

2014 H2

# Globalscope Newsletter

reporting on global M&A activity and the latest semi-annual conference

*Athens 2014 H2*



*“The starting point for business valuation across all sectors in any region in the global marketplace”*

in association with

**GLOBALSCOPE**  
INTERNATIONAL M&A ADVISORS

Heal Partners

# About Globalscope

## What we do

Our focus is on mergers and acquisitions (M&A) and managing the diverse issues arising in the implementation of business growth or reorganisation and realisation strategies whether this is through acquisition, divestment, sale, restructuring, international joint ventures or licensing initiatives.

We work with the senior management of private and public companies as well as private equity firms.

## Who we are

Globalscope was founded in 1987 when a small group of entrepreneurial corporate finance and business advisers came together to support clients in cross-border transactions.

We now have 44 member firms, with more than 400 professionals on the ground across 38 countries:

## Why we do it

With 20 – 25% of all M&A transactions being cross-border (defined in this report as involving buyers from a different country to the target company), it is essential for our member firm's clients, whether they be buyers, sellers or targets, to have access to an international network of corporate finance advisors.





*The starting point for  
business valuation across  
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the global marketplace*

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# Definitions and notes

## Definitions

### TEV - “Total Enterprise Value”

TEV is an economic measure reflecting the market value of a whole business independent of a business’ capital structure. The analysis in this document calculates TEV as follows:

- For transaction data, by reference to the target company of each transaction, from the transaction consideration, share of equity acquired, and other disclosed details such as the target’s net debt, as at the transaction date,
- For listed company data, from the listed share price of each company, together with known details of its capital structure including issued shares and net debt, as at the stated date.

### EBITDA - “Earnings Before Interest, Tax, Depreciation and Amortisation”

EBITDA is a business’ net income with interest, taxes, depreciation and amortisation added back which is often taken as a proxy for the cash generation rate of a business. The analysis in this document calculates EBITDA as follows:

- For transaction data, by reference to the target company of each transaction, from the most recent known historic 12 months’ reported value as at the transaction date,
- For listed company data, from the most recent known historic 12 months’ reported value as at the stated date.

### TEV/EBITDA - “TEV/EBITDA Multiple”

The TEV/EBITDA Multiple is calculated for each transaction where more than 40% of the target’s equity is sold or for each listed company where the required data is disclosed. Where appropriate, the analysis in this document uses weighted averages calculated as follows:

- For transaction data analysis, selected transaction TEV/EBITDA Multiples, within a given six month period, are weighted by reference to each transaction’s reported consideration or “transaction value”,
- For listed company data analysis, selected listed company TEV/EBITDA Multiples, on the stated date, are weighted by reference to each listed company’s TEV,
- Anomalous outlying data points are excluded.

### Size

The size classifications used in this document are Globalscope defined limits with respect to the value of the included transactions or listed companies as follows:

- For transaction data, transactions are included where the TEV of the target is disclosed and identified by Capital IQ as being greater than or equal to \$5m (All Market Transactions), or greater than or equal to \$5m and lower than or equal to \$150m (Lower-Mid Market Transactions).
- For listed company data, companies are included where there is a stock market listing, and a TEV of the company that is disclosed and identified by Capital IQ as being greater than or equal to \$5m (All Market Listed Companies), or greater than or equal to \$5m and lower than or equal to \$150m (Lower-Mid Market Listed Companies).

### Sectors

The sector classifications used in this document are Globalscope defined aggregations of similar business activities based on sub-sectors defined by reference to the primary Capital IQ industry classification as follows:

- For transaction data, the target company of each transaction,
- For listed company data, each listed company.

### Regions

The regional classifications used in this document are defined by reference to the Capital IQ regional classification as follows:

- For transaction data, the target company of each transaction,
- For listed company data, each listed company.

### Note on using multiples for business valuation:

It is important to note that TEV/EBITDA Multiples calculated as set out above and applied to the EBITDA of a typical lower-mid market business would, in the majority of cases, be expected to overstate the value of the business. This can in part be due to the net impact of a combination of the following factors:

- A discount may be applied due to reduced liquidity of shares in a lower-mid market business,
- A premium may be applied due to the additional value of owning a controlling equity share,
- A (perceived) lack of transparency with respect to a lower-mid market business’ affairs,
- “TEV” is based on forecast profits (which usually assume growth) whereas these multiples are based on historic profits.



## **Globalscope Conference**

*Highlights of discussions from the latest  
Globalscope conference held in Athens, Greece*

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# New developments

## Valuation multiples up

2014 H1



### Synopsis

In the six months to June 2014 the global average Lower-Mid Market Transactions TEV/EBITDA Multiple rose from 8.5 to 9.2. This latest business valuation indicator is based on an analysis of 19,907 transactions in the period, of which 23% were categorised as cross-border.

## Network expansion & merger

Asia M&A joins with Globalscope



### Synopsis

At the recent semi-annual conference in Athens, the member firms of the Globalscope network voted unanimously in favour of a merger with the nine members of Asia M&A Group and welcomed a further three new member firms from other regions. This means there are 12 new member firms across Asia and Europe and the Globalscope roster now totals 44 firms in 38 countries.

### Comment

Josh Park, Managing Director of Asia M&A Group, and board member of Globalscope commented:

*"We immediately recognised the numerous synergies between both networks; our like-minded philosophy, quality of service and innovative approach to meet clients' needs. The merger with Globalscope perfectly complements our existing network and extends our international M&A capability."*

Tim Kogan, Director of Corporate Finance at Capital Times, commented:

*"We were extremely encouraged by the active leadership in the [Globalscope] board, and are proud to be a member of Globalscope Partners; a group of M&A specialists with a variety of sector expertise."*

### Growing network

Each a leading M&A advisor in their respective countries:

#### **Merger with Asia M&A – 9 new firms**

- RCS Advisors (India) Pvt. Ltd. – Pune, India
- a'XYKno Capital Services Ltd – Mumbai, India
- Naxel iPartners – Jakarta, Indonesia
- Kaede Financial Advisory Inc. – Tokyo, Japan
- H-Partners Korea – Seoul, South Korea
- Stirling Coleman – Singapore
- Nexus Group – Hanoi, Vietnam
- Auxesia Holdings – Ho Chi Minh City, Vietnam
- MBMG Corporate Solutions – Bangkok, Thailand

#### **Other expansion – 3 additional new firms**

- Capital Times – Kiev, Ukraine
- Alliance Group Capital – Tbilisi, Georgia
- Bluemint Capital – Lisbon, Portugal



# Conference report

## Synopsis

The four day conference programme, hosted by Globalscope's member firm in Greece, First Athens Corporate Finance SA, was attended by more than 40 partners from 27 of Globalscope's member firms.

For the reception at the Saint George Lycabettus Hotel, the Globalscope delegates were joined by numerous selected Greek entrepreneurs and investors.

## Host member firm: First Athens

The conference was hosted by an independent boutique corporate finance firm based in Athens, established in 2009 by seasoned professionals with a proven track record of financial and operating experience.

First Athens financial advisory services include fundraising, IPOs, M&A, strategy and investments.

## Topics

Topics were presented and discussed by a range of speakers, those with a sector focus being incorporated into the Sector-Specific Analysis section of this newsletter, and the remainder as follows:

### Greece – Realising the Potential

*Presented by Sklavos Akis of Enterprise Greece*

An overview of the impact of the global recession on the Greek economy, the priorities of Greece's economic policy, achievements to date and the opportunities that exist for judicious investors.

### Greece on the Road to Recovery

*Presented by Platon Monokroussos of Euro Bank*

An overview of Greece's adjustment programme success stories, investment opportunities and the challenges lying ahead.

### Listing on the AIM/LSE market

*Presented by Pantelis Papageorgiou of First Athens*

A best practice refresher for IPO advisers.

## Comment



**Michael Moritz**  
**Globalscope**  
**President**

*"It is with great pleasure that we announce the merger of Globalscope and Asia M&A Group."*

*and with regards to the conference in Greece,*

*"We were impressed to see all the opportunities for foreign investors in Greece in an improved economic environment."*



Michael Moritz, Globalscope President, and Mr Josh Park, Founder and Managing Director of Asia M&A Group, sign the Merger Agreement at the Acropolis Museum, Athens, 2 October 2014.

## Next

The next Globalscope conference will be held in Jakarta in March 2015.



# Global M&A market landscape

Thousands of M&A transactions all across the globe are closed in any given six month period.

Transaction data, such as the latest published EBITDA and the TEV (see definitions on page 3) at the time of sale of the target company, are sometimes published. These data can be used to calculate average transaction TEV/EBITDA Multiples i.e. the average TEV/EBITDA Multiple across all transactions for which data is disclosed for each six month period.

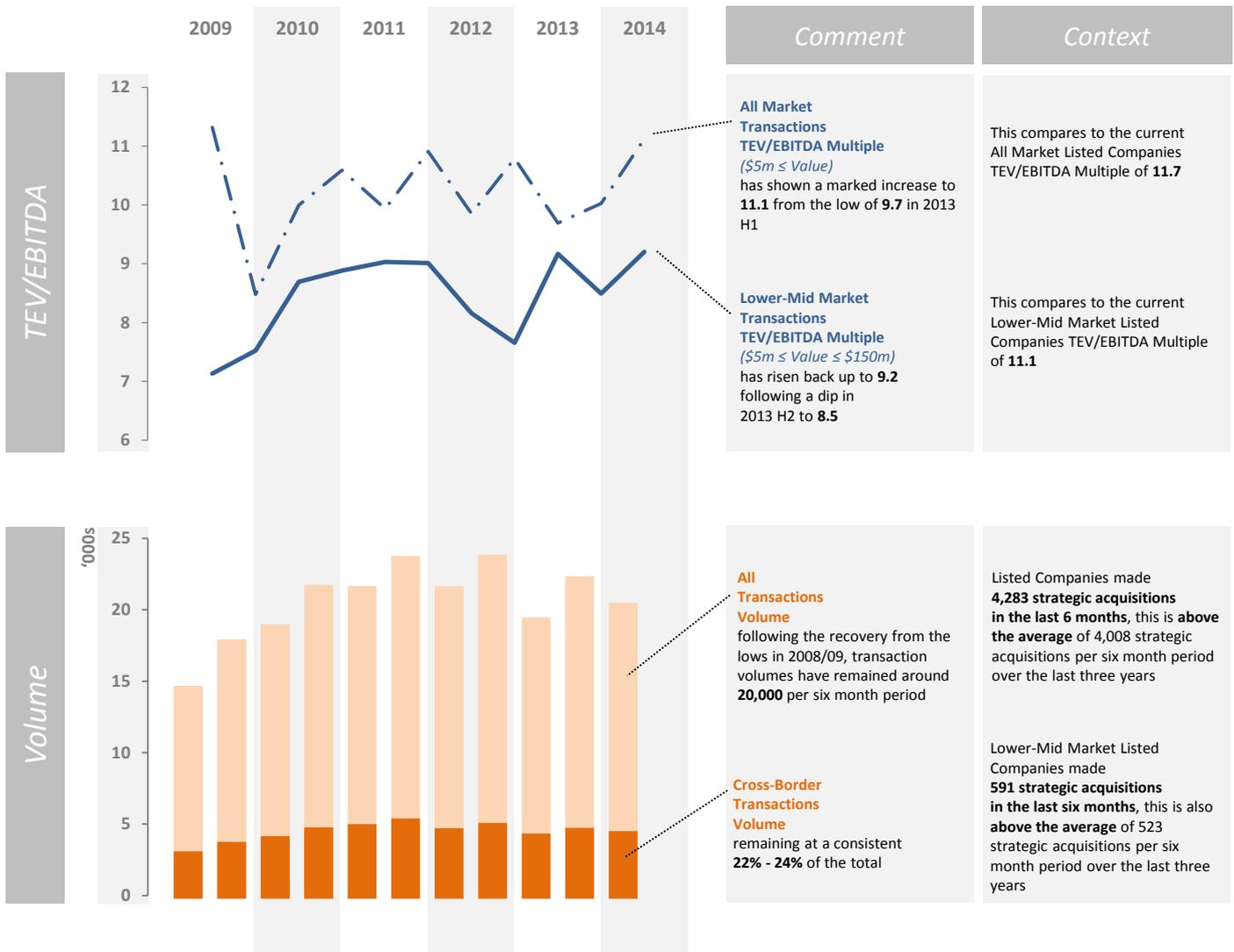
Across a large enough sample of transactions, these average TEV/EBITDA Multiples are a useful tool for assessing global valuation trends, as set out in the first chart below.

## All Market Transactions

Dot-dash lines show average data from all disclosed transactions where the transaction value was at least \$5m. The resulting All Market Transactions TEV/EBITDA Multiple, which can be used as a proxy for the M&A market as a whole, shows a continuation of the 2013 H2 trend with a rise to 11.1 in 2014 H1.

## Lower-Mid Market Transactions

Solid lines show average data from all disclosed transactions where the transaction value was at least \$5m but no greater than \$150m. The resulting Lower-Mid Market Transactions TEV/EBITDA Multiple shows a reversal of the 2013 H2 decline, with a rise, in line with the market as a whole, to 9.2 in 2014 H1.





# Lower-mid market sector highlights

The following charts show global Lower-Mid Market Transaction TEV/EBITDA Multiple trends of seven underlying sectors as identified and tracked by Globalscope.

Each of these average TEV/EBITDA Multiple data points represent transactions involving target companies operating in broadly the same sectors, wherever they were located across the globe, where the target company's enterprise value was at least \$5m but no greater than \$150m.

Generally these data are significantly more volatile than the global average as they are based on fewer transactions and global events may affect each sector differently.

## Consumer: Diversifying consumer tastes

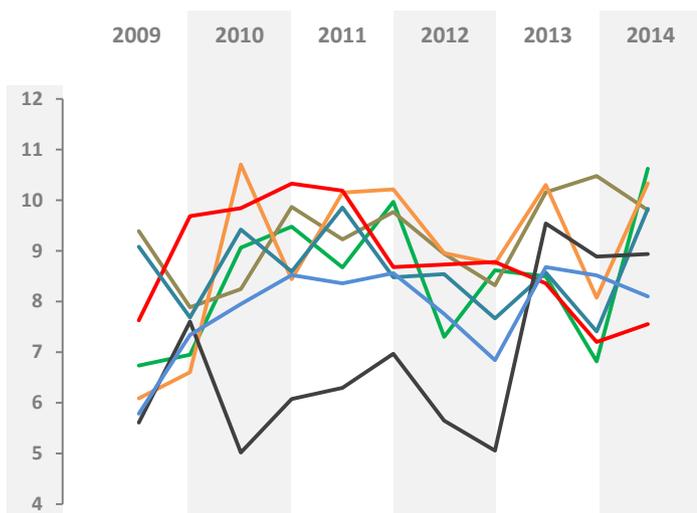
One consequence of the digital age is consumers' improved ability to discover new products. There will continue to be opportunities for the well-positioned lower-mid market company to both reach and convert new customers.

## Health: Regulatory threat to growth prospects

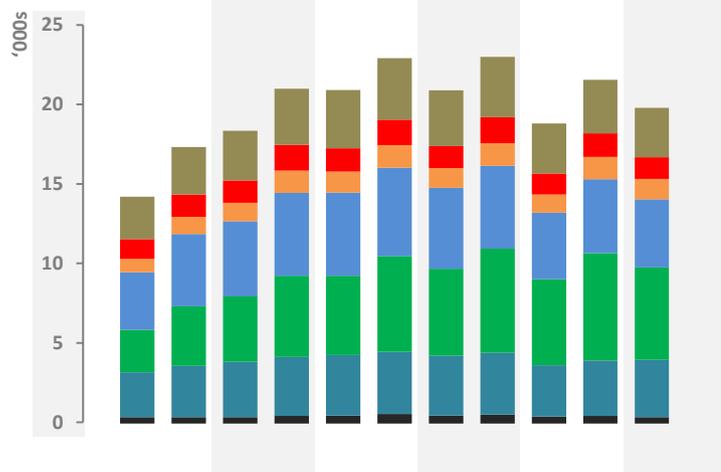
Regulation continues to be a concern for lower-mid market Health businesses, its costs and risks are seen as key obstacles to organic growth and potential drivers of M&A activity.

## Transport: The fight for the last mile

Who is responsible for the last mile in multimodal logistics – the customer, the shipper or an aggregator? New technologies may open up opportunities for dynamic, adaptable, lower-mid market businesses.



Comment	Context	TEV/EBITDA																												
<p><b>Lower-Mid Market Transactions</b>  <b>TEV/EBITDA Multiples</b>            (\$5m ≤ Value ≤ \$150m)            by sector in 2014 H1 were:</p> <table border="0"> <tr><td>Services:</td><td>10.6</td></tr> <tr><td>Health:</td><td>10.3</td></tr> <tr><td>Consumer:</td><td>9.8</td></tr> <tr><td>TMT:</td><td>9.8</td></tr> <tr><td>Transport:</td><td>8.9</td></tr> <tr><td>Industrials:</td><td>8.1</td></tr> <tr><td>Financials:</td><td>7.6</td></tr> </table> <p>Limited data for <b>Financials</b> Sector 2012 H1 so interpolated value used.</p>	Services:	10.6	Health:	10.3	Consumer:	9.8	TMT:	9.8	Transport:	8.9	Industrials:	8.1	Financials:	7.6	<p><b>Lower-Mid Market Listed Companies</b> in each of these sectors had the following average TEV/EBITDA Multiples as at mid September 2014:</p> <table border="0"> <tr><td>Services:</td><td>11.8</td></tr> <tr><td>Health:</td><td>14.1</td></tr> <tr><td>Consumer:</td><td>10.9</td></tr> <tr><td>TMT:</td><td>11.9</td></tr> <tr><td>Transport:</td><td>9.4</td></tr> <tr><td>Industrials:</td><td>10.1</td></tr> <tr><td>Financials:</td><td>12.5</td></tr> </table>	Services:	11.8	Health:	14.1	Consumer:	10.9	TMT:	11.9	Transport:	9.4	Industrials:	10.1	Financials:	12.5	
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Financials:	12.5																													



All Transactions Volume	Listed Companies	Volume																												
<p><b>All Transactions Volume</b>            by sector in 2014 H1 there were:</p> <table border="0"> <tr><td>Consumer:</td><td>3,108</td></tr> <tr><td>Financials:</td><td>1,373</td></tr> <tr><td>Health:</td><td>1,277</td></tr> <tr><td>Industrials:</td><td>4,299</td></tr> <tr><td>Services:</td><td>5,827</td></tr> <tr><td>TMT:</td><td>3,615</td></tr> <tr><td>Transport:</td><td>408</td></tr> </table>	Consumer:	3,108	Financials:	1,373	Health:	1,277	Industrials:	4,299	Services:	5,827	TMT:	3,615	Transport:	408	<p><b>Listed Companies</b> in each of these sectors made the following <b>strategic acquisitions</b> in the six months to mid September 2014:</p> <table border="0"> <tr><td>Consumer:</td><td>671</td></tr> <tr><td>Financials:</td><td>475</td></tr> <tr><td>Health:</td><td>321</td></tr> <tr><td>Industrials:</td><td>1,344</td></tr> <tr><td>Services:</td><td>502</td></tr> <tr><td>TMT:</td><td>871</td></tr> <tr><td>Transport:</td><td>99</td></tr> </table>	Consumer:	671	Financials:	475	Health:	321	Industrials:	1,344	Services:	502	TMT:	871	Transport:	99	
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# Summarised definitions

## **TEV - “Total Enterprise Value”**

TEV is an economic measure reflecting the market value of a whole business independent of a business’ capital structure.

## **EBITDA - “Earnings Before Interest, Tax, Depreciation and Amortisation”**

EBITDA is a business’ net income with interest, taxes, depreciation and amortisation added back which is often taken as a proxy for the cash generation rate of a business.

## **TEV/EBITDA - “TEV/EBITDA Multiple”**

The TEV/EBITDA Multiple is calculated for each transaction where more than 40% of the target’s equity is sold or for each listed company where the required data is disclosed. Where appropriate, the analysis in this document uses averages weighted in relation to the size of each transaction or listed company.

For detailed definitions and notes please see page 3.





## Regional Valuation Statistics

*Country by country and region by region analysis  
of business valuation statistics*

Transaction data by region	<b>11</b>
Listed companies data by region	<b>13</b>

# Transactions data by region

## All Market Transactions (dot-dash lines)

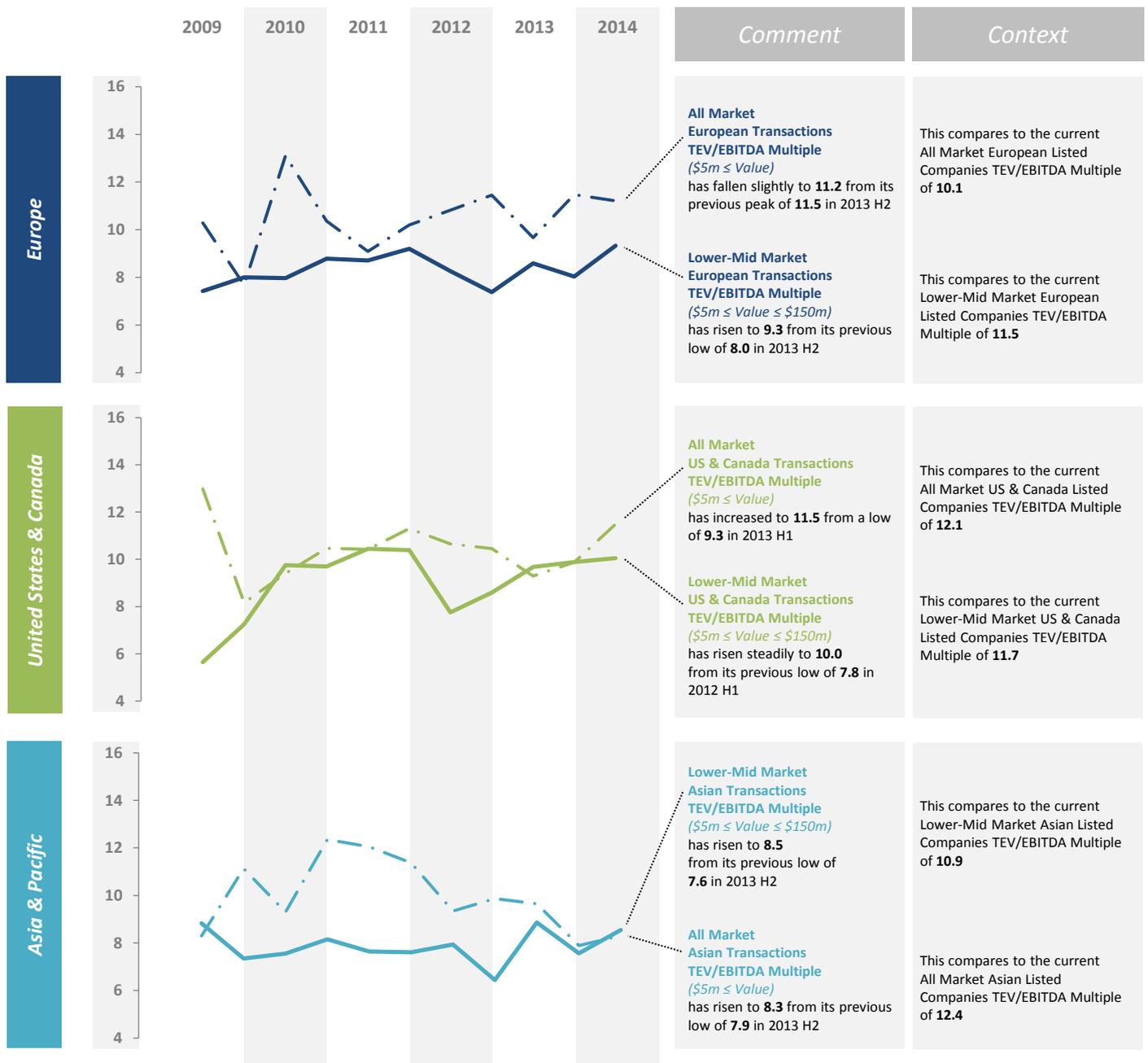
Dot-dash lines show average TEV/EBITDA Multiple data from all disclosed transactions where the transaction value was at least \$5m and the target location was recorded in one of the five global regions.

Other than Europe and Africa & Middle East the data show most regions following the global rising trend, with the US & Canada region a particularly strong riser.

## Lower-Mid Market Transactions (solid lines)

The solid line shows average TEV/EBITDA Multiple data from all disclosed transactions where the transaction value was at least \$5m but no greater than \$150m and the target location was recorded in one of the five global regions.

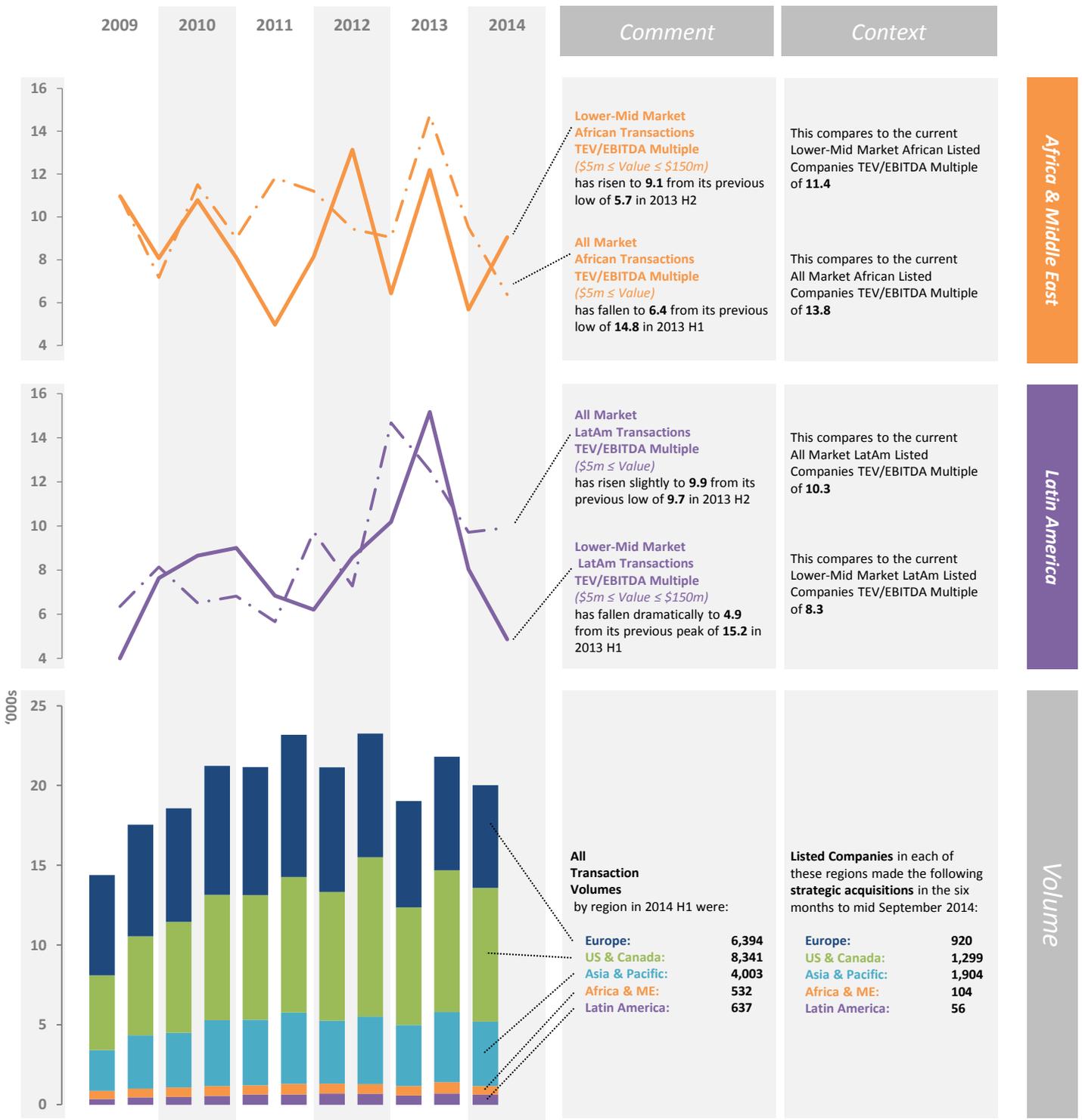
Other than Latin America the data show all regions following the global rising trend, with Europe and Africa & Middle East regions particularly strong risers.



Comment	Context
<p><b>All Market European Transactions TEV/EBITDA Multiple (\$5m ≤ Value)</b> has fallen slightly to <b>11.2</b> from its previous peak of <b>11.5</b> in 2013 H2</p> <p><b>Lower-Mid Market European Transactions TEV/EBITDA Multiple (\$5m ≤ Value ≤ \$150m)</b> has risen to <b>9.3</b> from its previous low of <b>8.0</b> in 2013 H2</p>	<p>This compares to the current All Market European Listed Companies TEV/EBITDA Multiple of <b>10.1</b></p> <p>This compares to the current Lower-Mid Market European Listed Companies TEV/EBITDA Multiple of <b>11.5</b></p>
<p><b>All Market US &amp; Canada Transactions TEV/EBITDA Multiple (\$5m ≤ Value)</b> has increased to <b>11.5</b> from a low of <b>9.3</b> in 2013 H1</p> <p><b>Lower-Mid Market US &amp; Canada Transactions TEV/EBITDA Multiple (\$5m ≤ Value ≤ \$150m)</b> has risen steadily to <b>10.0</b> from its previous low of <b>7.8</b> in 2012 H1</p>	<p>This compares to the current All Market US &amp; Canada Listed Companies TEV/EBITDA Multiple of <b>12.1</b></p> <p>This compares to the current Lower-Mid Market US &amp; Canada Listed Companies TEV/EBITDA Multiple of <b>11.7</b></p>
<p><b>Lower-Mid Market Asian Transactions TEV/EBITDA Multiple (\$5m ≤ Value ≤ \$150m)</b> has risen to <b>8.5</b> from its previous low of <b>7.6</b> in 2013 H2</p> <p><b>All Market Asian Transactions TEV/EBITDA Multiple (\$5m ≤ Value)</b> has risen to <b>8.3</b> from its previous low of <b>7.9</b> in 2013 H2</p>	<p>This compares to the current Lower-Mid Market Asian Listed Companies TEV/EBITDA Multiple of <b>10.9</b></p> <p>This compares to the current All Market Asian Listed Companies TEV/EBITDA Multiple of <b>12.4</b></p>



Africa & Middle East and Latin America lower-mid market transaction data are more scarce than those for the other regions. As such these average transaction multiples are significantly more volatile and are included for completeness as much as for providing a guide to valuation trends in these regions.

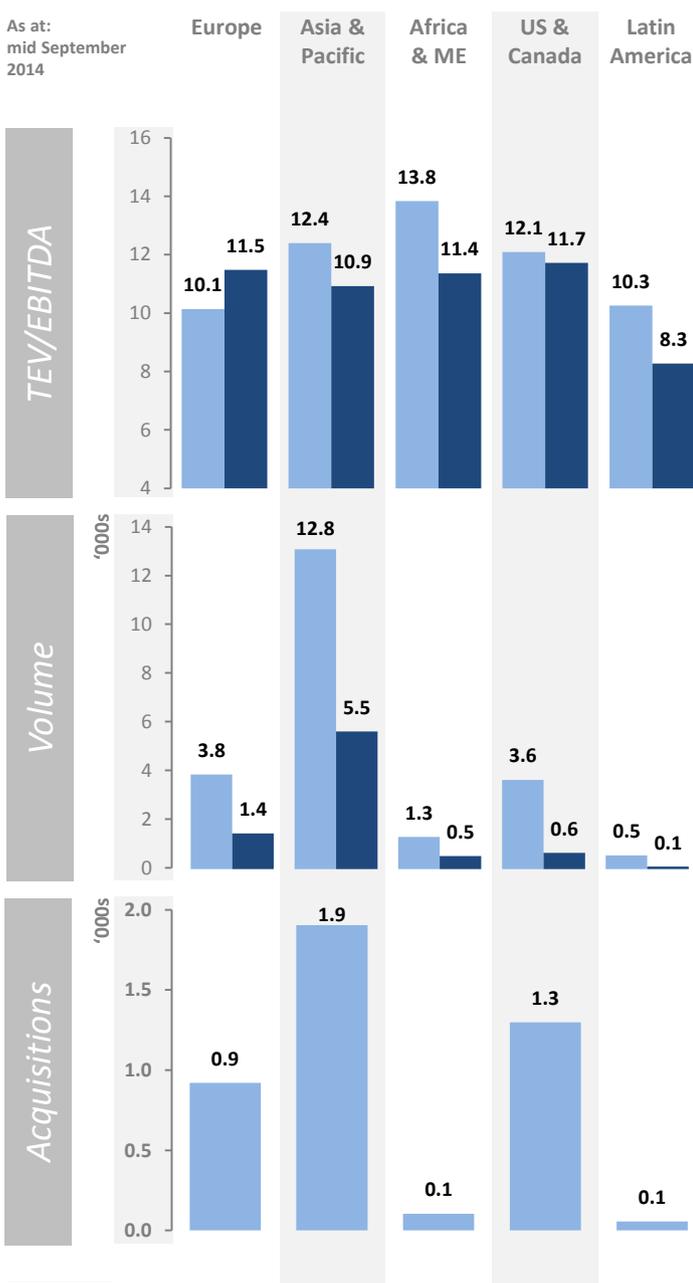


# Listed companies data by region

Listed companies' TEVs are calculated from each company's current share price (which reflects the market's expectation of future EBITDA performance).

The EBITDA figures used to calculate the Listed Company TEV/EBITDA Multiples shown here are the reported EBITDA values of each company for the last 12 months (LTM) – this gives TEV/EBITDA Multiples more directly comparable to Transaction TEV/EBITDA Multiples than if forecast (NTM) EBITDA is used. A discount should be applied if using these figures for a valuation of a growing business, which would normally use forecast performance data.

As at: mid September 2014



## All Market Listed Companies (light)

The light blue bars show average data from listed companies with TEV of at least \$5m. The results can be used as proxies of TEV/EBITDA Multiples for the current market as a whole.

## Lower-Mid Market Listed Companies (dark)

The dark blue bars show average data from listed companies with TEV of at least \$5m but no greater than \$150m. The results can be used as proxies of TEV/EBITDA Multiples for the current lower-mid market as a whole.

Comment	Context										
<p><b>All Market Listed Companies TEV/EBITDA Multiple (\$5m ≤ Value)</b> is highest in Africa &amp; ME at <b>13.8</b>, 36% higher than the lowest in Europe of <b>10.1</b></p> <p><b>Lower-Mid Market Listed Companies TEV/EBITDA Multiple (\$5m ≤ Value ≤ \$150m)</b> is highest in the US &amp; Canada at <b>11.7</b>, 42% higher than the lowest in Latin America of <b>8.3</b></p>	<p>This compares to the global total All Market Listed Companies TEV/EBITDA Multiple of <b>11.7</b></p> <p>This compares to the global total Lower-Mid Market Listed Companies TEV/EBITDA Multiple of <b>11.1</b></p>										
<p><b>All Market Listed Companies Volume (\$5m ≤ Value)</b> is significantly higher in Asia &amp; Pacific than anywhere else at <b>12,770</b></p> <p><b>Lower-Mid Market Listed Companies Volume (\$5m ≤ Value ≤ \$150m)</b> is particularly low in Latin America at <b>101</b></p>	<p>The global total number of All Market Listed Companies is <b>21,930</b></p> <p>The global total number of Lower-Mid Market Listed Companies is <b>8,199</b></p>										
<p><b>All Market Listed Companies Acquisitions in last six months (\$5m ≤ Value)</b> is highest in Asia &amp; Pacific in absolute terms at 1,904 acquisitions, but highest in the US &amp; Canada on an acquisitions per Listed Company basis at 37%, compared to Asia &amp; Pacific's 15%</p>	<p>In total there were 4,283 strategic acquisitions by All Market Listed Companies in the six months to mid September 2014.</p> <p>These compare to All Market Transaction Volumes in 2014 H1 by region of:</p> <table border="1"> <tr> <td>Europe:</td> <td>6.4</td> </tr> <tr> <td>Asia &amp; Pacific:</td> <td>4.0</td> </tr> <tr> <td>Africa &amp; ME:</td> <td>0.5</td> </tr> <tr> <td>US &amp; Canada:</td> <td>8.3</td> </tr> <tr> <td>Latin America:</td> <td>0.6</td> </tr> </table>	Europe:	6.4	Asia & Pacific:	4.0	Africa & ME:	0.5	US & Canada:	8.3	Latin America:	0.6
Europe:	6.4										
Asia & Pacific:	4.0										
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US & Canada:	8.3										
Latin America:	0.6										



The following data are compiled for each sub-region with a Globalscope member presence for which statistics are available.

		Globalscope Offices	All Market Listed Companies (\$5m ≤ Value)		Lower-Mid Market Listed Companies (\$5m ≤ Value ≤ \$150m)	
			Number listed	TEV/EBITDA Multiples	Number listed	TEV/EBITDA Multiples
As at: mid September 2014						
Europe	British Isles	2	914	10.4	313	12.4
	East Europe	5	474	9.2	303	9.4
	North Europe	3	702	9.7	256	11.2
	South Europe	6	434	9.4	139	13.5
	West Europe	11	1,251	10.3	420	11.4
	<b>Total Europe</b>	<b>27</b>	<b>3,775</b>	<b>10.1</b>	<b>1,431</b>	<b>11.5</b>
USA & Canada	Canada	5	629	12.2	207	11.6
	United States	6	2,741	12.1	298	12.0
	Others	-	187	12.2	144	10.9
	<b>United States and Canada</b>	<b>11</b>	<b>3,557</b>	<b>12.1</b>	<b>649</b>	<b>11.7</b>
Asia & Pacific	Indian Ocean	5	1,911	14.4	1,186	11.2
	North & East Asia	6	7,944	12.2	2,863	10.8
	Pacific	6	2,915	12.2	1,442	11.1
	<b>Total Asia / Pacific</b>	<b>17</b>	<b>12,770</b>	<b>12.4</b>	<b>5,491</b>	<b>10.9</b>
Africa & Middle East	Africa	3	555	13.8	263	10.7
	Middle East	1	729	13.9	264	11.9
	<b>Total Africa / Middle East</b>	<b>4</b>	<b>1,284</b>	<b>13.8</b>	<b>527</b>	<b>11.4</b>
Latin America	Brazil	1	212	9.4	26	7.6
	Uruguay	1	-	-	-	-
	Others	-	332	11.1	75	8.5
	<b>Latin America</b>	<b>2</b>	<b>544</b>	<b>10.3</b>	<b>101</b>	<b>8.3</b>

# Summarised definitions

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For detailed definitions and notes please see page 3.





## Sector-Specific Analysis

*A closer look at the underlying sector-specific structural drivers, new developments, recent M&A and projections*

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## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global Consumer sector team met to discuss both recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the ongoing impact of the digital marketplace on the way customers can both discover and buy products. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### Walgreens and Boots complete merger

Walgreens has exercised its option to complete the second step of its strategic transaction with Alliance Boots. The merger bucks the trend of US tax inversions, with the new HQ to be based in Chicago.

#### Gibson acquires Philips Hi-Fi

The US-based maker of guitars used by Dylan and Santana, agreed to buy Philips' audio and home entertainment business. Another step in a string of recent transactions, aimed at becoming 'the largest music and sound technology company in the world'.

#### Diana Group sold to Symrise

The French food ingredients specialist has been sold by PE firm Ardian to the German Symrise, the largest trade sale of a French portfolio company since 2011.

### Lower-mid market observations

#### The rise of the digital marketplace

Digital middlemen, such as Airbnb and Zipcar, are changing how consumers buy services. With few barriers to entry, competition is likely to be fierce.

#### Middle-class consumers demand more

Companies focusing on socially responsible products continue to spring up in response to consumer demand. With the world's middle class growing at a blistering pace, there should be plenty of opportunity for growth.

#### Diversifying consumer tastes

One consequence of the digital age is consumers' improved ability to discover new products. There will continue to be opportunities for the well-positioned lower-mid market company to both reach and convert new customers.

### Sector themes

#### US consumers continue to drive world growth

The combination of falling unemployment, falling energy prices and low borrowing costs is keeping US household purchases buoyant.

#### Transition to multi-channel retailing

Consumers today expect to complete retail transactions in a variety of ways: from traditional storefronts, online stores, mobile technology and telephone sales. Retailers that are able to coordinate and capitalise on these multiple channels to market will do well.

#### The rise of Asian consumerism

In many Asian countries rapid urbanisation and the simultaneous swelling of an affluent middle class, is driving an increase in appetite for consumer goods.

#### Trading down, sales up?

During the recession, consumers have tended to seek out bargains and cut out lavish costs. Many in industry consider such attitudes and habits will be hard to shake off even as economies recover. Discount retailers, including supermarkets through own-brand products, are likely to benefit if they are able to adapt.

### Sector contacts



**Andrea Pagliara**  
Consumer Lead

a.pagliara@palladiofinanziaria.it  
+39 0272 7307

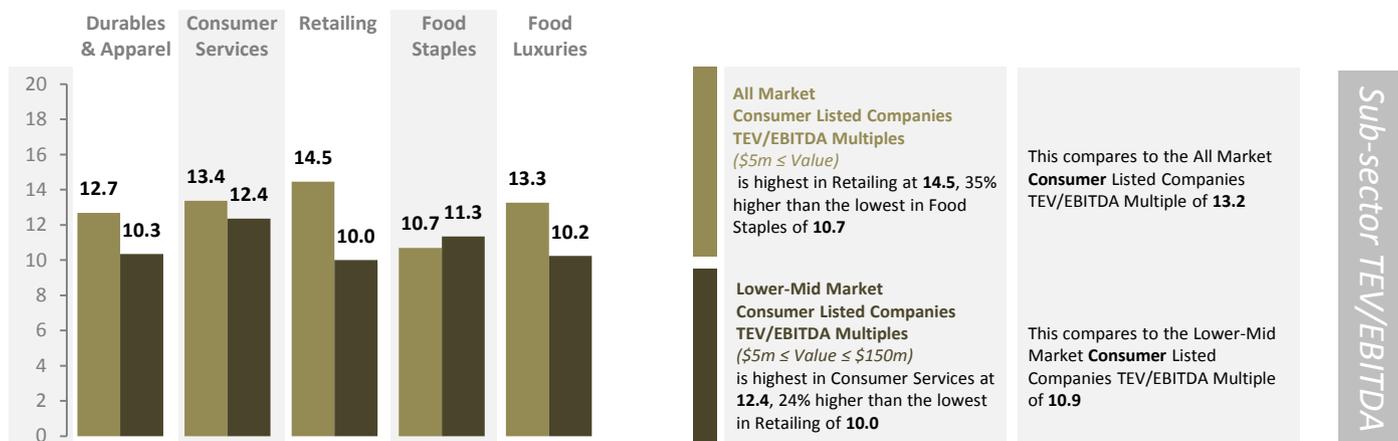
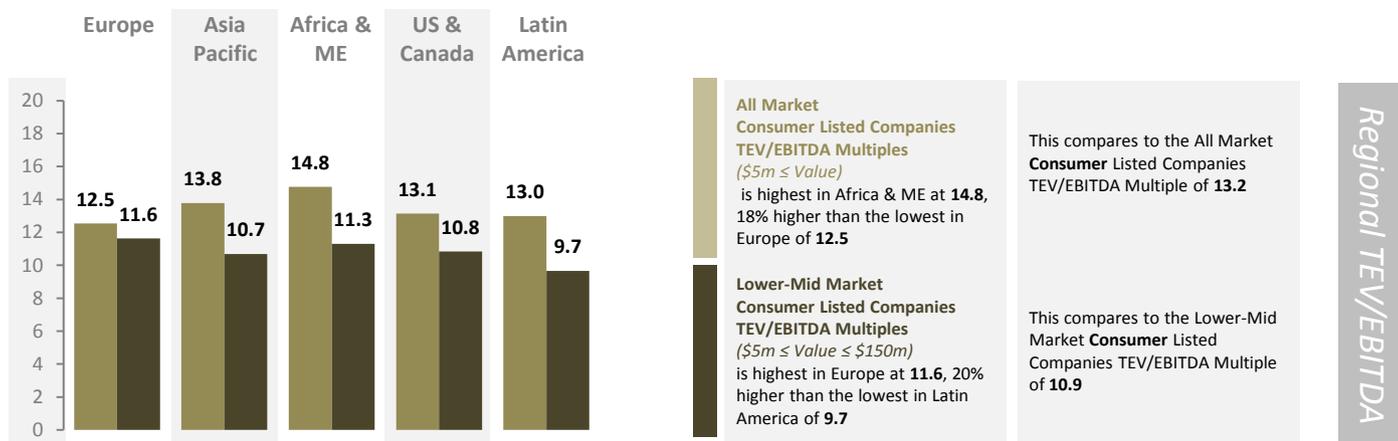
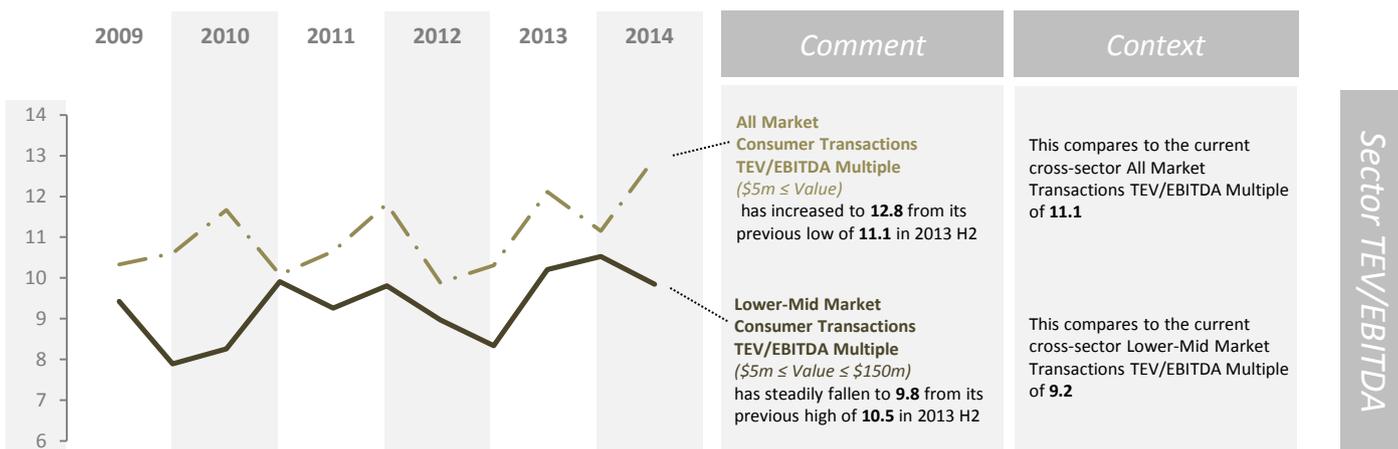


**Martijn Peters**  
Consumer Co-Lead

Martijn.peters@solvingefeso.com  
+31 6130 85245

# M&A trends & market analysis

The following data are compiled specifically for the Consumer sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global Financials sector team met to discuss both recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the ongoing change driven by increasing regulation combined with the search for yield and good quality income. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### Qatar Insurance Co. acquires Antares

The acquisition expands QIC's global presence and creates a platform for further expansion, including access to the Lloyd's market and a Bermudian platform.

#### Grupo BTG Pactual plans to acquire Ariel Re

Such a deal would allow BTG Pactual to expand outside the struggling Brazilian market and take advantage of US and European markets where competitors are weighed down by comparatively strict regulation.

#### Metlife acquires 51% of AmLife Insurance

As part of the deal, US MetLife wins an exclusive 20-year agreement to sell insurance products through AMMB's Malaysian banking network. Several other suitors submitted competing bids as insurers continue to look for expansion opportunities in Southeast Asia.

### Lower-mid market observations

#### Solvency II to drive European consolidation

There are a large number of European lower-mid market mutuals considering how to meet the new capital adequacy regulatory requirements. M&A is a potentially attractive solution and so there may be a round of consolidation in the next two to three years.

#### Targeted products encourage acquisitions

Insurance products are increasingly targeted at specific affinity groups, reflecting continued specialisation in the lower-mid market and making bolt-on acquisitions of similarly targeted businesses look more attractive.

#### Search for income drives MGA growth

There has been an expansion of managing general agents as capacity providers retreat from high-risk markets yet continue to seek sources of quality income.

### Sector themes

#### Disposal of non-core assets

Regulatory changes and/or the search for better quality income have created a steady stream of disposals as businesses re-structure and streamline their operations.

#### International expansion

Financial groups are still actively seeking opportunities for growth beyond their existing markets – either through acquisition of market share or diversification into new sectors/markets. US groups typically looking to Latin America, European groups to Asia and developing economies looking to the West.

#### Diversification through consolidation

Regulators in Europe, the US, the Middle East and Asia are all taking similar steps to strengthen solvency and encourage diversification through consolidation. Restrictions on new entrants may lead to acquisition being the only option for expansion in some markets.

#### Demand for balance sheet security

Both regulators and clients seem to view balance sheet size as a critical factor in providing capital security. Given the current challenges in achieving organic growth, the only option may be strategic M&A.

### Sector contacts



**Simon Keeling**  
Financials Lead

simon.keeling@corbettkeeling.com  
+44 20 7626 6626



**Jørgen Beuchert**  
Financials Co-Lead

jorgen.beuchert@dmc.dk  
+45 41 99 82 50

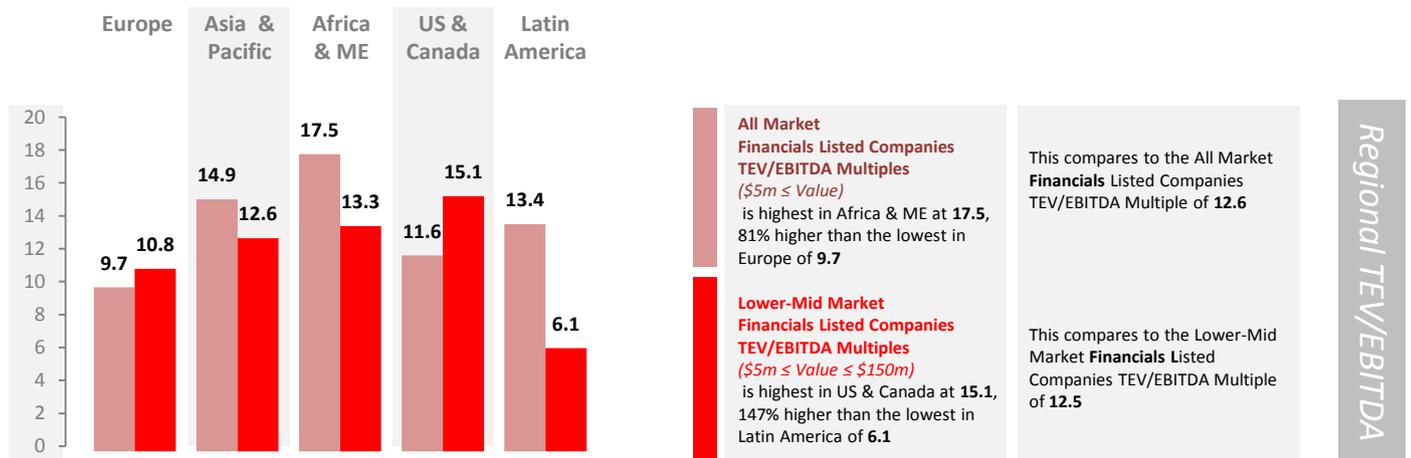
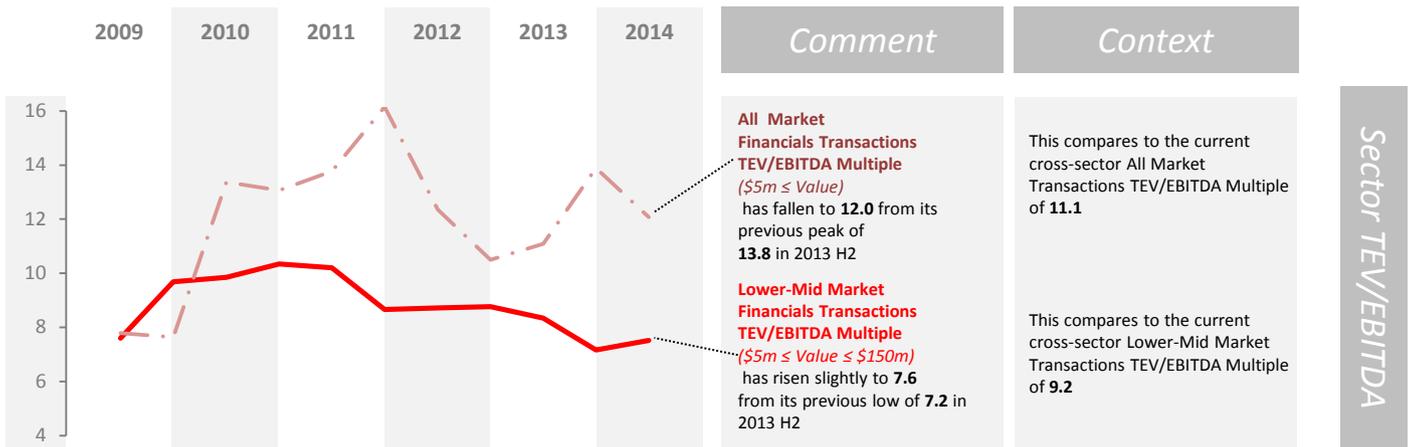


**André Steenekamp**  
Financials Co-Lead

andre@gkacapital.com  
+27 21 856 5494

# M&A trends & market analysis

The following data are compiled specifically for the Financials sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global Health sector team met to discuss both recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the change that may be driven by the rise of Big Data analytics, allowing companies and healthcare professionals access to detailed patient data even before problems arise. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### GSK's multi-asset swap with Novartis

Due to complete in 2015, this transaction will include the sale of GSK's oncology business to Novartis, the sale of Novartis's vaccines division to GSK, and a merger of the two groups' consumer healthcare units.

#### Astorg and Montagu to acquire Sebia

European private equity firms Montagu and Astorg announced they would invest in the French medical diagnostics company Sebia. This is the second time Montagu has invested in Sebia, after previously exiting in 2010.

#### Boston Scientific acquires StarMedTech

US-based Boston Scientific has acquired the German manufacturer of medical laser systems to sit alongside its existing portfolio of urology devices – an example of good technology being sought on the global market.

### Lower-mid market observations

#### Regulatory threat to growth prospects

Regulation continues to be a concern for lower-mid market businesses, its costs and risks are seen as key obstacles to organic growth and potential drivers of M&A activity.

#### Big Data analytics improving diagnosis

Big Data technologies such as wearable monitoring devices and lifestyle trackers have potential to improve diagnostic accuracy and speed. Such devices may both form a new market and create related downstream opportunities for lower-mid market firms to exploit.

#### Competition for resources drives acquisitions

Businesses competing over scarce top-quality facilities and/or skilled personnel are increasingly turning to M&A as a solution.

### Sector themes

#### Changing demographics altering the market

As life expectancies change across populations, the proportion of people with certain illnesses will also change, altering the fundamental economics of treating each illness. This effect is most marked in regions that have recently seen dramatic falls in infant mortality or rises in people reaching old-age.

#### Global localisation

Healthcare companies are adapting to regional demand for globally available products e.g. as chronic diseases start to appear on the radar in developing countries.

#### Global shift in innovation

The 'West' (inc. Japan) continues to drive life sciences R&D but there is an increasing shift towards China, India and elsewhere which have vast, well-educated, and cheap scientific manpower.

#### Rise in demand for generics

The pharmaceuticals outsourcing market for both R&D and manufacturing is expected to see further growth as large pharmaceutical companies seek to squeeze margin out of the increasingly important generic market.

### Sector contacts



Jacob Matthew  
Pharma Lead

jacob@mapegroup.com  
+91 22 6154 4500



Caspar Graf Stauffenberg  
Medtech Lead

caspar.stauffenberg@catcap.de  
+49 4 0300 8360



Manfred Drax  
Life Sciences Lead

manfred.drax@catcap.de  
+49 4 0300 8360

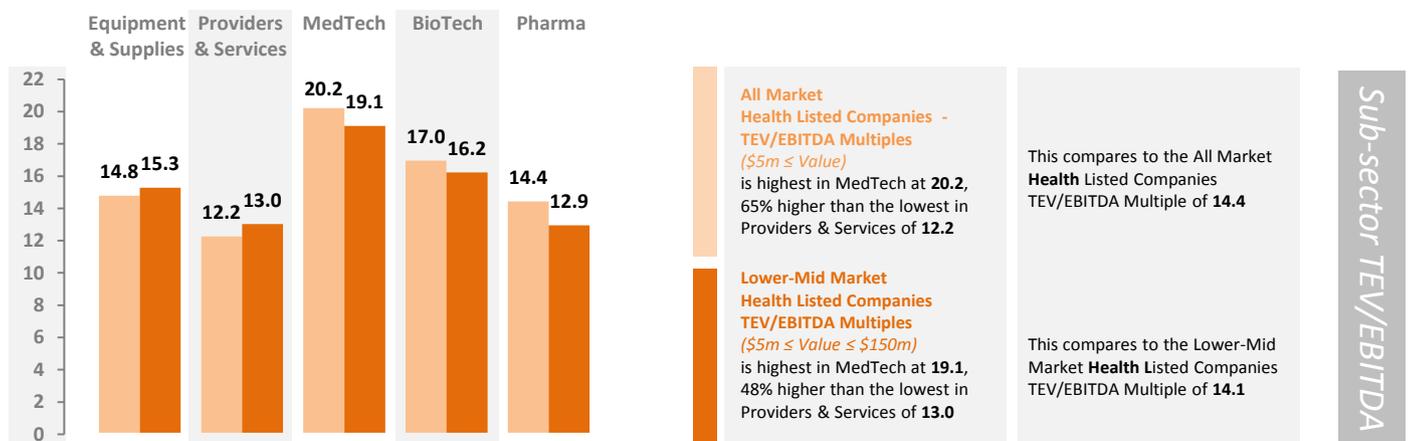
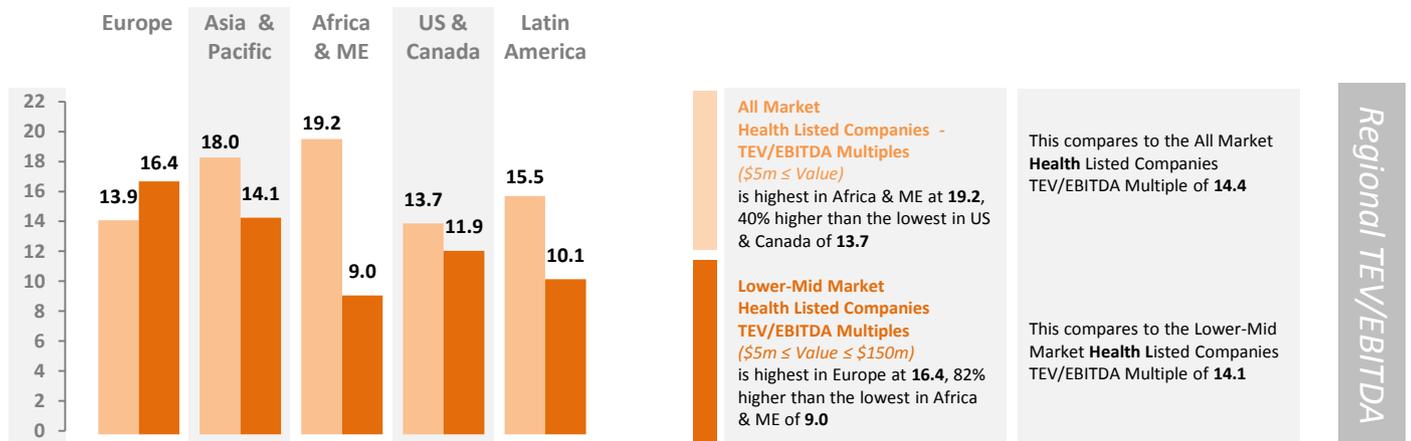
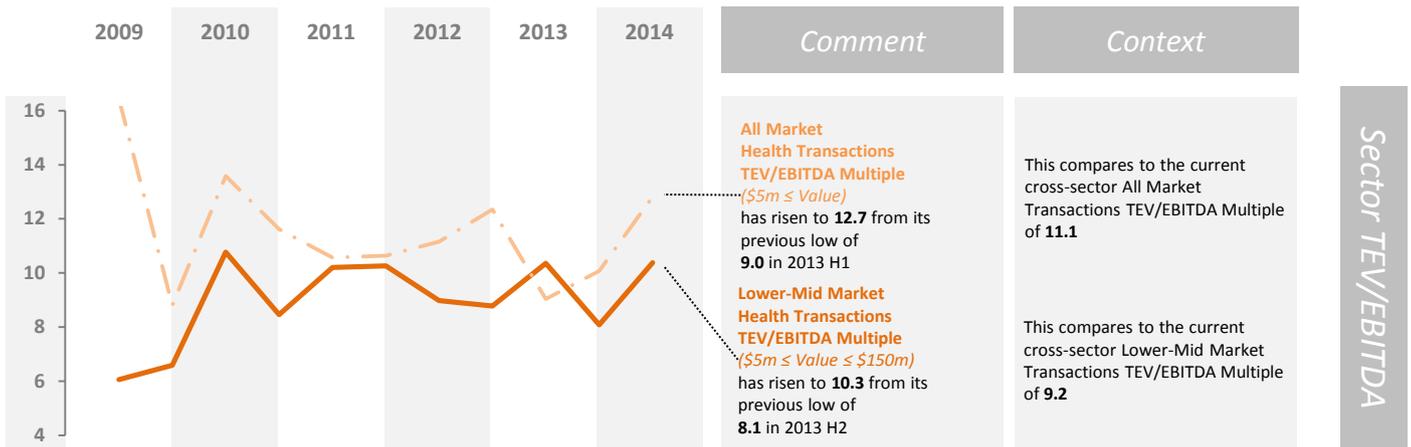


Bertalan Jászkuti  
Healthcare Lead

bjaszkuti@healce.com  
+36 20 444 0998

# M&A trends & market analysis

The following data are compiled specifically for the Health sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global Industrials sector team met to discuss recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the substantial ongoing change driven by the relentless onward march of technology. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### Héroux-Devtek buys APPH from BBA

BBA has been over geared since its launch and separation from Fiberweb. Here BBA is selling to a Canadian, PE-backed industrial – evidence that North American PE is still seeing value in the UK.

#### AMEC offer for Foster Wheeler approved

British engineering firm AMEC's offer for its US-listed rival Foster Wheeler has been approved by the European Commission and AMEC continues to seek further big-ticket synergistic acquisitions.

#### Alstom accepts GE's offer

Alstom's board has accepted GE's offer for its energy business. The French government has agreed to support the deal but it is not clear yet whether it has the legs to go all the way.

### Lower-mid market observations

#### Good proportion of cross-border transactions

Cross-border deals in the Industrials sector comprised approximately 27% of all transactions, which compares to the global average of 23%. Our members are also seeing this trend in the lower-mid market.

#### Private equity remain cautious

Private equity money is only being deployed slowly, and is yet to make a major impact on the lower-mid market Industrials sector.

#### Advanced manufacturing technology

Smaller companies with IP protected and effective manufacturing processes are likely to form attractive acquisition targets for larger players wishing to grow their market share.

### Sector themes

#### Materials breakthroughs

New materials mean new products and new markets. Examples are graphene, composites, ceramics and lithium batteries.

#### Civilian drones

Drones are now common in defence, but as they get cheaper there will be an explosion of civil applications; examples are security, traffic control, building inspections, and intrusive press coverage. Before long it is likely that drones will be permanently located above large cities.

#### Opportunities in energy generation

Emerging markets continue to drive growth in the renewable energy sub-sector, including in hydro, wind, and solar; at the same time, Europe is suffering from chronic electricity generation overcapacity, potentially leading to consolidation opportunities.

#### Industrial recovery

Industrial markets are generally continuing to recover. Margins are up and growth forecasts are in line with global GDP. The substantial automotive sub-sector is forecasting around 4% growth p.a. until the end of the decade.

### Sector contacts



**Simon Keeling**  
Industrials Lead

simon.keeling@corbettkeeling.com  
+44 20 7626 6626



**Giuseppe Benedetti**  
Energy & Renewables Lead

gb@benedettirossi.com  
+39 02 4801 5369

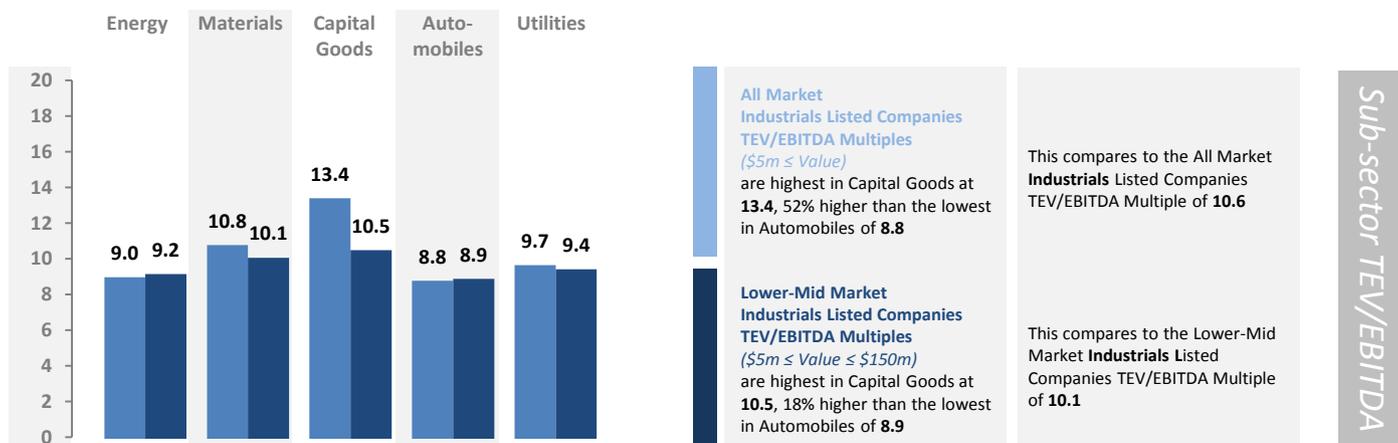
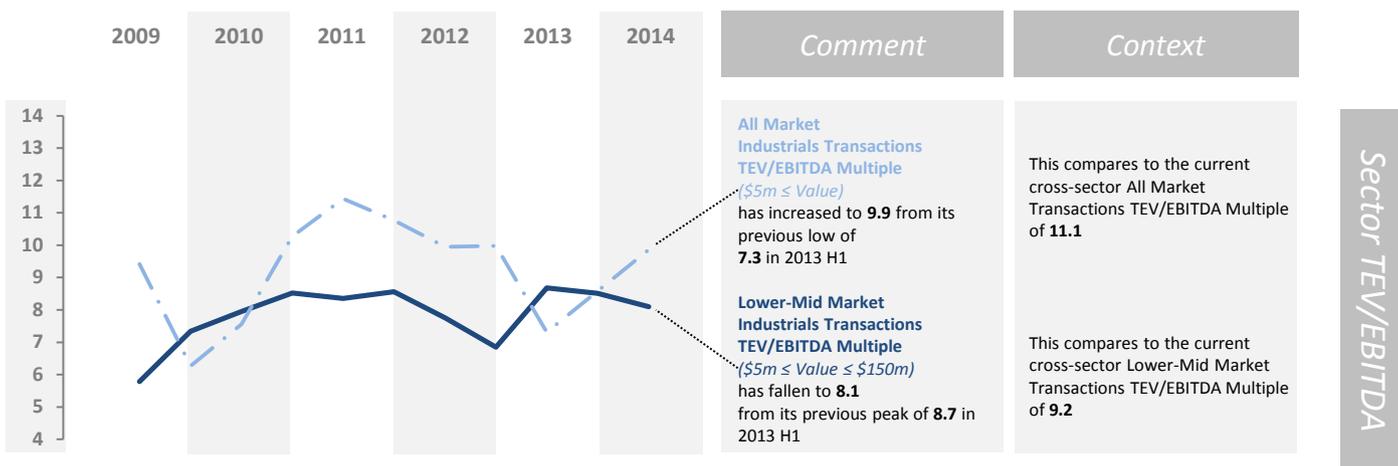


**Marcin Majewski**  
Industrials Co-Lead

marcin.majewski@augeo.pl  
+48 504 031 584

# M&A trends & market analysis

The following data are compiled specifically for the Industrials sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data, and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

The first half of 2014 saw continued consolidation in the professional services sub-sector, and within the IT services sub-sector there has been increased demand for expertise and IP in the fields of mobile, analytics, cyber security and cloud computing – in part from media companies looking for customer analytics capabilities. Services businesses aimed at the oil and gas industry have also remained popular acquisition targets.

More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### PwC acquires Booz & Co

PwC completed its acquisition of Booz & Co. which is another example of the general strategy amongst the Big Four to move further into the lucrative strategy consulting space.

#### WSP Global acquires The Focus Corp.

The acquisition further expands WSP's offering to the oil and gas industry in Western Canada and brings WSP's Canadian staff to approximately 6,100 employees.

#### Bureau Veritas acquires Maxxam

The acquisition gives the French consultancy Bureau Veritas a strong and strategic presence in North America and expands its portfolio of services with high added-value expertise.

### Lower-mid market observations

#### Consolidation in Cloud computing services

The IT industry continues its move into services, as cloud-based subscription services replace off-the-shelf vendor products. In particular, Data analytics and SaaS businesses are proving to be targets for M&A.

#### Reliance on digital capability to compete

Consumer adoption of digital media and devices continues unabated. Media and advertising firms are expected to turn, at least in part, to services sector M&A in order to satisfy demand for digital capabilities.

#### Increasing demand for Oil & Gas consultancies

Tough regulatory frameworks, emerging technologies and an impending talent shortage feed demand for specialist oil and gas consultancies. M&A is expected as market players strive to meet these challenges.

### Sector themes

#### Limited supply of high quality services firms

Global consulting M&A activity was down 5% in 2014 H1 from 2013 H1. Nevertheless, EBITDA multiples saw a continuation of the upward trend, reflecting the limited supply of high quality services firms in the market.

#### Big Four developing in-house technology

Strategies for growth in technology-based services amongst the Big Four have shifted towards organic development of in-house technical capabilities, including CRM, ERP and Social media services.

#### Professional services firms push into Strategy

With audit and tax revenues flattening in developed markets, professional service firms have been investing in strategic consulting services, where business is expected to continue growing post crisis.

#### Macro-economic European recovery

In 2014 H1, transaction volumes for consulting firms in Europe finally started to show significant signs of recovery after a 3-year fall. It is expected this is, in part, due to the rosier macro-economic outlook across Europe in the period.

### Sector contacts



**Jim Keeling**  
Services Lead

jim.keeling@corbettkeeling.com  
+44 20 7626 6626



**Dominic Marinelli**  
Resource Services Lead

dmarinelli@terrainscapital.com  
+61 3 9665 2444

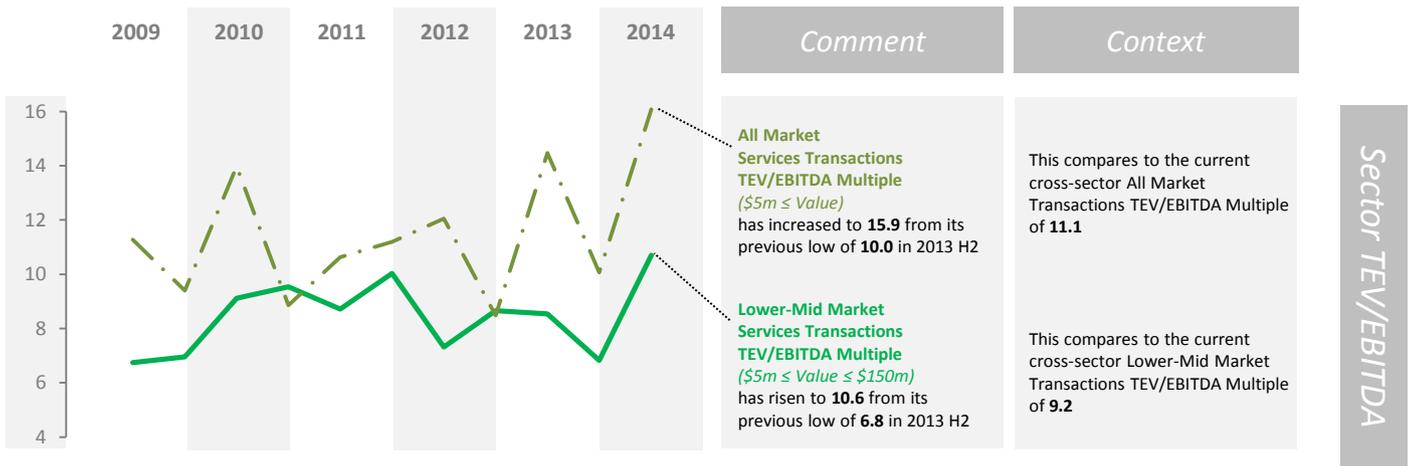


**Martijn Peters**  
Services Co-Lead

martijn.peters@solvingefeso.com  
+31 (0) 6 13 08 52 45

# M&A trends & market analysis

The following data are compiled specifically for the Services sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data, and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global TMT sector team met to discuss both recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the increasing transaction volumes and values, driven by excess cash balances and the continued development of new, market-changing technology across the globe. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### Amazon acquires Twitch, beating Google

Twitch, a video game streaming service, is the 4<sup>th</sup> largest internet traffic source in the US. The acquisition provides a technology platform for Amazon to expand into the consumer generated content streaming market and compete with YouTube.

#### Oracle acquires MICROS

This gives Oracle a cornerstone in the rapidly evolving hospitality vertical, where on-premise, SaaS and online services are meeting. M&A activity will recast the landscape over the next few years.

#### Dunnhumby (Tesco) acquires Sociomantic

Shows the trend in consumer data analytics of combining internal customer data with public online social data for a more complete customer profile.

### Lower-mid market observations

#### Private Equity buy and build

PE continue to build large vertical focused technology enterprises by making strategic bolt-on acquisitions to their existing portfolio. Although PE is not driving the sector as a buyer now that valuations have recovered, they are still competitive given the right cashflow profile.

#### Good proportion of cross-border transactions

Across all transactions, cross-borders in the TMT sector are at approximately 26% compared to the global average of 23% and our members are also seeing this trend in the lower-mid market.

#### Significant pre-close conditions

Our members noted a general increase in pre-sale conditions imposed upon TMT sector lower-mid market sellers – another reason to hire experienced advisors!

### Sector themes

#### Companies connecting with Internet of Things

Cisco estimates that by 2020, over 50 billion devices will be connected to the internet. Early M&A activity in this space has focused on home automation/security and wearables. Innovative start-ups will continue to draw the attention of large technology firms.

#### Big Data/Analytics – M&A increasing

Data produced by enterprises are being re-used to create new business streams. Large scale data combined with high level analytics can be more valuable than the enterprise's underlying service.

#### Technology – cheaper to buy than build?

Larger corporates typically have excess cash and many that have been built on market leading technology developed in-house are continuing to look at M&A to supplement and accelerate development, including buying exceptional tech teams as small as five people.

#### The pervasive cloud

The impact of global cloud infrastructure is growing and will be an underlying theme in all TMT activity and transactions whether defining the delivery platform or enhancing customer access.

### Sector contacts



**Paddy McGwire**  
Software & Tech Lead  
pmccgwire@cobaltcf.com  
+44 20 7659 0310



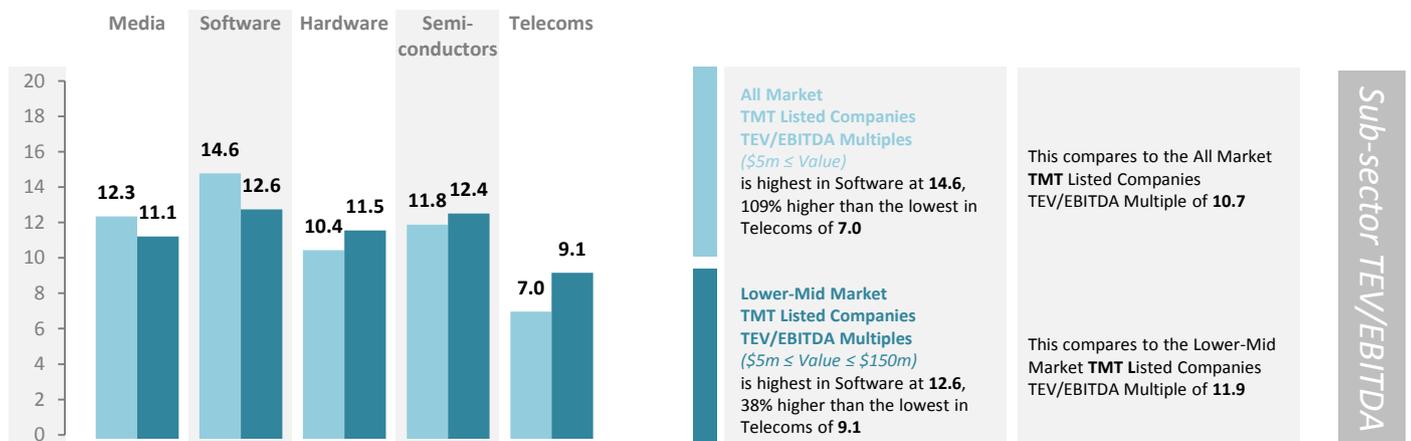
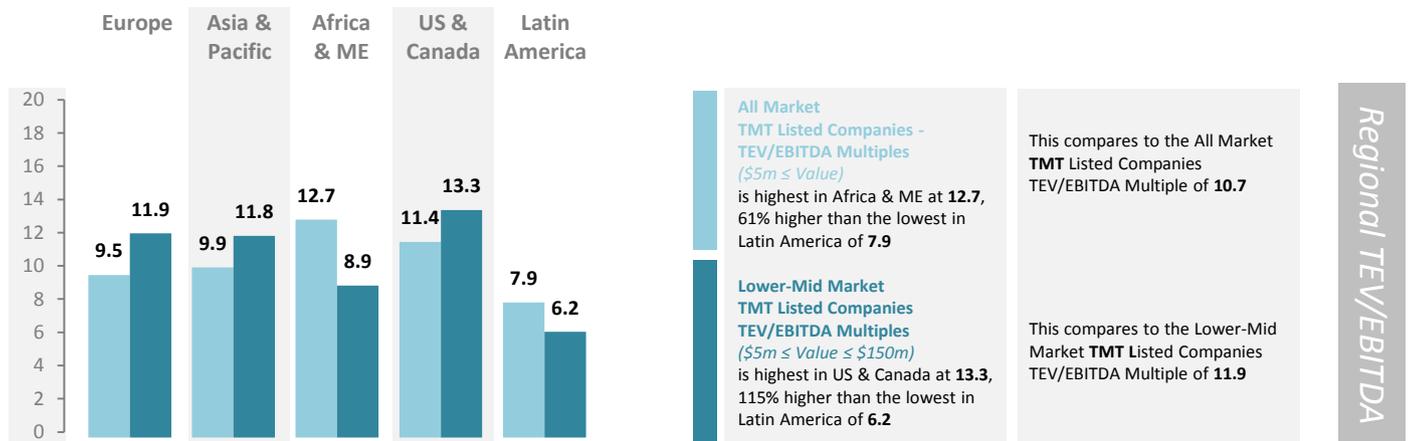
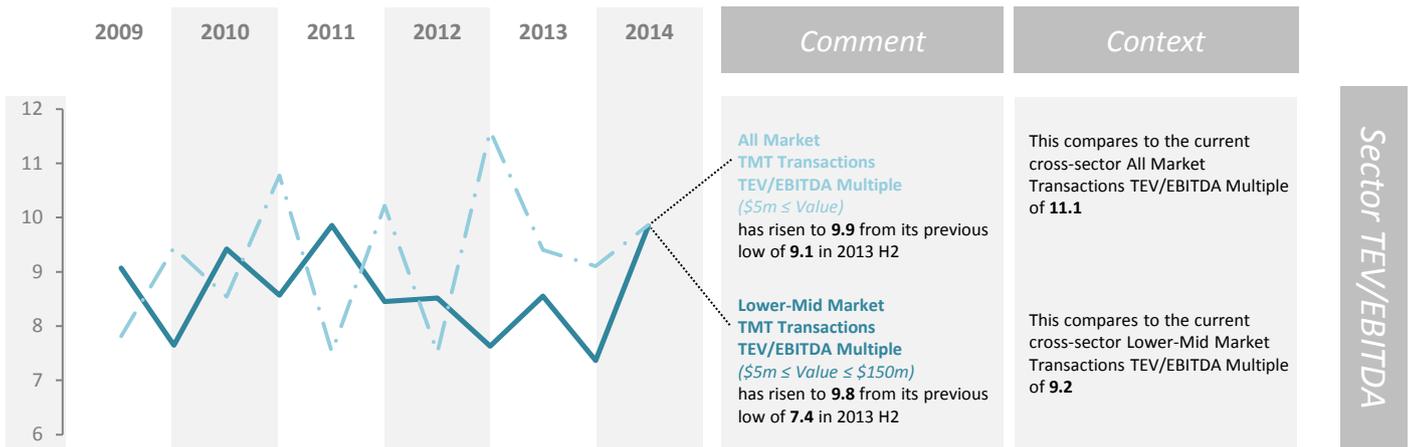
**Mark Miller**  
Digital & Internet Co-Lead  
mark.miller@catcap.de  
+494 0300 8360



**Péter Karli**  
TMT Lead  
pkarli@healce.com  
+36 20 383 8236

# M&A trends & market analysis

The following data are compiled specifically for the TMT sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.



## The sector M&A landscape

During the Athens 2014 Globalscope conference, the network's global Transport sector team met to discuss both recent transactions and the evolving underlying structural drivers of the global M&A landscape in the sector.

A key theme is the substantial ongoing change in how transportation is managed, driven by improved analytical capabilities and centralised distribution. More details can be obtained from team members and/or regional heads – see contact details below.

### Notable recent transactions

#### Chinese invest in Australian coal port

The acquisition of this 98-year lease illustrates the continued march of Chinese investment and also the general trend for logistics chain operators to include port facilities in their offerings.

#### Hahn & Co acquires bulk-carrier business

The South Korean PE firm's investment comes as Hanjin Shipping is under increasing pressure to reduce debt against a backdrop of depressed cargo shipping rates.

#### US-based TRIP acquires portfolio of railcars

This series of acquisitions from Trinity Industries, funded largely with debt secured against the fleet of railcars, reflects a persistent view in the sector that there is value in this relatively commoditised activity.

### Lower-mid market observations

#### Regulation and inspection costs rising

EU emissions legislation and Australian shipping controls are examples of increasing environmental costs that may disproportionately affect lower-mid market transporters, and prompt a round of consolidation.

#### The fight for the last mile

Who is responsible for the last mile in multimodal logistics – the customer, the shipper or an aggregator? New technologies may open up opportunities for dynamic, adaptable, lower-mid market businesses.

#### Portcentric logistics

Where location allows, it is expected there will be a continued merger of port and distribution hub functions, reducing costs and increasing delivery speed.

### Sector themes

#### Accelerating urbanisation

More people are moving to cities, especially in Africa and Asia. Serving these areas will require new routes, network planning, and other operational functions, some of which may command a price premium.

#### Big data - providing real-time information

Logistics managers can now rely on event-based information enabling them to perform to high standards of reliability, safety and punctuality. Big data provides a host of advantages including capacity utilisation and efficiency, and so is unlikely to go away.

#### Contactless ticketing and payment

Wireless or "touch" technology reduces infrastructure requirements and increases efficiency (and contributing to Big Data – see on left). Expectations are that this technology will fall in price and extend across networks.

#### Cross-border infrastructure investment

Governments are increasingly looking to private and international sources for infrastructure funding, in some cases making deliberate moves to deregulate and open up national projects to non-public investment. A trend that is expected to become the new norm.

### Sector contacts



**Jim Keeling**  
Transport Lead

jim.keeling@corbettkeeling.com  
+44 20 7626 6626



**Diego Hernando**  
Transport Co-Lead

dho@bluemint.eu  
+35 1 963 021120



**Chris Geldard**  
Ports Lead

chris.geldard@corbettkeeling.com  
+44 20 7626 6626



**Péter Karli**  
TMT Lead

pkarli@healce.com  
+36 20 383 8236

# M&A trends & market analysis

The following data are compiled specifically for the Transport sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid September 2014.

