CLAIRFIELD ANNUAL OUTLOOK 2019

A FRONT AND BACK LOOK AT M&A

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Letter from the chairman

Advising industry leaders on business transformation

We are living in a time of geopolitical, economic, and technological upheaval with clear repercussions in the world of M&A. One may wonder whether after some 10 years of growth we have reached the end of a cycle. Real economic indicators continue to signal a positive outlook despite decreased business confidence and growth forecasts due to alarming headlines, particularly in regards to the US-China trade deal, European political uncertainty, and more restrictive antitrust movements.

Whereas corporate clients may be exposed to cyclicality and earnings variations, the search for growth by implementation of buy & build or roll-out of platform strategies continues with corporate balance sheets remaining cash-rich and strong. Private equity with record amounts of dry powder and other investors such as family offices, foundations, and entrepreneurs increasingly engaging in direct investments will compensate if corporates are more guarded. Furthermore, advisory demand will continue to benefit from increasing investor activism, both as catalysts of sale processes and as deal opponents. Starting in late 2018, equity markets have seen defensive shifts in asset allocation. Cumulative M&A deal value still surpassed USD 4 trillion, an increase of 19% over 2017, though deal volume showed an 8% decline. Megadeals (over USD 5 billion) accounted for 38% of deal values with digitalization across sectors being a large driver of M&A into technology. In our key midmarket, deal values have remained stable.

At Clairfield we see a continuation in 2019 of advisory demand for the implementation of growth buy & build strategies of private equity portfolio businesses and corporates alike. We notice a surging need for advisory services in the disposal of corporate non-core assets, be it for family businesses or large corporate groups, as a slightly clouded economic outlook may prompt corporate streamlining. Finally, we see a continued high level of disposals of businesses given high valuation levels and cheap money in the system, an activity where Clairfield can help families, corporates, and private equity alike given our superior sector know-how and international reach to buyers.

Sector alignment, value creation, growth opportunities, and process optimization are but a few of the challenges that come with strategic decisions. Clairfield International helps companies and investors across all sectors to anticipate these challenges in designing and executing strategies. While each deal within the middle market has its own nuances, all companies involved will have the most success from using advisors that are experts in positioning and valuing a business, are well-connected, and can mitigate risk in any strategic decision.

This year's edition of our *Annual Outlook* highlights Clairfield's role in mergers and acquisitions and gives insight into what the industry may bring in the coming year. We have again counted on contributions from clients, senior advisors, and experts to add their own unique insights and thought leadership on important M&A topics including merger integration, the rise of China, and government oversight of cross-border acquisitions as well as on timely industry topics including digitalization and industry 4.0. We hope you enjoy this publication.

Alexander Klemm
Chairman

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New scrutiny of crossborder acquisitions

With security-critical technology playing a role in many industries, potential acquirors must factor recent compliance legislation into investment decisions.

John H. Spillman is a partner in the corporate practice of Smith, Gambrell & Russell, LLP. He has also assisted numerous foreign companies entering the US market through acquisitions and joint ventures. He has extensive experience in franchise law matters, including the purchase and sale of franchisors and multi-unit franchisees. He has spoken frequently at seminars and written articles on transactional topics.

Dr. Jacob von Andreae is partner of Gleiss Lutz, based in the law firm's Düsseldorf office, and a certified administrative law attorney. He studied at the Universities of Oxford and Mannheim and is specialized in public law, with a practice focus on regulatory law in the energy sector, foreign trade and investments as well as building, planning and environmental law. He regularly advises in M&A transactions with a regulatory focus.

Both the US and Germany have recently stepped up their reviews of acquisitions by foreign parties. Are the underlying concerns the same in both cases?

John Spillman: I believe so. The United States, like Germany, has traditionally welcomed foreign direct investment with few regulatory restrictions. The US market attracts foreign investors with its large and dynamic internal market, robust network of reciprocal trade agreements, benign regulatory and tax climate, productive workforce, and other positive features. The US remains an open and attractive market, but potential foreign investors and their advisors should be aware of recent regulatory developments that increase scrutiny of foreign investments affecting US national security.

The US has had some form of national security review of foreign acquisitions since the 1970s, with significant modifications in the 1980s and early 2000s. In recent years, there has been widespread recognition that the review process has needed to be updated in light of technological and geopolitical developments, including aggressive efforts by China and other potential US military adversaries to obtain advanced technology, sensitive data, and other assets by acquiring US businesses.

Jacob von Andreae: Germany also has a strong tradition of promoting free trade and investments and of opposing protectionism. Recent prominent cases, however, have provoked an intense public debate on whether the German system of foreign investment control is tough enough to safeguard national security and Germany's status as a technology champion. Fear of Chinese acquisitions of German market and technology leaders as well as Chinese investments in German critical infrastructures has led to a widespread perception that foreign investments in German companies must be controlled more stringently.

> *"In recent years, German foreign investment control has been undergoing a fundamental change with a substantial impact on crossborder M&A."*

What new legislation has been drawn up to address potential security issues?

JS: Congress has passed the Foreign Investment Risk Review Modernization Act (FIRRMA) to address these geopolitical developments. Among other changes, FIRRMA has expanded the scope of foreign investments that are subject to national security review, made significant procedural changes to the review process, and codified practices and interpretations that had evolved informally under prior law. The Committee on Foreign Investment in the United States (CFIUS) is an interagency group led by the US Treasury Department with representatives from federal agencies with responsibility for defense, security, intelligence, and commerce. CFIUS is charged with evaluating the national security implications of investments by non-US parties in US businesses. The formal CFIUS review process begins when the parties file a confidential notice with detailed information about a proposed transaction. In many cases, the parties discuss the transaction with CFIUS informally prior to filing the formal notice. CFIUS notices were voluntary before recent changes in the legislation, but the parties have always had strong incentives to file a notice when a transaction meets the criteria for CFIUS coverage.

JVA: The German government has taken several measures: to name a few, it has broadened the scope of the so-called sector-specific review, applicable to the defense and certain IT security industries; it has introduced a notification duty for foreign investments in critical infrastructures, including the energy, water, telecommunications, transport, healthcare, finance and insurance sectors; and has considerably extended the statutory review period. The most recent legislative change was prompted when the acquisition of a 20% stake in the German power transmission system operator 50Hertz by State Grid Corporation of China could not be prohibited under the existing cross-sector foreign investment review powers of the German Federal Ministry for Economic Affairs and Energy (BMWi). In this case, the German government felt compelled to instruct the state-owned development bank KfW to preempt the Chinese investment by acquiring the relevant stake with public funds. As a consequence of this experience, the German Foreign Trade and Payments Ordinance was recently amended once again, lowering the threshold for control powers within the scope of the sector-specific review and in relation to critical infrastructures from 25% to 10% or more of the voting rights in the German target company. This quantitative modification marks a noticeable change in the underlying regulatory rationale, moving beyond the review of acquisitions of at least a blocking minority to screening and potentially controlling even more limited investments. The German government justifies this extension of its review powers by pointing to the OECD's 2008 benchmark definition, according to which the acquisition of at least a 10% stake in a company indicates the investor's long-term interest and its intention to exert control. However, this change in approach also raises important questions as to the amended provisions' compatibility with EU rules, in particular the fundamental freedom of movement of capital.

These substantial legislative amendments of the past two years have been accompanied by tightened control by the BMWi. M&A practitioners have seen a noticeable increase in information requests and in-depth foreign investment review proceedings, considerably longer durations of review proceedings, and rising pressures for restrictive commitments from foreign investors. In light of stricter control, it did not come as a surprise when in August 2018, the German government prohibited the acquisition of a German target company by a foreign investor for the first time since the introduction of the foreign investment control regime. The decision concerned the indirect acquisition of Leifeld Metal Spinning, a manufacturer of machines for chipless metal-forming for the automotive, aerospace and energy sectors, by the Chinese investor Yantai Tahai. Yantai Tahai eventually withdrew from the transaction. The Leifeld case shows the growing willingness of the BMWi to interfere in crossborder M&A transactions if it fears that public order or security are jeopardized.

How does the formal procedure work and how long does it take to get approval?

JS: Once a formal notice is filed, CFIUS can give clearance based on the notice or initiate a formal investigation for up to 45 days. If CFIUS determines a transaction to raise national security concerns, it can agree to conditional clearance subject to mandatory mitigation actions. If CFIUS has unresolved concerns at the end of the investigation period, it issues a formal recommendation to the US president. The president then has 15 days to decide whether to block the transaction or impose conditions on clearance. Most transactions are cleared through notice review or in the investigation stage, including clearances with negotiated mitigation conditions. In some cases the parties withdraw the transaction voluntarily in light of CFIUS concerns.

Only a few CFIUS matters result in final determination by the president. As of February 2019, just five transactions have been blocked by the president since the current framework was established in the 1980s. However, of those five presidential denials, four occurred during the last six years, two under

President Obama and two under President Trump. Most transactions that have run into difficulty with CFIUS clearance have involved buyers from China, Russia, or Middle Eastern countries, particularly if the buyer was perceived to have government connections.

JVA: Within the scope of the sector-specific review, acquisitions of German targets in the defense and certain IT-security industries have to be notified to and cleared by the BMWi. In all other sectors, there is no approval requirement, but certain transactions, for example involving civilian critical infrastructures, also have to be notified to the BMWi. In addition, foreign investors can voluntarily apply for a clearance certificate. In most cases, clearance can be obtained within two or three months, unless a formal in-depth review is initiated by the BMWi.

How has the oversight process now changed and what are your recommendations on dealing with it?

JS: The recent FIRRMA changes to the CFIUS process include:

- Expanded coverage of CFIUS jurisdiction to include foreign investments in critical technology, critical infrastructure, and sensitive personal data of US citizens.
- Expanded coverage to include investments in real estate located near military or other sensitive facilities.
- Application to minority investments under some circumstances—previously CFIUS focused only on investments resulting in non-US control.
- Creation of a short form "declaration" in lieu of the full standard CFIUS notice. CFIUS can grant clearance based on the short-form declaration if it determines the information is sufficient. It can also require the parties to file a full notice or initiate an investigation based on the declaration.
- Mandatory filing of declarations for transactions involving critical technology, infrastructure, or personal data.
- Imposition of CFIUS filing fees.

Foreign buyers considering a US acquisition should be alert to possible CFIUS issues if the target is involved in selling goods or services to the US military or intelligence services or involves sensitive technology, infrastructure or personal data, and should be prepared to deal with the issues proactively. In addition to possible CFIUS review, foreign buyers of US targets should be aware that they could become subject to US export control compliance as result of the acquisition, including restrictions on trading with Iran and Cuba as well as restrictions on export of arms and technology with military or national security uses. With technology playing an ever increasing role in strategic decisions, non-US buyers planning an acquisition in the US should consult with US professional advisors at an early stage if they believe any of these issues might raise concerns.

JVA: Crossborder M&A practice involving German target companies has to adapt to these new regulatory realities. Sale processes and acquisition projects with potential foreign investment control risks need to be based on a thorough analysis of such risks for all relevant jurisdictions. Various aspects of affected M&A transactions, such as the choice between competing bidders in an auction process, transaction timing, necessary closing conditions, and the contractual allocation of prohibition and restriction risks, must be geared to the findings of these risk assessments. The main challenge in dealing with German foreign investment control risks lies in dealing with the considerable uncertainties associated with the demanding combination of a widening scope of review powers, increasingly long review periods, and the inherent vagueness of public order and security as the relevant grounds of review.

What sort of technologies or companies are likely to be on the radar screen of these regulatory bodies?

JS: The scope of "critical technologies" will be defined in more detail by CFIUS regulations and will not be final until 2020 or later. An interim CFIUS program named 27 industries subject to mandatory CFIUS notification under FIRRMA including industries as diverse as aircraft manufacturing, battery manufacturing, nanotechnology R&D, semiconductors, optical instruments, computer storage, wireless communications, petrochemicals and

secondary aluminum smelting, as well as others with obvious national security implications, such as missile guidance systems.

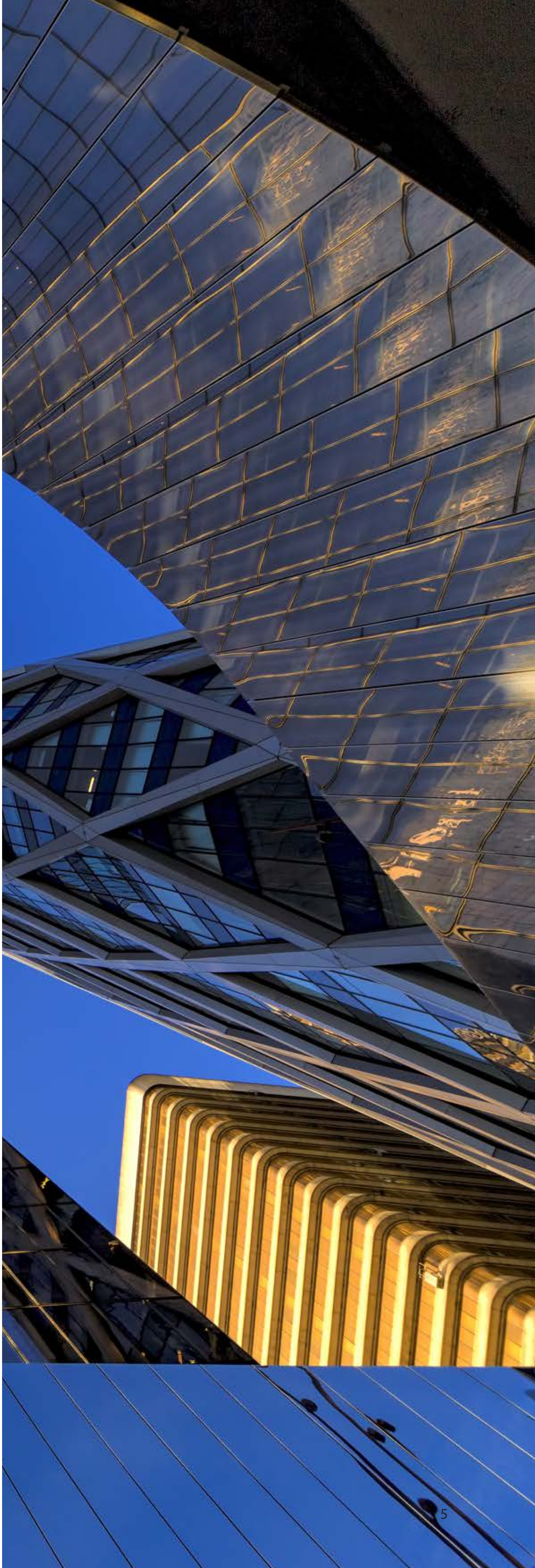
> *"Based on the industries named in the pilot program, it appears that a broad swath of US industries will be considered critical technologies for CFIUS purposes."*

JVA: Traditionally, there is a strong focus on defense and IT security. Over the past two years, civilian critical infrastructures have attracted considerable attention. As regards further security-relevant and strategic technologies, there is a lot of uncertainty for investors. In this respect, two current developments may become relevant: the new EU regulation establishing a framework for screening of foreign direct investments into the EU will go into effect in April 2019 and will complicate and prolong review procedures even further by establishing reporting obligations as well as rights to comment on transactions undergoing national screening. The new legislation expands the focus of national foreign investment reviews by explicitly providing for a whole set of screening factors particularly the consideration of a transaction's potential effects not only on critical infrastructures but also on critical technologies and dual-use items (including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies as well as nanotechnologies and biotechnologies), the supply of critical inputs and food security, access to sensitive information, or the freedom and pluralism of the media.

This broad understanding of public order and security is of a piece with parallel efforts by the German government to promote a National Industry Strategy 2030. This strategy goes beyond the security-orientated approach by identifying certain key industries, such as automotive, chemicals, engineering, artificial intelligence, greentech, and aerospace, and establishing a national participation facility to prevent foreign investments in German target companies where such investments jeopardize German technology and innovation leadership.

What are the challenges and opportunities that accompany increased oversight of crossborder M&A?

JVA: Crossborder M&A is not only faced with a new reality of a tightened system of German foreign investment control, but will also have to deal with further restrictive tendencies in the months and years to come. In this challenging environment, governments are called upon to provide international M&A with a regulatory framework and an administrative practice that are reliable, predictable, and fair. The real poison for crossborder transactions is not the very few restrictions that may indeed be necessary to protect public order or security in exceptional cases, but the uncertainty that affects a large and continuously growing number of international M&A deals. In this sense, both the upcoming EU regulation and the German national industry strategy may even have some positive effects on the crossborder M&A market because they contribute to the overdue debate on which companies, infrastructures, sectors and technologies actually need protection under foreign investment control rules. ■



The Asia bridge: Q&A with Dr. Karl Pilny

In recent years, Asia, and especially China, has striven to establish itself as the global champion of technology.

Dr. Karl Pilny, a renowned Asia and investment expert who bridges business, politics and culture, is the founder and managing partner of asia21, a Zurich-based advisory practice. A Japanese speaker, Karl has been a professor of German law at the Universities of Kyoto and Osaka and a research fellow at the Max Planck Institute for International Intellectual Property Law. Today he is a professor of international technology transfer in Berlin and an angel investor.

In recent years, how has Asia, particularly China, strived to establish itself as a technology champion?

Asia has been a global locomotive of growth for a while; however, the quality of growth is rapidly changing for the better due to the solid consumption by the exploding middle class.

By 2030, the middle class will grow to 2.3 billion in the Asia Pacific region alone, up from 1 billion today. Growth is increasingly driven by innovation and technology, enthusiastically embraced by the Asian people, governments, and companies.

Specifically, artificial intelligence has been a key investment by Asian innovators. The technology is truly disruptive and will enable quantum leaps rather than mere linear growth in all industries. Today, China has filed twice as many patents for artificial intelligence and other disruptive technologies as the United States and Europe.

This huge pool of motivated, industrious, and driven people will lead to more innovation, more patents, and more cutting-edge products in huge quantities at competitive prices.

How about Chinese companies? Are they enjoying the expanding consumer power of the Chinese?

Companies such as Alibaba, Tencent, Haier, Samsung, Hyundai, and Reliance are all successfully competing with Amazon, Google, and other American tech titans. These companies have been able to enjoy such success due to political protection, a large consumer base, and few limits on data usage. These highly competitive companies become leaner and more profitable by the day. At the same time, the needs of an emerging middle class for real estate, infrastructure, good life, and travel, continue to grow rapidly. The golden age of the Asian consumer is just beginning.

How is the rise of China impacting India, one of China´s major competitors?

In the past 30 years, we have seen an oscillating relationship between the two countries. Both have gone through periods of cooperation and harmonious coexistence in addition to periods of fierce competition and rivalry. Under the current Indian Prime Minister Narendra Madi, India is more patriotic

Thought leadership

and consequently in greater competition with China. However, I believe that the economies of both countries would complement each other very well. Given China's expertise in hardware and India's expertise in software, the two countries could potentially form a very mutually beneficial relationship.

"The Chinese economic miracle is spectacular but hardly the only one in Asia."

What is the German perspective on the Belt and Road Initiative, the massive overseas infrastructure investment program by the Chinese government to connect the world to China?

The Belt and Road Initiative is an important platform with many great opportunities. However, Europe, particularly Germany, is currently only focusing on the risks, so much so that the topic is almost demonized and receives little attention or action from Europe. While it is true that the largest number of tenders goes to Chinese companies, it does not have to stay that way. Germany can still score points with its know-how and its Mittelstand companies, but companies must capitalize on this opportunity now.

Let's turn to Korea. What opportunities could a unified Korea bring to the Asian economy?

The division of Korea has created two very unequal nations. The northern region was the economic powerhouse of the country until the Japanese occupation. Today, it is still very resource-rich, with rare earth and uranium deposits. The southern region was much less economically developed but had other logistical advantages. The combination of Confucian virtues already instilled in the Korean culture mixed with its adaptability to learn from the historic Japanese occupations has equipped the South Koreans with exceptional soft skills and has allowed the economy to grow into one of the largest in the world. Now imagine what would happen if these two nations joined forces. The north has an abundance of raw materials, low wages, and 23 million highly motivated workers, and the south has industrial superiority and prowess. The combination would result in a powerhouse of 80 million people who could all be extremely successful. Even on its own, with a little more than half of the combined population, South Korea has managed to give Japan a run for its money in the automotive and electronics sectors.

And what about Japan? Is it still a force to be reckoned with?

Today Japan is facing serious demographic challenges in three areas that I see. First, the aging population: in the year 2100, Japan is estimated to have only 70-80 million inhabitants. Second, despite the launch of important reforms under Prime Minister Shinzo Abe, more women need to be integrated into the workforce. Finally, immigration provisions for foreign skilled workers need to be loosened. The megatrends of automation and digitization will be particularly dynamic in Japan. Regardless, I do not believe that the country will be able to compete with its more agile neighbors unless the necessary structural reforms are implemented with the necessary depth and thoroughness. ■

"The golden age of the Asian consumer is just beginning."

Dr. Karl Pilny´s most recent book is ASIA 2030: What It Means for the Global Economy.

Thought leadership

Unlocking the effect of integration on acquisition performance

The management of the M&A process is challenging, yet key to value creation post-transaction.

Dr. Satu Teerikangas is a professor of management & organization at Turku School of Economics in Finland, and an honorary professor in management at University College London. Satu's research focuses on the sociocultural dynamics of mergers & acquisitions and engagement of the workforce.

Your research argues against using traditional short-term metrics, such as the immediate share price of the acquiring company, for measuring the success of an acquisition. How then should we gauge the results of a transaction?

Numerous financial and non-financial metrics are needed to capture acquisition performance. Acquisition performance can be measured in terms of the target's versus the buyer's performance post-acquisition; the performance of joint post-acquisition initiatives; and the swift and cost-effective progress of post-acquisition integration.

Following up on acquisition-specific goals is of vital importance. Performance might vary across departments. Additionally it is crucial to pay attention to non-financial metrics. Measuring employee engagement during an acquisition process offers a helpful means of gauging the satisfaction and commitment of the staff towards inevitable changes. Once staff are engaged, they are more willing to make a difference and take on extra roles to help the merged company succeed.

How long does it take to see a positive result from M&A?

Academic research has shown that acquisitions do not necessarily improve the financial performance of the buying company. However, most studies have measured the financial performance of acquisitions in a time-frame ranging from a few days to a one-to-three-year period following the transaction, when the integration and/or cultural change processes are still ongoing. The handful of studies that take a longer perspective suggest that mergers & acquisitions are so complex to integrate operationally, organizationally, and socio-culturally, that it takes buying companies on average five to ten years to be able to report positive performance figures. Of course some individual acquisitions might report solid performance results soon after a deal. Most of the studies use large samples, so results are based on averages.

How does the post-deal integration phase affect acquisition performance?

The integration process is best observed by delving into functions and departments. Acquisition performance depends on how well the envisioned integration strategies have been implemented per function. Post-acquisition integration in the sales department, for example, is often mired down by emotional, cultural, and linguistic factors. Commercial sales teams at the buyer and target companies might resist the need to sell one another's products. Sales organizations on the target side might not be happy with the idea of selling the products of the new parent firm. This reluctance most often occurs in the merger of companies that were previously competitors.

> *"Mergers & acquisitions are so complex to integrate operationally, organizationally, and socio-culturally, that it takes buying companies on average five to ten years to be able to report positive performance figures."*

In the research & development department, capturing the full value of the target firm depends on the extent to which the acquired firm's products and product development potential are recognized and utilized. Strategic due diligence surprises can include when the target's product development potential turns out to be lower than when first evaluated in the pre-deal stage. What is more, an acquiror's negative emotional reactions, for example, via the "not-invented-here syndrome" or mistrust, can lead to the target's product potential not being harnessed. Only too often the acquired firm's capabilities are dismissed as of lesser value than the buyer's. A mindset of mutual learning is recommended. Openness from both the target and the acquiror are needed to appreciate one another's strengths.

Decision-makers must remember to attend to the softer sides in M&A, including integration management, emotional reactions, employee motivation levels, degree of organizational and national culture fit, cultural change, and linguistic differences. As these soft sides are always present in an organization, they can turn into sources of post-acquisition value leakage if not attended to. This is why I have termed them "silent forces" affecting post-acquisition performance: "silent" because they are rarely attended to; "forces" because they powerfully shape performance.

Are there any special considerations for private-equity buyouts?

The difference between strategic acquisitions and private-equity buyouts is that corporates focus on post-acquisition integration, whereas in private equity, the focus is on an individual buyout in a first stage, followed potentially by integration into a collection of portfolio companies.

How does a low level of pre-deal motivation affect the process?

Employee motivation bears numerous implications on acquisition performance. These effects can easily go unrecognized and untreated. Pre-acquisition personnel losses lower the success potential of the post-acquisition phase. In a worst-case scenario, local market dynamics become more competitive if former personnel leave and establish rival companies. Low pre-deal motivation levels further translate into a post-acquisition era in which corporate attention must be directed towards regaining staff engagement. Consequently, integration is delayed and integration costs escalate.

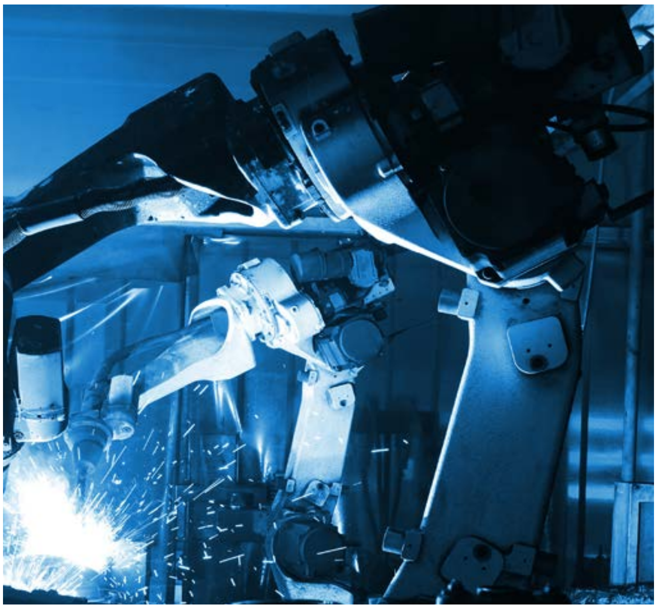
What then, would you add to due diligence to speed up the integration process?

Managers must pay attention to the performance-critical roles of functional strategies in acquisitions, especially the role of the sales and research departments. Both target and acquiror need to be encouraged to cross-sell one another's products and services, and the target company's product potential needs to be recognized and utilized.

A mutually respectful and cooperative atmosphere needs to be encouraged in support of the acquisition, across both organizations. Everyone's daily interactions matter, as it is through these interactions that cultures develop and are sustained. The primary goal in acquisitions is to secure cooperative interactions.

Do you have any recommendations to help acquirors take cultural and behavioral differences into account throughout the acquisition process? Can this be done before a transaction is completed?

Acquirors need to pay attention to organizational and cultural fit in the pre-deal stage. Assessing staff competences and the target's capabilities is also important. A sense of the emotional state of the target, particularly as regards employee views on the acquisition and the company's new owners, provides cues as to the likely challenge of the post-deal era. The emotional risks involved in merging former rivals should not be taken lightly. ■



Clairfield sectors

Industry expertise demonstrates the understanding of value drivers and financial expectations and is important for quick access to global and local players. Since 2004, Clairfield International has built a strong level of expertise across all sectors focusing on six strategic verticals:

BUSINESS SERVICES

CONSUMER & RETAIL

ENERGY, CLEANTECH & RESOURCES

HEALTHCARE

INDUSTRIALS

TECHNOLOGY, MEDIA & TELECOM

Each sector team gives clients access to experienced professionals in their industry around the world. We host frequent sector meetings in order to bring our experts together so that they may share research and discuss the various challenges of the sector. Each sector group further focuses on the subsectors within and how each plays a certain role in the middle market. By concentration on specific segments, we can analyze worldwide trends, understand main consolidators, and form bonds with local companies that we can share with international partners.

Supporting our sector teams is a global network of senior advisors. The senior advisor group, made up of corporate leaders with depths of executive and board-level experience in their respective fields, complements each sector with an expansive network and industry information.

Senior advisors play a critical role in connecting Clairfield´s clients to appropriate counterparties around the world, offering midcap companies an unrivalled level of access.

6

SECTOR GROUPS

20

DEDICATED SUBSECTOR SPECIALIST TEAMS

60

INDUSTRY ADVISORS

Business services

- Financial services firms will continue to capitalize on deregulation and tax reform, with one of the healthiest outlooks of any sector for M&A.
- New tax legislation will challenge the way companies approach their operations and strategies, affecting everything from financing to asset repatriation to product mix.
- Business services firms will look to acquire technology- and data-based firms in order to keep up their digital infrastructure with competitors.
- Deal size is expected to increase and stay on the larger side.
- Local and crossborder consolidation will be widespread across European financial firms.

Sector head

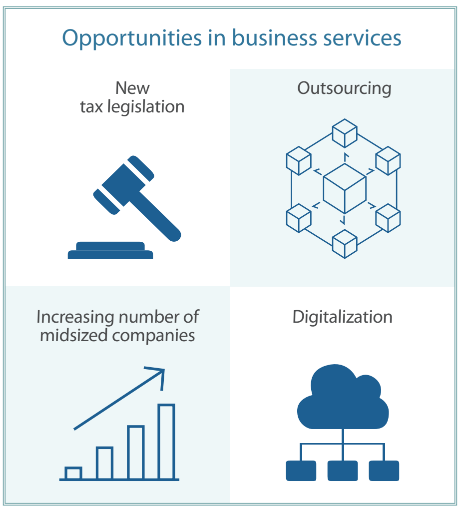
Jarle Mork

jmork@clairfield.com

The business services sector saw significantly higher total deal value in 2018 than in recent years. Bank and tax reform has allowed companies to be more aggressive with their investment strategies across all sectors, while digitalization and the changing face of employment continue to drive the services sector in particular. The future continues to look very bright for firms within the business services sector in 2019, as cash-heavy companies will create a desirable market for smaller companies looking to sell and the digitalization race continues. Vertical acquisitions in software development is an interesting trend that will take off even further this year.

In the staffing segment, digitalization, robotization, and globalization are the biggest challenges confronting the labor market today while a highly educated workforce demands flexibility from its employers. The need for flexibility in the workplace creates opportunities for companies dealing in human capital. With vestiges of the financial crisis affecting the staffing sector, several multinationals have exited some markets, leaving room for smaller national players.

Meanwhile in the outsourcing segment, BPO providers benefit from cost-cutting in private and public sectors, from labyrinthine regulations, and from the same complex and evolving relationships between the workforce and its employers noted above. Most midsized companies do not have the capacity to adjust rapidly to trends and for them outsourcing human capital functions is an attractive option. BPO companies are offering ever more services and, like all industries nowadays, must make new technologies the motor behind most strategic decisions. Acquisitions are crucial to fill geographical or technology gaps. We are seeing the most M&A activity in customer relationship management and financial & accounting, which are considered more mission critical and where the margins are higher than staffing.



DEAL SPOTLIGHT: Clairfield advises Devoteam on the acquisition of Alegri International Service GmbH

devoteam

acquired

Alegri

Devoteam (DVTM.PA), headquartered in Paris and a pure player in digital transformation of large organizations in the EMEA region, acquired Munich-based Alegri, a leading player in digital workplace and cloud transformation. With this acquisition Devoteam reinforces its position and transformation capabilities in one of its strategic geographies. Present in 18 countries with more than 6700 professionals across Europe and the Middle East, and drawing on more than 20 years of experience, Devoteam provides innovative technology consulting to improve business performance.

Alegri, with its 240 experts across Germany, Switzerland, and Austria, helps large accounts across various sectors including automotive, pharmaceutical, manufacturing, finance, and retail, to move to digital workplaces and agile cloud-centric IT solutions using Microsoft technologies.

The acquisition strengthens Devoteam's position in the digital workplace space and increases its size in Germany, a key strategic region, to close to EUR 100 million in revenues per year. With Alegri as part of Devoteam, the company will be able to accelerate the growth of current activities, while leveraging group assets, especially its strategic partnership with Google, to provide strong workplace and IT transformation capabilities to German and international clients.

Clairfield role: pushing through the challenge of an international process

Clairfield was appointed as the financial advisor because of our IT business services track record in Germany including successful transactions advising Reply and Cancom. Dirk Middelhoff, focused on IT business services and TMT, was the lead dealmaker on the transaction. He skilfully negotiated the transaction from the very beginning of the expansion plan, starting with an extensive market and target screening to meet Devoteam's strategic requirements and followed by a structured process to approach prioritized potential targets with a prepared and packaged set of information including background material, transactional rationale, and valuation perspectives. The transaction needed exceptional handling during negotiation and signing since, once binding offers were submitted, Devoteam was the only foreign bidder left in the process. The Clairfield team had to handle the international aspects with special care to reassure the sellers.

Selected transactions

- M&A-based growth enables acquirors to enter new geographic markets through the acquisition of stable and generally long-term client portfolios, to whom new services, often technology-based, can be readily deployed. We have noted many consolidations in consulting services, with special interest in targets offering cloud services.
- More and more of our services deals intersect with technology, but we continue to serve segments including transport & logistics, facilities management, and industrial services. With 50 seasoned experts at locations worldwide and a highly connected advisory board, Clairfield achieves the best results and better-than-market multiples.

Australia
CloudTrek was sold to Deloitte.
CLOUD CONSULTING

Denmark
Gottlieb Paludan Architects was sold to AF
DESIGN CONSULTING

Finland
Call center BPO of elisa was sold to eniro
BPO

France
EDEA sold a minority stake to Initiative Finance
FACILITY MANAGEMENT

France
Cogepart acquired France Colis Express
TRANSPORT & LOGISTICS

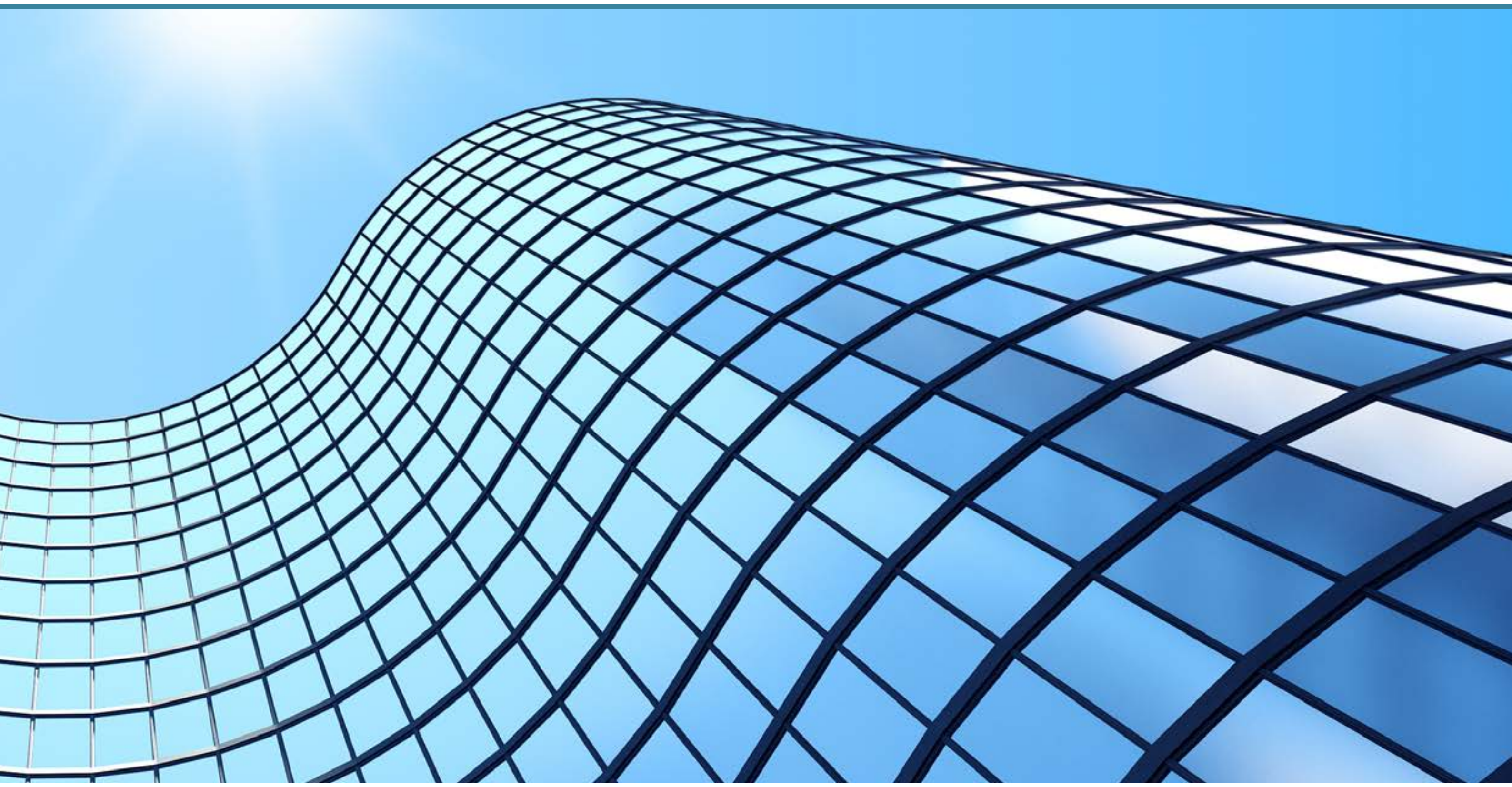
France
Lyseo acquired 100% of B & B International
TRANSPORT & LOGISTICS

France
Transarc carried out a share capital increase subscribed by bpifrance and Crédit Agricole Régions Investissement
TRANSPORT & LOGISTICS

Germany
FAS Financial Solutions Experts merged with wts
CONSULTING

Germany
Reply acquired the German operation of CSPi
TECHNOLOGY SERVICES

Germany/UK
Quant.Capital Management sold a stake to **a private investor**
FINANCIAL SERVICES



Hungary
GREEN FOX ACADEMY
raised capital from
SZÉCHENYI TŐKEBEFEKTETÉSI ALAP
EDUCATION

Italy/France
EDIF
sold its Puglia Business Unit to
sonepar italia
INDUSTRIAL SERVICES

Italy
openjobmetis
acquired Coverclip S.r.l. owner of the brand
MERITOCRACY
from
united ventures
and other shareholders
HUMAN CAPITAL

Italy
openjobmetis
acquired HC Human Connections
HC
HUMAN CAPITAL

Norway
Sherpa
was sold to
ATEA
CONSULTING

Norway/France
SECTOR ALARM
acquired
Afone Sécurité
Blokos
ALARM & SECURITY MONITORING

Mexico
Te Creemos Financiera Popular
sold a stake to
CAME CRÉDITO Y AHORRO A TU MEDIDA
MICROFINANCE

Sweden/Finland
MIAB Facility services med omtanke
acquired
N•CLEAN•
FACILITY MANAGEMENT

UK
ccscollect
was sold to
management
DEBT COLLECTION

US
Secretariat
was recapitalized by
JLL Partners
LITIGATION ADVISORY

CLAIRFIELD
INTERNATIONAL

Business services trends to watch

The digitalization of business processes is a driving force behind sustainable corporate growth.

Josef Mago is the former CEO of the German Reply Group, which Clairfield helped with its broad analysis of the cyberspace market leading to a sizeable transaction in 2018. Josef was previously head of Accenture Germany's telecom business. He is currently a senior advisor at Clairfield for the TMT sector in addition to holding supervisory board positions in the IT industry.

What services trends are currently making an impact?

Actionable trends in 2019 include the internet of things (IoT), artificial intelligence (AI), robotic process automation (RPA), and cybersecurity, and to a lesser extent, blockchain.

Let me start with IoT, a technology that already attracted a lot of attention in 2018. From my point of view, the technology can unlock enormous potential, especially focusing on business agility. Automation powered by IoT can effect changes faster and information from the field can quickly be made available to business owners for timely assessment and decision-making.

Location tracking built directly into products, for example, will allow inventory managers to prevent stock shortages and overstocks and to keep tabs on the conditions of goods. In the area of environmental monitoring, remote and timely measurement of pressure, temperature, water levels or electricity consumption can instantly result in more efficient operations. While so far IoT has been used mainly by large corporations, I believe the trend towards networking in 2019 will become increasingly interesting for smaller and medium-sized enterprises. This is due to the fact that IoT applications have become much more mature and cost-effective.

The challenges posed by IoT applications are maintaining security and providing a powerful network infrastructure. Wherever devices are networked, hackers can attack them. This means that security aspects should never be neglected, because when hackers penetrate IoT systems, they usually cause significant damage that takes time to repair. Increasing communication in terms of number of devices and speed also requires a network infrastructure such as LTE or better that can withstand new requirements in this area.

Artificial Intelligence (AI) is another business services trend that is developing at an enormously high rate of innovation and will become more and more part of our everyday lives in 2019. What makes AI so special in the business services segment is that the technology permits data analysis and script execution based on found correlations that go beyond human understanding.

Business services applications include security monitoring to predict suspicious behavior, customer loyalty measures, individualization of offers, quality control, and anticipation of customer demand. I am convinced that AI and machine learning will be of high strategic importance in the future when it comes to automating business processes, data analysis, or maintaining contacts. From my point of view, the use of AI makes sense especially when information from different data sources needs to be linked in order to gain knowledge about customers, employees, suppliers, competitors, and so on. AI is able to browse multiple data sources such as email programs, databases, CRM systems, cloud applications, archives, social media channels, the intranet or special applications and link the data together.

Robotic process automation (RPA) is another trend in business services. RPA certainly has the potential to revolutionize both customer services and underlying business processes. To achieve this, however, managers should plan clear strategies and budget sufficiently. When RPA technologies are used correctly, I am convinced that companies across many industries will benefit. With RPA, simple, rule-based, and repetitive activities can be performed error-free, cost-effectively, and efficiently by robots. Thus, for example, the activity of a salesperson, which otherwise consists of 50% sales and 50% administrative tasks, can be brought to a ratio

Business services Q&A

of 80% to 20%. Overall, I believe that the greatest efficiency potential for RPA lies in the middle and back office.

Another topic that I believe will be of great importance in 2019 is cybersecurity. Last year the topic was often the focus of public attention because in recent years consumers have been conditioned to pass on more and more personal data to companies, which has often led to privacy violations. In 2019, data security requirements will become more stringent as data volume and sensitivity multiply. Against this background providers will be increasingly obliged to strive for transparency in data storage and processing. Security concepts should be rethought due to increasing networking and amount of data.

Overall, it should be noted that we are seeing more of the above technologies working in combination. Examples to mention are cybersecurity systems that are self-learning and networked and can therefore adapt to new threats.

In my view, a technology that is considered to have high potential but still lacks market maturity is blockchain. What makes blockchain so special is that it solves fundamental problems in dealing with sensitive information and monetary values. The technology is known for its transparency, security and efficiency. If you take a closer look, however, you will notice that while there are numerous application scenarios, the technology is rarely used.

Many weaknesses still need to be addressed, including scalability and difficult integration into existing systems. As a result, it will be some time before blockchain technology becomes the standard. It is advisable to study possible application scenarios now, even if it will still take several years for the technology to become relevant.

To what extent do you think European services companies are prepared for digitalization?

My impression is that European companies from various industries have taken advantage of the challenges and opportunities resulting from technology trends and are currently in the midst of digital transformation. From my point of view, it is important that companies prioritize the application of new technologies. However, this does not mean that every new technology can offer companies added value. In many cases it is still too early for the introduction, because there is a lack of acceptance or the technology has not been sufficiently tested.

Nevertheless, it is important for companies to continually look at how they can benefit from technology trends and use them profitably for new business services offerings.

What should companies bear in mind when implementing their digitalization measures?

I am convinced that there is no way around intensively dealing with new technologies in order to remain competitive as a company, whether or not the management has an affinity for digitalization. It is particularly important that interdisciplinary teams within the company are formed specifically for this purpose.

The expansion of data analysis and stronger networking of the company's own data is especially relevant. Another success factor is increasing software development capacity. Flexible business and service processes, planning, and know-how are the ingredients for success of a digitalization strategy. ■

Consumer & retail

- The consumer and retail sector faces the same macroeconomic challenges as other industries, with an increased cost of borrowing and tariffs on goods.
- Tech will play an important role in M&A as consumer product companies continue to acquire new technology to optimize everything from the supply chain to the consumer experience.
- Wellness and sustainability both resonate with consumers.
- Alternative retail channels will continue to grow more than traditional brick-and-mortar retail, as direct-to-consumer brands and pop-up shops have shown great success of late.

Sector heads

Albert Schander
aschander@clairfield.com

Gary Ecob
gecob@clairfield.com

The consumer and retail sector continues to be dominated by the increasing presence of technology in improving operations and making decisions. The use of automation on both the front and back ends of the shopping experience allows retailers to engage with the customer while effectively managing inventory and maintenance processes. Companies can further use this technology to leverage consumer data into making smarter decisions better tailored to meet the consumers' needs. Firms that specialize in data analytics and automation will likely remain desirable targets for retail acquirors.

The retail landscape is also much more complex than in years past. Retail distribution channels are more diverse than ever, as retailers have found success not only through traditional wholesale and physical store channels, but also through direct-to-consumer e-commerce and pop-up shops. E-commerce represents an ever increasing share of total retail sales worldwide, accounting for 18% of 2018 retail sales in the UK, the world's highest, while the US percentage is at 9% and growing. The numbers show, however, that the the great majority of sales still take place in storefronts. By effectively using the right mix of channels, companies can capture a broader spectrum of customers while keeping costs down, in the process becoming an attractive proposition for larger acquirors.

Consumers continue to demonstrate a strong interest in wellness and sustainability, with corporate social responsibility and accountability of increasing importance when making purchasing decisions. Smaller companies that put an emphasis on organic, sustainably sourced, and healthy products are well-positioned for growth, which is likely to create an active M&A market within this subsector. Other subsectors where we foresee midcap activity are manufacturing of accessories and clothing components, brands, and private labels. We expect continued interest in small and medium-sized companies with a compelling branded offering as large acquirors seek to add new capabilities and offerings to their portfolios.

DISRUPTIVE TRENDS IN RETAIL

1
Cutting-edge technology
ENHANCING CUSTOMER EXPERIENCE, SHARING RELEVANT INFORMATION

2
Local product focus
CUTTING TRANSPORTATION COSTS, SAVING TIME AND SUPPORTING REGIONAL PROSPERITY

3
Sustainable approach
REDUCING ENVIRONMENTAL IMPACT

4
Omni-channel personalization
DELIVERING A SEAMLESS SHOPPING EXPERIENCE ACROSS ALL CHANNELS

DEAL SPOTLIGHT: Clairfield advises Hong Kong Group on its sale to Rusta AB

HONG KONG

was sold to

RUSTA

Hong Kong Group owns and operates 24 Hong Kong department stores in the Nordic region, four garden centers in Finland, and an e-commerce site that delivers to Finland, Sweden, and Russia.

All of the Hong Kong department stores sell general merchandise at discounted prices in many different product categories, including gardening, tools, outdoor & fishing, and houseware. The products are a mix of private label through its own imports and well-known brands including Bosch, Rexona, and L'Oréal. The company, founded in 1989, has close to 500 employees and sales of around EUR 100 million.

Rusta AB is a Swedish discount store retailer with a broad product range that is centered around home living. The company was founded in 1986 and currently has 90 stores in Sweden, 24 in Norway and two in Germany. Rusta has approximately EUR 480 million in sales.

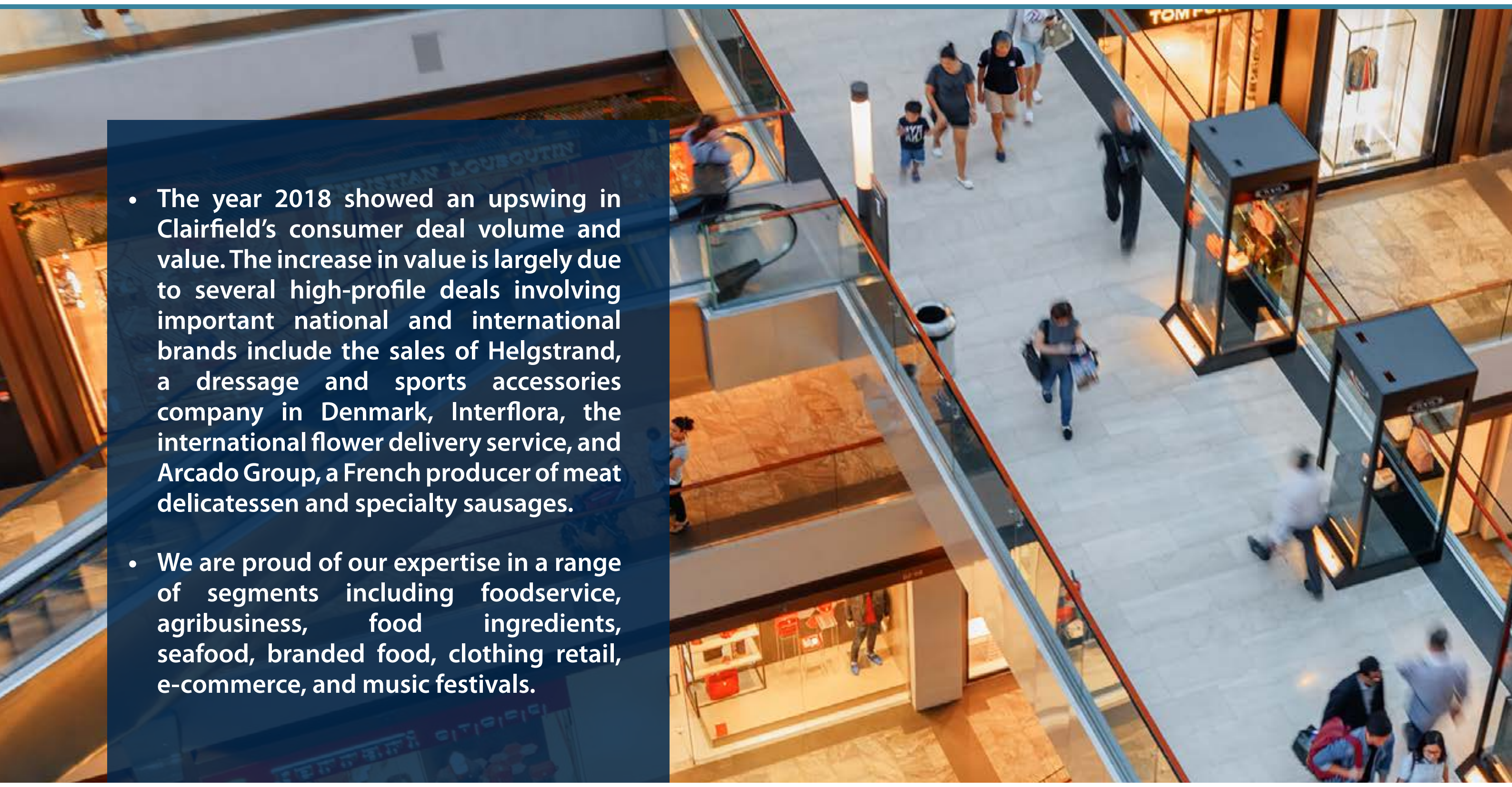
Clairfield role: identifying the best buyer after a restructuring process

In 2018, Hong Kong Oy completed a restructuring process that involved a cost reduction program and a haircut to its existing debt. The reduction of the fixed cost base improved the platform, but the expected growth of the Company as a stand-alone was foreseen to be slow because of its remaining level of debt, including restructuring debt.

Clairfield identified Rusta early on as one of the best buyers who could, with the existing Hong Kong platform, implement its own business model in a timely and cost-efficient manner.

Hong Kong and Rusta have a similar business philosophy, complementary geographic coverage, and a similar product range that yields significant purchasing benefits. With this transaction, Rusta continues its international expansion while consolidating its position as the leading discount store chain in the Nordics. The similiar product offerings and business philosophy of the two companies form a strong base for future development in Finland. Following the acquisition, Rusta, together with Hong Kong has over 150 department stores, 3000 employees, and revenues of nearly SEK 7 billion.

Selected transactions



- The year 2018 showed an upswing in Clairfield's consumer deal volume and value. The increase in value is largely due to several high-profile deals involving important national and international brands include the sales of Helgstrand, a dressage and sports accessories company in Denmark, Interflora, the international flower delivery service, and Arcado Group, a French producer of meat delicatessen and specialty sausages.
- We are proud of our expertise in a range of segments including foodservice, agribusiness, food ingredients, seafood, branded food, clothing retail, e-commerce, and music festivals.

Australia	Fantasea Cruising was sold to NRMA	LEISURE TOURISM
Canada/US	Debco was sold to HUB promotional group and TENEX Capital Management	PROMOTIONAL PRODUCTS
Denmark	Helgstrand sold a majority stake to Waterland Private Equity Investments	DRESSAGE
Denmark	Interflora sold a majority stake to IFPI	FLOWER DELIVERY
Finland	Flow Festival was sold to Superstruct	MUSIC FESTIVAL
Finland/US/Sweden	Bella was sold to Nimbus	MOTORBOATS
France	amsterdam air was sold to Notus Technologies	E-COMMERCE
France/Belgium	UOX acquired Chacon	SMART HOME PRODUCTS
France	Bio&Co was sold to InVivo	ORGANIC PRODUCTS
France/Belgium	Dumona was sold to DCM	HORTICULTURE PRODUCTS

France

aterno
la maîtrise du chauffage
was sold to
MEESCHAERT
Private Equity

RADIATORS

Germany

Werhahn KG
Ein Name verbindet.
sold
alessandro
INTERNATIONAL
to
WildeGroup
Competence in Beauty

COSMETICS

Hungary/South Africa

extreme digital
re-acquired a majority stake from
STEINHOFF

E-COMMERCE

Italy

CHIORINO
TECHNOLOGY
was sold to
ARCADIA SGR

LEATHER

Italy

PANINIDURINI
was sold to
ASTRACO

RESTAURANTS

Japan/US

MITSUI & CO.
entered a strategic partnership with
markfoods

SEAFOOD RESOURCES

Mexico

GRUPO TURISTORE
completed a capitalization subscribed by
NEXXUS
and
ALTA
GROWTH CAPITAL

SOUVENIR SHOPS

Norway

ØYA
was sold to
Superstruct

MUSIC FESTIVAL

Poland

JOYFOOD
raised capital from
Private investors

HEALTHY FOOD

UK

wellocks
the perfect ingredient
was sold to
WILLIAM JACKSON
FOOD GROUP

FOODSERVICE

Interview with Søren Larsen

Digital disruption is affecting all retail businesses, right down to the petals and stems.

As CEO of Interflora Denmark, Søren Flemming Larsen heads an organization with 350 florists and gift shops all over Denmark, now operating in 150 countries. He is also a board member of Fleurop-Interflora's International Board in Madrid, Spain and in Switzerland, Global Flower Services AG (GFS).

Flower delivery started with the telegraph and has evolved with each new innovation in communication. Is there any further room for disruption?

Artificial intelligence is shaping up to be the next big disruptor in retail. At Interflora Denmark, we have developed our own AI, which reads short texts and understands emotions. We have physically read more than 44,000 cards, marked words and feelings, and have run more than 200,000 cards through our AI system, all to create an in-house customized site for shopping at interflora.dk. So yes, there is still room for ambition and disruption. Delivery, particularly as regards delivery methods and times, is another ripe area for disruption where we will continue to harness innovation.

> *"Artificial intelligence is shaping up to be the next big disruptor in retail."*

Does Interflora face risks of loss of market share from newcomers?

Analysts have noted that Interflora has a strong business model. Competitors could copy the products, but scale and critical mass are hard for new competitors to achieve in the short term of one to three years. Our position as the market leader for greetings, flowers, and similar gifts for all occasions is an attractive position, which should attract larger players within the industry. The general opinion is that Interflora still has a unique and strong position (and is in fact, the absolute market leader), which can be further expanded and developed.

How does flower delivery differ from other retail businesses?

The complexity for us lies in the fact that we have sourced our production and supply of flowers and gift greetings to our florists. There is a significant amount of expertise that is really out of our hands.

At the same time, we, as Interflora Denmark A/S and headquarters, create demand through marketing and the capacity to carry out orders via customized IT systems, which we supply to the florists and their stores. In order to do this, we must handle orders in our centralized customer service department to and from abroad via Interflora's international network. Finally, flowers are perishable products with a lifetime of three to four days. In order for the consumer to enjoy the flowers for at least eight days after delivery, there is a very small window of three to four days after which the flowers cannot be sold.

Then there are elements that are completely out of our control, such as the variety of weather conditions around the world that affect the areas from which we source our flowers. So, I believe the flower world differs in a number of ways from the average retail and e-commerce company. Finally, there is an exciting and challenging managerial role in getting an association-driven and voluntary dealer network to interact with Interflora Denmark A/S as a new privately-owned company.

Consumer Q&A

Interflora Denmark sold a stake last year to Groupe My Flower. Have the expected synergies come about? Any unexpected difficulties in integration?

Our vision and mission have both been revisited and adjusted to our new situation and now present a clear focus for all team members.

It is still too early to analyze concrete results, but an ambitious Strategy Plan for 2019 – 2022 is ready with a view to capitalizing on collective best practices and synergy effects, among other things. And let me reveal that initial results have already been observed in early 2019.

> *"Quality has a cost, but our investment in advisory services proved to be worth the money before, during, and after the process."*

Any further strategic considerations?

We expect that the combination of Interflora's internal and external resources will be able to achieve Strategy 2019-2022 if changes and solutions are devised and implemented in close cooperation. With the new ownership structure, Interflora's business model is ready for even quicker commercial growth and a case for scalable value creation. The change also opens up adjustment of revenue models, add-ons of various value propositions on existing platforms, and ever better use of customer data.

How has Clairfield International helped you create value?

It costs money to make money and selecting the right financial advisor was ultimately an extremely beneficial decision for us.

Interflora Danmark has developed into a leading Danish occasion-based digital marketplace with unchallengeable brand power, market awareness, and revenue growth, so it was not obvious where a buyer could be found that would offer an additional growth path. However the change of ownership to Groupe MyFlower was approved unanimously by the Danish Interflora florists. We will continue to develop the Interflora Brand in Denmark and Iceland, while contributing and benefitting from synergies of the new group.

I would like to thank Anders W. Eriknauer, managing partner, and Peter Rønde, partner, from Nordic M&A, Clairfield International in Denmark. Quality has a cost, but our investment in advisory services proved to be worth the money before, during, and after the process. A professionally-organized process culminated in a very good selling price for us. We appreciated Peter's focused and hard work as well as his ability to keep up good spirits along the way. ■

Energy, cleantech & resources

- Conventional energy companies have begun to demonstrate more interest in renewable energy, making solar and wind energy companies prime targets.
- Technology will be as important as ever, as firms rely on digital solutions to streamline operations and to prepare for industrial shifts toward cleaner and more efficient energy.
- Trade tension with China could inhibit growth within the solar industry, as many important components in solar cells come with high tariffs.
- Local governments continue to push for incentives for renewable production, allowing for plenty of growth within the industry and a sizable consumer base in the future.

Sector heads

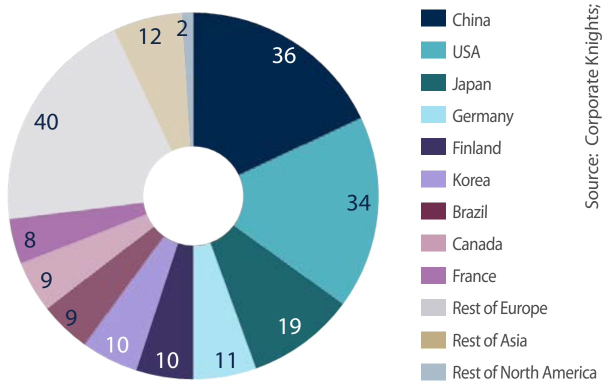
David Hassum
dhassum@clairfield.com

Darius Kianzad
dkianzad@clairfield.com

Against the backdrop of extreme climate events, the transition to newer and cleaner sources of power has never seemed so urgent. Recent legislation initiatives worldwide have called for reductions in carbon emissions and the move towards renewable and alternative methods of producing energy. The new mood has particularly encouraged conventional energy companies to look for strategic acquisitions in cleantech in order both to compete for large user bases and to remain in compliance with state, federal, and international guidelines. In 2018, both China and the entire developing world installed more new renewables than fossil power. Furthermore, decreasing costs of alternative energy sources in many markets are making coal plants unprofitable – more than 40% operate at a loss. In 2018, internal combustion engine vehicles were produced in ever greater numbers, but will inevitably become obsolete by cheaper electric and fuel cell vehicles in the long run. By 2024, technological development will make zero-emission vehicles cheaper than fuel-burning vehicles, even before accounting for fuel savings and subsidies. Companies on the Carbon Clean 200 Index grew at a CAGR of 13%, 2% higher than the growth rate for the Forbes 2000 list of companies. These developments undoubtedly make cleantech companies an attractive investment for strategic buyers and private equity firms alike.

2019 will prove to be an interesting year for the cleantech sector. Besides the positive outlook for the sector, the renewable energy investment tax credits for American firms are set to fall or expire by 2020, which may cause a surge in deal interest from companies wanting to capitalize on incentivized investment. Conversely, tariffs on Chinese solar components will force companies to either wait out a new China-US trade deal or source components more locally, both of which could temporarily but significantly inhibit growth and dissuade investors from the sector altogether.

Number of CLEAN 200 companies by country



Source: Corporate Knights; As you sow

DEAL SPOTLIGHT: Clairfield advises the French Lacroix Group on the acquisition of the German SAE IT-Systems GmbH & Co. KG

LACROIX

acquired

SAE IT-systems

Lacroix Group, an international technological equipment supplier, acquired SAE IT-Systems GmbH & Co., a German provider of connected equipment to monitor and secure electric grid and renewable energy infrastructures. The acquisition radically strengthens Lacroix Group's position in smart environment technology where it is the leading French equipment provider for water and heating infrastructure management. With SAE IT-Systems, Lacroix Group will now be able to address the electric grids challenges of tomorrow, such as the integration, monitoring and control of renewable sources of energy, the creation of intelligent distribution networks, and control of consumption. The Lacroix Group, 70% family-owned and 30% listed on Euronext Compartment C, is headquartered in Nantes and employs 400 people with revenues of EUR 440 million. Its three core businesses are Lacroix City, Lacroix Sofrel and Lacroix Electronics, aiming at serving a connected, sustainable world through its technological and industrial excellence. SAE IT-Systems has been a leading German developer and producer of telecontrol and substation automation technology for use in electricity, gas, heating, water, industry, and infrastructure for over 40 years.

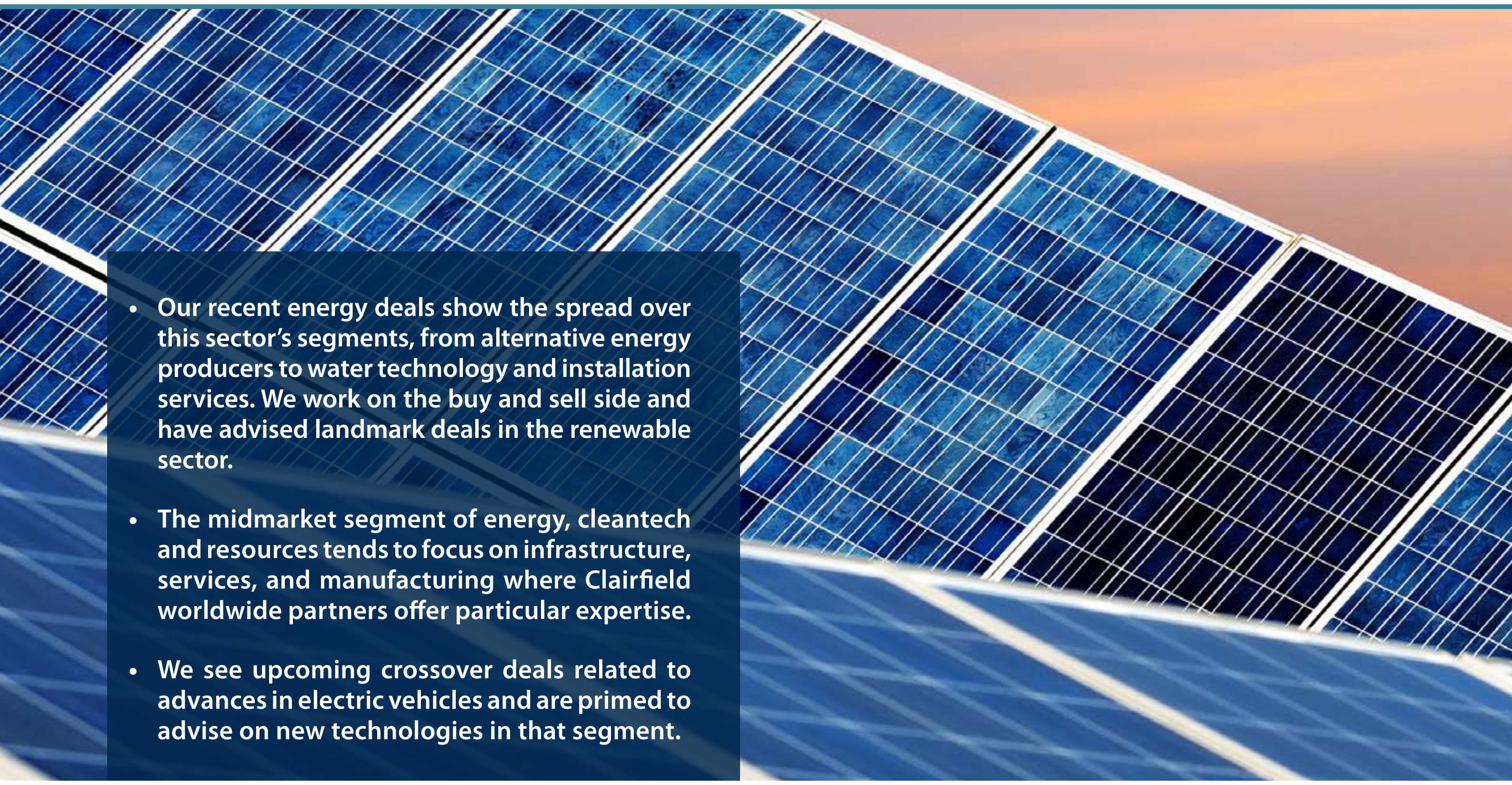
Clairfield role: outrunning the competition in an international auction

Clairfield France was engaged to find targets for Lacroix Sofrel in telemetry solutions for public heating applications. A worldwide search began utilizing the knowledge of Clairfield's energy, cleantech & resources group. Lacroix asked Clairfield to advise on the acquisition of the German SAE IT-Systems, a profitable midcap company that perfectly matched Lacroix´s target criteria. With inroads to the players on the German sell side, Clairfield was able to provide added value beyond the typical transaction advisory.

SAE IT serves only the energy sector (both utilities and renewable energy), which is precisely where Lacroix wanted to grow. Lacroix faced fierce competition from financial investors in an auction situation, but with guidance from the deal team was able to offer the owner a reinvestment opportunity. He is now a shareholder of 30% of SAE IT and has remained in the management of the company. Synergies and worldwide access also gave Lacroix an edge. The transaction strengthens Lacroix's Smart Environment Division through Lacroix Sofrel, especially in the energy networks sector. This deal is in an attractive segment at the intersection of energy and telematics where Clairfield International has deep knowledge. We are honored to continue to advise Lacroix on its worldwide acquisitions.

"Clairfield made a difference and added significant value to Lacroix Group to close the transaction in a competitive auction situation. Their solution-oriented consulting approach contributed greatly in this challenging deal to put Lacroix in the 'pole position' at the end," said Nicolas Bedouin, CFO of Lacroix Group.

Selected transactions



- Our recent energy deals show the spread over this sector's segments, from alternative energy producers to water technology and installation services. We work on the buy and sell side and have advised landmark deals in the renewable sector.
- The midmarket segment of energy, cleantech and resources tends to focus on infrastructure, services, and manufacturing where Clairfield worldwide partners offer particular expertise.
- We see upcoming crossover deals related to advances in electric vehicles and are primed to advise on new technologies in that segment.

Australia	Belgium/Czech Republic	Denmark/Germany	Denmark/Germany	Finland
erm POWER acquired OutPerformers	enfinity sold 3 solar parks to Verdi Capital	M Larsen Vognmandsfirma A/S sold a majority stake to REMONDIS	KEEPFOCUS was sold to KeepFocus Europe GmbH	Terrafame acquired **Talvivaara mining operations** from Bankruptcy estate of Talvivaara Sotkamo Oy
ENERGY SERVICES	SOLAR PARKS	WASTE MANAGEMENT	ENERGY MANAGEMENT SYSTEMS	MINING

Finland	Finland	France	France/Germany	Italy/US
Fairness opinion for Terrafame Group released new financing	POHJOLAN ENERGIA was sold to MB Funds	ALLIANCE ENVIRONNEMENT was sold to saur	LACROIX acquired SAE IT-systems	CONVERT was sold to valmont
MINING	SOLAR PANEL SYSTEMS	SANITATION PLANTS	ENERGY TECHNOLOGY	SOLAR TRACKERS

Germany
Städtische Werke Aktiengesellschaft
acquired 49.99% of EAM Energie GmbH as part of a joint venture
EAM
ENERGIE AUS DER MITTE
ENERGY DISTRIBUTION

Hungary
Ferment Biogáz Kft
was sold to
BIOGÁZ UNIÓ ZRT.
BIOGAS

Italy/UK
raccortubi group
acquired
Norsk Alloys Ltd
OIL & GAS APPLICATIONS

Italy
KER Self
acquired a majority stake in
ecoware solar emotion
SOLAR PARKS

Italy
tholos
was sold to
Elettra Investimenti SpA
ENERGY SERVICES

Italy
CONSORZIO assoutility ENERGIA PER LE IMPRESE
sold
AXOPOWER
to
Ambrosiana Energia
ENERGY TECHNOLOGY

Italy
Veronagest
sold its 2MW wind portfolio to
F2i Fondi italiani per le infrastrutture
WIND FARMS

Norway
Barents NaturGass
was sold to
BROADVIEW
NATURAL GAS

Poland
Enea
acquired
Bardy Wind Farm
WIND FARMS

Spain
Alier/sa
acquired a minority stake in
Energètica de Rosselló, AIE
from
Enel Green Power
SOLAR PARKS

Interview with Oliviero Armezzani

New technologies in alternative energy are bringing back investors and causing excitement in the sector once again after a difficult period.

Oliviero Armezzani is managing director and member of the board at Convert Italia where he has led strategic development culminating in the company's sale to Valmont Industries. Oliviero has managed companies in renewable energy, information and telecommunication, and industrial infrastructure.

Convert Italia is an Italian company active in the design, engineering, production, and sale of single-axis trackers for photovoltaic systems. The company is the fourth largest single-axis-tracker producer worldwide and the first in Europe and South America.

In 2018 Convert Italia sold 75% of its share capital to the American listed group Valmont Industries Inc. (NYSE:VMI), a global provider of engineered products and services for infrastructure development, and irrigation equipment and services for agriculture. The acquisition of Convert allows Valmont to provide an integrated solar tracker solution to utility-scale customers around the world. Clairfield International was the exclusive advisor to Convert in that transaction.

How has the landscape for solar energy been changing over the last year and what trends do you see ahead?

Different trends are affecting the market evolution in this sector. Some of them are related to technology, others are related to general processes and the value chain, and finally some financial changes are opening opportunities and geographical areas that were inert until recently.

In terms of technical trends, bifacial panels are a new technology that has obvious advantages and is experiencing growing demand. Bifacial panels produce energy from both the front and back of the panels and, when installed in ideal conditions, can produce up to 30% more energy than monofaced panels. This technology is likely to be the future of solar panels and basically all panel suppliers are developing their own models. These new bifacial panels also require adapted technologies for supporting structures, new layouts, and site preparation to take advantage of the light coming in on both sides.

> *"In terms of process trends, as in many businesses, automation is the word of the day."*

Other promising new technologies include increasing unit power per panel. We are also seeing a focus on optimizing the general design of solar plants in order to reduce installation costs. In terms of process trends, as in many businesses, automation is the word of the day. Huge investments are needed to automate installations and observation & measurement activities in the field. This trend started with robots performing panel-cleaning tasks and we are now evaluating the use of robots to perform panel mounting and installation.

In the financial arena, the significant decrease in the cost of technology (a reduction of more than 90% in 10 years) has made it economically viable to invest in countries where

feed-in tariff discontinuity drastically reduced the market to zero, as was the case in Spain, Italy, France, and others. Happily, a large number of investors in these countries are ready to put in money again.

We are seeing the effects of digitalization across most sectors. Is digitalization also affecting the renewable energy sector?

Yes indeed. Data availability is a must. Simulation systems, forecast previsions, and adaptation systems for irradiation are highly dependent on digitalization. Data analysis is valuable when it can be leveraged to recover even a few percentage points of additional production.

How is the rise of China affecting the renewable sector, both in terms of manufacturing and in terms of consumption?

China has been driving this business for at least 10 years, with a huge national investment scheme being defined and made operational to support its own panel production industry. Recently the Chinese government announced an end to subsidies for renewable energies and a shift to a market-driven approach. Chinese investment schemes will make volumes and price available on a priority basis where internal market needs exceed world requirements. What happens in China has a ripple effect on investments worldwide.

Convert Italia was recently acquired by Valmont Industries, a US company. What has the integration process been like?

Integration is an exciting challenge and we are seeing dynamic results. Valmont is one of the smartest and largest companies in the steel business. It offers vertical-structure solutions based on steel components plus electronics and mechanics. It is already a world leader in irrigation systems with steel structures that are able to rotate to fully cover huge areas based on mechanics and electronics. It is also a world leader in utility structures and substations. For our part, Convert is one of the leaders of the solar market with a robust and consolidated solution. The partnership, though in the early stages, is primed for huge success.

How did the Clairfield team add value to the sale of Convert?

The Clairfield team in Italy, with backing from the international expert sector group, searched for a partner worldwide and located several international options. In this complicated business where the landscape changes quickly depending on global politics, it took some time to identify the ideal partner and lead the negotiations. Filippo Guicciardi, Maximiliano Turelli, and their team persisted and carried us through to the closing. It is exciting to be at the forefront of the renewable energy landscape, and with our new partner we have access to new markets and investments in R&D that ensure we will remain an industry leader. ■

Healthcare

- As the healthcare industry transitions from fee-for-service to fee-for-value, companies will look for targets that can help facilitate the implementation of this new system.
- Technology investment will also be targeted in an effort to minimize costs for hospitals through virtual doctors, remote patient monitoring, and automation of systems.
- Healthcare IT and hospice care both remain popular sectors for growth within the industry.
- High valuations due to enthusiastic private equity investment may deter strategic buyers from pursuing acquisitions in the immediate future.

Sector head

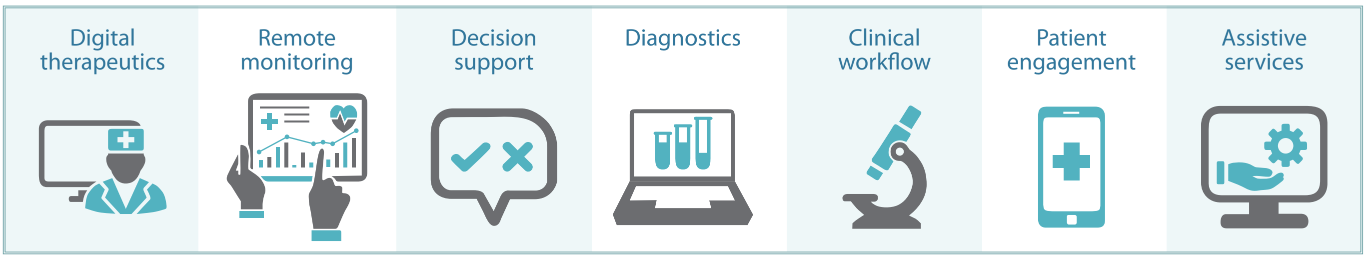
Jack Helm
wjhelm@clairfield.com

M&A in the healthcare sector continued its momentum from previous years and posted strong numbers in 2018, characterized by a variety of megadeals and strong investment in technology and pharmacy-benefit management. Consolidation and mergers among the pharmaceutical, digital, and insurance industries has forced the hand of larger groups facing increasing competition from multiple industries or in need of an R&D pipeline fill. While activity has been high, the market has probably peaked valuation-wise with volume being driven by large-cap deals.

Going into 2019, the industrial switch from fee-for service to fee-for-value (i.e. measurable care) should increase the role of digitization as companies seek to restructure their business models accordingly. As in most sectors, the increased dependence on technology to expedite all processes from remote patient monitoring to the automation of systems will be of high importance to hospitals and other care-based entities. Consequently, healthcare IT companies will remain especially attractive targets as many firms will need to implement new systems to properly transition to value-based care. On the other hand, strategic buyers may be deterred from expansion as private equity firms with ample dry powder remain bullish on the healthcare industry, increasing valuations of healthcare firm, particularly in the sub-EUR 500 million range across all subsectors.

We see continued extreme pressure in medical distribution that will also drive consolidation as discount pressure is passed back to manufacturers. Coupled with enormous pressure for legislative reform and real cost control, 2019 promises to be a milestone year in healthcare.

DIGITAL HEALTH SUBSECTORS



DEAL SPOTLIGHT: Clairfield advises Terry White Group on its sale to EBOS Group

Terry White group

was sold to

EBOS GROUP LIMITED

Terry White Group (TWG), an Australian pharmacy franchisor, sold its remaining shares to its 50% shareholder EBOS Group, the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products.

Terry White Group (TWG) is a leading Australian pharmacy franchisor that has a network of nearly 500 pharmacies across the country. TWG operates under the Terry White Chemmart brand and other TWG brands. Its principal activities include the provision of franchise services and the supply of private label products to pharmacies within its pharmacy network.

EBOS Group, a publicly listed company on the New Zealand and Australian stock exchanges, is a wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading marketer and distributor of recognized consumer products and animal care brands. It generates more than NZD 7 billion in revenue annually and has 3200 employees.

Clairfield role: finding alignment in the objectives of both companies

Terry White Group and EBOS-owned Chemmart had merged in 2016 to form the largest branded pharmacy network in Australia. EBOS became a 50% shareholder in Terry White Group as a result of that transaction.

EBOS has a long valued and unique relationship with TWG and it has the financial resources to allow TWG to fulfill its potential in becoming Australia's preeminent retail pharmacy chain. The acquisition of TWG by EBOS represents a continuation of EBOS's investment in TWG. In recognition of the fact that TWG needs capital to grow, it was an appropriate time for EBOS to move for full ownership of TWG.

After advising on the merger transaction, Clairfield continued to support TWG in assessing options to fund its growth strategy. This led to engagement with EBOS and ultimately a strong offer for TWG shareholders, reflecting the growth potential of the business and the strategic benefits for EBOS for gaining full control.

Achieving this outcome was underpinned by the knowledge of the business and strong relationships that Clairfield had cultivated with the TWG team. This helped in all phases of the assignment to fully understand the drivers of value and identify key issues and strengths for negotiations.

Selected transactions

- Clairfield International has a long track record in midmarket healthcare transactions ranging in sectors from dental to diagnostics to residential care.
- The support of senior advisors from the healthcare industry is instrumental in providing insight and perspective on complex segments.
- We expect to see a push in midmarket activity in digital health this year. With overlap from our technology group we are focusing on this dynamic sector and recently held a dedicated meeting on the topic.

Australia/Singapore
AVS Nutrition was sold to VERITA The Wellness Clinic
CONTRACT MANUFACTURING

Australia/China
BJP Laboratories Pty Ltd sold a majority stake to DZG Investments Pty Ltd
PHARMACEUTICALS

Brazil
SantéCorp Saúde Corporativa was sold to fleury medicina e saúde
HEALTHCARE MANAGEMENT

Denmark
DMDD Danish Medical Data Distribution was sold to SYNLAB
LABORATORY ANALYSIS

Finland
Bittium acquired ownership in mega
HEALTHCARE TECHNOLOGY

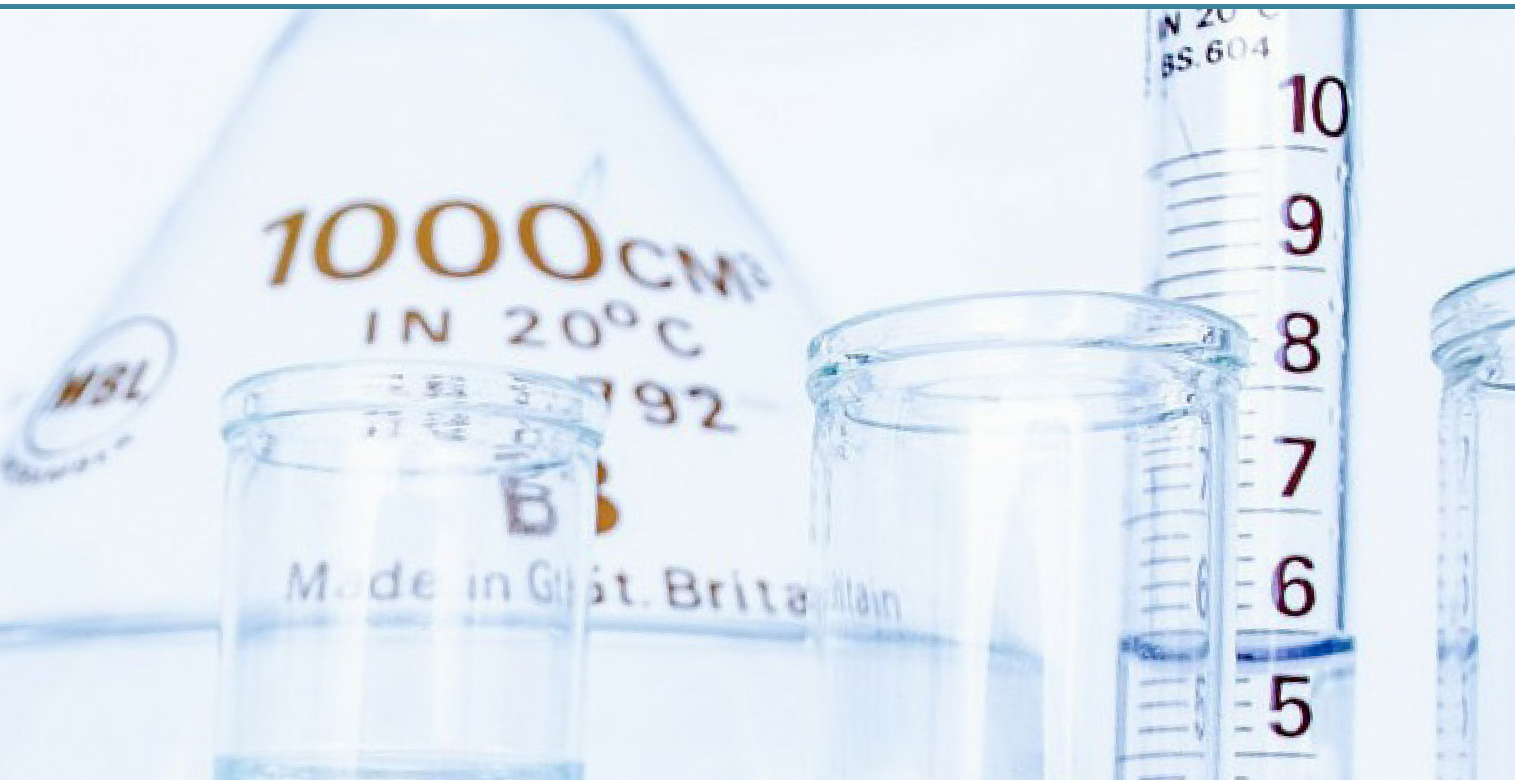
Finland
ORTON was sold to HUS & Mehiläinen
HOSPITAL

Finland/Sweden
TRADEKA acquired home care services, ambulance services and staffing of medical personnel businesses of MED GROUP
HEALTHCARE SERVICES

France
Laboratoires Humeau was sold to INTUITIS Long-Term Investors
LAB EQUIPMENT

France
PH Prodont Holliger was sold to ACTEON
DENTAL INSTRUMENTS

Germany
NWD GRUPPE acquired NETdental So einfach ist das.
HEALTHCARE E-COMMERCE

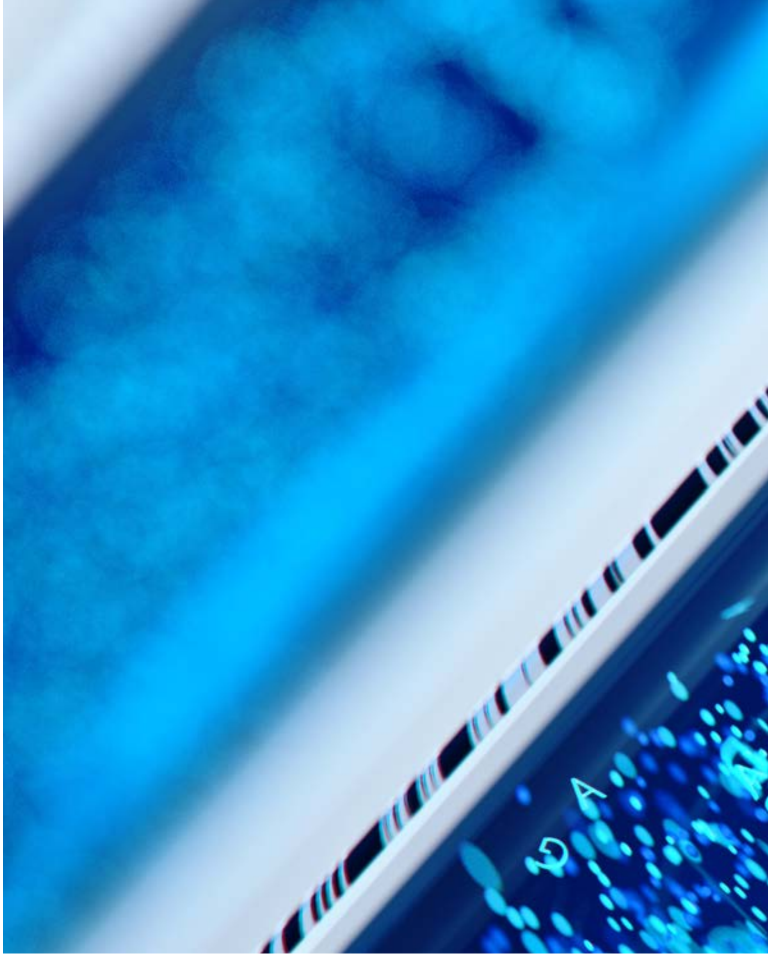


Netherlands/Spain	Norway/Denmark	Norway	Poland	UK
LabOral sold its 50% stake in Dentaid Benelux to DENTAID The Oral Health Experts	Gjensidige acquired MOLHOLM FORSIKRING I trygge hænder	HEPRO -easy life was sold to AddLife	PRIMA-DENT was sold to GRUPA LUXMED	signis group was sold to **Antser Group**
DENTAL PRODUCTS	INSURANCE	HEALTHCARE TECHNOLOGY	DENTAL SERVICES	CHILDREN´S CARE SERVICES

UK	UK	US	US	US
NEWREFLEXIONS Where every child matters was sold to Bridges Ventures	Homes Caring for Autism was sold to cmg care management group	dominion youth services was sold to Century Park Capital Partners	Hospice Care of South Carolina was sold to VISTRIA	NueMD See Patients. Get Paid. was sold to AdvancedMD
MENTAL HEALTH SERVICES	RESIDENTIAL CARE SERVICES	MENTAL HEALTH SERVICES	HOSPICE SERVICES	HEALTHCARE SOFTWARE

Interview with Szymon Ruta

Gene diagnostics, or analysis of biological markers to identify disease, detect risk, and plan individualized treatment, is a fast-growing segment of the healthcare market.



CFO & board member at Scope Fluidics, Szymon Ruta has over 13 years of experience in managing medtech start-ups as well as large-scale heavy industry companies. Szymon has also worked for many years in M&A, restructuring, and investment projects.

A research group at the Institute of Physical Chemistry of the Polish Academy of Sciences was established to investigate microfluidic solutions in medicine. The research proved so promising that the company Scope Fluidics was founded in 2010 with a view to commercializing the group's discoveries. The focus of Scope Fluidics was gene diagnostics – technology that revolutionized medicine in recent years with advances in the treatment of cancer, hereditary illnesses, and infectious diseases. Today, Scope Fluidics is a successful publicly-traded holding company on the Warsaw stock exchange (NewConnect:SCP). Through its wholly-owned subsidiaries, Curiosity Diagnostics and Bacteromic, it develops state-of-the-art biotech related medical devices. The company continues to work in close collaboration with academia. A clinical perspective ensures that Scope Fluidics devotes its resources on solutions that can be efficiently produced and that target specific and important healthcare needs.

Curiosity Diagnostics has developed the PCR|ONE system, a point-of-care rapid diagnostic apparatus that is capable of identifying up to 20 genetic markers at a time. Its first diagnostic panels can identify methicillin-resistant Staphylococcus aureus (MRSA) and Clostridium difficile infections in under 15 minutes.

Bacteromic is developing an automated culturing system capable of delivering the most comprehensive information on bacteria susceptibility to all known antibiotics and the resistance mechanisms from which the optimal therapeutics may be administered to a patient.

What trends are you currently seeing in gene diagnostics as it relates to infectious diseases?

Infectious disease testing is the single largest segment of the medical diagnostics market. The molecular (gene) diagnostics subsegment is growing the most rapidly with a CAGR consistently at the 10% level in the last several years and for the foreseeable future. This growth reflects the huge problem of antibiotic-resistant infections across the globe, which is threatening to become the number one cause of death. The majority of these infections are contracted in a healthcare setting. Both prevention and treatment rely on accessible, fast, and accurate diagnostics that can be delivered using innovations in molecular testing. The Nobel Prize-winning polymerase chain reaction (PCR) is the most reliable, yet time-consuming method of analysis.

How does the Scope Fluidics PCR|ONE System address the problem of antibiotic-resistant infections?

The PCR|ONE system is the first to deliver technology for amplification of multiple genetic targets via PCR, together with microfluidic solutions for rapid preparation of the sample and isolation of genetic material for analysis in minutes. The strength of the PCR|ONE system is in its speed combined with a high degree of multiplexing – allowing the system to identify multiple genes simultaneously for each sample tested – all to provide not only rapid answers, but also actionable ones. Speed is of the essence in identification and treatment, particularly considering the precipitous onset of major infectious diseases such as MRSA.

Are these new approaches in rapid diagnostics at point-of-care cost-effective?

We started the project in Poland, which, while being among the most developed countries, is still managing hardships in the accessibility of its healthcare system, so cost effectiveness has

been a goal from the very start. We aim to deliver faster, higher-multiplexed diagnostics to the point-of-care at affordable levels all over the world.

How is gene diagnostics affected by technology trends such as big-data analysis, cloud computing, and automation?

One of the strengths of the PCR|ONE system is that it allows the tested gene panel to be modified effectively and efficiently. This comes in response to the dynamics of epidemiology of infectious diseases. The progress in sequencing and in data analysis, while not being able to compete in terms of price and swiftness of the analysis with PCR, should support future adaptations of the PCR|ONE panels in response to evolving infection landscapes.

Is gene diagnostics for infectious diseases an international market?

Infectious diseases know no boundaries, and while the quality of infection-control differs between countries, one of the key components of prevention is accessible and rapid diagnostics. Certainly, the PCR|ONE system targets a global need in healthcare systems and a corresponding international market.

What opportunities are there for consolidation? Is there international M&A activity yet in this very new technology?

Scope Fluidics follows the "bubble-up" model for new technologies in high-growth, nascent sectors. We develop specific, defined technologies that fit into a larger paradigm, namely precision medicine. We find ourselves in the unique position of not only developing novel gene diagnostic apparatus, but also being a part of the fast-paced transition to precision medicine.

This "bubble-up" model is one seen with other new technologies over the past 30 years, including mainframe architecture, software development, website development, e-commerce, big data analytics, and network security. These sectors were once populated with numerous small companies that, as they reached economy of scale, "bubbled up" into larger companies through rapid consolidation. In the healthcare world there are more exits through acquisitions than through IPOs. While itself being listed, Scope Fluidics develops the diagnostic systems as completely owned, special-purpose companies, each constituting an all-in-one package of IP rights, know-how, contracts and certifications, for them to be acquired, much in line with the business trend in our sector.

Why did Scope Fluidics choose Clairfield International to advise on the sale of its Curiosity Diagnostics subsidiary?

When searching for an advisor to assist us in our partnership and commercialization efforts for our PCR|ONE system, we were impressed with Clairfield's worldwide healthcare group and in particular with its depth of expertise in the gene diagnostic and gene therapeutic sectors spearheaded by Clairfield's New York office. Clairfield had the foresight just a few years ago to recognize the nascent discoveries and advances in gene diagnostics, gene therapeutics, and synthetic biology to build its expertise in time for a company like ours. Under the direction of a team working seamlessly together in New York and Warsaw, and with the further assistance of global partners, Clairfield has been able to identify numerous opportunities so that Scope Fluidics can select the best solution for its PCR|ONE system. ■

Industrials

- Novel technologies will play a key role as companies combat shortages in skilled labor with automation and seek to streamline their supply chains.
- Trade tensions and potential rising costs from tariffs will cause firms to target emerging markets besides China.
- A tight labor market and a shortage of skilled industrial workers will encourage companies to consider human capital when looking for targets.
- Larger companies will continue to divest assets in favor of focusing on core operations, creating desirable targets for mid-size and smaller firms.
- With automation the West can afford to bring back manufacturing.

Sector heads

Chris Gregory
cgregory@clairfield.com

Dirk Freiland
dfreiland@clairfield.com

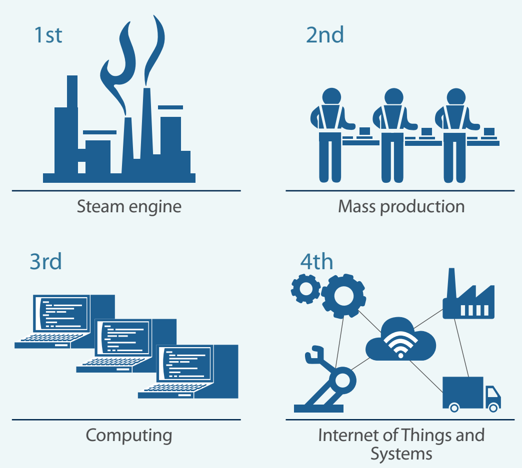
The divestment of assets by large companies continues; midmarket companies look to acquire these divestitures. With worldwide volatility and uncertainty we are seeing how corporate strategy is influenced by an adapt or perish worldview. Acquisitions are often to acquire a hot new technology, keep supply chains open in the face of trading standoffs, and sales are slimming down non-essential or even irrelevant business units. Industry 4.0 and disruption of the competitive staus quo means new products, means of production, and new opportunities. Ever growing interest from Asian acquirors is also changing the outlook.

While volume and deal size both increased within the industrials sector, ongoing trade negotiations between the United States and China have forced industrial companies to re-think their corporate strategies due to tariffs on key raw materials. With no tangible solution in the works, companies have begun to seek alternatives for manufacturing opportunities. The direction of the trade talks will continue to play an important factor in M&A activity in 2019. Geopolitical uncertainty underpins strategic decisions.

The labor market will also play an important factor within the industrial sector. A strong global economy has created a shortage of skilled industrial workers, making the acquisition and loyalty of talent more important than ever.

To avoid significant lost productivity, companies must stress the importance of human capital when looking for acquisition targets. Optimizing processes within manufacturing, logistics, and maintenance will increase production while reducing human error and labor costs. We see increased use of M&A to streamline operations with technology.

Illustration of the industrial revolution



DEAL SPOTLIGHT: Clairfield advises the shareholders of Olivotto Glass Technologies S.p.A. on its sale to China Glass Holdings

STAR CAPITAL
Società di Gestione del Risparmio SpA
and the other shareholders sold
OGT
OLIVOTTO GLASS TECHNOLOGIES
to
CNG 中玻
China Glass Holdings Limited

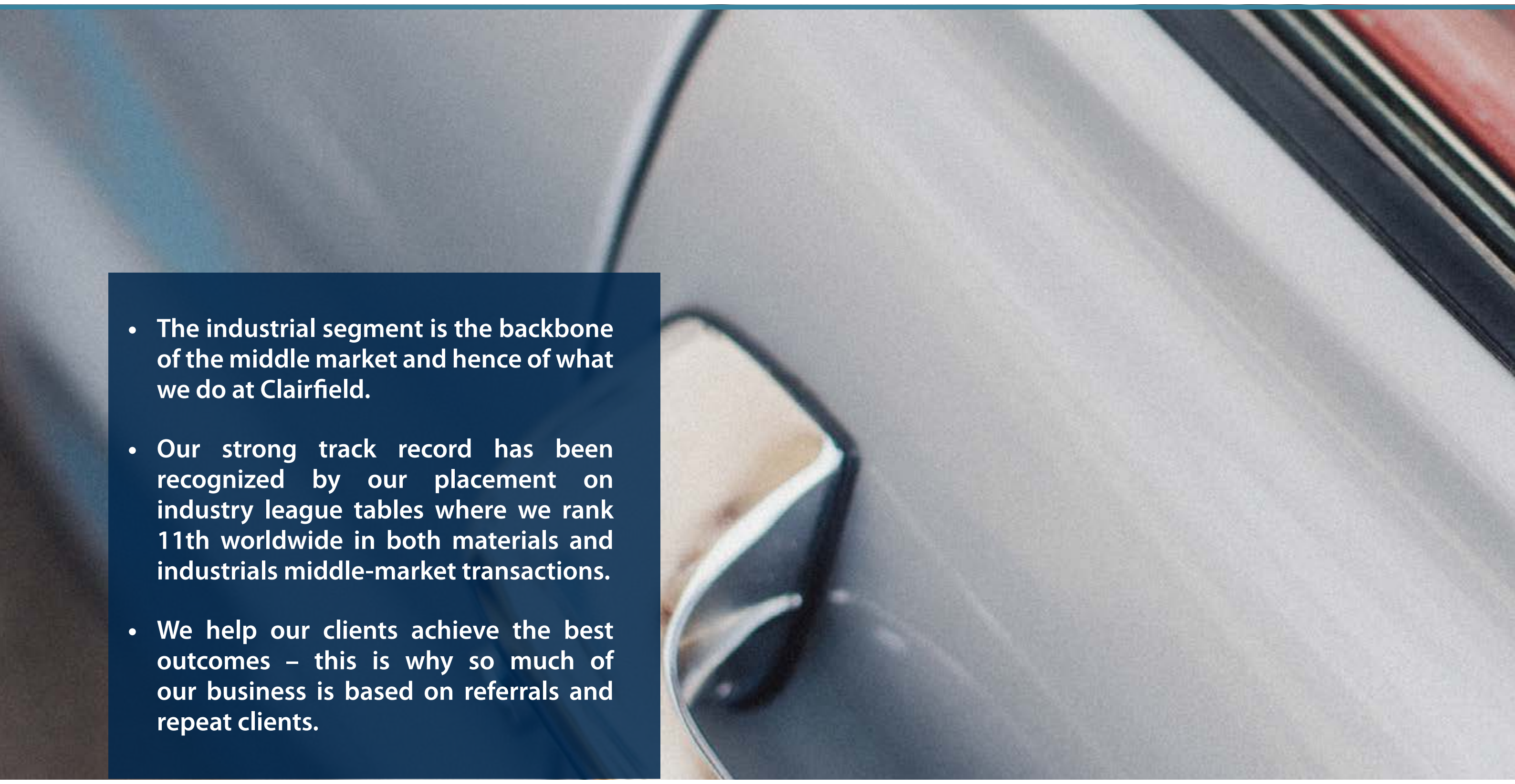
Olivotto Glass Technologies S.p.A., an Italian company active in the design, engineering, and sale of machines and plants for the manufacturing of hollow glass items such as tableware and special hollow glassware (light bulbs, glass tubes, vials, laboratory wares and glass bricks) was sold to the Chinese listed group China Glass Holdings Limited (HK:3300). Prior to the transaction Olivotto was a portfolio company of Star Capital. Star Capital is a management company of closed-end funds focused on investments in small and medium sized Italian companies. Clairfield International has advised Star Capital on multiple acquisitions and exits.

Founded in 1946 with headquarters in Avigliana, Olivotto Glass Technologies is the worldwide leader in the design, engineering, production, and sale of machines and plants for the manufacturing of non-bottle hollow glass items such as tableware, light bulbs, glass tubes, and vials. Founded in 2004 with headquarters in Beijing, China Glass Holdings is one of the most important producers of flat glass for the construction industry in China. The group, listed since 2005 on the Hong Kong Stock Exchange, is part of the listed group China National Building Materials Group Corporation (Lenovo Holdings), which employs over 5,000 people in China and in 2017 achieved revenues of more than EUR 335 million.

Clairfield role: finding an international buyer in a niche market

Clairfield Italy has served as trusted advisor to Olivotto on many occasions. In 2002 Clairfield identified private equity fund Cape Natixis as a minority investor. A period of international expansion followed, with Clairfield serving as advisor for the acquisitions of the Italian company Antas in 2003, the US company Lynch Systems in 2007, and the German company Lindner Maschinen in Germany in 2008. In 2011 Clairfield International advised the company on its sale to Star Capital. For Star Capital's exit, it was a challenge to find a buyer due to the niche where the company is market leader. Clairfield was mandated to identify potential industrial partners not directly involved in the hollow-glass business. Many important international players were approached through Clairfield's industrial team. China Glass Holdings was eventually determined to be the ideal buyer due to the complementary business lines especially Olivotto's work in the pharmaceutical industry, which China Glass Holdings believes will be a key growth market. The negotiation was lengthy and difficult. As China Glass Holdings is a government-backed company, it took a long time to perform due diligence and receive final approval from the board.

Selected transactions



- The industrial segment is the backbone of the middle market and hence of what we do at Clairfield.
- Our strong track record has been recognized by our placement on industry league tables where we rank 11th worldwide in both materials and industrials middle-market transactions.
- We help our clients achieve the best outcomes – this is why so much of our business is based on referrals and repeat clients.

Australia
CrescentCapitalPartners invested in HALL CONTRACTING PTY LTD AUSTRALIA | ASIA | PACIFIC
CONSTRUCTION

Denmark/Germany
SJØLUND was sold to Deutsche Beteiligungs AG
METAL PROCESSING

Finland
The state of Finland and Gastonia sold RASKONE to LEASEDEAL
AUTOMOTIVE

France
ADB SAFEGATE was sold by PAI PARTNERS to THE CARLYLE GROUP GLOBAL ALTERNATIVE ASSET MANAGEMENT
AIRPORT SOLUTIONS

France
ATREL sold a majority stake to CORDON ELECTRONICS
ELECTRONIC REPAIR AND RECONDITIONING

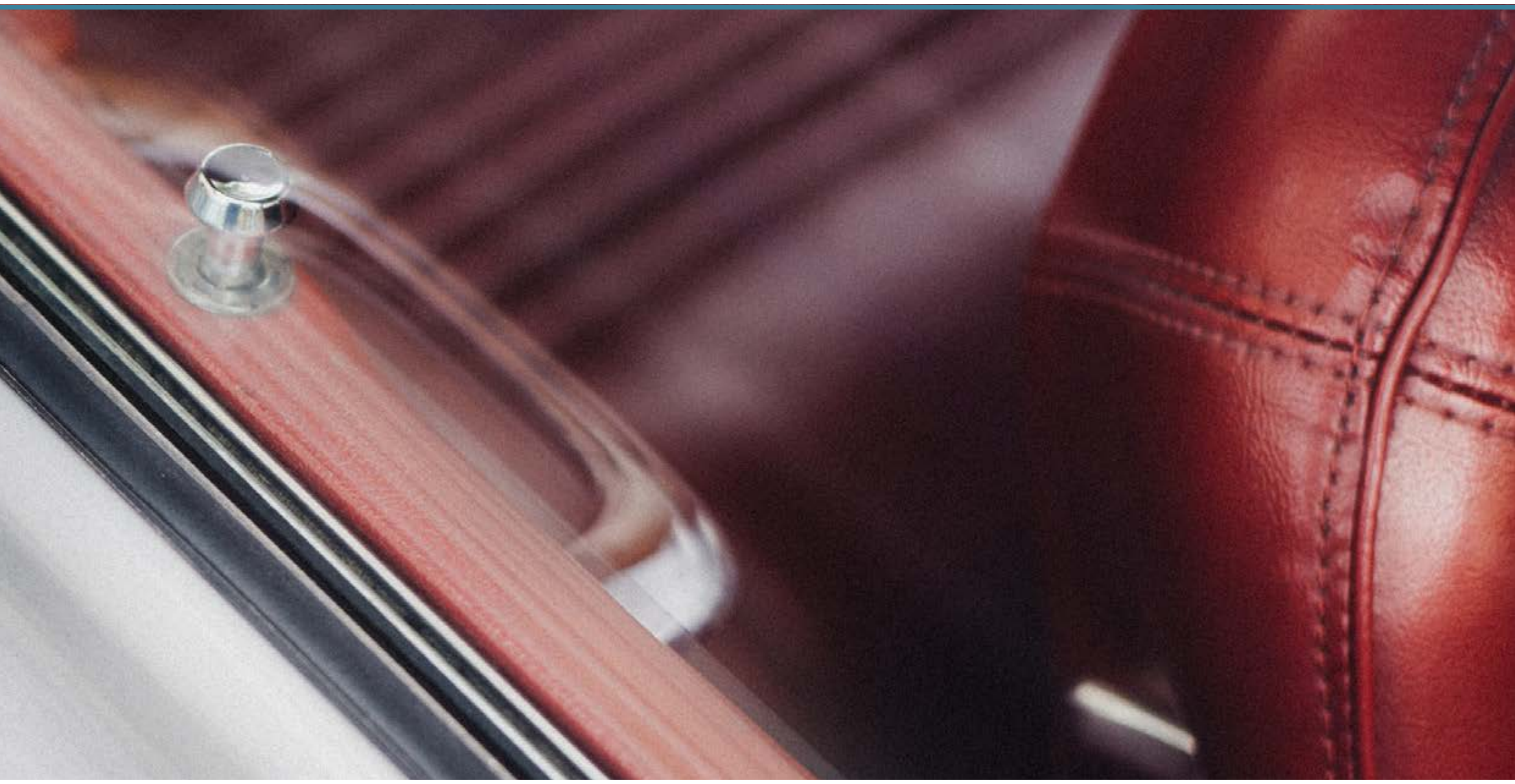
France
DIAM create.develop.enhance backed by ARDIAN acquired MR CARTONNAGE NUMÉRIQUE
PACKAGING

France/Qatar
cdc international capital & QIA invested in ALSTEF BA SYSTEMES Solutions in motion
HANDLING SYSTEMS

France/US
VACHERON INDUSTRIES sold REBOUL to Aptargroup
PACKAGING

Hungary
AD Plastik acquired TA
AUTOMOTIVE SUPPLIER

Italy/France
EDIF sold its Puglia business unit to sonepar
FASTENINGS



Italy

icP 1924

was sold to

CARTIERA DELL'ADDA

RECYCLED CARDBOARD

Italy

FIMO

backed by

IGI SGR SpA PRIVATE EQUITY

bought

DCE we know your needs

ELECTRONIC EQUIPMENT

Italy

ATOP Multiform Ingeniousness

was sold to

IMA Sustain Ability

and

Charme Capital Partners

INDUSTRIAL AUTOMATION

Norway

VERNE

was sold to

Axel Johnson International

VEHICLE COMPONENTS

Poland/Belgium/Netherlands

TRACTEBEL ENGIE

sold Tractebel Engineering Poland S.A. to

anteagroup

ENGINEERING SERVICES

Poland/Sweden

I O W

was sold to

Axel Johnson International

INDUSTRIAL COMPONENTS

Spain

GRUPO ADI

acquired

QUATERNIA Joint Value Creation

CHEMICAL DISTRIBUTION

UK

SANGAMO

was sold to

Scolmore GROUP

ELECTRICAL ACCESSORIES

US

TEC The Erosion Company

was recapitalized by

TECUM CAPITAL

SPECIALTY CONTRACTING

US/Spain

THE MIDDLEBY CORPORATION

acquired

Josper CHARCOAL OVENS

FOODSERVICE EQUIPMENT

Interview with Fernando Sanz Pinto

The paper industry reached peak demand in 2008 and it was time to shut down capacity or transform. Today it is clear which players have risen to the challenge.

Fernando Sanz Pinto is corporate strategy director at Lecta, one of the major European fine paper and specialties producers. He has worked in the paper & forest products industry for the last 24 years.

What are the main trends impacting the paper and packaging industry today?

While technology has lowered paper consumption and reduced newsprint consumption by half, the need for eco-packaging is increasing dramatically. Digitalization has brought about profound changes in the way we access information and the way we work, socialize, and shop. The rise of e-commerce has translated into the need for more flexible and smart packaging and secondary packaging. Lifestyle changes have also led to a significant increase in the use of on-the-go packaging, for instance. Today when more than half of millennials report that they do not have a set schedule for meals, the demand for smart packaging for the food industry is on the rise.

Segments like construction, industrial and automotive will aid the consumption of forest, paper & packaging products, for example for laminate flooring. At the same time, while population growth and a rising middle class naturally causes increased consumer demand, it also raises recycling and sustainability issues, which have repercussions for paper and packaging.

In this digitalized world of smart services, is paper packaging turning smarter as well?

Better designed, smarter, and recyclable packaging, with clear regulatory information labels – these features are in high demand. Environmentally-friendly packaging solutions are becoming the norm rather than the exception for packaging companies across the world thanks to profound changes in corporate standards, government policies, trade regulations, and consumer taste.

How are companies adapting to these consumer trends?

Across the industry in Europe, 15 printing & writing and newsprint paper machines with a total capacity of more than 5 million tons have been converted into packaging producers since 2006. In 2008 UPM was almost a pure paper company with 78% of revenues coming from paper. Now it is a diversified company making only 43% of revenues in paper. The transformation process in UPM has been rewarded by the market. Contrast that with Norske Skog, which lost a major part of its market capitalization since 2001. Transformation in Stora Enso has been even more drastic. The share of revenues from paper has gone from 70% in 2006 to only 28%. The company plans to reduce an additional 20% of its current paper production in 2019.

At Lecta we have also adapted our business model. We began to shift our coated woodfree production, with demand diminishing by 3 to 5%, to the growing segment of paper specialties, labelling, and flexible packaging. Specialty paper now represents the greatest portion of our revenues.

Can you tell us about the latest developments for paper and board?

There's a clear mandate to replace the plastic in flexible packaging, which comprises more than 80% of flexible packaging material and makes it difficult to recycle multi-level packaging. Many companies are researching new barrier technology to protect food and ensure the recyclability of both the barrier and the paper in multi-level packaging.

To name just a few of the most significant innovations of the moment, the Swedish paper company BillerudKorsnäs has partnered with Uppsala University to develop low-cost, eco-friendly paper batteries, while Smurfit Kappa is collaborating with the logistics division of the Swedish vehicle manufacturer Scania to create sustainable and optimized paper-based packaging solutions.

Paperboard packaging made from waste paper can cause mineral oil contamination in food. To address this problem, German company Drewsen Spezialpapiere is developing a barrier layer that prevents the unwanted gaseous mineral oil constituents from passing into the interior of the paper package in its new mineral oil repellent packaging papers.

To illustrate the urgency of this research, more than 2 billion coffee cups are consumed in the world every day, most of which end up in landfills. Some countries and cities are starting to ban or apply taxes on single-use products containing plastics. Seventy-seven percent of European shoppers are willing to pay a premium for sustainable packaging. Clearly this sentiment represents a huge opportunity for the FPP industry.

“Environmentally-friendly packaging solutions are becoming the norm for packaging companies around the world.”

Which would be the major M&A opportunities for 2019 in FPP?

Packaging and hygiene, sectors with increasing demand and non-cyclical natures, continue to be good segments to invest, and especially in mid-size family companies in segments such as paper bag producers and board converters, as well as in producers of equipment for the packaging industry.

There are also opportunities to invest in mid-size paper and packaging companies operating in niche segments that have sound plans but not enough financial resources for execution. When looking at sectors, I would say that packaging companies supplying the pharmaceutical and automotive industries are particularly promising and this is already shown by transactions such as WestRock’s acquisition of Print Pharma Packaging in Germany. Good opportunities are also present in the recycling segment where extended producer responsibility (ERP) objectives will encourage new or existing companies to develop, and especially in countries such as Germany that allow these companies to be profit-driven. Another interesting segment is companies developing barriers suitable for coating paper and packaging, making possible the replacement of polyethylene in some applications.

In general, I see opportunities in companies that have a plan to switch from paper commodities to specialties (expected growing demand), labelling, and flexible packaging. I would also consider separate buy processes for different business segments, which can be preferable to acquiring entire companies. ■

Technology, media & telecom

- In addition to consistent interest from private equity, tech firms will be in high demand from strategic buyers in all sectors, as they find acquisitions a much quicker and more cost-effective way to digitally transform their operations than making them in-house.
- Recent megadeals in telecom and entertainment will likely require divestitures of smaller assets to satisfy antitrust laws, creating an acquisition market for midsize and smaller companies.
- Convergence among the tech, media, and telecom industries will continue to create competitive pressure.
- Any targets in software-as-a-service with a diversified client base and strong EBITDA and growth attracts a lot of interest regardless of size.
- Low valuations among telecom stocks could lead to attempts of consolidation by larger companies, particularly throughout Europe.

Sector heads

Bertrand Hermez

bhermez@clairfield.com

Piotr Kolodziejczyk

pkolodziejczyk@clairfield.com

Entertainment megadeals and an increased need for technology both played a key role in the technology, media and telecom industry in 2018. TMT companies have also begun to converge across industries in an attempt to hold a stake in all aspects of the digital consumer´s interests.

As these acquiring companies look towards 2019, they will be eager to divest various assets in order to streamline operations and comply with antitrust regulation. This will create significant opportunities for smaller TMT companies looking to expand their operations not only within their own industries but also consolidation across industries. Targets like to be sold to US companies for the higher multiples, but acquirors like to make acquisitions in Europe since they open up many regional markets.

The technology industry will remain a prime target for buyers looking to build up their digital infrastructure and optimize processes as the Internet of Things and the digitalization of systems becomes commonplace in all industries. Technology continues to develop faster than ever, yet by the time many companies have taken the time to build up their own digital infrastructure the systems may already be outdated. Building these systems through acquisitions allows companies to implement this infrastructure much quicker than they could on their own.

Relatively low telecom valuations combined with the inevitable roll-out of 5G will create a healthy market for larger telecom firms looking to create expansive infrastructure to support the new technology.

Financial technology will remain a popular segment among financial services firms as mobile payments among both consumers and firms have become increasingly common, which may intrigue buyers interested in horizontal acquisition to have a stake in more parts of the digital transaction process. Financial services firms will also continue to bolster their cybersecurity efforts in order to further protect their assets in a world where control of data leakage and privacy have become crucial to corporate reputation.

DEAL SPOTLIGHT: Clairfield advises Nets Group on the acquisition of Dotpay/Ecard

nets

acquired

dotpay CARD

Nets Group, a market leader in the payments industry, acquired Dotpay/eCard, one of the leading electronic payments service providers in Poland, from private equity investor MCI Capital. The CEO Andrzej Budzik will continue in his position and the brands of Dotpay and eCard will retain their own brands. Nets Group is a leading provider of digital payment services and related technology solutions in the Nordic region. The Group offers card payment, invoice handling, credit transfer transactions, and merchant services with 2400 employees in the Nordics and Estonia. Hellman & Friedman took the company private in early 2018 and it recently announced a merger with the German merchant-service provider Concardis Payment Group, creating a business with EUR 1.3 billion in sales and EUR 500 million in EBITDA.

The acquisition of Dotpay/eCard is the first expansion of Nets outside the Nordics and the first add-on for Hellman & Friedman after acquiring Nets and Concardis. The company strengthens its leading position in European e-payments and gains access to Poland, the sixth largest country in EU and a crucial e-payment market due to its growing economy, robust growth in e-commerce volumes, and high growth potential supported by governmental cashless initiatives.

Clairfield role: the leader for e-payment advisory in central and eastern Europe

Dotpay/eCard complements Nets strategically due to its e-commerce presence. Both companies will benefit from increased industrial scale and synergies through joint innovation. The customers will benefit from a broader portfolio of state-of-the-art e-commerce solutions.

Clairfield Poland was selected by Nets due to the team's market knowledge and expertise in the fintech and e-payment segment.

Dotpay/e-card's robust performance and market growth prospects made it an attractive target that attracted significant interest from strategic and financial investors in a competitive auction organized by MCI, the private equity owner. Clairfield skilfully guided Nets through the tough auction process and achieved a successful outcome in the face of strong competition, agreeing on terms that were satisfactory to all parties.

Clairfield was the lead advisor coordinating additional financial, accounting, and legal work by Accenture, EY, and White & Case.

This was the fourth e-payments deal advised by Clairfield in Poland, making Clairfield the region's most experienced advisor.

Selected transactions

- Clairfield International was recently ranked the number one financial advisor for midmarket TMT transactions in the EMEA region. This leading position was gained thanks to the support of our seasoned technology sector specialists.
- The M&A technology market was particularly active for SaaS providers, IT security & infra players, and fintech, and Clairfield International closed transactions with Bechtle, Devoteam, eKomi, KPMG, Starhome Mach, Nets, SoLocal, and other valued clients.
- We note that targets like to be sold to US companies for the higher multiples while acquirors like to make acquisitions in Europe since they open up many regional markets. Crossborder expertise is key to success.

Austria
FirmenABC sold an 80% stake to INVESTNET (Unternehmer als Investoren)
DIGITAL MARKETING

Australia/India
Scalable Data Systems was sold to SONATA (Sonata Software)
SOFTWARE VERTICALS

Brazil
The shareholders of SIAGRI acquired minority stake checkplant
SOFTWARE VERTICALS

Brazil
Premier was sold to Quality
IT SERVICES

Canada/Austria
kontron acquired INOCYBE Technologies
TELECOM SOFTWARE

France
Mazeberry was sold to Ysance backed by CREADEV (Creating for people)
SOFTWARE VERTICALS

France
The group Mistral, composed of mistral, mistral Datacenter was sold to Omnes Capital & new manager, Parvilla, SWEN Capital Partners, Capital Transmission
SOFTWARE PUBLISHER

France
SoLocal Group sold its online real-estate classifieds business to leboncoin
ONLINE REAL-ESTATE ADS

France /Germany
onetrust (Fia-Net Trust Seal activity) was sold to eKomi The Feedback Company backed by Goldman Sachs
E-COMMERCE SERVICES

Germany
KPMG acquired 100% of CONOGY Business Intelligence
DATA-SCIENCE CONSULTING

Hungary
netrisk.hu
was sold to
MCI CAPITAL S.A.
ONLINE SERVICES

Israel/US
STARHOME MACH
was sold to
telarix
WIRELESS SOLUTIONS

Germany/US/France
BECHTLE
acquired
inmac wstore
A Systemax Business
IT RETAIL

Norway
Triangel
was sold to
VISMA
CLOUD SOLUTIONS

Norway
feelgood
was sold to
monday
TV PRODUCTION

Poland/Norway
saldeo SMART
BrainSHARE IT
was sold to
VISMA
IT SOFTWARE

UK/Denmark
SATRAK
was sold to
Trackunit
TELEMATICS

US
4TH SOURCE
was sold to
AN Global
IT SERVICES

US
Gro
was sold to
Q2
FINTECH

US
sayers
built around you
received an investement from
MOSAIC CAPITAL PARTNERS
DATA-CENTER INFRASTRUCTURE

Interview with Jonathan Medved

OurCrowd supports sustainable, profitable companies that help solve global challenges and also provide great returns to their investors and shareholders.

Jonathan Medved is a serial entrepreneur, and founder and current CEO of OurCrowd, an equity-crowdfunding platform focused on investing in Israeli and global startups. Jon was the co-founder and CEO of Vringo between 2006-2012, a leader in the mobile social and video applications area. Vringo trades on the NASDAQ under the symbol of VRNG. Jon is currently active on the boards of various non-profits.

The theme for the 2019 OurCrowd summit is "Startups: Making a Global Impact", and clearly, addressing global challenges with technology and "doing well by doing good" is one of your mottos. Can you tell us more about that?

We want to invest in companies that are going to mitigate terrible disasters that are happening in the oceans. We want to save people in danger from natural disasters. We want to invest in companies that are ultimately going to feed people. 60% of the Indian population today is dependent on agriculture for their livelihood. We have so much we can do to help them get better results; the perception that it is impossible to simultaneously do good and make money is wrong. Companies in our portfolio such as CropX and Taranis are making major inroads towards improving crop yields and saving water resources, global challenges with worldwide applications. Agritech companies will profit by helping India and many other countries streamline their agricultural processes, and will also increase productivity for the companies and food production for everyone. Improving global health is also a priority. We launched Israel's first digital health fund, Qure, and we are deeply committed to a new era of personal wellness that can not only extend millions of lives but improve quality of life. We will soon extend this approach not just to people but to animals and pets. On our precious planet, nothing exists in isolation and we must remember that every element and being in nature must be protected and cared for. It turns out that the best way to do this is build sustainable, profitable companies that help to solve these global challenges and also provide great returns to their investors and shareholders.

Are there real opportunities for emerging markets in technology, as participants and not just beneficiaries?

Not only are there real opportunities for emerging markets to participate in the next generation of breakout technology development, but at OurCrowd we are also witnessing many active developments that are unfolding as we speak. You can start in Latin America with countries like Brazil and Colombia and Chile, where a combination of government initiatives and smart financial resources in the local economies is driving forward to support some of the talented entrepreneurs with knowledge of and passion for creating solutions in the local marketplace. In the Far East, we are expanding our work with financial institutions who are helping us connect to start ups and accelerators in which we see great promise. This will be a trend to watch as the need for impact innovation will be matched by the capacity for companies with global scale such as ours to capitalize on these opportunities.

You receive hundreds of investment pitches every year. How do you decide which ones to focus on?

We actually receive thousands of pitches each year and the most important selection criterion is the team. By definition, start-up companies are long on dreams and short on track records, so what you need to focus on is the leadership—their personal track records, their experience and achievements. Do they exhibit passion, flexibility, curiosity, EQ, etc.? We spend a lot of time with founders to get comfortable. We also look at the size of the market opportunity, company traction, co-investors, technology, and product-market fit. We call customers, speak to colleagues, speak to investors—in short, we check what we can and make reasonable hypotheses about the future.

What OurCrowd success stories are you most happy about?

We are proud of our 29 investments that have resulted in exits. I'll name just a few key exits. Argus, a cyber-security company focused on preventing hacking of the connected car was acquired by Germany's Continental for USD 430 million. Our former

company Replay, which provides unprecedented 3D capture and playback for sports video that was just used in the Super Bowl, was acquired by Intel for USD 175 million. ReWalk, a company that enables paraplegics to get out of their wheelchairs and walk, just had its IPO on NASDAQ. Bike-sharing company Jump was recently acquired by Uber for USD 200 million. CorePhotonics, a company that works on amazing cell phone camera tech, was just acquired by Samsung for USD 155 million. We look forward to more good news in the near future.

While other countries fear loss of employment with digitalization, Israel has embraced digitalization and technology. Are there lessons for other nations or is Israel unique?

We are risk takers, and maybe also a bit delusional. I think that combination of risk, acceptance and delusion makes for great entrepreneurial excitement. You have to believe that the odds don´t affect you when you decide to set up a company, because empirically the odds of your success are not that good. But no real entrepreneur looks at the odds. We have a whole country of dreamers. This whole country was built on this concept of "if you will it, if you dream it, then you can achieve it. What other country has "Startup Nation" as their countries' national brand?

Top tech trends for 2019 – tell us what will be impactful, disruptive, and actionable.

Artificial intelligence will remain a primary area of investment. When used properly, the capabilities of AI will be enormous. Every sector of business will be affected. AI will transform medicine, agriculture, finance, energy, and much more. Another trend that will continue to grow is the cannabis technology industry. The amount of serious medical research in cannabis is booming and this market will attract global investment activity and returns for cannabis-focused startups. Fintech will also continue to flourish in 2019. Money will continue to roll into the fintech sector in a wide range of companies including industrial blockchain, payments, alternative investment platforms and more. Banks will increasingly join the funding of this disruption. Finally, I think we will see a lot of investment in global impact firms.

> *"Companies that focus on solving the world´s socioeconomic problems will draw mainstream interest as people see that financial success and social progress are not mutually exclusive."*

What will investors have to look forward to this year in terms of market consolidation?

We believe that major corporations will continue to acquire startups in the coming year to access innovation and new products. Israel will be a major source of these kinds of companies for acquisition; these selling companies will not only be valued in the hundreds of millions of dollar range, but also in the billions. In the past few years, there have been several success stories for companies valued at over $1 billion in the Israeli ecosystem, such as Mobileye, SodaStream, Orbotech, Netafim, etc. These deals will lead many more multinationals to hunt great future deals in Israel so that they may further build out their own offerings. While they are hunting the Startup Nation, we hope they will take a good look at the 170 companies in the OurCrowd portfolio that are active in changing the world for the better and in both real revenues and profits. ■

Clairfield by regions

Clairfield International was founded in 2004 by four European M&A boutiques and has since expanded to encompass all major economies worldwide.

While Clairfield International continues to grow with the addition of knowledgeable partners in key markets, we are determined to preserve our strengths – entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+
TEAM MEMBERS

30%
DEALS CLOSED WITH INTERNATIONAL BUYERS

170
NUMBER OF ACTIVE CROSSBORDER CLIENTS

22
COUNTRY TEAMS ACROSS THE WORLD

130
DEALS CLOSED IN 2018

EUR 3.25 billion
CONSOLIDATED DEAL VALUE IN 2018

Leading independent M&A advisor for midmarket deals

Top 10
IN EUROPEAN MIDMARKET RANKINGS

Top 20
IN WORLDWIDE MIDMARKET RANKINGS

80%
OF OUR MANDATES ARE INTERNATIONAL

1100+
ANNUAL ASSIGNMENTS ON BEHALF OF CORPORATES, INVESTORS, AND FAMILY BUSINESSES

Americas

- **US M&A markets continued to operate at record deal value levels in 2018, led by the middle market, with key indicators for transactions remaining strong in the new year. Levels of cash on corporate balance sheets (USD 6.0 trillion on the S&P 500 alone) remained robust, and strategic acquirors are looking to make acquisitions to accelerate growth.**
- **Crises in Argentina and Brazil affected the M&A market in Latin America. In both cases, domestic and total M&A is down sharply – although crossborder deals have performed much better, possibly reflecting investors' optimism that current economic and political risk will be overcome.**
- **The recovery of Brazil and Argentina promises stronger economic prospects and enhanced dealmaking throughout the region.**
- **In 2018 crossborder transactions represented 79% of all deals in Latin America and 67% in Brazil. Strong sectors for Brazilian M&A are TMT, healthcare, food & beverage, finance, energy, and education.**

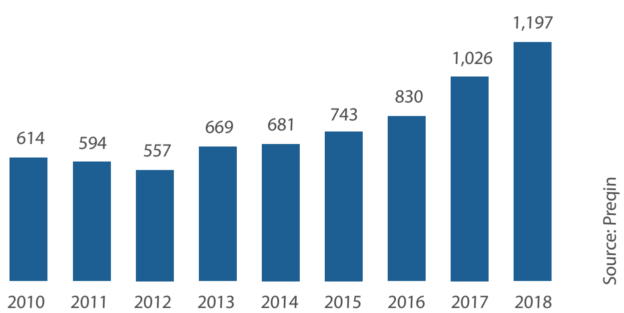
A strong American economy and recent tax cuts made for a very active 2018 in the M&A market, with a variety of transactions ranging from smaller acquisitions to megadeals to divestitures of segments making headlines across all industries. Both strategic buyers and private equity firms will likely remain active in the coming year; new cash from recent tax cuts, a tight labor market, and an excess of dry powder will create a large buyers' market.

Mexico and Latin America continue to attract sizable investment from not only North American investors but also from Middle Eastern and Asian public and private investment groups to capitalize on energy and infrastructure projects within the region. These organizations see these expensive deals as worthy long-term investments, with high expected returns in the coming years.

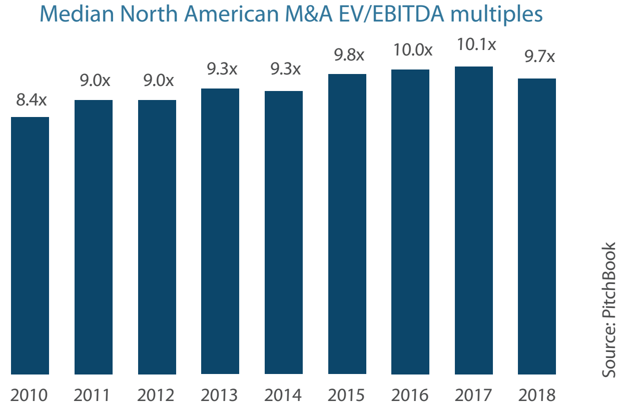
Middle market purchase price multiples have continued to sit at post-recession highs. The median EV/EBITDA multiple for transactions in the US middle market was an impressive 8.9x. The debt markets remain healthy with the median debt usage at 5.5x EBITDA across US middle-market transactions in 2018.

Mexico reached a new transaction volume record with over 331 transactions completed in 2018, an increase of 17% over the previous year. International buyers completed 100 transactions, or 30% of the market total. The M&A market is forecast to continue to be very active in 2019, fueled by expectations of changing economic conditions under the new government administration that will drive valuations down and create unique opportunities for strategic long-term investors in the country and internationally.

Private equity dry powder (USD billion)



Median North American M&A EV/EBITDA multiples



Country-by-country GDP forecast 2019

Recent volatility in the stock market and the duration of the economic cycle are currently generating increased scrutiny of highly cyclical businesses. Given continued positive economic indicators, this trend could subside in 2019 if public valuations stabilize or trade within a reasonable band and the economy continues to perform well. However, due to continued positive economic indicators and the recent public market recovery, the M&A middle market continues to perform comparably to the last five years.

Larger private equity funds are moving down market to capture value. These firms are generally in net acquisition mode, as investments outpace exits at a pace of almost two to one. Private equity-backed platforms have become formidable buyers, using synergies of existing investments to compete for opportunities and scale these platforms more quickly than they can organically drive growth. Private equity dry powder hit a record high of USD 1.2 trillion at the end of the year, creating pressure on private equity funds to deploy capital. Private equity dry powder peaked at USD 681 billion during the last cycle.

Though private equity firms may be bullish on investment, several factors could inhibit M&A activity in the Americas from reaching its historic highs from 2018. Expected interest rate increases from the Federal Reserve could raise the cost of borrowing for firms looking to acquire with debt. Additionally, many analysts believe that the economy has reached its cyclical peak in growth and anticipate a downturn in the near future. A possible recession and less disposable income for consumers may affect companies´ growth prospects. While both problems could inhibit M&A activity in the Americas, geopolitical uncertainty will remain the primary concern for firms in all sectors.

The United States and China continue to struggle to avoid a trade war, which could keep strategic decisions on hold until an agreement is reached. South America has also proven to be a volatile market. Brazil and Argentina are both recovering from economic and political turmoil, so each country´s prospects of stabilization will be closely watched by companies seeking high-growth investments in the Americas. ■

Asia Pacific and Middle East

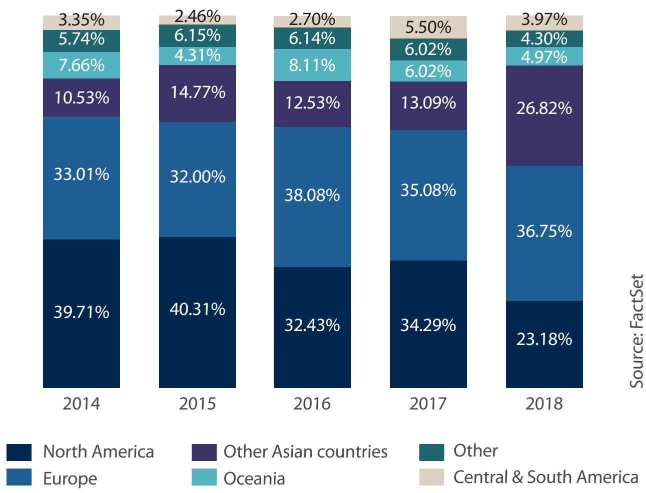
- **Following worldwide trends, Asian deal value increased last year while overall volume dropped.**
- **M&A continues to be seen as a solution for global reach for Asian companies with international aspirations. The Chinese Belt & Road Initiative is a major driver of activity.**
- **Australian M&A activity increased in 2018 and is expected to remain strong in 2019. A number of headwinds suggest uncertainty in Australia, but investors are looking to M&A as a means to maintain growth and spread risk.**
- **In spite of a turbulent year due to the political and economic climate, Turkey saw an impressive 21% increase in deal volume and corresponding growth in deal value in 2018, with particularly strong growth in the energy and transportation industries. Investors are turning skittish and Turkey remains a buyers' market with interesting assets posed for recovery.**
- **Israeli M&A deals decreased by 20% in 2018, reflecting the patience of shareholders with fewer but larger deals with growth equity and secondary funds that are more active in the market. Global PE funds continue seeking Israeli companies as add-ons to their platform portfolio companies.**

The Asia Pacific region remained on par with most regions, decreasing deal volume but increasing deal value over 2017 and representing over 25% share of global M&A. Industrials, chemicals, pharma, medical & biotech were the most attractive sectors by both value and volume. Japan posted its largest outbound total deal value ever with several megadeals, and India managed to reach its highest record of total deal value to become the second most popular country in Asia after China. Although China´s deal value fell for the second straight year, largely due to uncertainty of the country´s ability to trade, it remained as the most active investor thanks to a more agile M&A approval process by Chinese authorities.

Looking into 2019, most of the governments in Asia Pacific, especially South Korea and Japan, are supportive of the industry consolidation via M&A, which offers better global reach and reduction of market fragmentation. In India, business consolidation will be accelerated given its fragmented market and expanding middle class. In China, the Belt and Road Initiative is continuing to be one of the main drivers of M&A activities. However, given the concerns about corporate debt, Chinese officials hope that companies will begin shaping strategies for restructuring and integration before making continuous acquisitions. The restriction on credit by the government will undoubtedly influence outbound investment, but should have little effect on inbound investment.

The immediate outlook for China is dependent to a large degree on the trade war tensions with the United States. An agreement will give outbound and inbound parties much-needed clarity into the prospects of doing business not only in China but throughout much of the region, regardless of whether their strategies focus on acquisition or investment. Given this geopolitical risk, Europe has become the most popular target area for Chinese investors, shown by an 82% increase in acquisition values in 2018. Although restructuring and digitalization have increasingly taken center

Chinese outbound acquisitions by target region



stage in the near term, firms in Asia Pacific have stayed optimistic about the M&A activities for the coming year.

Continued high growth potential in the region has attracted the attention of capital-rich private equity firms and corporate investment funds looking for strong candidates to flip. Extensive investments have been made in data analytics, artificial intelligence, machine learning, and autonomous driving. Confidence among CEOs in the region has also stayed high, with many looking to acquire both within and outside of their respective countries. China, Japan and South Korea are expected to be the top three markets of focus, and the Asia Pacific region continues to offer a positive outlook.

In Australia, the number of deals concluded in 2018 increased by 5%, and the value of deals grew by 34%. This reflected strong interest from both financial and strategic investors, and a similar level of activity is expected in 2019. Crossborder activity has been strong, particularly in the TMT, consumer, and financial services industries. The fundamentals for Australia remain positive, with historically low interest and unemployment rates and a record 27 years of uninterrupted annual economic growth. A number of factors stand to threaten this run, including a declining housing market, a reduction in demand for commodities by key trading partners such as China, and an upcoming federal election. With these factors potentially limiting organic growth, companies will look to M&A to maintain growth and spread risk.

The Middle East remains a strong region for M&A as well. Although 2018 was a turbulent year due to a number of political and economic challenges Turkey's M&A market exhibited a better performance in terms of deal volume than in the previous two years. Foreign investors accounted for 69% of the total volume of the transactions constituting USD 6.4 billion, but foreign investor interest seems to be on the wane due to currency fluctuations, downgrades in Turkey's sovereign credit ratings, political turbulence, and a souring relationship with the US.

These days Turkish businesses will not consider investing outside of Turkey unless it is to focus on exports, as stakeholders and decisionmakers are in protective mode. Most assets are significantly discounted due to the almost 50% devaluation of the Turkish lira, so strategic investors have many opportunities to cherry pick. While caution is crucial in this market, firms should look to capitalize on a country with a high growth potential and an economy that should stabilize in the near future.

Meanwhile, investment in Israel has remained strong. 2018 venture capital investment in Israel reached a record high of USD 6.4 billion. Israeli companies made fewer acquisitions abroad. The drop can be explained due to Frutarom's exiting the market as the company had made around 10 acquisitions a year. US strategics are the most active acquirors of Israeli companies and the technology sector represents more than 60% of M&A activity. ■

Europe

- **Total European M&A value reached over EUR 80 billion in 2018, the highest level since 2015.**
- **Concurrent with global trends, activism campaigns have become increasingly popular at European companies, especially within many high-profile companies.**
- **In spite of Brexit, the United Kingdom will play a large role in European M&A, as its success, paired with a weak sterling, has been and will be attractive to North American and Asian investors.**
- **Both a relatively weak euro and pound will lead to increased interest from American investors looking to invest or acquire within Europe.**
- **Geopolitical uncertainty, ranging from Brexit to populism, continues to be a chief concern for investors throughout the continent.**

Improved financing conditions have created a healthier M&A market for European companies seeking strategic change in a variety of ways, from expanding internationally, to working with increased regulation to divesting smaller assets to focus on core businesses. Both deal volume and value have varied from country to country, as the United Kingdom saw an increase in volume and value while countries such as France have not had the same success. 2018 has also seen an increase in deals with companies targeting European firms and a decrease in targeted investment into North America.

2018 saw UK deal values hit a three-year high with a number of large deals completed across the UK retail, consumer and technology sectors. Deal volumes slowed in H2 as economic concerns around Brexit and a challenging political environment impacted upon consumer and business confidence.

Despite some challenging macro headwinds, the outlook for the UK M&A market in 2019 remains positive, with quality UK businesses continuing to attract interest from both domestic and overseas acquirors, with a weak pound enabling the latter to get a comparatively cheaper deal on UK assets. This positive outlook is supported by the continued appetite of UK private equity houses to invest in sectors they like, with many only having a limited time in which to deploy uninvested funds.

On par with global trends, all major Eurozone countries reported a significant increase in total deal value, though the total deal volume showed a slight decrease (with the exception of Spain.) While the region´s economy has stagnated as of late, healthy deal values have allowed the region to have the second highest total deal value in the last twenty years.

The Nordic countries remain full of solid buyers and targets for M&A. Sweden has become a hotbed of startups and has attracted investment across all industries, but especially within the tech sector. Technology, business services, and industrials are the key drivers of M&A within the region

The CEE region is among the fastest-growing regions in the world. The region's GDP is expected to add over 3% in 2018, well ahead of the US and Western Europe. For every 1% of growth in the EU, the CEE rises by an extra 1.3%. Consumer confidence indicators are at a 15-year high and currencies are stable. Industrial output is strong which has resulted in long-term solid GDP growth outlook.

Hungary and Poland continue to be highly attractive investment targets and M&A activity is expected to remain

strong in 2019. Hungary received one of the highest foreign direct investment in the region: 3.3% of GDP. Recent FDI projects include Audi, Mercedes, Tata, Bosch, Thyssen, IBM, and BP. Many international companies choose to invest in Hungary due to good infrastructure, skilled labor, competitive wages, and low taxes. Poland is also a beneficiary of FDI which is transforming the domestic economy by stimulating innovation and growth.

Companies investing in Poland include the Korean LG Chem's EV battery plant, Mercedes-Benz's construction of a new engine production plant, while JPMorgan Chase announced its plan to establish an operational center for back-office positions.

Other business services investors who have recently invested in Poland are Citibank, Nokia, IBM, Capgemini, and Atos. Google also has a campus in Warsaw. Entrepreneurship in Poland combines cutting-edge tech industry with vibrant start-up culture. Some sources have already upgraded Poland from an "advanced emerging" to a "developed" market.

Going into 2019, geopolitical uncertainties will remain the focal point of reservations when considering acquisitions. Brexit and global trade tensions will continue to play a critical role in companies´ crossborder expansion strategies, which may cause companies to prepare for an exit from the United Kingdom or pare down operations.

Furthermore, social and governmental policy may discourage companies from various countries. The recent wave of populism paired with increased European regulations will prove to be roadblocks for companies of all sizes. Regulation could cause companies to limit their spending on expansion or force them to sell off certain assets or segments.

However, a problem for some represents an opportunity for others. Increased volatility has weakened the value of both the pound and euro, continuing to make both the European Union and the United Kingdom attractive foreign investment candidates by North American and Asian acquirors with large cash reserves.

As seen in other regions, the external positive market conditions for M&A, including the end of ECB quantitative easing and the rise in interest rates, are weakening but internal conditions remain positive. Significant industries are still in consolidation mode, and lack of succession for retiring entrepreneurs leads to looking for outside buyers. A small company will struggle in the global marketplace. As long as companies must grow to compete in international markets, there will always be midmarket M&A activity. ■

Board members

Alexander Klemm, Chairman
aklemm@clairfield.com

Thierry Chetrit, Vice chairman
tchetrit@clairfield.com

Filippo Guicciardi, CFO
fguicciardi@clairfield.com

Jacqueline Curzon
jcurzon@clairfield.com

Brian O'Hare
bohare@clairfield.com

Albert Schander
aschander@clairfield.com

Practice group heads

BUSINESS SERVICES
Jarle Mork
jmork@clairfield.com

CONSUMER & RETAIL
Albert Schander
aschander@clairfield.com

Gary Ecob
gecob@clairfield.com

ENERGY, CLEANTECH & RESOURCES
David Hassum
dhassum@clairfield.com

Darius Kianzad
dkianzad@clairfield.com

HEALTHCARE
Jack Helm
wjhelm@clairfield.com

INDUSTRIALS
Chris Gregory
cgregory@clairfield.com

Dirk Freiland
dfreiland@clairfield.com

TECHNOLOGY, MEDIA & TELECOM
Bertrand Hermez
bhermez@clairfield.com

Piotr Kolodziejczyk
pkolodziejczyk@clairfield.com

CAPITAL SOLUTIONS
Hans Buysse
hbuysse@clairfield.com

Administration

Kim Rizvi, International business manager
krizvi@clairfield.com

Silvio Curioni, Finance manager
scurioni@clairfield.com

11 Rue du Conseil-Général
1205 Geneva
Switzerland
T: +41 22 518 0242
www.clairfield.com

EUROPE

Austria
Vienna
byntema@clairfield.com
T: +43 1 535293713

Belgium
Antwerp
hbuysse@clairfield.com
T: +32 2 669 08 75

Brussels
dcoppieters@clairfield.com
T: +32 2 669 08 75

Denmark
Copenhagen
aeriknauer@clairfield.com
T: +45 20 10 39 99

Finland
Helsinki
jraunio@clairfield.com
T: +358 207 613 910

France
Lyon
jncombasson@clairfield.com
T: +33 4 72 40 05 69

Marseille
exerri@clairfield.com
T: +33 6 07 86 68 75

Nantes
cdecharentenay@clairfield.com
T: +33 2 85 52 80 44

Paris
tchetrit@clairfield.com
T: +33 1 40 20 12 34

Germany
Düsseldorf
dmiddelhoff@clairfield.com
T: +49 211 917396-81

Frankfurt
aschander@clairfield.com
T: +49 69 70 79 69 0

Stuttgart
dfreiland@clairfield.com
T: +49 711 620079-0

Hungary
Budapest
onemes@clairfield.com
T: +36 1 301 0218

Italy
Milan
fguicciardi@clairfield.com
T: +39 02 763 948 88

Netherlands
Amsterdam
dcoppieters@clairfield.com
T: +32 2 669 08 75

Norway
Oslo
jmork@clairfield.com
T: +47 215 070 00

Poland
Warsaw
pchudy@clairfield.com
T: +48 22 826 26 43

Spain
Barcelona
bohare@clairfield.com
T: +34 93 487 0330

Madrid
bohare@clairfield.com
T: + 34 915 776 920

Switzerland
Geneva
aklemm@clairfield.com
T: +41 22 518 0242

UK
Birmingham
cgregory@clairfield.com
T: +44 121 234 6070

London
olaughtonscott@clairfield.com
T: +44 207 444 4399

AMERICAS

Brazil
Curitiba
jcmagalhaes@clairfield.com
T: +55 41 3342 0022

Rio de Janeiro
rpasin@clairfield.com
T: +55 11 3283 1146

São Paulo
rpasin@clairfield.com
T: +55 11 3283 1146

Mexico
Mexico City
pcoballasi@clairfield.com
T: +52 (55) 52518279

USA
Atlanta
bbriggs@clairfield.com
T: +1 404 841 3131

Miami
ikleiman@clairfield.com
T: +1 305 961 1638

New York
cohare@clairfield.com
T: +1 212 370 4343

Washington, D.C.
fjewett@clairfield.com
T: +1 212 370 4343

CANADA
Toronto
kmoore@clairfield.com
T: +1 416 340 7200

Montreal
tpepin@clairfield.com
T: +1 514 462 0959

MIDDLE EAST

Israel
Tel Aviv
jsabet@clairfield.com
T: +36 1 301 0218

Turkey
Istanbul
mar@clairfield.com
T: +90 541 240 0000

ASIA PACIFIC

Australia
Brisbane
sdoyle@clairfield.com
T: +61 7 3218 9100

Sydney
msteinhardt@clairfield.com
T: +61 403 628 842

CONTACT

For press inquiries and questions about this report, contact press@clairfield.com.
For information on how Clairfield International can help your company, contact info@clairfield.com.