HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 1 | 2024

DEAL ACTIVITY DOWN IN 2023 BUT STILL AHEAD OF PRE-COVID LEVELS

Regional view

Views from
around the Globe

BDO

CONTENTS

BDO GLOBAL DEAL ADVISORY

1,744 COMPLETED DEALS IN 2023

31% PRIVATE EQUITY DEAL INVOLVEMENT

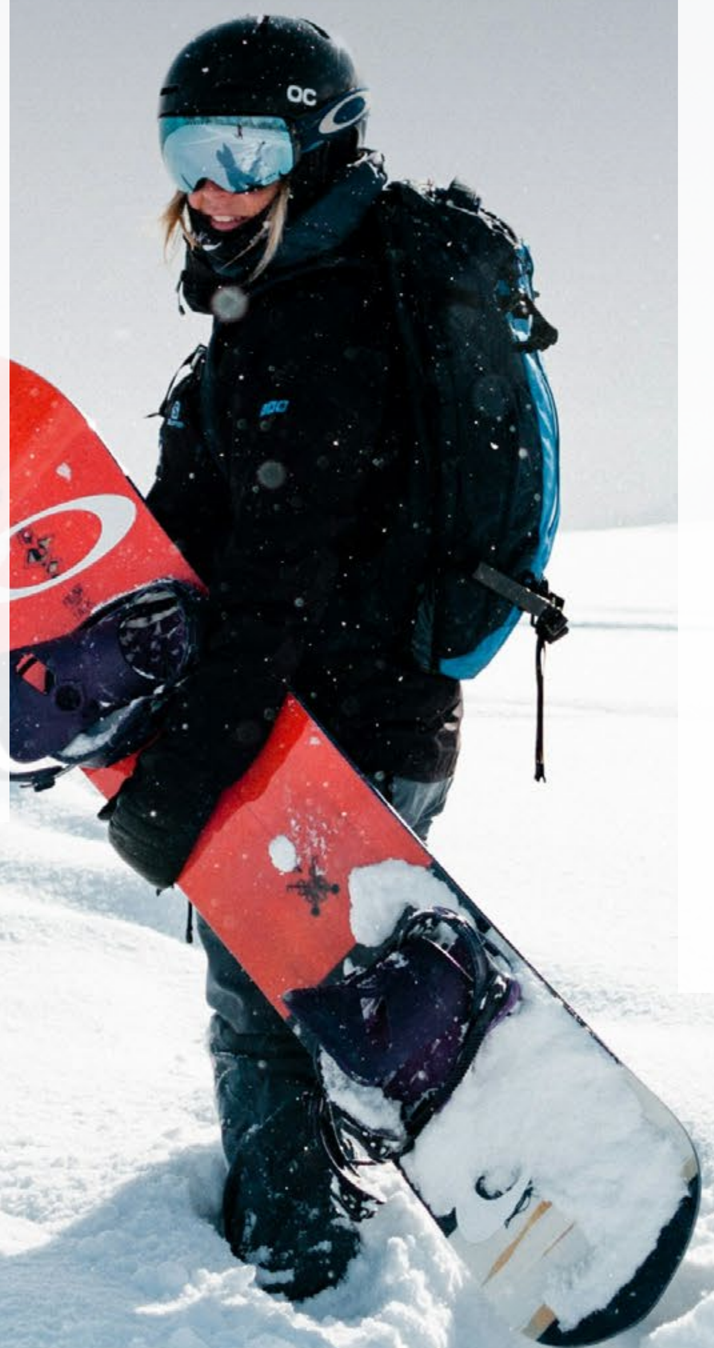
21% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*

120 COUNTRIES PROVIDING DEDICATED DEAL ADVISORY SERVICES

2,500 DEAL ADVISORY PROFESSIONALS

1st Financial Advisor Globally – Factset league tables 2023
1st most active Advisor & Accountant Globally 2022 – Pitchbook league tables 2022
2nd leading Financial Due Diligence provider Globally – MergerMarket global accountant rankings 2023



Welcome

Welcome to the first edition of horizons in 2024, in which BDO M&A professionals around the world present their insights on mid-market deal activity in their regions.

In this edition of BDO M&A Horizons, we have our bi-year global and regional focus. Our M&A partners across the Globe analyse deal activity and trends in their regions and look ahead at what we can expect for the foreseeable future.

As expected by our deal advisers, global mid-market activity declined in the second half of 2023 but only to a level that was broadly in line with 2021 and still some way ahead of pre-COVID. Total deal volume was down by around 16% on the first half of the year with trade buyers holding up better compared to private equity. Given the surge of deal activity in the wake of COVID that doesn't feel too bad an outcome and 2022 stands out as an exceptional year. Nevertheless, our M&A teams have completed many deals throughout the year, which has been reflected in BDO being number one financial advisor globally as per Factset 2023 rankings.

The outlook for 2024 feels positive in as much as M&A is expected to benefit from falling inflation and potentially lower interest rates. We expect private equity will continue to invest strongly in 2024.

We hope you find this edition of Horizons interesting and wish you all a good year ahead.

www.bdohorizons.com

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Global view

Deal activity declined in the second half of 2023 but was still ahead of pre-COVID levels

As expected by deal advisers, global mid-market activity declined in the second half of 2023 but only to a level that was broadly in line with each half of 2021 (first chart below) and still some way ahead of pre-COVID levels (second chart below). Total deal volume was down by around 16% on the first half of the year with trade buyers holding up better (c8% decline) compared to private equity (30% decline). Given the surge of deal activity in the wake of COVID that doesn't feel too bad an outcome and 2022 stands out as an exceptional year.

The decline in private equity led acquisitions is not surprising given rising interest rates and the impact that has on returns as the impact of inflation on businesses. In reality there will have been more and a number of the trade acquirers would have been private equity backed and we have seen more bolt-on than platform activity by private equity in the current market conditions. Despite the decline, private equity led deals still accounted for over 30% of all deals which remains much higher than pre-COVID.

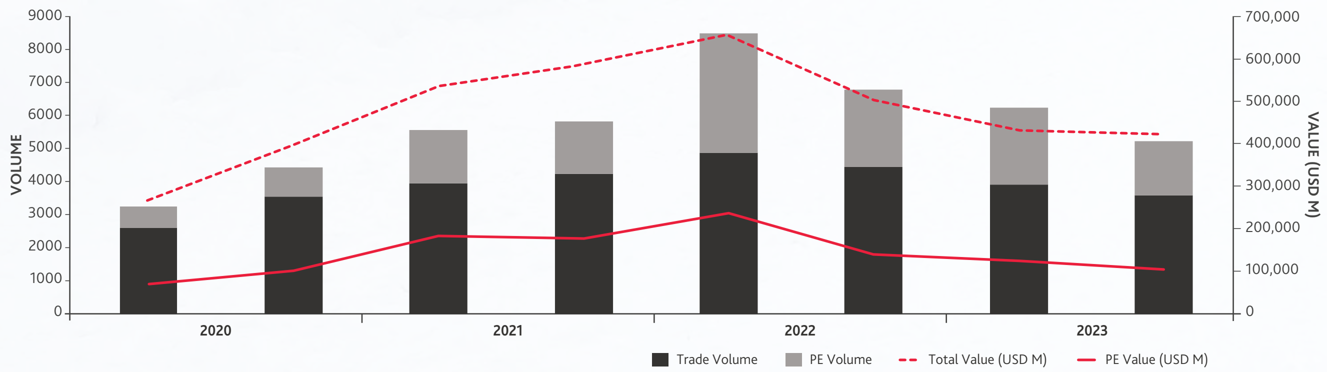
With respect of the pricing of deals, we believe that multiples have compressed but it varies by sector and type of business. The rally in global capital markets in 2023 is a helpful factor for valuations. As fiscal policy succeeds in bringing global inflation under control and avoiding the need for further interest rate rises that may also start to underpin valuations.

However, global political uncertainty and conflict could impact on the speed at which that happens.

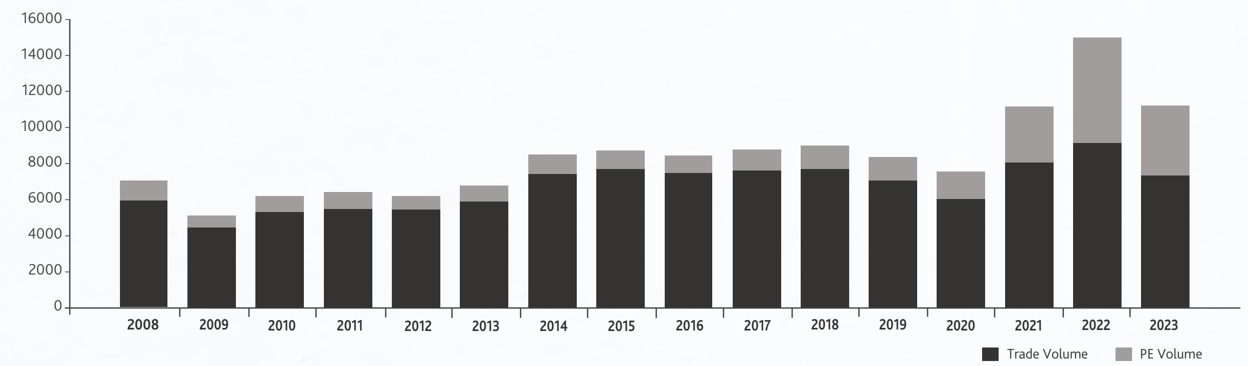
In terms of sectors, deal activity was down across the board on the second half of 2023 save for Energy, Mining & Utilities which showed a small increase of c3%. The most noticeable declines were in TMT, Leisure and Pharma, Medical & Biotech, which were all down by 20% or more. In contrast, Consumer and Financial Services saw much more modest single digit declines.

Looking around the world, we saw a different picture between Asia and elsewhere. Greater China, Japan, Other Asia and Australasia saw an increase in deal activity in the second half of 2023. In contrast, the most notable falls were in North America and Europe with declines of between 20 and 30%. Latin America saw a smaller single digit decline.

GLOBAL MID MARKET M&A



GLOBAL MID MARKET M&A



Global heat chart by region and sector

	TMT	Industrials & Chemicals	Pharma, Medical & Biotech	Business Services	Consumer	Financial Services	Energy, Mining & Utilities	Leisure	Real Estate	TOTAL	%
North America	835	268	514	271	171	209	88	58	8	2,422	31%
Greater China	179	418	111	131	79	105	103	30	65	1,221	16%
CEE	114	86	20	58	72	41	45	19	6	461	6%
Southern Europe	101	131	45	115	99	57	46	35	11	640	8%
India	49	33	35	31	30	25	24	11	2	240	3%
Latin America	133	38	15	85	33	40	57	16	4	421	5%
Nordic	71	47	44	27	17	7	12	3	4	232	3%
UK/Ireland	120	42	40	66	49	34	27	33	3	414	5%
Australasia	32	43	34	44	72	43	48	23	1	340	4%
DACH	73	111	46	27	36	24	8	6	4	335	4%
Other Asia	35	48	13	21	24	16	10	12	1	180	2%
South East Asia	82	35	31	51	26	27	30	11	8	301	4%
Japan	42	23	13	5	14	5	4	3	2	111	1%
Middle East	22	5	7	9	12	15	3	6	2	81	1%
Africa	18	34	2	15	5	11	31	3	3	122	2%
Benelux	11	18	11	18	23	25	3	5	4	118	2%
Israel	48	21	10	16	15	6	3	3	1	118	2%
TOTAL	1,960	1,401	991	990	777	690	542	277	129	7,757	

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

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between 1 July and 30 December 2023. Opportunities are captured according to the dominant geography and sector of the potential target company. Mergermarket's Heat Chart of predicted deal flow is based on the intelligence collected in our database relating to companies rumoured to be for sale, or officially up for sale in the respective regions. It is therefore indicative of areas that are likely to be active in the months to come. The intelligence comes from a range of sources, including press reports, company statements and our own team of journalists gathering proprietary intelligence from M&A across the regions. The data does not differentiate between small and large transactions, nor between deals that could happen in the short or long-term.

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The outlook has dipped a bit

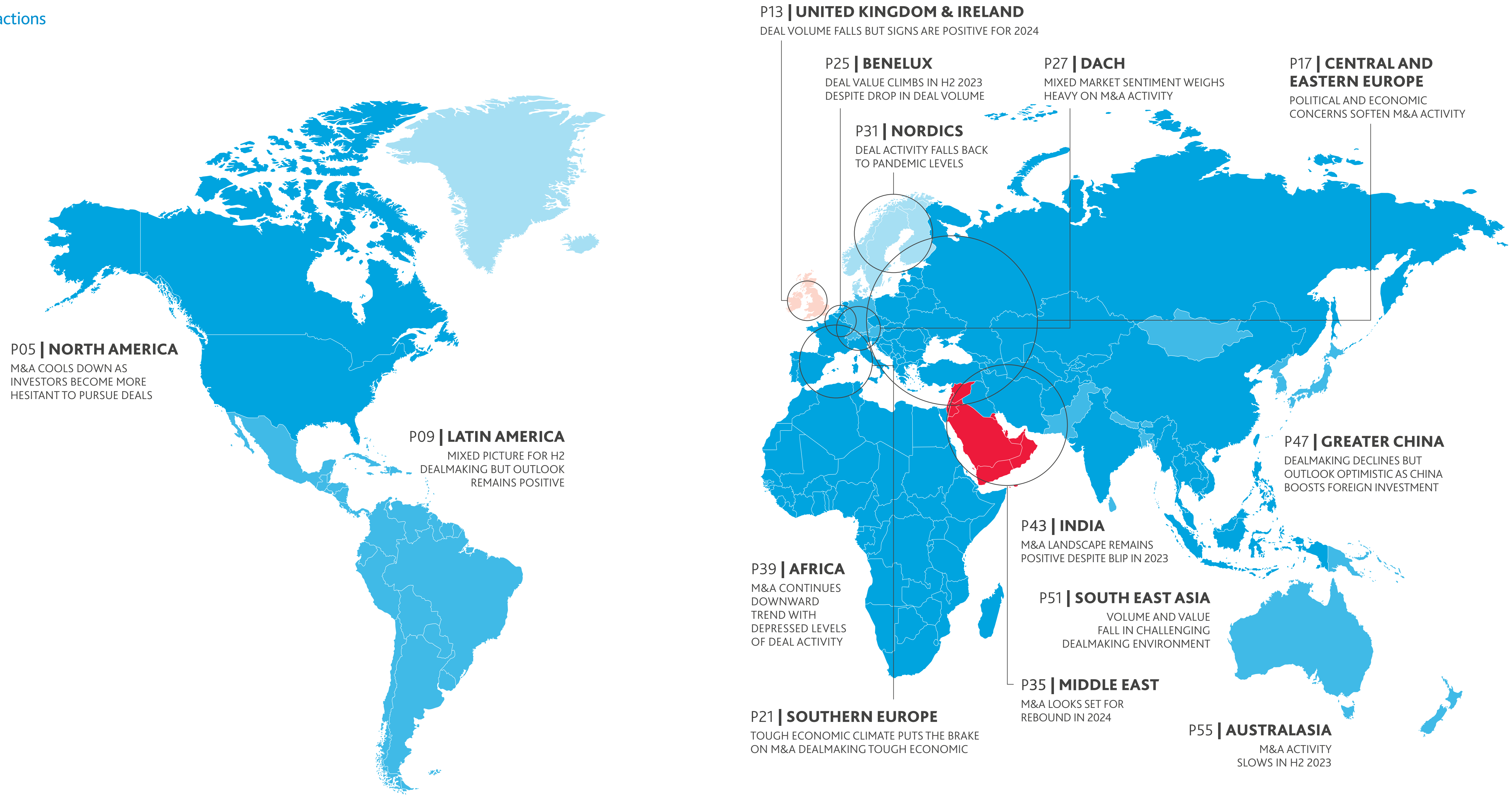
The outlook has fallen below the recent levels of close to 9,000 rumoured transactions and stands at below 8,000 for the first time in a while. In light of the comments above, it is good to see North America as one of the hottest regions on the map along with Greater China. TMT and Industrial & Chemicals are joined by Business Services as the hottest sectors around the world. Leisure remains the sector with the lowest levels of rumoured global deal activity. We expect this picture to be supported by the availability of cash in private equity and on corporate balance sheets.

Global themes influencing M&A

We expect private equity will continue to invest strongly in 2024, especially if interest rates have peaked or start to fall. It should also be a good time for strategic buyers to be active in the market as they seek to add to capability, take a longer-term view and see some pricing benefits. We expect the global mega-trends of digitalisation and decarbonisation to be key drivers of M&A activity.

Global

7,757 rumoured transactions



Key % movement

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

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

North America

M&A COOLS DOWN AS INVESTORS BECOME MORE HESITANT TO PURSUE DEALS

BIG PICTURE

- Deal volumes declined by 28% in H2 2023 to 1,355 compared to 1,879 deals in H2 2023
- PE activity fell more rapidly than the overall market with deal volumes down 35% from 2022 to 2023
- TMT continued to lead sector activity with 38% of all deals in 2023 (down from 45% in 2022) and Healthcare's share of deals rose to 19% in 2023 (up from 14% in 2022)
- North American market looks poised for a rebound in M&A moving into 2024 and beyond.

After two years with record M&A activity in North America coming out of the COVID-19 pandemic, mid-market activity cooled down in 2023. The market remained active, but it was clear that investors were more hesitant than in recent years. This was driven by macroeconomic uncertainty, banking instability, inflationary stickiness, high interest rates and geopolitical tensions.

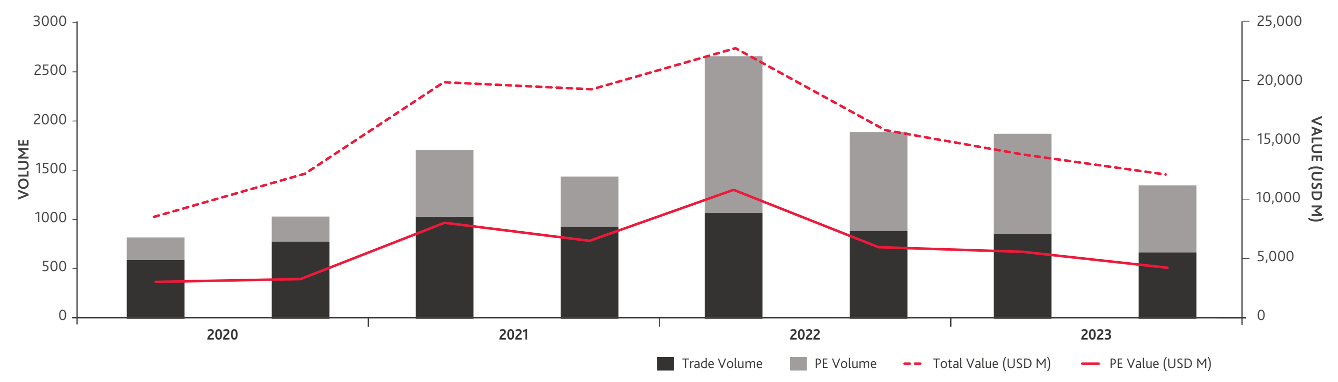
Due to the uncertainty in the market, investors penalised companies for unprofitable business models and end market volatility through reduced deal volume and lower valuations. In 2023, investors were looking for sustainability in earnings, demand, and markets, and they were willing to compensate sellers for these traits.

In the last year, there was also an increasing focus on ESG. As governments and investors began to prioritise ESG reporting, dealmakers were more intensely evaluating potential transactions through this lens. Companies also continued to invest in their digital capabilities and digital security as AI and its applications began to impact more aspects of the economy.

Deals continued to close in the last year, though volumes were lower than in 2022 or 2021. H1 2023 deal volumes were in line with H2 2022, with 1,879 deals compared to 1,897 deals in H2 2022. However, volumes in H2 2022 had already declined substantially from the rapid pace seen in 2021 and H1 2022. H2 2023 deal volumes continued to decline by 28% from H1 2023, dropping from 1,879 deals to 1,355 deals. Deals also closed at lower valuations than in previous years. This would suggest less of an emphasis on larger deals and more activity in the middle market, as well as a focus on add-ons by PE firms rather than exits and large platform acquisitions. Aggregate H1 2023 deal values declined 13% from H2 2022, which itself declined 30% from H1 2022. H1 2023 deals had a value of USD 139.2bn, compared to USD 160.9bn in H2 2022 and USD 228.9bn in H1 2022. H2 2023 deal values continued to decline, dropping 12% from H1 2023 to an aggregate value of USD 122.6bn.

Higher interest rates through the year were certainly a contributory factor to the reduced activity and observed valuations but that may be changing as both the US Federal Reserve and Bank of Canada have held rates since summer 2023, presenting some optimism that rates have peaked and will decline in 2024.

PE/TRADE VOLUME & VALUE



Given the higher interest rate environment, the lending environment in 2023 was more challenging than in previous years as banks more intently managed credit risk. This placed an increased importance in having existing relationships with lenders as well as a successful track record. Increased bank scrutiny required more in-depth due diligence reviews by buyers and this led to deals taking longer to close in 2023.

Driven by higher debt service costs as well as broader uncertainty, there was an increase in creative deal structuring. This included more of a focus on earn-outs, rolling minority equity stakes, or introducing vendor debt. For vendor debt, it was common to see longer payment terms, payment-in-kind (PIK) interest and bullet repayments of principal. Public equities increased in value over 2023, as seen by the 25% growth in the S&P 500, 45% growth in the NASDAQ, and 14% growth in the Dow Jones. However, these figures reflect overall exchanges which are weighted more heavily to stronger, larger companies. Growth in equity values made public companies' shares a tool that could be issued as consideration in order to reduce reliance on acquisition debt. This focus on deal structuring enabled buyers to meet sellers' valuation expectations while ensuring the deal made economic sense, as sellers expected strong valuations due to a robust stock market and strong post-pandemic recoveries.

PE activity declined at a more rapid pace than the overall market. PE deal volumes declined 35% from 2022 to 2023, compared to a 29% decline in the overall North American market. PE aggregate deal values also declined more rapidly, dropping by 41% in 2023 compared to 33% in the overall market. This indicates that PE sponsors were more cautious than the overall market. This may have been driven by a focus on maintaining existing portfolio companies, or focusing on smaller add-on acquisitions rather than exits or acquisitions of platforms. Driven by the slowdown in PE deal activity, there is ample dry powder in the market, reaching record highs during the year. By July 2023, S&P Global market Intelligence estimated global dry powder to be 11% higher than December 2022.

While PE activity slowed, industry M&A activity remained strong in comparison. Industry M&A volumes declined 22% in 2023, as compared to 29% overall. Industry M&A aggregate deal values declined 26% in 2023, compared to 33% overall.

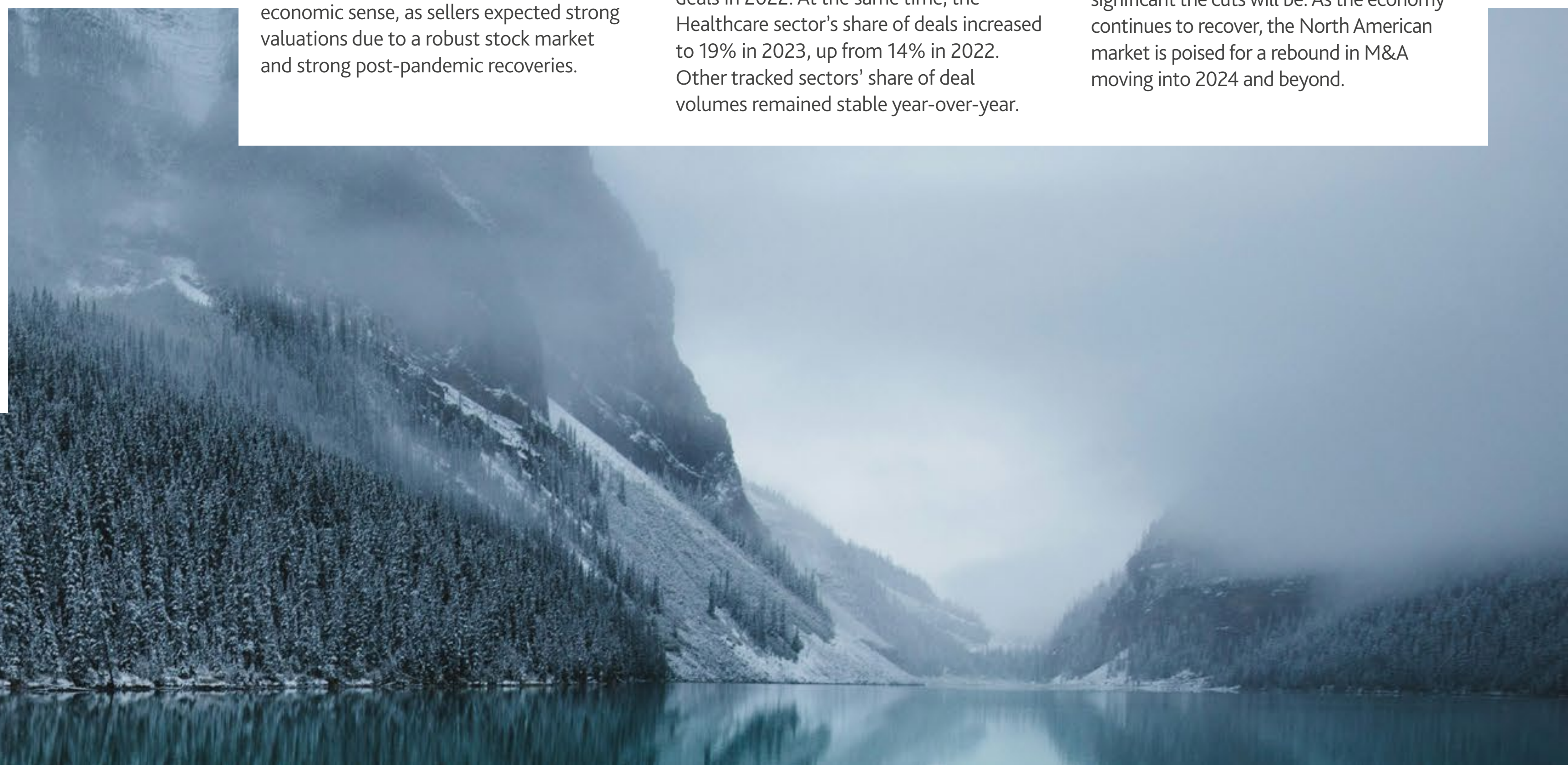
KEY SECTORS AND DEALS

The TMT sector continued to represent a significant volume of total deals in 2023. TMT represented 38% of deals in the past year, dropping from 45% of deals in 2022. At the same time, the Healthcare sector's share of deals increased to 19% in 2023, up from 14% in 2022. Other tracked sectors' share of deal volumes remained stable year-over-year.

TMT M&A activity was driven by market trends such as increased investment in AI and machine learning, as well as a focus on cyber security. Notable large TMT transactions included Cisco's acquisition of Splunk, Broadcom's acquisition of VMware, Thomson Reuters' acquisition of Casetext, OpenText's acquisition of Micro Focus, and Lions Gate's acquisition of Entertainment One.

For the Healthcare sector, M&A was driven by the consolidation of practice clinics, a focus on technology platforms and a focus on cutting costs. There are ongoing impacts to the financial strength of hospitals and health systems. Larger players are looking for ways to unlock value and leverage new technologies like AI or telehealth. Notable large healthcare transactions included CVS' acquisition of Oak Street Health as well as M&A involving a number of healthcare systems.

Buyers were more hesitant in 2023 than in previous years. Investors have been waiting on the sidelines for interest rates to decline. It has been reported that investors are the most overweight bonds since 2009, driven by a prolonged period of high interest rates. It is now expected that a period of rate cuts will begin, though no one is certain how rapid or how significant the cuts will be. As the economy continues to recover, the North American market is poised for a rebound in M&A moving into 2024 and beyond.



LOOKING AHEAD

Looking ahead to 2024, we expect M&A activity to remain stable. While activity has been below the prior two years, there is an active market for quality assets where the right deal structuring is in place. Sectors such as TMT and Healthcare remain more active than others, though there is activity across the board. Stable companies and stable markets with reliable earnings and cash generation will continue to represent viable acquisition opportunities.

A slower market also represents an opportunity for strategic buyers to drive value with a well-executed acquisition. Seller flexibility regarding non-cash consideration will help bridge value expectations between buyers and sellers.

In the mid-market, we see continued strong transaction drivers present such as owners who have dealt with years of instability, driven by the pandemic, supply chain issues, inflation and labour shortages. These deal drivers, combined with an expected period of potential rate cuts, has the North American market poised for stability first and then a rebound in M&A moving through 2024 and beyond.

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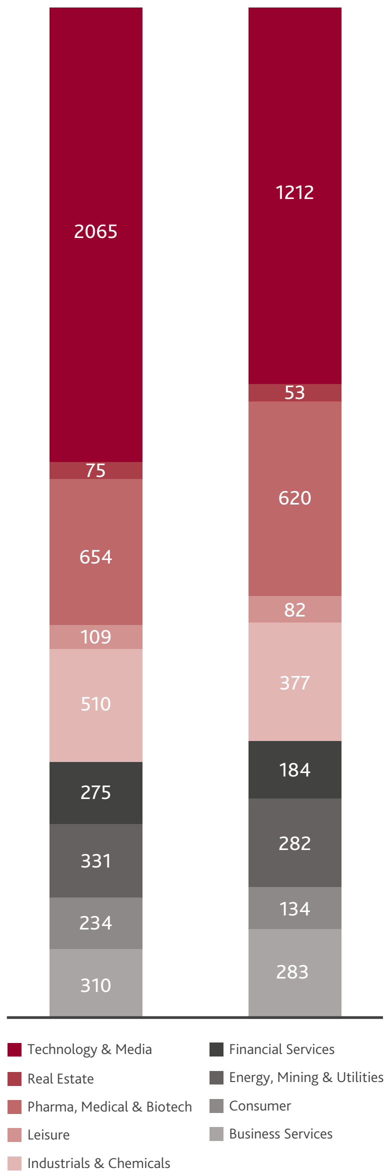
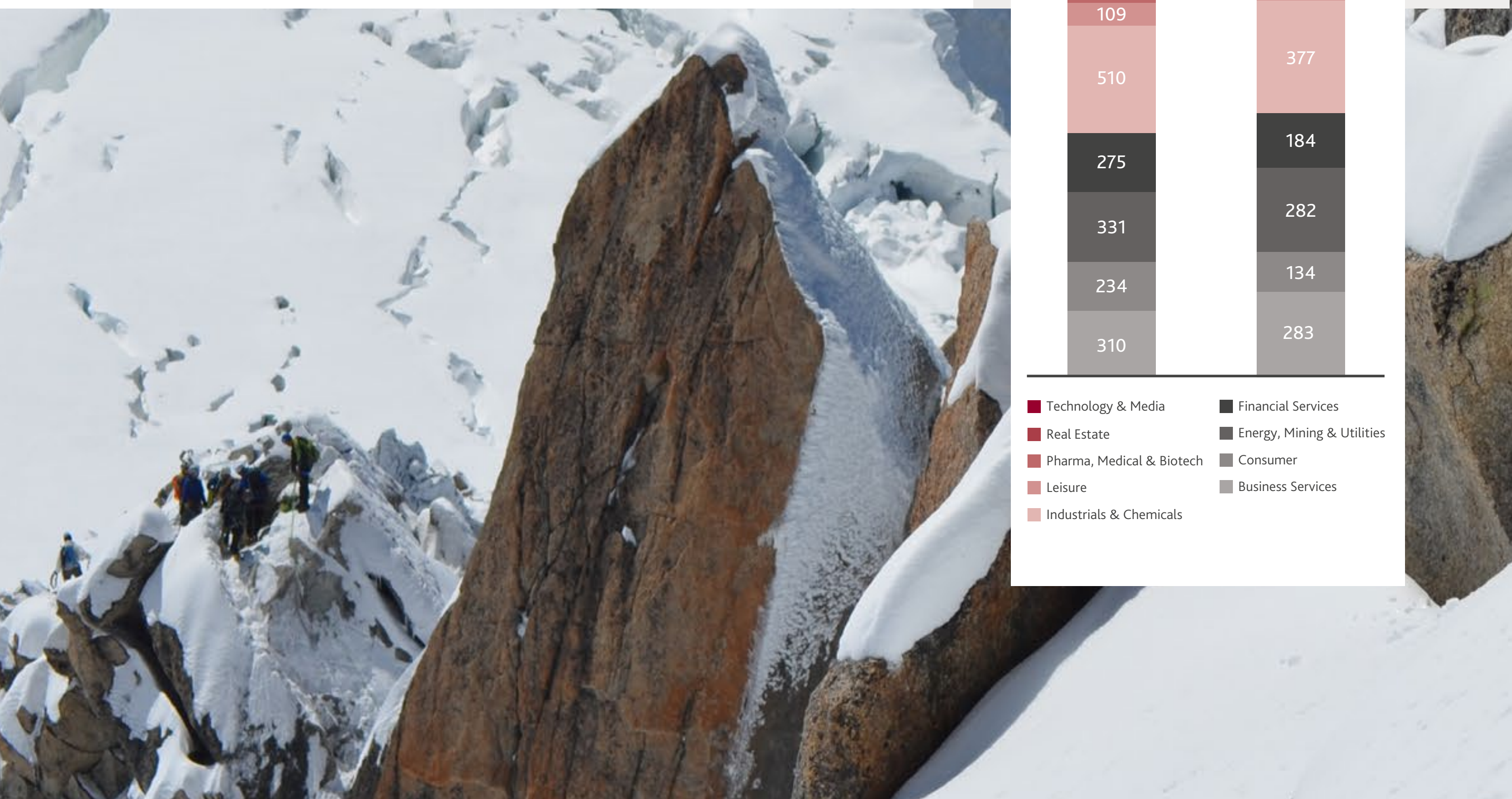
NORTH AMERICA
HEAT CHART BY SECTOR

TMT	835	34%
Pharma, Medical & Biotech	514	21%
Business Services	271	11%
Industrials & Chemicals	268	11%
Financial Services	209	9%
Consumer	171	7%
Energy, Mining & Utilities	88	4%
Leisure	58	2%
Real Estate	8	0%
TOTAL	**2422**	

NORTH AMERICA
MID-MARKET VOLUMES BY SECTOR





Latin America

MIXED PICTURE FOR H2 DEALMAKING BUT OUTLOOK REMAINS POSITIVE

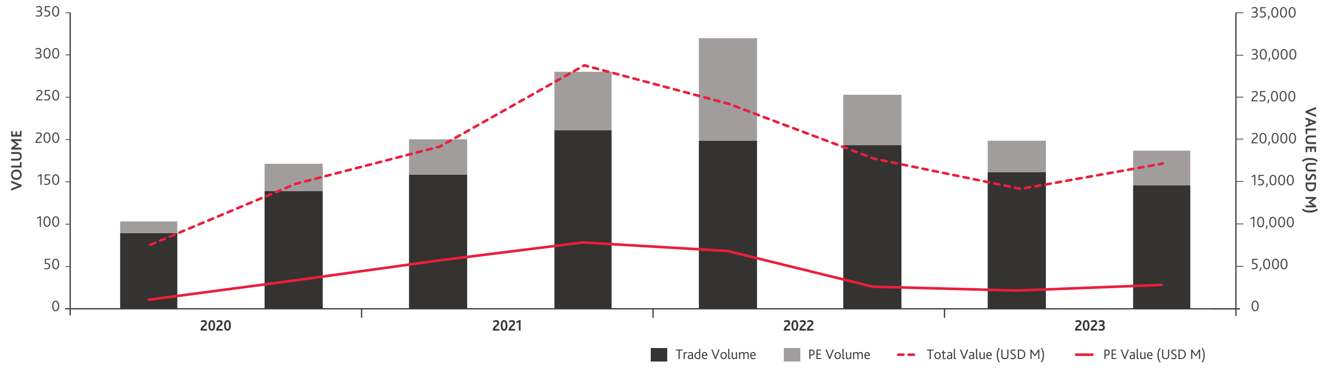
BIG PICTURE

- With 192 deals worth USD 17,724m, the Latin America market saw H2 2023 deal value grow compared to the first half of the year, but fall in comparison to H2 2022 deal volume and value
- The most active sectors were TMT, Energy, Mining & Utilities and Financial Services, with 37, 35 and 32 deals respectively
- Brazil was involved in 11 of the top 20 deals in H2 2023, representing 57.6% of the top 20's deal value. The biggest deal was a USD 500m investment round for Emergent Cold LatAm Management LLC
- The Latin American economy has a relatively stable outlook as it is ahead of other economies in terms of monetary tightening policies to contain inflation and has a position as a geopolitical outsider as tensions rise globally
- Brazil's economic growth is expected to slow in 2024 due to a weaker agribusiness performance but this is being offset by a positive outlook for sectors such as durable goods, civil construction and mining, due to projected lower interest rates and rising commodity prices.

In H2 2023 there were 192 deals in Latin America's mid-market segment worth a total of USD 17,724m, an increase of 21.5% in overall deal value compared with the first half of the year and a slight decrease in deal volume (5.9%). It is worth noting that compared to H2 2022, there was a sharp decrease of 26.2% in overall deal volume in H2 2023 but overall deal value only fell by 2.4%. Overall, this highlights that compared to both H1 2022 and H2 2022, there was an increase in the average value per deal in the region in H2 2023.

With 42 deals, PE activity grew by 10.5% compared to H1 2023, accounting for 21.9% of the overall deal volume. PE deal value also grew by 32.9% from H1 2023. It is noted that compared to H2 2022, PE deal volume was down 31.1% but deal value increased by 8.2%, indicating the same pattern as the overall deals with the average deal value being higher.

PE/TRADE VOLUME & VALUE



Looking at the top 20 deals in H2 2022, the total value of USD 7,716m represented 43.5% of the overall deal value, while accounting for only 10.4% of the overall deal volume.

Overall, deal volume decreased by 32.8% from 589 in 2022 to 396 in 2023 and the yearly deal value was down 24.9%.

KEY DEALS AND SECTORS

The TMT, Energy, Mining & Utilities and Financial Services sectors led the way in H2 2023 with 37, 35 and 32 deals respectively, together accounting for 54.2% of all deals closed. They were followed by Business Services, with 21 deals, Industrials & Chemicals (20) Consumer (16), Pharma, Medical & Biotech (14), Real Estate (11) and Leisure (6).

Brazil was the most targeted country with 11 out of the top 20 deals, representing 57.6% of the top 20's deal value.

The region's biggest deal was a USD 500m investment round for Emergent Cold LatAm Management LLC led by Lineage Capital LLC, Stonepeak Infrastructure Partners and Losa Group. According to the company's press release, this investment will fund Emergent Cold LatAm's continued growth through business acquisitions, greenfield projects and the expansion of its existing facilities.

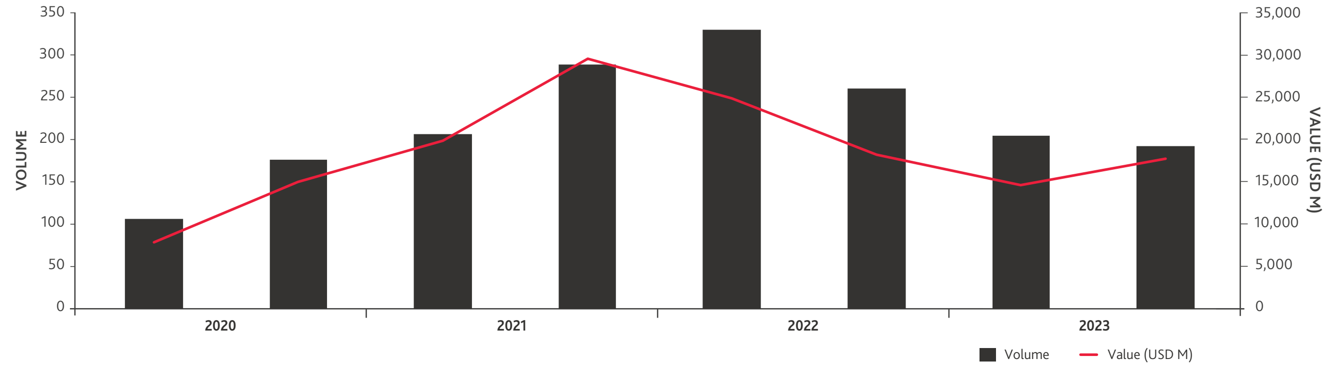
POLITICAL AND ECONOMIC

Similarly to the global economy in general, the Latin American economy was volatile in 2023, due to external factors such as supply issues and increasing geopolitical risks. However, it is noted that the region managed to perform above expectations. This was partly due to Latin America's central banks making a head start in terms of monetary tightening policies and raising interest rates long before their counterparts in developed nations. As a result, by the end of 2023, countries such as Brazil, Uruguay and Chile had already managed to begin lowering interest rates.

Brazil's long-term ratings were upgraded, due to its large and diverse economy, its deep domestic markets, and as a result of important policy breakthroughs achieved in the previous government, including pension reform and central bank independence. The independent central bank has been able to maintain a prudent and proactive monetary policy. Lula's current administration appears unlikely to overturn major liberal reforms enacted in recent years (e.g. labour reform, Electrobras' privatisation), or will be unable to do so because of checks-and-balances (for example, some attempted changes have already been blocked by the mostly conservative Congress).

It is also worth noting that Latin America benefits from its position as something of a geopolitical bystander, as it is not directly engaged with interstate conflicts around the world. This means that the region has a more stable outlook for the year ahead, while the rest of the world expects to see the continued effects from the Russia-Ukraine war, the conflicts in the Middle East and rising tensions in Asia.

PE/TRADE VOLUME & VALUE



However, it is also the case that Latin America, which historically has been heavily influenced by the US, has seen a growing influence from China in recent years as it has become the region's main market for several key sectors, such as Brazilian agribusiness. As US-China relations become more strained due to the ongoing trade war, Latin American countries face the challenge of balancing international relations, especially with the uncertainty brought on by potential changes to US trade policies.

In addition, although the US successfully avoided a recession in 2023, with investors expecting a soft-landing in the next year, analysts have suggested that the inversion of long-term and short-term bond yields since July 2022 is a sign that a potential recession is still possible, especially with the challenging geopolitical context and uncertainty brought on by the US presidential elections, all of which could peripherally affect the future outlook for Latin America.

Finally, in terms of future opportunities, the region is expected to benefit from the worldwide energy transition, as several Latin American countries, including Chile, Brazil, and Argentina, possess large reserves of critical minerals such as lithium and copper, which will be used in green technologies.

LOOKING AHEAD

Latin America represents approximately 5% of the global market with 421 deals either announced or in progress, as indicated in the BDO Heat Chart. TMT is expected to top the sector chart with 133 deals, followed by Business Services (85 deals), Energy, Mining & Utilities (57), and Financial Services (40).

In 2024, as the global economy is expected to slow down due to interstate conflicts and surging inflation, Latin America has a stable outlook due to its position as an overall outsider to geopolitical tensions, while still being potentially affected by the US-China trade war.

Brazil, the region's largest economy, has a relatively stable outlook for 2024, although with slower growth, as the country's GDP enjoyed the benefits of a record agricultural harvest in 2023, which is not expected to reoccur in 2024. However, other segments such as durable goods, mining and civil construction are already showing signs of benefitting from the projected lower interest rates and rising commodity prices.

Additionally, analysts expect the hiatus of initial public offerings in Brazil, which has lasted for over two years, to end by mid-2024, as part of a global recovery in IPOs as US Treasury yields begin to retreat. It is worth noting, however, that this scenario might be hindered by US-related factors, such as delayed interest rate cuts or a below expected economic performance.

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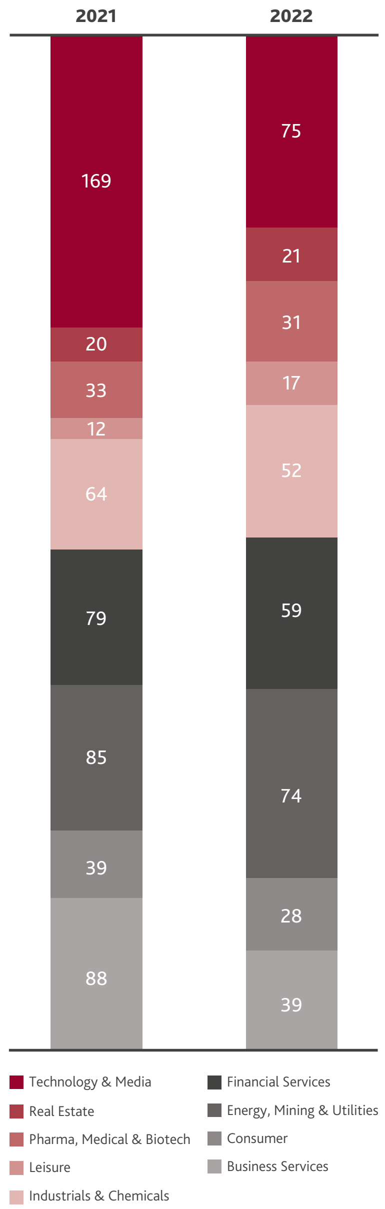
LATIN AMERICA
HEAT CHART BY SECTOR

TMT	133	32%
Business Services	85	20%
Energy, Mining & Utilities	57	14%
Financial Services	40	10%
Industrials & Chemicals	38	9%
Consumer	33	8%
Leisure	16	4%
Pharma, Medical & Biotech	15	4%
Real Estate	4	1%
GRAND TOTAL	**421**	

LATIN AMERICA
MID-MARKET VOLUMES BY SECTOR



United Kingdom & Ireland

DEAL VOLUME FALLS BUT SIGNS ARE POSITIVE FOR 2024

BIG PICTURE

- Deal volume dropped off in H2 2023 but larger deal values resulted in the average deal value being up 19% on H1 2023
- PE drove mid-market activity in H2 2023 with 45% of all deals and average deal size up 84%
- TMT maintained its position as the region's top sector, accounting for 37% of all transactions
- Record levels of dry powder and a normalising of the macroeconomic situation should result in more demand for deals from trade and PE buyers in 2024.

Against the backdrop of persistently high inflation, macroeconomic uncertainty and sustained increased financing costs, H2 2023 saw a drop off in overall M&A activity across the mid-market in the UK & Ireland, with 343 deals completed during the period.

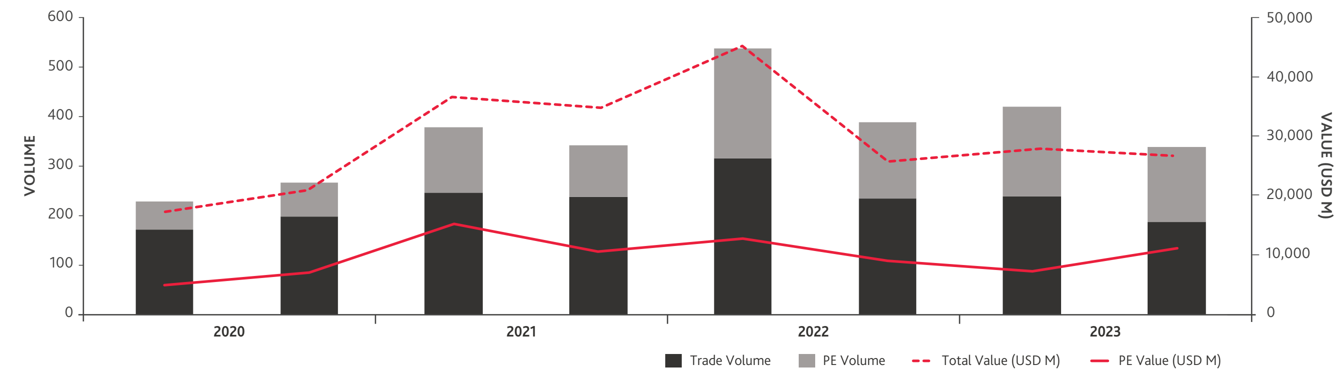
However, there were some positives arising from the second half of the year with the average deal value up 19% on H1 2023, reflecting a notable increase in larger deal values. Additionally, while the deal count in H2 2023 trailed behind the record-breaking M&A cycles of 2021 and 2022, it was significantly above pre-COVID levels. This increase demonstrates a significant step change that has occurred across UK & Irish M&A markets over the last number of years and which looks set to be a more normalised position as we enter 2024.

PE was a key driver in sustaining M&A mid-market activity in H2 2023 with 45% of all deals involving a PE buyer.

This continued a similar trend witnessed in H1 2023 as companies structured deals that maximise valuations through partial sales and corporate divestments. Average PE deal value was up over 84% across the period which is reflective of funds' more selective deployment of capital across the mid-market. H2 2023 also saw a continued trend of firms focusing on portfolio company growth in lieu of platform business acquisitions as high interest rates restricted significant leveraging across transactions.

Across the board, PE funds have recorded high levels of dry powder available to deploy, with many firms approaching the tail end of their investment cycles. Firms generally operate on investment cycles of 5-7 years with funds having to be repaid to Limited Partners within this timeframe. With capital being increasingly hard to raise over the past 18 months, it is crucial that firms can demonstrate returns on existing funds. This could lead to a renewed eagerness among funds to deploy capital in 2024, should interest rates begin to normalise.

PE/TRADE VOLUME & VALUE



KEY DEALS AND SECTORS

In terms of sectors, with the notable exception of Consumer, deal activity was down across the board in H2 2023. The most notable declines were in Industrials & Chemicals and Real Estate, both of which saw a greater than 40% drop in deal activity. Interestingly, on a global level, the transaction levels within Energy, Mining & Utilities were up 3%, undoubtedly reflecting the global push towards decarbonisation. However, this increase in deal volume in the sector was not reflected within the UK & Irish markets during the period. Within this sector, BDO were pleased to assist Energy Panel Ireland Limited (t/a NRG Panel), Ireland's leading solar power and heat pump provider, with its investment from Melior Equity Partners. Looking ahead to 2024, it is likely that Energy, Mining & Utilities will experience further activity in light of the continued push towards net zero across the sector.

TMT continued to be the most active sector in volume terms in H2 2023 with 127 deals reported during the period, accounting for 37% of overall mid-market deals.

Business Services, Financial Services and the Leisure sectors all recorded modest single digit declines in comparison to H1 2023's activity levels. However, these sectors combined accounted for eight of the top 20 deals in the UK & Irish mid-market in H2 2023, which shows that while deal volume may be down, transactions have retained strong levels of value. Notable acquisitions in these sectors included Dean Hotel Group being acquired by British property group Lifestyle Hospitality Capital and Elliott Investment Management. Within the Financial Services sector, we saw further consolidation plays in Wendel SE's acquisition of IK Investment Partners and DC Advisory's acquisition of IBI Corporate Finance.

In contrast to the declines experienced in other sectors, the Consumer sector had its most active period since 2019, with overall deal volume rising by 4% against H1 2023 volumes. There has long been pent-up demand within this sector as record-high levels of inflation of c.8%-10% have stifled customer demand and buying power.

Transactions such as the USD 455m sale of Pendragon PLC to US-based Lithia Motors Inc and the USD 353m deal between Dogmates (t/a Butternut Box) and General Atlantic LLC and Catterton Management LLC were notable Consumer deals in the second half of the year, which may indicate signs of renewed confidence within the B2C sector.

LOOKING AHEAD

As we enter 2024, the BDO Heat Chart is forecasting a total of 414 deals as planned or in progress, which is the second highest activity level across the European region. Over 29% of these deals are expected to be within the TMT sector as it continues to rebound following recent volatility. Other forecasted growth areas include Business Services and Consumer, which will likely experience an uptick in transaction volume and value over the course of 2024 should inflation continue to stabilise towards central banks' targeted levels.

Future M&A activity across the market will undoubtedly be guided by the actions of the ECB and BoE, with both hinting at possible cuts in 2024. However, the exact timing and quantum of these cuts remains to be seen. As previously mentioned, the record high levels of dry powder will likely see firms eager to transact subject to appropriate financing costs and the availability of credit returning to the market.

In relation to deal structuring, we would expect to see a continued reliance on earnouts with buyers attempting to mitigate transaction risks through the use of deferred consideration, subject to certain pre-agreed deal metrics. Such structures have become commonplace within transactions over the last 12 months and if structured correctly can result in vendors achieving significant upside potential on transactions.

In conclusion, the outlook is cautiously optimistic with the market headwinds observed in 2023 certainly feeling less fierce now than 12 months ago. This, combined with the return to a more normalised macroeconomic situation, should lead to strong demand from both trade and PE buyers as we enter 2024.

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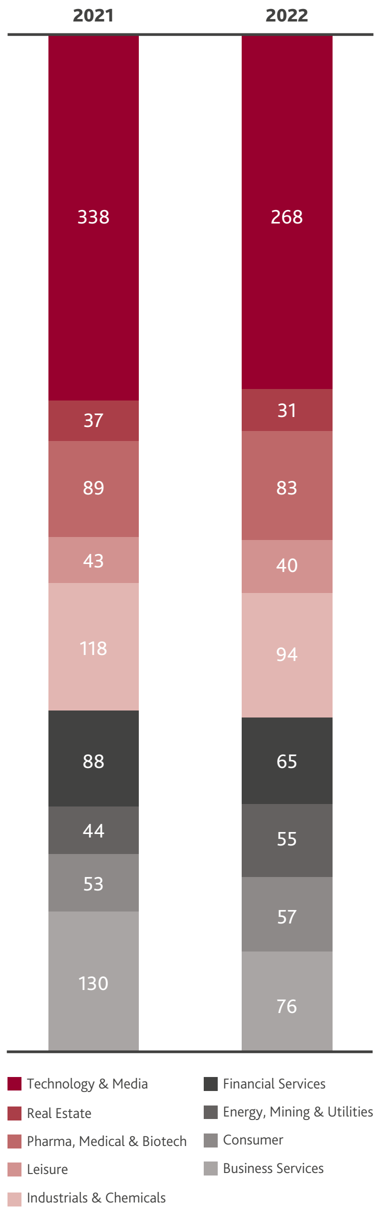
UNITED KINGDOM & IRELAND
HEAT CHART BY SECTOR

TMT	120	29%
Business Services	66	16%
Consumer	49	12%
Industrials & Chemicals	42	10%
Pharma, Medical & Biotech	40	10%
Financial Services	34	8%
Leisure	33	8%
Energy, Mining & Utilities	27	7%
Real Estate	3	1%
TOTAL	**414**	

UNITED KINGDOM & IRELAND
MID-MARKET VOLUMES BY SECTOR



Central and Eastern Europe

POLITICAL AND ECONOMIC CONCERNS SOFTEN M&A ACTIVITY

BIG PICTURE

- In H2 2023 the number of transactions (135) was down 19% from H1 2023
- After a weak start in Q1 2023 PE's share of deal value increased over the year but remains far from its 2021 peak
- The Industrials & Chemicals and Energy, Mining and Utilities sectors had the most deals but Business Services and Financial Services led the way in terms of deal size

The CEE region's M&A activity has been marked by a series of highs and lows over the past few years. After a period of intense activity in 2021 and the first two quarters of 2022, the last year has seen a notable softening in dealmaking activity. Political and economic factors have unsurprisingly played a significant role in shaping M&A trends in the region.

The CEE region's M&A activity has been marked by a series of highs and lows over the past few years. After a period of intense activity in 2021 and the first two quarters of 2022, the last year has seen a notable softening in dealmaking activity. Political and economic factors have unsurprisingly played a significant role in shaping M&A trends in the region.

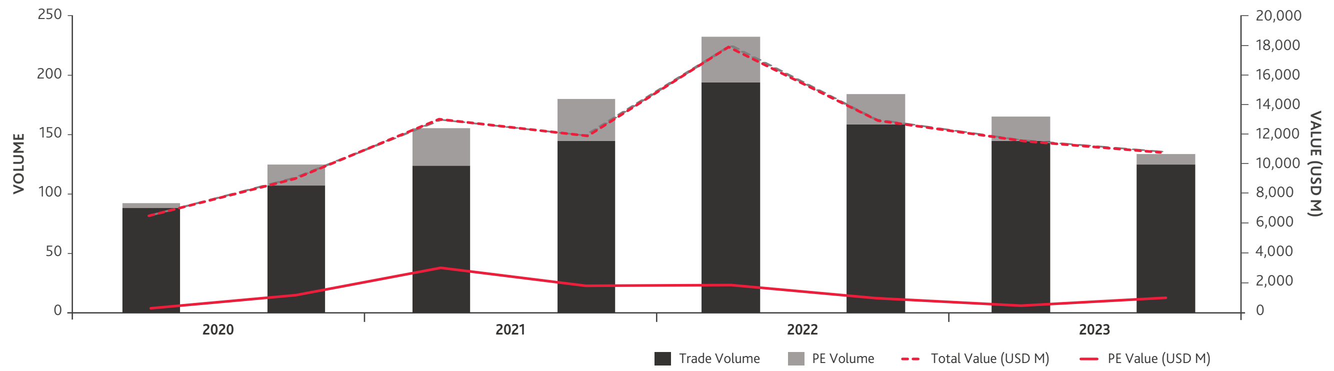
The Resilience and Recovery Facility of the European Union is also having major ramifications on dealmaking, particularly in the Energy, Mining & Utilities sector.

Global factors that appear to have had a significant impact on M&A strategy include the EU's decoupling from Russian energy, ESG and digitalization initiatives.

The CEE region saw 136 completed transactions in H2 2023, which represented a 19% decrease in deal volume compared to the first half of the year. Total deal value decreased by 6% to USD 10.9bn, the lowest recorded value since the beginning of 2021. However, the average deal value in H2 2023 was USD 81m, one of the highest figures recorded since 2020.

The increase in average deal value was partially caused by a lower share of PE buyout volumes in the period paired with high deal values. The average PE buyout value was USD 110m and this pushed up the overall average deal value. This PE deal size represented a significant increase compared to H1 2022 when the average PE transaction size was only USD 21m. Ultimately, countering the trend of increasing deal sizes, trade deal volume has been falling continuously since the beginning of 2022 and its current value showed a 35% decrease.

PE/TRADE VOLUME & VALUE



KEY SECTORS AND DEALS

The Business Services and Financial Services sectors experienced a significant downturn compared to last year in terms of their deal count (47), a decline of 55%. However, in terms of deal size, some of the transactions in these sectors were the largest in H2 2023, such as TSO CEPS's acquisition of Gas Storage CZ sro for USD 390m and UniCredit's acquisition of Alpha Bank for USD 319m.

Deal activity in Industrials & Chemicals stalled in the latter half of the year following a period of volatility. Despite deal activity cooling down, it still maintained its position as the best-performing sector with 37 transactions, a 60% decrease on the first half of the year.

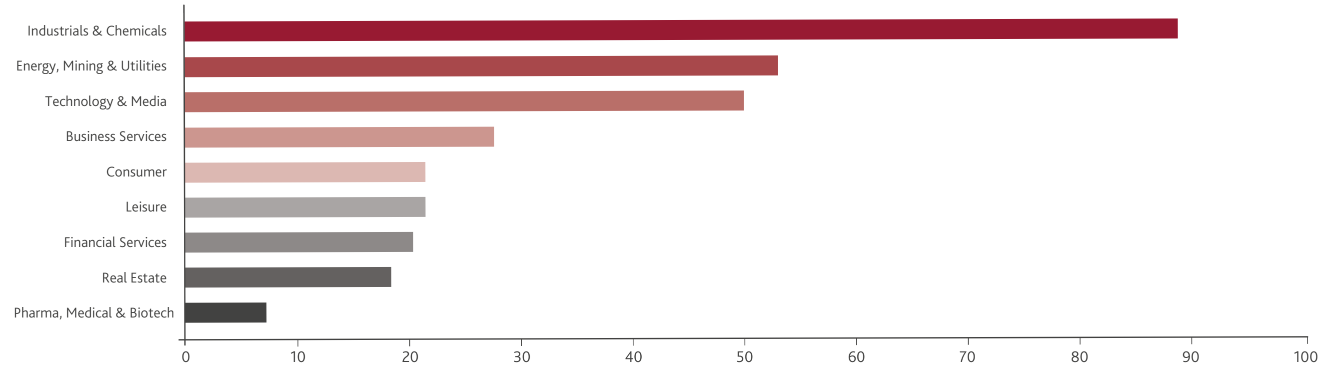
Energy, Mining & Utilities was the second-best performing sector, with deal activity rebounding with a 60% growth.

Finally, TMT deal activity was still noteworthy with 20 completed transactions but this represented a 50% decrease on last year as the sector has experienced a downturn in recent quarters.

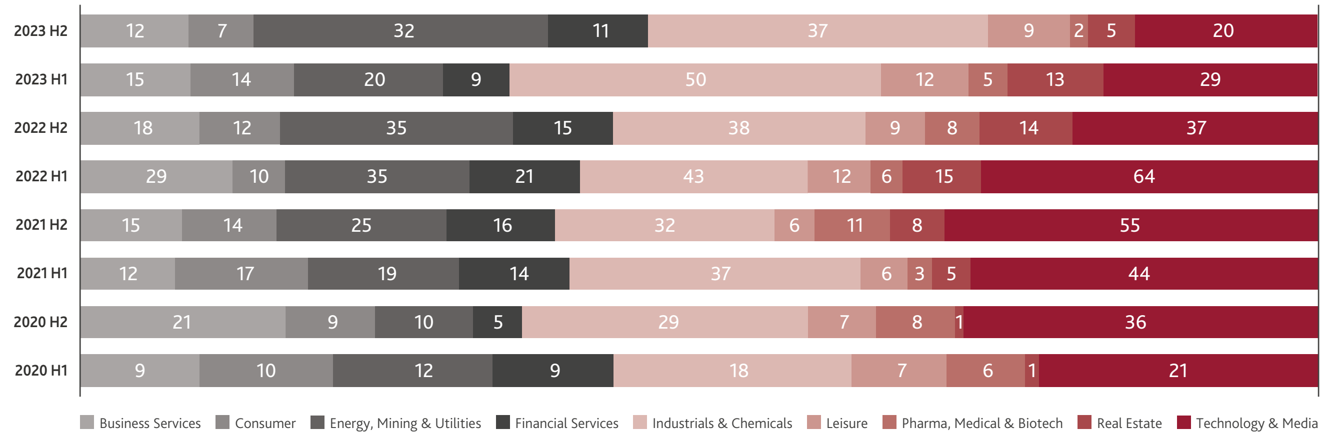
The region's largest deals were:

- Czech Republic: Czech electricity & gas TSO CEPS acquired a 100% stake in Business Services company Gas Storage CZ sro from German RWE AG for USD 390m
- Romania: Italian bank UniCredit Bank SA and UniCredit SpA bought a 100% stake in Financial Services company Alpha Bank SA from Greek Alpha Services & Holdings SA for USD 319m
- Hungary: Austrian bank Erste Group Bank AG (Austria) acquired a 15% stake in Erste Bank Hungary Rt from Hungarian state asset manager Corvinus Nemzetközi Befektetési Zrt.

CEE HEAT CHART DEAL VOLUME



M&A VOLUME BY INDUSTRY



LOOKING AHEAD

Despite ongoing challenges, the current economic outlook for M&A in the CEE region remains cautiously optimistic for 2024. Many difficulties will likely affect the global M&A landscape, including rising financing costs, geopolitical unrest and evolving antitrust regulations.

A rebound in deal activity is anticipated in the coming months, suggesting a stabilising in the M&A environment. This would represent a recovery from the substantial decline in deal activity that began in the second half of 2022 and which lasted until the first quarter of 2023, leading to the longest-lasting difficulties for M&A dealmakers since the Global Financial Crisis of 2008–2009.

PE deal activity has also softened after the record-breaking deal flow of 2021. The number of buyouts was rather modest for the CEE region in H2 2023.

These developments are underpinned by the quality of the region's businesses and the effects of the EU's Resilience and Recovery Facility, which offers significant financial assistance to EU member countries in Central and Eastern Europe.

As part of this initiative, measures will help deliver on the REPowerEU Plan's objective of making Europe independent from Russian fossil fuels well before 2030, which suggests a continuing strong future deal flow in the Energy, Mining & Utilities sector.

In terms of the quantity of M&A deals, Poland, Austria, and the Czech Republic all emerged as hotspots in 2023. It seems likely that ongoing regional and global economic trends, such as decoupling from the Russian energy infrastructure, ESG and digitization initiatives will continue to have a positive impact on M&A strategy.

Dealmakers in the CEE region will need to be resourceful and be ready to seize opportunities when they present themselves to succeed in this environment, despite all the current challenges and uncertainty. The outlook for the M&A landscape in the CEE region is one of cautious optimism.

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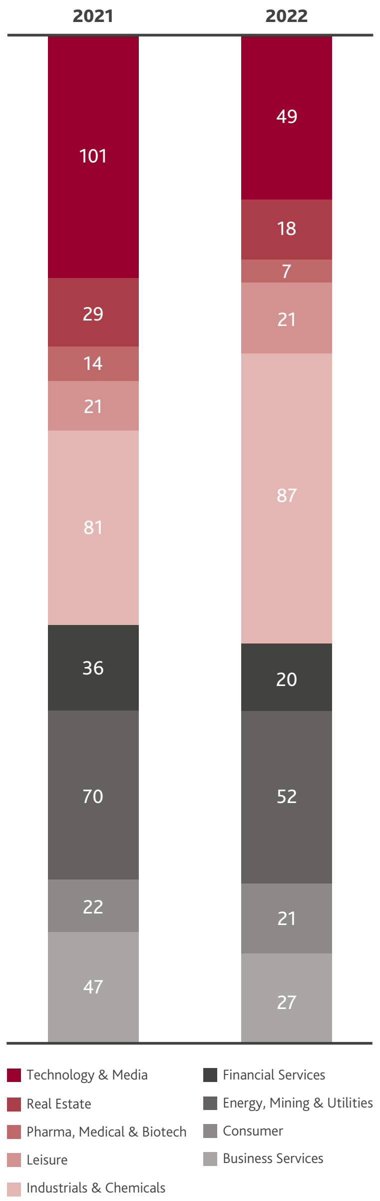
CENTRAL AND EASTERN EUROPE
HEAT CHART BY SECTOR

TMT	114	25%
Industrials & Chemicals	86	19%
Consumer	72	16%
Business Services	58	13%
Energy, Mining & Utilities	45	10%
Financial Services	41	9%
Pharma, Medical & Biotech	20	4%
Leisure	19	4%
Real Estate	6	1%
GRAND TOTAL	**461**	

CENTRAL AND EASTERN EUROPE
MID-MARKET VOLUMES BY SECTOR



Southern Europe

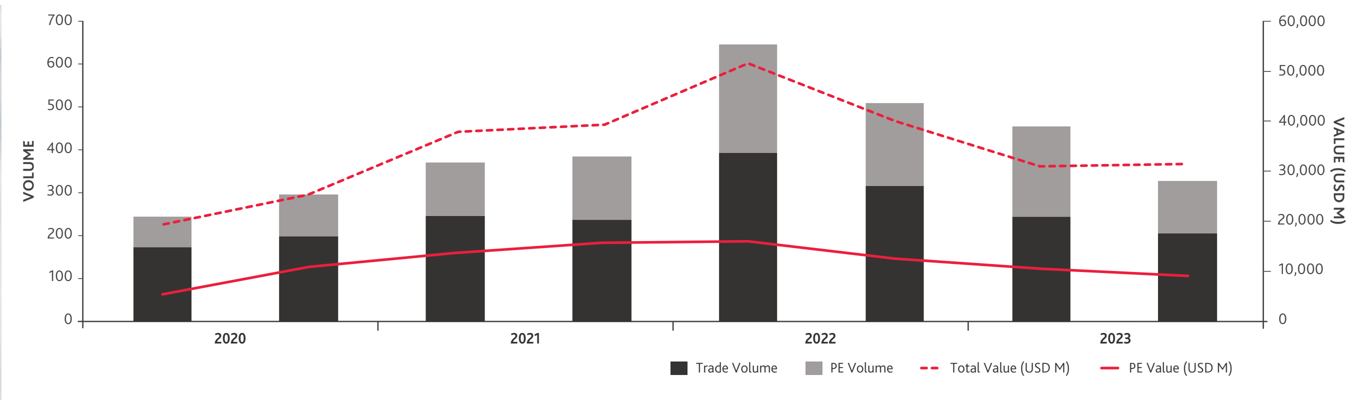
TOUGH ECONOMIC CLIMATE PUTS THE BRAKE ON M&A DEALMAKING

BIG PICTURE

- In H2 2023, Southern Europe deal numbers dropped to 335, the lowest figure since the COVID-19-impacted 2020 as the regional and global economy continued to suffer from the effects of the wars in Eastern Europe and in the Middle East and uncertain macroeconomic conditions
- The average deal size increased by 41% in H2 2023 vs H1 2023 to USD 97m
- PE deal activity collapsed by 42% in H2 2023, accounting for barely a third of all deal volume compared to H1 2023 when it accounted for nearly half
- TMT deal activity suffered and was down by 49% versus H1 2023 due to lower valuation multiples. Industrials & Chemicals' dealmaking dropped by 25% but the sector remained active to take the top sector spot
- The BDO Heat Chart predicts that Industrial & Chemicals will retain its position as the region's leading sector

In H2 2023, the Southern European mid-market recorded 335 transactions, the lowest figure since the 2020 COVID-19 affected period. Deal volume was significantly lower than previous half years: down 28% vs H1 2023, 36% vs H2 2022, and 49% vs H1 2022. The same downward trend was reflected in aggregated deal value, with significant decreases. The macroeconomic conditions, lack of available financing and the impact of ongoing conflicts in Europe and the Middle East have all weighed heavy on M&A mid-market activity the world over.

PE/TRADE VOLUME & VALUE



Looking at Southern Europe's average deal size in H2 2023, it rose to USD 97m, a significant 41% increase vs H1 2023, and a 22% increase vs H1 2022 (generally considered as being the peak period in terms of the number of deals and aggregated value since 2020).

PE activity in the region has also been significantly impacted. Deal numbers in H2 2023 fell by 42% vs H1 2023, 37% vs H2 2022, and 52% vs H1 2022. In terms of aggregated PE deal value, again there were significant falls: down by 14% vs H2 2023, by 28% vs H2 2022 and by 43% vs H1 2022. As a result, PE activity has underperformed both in terms of deals numbers and deal value, with the various interest rate rises being a significant factor behind this.

KEY SECTORS AND DEALS

The region's leading sector in Southern Europe was Industrials & Chemicals with 74 transactions, accounting for 22% of all deals in H2 2023. Deal activity in Industrials & Chemicals recorded heavy falls from previous periods, down by 25% vs H1 2023 and 16% vs H2 2022 but it still topped the sector table.

In second place was TMT with 63 deals in H2 2023. Activity in this sector was severely impacted in the second half of the year, decreasing by 49% compared to H1 2023. However, TMT still accounted for 19% of all deals in H2 2023 and was the region's second most active sector after having led M&A mid-market volumes since 2020. The third performing sector was Business Services with 43 deals, accounting for 13% of all volume.

Together, the top three sectors (Industrials & Chemicals, TMT and Business Services) were responsible for 54% of all transactions in H2 2023. They were followed by Energy, Mining and Utilities, Financial Services and Consumer, which together generated 105 deals.

The only sector that recorded a significant increase in deal numbers was Financial Services, up by 26% vs H1 2023. At the other end of the scale was Real Estate, with deal numbers down by 56% v H1 2023.

The top 10 mid-market transactions in H2 2022 totalled USD 4.5bn, accounting for 14% of total transactions, while the top 20 deals accounted for about 25% of all transactions.

The region's biggest transaction was the acquisition of an Italian biotech company EryDel S.p.a by Quince Therapeutics for USD 492m. The second biggest deal was in Real Estate and involved the acquisition of the residential property management services business of French company Nexity for USD 483m by Bridgepoint Group PLC. In third place was the majority acquisition of French Financial Services company Galimmo SCA by French Company Carmila SA, which acquired the stake from Louis Delhaize SA, for USD 464m. Other significant transactions included the acquisition of Baldocer SA by Mexican group Lamosa SAB de CV, one of the world's largest ceramic producers, for USD 453m and the purchase of 35% of French Financial Services company Groupe Premium by Blackstone Inc for USD 441m.

Looking more closely at the top 20 deals, Spanish companies appeared eight times as targets, totalling USD 3.1bn, followed by seven French companies with a value of USD 3.0bn with the last five companies being Italian (two), Portuguese (two) and Greek (one), with a combined value of USD 2.1bn. In terms of sector activity in the top 20, Financial Services led the way with 25% of all deals, followed by Industrials & Chemicals and Energy, Mining & Utilities (15% each) and Pharma, Medical & Biotech, Real Estate, Business Services and Leisure (all with 10% each).

LOOKING AHEAD

Looking ahead, the BDO Heat Chart suggests that Southern Europe could reach 640 transactions in the near future, accounting for 8% of the total possible global transactions. Industrials & Chemicals is expected to remain the most active sector with 131 transactions, or 20% of the region's total transactions. Business Services is predicted to account for 115 transactions (18% of the total) and TMT 101 transactions (16%). In addition, Consumer and Financial Services are predicted to record 99 and 57 transactions, 15% and 9% of the total respectively. Together, these five main sectors are expected to account for about 80% of all future transactions in Southern Europe.

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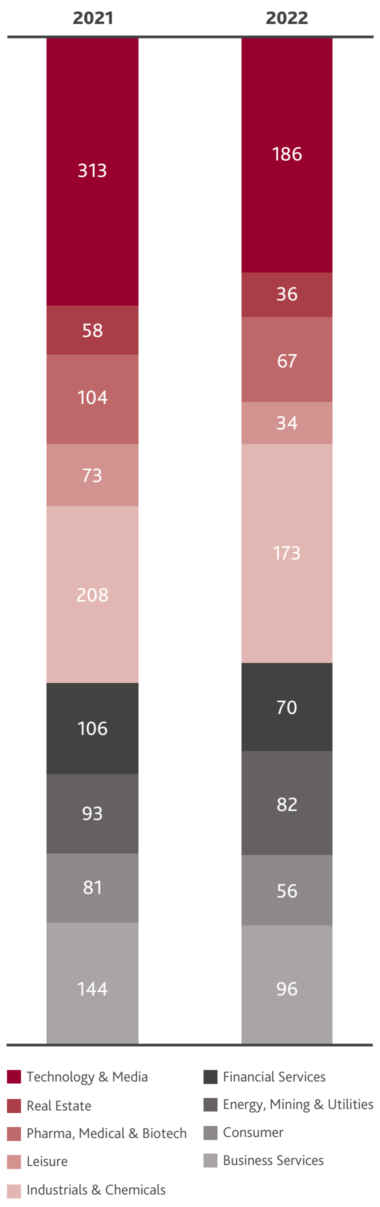
SOUTHERN EUROPE
HEAT CHART BY SECTOR

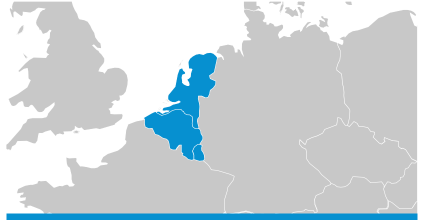
Industrials & Chemicals	131	20%
Business Services	115	18%
TMT	101	16%
Consumer	99	15%
Financial Services	57	9%
Energy, Mining & Utilities	46	7%
Pharma, Medical & Biotech	45	7%
Leisure	35	5%
Real Estate	11	2%
GRAND TOTAL	**640**	

SOUTHERN EUROPE
MID-MARKET VOLUMES BY SECTOR



Benelux

DEAL VALUE CLIMBS IN H2 2023 DESPITE DROP IN DEAL VOLUME



BIG PICTURE

- In H2 2023, deal value increased from USD 7,143m in H1 2023 to USD 8,242m, despite a 15% decrease in deal volume
- 41% of deals involved PE firms, a limited increase compared to the average for the last two years (38%), but still a large proportion compared to global numbers (an average of 33% for the last two years)
- The top 10 transactions accounted for 47% of total deal value
- TMT (21 deals), Pharma, Medical & Biotech (18 deals), and Industrials & Chemicals (13 deals) accounted for 60% of all deals
- There are currently 118 deal opportunities in the Benelux region.

M&A activity in the Benelux mid-market saw a significant increase in deal value in H2 2023, rising from USD 7,143m in H1 2023 to USD 8,242m. PE players were involved in 35 deals, representing 41% of the total deal volume, which was slightly higher than the average for the last two years (38%), contributing to 24% of the overall deal value, which was down from the 29% recorded for the last two years.

KEY SECTORS AND DEALS

TMT remained the most active sector in H2 2023, with 21 deals closed, followed by Pharma, Medical & Biotech (18 deals), Industrial & Chemicals (13 deals) and Business Services and Consumer (each with 9 deals).

The top 20 deals in H2 2023 had a total value of USD 5,590m, comprising individual deals ranging from USD 145m to USD 500m and averaging out at USD 279m per deal. Cross-border transactions made up the majority of the top 20, with only five deals involving a domestic buyer. Overall, these top 20 deals accounted for 68% of the region's total deal value.

In the Benelux, the biggest deal in H2 2023 saw the New Zealand Superannuation Fund acquire a 4.99% minority stake in Euroclear Holding SA/NV for approximately USD 500m. Euroclear is a global provider of financial market infrastructure services, with over 4,900 employees and offices in Belgium, France, Japan, the Netherlands, and Sweden. Euroclear specialises in the settlement, custody, and asset servicing of securities transactions and is a trusted name in the industry.

The second biggest deal involved TowerBrook Capital Partners LP's acquisition of an 85% majority stake in Team Eiffel BV for approximately USD 476m. Eiffel is a Netherlands-based consultancy firm which offers specialised services to both private and public sector clients. The firm's professionals provide tailored solutions to address customer or market-specific challenges, including legal, financial, and process expertise.

AAC Technologies Holdings Inc (China) acquired all the shares of Acoustics Solutions International BV (Belgium) for approximately USD 456m, making it the region's third biggest deal. Acoustics Solutions International BV is the owner of the Premium Sounds Solutions (PSS) business, a global supplier of acoustic components and sound systems that produced over 110 million speakers last year. As a Tier 1 supplier to global automotive OEMs and with a portfolio of commercial relationships in the premium and branded consumer audio segments, PSS represents a valuable acquisition for AAC Technologies Holdings Inc.

LOOKING AHEAD

The Benelux Heat Chart indicates that there are currently 118 planned or in-progress deals. Financial Services is expected to lead the way with 25 deals, accounting for 21% of the total predicted deals, followed by Consumer (23 deals, 19% of the total), Business Services (18 deals, 15%), Industrials & Chemicals (18 deals, 15%) and TMT (11 deals, 9%).

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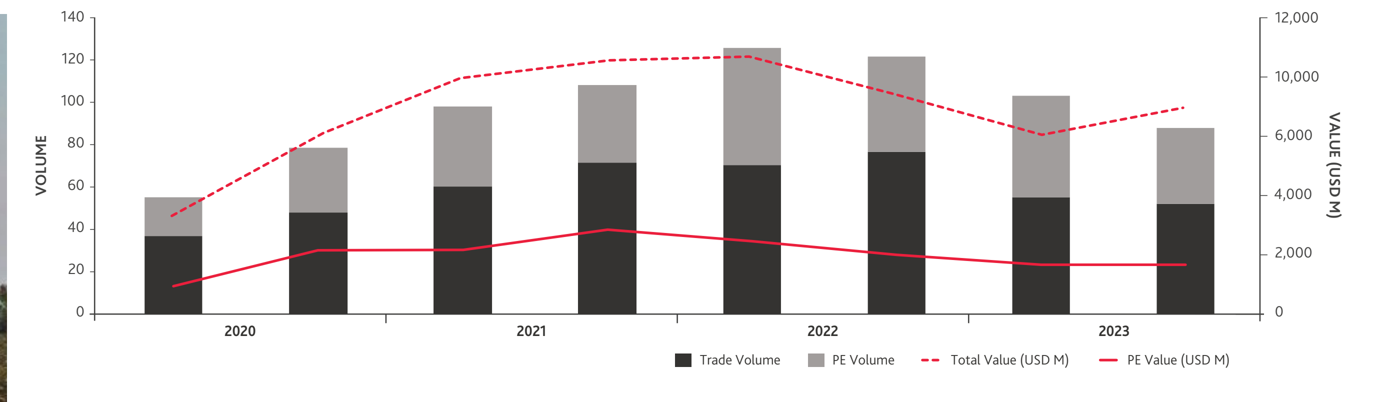
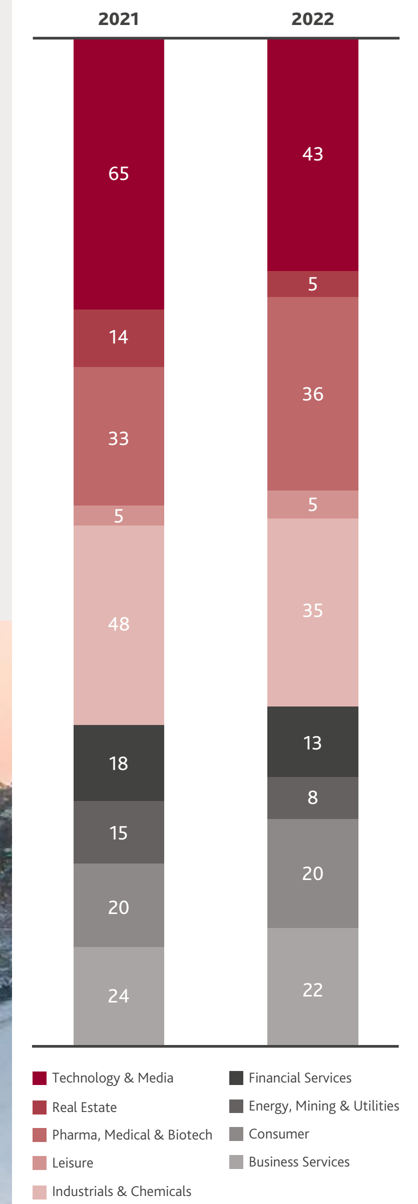
PE/TRADE VOLUME & VALUE



BENELUX
HEAT CHART BY SECTOR

Financial Services	25	21%
Consumer	23	19%
Business Services	18	15%
Industrials & Chemicals	18	15%
TMT	11	9%
Pharma, Medical & Biotech	11	9%
Leisure	5	4%
Real Estate	4	3%
Energy, Mining & Utilities	3	3%
GRAND TOTAL	118	

BENELUX
MID-MARKET VOLUMES BY SECTOR



DACH

MIXED MARKET SENTIMENT WEIGHS HEAVY ON M&A ACTIVITY

BIG PICTURE

- Deal volume and value in the DACH region decreased compared to H1 2023
- PE buyouts also fell, not only in absolute numbers, but also relative to the overall number of deals in H2 2023 – both down by more than a third compared to H1 2023
- The highest levels of M&A activity took place in TMT, Industrials & Chemicals and Pharma, Medical & Biotech-related areas. The largest deals were in the Energy, Mining & Utilities sector

After a robust first half of the year, M&A activity in the DACH region fell significantly in H2 2023 and, as was the case globally, a third consecutive decline was recorded.

The total number of deals in the DACH region fell by almost 13% in the second half of 2023 compared to the previous half of the year. A comparison of 2022 with 2023 reveals that there was a slump in the number of deals of more than 20%. An even sharper decline can be observed in the PE volume. PE volume fell by more than 31%, while total value fell by 37%.

Compared to the first half of 2023, 54 fewer deals were recorded in the second half of last year (compared to 102 deals in 2022 as a whole), which equates to a decline of almost 25%. The total value of deals also fell by more than 12% to USD 16.6bn compared to the first half of the year.

Overall, this performance came as no great surprise and was even in line with expectations. The difficult market environment, especially in interest rate-sensitive sectors such as Real Estate, struggled with subdued deal activity. However, this issue was not specific to the DACH region and also affected the global M&A market. Worldwide, there was a decline in both the total deal numbers and total deal value.

KEY DEALS AND SECTORS

In H2 2023, the top 20 deals accounted for around 49% of the value of all transactions in DACH, totalling around USD 8bn. Germany played a particularly important role in the top 20, with 15 companies involved, four came from Switzerland and only one from Austria. It is also interesting to note that only five of the targeted companies involved a bidder from within the DACH region. The most active DACH bidder was Germany with four transactions, followed by Switzerland with one transaction. Continuing the trend of increasing international interest in DACH, the top 20 deals also involved bidders from nine different countries from outside the region. Bidders from the Scandinavian countries of Norway, Sweden and Finland were all active in H2 2023, with one deal each. Other bidders (all with one deal) came from countries such as France, Ireland, the UK, Australia, Taiwan and the United Arab Emirates. In terms of overall M&A activity in the region, the US was the most active country with a total of six transactions.

The largest transaction in the period was in Energy, Mining & Utilities and involved the sale of a 50% stake by Danish energy company Orsted A/S in the Gode Wind 3 offshore wind farm project, which is being developed in the North Sea off the German coast. The buyer was the investment company Glennmont Partners and the deal volume was USD 500m. The second largest acquisition was the sale of the German Weltec Holding GmbH, which also operates in the Energy, Mining and Utilities sector, to two German companies Munich RE and DWS Group. The deal amounted to USD 492m for a 100% stake.

In third place was the sale of Extrusion Technology Group from Germany to US industrial company Davis-Standard LLC, with the latter paying USD 465m for 100% of the shares. Another wind farm deal took place between Spanish energy company Iberdrola SA and investor Abu Dhabi Future Energy Co. In this deal, 49% of an offshore wind farm project in Germany was sold for around USD 415m.

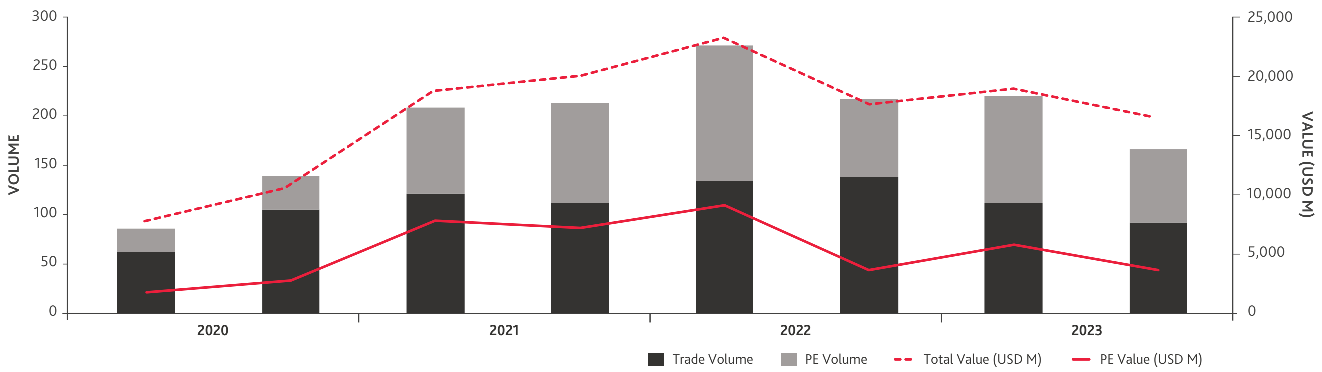
The largest deal in Austria took place in the TMT sector and saw the world's largest chip manufacturer TSMC has acquired a 10% stake in IMS Nanofabrication GmbH. TSMC paid a total of USD 430m for the stake.

The largest Swiss deal took place in Industrials & Chemicals and was worth USD 365m. The Swiss company Schaffner Holding AG was acquired by the two companies TE Connectivity Ltd and Tyco Electronics Holding II LLC.

The sector breakdown of the region's top 20 deals was as follows: Industrial & Chemicals (40%), Energy, Mining & Utilities (20%), TMT (20%), Business Services (5%), Leisure (5%) as well as Real Estate (5%) and Other (5%).

The number of deals declined in all sectors in a year-on-year comparison from 2022 to 2023. TMT saw the sharpest decline with a drop of 39%. In Consumer, Financial Services, Leisure and Business Services, the number of transactions fell by an average of 25%. The most robust sectors were Energy, Mining & Utilities, with a decline of just 8% and Industrial & Chemicals, which saw a drop of 14%.

PE/TRADE VOLUME & VALUE



Globally, transaction activities in Energy, Mining & Utilities increased in the second half of the year 2023 compared to the first half of the year. The Financial Services sector recorded a solid performance and fell by just by 3% worldwide. The Leisure sector also saw increased volume with two more deals in the period whereas the number of transactions in the Pharma, Medical & Biotech sector remained unchanged at 22.

In contrast to the global M&A trend, deal numbers in Financial Services fell by more than 60% in the DACH region. The TMT, Real Estate and Industrial & Chemicals sectors also had a difficult second half of the year with an average decline of 33%.

Globally, none of the sectors were able to outperform 2022 in terms of transaction numbers. However, the situation was different in the DACH region with the Consumer (+21%), Industrial & Chemicals (+4%) and Energy, Mining & Utilities (+55%) sectors all outperforming the previous year's figures in 2023.

Finally, the Financial Services (down 40%), Leisure (down 38%), TMT (down 34%) and Business Services (down 31%) sectors suffered the sharpest year-on-year decline in deal numbers in the region.

LOOKING AHEAD

The latter half of 2023 witnessed a discernible flattening trend in the global M&A market. Internationally, both transaction volumes and deal counts recorded a third consecutive decline. While the DACH region initially showed resilience in 2023, it recorded a substantial downturn in the second half of the year. This downturn can be attributed to the challenging market conditions, persistently high interest rates, and lingering geopolitical uncertainties.

These challenges are expected to persist into 2024, casting a shadow on investor sentiment. Notably, the market will closely track various global political events, such as the upcoming US presidential election. In this environment, companies with a robust financial foundation and effective management will be advantageously positioned. The anticipated interest rate cuts this year could potentially spur an economic upturn, adding a layer of optimism to the outlook.

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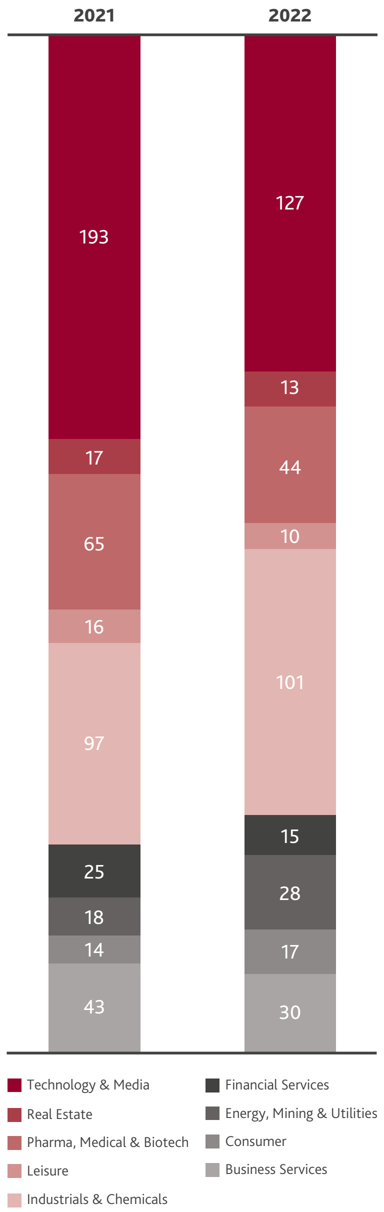
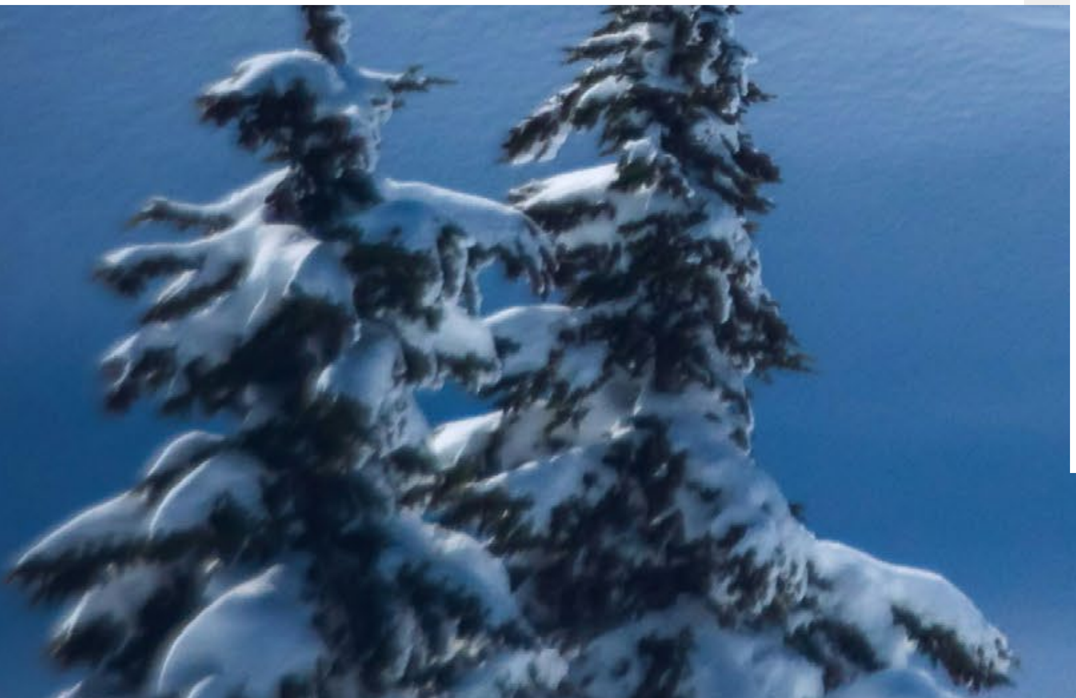
DACH
HEAT CHART BY SECTOR

Industrials & Chemicals	111	33%
TMT	73	22%
Pharma, Medical & Biotech	46	14%
Consumer	36	11%
Business Services	27	8%
Financial Services	24	7%
Energy, Mining & Utilities	8	2%
Leisure	6	2%
Real Estate	4	1%
GRAND TOTAL	**335**	

DACH
MID-MARKET VOLUMES BY SECTOR





Nordics

DEAL ACTIVITY FALLS BACK TO PANDEMIC LEVELS

BIG PICTURE

- 2023 saw declines in both deal volume and deal value with a total of 399 deals, a decrease of 24% on the previous year, with total value falling to USD 24.0bn, a drop of 29%
- PE activity declined in line with the market but was especially pronounced in deal value in 2023, plummeting by 54% to USD 4.9bn. Deal volume fell by 23% from 2022 with 123 deals completed
- Looking ahead, M&A activity may see an uptick in 2024 as interest rates are expected to fall and fears of a recession ease.

The Nordic mid-market deal volume recorded in H2 2023 was the lowest seen since the pandemic hit in H1 2020. Rising interest rates, high levels of inflation and the looming threat of a recession all played a part in reducing risk appetites and the subsequent restrained investment strategies that were prevalent during the year. Target companies also had to adapt to the changing circumstances, with some now waiting to sell until the market conditions take a turn for the better. Furthermore, some companies had to make tough choices with regards to profitability as their purchasing power went down with inflation and their costs went up with the interest rate rises.

There was a general decline in M&A activity in 2023 across the various sectors and in both the overall market and PE-specific transactions. Compared with 2022, there was a 24% reduction in deal volume (399 deals, down from 527) and a 29% decrease in deal value (down to USD 24.0bn from USD 33.6bn). In H2 2023, the deal volume dropped by 25% year-on-year but deal value fell by only 4%. Comparatively speaking, the decline from H1 2023 to H2 2023 in terms of deal volume was 26%, which was consistent with the trend from 2022, but total deal value saw a slight intra-year increase (H1 to H2).

There was a downturn in PE activity in 2023, especially in terms of deal value. PE deal volume was down by 23% (123 v 160 in 2022) and deal value fell by 54% (to USD 4.9bn from USD 10.6bn). However, as a proportion of total deal volume, PE remained steady at around 30%. On the other hand, as a proportion of total deal value, PE activity fell significantly to 21%.

In H2 2023, PE deal volume accounted for 34% of total deal volume, but only 18% of total deal value, indicating a shift towards smaller scale investments. It should also be mentioned that PE buyers seemingly differed from other investors in terms of their investment strategies in 2023, with other investors rather favouring larger-sized transactions

.KEY SECTORS AND DEALS

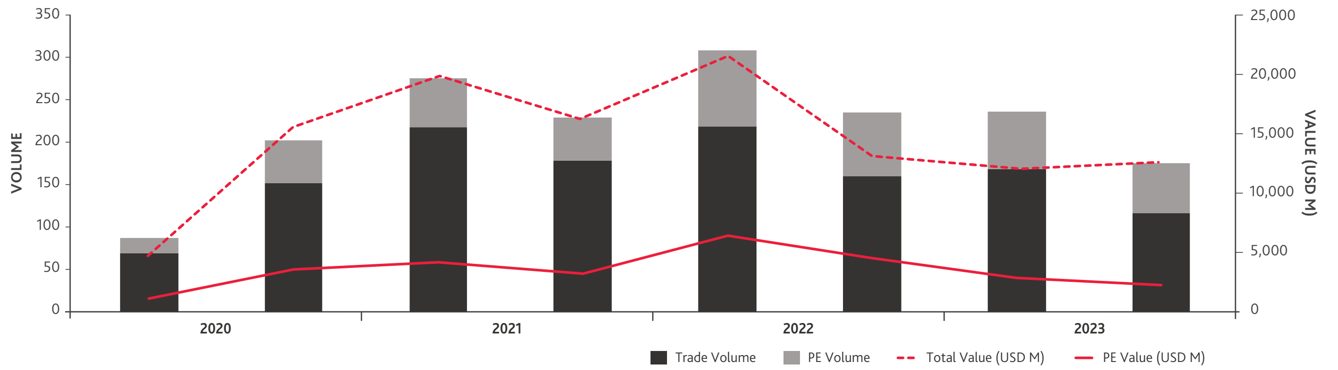
Looking at sector activity, TMT remained the most active with 112 reported deals (down from 149 in 2022) – accounting for 28% of all deals made in the region during the year, a similar figure to 2022. In H1 2023 TMT represented 30% of all deals but that figure dropped to 25% in H2 2023. The second most active sector was Industrials & Chemicals with 76 reported deals (down from 130 in 2022), accounting for 19% of all deals in 2023, a drop from the 25% of deals recorded in this sector in 2022. Unlike TMT, Industrials & Chemicals recorded a slight positive trend in intra-year distribution, accounting for 18% of deal volume in H1 2023 and 21% in H2 2023.

Pharma, Medical & Biotech saw an increase in deal volume with 47 deals in 2023 (up from 39 in 2022), tying with Business Services as the third most active sector, and representing 12% of the year's total deal count.

Looking at the top 20 deals in H2 2023, Industrials & Chemicals led the way with 25% of these deals, including significant cross-border activity. Real Estate and Energy, Mining & Utilities were equally active, each accounting for 20% of the top 20. The most notable deal in the half-year was the sale of an 86% stake in SAS for USD 475m (part of a restructuring effort following the company's filing for bankruptcy protection in mid-2022). The SAS sale was the only Business Services deal in the top 20.

Other significant transactions included the acquisition of Kufpec Norway AS in the Energy, Mining & Utilities sector for USD 445m and the purchase of EG A/S in the TMT sector for USD 434m, highlighting the diversity and strength of investment in the region across different industries.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

Moving forward, the biggest challenges remain the high levels of inflation and interest rates, alongside the ongoing political challenges in eastern Europe. The Nordics and many other regions have been trying to tame inflation by raising interest rates – and in general terms this has been successful, with inflation falling during the year. In terms of where interest rates are heading, many are observers are looking to the US for guidance. The Federal Reserve stopped raising the interest rate any further in H2 2023 and has signalled that there may be potential reductions in 2024. Many of the Nordic countries have followed suit and interest rates in the region have not risen any higher. Entering into 2024, there is cautious optimism in the mid-market. While 2023's challenges may well persist into 2024, the current outlook suggests a possible easing of some of these economic conditions.

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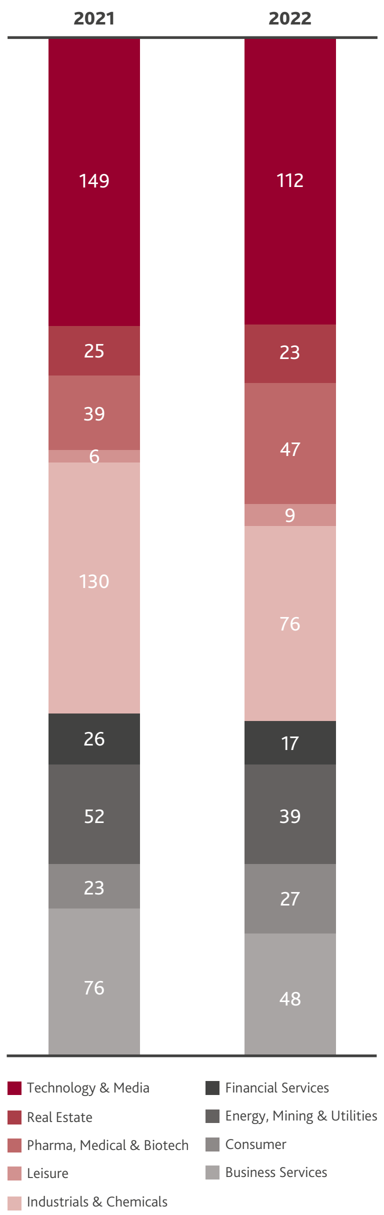
NORDICS
HEAT CHART BY SECTOR

TMT	71	31%
Industrials & Chemicals	47	20%
Pharma, Medical & Biotech	44	19%
Business Services	27	12%
Consumer	17	7%
Energy, Mining & Utilities	12	5%
Financial Services	7	3%
Real Estate	4	2%
Leisure	3	1%
GRAND TOTAL	232	

NORDICS
MID-MARKET VOLUMES BY SECTOR



Middle East

M&A LOOKS SET FOR REBOUND IN 2024

BIG PICTURE

- Mid-market M&A activity in 2023 recorded a 21.8% drop in deal numbers and a 28.2% fall in deal value compared to 2022
- There was significant deal activity in the Energy, Mining & Utilities, Industrials & Chemicals and TMT sectors
- The region remains attractive for foreign investment and its robust economy, allied with the activities of state-backed companies and sovereign wealth funds, means that the future looks positive for M&A dealmaking.

In the last three months of 2023, the Middle East experienced a varied and energetic performance in mergers and acquisitions. Despite worldwide economic difficulties, the area sustained a strong momentum, largely driven by state-backed companies and sovereign wealth funds.

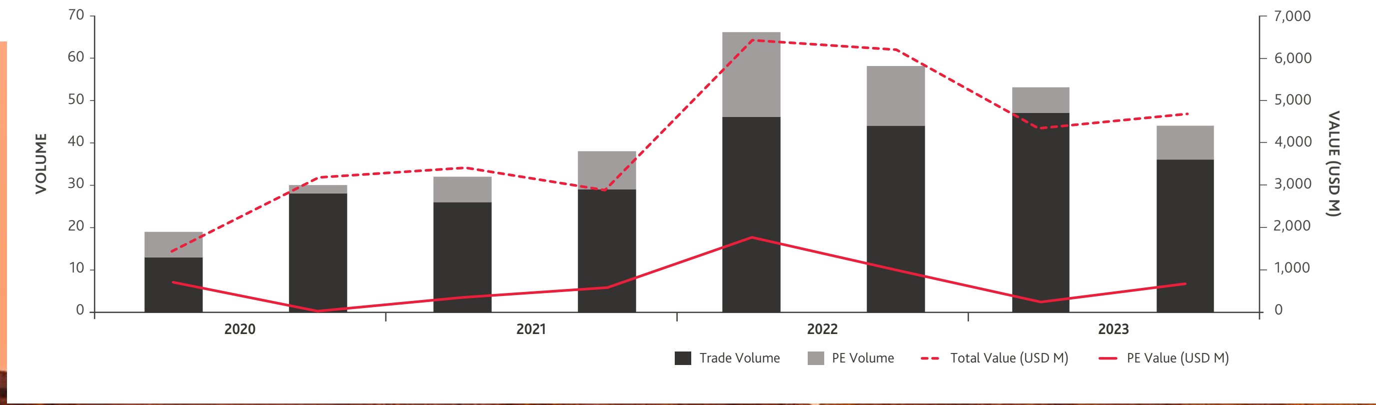
The M&A scene in the Middle East in 2023 was characterized by a multi-faceted environment, presenting both hurdles and prospects. During the first six months of the year, the MENA region reported 318 M&A transactions, amounting to roughly USD 43.8bn. This represented a 14.0% drop in the number of deals compared to the first half of 2022, while the value of these deals saw a marginal rise of 0.4%.

In the mid-market sector, the number of deals fell by 21.8%, reducing from 124 in 2022 to just 97 in 2023. Additionally, there was a 28.2% decline in the value of these transactions, falling from USD 12.5bn in 2022 to USD 9.0bn in 2023.

KEY DEALS IN H2 2023

- Positive Zero Ltd, operating in the Industrials & Chemicals sector in the UAE, was acquired by BlackRock Inc for USD 400m
- A 37% stake of UAE-based TMT business Hungerstation was acquired by Germany's Delivery Hero SE for USD 297m
- A 40% stake in Qatar-based District Cooling Industrials & Chemicals company was acquired by the Qatar Investment Authority for USD 220m. The seller was United Development Company
- A 60% stake in the Abha Private Hospital, operating in Saudi Arabia's Pharma, Medical & Biotech sector, was acquired by Bahrain's GFH Financial Group BSC for USD 208m.

PE/TRADE VOLUME & VALUE



SOVEREIGN WEALTH FUNDS AND STATE ENTERPRISES DRIVE M&A

Leading sovereign wealth funds such as ADIA, Mubadala, and ADQ were instrumental in shaping the wider mergers and acquisitions arena during 2023. ADIA's significant deals included a collaborative purchase of the UK's Dechra Pharmaceuticals for USD 5.6bn and a USD 900.0m venture in Japanese hotels. Mubadala made strategic investments in the US-based Fortress Investment Group and also emerged as a key investor in Cube Highways Trust in India. Meanwhile, ADQ engaged in a partnership with Canada's BMO for acquiring shares in Sagard and signed agreements to support earthquake recovery efforts in Turkey. These purchases and agreements underscore a rising trend of sovereign funds channelling investments into international markets.

KEY SECTORS

In Energy, Mining & Utilities, Industrials & Chemicals and TMT there was a real vibrancy in sector activity.

Saudi Aramco and ADNOC engaged in noteworthy international acquisitions, including Aramco's substantial USD 3.4bn investment in China's Rongsheng Petrochemical, and ADNOC's foray into downstream oil and gas sectors. The technology sphere saw a significant deal in the shape of Brookfield Business Partners' USD 2.7bn acquisition of UAE-based Network International, highlighting the regional emphasis on augmenting digital and payment solutions.

IPO ACTIVITY

The IPO scene in the Middle East, especially within the UAE and Saudi Arabia, has shown remarkable resilience in the face of worldwide economic hurdles. In defiance of global downturns, the Middle East's IPO market flourished, amassing an impressive USD 8.4bn in 2023. Key IPOs featured Phoenix Group's debut on the Abu Dhabi Securities Exchange, securing USD 370m, alongside Saudi Arabia leading the MENA region in IPO endeavors with five listings, which collectively garnered USD 330m in Q3 2023.

PUBLIC-PRIVATE PARTNERSHIP MARKET ACTIVITY

Project pipeline: The National Centre for Privatization and Public-Private Partnership (PPP) approved 200 projects in 17 sectors, covering areas like airports, water treatment, and transit projects.

Healthcare: There were about 100 PPP projects in the healthcare sector, valued at USD 12.7bn, including the development of two medical cities and a 900-bed rehabilitation hospital.

Infrastructure investments: Key projects included the expansion of Prince Naif International Airport in Saudi Arabia and the construction of villages for the NEOM urban area project in Saudi Arabia.

Renewable energy commitment: A significant deal for a 4.55 Gw Solar Pv Portfolio was signed between Saudi Arabia's Public Investment Fund's (Pif) wholly-owned company Badeel and ACWA Power, underscoring the future focus on renewable energy.

MIDDLE EAST
HEAT CHART BY SECTOR

TMT	22	27%
Financial Services	15	19%
Consumer	12	15%
Business Services	9	11%
Pharma, Medical & Biotech	7	9%
Leisure	6	7%
Industrials & Chemicals	5	6%
Energy, Mining & Utilities	3	4%
Real Estate	2	2%
GRAND TOTAL	**81**	

LOOKING AHEAD

In 2024, the M&A landscape in the Middle East is showing promising signs of resurgence. This upturn is primarily being fuelled by the robust involvement of sovereign wealth funds, comprehensive legislative reforms and the region's growing attraction for foreign investment. Core industries such as energy, infrastructure, technology, and healthcare stand to benefit considerably from M&A activity. Although there are hurdles, including shifts in tax regimes and global political uncertainties, the region's robust economic framework and dynamic sovereign wealth funds are suggestive of an optimistic trajectory for M&A activities.

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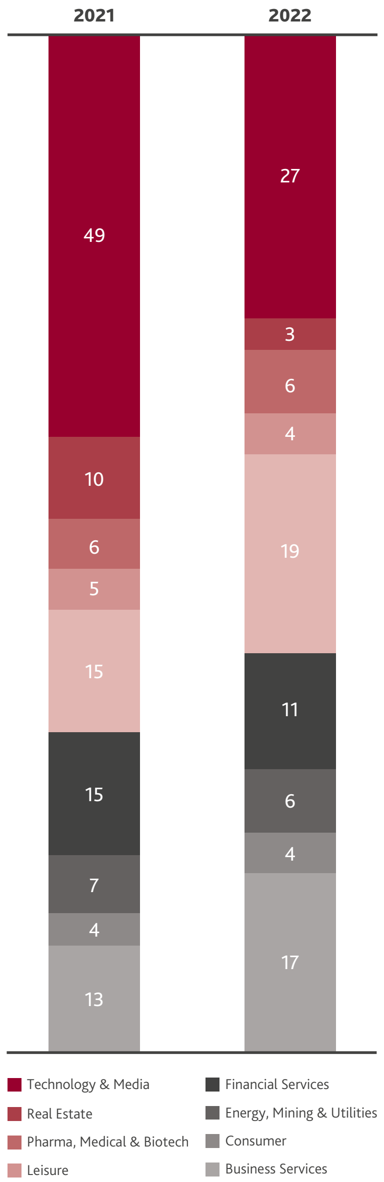
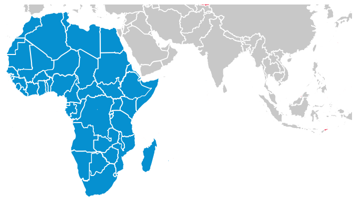
MIDDLE EAST
MID-MARKET VOLUMES BY SECTOR



Africa

M&A CONTINUES DOWNWARD TREND WITH DEPRESSED LEVELS OF DEAL ACTIVITY



BIG PICTURE

- Deal numbers fell heavily to 43 compared 63 in H1 2023
- Total deal value was USD 3.1bn, 37% less than the average for the last four years
- PE deal volume and value both fell with just eight deals completed, which accounted for 19% of total deal value
- Energy, Mining & Utilities led the way in sector activity with 14 deals.

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

Global M&A activity remained fairly stable in the second half of 2023, with a decline of just 2% in deal value compared to the first half of 2023. Africa, on the other hand, recorded a significant decline in deal activity with only 43 deals (to a similar level to the COVID-affected H1 2020 which saw 42 reported deals) concluded in H2 2023 compared to 63 deals in H1 2023. Our research also indicates that PE deals declined in Africa, accounting for 19% of total deal value in H2 2023 (down from 33% in H1 2023).

Total African deal value fell by 42% from H1 2023, 37% lower than the average deal value over the last four years.

It is difficult to attribute these declines to any one factor, however, it remains our opinion that the following are all impacting the region's mid-market M&A activity:

- There is low market confidence in the continent
- Stable but high interest rates means more expensive debt and pressure on serviceability
- Macroeconomic considerations such as the conflict in Gaza and the ongoing war between Russian and the Ukraine.

In South Africa, arguably the continent's most active territory, the local power producer Eskom has failed in its efforts to secure a reliable supply of electricity and many sectors, including manufacturing and retail, are being severely impacted by the ongoing and intensifying rolling blackouts initiated by the main power utility to protect the country's fragile electricity generation infrastructure. This has resulted in a nervous state of mind for the many firms which are operating at well below capacity and overall it is breeding a reluctance to invest in acquisitive growth.

Generally, Africa remains a buyer's market and there are some 'bargains' to be found, however, the lack of available funding and low levels of confidence in the continent mean that opportunities are being somewhat stifled.

We would expect that 2024 may well see some opportunistic buying by well-funded businesses to acquire some strategic acquisitions and, on the other hand, we would also expect the focused divestment and rationalisation processes to continue across the continent. Some sectors, such as the Healthcare and Logistics sectors, would likely benefit from increased scale in their product offerings and client bases.

KEY SECTORS AND DEALS

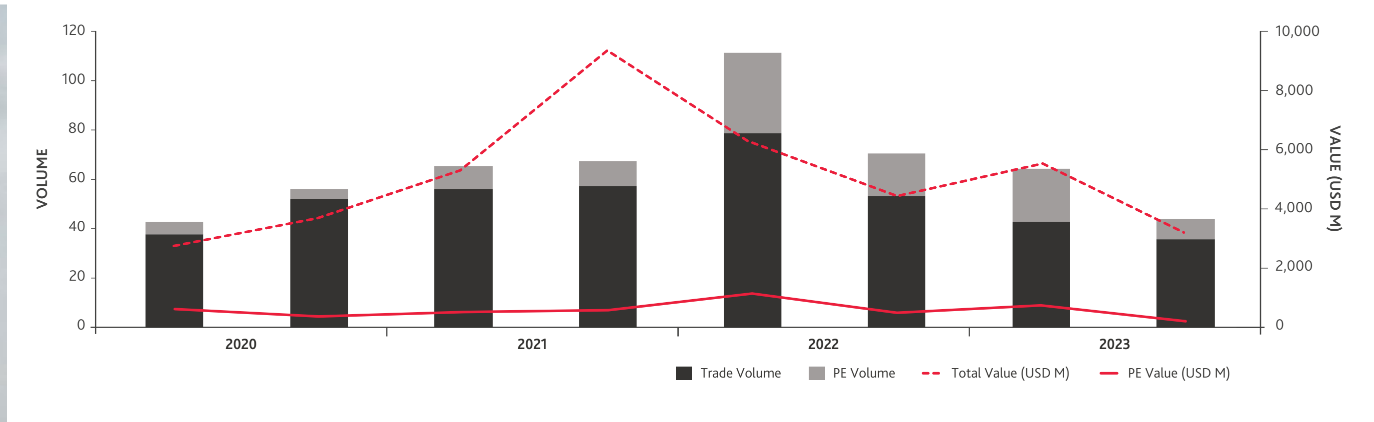
As previously mentioned, H2 2023 saw the lowest levels of deal activity since the COVID-19-affected 2020. There was also a noteworthy decrease in PE deal volume and value in Africa, from 21 deals in H1 2023 to just eight deals in H2 2023 with a total deal value of USD 210m (a 72% decrease in PE deal value from H1 2023).

Energy, Mining & Utilities recorded the highest number of deals with 14. This was followed by TMT and Pharma, Medical & Biotech, each with five deals. There was a significant decline in TMT deal numbers from 16 in H1 2023 to five in H2 2023. Consumer deal numbers also fell by more than half in H2 2023 with just three deals.

The Real Estate and Leisure sectors remained at the lower end of sector deal activity with two deals each and continue to record minimal growth since the COVID-19 pandemic.

Looking at the top 20 deals, South Africa accounted for 10 and represented 51% of deal value. Morocco with three deals and Angola and Egypt with two each were the other key players in the top 20. Additional countries with significant deal values included Togo (USD 171m) and Ghana (USD 170m). The region's top two deals in H2 2023 both took place in the Energy, Mining and Utilities sector.

PE/TRADE VOLUME & VALUE



Nine of the top 20 deals involved acquired overseas buyers from, inter alia, Canada, India, Spain and the US. Half of the deals concluded in South Africa were acquisitions by local parties.

The biggest deal was Wheaton Precious Metals Corp's acquisition of the existing streams from Orion Mine Finance, including the Ivanhoe Mines' Platreef Project and the BMC Minerals' Kudz Ze Kayah Project. The total deal consideration was USD 455m.

Outlining the rationale for the deal, Randy Smallwood, Wheaton's President and CEO, said: "The acquisition of these diverse, high-quality streams fits seamlessly into our portfolio of high-margin, low-cost assets, with near-term production from Platreef significantly adding to our already robust growth profile… This Project has been significantly de-risked given the advancement of construction and development and is forecast to deliver significant precious metals production to Wheaton, commencing next year. We are also very impressed with Ivanhoe's progress in working with the community and other stakeholders as it rapidly advances the Project towards production."

The second biggest deal in H2 2023 was the sale of TotalEnergies 40% interest in Block 20 in the Kwanza Basin in Angola to Petronas Angola E&P Ltd (PAEPL), a company belonging to the PETRONAS group. The transaction was completed for an amount of USD 400m. TotalEnergies retains the operatorship and a 40% interest in Block 20, alongside PAEPL (40%) and Sonangol Pesquisa e Produção S.A. (20%).

Block 20 contains the Cameia and Golfinho oil discoveries, located around 150 km southwest of Luanda. These discoveries are planned to be developed through a system of subsea wells connected to a FPSO (Floating Production, Storage and Offloading unit) with an oil production capacity of 70,000 barrels per day, which will be the seventh FPSO developed by TotalEnergies in Angola. The project will include the best available technologies to minimise greenhouse gas emissions and the facilities will be designed for zero flaring, with the associated gas entirely reinjected into the reservoirs.

Nicols Terraz, TotalEnergies' Exploration & Production President, said: "TotalEnergies is pleased to welcome Petronas, one of its strategic partners, on Block 20 in the Kwanza basin. With Sonangol and Petronas, we have established a solid partnership that will collectively enable us to take the final investment decision for the development of the Cameia and Golfinho fields, with the support of the Angolan authorities."

LOOKING AHEAD

According to the BDO Heat Chart, Energy Mining & Utilities, Industrial & Chemicals, TMT and Business Services sectors will account for the bulk of M&A activity across the continent for the foreseeable future, with the balance spread across the remaining sectors. As previously mentioned, the Real Estate and Leisure sectors continue to show low/no levels of M&A activity.

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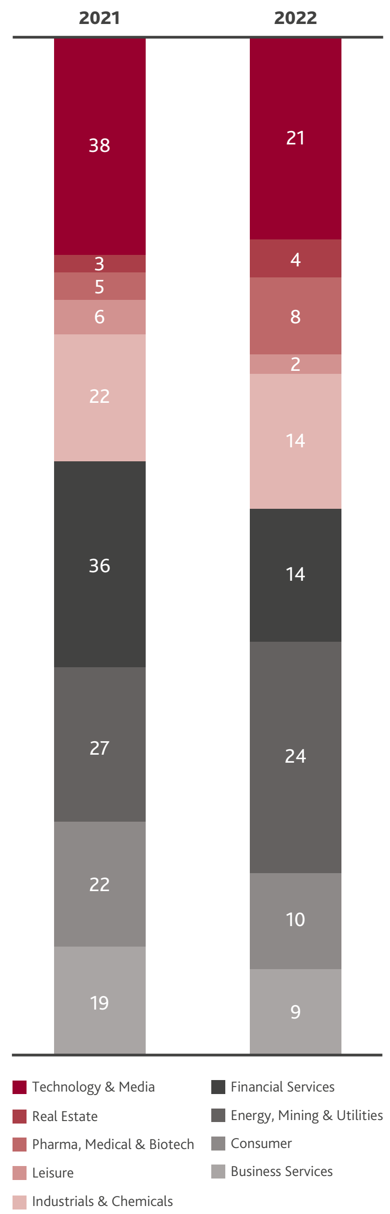
AFRICA
HEAT CHART BY SECTOR

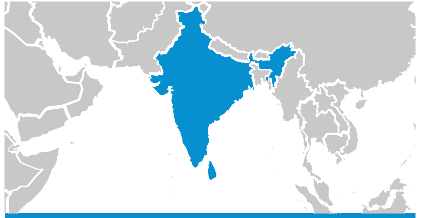
Industrials & Chemicals	34	28%
Energy, Mining & Utilities	31	25%
TMT	18	15%
Business Services	15	12%
Financial Services	11	9%
Consumer	5	4%
Real Estate	3	2%
Leisure	3	2%
Pharma, Medical & Biotech	2	2%
GRAND TOTAL	**122**	

AFRICA
MID-MARKET VOLUMES BY SECTOR



India

M&A LANDSCAPE REMAINS POSITIVE DESPITE BLIP IN 2023



BIG PICTURE

- Mid-market M&A volume in 2023 fell by 25% compared to 2022
- Deal volume in H2 2023 was 233 compared to 300 in H1 2023
- PE dealmaking was significantly down and mainly featured small-ticket deals in 2023
- Industrials & Chemical took over as top sector from TMT with 55 deals (24% of deal volume)
- With the deal climate predicted to improve in 2024, all the fundamentals are in place in India for increased mid-market deal activity.

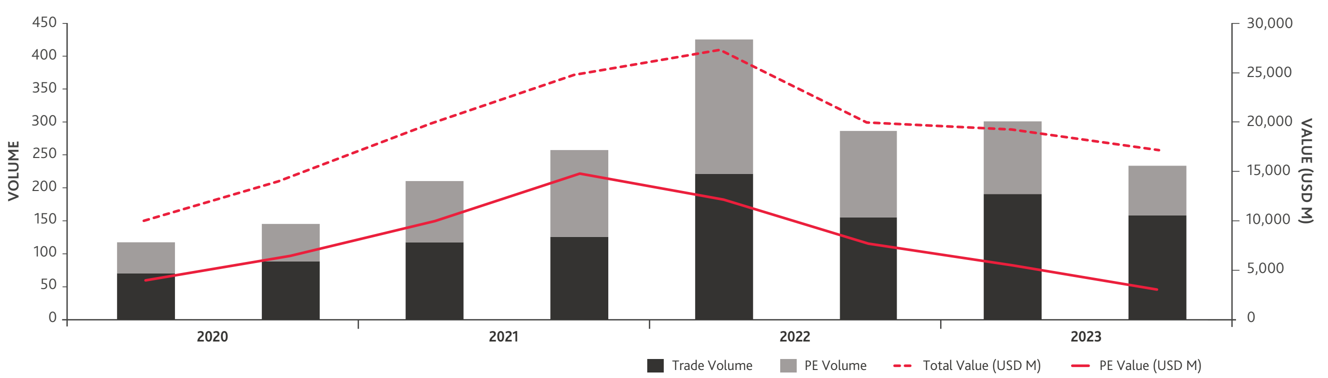
M&A across the globe saw a slowdown during 2023. The overall deal value and volume declined sharply in 2023 compared to the previous year. This decline can be attributed to various factors such as rising interest rates, the Russia-Ukraine and then Israel conflicts and the failure of some of the large banks. The broader M&A market in India did mirror the global sentiment, however, when compared to other countries, the impact on M&A activity in India was relatively mild, especially for mid-market deals.

The overall M&A and PE activity (including large-ticket) in India dropped by 60% (50% excluding the mega USD 40bn HDFC-HDFC bank merger in 2022) in value terms and 30% in volume terms when compared to 2022. However, when we look at the mid-market segment (deal values of less than USD 500m), the decline both in value and volume was slightly less than 25%.

This clearly indicates that acquirers/investors were hesitant in writing large ticket cheques in 2023. In fact, the number of transactions in the USD 100m+ space, especially on the PE side, fell significantly during 2023. Valuations, especially of new age, digital businesses took a significant hit. Indian M&A and PE transactions in 2023 were mainly small-ticket deals. Unlike in 2022 or 2021, where there was a significant dominance of TMT (which includes digital, new age tech driven businesses) in mid-market deals, 2023 paved ways for increasing share of deals in industrial, chemical, healthcare businesses. There was also a renewed focus on profitability/path to profitability as opposed to super growth with significant cash burn.

Deal volume in India's mid-market segment slipped to 233 deals during H2 2023 compared to 300 in H1 2023 and 286 in H2 2022. In terms of value, the mid-market segment totalled USD 17,134m during H2 2023, which was ~11% and ~14% less compared to deal value in H1 2023 and H2 2022 respectively. Looking at PE transactions, they accounted for ~32% of the total deal volume and ~18% of the total deal value during H2 2023.

PE/TRADE VOLUME & VALUE



KEY SECTORS AND DEALS

Unlike previous periods, where deal volume was generally dominated by the TMT sector, in H2 2023, Industrial & Chemicals led the way by contributing 24% of the total deal volume (55 deals) followed by TMT (48 deals) and Financial Services (34 deals), with shares of 21% and 16% respectively.

Some of the biggest deals in terms of value took place across the Energy, Mining & Utilities, Industrials & Chemicals and Financial Services sectors. These major deals included the following:

Energy, Mining & Utilities

- Vedanta's Sterile Power Transmission teamed up with Singapore's Sovereign wealth fund GIC for a USD 1bn joint venture, of which GIC will contribute USD 500m
- Juniper Green Energy, a Delhi-based independent power producer, received USD 350m from Singapore's AT Capital Group and Dutch commodities trading fund Vitol
- French oil major TotalEnergies SE is investing USD 300m in a joint venture with Adani Green Energy Limited for renewable energy projects
- Oil and Natural Gas Corporation acquired a 100% stake in PTC India's wind power unit for USD 243m with the objective of expanding its renewable energy portfolio.

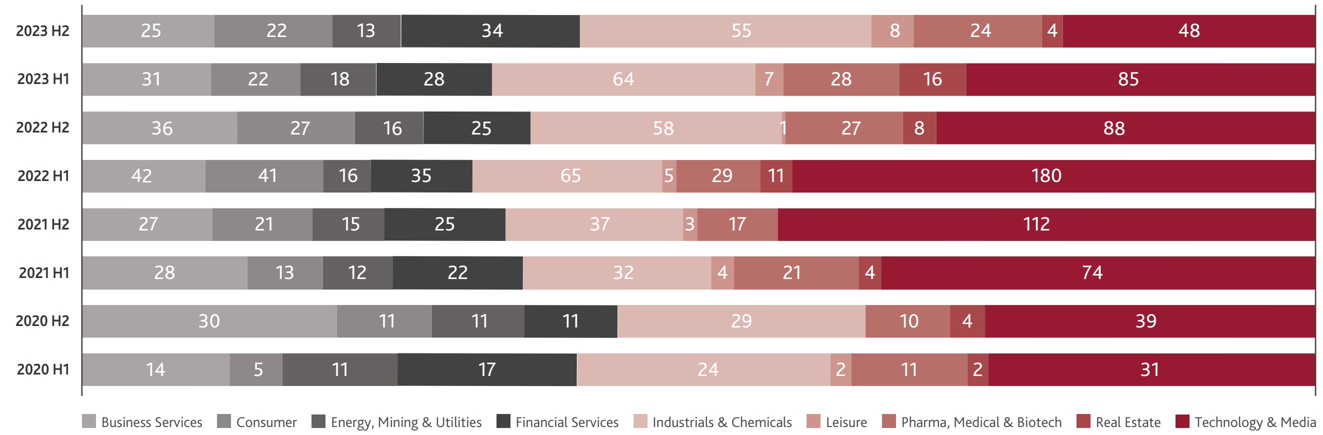
Financial Services

- Switzerland-based Zurich Insurance Group acquired a 51% stake in Kotak General Insurance for USD 486m. The transaction is aimed at developing and accelerating Zurich Insurance Group's presence in India
- South Korea's Mirae Asset Securities acquired India's retail-focused brokerage company Sharekhan Limited from BNP Paribas for USD 360m
- PE firm Truth North sold its 20% stake in Niva Bupa Health Insurance to its venture partner British United Provident Association (BUPA) Limited for USD 324m, thereby increasing BUPA's stake in Niva Bupa to 63%.

Industrials & Chemicals

- Ambuja Cement acquired an 86.74% stake in Sanghi Cement for USD 482m. The deal rationale is to increase Ambuja Cement's cement production capacity and to strengthen its leadership position in the industry
- One of the key players in carbon black and speciality chemicals, PCBL, acquired a 100% stake in Aquapharm Chemicals Private Limited for USD 456m. With this acquisition, PCBL has entered the global specialty segments of water treatment chemicals and oil & gas chemicals
- ONGC acquired a further 9.71% stake in ONGC Petro additions Limited for USD 420m
- Hyderabad-based Nagarjuna Fertilizers and Chemicals Ltd's urea and micro-irrigation businesses were acquired by AM Green Ammonia (India) Pvt Ltd at a deal value of USD 204m.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

While the benchmark stock market index increased by 20% during 2023, the M&A climate has not been that robust. We believe that this is largely a result of global factors rather than any country-specific reasons. However, the deal climate is expected to improve in 2024, especially post-general elections. The availability of dry powder, India's inclusion in JP Morgan's Emerging Market Global Bond Index, the fact that India remains the world's fastest growing economy and the country's emphasis on manufacturing and its focus on renewable/green energy, are just some of the factors which will drive M&A deal activity in India in 2024. Healthcare, TMT, Financial Services and Renewable/Green Energy are likely to be the most active sectors moving forwards.

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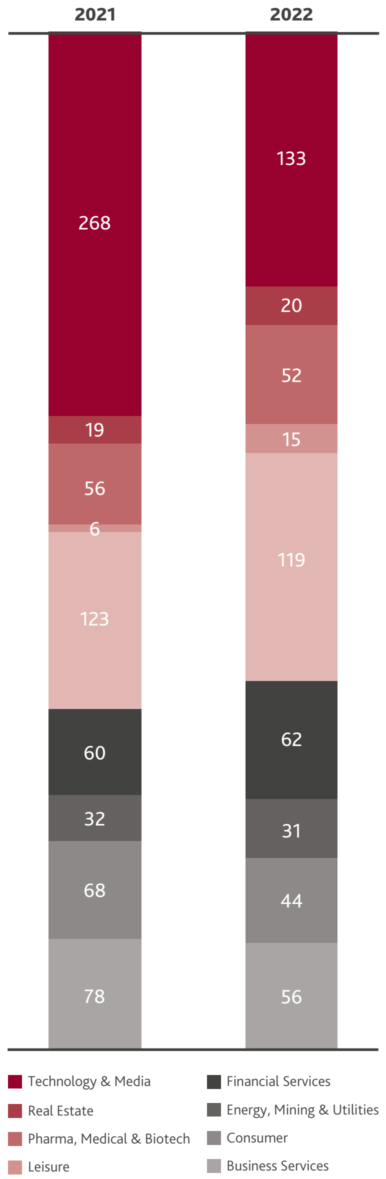
INDIA
HEAT CHART BY SECTOR

TMT	49	20%
Pharma, Medical & Biotech	35	15%
Industrials & Chemicals	33	14%
Business Services	31	13%
Consumer	30	13%
Financial Services	25	10%
Energy, Mining & Utilities	24	10%
Leisure	11	5%
Real Estate	2	1%
GRAND TOTAL	**240**	

INDIA
MID-MARKET VOLUMES BY SECTOR



Greater China

DEALMAKING DECLINES BUT OUTLOOK OPTMISTIC AS CHINA BOOSTS FOREIGN INVESTMENT

BIG PICTURE

- The level of mid-market deals in the Greater China region declined in H2 2023. The year-on-year deal volume decreased by 9.3% from 1,168 deals in H2 2022 to 1,059 deals in H2 2023. Deal values also reduced by 11.2% from USD 83.3bn in H2 2022 to USD 73.9bn in H2 2023
- Compared with the first six months of 2023, deal values increased by 6.1% from USD 69.6bn in H1 2023 to USD 73.9bn in H2 2023. Deal volume also grew by 9.6% when compared to the 966 deals in H1 2023
- The proportion of PE buyouts to total mid-market deal volume fell from 15.5% in H1 2023 to 11% in H2 2023. Deal values also declined from 17.8% in H1 2023 to 12.8% in H2 2023.

During the first 11 months in 2023, China's FDI amounted to RMB1,040bn (USD 146bn), representing a 10% decline year-on-year and China's first FDI reduction since 1998. However, the number of new foreign-invested enterprises being set up in China increased by 36.2% year-on-year to 48,078 during this period. The level of FDI still remained at a high level in the current muted global investment environment when compared to its historical record.

Despite the overall decrease, the high-tech sector in China attracted FDI of RMB387bn, accounting for 37.2% of the total FDI during this period. This represented a 1.1% increase when compared to the full-year figure of 2022. In addition, FDI in the medical equipment sector and communication equipment manufacturing sectors grew by 27.6% and 5.5% respectively. Investment from the UK, France and the Netherlands also rose by 93.9%, 93.2%, and 34.1% respectively. This indicates that certain sectors and countries are still confident in investing in China.

STRONG RECOVERY FOR CHINA'S GDP BUT CHALLENGES REMAIN

China's economy demonstrated robust signs of recovery in H2 2023, with an aim to achieve its growth target of around 5% for the year. Despite initial challenges and a slow start to the year, China's GDP increased by 5.2% year-on-year in the first three quarters of 2023, reaching a total of RMB91.3 trillion (USD 12.89 trillion) and outperforming other major economies. On a quarterly basis, China's GDP also grew by 1.3% in Q3 2023.

The recovery in China was uneven across sectors. Consumption, services, and industrial output rebounded strongly following the lifting of COVID-19 restrictions, but foreign trade and private investment still lagged.

China's cross-border M&A faced significant challenges in H2 2023, due to escalating tensions between the US and China, as well as the introduction of new anti-spying laws.

The US announced further restrictions on exporting advanced chips and semiconductors used for artificial intelligence (AI) applications to China and on investment in Chinese semiconductor and AI companies during 2023.

The tightening regulations meant potential foreign investors needed to reassess their M&A strategies with Chinese partners. In response to the US tightening regulatory actions, China introduced export controls on critical rare minerals used in chip and battery manufacturing.

In addition, China implemented new anti-spying laws in H2 2023. The definition of spying was expanded to include the sharing of "intelligence and other documents, data, materials, and items related to national security and interests" instead of only "state secrets", thus broadening the scope of interpretation. The law poses challenges for consulting and intelligence firms in conducting M&A due diligence on Chinese companies, as the gathering and sharing data and intelligence relevant to M&A decisions may be deemed to be a national security concern.

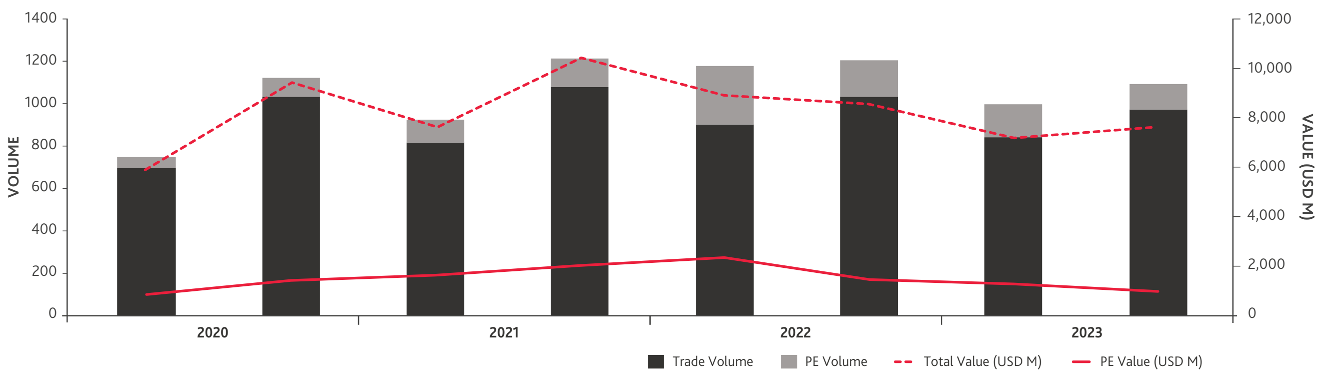
NEW MEASURES TO BOOST FOREIGN INVESTMENT AND MARKET ACCESS

On the other hand, China introduced a comprehensive set of measures in the third quarter of 2023 aiming at attracting foreign investments and optimising the foreign investment environment. The 24 measures covered aspects like research and technological development, green energy, government procurement, standard-setting and policy treatment, intellectual property rights, visa and residence procedures, cross-border data transfer and tax policies.

In the final quarter of 2023, China announced the removal of all restrictions on foreign investment access to the manufacturing sector and the approval of granting licenses to 20 foreign-controlled and wholly foreign-owned securities, futures, and fund companies to commence business. The annual central economic work conference held in early December 2023 also emphasised the importance of improving market access for the telecommunications and medical industries.

Despite China achieving its growth target for 2023, ongoing issues like increased government debt and difficulties in the property sector could pose challenges for China's ability to achieve the same level of growth in 2024. Analysts have predicted a slowdown in GDP growth in China for 2024. The World Bank is projecting a 4.5% year-on-year expansion and the IMF has set the rate at 4.6%. Nevertheless, and looking ahead to 2024, China is set to introduce a range of measures to attract foreign investment.

PE/TRADE VOLUME & VALUE



KEY SECTORS AND DEALS

The largest mid-market deals in H2 2023 took place in many different sectors including Consumer, TMT, Real Estate, Leisure, Industrials & Chemicals, Financial Services, Pharma, Medical & Biotech, Energy, Mining & Utilities and Business Services. The top three mid-market deals were as follows:

- Plutonian Acquisition Corp acquired a 100% stake of Big Tree Cloud International Group Ltd from an undisclosed seller at a consideration of USD 500m - announced in October 2023
- NWTN Inc acquired a 27.5% stake of China Evergrande New Energy Vehicle Group Ltd from an undisclosed seller at a consideration of USD 497m - announced in August 2023
- Zhejiang Expressway Co., Ltd. and China Merchants Expressway Network & Technology Holdings Co Ltd acquired 60% stake of Hunan Yonglan Expressway Co Ltd at a consideration of USD 488m - announced in November 2023.

LOOKING AHEAD

The latest BDO Global Heat Chart shows that the Greater China region is expected to be the second most active region with 1,221 deals announced or in progress. Of these, 418 deals (34.2%) are related to Industrials & Chemicals, followed by 179 (14.7%) in TMT and 131 (10.7%) in Business Services.

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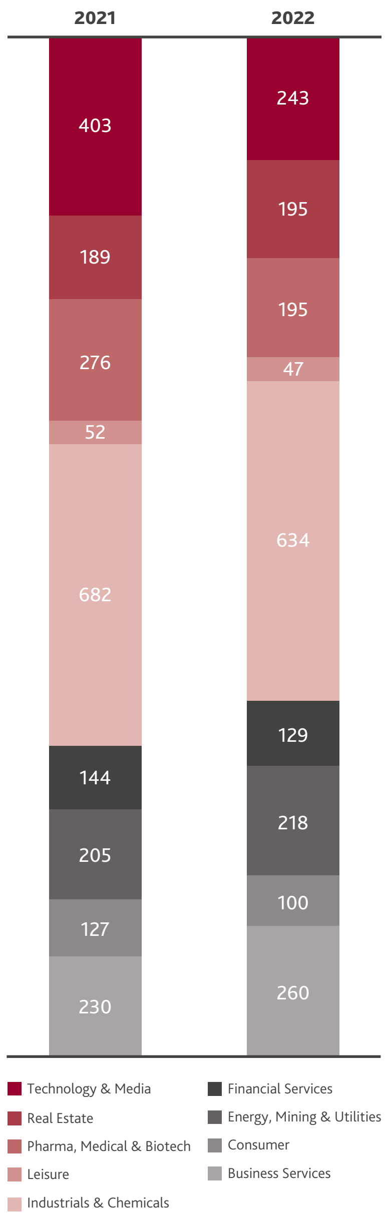
CHINA
HEAT CHART BY SECTOR

Industrials & Chemicals	418	34%
TMT	179	15%
Business Services	131	11%
Pharma, Medical & Biotech	111	9%
Financial Services	105	9%
Energy, Mining & Utilities	103	8%
Consumer	79	6%
Real Estate	65	5%
Leisure	30	2%
GRAND TOTAL	1221	

CHINA
MID-MARKET VOLUMES BY SECTOR



South East Asia

VOLUME AND VALUE FALL IN CHALLENGING DEALMAKING ENVIRONMENT

BIG PICTURE

- Deal numbers fall to 159 from 211 in H1 2023 and year-on-year numbers fall to 370 in 2023 from 515 in 2022
- PE deal numbers and value also record heavy decreases
- For the third year running, TMT tops the table in sector activity
- Ongoing economic uncertainties and geopolitical concerns are making investors more cautious about dealmaking.

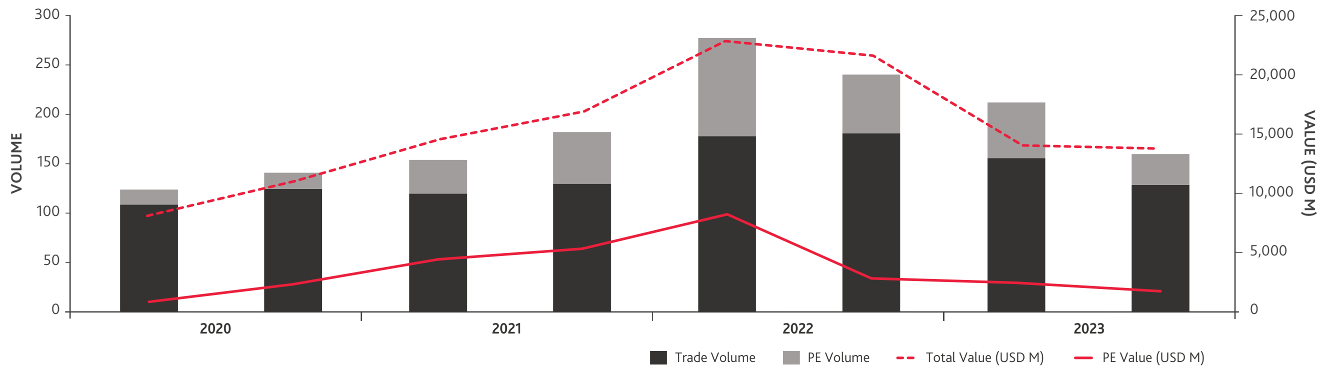
After the consecutive falls in deal volume recorded since H1 2022, M&A mid-market dealmaking in South East Asia saw further declines in the second half of 2023 with 159 deals completed compared to 211 deals in H1 2023. On a yearly basis, the region's 2023 total deal volume of 370 was also significantly lower than 2022's total deal volume of 515.

Total deal value in H2 2023 saw a marginal decrease to USD 13.6bn compared with USD 14.1bn in H1 2023. However looking at 2023 overall, we can observe that the total deal value dropped by 37.3% to USD 27.7bn from USD 44.2bn in 2022. The average deal value in 2023 of USD 74.8m was also lower by USD 11.0m (12.82%) compared to 2022's average deal value of USD 85.8m.

The falls in both deal volume and value in 2023 compared to 2022 may be due to the region's higher interest rate environment as well as the ongoing economic uncertainties caused by geopolitical tensions. These factors are making investors increasingly cautious regarding their investment decisions as they need to re-evaluate investment returns, gauge their investment risk appetite and explore alternative investment options, all of which delay the M&A dealmaking processes.

In 2023, PE transactions accounted for 23.5% and 15.0% of the region's total deal volume and value respectively (2022: 30.7% and 24.9%, 2021: 25.7 and 31.0%). PE deal numbers also dropped from 158 in 2022 to 87 deals in 2023 and deal value plummeted from USD 11.0bn in 2022 to USD 4.2bn in 2023.

PE/TRADE VOLUME & VALUE



KEY DEALS AND SECTORS

TMT maintained its position as the region's top sector in 2023, recording the highest deal volume with 39 deals in the second half of the year. TMT was also the top sector in both 2021 and 2022.

For information, South East Asia's top three sectors in H2 2023 and H2 2022 are summarised as follows:

H2 2023 (top three sectors)	H2 2022 (top three sectors
TMT – 39 deals (30%)	TMT – 71 deals (35%)
Industrials & Chemicals 27 deals (23%)	Industrials & Chemicals - 39 deals (12%)
Energy & Mining – 20 deals (15%)	Business Services – 29 deals (12%)

Looking at the top 20 deals in H2 2023, the total deal value was USD 6.5bn, which represented 48.0% of South East Asia's total deal value of USD 13.6bn. The region's top three deals totalled USD 1.3bn, which was 9.6% of the total deal value in H2 2023.

Out of the top 20 deals, it was noteworthy that Indonesian, Singaporean and Malaysian companies were the top target countries, accounting for 80% of the top 20. We also observed that South East Asia remained an attractive region for international investors, with 40% of the top 20 deals involving overseas buyers outside the region.

LOOKING AHEAD

2023 was undoubtedly a challenging year for M&A transactions. With interest rates at a decade-high levels and economic uncertainty caused by a range of external factors such as the war in Ukraine, the ongoing conflict between Israel and Palestine and China's economic slowdown, investors have become increasingly cautious as they need to weigh in the economic uncertainties as well as the higher funding costs needed to finance M&A transactions, which ultimately may affect their investments and financial returns from the transaction. Moving forwards in 2024, despite the projections of a lower interest rate environment, it's altogether likely that other economic uncertainties and geopolitical developments will continue to affect buyers and sellers' sentiments and expectations for M&A transactions, thereby complicating and delaying the negotiation and decision-making processes.

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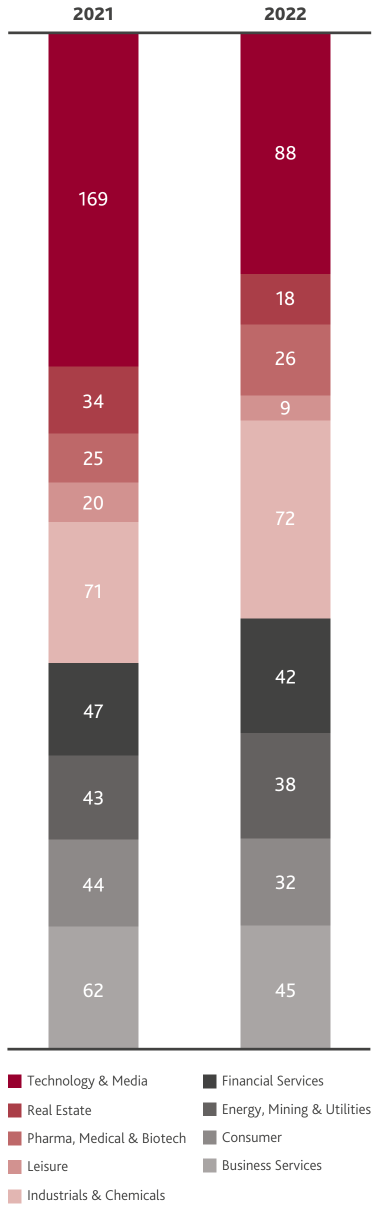
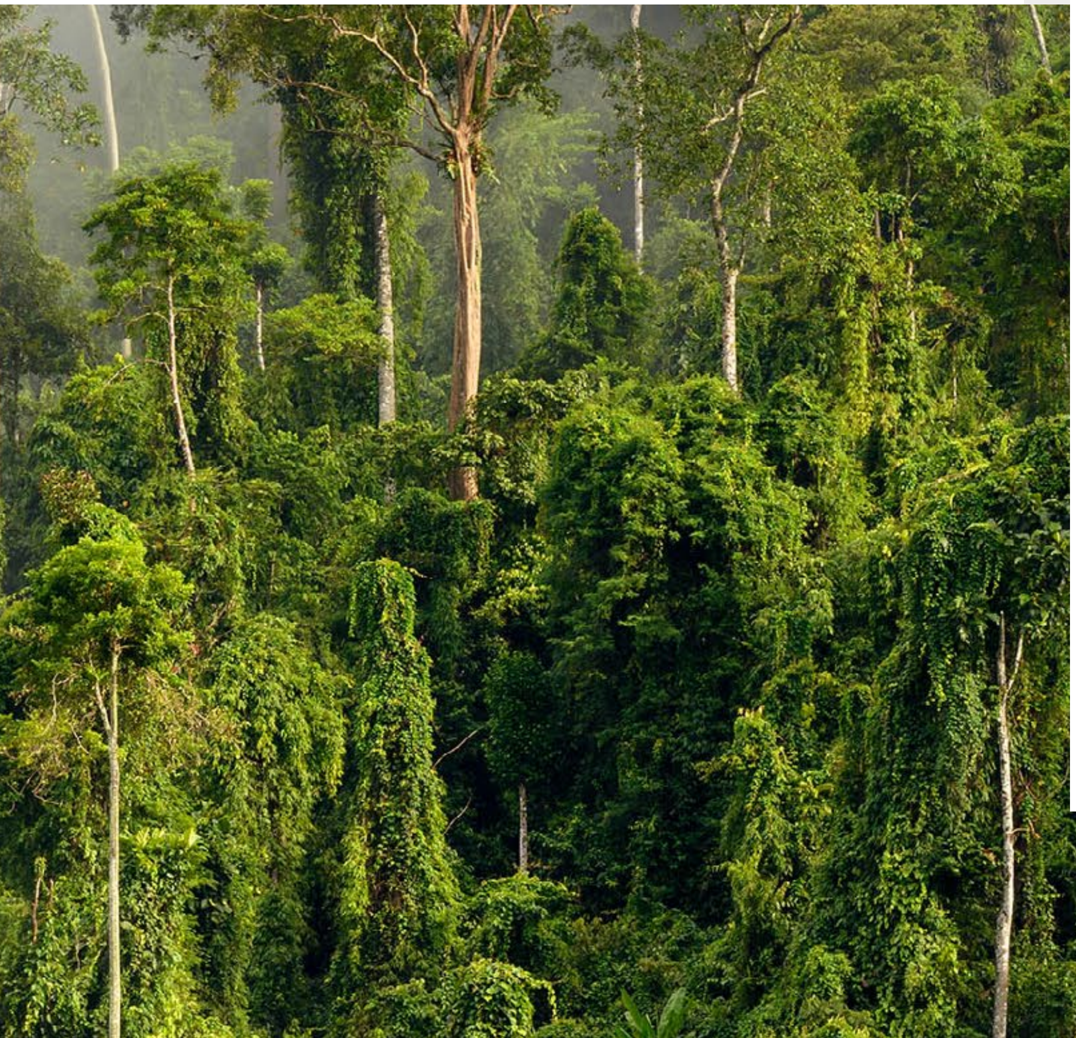
SOUTH EAST ASIA
HEAT CHART BY SECTOR

TMT	82	27%
Business Services	51	17%
Industrials & Chemicals	35	12%
Pharma, Medical & Biotech	31	10%
Energy, Mining & Utilities	30	10%
Financial Services	27	9%
Consumer	26	9%
Leisure	11	4%
Real Estate	8	3%
GRAND TOTAL	**301**	

SOUTH EAST ASIA
MID-MARKET VOLUMES BY SECTOR





Australasia

M&A ACTIVITY SLOWS IN H2 2023

BIG PICTURE

- H2 2023 deal volume fell by 35% compared to H2 2022, with a 16% reduction in deal value for the same period
- Overall 2023 deal volume declined by 35% compared with the prior year, while total deal value declined by 27%
- Foreign interest in Australasia remained strong, with overseas buyers involved in 10 of the top 20 deals
- There were 340 Australasian deals in the pipeline at the end of H2 2023 compared to 355 deals at the end of H2 2022.

In H2 2023, there were 196 deals successfully completed in the Australasia region with a combined value of USD 15.7bn. Compared to the previous half year in 2022, this represented a 35% decrease in deal volume (303 deals in H2 2022) and a USD 2.9bn (16%) decrease in deal value (USD 18.6bn in H2 2022). The reduced level of deal activity appears to reflect persistent inflation, monetary policy tightening and uncertainty caused by the global geopolitical backdrop.

The average transaction value for H2 2023 was USD 80.0m, 30% higher than the same period in 2022.

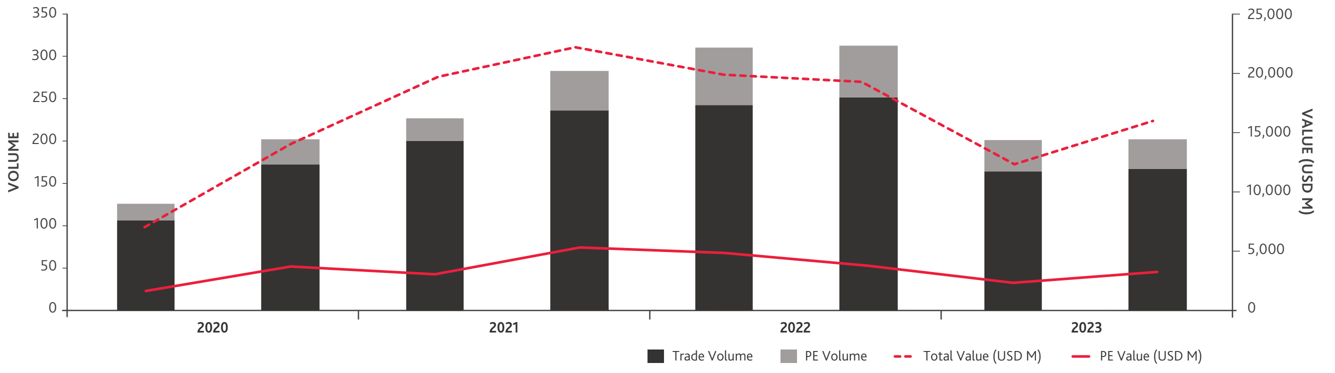
The value of PE transactions in H2 2023 dropped by 14% to USD 3.2bn compared to USD 3.7bn in the second half of 2022. This was driven by the volume of PE transactions falling to 34 in H2 2023 compared to 59 in H2 2022. Across the full year, PE transactions accounted for 18% of total transactions, compared to 21% in 2022. There were a total of 70 PE transactions in 2023.

KEY SECTORS AND DEALS

The Energy, Mining & Utilities, TMT and Industrial & Chemicals sectors were the most active in H2 2023, completing 38, 34 and 30 transactions respectively. Energy, Mining & Utilities and Real Estate were the only sectors that saw increased transactions volumes compared to the same period in 2022. TMT recorded the largest reduction in transaction volumes, with 29 fewer transactions completed in H2 2023 compared to the same six-month period in 2022.

The largest deal in H2 2023 was LNG Japan Corp's USD 500m acquisition of a 10% shareholding in Woodside Energy Group Limited. The next largest transaction was the Marsh & McLennan Companies Inc's acquisition of a 100% shareholding in Honan Insurance Group Pty for USD 448m. Marsh & McLennan is a professional services firm headquartered in the US, specialising in risk and strategy.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

The BDO Heat Chart shows that there were 340 Australasian deals in the pipeline in H2 2023 (355 in H2 2022), with most of these deals expected to take place in the Consumer (72 deals) and Energy, Mining & Utilities (48 deals) sectors.

The key drivers of M&A 2024 activity are expected to be digital transformation, the ESG agenda and the consolidation of fragmented sectors. The pandemic has accelerated the adoption of digital technologies across various sectors, creating new opportunities and challenges for businesses. To keep up with the pace of innovation and customer expectations, companies may seek to enhance their data and analytics capabilities, or invest in emerging technologies such as artificial intelligence.

While there is expected to be a greater level of optimism and confidence in the business community in 2024, there are still several challenges that companies will have to navigate including continued high inflation and uncertainty driven by the geopolitical environment.

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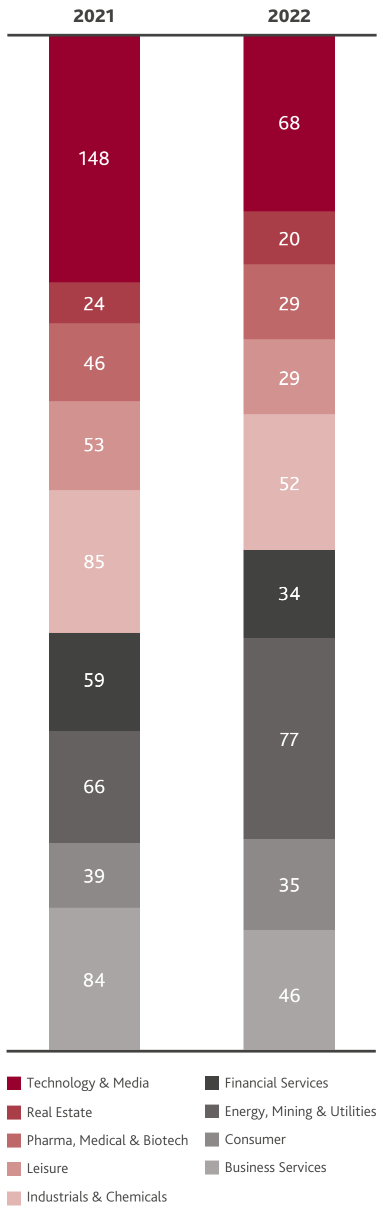
AUSTRALASIA
HEAT CHART BY SECTOR

Consumer	72	21%
Energy, Mining & Utilities	48	14%
Business Services	44	13%
Financial Services	43	13%
Industrials & Chemicals	43	13%
Pharma, Medical & Biotech	34	10%
TMT	32	9%
Leisure	23	7%
Real Estate	1	0%
GRAND TOTAL	**340**	

AUSTRALASIA
MID-MARKET VOLUMES BY SECTOR



Some of our recently completed deals

COCOA PRIVATSTIFTUNG

BDO provided M&A sell-side advisory services to the vendor

DECEMBER 2023
AUSTRIA

HB BLIKK AS

BDO Corporate Finance acted as lead advisor to the owners of HB Blikk AS in the sale to Teqt Group AB

DECEMBER 2023
NORWAY

robusta

Financial advisor to Robusta AG during the sales process to Hasena-Holding AG.

DECEMBER 2023
SWITZERLAND

DIMATRA

BDO assisted as a sell side advisor in the process

DECEMBER 2023
SWITZERLAND

Codea Helping You To Lead Online

BDO acted as the main advisor for the owners of Codea Oy and Navicode Oy in the sale of their shares to Vitec Software Group Publ

NOVEMBER 2023
FINLAND

GBTEC SOFTWARE AG

Financial and legal advisor to the management of GBTEC Software AG in the sale to Carlyle

NOVEMBER 2023
GERMANY

Responsible Group

BDO has provided sell-side advice for the Founders of the Responsible Group on the full buy-out by Royal London

NOVEMBER 2023
UNITED KINGDOM

Amstutz Produkte AG was sold to LAEMMLE Chemicals AG.

BDO acted as exclusive financial advisor to the shareholders.

OCTOBER 2023
SWITZERLAND

SKORSTENSGAARD

BDO acted as exclusive financial adviser to the shareholders of Skorstensgaard Holding A/S in connection with the sale to NCG Retail A/S, a part of Nic. Christiansen Group.

OCTOBER 2023
DENMARK

PORTMAN Travel Group Est. 1959

Acquisition of Agiito and Evolvi Rail Ticketing Systems, from Capita PLC, by Clarity Travel

SEPTEMBER 2023
UNITED KINGDOM

MaxBet

Flutter acquires MaxBet

SEPTEMBER 2023
SERBIA

MADEINVOTE

BDO advised Madeinvote in their acquisition of Poll&Roll

SEPTEMBER 2023
FRANCE

HSBH HOLDING AG

Financial Lead Advisor as well as Buy-side Financial, Tax and Legal Due Diligence to HSBH Holding in connection with the acquisition of Flachglas Schweiz Group

SEPTEMBER 2023
SWITZERLAND

TREE FLOWERS SOLUTIONS, LDA

BDO advised TFS throughout the sell-side M&A cycle.

AUGUST 2023
PORTUGAL

CHURCH MOTION GROUP LIMITED

Our M&A and Capital Markets team acted as exclusive financial advisor to CMG, assisting shareholders throughout the divestment process.

AUGUST 2023
CANADA

DISCOUNT INVESTMENT CORP. LTD.

The purchase of all the holdings of Discount Investments Ltd. in Mehadrin Ltd., which constitute about 44.48% of the issued and paid-up share capital of Mehadrin.

JULY 2023
ISRAEL

MIPHARM S.P.A.

BDO assisted Alkemia as independent expert on the industrial plan in the acquisition of Mipharm S.p.A.

JULY 2023
ITALY

THE FIRST STEPS INTERNATIONAL PRE-SCHOOL

BDO in Thailand advised The First Steps International Pre-School in their capital raise to expand operations with the construction of an adjacent Primary School.

JULY 2023
THAILAND

RENTCO

I Squared Capital acquires Rentco Transport Equipment Rentals Pty Ltd

JUNE 2023
AUSTRALIA

SERVICIOS SOCIO SANITARIOS GENERALES SL.

BDO acted as financial advisor and fairness opinion to shareholders of Servicios Socio Sanitarios Generales, S.L. in the sale process of the Company to Asterion Industrial Partners SGEIC, S.A.

JUNE 2023
SPAIN

MANAGEMENT / SIXTY DEGREES

BDO advised the management in the context of the MBO of Terre de Sienne communication agency.

JUNE 2023
FRANCE

LOGIQ

Phoenix Equity Partners investing in Logiq Consulting Limited, a cyber security specialist

MAY 2023
UNITED KINGDOM

VOLUTION GROUP PLC

BDO advises Volution Group plc in the acquisition of I-VENT in Slovenia

APRIL 2023
SERBIA

CYLENT INTERNATIONAL PTY LTD

Buy side adviser to a private consortium on its acquisition of cybersecurity software specialist, Softel Systems

MARCH 2023
AUSTRALIA

FOR MORE INFORMATION:

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Data compiled by Acuris.

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

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