HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 1 | 2022

ESG COMES OF AGE IN M&A

REGIONAL VIEW

VIEWS FROM
AROUND THE GLOBE

SECTOR VIEW

INDUSTRIALS & CHEMICALS
TMT
LOGISTICS & SUPPLY CHAIN

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 2020
1st most active Advisor & Accountant Globally 2020 – Pitchbook league tables 2020
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2021

WELCOME

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

Well, 2021 will stand out as a vintage year for global mid-market deal activity and amount of capital deployed. Not even a slight dip in deal activity in the final quarter would detract from that picture which is truly remarkable against the backdrop of the pandemic. Private equity was the coming force in 2021 with a marked rise in the number of investments in new deals.

Average deal value also continues to be at a record level and we believe this reflects the amount of cash chasing deals and the strong multiples being paid. The Heat Charts suggest that 2022 will be another good year for M&A.

The two dominant regions for deal activity were once again North America and Greater China but North America saw much bigger increase in deal activity of the two regions in the year. In terms of sectors, TMT saw the biggest gain in deal activity over the prior year. That said, all sectors enjoyed a growth in deals.

We look at the trends above in more detail in our Global View article.

In our lead article we look at the hugely important theme of Environmental, social, and governance or ESG issues which are now front and centre in today's business world and high on investors agenda. We examine the growing body of research that points to the positive correlation between a company's ESG credentials and their financial performance and value creation.

In our sector view, we look at Industrials & Chemicals, TMT and Logistics and supply chain. We look at why future looks bright for Industrials & Chemicals M&A. With TMT we explain why we believe strong deal momentum looks set to continue in 2022. In Logistics and supply chain we look at how M&A bounced back in record-breaking year.

Along with the market, we at BDO, also experienced a record breaking year with 2,020 deals which was up by over 30% from the previous year. Over 120 countries contributed to that record and we are grateful to the efforts of all of our 2,500 people that were involved in helping our clients succeed. We welcomed new teams in countries including Hungary and the Middle East and we hope that this is the year when we get the chance to meet some of our international colleagues in person again.

With the Winter Olympics just around the corner our publication takes on an appropriate theme and we hope you enjoy the coverage if you tune in. Otherwise we hope you stay safe and well.

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GLOBAL VIEW

DEAL ACTIVITY SLOWS IN FINAL QUARTER BUT 2021 REMAINS A STAND-OUT YEAR

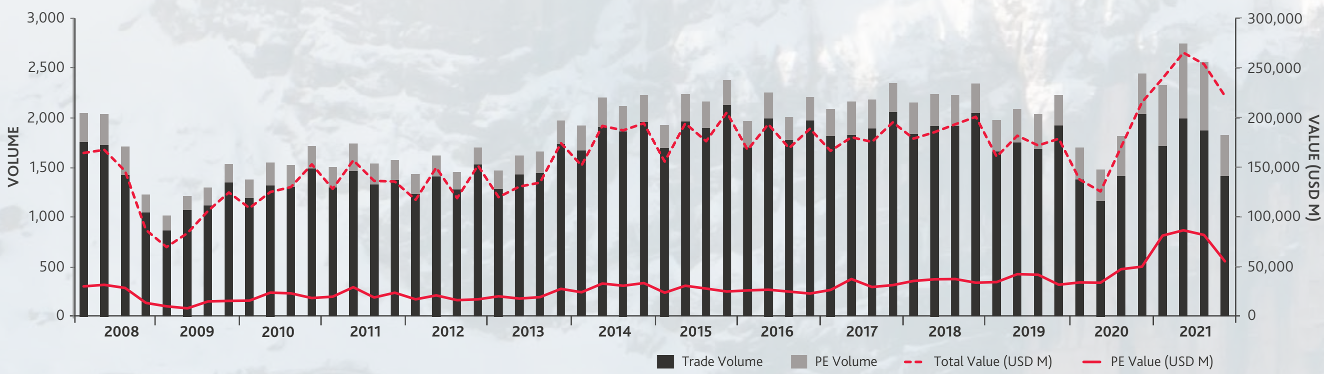
After four continuous quarters of really strong deal activity, mid-market global deal-making took a dip in the final quarter of 2021. We do not see this as any great cause for concern as there is only so long that such high activity levels can persist before some respite. Looking at the aggregate amount of value, the dip is less pronounced in the final quarter, meaning that high amounts of capital are still being deployed. At a total value of over USD 220bn, the capital exchanging hands remains very high by historic levels. Taking 2021 as a whole, it really was a vintage year for deals with nearly 9,500 transactions. That represents a huge recovery on the COVID-impacted 2020 and is well up on the pre-pandemic year of 2019.

When we consider the mix of the deals, we can see that the final quarter tail-off was more influenced by lower private equity activity and value than trade. The chart on this page shows that clearly with dome-shaped PE aggregate value of deals across the year. That puts the split of deal activity of trade vs equity for 2021 at around 75:25 and the split of aggregate value at around 70:30. Compared to historic levels, this represents a rise in global PE investing and this has been a big driver of the resurgence in the M&A market post the onset of the pandemic.

In terms of sectors during 2021, TMT and Industrial & Chemicals remained the most prolific, representing around 20% and 30% respectively of total deal activity. Compared to the prior year, TMT deal activity nearly 60% higher, with financial services the next highest riser at over 45% up. Indeed, every sector experienced higher activity across the year.

Looking around the world, every region saw an increase in deal activity during 2021. The two dominant regions remain as North America and Greater China but the proportions have changed. North America saw nearly 45% increase in deal activity in 2021, compared to a less than 10% increase for Greater China. In the final quarter of the year, only Japan and Greater China saw an increase in deal activity with every other region experiencing a decline in deals.

GLOBAL MID-MARKET M&A



OUTLOOK SUPPORTS HEALTHY M&A MARKETS

Despite the dip in deal activity in Q4 2021, the outlook remains strong. For the sixth quarter running our Heat Charts show high levels of rumoured mid-market deals. And for the fifth quarter in a row there are over 10,000 rumoured deals. That compares to more recent historic numbers of 8,000 or more. All of this supports the 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 relatively cheap debt. Inflationary pressures may lead to interest rate rises but interest rates could still continue to be at low historic levels. We believe there will continue to be non-core disposals by larger corporates and private sellers looking to beat possible future capital gains tax rises in certain jurisdictions. The other big factor is PE realising existing investments that have seen good growth over the last 12 months and seeking to capture current high valuations.

GLOBAL BDO HEAT CHART BY REGION AND SECTOR

	TMT	Industrials & Chemicals	Business Services	Financial Services	Consumer	Pharma, Medical & Biotech	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%*
North America	502	299	303	488	179	352	178	66	39	2406	24%
Greater China	306	715	218	153	169	172	186	66	144	1922	19%
CEE	163	193	72	47	99	33	65	28	26	726	7%
Southern Europe	141	178	99	51	178	48	85	27	17	824	8%
India	93	77	46	43	53	56	27	13	2	410	4%
Latin America	127	39	63	112	48	14	50	22	14	489	5%
Nordic	53	52	25	17	26	19	14	1	4	211	2%
UK/Ireland	145	58	55	69	61	35	47	30	8	508	5%
Australasia	96	59	50	47	59	52	66	42	8	479	5%
DACH	80	94	54	19	49	50	16	5	8	375	4%
Other Asia	71	78	23	32	39	26	19	17	4	309	3%
South East Asia	125	78	87	64	46	20	42	13	37	512	5%
Japan	43	27	25	7	17	8	5	9	5	146	1%
Middle East	26	6	15	14	2	3	7	1	3	77	1%
Africa	51	39	30	21	20	19	25	2	4	211	2%
Benelux	37	46	41	13	25	18	9	6	2	197	2%
Israel	31	24	22	16	21	15	11	7	7	154	1%
TOTAL	2,090	2,062	1,228	1,213	1,091	940	852	355	332	10,163	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 2021 and 30 June 2021. 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.

GLOBAL THEMES INFLUENCING M&A

The availability of cash and strong trading by many companies with good cash generation should continue to fuel M&A activity. As we noted earlier, the continued growth of private equity funds should continue to be a major factor in deal-making activity. We also expect strategic buyers to continue to be active in the market as they seek to add to capability, especially technology and digital. The other big theme is the growth of ESG as companies and investors seek to acquire companies with activities that benefit the carbon footprint of the world.

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ESG COMES OF AGE IN M&A

Environmental, social, and governance (ESG) issues are now front and centre in today's business world. Climate change, modern slavery, indigenous rights, employee health and wellbeing, and diversity and inclusion are but a few of a company's ESG factors coming under increasing scrutiny by shareholders, investors, and the broader community.

As communities call for greater transparency and accountability for ESG factors, increasing shareholder scrutiny of ESG performance and the continued rise of shareholder activism are presenting financially material risks and opportunities for companies. The mitigation of these risks and the maximisation of opportunities are key considerations for M&A practitioners.

RISE OF ESG INVESTING

The recent rise of sustainable investing and the exponential growth of green funds and ESG-linked funding options is invariably transforming acquirers' investing strategies.

To align with a new sustainable investing ethos, acquirers are increasingly looking for companies with strong ESG credentials. This transition to sustainable investing is not only being driven by community sentiment and corporate social responsibility (the 'right thing to do' position), but the considerable financial gains and market opportunities available to companies that understand and effectively manage their ESG risks.

GREATER TRANSPARENCY AND ACCOUNTABILITY

ESG metrics and sustainability reporting present an opportunity for both targets and acquirers in M&A transactions. ESG metrics are being used by targets to determine their business value, while acquirers are using ESG metrics and sustainability reports to identify sustainability-aligned targets and reduce reporting burden. ESG reports provide acquirers with insights into a target's ESG opportunities, such as operational efficiencies, access to new markets and supply chain resilience.

The management and disclosure of ESG factors for public companies has long been considered a necessity from a regulatory and social licence to operate perspective. For private companies, the development and disclosure of ESG credentials presents a significant business opportunity. Early adoption of an ESG-aligned business strategy differentiates a private small-medium enterprise (SME) among competitors and positions them as an attractive option, both from a product/services standpoint and as a prospective investment.

HIGHER BUSINESS VALUE

A growing body of research points to the positive correlation between a company's ESG credentials and their financial performance and value creation.

A target's ability to effectively understand and address their ESG risks, and transparently communicate their ESG credentials, provides them with greater certainty of their long-term value, minimising the risk of their valuation being reduced on discovery of ESG liabilities.

Acknowledging the risk and impact of ESG factors on financial performance, the assessment of ESG in valuations has shifted from qualitative to quantitative with the attribution of financial values to ESG factors. For example, pricing of greenhouse gas emissions, increased insurance premiums from operations located in areas vulnerable to climate change, increased demand for environmentally and socially sustainable goods, and greater employee retention and productivity.

ESG DUE DILIGENCE NOW INTEGRAL PART OF M&A

As acquirers become increasingly aware of the impact that underperformance on ESG factors can have on long-term business performance, ESG credentials have become a significant deal execution risk. Consequently, ESG due diligence is quickly becoming an integral part of the M&A due diligence process.

Formulating a clear understanding of the material ESG risks for a target and evaluating the target's ESG performance against its disclosure is key.

ESG due diligence can identify potential technical issues (such as exceptionally high baseline greenhouse gas emissions), product health-related side effects, or operational errors with potentially long-lasting impacts (such as facilities constructed on inappropriately acquired land). This information can potentially impact the target valuation and deal structure.

Sufficient due diligence on ESG-related opportunities is also needed to qualify current and future value projections.

ESG due diligence is changing from a risk-focused 'do's' and 'don'ts' tick-box exercise to a detailed benchmarking analysis of performance identifying areas of value growth potential. As ESG considerations continue to further embed in corporate decision making, the value of strong ESG credentials will continue to increase and so will the demand for acquisition targets leading in ESG performance.

ESG CREDENTIALS

In today's market, to remain competitive and maintain access to capital and service providers, companies need to develop and communicate a clear ESG strategy. The development of an ESG strategy requires a company to:

1. Understand their impacts (outside-in and inside-out)
2. Capture and collate data on material impacts
3. Create and implement effective strategic and tactical actions to avoid, reduce, manage, and offset their impacts
4. Routinely and transparently disclose progress to the market.

A well-executed ESG strategy can generate value in a myriad of ways, including access to new avenues of capital, improved productivity and reduced operating costs, access to new markets, improved stakeholder engagement, and access to and retention of high-quality talent.

"Developing and executing an ESG strategy is extremely valuable when it comes to M&A today. ESG credentials either increase transaction probability and/or increases price. It's a win-win for the planet and for business."

TODD GROVER, PARTNER – Corporate Finance, Mergers & Acquisitions at BDO Perth

IMPERATIVE FOR DEALS

It's clear that ESG issues are not ones which can be left to be considered post-transaction. A basic expectation of shareholders, ESG is an imperative consideration for M&A deals.

Companies which develop, implement, and disclose ESG strategies early will position themselves as preferential suppliers, attractive investments, and more resilient, higher-value businesses. These companies are increasingly being identified as primary targets for acquirers looking for investment opportunities which will support the acceleration of their own ESG strategy and performance and drive up their own business value.

Catherine Bell, Principal, Sustainability and Kira Sorensen, Senior Manager, Sustainability have established a rapidly growing Sustainability practice in Australia to address the increasing business imperative that ESG issues are having in the market today. They are focused on helping companies activate their sustainability programmes and reporting frameworks, assisting continuous improvement of sustainability programmes, and advising companies in the management and mitigation of their carbon and climate risk. The team in Australia are working hand-in-hand with other BDO sustainability professionals across our global network, leveraging our diverse expertise to support a growing number of cross-border opportunities.

Get in touch with BDO's Sustainability team to understand what ESG means for your business and activate your Sustainability Journey today.

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GLOBAL

10,163 RUMOURED TRANSACTIONS

P09 | **NORTH AMERICA**

A RECORD YEAR FOR DEAL-MAKING

P13 | **LATIN AMERICA**

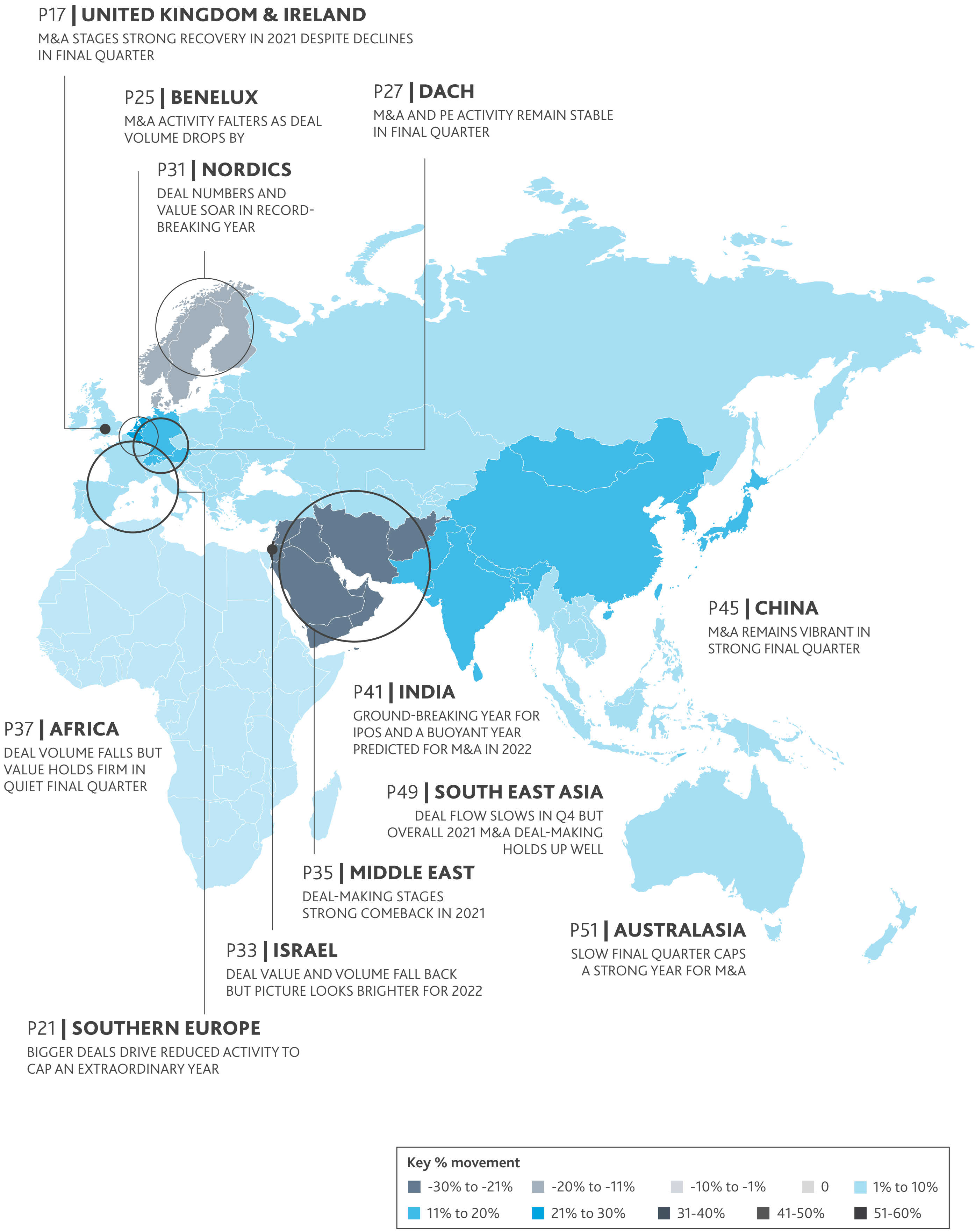
M&A DEAL-MAKING HITS THE HEIGHTS IN 2021 BUT SLOWER GROWTH EXPECTED IN 2022

SECTOR VIEW

INDUSTRIALS & CHEMICALS P55

TMT P57

LOGISTICS AND SUPPLY CHAIN P61



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

NORTH AMERICA

A RECORD YEAR FOR DEAL-MAKING

BIG PICTURE

- Deal volume up 44% in 2021 compared to 2020 and up 19% compared to pre-COVID 2019
- Deal value up 70% in 2021 from 2020 and 63% compared to 2019
- PE buyers were still active with 143 deals, representing 32.4% of volume and 29.1% of value.

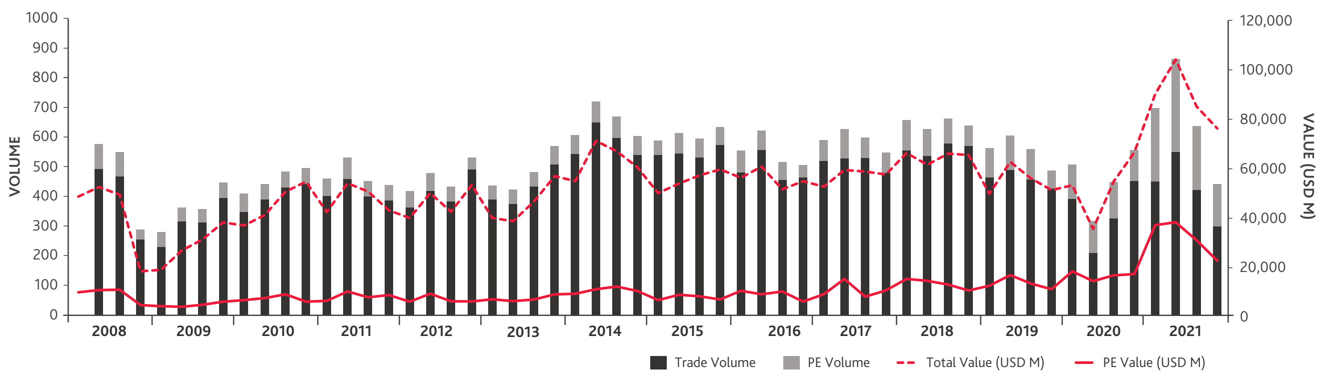
As expected, M&A activity continued to forge ahead in 2021. A market with an abundance of cash held by both PE funds and strategic buyers, lifted restrictions driving pent-up deal demand and improved business conditions all contributing to a surge in M&A.

With all deal-making participants now familiar with operating in a pandemic-influenced M&A environment, 2021 started positively and remained so during the year, setting new records in M&A activity. Underlying pent-up demand left over from 2020, along with low interest rates, continued government stimulus and strong debt and equity markets all contributed to an unprecedented increase in deal volume and value. The total value of North American deals in both the USA and Canada were the highest recorded in history, both individually and combined.

North American mid-market M&A volume maintained a furious pace throughout 2021 with 2,636 deals compared to 1,825 in 2020 and 2,213 in a pre-pandemic 2019. There was a corresponding increase in aggregate deal dollar value in 2021 with USD 352bn in deal value versus USD 207bn in 2020. Q4 2021 was the slowest quarter of the year, with 441 deals and USD 75bn in total deal value. Certain 2020 deal trends continued into 2021 including strong valuations, virtual due diligence and more focus than ever on earnings sustainability. Industry participants deployed the tools used to navigate an early pandemic deal environment to drive another very active year.

The factors driving M&A deal volume and value, whether it's in the mid or up-market are no secret and have been prevalent and pervasive for years. In both Canada and the USA these include a record amount of dry powder, partially fueled by low interest rates, strong equity markets, pressure in some cases to deploy capital and strategic buyers continuing to explore inorganic growth strategies. A seller's market remains, with the amount of underlying market liquidity driving competition and valuations along with many business owners turning their focus back to growth

PE/TRADE VOLUME & VALUE



after withstanding a year with significant challenges. The resilience of mid-market business owners and management teams are another contributing factor that should not be overlooked. In another year marred by supply chain issues, lockdowns and varying other headwinds outside the capital markets, businesses have endured and shareholders have found opportunities across all industries to acquire or divest. From chip shortages to multi-year high shipping rates, global supply chain issues had some influence on virtually every industry throughout 2021 and have driven many strategic buyers to employ vertically integrated focused M&A strategies to try to increase some control over their purchasing and/or material procurement. Regionally, several areas experienced additional disruptions due to natural disasters such as the wildfires and floods in parts of the US and Western Canada presenting additional challenges for companies trying to move goods across country or for businesses with coast-to-coast operations. However they arose, industry participants were able to navigate varying, more localized issues and continue to get deals done.

Another enduring factor contributing to increased activity in 2021 is accelerated retirement plans for business owners. While the aging demographics of the population have been well known to be a positive contributor to divestiture activity, a recent survey of 150 North American business owners found that 66% planned to sell or retire sooner due to the COVID-19 pandemic. The reasons for this are diverse, including the monetization of recent successful years, a fear of new increased taxes on capital gains (both in Canada and the USA) and a lack of desire to take the necessary steps for the next phase of growth or maintenance after an exhausting past couple of years. Regardless of the reason, this accelerated transition has been one of the biggest factors driving mid-market M&A in 2021 and this will continue to be the case.

Private equity maintained its status as a large factor in M&A activity, contributing 36% and 35% of total deal value and volume in 2021 respectively. North American dry powder estimates are in the trillions and 2021 was another successful year in fundraising, which should continue to provide a runway for funds to continue seeking platform and add-on opportunities, while also dealing with increasing competition and valuations. 2021 also marked the year of a rise in Environmental, Social and Governance (ESG) considerations for many investors and funds. Strengthened by the pandemic and regulatory changes, ESG has made an impact on investing decisions, due diligence and ultimately deal activity, regardless of the size of the deal. While its impact to M&A is less direct, it has certainly made a contribution to the way deals have been sourced, evaluated and executed in recent quarters and it will be prevalent moving forward.

KEY SECTORS

In 2021, M&A activity increased across eight of the nine tracked sectors compared to 2020, with the exception of Real Estate, which had only 16 deals tracked in 2021. Financial Services experienced the biggest rise, with 236 deals in 2021, increasing from 117 in 2020. Next were TMT and Industrial & Chemicals, which increased 80% and 48% respectively with 993 and 399 deals. The remaining sectors all increased by at least 10% in terms of year-over-year volume.

LOOKING AHEAD

The first half of 2022 does not show any imminent signs of slowing down, but the question remains whether the M&A market can continue for another full year at the same frenetic pace. With increasing inflation and a strengthening economy, the US Fed indicated that they are likely to begin raising interest rates earlier than anticipated, with three or four rate hikes expected in the year. The same is likely to happen in Canada and while this should not immediately curtail M&A activity, it will likely slow it down in the medium to long-term. Conversely, with strong market fundamentals, robust amounts of PE dry powder and strong strategic balance sheets, deal activity will not fall off a cliff. While the market remains hot in terms of deal dynamics, every sector is poised to remain strong in deal activity and capitalize on the current M&A environment.

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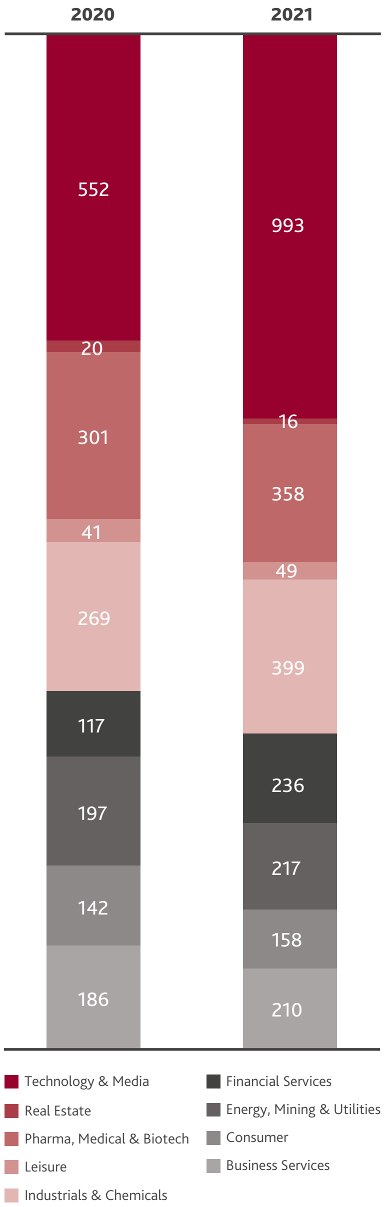
NORTH AMERICA
HEAT CHART BY SECTOR

TMT	502	21%
Financial Services	488	20%
Pharma, Medical & Biotech	352	15%
Business Services	303	13%
Industrials & Chemicals	299	12%
Consumer	179	7%
Energy, Mining & Utilities	178	7%
Leisure	66	3%
Real Estate	39	2%
TOTAL	**2406**	

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

M&A DEAL-MAKING HITS THE HEIGHTS IN 2021 BUT SLOWER GROWTH EXPECTED IN 2022

BIG PICTURE

- Looking at the last 12 months, deal volume increased from 280 in 2020 to 429 in 2021, a growth of 53.2%. Overall value was up 97.8%, due not only to a higher volume of deals but also a higher average value per deal
- In Q4 2021, with 85 deals worth USD 8,625m, M&A volume fell compared to both Q3 2021 and Q4 2020
- Sector activity was led by TMT (32 deals) and Energy, Mining & Utilities (14 deals)
- Brazil accounted for 19 of the top 20 deals, representing 93.9% of total deal value
- The Latin American economy remains one of the most impacted by COVID-19 and is struggling to recover.

Latin America's mid-market segment registered 85 deals worth USD 8,625m in Q4 2021, which represented a sharp fall in both volume and value compared to the previous two quarters. In terms of deal volume and value, Q4 was the third best quarter of the year. Average deal value was 14.7% lower than in Q3 2021, overall deal volume fell by 41.8% and overall deal value by 50.3% compared to the previous quarter.

Compared to Q4 2020, overall deal volume declined by 8.6%, however overall deal value increased by 26.4%.

There were 27 PE deals completed and overall value declined by 67.2% compared to the previous quarter. Overall PE deal value was USD 1,858m, a decline from the previous two quarters. The 27 PE transactions accounted for 21.5% of the quarter's overall deal value.

Looking at the quarter's top 20 deals, the total value of USD 5,509m represented 63.9% of overall deal value but only 23.5% of overall deal volume.

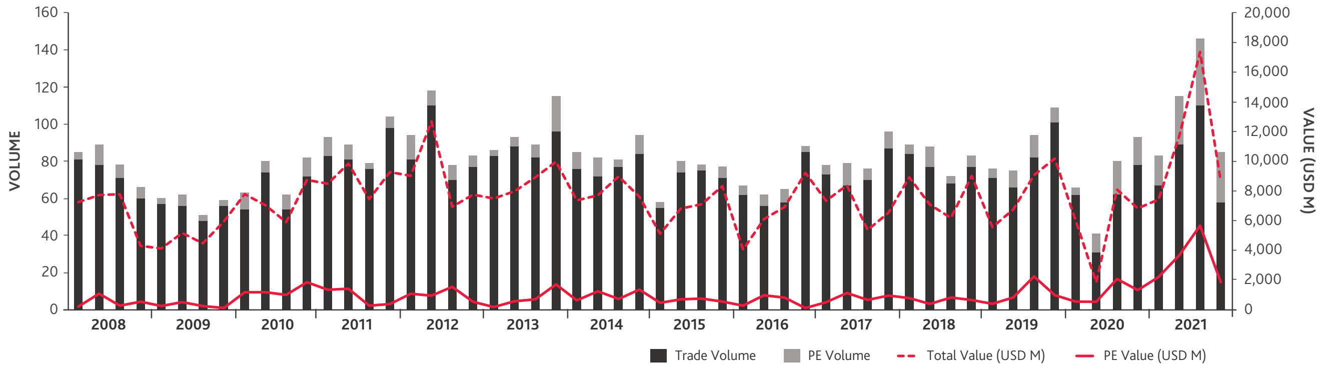
Over the last 12 months, deal volume rose from 280 in 2020 to 429 in 2021, an increase of 53.2%. Overall value climbed by 97.8%, due not only to the higher volume of deals but also the higher average deal value.

KEY SECTORS AND DEALS

TMT and Energy, Mining & Utilities led Q4 2021 sector activity with 32 and 14 deals respectively, accounting for approximately 54.1% of all deals closed in the period. The top two sectors were followed by Pharma, Medical & Biotech, Financial Services and Industrial & Chemicals, with eight deals each, Business Services (seven), Consumer (six) and Leisure (two). No transactions took place in the Real Estate sector.

The quarter's top 20 deals represented approximately 63.9% of all Latin America M&A activity with a total value of USD 5,509m. Brazil was the most targeted country and featured in 19 out of the top 20, representing 93.9% of the top 20's deal value.

PE/TRADE VOLUME & VALUE



The biggest deal was the acquisition of 30% stake in Comerc Energia Ltda. by Vibra Energia for USD 363m and in second place was the acquisition of 100% in Celg GT by Energias do Brasil S.A. for USD 359m. Both companies operate in the Energy, Mining & Utilities sector.

The Energy, Mining & Utilities sector is currently enjoying a boost due to high demand for renewable energy worldwide and Brazil is especially attractive to investors in this regard due to its natural resources and regulatory stability. The lower costs and large market in Brazil are also factors that make the country an interesting alternative to the US and Europe for investments in the renewable energy sector.

POLITICAL AND ECONOMIC CONTEXT

Latin American economies have been some of the most heavily impacted by the crisis brought on by the COVID-19 pandemic, which has resulted in deep recessions across the region.

According to the Organization for Economic Co-Operation and Development (OECD), this moment could be seen as an opportunity to implement the necessary reforms to address structural challenges in Latin America. The OECD also suggests that governments should introduce fiscal, social and transformational policies.

The governments across the region, which historically suffers from low productivity, inequalities, social vulnerability, institutional weaknesses and threats to environmental sustainability can, according to the OECD, use the current economic context to adopt multi-dimensional strategies to implement the many reforms needed to drive recovery.

Taking all this into consideration, Latin America is expected to see growth in 2022, but at a slower pace than observed in 2021. Additionally, in the near term, according to the Economic Commission for Latin America and the Caribbean, most countries in the region will not have recovered to pre-pandemic levels of GDP by the end of 2022, some three years after the start of the pandemic.

As examples, according to Moody's, some countries, such as Chile, Peru and Colombia, are already operating above pre-pandemic production levels, while Brazil and Argentina are close to pre-pandemic levels. However, in the majority of Central America and the rest of Latin America, production levels are still below what they were pre-pandemic and it is likely to take a few more quarters for a full recovery.

Additionally, due to a likely rise in interest rates to contain inflation and an increased exchange rate, the domestic market is expected to retract. However, it's worth noting that this particular scenario can present opportunities for foreign investors looking for cheaper assets due to the devaluation of local currencies, as well as encouraging strategic acquisitions involving local companies with purchasing power.

With this in mind, Brazilian investment brokers are expecting higher levels of foreign investment in 2022, due to the attractive pricing of assets, as well as rising government revenues which can help to minimize recent fiscal concerns.

Finally, the upcoming presidential elections in Brazil, Colombia, and Costa Rica may temporarily impact the economic recovery of these countries and affect the attractiveness of investment in those countries.

LOOKING AHEAD

Latin America represents approximately 5% of the global market with 489 deals announced or in progress, as shown in the BDO Heat Chart. TMT is expected to top the Heat Chart with 127 deals, followed by Financial Services (112), Business Services (63), Energy, Mining & Utilities (50) and Consumer (48).

In 2022, considering all the previously mentioned factors, slower growth is expected for Latin America as a whole.

In Brazil, although the privatization of companies has not progressed as expected in 2021, the outlook remains positive. The expectation is that the government's share of companies will be reduced and that it will no longer be the majority shareholder. This situation will likely attract investors, from individuals to corporations. Additionally, the country's currency devaluation is expected to attract more foreign investors eyeing cheaper assets.

Finally, it is worth highlighting that Latin American economic growth in recent months has been linked to the reopening of cities and businesses after the peak of the pandemic passed. With the region facing a new wave of COVID-19, this might yet push back recovery for some time.

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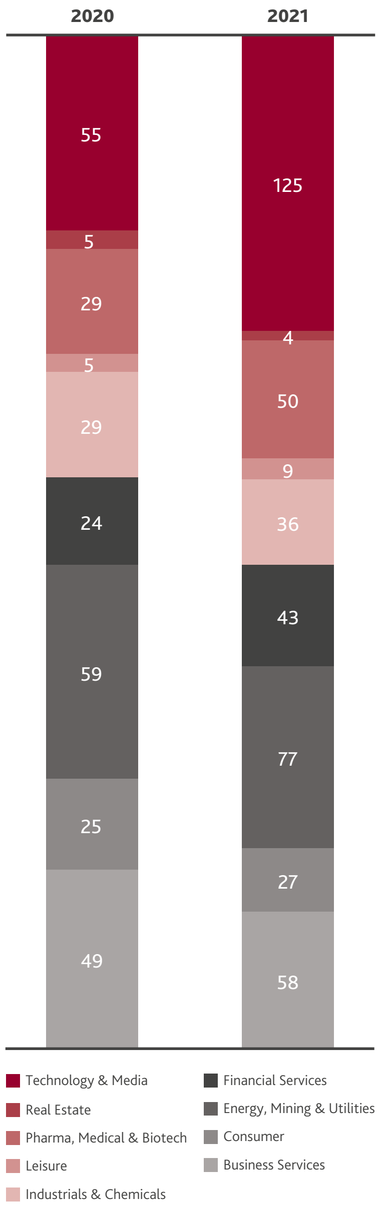
LATIN AMERICA
HEAT CHART BY SECTOR

TMT	127	26%
Financial Services	112	23%
Business Services	63	13%
Energy, Mining & Utilities	50	10%
Consumer	48	10%
Industrials & Chemicals	39	8%
Leisure	22	4%
Real Estate	14	3%
Pharma, Medical & Biotech	14	3%
TOTAL	**489**	

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

M&A STAGES STRONG RECOVERY IN 2021 DESPITE DECLINES IN FINAL QUARTER

BIG PICTURE

- Q4 2021 saw declines in both deal volume and value in mid-market M&A transactions in comparison to the previous quarter
- H2 2021 also saw declines in both value and volume compared to H1 2021
- H2 2021 still saw high levels of M&A activity, with deal value significantly higher than H2 2020 despite deal volume being lower
- Overall, 2021 saw deal values at record levels and significantly higher than pre-pandemic levels.

The momentum created by the easing of lockdown measures and excess liquidity in the market in H1 2021 slowed in H2 2021, with lower M&A mid-market deal activity. Deal volumes in H2 2021 decreased to 243 from 346 reported transactions in H1 2021 (30% down), while deal value also dropped by 19% from USD 35.2bn to USD 28.4bn in the same period.

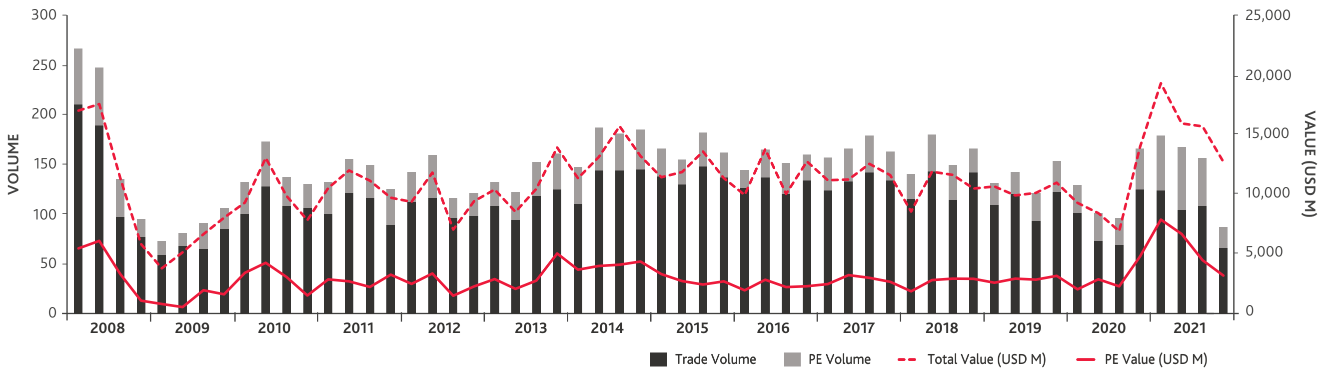
In Q4 2021, deal volume fell from 156 to 87 closed transactions and deal value from USD 15.7bn to USD 12.7bn in comparison to Q3 2021, equating to drops of 44% and 19% respectively.

As the PE/Trade volume and value graph shows, the mix between Trade and PE-funded deals shifted slightly towards Trade from Q3 2021 to Q4 2021. In Q4 2021, there were 66 trade deals compared to 21 PE-funded deals. Trade parties were involved in 76% (69% In Q3 2021) of all deals by volume with those deals contributed 75% of total deal value in Q4 2021 (71% in Q3 2021).

Looking at the total deal count, PE-funded deals declined from 31% to 24% by volume and 29% to 25% by value from Q3 2021 to Q4 2021, with a reported 21 transactions with a deal value of USD 3.2bn in Q4 2021, down from 48 and USD 4.5bn. Despite the decline in total value, average PE deal value increased from USD 93m in Q3 2021 to USD 152m in Q4 2021, a 63% increase quarter-on-quarter. In addition, total PE spend in 2021 was USD 494m, up from USD 377m in 2020.

This not only indicates a general confidence in the UK economy but also highlights that the availability of capital and a low interest rate environment has seen competition for deals increase and a result this has helped increase valuations.

PE/TRADE VOLUME & VALUE



Despite the decline in volumes and value between H1 2021 and H2 2021, 2021 as a whole saw an increase in both deal volumes and values in comparison to 2020. Deal volumes increased by 20% (492 completed deals in 2020 compared to 589 in 2021) and deal values by a strong 65% (USD 39bn in 2020 compared to USD 64bn in 2021). Significantly, the overall deal value of USD 64bn in 2021 was much higher than pre-pandemic levels, indicating a strong recovery in mid-market M&A.

KEY DEALS AND SECTORS

With the backdrop of a decrease in deal volume from Q3 2021 to Q4 2021, all sectors bar Energy, Mining & Utilities and Real Estate experienced a drop in deal volume quarter-on-quarter. TMT deals fell from 61 to 29 transactions from Q3 2021 to Q4 2021, a 52% drop, Leisure from seven to two deals in the same period, a 71% drop, Consumer from 17 to six, a 65% drop and Business Services from 20 to 12 transactions, a 40% drop.

Of the 87 completed deals in in Q4 2021, TMT accounted for 33% of total deal volume, followed by Business Services (14%), Industrials & Chemicals (15%) and Financial Services (9%). These four sectors also contributed the highest amounts to total deal volume across 2021.

Year-on-year all sectors recorded increased deal volume bar Energy, Mining & Utilities, which saw a 30% drop in deal volume. Real Estate and Financial Services showed the biggest increases at 180% and 48% respectively, which can partly be explained by the COVID-19 pandemic and restrictions affecting these sectors harder than others and consequently the bounce back was delayed.

Q4 2021 saw strong cross-border M&A activity again, with 11 out of the top 20 mid-market transactions involving an overseas buyer. A selection of the biggest mid-market transactions were as follows:

- Constellation Automotive Group Limited, the group behind We Buy Any Car, acquired car dealership operator Marshall Motor Holdings plc for a consideration of USD 465m
- NYSE-listed student media learning platform Chegg Incorporated acquired online learning language provider Busuu Limited for a consideration of USD 436m
- US-based Altaris Capital LLC acquired a 70% stake in UK-listed science and chemicals company Johnson Matthey Plc for a consideration of USD 434m
- Terra Firma Capital Partners acquired private housebuilder Hopkins Homes Limited for a consideration of USD 400m
- France-based Criteo S.A. acquired UK-based AI, data and engineering company IPONWEB Limited for a consideration of USD 380m
- 3i Infrastructure plc acquired traffic light equipment company SRL Traffic Systems for a consideration of USD 253m.

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LOOKING AHEAD

M&A across UK & Ireland hit near-record highs in 2021, and although there was a slowdown in the second half of the year, all the signs are that mid-market M&A activity in 2022 will continue to be at high levels.

The roll out of vaccination programmes and the lifting of restrictions will help grow the UK economy and this positive economic outlook, coupled with PE firms having near record levels of dry powder, will help drive M&A activity in 2022.

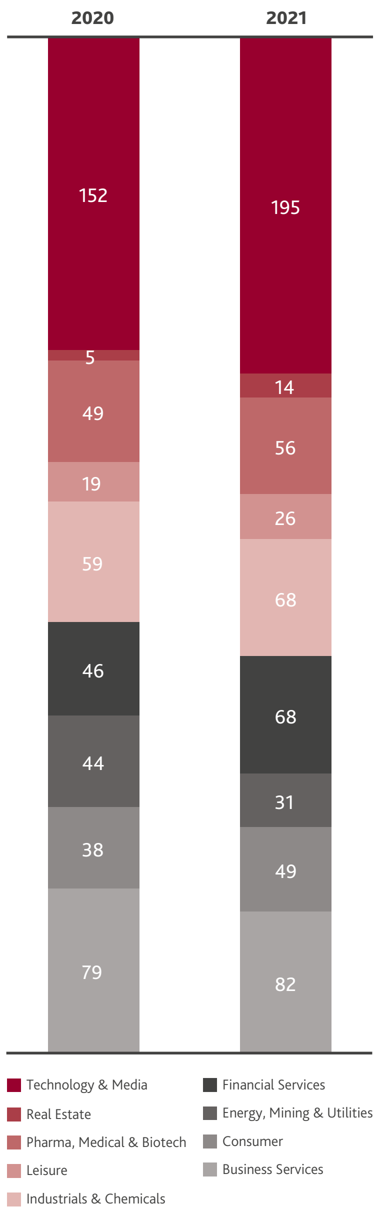
2022 will also likely see a rise in distressed opportunities as the effects of the withdrawal of Government support schemes and the repayment of pandemic loans start to take effect.

The BDO Heat Chart predicts an active market in the UK & Ireland with 508 rumoured deals. TMT is expected to be extremely active with 145 deals, followed by Financial Services (69) and Consumer (61). Pharma, Medical & Biotech, Leisure and Real Estate are the sectors expected to have the least amount of activity.

UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	145	29%
Financial Services	69	14%
Consumer	61	12%
Industrials & Chemicals	58	11%
Business Services	55	11%
Energy, Mining & Utilities	47	9%
Pharma, Medical & Biotech	35	7%
Leisure	30	6%
Real Estate	8	2%
TOTAL	**508**	

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

BIGGER DEALS DRIVE REDUCED ACTIVITY TO CAP AN EXTRAORDINARY YEAR

BIG PICTURE

- 2021 was an extraordinary year for M&A activity in Southern Europe with value reaching USD 68.2bn
- Deal volumes and aggregate values fell in Q4 2021 compared to Q4 2020 but average deal values rose
- TMT was the most active sector with 29 deals
- BDO Heat Chart suggests that Industrial & Chemicals and Consumer will be the most active sectors moving forward.

In Q4 2021, there were 103 mid-market transactions in Southern Europe. In terms of numbers, although this represented a recovery, the deal volume was still a long way from the corresponding final quarters in the last four years. In fact, in Q4 2021 the overall number of deals actually fell by more than Q4 2020 (down 39%) and Q4 2019 (down 38%).

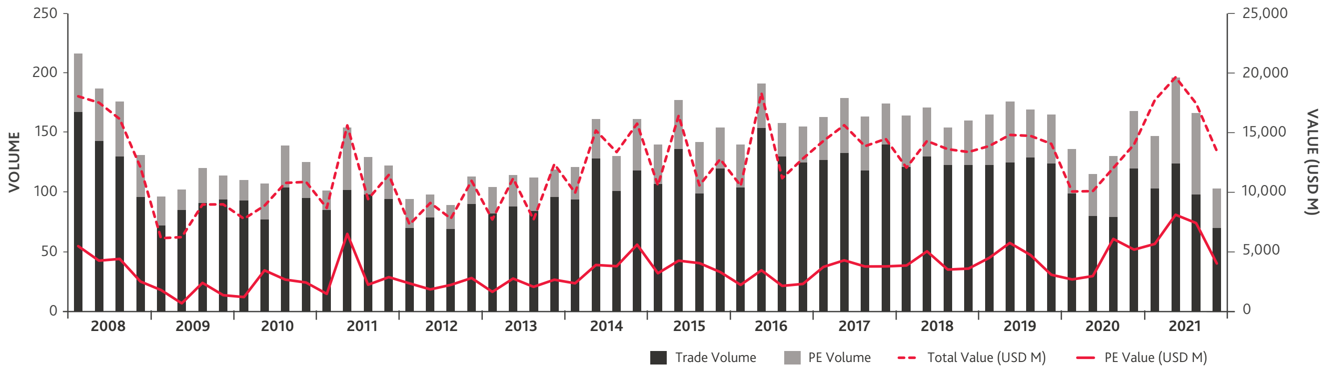
Generally speaking, Q4 2021 showed a very different trend compared to the first part of 2021, when M&A activity was at its most active. Focusing on Q4 2021 deal value, aggregate deal value only dropped by 4% compared to both the corresponding quarters in 2020 and 2019. However, when comparing Q4 2021 with Q3 2021, we can see noticeably sharper declines of 23% in value and 38% in volume.

Looking at average deal size, Q4 2021 recorded a great result, with the average value including PE activity at around USD 130m, the highest in 13 years and up 24% compared to the previous quarter when the average deal value was also very high. Compared to the corresponding quarter in 2020, the average value in 2021 was 57% higher, suggesting that bigger deals largely drove the quarter's activity.

Looking at Southern Europe's PE activity, Q4 2021 was a good quarter overall. Although the number of PE deals fell compared to the other quarters in 2021, that seemed to be in line with pre-COVID results over the last 10 years. PE deals accounted for 32% of all deals transacted in Q4 2021 and 41% in Q3 2021, which was the fourth highest proportion and the highest in the last 13 years respectively. In addition, when comparing Q4 2021 with the corresponding quarters in the previous two years, PE's share of overall transactions was 32%, higher than both previous years, which finished at 29% and 25% respectively.

Focusing on PE activity in terms of value in Q4 2021, the total value was USD 4.0bn, some 45% lower than overall value in Q3 2021. By comparing PE's proportion of value with overall deal value, it is possible to conclude that in Q4 2021 PE had a

PE/TRADE VOLUME & VALUE



much lower impact than in the preceding 2021 quarters (PE buyouts accounted for only 30% of the total deal value in Q4 2021 against an average of 39% for the previous three quarters in 2021).

Finally, the average PE deal size for the quarter was very high at USD 121m, even higher than the very high average deal size of the preceding two quarters. In fact, the average PE deal size was one of the highest recorded in the last 13 years, confirming the trend that M&A deal-making generally slowed down in the final quarter of the year, with only the big deals keeping pace at the end of an extraordinary year.

KEY SECTORS AND DEALS

TMT confirmed its position as the most active sector in Southern Europe in 2021, accounting for 29 deals during Q4 2021 (151 in 2021 overall), which represented 28% of total mid-market deals, increasing from 26% of the previous quarter. In absolute terms, TMT deal numbers fell by a third compared to Q3 2021, when 43 deals were completed. TMT was followed by Industrials & Chemicals with 22 deals while Energy, Mining & Utilities, with 12 deals, accounted for 12% and was the only sector which an improved deal count from the preceding quarter. These top three sectors accounted for around 61% of all deals and were followed by Consumer, Business Services and Leisure with a total of 24 deals, a big drop compared to the previous quarter when the three sectors totalled 49 deals. This was mainly due to Business Services, which saw its deal flow fall from 26 to just seven deals in the quarter (down 73%). Consumer deal numbers fell by 38% between the two quarters, while Leisure remained at the same level.

Finally, Financial Services, Pharma, Medical & Biotech and Real Estate represented 5.8%, 5.8% and 4% of total deal numbers respectively.

The top 10 mid-market deals in Southern Europe totalled USD 4.4bn, which represented 32% of the quarter's overall transactions.

The biggest deal in value terms was the acquisition of a 21.28% stake in a Spanish company operating in the Business Services sector, Jobs and Talent, S.L., by a group of investors from a Swedish company and a British Fund, for USD 500m. The second biggest deal took place in the Consumer sector and saw the acquisition of the French company Groupe Soufflet S.A. for USD 498m by a group of investors led by the American Fund KKR & Co. Following on, the third biggest transaction was the acquisition of Palex Medical S.A., a Spanish company in the Consumer sector, by Fremman Capital, who purchased the stake for USD 466m. Additional deals worthy of a mention were the acquisition of Italian Business Services company Irideos S.p.A by the US private investment firm Grain Management LLC for USD 465m and the acquisition of the French Industrials & Chemicals company Orolia S.A.S by French company Safran S.A. for USD 451m.

Looking at the quarter's top 20 deals, Spanish companies were the most targeted with nine deals and accounted for a total deal value of USD 3.1bn. Following this were six French companies with a total deal value of USD 2.3bn and four Italian companies with a total value of USD 1.4bn.

Finally, within Southern Europe's top 20 mid-market deals, no one sector was dominant as transactions spanned multiple sectors, the most common being Energy, Mining & Utilities, followed by Industrials & Chemicals, Consumer and Pharma, Medical & Biotech.

LOOKING AHEAD

Looking ahead, the BDO Heat Chart predicts that Southern Europe may see 824 new deals, representing 8% of total potential global transactions. Industrial & Chemicals and Consumer are expected to lead the way in the foreseeable future with 178 deals each, accounting for 22% of the region's future predicted deals. TMT is expected to account 141 deals (17% of the total) and Business Services' predicted total is 99 (12%). Overall, these four sectors are expected to account for around 72% of all future deal numbers. Real Estate is expected to be the least active sector with 17 deals in the pipeline.

FOCUS ON ITALY: KEY DEALS AND SECTORS

The Italian market saw several transactions in Q4 2021 that are worth mentioning.

In October, Irideos S.p.A, Information and Communications Technology centre and owner of a wide fibre optic network, received an offer from US-based private equity firm Grain Management LLC, which focuses on investments in global communications, for the transfer of a 100% stake. The consideration is estimated at USD 455m, with a revenue multiple of 1.93x. The sellers are investment funds F2i SGR S.p.A. and Marguerite Adviser S.A.

Another important deal took place November 2021 when Snam S.p.A. agreed to acquire 49.9% of Italy-Algeria gas pipeline assets from ENI S.p.A. The price consideration is estimated to be around USD. The acquisition, which is pending and is expected to be completed in Q3 2022, is subject to the fulfilment of approvals including mandatory authorisations pursuant to antitrust and 'golden power' regulations and from other competent regulatory authorities.

In October 2021, Cosmo Pharmaceuticals NV, an Ireland-based pharmaceutical company focused on therapies for selected gastrointestinal diseases, acquired Cassiopea S.p.A., an Italy-based company specializing in differentiated medical dermatology products. The deal involved the acquisition of a majority share of 54.08%. Cosmo will issue 0.4670 shares for every one Cassiopea share. The implied equity value of the transaction is USD 240m on a 100% Enterprise Value of USD 435m and a 2020 EBITDA of USD 12.5m .

Finally, another important deal in Q4 2021 was the acquisition of Perini Navi Group S.p.A. by The Italian Sea Group S.p.A., an Italian operator in the luxury yachting industry. New Sail S.r.l., a subsidiary controlled 100% by The Italian Sea Group, won the auction held by the Lucca Court for the bankruptcy of Perini Navi S.p.A., at an overall price of USD 90m. The acquisition will be financed by reinvesting IPO proceeds and new bank funding lines. The auction included industrial and real estate assets, trademark and patents, share capital in Perini Navi USA Inc. and legal relationships with employees and third parties.

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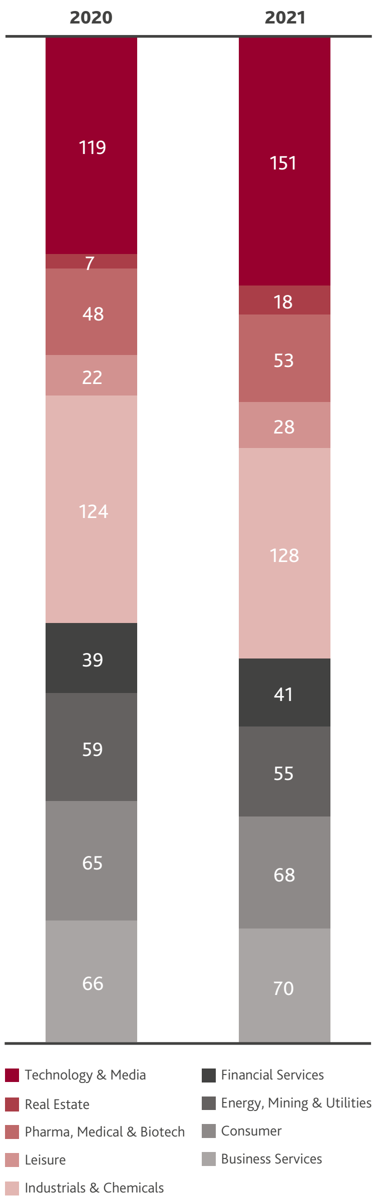
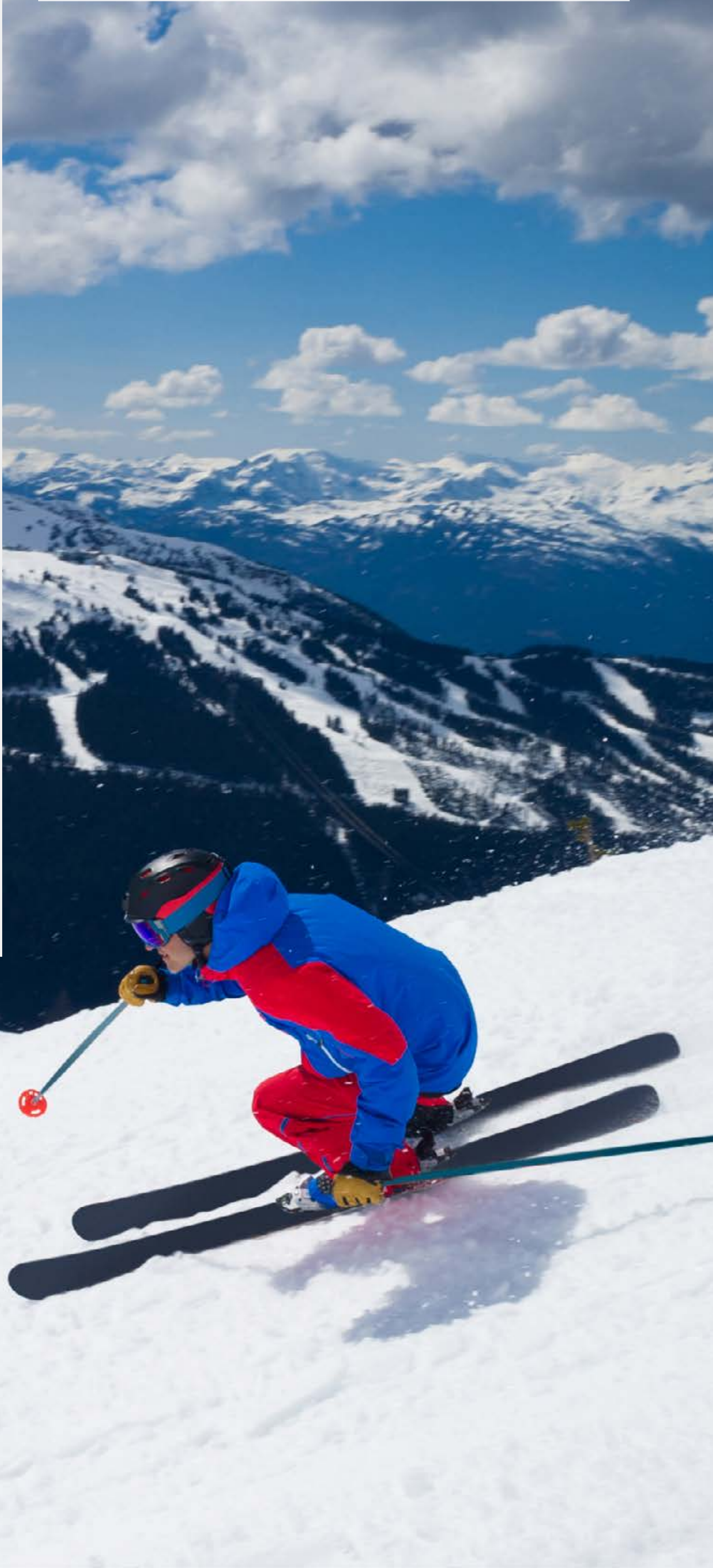
SOUTHERN EUROPE
HEAT CHART BY SECTOR

Consumer	178	22%
Industrials & Chemicals	178	22%
TMT	141	17%
Business Services	99	12%
Energy, Mining & Utilities	85	10%
Financial Services	51	6%
Pharma, Medical & Biotech	48	6%
Leisure	27	3%
Real Estate	17	2%
TOTAL	**824**	

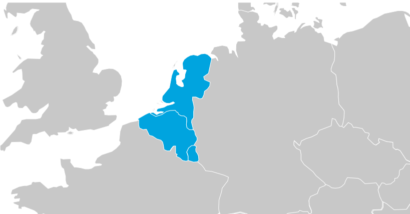
SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR





BENELUX

M&A ACTIVITY FALTERS AS DEAL VOLUME DROPS BY



BIG PICTURE

- Deal volume fell by almost 50% in Q4 2021 (26 deals) compared to Q3 2021 (51)
- PE-related value and volume accounted for around 24% of all activity
- Four sectors – Business Services, Industrials & Chemicals, Pharma Medical & Biotech and TMT – accounted for 69% of all transactions (18 deals)
- Looking ahead, there are 197 deals planned or in progress in the Benelux.

Compared to Q3 2021, there was a significant downturn in M&A activity in the final quarter of the year in terms of volume. The average deal size remained at around USD 100m. Deal volume dropped from 51 deals in Q3 2021 to 26 deals in Q4 2021 and value fell from USD 5,100m to USD 2,622m. The overall decline in activity was best reflected in the TMT sector, with deal numbers falling from 22 to just four and Industrials & Chemicals, which also dropped from nine to four deals.

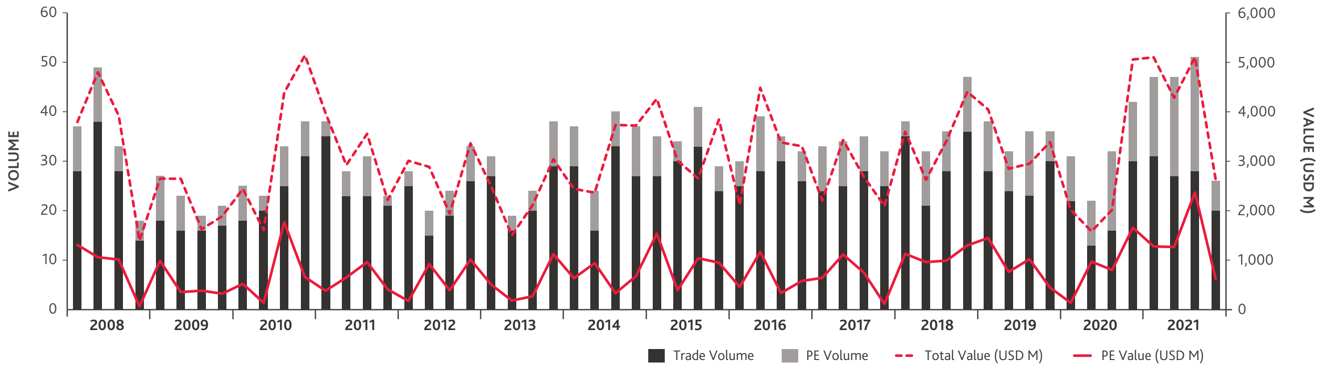
On average, PE-related deals in 2021 accounted for approximately 38% of total deal volume. In Q4 2021 however, PE's share of overall volume dropped to 23.1%. PE's share of overall deal value in Q4 2021 was in line with the first two quarters of 2021 (roughly 26% on average) but below the exceptional performance recorded in Q3 2021 when PE-related deals accounted for almost 47% of overall value. The average PE deal value in Q4 2021 was approximately USD 103m, slightly higher than the Q3 2021 average and the highest average quarterly deal value in 2021.

KEY SECTORS AND DEALS

In Q4 2021, Business Services led the way with six deals. Three sectors – Industrials & Chemicals, Pharma, Medical & Biotech and TMT – all had four deals each. As in Q3 2021, two deals were closed in Real Estate and for the first time in 2021 (and since Q1 2020) no deals were closed in the Leisure sector, probably as a result of the pandemic.

The total value of the quarter's top 20 deals amounted to USD 2,527m and ranged from USD 23m to USD 338m. Most of the deals were closed by international buyers (10) or European buyers (six) with only four deals being closed by domestic buyers.

PE/TRADE VOLUME & VALUE



BENELUX
HEAT CHART BY SECTOR

Industrials & Chemicals	46	23%
Business Services	41	21%
TMT	37	19%
Consumer	25	13%
Pharma, Medical & Biotech	18	9%
Financial Services	13	7%
Energy, Mining & Utilities	9	5%
Leisure	6	3%
Real Estate	2	1%
TOTAL	197	

The quarter's biggest deal in the Benelux was the 100% sale of Sylphar N.V., a Belgium based omni-channel player in the consumer healthcare & cosmetics sector that has a portfolio of strategic niche brands (Remescar, iWhite, nutravita and Alpha Foods). The company was sold for USD 338m to Swedish buyer Karo Pharma AB.

The second biggest deal was in Business Services and involved the sale of Intrasoft International SA, a leading European IT solutions and services group from Luxembourg, which was sold to NetCompany A/S from Denmark. The total deal value was USD 272m.

Finally, the third biggest deal was the 100% sale of the rugs, residential polypropylene and non-woven businesses of Belgian-based company Balta Industries NV to British-based Victoria plc. The business units were sold for USD 254m.

LOOKING AHEAD

The Benelux BDO Heat Chart shows that there are currently 197 deals planned or in progress. Most of the transaction pipeline is in Industrials & Chemicals (46 deals), which would represent 23% of total activity, followed by Business Services (41 deals, 21%) and TMT (37, 19%).

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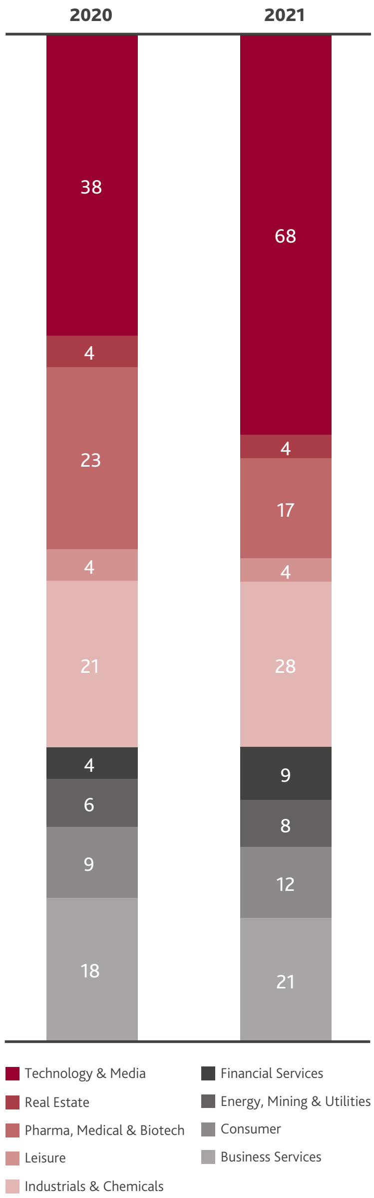
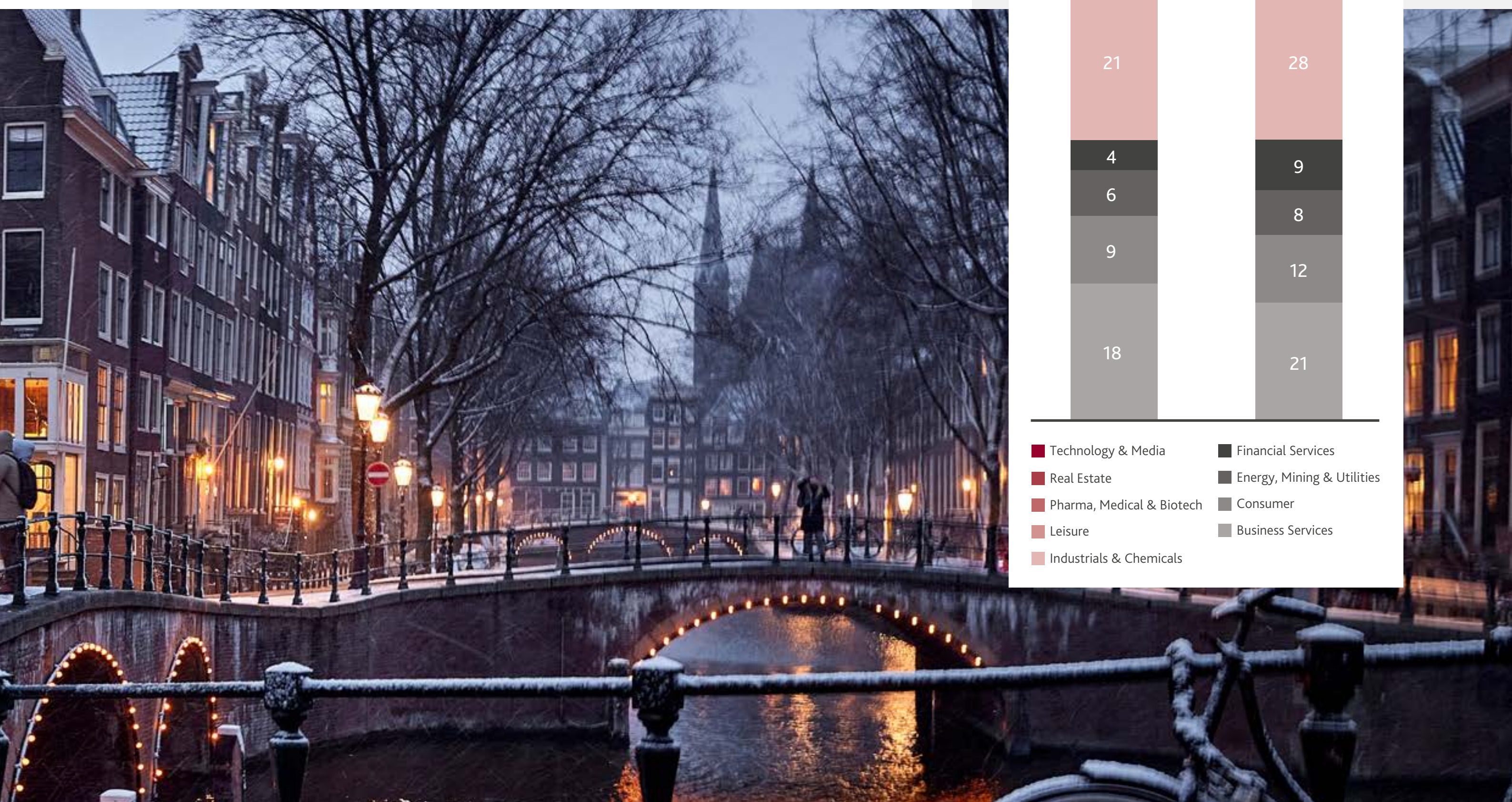
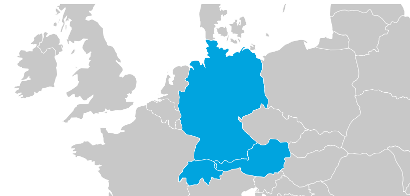
BENELUX
MID-MARKET VOLUMES BY SECTOR





DACH

M&A AND PE ACTIVITY REMAIN STABLE IN FINAL QUARTER



BIG PICTURE

- Deal value and volume fall compared to the previous quarter
- PE buyouts decreased not only in absolute numbers, but also relative to the overall number and value of deals. Relative PE deal value dropped by almost 30% compared to Q3 2021
- In the top 20 deals, TMT and Pharma, Medical & Biotech led the way in sector activity.

In general, by the end of the year, both M&A activity in DACH and the overall volume and value of deals had followed downward trends.

Total deal numbers in Q4 2021 dropped by more than half compared to the previous quarter. The decline in PE deal volume was even sharper, with a 60% fall and value also dropped by a third. Compared to Q3 2021, there were 48 less deals in Q4 2021, a decline of 54.5%. Furthermore, overall deal value was down by 38% compared to the previous quarter. In summary, mid-market M&A activity in the DACH region remained relatively subdued in the final quarter of the year. This general decline in deal volume and value in Q4 2021 was largely replicated across the globe.

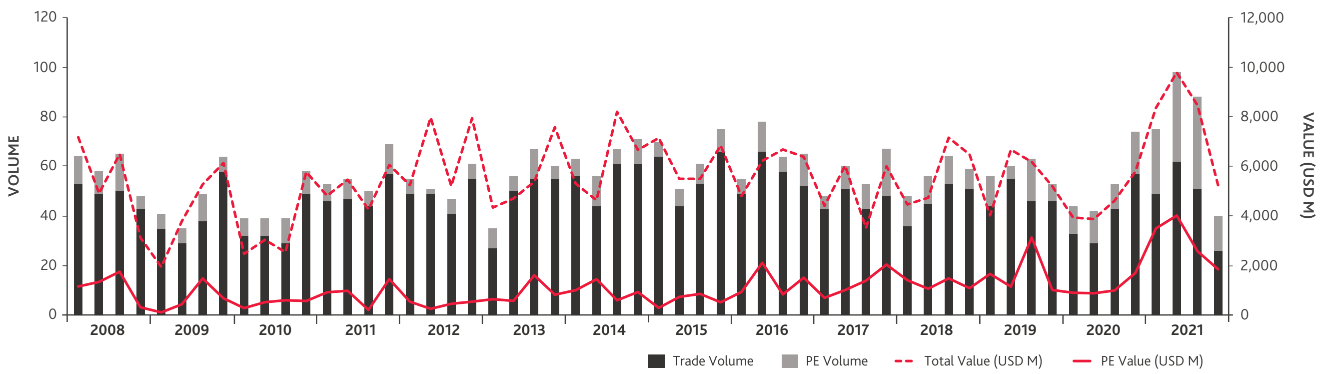
KEY DEALS AND SECTORS

In Q4 2021, the top 10 deals accounted for 70% of the total value. Out of the 20 top deals, four Swiss, two Austrian, and 14 German companies were targeted. As many as eight of those involved a bidder from the same country. Bidders from seven different countries outside of the region were involved in the top 20 deals, maintaining the trend of international interest in the region. The most active bidders were from the USA with three transactions, the UK and China (two each), and the Czech Republic, Japan, Italy and Israel, each involved in one transaction.

The biggest overall deal in the quarter was the acquisition of German professional and retail hair company Wella AG, by US KKR & Co Inc from Coty Inc., the New York-based personal care products company. The deal was worth USD 427m for a 9% stake.

The second biggest transaction involved a Swiss target in the Business Services sector with a value of USD 406m. This deal saw AS Equity Partners acquire 100% of Swiss Port Solutions AG from Swiss Post International AG.

PE/TRADE VOLUME & VALUE



Another of the quarter's biggest deals took place in Germany within the Hornbach empire. For a consideration of USD 403m, Hornbach Holding AG acquired a 23.65% stake in the Hornbach Baumarkt AG.

A large deal that crossed borders saw the German optical technology group Jenoptik AG acquire the German subsidiaries BG Medical Applications GmbH (100% stake), SwissOptic AG (100% stake) and SwissOptic (Wuhan) Co., Ltd (100% stake) from Dutch ASML Holding NV. The transaction was valued at USD 349m and will help Jenoptik AG to strengthen its global photonics business.

The biggest deal in Switzerland took place in Pharma, Medical & Biotech. Helix Acquisition Corp., the US-based special purpose acquisition company, acquired MoonLake Immunotherapeutics AG for a deal value of USD 230m. MoonLake Immunotherapeutics AG develops therapies for inflammatory skin and joint diseases.

The two biggest Austrian deals in Q4 2021 both took place in the Real Estate sector and combined were valued at USD 657m. In the first deal, Czech Republic-based Mountfort Investment Sarl sold a 11.4% stake of Austrian property investment firm Immofinanz AG to the CPI Property Group, also based in the Czech Republic, for a consideration of USD 337m. In the second, the Austrian company S IMMO AG acquired a 10% stake in Immofinanz AG for a consideration of USD 320m.

In Q4 2021, the majority of the region's top 20 deals involved companies in TMT (25%) and Pharma, Medical & Biotech (20%), plus Real Estate (15%), Consumer (10%), Business Services (10%) as well as Industrials & Chemicals (10%) and others (10%).

Apart from Real Estate, every other sector recorded falls in deal activity in Q4 2021 compared to Q4 2020. In Real Estate there were four deals closed in Q4 2021 in comparison to none in the same quarter of the previous year.

Industrials & Chemical experienced a striking fall in deal activity, with just six deals closed in the final quarter compared to 17 in Q4 2020. Deal volume also dropped by 40% in the Energy, Mining & Utilities sector in the same period. The highest yearly increase was recorded in Real Estate, with 10 deals closed in 2021 compared to only 3 in 2020. The second largest increase in deal volume was in Business Services with a 90% increase from the 20 deals completed in 2020.

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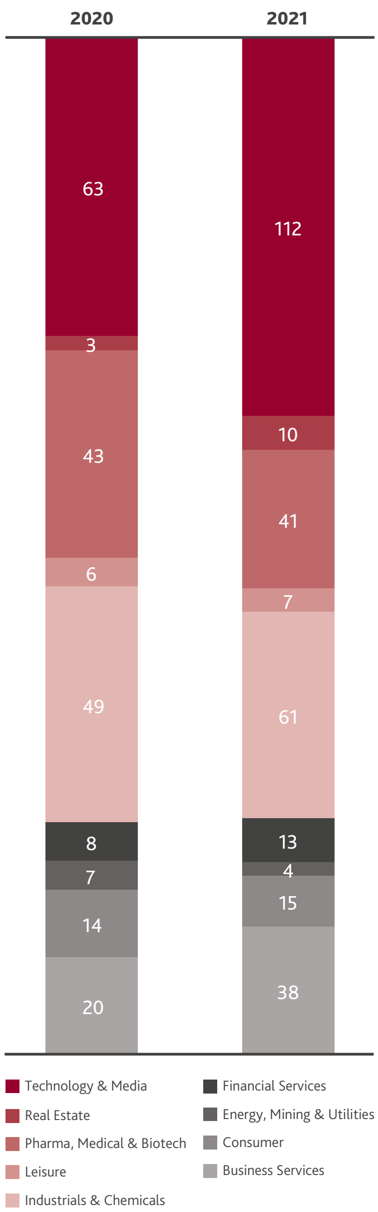
LOOKING AHEAD

Q4 2021 M&A activity showed a continued recovery from the effects of the coronavirus pandemic. However, the direction of future developments remains uncertain, as Omicron variants or other worldly events might impact on trade relations and keep investors on the cautious side. Historically, the first quarter of the year is packed with mid-market M&A transactions. In 2022, the current uncertain economic situation and the unpredictable future development of the pandemic might result in a scaled-down first quarter in terms of deal volume and value. However, we maintain our belief that the DACH M&A market will continue to recover and improve over the coming months.

DACH
HEAT CHART BY SECTOR

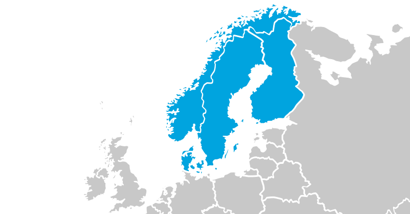
Industrials & Chemicals	94	25%
TMT	80	21%
Business Services	54	14%
Pharma, Medical & Biotech	50	13%
Consumer	49	13%
Financial Services	19	5%
Energy, Mining & Utilities	16	4%
Real Estate	8	2%
Leisure	5	1%
TOTAL	**375**	

DACH
MID-MARKET VOLUMES BY SECTOR



NORDICS

DEAL NUMBERS AND VALUE SOAR IN RECORD-BREAKING YEAR



BIG PICTURE

- 2021 was a record-breaking year both in terms of deal value (USD 30,5bn) and volume (400)
- Investors switched target sectors from TMT (down 24%) to Consumer (up 37%)
- The pandemic continues to slow down the Nordic M&A market from previous record-breaking highs.

Nordic M&A deal volume in Q4 2021 maintained the downward trend from the previous quarter with deal numbers dropping 44% from 95 down to 53, with PE buyouts accounting for just five deals (a fall of 81%). M&A in the final quarter of the year followed similar trends to deal activity during the early phase of the pandemic in 2020, with sharp declines in both deal value and volume.

Coming off the record-breaking highs earlier this year, the region's Nordic M&A activity value also fell in Q4 2021 to USD 5,1bn (down 24%).

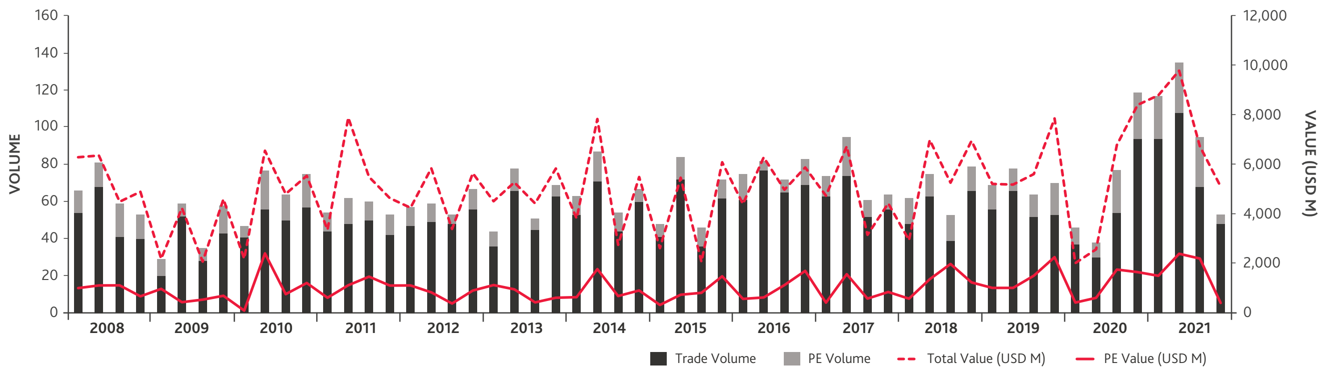
The decline in deal volume in the final quarter can partly be explained by the recent surge of the pandemic mutations that are spreading throughout the region. One of the impacts of the pandemic has been that PE firms tend to make fewer deals when there are record-breaking levels of COVID-19 infections, and in terms of PE deal-making there was a similar lack of deal-making at the start of the pandemic back in 2020. Although the last two quarters of the year saw declines compared to the first two quarters, the Nordic M&A market still recorded its best year yet in terms of both volume and value, with a total of 400 deals (up 43%) with a deal value of USD 30,5bn (up 54%).

KEY SECTORS AND DEALS

Two key sectors – TMT and Industrials & Chemicals – dominated sector activity in 2021, accounting for 50% of total deal numbers (211). In Q4 2021, the big movers in deal volumes were TMT, which fell by 17 (down 24% compared to the previous quarter) and Consumer, which saw activity increase to seven deals (up 37%). A TMT deal was the quarter's biggest deal and involved Swedish eye-tracking company Tobii announcing that Tobii Dynavox was becoming a spin-off from its core business. The deal was valued at USD 372m. The Swedish acquisition-driven company Vestum accounted for the second biggest deal, announcing the acquisition of Lakers group (Industrials & Chemicals) for a total deal value of USD 361m.

Other sectors that lost deal momentum in the final quarter of the year were Industrials & Chemicals (down 15%), Business Services (down 14%) and Financial Services (down 19%).

PE/TRADE VOLUME & VALUE



Deal-making sentiment in Pharma, Medical & Biotech and Energy, Mining & Utilities remained stable in the uncertain Nordic M&A investment climate, with the same flow of deals. Even though Real Estate activity remained on the low side, deal volume was up 100%. The acquisition of 3KR Norwegian Retail by the Canadian real estate-investor Slate Asset Management increased the sector's total deal value by USD 120m.

Looking at the quarter's top 20 deals, nine transactions were cross-border deals between the Nordic countries, a decline from 13 in the previous quarter.

LOOKING AHEAD

Moving forward, the uncertainty surrounding the continuing spread of the new omicron variant remains one of the key factors that may deter PE firms from making new investment opportunities and taking on more risk. The recent upsurge in inflation, both within the US and Europe, may also impact the future transaction climate as the interest climate is likely to change as well. Several Nordic acquisition conglomerates with ambitious acquisition plans, alongside PE firms' large amounts of dry powder, are two important factors that can help to boost M&A activity in the coming quarters.

Regarding the roll-out of vaccines, the Nordic region is offering vaccinations to all its citizens and a large part of the population is now also being offered the booster shot to help keep the spread and hospitalizations at a minimum. Across the Nordics, more than 71% of the population are fully vaccinated and more than 26% of the fully vaccinated population have also received a booster. Nordic authorities are expecting the new variant to peak in early Q1 2022 and decline thereafter, which should help Nordic M&A activity to return to normal levels in the second and third quarters of this year.

In conclusion, although the future situation around both the pandemic and inflation levels remain uncertain, investment activity by PE firms may stay at its current level. Once the pandemic's levels of infection start to subside and societies begin reopening, we should see a return towards a more normal M&A transaction climate.

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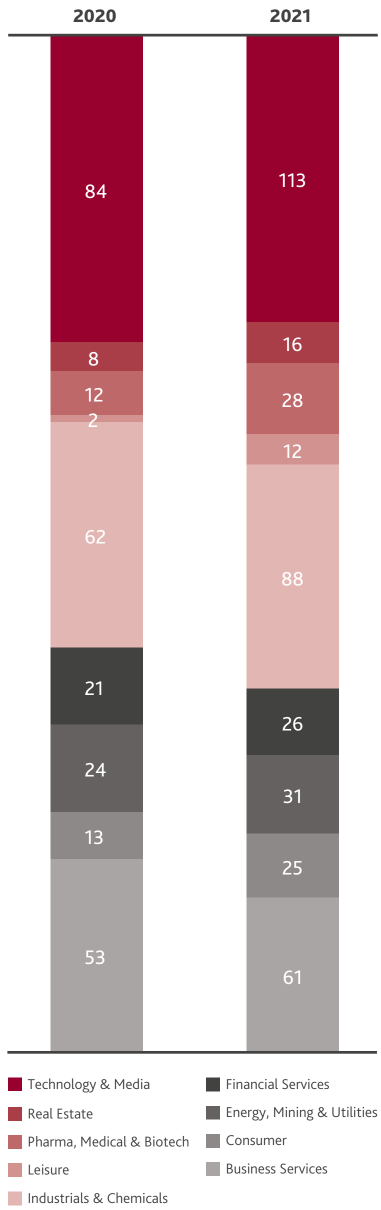
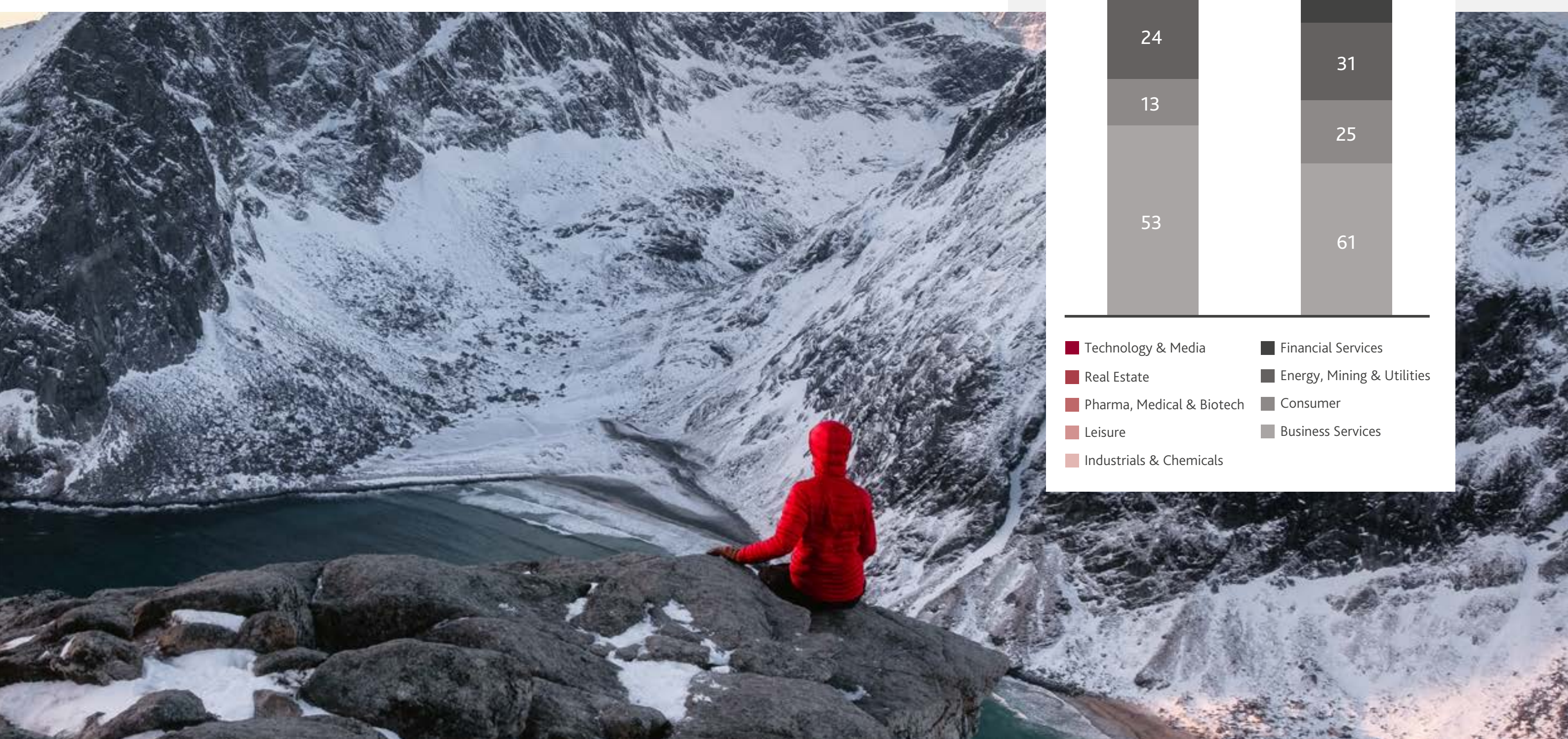
NORDICS
HEAT CHART BY SECTOR

TMT	53	25%
Industrials & Chemicals	52	25%
Consumer	26	12%
Business Services	25	12%
Pharma, Medical & Biotech	19	9%
Financial Services	17	8%
Energy, Mining & Utilities	14	7%
Real Estate	4	2%
Leisure	1	0%
TOTAL	**211**	

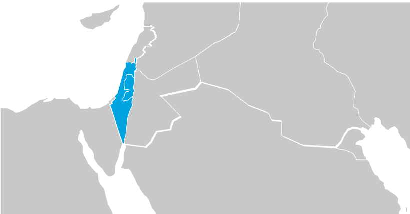
NORDICS
MID-MARKET VOLUMES BY SECTOR





ISRAEL

DEAL VALUE AND VOLUME FALL BACK BUT PICTURE LOOKS BRIGHTER FOR 2022



BIG PICTURE

- Q4 2021 M&A value decreased (c.18%) compared to the previous quarter. Deal volume also dropped from 38 deals in Q3 2021 to 27 deals in Q4 2021
- PE recorded an increase in activity levels from the previous quarter
- The BDO Heat Chart shows 154 potential deals, suggesting that a ramp up in activity lies ahead.

M&A activity decreased during Q4 2021 in terms of overall value and volume.

A total of 27 deals, with a combined deal value of USD 3,177m, were successfully completed in Q4 2021. This represented an 18% decrease in deal value and a decrease in deal volume from the 38 deals completed in Q3 2021 to the 27 compared in Q4 2021. The reduction within the overall deal volume was more substantial than that of deal value, which resulted in an increase of 16% in the average transaction value from the previous quarter to USD 118m for the quarter, indicative of bigger deals being transacted.

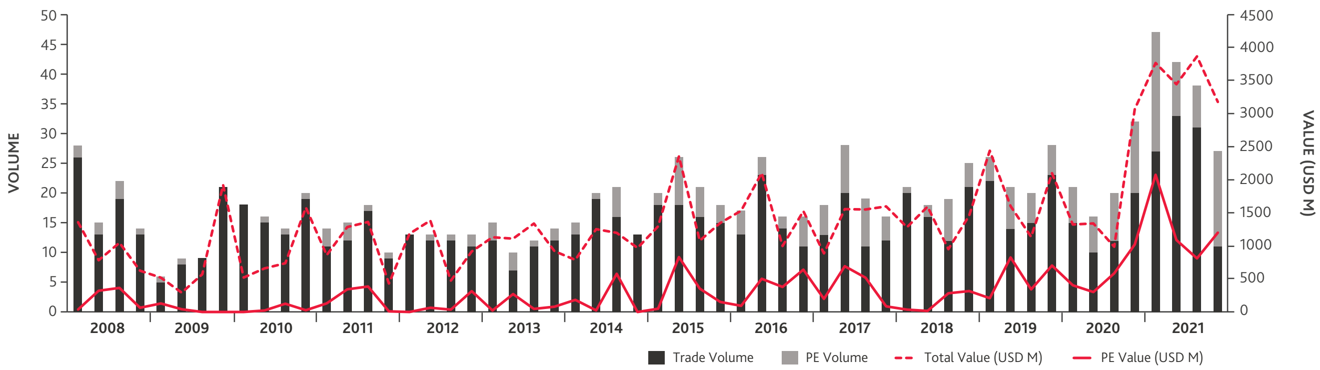
In Q4 2021, PE was responsible for 16 deals worth a total of USD 1,199m, which accounted for 38% of the deal count and 59% of the value and represented increased levels of value and volume from Q3 2021.

KEY SECTORS AND DEALS

Israel's top 10 Q4 2021 deals had an aggregated value of USD 2,355m, representing 74% of total M&A transactions. The largest transaction was the USD 425m acquisition of Dalia Power Energies Ltd by the Meshek Energy-Renewable Energies Ltd. Other key deals included the USD 315m acquisition of Celeno Communications Ltd by Renesas Electronics Corporation and the USD 283m acquisition of the Ashdod Desalination Plant by Shapir Engineering and Industry Ltd and Generation Capital Ltd.

TMT led the way in sector activity with 17 deals (63% of total transactions) in Q4 2021. Industrial & Chemicals was

PE/TRADE VOLUME & VALUE



second place with five deals, accounting for 5 deals (19% of total transactions). Next on the sector list was Energy, Mining & Utilities with two deals (7%), followed by Business Services, Financial Services and Real Estate, all with one deal each (4% of total transactions each). Six of the top 10 deals involved foreign bidders, supporting the continued global interest in Israel's resilient economy and robust equity market. The foreign bidders consisted of four buyers from the USA and one each from Japan and Singapore. Israel continues to attract foreign investment due to its favourable economic conditions, considerable incentives, and strong R&D sector, coupled with its high-skilled and multilingual workforce.

LOOKING AHEAD

Looking ahead to 2022, the data supports a ramp-up in the growth rate. The BDO Heat Chart for Q4 2021 showed 154 deals planned or in progress, compared to 97 deals in Q3 2021, suggesting a 59% increase in pipeline deals.

Of the 154 deals planned or in progress for M&A in Israel, 31 are expected to take place in TMT (20% of deals), 24 in Industrials & Chemicals (16%) and 22 in Business Services (14%). Other active predicted sectors include 21 deals related to Consumer (14%), 16 in Financial Services (10%), 15 in Pharma, Medical & Biotech (10%), 11 in Energy, Mining & Utilities (7%) and finally Leisure and Real Estate, both with seven transactions (5% of total transactions each).

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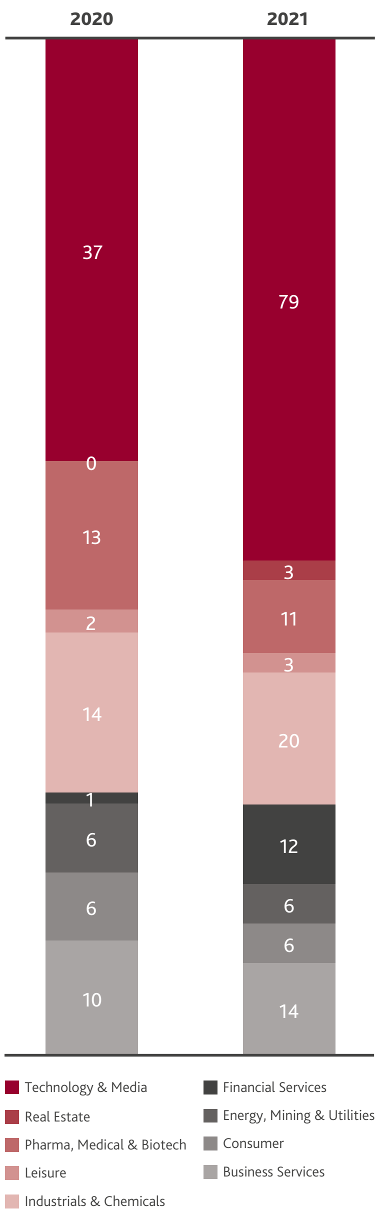
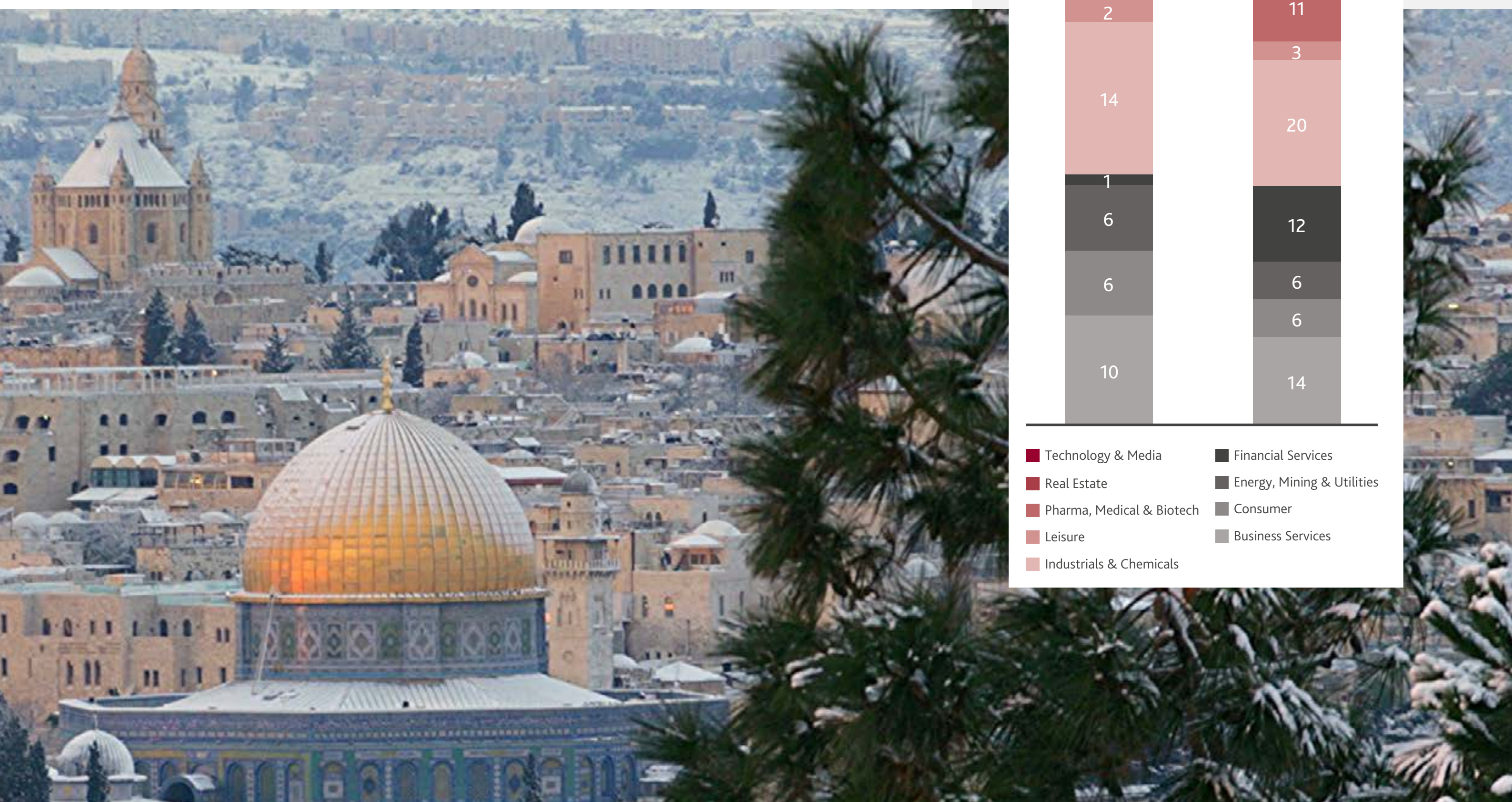
ISRAEL
HEAT CHART BY SECTOR

TMT	31	20%
Industrials & Chemicals	24	16%
Business Services	22	14%
Consumer	21	14%
Financial Services	16	10%
Pharma, Medical & Biotech	15	10%
Energy, Mining & Utilities	11	7%
Real Estate	7	5%
Leisure	7	5%
TOTAL	**154**	

ISRAEL
MID-MARKET VOLUMES BY SECTOR





MIDDLE EAST

DEAL-MAKING STAGES STRONG COMEBACK IN 2021

BIG PICTURE

- Overall the Middle East M&A market saw a strong post-pandemic revival with 323 deals completed during the first three quarters of 2021 compared to 175 deals for the comparable period of 2020. In the mid-market space, deal volume and value increased by 25%
- There was an uptick in initial public offerings with Saudi Arabia (KSA) recording 15 listings to raise USD 5.1bn. The IPO pipeline is expected to stay strong for 2022
- TMT recorded an 83% increase with 11 mid-market transactions. The growth in TMT is expected to continue, mainly driven by government-led transformation plans in Saudi Arabia and Abu Dhabi.

On the back of accelerated vaccination programmes, the Middle East region recorded a strong rebound in M&A activity during 2021 with 55 deals in the mid-market space with a total deal value of USD 5.7bn – approximately 25% up in terms of both volume and value. Q2 2021 saw the highest recorded deal value of USD 2.0bn, the first quarter to hit this figure since Q2 2019.

KEY DEALS AND SECTORS

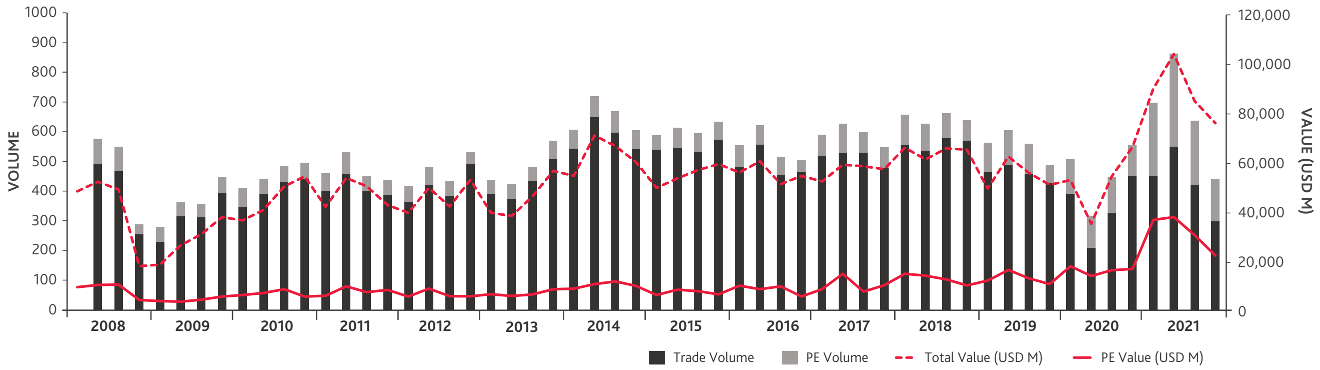
TMT remained at the forefront of sector activity in 2021 with 11 transactions compared to six in the previous year. Technology led the sector with a major focus in financing deals across Fintechs, payment gateways and online marketplaces. The Financial Services and Industrial & Chemicals sectors were in second place with nine transactions each. Financial Services saw increased transaction levels as a result of drive by the Saudi Central Bank to encourage mergers across insurance companies and banks to make the sector highly competitive and strengthen its financial position.

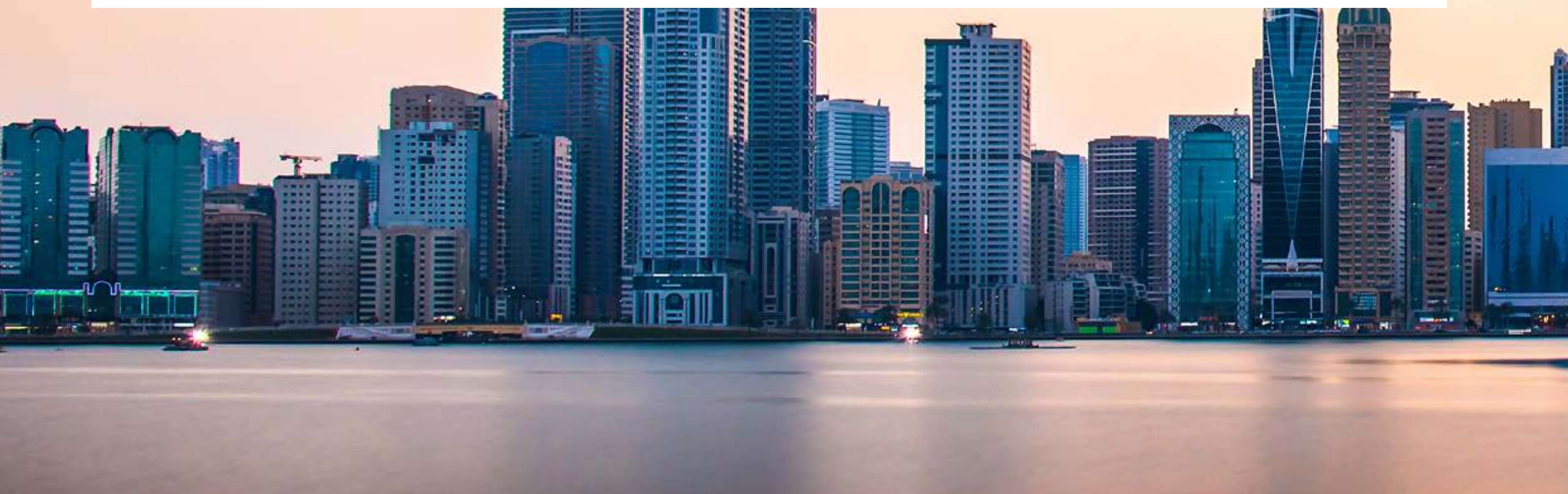
According to Prequin, the Middle East PE market has experienced constant levels of growth since 2016, with 33 new venture capital managers entering the market between 2018 and 2020. Combined with stalling growth in Asia-Pacific in the same period, this reflects the importance of the region's market. Prequin's study concluded that "Private capital AUM in the region rose 11% from 2019 to 2020, with stronger growth in dry powder (14%), suggesting renewed investor appetite for commitments to local managers".

TRANSFORMATION

During 2016, the Kingdom of Saudi Arabia launched a strategic plan designed to transform the country's economy, reduce its dependence on oil and nurture a vibrant society, known as Vision 2030. As part of the transformation drive, the Kingdom intends to privatize state-owned enterprises to optimize operations and reduce budgetary deficits. Recently, the Kingdom privatized all the state-owned

PE/TRADE VOLUME & VALUE





flour mills for USD 0.4bn. During November 2021, the finance ministry revealed a plan to privatize 160 state-owned entities by 2025 across 16 sectors through assets sales and public private partnerships. The Kingdom intends to raise a total of USD 55bn through the proposed privatizations.

IPO PIPELINE

The region's M&A market has witnessed an uptick in initial public offerings to generate enough liquidity for post-pandemic growth. KSA recorded a total of 15 listings – the highest in the region – in the primary and secondary market, with total proceeds of USD 5.1bn.

Some of the high-profile listings of the region included the International Company for Water and Power Projects, Adnoc Drilling, Yashat and Fertiglobe, the Clean Energy Company and Saudi Tadawul group.

There is a strong IPO pipeline across both KSA and UAE, where a number of companies are in the process of an IPO. Recently, the Dubai government announced a plan to list 10 state-owned enterprises on the local exchange.

LOOKING AHEAD

TMT looks set to continue its growth in deal volume and value, which will be mainly led by government initiatives as part of the transformation drive, along with the continued expansion across online marketplaces and platforms. Activity across non-cyclical industries such as education and healthcare will likely increase through post-pandemic measures. Additionally, as a result of governmental commitments and a general awareness of the need to reduce the environmental footprint and move towards environmentally sustainable initiatives, we expect that ESG-aligned deals will become an increasing focus for investors in the next three to five years.

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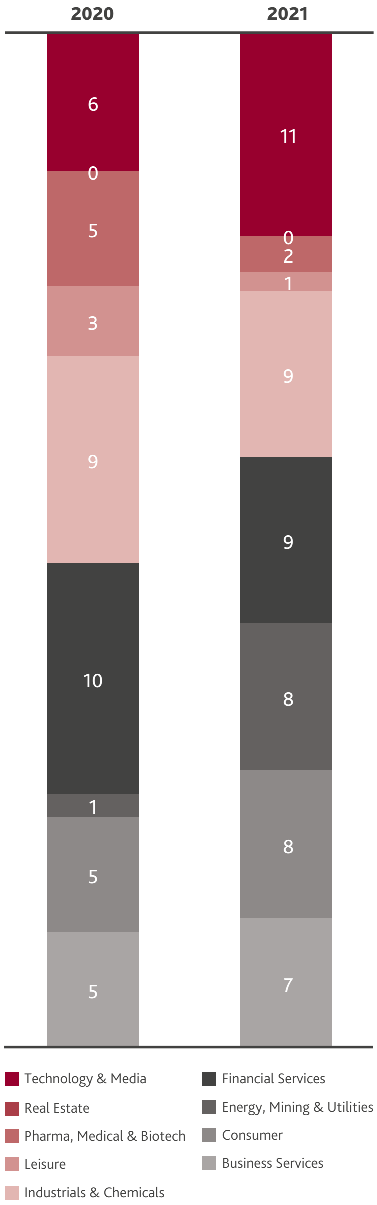
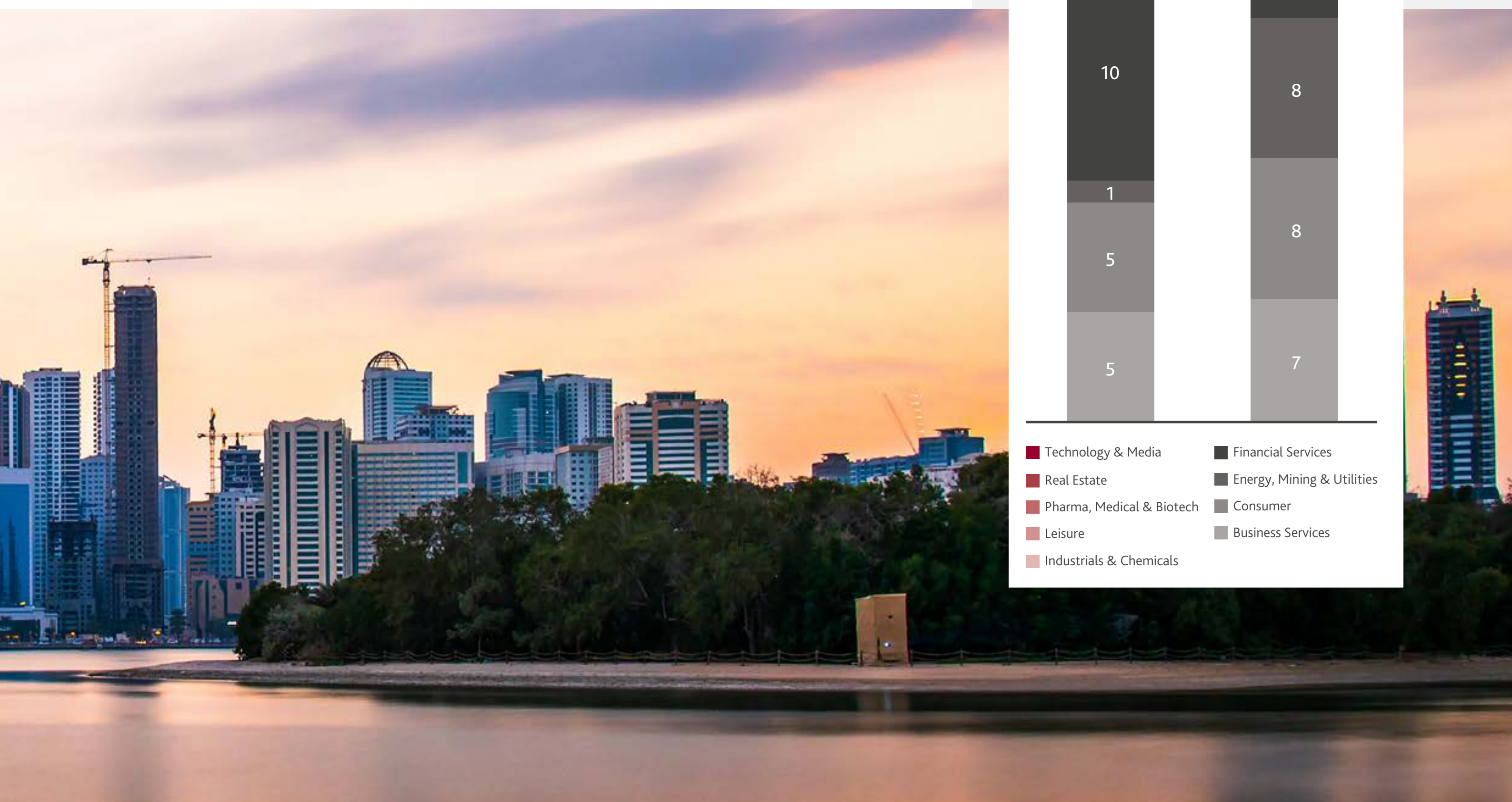
MIDDLE EAST
HEAT CHART BY SECTOR

TMT	26	34%
Business Services	15	19%
Financial Services	14	18%
Energy, Mining & Utilities	7	9%
Industrials & Chemicals	6	8%
Real Estate	3	4%
Pharma, Medical & Biotech	3	4%
Consumer	2	3%
Leisure	1	1%
TOTAL	**77**	

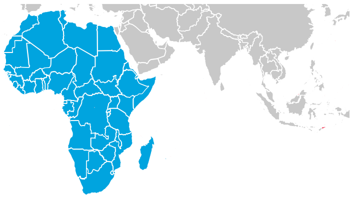
MIDDLE EAST
MID-MARKET VOLUMES BY SECTOR





AFRICA

DEAL VOLUME FALLS BUT VALUE HOLDS FIRM IN QUIET FINAL QUARTER



BIG PICTURE

- Deal volume dropped to 19 deals, representing falls of 36% compared to Q3 2021 and 21% compared to Q4 2020
- Deal value was USD 3,438m, a 4% increase compared to Q3 2021 and a massive increase of 192% compared to Q4 2020
- PE deals fell by 25% compared to Q3 2021 with just three deals.

M&A deal activity in Q4 2021 was particularly quiet in Africa, with deal volume down from both the previous quarter and the corresponding quarter in 2020. One contributory factor to this performance is that the continent generally goes on holiday during mid-December and only returns in January.

Looking at 2021 M&A activity as a whole, overall deal volume increased by 18% to 110 deals compared to 2020. PE deal volume was up by 67% to 15 deals compared to 2020. This can be viewed as a positive sign that the cautious PE sector is now hungry for M&A deal-making again after being in hibernation for much of 2020.

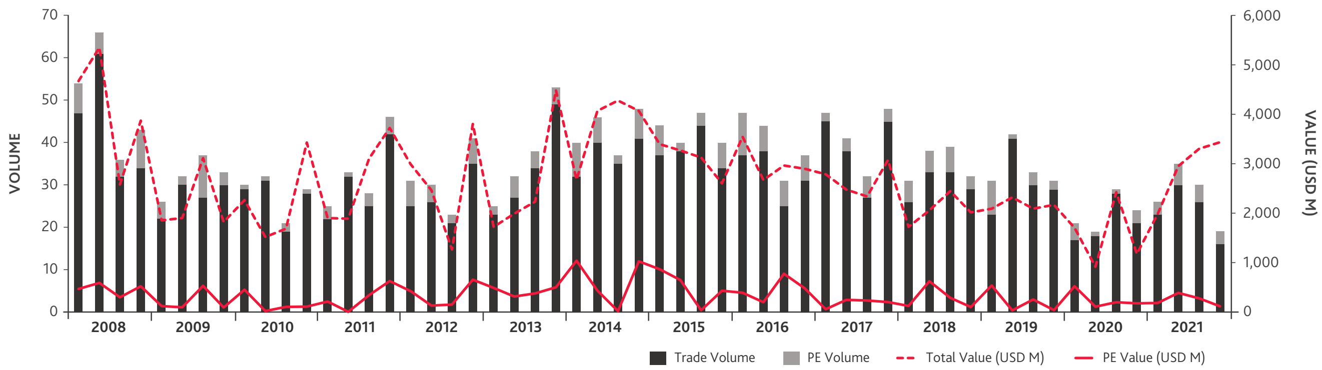
Overall deal value for 2021 was recorded at USD 11,684m, an 88% increase compared to 2020. This performance also represented the highest deal value recorded since 2016, on an unadjusted basis.

In the last edition of Horizons, we felt it noteworthy to point out that Africa has a large private, unlisted sector. This statement was not intended to be a justification for Africa's low deal volume and value compared to more developed countries but was simply a statement of fact, as African M&A deal value has accounted for 1.7% of global M&A deal value since 2008 and only 1.2% since 2017.

South Africa, in particular, has seen large-scale delisting activity in recent years. The number of entities listed on the Johannesburg Stock Exchange (JSE) has declined to its lowest level in memory and stood at 325 entities in November 2021 from the highs of c. 776 entities in the early 1990s, a decline of nearly 60% over the past 30 years or just over 14 entities per year on average.

In this particular area, the bad news is that many more entities are looking to exit the highly regulated listed environment. There are mixed views about why this is happening, but one popular opinion is that entities which lack the scale and liquidity needed to attract the attention of the asset managers have taken a decision to delist as the drawbacks tend to outweigh the

PE/TRADE VOLUME & VALUE



benefits. Another big reason for delisting is corporate M&A activity. The past few years have seen a flurry of activity with large multi-national companies looking to acquire attractively priced local assets.

Some of the more recent high-profile deals in the region have included: Milco's acquisition of Clover, PepsiCo's acquisition of Pioneer Foods and Volaris' acquisition of Adapt IT. And looking forward there are some big deals in the pipeline for 2022, which include Heineken's proposed acquisition of Distell, DP World's proposed acquisition of Imperial; and Standard Bank's proposed acquisition of Liberty.

In addition, there is much speculation about the future of Long4life, Onelogix Group, Ascendis and the Bell Equipment group on the JSE, to name just a few.

As mentioned earlier, JSE entity volume is shrinking at an alarming rate but the total market capitalisation has increased significantly. This is partly due to consolidation activity in the Energy, Mining & Utilities sector, which has resulted in fewer but much larger mining companies being listed on the JSE.

KEY SECTORS AND DEALS

Energy, Mining & Utilities led the way again in sector activity with five deals, followed by TMT and Consumer with four deals each, Pharma, Medical & Biotech and Business Services with two deals each and finally Industrials & Chemicals and Financial Services, each with one deal.

In terms of geography, South Africa accounted for nine of the quarter's 19 deals, with the balance spread across other counties including Zimbabwe, Nigeria, Namibia and Senegal.

It is again interesting to note that 12 of the 19 deals involved acquisitions by foreign parties from, among other countries, the USA, Canada, the UK and China.

Heineken N.V. concluded two transactions as part of the execution of their global strategy for Africa, which aims to:

- Strengthen its #2 position in South Africa, the largest market in Africa, with a unique multi-category portfolio
- Acquire control of the beer market leader in Namibia
- Strengthen and optimise its footprint across Southern Africa to accelerate growth.

In the first transaction, Heineken N.V. acquired 25% of Heineken South Africa from Namibia Breweries Limited (NBL) for a reported USD 29m and the second saw Heineken acquire Ohlthaver & List Group of Companies' (O&L) 50.01% interest in NBL Investment Holdings (Proprietary) Limited (NBLIH), the controlling shareholder at 59.4% in NBL,

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for a reported USD 229m. Heineken already owns a 49.99% interest in NBLIH.

In addition, Heineken N.V.'s acquisition of South African brewer Distell is also thought to be imminent but the deal remains subject to certain conditions.

The second biggest deal saw Chinese company Zhejiang Huayou Cobalt acquire the Arcadia hard-rock lithium mine in Zimbabwe for a reported USD 422m. The 100% stake was acquired from the Australian-listed Prospect Resources Ltd (87%), Zimbabwean professor Kingston Kajese (6%) and the Tamari Trust (7%).

The deal represents Huayou's second acquisition in the lithium space in as many weeks. Lithium is a key ingredient in rechargeable batteries and is a highly sought-after metal given the booming electric vehicle market across the world.

LOOKING AHEAD

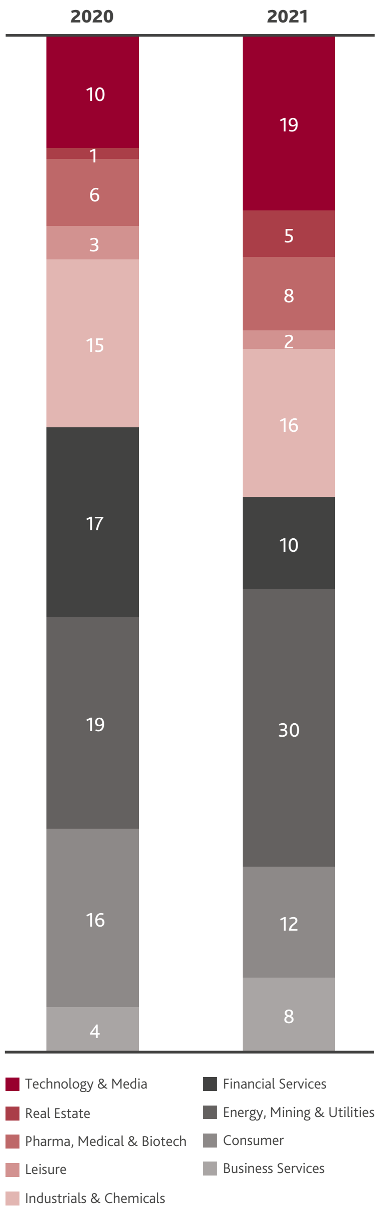
According to the BDO Heat Chart, TMT, Industrials & Chemicals, Business Services, Consumer and Energy Mining & Utilities will account for the bulk of predicted activity across the continent for the foreseeable future, with the balance of deal numbers spread across the remaining sectors.

Deal activity in Real Estate and Leisure is expected to remain on the low side as M&A in these two areas continues to suffer due to the ongoing impacts of the pandemic.

AFRICA
HEAT CHART BY SECTOR

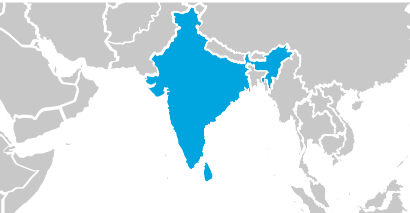
TMT	51	24%
Industrials & Chemicals	39	18%
Business Services	30	14%
Energy, Mining & Utilities	25	12%
Financial Services	21	10%
Consumer	20	9%
Pharma, Medical & Biotech	19	9%
Real Estate	4	2%
Leisure	2	1%
TOTAL	**211**	

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

GROUND-BREAKING YEAR FOR IPOS AND A BUOYANT YEAR PREDICTED FOR M&A IN 2022



BIG PICTURE

- Deal numbers fall by nearly half from the previous quarter and value was down by 40%
- TMT continues to lead the way in sector activity
- IPOs hit a record high in 2021, raising USD 17.33bn from 65 IPOs.

India's mid-market segment witnessed 68 deals in Q4 2021, almost half the number of deals that took place in Q3 2021 (123 deals). Deal value also fell significantly to USD 7739m in Q4 2021 compared to USD 12776m in the previous quarter, a drop of 40%. Furthermore, PE transactions accounted for 49% of total deal volume and 56% of total deal value. However, we believe this was a temporary blip and expect 2022 to be a buoyant year for M&A.

ECONOMIC BACKDROP

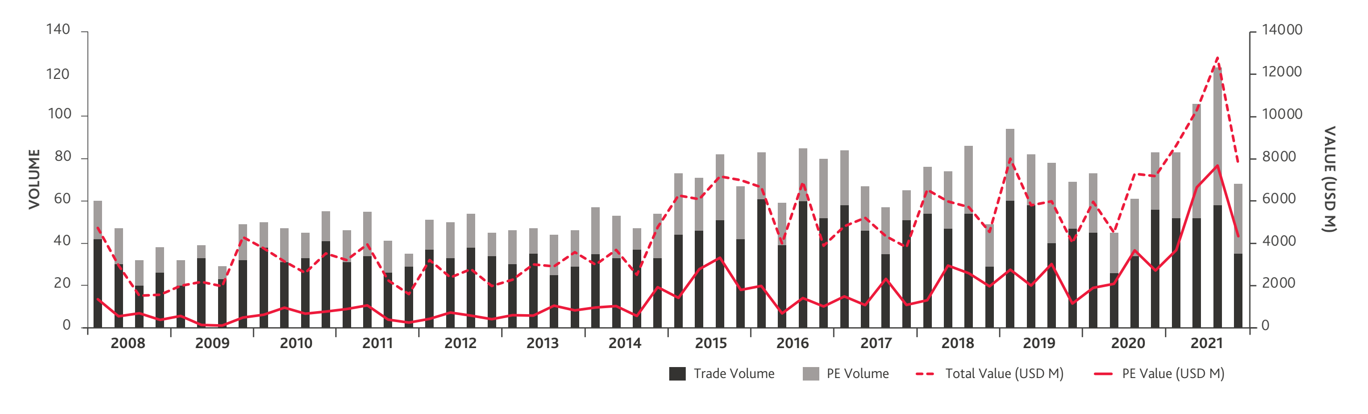
India's GDP growth during a COVID-hit 2020 contracted drastically as a nationwide lockdown brought economic activity to a standstill. During the lockdown, the Indian stock markets took a heavy beating primarily due to uncertainty around the spread of the virus. Naturally, equity fund raising, especially through Initial Public Offering (IPO), was very tepid in this period.

What was more surprising than the drastic fall was the way the market rebounded during the last few months of 2020 and then into 2021. The government pumped money (via various monetary & fiscal measures) into the economy to tide over the impact of pandemic and some of the money found its way into financial markets, providing high levels of liquidity. Furthermore, global liquidity provided additional funding that was also invested in markets. Also, as with any market, when it rises, a lot of retail money is invested, further propelling the indices to a life-time high. The bull trend in the market with liquidity all around has resulted in slew of equity raises. The high market indices provided an opportunity to raise funds through IPO at attractive valuations.

The Reserve Bank of India, in its Indian Economy Report, mentioned that 2021 could be India's year of IPOs and that prediction has come true. In 2021, more than USD 17.33bn has been raised through some 65 IPOs, the highest amount raised via IPO proceeds in two decades. In terms of numbers , approximately, 17 IPOs were launched in Q1 2021, seven in Q2 2021, 19 in Q3 2021 and 21 in Q4 2021.

It is interesting to note that the success of IPOs helped PE/VC firms make attractive returns on their investments. Most of the IPOs were in the form of Offer for Sale, wherein the PE/VC firms and the promoters

PE/TRADE VOLUME & VALUE



[1] Mainboard IPO in India

[2] Business-standard.com – Fund raising via IPOs in 2021

diluted their stake to the public. A wave of IPOs, accompanied by healthy valuations and a sharp upswing in the market, encouraged many PE investors to cash out at a record pace totalling to exit amount of ~ USD 3bn across approximately 24 IPOs .

While 2021 was a ground-breaking year in terms of IPOs, we look forward to 2022 with cautious optimism. Equity markets in India have been very choppy and fluctuated during November-December 2021. The Bank of England was the first major central bank to hike its interest rates post-pandemic and US Fed currently taking a hawkish stand. This may affect the markets in adversely. And of course the emergence of the Omicron variant is an added fear. While the third wave has just hit the Indian shores, its impact on the economy will only be seen in the coming few months. All these factors could have a significant impact on capital markets. However, there is an interesting line-up of IPOs already slated for 2022, with reports suggesting that there are already around 38 IPOs in the pipeline. Of these, the IPO of the state-owned Life Insurance Corporation of India Limited is expected to be the biggest with a valuation of USD 1.33 trillion. Several other big names are also expected to climb the IPO ladder. Assuming there are no major adverse events, we believe 2022 will be another big year for IPOs, especially for those companies who price their IPOs well.

KEY SECTORS AND DEALS

In Q4 2021, in terms of sector activity, TMT, which has typically accounted for the majority of deal volume in the last two quarters, continued to lead the way with 26 deals followed by Industrials & Chemicals (11 deals) and Financial Services sector (nine deals). Sectors such as Pharma, Medical & biotech, Business Services and Consumer all saw deal activity.

Overall, the momentum for M&A and PE transaction all points to a fundamentally strong market ahead. Some of the key deals in various sectors included:

TMT

- 91streets Media Technologies Private Limited (Pharmeasy) secured USD 350m in a primary funding round ahead of its IPO from multiple investors such as Anus Henderson Global Investors plc, ApaH Capital, Amansa Capital, IIFL, Steadview Capital, Neuberger Berman Wealth Management etc.
- BYJU'S, India's most valuable start-up, raised USD 300m (for 1.66% stake dilution) as part of a larger investment round from multiple investors such as IIFL Finance, Anagram Capital, Verition Fund Management LLC; XN Exponent Holdings, Oxshott Capital Partners & Time Capital.
- A fund raising of USD 283m by ValueDrive Technologies Pvt. Ltd. from various investors such as Think Investments LLC, Tiger Global Management, Avenir Growth Capital etc.

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PARTNER

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INDUSTRIALS & CHEMICALS

* Kubota Corporation, the Japanese partner of Escort group, acquired a 6.49% stake in Escorts Finance Limited for USD 253m.

FINANCIAL SERVICES

- HSBC group acquired the mutual fund business of L&T Finance Holdings Limited (100% stake) for USD 425m
- MetLife increased its stake in PNB MetLife India Insurance Company by acquiring a 15.27% stake from Elpro International and IGE India for USD 255m.

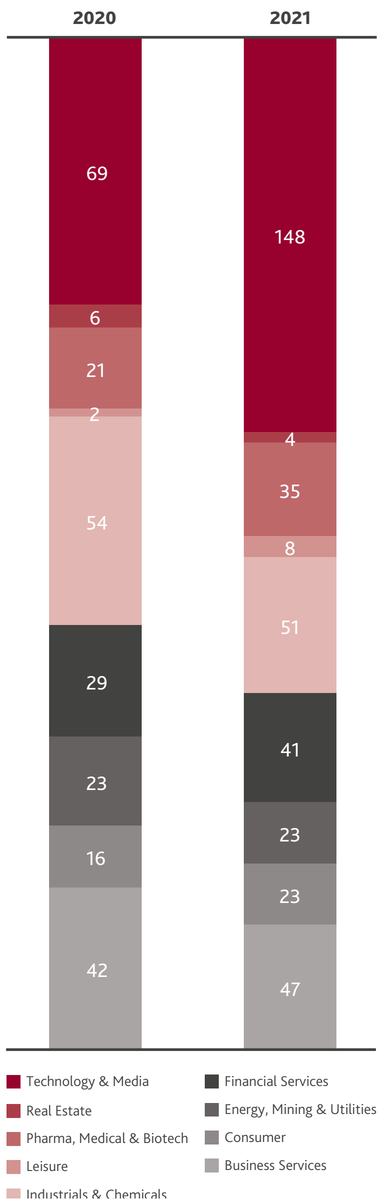
LOOKING AHEAD

The Indian Budget is set to be presented on February 2022 and all eyes are ears will be on the announcements. The capital market is largely driven by the budget announcements and as a result some volatility can be expected. On the macro side, the Indian Government is very serious about continuing to make India an attractive investment destination. It has launched the Production Linked Incentive Schemes for various sectors and this has resulted in huge interest from the larger multi-national corporations and domestic conglomerates. Even the tax collections (both direct and indirect taxes) have surpassed Government expectations, indicating that India's growth momentum has remained intact.

INDIA
HEAT CHART BY SECTOR

TMT	93	23%
Industrials & Chemicals	77	19%
Pharma, Medical & Biotech	56	14%
Consumer	53	13%
Business Services	46	11%
Financial Services	43	10%
Energy, Mining & Utilities	27	7%
Leisure	13	3%
Real Estate	2	0%
TOTAL	**410**	

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

M&A REMAINS VIBRANT IN STRONG FINAL QUARTER

BIG PICTURE

- Total deal volume in Greater China decreased by 5.06% from 612 deals in Q4 2020 to 581 deals in Q4 2021, mainly driven by a decrease in the property market services and TMT sector deal volumes. However, deal value increased by 11.8% from USD 47.7bn in Q4 2020 to USD 53.3bn in Q4 2021
- Compared with the previous quarter, deal value increased by 35.4% from USD 39.4bn in Q3 2021 to USD 53.3bn in Q4 2021. Similarly, deal volume increased by 13.7%, from 511 deals in Q3 2021 to 581 deals in Q4 2021
- The proportion of PE buyouts in relation to total mid-market deal value and volume declined respectively from 21.9% and 11.2% in Q3 2021 to 16.9% and 9.5% in Q4 2021.

China's mid-market M&A activity recorded a strong finish to the year with a significant increase in deal value and a smaller rise in deal volume in Q4 2021.

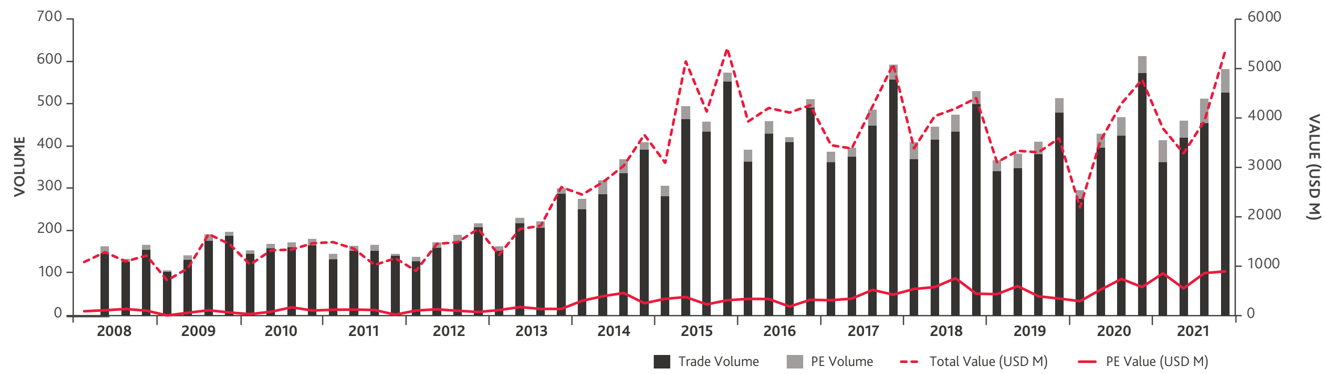
ENHANCED FOREIGN INVESTMENT ENVIRONMENT

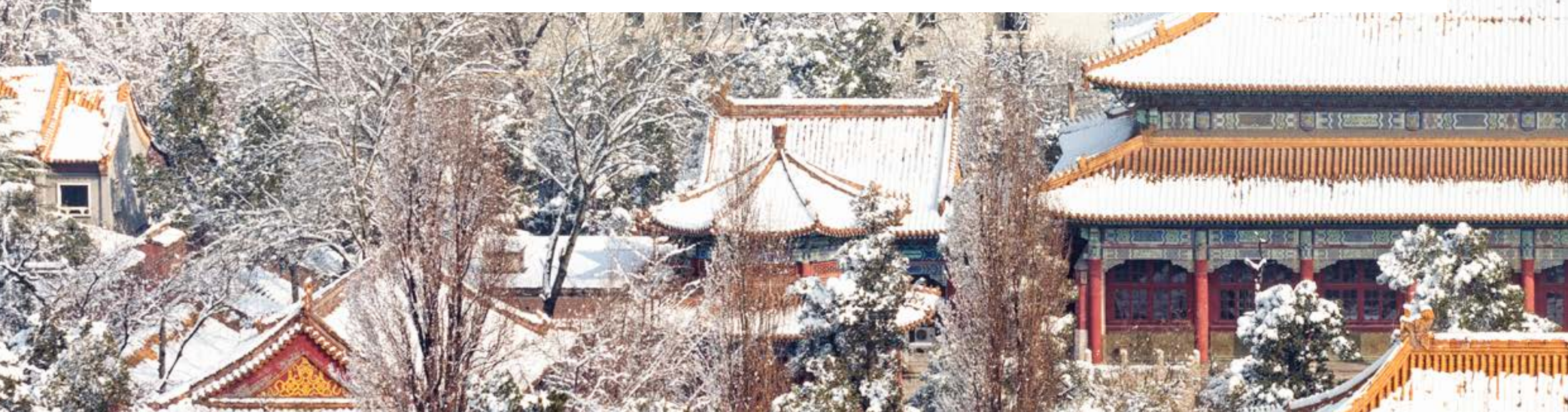
China saw inbound investment grow in 2021. According to the Ministry of Commerce of PRC, China's foreign direct investment (FDI) during the first 11 months of 2021 was around USD 157bn, exceeding the full-year FDI recorded in 2020. As part of efforts to promote its foreign direct investment market, China shortened its two negative lists for foreign investment in December 2021, which became effective in January 2022. The key revisions are as follows:

- The number of sectors that are off-limits for foreign investors reduced from 33 to 31 in the latest 2021 national negative list, according to the National Development and Reform Commission (NDRC). The NDRC statement also removed foreign ownership restrictions on carmakers and removed a previous cap limiting the number of vehicle joint ventures a foreign investor can set up in China.
- The number of sectors for foreign investment access in the pilot foreign-trade zone (FTZ) negative list declined from 30 to 27 in the 2021 version. All manufacturing sectors will be open to foreign investors in the pilot FTZs. In addition, the services sector will be more accessible to foreign investors. However, ownership by foreign investors should be no more than 33% and the legal representatives should have Chinese nationality.
- The latest negative list included prohibited sectors such as compulsory education institutions, news organizations, rare earth minerals, publishing, nuclear power stations and telecom.

China has also been actively promoting free trade in Asia. The Regional Comprehensive Economic Partnership (RCEP) agreement took effect in January 2022, which involves 10 member countries of the Association of Southeast Asian Nations plus Australia, China, Japan, New Zealand and South Korea. Tariffs on more than 65% of trade in goods are expected to reach zero under this agreement. This will encourage firms to use South East Asia as a production base, which can accelerate the diversification of supply chains and

PE/TRADE VOLUME & VALUE





the reallocation of foreign direct investment in Asia. Foreign businesses can benefit from building production facilities in lower-cost ASEAN markets and making use of Regional Comprehensive Economic Partnership (RCEP) trade rules and preferences when trading within the region. The RCEP is expected to boost investment opportunities between China and other participating countries as it promotes wider access for foreign investors and increases policy transparency.

INCREASED SCRUTINY OVER OFFSHORE SHARE SALES

Despite the improved inbound investment actions outlined above, China has recently been tightening scrutiny over offshore sales of shares in Chinese companies in sectors prohibited for foreign investment. It was announced by NDRC and the Ministry of Commerce in December 2021 that all of the restricted Chinese companies, including internet news and publishing, should secure clearance from the relevant Chinese regulatory bodies if they seek share sales and listing in overseas exchange markets. Overseas investors in these companies would be forbidden from participating in management and their total ownership would be capped at 30%.

Furthermore, the China Securities Regulatory Commission proposed in December 2021 that all Chinese companies seeking IPOs and additional share sales abroad would have to register with the securities regulator and complete the relevant compliance procedures. As China has tightened its scrutiny of overseas listings, it is becoming increasingly important for foreign investors to be familiar with the changes and new regulations in China's business environment and the new market opportunities.

New COVID waves like Omicron and the ongoing US-China tensions have already posed unprecedented challenges to foreign investment in China. The Ministry of Commerce expects FDI into China to grow to USD 700bn by 2025 according to its 14th five-year foreign investment plan released in October 2021, which would only represent an increase of 0.2%. This reflects a more conservative growth target when compared with the previous forecast of a 6.6% growth for the 2016-2020 period. Nevertheless, the lifting of restrictions on foreign investment and further opening up of prohibited sectors to foreign investors can open up new potential markets for inbound investment. The RCEP agreement can serve as leverage for keeping trade and foreign investment stable in 2022 by expanding exports of Chinese products and speeding up China's industrial transformation.

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TOP DEALS

The largest mid-market deal in Q4 2021 was in Industrials & Chemicals. The top three major mid-market deals included:

- Tencent Holdings Ltd., Mercedes-Benz AG and nine other companies acquired technology company Momenta Global Limited at a consideration of USD 500m - announced in Nov 2021;
- Alibaba Group Holding Co., Ltd, Tencent Holdings Ltd. and three other companies jointly acquired Xingyin Information Technology (Shanghai) Co., Ltd. at a consideration of USD 500m - announced in Nov 2021; and
- GGV Capital and seven other companies acquired Guangdong Huitian Aerospace Technology Co., Ltd. at a consideration of USD 500m - announced in Oct 2021.

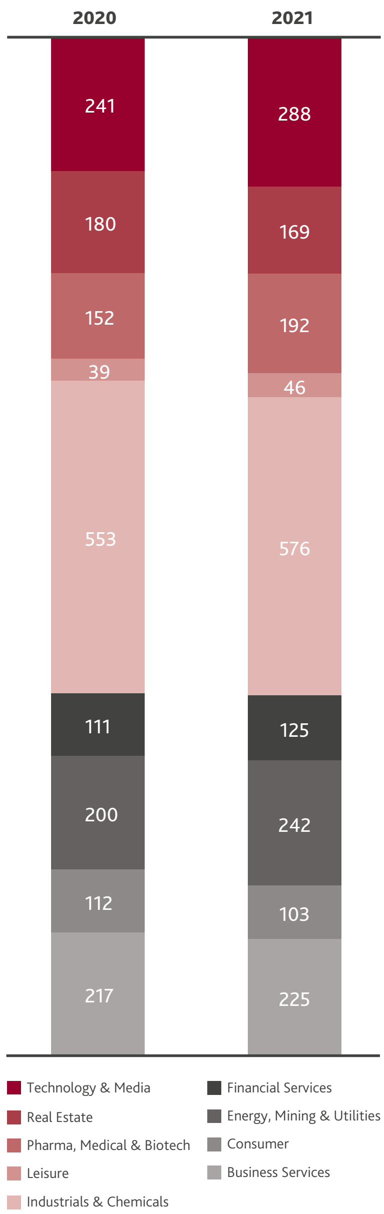
LOOKING AHEAD

The latest BDO Global Heat Chart indicates that Greater China is the second most active region, with a total of 2,129 deals planned or in progress with 715 (34% of deals) related to Industrials & Chemicals, 306 (14%) related to TMT and 218 (10%) to Business Services.

CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	715	34%
TMT	306	14%
Business Services	218	10%
Energy, Mining & Utilities	186	9%
Pharma, Medical & Biotech	172	8%
Consumer	169	8%
Financial Services	153	7%
Real Estate	144	7%
Leisure	66	3%
TOTAL	**2129**	

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

DEAL FLOW SLOWS IN Q4 BUT OVERALL 2021 M&A DEAL-MAKING HOLDS UP WELL

BIG PICTURE

- Deal volume and value fall in final quarter but 2021 deal numbers were up compared to 2020
- PE deal volume and value soared to 13-year high
- TMT accounted for 25% of all deals in Q4 2021.

M&A activity in South East Asia took a surprise downturn in Q4 2021 with deal volume hitting a yearly low, with just 31 deals completed compared to 99 deals recorded in Q3 2021. However, on an aggregate basis, the deal volume of 274 for the cumulative four quarters in 2021 was slightly higher than the 260 deals that took place over the same period in 2020.

Total deal value in South East Asia in Q4 2021 also decreased by 51.1% from USD 9.0bn in Q3 2021 to USD 4.4bn in Q4 2021. However, on an aggregate basis, the deal value for the cumulative four quarters in 2021 increased by 42.1% to USD 27.0bn from USD 19.0bn for the cumulative four quarters in 2020, indicating the higher value of transacted deals.

Overall, M&A mid-market deal-making activities in 2021 performed better than 2020, largely on the back of improving economic conditions across the region, falling numbers of COVID-19 cases and the relaxation of lockdown measures. The drop in deal volume and value in the final quarter may be partly due to the higher number of deals completed in the first three quarters of 2021, which saw 243 transacted deals compared to 184 in the corresponding period in the previous year.

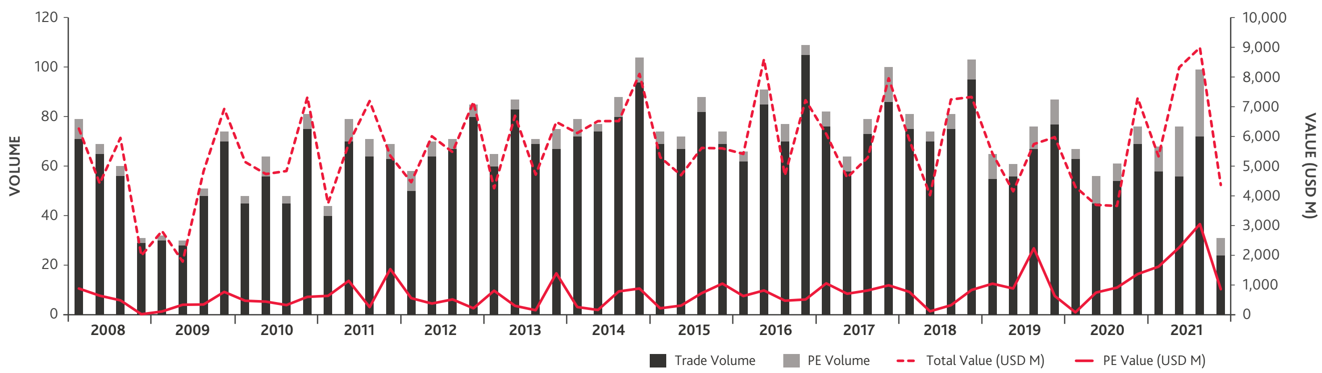
PE has emerged as an increasingly important factor in South East Asia's M&A activity, with deal volume increasing from 29 deals for the cumulative four quarters in 2020 to 64 deals for the same period in 2021. Similarly, total deal value increased by 151.6% from USD 3.1bn for the cumulative four quarters in 2020 to USD 7.8bn for the same period in 2021. The overall deal volume and value for PE activity in 2021 were the highest recorded since 2008.

PE accounted for 23.4% and 28.9% of total deal volume and value respectively in 2021, the highest contribution since 2008. This trend demonstrates the growing significance of PE M&A in South East Asia.

KEY SECTORS AND DEALS

TMT was the top performing sector in terms of deal volume, with eight transacted deals that represented 25.8% of the quarter's deal count.

PE/TRADE VOLUME & VALUE



In 2021, TMT was the region's leading sector with a total of 66 deals (2020: 36 deals). This was followed by Industrials & Chemicals with 63 deals (2020: 61 deals) and Business Services with 40 deals (2020: 45 deals).

The three biggest deals in Q4 2021 were as follows:

- TMT: the acquisition of PT Aplikasi Karya Anak Bangsa in Indonesia by Abu Dhabi Investment Authority of United Arab Emirates (purchase consideration: USD 400m);
- Energy, Mining & Utilities: the acquisition of Eastern Cogeneration Co Ltd in Thailand by Univenture BGP Co Ltd of Thailand (purchase consideration: USD 373m);
- Consumer: the acquisition of a 4.27% stake in The CrownX Corporation in Vietnam by TPG Capital LP, Temasek Holdings Pte. Ltd and Abu Dhabi Investment Authority of USA, Singapore and UAE respectively (purchase consideration: USD 350m).

The total deal value for the top 20 deals was USD 4.1bn, which represented 93.2% of the quarter's total deal value of USD 4.4bn.

Looking at the region's top 20 deals, Indonesian, Singaporean and Vietnamese companies were the top targets, accounting for 80% of the quarter's top 20. Overall in 2021, Indonesia, Malaysia, Singapore and Vietnam were the top target countries for M&A activities, accounting for 80% of the year's top 20 deals.

OUTLOOK

The overall performance of M&A deal-making in South East Asia for 2021 was better than the previous year, as shown by the total deal value of USD 27.0bn, the highest recorded since 2014. This resulted in an average deal value of USD 98.6m in 2021, also the highest recorded since 2008. The average value per deal in 2019 and 2020 was USD 73.7m and USD 72.9m respectively.

Going into 2022, M&A activities in South East Asia will still largely be dependent on factors such as the severity of the spread of the COVID-19 virus, the speed of the region's economic recovery, the ongoing management of the COVID-19 virus, the reopening of borders by the respective countries and the investment climate.

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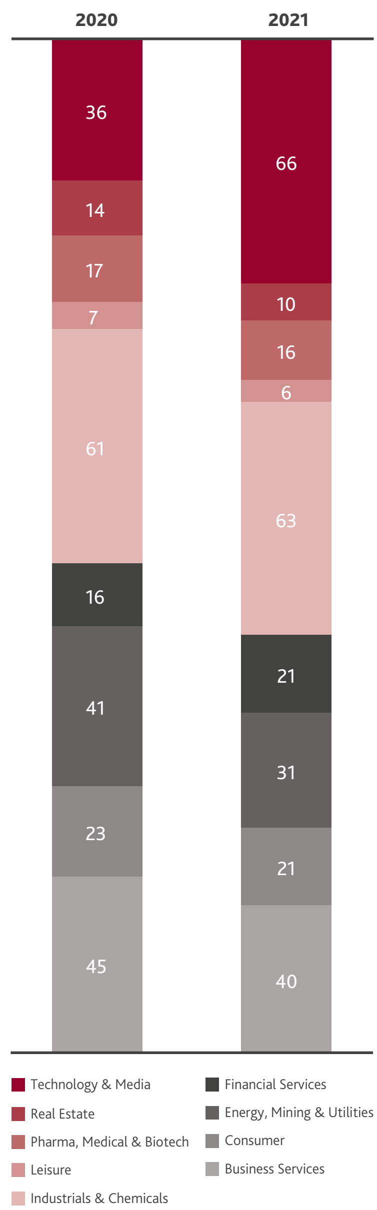
SOUTH EAST ASIA
HEAT CHART BY SECTOR

TMT	125	24%
Business Services	87	17%
Industrials & Chemicals	78	15%
Financial Services	64	13%
Consumer	46	9%
Energy, Mining & Utilities	42	8%
Real Estate	37	7%
Pharma, Medical & Biotech	20	4%
Leisure	13	3%
TOTAL	**512**	

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

SLOW FINAL QUARTER CAPS A STRONG YEAR FOR M&A

BIG PICTURE

- Q4 2021 deal volume decreased by 44% compared to Q4 2020, with total deal value also down by 7%
- Overall 2021 deal volume increased by 31% compared with 2020, up from 316 to 415 deals, with total deal value increasing by 73%
- Foreign interest in Australasia remains strong, particularly regarding large transactions, with foreign buyers involved in two of the top four deals and four of the top 10. Most foreign investors were from America and Europe, with minimal investment from China
- With 479 deals in the pipeline, the region appears well placed to continue strong levels of M&A activity.

A total of 70 deals were completed in Q4 2021, with a combined value of USD 8.1bn. This represented a 44% decrease on Q4 2020's deal volume of 124 and a 7% decrease in total deal value compared to the USD 8.7bn in the corresponding quarter last year.

The average transaction value for Q4 2021 was USD 166m, a 65% increase on Q4 2020 and the highest average deal value reported in any quarter since Q4 2011.

Total Q4 PE deal value increased 22% to USD 2.2bn, up from USD 1.8bn in the corresponding quarter in 2020. The total proportion of mid-market PE transactions in 2021 decreased to 11.8% (49 transactions) of the total transactions completed, compared to 14.6% (46) in 2020.

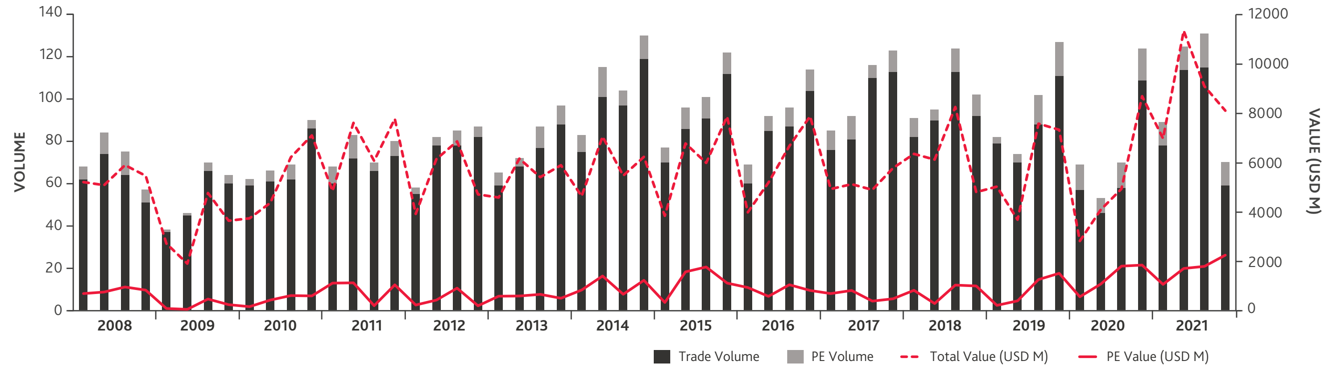
TMT and Business Services were the most active sectors in 2021, with 97 and 55 transactions respectively. Real Estate and Pharma, Medical & Biotech experienced the biggest increases, up by 167% and 76% on 2020 volumes, while the only sectors to experience a decline in deal volume were Business Services and Energy, Mining & Utilities, down by 4% and 2% respectively.

KEY DEALS

The largest deal in Q4 2021 saw Quadrant Private Equity Pty Limited purchase Jaybro Group Pty Ltd for USD 428m. Jaybro supplies consumables, safety and geosynthetic products to the construction and infrastructure sector. The second ranked deal was the purchase of Australian Unity Diversified Property Fund for USD 411m by Australian Unity Office Property Fund. The merger of the two funds signifies the beginning of a new mid-cap player in the listed Australian property securities sector, the fund now being in the same league as both GDI property and APN Industria REIT.

Another notable transaction was CPE Capital Pty Ltd's sale of New Zealand company StraitNZ Limited to Morgan Stanley Infrastructure for USD 337m. StraitNZ Limited operates Bluebridge Cook Strait ferries and provides transport services for both freight and passengers between the North and South Island of New Zealand.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The year ahead looks set to be another strong year for M&A activity, with 479 deals under consideration, which continues the significant levels of activity seen in 2021.

While interest rates appear likely to increase, commentators generally expect that these will be small increases and not sufficient to dampen deal-making activity.

High levels of dry powder from private equity and corporates seeking acquisitive growth rather than organic growth is expected to drive activity as buyer confidence remains high given the buoyant economy.

ESG is likely to continue to be a growing factor in M&A investments, with reducing or offsetting carbon emissions a major factor.

An election year in Australia, while not expected to reduce M&A activity, may give cause for caution for overseas investors who must work through the FIRB approval process, wishing to avoid their acquisition to become politicised. It will be interesting to see how the level of Chinese investment into Australia unfolds following a tumultuous year of relations in 2021.

Our analysis indicates that the most active sectors for M&A activity will be TMT and Energy, Mining, & Utilities, with 96 and 66 transactions under consideration respectively. These sectors are closely followed by Consumer and Industrials & Chemicals, each with 59 deals in the pipeline.

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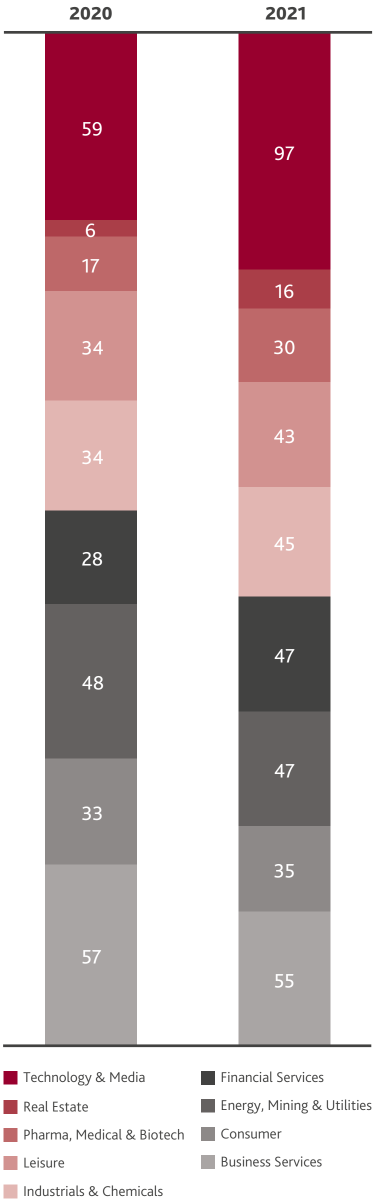
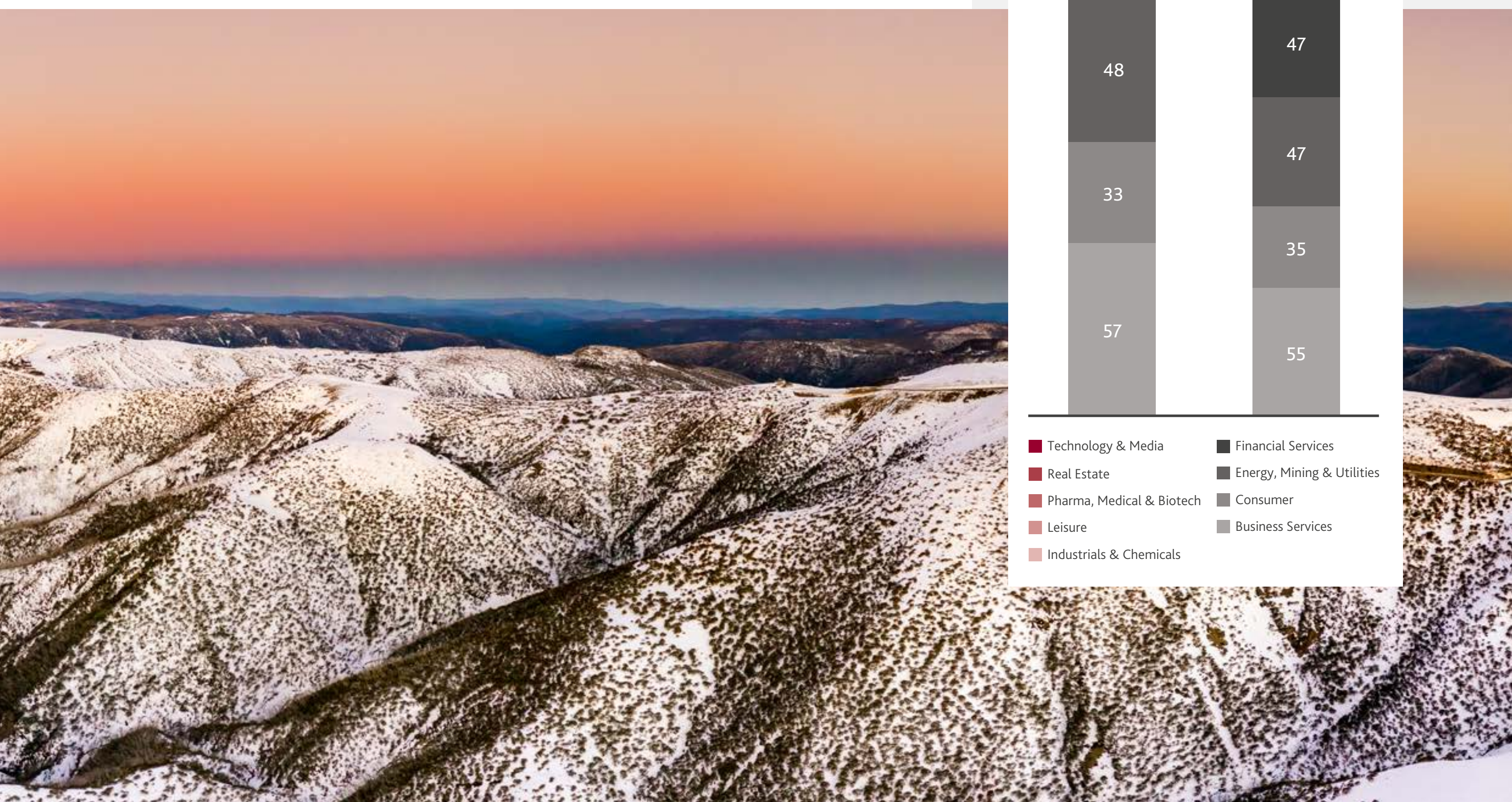
AUSTRALASIA
HEAT CHART BY SECTOR

TMT	96	20%
Energy, Mining & Utilities	66	14%
Consumer	59	12%
Industrials & Chemicals	59	12%
Pharma, Medical & Biotech	52	11%
Business Services	50	10%
Financial Services	47	10%
Leisure	42	9%
Real Estate	8	2%
TOTAL	**479**	

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



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SECTOR VIEW

INDUSTRIALS & CHEMICALS M&A

FUTURE LOOKS BRIGHT FOR INDUSTRIALS & CHEMICALS M&A

BIG PICTURE

- Industrials & Chemicals M&A deal numbers increased by 18% in 2021 compared to 2020
- Operational issues such as digitalization and the disruption of the supply chain are occupying the industry more than ever before
- M&A outlook is favourable for 2022 due to the low interest environment and widespread availability of capital.

Globally, and across all sectors, there were around 2,000 more M&A mid-market transactions in 2021 than the previous year, representing an increase of 27%. Significantly higher transaction volumes were recorded in Financial Services, with 765 deals (+47%), TMT, with 2,731 (+59%), Leisure, with 281 (+21%) and Industrials & Chemicals, with 1'833 transactions (+18%). The Industrials & Chemicals sector – which includes Aerospace & Defense (A&D), Chemicals, Engineering & Construction, Industrial Manufacturing, Metals and Transportation & Logistics – accounted for roughly 20% of all global deals in 2021. Behind TMT, which saw 2,731 transactions in 2021, Industrials and Chemicals recorded the second most transactions.

Looking at the Industrials & Chemicals sector more closely, it can be noted that M&A activities increased significantly across almost all regions in 2021. This was especially the case in North America and Japan, which both recorded significant increases in transaction numbers, both up by roughly 50% in 2021 compared to 2020. The only region that saw a decline in the number of Industrial & Chemicals transactions was India, with 51 transactions in 2021 compared to 54 in 2020.

SECTOR TRENDS

Despite the resurgent M&A activities in Industrials & Chemicals, companies within the sector still face some challenging macroeconomic effects. To improve their chances of outperforming competitors, Industrials & Chemicals companies should consider the following challenges as they plan their M&A activities. Not least accelerated by the COVID-19 crisis, these trends are reshaping the sector:

SUPPLY CHAIN DISRUPTION

Supply chain disruption has become one of the most significant business challenges since the onset of the pandemic. It has made the supply chain one of the biggest priorities in management boardroom discussions. It was not only the tightening of resources as experienced at the beginning of the pandemic but also the unpredictable increase in input costs which adversely impacted supply chains. Suddenly, the ongoing theoretical talk of onshoring, reshoring or export control took on a new urgency and highlighted the necessity for more transparency in these processes. As a result, supply chain digitalization is becoming more important than ever before and companies endeavour to have greater visibility of the entire supply flow. Industrials & Chemicals

companies should therefore be better able to understand the concentration of their suppliers and manage risks accordingly.

DIGITALIZATION

High-performing industrial companies have been dealing with digital transformation for several years now. In this context, their efforts are mainly focused on using the Industrial Internet of Things (IIoT) in factories, digital-thread engineering, or by implementing data analytic tools for a value-added service offering or to support the customer experience. As a result, companies will also use next-generation software, telematics and digital capabilities to improve products and operations to benefit both their clientele and their own organizations.

ENERGY TRANSITION

Calls for urgent and drastic actions to deal with the climate crisis are resulting in a push for energy transition by company stakeholders, industrial leaders, and regulators. More and more, customers are favouring green products, and for example, automotive OEMs want environmentally sustainable products from their suppliers. This is requiring a rethink within the entire organization and in particular the procurement and sales processes.

LOOKING AHEAD

OPERATIONAL HOMEWORK

Based on the current risk management profile that looks likely to continue for the near future, investments in on- and reshoring projects are likely to further boost M&A activities. Furthermore, the urge to increase digitalization, automation and robotics knowhow and to improve the digital supply chain solutions to mitigate future disturbances, all point towards increased M&A activity in the Industrials & Chemicals sector. Lastly, companies also intend expanding in the service business and as a result will be looking to enter maintenance, repair, and parts businesses. Partly, this will be done by acquiring local or international service providers.

LOW INTEREST ENVIRONMENT

As already known, much of the funding for M&A transactions comes from external sources. Whether this is in the form of a bank loan, mezzanine debt, asset-based financing, or other debt-like financing sources, each of these rely on interest rates as key factor. If, as has been the case for the last decade, interest rates remain low then firms and banks are incentivized to borrow and invest 'cheap' money, not least for M&A activities.

FLOW OF LIQUIDITY

Strong governmental support and the associated liquidity inflows have been the response of many countries around the globe to mitigate the impacts of the pandemic to keep economies afloat and to prevent high numbers of insolvencies. This was and will most likely be further supported by accommodative bank lending practices to help companies make use of the strength of banks' balance sheets to encourage further financing activities. PE firms in particular have been raising capital for their funds in this favorable environment of low interest rates and high liquidity. This will likely have a positive impact on deal-making in the Industrials & Chemicals sector as well as overall M&A activity in 2022.

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TMT

STRONG TMT DEAL MOMENTUM LOOKS SET TO CONTINUE IN 2022


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Technology, media, and telecoms (TMT) mid-market deal and valuation numbers were strong throughout 2021. Ongoing trends and dynamics point to that momentum continuing in 2022.

Following initial weakening activity in early 2019, mid-market TMT M&A deal volumes and valuations have bounced back. Since then, deal numbers have shown a strong upward trend. 2021 set a series of high watermarks, led by booming technology sub-sectors, including healthcare technology, manufacturing technology and the continued growth of e-commerce.

On the investor side, ample dry powder and increased competition for attractive TMT targets have pushed deal totals and valuations higher.

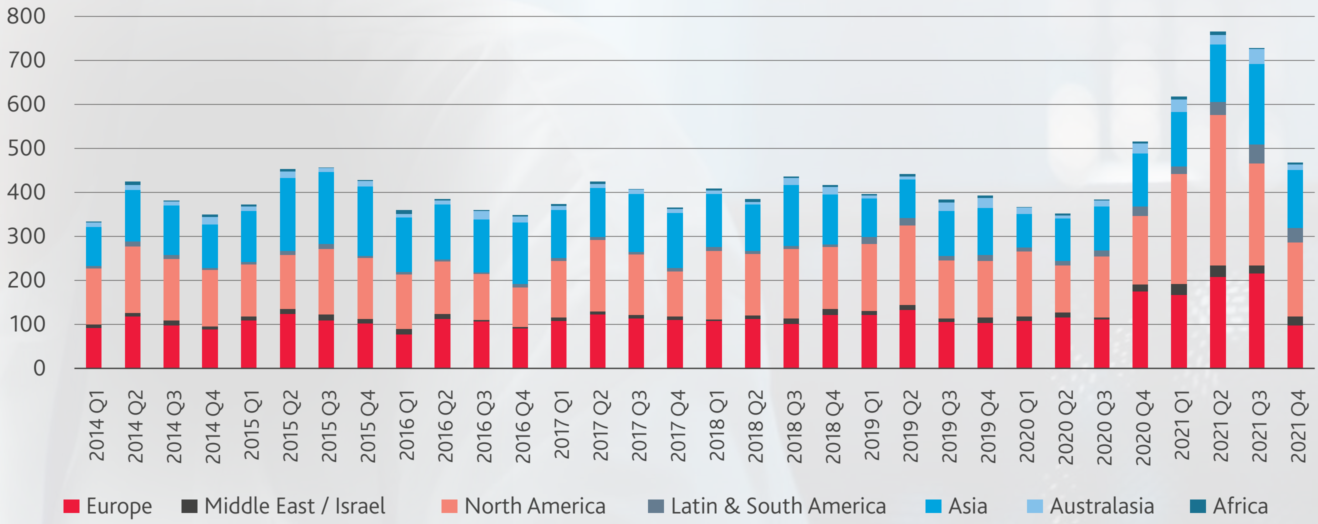
Much evidence indicates that TMT's remarkable M&A performance will continue throughout the year ahead.

RECORD-SETTING 2021

In 2021, mid-market TMT M&A reached new levels. Mergermarket data shows that the second quarter alone saw 815 deals completed globally, with a combined value of almost USD 80bn. The yearly total was 2,731 deals with a combined value of USD 291bn, representing an annual value growth of over 85%. By comparison in 2020 there were 1,718 deals with a combined value of USD 157bn.

Private equity firms were particularly active in 2021, participating in a whopping 45% of all mid-market TMT deals, up from 33% in 2020. PEs more than doubled both deal volume (up to 1,226 from 564 in 2020) and deal value (up to USD 144bn from USD 60bn in 2020).

TMT M&A DEAL VOLUME SELECT REGIONS 2014 Q1 - 2021 Q4



Data: MergerMarket, Graph: BDO Global

M&A CATCHES ITS BREATH

The end of 2021 saw a slowdown in mid-market TMT M&A activity levels. While the average deal size rose to USD 121m (up from USD 100m in the previous quarter), deal totals and combined values were 36% and 26% lower than in any other quarter in 2021 respectively. The Digital media & E-commerce sub-sector in particular saw a steep drop in activity levels, registering a two-year low of 51 deals.

However, we remain bullish about mid-market TMT M&A's near and medium-term outlook.

While activity slowed, Q4 2021 still ranks among the busiest quarters for many years. It is, in other words, a relative slowdown. Drivers might include rising deal values and concerns that valuations in certain industry spaces are becoming overheated. As a result, investors are taking stock of the situation at the end of a hectic year, catching their breath, and identifying sub-industries and targets for future investment.

Furthermore, Q4 2021 should not be compared with Q4 2020, as it was an exceptionally active quarter with a number of deals put on hold due to COVID-19 outbreaks earlier that year being completed, so it did not see the often-occurring fourth-quarter drop in M&A activity.

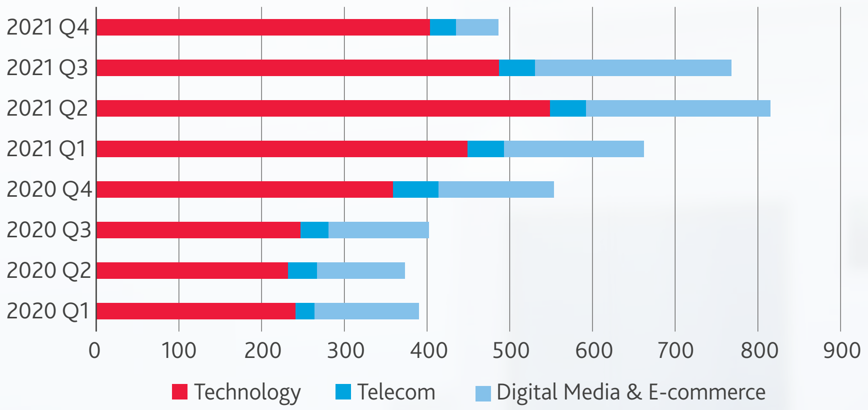
Simultaneously, both economic and TMT trends point toward 2022 continuing 2021's activity levels.

ECONOMIC TRENDS

BDO's 2021 Middle Market CFO Survey reveals that many mid-market companies are actively pursuing M&A. 29% of respondents say they are looking at PE investment, 24% are planning mergers or acquisitions and 20% are pursuing an IPO.

Deal drivers include taking advantage of economic recovery, driving business transformation programmes and securing supply chains. Those trends are unlikely to change anytime soon and contribute to why we think company-driven M&A activity will be undiminished in 2022.

TMT DEAL ACTIVITY SPLIT PER INDUSTRY SPACE 2020 Q1 - 2021 Q4



Data: MergerMarket, Graph: BDO Global

Simultaneously, investors continue to look to TMT and have access to ever-growing stores of dry powder. According to data provider Preqin, PEs raised an eye-watering USD 714bn in 2021, with similar activity predicted for the year ahead. Pitchbook data shows similar performance for venture capital firms (VCs.) By October 2021, VCs were closing in on USD 100bn raised, and had already surpassed 2020, setting new high watermarks for average deal size and mega-rounds.

TECHNOLOGY KEEPS EVOLVING

Much of the interest in TMT M&A activity is linked to the ongoing digital transformation taking place across industries. Simultaneously, consumers and customers continue to gravitate toward digital, online solutions, further incentivising companies to upgrade digital set-ups to meet changing demands.

To use ongoing trends in select industry spaces as examples:

- Manufacturing: Technology is key to navigating changing market conditions, at-risk supply chains, and enhancing production cycles. Early adopters of new technologies are achieving breakaway performance.
- Healthcare: Digital transformation efforts are revolutionising services and interactions, expanding markets and increasing investor interest.
- E-commerce: COVID-19 has further boosted investment and consolidation in the e-commerce space. In the latter category, marketplace aggregators have raised unprecedented amounts of capital during 2021.

In other words, new TMT developments and solutions are creating opportunities across industries and providing companies with the means to counter many of the adverse effects created by the ongoing pandemic as well as grasp new opportunities. As a result, TMT companies' market potential keeps growing, fuelling further investor interest.

AI everywhere, Everything-as-a-Service, no-code application building and edge computing are some of the new trends likely to further boost TMT companies' potential in the coming quarters.

With all this in mind, we expect that mid-market TMT M&A is likely to continue to impress in 2022.

LOGISTICS AND SUPPLY CHAIN M&A

LOGISTICS AND SUPPLY CHAIN M&A BOUNCES BACK IN RECORD-BREAKING YEAR

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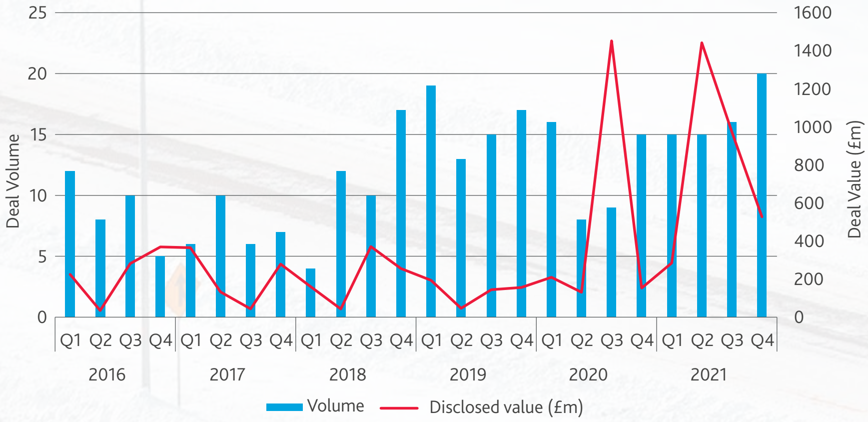
Confidence returned to the Logistics sector, despite well-documented headwinds, as we saw a record year for UK M&A activity.

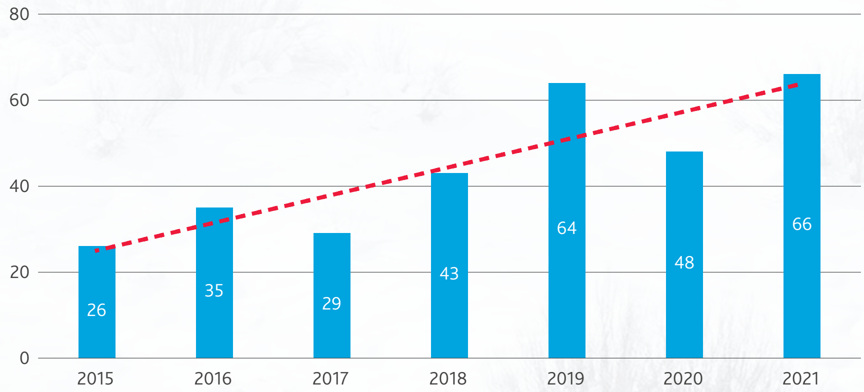
Where 2020 was a year characterised by the impact of the pandemic, 2021 was a year which was shaped by its effects in many ways. The global Logistics and Supply Chain sector was certainly no exception. Thrown into the spotlight as global supply chain issues hit the headlines, the industry operated against an extremely challenging backdrop, with disruptions such as the global semiconductor shortages and the one-off effects of the grounding of the Ever Given in the Suez Canal, supplemented by more local factors such as fuel supply disruption, and the perennial issue of workforce shortages, particularly drivers.

Yet, or maybe because of this, sector M&A deal-making activity continued apace. UK deal volume was already bouncing back at the end of 2020, and that momentum continued into 2021, with the highest levels of deal activity in the sector since our tracking began in 2015, with Q4 2021 being the busiest quarter yet.

UK LOGISTICS QUARTERLY DEAL VOLUME & VALUE 2015-2021



UK LOGISTICS ANNUAL DEAL ACTIVITY



INDUSTRY CONSOLIDATION

In October 2021, we published our latest edition of the BDO & Barclays Logistics Confidence Index, summarising the views and insights of over 100 senior decision makers in the UK Logistics sector. This confirmed the view that the industry was set for further consolidation, with 42% of respondents (an all-time high for the Index) saying they were likely to make acquisitions over the next 12 months, with creating scale, finding efficiencies through technology or providing value-added services being the main drivers for this.

Demonstrating significant levels of renewed optimism, the Index had risen to its highest level since H1 2015. The dramatic rise in sector positivity might seem counterintuitive in the light of media headlines about a supply chain crisis. Indeed, 60% of respondents said that business conditions were more difficult than 12 months ago, with obstacles that include global trade imbalances, as well as the perennial issue of staff shortages, particularly drivers, as their main concern.

However, logistics operators in 2021 were much more confident about the future than they were 12 months previously, when the Confidence Index had fallen to its lowest level since 2012. That was a period before a Brexit deal had been reached and when so much was unknown in the earlier stages of the pandemic. Fast forward a year and operators feel that they had a better sense of certainty and visibility over the issues they are facing, and that they were able to take control and make strategic decisions about their future investments.

Although coming from a very low base in the previous year, more than three quarters of operators expected their turnover to increase in the next 12 months. The outlook for profitability was similarly optimistic, with 62% of companies expecting to increase profits, up 13% on 2020. As the effects of the pandemic begin to settle, many operators felt the acceleration in e-commerce is creating new opportunities, while those serving hospitality and leisure firms were seeing their markets revive. Reflecting this renewed optimism and high demand in the sector, 85% of companies said they were likely to make significant capital expenditure over the next 12 months.

Exports have been a recent headache, particularly for UK-based businesses, due to post-Brexit trading changes. The UK Office for Budget Responsibility calculates that UK trade with the EU has so far declined by around 15% since Brexit, and January 2022 saw the introduction of full customs controls between the UK and the EU for the first time (though full veterinary and sanitary checks on agri-food products do not come into effect until July 2022). Further disruption is anticipated from this latest change, with particular concerns that some EU exporters to the UK, particularly SMEs, may not be ready for the paperwork. However, looking at this optimistically, this can be seen as the final step to be negotiated in moving towards greater clarity and understanding of what is now required for effective EU/UK trading. With businesses also becoming familiar with solutions such as multi-territory location of stock and the incorporation of EU-based entities, renewed confidence from both sides is to be anticipated when the dust settles.

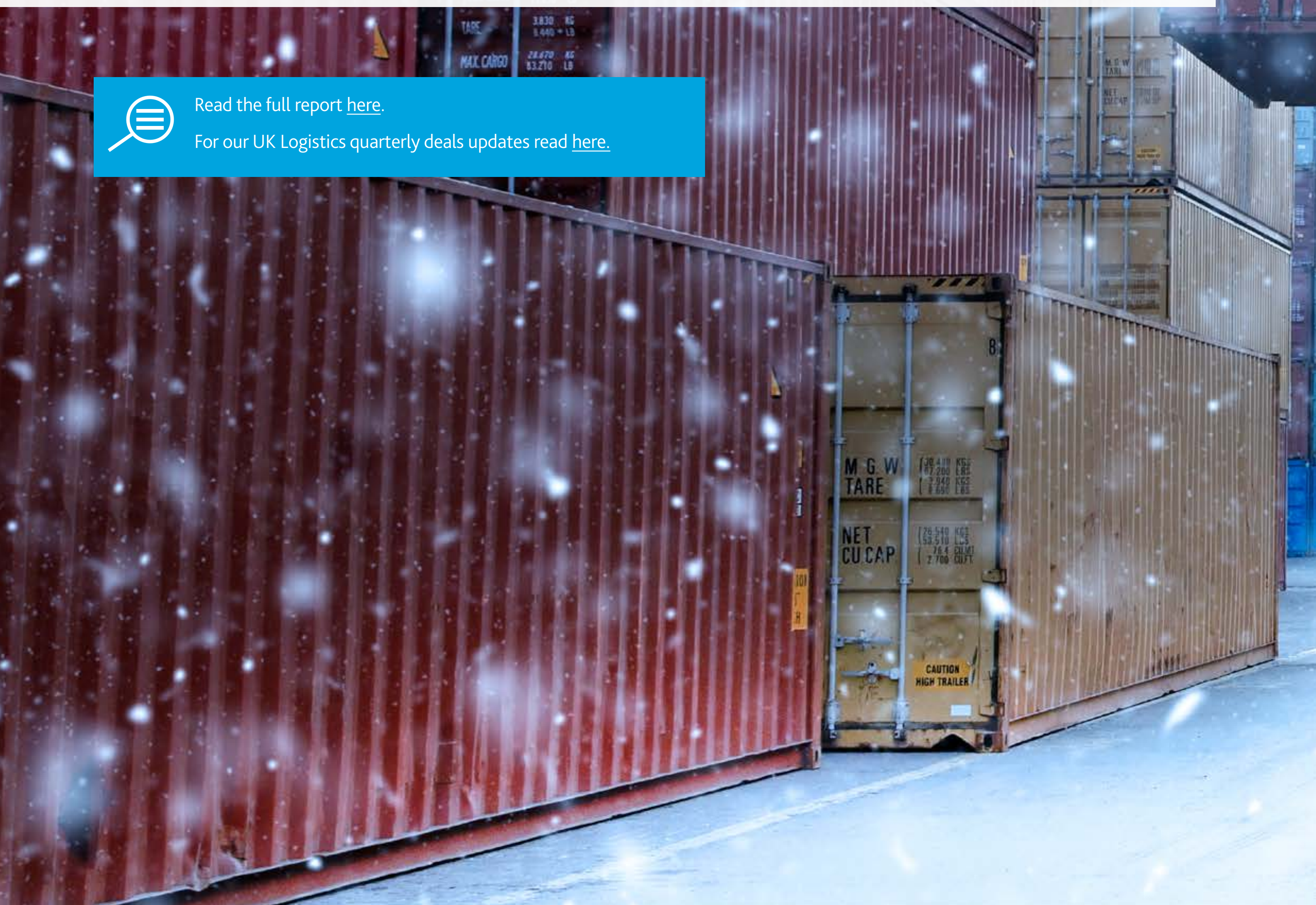
FOCUS ON OPERATIONAL REQUIREMENTS

More generally, recent global supply chain disruption has led to more business focus on operational supply chain requirements, and considerations such as whether to concentrate on core activities, or of re-shoring operations. In addition, and despite the extremely competitive nature of the marketplace, strong inflationary pressures are starting to have an impact across the market, with increased prices anticipated across the global supply chain, particularly reflecting increased energy, labour and global freight costs.

These factors have boosted interest and appetite to invest in the use of technology to inform and improve supply chain strategies and maximise returns on time and resource. As well as being an important factor driving deal-making – a quarter of UK deals in 2021 were tech-related – and sparking interest from investors, three fifths of respondents to our survey cited an expectation to make greater use of, or invest in, technology to boost efficiency or service offering.

As we move into 2022, we are anticipating a continued high level of deal activity. Logistics businesses are thinking to the future. There is increased focus on ESG issues, solutions to widen the scope of recruitment and training, opportunities for more adjacent local and global service offerings, and of course the potential deployment of technology. The abundance of available funds is well documented and will continue to drive M&A activity in the wider market. In the logistics industry in particular, inflationary pressures on resource and supplies remain high, but challenge breeds opportunity, and there continues to be a rebalancing of the sector with recognition of its worth that is coming through across many areas in higher customer pricing, all adding to the increasing investor interest.

*Barclays and BDO, in conjunction with specialist sector research agency Analytiqa, conducted the latest in a series of surveys to assess confidence and expectations in the UK logistics sector. The survey incorporated views from more than 100 senior decision makers, including chief executive officers, managing directors and chief financial officers, and was conducted during July and August 2021. Their responses have been compiled to create the UK Logistics Confidence Index 2021.



Read the full report here.

For our UK Logistics quarterly deals updates read here.

SOME OF OUR RECENTLY COMPLETED DEALS

€66.00M

GRIFOLS-VCN BIOSCIENCES

BDO acted as financial advisor and financial due diligence to Synthetic Biologics in the acquisition of VCN Biosciences

DECEMBER 2021

BDO advised the company as a sell-side advisor

DECEMBER 2021

BDO acted as lead advisor to the owners in the sale of SH-Bygg AS to Fasadgruppen Group AB

NOVEMBER 2021

BÖRSENMEDIEN AG

Financial advisor to Börsenmedien AG on the acquisition of Finanzen Verlag GmbH

NOVEMBER 2021

BDO provided full scope acquisition assistance to Sopadis (valuation, due diligence, negotiations...)

NOVEMBER 2021

BDO acted as lead advisor to the owners in the sale of Pettersen & Pinderød Drift AS to Ragn Sells

NOVEMBER 2021

POK Group acquired 100% of the shares of E Avenue Oy. BDO provided sell side financial and legal advisory services to E Evenue Oy

NOVEMBER 2021

BDO acted as financial advisor to the buyer in PHM's acquisition of 993Hjelp AS

NOVEMBER 2021

BDO advised the shareholders of Dialog Verwaltungs-Data AG on the sale of 81.5% of the shares to Schweizerische Post AG

NOVEMBER 2021

BDO advised the shareholders of A. Bachmann AG on the sale to Schrämli Holding AG

NOVEMBER 2021

BDO has advised Waitrose & Partners on the sale of the Good Food Guide to Code Hospitality

OCTOBER 2021

BDO acted as lead advisor to the owners in the sale of Total VVS to Instalco AB

OCTOBER 2021

BDO has advised the shareholders on the sale of HIKS Products Limited to Profound Commerce, an FBA consolidator based in Austin, Texas

OCTOBER 2021

Sale of Cargo Marketing Services to MSL Corporate

OCTOBER 2021

€1.01M

BDO assisted the acquirer in the purchase of 100% of the shares of Goodbikes SRL.

SEPTEMBER 2021

MIDES HEALTHCARE TECHNOLOGIES GMBH

MIDES Healthcare Technologies GmbH sold-off their Serbian subsidiary

SEPTEMBER 2021

Sale of Isys Interactive Systems to the Access Group

SEPTEMBER 2021

BDO advised the group DELA in the acquisition of the assets of PF BOSSUT-DUMONT.

SEPTEMBER 2021

GLOBEWAYS CANADA INC.

BDO acted as advisor to Globeways by assisting the stakeholders of the business throughout the entire sales process. Globeways is an Ontario-based processor and wholesaler of pulse crops.

SEPTEMBER 2021

CPC PUMPS INTERNATIONAL INC.

Our M&A and Capital Markets team acted as exclusive financial advisor to CPC Pumps by assisting the business owners throughout the divestiture of their company.

SEPTEMBER 2021

AQUATOX ENVIRONMENTAL & CONSULTING

BDO acted as exclusive advisor to AquaTox Environmental & Consulting on their divestiture to a strategic purchaser, assisting the shareholders through the entirety of the sale process.

AUGUST 2021

€700.00K

Suomen Konelikke Oy acuired 100% of the shares in Suomen Kodinkonetukku Oy. BDO provided sell side advisory services to Suomen Kodinkonetukku Oy.

AUGUST 2021

Xterna acquired by Moment Group. BDO adviser to shareholders of Xterna.

AUGUST 2021

BDO advised DHI Telecom Group in connection with the acquisition of Amenity GmbH

AUGUST 2021

FOR MORE INFORMATION:

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Data compiled by Acuris.

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

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