

IMAP closes 92 M&A transactions worth over \$3 billion in H1 2023

IMAP demonstrated its leadership in the M&A market once more, closing 92 transactions worth over \$3 billion in the first half of 2023.

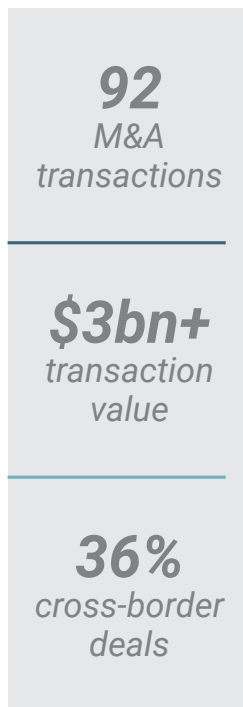
Cautious dealmaking due to global uncertainty, high interest rates, and the unresolved U.S. debt ceiling issue, meant global M&A activity experienced a significant decline of 36% in the second quarter of 2023. However, with the gradual recovery of the stock market, there is hope for restoring CEOs' confidence in engaging in M&A deals. Furthermore, despite the decline, experts believe the M&A market still holds potential for future growth and resurgence.

The most active sectors in terms of volume were Business Services, Industrials, Technology, and Consumer & Retail, accounting for 62% of total IMAP deal volume. However, in terms of deal value, the most active sectors were Healthcare, Technology, Consumer & Retail, and Industrials, representing 58% of total deal value. Europe was the most impacted region in terms of deal activity, following market trends.

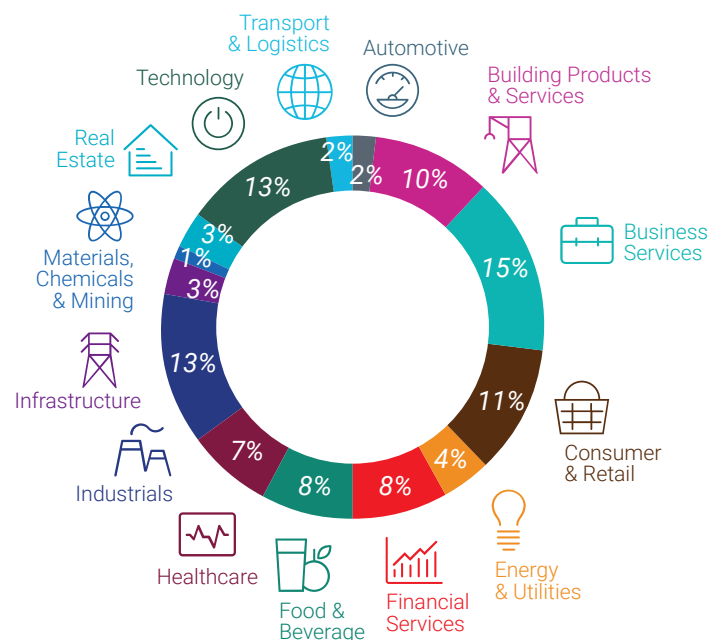
Global Performance

Rank	Advisor
1	PwC
2	Houlihan Lokey
3	KPMG
4	Ernst & Young
5	Deloitte
6	IMAP
7	Rothschild
8	Oaklins
9	Piper Sandler
10	Lincoln International

Ranking based on number of transactions closed in H1 2023.
Undisclosed values and values up to \$500 million.
Source: Refinitiv and IMAP internal data.



Deal Distribution by Sector



JURGIS V. ONIUNAS
IMAP Chairman



“Once again, IMAP partners have dedicated themselves to meeting client needs and adapting to changing circumstances. Indeed, several of them are hoping to reach new records in 2023. The first half of the year saw a dynamic M&A landscape with numerous signings and mandates, although deal closings are more challenging and taking longer due to cautious lending, extensive due diligence, and less optimistic valuations, driven by potential recession concerns. Despite temporary headwinds, long-term optimistic trends for our sector – an aging owner base looking for exits, a continuing move towards market efficiencies and consolidation, and the emergence of new technologies are powering our business model in markets around the world.”

IMAP Partner Local M&A Insights

GERMANY



The first half of the year has been very dynamic with more than 10 signings and over 25 new mandates. Our team is delivering top performance, which we are very proud of.

Selling non-core assets on the agenda for larger companies

The activity level in terms of pitches and leads across all sectors remains very high. We have a good chance of reaching new records in 2023. However, further decisions by central banks regarding fiscal policy may fuel recession concerns and hamper companies business development, especially in capital-intensive industries. We are also currently experiencing an increase in enquiries from companies facing challenging financing situations, particularly in the Mechanical Engineering and Automotive sectors, where equity solutions will be required. The sale of non-core assets remains a hot topic for larger corporates this year. In the Technology and Business Services mid-market sectors, we expected a continued high M&A activity with attractive valuation levels.



Henning Graw
IMAP Germany

ITALY

The M&A market in Italy was dynamic in 2022 and H1 2023 for both mid and large transactions driven by PE funds and strategic buyers. However, geopolitical uncertainty, the rise in inflation and interest rates, and increasing probability of the US and Europe entering a recession have affected risk appetite, in particular of large buy-out funds, with few transactions above 500 million Enterprise value.

PE funds and strategic buyers continue to drive M&A activity

Exceptions include acquisitions in H1 2023 by financial investors of luxury brand suppliers Minerva by the Garrone family and Florence by Permira, benefiting from post-pandemic demand in the Far East and China. Infrastructure funds have been active, acquiring assets with resilient business models and predictable cash flows (i.e. acquisition of Wind telecom mobile infrastructure by EQT). PE funds continue to chase mid-market transactions, less reliant on leverage and affected by interest rate increases. We expect M&A activity in H2 2023 to be consistent with the first half of the year.



Riccardo Martinelli
Vitale - IMAP Italy



Ireland & UK



H1 2023 has been a positive step forward after a slow Q4 in 2022. While the market is still facing challenges and buyers are much more cautious, we are seeing a steady increase in activity.

Buyers favor high quality, stable businesses over carveouts or complex group structures

Noticeable trends in the last number of months have been the increased prevalence of trade buyers as private equity buyers had retreated somewhat. There has also been a focus on high quality, stable businesses, with less interest in more complex situations, such as carve outs or complex group structures with multiple service offerings. As Q2 has progressed, we have continued to see positive momentum, and this is reflected in the experiences of other professional service providers in the M&A market. We remain optimistic for the second half of 2023.



Richard Tunney
Key Capital - IMAP Ireland

POLAND



The M&A market remain open with strategic investors and funds active both on the buy- and sell-side. While there are a lot of open processes, the decision making process is clearly slower with valuations affected by the potentially higher impact of interest rates, inflation, and geopolitical risks.

Despite the challenges, the M&A and debt markets remain active

The debt markets remain open - we completed a landmark PLN2.7 billion bond for Cyfrowy Polsat, the largest bond transaction ever launched by a private corporate in Poland. We also acted on several accelerated book building transactions (ABBs) for shareholders of already listed companies in Poland and are in the market with the first IPO transaction since December 2021. However, the equity markets remain very volatile and sensitive to global macroeconomic data and there remains no consensus as to whether we will avoid a recession in the coming quarters.



Piotr Chudzik
Trigon Investment Banking - IMAP Poland

NETHERLANDS



While winning new mandates in the Netherlands market is relatively easy, deal closures pose challenges due to extensive due diligence, cautious lending by banks, and trading performance below budget.

While highly selective, PE firms remain willing to invest

Private equity firms remain selective but willing to invest their dry powder, while the market sees limited PE divestments.



Jan-Pieter Borst
IMAP Netherlands

SWEDEN



The second quarter of the year continued to see strong M&A activity in Sweden. IMAP Sweden, together with IMAP Germany and IMAP Japan, closed a truly international deal in which we sold a Swedish company owned by a German Investment Group to a Japanese buyer.

We expect a significant amount of M&A activity in Sweden during the rest of the year

This transaction is in line with a trend we are experiencing, where international buyers are conducting strategic acquisitions in Sweden. Currently, industrial buyers are more active than financial buyers. We observe the majority of M&A activity within the Industrial, IT Services, and Software sectors. Overall, we are very optimistic about the second half of the year, as we believe there will be a significant amount of M&A activity in Sweden.



Andreas Anderberg
IMAP Sweden

HUNGARY

The Hungarian transaction market is determined by the strong inflation and the related high interest rates. In this environment, it is primarily companies or investors with cash in hand participating as buyers in transactions.

Cash in hand buyers are driving M&A activity in Hungary

We also see a growing number of deals in which part or all of the transaction is done through merger/exchange of ownership versus transactions in cash. As EU funding of corporate investments disappears, the true competitiveness and efficiency of corporates is uncovered causing a determinant impact on valuations.



Gábor Szendrői
CMBP - IMAP Hungary



USA



As has traditionally been the case, M&A market valuations and activity levels are driven more by credit trends than by equity market levels. Tightened credit conditions have decreased the amount of debt available for transactions as well as increased the cost of that debt.

Once conditions stabilize we look forward to the inevitable rebound in activity

With higher required equity contributions and more expensive debt, valuations have adjusted downward to maintain returns. What's more, the natural flight to quality in times of uncertainty has further reduced supply in the short term. We look forward to the inevitable rebound in activity as conditions stabilize.



Kenneth Wasik
Capstone Partners - IMAP USA

CANADA



Despite a challenging year for bulge bracket banks, we forecast positive performance in our targeted sectors. The Canadian economy remains strong, although sector performance is uneven.

We forecast positive performance in our targeted sectors

Central bank interest rate increases are exerting pressure on return expectations for private and public equities, leading investors to seek higher returns, which is to be expected when investors can secure up to 4% or more from zero-risk short-term guaranteed return funds. Short and medium-term debt costs are pressuring debt-heavy businesses, but long-term debt remains cheaper, benefiting infrastructure project-finance. The IPO market is closed and impacting valuations, leaving Tech and other companies relying on private equity capital for funding. The government's focus on the energy transition has sustained the Mining, Utilities, Greentech and related sectors. Canada's housing market faces extreme conditions due to robust immigration performance and weak new housing development, prompting the introduction of government programs to stimulate construction. Thus, despite high prices and interest rates, the Residential Construction sector remains robust, albeit with slower growth due to labor shortages.



Pelino Colaiacovo
Morisson Park Advisors, IMAP - Canada

BRAZIL

In Brazil, the number of transactions announced in the first quarter of 2023 decreased by 16% compared to the same period of the previous year, totaling 335 operations.

We expect more distressed M&A or divestitures of divisions

This was as expected as some buyers paused to assess new market trends under the new federal administration. For the remainder of the year the trend is expected to be positive, with the M&A market resuming its pace and distressed M&A or divestitures of divisions becoming more prevalent. To date in 2023, the TMT sector has been the most active.



Marcio Fiuza
Brasilpar - IMAP Brazil



INDIA

Deal activity in the first half of the year has been slow and there is, in general, uncertainty arising from global credit issues & overall demand growth.

We expect the level of activity to remain the same for the rest of the year

The equity markets in India are still holding strong but primary issuances and IPOs have declined. Niche sectors like those benefitting from increased outsourcing, the renewables, defence items, and industrial automation etc. continue to find strategic and financial capital at good valuations. No change in activity or scenario is expected for the rest of the year.



Ashutosh Maheshvari
IMAP India



CHINA



With the adjustment of China's anti-epidemic policy, its economy is recovering, international travel is no longer an obstacle, and companies are going abroad. Chinese companies, in particular private ones, are considering cross-border M&A due to a lack of suitable assets within China.

Increasing opportunity for cross-border M&A

Additionally, the challenges of securing a global supply chain means more Chinese companies are considering production bases outside China, the majority of which are looking for established overseas facilities and add-ons. We also see foreign companies consolidating or selling their Chinese assets. Many Chinese private entrepreneurs are starting to encounter problems, such as succession, so we expect yet more assets will be sold in China soon. We also believe that the systematic sell-side bidding process holds great potential for future activity.



Junxiong "Jacky" Wang
IMAP China

SOUTH AFRICA



We see some positive in macro and market factors, including sovereign debt restructurings in Ghana and Zambia having been concluded, policy reform in Nigeria including the collapsing of the multiple exchange rate regime, and a cautious improvement in the fund raising outlook for private equity.

We advise clients to look at the market actively

We continue to see a robust interest in high quality transactions and are advising clients to look at the market actively ahead of potential further rate rises in the U.S., potential further sovereign credit stress in Africa, and a busy forward political calendar including presidential elections in South Africa.



Edmund Higenbottam
Verdant Capital - IMAP South Africa

JAPAN



While Japan's stock market hit a historical peak and continues to rise, many investors believe it is undervalued, with half of the large-cap companies in the TOPIX 500 index worth less than their net assets (PBR is less than 1.0x).

We expect more inbound M&A

To improve capital efficiency, a record number of shareholder proposals are expected, many by activist shareholders, and intense battles are expected between companies and shareholders amid the push for better corporate governance – driving activity in the domestic capital market. This active trend was also found in the M&A market in Q1 with the total value of transactions involving Japanese companies as buyers at 145% compared to the same period in 2022. We expect more inbound M&A activities soon, while the Japanese currency is still at a decades-low level and the capital market becomes more active and efficient.



Tomoyuki Izumi
Pinnacle - IMAP Japan

MOROCCO



Morocco, like most of its neighbors, faces challenges due to increased inflation and interest rates caused by the international political and economic situation. 2023 is expected to be relatively difficult, impacted by the severe drought, higher financing costs, and a slowdown in domestic demand.



















Companies seeking new capital and expertise drive M&A

However, the economy is projected to benefit from agricultural recovery, decreased inflation, and improved investor confidence following the removal from the FATF's grey list. The World Bank predicts GDP growth of 3.1% in 2023, lower than pre-COVID levels. Investors are adopting a wait-and-see approach on non-critical transactions, considering the lower ticket sizes and lesser exposure to international issues in the Moroccan market. M&A activity in 2023 will be influenced by economic uncertainties and limited bank credit access on one hand, offset by the catch-up effect as companies seek new capital and expertise to develop their businesses post-COVID.



Abdellatif Imani
Ascent Capital Partners - IMAP Morocco

Selected H1 Transactions

<p>FINANCIAL SERVICES</p>  <p>CANADA</p> <p>Acquired 100% of Business Operations</p>  <p>CANADA</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>TECHNOLOGY</p>  <p>DARING TO COMMIT BELGIUM</p> <p>Acquired 100% of Business Operations</p>  <p>BELGIUM</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>INDUSTRIALS</p>  <p>FRANCE</p> <p>Acquired 100% of Business Operations</p>  <p>GERMANY</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>
<p>INDUSTRIALS</p>  <p>JAPAN</p> <p>Acquired 100% of Business Operations</p>  <p>SWEDEN</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>CONSUMER & RETAIL</p>  <p>JAPAN</p> <p>Acquired 100% of Business Operations</p>  <p>GERMANY</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>HEALTHCARE</p>  <p>IRELAND</p> <p>Acquired 100% of Business Operations</p>  <p>UNITED STATES</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>
<p>ENERGY & UTILITIES</p>  <p>UNITED STATES</p> <p>Acquired 100% of Business Operations</p>  <p>UNITED STATES</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>FOOD & BEVERAGE</p>  <p>ITALY</p> <p>Acquired Majority Control of Business Operations</p>  <p>ITALY</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>	<p>BUILDING PRODUCTS & SERVICES</p>  <p>UNITED STATES</p> <p>Acquired 100% of Business Operations</p>  <p>UNITED STATES</p> <p>IMAP</p> <p>ADVISED ON SALE OF COMPANY</p>