



Increased protectionism against a global deterioration of the M&A market

KPMG Deal Activity Update

2017 H1 Analysis

Deal Advisory – Corporate Finance

Global M&A market snapshot

The global M&A market

Comparable with previous periods, the first half of 2017 has shown continued improvement of the global economy. Though this was not reflected in global M&A volumes, which decreased with 8.3% from 9,328 in H2 2016 to 8,553 in H1 2017. This could be explained by the late effects of the Brexit and Trump election in 2016, which increased uncertainty. In Europe a similar decrease in volumes was combined with an increase in deal value to EUR 530bn in H1 2017, indicating a shift towards larger deal sizes.

Over the past years EU targets have received more interest from non-EU bidders, which has resulted in an increase in cross-border EU announcements from non-EU bidders acquiring EU targets from 17% in H1 2009 to 24% in H1 2017. In terms of sectors, targets within Industrial and Technology were acquired most, whereby China tends to target Industrials more while the US target Technology focused targets more.

Similar, EU bidders have targeted companies from North-America mostly, of which most are active in the Technology sector followed by Industrial.

In the Netherlands the first half of 2017 shows a decrease of 14.2% in deal volume from 331 in H2 2016 to 284 in H1 2017. In deal value we see a more significant decrease of 56.9% to €28bn in H1 2017, which can be explained by a reduced number of large mega deals.

In Dutch cross border M&A we see that the distribution of foreign companies getting targeted by Dutch bidders is rather stable over the past years, with a majority of targets located in the EU and N-America. For Dutch targets getting acquired by foreign bidders we see a swift away from bidders located in the ROW.

The Dutch M&A market

Outlook 2017 H2

For H2 2017 we expect more interest from Chinese and US bidders for EU targets as a result of ever increasing political plans for more regulation against unwanted take-overs from countries such as China. Where the US and China have had regulation that enables them to veto take-overs of vital companies this has been absent in the EU. This could imply a increased interest from foreign buyers before new EU regulation is in place.

This shift comes at a remarkable time where the US, with which we have seen a majority of EU cross border M&A activity taken place, seems to follow a more protectionist strategy under President Trump. This normally would have made China as very feasible new partner to conduct free trade with.

Global M&A market snapshot

	Global			EU			Netherlands		
	2016 H1	2017 H1	Delta	2016 H1	2017 H1	Delta	2016 H1	2017 H1	Delta
Number of deals	9,180	8,553	(6.8)%	3,860	3,486	(9.7)%	311	284	(8.7)%
Deal value in EURbn	1,235	1,405	13.8%	353	530	50.2%	22	28	24.2%
Median EBITDA multiple	10.7x	11.0x	3.0%	10.0x	10.0x	0.5%	9.3x	10.0x	7.5%
Number of financial deals	2,347	2,378	1.3%	1,039	1,027	(1.2)%	98	98	-
Deal value financial deals in EURbn	328	401	22.1%	110	152	37.8%	10	17	71.3%
GDP growth	0.9%*	1.2%*		(0.2)%	2.2%		1.5%	2.5%	

Source: Mergermarket, Eurostat, OECD
 Note: (*) Comprises all 34 OECD member states only

M&A market

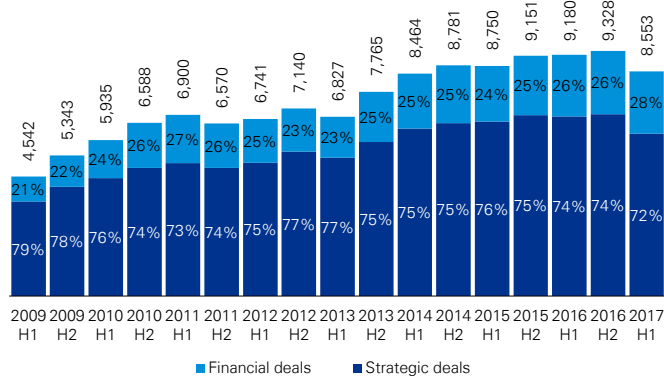
The global and European M&A market

In first half of 2017 global deal volume has decreased compared to 2016 half year levels. The share of financial investors increased to 28%, which is at its top since 2009

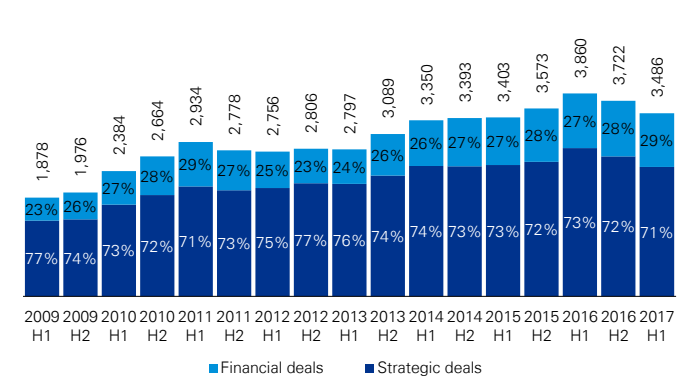
In Europe a similar movement is seen in deal volume, accumulating to 3,486 deals in H1 2017 with a share of financial investors of 29%

Globally deal value has decreased, where an increase is shown for European deal value. This indicates that the average deal size in Europe has increased while the opposite was seen on a global level for H1 2017

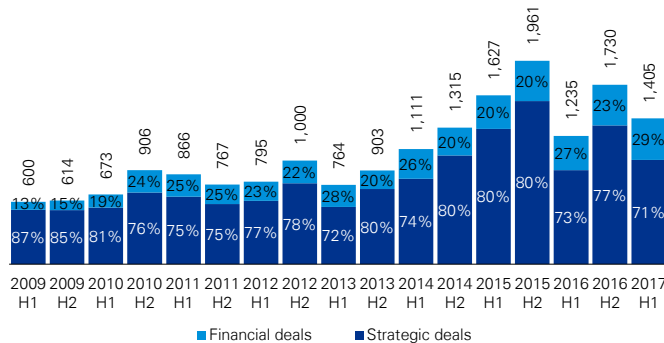
Global – Deal volume



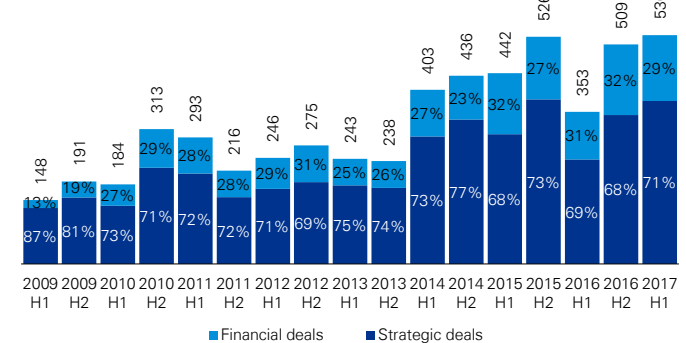
EU - Deal volume



Global – Deal value EURbn



EU - Deal value EURbn



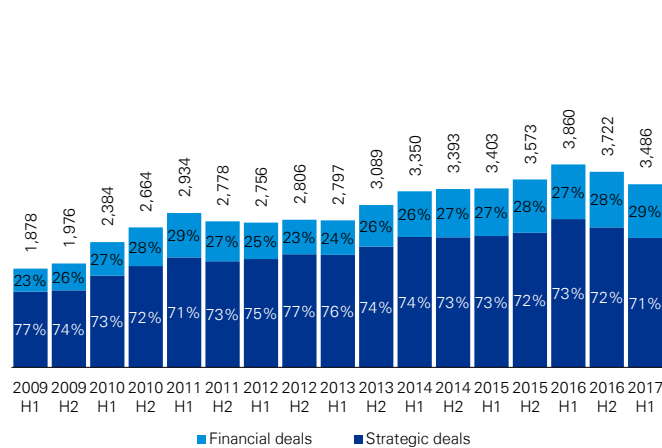
M&A market

The European and Dutch M&A market

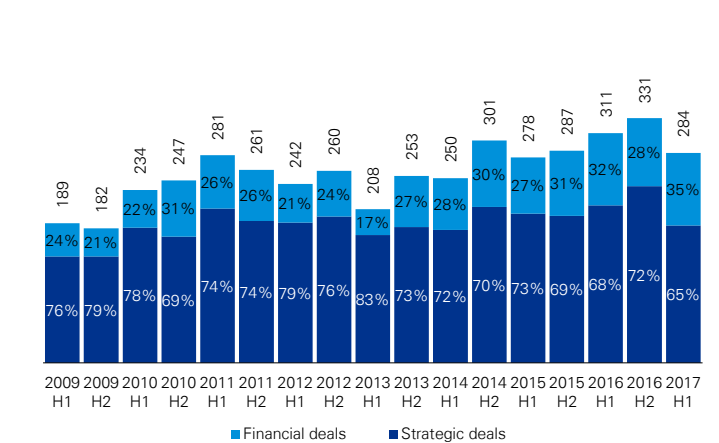
In deal volumes we have witnessed a similar trend in the Netherlands as for global and EU volumes; a decrease in total volume with an increased share of financial investors reaching its highest level since 2009

On deal value level, we see a shift from a majority attributed by strategic buyers towards financial buyers in the first half of 2017. This indicates that strategic deals were on average larger than financial deals in the Netherlands

EU - Deal volume

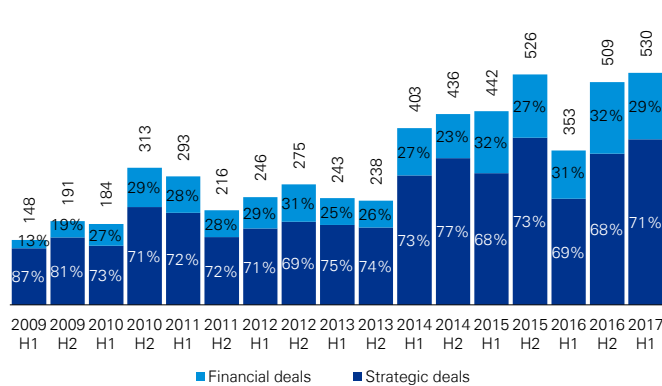


Netherlands - Deal volume



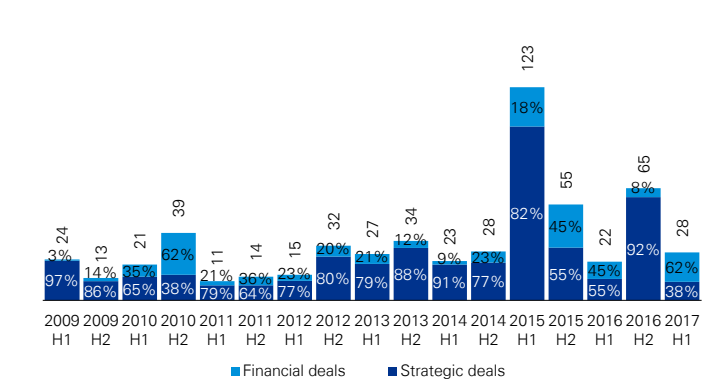
EU - Deal value

EURbn



Netherlands - Deal value

EURbn



The appetite of bidders outside the EU for EU targets

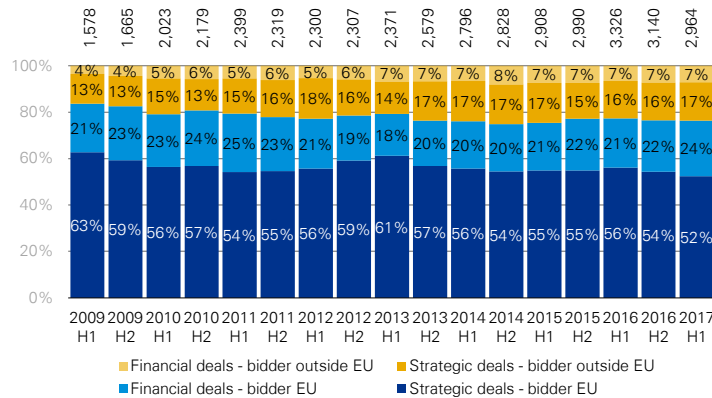
Over the years, the share of non-EU buyers has increased from 17% to 24% from 2009 to 2017

The majority of the buyers outside the EU come from Canada and the United States

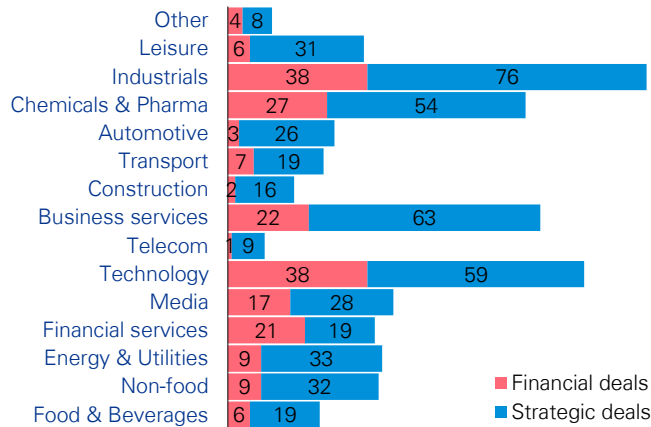
The most attractive sectors in the EU are Industrials, Business Services and Technology

These sectors have historically been very popular among foreign buyers

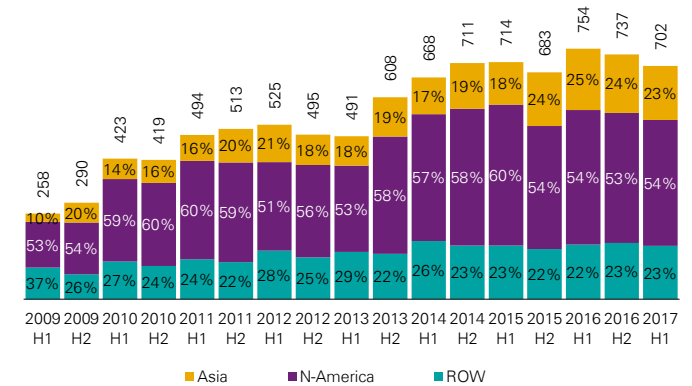
Share of EU target companies acquired by bidders inside the EU vs. outside the EU



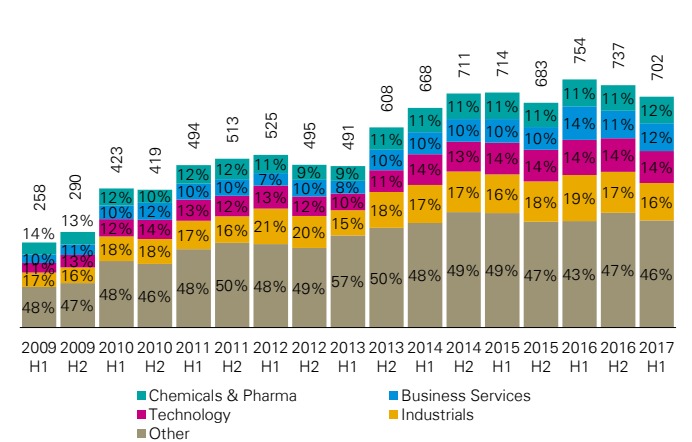
Most attractive sectors of EU targets in H1 2017



Origin of bidders outside the EU



Most attractive sectors in the EU – development



Top 5 of outside of EU bidder's country origin with appetite for EU targets

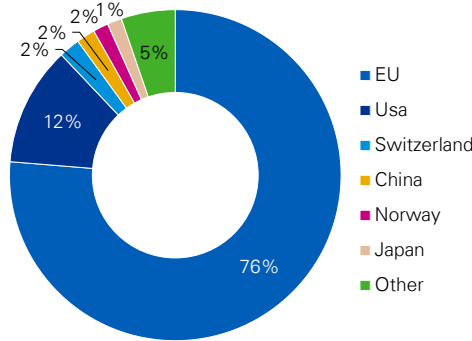
The United States is most active as non EU acquirer of EU companies, followed by Switzerland and China.

Over the years, China has been increasingly active in Europe. The Peoples Republic acquired two EU companies in the first half of 2009, in the first half of 2017 this number was 54.

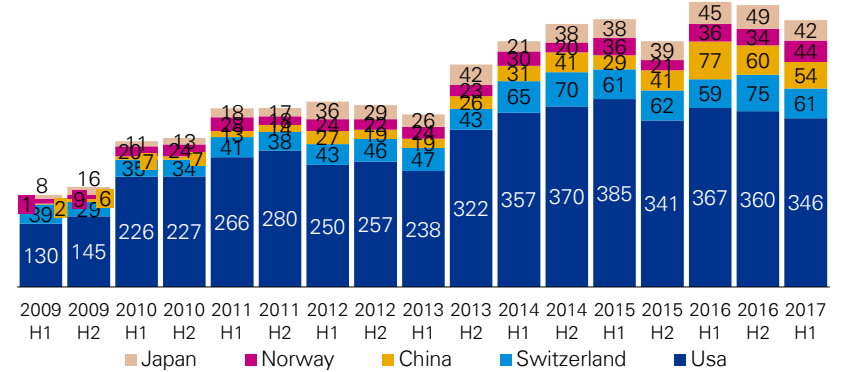
Targets in the industrial sector have been most popular for both the United States and China.

In 2017, China has acquired 10 Chemicals and Pharma targets, whereas the United States is primarily interested in Technology companies in the EU

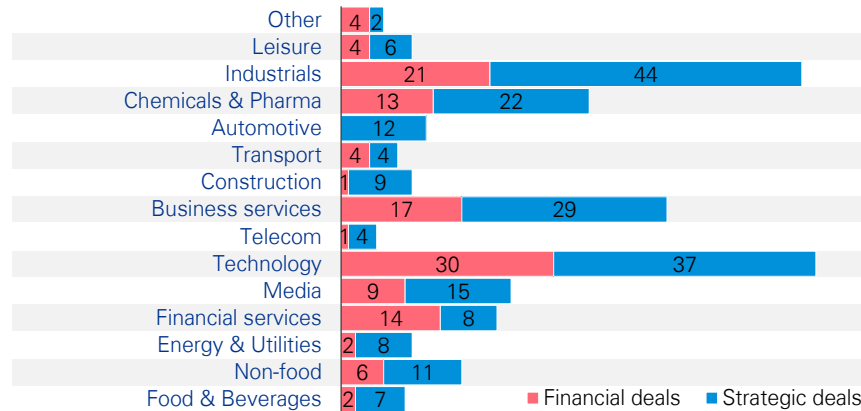
Buyers of EU targets in 2017 – origin of the buyer



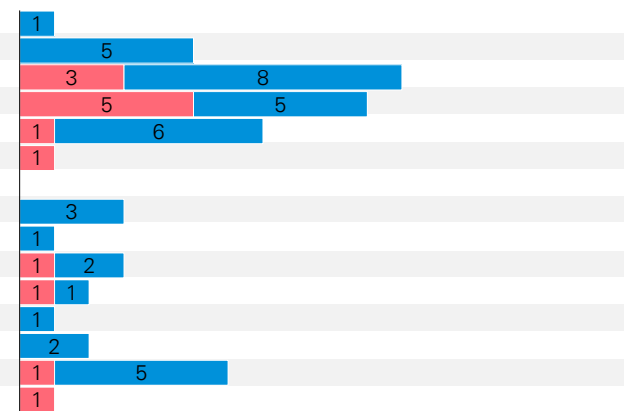
Development over time of the top 5 countries outside the EU that buy EU domiciled companies



America in 2017 – sectors of EU domiciled companies acquired by American companies



China in 2017 – sectors of EU domiciled companies acquired by Chinese companies



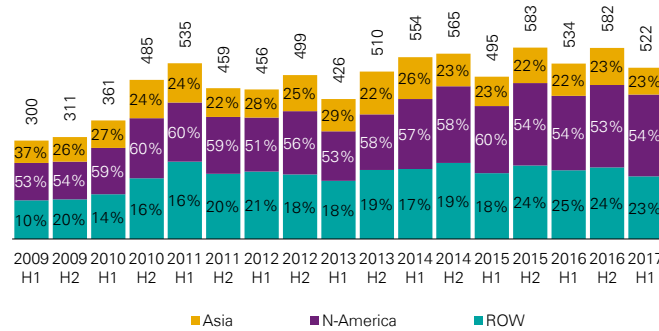
The appetite of EU bidders for non-EU targets

Since 2009 bidders from the EU acquiring targets outside the EU have predominately been focussing on targets in North America, which accounted for 54% of deal volume in H1 2017

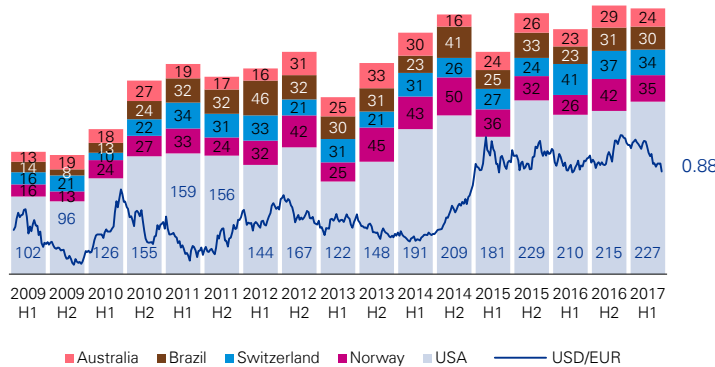
On country level the top 5 of countries receiving interest from EU bidders contain the US, the European Non-EU countries Norway and Switzerland, Brazil and Australia

On a sector level, US targets are mainly Industrials, Chemicals & Pharma, Business services and Technology. The latter sector receives most attention from financial investors domiciled in the EU

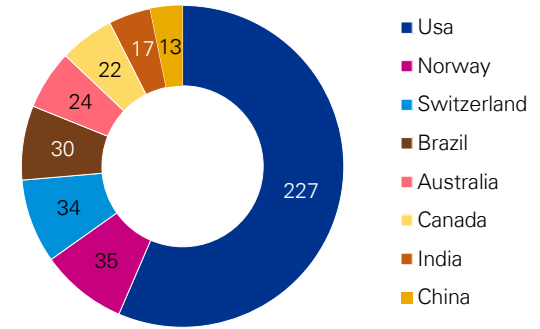
EU Bidders, acquiring companies outside the EU



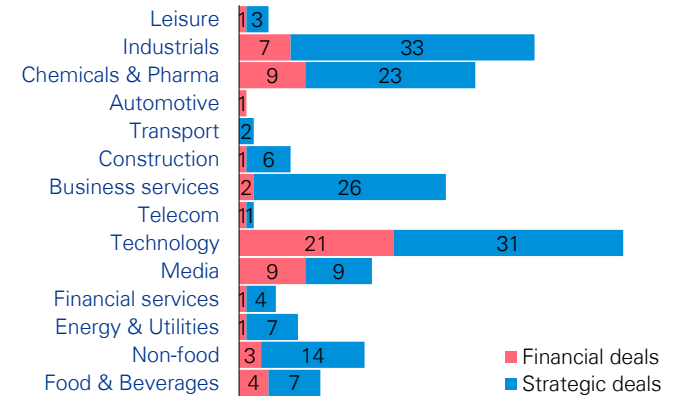
Top 5 of EU bidders acquiring targets outside the EU – development over time



Top countries EU bidders acquiring companies outside the EU



The United States is most popular country outside the EU for EU bidders – per sector



Dutch focus

The Dutch M&A market

In the first half of 2017, 101 financial transactions have been announced in the Netherlands

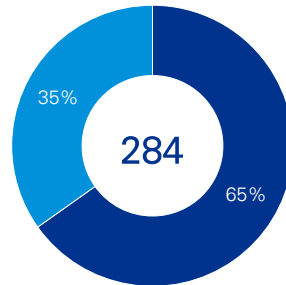
In 65% of the transactions a strategic investor was involved as bidder

In cross-border activity, Dutch bidders have mainly targeted companies from other EU countries, amounting to 61% of all transactions with a Dutch bidder acquiring a Non-Dutch target. Similar to the EU as a whole, second in line is North America with 24%.

In the cases where a Dutch target has been acquired by a Non-Dutch bidder, we see similar trends. Targets in the EU and North America are mostly acquired by Dutch bidders. Over the past years Dutch bidders have shifted away from ROW targets, decreasing from 20% in H1 2015 to 6% in H1 2017.

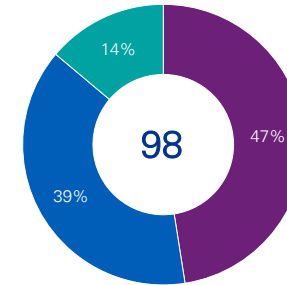
Split by type of deal

Strategic
Financial

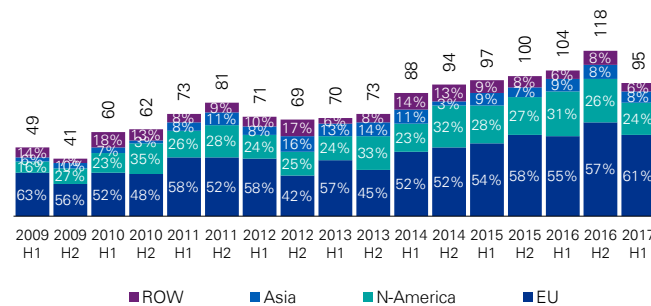


Financial deals split by type of deal

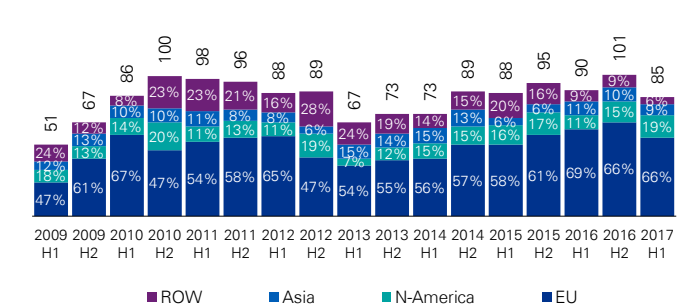
Entry
Exit
Secondary



Cross-border: Origin of targets outside the Netherlands



Cross-border: Origin of buyers outside the Netherlands



Classification of financial deals:

Entry: Financial investor acquires a company from a non-financial investor

Exit: Financial investor sells a portfolio company to a strategic buyer (excluding IPOs)

Secondary: Financial investor sells a portfolio company to another financial investor

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About KPMG Deal Advisory

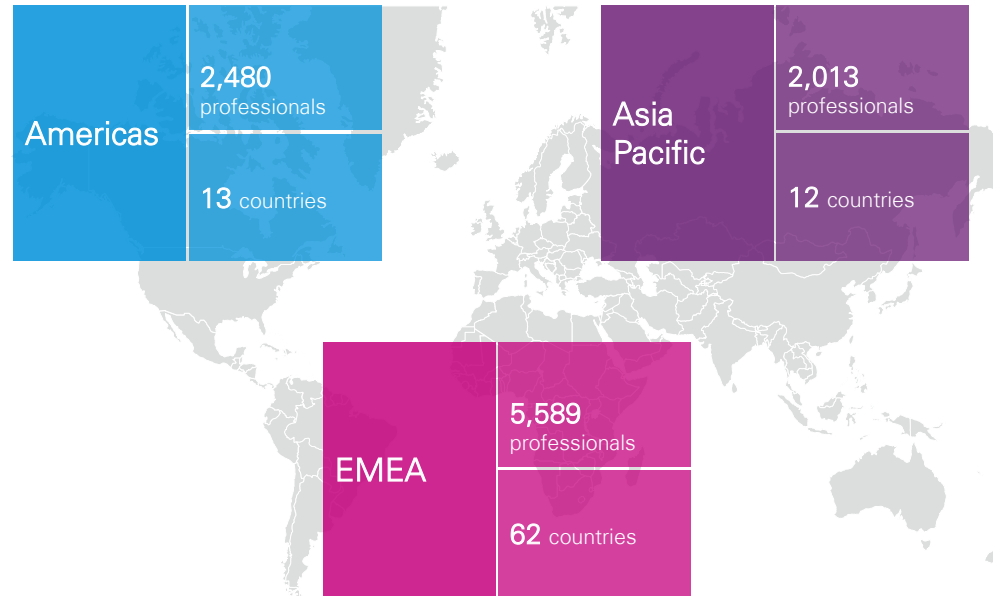
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In the Netherlands our practice consist of 200 professionals and we serve a broad clientele of listed and private corporate clients, financial investors, as well as governmental institutions.

A selection of recent accomplishments include:

 <p>KPMG Deal Advisory acted as the exclusive financial advisor to Centraal Boekhuis B.V. on the acquisition of a 50% stake in Printforce Nederland B.V.</p> <p>KPMG</p> <p>September 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to Van Beest on the acquisition of Irizar Forge (Spain)</p> <p>KPMG</p> <p>September 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to the shareholders of Reclamefolder.nl B.V. on the sale of the company to De Persgroep Nederland</p> <p>KPMG</p> <p>August 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to the shareholders of CAM IT Solutions B.V. on the sale to Koninklijke KPN N.V.</p> <p>KPMG</p> <p>August 2017</p>
 <p>KPMG Deal Advisory acted as the exclusive financial advisor to the shareholders of DeJong Gorredijk on the sale to Nordan Capital Partners</p> <p>KPMG</p> <p>July 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to the shareholders of iBabs on the sale of a majority stake to Euronext</p> <p>KPMG</p> <p>July 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to Cooperatie Royal FloraHolland U.A. on the acquisition of a majority stake in FloraXchange B.V.</p> <p>KPMG</p> <p>June 2017</p>	 <p>KPMG Deal Advisory acted as the exclusive financial advisor to the shareholders of Inergy Analytical Solutions B.V. on the sale of a majority stake to Main Capital Partners</p> <p>KPMG</p> <p>June 2017</p>



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