HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

ISSUE 2 | 2024

DEAL ACTIVITY STILL AHEAD OF PRE-COVID LEVELS

Sector view

TMT
Manufacturing
Real estate
Natural resources

BDO

CONTENTS

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31% PRIVATE EQUITY DEAL INVOLVEMENT

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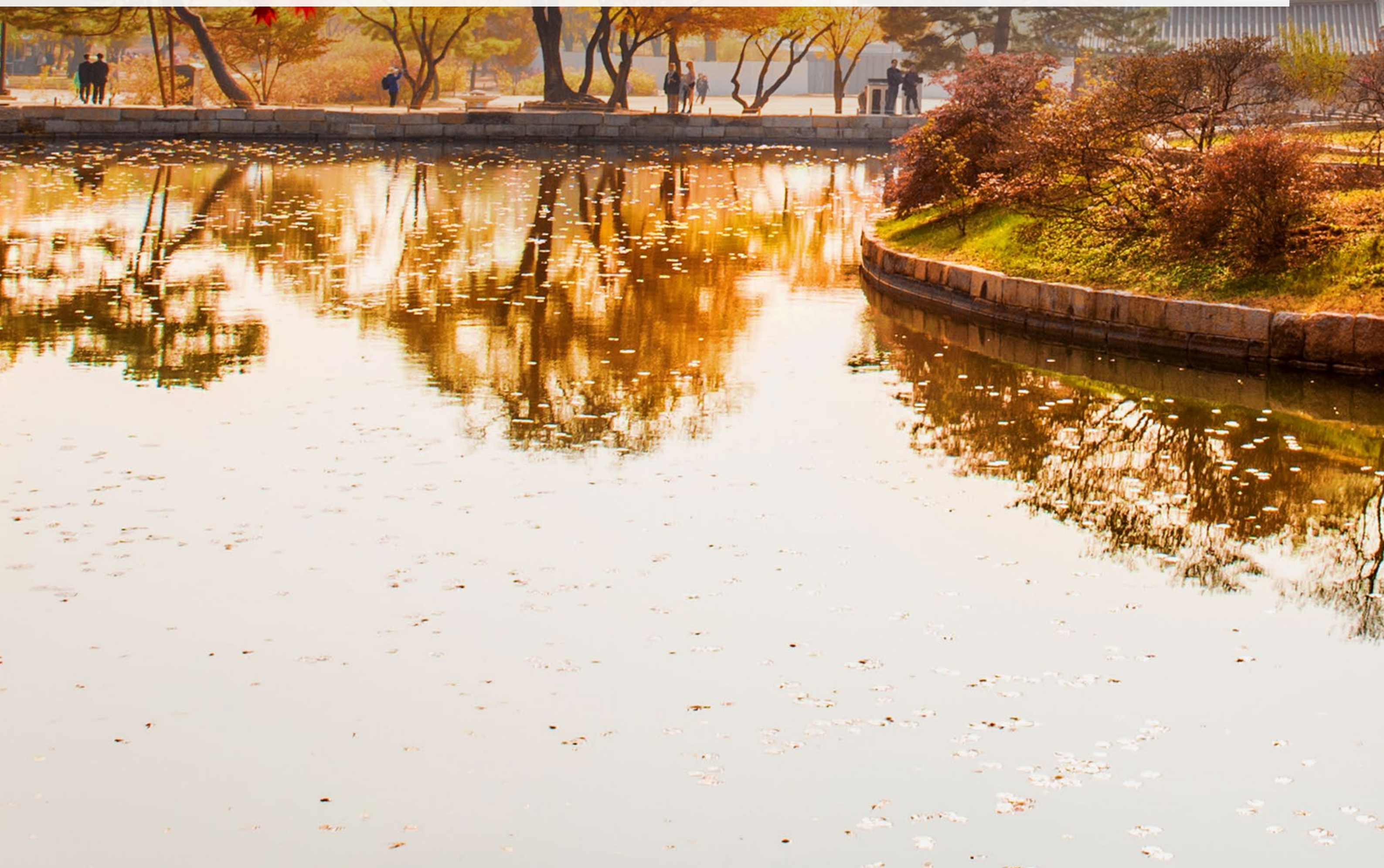

Welcome

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

In this edition of BDO M&A Horizons, we have our bi-year sector focus. Our M&A partners across the Globe analyse deal activity and trends in their sectors and look ahead at what we can expect for the foreseeable future. We focus on Manufacturing, TMT, Natural Resources and Real Estate.

Although volumes and values are down and the heat map shows a decline in overall transaction appetite for 2024, there are signs of stabilisation in the market with a return of private equity buyers, lower inflation and a sense that interest rates may actually start falling. In a recent event in Seoul with our M&A partners in the Asia Pacific region, we discussed the expectations of a pick up in deal activity and are encouraged by the buying appetite of Asian conglomerates and trading houses.

We hope you find this edition of Horizons interesting.

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Global view

Deal activity declined in the opening quarter of 2024 but was still ahead of pre-COVID levels

Global mid-market activity started the year with a decline of around 18% over the final quarter of prior year. Indeed, the activity level at just over 2,300 completed transactions was lower that any quarter since the recovery in M&A in the wake of COVID. That said, it was higher than pre-COVID levels and the reality is that we are moving back to that more normal level of M&A activity with the last few years having been exceptionally high. Aggregate deal value was down by 24% on the prior quarter.

By far the biggest factor behind the lower level of activity was trade acquirers while private equity activity was marginally higher than prior quarter. This meant that private equity led deal accounted for over 36% of all global mid-market deals, representing over 30% of aggregate value.

We are not too surprised by the slight recovery in private equity activity as we believe they had held off to some extent in the previous year as inflation and interest rate rises took effect. The lowering of inflation figures and the feeling that interest rates may have peaked and could be set to fall, should have been more encouraging for private equity.

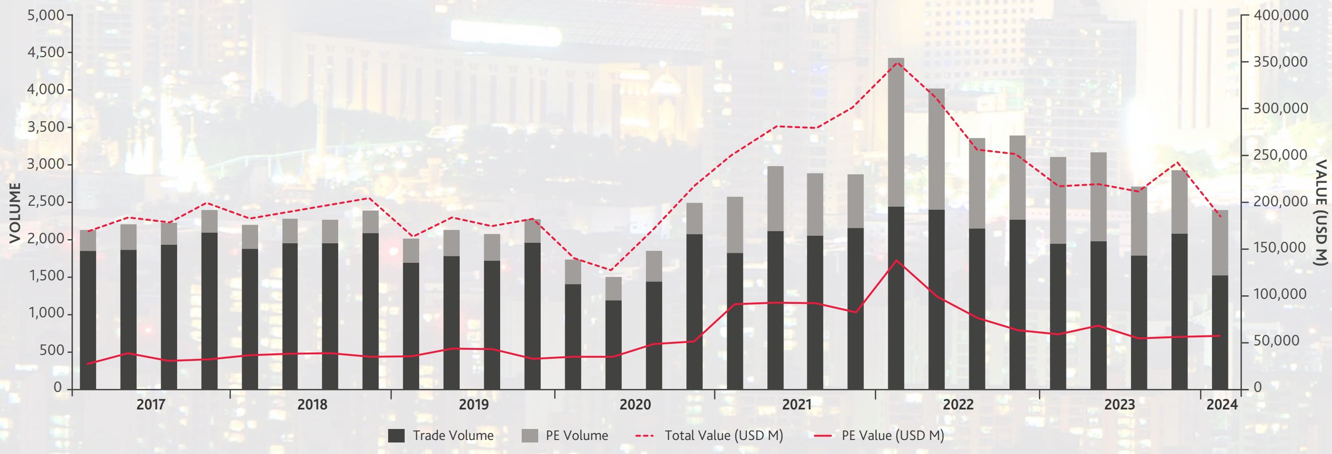
With respect of the pricing of deals, we believe that multiples have compressed but it varies by sector and type of business.

The rally in global capital markets in 2023 and into 2024 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 in the opening quarter. The most noticeable declines were in Business Services, Energy, Mining and Utilities and Real Estate which were all down by more than a third. Financial Services deal activity was down by a quarter. The most resilient sectors were Leisure and TMT which were only around 5% lower than the prior quarter.

Looking around the world, the largest declines in activity were in Greater China, Other Asia and South-East Asia, which were all down by over a third. More encouraging was North America which saw a slight decline of 3%. The DACH region and CEE saw similar modest falls, whist Benelux a slight recovery. The highest increase in deal activity was in Israel, despite the conflict in the area saw the greater decline at nearly 30%, whereas the latter fell by a little over 10%. The greatest regional decline in the period was seen in Southern Europe.

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	632	232	473	282	176	177	90	76	5	2,143	33%
Greater China	117	252	70	72	61	61	58	17	29	737	11%
CEE	111	94	29	63	64	35	39	26	7	468	7%
Southern Europe	117	133	46	104	105	52	66	42	5	671	10%
India	34	31	21	28	34	18	15	13	1	195	3%
Latin America	75	25	7	41	23	28	39	15	75	258	4%
Nordic	56	55	44	29	14	7	9	3	4	221	3%
UK/Ireland	105	40	43	65	48	34	26	38	2	401	6%
Australasia	29	41	22	32	42	25	40	18	1	250	4%
DACH	55	104	48	32	54	19	15	9	6	342	5%
Other Asia	23	44	12	21	27	11	6	11	1	156	2%
South East Asia	45	26	18	42	15	20	21	9	6	202	3%
Japan	20	14	16	7	19	7	2	6	1	92	1%
Middle East	20	7	7	11	15	13	5	4	3	85	1%
Africa	10	23	1	12	5	12	22			85	1%
Benelux	13	24	17	21	21	15	6	6	2	125	2%
Israel	35	19	19	8	13	10	5	2	1	112	1%
TOTAL	1,497	1,164	893	870	736	544	464	296	79	6,543	

*** 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. 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 further

More concerning is the fall in the outlook with rumoured transactions at around 6,500. That is the lowest it has been for some time and compares with close to 8,000 at the final quarter of last year and recent levels of 9,000 plus. That is a greater concern for deal makers than current activity levels. Looking for positives, North America, the largest deal market in the world at nearly 30% of global activity is showing higher expected deal activity in the majority of sectors. TMT and Industrial & Chemicals are the hottest sectors.

We expect this picture to improve as private equity comes back into the market more.

Global themes that are 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 could also be a good time for strategic buyers to be active in the market deploying some of the high levels of cash as they seek to add to capability, take a longer-term view and see some pricing benefits. We expect the global mega-trends of digitisation and decarbonisation to be key drivers of M&A activity.

Sector view

TMT

A positive outlook on the 'new normal'

Mid-market TMT M&A activity has fallen in 2023 but still remains above pre-pandemic levels. Is it a blip or the new normal? Activity and trends in IT consultancy might provide part of the answer.

As the perceived bear market continues into 2024, BDO examines why the global TMT space may be performing better than it seems, and why we should be positive looking ahead.

Chapter 1: The latest data at first glance

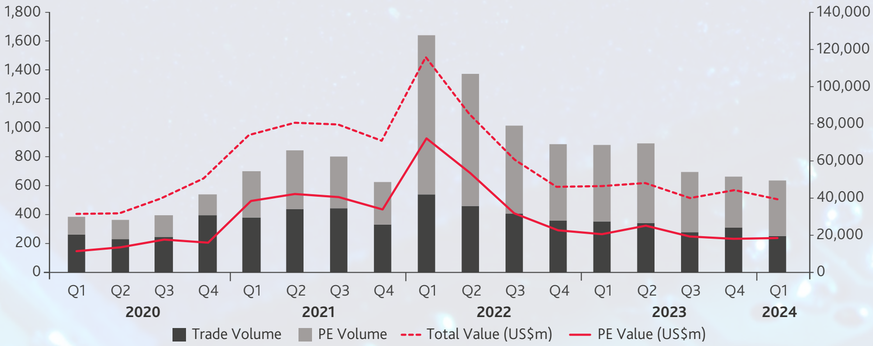
The period from July 2023 to March 2024 portrays a tough 9 months for TMT deal making globally with deal volumes troughing in Q1 of 2024 at c.40% of the 2022 peak; combined deal values were even lower at sub-35% of the peak.

Global mid-market M&A

Graph and analysis: BDO Global. Data: MergerMarket.

There has been significantly more volatility in the PE market as fluctuating multiples promote uncertainty on returns, and mid-transaction trading updates lead to incompatible price adjustments from investors seeking strong returns. Alternately, the volume of trade deals is "only" at half of its 2022 peak compared to 35% for PE deal volumes. As PE deals accounted for 60% of all Q1 transactions in 2024, this has a proportionately greater impact on the overall market.

Global mid-market M&A



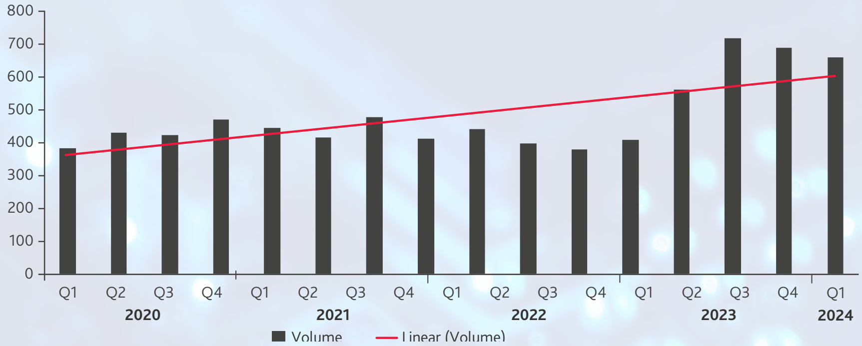
Graph and analysis: BDO Global. Data: MergerMarket.

The average PE deal size also currently sits at just $48.1m; keeping below $60m for the 8th quarter in a row, after six successive quarters above $100m immediately post-pandemic (Q3 2020 – Q4 2021).

Chapter 2: It is all relative

Theses late figures, exclusively gained by BDO from Mergermarket, show a significant drop off since the 2022 peak. However, viewing the deal values and volumes across 2021 & 2022 completed post pandemic as an anomaly, what we actually see is a stable and upwards trend across the global mid market TMT deal space.

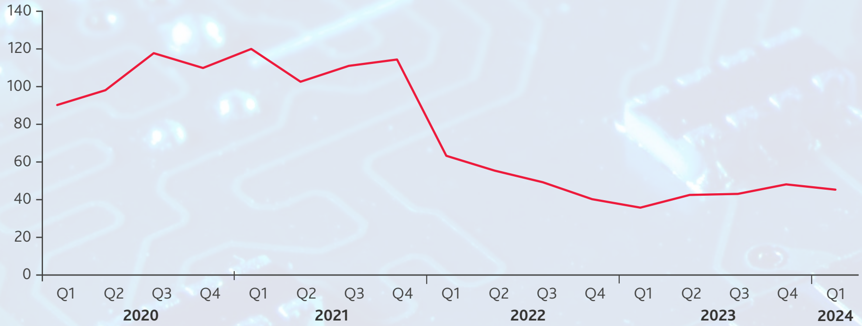
Global mid-market M&A (adjusted to remove post-pandemic anomoly)



Graph and analysis: BDO Global. Data: MergerMarket.

As shown, TMT deal volumes are up two-thirds from Q1 2020 (652 v 390); deal values are up one-third. Through this lens, the 'new normal' for deal volume is a continuation of and in fact improvement on pre-pandemic activity; it is the 'old normal'.

Average deal value (US$m)



Graph and analysis: BDO Global. Data: MergerMarket.

There has been a significant drop-off in average PE deal size that has remained consistently low for nine consecutive quarters. This is through a combination of PE houses targeting smaller businesses, but also a softening of multiples. Investor uncertainty and weakened trading across TMT have been the principal drivers of this softening. For the reasons given below, it is more likely a temporary blip rather than a permanent pricing reset.

Chapter 3: A positive outlook and trends to expect

Stepping into the unfolding landscape of 2024, TMT M&A is on the brink of yet more exciting and challenging transformations. A myriad of factors, from availability of capital to evolving AI technologies, are poised to shape the financial strategies of technology companies. We expect 2024 to be shaped by the dynamic interplay of market forces, technological advancements, and geopolitical factors.

Plenty of PE Dry Powder Driving Deal Flow: The abundance of private equity (PE) dry powder is expected to bolster deal flow in 2024. As in recent years, we expect this influx of private capital to be a driving force behind strategic investments and M&A in the technology sector.

AI's Unpredictable Trajectory: While artificial intelligence (AI) remains in high demand and surrounded by plenty of hype, its rapid evolution poses a challenge in formulating a reliable long-term plan. Companies are expected to grapple with the evolving landscape of AI technologies, adapting their financial and operational strategies to stay at the forefront of this transformative wave.

Data as the "Picks and Shovels" of AI: In 2024, data will be the indispensable foundation for AI applications. Cleansing and structuring data effectively will be critical as companies seek to harness AI technologies like ChatGPT for various applications.

Tech Cost Savings Plateau and Opportunities in 2024: The potential plateauing of major technology companies' cost-saving measures in 2023 opens up opportunities in 2024. As industry giants explore new avenues for efficiency, smaller players may find strategic openings for growth and market differentiation.

Investments in Power Apps and Consultancies: Forward-looking companies are set to invest in power apps and consultancies that can accelerate the adoption of transformative technologies. This strategic approach positions businesses to stay agile in the face of technological evolution.

Tech Driving ESG Performance: Technology's role in driving Environmental, Social, and Governance (ESG) performance will continue to be a prominent theme in 2024. Strong ESG credentials will be increasingly important to investors.

Impact of Chip Shortages on OEMs: The chip shortages that impacted Original Equipment Manufacturers (OEMs) in 2022 will continue to be closely monitored. Any easing of shortages or continued impact on lead times could significantly influence corporate finance decisions.

Chapter 4: Conclusion

To conclude, there is little doubt that there has been economic uncertainty over the past few years, caused by significant macro events. What we really see when we look at the data however, is that global TMT deals are in fact on an upward trend if we exclude the post-pandemic anomaly quarters. This, combined with a positive outlook driven by numerous growth catalysts, leads us to believe that the global market is expected to continue on this trajectory and that the TMT market is far more resilient than we would otherwise believe.

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Manufacturing

Will 2024 be a bumper year for Manufacturing M&A?

M&A deal volumes declined by 11% in 2023, but there was an encouraging resurgence of transaction activity in the latter half of the year, bringing optimism for 2024.

The slump in deal activity was skewed towards the upper end of the market, while the lower and mid-market continued to transact at volume.

706 deals were completed in 2023, compared with 793 reported in 2022 as businesses battled inflationary pressures, protected cashflow and prioritised stability.

Despite the drop, analysis shows that the slower activity was mostly confined to the first half of the year. In the last six months, more than 400 deals were completed with the momentum expected to continue into the next 12 months.

Shift to inward investment continues

UK businesses continue to be highly attractive to international investors. Cross-border transactions accounted for 37% of all deals, with two-thirds of these deals representing the sale of UK businesses to overseas investors.

62% of overseas buyers were European investors, followed by North America (29%).

Acquisitions are firmly on the road map…

According to additional research by BDO and Make UK, more than a quarter (26.8%) of UK manufacturers are looking to make acquisitions in the next two years as they look to scale up operations and access new products and markets. This figure rises to 38% over a three-to-five-year period.

Private equity plays an important part too. Of the deals completed in 2023, 16% involved private equity investors and one in five manufacturers say they are likely to seek private equity investment in the next one to five years.

… but processes are taking longer

Two of the more prominent features of recent M&A have been deal delays and more extensive due diligence. Buyers are taking time to be assured of sustainable profitability.

The post-Covid trading bounce, supply chain issues, price and margin shifts, as well as rising costs, labour shortages and geopolitical tensions all create complexity that needs to be understood.

Alongside these complexities, sustainability is playing an integral role in almost every deal we see, adding a further aspect to be explored and assessed.

The sectors to watch

Businesses in the engineering services subsector were the most prolific deal doers for the fifth year running, representing almost a third (28%) of all completed transactions. This was followed by businesses in the food & drink sector (14%), which saw deal volumes increase from 79 in 2022 to 102 in 2023.

Most sectors saw a decline in 2023 activity levels, but food & drink, industrial automation and chemicals saw increases in the year.

Looking ahead, digital transformation, automation and the green transition will remain high on the agenda for M&A activity across the sector, while new disruptive technologies continue to emerge and create opportunity.

We predict a few hotspots to gather pace:

- **Automation:** McKinsey predict that automated systems will count for some 25% of capital spend over the next five years. M&A volumes and valuations will follow suit, reflecting the high gains that can be realised through greater integration, capacity and efficiency.
- **Circular Economy:** MakeUK/ BDO survey reveals that one in four mid-market manufacturing businesses believe they will not exist in a decade's time if they continue to operate linear business models. The growing push towards circular business models, coupled with investor interest will drive increasing volumes of deals.
- **Energy infrastructure:** The energy transition requires colossal investment, and initiatives in renewables, heat pumps and electric vehicles are attracting a lot of attention, innovation and funding. Supporting infrastructure is essential, leading to high levels of upcoming investment and M&A.
- **Food & Drink:** Recent BDO survey revealed 24% of manufacturers in the sector are looking to acquire in the next year, and 35% would be considering a sale in the next 3-5 years. M&A will remain in the toolkit to help businesses meet the challenges of cost pressures, sustainability and innovation.
- **Packaging:** Increasing regulatory drivers will continue to underpin M&A, while other drivers fuelling more deals include innovation in packaging solutions, sustainability advancements, alongside the savings that can be achieved through synergies and efficiencies.

We expect to see a solid year of M&A ahead.

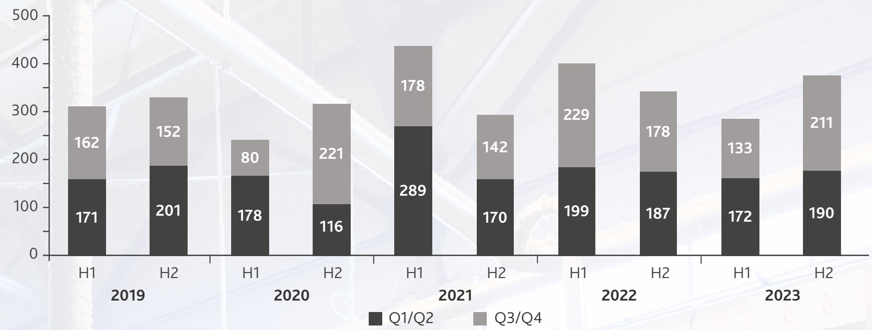
Although there is ongoing macro-level uncertainty that could shift sentiment, underlying market drivers remain strong which will encourage businesses to drive opportunity through deals.

OVER 2,000 DEALS COMPLETED BY THE BDO INDUSTRIALS TEAM IN THE LAST 3 YEARS

BDO IS RANKED No.1 GLOBAL FINANCIAL ADVISER*

*Factsheet league tables, 2022 & 2023

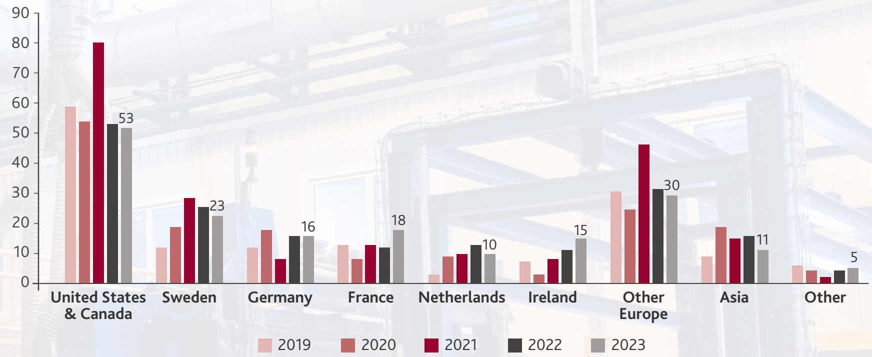
Deal volumes decline 11% in 2023, but strong recovery in H2 2023



Graph and analysis: BDO Global. Data: MergerMarket.

Number of inward investment deals to the UK by buyer country

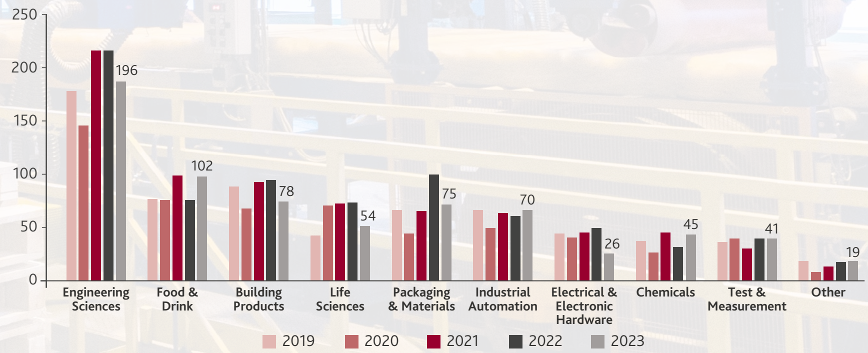
Inward investment to the UK increases to 26% of all deals



Graph and analysis: BDO Global. Data: MergerMarket.

Manufacturing deal volumes by subsector

Double-digit rise in deal volumes for Food & Drink, Industrial Automation and Chemicals



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Real estate

Is the commercial real estate market on the brink of collapse?

Commercial real estate triptych: Rent decrease, Capitalization Rate increase and vacancy rate decrease

The commercial real estate market is in turmoil, with a triple threat looming: capitalization rate increase, market rent decrease and vacancy rate increase. This coupled with a large number of bullet or low interest loans maturing is causing significant uncertainties in the market.

These threats are occurring at different levels and different paces depending on the asset types and locations. Generally, capitalization rates are globally rising due to the interest rate pressure. Rental trends vary by asset class, with offices generally declining, multi-family slowing and logistics assets still rising. Vacancy rates are highly dependent on local market dynamics and overall supply and demand; however, office properties are affected across the board, with certain market reaching new vacancy rate highs.

Due to the large increase in interest rates, some properties and projects are no longer financially viable, causing a further stress on the market.

The BDO Real Estate and Construction group has established a global Real Estate Valuation network to address the valuation challenges associated with these complex problems, that allow us to work on several different markets and maintain an overall market view of real estate. The BDO Real Estate and Construction group provides fair and market valuation analysis, impairment testing analysis, financial reporting and feasibility studies.

Investment factors

The pressure on interest rates has pushed cap rates up. While central banks took 12-18 months to raise interest rates to their peak, real estate market participants have taken longer to adjust.

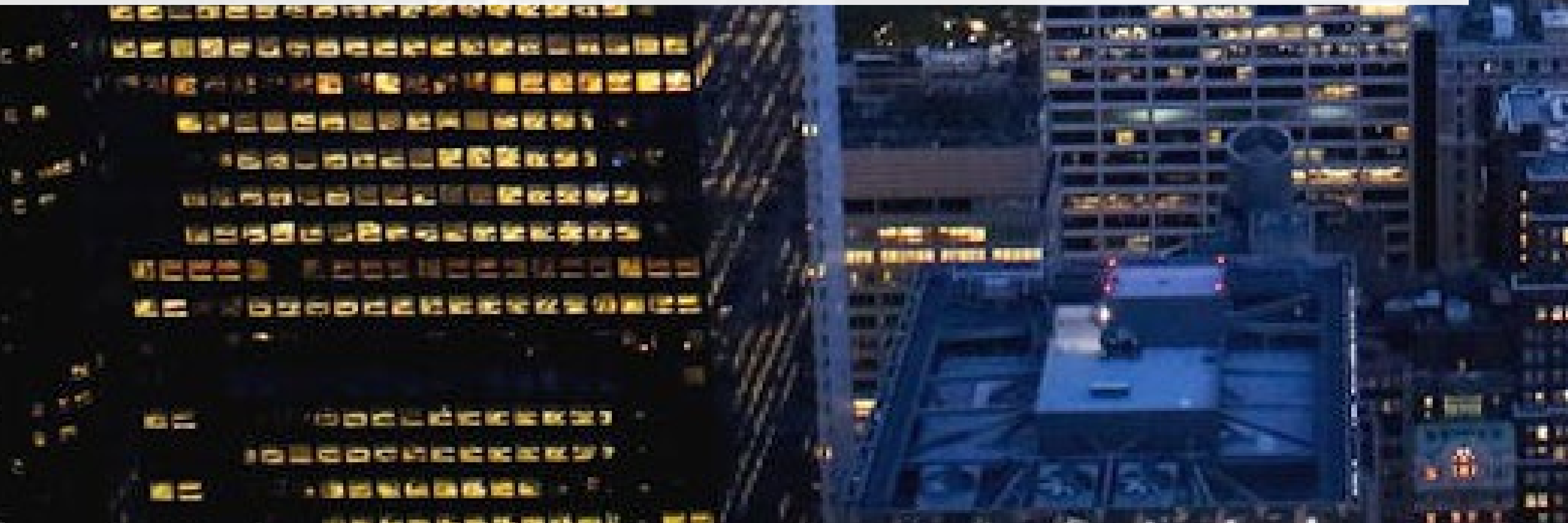
In the U.S., interest rates peaked in August 2023 at a SOFR rate of approximately 5.33% from a low of nearly 0.00% in February 2022. SOFR rates have been flat since then. If we look at the historical data, sellers have stuck to the narrative that low rates will return soon, essentially assuming that the rate hikes are temporary. This was evidenced by the number of rate cuts the market was expecting, which by mid-2023 was expected to be of 6 cuts through 2024 for a total of 150 basis point rate cut. For perspective, as of the most recent date, the market has shifted narrative, with two cuts expected in 2024. There are even discussions about no cuts in 2024.

While cap rates have been pushed up across all asset types, sector-specific inertia has led to an erosion of the spread between risk-free rates, such as US Treasuries, and actual capitalization rates. Put another way, cap rates have risen more slowly than risk-free yields. For example, historically, spreads or premiums over risk-free rates for US office properties have been in the 3.00 to 4.00% range. Most recently, the spread has been in the 2.00 to 3.00% range.

This suggests that, on average and all things being equal, there is still room for an increase of up to 100 basis points for office properties. This view is also largely confirmed by various forecasts and market sentiment surveys in the US.

In addition, the refinancing of existing loans adds to the problem, with more than $900 billion of loans due to be refinanced through 2024, $117 billion of which is tied to office properties. In an environment where values are declining through cap rate increases, net operating income is suffering through occupancy and rent declines, interest rate increases are inflating debt service, and refinancing process will have to go through an equity infusion. While some market participants are strong enough to withstand equity injections, others are not prepared or are unwilling to do so, as evidenced by the recent increase in delinquent loans or foreclosed properties.

The situation in Europe is very similar. European prime rates have risen by 450 bps from pre-pandemic levels to September 2023, and a large amount of commercial real estate backed loans come due for refinancing in 2024. Spreads have also been largely eaten up by market optimism, with prime cap rates rising only about 130 bps on average over the same period. This points to potential overvaluation.



Operating factors

The operating landscape is different than investment factors. Rental performance needs to be differentiated by asset class, location, and property type. Office is the asset class that has suffered the most, with rents falling globally. Certain key U.S. office markets have been hit particularly hard, such as San Francisco, CA, where rents have fallen approximately 30.0% from their peak. At the other end of the spectrum, industrial logistics properties have, on average, performed better exceeding inflation in certain markets. (Several key markets in Florida have seen average 9.0+% rent growth for industrial logistics throughout 2023/2024.)

Vacancy rates are also highly dependent on local criteria and are mostly a byproduct of supply and demand. Office vacancy rates have generally increased in all locations, primarily due to the fundamental shift that has occurred with telecommuting and associated tenant footprint reduction. Certain markets have been severely impacted, such as San Francisco, CA (22.0% overall with a CBD vacancy of 35.6%, historically unprecedented - 6.2% overall vacancy pre-pandemic), Seattle, WA (15.4% - 5.7% pre-pandemic), New York, NY (14.2% - 8.0% pre-pandemic).

Growth in the major European office markets has been very uneven. Frankfurt, Germany, has seen a decline in rents, while London, UK, and Amsterdam, the Netherlands, have seen increases in line with the global average. On the other hand, European office markets have seen a slight increase in vacancy rates, albeit less than in the US.

Of all sectors, office is set for a supply rebalancing

The global office market has been affected by a clear downturn. Vacancy rates are generally rising, especially in the United States. Rents have mostly declined, while cap rates have risen due to debt service pressures. Sector inertia has meant that cap rates have room to rise further to fully adjust to the actual rise in interest rates. In the United States, many markets are poised for a supply rebalancing. New York has already indicated its willingness to convert its office stock into multifamily housing in response to the housing crisis. San Francisco has also passed a similar ordinance, although there have been few projects in the pipeline to date. Other asset classes have not seen the kind of rapid and sharp swings that would indicate a rebalancing of supply.

While values have already been impacted, with some markets down more than 20.00% from their peak, the refinancing wall that will occur in 2024 is likely to further impact the commercial real estate sector. Banking contagion is a risk to consider that could further escalate the value decline, as evidenced by US and European regulators pointing to this issue.

Opportunities

The commercial real estate landscape may be experiencing a correction, but there are still opportunities for investors and developers who take a discerning approach. While the traditional office space faces downward pressure, there's potential to unlock value through creative reuse of existing buildings. This could involve conversions to multi-family housing. The persistent housing shortage, coupled with population increases in many areas, creates a favorable environment for well-located multi-family properties to deliver stable returns.

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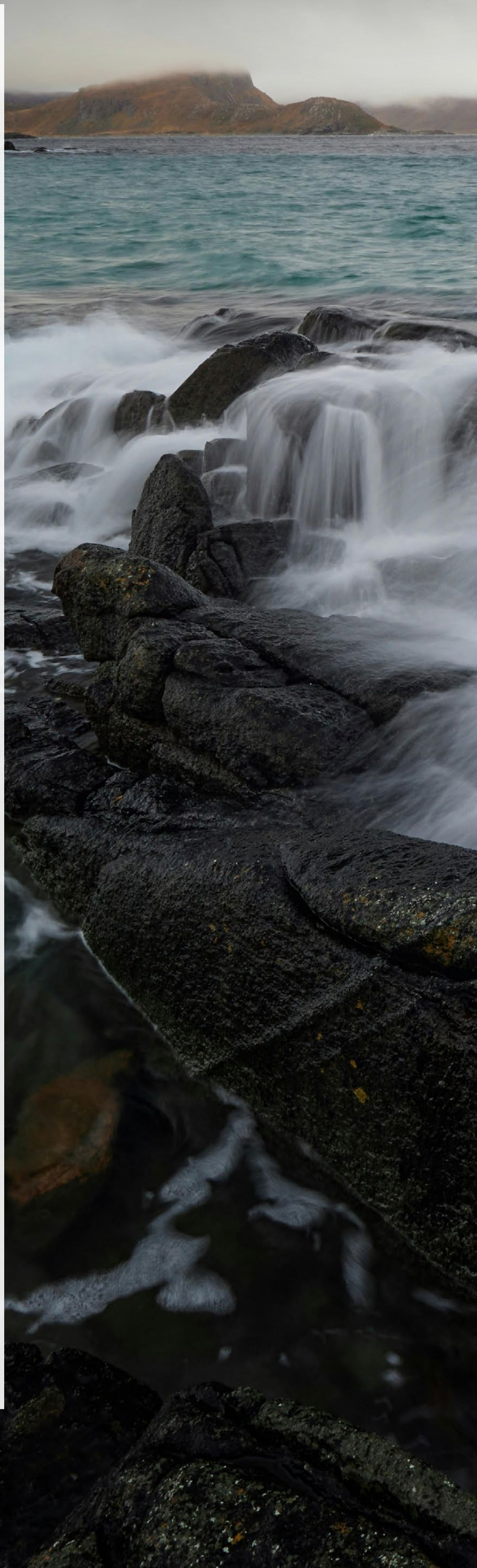
Natural resources

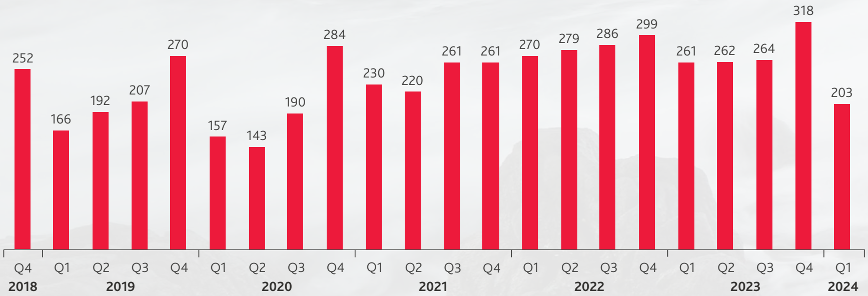
Deal activity drops but energy transition powers positive outlook



The level of mid-market Energy, Mining & Utilities (EM&U) M&A activity in the fourth quarter of 2023 reached a seven-year high of 318 transactions. However, this was followed by a sharp decline to 203 EM&U transactions in the first quarter of 2024, indicating a dramatic slowdown of activity.

The level of mid-market Energy, Mining & Utilities (EM&U) M&A activity in the fourth quarter of 2023 reached a seven-year high of 318 transactions. However, this was followed by a sharp decline to 203 EM&U transactions in the first quarter of 2024, indicating a dramatic slowdown of activity.

Global mid-market Energy Mining & Utilities M&A Deals by quarter

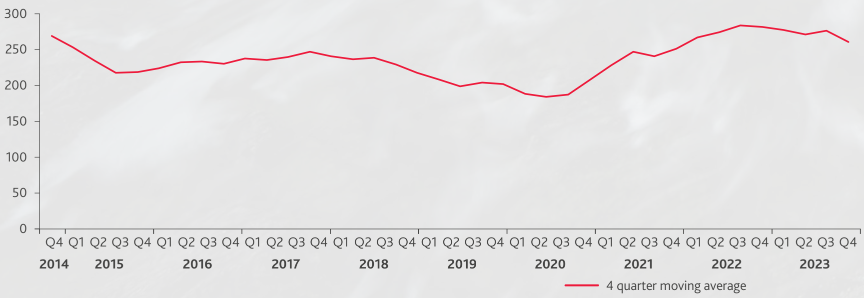


Macro factors impacting on the trend include:

- A noticeable decline in the Chinese M&A market partly due to challenges such as the complex international political environment, slow domestic economic recovery, and industrial restructuring;
- Windfall taxes and environmental pressure led to underinvestment in the oil and gas sector; and
- Future economic conditions are uncertain, leading to varying assessments of value between buyers and sellers. In the near future, we may see more hostile M&A activity due to these differing views and assumptions on commodity prices, inflation, interest rates, and even geopolitical risks.

While oil and gas activities have been buoyant in the wake of impaired global energy supply chains, deal activity in the renewable energy field has remained elevated due to the movement towards cleaner energy sources. We are also seeing elevated activity in the critical minerals sector, in particular for those commodities that support the energy transition. This is only likely to increase in the future although the pace of that activity will vary between different types of critical minerals.

Moving average number of EM&U midmarket deals



Key deals

EM&U deals represent a significant number of the top 20 mid-market EM&U deals by value for several regions and relative deal value for the region:

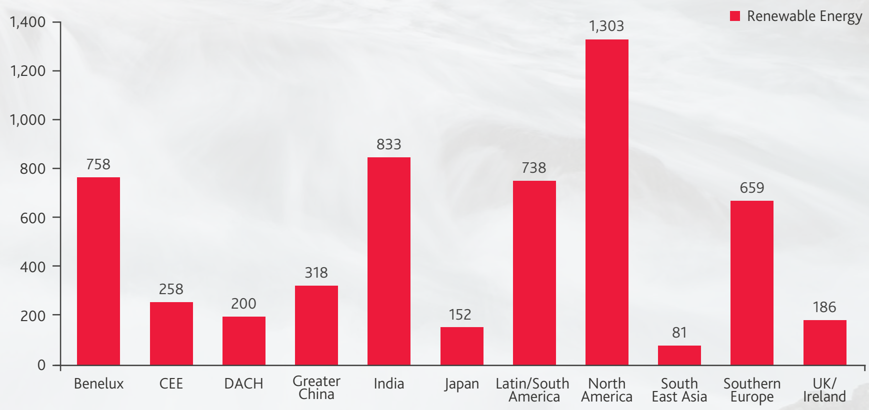
- **North America** – six of the top 20, accounting for 30% of the region's total value;
- **Southern Europe** – four of the top 20, accounting for 20% of the region's total value; and
- **Greater China** – two of the top 20, accounting for 11% of the region's total value.

Analysing the target companies within the EM&U deals for the quarter reveals that there are many renewable energy deals, but there is also a notable increase in oil and gas transactions.

Renewables

The graph below illustrates the total value of renewable energy deals in the first quarter of 2024 that were included in each region's overall top 20 mid-market deals.

Top 20 EM&U deals by value USD'm



Unsurprisingly, some of the key mid-market deals across the EM&U sector have been in the renewable energy sector. European and UK transactions are highly ESG compliance focused, with large multinationals being especially active, with continued investments being seen as follows:

- BlackRock Infrastructure Management investing in Enviria Energy Holding GmbH, a German solar energy provider of $USD200m.
- AM Global Holding investing TAMEH Holding, a Polish based electric power generation and distribution enterprise of $USD150m.

Noted are investments by entities securing their own supply chain, with a strong focus on renewables:

- Group of investors led by National Automotive & Mobility Investment Co (Kia Corp; Rimac Group etc) from Saudi Arabia in the automotive and mobility sectors investing in the Croatian based company making electrical systems/charging opportunities for electrical vehicles of $USD150m.

Whilst in developing countries, deal focus is more focused on operating and output driven investment with a stronger focus on utilities and distribution, these include:

In Latin/South America

- Global Infrastructure Management investing in Chilean based Parque Bolero Solar, a provider of electricity generation and transmission services of $USD333m.
- Mexican based, Saavi Energia investing in the 130 MW La Lucha solar facility located in Durango from Northland Power Inc, of $USD205m.

In India

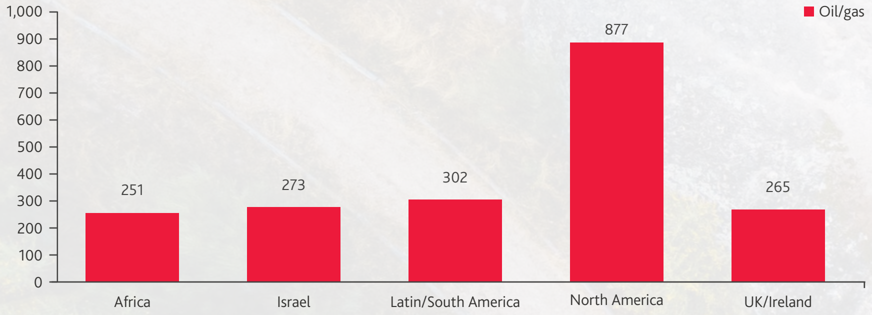
- Adani Power investing in Lanco Amarkantak Power Pvt Ltd, the local thermal power plant operator, of $USD495m.
- Punjab State Power Corp Ltd investing in a 540 MW thermal power plant in Punjab from GVK Power & Infrastructure Ltd, of $USD130m.

These major midmarket deals in the EM&U space highlight the preponderance of renewable energy deals with strong compliance mandates as well as utility operators transitioning away from fossil fuels.

Oil and Gas

The graph below illustrates the total value of oil and gas deals in the first quarter of 2024 that were included in each region's overall top 20 mid-market deals.

Top 20 EM&U deals by value USD'm



Alongside renewables, a significant percentage of the highest value deals across the EM&U sector have been in relation to targets in oil and gas, in particular by North American companies, as the US has experienced strong economic growth, with notable investment including:

- Atlas Energy Solutions investing in Hi-Crush Inc, the local producer of premium monocrystalline sand used in the oil and gas industry, of $USD467m.
- Westlawn Americas Offshore LLC investing in Oil & Gas Assets (Atlanta and Oliva oil fields), who developed high-quality deepwater oil and gas assets, of $USD302m.

With the discovery of offshore gas reserves in Southern Africa, related investment was noted:

- Total Energies SE investing in a 75% stake in Tungsten Explorer drillship, the offshore drilling rig operating in Namibia, of $USD199m.

Outlook

Mergermarket's Intelligence Heat Chart based on 'companies for sale' shows the following activity for the EM&U sector.

Six months from 1 October 2023 to 30 March 2024

REGION (OF TARGET COMPANY)	ANTICIPATED LEVEL OF ACTIVITY	AS A % OF TOTAL M&A ACTIVITY FOR REGION
North America	90	3.35%
Southern Europe	66	10.17%
Greater China	58	3.98%
Australasia	40	10.13%
CEE	39	7.59%
Latin/South America	39	8.01%
UK/Ireland	26	5.24%
Africa	22	15.83%
South East Asia	21	5.75%
India	15	4.81%
DACH	15	3.98%
Nordic	9	4.11%
Other Asia	6	2.96%
Benelux	6	4.03%
Middle East	5	6.25%
Israel	5	4.07%
Japan	2	1.64%
TOTAL	**646**	**5.29%**

It is notable that the total number of companies for sale or rumoured to be up for sale for the six months to March 2024 is lower than for the previous six months to 31 September 2023 (464) implying a potential continuation of the decline in the number of deals in the next few months that we experienced in the first quarter of 2024.

The highest level of activity is still anticipated in North America, but there was a material decrease in activity in Greater China.

As a proportion of total activity, the highest anticipated levels of activity are predicted to be in Australasia, Africa, Southern Europe. As a proportion of total M&A activity EM&U is greatest in Africa which may reflect the level of opportunities that exist for minerals that support the energy transition in that continent.

There is no breakdown within the Intelligence Heat Maps to show any sector sub-categories, so it is open to speculation as to the extent to which future deals will reflect the burgeoning move towards clean energy. However, given the recent patterns of deal activity in the EM&U sector it is reasonable to expect that renewable energy and the energy transition in general will be the basis for a significant number of future deals.

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Some of our recently completed deals

Clôtures Leblanc
Vivez bien entourés

BDO provided M&A and legal assistance to the sellers.

JUNE 2023
BELGIUM

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

Hauser Gärten
PLANUNG · BAU · UNTERHALT

Exclusive financial advisor to the selling shareholder.

OCTOBER 2023
SWITZERLAND

WMH PROJECT

Buy-side assistance in the acquisition of Petit Ami by WMH Project.

DECEMBER 2023
FRANCE

DIMATRA

BDO assisted as a sell side advisor in the process.

DECEMBER 2023
BELGIUM

SatisFactory

Vendor Assistance in connection with the acquisition of Satisfactory by Konecta (former Comtada).

DECEMBER 2023
FRANCE

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

RApport
Regulate Innovate Accelerate

BDO advised the Shareholders of Rapport Global on their sale to Validant, a GHO Capital portfolio company.

DECEMBER 2023
UNITED KINGDOM

FREDRIK OCH SVERKER SYSTEM AB

BDO acted as exclusive financial advisor to the owners of Fredrik & Sverker System in the divestment to Nordtech Group.

DECEMBER 2023
SWEDEN

ALBE EMBALLAGE A/S

Financial adviser to Albe Emballage in the sale to STOK Emballage.

JANUARY 2024
DENMARK

Ambassador Hotel

Lead Advisor to the shareholders of Hotel Ambassador Luzern AG throughout the entire sales process to RBAB Holding AG.

JANUARY 2024
SWITZERLAND

vanBaerle
Better. For you.

Sell-side lead advisor to vanBaerle in connection with the sale to PQ Corporation.

JANUARY 2024
SWITZERLAND

BAKKER & SCHILDER TRANSPORT

Bakker & Schilder has been acquired by AB Texel.

JANUARY 2024
NETHERLANDS

FENZ-SOFTWARE GMBH

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

JANUARY 2024
AUSTRIA

AEROCOMPACT GROUP HOLDING AG

BDO Austria in co-operation with BDO Germany, BDO USA and BDO India supported Aerocompact with an international tax and payroll vendor due diligence and comprehensive financial vendor assistance services.

JANUARY 2024
AUSTRIA

coach+result

Coach & Result has joined Complementair Groep.

FEBRUARY 2024
NETHERLANDS

Tudor GROUP

BDO advises on the sale of Tudor Group Limited to Atlas FM Limited.

FEBRUARY 2024
UNITED KINGDOM

TAY LETTING

The Acquisition of Tay Letting will increase Lomond's presence in the Scottish property market. Since 2021, Lomond have completed over 50 acquisitions, with over 42,500 properties under management across 12 brands.

FEBRUARY 2024
UNITED KINGDOM

Progrits AB has acquired Tetrasoft A/S. BDO acted as vendor financial advisor.

MARCH 2024
DENMARK

ProCon Digital

BDO acted as lead advisor to the owners of ProCon Digital AS in the sale to Lyvia Group AB.

MARCH 2024
NORWAY

AUTO-IT GROUP

100% acquisition of Auto IT Group by Perseus Group (Constellation Software Inc.).

MARCH 2024
AUSTRALIA

Proff Rent.no
Troms - Finnmark

BDO Corporate Finance acted as lead advisor to the owners of Proffrent AS in the sale to 4Service.

MARCH 2024
NORWAY

investree.

Karmijn Kapitaal acquires stake in Investree.

MARCH 2024
NETHERLANDS

JFW RENEWABLES LIMITD

BDO acted as lead advisor to JFW Renewables on their sale to NRG Panel, a portfolio company of Melior Private Equity.

APRIL 2024
IRELAND

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.

www.bdo.global

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