WHAT DOES THE FUTURE HOLD FOR UKRAINE?

GLOBAL VIEW: DEAL ACTIVITY SETTLES BACK TO PRE-COVID LEVELS

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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

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

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY
2,500 CORPORATE FINANCE PROFESSIONALS
120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES
The cover may have been a big give away, but our special article for this edition focuses on Ukraine, and we thank our resilient M&A colleagues there who continue to work and participate in our global M&A business, despite what they are enduring. Focus on the Ukraine is a balanced view on the country and looks at the future of M&A activity and what the country itself will look like after the end of this terrible war.

Zooming out, the outstanding global deal activity following the beginning of COVID seems to have settled to more manageable levels for M&A practitioners. Private Equity has continued to make up a larger proportion of completed deals at levels that are higher to pre-COVID, both in volume and value.

North America has continued to take the largest share of deal activity, whilst China has lost a big share, probably reflecting the return of lock downs in the country. The TMT sector continues to see the largest share of deals and predicted activity.

In our sector view, we look at TMT, Natural Resources and Real Estate. Cybersecurity is the driver of a strong M&A start to 2022 for TMT. On Natural Resources, we see a dip in recent deal activity and believe that the energy transition is set to drive future M&A in the sector. On Real Estate, we analyse how inflation is likely to have a strong effect on the sector.

Along with the market, we experienced a record breaking year with 2,020 deals completed which also saw BDO ranking in top position in global M&A league tables. We are delighted to be recognised as No. 1 M&A advisor globally by Pitchbook.

We hope that you enjoy this edition of Horizons and look forward to focusing on happier themes in future Horizons publications. Stay safe and well.
GLOBAL VIEW
DEAL ACTIVITY SETTLES BACK TO PRE-COVID LEVELS

After a huge spurt in deal activity in the 15 months following the onset of COVID, deal activity now seems to have settled back to the pre-COVID levels. That in itself is great news for all of us involved in the M&A industry as the recent levels felt unsustainable. We struggle to remember when we last went through a period when the major constraint on deals was the availability of due diligence teams to start their work. Two-month lead times has become common, which was having an effect on the M&A market and the ability to get deals done in orderly time scales. The current level of around 2,000 deals/quarter feels much more sustainable.

Looking at the mix of deals, we observe that private equity has continued to make up a larger proportion of transaction and remains well ahead of pre-COVID levels in terms of both volume and value. In the last quarter private equity led deals represented around one third by volume and value. Pre-COVID that was more like one quarter. We believe this reflects the huge amount of uninvested private equity funds and the continued growth of the industry, which we expect therefore to continue.

In terms of sectors, the first quarter of 2022 saw a vast amount of activity in TMT which was up nearly 20% on the prior quarter in number of deals. That meant that over one in three deals were TMT which is a near all time high for the sector. In contrast, most other sectors saw a contraction in deal volume of double-digit percentages with the exception of Leisure which is starting to make a comeback after a torrid time in COVID and Pharma, Medical & Biotech. The other sector giant, Industrial & Chemicals, unusually saw over 20% less deal activity and represented only 17.5% of total deal activity.

Looking around the world, we saw a mixed picture with around half of the regions down on deal activity compared to the prior quarter and the other half up. The most marked shift was with the world’s two largest regions for deals, where North America was up over 18% and Greater China was down nearly 45%. This most likely reflects the return to lock downs in China as COVID infections have spiked again.
THE OUTLOOK LOOKS SUPPORTS CONTINUES HEALTHY M&A MARKETS

Despite the levelling off in deal activity to pre-COVID levels, the outlook remains remarkably strong. For the seventh quarter running our heat charts showed high levels of rumoured mid-market deals. For the sixth quarter in a row there are over 10,000 rumoured deals.

GLOBAL THEMES THAT ARE INFLUENCING M&A

Despite the negative impact of inflationary pressures, the availability of cash to invest should continue to fuel M&A activity. The continued growth of private equity funds should continue to be a major factor. We also expect strategic buyers to continue to be active in the market as they seek to add to capability, especially technology and digital. 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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WHAT DOES THE FUTURE HOLD FOR UKRAINE?
WHY UKRAINE HAS THE POTENTIAL TO BECOME THE EU’S LARGEST INVESTMENT AND RENAISSANCE HUB WHEN THE WAR ENDS.

BIG PICTURE

• Ukraine is the second largest country in Europe and has a coastline along the Sea of Azov and the Black Sea. It covers about 600,000 km², with a population of about 42 million. It was about 47 million before 2014, when Russia annexed Crimea and occupied part of the Donetsk and Lugansk regions of Ukraine. Russia started a war against Ukraine in February 2022. As a result, around 10.5 million people have moved from their homes, including four million people, mainly women and children, leaving Ukraine as refugees, and about 6.5 million moving mainly to Western Ukraine.

• Ukraine has been named one of the largest agriculture and food producers/guarantors for world food security.

• According to the Global Sourcing Association, Ukraine is the #1 outsourcing destination globally and has more than 200,000 highly-skilled IT professionals.

• Many IT and tech start-ups have originated from Ukraine and their founders raised USD 2.35bn in 2021 (mainly not accounted for in the M&A market size of Ukraine as most of these start-ups' head offices moved to either the US or the EU).

BEFORE THE WAR – A STRONG ECONOMY

From 2009 to 2013 Ukraine saw continuous GDP growth, reaching USD 183.3bn in 2013. However, as a result of Russian aggression against Ukraine in 2014, which saw Russia annex Crimea and occupy part of the Donetsk and Lugansk regions, the Ukrainian economy and investment climate collapsed. In 2014 GDP fell by 21.1% to USD 131.8bn and in 2015 dropped by another 31.3% to USD 90.6bn, a fall of 50% in just two years. As a result the country’s M&A market dropped from about USD 4bn in 2013 to USD 410m in 2015.

At the end of 2014/beginning 2015 the conflict was frozen in Eastern Ukraine, while part of the Donetsk and Lugansk region was left under occupation and was no longer under Ukrainian control. The economy started to recover with Ukraine’s Government making economic, legal and regulatory reforms towards the implementation of EU standards. As a result, the investment climate improved and the M&A market grew to USD 1.6bn in 2019. However, as with all economies around the world, the COVID-19 pandemic had a severe impact, and the M&A market declined sharply to USD 190m in 2020. After most COVID-19 restrictions were lifted, and due to pent-up demand, 2021 was a very successful year for the country’s economy: GDP grew to almost USD 200bn, overreaching 2013 levels, and according to estimates the M&A market reached almost USD 2.7bn with 120 deals. However, a few big deals which were signed at the end of 2021 are still pending and are not yet closed, with buyers citing ‘adverse change clauses’.
M&A MARKET FREEZES AS CONFLICT BEGINS

In 2013, the most active sectors in the country’s M&A were agriculture and food, banking, FMCG, energy and TMT. In 2021, TMT became Ukraine’s biggest growth industry and exports of outsourcing and programming services reached USD 6.8bn (five times higher than the USD 1.3bn recorded in 2013). According to the Global Sourcing Association, Ukraine has become the #1 outsourcing destination globally and is home to more than 200,000 highly-skilled IT professionals. The restart of the big and medium-sized privatisation of state-owned enterprises became an additional driver of the country’s M&A market. In 2021 there were 36 M&A deals worth USD 813m in TMT, 19 deals worth USD 234m in the agro sector, 10 deals worth USD 124m in Energy, Mining & Utilities, and six deals worth USD 650m in Real Estate and Construction. The tension arising from the deployment of Russian army to the Ukraine-Russia border has effectively frozen the market from December 2021.

THE ECONOMIC IMPACT OF THE WAR

From February 2022 onwards, the war has completely disrupted maritime trade (amounting to half of the country’s total trade and 90% of its grain trade); it has heavily damaged the country’s critical infrastructure and has triggered a massive displacement of people. In a March 2022 report, the World Bank forecasted that Ukraine’s GDP would drop by 45% this year and that there would be a weak recovery thereafter. Projections, given the ongoing conflict, are subject to great uncertainty and large downside risks. These projections are predicated on massive declines in imports and exports, given the trade disruptions and the blockade of the Black Sea ports, a collapse in public and private investments and a big drop in household spending, reflecting the displacement of large numbers of people, loss of incomes and livelihoods.

Over the medium-term, the damage to Ukraine’s production and export capacity and loss of human capital are expected to have lasting economic and social repercussions. A major reconstruction effort is going to be necessary, complemented by institutional, structural and financial sector reforms to support private sector-led growth, but this will all be contingent on achieving substantial external financing on concessional terms.

Sources: BDO research, Statistics of Ukraine, UkrainInvest, World Bank, FAO, IMF, Mergermarket.

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LOOKING AHEAD

In the coming years, a major reconstruction effort is expected to push Ukraine’s GDP growth to over 7% by 2025, amid a slow restoration of its production and export capacity and the gradual return of refugees. Per estimates, the current damage to the Ukrainian economy, its critical infrastructure, residential real estate, production plants, etc. is already more than USD 500bn.

Looking ahead, there will be a big demand for construction and reconstruction, new energy production and supply for agriculture and food production with even bigger volumes and exports than has been the case historically – these industries and sectors will be the drivers for Ukraine’s future M&A market. The TMT sector is likely to be the first ‘rescuer’ for Ukraine’s economic recovery as it depends less on infrastructure elements and human capital movements than other sectors.

Finding a peace and security agreement in 2022, potentially accepting Ukraine as a candidate to join the EU and creating a restoration plan for Ukraine which could be supported by the EU, the US and other developed countries can all act as guiding lights for the future of Ukraine.

DID YOU KNOW?

REMARKABLE FACTS ABOUT UKRAINE

#1 EXPORTER OF SUNFLOWER OIL & MEAL IN THE WORLD WITH APPROXIMATELY 50% OF MARKET SHARE FOR 2020/2021

#2 SUPPLIER OF ORGANIC AGRICULTURE AND FOOD PRODUCTS TO THE EU

#3 EXPORTER OF CORN & RAPESEED IN THE WORLD, #4 OF BARLEY, #5 OF WHEAT AND HONEY, #7 OF OATS AND CHICKEN MEAT

18 UKRAINIAN COMPANIES ARE LISTED AMONG THE TOP 100 OUTSOURCING COMPANIES IN THE WORLD BY THE INTERNATIONAL ASSOCIATION OF OUTSOURCING PROFESSIONALS
GLOBAL
10,021 RUMOURED TRANSACTIONS

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Q1 2022 NORTH AMERICAN M&A: TORRID PACE OF ACTIVITY SLOWS

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DEAL NUMBERS FALTER BUT VALUE CLIMBS

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M&A makes a strong start to 2022

P21 | SOUTHERN EUROPE
Deal volume rises with PE activity leading the way

P25 | BENELUX
Deal volume up and PE activity accounts for bigger share

P31 | NORDICS
Softer first quarter for dealmaking as the market normalizes post-Covid

P37 | AFRICA
M&A dealmaking activity falls to decade low level

P27 | DACH
Relatively strong M&A deal flow in DACH mid-market Q1 2022 as deals in progress at year end 2021 completed. Outlook for rest of 2022 uncertain given ongoing Ukraine war

P31 | NORDICS
Softer first quarter for dealmaking as the market normalizes post-Covid

P35 | ISRAEL
Deal activity stalls in Q1 but outlook looks brighter

P41 | INDIA
Deal volume and value soar in busy first quarter

P49 | SOUTH EAST ASIA
Deal volume and value recover strongly in positive quarter

P45 | GREATER CHINA
M&A slows but foreign investment surges

P51 | AUSTRALASIA
Deal activity remains at elevated levels though shy of 2021’s record-breaking highs

Key % movement
- -30% to -21% -20% to -11% -10% to 0 1% to 10%
11% to 20% 21% to 30% 31-40% 41-50% 51-60%

Note: The colouring illustrates the movement of expected transactions compared to the expected transactions in the previous quarter.
The pace of overall middle-market M&A activity slowed in Q1 2022 as market participants assessed the war in Ukraine and soaring inflation. The number of middle-market M&A deals fell from 699 in Q1 2021 to 594 in Q1 2022 while the dollar volume of deals in Q1 2022 fell by $17bn over the comparable period. While first quarter activity suffered from sky-high comparisons to last year's record-breaking volumes which were hard to replicate, there is no question the uncertainty from geopolitical tensions, lower GDP growth, inflation, and the commodity pricing boom severely dampened M&A activity in the quarter.

The drop in dealmaking in Q1 follows a record two years when stimulus measures implemented to quell the aftershocks of the pandemic led to booming equity markets and record dealmaking levels. Conversely, severe stock market volatility in Q1 made it more expensive for public companies to use the power of their market capitalization to acquire competitors or smaller rivals. Market dislocation in Q1 was also prevalent in the IPO, high yield and syndicated debt markets indicating the impact geopolitical events and rising interest rates had on capital markets across the board.

Despite all its challenges the overall environment for buyouts remains robust and while year over year M&A volumes are down, Q1's pace is in line with the pre-pandemic years of healthy deal-making. While a number of corporates rushed to exit Russia and shied away from using their cash piles for large buyouts in the face of declining equity markets and rising inflation, private equity investors continued to make up a larger portion of the M&A activity overall as the dry powder to deploy remains at record levels making up a record high 49.3% and 40.6% of Q1 middle-market M&A dollar volume and number of deals, respectively.

The torrid pace of healthcare M&A activity, which typically accounts for a big share of deals, slumped by more than half...
in Q1 2022 versus Q1 2021, as large pharma companies took a breather from the pandemic-fueled deal frenzy and a dramatic rise in valuations and adopted a more cautious strategic approach due to the market volatility caused by the geopolitical tensions and inflation concerns.

Deal-making in the technology sector continued to lead the way, accounting for nearly half of all middle-market deals in Q1. Acquisitive companies across many industries believe that their business model needs to change dramatically in the foreseeable future, mostly because of the impact of technology has had on staying competitive which accelerated during the pandemic. Given the impact of the pandemic, new entrants and tech disruptions are redefining business models and changing the way of life. As a result, emerging industries such as Tele-Health, FinTech, and CleanTech are dominant areas of focus for M&A.

As for the balance of 2022, North American M&A activity should remain healthy, albeit at a slower pace than the record-setting highs of 2021, assuming the war in Ukraine doesn’t escalate any further and the worrying increase in inflation moderates in the second half of the year. This optimism is shared by most North American deal advisors and is based on the sheer backlog of deals in the market as well as the underlying fundamentals of somewhat resilient debt and equity markets, abundant levels of cash and a relatively strong economy. Private equity M&A involvement will likely remain elevated as money managers are anxious to put dry powder to work and take advantage of lower valuations evidenced in Q1 and with less competition from distracted and overly cautious corporates.
LATIN AMERICA
DEAL NUMBERS FALTER BUT VALUE CLIMBS

M&A mid-market activity in Latin America in Q1 2022 saw a total of 76 deals worth USD 10,122m, which represented falls of 19.1% in deal numbers and 1.6% in deal value compared with the previous quarter. In comparison with Q1 2021, the number of deals were down by 9.5% but value was up by 34.3%.

However, overall the figures are not too bad considering that the average number of deals for the last five first quarters of the year is 79. The accumulated number of deals for the last 12 months was 435 deals with a value of USD 50,271m, which compares favourably with the total of 298 deals and USD 24,312m for the same period in the previous year, an increase in deal numbers of 46.0% and an increase in value of 106.8%.

Looking at the Q1 2022 figures, 26 deals worth USD 3,131m were PE transactions, representing 34.2% of the deal count and 30.9% of the quarter’s value, with an average deal value of USD 120.41m versus USD 139.83m for non-PE transactions.

The average per deal was USD 133.2m, an increase of 21.8% compared to the previous quarter.

KEY DEALS AND SECTORS
The quarter’s Top 20 deals totalled USD 6,530m, with Brazil leading the ranking in terms of target country with 11 deals worth USD 3,409m million. Looking ahead, 495 deals are announced or in progress, with sector activity likely to be dominated by TMT, Financial Services, Business Services and Energy, Mining & Utilities.

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KEY DEALS AND SECTORS
The quarter’s Top 20 deals totalled USD 6,530m, with Brazil leading the ranking in terms of target country with 11 deals worth USD 3,409m, followed by British Virgin Islands and Peru, each with two deals worth USD 714m and USD 640m respectively. Argentina accounted for one Top 20 deal, which was worth USD 350m in the TMT sector and was related to the acquisition of Prisma Medios de Pago S.A.

Considering bidder countries, 36.9% of investments came from inside the region, with Brazil leading the ranking
with purchases worth USD 1,475m. All investments from Brazil were in their own country. The remaining investments came mainly from the US, with purchases worth USD 1,865m, followed by China (USD 700m), Mexico (USD 407m) and Singapore (USD 400m).

The sector rankings were led by and TMT and Energy, Mining & Utilities, with total values of USD 2,339m and USD 1,465m respectively.

**POLITICAL AND ECONOMIC CONTEXT**

After many twists and turns, 2022 Argentina’s Congress approved an agreement with the IMF in March 2022. The agreement avoided the country defaulting but also exposed the internal divisions within the ruling party, as the vice-president and her close associates voted against it, which is why support from the opposition party was required. The rupture within the ruling party is already public knowledge, and with a view to the 2023 presidential elections, the movements of possible candidates are beginning to be noticed. After last year’s legislative elections, the polls are now showing better numbers for the opposition party. However, it will be interesting to keep an eye on the new pro-market space being presided over by economist and politician Javier Milei, who, to date, has been identified in different polls as the Argentinean politician with the most positive image.

COVID-19 cases are on the decline in Argentina from the peak infection rate of 800,000 cases in the second week in January and have fallen for 10 consecutive weeks with the last week of the first quarter showing a fall of 99.25% from the 2022 high. According to the country’s Ministry of Health, 81.6% of the population are already fully vaccinated.

The ongoing war between Russia and Ukraine has caused food prices to rise. This presents an opportunity for Argentina and its agricultural sector, which, as a large producer of grains, is in a favourable position because it means that more dollars will come in from exports. This is causing the government to pay special attention to raising withholding taxes to meet its IMF targets. Likewise, the rise in metal prices may also represent an opportunity to expand local gold production, as it has the ninth largest reserves in the world. On the other hand, fuel prices have also risen, so the Central Bank will have to disburse more dollars to pay for the gas that the country is importing. However, this is also an opportunity, as having the world’s third largest shale gas field opens new potential growth opportunities. It is also important to create the conditions to stop the country needing to import gas, to use the gas produced locally and, if possible, to export it.

Argentina’s biggest deal in Q1 2022 saw equity investment fund Advent International, which acquired 51% of the shares of TMT company Prisma Medios de Pago in 2019, buy the remaining 49% for USD 350m and as a result become the company’s sole shareholder, as agreed in the first transaction. Prisma Medios de Pago provides end-to-end solutions including point-of-sale terminals, e-commerce payment gateways, transaction processing and value-added services to all types of retail merchants in Argentina.
LOOKING AHEAD

The BDO Heat Chart shows a total of 495 deals announced or in progress for the region, which represents 4.9% of the Global Heat Chart. Deal opportunities are likely to be concentrated in the TMT, Financial Services, Business Services, Energy, Mining & Utilities and Leisure sectors with 138, 125, 75, 45 and 32 deals respectively.

LATIN AMERICA
HEAT CHART BY SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMT</td>
<td>138</td>
<td>28%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>125</td>
<td>25%</td>
</tr>
<tr>
<td>Business Services</td>
<td>75</td>
<td>15%</td>
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<tr>
<td>Energy, Mining &amp; Utilities</td>
<td>45</td>
<td>9%</td>
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<tr>
<td>Leisure</td>
<td>32</td>
<td>6%</td>
</tr>
<tr>
<td>Industrials &amp; Chemicals</td>
<td>32</td>
<td>6%</td>
</tr>
<tr>
<td>Consumer</td>
<td>25</td>
<td>5%</td>
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<td>Pharma, Medical &amp; Biotech</td>
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<td>3%</td>
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<tr>
<td>Real Estate</td>
<td>9</td>
<td>2%</td>
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<tr>
<td>TOTAL</td>
<td>495</td>
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</tr>
</tbody>
</table>

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR

- Technology & Media
- Real Estate
- Pharma, Medical & Biotech
- Leisure
- Industrials & Chemicals
- Financial Services
- Energy, Mining & Utilities
- Consumer
- Business Services
UNITED KINGDOM & IRELAND
M&A MAKES A STRONG START TO 2022

With rising inflation and the war in Ukraine, it is going to be hard to maintain 2021’s boom in M&A activity but global private equity and international trade buyers have been busy completing deals to date as they continue to seek investment opportunities in the UK & Ireland.

Q1 2022 saw a strong start to the year with 153 deals announced with an aggregate value of USD 15.7bn. This represented an increase of 22% in deal volume from the final quarter of 2021 but a 15% decline in volume compared to last year’s record-breaking first quarter.

Private equity buyers remained active in the region with one of three transactions being PE-led. However, the total aggregate value in Q1 2022 was USD 4.1bn with fewer large transactions reported as funds looked to spread the risk and became more cautious on valuations when trying to assess the impact of inflation and rising interest rates.

Despite the uncertainty of Omicron and the unfolding of the Ukraine crisis, the appetite of trade buyers remained strong with 102 reported deals totalling USD 11.6bn. Some significant transactions included Telefonica’s USD 220m acquisition of Incremental Group Ltd, a UK-based provider of IT services and Savvy Gaming Group’s acquisition of FACEIT for USD 500m as they merged it with ESL Gaming to create a ‘global esports ecosystem’.

KEY SECTORS AND DEALS
TMT remained the most active sector, accounting for nearly 40% of all deals in the quarter. The technology sector remains a hotbed of activity from start-up companies through to global mega-deals. In Ireland, another two tech start-ups achieved unicorn status with food ordering platform Flipdish receiving a USD 100m investment from Tencent Holdings at a valuation of
over USD 1.25bn, while Wayflyer, the fintech company engaged with providing revenue-based financing to e-commerce brands, attracted USD 150m institutional funding at a market value of USD 1.6bn. Similarly in the UK, eight of the Top 20 transactions were in the TMT sector including Ontario Teachers Pension Plan investing USD 265m into the consumer credit platform Lendable at a valuation of £3.5bn and another unicorn fintech company GoCardless raising USD 312m at a valuation of USD 2.1bn. Business Services was the second most active sector with 22 transactions reported, including the acquisition of Autorama UK by Autotrader Group plc for USD 252m. M&A activity in Financial Services remained steady with 17 transactions including Exponent’s sale of Enra Group, a provider of lending and broking short term bridge mortgages services, to US hedge fund Elliot Management for USD 465m and Pollen Street Capital’s sale of 1st Stop Group, a local brokerage agency providing consumer loans, to Tandem Money for a similar value. The Industrials & Chemicals sector experienced an uplift in activity with 20 transactions reported in the quarter. Most of these deals were cross-border as trade buyers turned to M&A to achieve growth and develop their global presence. Finally, the Pharma, Medical & Biotech sector remained resilient with 10 transactions, including the notable SPAC deal involving the USD 412m merger of psychedelic science leader Eleusis with Silver Spike Acquisition Corp. Despite a lot of interest in the Renewable Energy sector there is still a limited amount of reported M&A activity. There were only five mid-market transactions across the Energy sector during the first quarter, of which only two featured in the Top 20 transactions – these were Quantum Energy Partners’ USD 400m investment into Trident Energy mgmt. and Endeavour Energy’s acquisition of the UK upstream portfolio from MOL Hungarian Gas & Oil for USD 305m. We expect deal activity in this sector to increase as investment continues to move away from fossil fuels towards clean energy companies.

LOOKING AHEAD

At the time of writing we are faced with the horrors of war, significant inflation forecasts and rising interest rates. Both the UK Chancellor and Ireland’s Finance Minister have revised the GDP growth forecasts downwards for this year, citing the conflict in the Ukraine as the reason. Despite this, the UK is still projected to grow by 3.2% and Ireland by 4.8%.

At this point the M&A pipeline remains active with 548 deals in the pipeline as sellers continue to look to avail of increased valuations, while buyers seek to deploy capital. As expected, TMT is the hottest area of activity with 27% of all rumoured transactions, although this is often understated when compared to the percentage of completed transactions. It is interesting to note that the Consumer sector represents over 14% of pipeline transactions. This is likely to be driven by pent-up demand post-COVID. However, with inflation expected to average 7.4% this year, (i.e. it could be higher for several months) it is possible that many Consumer deals will have to be put on ice again until we get more certainty on the longer-term impact on consumer spending.
We are also likely to see a rise in distressed opportunities following the removal of Government pandemic support schemes combined with the impact of wage inflation and supply chain disruption.

Overall, the UK & Ireland continue to remain of significant interest for international buyers which will drive more cross-border transactions in the TMT, Business and Financial Services sectors, particularly given the resilience of the economies as shown to date over the last three years.

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With the ongoing war between Ukraine and Russia causing uncertainty in the CEE region, there was understandably a significant fall in M&A activity in Q1 2022 compared to Q1 2021 and this was off the back of the M&A market consistently shrinking since Q3 2021. Despite this, average deal value was higher than in any of the previous four quarters. However, activity in Industrial & Chemicals fell to a record low.

There were 47 deals completed in Q1 2022, which meant that the overall deal volume was 30% lower compared to Q1 2021. Overall deal value declined by 16% to USD 5.1bn compared to Q1 2021. The CEE region recorded an average deal value of USD 108m in the quarter, the highest seen since Q2 2019. The overall decline in value was mainly related to the fall in PE deals, with PE buyouts accounting for just 13% of total value in the quarter. By comparison, in Q1 2021 the PE percentage of deals was 29%, an unusually high figure in the region. PE volume also shrunk to eight from 13 deals in the first quarter of 2022.

Finally, trade value has been roughly consistent over the past couple of quarters.

**KEY SECTORS AND DEALS**

The quarter’s top-performing sector was TMT with 15 transactions, which represented 32% of the total volume. Energy, Mining & Utilities was in second spot with 10 deals and Industrials & Chemicals was third with just six deals. This was the lowest deal volume ever recorded in Industrials & Chemicals, with only a third of deal numbers compared to its 2021 quarterly average.

The region’s top three deals were as follows:

- **EmiTel sp. z o.o.:** Alinda Cordiant Digital Infrastructure Limited (Poland) bought a 100% stake in the Polish multi-asset digital infrastructure company. The deal value was USD 477m.
- **Aspire Global plc:** Neogames (Israel) acquired a 100% stake in the gaming and casino platform provider for USD 474m.
- **Aegon Magyarország Általános Biztosító Zrt. and UNION Insurance:** Corvinus Nemzetközi Befektetési Zrt. (Hungary) acquired a minority interest (a 45% stake) in both insurance companies for USD 398m.
LOOKING AHEAD

The BDO Heat Chart indicates that TMT (with 171 deals) and Industrials & Chemicals (162 deals) are expected to be the region’s top two performing sectors in the near future, accounting for 23% and 22% of the total future deal volume respectively.

The economic landscape remains highly uncertain in the region due to the Russia-Ukraine war. In addition, many countries in the region still haven’t recovered from the COVID-19 pandemic. Global supply chain issues and delays are also causing record inflation levels and supply difficulties. Interest rates are also rising in the region as central banks have decided to intervene in the fight against inflation.

The war has resulted in the devaluation of local currencies against the EUR and USD, and there has also been a devaluation of the EUR against USD. Most of the currencies have now partly recovered, nevertheless this could turn out to present attractive investment opportunities in the region.
Southern Europe’s mid-market M&A activity in Q1 2022 saw an increase in volume and a decrease in the value of completed transactions. Transactions totaled USD 15.4bn, an increase in deal numbers (14%) and a decrease in associated value (8%) compared to the previous quarter.

The first quarter of 2022 also saw an increase in private equity-led transactions, a trend which has been ongoing since the beginning of the pandemic. The strong PE M&A activity was reflected in the fact that PE accounted for a record proportion of overall deal volume at over 40%.

**Key Sectors**
Most sectors increased or maintained their turnover in the first quarter of 2022 compared to the previous quarter. The two exceptions were Consumer and Industrials & Chemicals, which suffered falls in deal numbers.

The two sectors which had the greatest impact on the region’s increased M&A activity were TMT (up from 38 deals in Q4 2021 to 50 deals in Q1 2022) and Leisure (up from eight deals in Q4 2021 to 15 deals in Q1 2022).

Overall, TMT was the best performing sector in mid-market M&A deals, regaining top spot from Industrials & Chemicals.

As has been the case in previous quarters, the deals in Q1 2022 were heavily concentrated in Southern Europe’s three most active sectors, with Energy, Mining & Utilities, Industrials & Chemicals and TMT accounting for 62% of all deals closed in the quarter.
KEY DEALS
The Top 10 totalled USD 4.1bn, representing 26% of the volume of all mid-market transactions that took place in Southern Europe in Q1 2022.

The biggest deal was in Business Services and saw the acquisition of the Association of Certified Anti-Money Laundering Specialists by French company Wendel SA for USD 500m.

The second biggest deal was the Fintech start-up Scalapay, which became Italy’s first unicorn with a valuation of more than USD 1bn after raising USD 497m in Series B funding. The latest funding round was led by Tencent and Willoughby Capital, with participation from Tiger Global, Gangwal, Moore Capital, Deimos and Fasanara Capital. Scalapay offers a ‘buy now, pay later’ service for e-commerce companies around the world.

The third biggest deal took place in the Energy, Mining & Utilities sector and comprised the acquisition of a portfolio of solar PV projects under development in Spain with an overall expected capacity of 508MW, by Green Arrow Capital SGR, for USD 452m. Green Arrow Capital is one of the leading independent Italian operators in the alternative investment world, with assets under management amounting to USD 1.92bn.

Another notable deal from this quarter was the acquisition of a 100% stake in iXBlue SAS, a company specializing in delivering advanced navigation, photonics and maritime autonomy solutions by the French Groupe Gorge and ECA S.A. for USD 449m.

The Top 10 deals were spread across several sectors, with the TMT sector again leading the way with three deals.

The targets in the Top 10 deals were distributed across four countries, with French target companies at the top of the rankings with five transactions, followed by Italian target companies with three deals and Spanish and Cyprus target companies, with one deal in each country.

Cross-border transactions composed the majority of the quarter’s biggest deals, with European companies accounting for six of the Top 10 deals. While the acquiring nations were varied, companies from Italy and France led the list of acquirers with three deals each.
LOOKING AHEAD

Looking ahead, the BDO Heat Chart predicts that there will be 979 transactions in Southern Europe in the coming quarters. These figures represent an 35% year-on-year increase on the 723 rumoured deals for Q1 2021 and 10% of the rumoured mid-market deals worldwide.

The region’s three leading sectors, Industrial & Chemicals, TMT and Consumer, are set to reinforce their positions with the numbers of rumoured deals. These sectors will be largely responsible for the predicted growth in M&A activity, representing 62% (606 deals) of all future deals.

Business Services (112 deals) and Energy, Mining & Utilities (92 deals) are also predicted to increase deal numbers compared to the same period last year.
M&A activity in the Benelux mid-market showed a slowdown in deal value in Q1 2022 compared to Q4 2021 (from USD 3,338m to USD 2,891m), but deal volume rose to 36 from 31 in the previous quarter. PE players were involved in 18 deals (versus only six in Q4 2021), representing 50% of the quarter’s total deal volume (versus 36% over the last two years) and 43% of overall deal value (versus 34% over the last two years). Transactions involving PE in Q1 2022 had an average deal value of USD 68.4m, significantly below 2021’s quarterly average of USD 97.8m.

PE/TRADE VOLUME & VALUE

In Q1 2022, 14 deals were closed in TMT, making it the quarter’s most active sector, followed by Industrial & Chemicals (seven deals), Financial Services (five) and Pharma, Medical & Biotech (four). The six remaining deals took place in Business Services (three deals), Consumer (two) and Energy, Mining & Utilities (one).

The total value of the Top 20 deals in Q1 2022 amounted to USD 2,554m, ranging from USD 50m to USD 290m, with an average deal value of USD 128m. In the Top 20, only four deals involved a domestic buyer, with the rest all being cross-border transactions. Another noteworthy fact was that the Top 10 deals accounted for 66.7% of total deal value.

The quarter’s biggest deal in the Benelux involved Walker & Dunlop, Inc., who acquired GeoPhy, a leading commercial real estate technology company, for a total price of approximately USD 290m. GeoPhy’s data analytics and development capabilities will dramatically accelerate the growth of Walker & Dunlop’s lending, brokerage and emerging businesses.

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The second biggest deal involved PDFTRON Parent LP, a leading provider of document technology solutions for software developers, who agreed to purchase Tudot NV from private equity firm Crescendo Equity Partners Limited and will, as a result, acquire all of Tudot’s computer programming activities, for a total investment amounting to approximately USD 270m.

Finally, the third largest deal involved Austria-based Greiner AG, who sold a 22.6% stake in Recticel SA to Baltisse NV for a consideration of USD 251m, shortly after buying a 27.03% stake in the foam rubber manufacturer in an agreement announced in May 2021.

LOOKING AHEAD

The Benelux Heat Chart by sector shows that there are currently 203 deals planned or in progress. Most of the transactions in the pipeline relate to Industrials & Chemicals with 47 deals, representing 23% of the future deal count followed by Pharma, Medical & Biotech with 38 deals, 19% of the future deal count, Consumer with 33 deals, 16% of the future deal count, Business Services with 32 deals, 16% of the future deal count and finally TMT, with 26 deals accounting for 13% of the future deal count.

BENELUX
HEAT CHART BY SECTOR

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DACH

RELATIVELY STRONG M&A DEAL FLOW IN DACH MID-MARKET Q1 2022 AS DEALS IN PROGRESS AT YEAR END 2021 COMPLETED. OUTLOOK FOR REST OF 2022 UNCERTAIN GIVEN ONGOING UKRAINE WAR

• Relatively strong start to the year with deal volumes increasing quarter on quarter by (+26.3%) to 77 which is only 6.5% down compared to the Q1 2021 which in itself was the strongest Q1 since 2008. Average deal values were lower than in Q1 2021 resulting in a decline in overall deal value of 19.6% year on year. This was in line quarter on quarter - +1.6%

• Transactions involving PE’s remain an important component of DACH Mid-Market M&A, accounting for 43.1% of deals by number and 32.3% in value. Average deal size of deals involving PE’s was also smaller

• Whilst the TMT and Chemicals sectors remained the most active, deal activity by sector was more heterogenous in Q1 2022

• Strong international interest in the DACH market continued with 65% of the top 20 deals involving a non-DACH acquirer, eight European (excl DACH corporates) and five were US-based. Interest in targets was spread between Germany (50%), Switzerland (40%) and Austria (10%).

On a year-on-year basis the DACH-Market M&A demonstrated similar trends to global M&A activity but was much stronger on a quarterly basis. Global Mid-Market M&A transaction volumes declined by 14.8% (DACH -6.5%) transaction values were down by 16.7% (DACH -19.6%) compared to Q1 2021. Quarter on quarter, the global M&A volume decreased by 14.8% (DACH -6.5%) and the values decreased by 16.7% (DACH -19.6%) compared to Q4 2021. Likewise aggregate PE deal volumes are slightly higher on a year-on-year basis (+10.7%) (Global +6.3%) and significantly higher on a quarterly basis (+40.9%) (Global +28.7%). The deal value decreased significantly by 40.2% year-on-year (Global -19.1%) and decreased (-12.1%) (Global +0.3%) compared to the last quarter

In light of the Ukraine war the market outlook for DACH is expected to become more uncertain and mixed even if many underlying fundamentals remain otherwise very positive.

KEY DEALS AND SECTORS
The largest Mid-Market M&A deal in the region in the first quarter of 2022 involved a SPAC. GFJ ESG Acquisition SE, which acquired German company tado GmbH in a deal worth $456m. GFJ is a special purpose acquisition company (SPAC) which signed a letter of intent to acquire tado, a provider of smart thermostats and intelligent climate management solutions. The combined group - branded as tado SE - will be listed publicly on the
Frankfurt Stock Exchange and will have a shareholder base consisting of tado’s and GFJ’s existing investors as well as the new PIPE investors.

Another of the Quarter’s biggest deals resulted in the creation of a new Swiss technology champion with more than 3,000 employees. Metall Zug AG (Switzerland) sold its business unit Schleuniger AG to Komax AG, a Switzerland based manufacturer of wire processing machinery. Schleuniger develops, manufactures, and markets wire and cable processing machines. As part of the deal structure Metall Zug AG received a 25% stake in Komax AG; the aim of the merger is to maximise opportunities in the field of automated cable processing and secure the long-term competitiveness of both companies. The deal value of $393m makes it the second largest transaction in Q1 2022.

With a deal value of $227m a transaction involving Hy24 and a group of financial and institutional investors became the world’s largest private investment in green hydrogen technology. Climate Hy24, a Germany based clean hydrogen infrastructure investment platform which is a joint venture between Ardian (a PE) and FiveT Hydrogen teamed up with other investors Mirova SA, Caisse de Depot et Placement du Quebec (CDPQ) and Technip Energies N.V. to acquire Hy2gen AG. The German company develops, finances, builds and operates plants to produce green hydrogen and hydrogen-based e-fuels.

The sectors TMT (26), Industrials & Chemicals (16), Business Services (9) and Pharma, Medical & Biotech (7) were the most active mid-market sectors in the DACH region in Q1 2022. All four sectors together account for approx. 80% of all deals in the DACH region. The TMT sector deserves special mention; it recorded 26 transactions and stays on a high level compared to Q4 2021 (24 equals +8.3%) and Q1 2021 (25 equals +4%).

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LOOKING AHEAD

While striking a note of caution in January 2022, both the Heat Chart and underlying fundamentals supported a relatively positive outlook for DACH Mid-Market M&A in 2022. The Ukraine War has obviously clouded that perspective. M&A did not stop in March 2022 and Mid-Market M&A held up better than larger deals and capital market activity. This is despite the significantly weakened economic sentiment (see downgrades in GDP outlook in April 2022 and the collapse in Germany’s business sentiment IFO index in March albeit it has stabilized in April at low levels). Management will be resetting priorities focusing on addressing inflation trends which have been exacerbated by the Ukraine War particularly looking at supply chain issues and energy prices and ensuring that the disruption to business in Russia, Belarus and Ukraine is contained. The extent to which this impacts on M&A activity will depend on the duration of the Ukraine War and its ongoing impact. In that context a strong Heat Chart may only reflect an increasing back-log.

DACH MID-MARKET VOLUMES BY SECTOR

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<tr>
<th>Sector</th>
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<th>2022</th>
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<td>TMT</td>
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<tr>
<td>Business Services</td>
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<tr>
<td>Pharma, Medical &amp; Biotech</td>
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<td>Consumer</td>
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<td>Financial Services</td>
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<td>Energy, Mining &amp; Utilities</td>
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<td>3%</td>
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<tr>
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<tr>
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DACH HEAT CHART BY SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>Heat Chart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrials &amp; Chemicals</td>
<td>26%</td>
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<tr>
<td>TMT</td>
<td>20%</td>
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<td>Real Estate</td>
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<td>Leisure</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
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</table>
The negative trend in M&A activity seen since the all-time high of Q2 2021 has continued into 2022. Q1 2022 was weaker than prior quarters, but overall performance was in line with historical figures. A total of 64 transactions with a combined value of USD 5.5bn was recorded during the quarter, driven by significantly lower levels of activity from PE buyers. Trade buyers also reduced their levels of activity. Increased geopolitical risks, advance notice of increased interest rates, a weak stock market and a normalization of the market post-COVID all partly explain the recent developments in mid-market M&A.

Although M&A activity in Q1 2022 was weaker than previous quarters, the numbers were in line with historical figures from the pre-COVID period. For comparison, the average quarterly deal value over the last five years is USD 5.8bn. And typically, the first quarter is not the most active period of the year. Overall in Q1 2022, the volume and value of transactions fell by 18% and 14% respectively compared to Q4 2021.

The continued decline in Q1 2022 is also explained by the lower deal volume (down by 47%) as the average transaction size increased by 16% versus Q1 2021. The drop represents the back end of the boom-and-bust pattern that we have seen following the pandemic. At the onset of COVID-19, deals were temporarily postponed which resulted in weak quarters which were then followed by an upsurge as societies opened again. The Nordic M&A market peaked in Q2 2021 and has been gradually falling back to normal levels since then. Reduced activity from both trade buyers and PE contributed to the quarter’s weak performance. The biggest fall was in PE activity, which did fewer deals (down 52%), but the average size was up 21%. The combined effect resulted in a big fall of 42% in PE deal value vs. the same quarter last year. Trade buyers also decreased their levels of M&A activity as well. Their total deal value decreased by 37%, with volume falling by 45% and the average deal size increasing by 15%.

As evidenced by the numbers, the recent downfall of the M&A market has been driven by PE buyers doing fewer deals, especially deals of smaller size. One possible explanation could be that PE firms have shifted their focus to new platform
investments after a period of downtime during the pandemic. At the outset of the pandemic, more larger deals were postponed than smaller ones and more deals by trade buyers were postponed relative to private equity firms with ample dry powder. As markets improved, trade buyers returned and started transacting bigger deals again. Private equity firms, on the other hand, limited their activity at the outset of the pandemic, but still kept on carrying out smaller deals. One possible explanation for reduced PE deal activity could be the postponement of new platform investments, but the continued add-on activity of existing investments. Now that the pandemic hopefully is behind us, it’s likely that PE firms will increase their appetite for both larger deals and new platform investments.

Due to the large fall in PE deal numbers, PE’s share of volume and value fell slightly to 17% and 16% respectively. In other words, less than one in five deals were PE deals, which is lower than previous quarters, but is generally in line with historical trends. At the peak of deal activity in Q3 2021, PE deals accounted for 30% of volume and 34% of value.

KEY SECTORS AND DEALS
The three top performing sectors in the quarter were TMT (23 deals), Industrials & Chemicals (12) and Energy, Mining & Utilities (8), which together accounted for 67% of quarterly deal volume. So far in 2022 there have only been four deals completed within Business Services and none within the Leisure sector, which is considerably lower than prior years.

Of the quarter’s 64 deals, the Top 10 and Top 20 deals accounted for 54% and 78% of the total value respectively. Six of the top 20 deals took place in TMT, the biggest of which was the acquisition of Ice Group by Lyse AS (Norway) with a transaction value of USD 335m. The TMT transaction was the second biggest deal across all sectors. Real Estate recorded three deals in the quarter’s Top 20. The largest deal, at USD 307m, saw the acquisition of SG Nordic (Denmark) by Cibus Nordic Real Estate AB (Sweden), which overall was the third biggest deal. The quarter’s biggest single deal was in the Consumer sector and saw Euroapotheca, UAB (EA) (Lithuania) acquire Kronans Droghandel Retail AB (Sweden) for a deal value of USD 464m.

The three sectors that have seen the largest increase in deal volume over the last 12 months (Q1 2022 vs. Q1 2021) were Leisure (+100%), Real Estate (+90%) and Pharma, Medical & Biotech (+44%).

LOOKING AHEAD
The M&A market is cooling down in the Nordics as the post-COVID boom looks to be behind us. The increased geopolitical risks, future potential increases in interest rates and a weak stock market make it difficult to make predictions for the coming quarters.

A likely outcome is a gradual normalization to pre-COVID levels of M&A activity. The negative trends in dealmaking activity that we have seen since the peak in Q2 2021 may continue into the second quarter of the year. In the longer term, the macroeconomic and financial indicators suggest that M&A activity will remain at historical levels.

The BDO Heat Chart also supports a return-to-normal scenario. TMT and Industrials & Chemicals are expected to be the most active sectors, which together are expected to account for 47% of future volume.
Business Services is predicted to gain traction again and return to historical levels after a weak first quarter. Moving forwards, the PE sector in the Nordics is also expected to be active, as recent record-setting fundraisings have resulted in ample dry powder and incentives to invest. The first half of 2022 is expected to end up at lower levels of dealmaking than the first half of 2021, but within a normal range. The overall performance of the year remains to be seen, but it has undoubtedly been a soft start to the year compared to 2021.
ISRAEL
DEAL ACTIVITY STALLS IN Q1 BUT OUTLOOK LOOKS BRIGHTER

BIG PICTURE

- Q1 2022 M&A value decreased (c. 39%) in comparison to the previous quarter. Deal volume also fell slightly, from 30 deals in Q4 2021 to 28 deals in Q1 2022.
- PE activity dropped in Q1 2022 compared to Q4 2021.
- The BDO Heat Chart shows 189 potential deals in the region, suggesting a ramp up in activity.

M&A ACTIVITY DROPPED BACK DURING Q1 2022 IN TERMS OF VALUE.

A total of 28 deals, with a combined deal value of USD 2,192m, were successfully completed in Q1 2022. This represented a 39% decrease in deal value, and a marginal decrease in deal volume from the 30 deals completed in Q4 2021 to the 28 compared in Q1 2022. The reduction in deal value was more substantial than that of deal volume, which led to a decrease of 35% in the quarterly average transaction value to USD 78m, indicating that smaller-sized deals were being completed.

Private equity activity also declined during Q1 2022, with figures showing a decrease in terms of volume and as well as value compared to the previous quarter.

In Q1 2022, PE was responsible for 12 deals, worth a total of USD 846m, which represented 43% of the deal count and 39% of the overall value for the quarter.

KEY SECTORS AND DEALS

Israel’s Top 10 Q1 2022 deals had an aggregate value of USD 1,350m, representing 38% of total M&A transactions. The quarter’s largest transaction was the USD 200m acquisition of Driviz Ltd by Vontier Corporation. Other big deals included the USD 181m acquisition of a 16% stake in Bazan Group by Hagag Group and the USD 176m acquisition of a 60% stake in Mini Line Ltd by Supe Sol Ltd. TMT was the leading sector with 12 deals (43% of total transactions) in Q1 2022. Industrial & Chemicals was in second place with 10 deals.

Next were Consumer and Business Services, each with three deals (22% of all transactions), followed by Energy, Mining & Utilities and Pharma, Medical & Biotech, with two deals each (14% of all transactions). Four of the Top 10 deals involved foreign bidders, supporting the continued global interest in Israel’s
resilient economy and robust equity market. All four foreign bidders were from the US. Israel continues to attract foreign investment due to its favourable economic conditions, considerable incentives and strong R&D sector, coupled with its highly-skilled and multilingual workforce.

LOOKING AHEAD

Looking ahead, the data supports a ramp up in the M&A growth rate. The BDO Heat Chart for Q1 2022 shows 189 deals planned or in progress, compared to 154 deals in Q4 2021, which indicates a 22% increase in pipeline deals.

Of those pipeline deals, 37 (20%) are expected to take place in the TMT sector, 31 (16%) in Industrials & Chemicals and 30 (16%) in Business Services. Other sectors expected to be see M&A activity include Consumer with 25 deals (13%), Financial Services with 18 (10%), Pharma, Medical & Biotech with 16 (8%), Energy, Mining & Utilities with 15 (8%), Retail Estate with 10 (5%) and finally Leisure with seven deals (4%).

TAMAR BEN-DOR
PRINCIPAL, M&A

tamarbe@bdo.co.il

ISRAEL
HEAT CHART BY SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
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<td>TMT</td>
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ISRAEL
MID-MARKET VOLUMES BY SECTOR

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AFRICA
M&A DEALMAKING ACTIVITY FALLS TO DECADE LOW LEVEL

Regardless of the quarterly performance, we remain hopeful that rising commodity prices will benefit Africa’s mineral-rich continent, provided that the continent’s countries can weather the storm of drastically rising input costs.

Q1 2022 will be remembered as the quarter with the lowest recorded deal activity in the last decade, with dismal deal volume and value at levels not seen even during the 2008 Global Financial Crisis. A total of just 17 deals were transacted with a combined value of USD 1.031bn.

Following the trend seen in the last 12 months, Energy, Mining & Utilities and Financial Services were the most active sectors with four deals each, closely followed by Pharma, Medical & Biotech. Looking at the top deals in these sectors, we can clearly observe an increase in M&A activity in South Africa. The largest deal, which took place in Financial Services, was the result of yet another decision by asset managers to unbundle and subsequently delist PSG Group Limited in an effort to unlock the investment holding company discount on the Johannesburg Stock Exchange (JSE), with the company citing it as an ‘end of an era’.

PSG’s share price appreciated by a staggering 38.4% following the announcement, a reflection of the quantum of discounts applied to similar entities not only on the JSE, but other stock exchanges globally. The unbundling is valued at approximately USD 217m.

PSG Group CEO Piet Mouton said: “In all our engagements with shareholders over the past five years a significant part of the conversations revolved around the discount at which we trade and what PSG Group can do to narrow such discount. In 2020, PSG Group unbundled Capitec, thereby unlocking USD 1.34bn of value for PSG Group shareholders. Despite this value unlock exercise, PSG Group continued to trade at a 30% discount.”
The quarter’s next biggest transaction was the acquisition by Sinomine Resource Group of the shares not already held in Bikita Minerals (Private) Ltd, the largest lithium mine in Zimbabwe, in an attempt to increase its reserve of lithium ores for a total consideration of USD 180m, confirmation of the mineral wealth that is still located on the continent.

The third biggest transaction was the acquisition by The Foschini Group (TFG) of Tapestry Home Brands for USD 153m. Tapestry Home Brands includes the Coricraft, Dial-a-Bed, The Bed Store and Volpes chains and is now the cornerstone of TFG’s strategy to grow its local furniture manufacturing capacity.

Of the quarter’s 17 deals, four still relate to the unbundling of non-core assets by what used to be some of the JSE’s highest performing assets. For example, Ascendis Health Ltd is still trying to repay debts incurred in a spree of what was arguably a series of unsuccessful acquisitions and EOH Holdings Ltd is attempting to unbundle assets after a trail of corruption was uncovered in 2017 which resulted in the destruction of c.96% of its share price high.

LOOKING AHEAD
Following trends which were already in play well in advance of the invasion of Ukraine, and which have since been enforced with rising commodity prices, we remain hopeful that the commodity and mineral-rich African continent will flourish, provided countries and companies can weather the storm of rising input costs until such time as a sale can be made. The Russia-Ukraine war has exacerbated trade shocks caused by the coronavirus pandemic and extreme weather. The prices of items such as sunflower oil, crude, fertiliser and wheat have all soared to record highs since the invasion began. Similar trends have been identified throughout the continent, and in Kenya for example, the latest purchasing managers’ index compiled by S&P Global and Stanbic Bank points to near-unprecedented surges in input costs and output charges that were often a direct result of the conflict.

Direct participants in the primary agriculture space have already started benefitting from record food prices, with producers already reporting that the average field crop revenue from farmers has risen from over the mid-ZAR 30bn (USD 2bn) to the early R50bn (USD 3bn) mark.

Furthermore, the South African market is keeping a close watch on rising interest rates in the developed economies, having to carefully balance the attraction of higher interest rates in safer environments during uncertain times, with their cash-strapped consumers, most of whom have only felt the increased pressures on fuel and food prices in their monthly living expenses.

1 Moneyweb – “Cost pressures from Ukraine weigh on African economies, data show” by Monique Vanek, Bloomberg 6 Apr 2022
Finally, it would also appear that the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector (Zondo) are making headway into identifying guilty parties and ensuring that justice is served for the near decade-long corruption scandal which has plagued the South African economy.

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In Q1 2022, there were 111 deals completed in India’s mid-market M&A segment, a significant increase from the 68 deals completed in Q4 2021. In value terms, India’s recorded deals soared to USD 10,038m in Q1 2022 compared to USD 7,739m in the previous quarter, representing a rise of almost 30%. PE firms are now becoming increasingly important in India’s mid-market M&A, accounting for 47% of total deal volume and 53% of total deal value in the quarter.

**POLITICAL AND ECONOMIC BACKDROP**

The Indian Budget 2022, presented by the Honourable Finance Minister in February 2022, was not a significant one in terms of tax reforms. However, it included macroeconomic level growth with a significant focus on infrastructure. The budget estimated India’s economic growth at 9.2% for the financial year ending March 2022 (and that includes two waves of the pandemic), the highest among all large economies and growth of 8%-8.5% is expected during FY23.

Like the rest of the world, India’s economy is just emerging from the pandemic and its related consequences but the recent geopolitical crisis that resulted from the Russian invasion of Ukraine has created worldwide uncertainties such as rises in inflation, supply chain disruptions and high levels of volatility in stock markets, causing concerns over countries’ economic recoveries.

Other than the humanitarian concerns, the major impact of war has been a sharp rise in crude oil prices and its related effects. Many experts are worried that the impact on the Indian economy could be severe as India imports up to 85% of its crude oil needs and the surge in international oil prices to a 14-year high could disturb the country’s balance of payments.

India also imports items like gems and jewellery, fertilizers and edible oils from Russia. Though India’s involvement in the conflict has been limited so far, the increasing sanctions against Russia could be a cause of concern given its strong strategic, military, and economic relations with India. Some of the other areas which could feel the impact are:
• Defence – India is hugely dependent on Russia for arms and defence equipment supplies and the sanctions will impact existing deals and contracts

• Auto sector – India’s automobile industry is expected to face significant supply shortages because both Russia and Ukraine are key producers of elements such as palladium metal and neon gas which are used in semiconductor chip manufacturing.

The ramifications of all this can be seen in higher global commodity prices. Such macroeconomic repercussions could lead to risks of higher levels of inflation, bigger import bills and a widening of the current account deficit.

The Economic Survey tabled in Parliament by Finance Minister Nirmala Sitharaman in January 2022 projected that the Indian economy would grow at 8%-8.5% for the financial year 2022-23, which was based on the assumption that crude oil prices would maintain an average rate of USD 70-USD 75 per barrel. As a result of the war, the crude oil price has passed USD 100 per barrel, which could have a consequential impact on India’s growth prospects.

However, some eminent economists believe that the Russia-Ukraine war will not impact the Indian economy that harshly. In fact, they think that it could have positive aspects for India’s Agriculture industry because Russia and Ukraine combined account for a third of global food grain requirements and, as the war intensifies and more sanctions are imposed, there will likely be import blockades for other nations, which India could be in a position to take advantage of.

In addition, India’s federal bank governor Shaktikanta Das believes that the war will only have a ‘marginal impact’ on the economy as the country is far better placed today to deal with the challenge of financing the current account deficit. Banks are well capitalised with a system-level capital adequacy ratio at 16 and gross non-performing assets have fallen to a record low of 6.5%.

On the M&A front, India remains an attractive proposition for investors with a flurry of transactions, both cross border (inbound) and domestic. An additional potential impact of the war could be Indian multi-national corporations looking to acquire targets based in and around Ukraine.

KEY SECTORS AND DEALS
Looking at sector activity in Q1 2022, TMT led the charge with a 46% share and 51 deals, followed by Industrials & Chemicals with 18 deals and Pharma, Medical & Biotech with 11 deals. Other active sectors included Financial Services, Consumer and Energy, Mining & Utilities.

TMT, which has accounted for most of the deal volume in the last three quarters, maintained its major share of mid-market activity. Overall, M&A activity and PE transactions saw high levels of growth and on the whole, the prospects for 2022 look bright.

Some of the key deals in the various sectors included:

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TMT
- Uniphore, a start-up firm in conversational automation, raised USD 400m in a funding round led by foreign fund New Enterprise Associates, March Capital, and other existing investors along with new entities, at a valuation of USD 2.5bn.
- Bharti Airtel, along with its wholly owned subsidiary, acquired a 4.7% stake in Indus Towers from Euro Pacific Securities Ltd, an affiliate of Vodafone Group, for USD 318m.
- Pune-based logistics start-up ElasticRun, operated by Ntex Transportation Services Pvt Ltd, secured USD 300m from Japan’s Softbank Capital, Goldman Sachs & Co. LLC, Prosus Ventures, Chimera Investments LLC and InnoVen Capital India Pvt Ltd.

INDUSTRIALS & CHEMICALS
- Canadian investment firm Brookfield Asset Management Inc. signed an agreement in March 2022 to acquire a minority stake in packaging films business Jindal Poly Films Limited for USD 263m.
- Reliance Strategic Business Ventures Limited (RSBVL), a wholly-owned subsidiary of Reliance Industries, will invest USD 220m to form an electronics manufacturing JV with US-based Sanmina Corporation. RSBVL will hold a 50.1% stake in the JV with Sanmina owning the remaining 49.9%.

PHARMA, MEDICAL & BIOTECH
- Mankind Pharma entered into an agreement to buy the domestic formulations business of Panacea Biotec Pharma, a subsidiary of Sputnik V maker Panacea Biotec, for USD 256m.
- Warburg Pincus has agreed to invest USD 210m for a minority stake in medical devices firm Micro Life Sciences Private Limited, the parent organization of the Meril group of companies.
GDP TARGET SET AT 5.5% FOR 2022

In January 2022, China announced that its GDP grew by 8.1% during 2021. Although GDP growth reduced from 4.9% in Q3 2021 to 4% in Q4 2021, the overall 2021 GDP was slightly above the 8% growth expected by the International Monetary Fund and the World Bank and beyond the 6% target set by China itself. This growth in 2021 was driven by the recoveries of several advanced economies from the downturn caused by the COVID-19 pandemic. Total exports from China also rose 29.9% from a year earlier, the highest level since 2011, due to the improved foreign demand for industrial products from China in 2021.

The momentum of China’s economic recovery further improved in January and February 2022. According to the China National Bureau of Statistics (NBS) in March 2022, retail sales of consumer goods also reported a y-o-y increase of 6.7% in the first two months of 2022. However, China set a GDP target at 5.5% for 2022 in March 2022, the lowest official goal since 1991. In April 2022, the World Bank revised its expected growth rate of 5% for the China’s GDP in 2022, down from the original forecast of 5.4% in October 2021. Current key concerns on China’s economic growth in 2022 include disturbances to trade caused by the recent increase of COVID-19 infections in March 2022, the resulting lockdowns and credit default risks of Chinese property developers from 2021.

FDI GROWTH IN 2021 AND EARLY 2022

According to the Ministry of Commerce (MOC), China’s foreign direct investment (FDI) increased by 14.9% from USD 156bn in 2020 to USD 174bn in 2021. The FDI growth in 2021 mainly took place in the services and high-technology sectors. Furthermore, the registered number of foreign investment enterprises increased by 23.5% to 48,000 in 2021. In particular, investment into China from countries along the Belt and Road Initiative and the Association of Southeast Asian Nations (ASEAN) increased by 29.4% and 29% respectively. China was the world’s second largest FDI recipient for the five years from 2017 to 2021.

The MOC announced that China’s FDI expanded 37.9% y-o-y to USD 37bn in January-February 2022. The growth...
was mainly due to the relaxation of the foreign investment policy and an improved domestic business environment in China. According to data released by the NBS in March 2022, investment in manufacturing surged 21% during January-February 2022 from a year ago, faster than the 13.5% y-o-y growth recorded in the same period in 2021. China has continued to boost its spending on infrastructure, with many local governments kicking off significant projects in areas such as electric mobility and semiconductors.

CONTINUED RELAXATION OF FOREIGN INVESTMENT POLICY

In 2022 China has continued to liberalize its business environment for foreign firms by cutting the number of sectors and industries that were off limits to both Chinese and foreign investors i.e. on its negative list for market access. The latest 2022 list of restricted or prohibited industries have been cut to 117 from 123 on the 2020 list, according to the National Development and Reform Commission. The major changes in China’s 2022 negative list are as follow:

1. The limitation on foreign shareholding ratio and joint venture numbers in the motor vehicle manufacturing sector will be cancelled;
2. Foreign financial firms can take controlling shares in existing joint ventures or open new wholly foreign-owned firms;
3. Foreign capital will be allowed in satellite TV and the manufacturing of key components businesses; and
4. The investment limitation on (i) corn agriculture; (ii) the publishing industry; (iii) Chinese medicine manufacturing; (iv) entertainment; and (v) the market research sectors in the Pilot Free Trade Zone will all be relaxed.

In the near term, it is expected that China will face slowdowns in exports and supply chain disruptions amid the Ukraine war crisis and the recent pandemic lockdowns in some major Chinese cities in March 2022. Nonetheless, China’s continued relaxation on foreign investment will continue to bring investment and development opportunities to foreign enterprises. In order to align with the global post-pandemic economy recovery and attract more foreign capital, China will need to continue to improve its business environment. This will include more consistency in its economic policies and even stronger intellectual property protection and trade dispute resolution mechanisms.
TOP DEALS
The largest mid-market deals in Q1 2022 were spread across different sectors, including TMT, Industrials & Chemicals, Financial Services and Business Services. The major mid-market deals were as follows:

- Innoscience Technology completed pre-IPO financing and the deal value was around USD 473m – announced in February 2022;
- Huike Co., Ltd. acquired a 12.8% stake of Mianyang Huike Optoelectronics Technology Co., Ltd. from Mianyang Investment Holding (Group) Co., Ltd. at a consideration of USD 428m, as part of a restructuring - announced in January 2022; and
- Hong Kong Asia Medical Holding Limited announced that it has raised USD 400m in a round of funding co-led by Country Garden Venture Capital and Primavera Capital Group in February 2022.

LOOKING AHEAD
The latest BDO Global Heat Chart shows that the Greater China region is predicted to be the second most active region with 1,916 deals announced or in progress. 649 (34%) of deals are expected to take place in the Industrials & Chemicals sector, followed by 263 (14%) in TMT and 205 (11%) in Business Services.
After experiencing a sharp drop in deal value in Q4 2021, M&A mid-market activity in SEA rebounded in the first quarter of the year, with total deal value up by 38.18% from USD 5.5bn in Q4 2022 to USD 7.6bn in Q1 2022. The total deal value in Q1 2022 was also higher than the USD 5.4bn recorded in the corresponding quarter in 2021.

In terms of deal volume, M&A activity in South East Asia also made a strong recovery from 47 deals in Q4 2021 to 63 deals in Q1 2022. However, the deal volume in Q1 2022 was marginally down from the 69 deals in Q1 2021.

The average deal value in Q1 2022 was USD 120.3m, again higher when compared to Q4 2021 at USD 116.1m. It’s worth noting that the average deal value in Q4 2021 was the highest recorded for the past 10 years and represented a continuation of the trend of the final quarter being the best performing quarter in the last 10 years. The high average deal value in Q1 2022 indicates that transaction values are increasing in the region.

**PE ACTIVITY**

The private equity segment continues to play a significant role in South East Asia’s M&A, accounting for 30.2% of the quarter’s deal numbers and 34.3% of deal value.

PE was involved in 19 deals in Q1 2022, higher than both the 12 deals transacted in Q4 2021 and the 10 deals in Q1 2021. Similarly, PE’s recorded total deal value of USD 2.6bn was higher than the USD 1.2bn recorded in Q4 2021 as well as the USD 1.6bn in Q1 2021. The rise in PE deal volume and value was in line with the increasing popularity of PE deals across

**SOUTH EAST ASIA**

**DEAL VOLUME AND VALUE RECOVER STRONGLY IN POSITIVE QUARTER**
all regions, accounting for 33.0% and 33.2% of global deal volume and value in Q1 2022.

**KEY SECTORS AND DEALS**

The top performing four sectors in Q1 2022 were TMT, with 21 deals (Q1 2021: 10 deals), Business Services with nine deals (Q1 2021: 10), Industrials & Chemicals with seven deals (Q1 2021: 22) and Energy, Mining & Utilities, also with seven deals (Q1 2021: 10). Together, these four sectors accounted for 69.8% of the quarter’s total deal volume.

The top three deals in South East Asia were as follows:

- **Business Services** – the acquisition of the Princeton Digital Group in Singapore by Warburg Pincus LLC, the Ontario Teachers’ Pension Plan and the Mubadala Investment Company PJSC from the United Arab Emirates (purchase consideration: USD 500m).
- **Industrials & Chemicals** – the acquisition of a 100% stake in G J Steel Public Co Ltd in Thailand by the Nippon Steel Corporation from Japan (purchase consideration: USD 456m).
- **Energy, Mining & Utilities** – the acquisition of 33.3% stake in Star Energy Group Holdings Pte. Ltd. in Indonesia by Springhead Holdings Pte Ltd from Singapore (purchase consideration: USD 440m).

The total value of the Top 20 deals in South East Asia was USD 5.3bn, accounting for 69.7% of the quarter’s total deal value of USD 7.6bn.

Looking at the region’s Top 20 M&A deals, it is noteworthy that Singaporean companies were the most popular targets, accounting for 40% of the quarter’s Top 20 (Q4 2021: 30%). South East Asia also remains an attractive region for international investors, with 55% of the Top 20 involving overseas bidders from outside the region.
LOOKING AHEAD

All told, the first quarter of the year saw a strong pick-up in deal volume and value compared to Q4 2021. As South East Asia continues to record higher average deal values, as seen in the past two quarters, it is indicative that the market trend in the region is moving towards bigger-sized deals.

As previously mentioned, Singaporean companies have become increasingly popular as M&A targets, with the country recording the region’s highest deal count in the last five quarters. This may be due to the availability of value accretive companies in Singapore, which are proving attractive to investors.

For the remainder of 2022, M&A activities will largely be dependent on factors such as the severity of the Ukraine-Russia war, South East Asia’s economic recovery and the ongoing management of the COVID-19 virus, the reopening of borders by the respective countries and the region’s overall investment climate.
Digitisation has continued to spur growth across all sectors, with companies seeking transformative technologies to build efficiencies and expand into emerging fields. Consequently, TMT remained the most active sector with 30 deals in both Q1 2021 and Q1 2022. Investors are also seeking ESG-driven portfolio optimisations, as capital is poured into businesses focusing on green energy and corporate social responsibility. Climate awareness remains a particular concern, heightened by the recent COP26 summit and the introduction of compulsory climate-related reporting in the UK and New Zealand.

Cross-border M&A activity remained strong, with 55% of the quarter’s Top 20 deals involving an overseas bidder. Strong international interest is supported by the International Monetary Fund’s projected GDP growth for Australia increasing from 3.5% to 4.1% in 2022. Despite the heightened international activity in Australasia, offshore buyers in Q1 2022 were skewed towards North America, Singapore, and Japan, as opposed to China in previous years. This reflects a growing uncertainty around China’s economic performance, alongside the allure of Australia’s relatively untapped technology sector compared to North America.

In Q1 2022, 79 deals were completed with a combined value of USD 5.3bn, representing a decrease in both deal volume (11%) and disclosed deal value (25%) compared to Q1 2021.

As investor optimism and elevated levels of deployable capital continue, the appetite for dealmaking in Q1 2022 remained strong, albeit at levels below the record-breaking highs seen in 2021. This was reflected in the overall deal value and deal volume for Q1 2022, which remained high at USD 5.3bn across 79 deals, but was lower in comparison to Q1 2021, which saw a value of USD 7.0bn across 89 deals.

PE’s contribution to total deal volume rose from 12% in Q1 2021 to 24% in Q1 2022. PE firms were generally slower than trade players to capitalise on deal opportunities during 2021, instead focusing on weathering COVID-19’s impact on their existing investments. However, in Q1 2022, PE operators displayed an increased confidence for dealmaking, with a particular focus on digitally innovative companies that they would traditionally avoid.
KEY DEALS

The quarter’s largest disclosed deal was Hornblower Group Inc’s USD 434m acquisition of Experience Australia Group Pty Ltd (trading as Journey Beyond) from Quadrant Private Equity Pty Ltd. Hornblower, a US-based leader in experiential travel, believes that the acquisition will support its strategy to grow its global footprint and guest offerings. The deal will see Journey Beyond adding 13 tourism brands to Hornblower’s portfolio, including the Ghan, Cruise Whitsundays and Melbourne Skydeck.

The second largest transaction was Ampol Ltd’s divestment of Gull New Zealand to special situations PE firm Allegro Funds Pty Ltd for USD 388m. The sale of Gull, Ampol’s New Zealand petroleum distribution business, was timed to meet obligations set by the New Zealand Commerce Commission in approving Ampol’s acquisition of Z Energy Ltd. If successful, Ampol will see its market share in New Zealand fuel sales grow from 8% (Gull) to 40% (Z Energy). The divestment remains conditional on approval from New Zealand’s Overseas Investment Office and Ampol’s successful acquisition of Z Energy.

VGI Partners Ltd’s USD 378m acquisition of Regal Funds Management Pty Ltd completes the quarter’s top three deals. The deal will merge the two investment companies to create a fund management platform with approximately USD 4.2bn funds under management. The transaction will allow VGI to leverage Regal’s expertise and platform in Asia, whilst Regal will benefit from a de facto listing through the arrangement. The deal remains subject to VGI shareholder approval.
LOOKING AHEAD

The year ahead looks set to be another strong year for M&A activity, with 405 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 create uncertainty for overseas investors who must undergo the FIRB approval process and wish to avoid their acquisition becoming 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 TMT is expected to remain the most active sector for M&A activity, with 79 deals in the pipeline. This sector is closely followed by Industrials & Chemicals and Energy, Mining & Utilities, with 62 and 58 transactions under consideration respectively.
SECTOR VIEW

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CYBERSECURITY
A DRIVER FOR TMT’S STRONG M&A START TO 2022

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NATURAL RESOURCES
ENERGY TRANSITION SET TO DRIVE FUTURE NATURAL RESOURCES M&A

P67
REAL ESTATE
IS INFLATION SENDING THE RED-HOT MARKET INTO OVERTIME?
Technology, media, and telecoms (TMT) mid-market deals maintained momentum in the first quarter of 2022. Cybersecurity deals were among the drivers.

Considering the backdrop, TMT’s mid-market M&A performance in Q1 2022 is especially impressive. Deal activity slowed across most industries as global markets and investors grappled with rising interest rates, inflation, and uncertainties created by Russia’s invasion of Ukraine.

 Massive cybersecurity deals, such as Google’s USD 5.4 billion acquisition of Mandiant, stole many headlines. However, activity and deal multiples are on the up across the space, as cybersecurity companies garner interest from all sides.
TMT SHOWS RESILIENCE
Mergermarket data for Q1 2022 shows a marked drop in mid-market M&A activity levels across almost all industries. In contrast, TMT recorded 720 deals, up from 608 the previous quarter. The total deal value was USD 70.5bn, down USD 500m compared to last quarter. Private equity firms continue to show strong interest in TMT. Their deal market share has gradually increased over the last couple of years. In 2022 Q1, PE firms were involved in 398 TMT mid-market deals worth a combined USD 36.8bn.
SOFTWARE CONTINUES STRONG PERFORMANCE

Within TMT, technology is clearly the most active space. Deal volumes for telecoms remain steady, while the recent dip in M&A deals within Digital Media and E-commerce has continued into 2022.

Software remains the prime deal driver within technology, accounting for 79% of all TMT deals in 2022 Q1.

Overall, the results illustrate TMT companies’ ability to continue performing and remain attractive to investors under changing market conditions, increasing inflation and interest rate hikes.

One reason is that digital transformation remains top-of-mind for companies and organisations. TMT companies are providing much of the necessary infrastructure and solutions.

Simultaneously, supply chain stresses and Russia’s invasion of Ukraine encourage further investments in digital solutions to build out resilience.

TMT MID-MARKET DEAL ACTIVITY

SPLIT BY INDUSTRY SPACE 2020 Q1 - 2022 Q1

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Data: Mergermarket. Graph: BDO Global

CYBERSECURITY IN A PERFECT STORM

Increased digitisation also means broader attack surfaces for cyberattacks. Work from home initiatives, growing use of cloud infrastructure and diverse solution ecosystems all increase risks.

Simultaneously, attacks are becoming more sophisticated – and costly. 2021 set a seven-year high for average total data breach costs, according to an IBM study.

Rising geopolitical tensions drive increased frequency and severity of attacks and loss of confidential and competitively sensitive data (between companies and countries).

Governments, regulatory bodies, and industries themselves are introducing new stricter data governance and compliance requirements for the protection and handling of personal data.

As a result, companies and organisations have more demand for cybersecurity software and services. It acts as an industry tailwind, attracting capital to companies addressing these areas, bolstering the already strong performance of cybersecurity.

According to Gartner, global cybersecurity spending exceeded USD 150bn in 2021. It is projected to reach USD 346bn by 2027, according to a study by Astute Analytica.

Funding is also on the rise. Last year saw a record USD 21.8bn in venture capital injected into cybersecurity companies, according to Crunchbase data.
DEAL ACTIVITY INCREASES

Deals mirror market and funding activity. 2021 registered almost 300 cybersecurity deals.

Analysis from Momentum Cyber shows that the average cybersecurity M&A size increased to USD 271m, more than doubling 2020’s average of USD 110m. Total deal value reached USD 77.5bn, representing a (294.6% YoY increase).

The results are somewhat influenced by the number of mega-deals signed in 2021. However, it also indicates how valuations and deal multiples in the space have increased.

As the market continues to grow, vendors look to solidify positions and expand offerings through M&A. Examples include Wipro Limited’s acquisition of cybersecurity consulting provider Edgile for USD 230m and Integrity360’s acquisition of Caretower.

Increased activity from private equity and strategic investors is also contributing. In 2021, they acquired 129 venture-backed companies, far outpacing 2020’s record 79 deals. Examples include STG’s takeover of McAfee, Thomas Bravo’s acquisition of Proofpoint, Apax Partners buying Herjavec Group, and a string of mid-market deals such as Intermediate Capital Group’s minority investment in 6Point6.

AI AMONG LIKELY NEXT STEPS

Cybersecurity is often a race between defenders and attackers. As new attack vectors appear, advanced technologies like AI are being deployed. Its strengths include rapidly sifting through and making sense of vast data troves and developing new ways to counter potential threats.

Cybersecurity companies are leveraging these abilities to build automated security systems, natural language processing, and automatic threat detection.

However, attackers also use AI to develop smart malware and upgrade attacks to bypass the latest security protocols.

As the arms race continues and the costs of cyber threats rise, much speaks for cybersecurity companies maintaining their M&A momentum.
NATURAL RESOURCES

ENERGY TRANSITION SET TO DRIVE FUTURE NATURAL RESOURCES M&A

The level of mid-market M&A activity in the Natural Resources sector in the first quarter of 2022 fell to its lowest level since the second quarter of 2020, which saw the first phase of the COVID-19 pandemic.

This current quarter may be an aberration because the deal count in the previous four quarters (in the 2021 calendar year) was at a consistently higher level and represented the best calendar year overall since 2018. It is also possible that, because of continuing low interest rates, the ability of entities in the Natural Resources space to grow through raising funds from IPOs and additional capital raisings has decreased the reliance on M&A activity. The ongoing Russia/Ukraine situation continues to play out and has already resulted in an unanticipated loss of confidence in future global stability, leading to a more cautious approach to acquisitions.

NUMBER OF GLOBAL ENERGY, MINING & UTILITIES M&A DEALS BY QUARTER

NUMBER OF GLOBAL ENERGY, MINING & UTILITIES M&A DEALS BY CALENDAR YEAR
MAJOR DEALS IN Q1 2022

For several regions across the world, Energy, Mining & Utilities deals represented a significant number of the Top 20 deals by value:

- Central and Eastern European countries – six of the Top 20.
- Latin America – four of the Top 20.
- Africa – four of the Top 20.

On the other side of the coin, none of India’s or Greater China’s Top 20 deals took place in the Energy, Mining & Utilities sector.

The breakdown of deals within the overall Energy, Mining & Utilities sector also presents an interesting picture with renewable energy continuing to be a prominent driver in the major deals taking place globally.

RENEWABLES DEALS

The Nordics, Southern Europe, Latin America, South East Asia and Japan regions all had renewables transactions featuring in their Top 20 deals.

The highest value mid-market renewables deal in the first quarter of 2022 was the acquisition by UK-based Renewable Power Capital Ltd of the Swedish company OX2 Group AB (owner of a wind farm project). The Norwegian company Aker Horizon AS’s acquisition of a 48.98% holding in Aker Offshore Wind Holding AS (also Norway-based) represented another significant wind energy deal.

In Southern Europe, the third largest Energy, Mining & Utilities quarterly deal was the acquisition by Italy’s Green Arrow Capital SGR 5pa of a portfolio of solar energy projects in Spain from Progressum Energy Developments S.L. for USD 452m.

In South East Asia, there were two solar power deals in the Top 20: the acquisition by Philippines-based AC Energy Corporation of a 49% stake in Superenergy PCL, which operates nine solar plants across Vietnam and the acquisition by an Australian-based consortium of the Sun Cable project, which involves the construction of a solar array in Australia’s Northern Territory to transmit solar energy to Singapore.

The impetus for renewables transactions may well be the desire of many entities to pursue the energy transition from fossil-based fuels to renewable energy sources. Companies will see this as helping with the green push and also as a means of addressing the increasingly important ESG imperatives.

OIL AND GAS DEALS

Oil and gas deals were the only Energy, Mining & Utilities deals in the Top 20 for the quarter in the UK & Ireland, North America and Israel regions.

It appears that activity in this sub-category reflects a rationalisation of what has long been a fragmented sector.

In the UK & Ireland, the fifth largest deal by value was the acquisition of UK-based Trident Energy Management Limited (focused on oil and gas properties in Africa and Latin America) by the US company Quantum Energy Partners.

In the North America region there were three oil and gas deals, each with a deal value over USD 400m. In two of these deals the assets are located in the US and in the third they are in British Columbia, Canada.

The two oil and gas deals in Israel both related to Israel-based exploration, development and production assets.

MINING

There continued to be some activity in the mining sector with gold, copper and lithium deals all recorded in the first quarter of 2022. This appears to be a base level of activity in the sub-sector rather than representing a push for any particular resources or locations.

The largest mining deal in the quarter was the acquisition by US-based Newmont Goldcorp Corporation of a 43.65% stake in Peru-based gold explorer Minera Yanacocha S.R.L.
Based on ‘companies for sale’ in the six months to 31 December 2021, Mergermarket’s Intelligence Heat Chart predicts a greater level of activity for the Energy, Mining & Utilities sector compared to the prior six months, with increases across 10 of the identified 17 regions. The highest levels of activity are anticipated in the larger markets of North America and Greater China, with North America predicted to become the leading region, taking over top spot from Greater China.

The highest anticipated levels of activity, as a proportion of total activity, are predicted to be in Australasia and Africa, home to significant numbers of natural resources projects.

The BDO Heat Chart is only presented on a high level without a breakdown within the sector, but it is likely that the continuing move towards a greener world will encourage companies to accelerate the push towards a low carbon sustainable future across all regions through the acquisition of appropriate renewables targets.

<table>
<thead>
<tr>
<th>REGION (OF TARGET COMPANY)</th>
<th>ANTICIPATED LEVEL OF ACTIVITY</th>
<th>AS A % OF TOTAL M&amp;A ACTIVITY FOR REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>182</td>
<td>8.47%</td>
</tr>
<tr>
<td>Greater China</td>
<td>162</td>
<td>8.46%</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>92</td>
<td>9.40%</td>
</tr>
<tr>
<td>CEE</td>
<td>64</td>
<td>8.76%</td>
</tr>
<tr>
<td>Australasia</td>
<td>58</td>
<td>14.32%</td>
</tr>
<tr>
<td>Latin/South America</td>
<td>55</td>
<td>9.09%</td>
</tr>
<tr>
<td>South East Asia</td>
<td>44</td>
<td>8.78%</td>
</tr>
<tr>
<td>UK/Ireland</td>
<td>32</td>
<td>5.84%</td>
</tr>
<tr>
<td>Africa</td>
<td>27</td>
<td>12.05%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>18</td>
<td>5.75%</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
<td>4.19%</td>
</tr>
<tr>
<td>Nordic</td>
<td>15</td>
<td>6.25%</td>
</tr>
<tr>
<td>Israel</td>
<td>15</td>
<td>7.94%</td>
</tr>
<tr>
<td>Japan</td>
<td>14</td>
<td>6.51%</td>
</tr>
<tr>
<td>DACH</td>
<td>12</td>
<td>2.86%</td>
</tr>
<tr>
<td>Middle East</td>
<td>8</td>
<td>9.09%</td>
</tr>
<tr>
<td>Benelux</td>
<td>6</td>
<td>2.96%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>811</strong></td>
<td></td>
</tr>
</tbody>
</table>
Now that 2022 is in full swing and everyone seems eager to leave COVID-19 in the past, there is a new global fear popping up — inflation. Following the supply chain disruption and consumption shifts associated with COVID-19, Western countries saw an uptick in inflation throughout 2021, mainly driven by slowing growth rates due to COVID and the massive amount of liquidity pumped into the market. We saw US inflation jumping to 7.9% as of February 2022 from 1.6% a year before. Such inflation has not been seen in more than a generation.

Globally, this has pushed central banks to review and adjust their monetary policies to find ways to curb the inflation that is eroding consumers’ purchasing power. The Fed announced, after considering inflation not to be transitory anymore, that they would raise interest rates up to seven times throughout 2022. They have already shifted it up a 25 basis point in March 2022. On the European side, the ECB may raise their deposit facility interest rate from -0.50% back to 0.00%, which was last seen in 2013. There are further uncertainties to come with the situation in Ukraine and the full-scale disruptions resulting from it yet to be unraveled.
INFLATION HEDGE
Investors through all asset classes are thus looking for a hedge on inflation. From a property value standpoint, there has been an historical inverse relationship between prices and interest rates, which is mostly due to purchasing power capacity. When money is drying up, the pool of buyers is reduced, resulting in a lack of demand. In appraisals, this typically would be reflected in an increase in capitalization rates and discount rates.

On the other hand, as long as grown revenue remains affordable by demand, a high inflation rate would not necessarily erode property valuation, as cash-flow generating properties would exhibit superior cash-flow growth, compared to historically low-inflation periods. In addition, fast growing cash-flows are beneficial for homeowners, given that debt outstanding remains flat. Consequently, in the long run, higher-than-average inflation may result in better unlevered and levered returns for an overall similar level of risks.

ATTRACTIVE ASSET CLASS
Counterrintuitively, such an environment may actually benefit real estate values. Investors may therefore start using Real Estate as a hedge against inflation by capitalizing on still cheap mortgage interest rates, passing through rising costs to tenants with higher rent prices, and benefiting from rising home values over the long term. Such a trend would further drive up the values of Real Estate and maintain its position as one of the most attractive asset classes available. This trend is likely to continue, especially for residential properties but also for multi-functional assets in the Industrial and Logistics sector.

While inflation will likely have an impact on all asset classes of Real Estate, asset classes are expected to bear differently. With supply chain disruption continuing, BDO’s Real Estate and Construction group expects industrial and logistics properties to further consolidate their advantage. On the other side of the spectrum, the retail and hospitality sector may weaken further and will be extremely dependent on the shift in consumers’ habits i.e. where and how consumers shop and where consumers go. Office properties appear to be at risk in core Central Business District (CBD) markets.

An inherent risk to the Real Estate sector caused by inflation relates to the increased cost of building materials, which will slow down construction in various areas. Therefore, property owners with good assets might even see an added benefit from reduced new supplies coming to the market, which will allow for an increase in rental rates.

While historically it was to be expected that increases in global interest rates, as a result of the effort to curb global inflation, may trigger an overall decrease in property values, there are factors which may yet send the real estate market into overtime. Current owners may be able to benefit from the inflationary environment with higher cash-flows in prospect. Real Estate operators, investors and managers will need to closely monitor this broad dynamic in the coming months and property values may not necessarily be found to be negatively impacted.

The BDO Real Estate and Construction group has set up a global Real Estate Valuation network to address the valuation challenges associated with these complex problems, allowing it to work on several different markets and maintain an overall market view of Real Estate.
SOME OF OUR RECENTLY COMPLETED DEALS

**UCS VENTURES BV**
Simfony has been acquired by iBasis. BDO M&A acted as advisor to the seller in this transaction
MARCH 2022

**DÖRKEN**
Advisor to Ewald Dörken AG on the acquisition of VACU-FORM Wischemann GmbH & Co. KG
MARCH 2022

**M2MOBI**
M2Mobi and Move4Mobile merged into M6 Group, a global mobile specialist. BDO M&A acted as advisor to the seller in this transaction
FEBRUARY 2022

**DÖRKEN**
Advisor to Ewald Dörken AG on the acquisition of Wischemann Kunststoff GmbH
MARCH 2022

**DÖRKEN**
Advisor to Ewald Dörken AG on the acquisition of Wi-sales GmbH
MARCH 2022

**ADIS TACHOV, ZPRACOVÁNÍ PLASTŮ, S.R.O.**
M&A Buy-side advisory, financial, tax and legal due diligence, SPA advisory for ADIS within the acquisition of NSK
FEBRUARY 2022

**NEWTONS GROUP LIMITED**
BDO advises on sale of Newtons Group to Q3 Services Group
FEBRUARY 2022

**ELBE WESER BETON**
Advisor in the sale of Elbe Weser Beton GmbH & Co. KG to Aleton GmbH & Co. KG
FEBRUARY 2022

**BDO ADAMS CONSULTING GROUP LTD**
BDO has provided sell-side M&A, vendor Commercial Due Diligence, Tax advice, Financial and Tax Vendor Assist and Financial Modelling to ADAMAS Consulting Group Ltd in connection with the sale to Ergomed plc, an AIM listed group.
FEBRUARY 2022

**£175.00M**
**£25.60M**
BDO acted as financial advisor and financial due diligence to Atrys Health in the acquisition of 100% share capital of SIMM Molecular.

FEBRUARY 2022

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

DECEMBER 2021

AllinPlast has been acquired by De Beer Group. BDO M&A and BDO Legal acted as advisor to the buyer in this transaction.

JANUARY 2022

BDO acted as financial advisor to the sellers in EQT backed Recover Nordic’s acquisition of the two companies Bjerk-Luns bygg AS and S.I. Entrepreneur AS.

JANUARY 2022

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

FEBRUARY 2022

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

FEBRUARY 2022

BDO acted as financial advisor and financial and tax due diligence to Link Mobility in the acquisition of 100% share capital of Altiria TIC, S.L.

DECEMBER 2021

BDO has provided buy-side M&A, financial due diligence and tax advice to Prime Global in connection with its acquisition of HCD Economics.

JANUARY 2022

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

FEBRUARY 2022

BDO M&A and BDO Legal acted as advisor to the buyer in this transaction.

JANUARY 2022

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

FEBRUARY 2022

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

FEBRUARY 2022

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DECEMBER 2021
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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