TECHNOLOGY M&A INSULATED FROM RISING INTEREST RATES AND INFLATION?

PATRICK BISCEGLIA
MANAGING DIRECTOR
pbisceglia@bdocap.com

Technology, media, and telecoms (TMT) mid-market M&A showed resilience to ongoing macroeconomic uncertainties, led by software deals. However, questions remain over how companies and investors are likely to react in coming quarters.

Market uncertainties are rising as interest hikes and inflation raise questions about future economic prospects.

While mid-market TMT M&A saw a quarter-on-quarter drop in Q2 2022, deal totals and values indicate a degree of insulation from the short-term fall-out of macroeconomic developments.

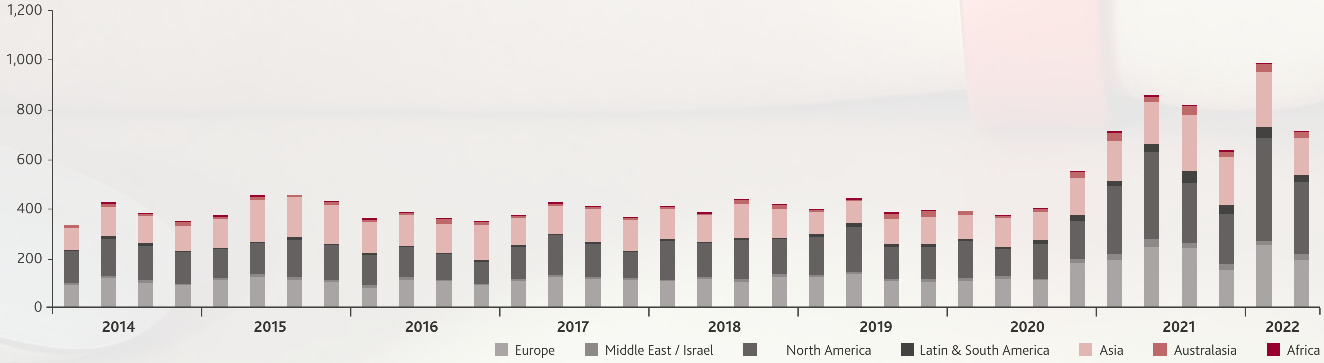
As companies and investors consider the future, optimal paths to success depend on identifying strategies and initiatives that match market and economic developments.

TMT CONTINUES STRONG DEAL PERFORMANCE

Mergermarket mid-market M&A data for Q2 2022 shows a slowdown in TMT deals. However, following a record Q1, the second quarter still posted impressive deal numbers and totals.

Only few quarters have surpassed the 715 TMT deals worth US$58.2 billion in Q2 2022.

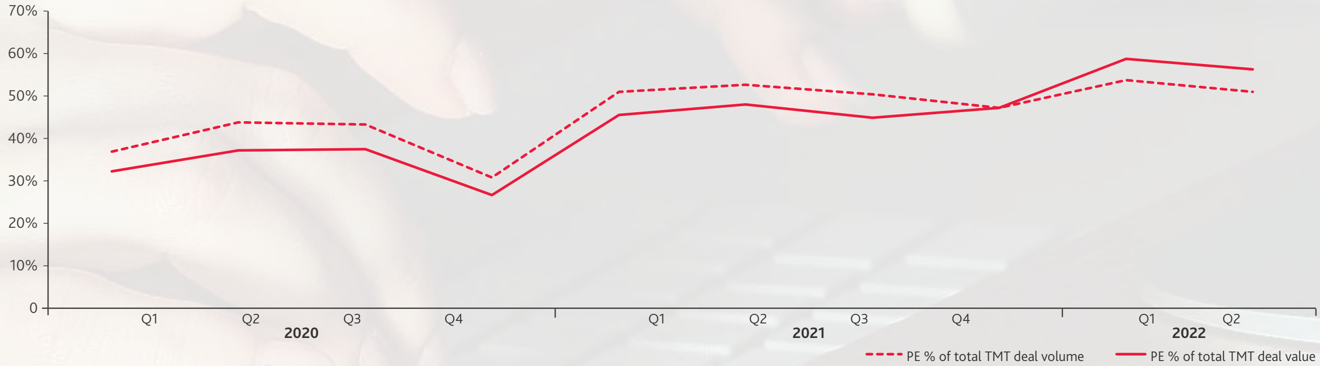
TMT DEALS FOR SELECT REGIONS 2014 - 2022 Q2



Data: Mergermarket. Analysis and graph: BDO Global.

Private equity (PE) firms were extremely active, responsible for 51% of deal volume and 56% of deal value across TMT.

PRIVATE EQUITY PERCENTAGE OF TMT DEAL VOLUME AND VALUE 2020 Q1 - 2022 Q2

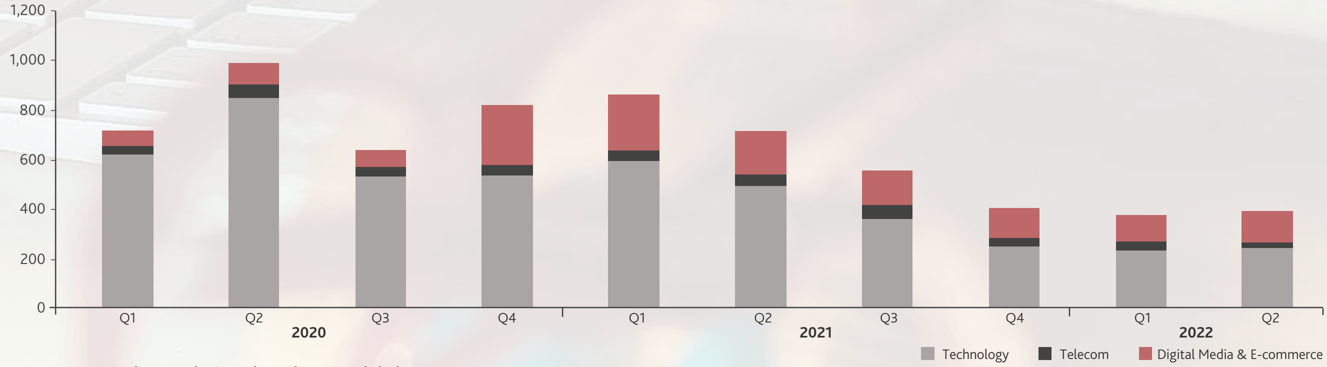


Data: Mergermarket. Analysis and graph: BDO Global.

The average deal size for mid-market TMT M&A deal (US$81.4 million) and average PE deal (US$73.7 deal) were among the lowest in recent years.

Split by industry, technology remains firmly in the driver's seat for mid-market TMT M&A.

TMT DEALS BY INDUSTRY 2020 Q1 - 2022 Q2



Data: Mergermarket. Analysis and graph: BDO Global.

As in previous quarters, software is the strongest performer within technology, representing around 90% of technology deals. In Q2 2022, it set a high watermark, representing 94.4% of all technology deals.

The overall results indicate that TMT, led by software, has continued to perform well in the face of rising uncertainties, mainly attributed to macroeconomic trends.

Reasons include the recurring nature of some TMT revenues and the continued need for TMT solutions across industries to weather the fallout of ongoing economic disruption.

ECONOMIC UNCERTAINTY RAISES VALUATION QUESTIONS

Stagflation, recession, or temporary? Questions abound about the globally rising interest rates and inflation level. Market recalibrations and resets are nothing new, but rarely do they have the size or display the volatility seen during the first half of 2022.

Their influence on stock prices, valuation processes, and M&A includes making debt financing acquisitions more costly, real returns on investments more uncertain, and asset divestment more difficult.

As my colleague Tom Manion has put it, M&A and valuations may be challenged after a decade of stable, low interest rates, rising valuations with median target EV/EBITDA multiples above their 30-year average.

The longer-term consequences – and actions of companies and investors - depend on whether inflation, supply chain issues and interest hikes are temporary, medium-term, or long-term issues.

- Temporary scenario: Inflation and interest hikes rates, energy price and supply chain issues abate soon. Companies and investors will likely keep focusing on M&A, human capital, and developing supply chains
- Medium-term scenario: Inflation rates of 3-4% continue for years, alongside interest rate hikes, and elevate supply chain, energy, and production costs. Companies and investors (especially PEs) will focus on performance improvements
- Longer-term scenario: Inflation remains elevated (8% to 9%) for an extended period. Interest rates rise globally as supply chains remain stretched and production costs continue to rise. Companies and investors may look to diversify and focus on cost savings to weather the fall-out.

TMT IMPACTED BUT RESILIENT

TMT is feeling the impact of ongoing economic disruption. Publicly traded companies have taken massive hits, with the Nasdaq Composite Index recording its worst first half year, and top tech companies losing US$3 trillion in market cap.

NASDAQ COMPOSITE INDEX PERFORMANCE 2021 - 2022

Data: NASDAQ, Graph: BDO Global

CB Insights data shows how VC funding for start-ups dropped by 23% between the first and second quarter of 2022.

TMT, led by software, remains somewhat insulated from this market volatility. Investment levels and deal activity remain high, with seed rounds proving especially popular among investors. M&A may have slowed, but has by no means come to a standstill.

Reasons for the optimism include the recurring revenue models deployed by many TMT companies, coupled with their solutions being pivotal across industries to create the efficiencies, performance improvements, and cost savings needed to weather financial upheaval. Furthermore, investors are sitting on vast troves of dry powder, and view software as a relatively safe industry space.

Perhaps the best way of summarizing it is CEO and founder of Vista Equity Partners Robert Smith's quote:

"Software contracts are better than first-lien debt"

However, in times of volatility, investment priorities may change. For example, steady revenue and profit generation are likely to get sellers a premium, whereas high-growth/high—loss companies are likely to struggle more than before. This is, generally speaking, the case for many mid-market TMT companies, which may find themselves in an opportune situation for raising capital or pursuing M&A.

SOME OF OUR RECENTLY COMPLETED DEALS

€70.00M

Auckland City BMW

Auckland City BMW acquired by Autosports Group

AUGUST 2022

WM Brokers
Your Local Insurance Experts

Sale of WM Brokers Limited to Global Risk Partners 'GRP'

JULY 2022

£11.00M

Oxford Technology 2 VCT

Merger of Oxford Technology 2 VCT plc with three other VCTs and Offer for Subscription

JUNE 2022

---

phm

PHM Group Oy acquired OK Rengøring A/S. Adviser to buyer

JUNE 2022

SIGMAX GROUP B.V.

BDO M&A acted as advisor to the seller, Sigmax, in this transaction

JUNE 2022

£152.28M

PRADELLA PROPERTY VENTURES PTY LTD

The Seachange Group has completed a $270m landmark deal to sell its leading active lifestyle resorts business to Ingenia Communities Group (ASX:INA)

JUNE 2022

ARCHIPEL ACADEMY

Pride Capital Partners invests in Archipel Academy to realise the acquisition of Edubookers. BDO M&A and BDO Legal acted as advisor of Archipel Academy

JUNE 2022

GERIDENT B.V.

BDO Corporate Finance advised the shareholder of Gerident.

MAY 2022

KERAPLAST

BDO advised Kera Group on the acquisition of shares in Ikme Oy

MAY 2022

AU VEGAFARMA

BDO advises the owner in the sale of a leading pharmacy chain in Serbia

MAY 2022

UCS VENTURES BV

Simfony has been acquired by iBasis. BDO M&A acted as advisor to the seller in this transaction

MARCH 2022

£175.00M

Incremental Group

Sale of Incremental Group to Telefónica Tech

MARCH 2022

DÖRKEN

Advisor to Ewald Dörken AG on the acquisition of VACU-FORM Wischemann GmbH & Co. KG

MARCH 2022

DÖRKEN

Advisor to Ewald Dörken AG on the acquisition of HeWi-Engineering GmbH (Wischemann Group)

MARCH 2022

ctigroup

Sale of CTI Holdings Limited to LDC

FEBRUARY 2022

ADIS TACHOV, ZPRACOVÁNÍ PLASTŮ, S.R.O.

M&A Buy-side advisory, financial, tax and legal due diligence, SPA advisory for ADIS within the acquisition of NSK

FEBRUARY 2022

£25.60M

ADAMAS CONSULTING GROUP LTD

BDO has provided sell-side M&A, vendor Commercial Due Diligence, Tax advice, Financial and Tax Vendor Assist and Financial Modelling to ADAMAS Consulting Group Ltd in connection with the sale to Ergomed plc, an AIM listed group.

FEBRUARY 2022

M2MOBI

M2Mobi and Move4Mobile merged into M6 Group, a global mobile specialist. BDO M&A acted as advisor to the seller in this transaction

FEBRUARY 2022

NEWTONS GROUP LIMITED

BDO advises on sale of Newtons Group to Q3 Services Group

FEBRUARY 2022

ELBEWESER BETON

Advisor in the sale of Elbe Weser Beton GmbH & Co. KG to Aleton GmbH & Co. KG

FEBRUARY 2022

Dankwardt
bodycare in mind

Advisor to Rudolf Dankwardt GmbH in the sale to Lafayette Capital

FEBRUARY 2022

SERVICE TECHNISCH BEHEER B.V.

A majority stake in Target has been acquired by Buyer. BDO M&A acted as advisor to the seller in this transaction

FEBRUARY 2022

£30.00M

MIROMA SET LIMITED

The BDO team has advised the Independent Directors of SET on the financial terms of the Acquisition under the UK Takeover Code.

FEBRUARY 2022

ASPEN BUILD

BDO has advised the shareholders of Aspen Build Holdings (E.A.) Limited on the management buy out of the business by its management team.

FEBRUARY 2022

FOR MORE INFORMATION:

SUSANA BOO

+44 (0)20 7893 2316
susana.boo@bdo.global

Data compiled by Acuris.

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

www.bdo.global
www.bdohorizons.com

42016942