HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 3 | 2016

GOING FOR GOLD

Does Olympics host country Brazil offer golden opportunities for long-sighted investors?

FEATURE

GOLDEN OPPORTUNITIES FOR LONG-SIGHTED INVESTORS IN BRAZIL?

REGIONAL VIEW

VIEWS FROM AROUND THE GLOBE

SECTOR VIEW

FINANCIAL SERVICES

AGRICULTURE: FOCUS ON IRELAND AND AUSTRALIA

BDO

WELCOME

BDO is delighted to present our third quarterly report for 2016, examining mid-market M&A activity across 17 major regions and selected sectors around the world.

Our team in Brazil has prepared a special feature for this edition of Horizons. As proud hosts of the Olympic Games in Rio 2016, they wanted to bring attention to other aspects of the Brazilian economy and highlight investment opportunities in the country.

As expected, Q2 mid-market M&A did not match its 2014 or 2015 levels, but did outstrip Q1 2016 activity. In this issue of BDO HORIZONS, we highlight the factors behind these trends. As we move further into 2016, it is also the perfect time to look ahead.

Our analyses and predictions are divided into 17 regions and eight sectors to provide an in-depth understanding of what's going on and how the market is most likely to evolve. Our focus is on the M&A mid-market which includes transactions from USD 10m up to USD 500m.

Whether you are on the buy or sell side, or just want to stay informed about the latest opportunities, BDO HORIZONS provides valuable insights into where, why and which way the investment is flowing, giving you the mid-market knowledge and awareness you need.

INSIGHTS FROM A LEADING M&A ADVISOR

Considering the political conditions in Europe during the past months, M&A activity has developed soundly and it is too early to know the full impact of Brexit on M&A. Looking at mid-market activity in Q2, we see that the UK and Ireland saw a rise of 10% compared to Q1 2016 in terms of volume, while deal values increased by 29%. One area which could benefit from the uncertainty surrounding UK is the DACH region, which in Q2 registered a rise in deal volume of more than 23% compared to Q1 2016.

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GLOBAL VIEW

COMPARING NOW AND THEN

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M&A activity in Q2 managed to edge ahead of Q1 levels, but was weak compared to the same quarter of last year. On a more positive note, the BDO Heat Chart shows good prospects for Q3 with the largest number of pipeline deals since Q4 2014.

Total global trade volume rose from 1,726 deals in Q1 2016 to 1,807 in Q2 2016, an increase of 4.5%. Comparing Q2 2016 to the second quarter of 2015, there were about 17% fewer deal completions. Total deal value was USD 165,195m, an increase of 7.7% compared to Q1 2016 and a decrease of 13.6% compared to Q2 2015. The average deal value rose slightly to USD 91.4m.

There were 201 transactions involving private equity in Q2 2016, representing an 11.4% decrease in deal volume and a 2.2% rise in deal value to USD 21,993m. Comparing Q2 2016 with the same quarter of last year there was a 25.2% fall in deal value and a 27.14% drop in deal volume.

Looking at the composition of Q2 total deal volumes in more detail, we see a negative trend in two out of seven sectors compared to Q1 2016, but note that every sector had underperformed in comparison to the same quarter last year.

An important feature of Q2 2016 was the continuing trend towards bigger deals. Average value per deal was USD 91.4m, up by 4.9% compared to Q2 2015 and representing the highest average deal volume since Q2 2012 and the second highest average since Q1 2008.

COMPARING HERE AND THERE

Taking a look at M&A mid-market activities across our 17 regions, performance was favourable overall but there were some big geographic differences. Here is a snapshot of some of the highs and lows:

More than half of our 17 regions underperformed against Q1. North America had the strongest Q2 2016 with 466 transactions, an increase of more than 3% compared to Q1 2016 and a decrease of 19.7% compared to Q2 2016. Deal volume climbed to USD 52bn, an increase of almost 4% compared to Q1 2016 and a rise of 1% compared to Q2 2016.

Apart from North America, we saw Q2 2016 deal volumes rise above Q1 2015 levels in Israel (up 46.7%), South East Asia, Southern Europe, DACH, Australasia, UK & Ireland and Greater China. Yet only DACH with 39.1% and South East Asia with 9.7% were able to outperform Q2 2015.

If we look at deal values, ten out of 17 regions outperformed Q1 2016. Benelux saw an increase of 120%, followed by Southern Europe, South East Asia, UK & Ireland, Nordics, Israel, Latin/South America, DACH, Australasia and North America. South East Asia, Benelux, Nordic, UK & Ireland, DACH and North America were even able to outperform Q2 2015. The Middle East posted the worst results with a decline of 81% against Q1 deal values and a drop of 50% in terms of transactions.

Deal activity climbed in five out of eight sectors. The leader was Leisure, which saw Q2 2016 outstrip Q1 2016 by 37%, followed by Energy, Mining & Utilities (16.6%), Industrials & Chemicals (6.1%), Consumer (3.5%) and Financial Services (2.1%). Business Services fared worst, with a drop of 2.8%. Comparing Q2 2016 to the same quarter last year, every sector underperformed.

LOOKING AHEAD

The BDO Heat Chart for regions and sectors shows an increase of 6.5% compared to the last quarter, amounting to 8,838 companies either officially, or rumoured to be, up for sale. This is the highest figure since Q4 2014. We expect the biggest growth to be in Africa with 36.1%, followed by North America and Other Asia, while the steepest decline is expected in Israel (11.7%). North America is forecast to be the biggest driver of global M&A activity, with a high number of potential deals.

As for sectors, we expect the greatest increase to be in Pharma, Medical & Biotech followed by Consumer and Business Services. We forecast the greatest decrease to be in Leisure, followed by Energy, Mining & Utilities.

As well as the number of pipeline deals, other fundamentals will of course influence the global M&A market. These include the ongoing impact of the global economy, the direction of consumer sentiment and the performance of equity markets across the world.

GLOBAL BDO HEAT CHART

	Industrials & Chemicals	Technology & Media	Consumer	Business Services	Energy, Mining & Utilities	Pharma, Medical & Biotech	Financial Services	Leisure	TOTAL	%*
North America	425	439	263	349	287	460	152	73	**2,448**	**28%**
China	336	204	134	120	71	74	88	57	**1,084**	**12%**
CEE & CIS	212	122	165	77	97	36	63	41	**831**	**9%**
Southern Europe	161	94	151	73	55	46	42	33	**655**	**7%**
Australasia	84	84	66	63	40	38	48	20	**444**	**5%**
South East Asia	116	52	60	55	59	17	54	24	**437**	**5%**
UK & Ireland	65	90	63	65	48	28	43	29	**431**	**5%**
Latin America	77	61	81	72	81	20	20	16	**428**	**5%**
India	96	91	47	68	34	30	48	11	**425**	**5%**
DACH	136	60	60	41	26	33	27	12	**395**	**4%**
Japan	67	68	34	23	13	35	11	7	**258**	**3%**
Other Asia	71	46	30	14	18	18	27	17	**241**	**3%**
Nordics	56	47	40	21	24	17	13	5	**223**	**3%**
Benelux	36	24	40	29	18	26	22	10	**205**	**2%**
Africa	60	13	22	25	50	7	18	5	**200**	**2%**
Middle East	13	26	11	13	13	6	8	8	**98**	**1%**
Israel	3	21	3	6	1	12	4	3	**53**	**1%**
TOTAL	**2,014**	**1,542**	**1,270**	**1,114**	**935**	**904**	**688**	**371**	**8,838**	**100%**
%	**23%**	**17%**	**14%**	**13%**	**11%**	**10%**	**8%**	**4%**	**100%**	

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

GOING FOR GOLD

DOES OLYMPICS HOST COUNTRY BRAZIL OFFER GOLDEN OPPORTUNITIES FOR LONG-SIGHTED INVESTORS?

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South America's largest economy has been facing a crisis since 2015 with no end yet in sight. The numbers tell the story: last year's Gross Domestic Product (GDP) fell 3.8% in comparison to 2014 – its worst performance for 25 years; and the unemployment rate reached 11.2% in April 2016.

The political situation has also been troubling, with the temporary impeachment of President Dilma Rousseff in May 2016 approved by the Chamber of Deputies and by the Senate. Michel Temer is currently acting as the interim president and, although not popular with the public according to opinion polls, it is possible to observe that some positive changes have been taking place, as evidenced by the latest Focus Report issued by the Brazilian Central Bank. The report's forecasts for 2017 show lower inflation rates, GDP growing 1%, interest rates falling from 13.25% to 11% and the Brazilian currency regaining purchasing power.

Meanwhile, in the coming months Rousseff is expected to present her defence against the accusations that led to her impeachment, and then the Senate will vote to decide the outcome. A two-thirds majority, or at least 54 of the 81 senators, will have to vote in favor of the impeachment in order for Temer to be fully instated as president.

INFRASTRUCTURE BOOST

If the removal of Rousseff is definitive, Michel Temer's government is proposing to implement programmes that expand and strengthen the interaction between the state and the private sector through partnership contracts for the execution of public infrastructure and technology projects among other privatisation measures. The new government has a preliminary plan to offer 100 new concessions for infrastructure and 40 concession renewals in the transport area over the next two years. Regulatory agencies have estimated investments of USD 35 bn in airports, roads, ports and railways.

The 2016 Summer Olympics taking place in Rio de Janeiro in August are expected to attract a total of USD 12.4 bn in investments, a value that has only been rising throughout the years. At the time of writing this article, with less than a month to go, some facilities are still not ready and there are still many ongoing concerns involving water pollution and the Zika Virus, although the latter is now being treated as a minor risk given that the Games take place during the Brazilian winter. Also, disquiet in the police department has risen since salaries destined for the security forces have been reduced.

M&A ACTIVITIES

Brazil's economic problems have inevitably affected M&A activity. The busiest sector was Internet Software and Services which, with 42 transactions, was responsible for approximately 11% of Brazilian deal activity between January and July 2016. This trend is being driven by the emergence of many technology companies in the last few years, particularly related to Financial Services. Although the diversified Support Services sector represented only 1% of the total amount of transactions, it placed first in value at USD 15,036m. Next was Steel with USD 6,388 m, Electric Utilities with USD 5,686 m, diversified Metals and Mining with USD 5,231 m, Highways and Railtracks with USD 4,894 m and Railroads with USD 4,760 m. This reflects the large amount of investment in infrastructure and the materials required to build it.

LOOKING AHEAD

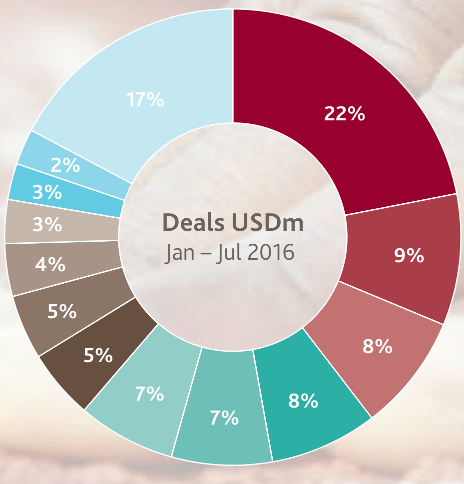
Brazil's current problems are seen as an opportunity for foreign investors with bolder investment strategies and who are able to focus on mid to long-term profitability, especially considering the exchange rate and positive forecasts for the economy in two or three years. An example of this longer term perspective can be seen in companies such as Taco Bell and Wendy's, which will be opening their first units in Brazil in the second half of 2016. It is important to note, however, that conservative investors and local businesses may still tread cautiously given the current economic and political uncertainty.

DEAL ACTIVITY PER SECTOR

USD m and quantity: January – July 2015 – Brazil

Value of deals (USD m)		
Industries	**Total**	**Part. (%)**
Diversified Support Services	15.036	22%
Steel	6.388	9%
Electric Utilities	5.686	8%
Diversified Metals and Mining	5.231	8%
Highways and Railtracks	4.894	7%
Railroads	4.760	7%
Renewable Electricity	3.380	5%
Automotive Retail	3.140	5%
Internet Software and Services	2.560	4%
Oil and Gas Exploration and Production	2.126	3%
Trading Companies and Distributors	1.757	3%
Airlines	1.745	3%
Packaged Foods and Meats	1.128	2%
Apparel Retail	1.000	1%
Other	9.683	13%
Total	**68.513**	**100%**

Quantity of Deals		
Industries	**Total**	**Part. (%)**
Internet Software and Services	42	11%
N/A	19	5%
Packaged Foods and Meats	18	5%
Application Software	14	4%
Real Estate Operating Companies	13	3%
Asset Management and Custody Banks	12	3%
Electric Utilities	12	3%
IT Consulting and Other Services	10	3%
Diversified Banks	7	2%
Steel	7	2%
Highways and Railtracks	7	2%
Trading Companies and Distributors	7	2%
Internet Retail	6	2%
Healthcare Services	6	2%
Other	216	51%
Total	**396**	**100%**

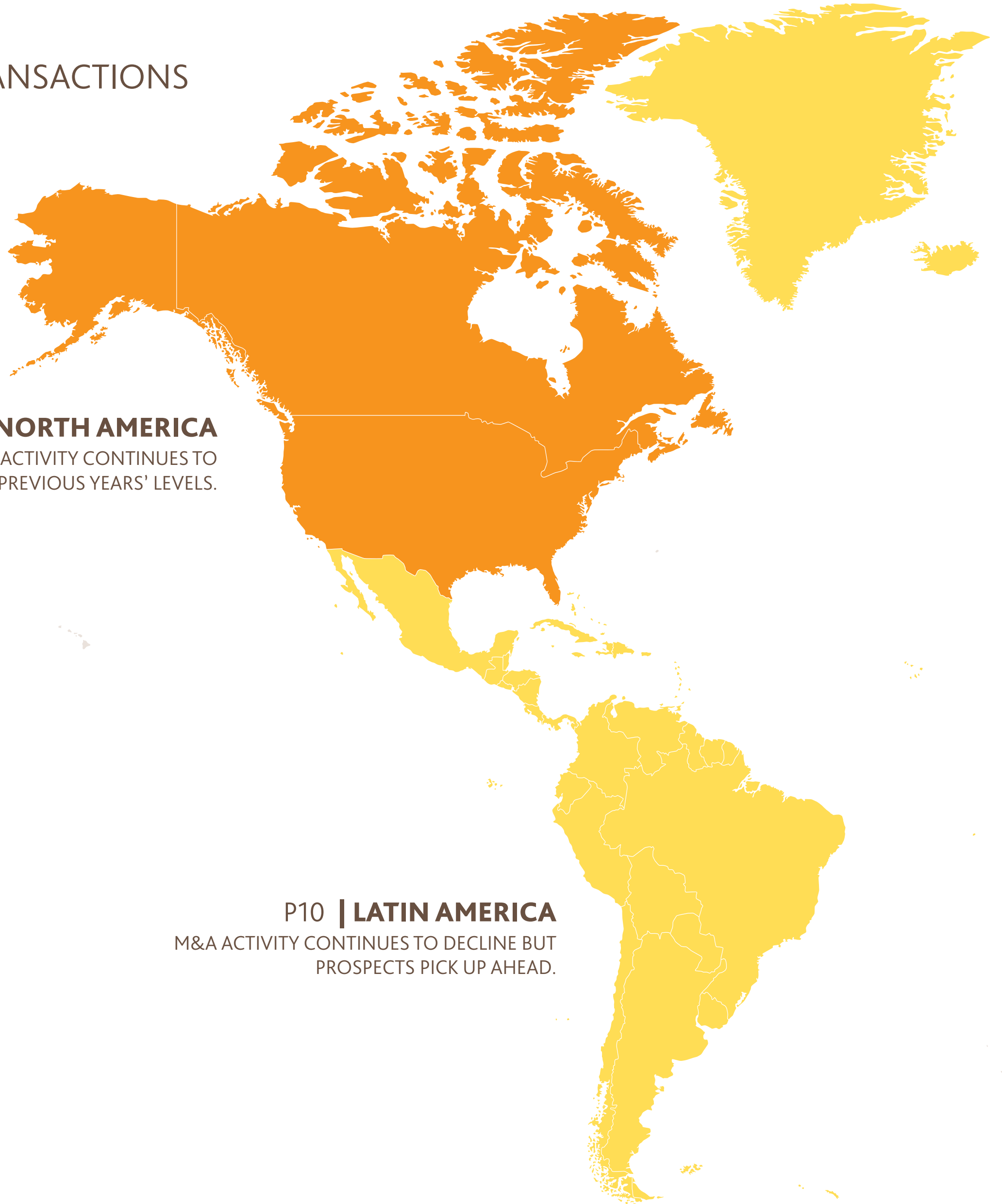


Diversified Support Services
Steel
Electric Utilities
Diversified Metals and Mining
Highways and Railtracks
Railroads
Renewable Electricity
Automotive Retail
Internet Software and Services
Oil and Gas Exploration and Production
Trading Companies and Distributors
Airlines
Other

Source: Capital IQ: July 1st, 2016

GLOBAL

8,838 RUMOURED TRANSACTIONS



P08 | **NORTH AMERICA**

MID-MARKET M&A ACTIVITY CONTINUES TO LAG BEHIND PREVIOUS YEARS' LEVELS.

P10 | **LATIN AMERICA**

M&A ACTIVITY CONTINUES TO DECLINE BUT PROSPECTS PICK UP AHEAD.

SECTOR VIEW

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

NORTH AMERICA

MID-MARKET M&A ACTIVITY CONTINUES TO LAG BEHIND PREVIOUS YEARS' LEVELS.

BIG PICTURE

- Mid-market Q2 2016 deal volume rose 1% against the prior quarter but fell 20% compared to Q2 2015. Year to date the volume of mid-market deals is 21% below the prior year
- Deal value held flat in Q2 2016 compared to Q2 2015 but increased 4% from the prior quarter
- Concerns over the global economy, equity market volatility, and the strong dollar negatively impacted activity. GDP growth in Canada and the United States for the remainder of 2016 is forecast to be relatively low, in a range from 1-2%
- Industrials & Chemicals and Business Services deal activity was down significantly over the prior year while Energy, Mining, & Utilities rose compared to both the previous quarter and prior year.

While Q2 North American mid-market M&A saw a slight up-tick from Q1, volume remained significantly below both 2014 and 2015 levels.

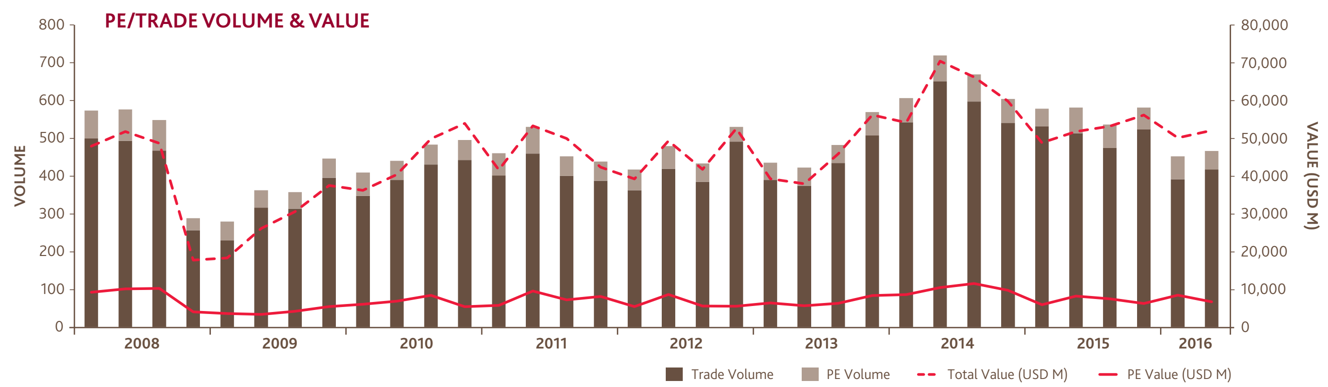
Several prevalent themes evident in late 2015 have gained traction through the current quarter leading to continued financial market volatility. These include worries about the impact of the vote in June by the UK to leave the European Union, the rapid fall in oil prices and the impact on energy company finances, the sustainability of the US recovery with the upcoming US election in the fall and other macroeconomic concerns such as the increased prevalence of terrorism in several regions both domestically and worldwide. Put together, these factors continue to weigh heavily on overall investor sentiment and are driving market volatility. Despite indicators of a 'bullish' M&A market, such as highly available low-cost credit, volatility is tempering the number of deals being successfully completed, especially when compared to the elevated level of activity seen in recent years.

Additionally, some schools of thought believe that after such a strong multi-year period of record activity, there is increased scarcity when it comes to quality upper mid-market companies for larger private and public serial acquirers to actively target.

Whether it's the supply of quality targets available or demand impacted by a combination of quantitative and qualitative factors, it's clear that with six straight quarters of M&A volume decline versus the comparable quarter in the previous year, any expectations around a return to 2014 and 2015 levels need to be moderated.

IS GLOBALISATION PEAKING?

Most would agree that economic globalisation has been a multi-decade trend that has seen political and cultural support for increased activity across borders. This trend, and the associated economic policies, have fuelled international M&A activity without significant pressure from cultural or political forces. While in some regions economic openness has showed signs of slowing down in recent years, the



LOOKING AHEAD

We expect mid-market M&A activity to maintain its current level through the remainder of 2016, approximately 15%-20% below the volume seen in 2015. Many of the contributing factors to this year's reduced activity show no signs of abating. Additionally, the US election campaign set for the second half of the year is positioned to be one of the more divisive in recent memory and is sure to contribute to short-term instability. This will, no doubt, have some impact on mid-market activity.

Despite this view, BDO's direct experience is one of significant activity as we continuously and frequently meet with business owners looking for capital to grow or seeking to execute a succession/ transition plan. Active M&A mandates are at their highest in recent years and the pipeline of potential transactions for 2017 is robust.

decision by the UK to exit the European Union in June presents the clearest tangible evidence that globalisation is facing political pressure. In the days leading up to and following the Brexit vote, free trade and cross-border flows of capital and labour were a primary topic of discussion in many countries, including the US and Canada. This is expected to continue to be a key topic through the coming US election cycle. While both the level of political uncertainty surrounding the Brexit vote and the actual impact is still being determined, there exists a broader risk that policymakers in North America and beyond shift toward more protectionist fiscal policies to cater to the ever-evolving populist sentiment. Over the long term, these types of anti-globalisation policies may have a negative effect on the economic landscape in both North America and across the globe, which does not bode well for the M&A market.

CONTINUED WEAKNESS IN KEY RESOURCE SECTORS

Commodity prices experienced substantial volatility over the last few years. Gold plummeted from highs of over USD 1,800 in 2011, to lows below USD 1,100 in late 2015, and climbed back over the USD 1,300 mark in mid-2016. Crude oil peaked at over USD 100 per barrel in early 2014, and while it has experienced a slight bounce back from prices below USD 30 early this year, it continues to hover precariously around the USD 40 mark as of the time of this publication.

Resource stocks have taken a beating in public markets, while M&A activity in the sector has all but dried up. A significant amount of deal flow was lost in 2015 from this dry spell, particularly in Canada where resource companies can make up to 40% of the M&A activity (15% in the US). We expect at least some of this volume to begin to come back as compressed valuation multiples create opportunities for consolidation, and deal-makers and bargain hunters speculate that we have reached a price floor. Signs of this are already present, with Suncor completing a CAD 6.6bn acquisition of Canadian Oil Sands, followed by a CAD 900m deal to increase its stake in Syncrude Canada Ltd, giving the company majority control. While this trend will be most readily apparent at the upper/mega-end of the market, where oil majors are most active, we expect a quick trickle-down effect to the mid-market as smaller entities such as oil services companies follow in kind.

FAVOURABLE SELLING CONDITIONS

While 2016 activity has declined from that of the previous two years, many of the same selling conditions remain: relatively high company valuations, abundant lending sources, aggressive PE funds and well-capitalised strategic buyers. Corporations in North America are currently holding an estimated USD 1.9 trillion of liquid assets collectively, and North American private equity funds raised USD 60bn in fresh capital during Q2 2016 (www.preqin.com), accounting for more than half of the private equity capital raised globally during the quarter. All of these conditions would seem to point to a levelling off of the recent decline and a strong stable deal market moving forward.

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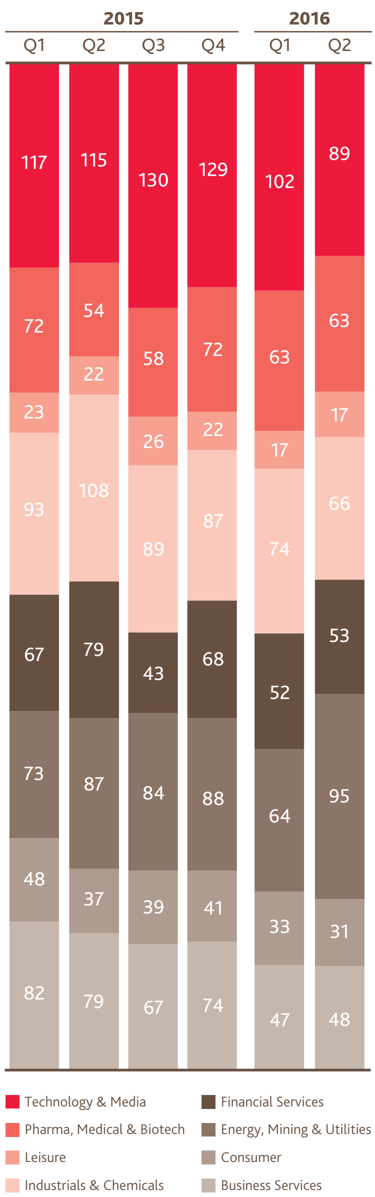
NORTH AMERICA
HEAT CHART BY SECTOR

Pharma, Medical & Biotech	460	19%
Technology & Media	439	18%
Industrials & Chemicals	425	17%
Business Services	349	14%
Energy, Mining & Utilities	287	12%
Consumer	263	11%
Financial Services	152	6%
Leisure	73	3%
TOTAL	**2,448**	**100%**

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR



LATIN AMERICA

M&A ACTIVITY CONTINUES TO DECLINE BUT PROSPECTS PICK UP AHEAD.

BIG PICTURE

- Deal numbers fall in Q2 2016 as downward trend continues
- Argentina features in two of the quarter's top ten deals, signalling a rise in interest and activity
- The BDO Heat Chart shows improved prospects ahead.

The second quarter saw the negative trend for M&A activity in the region continue. Compared to the same quarter of 2015, the deal count was down 40% at 48 deals, while value was down 26% at USD 5,050bn. But if we compare the Q2 2016 figures with the previous quarter, although the number of deals recorded in Q1 2016 fell, the value increased by 28.5%.

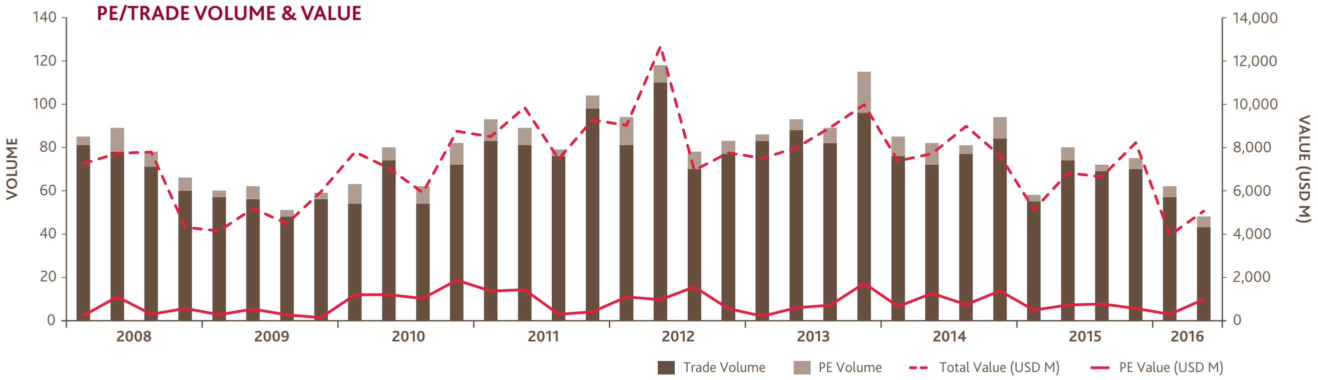
Private equity was responsible for five deals worth a total of USD 965m, representing 10.4% of Q2 2016's total deal count and 19.1% of value.

ECONOMIC CONDITIONS

The region's economy still shows negative signs. Brazil continues to navigate through both a recession and political crisis, although some commentators argue that the economy is showing some incipient signs of recovery.

If we look at how Brexit could impact the M&A market in Latin America, there are positives as well as negatives. The increased uncertainty caused by Brexit means interest rates will stay low and ensure that liquidity will remain available. However, the other side of the coin is that investors seek assets of better quality in times of higher volatility.

The BDO Heat Chart shows 428 deals planned or in progress, up from the 392 deals forecast last quarter. The most active sectors are anticipated to be Consumer and Energy, Mining & Utilities, both with 81 deals. The next most active sectors are Industrials & Chemicals with 77 deals and Business Services with 72 deals. These four sectors are responsible for 73% of all transactions planned or in progress.



LOOKING AHEAD

The agribusiness sector has benefitted most from the policies implemented by the new Government in Argentina, including tax reduction and a higher official exchange rate which translates into better export prices. The other issue affecting the economy right now is the high interest rates imposed by the Central Bank to discourage demand for pesos and keep inflation at bay. This, together with a steady exchange rate, attracts financial investors seeking returns, but is not so attractive for those investing in the real economy.

Although investment announcements have been made, especially in the car industry and the utilities sectors, and although we are starting to see an increase in M&A deals and IPOs, we believe investors are still watching and waiting for the economy to normalise before making a stronger bet on Argentina, but we expect this to happen next year. We have to bear in mind that this is a much better scenario than we could have expected some months ago, especially considering the negative M&A trend for the region as a whole.

KEY DEALS AND SECTORS

The top ten deals for the Q2 2016 had a combined value of USD 3,156 million and were concentrated in the following target countries: Chile with USD 1,125m (35.6%), Brazil with USD 1,104 million (35.0%) and Argentina with USD 422m (13.4%).

In terms of sectors, 49% of the top ten deal value was concentrated in the Industrials & Chemicals sector, which saw four deals, two of which had Brazil as the target country with a total deal value of USD 909m, followed by one deal in Chile for US$ 435m and one in Argentina for US$ 202m.

The second most active sector was Energy, Mining & Utilities, which also registered four deals for USD 925m, and had Perú, Argentina, México and Chile as targets countries with deal value for USD 305m, USD 220m, USD 200m and USD 200m respectively.

Argentina appeared twice in the top ten deals with transactions in key sectors. This is a positive sign and reflects a trend that we have been expecting for increased activity and interest in the country. The economic situation is still mixed, with inflation rates still high, albeit with a declining trend, and an exchange rate which has not yet reached a level where it improves competitiveness for export sectors.

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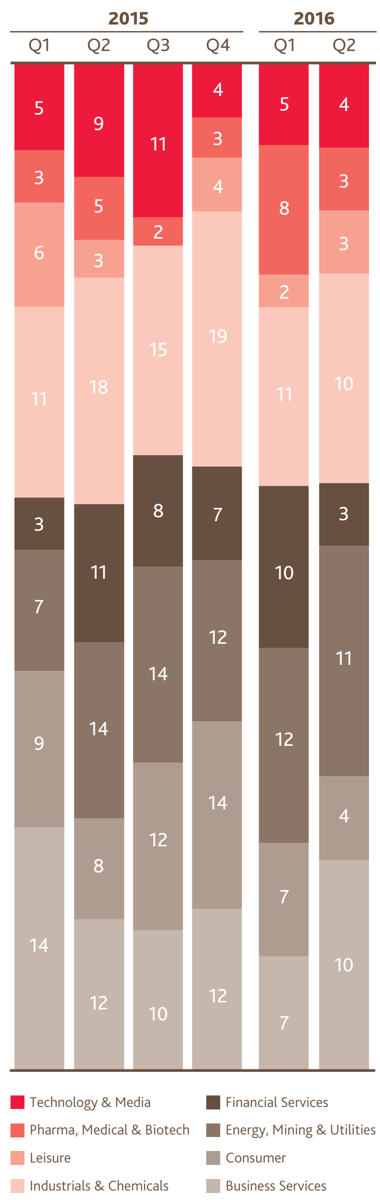
LATIN AMERICA
HEAT CHART BY SECTOR

Consumer	81	19%
Energy, Mining & Utilities	81	19%
Industrials & Chemicals	77	18%
Business Services	72	17%
Technology & Media	61	14%
Pharma, Medical & Biotech	20	5%
Financial Services	20	5%
Leisure	16	4%
TOTAL	**428**	**100%**

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



UNITED KINGDOM & IRELAND

M&A PICKS UP SLIGHTLY AFTER A SLOW Q1 BUT PROSPECTS AHEAD LOOK GOOD DESPITE BREXIT.

BIG PICTURE

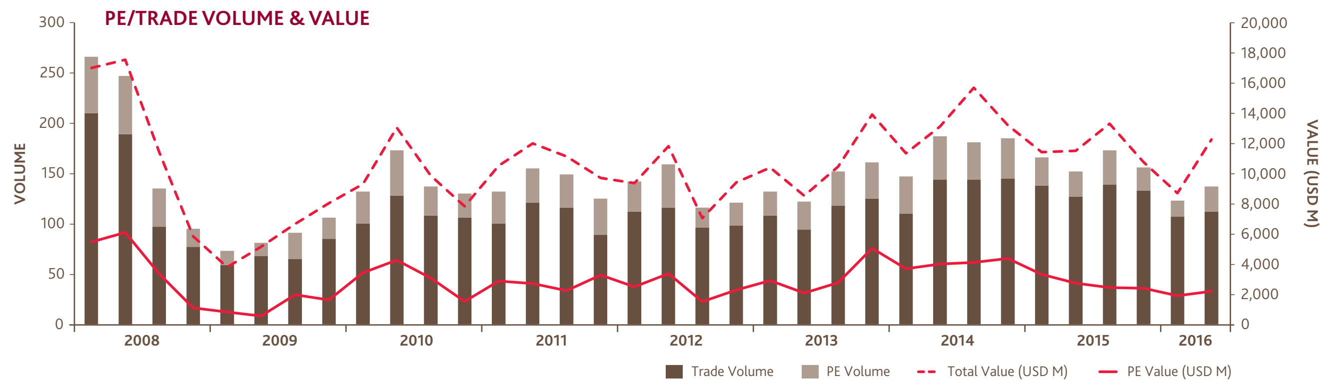
- Q2 deal volume flat but value rises over 40% compared to Q1
- Technology & Media was the most active sector
- Strong deal pipeline suggests good prospects ahead despite Brexit concerns.

After a very slow start to the year there was only a slight pick-up in M&A activity during the second quarter, with just 137 deals completed. However, aggregate deal value was USD 12.2bn, over 40% higher than the first quarter, as international buyers look to the UK & Ireland.

The concerns over Brexit and the challenging market conditions at start of the year continued to put a dampener on M&A activity. The number of mid-market transactions completed in the first half of 2016 was 18% down on prior year. This is in contrast to the record level of funds available and highlights the significant impact of economic and political uncertainty on deal-making confidence.

Trade deal volume remained low at just 112 transactions for the quarter but their total value of USD 10.3bn was the second highest level since Q3 2014. This increase in value was partially attributable to the fact that eight of the top ten transactions were trade deals of over USD 3bn. Of these only one involved a UK buyer, with both the US and China dominating the top ten, demonstrating the continuing importance of cross-border M&A.

Private equity experienced an increase in deal activity levels, with 25 transactions completing in the second quarter worth a total of USD 2.2bn. However, this is still a 23% decline from H1 2016, and with funds continuing to increase, there will be pressure on PE firms to adapt their M&A strategy and look towards new methods of providing growth capital.



LOOKING AHEAD

The BDO Heat Chart indicates there are over 430 deals in the pipeline, one of the highest quarters yet, indicating a pent-up demand following the last six months of depressed M&A levels. Technology & Media continues to be the most active sector, followed by Business Services, Consumer and Industrial & Chemicals – with these four sectors representing over two-thirds of all transactions.

Although the uncertainty surrounding the Brexit negotiations will still deter the risk averse we believe there is strong appetite for cross-border M&A.

KEY DEALS & SECTORS

Deal activity in most sectors remained on a par with first quarter transaction levels, with the exception of Technology & Media, Leisure and Financial Services. Technology & Media was the most active sector with over 31 deals completed, three of which were in the top ten transactions for this quarter, including the sale of OpenBet by Vitruvian Partners to NYX Gaming Group Ltd for USD 385m and Newscorp's acquisition of Wireless Group plc for circa USD 350m.

Transactions in the Leisure and Financial Services sectors nearly doubled but this was due to unusually low activity levels in the first quarter. Interestingly, three of the top ten transactions were in the Consumer sector as international buyers look to buy well-established brands such as the sale of Mayborn's Tommy Tippee to the Chinese-owned Jawha Group. Whisky also proved popular with the acquisition of The BenRiach Distillery Company by Brown Forman Inc for more than USD 400m and the acquisition of Paddy Whiskey by US drinks company Sazerac.

Business Services experienced its quietest period in three years with only 24 deals completed. But according to the BDO Heat Chart this is anticipated to pick up again later in the year. Transactions in the Industrials & Chemicals sector are also expected to rise as the new UK and Irish governments seek to provide some political stability following the recent changes.

IMPACT OF BREXIT ON M&A

While the full impact of the Brexit vote is not yet clear, what is interesting to note is the speed at which the capital markets recovered. The FTSE 100 has since regained all of the losses incurred on 24 June while the FTSE 250 is only 2% lower than pre-brexit levels. It would appear that businesses and investors are adapting to uncertainty much faster than the politicians!

While this volatility will undoubtedly disrupt many M&A transactions, it will also create new opportunities for those quick to adapt. With sterling at a three-year low, global organisations are finding UK valuations more attractive and international PE funds are looking to invest in UK and Irish SMEs.

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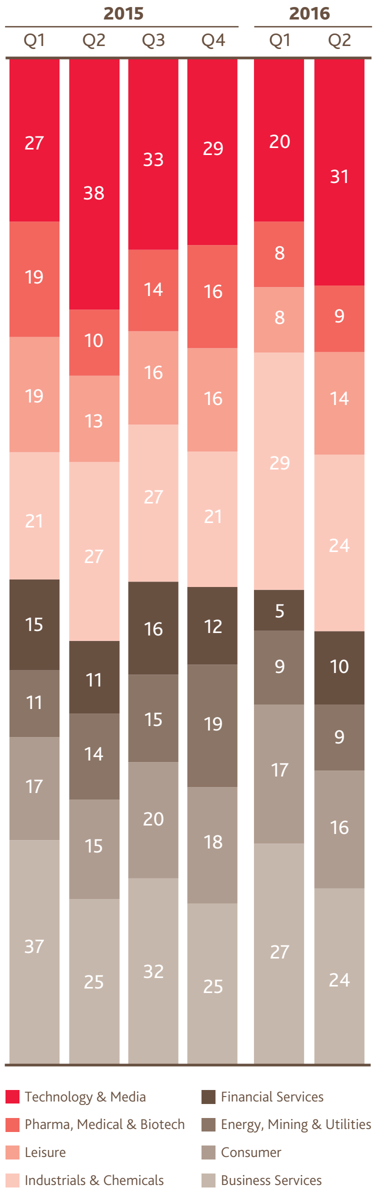
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

Technology & Media	90	21%
Industrials & Chemicals	65	15%
Business Services	65	15%
Consumer	63	15%
Energy, Mining & Utilities	48	11%
Financial Services	43	10%
Leisure	29	7%
Pharma, Medical & Biotech	28	6%
TOTAL	**431**	**100%**

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



SOUTHERN EUROPE

M&A ACTIVITY ROCKETS, BACKED BY RECORD TRADE DEALS.

BIG PICTURE

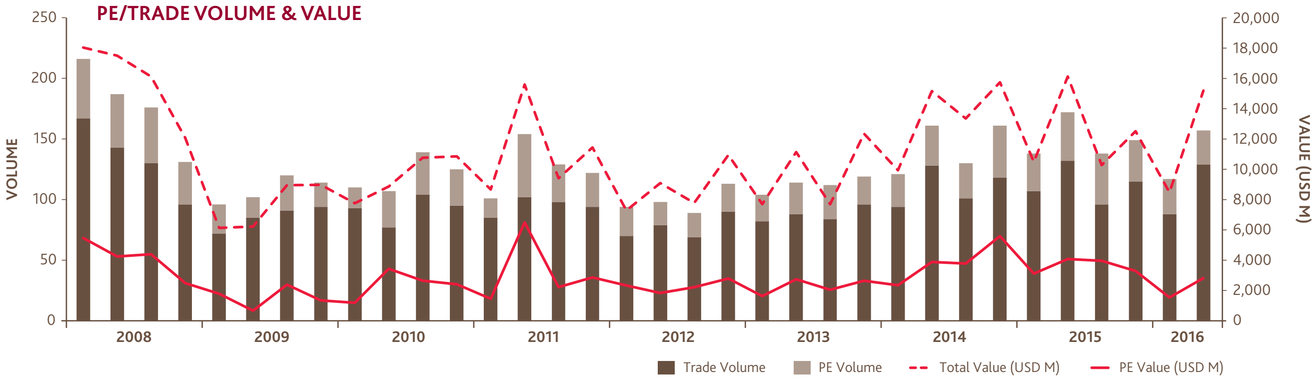
- Deal volumes and values rise sharply in Q2
- Trade buyers drive deals, while PE volume declines
- Consumer, Financial Services and Business Services are the most active sectors
- French and UK businesses are key acquirors.

After a fairly inactive Q1, Southern Europe saw a strong rebound in Q2. Mid-market deal volumes reached 157, up by 34%, and values almost doubled to over USD 15bn, leading to an average deal value of almost USD 100m. These figures are extremely good in comparison to past quarterly results and make Q2 2016 one of the best M&A quarters since the 2008 financial crisis in both volumes (a top five quarter since 2008) and value (a top four quarter since 2008).

The effect of this rebound was seen across all sectors but Consumer, Financial Services and Business Services performed strongest, with growth rates of 90%, 71% and 50% respectively compared to Q1. These sectors also contributed many of the quarter's largest deals. Technology & Media performed very well too, with 25 deals (+47%) while Industrials & Chemicals recorded 16% growth and remains the leading sector in terms of volume with 36 deals in Q2. Energy, Mining & Utilities was the only sector not to post an increase in Q2, with volume holding steady at its Q1 level of 14 transactions.

TRADE V PE

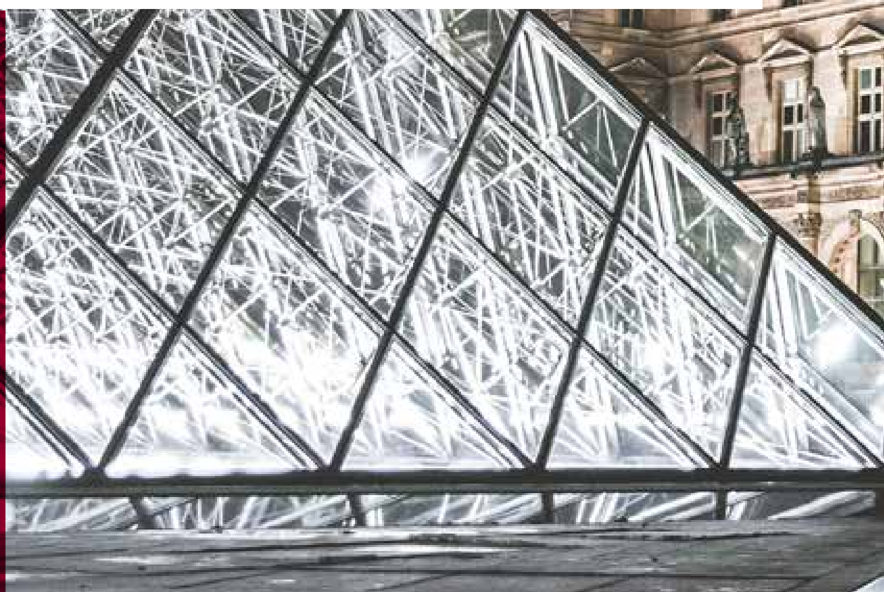
Trade buyers played a major role in this excellent performance. In fact, Q2 2016 saw a record USD 12bn in trade deal value, the highest since 2008. And with no less than 129 trade deals, Q2 is also the second best quarter for trade buyers since the financial crisis, beaten only by Q2 2015, which saw 132 transactions with a slightly inferior total value.



LOOKING AHEAD

The outlook for deals in the region is slightly better than it was in the last quarter, meaning that volumes should keep growing, but at a slower pace. Industrials & Chemicals is set to remain the most active sector ahead, but it is interesting to note that Consumer is forecast to be the second most active, building on its outstanding 90% growth in Q2. In contrast, Financial Services, very active in Q2, is anticipated to see fewer deals in Q3.

On the other hand, as UK-based buyers played an important role in Q2 performance in Southern Europe, we believe that the recent Brexit vote could significantly affect their appetite for deals in the region.



In sharp contrast, these historic results were not shared by the private equity community, which experienced its worst quarter of the last two years, with only 28 transactions completed. The disparity is further highlighted by a historically low PE total deal value; Q2 2016 was the only quarter below USD 3bn apart from Q1 2016. Despite increasing debt availability and the significant amounts of capital it has raised over the last years, the PE industry recorded its worst period since Q1 2012.

FRANCE, A REGION WITHIN THE REGION

France was responsible for four of the top ten transactions. Two were in Financial Services and the other two in Business Services. Interestingly, these four deals not only had French targets but also French bidders, namely Ranstad France and Pixel Holding in Business Services and Covea and La Banque Postale in Financial Services. This definitely makes France a real region within the region.

Other targeted countries were Italy (three deals) and Spain (two deals). All involved bidders from outside the region including three from the UK, possibly driven by the urge to close deals before the Brexit.

Last but not least the second largest transaction of Q2 was the sale of a majority stake (67%) in Greek Piraeus Port Authority by the Greek Republic to the Hong Kong-based logistics giant Cosco.

The top ten deals were spreads across eight different sectors. Financial Services and Industrial & Chemical sectors recorded two each.

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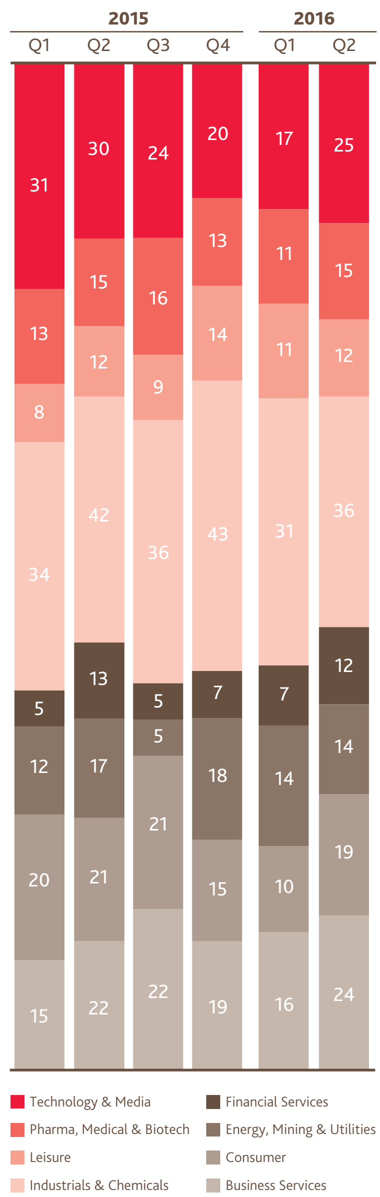
SOUTHERN EUROPE
HEAT CHART BY SECTOR

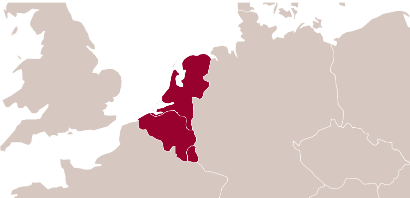
Industrials & Chemicals	161	25%
Consumer	151	23%
Technology & Media	94	14%
Business Services	73	11%
Energy, Mining & Utilities	55	8%
Pharma, Medical & Biotech	46	7%
Financial Services	42	6%
Leisure	33	5%
TOTAL	**655**	**100%**

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



BENELUX

M&A DEAL VOLUME HOLDS STEADY BUT VALUE RISES AS PE STEPS UP A GEAR.



BIG PICTURE

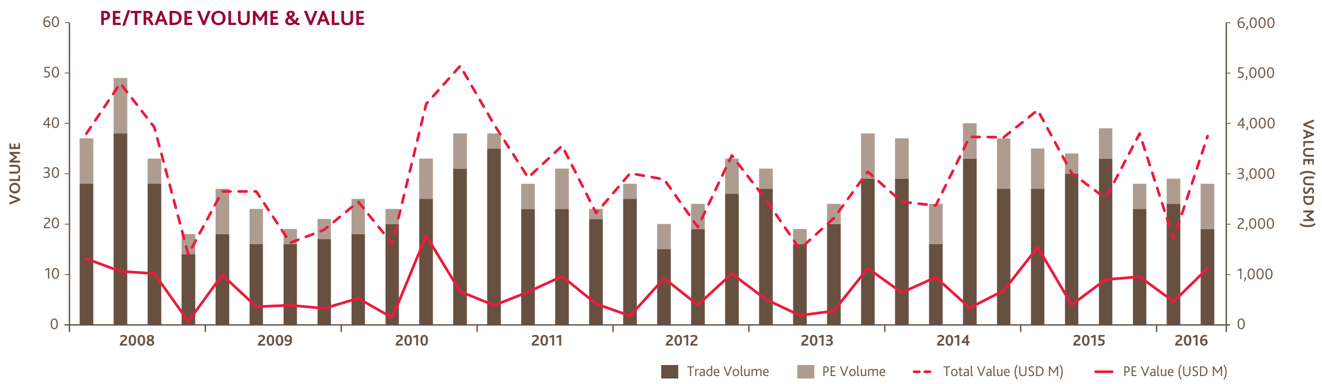
- Q2 2016 total and average deal value rises sharply compared to previous quarters
- PE deal volume rises 80% and average transaction size increases from USD 92m in Q1 2016 to USD 125m in Q2 2016
- Industrials & Chemicals, Business Services, Technology & Media and Financial Services are the most active sectors
- The BDO Heat Chart predicts strong deal growth ahead in the Benelux Consumer sector.

The second quarter of 2016 saw M&A activity hold steady in terms of the number of deals. The total and average deal value, however, increased significantly compared to Q1 2016. Private equity involvement also rose, with nine deals in Q2 2016 as opposed to five deals in Q1 2016. PE deals represented 32% of total transaction value in Q2 2016.

There were 28 deals in Q2 2016, meaning that the number of transactions per quarter has remained constant since the beginning of Q4 2015. Nine deals involved private equity firms, representing 32% of total transaction volume. Compared to Q1 2016 and Q4 2015, this is an increase of 17.2% and 17.9% respectively in deals involving private equity as a percentage of the total number of deals. As a result, the percentage of trade deals fell to 67.9% (Q1 2016: 82.8%, Q4 2015: 82.1%). The average number of deals per quarter in 2016 YTD is 29 as opposed to 34 in 2015.

Total Q2 2016 deal value was USD 3,748m, with an average deal value of USD 134m. This represented an increase of 120% on Q1 2016's total deal value (USD 1,701m) and a rise of 128% in terms of the average transaction value (Q1 2016: USD 58m). Total deal value in Q2 2016 was the highest seen since the beginning of 2015, and the average deal value was well above 2015 levels.

For the most part, the step up in deals in volume and value was due to high levels of PE activity. While the number of trade deals (19) decreased by 20.8% versus Q1 2016, the volume of private equity deals increased by 80%, and while total trade deal value increased by 112% compared to Q1 2016, total private equity transaction value increased by 144%.



LOOKING AHEAD

The BDO Heat Chart shows 205 Benelux deals currently in progress or planned. This is an increase compared to the 147 deals projected in the previous quarter. The industries forecast to be the most active in Benelux are Consumer, Industrials & Chemicals, and Business Services. Overall, we believe that Benelux M&A activity will gain momentum over the next quarter(s) as financial resources remain available and borrowing costs continue to be low.

KEY DEALS AND SECTORS

Industrials & Chemicals, Business Services, Technology & Media and Financial Services were the most active sectors in Q2 2016 and together they represented 75% of total deal volume during the quarter. To date, Industrials & Chemicals, Business Services, and Technology & Media have been the most active sectors since the start of 2016. Compared to 2015, Financial Services and Leisure have been the biggest risers, and Technology & Media and Pharma, Medical & Biotech the biggest fallers.

In terms of Q2's top ten deals, value varied between USD 169m and USD 387m. Seven of the top ten involved private equity.

The largest deal in the second quarter of 2016 was the acquisition of 91.29% of the shares in Orco Property Group by CPI Property Group from private investors. The total deal value was USD 387m. The second largest deal was the sale of Continental Bakeries, a European group of bakeries, by the Dutch private equity investor NPM Capital to the Silverfern Group and Goldman Sachs with a value of USD 342m. Thirdly, a Belgian private investor sold its shares in Allfin to Compagnie Immobiliere de Belgique (Immobel), representing a value of USD 325m.

In terms of outbound activity, we only saw two transactions with Dutch and Luxemburg involvement, both in the bordering DACH region. This is a relatively low number.

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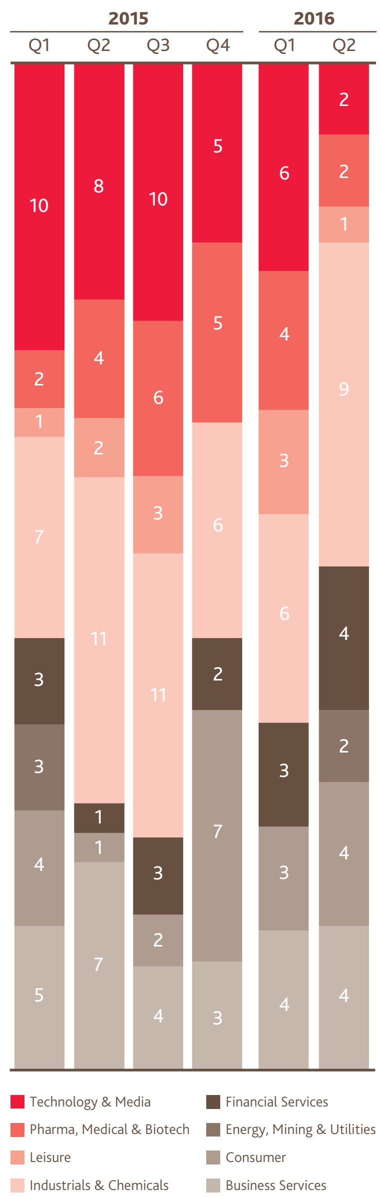
BENELUX
HEAT CHART BY SECTOR

Consumer	40	20%
Industrials & Chemicals	36	18%
Business Services	29	14%
Pharma, Medical & Biotech	26	13%
Technology & Media	24	12%
Financial Services	22	11%
Energy, Mining & Utilities	18	9%
Leisure	10	5%
TOTAL	**205**	**100%**

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

M&A ACTIVITY PICKS UP IN Q2 BUT BREXIT CASTS A SHADOW OVER THE REGION'S DEALMAKERS.

BIG PICTURE

- Significant increase in DACH's deal activity
- Private equity transactions were a key driver
- Strong inbound deal flow from outside EU expected to persist
- Brexit vote, economic and political risks will all cause uncertainties which may impact on forecast deal flows.

After a rather sluggish start to the year, mid-market M&A activity picked up in the second quarter of 2016, with deal volume and value increasing by 31% and 16% respectively against Q1 2016 levels. A total of 64 deals with an aggregate deal value of USD 5.1bn were completed in the period right up to the UK's unexpected vote to leave the EU, which hit the region at the end of June.

Despite a stronger second quarter, the first half of 2016 remained behind expectations, not least due to political unrest and uncertainty following the outcome of the UK's referendum. Compared with the corresponding period in 2015, deal value was down 19%.

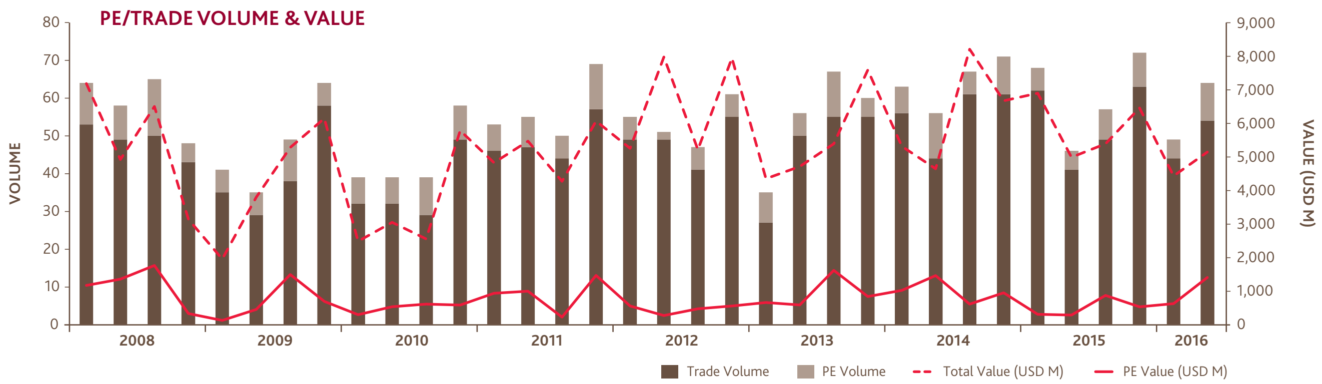
KEY SECTORS AND DEALS

Looking at sector activity, 34 out of the 64 deals in Q2 were in the Industrials & Chemicals sector while the typically very activeTechnology & Media sector had little traction with a total of just six transactions in Q2.

Q2 witnessed a high proportion of cross-border deals, largely driven by inbound deal flow from outside Europe. Overall the DACH region remained an attractive target market with Germany being among the top five target countries in H1 2016.

In Germany, the largest strategic transaction was the acquisition of Hay Group, a manufacturer of automotive components for transmission and drive lines, by Musashi Group, a Japanese automotive supplier, for USD 411m.

The largest Swiss deal was the acquisition of a 96.7 % stake in AVAG (Alpiq Versorgungs AG) by a consortium led by EBM (Genossenschaft Elektra Birseck) for a consideration of USD 316m.



LOOKING AHEAD

Britain's vote to leave the EU on 23 June caused significant disruption and uncertainty for the entire European region and is likely to depress transaction activity in the months ahead. In addition, persisting unrest in the Middle East, slowing growth in China as well as ongoing problems in Europe's banking sector could also influence deal activity. As a result, the Swiss and German ZEW indexes dropped to 5.9 and minus 6.8 in July – their lowest levels in four years – reflecting a widespread and growing pessimism. But as always M&A activity will follow the stock market trend, which has shown some initial recovery since the first Brexit shock.

In Austria, LEYKAM Let's Print, the country's largest printing company was sold to UK-based Walstead Group for a consideration of USD 199m. The acquisition will double Walstead's size and create Europe's largest independent printing group.

PRIVATE EQUITY PICKS UP

M&A activity during Q2 was boosted by increased PE activity, which saw deal count double in comparison to both the previous quarter and the corresponding quarter of last year. PE deal value climbed to USD 1.4bn, up 250% compared to the last quarter and up 400% on the corresponding period in 2015. The largest PE deal targeting the DACH region involved PPF Group picking up the German lignite operations, coal mines and power plants of Swedish electricity generation and distribution player Vattenfall for nearly USD 4bn. In the mid-market, the largest transaction was the USD 387m acquisition of Austria-based Centrice Real Estate GmbH by the US-based Lone Star via its Real Estate Fund IV.

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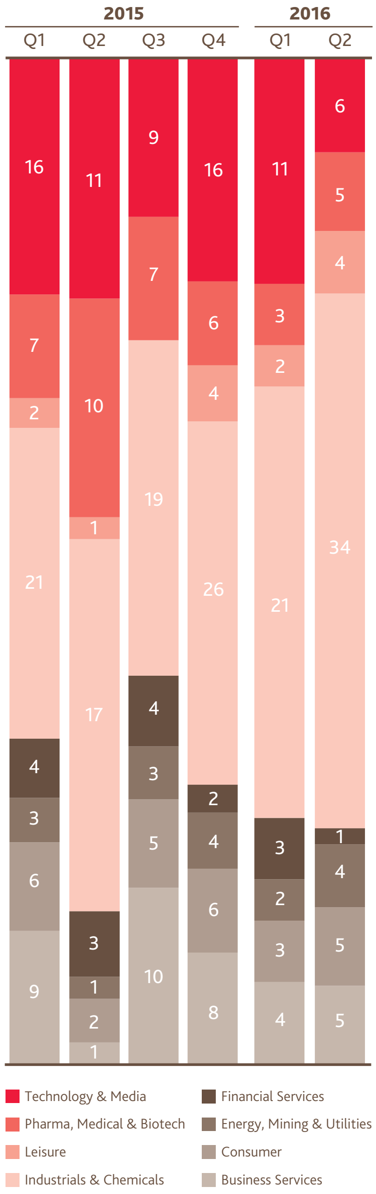
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	136	34%
Technology & Media	60	15%
Consumer	60	15%
Business Services	41	10%
Pharma, Medical & Biotech	33	8%
Financial Services	27	7%
Energy, Mining & Utilities	26	7%
Leisure	12	3%
TOTAL	**395**	**100%**



NORDICS

A SHARP FALL IN PE ACTIVITY LEADS TO A REDUCTION IN OVERALL DEAL VOLUME.

BIG PICTURE

- Q2 deal volume dips but value hits a nine-quarter high
- H1 2016 M&A activity remains relatively stable compared to H1 2015
- Technology & Media is the most active sector.

Total deal volume showed a small decrease in the second quarter, down from 71 deals in Q1 2016 to 66 in Q2 2016.

But if private equity deals are excluded from the total, the number of transactions actually increased from 57 to 61 between Q1 and Q2 2016. It was the fall in PE buy-outs, down from 14 in Q1 to 5 in Q2, that led to the decline in overall deal volume.

Q2 2016 was consistent with average volume over the last five quarters, at 66 deals.

Total deal value in Q2 2016 was USD 5.9bn, up 36% on the previous quarter and 10% higher than the same quarter last year.

Q2 2016 deal volume fell in comparison to both Q2 2015 and Q2 2014. There were 66 deals in Q2 2016 compared to 83 in 2015 and 87 in 2014.

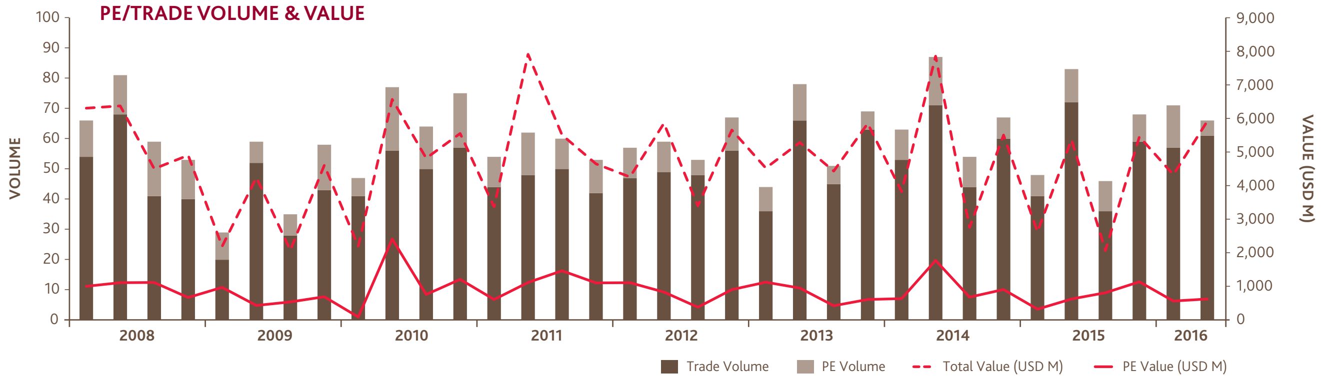
KEY SECTORS AND DEALS

The most active sectors in Q2 were Technology & Media and Industrials & Chemicals, which represented 30% and 25% of total deal volume respectively.

Compared to Q2 2015, PE buy-outs made up a smaller percentage of the total deal value in Q2 2016, posting a 7.5% share as compared to 13% in the same quarter last year and 20% in Q1 2016.

Five of the top ten deals in Q2 were cross-border transactions with non-Nordic countries. Two of the five cross-border transactions involved an American bidder.

The top three deals were purely Nordic transactions: Leroy Seafood Group ASA acquired HAVFISK ASA for USD 474m (Norway); Tele2 AB acquired TDC Sverige AB for USD 352m (Sweden) and Energinet.dk acquired DONG Gas Distribution A/S for USD 352m (Denmark).



LOOKING AHEAD

The year ahead is expected to see 2016's trends continue, but with a little more growth. Private equity is building up its reserves of 'dry powder' and, along with continued investor interest from outside the region, should help support M&A activity in the Nordics. On a sector level, we expect Industrials & Chemicals and Technology & Media to remain the most active. The biggest challenge is likely to be economic, with Denmark recovering at a slower pace than previously forecast. Sweden's domestic economy is likely to cool a bit, although GDP growth of between 2% and 2.5% is still expected, making it the best performing country in the region. Norway's large exposure to oil-related sectors has negatively impacted its short-term outlook and secondary effects are now becoming visible. Private consumption and construction are still going strong, but the future will depend heavily on the continued development of the oil sector. Finland will largely be impacted by reforms, with the Government committed to increasing long-term growth potential, but implementing some tightening in the short term.

REVIEW OF THE HALF YEAR

M&A activity for the first half of 2016 was up slightly on H1 2015 in terms of volume but well ahead in terms of value. The number of deals increased from 131 in H1 2015 to 136 in H1 2016, representing a rise of 4.5%.

Deal value rose 28%, up from USD 8bn in H1 2015 to USD 10.2bn in H1 2016.

All sectors apart from Business Services, Financial Services and Technology & Media saw increased deal volume in H1 2016.

The most notable increase in deal volume occurred in Pharma, Medical & Biotech. The Financial Services sector saw deals drop by 66% (from six to two deals) in the first six months of 2016.

Energy, Mining & Utilities deal volume almost doubled, up from six deals in H1 2015 to 11 in 2016.

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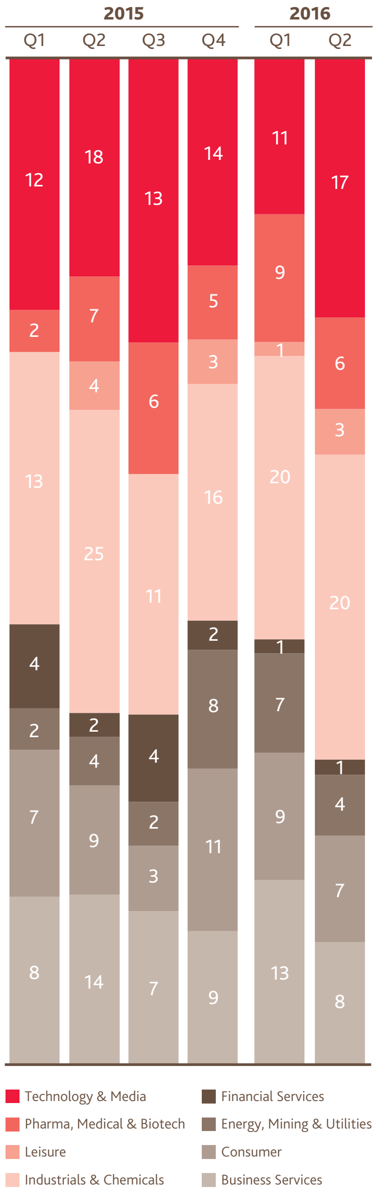
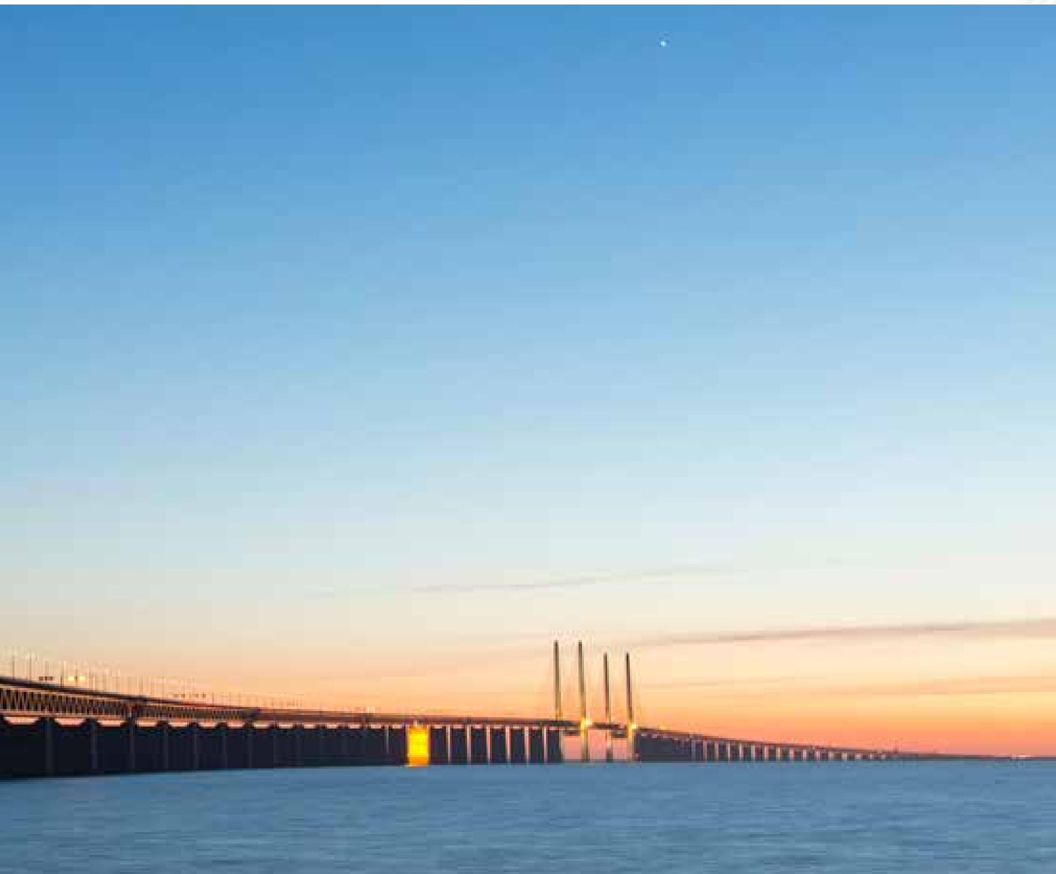
NORDICS
HEAT CHART BY SECTOR

Industrials & Chemicals	56	25%
Technology & Media	47	21%
Consumer	40	18%
Energy, Mining & Utilities	24	11%
Business Services	21	9%
Pharma, Medical & Biotech	17	8%
Financial Services	13	6%
Leisure	5	2%
TOTAL	**223**	**100%**

NORDICS
MID-MARKET VOLUMES BY SECTOR





CEE & CIS

MID-MARKET M&A ACTIVITY SLOWS FURTHER BUT DEAL OPPORTUNITIES PILE UP.

BIG PICTURE

- Deal volume and value reached a new low in Q2
- Private equity takes a back seat after a strong Q1
- Industrial & Chemicals is still the most active sector, followed by Energy, Mining & Utilities
- The BDO Heat Chart indicates that opportunities continue to build up.

On most occasions we have seen a sluggish first quarter of mid-market M&A activity in the region followed by a step-up in volume and value during the second quarter. Not this year. The expected Q2 recovery did not happen, in contrast with the European and global trend.

Instead, trade value reached a new low for the 2008-2016 period, with only 60 deals at a combined value of USD 3.6bn. The average value per transaction also fell: from USD 65m in Q1 to USD 59m in Q2.

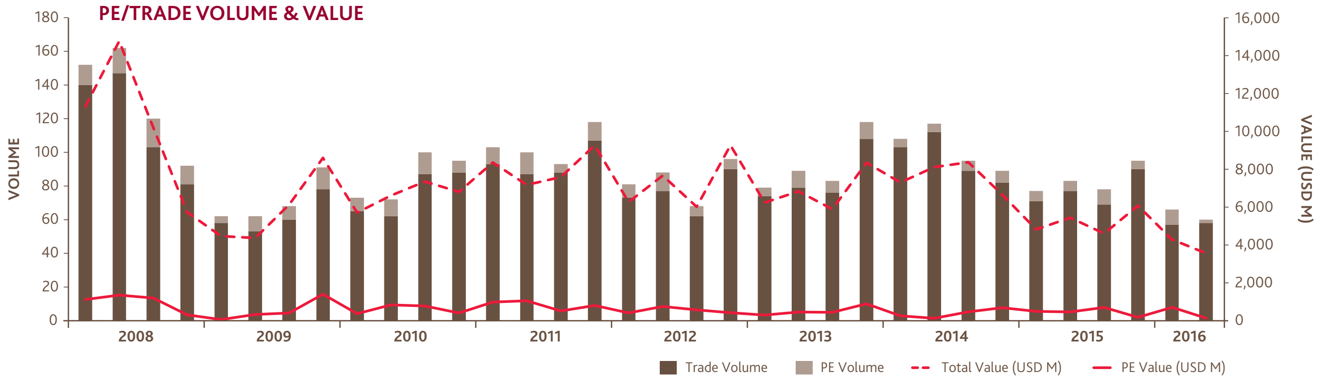
Private equity had started the year strongly, with nine deals completed in Q1 2016 at a combined value of USD 697m. But Q2 2016 PE activity tailed off, with only two deals at a total of USD 129m. Nevertheless, the average PE deal value did remain above overall average detail value, a trend we have seen over recent quarters.

KEY SECTORS AND DEALS

The most active sectors during Q2 2016 were Industrials & Chemicals with 16 deals, followed by Energy, Mining & Utilities with 11 deals, and Business Services with ten deals. Consumer halved its activity to five deals, whereas Leisure only had one.

The top ten deals in Q2 2016 had a total value that was consistent with the previous quarter (USD 2.2bn). There was a good geographical spread, with Poland, Russia and Turkey each responsible for two of the top ten deals, while Kazakhstan, Malta, Hungary and Georgia accounting for one each.

Although it's not the most active sector, three of the top four deals were in Financial Services (banking), amounting to almost half the total value of the top ten deals. The largest deal in the region was General Electric Co's USD 409m sale of the Polish BANK BPH SA 's non-mortgage banking assets to Alior Bank SA. The second largest was the transfer of a majority stake in



LOOKING AHEAD

Since the second half of 2015, the number of companies available for sale in the region has risen continuously. The top three sectors represent 60% of total opportunities in the region.

CEE & CIS maintains its third place among all the regions worldwide in terms of deal opportunities, and is narrowing the gap behind China.

Business Services is the only sector that experienced a decrease in companies available for sale during the last period, giving up fourth place on the BDO Heat Chart to Energy, Mining & Utilities, which saw opportunities increase by nearly a third. Pharma, Medical & Biotech saw a similar rise and we anticipate some interesting deals within these two sectors.

The decrease in mid-market M&A activity seen in the region during Q2 2016 was in contrast to the rest of Europe and the global trend. It's hard to say whether M&A activity will gain momentum during the second half of 2016 or if, instead, potential buyers will be deterred by the recent Turkish turmoil and six-month prolongation of Western sanctions against Russia. What we can say is that the number of companies available for sale continues to pile up.

Nurbank from Almaty, Kazakhstan, between two private investors. Hungary, represented by state-owned entity Corvinus Zrt. and the European Bank for Reconstruction and Development, acquired minority equity stakes of 15% each in Erste Bank Hungary Zrt. for a total value of USD 281m.

The only deal in the top four that did not involve banking was the third largest, Tunisie Telecom's USD 379m purchase of a 60% stake in Maltese telecoms giant GO.

Two deals in Russia took fifth and sixth place. Russia-based gold mining operators Petropavlovsk plc bought another niche gold company Amur Zoloto LLC (Far East Russia) for USD 160m (share deal). Russia's sovereign wealth fund, Russian Direct Investment Fund, together with Middle East funds, made a USD 137m equity investment in AFG National Agro Holding, a large, vertically integrated agro-industrial holding.

Business Services, Leisure and the Pharma, Medical & Biotech sectors did not make it into the top ten deals.

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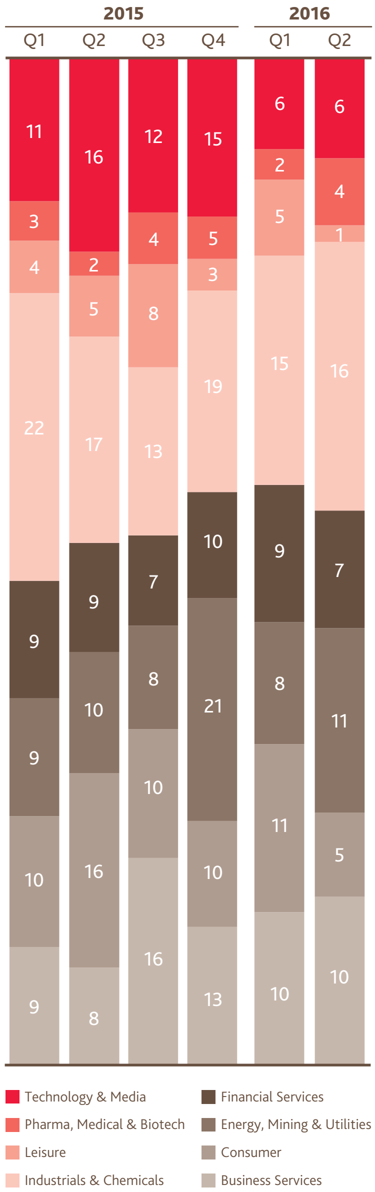
CEE & CIS
HEAT CHART BY SECTOR

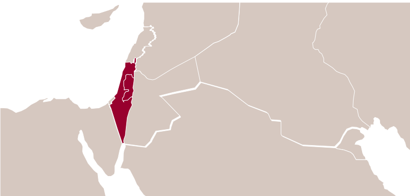
Industrials & Chemicals	212	26%
Consumer	165	20%
Technology & Media	122	15%
Energy, Mining & Utilities	97	12%
Business Services	77	9%
Financial Services	63	8%
Leisure	41	5%
Pharma, Medical & Biotech	36	4%
TOTAL	**813**	**100%**

CEE & CIS
MID-MARKET VOLUMES BY SECTOR



ISRAEL

STRONG M&A ACTIVITY RECORDED DURING Q2 2016 IN TERMS OF VALUE AND VOLUME.



BIG PICTURE

- Deal volume and value increased in Q2 2016 compared to Q1 2016
- Technology & Media is the most active sector and continues to lead the way with 11 deals during Q2 2016
- Reduced GPD growth forecasts may slow M&A activity ahead.

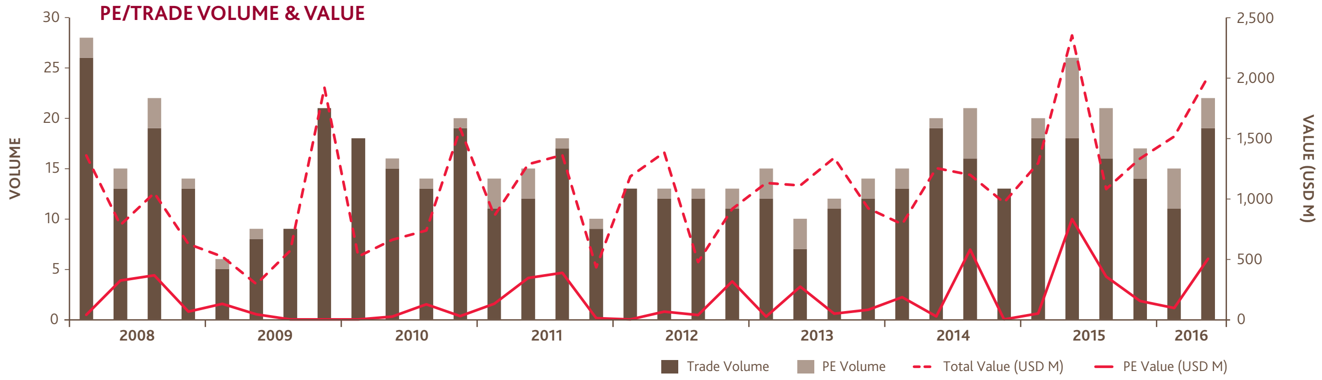
In Q2 2016, deal values rose 32% above Q1 levels and volume also rose, with 22 deals completed. Total value of USD 2.01bn reflected an increase of USD 496m (32%) compared to Q1 2016 and a decline of USD 341m (15%) compared to Q2 2015. In terms of both value and volume, the second quarter was the most active period since Q2 2015. Overall, since Q3 2015 we have seen continued growth in total transaction value, but a less clear trajectory in terms of deal volume.

There were three private equity transactions in Q2 2016, representing 13.6% of all transactions, and their combined value of USD 502m represented 25% of total deal value during the second quarter.

During Q2 2016, the average deal value was USD 91.4m, down 10% compared to Q1 2016, but similar to Q2 2015's USD 90.4m.

KEY SECTORS AND DEALS

Israel's top ten Q2 2016 deals had an aggregated value of USD 1.74bn, representing 87% of total M&A transactions. The largest transaction was the USD 400m acquisition of SintecMedia, which develops software for managing content, airtime, and the sale of advertising for television channels. SintecMedia was purchased by Francisco Partners from Riverwood Capital, the previous controlling shareholder in SintecMedia with an 84% holding.



LOOKING AHEAD

The BDO Heat Chart for Israel shows there are 53 deals planned or in progress with 21 (40%) related to Technology & Media and 12 (23%) involving Pharma, Medical & Biotech. Other sectors include Business Services with six deals (11%), Financial Services with four deals (8%) and Industrials & Chemicals with three deals (6%). Technology & Media and the Pharma, Medica & Biotceh sectors continue to lead the way.

Other key deals included the purchase of MIS Implants Technologies, a privately-held company which sells dental implants, by Dentsply Sirona for a total value of USD 375m. Another relatively large transaction was the USD 300m raised for Gett, an Israeli taxi hailing company, by the German car giant Volkswagen.

Technology & Media remains the most active sector, being responsible for 50% of all transactions. The Leisure and Business Services sectors were the least active in the quarter, with no deals at all. Energy, Mining & Utilities, as well as Financial Services, experienced weak activity with only one deal each.

The consumer sector saw a strong recovery with four deals in Q2 2016, compared with two deals in Q2 2015 and no deals at all in the previous quarter. Pharma, Medical & Biotech remained at similar levels with two deals during Q1 2016 and in Q2 2015.

Of the top ten deals in Q2 2016, Technology & Media sector was responsible for four deals, while the remaining six divided between Consumer, Pharma, Medical & Biotech, Financial Services and the Energy, Mining & Utilities sector. Cross-border transactions continue to stand out, with six transactions involving a foreign purchaser, four of these involving US buyers, one Chinese and one EU buyer.

Overall, we continue to witness Technology & Media taking an increasingly large share in M&A deals, while seeing shrinking deal flows in Energy, Mining & Utilities and Leisure.

PRIVATE EQUITY

Private equity activity remained a relatively marginal player in Q2 2016, responsible for just three of the 22 total deals (13.6%) and USD 0.5bn of the USD 2bn total deal value. The second quarter of 2016 recorded a downward trend in private equity activity in comparison with Q1 2016 and Q2 2015. The second quarter of 2016 reflected an overall decline of 62.5% in deal count and 40% in value compared with Q2 2015.

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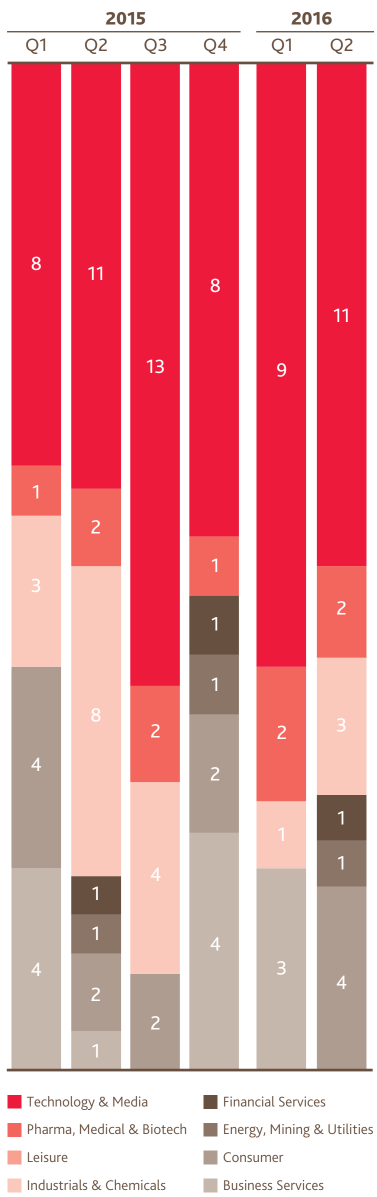
ISRAEL
HEAT CHART BY SECTOR

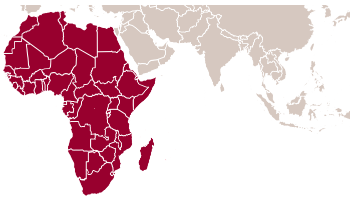
Technology & Media	21	40%
Pharma, Medical & Biotech	12	23%
Business Services	6	11%
Financial Services	4	8%
Industrials & Chemicals	3	6%
Consumer	3	6%
Leisure	3	6%
Energy, Mining & Utilities	1	2%
TOTAL	**53**	**100%**

ISRAEL
MID-MARKET VOLUMES BY SECTOR



AFRICA

AFRICAN M&A DROPS AS ECONOMIC ACTIVITY SLOWS.



BIG PICTURE

- Lowest quarter for deal volume since Q1 2013
- Deal value decreased by 35% compared to Q1 2016, a 38% decline year on year
- PE buy-outs fell sharply and represented only 10% of all deals
- Industrials & Chemicals and Energy, Mining & Utilities forecast to be the most active sectors ahead.

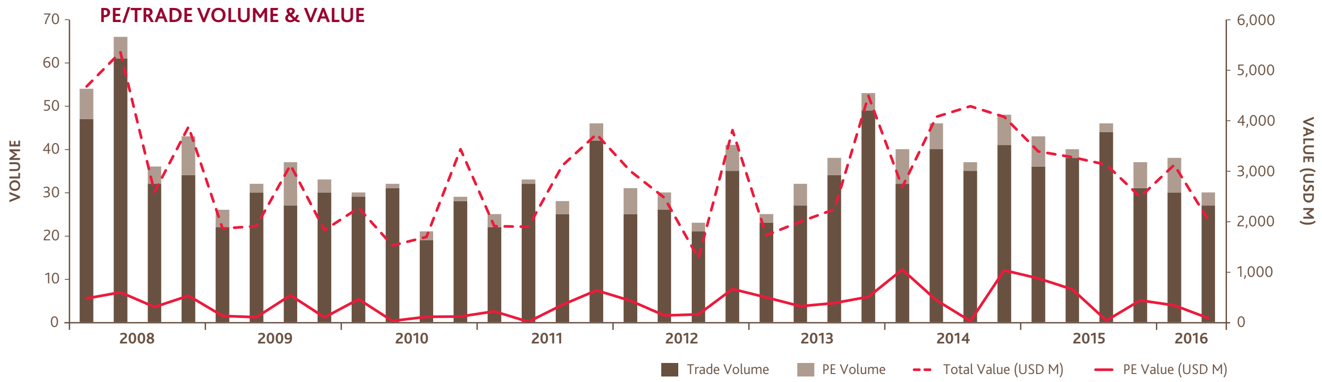
African M&A activity declined in Q2 2016 to reach its lowest level since Q1 2013 with 30 deals compared to 38 in the previous quarter. The decline was even sharper when compared to the same quarter last year with ten fewer deals and a corresponding 38% reduction in total transaction value.

Deals were spread relatively evenly across most sectors, demonstrating a good diversification of investment interests in the continent. Despite the fall in oil prices, the Energy, Mining & Utilities sector has been the most active, registering seven deals, followed by the Industrials & Chemicals sector with six deals.

The value of PE buy-outs in Q2 2016 dropped by 76%, with just three deals completed in the period. The average value of a buy-out in Q2 2016 was 12.5 times lower than Q2 2015.

KEY DEALS

Analysis of the top ten deals shows the Technology & Media and Industrials & Chemicals sectors were the most active, with three deals each, and the preferred country being South Africa, with a total of five deals. Increased interest from UK companies was seen during Q2 2016, accounting for a total of four deals in the top ten list. Their interest was particularly directed towards South Africa, but UK companies also invested in countries such as Kenya and Tunisia.



LOOKING AHEAD

The lower number of deals on the continent reflects the slowing pace of economic activity. According to Global Economic Prospects: Divergences and Risks published by the World Bank in June 2016, low commodity prices, tightening global financial conditions and drought in parts of the region are holding back economic growth in Sub-Saharan Africa this year. World Bank projections indicate GDP growth of 2.5% in 2016, down from an estimated 3.0% in 2015. Activity is expected to remain weak in the region's three largest economies in 2016 as a result of low oil prices and national instability. Nigeria is forecast to expand by only 0.8%, South Africa is predicted to slow to GDP growth of just 0.6% and Angola to 0.9%. Moreover, the situation in China remains a concern for the region since a sharper-than-expected slowdown in China could further weaken activity in commodity-exporting countries, and additionally the current situation in the euro area could lead to a decrease in exports and reduced investment flows.

Despite these headwinds, the BDO Heat Chart for Africa mid-market M&A activity features 200 deals in 2016, up from a total of 187 deals last quarter. The predominant sectors are likely to be Industrials & Chemicals with 71 deals (29% of total deals) and Technology & Media (19% of total deals). The Consumer and Financial Services sectors are also likely to witness important investments later this year, taking advantage of the rising purchasing power of the average African, especially in urban agglomerations.

The biggest deal of Q2 2016 was the merger of Mauritius' two biggest conglomerates, GML Investissement Limited and Ireland Blyth Limited, to form IBL Ltd. On its first day of on the Mauritius Stock Exchange, IBL Ltd became the second biggest company in the country in terms of market capitalisation with a value of USD 498 million.

British company Liquid Telecommunications Ltd acquired Neotel, a South African-based telecommunications company, for USD 429 million. Liquid Telecommunications Ltd has partnered with Royal Bafokeng Holdings (Pty) Ltd, which has committed to taking a 30% equity stake in Neotel. This deal is likely to create the largest Pan-African broadband network and business-to-business telecoms provider.

Another British company, Associated British Foods Plc (ABF), bought out all the minority shareholders of Illovo Sugar Ltd, of which ABF was already the majority shareholder. ABF now has full ownership of Illovo Sugar Ltd after the acquisition of the remaining 48.65% that it did not already own.

In the insurance sector, Allianz SE acquired Zurich Assurances Maroc, a subsidiary of Zurich Insurance Company in Morocco and one of the largest insurance companies in the country. Allianz Group already has a presence in 15 countries in Africa, and this acquisition in Morocco, Africa's second-largest insurance market after South Africa, demonstrates the Group's interest in the future growth of the region. In Kenya, key shareholders of Britam Kenya purchased back 25% of the company's shares, worth USD 71m, that were owned by BAI & Co, a Mauritian company.

In Kenya, key shareholders of Britam Kenya purchased back 23% of the company's shares, worth USD 71m, that were owned by BAI & Co (under Special Administration), a Mauritian company.

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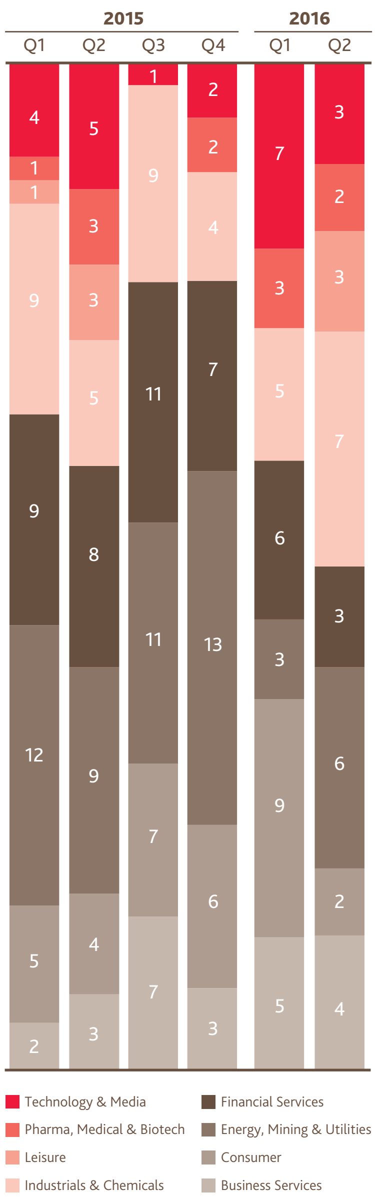
AFRICA
HEAT CHART BY SECTOR

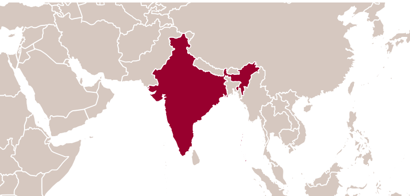
Industrials & Chemicals	60	30%
Energy, Mining & Utilities	50	25%
Business Services	25	13%
Consumer	22	11%
Financial Services	18	9%
Technology & Media	13	7%
Pharma, Medical & Biotech	7	4%
Leisure	5	3%
TOTAL	**200**	**100%**

AFRICA
MID-MARKET VOLUMES BY SECTOR



INDIA

M&A ACTIVITY DROPS IN Q2, BUT INDIA'S RAPID ECONOMIC GROWTH CONTINUES.



BIG PICTURE

- Deal value and volume fall compared to previous quarter
- Brexit impact countered by strong economic conditions
- Technology & Media is the most active sector in Q2, but Industrials & Chemicals has the best prospects ahead.

Despite the impact of the Brexit referendum, India is expected to maintain its 7.3% growth rate and hence its position as the fastest growing economy in the world. While Brexit is expected to create some headwinds, India's economic prospects remain relatively sanguine due to the impact of local factors such as a good monsoon, the impact of increasing disposable income, liberalised government policies and higher public expenditure.

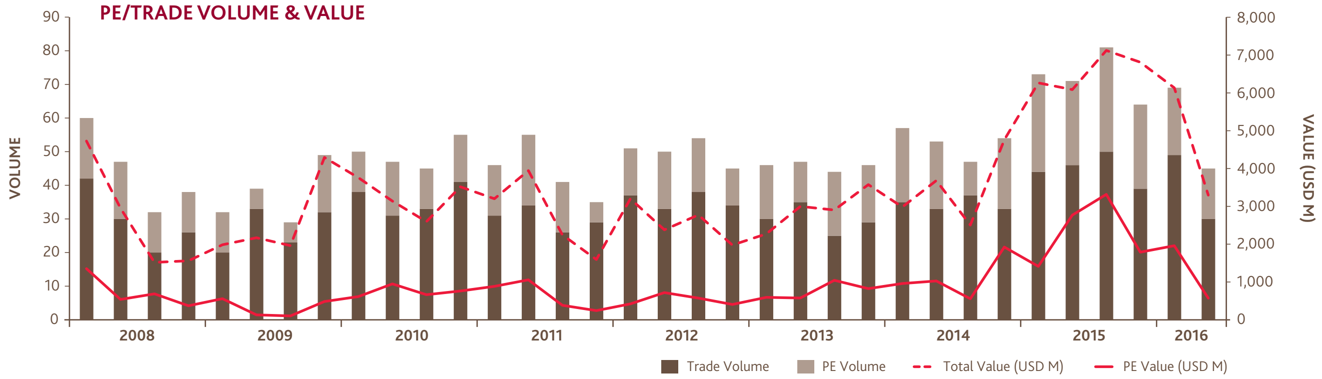
Q2 deal value was USD 3.2bn, down 46% from its Q1 2016 level, while deal volume dropped 35% to 45 deals. The average transaction size also decreased, from USD 89m to USD 73m. As compared to Q2 2015, deal volume was down 37% (71 deals in Q2 2015) and deal value fell by 46% (USD 6.09bn in Q2 2015).

In Q2 2016, PE buy-out deals represented 17% of total deal value and 33% of total deal volume. For Q1 2016, these numbers were 32% and 29% respectively while for Q2 2015, these numbers were 46% and 35% respectively.

KEY DEALS AND SECTORS

In 2015, a total of 289 deals were completed with Technology & Media responsible for 76 deals (26% of all transactions) followed by Industrials & Chemicals with 67 deals (23%) and Financial Services with 36 deals (12%).

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The referendum on Britain's membership of the European Union (EU), which resulted in the decision to exit the EU, will have an impact on India's economy, with Nomura lowering India's 2016 GDP growth forecast to 7.3% from 7.6%. However, this is not seen as a cause for Indian investors to worry because, despite the fall, India will continue to be the fastest growing major economy in the world. The government is also taking steps to boost GDP growth and steps such as the recent foreign direct investment (FDI) liberalisation will help India maintain its position as the fastest growing economy.

India, as a net importer of commodities, has benefitted from falling prices and growth will be driven by rising consumption. Modest exposure to trade in goods and a net-commodity importing status has to some extent shielded the Indian economy from external headwinds. However, a sustained improvement in domestic private investment would be required for the growth momentum to be sustained.

BDO's Heat Chart below is based on 'companies for sale' tracked by Mergermarket between 12 January 2016 and 12 July 2016. The Industrials & Chemicals sector is expected to top the chart with the highest number of potential deals.

In H1 2016, a total of 114 deals were completed with Industrials responsible for 28 deals (25% of all transactions), followed by Business Services and Technology & Media with 21 deals each (18% each) and Consumer with 12 deals (11%).

In terms of quarter-on-quarter comparison, only Consumer saw growth in deal volume while the other seven sectors (Technology & Media; Pharma, Medical & Biotech; Leisure; Industrials & Chemicals; Financial Services; Energy Mining & Utilities and Business Services) saw a drop in deal volume in Q2 2016 as compared to Q1 2016.

The biggest deal in Q2 2016 was in the Industrials & Chemicals sector with Grapene Limited acquiring a 51.49% stake in Indiabulls Properties Investment Trust for USD 497m in April 2016.

Other major deals in Q2 2016 include Singapore Technologies Telemedia Pte Ltd acquiring a 74% stake in Tata Communications Ltd's Data Centre Business in India and Singapore for USD 471m; Tenaga Nasional Berhad of Malaysia acquiring a 30% stake in GMR Energy Limited for USD 300m; Fairfax India Holdings Corporation of Canada acquiring a 30% stake in both Chemplast Sanmar Ltd and Sanmar Speciality Chemicals Ltd for USD 300m from The Sanmar Group in India and TPG Capital LP; and GIC Private Limited of USA acquiring a 20% stake in Janalakshmi Financial Services Private Ltd from Tencent Holdings Ltd for USD 210m.

The average number of deals per quarter in the full year 2015 was 72. In Q1 2016 the deal count was slightly lower at 69, then declined further in Q2 2016 to 45 deals.

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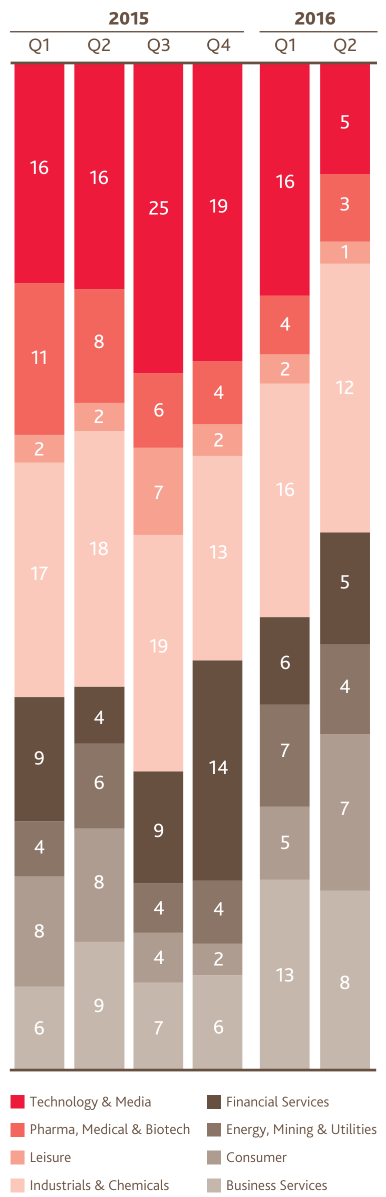
INDIA
HEAT CHART BY SECTOR

Industrials & Chemicals	96	23%
Technology & Media	91	21%
Business Services	68	16%
Financial Services	48	11%
Consumer	47	11%
Energy, Mining & Utilities	34	8%
Pharma, Medical & Biotech	30	7%
Leisure	11	3%
TOTAL	**425**	**100%**

INDIA
MID-MARKET VOLUMES BY SECTOR



CHINA

A MIXED PICTURE FOR M&A, BUT OUTBOUND DEALS HIT NEW HIGHS.

BIG PICTURE

- Deal volume beats previous quarter but falls below the level seen in the same quarter of 2015
- The appetite for overseas acquisitions continues, with total value in the first half of 2016 exceeding 2015's record outbound M&A levels
- Despite rising M&A transaction levels over recent years, the failure rate of attempted offshore transactions by PRC companies remains high.

In the second quarter of 2016, deal volume increased by 9.2% compared to Q1 2016, but was 18.3% below Q2 2015 levels.

Global uncertainty following Brexit and the upcoming US presidential elections in November could be factors slowing down Chinese investment, as PRC companies await the impact of these events. However, total outbound investment in the first half of 2016 has already exceeded that of the whole of 2015, as Chinese companies are increasingly looking to diversify their operations as domestic growth rates decline.

OUTBOUND INVESTMENT

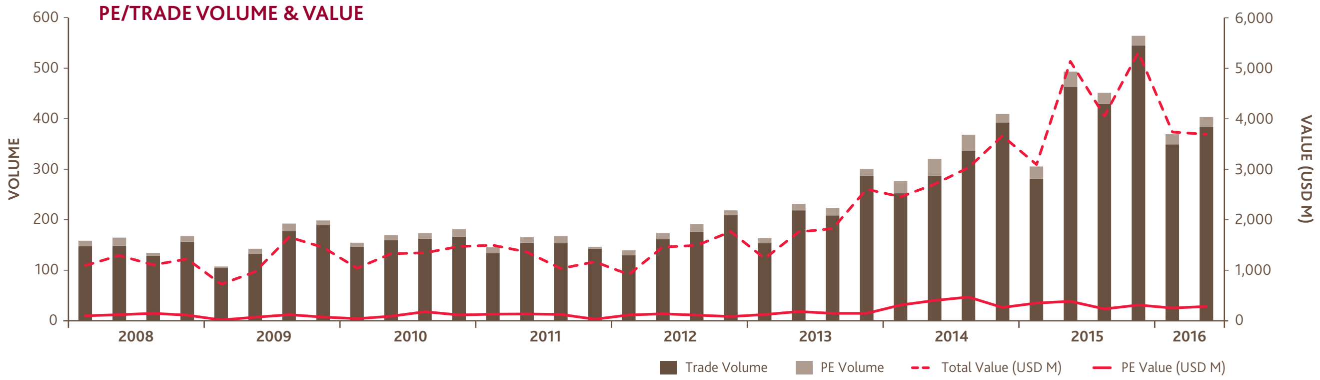
While Greater China's rapid growth in outbound M&A recent years has been impressive, the reported M&A statistics do not reveal the full extent of China's acquisition activities overseas, and in particular the many failures experienced by PRC companies.

With a recent record of completing only approximately two thirds of its announced outbound transactions, far lower than the deal completion rate of its Western peers, there has been a worrying trend of transaction failures by PRC companies, with a number of consistent themes identified.

OBSTACLES TO DEAL COMPLETION

Political opposition to Chinese acquisitions was a consistent theme in the preceding decades when China first started to take steps along the path of larger overseas acquisitions. With deals at that time highly focused on energy and resources, led primarily by large state-owned enterprises under the instruction of Beijing, some political opposition was perhaps inevitable.

While overseas transactions now appear to be motivated more by strategic drivers, and increasingly led by privately-owned PRC companies (which should result in fewer political issues), Chinese transactions continue to run into regulatory hurdles.



LOOKING AHEAD

The latest BDO Heat Chart shows a slight decline in the number of deal opportunities, falling from 1,145 as of Q1 2016 to 1,084 to at Q2 2016. Whether this is indicative of a slowdown in the Chinese M&A market remains to be seen, although outbound M&A activities are expected to continue to rise, driven by the long-term diversification strategy of many PRC entities.

According to China's Ministry of Commerce, despite the rapid rise in outbound M&A over recent years, the speed of China's overseas purchases is considered by the ministry to be "appropriate and normal". In a recent statement released in April 2016, the ministry stated that "M&A and China's overseas investment were both in the early stages", and proposed more government support for PRC companies to help them complete offshore acquisitions, given their lack of experience in "dealing with cultural differences and policy hurdles". This demonstrates the strong ongoing PRC government support as part of its 'go global' policy.

While China's rise in ascendancy in global M&A markets is expected to continue, Chinese companies may still experience difficulties in both completing transactions and in their ability to generate value from transactions post-completion. While Chinese companies will undoubtedly gain experience and hire more qualified investment personnel, in the short-to-medium term this lack of deal experience appears to be a risk that many Chinese companies are prepared to take in their quest to become multinational corporations.

The shareholding structures of Chinese companies can often represent a tangled web, with a wide use of nominee shareholding structures, and a high number of seemingly non-commercial share transfers. PRC companies are often reluctant to provide information about the ultimate ownership and financing of PRC entities to regulatory authorities, and have in the past walked away from transactions when they have been subject to detailed regulatory review.

The biggest regulatory crackdown continues in the US, where the Committee of Foreign Investment (CFIUS), an inter-agency committee of the US government, tasked with safeguarding US national security and critical infrastructure, is completing more formal investigations of Chinese acquisitions than ever before. The first quarter of 2016 saw three large technology deals halted in part due to CFIUS, including transactions involving the Lumileds division of Philips, Fairchild Semiconductor and the US storage technology company Western Digital. With the ChemChina/Syngenta acquisition expected to require CFIUS review, 2016 could become a landmark year for transaction challenges by CFIUS involving PRC investors.

Another widely cited reason for transaction failure by PRC companies is a perceived lack of experience in completing overseas acquisitions, due to a lack of either dedicated M&A teams or experience in completing cross-border transactions. Sudden and often unexpected acquisition bids are common for overseas assets, appearing opportunistic in nature, without considering how the acquisition will fit into the long-term business strategy of the acquirer, or what synergies could be generated from the transaction.

A lack of understanding of the overseas business environment, including knowledge of key local operational, financial and legal risks also remains a key concern on any cross-border transaction, which could be mitigated by a well-planned due diligence process. Despite the wide differences in operating models, corporate culture, employment laws and legal systems that exist between Chinese and Western companies, due diligence still remains a low priority for many PRC investors, who may have already shaken hands on a deal and signed an acquisition agreement before conducting due diligence, which then becomes a box-ticking exercise at best.

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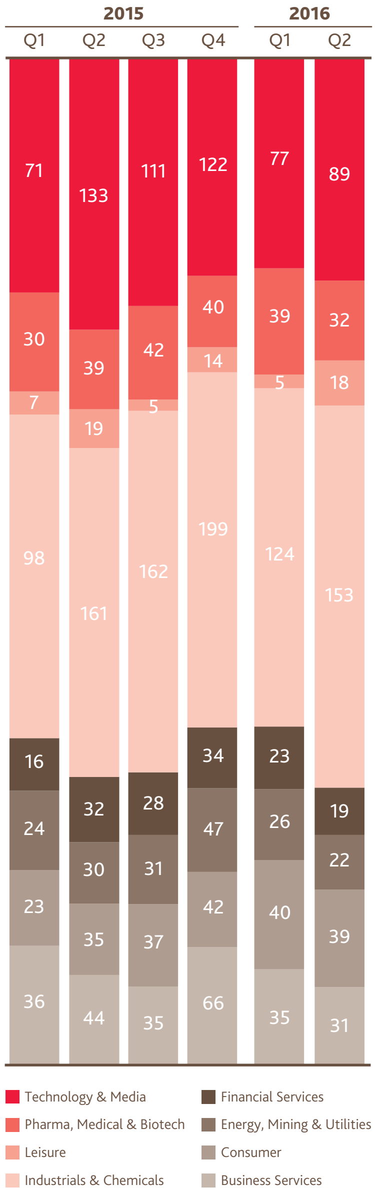
CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	336	31%
Technology & Media	204	19%
Consumer	134	12%
Business Services	120	11%
Financial Services	88	8%
Pharma, Medical & Biotech	74	7%
Energy, Mining & Utilities	71	7%
Leisure	57	5%
TOTAL	**1,084**	**100%**

CHINA
MID-MARKET VOLUMES BY SECTOR



SOUTH EAST ASIA

M&A ACTIVITY STEPS UP WITH GOOD PROSPECTS AHEAD.

BIG PICTURE

- Q2 volume up 37% and value up 55% against Q1
- Industrials & Chemicals is the most active sector
- Strong deal pipeline suggests momentum will continue.

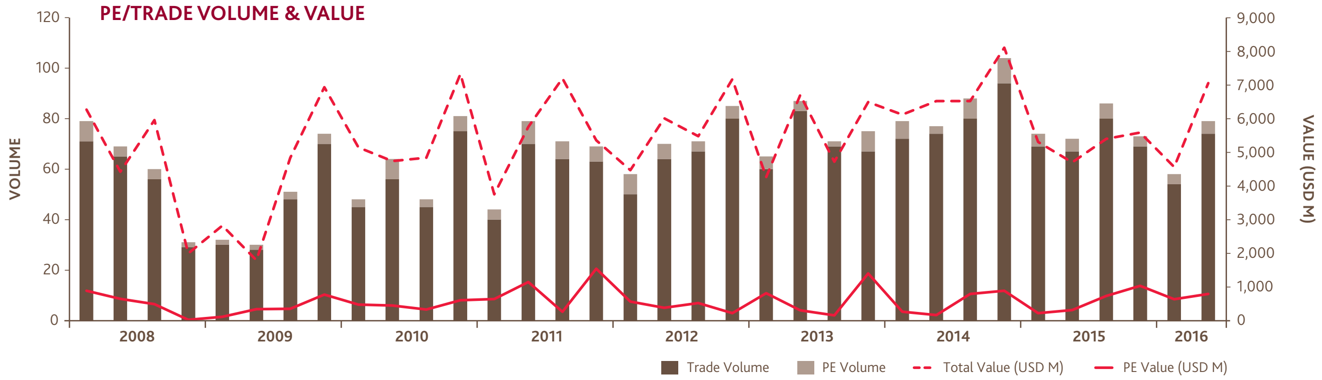
The M&A market in South East Asia performed strongly in Q2 2016, with both deal volume and value rising when compared to the previous quarter. There were 74 transactions during the quarter compared to 54 deals in Q1 2016, representing an increase of 37%. Total transaction value increased by 55% from USD 4.56bn to USD 7.05bn during the same period. The top ten deals for the quarter amounted to USD 3.63bn, representing 51% of total deal value for Q2 2016. Similar to the corresponding period in 2015, private equity completed five deals in Q2 2016. This represented a small proportion of total M&A activities for the quarter: 7% of overall deal volume and 11% of value.

KEY DEALS AND SECTORS

The most active sectors for Q2 2016 were Industrials & Chemicals and Energy, Mining & Utilities, which together contributed 48% of the total number of deals for Q2 2016. Industrials & Chemicals was the most active sector, contributing the highest number of completed deals (23).

The Energy, Mining & Utilities sector contributed 15 deals in Q2 2016, of which two were top ten deals. These included the region's largest M&A deal in Q2 2016. This was the acquisition of a 56% stake in Global Business Power Corporation by Beacon Electric Asset Holdings Inc with a deal value of USD 473m, which falls in the Energy, Mining & Utilities sector. The target country for the other top ten deal was Malaysia.

The remaining top ten deals were two each from Financial Services, Business Services and Pharma, Medical & Biotech sectors as well as one each from Industrials & Chemicals and Technology & Media.



LOOKING AHEAD

Industrial & Chemicals appears to be at the centre of M&A activity in the region. The sector is responsible for not only the highest number of transactions completed in Q2 2016 (23 deals) but also the highest number in the pipeline at the end of Q2 2016 (116 deals).

In addition, M&A activities in the Financial Services, Consumer and Energy, Mining & Utilities sectors are accelerating, with a pipeline deal volume in Q2 2016 of 54 (Q1 2016 :44), 60 (Q1 2016: 52) and 59 (Q1 2016: 53) respectively. Deals planned or in progress for the Leisure and Pharma, Medical & Biotech sectors held steady at 24 and 17 respectively.

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

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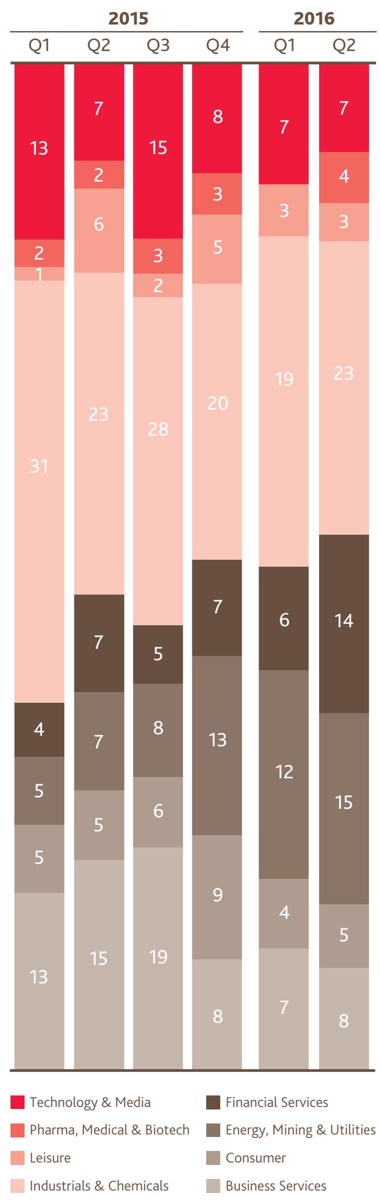
SOUTH EAST ASIA
HEAT CHART BY SECTOR

Industrials & Chemicals	116	27%
Consumer	60	14%
Energy, Mining & Utilities	59	14%
Business Services	55	13%
Financial Services	54	12%
Technology & Media	52	12%
Leisure	24	5%
Pharma, Medical & Biotech	17	4%
TOTAL	**437**	**100%**

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR



AUSTRALASIA

DEAL ACTIVITY IMPROVES SLIGHTLY IN Q2 AND FURTHER GROWTH EXPECTED.

BIG PICTURE

- Total volume and value grows slightly in Q2 2016 compared to Q1, while PE activity remains relatively subdued
- Energy, Mining & Utilities out of favour as foreign investors pursue other Australian-based investment opportunities including food and beverage and agriculture
- Non-resource sectors such as Industrials & Chemicals and Technology & Media are expected to be the most active sectors for the rest of 2016.

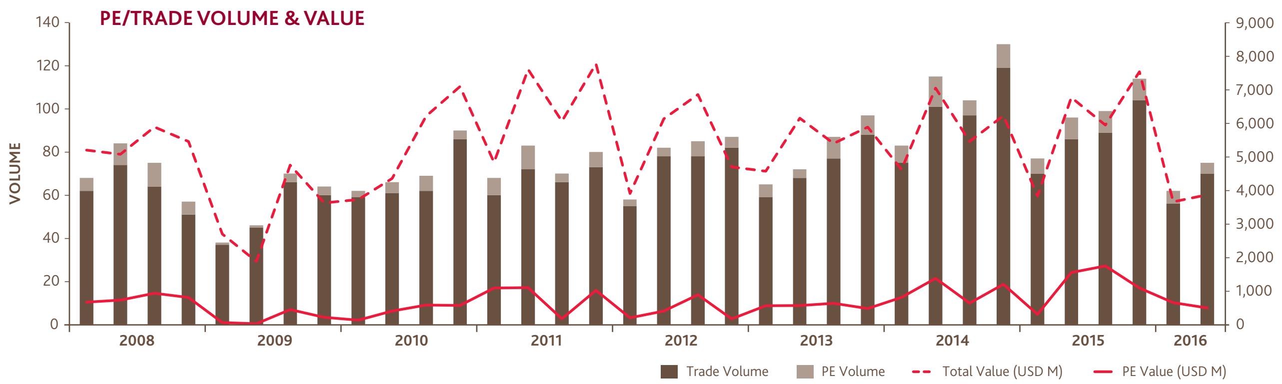
Seventy-five deals with a combined value of USD 3.87bn were successfully completed in the Australasian region in Q2 2016. Although this was a slight improvement on Q1, the total value of the deals completed in Q2 was approximately 43% lower than that seen in the same quarter in 2015 (USD 6.77bn). The total number of transactions completed in Q2 2016 (XX) was also significantly lower than in Q2 2015 (96).

Mid-market PE activity also remained relatively subdued. The total value of PE transactions dropped 24% to USD 0.49bn in Q2, the lowest level since 2012. In addition, the total number of PE deals was 50% lower in Q2 2016 compared to Q2 2015. PE's proportion of total mid-market M&A activity also fell to 12.7% in Q2 2016, compared to 22.9% in Q2 2015.

KEY DEALS AND SECTORS

Q2 saw an improvement in total deal volume across a number of sectors, including Consumer, Financial Services, Industrials & Chemicals and Leisure. Other sectors however, such as Business Services and Energy, Mining & Utilities, continued to experience relatively low levels of activity. The most active sector in terms of the number of completed deals in Q2 was Industrials & Chemicals (24.0%), followed by Financial Services (14.7%). The Consumer sector (nine deals completed) and the Leisure sector (ten deals completed) also experienced a significant increase in activity compared to the previous quarter.

The largest transaction in Q2 was in the Financial Services sector and involved the acquisition of a 44% stake in Greenstone Limited by Caisse de Depot et Placement du Quebec for USD 371m. Of the top ten deals completed during the quarter, three were from the Financial Services sector for a combined value of USD 675m.



LOOKING AHEAD

Overall, M&A activity within the mid-market is forecast to increase over the remainder of the calendar year. The BDO Heat Chart (which captures all sales planned, rumoured or in progress) shows that 444 deals are currently underway, representing a significant increase compared with the 386 deals underway in 2015.

Our analysis suggests the Industrials & Chemicals sector and the Technology & Media sector are likely to be the most active sectors, followed by the Consumer sector. Deal flow within the Business Services and Financial Services sectors is also predicted to experience moderate to strong levels of growth, with 63 and 48 deals underway respectively. The current rebalancing of investment away from the energy and resources sectors is also expected to continue over the near term.

Foreign interest in premium assets across a broad range of sectors is also forecast to remain strong for the remainder of 2016. In particular, we expect companies focused on the manufacture of food and beverage and/or agricultural products to benefit most from the wave of foreign capital currently making its way to Australian shores.

The second largest transaction completed during the quarter was in the Consumer sector and involved the sale of Patties Foods Pty Ltd to Pacific Equity Partners for USD 221m. The Consumer sector also saw Inner Mongolia Fuyuan Farming Co. Ltd acquire a 79% stake in Burra Foods Australia from Itochu Corporation and a private investor for USD 180m.

Despite the continued slowdown in Energy, Mining & Utilities overall, the sector was still responsible for three of the top ten mid-market deals completed in Q2 2016 with a combined value of approximately USD 526m. A particularly significant transaction was the acquisition of a 66% stake in Altona Mining Ltd (owner of the Cloncurry Copper Project) by Sichuan Railway Industry Investment Group Co. Ltd for USD 214m.

Other notable transactions successfully completed during the period include the purchase of a 19.98% stake in Virgin Australia Holdings Limited by Nanshan Group Co. Ltd for USD 198m and the acquisition of an 80% stake in The North Australian Pastoral Company Pty Limited by QIC Limited for USD 184m.

We also note that six of the top ten deals completed in Q2 2016, or 64% by transaction value, involved foreign investors. Foreign investors continue to show significant interest in acquiring local businesses across a range of sectors, aided by the low interest rates, the relative depreciation of the Australian dollar and Australia's reputation as a safe place in which to invest.

In particular, we note food and beverage companies and agricultural companies are both currently benefitting from the increased attention being afforded by foreign investors (particularly Asian-based investors), many of who are willing to pay relatively high multiples to acquire premium assets and leverage them in their home markets. Australia's solid reputation for producing high-quality food and beverage and agricultural products is a key driver in this regard.

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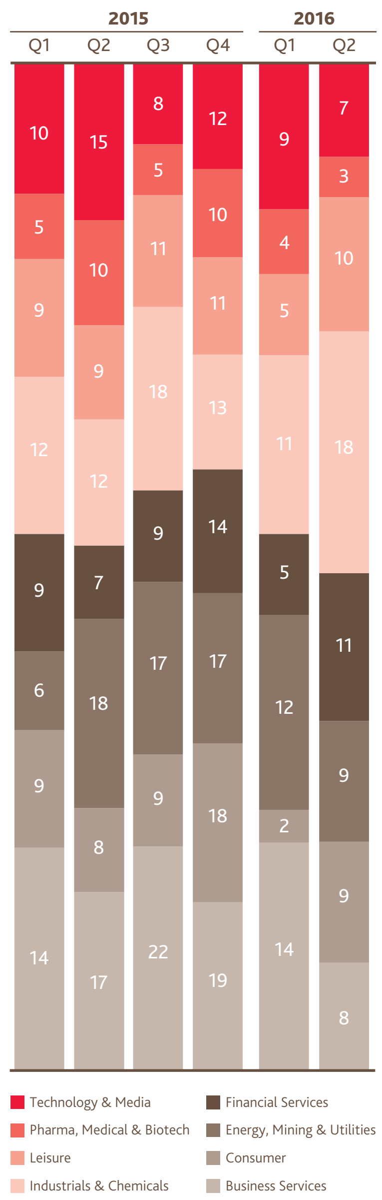
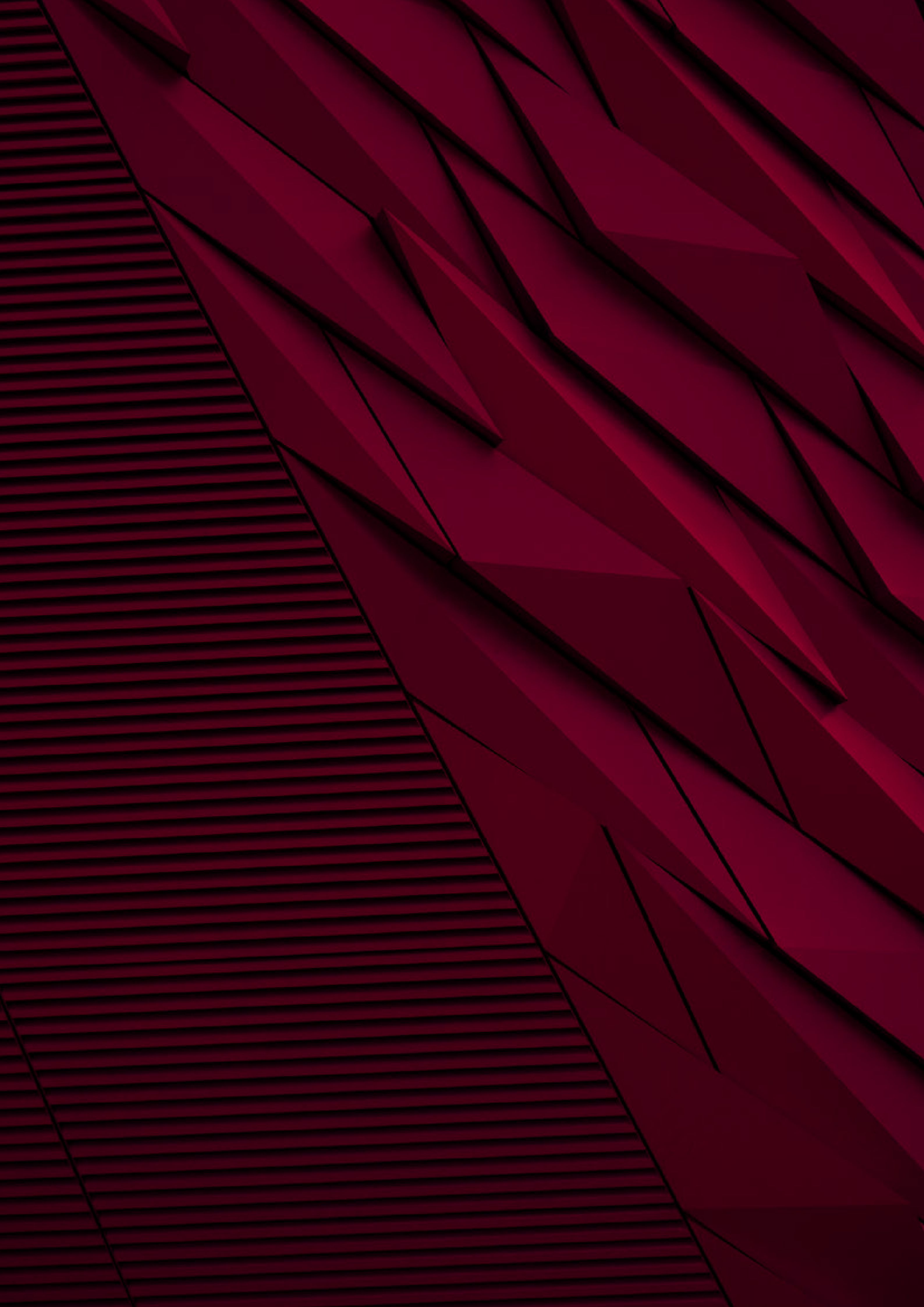
AUSTRALASIA
HEAT CHART BY SECTOR

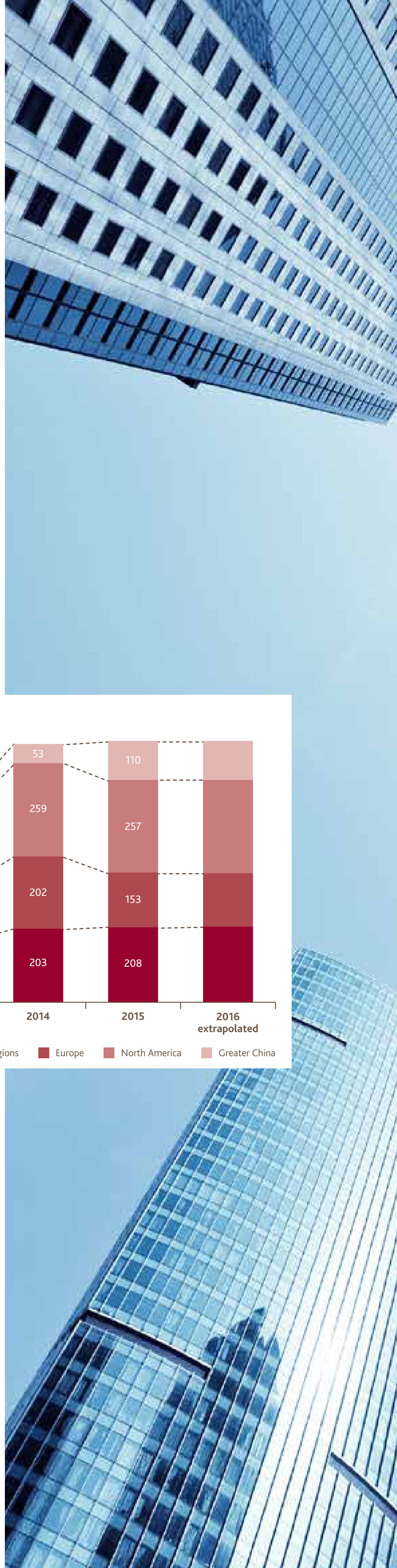
Industrials & Chemicals	84	19%
Technology & Media	84	19%
Consumer	66	15%
Business Services	63	14%
Financial Services	48	11%
Energy, Mining & Utilities	40	9%
Pharma, Medical & Biotech	39	9%
Leisure	20	5%
TOTAL	**444**	**100%**

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR





SECTOR VIEW



FINANCIAL SERVICES

A SOLID PICTURE FOR MID-MARKET M&A WITH A NUMBER OF BRIGHT SPOTS AHEAD.

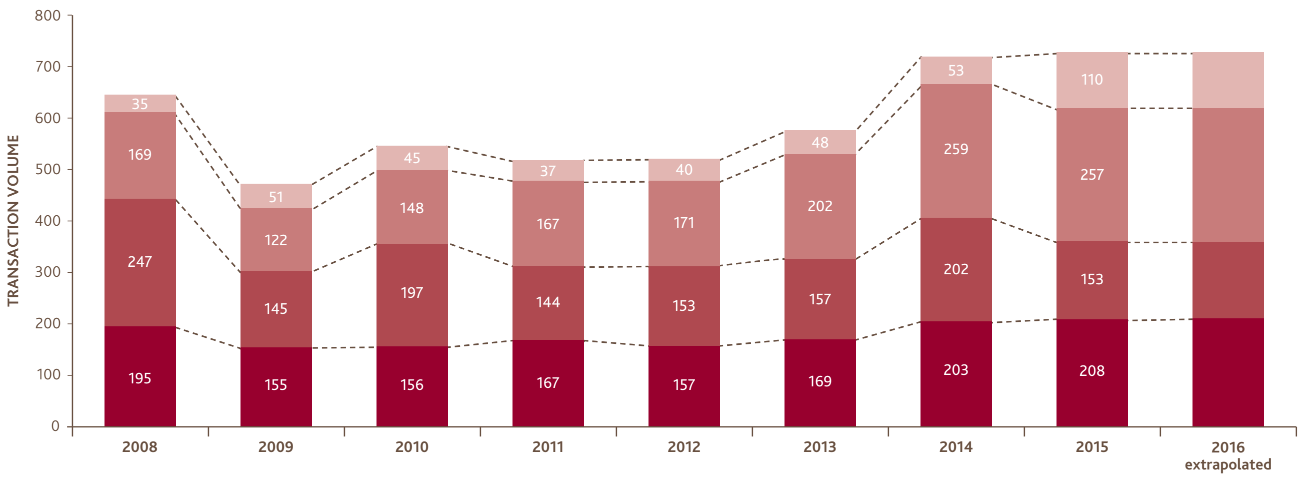
BIG PICTURE

- Global FS deal volume holds steady
- Trend for China-related deals continues
- Iran M&A expected to pick up after sanctions lifted.

The volume of global Financial Services (FS) mid-market M&A transactions has remained relatively stable since 2014. A total of 728 deals were recorded in 2015, compared to 717 the previous year. Based on the number of transactions recorded in the first half of 2016, we expect that full year figures for 2016 will be similar to 2015.

Deal volume relating to Greater China doubled in 2015 compared to 2014 and we expect activity to hold steady or increase further in 2016 compared to 2015.

M&A FS MID-MARKET TRANSACTION VOLUME BY REGIONS, 2008 – 2016
(2016 extrapolated from Q1-Q2 2016 figures)



Source: Merger Market, BDO Analysis

LOOKING AHEAD

We forecast that Chinese FS mid-market M&A deal volume will remain at a high level. We also anticipate that Chinese investors will continue to seek opportunities in the European Financial Services sector. Furthermore, we expect greater FS mid-market M&A activity in relation to Iran as sanctions have been lifted recently and global trade with the Islamic Republic is resuming rapidly.

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SECURITISATION TRANSACTION ASSISTANCE

Across the European Union, barriers exist that prevent small and medium-sized enterprises (SMEs) from raising capital required for growth. Banks are lending less and less to SMEs, a trend that is only expected to continue in light of more stringent capital requirements. Regulatory changes, pending or enacted, have inhibited the raising of capital rather than promoting it. In September 2015, the European Commission published a Capital Markets Union (CMU) Action Plan that seeks to address this disparity. The CMU Action Plan outlines six objectives which are as follows:

1. **FINANCING FOR INNOVATION, START-UPS, AND NON-LISTED COMPANIES**
2. **MAKING IT EASIER FOR COMPANIES TO ENTER AND RAISE CAPITAL ON PUBLIC MARKETS**
3. **INVESTING FOR LONG-TERM, INFRASTRUCTURE AND SUSTAINABLE INVESTMENT**
4. **FOSTERING RETAIL AND INSTITUTIONAL INVESTMENT**
5. **LEVERAGING BANKING CAPACITY TO SUPPORT THE WIDER ECONOMY**
6. **FACILITATING CROSS-BORDER INVESTING**

BDO has set up a cross-border Securitisations Team dedicated to assist SMEs and banks in relation to the CMU Action Plan. The BDO Securitisations Team published a first white paper in Q1 2016. The publication starts by briefly outlining what a SME needs to know in terms of the CMU and provides some practical information on what a securitisation entails and the potential benefits it creates. It concludes by summarising the proposed securitisation criteria and outlining some likely future developments.

To obtain a soft copy of the publication, follow this link:

www.bdo.de/getmedia/9188f539-e4ff-4f74-96ff-8823eb940819/cmu_securitisation_v7.pdf.aspx

AGRI-FOOD, FOCUS ON IRELAND

IRELAND'S HIGH-QUALITY AGRI-BUSINESS IS FEEDING BOTH ECONOMIC RECOVERY AND M&A ACTIVITY.

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BIG PICTURE

- A key sector with strong growth over the last six years
- While the UK remains a key export destination, demand from other European countries and international markets continues to increase
- The sector is a key contributor to M&A activity. and the impact of Brexit is expected to be short-lived. Brexit, is likely to have an initial impact on transactions.
- However the need for Irish businesses to reduce their reliance on the UK and diversity into new markets will create M&A opportunities going forward.

The Irish agri-food industry has enjoyed surging levels of growth over the last six years, playing a central role in aiding the country's economic recovery. The sector has shown its dynamism as food and drink exports have outstripped all other sectors of the economy during this period.

The sector's ability to offer an even spread of employment and wealth creation across the island makes its success one of particular socio-economic value, particularly in rural Ireland, with over 230,000 people connected to the sector. As expected, the dairy and meat sectors have been substantial contributors to the overall growth, but the scaling up and internationalisation of prepared/ consumer foods and drink companies is a significant development. The ability of these companies to win business on an international stage has been impressive.

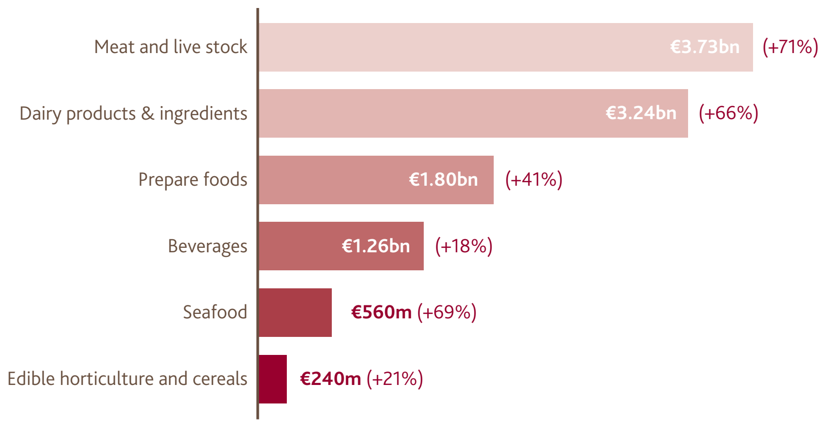
The UK remains a key export destination but broadening market reach is evident in recent years as a greater proportion of Ireland's exports go to other European countries and international markets.

A look at some of the key statistics in the sector gives a good overview of how the agri-food industry has grown and developed over the last decade or so:

- It is Ireland's largest indigenous largest indigenous sector
- Agri-food exports have grown 50% since 2006 to reach €10.8 billion in 2015
- Exporting to 175 countries, with the UK the largest single market
- Ireland is the largest net exporter of dairy ingredients, beef and lamb in Europe
- Ireland is the largest exporter in Europe of powered infant formula
- Irish beef is stocked in more than 82 retail chains across Europe
- Ireland exports over half the pig meat it produces – to over 60 countries around the world.

Source: Food and Drinks Industry Ireland

IRISH FOOD AND DRINK EXPORTS 2009-2015



Source: Bord Bia estimates

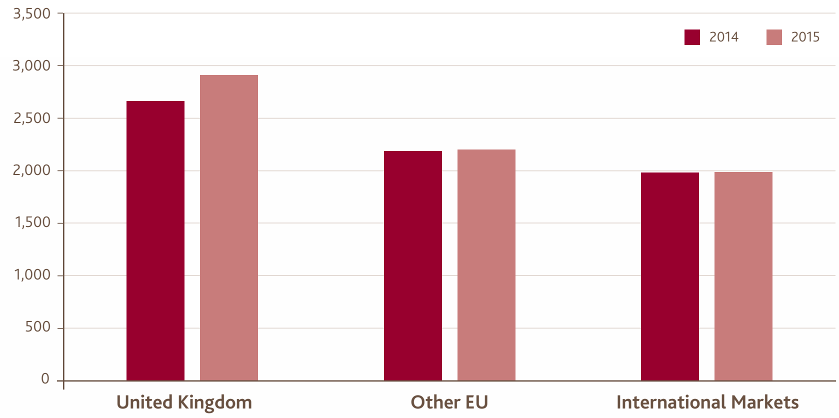
CHALLENGES FACING THE AGRI-FOOD SECTOR

All sub-sectors of the agri food industry have their own specific opportunities and their own unique challenges. There is no doubt, however, that food price volatility, food safety and sustainability, keeping pace with rapidly changing customer demands and the emergence of new food technologies are some of the biggest challenges facing agri-businesses not just in Ireland but throughout Europe in the coming years. These are the new norms and they will be persistent issues for the sector to overcome.

The dominant issue currently for Irish food businesses is the fall-out from Brexit. No industry is likely to feel this impact in the short term more than the agri-food sector, with over 40% of food exports sold into the UK. Depreciation in the value of sterling against the euro has already had an impact on the competitiveness of Irish exports.

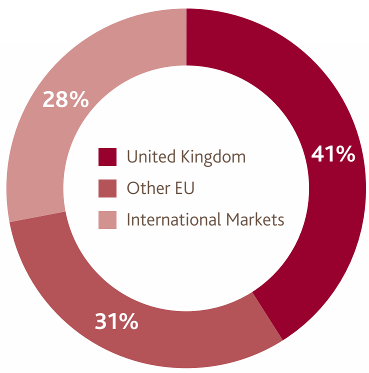
There is also concern over the future shape of the UK's trading relationship with the EU and the potential for an increase in tariffs and in the overall cost of doing business in the UK for Irish exporters. Clearly Brexit is not the ideal result, however Irish exporters historically have proven themselves resilient in overcoming market challenges, emerging stronger and becoming more competitive on the international stage.

TRENDS IN EXPORTS VALUES BY REGION (€)



Source: Bord Bia estimates

2015



Source: Bord Bia estimates

M&A – OUR EXPERIENCE

The agri-food sector was a key contributor to M&A activity in Ireland during 2015 and in the early part of 2016. High-profile deals included ABP's acquisition of Slaney Meats, Carlyle Cardinal Ireland Fund's acquisition of Carroll Cuisine, Aryzta's acquisition of La Rousse Foods, Glanbia's acquisition of Wexford Creamery and MML Growth Capital Partners investment in IdentiGEN Ltd.

Brexit is likely to have an initial dampening effect on activity however; our view is this is likely to be short-lived. We have several mid-market mandates ongoing for clients looking to expand internationally by way of bolt-on acquisition to improve their operational footprint and market access. The companies involved are from the agri-tech, consumer foods, food distribution and meat processing sectors. These companies are looking for opportunities in EU-based markets, the US and the Middle East region. There is adequate debt funding and a large pool of uninvested growth capital funding available from equity providers to support ambitious mid-market Irish food businesses that can demonstrate growth potential in global markets.

LOOKING AHEAD

The long-term outlook is promising. Ireland is unique in having a clear road map for the development of the sector. Food Wise 2025, the ten-year strategy for the Irish agri-food sector, predicts that Ireland can increase its value of agri-food exports to €19 billion. The Irish food sector produces raw ingredients of quality unsurpassed anywhere in the world. As such it is well positioned to maximise its advantage in producing sustainable, safe and innovative food products that are in demand by consumers worldwide.

In order to deliver such export growth, Irish businesses will need to scale up. Market diversification from an over-reliance on the UK market for certain sub-sectors is now likely to be a key issue as well. The need to scale and diversify into new markets should create a lot of merger and acquisition activity going forward.

AGRICULTURE, FOCUS ON AUSTRALIA

INCREASED M&A ACTIVITY IN AUSTRALIAN AGRICULTURE SECTOR DRIVEN BY FOREIGN INVESTMENT.

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BIG PICTURE

- Low interest rates make agri returns more attractive
- High quality of Australian produce and demand from Asia tempt investors
- Increased overseas and domestic competition for the right targets
- Weaker Australian dollar making Australian land cheaper.

As the global downturn in commodity prices has reduced investment in the Australian mining sector, this has been replaced by increased activity and investor interest in the agriculture sector.

BDO Australia co-sponsored the recent Agri Investor Australian Forum in Melbourne and a key topic addressed was 'What is driving foreign direct investment into Australian agriculture?'.

Over the past few years we have seen increased direct foreign investment from North America and Europe as the returns on offer from Australian agriculture are attractive compared to compared to what is being realised in foreign markets in the current global environment of record low interest rates. North American pension funds, for example, have been very active in seeking out large-scale Australian agriculture investment opportunities. Chinese investment into Australian agri-business reached A$ 375 million in 2015 and is forecast to continue to grow in 2016.

ATTRACTING INVESTMENT

The key observations from the seminar were that foreign investors view Australia as a relatively stable political environment with a robust legal system. This, combined with access to and demand from Asia for quality 'Australian grown and made' produce, the low Australian dollar and the perception that Australian land is 'cheap' have made Australia an attractive destination for 'patient capital' looking for long-term stable returns. Australia also exports a significant portion of is agricultural production, which provides investors with exposure to international markets.

The level of foreign direct investment has not abated following regulation changes which now require the Foreign Investment Review Board (FIRB) to review agricultural land acquisitions by overseas investors valued at A$15 million or more. New trade agreements with China and other Asian countries have also come into force, encouraging growth and increasing investment opportunities around export.

Whilst the increased FIRB regulations do not appear to have reduced the level of interest from foreign buyers, it has added increased red tape to be navigated and some very large transactions have been blocked due to not being in the 'national interest'. To date the Australian Government has chosen not to define what is and isn't in the national interest and this lack of transparency is a cause of frustration and concern amongst industry players and an important consideration on any proposed sizeable land deal.

The competition for Australian agriculture assets from local institutions has been low because, until relatively recently, the returns on offer from other other Australian asset classes such as commercial property and equities were higher. A recent BDO Australia report highlighted that less than 1% of Australian managed and superannuation funds were invested in the agricultural sector.

As Australian interest rates have fallen over the past couple of years and the returns from other asset classes have also fallen, we are starting to see increasing interest in agriculture assets from the domestic institutions and this is a trend we expect to continue. Hence, foreign investors can expect increasing competition from domestic Australian institutional funds for quality agricultural assets going forward.

KEY CHALLENGES

One of the challenges when looking to invest larger amounts of capital into the Australian agricultural sector is the demographic profile, with 99% of farm businesses in Australia being family-owned and with most farmers being 12 years older than the national working average. Succession is a real issue for many farmers and as a result increased aggregation and corporatisation of farm assets is expected. For many foreign investors a key challenge is securing quality local management as the returns from farms are directly correlated to the quality of management.

Many agri-businesses, particularly family-owned farms, lack the level of record-keeping needed to attract larger investors, particularly those from overseas or new to the sector. However, this is beginning to change with many farmers now recognising the need to ensure that they are 'investor ready'.

LOOKING AHEAD

Overall the macro trends suggest continued strong interest in Australian agricultural assets from foreign investors. Increased demand arising from free trade agreements with China and other parts of Asia, coupled with the regional reputation of Australia for quality agri-produce, are expected to outweigh the impact of the increased level of FIRB review of foreign land ownership. As Australian fund managers start to take more of an interest in the sector, foreign investors can expect increased competition and increased aggregation. The corporatisation of farms is inevitable and will further enhance the ability of funds to make sizeable investments in the sector.

FOR MORE INFORMATION:

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