

CREATING VALUE

AN IMAP MAGAZINE DEDICATED TO CREATING VALUE IN THE M&A MID-MARKET GLOBALLY

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A Compelling ESG Story is Paramount in Value Creation

ESG INVESTING

Its Impact on Middle-market M&A Across the Globe

VALUATION ARBITRAGE

Opening the Door to International Investment

STRATEGIC FINANCIAL MANAGEMENT

A Step-by-Step Guide

CONSUMER PRODUCTS

Fuelling an M&A Frenzy

IMAP

International M&A Partners

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Senior Writer: Claire Smedley



A Compelling Story in ESG is Paramount in Value Creation

Welcome to the 12th edition of Creating Value, our biggest edition so far. During what has been a record-breaking year for M&A transactions, our partners around the world have found the time to share insights and opinions with you on trending topics and issues timely and relevant in today's markets.

In our last edition, we were expecting to gear up for a new wave of M&A activity. At the time it might have sounded like a cliché, but even we couldn't foresee that we would end the year with a record 295 M&A transactions valued at over \$27 billion. In this issue we examine the sectors that outperformed and try to understand what was driving such a ferocious level of activity. We take a deep dive into one of those sectors - the Consumer Products sector, which has become a favorite spot for strategic buyers and saw historic levels of activity in 2021.

Although COVID-19 didn't put the brakes on our ability to close deals, lockdowns and travel restrictions did force us to find alternative ways to connect with our global teams. We held virtual conferences, sector, and panel sessions, and spent hours on Teams and Zoom, with the only change of scenery being our backgrounds! Therefore, I cannot overstate how important it was for us, when in November we were able to hold our first in-person conference in two years. Nothing can replace the relationship and trust building that takes place in person, and the 70 or so colleagues that made it to Lisbon made the most of it!

The conference gave us the opportunity to launch IMAP's Environmental, Social, and Governance (ESG) Initiative, which is the theme of our Special Focus section. It's clear that ESG investing is a wave that is already a major factor with debt providers and private equity funds. It's no longer a "nice to have" and ESG risk is now a prominent transaction factor influencing the mid-cap market. And so, we at IMAP intend to be in the vanguard of understanding and developing ESG deal capabilities, so that we can guide our clients through this new regulatory and financial maze, and more importantly, capitalize on one of the biggest investment opportunities of the next several decades. We present a summary of what our experts have to say on the subject, and we are proud to have had former Portuguese Prime Minister and President of the European Commission (EC), José Manuel Durão Barroso join our conference and kick-off our ESG program via live stream from Miami.

ESG investing is no longer just a "nice to have" - it's a major factor influencing the mid-cap market.

Of course, as you would expect with experts covering 15 sectors and a full range of advisory services, this issue provides insights on a broad range of diverse topics, including consolidation opportunities in the machine tool market, the world of strategic financial management, valuation arbitrage and the opportunities it presents for international investors and practical advice for start-ups looking to secure foreign financing.

In our case studies section, we share details of the second largest Fintech deal in Nigeria, a recent cross-border transaction in the Energy sector in LATAM , and a key transaction in the Pet Care sector in Germany, all of which were successfully closed by our global IMAP partners.

Will the party continue into 2022? It's hard to say – with a predicted four rate hikes on the US horizon to curb the highest inflation numbers in years, anything can happen. But, no matter what, we will continue to serve our clients with the same dedication, in good times or bad, as we have for the past 49 years.

If all goes to plan, we will be hosting our Spring 2022 conference in Paris, and by the time we come back to you with our next edition later this summer, we will have plenty more to share with you. Until then, stay safe - I wish you and your loved ones all the best for the coming year.

No matter what, we will continue to serve our clients with the same dedication, in good times or bad, as we have for the past 49 years.



JURGIS V. ONIUNAS
IMAP Chairman
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IMAP's Annual Review 2021

IMAP closes record high 294 M&A transactions worth over \$27 billion in 2021

294
M&A
transactions

\$27bn+
transaction
value

30%
cross-border
deals

IMAP closed an all time high 294 M&A transactions valued at over \$27 billion in 2021. The figure marked a significant jump up from the 212 transactions closed in 2020 and far surpassed the previous IMAP annual record of 230 transactions closed in 2019. A unique combination of low interest rates, aggressive investors flush with cash, pent-up buyer demand and high company valuations outweighed market disruptions caused by the pandemic. The pace of transaction activity intensified as the year progressed and 97 transactions were closed in Q4 alone, making it IMAP's strongest quarter ever.

Healthcare, Industrials, Technology, Business Services and Consumer & Retail were the most active sectors within IMAP in 2021, accounting for 60% of total deal volume. Ongoing digital transformation and evolving business models are driving convergence and deal activity across many of these sectors. Roughly 30% of IMAP's transactions were cross-border, which is consistent with previous years and reflects the organization's global nature. While the bulk of IMAP's deals involved a target company in either Western Europe or North America, significant deal flow was also registered in Scandinavia and in Central and Eastern Europe. Deal activity in Latin America and Africa was more subdued due to travel disruptions and limited investor appetite. About a quarter of IMAP transactions in 2021 involved Private Equity firms.

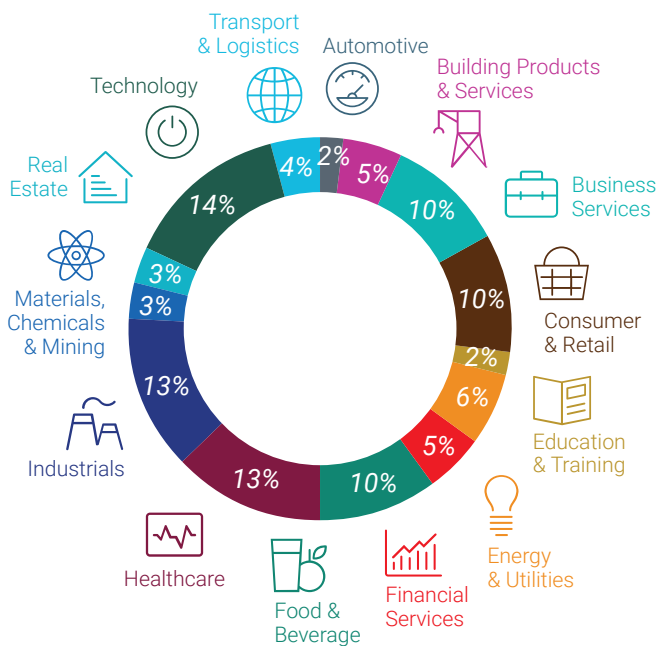
Jurgis Oniunas, IMAP Chairman, said: "2021 was a spectacular year for M&A activity and once again, IMAP's global team of advisors performed at the highest level. The record amount of deal activity is even more impressive considering the backdrop of a slowdown in China and persistent pandemic related challenges, including supply chain disruptions, staff shortages, and commodity and transportation inflation. Looking forward to the coming year, we already see an easing of energy and other commodity prices, whereas GDP growth across most of the world should continue higher, at least through the first quarter. Meanwhile, the trends driving mid-cap M&A in developed markets are firmly in place – an aging owner base, digital transformation, sector convergence – and look to continue for the foreseeable future."



JURGIS V. ONIUNAS
IMAP Chairman

“*The trends driving mid-cap M&A in developed markets are firmly in place – an aging owner base, digital transformation, sector convergence – and look to continue for the foreseeable future.*”

Deal Distribution by Sector



Global Performance

Rank	Advisor
1	PwC
2	KPMG
3	Houlihan Lokey
4	Deloitte
5	Rothschild
6	EY
7	IMAP
8	Oaklins
9	JP Morgan
10	BDO

Ranking based on number of transactions closed between January and December 2021. Undisclosed values and values up to \$500 million. Source: Refinitiv and IMAP internal data.

Customer testimonials from some of IMAP's deals

“We were pleased to experience the value of IMAP. They demonstrated a strong understanding of our business model and market dynamics. We enjoyed working together throughout the process and they helped us create a compelling equity story, which translated into finding the perfect moment for a successful deal.”

Jan de Bruijn
CEO, and Erwin Ruder, CFO, CSi Industries

“IMAP brought this acquisition to our attention and initiated the transaction. After we experienced IMAP on the sell side at datac, they provided us with excellent advice on the process, including tactical aspects of the acquisition.”

Arne Thull
Head of Investor Relations and M&A, q.beyond

“We are very pleased to have found a financially strong and experienced partner in Elvaston, who will successfully continue the strong growth story of GDI. We would like to thank the IMAP team for their professional preparation and advice, which made this future-proof solution possible.”

Marc Zausig
Shareholder and Managing Director, GDI

“We have been successfully cooperating with IMAP in the Czech Republic for 24 years. Our relationship today is based on trust and reliability. Overall, I appreciate the professionalism of the IMAP team, which throughout the entire period of our mutual cooperation positively reflected in the results of our business transactions.”

Robert Zatloukal
CEO, PROMENS ZLIN

“The cooperation with IMAP has been a very beneficial experience for us; they have guided us through the whole process in a very open and supporting way. I have been impressed by their extremely professional and very flexible approach, which ensured the best end- result for all parties involved. Their perseverance, personal involvement and deal creativity provided an extra dimension, enabling us to close this transaction successfully. I am extremely grateful to them.”

Len de Jong
CEO, Enraf-Nonius

Local Market M&A Insights

USA

Middle market transaction volume and purchase price multiples soared in 2021, and at Capstone Partners we saw this firsthand with the firm closing more deals than ever before in our near 20-year history. 2021 will be hard to beat due to the dynamic dealmaking environment and pent-up buyer demand, which caused an explosion of M&A activity as private equity and strategic buyers made up for the 12-14 months of dealmaking that was lost due to COVID.

2021 will be hard to beat due to the dynamic dealmaking environment

Inflation is a key area to monitor as we move into 2022 after it hit a 39-year high in the United States in November. Supply chain disruptions, together with a strong resurgence in consumer demand and labor shortages, have driven prices north. Business owners are now citing input prices as the greatest challenge to their company, replacing materials availability as the leading supply chain issue in Capstone Partners' Quarterly Middle Market Business Owners' Survey.

We also saw CEO confidence in the economy decline, as new COVID-19 variants dampen the outlook for recovery and the U.S. Federal Reserve pulls back on its bond-buying program which helped provide liquidity and pushed cash into the financial markets during the height of the pandemic. While supply chain challenges and inflationary pressures are expected to remain in the near term, we still anticipate healthy deal activity in 2022 as valuations remain favorable and buyers free up capacity to explore acquisitions.



Sarah Doherty
Capstone Partners - IMAP USA

CANADA



Businesses across nearly all sectors are garnering considerable buyer interest; however, businesses with ESG attributes are garnering more buyer interest than those with exposure to the energy sector.

Businesses with ESG attributes are garnering more buyer interest

Deal activity is anticipated to remain very strong given low interest rates, high public company valuations and record levels of private equity dry powder.



Nick Bester
Capital West Parters - IMAP Canada

BRAZIL

The M&A environment in Brazil continues to be highly positive with several transactions in the final stages of due diligence or definitive negotiation, though some may slip to Q1 2022.

Transactions involving local strategic buyers and private equity funds are likely to increase

In principle, M&A activity should remain strong in 2022. However, as the presidential elections approach the percentage of transactions involving international buyers is likely to decline while the percentage of transactions involving local strategic buyers and private equity funds is likely to increase.



Marcio Fiuza
Brasilpar - IMAP Brazil

COLOMBIA



2021 is ending on a positive note and we are seeing a strong economic recovery, along with a dynamic M&A market in Colombia and LATAM.

Next year we expect the M&A market to perform well

Despite the challenging political situation in the region, next year we expect the M&A market to perform well and to see a high level of activity across many of the sectors, including Energy, Infrastructure, Logistics, and Consumer Goods, amongst others.



Mauricio Saldarriaga
Inverlink SA - IMAP Colombia

GERMANY



2021 was a very active and dynamic year for IMAP Germany. With more than 25 transactions closed, we even exceeded our expectations. We served almost all sectors, with a third of our deals in the Technology sector (especially in growth opportunities) and a third in Industrials, where we successfully resolved pandemic-related special situations. Players are largely accustomed to the “new normal”, and management meetings, expert rounds or SPA negotiations often take place via video conferences, which has increased efficiency.

We expect above average activity for sectors that emerged stronger from the COVID crisis

In 2022 we expect this high level of transaction activity to continue, along with attractive valuation levels. Overall, we are very optimistic for the year ahead which we enter with a strong pipeline and numerous leads. We expect above average activity for those sectors that have emerged stronger from the COVID crisis. For example, high-growth sectors such as Healthcare, Medical Technology, Biotechnology, Software, IT services, Technology or E-commerce will continue to see strategically motivated, highly valued deals.

Cyclical Industrial sectors and Retail may see more distressed deals. We also expect an increase in M&A in the Automotive supplier industry, which has come under immense pressure.

For IMAP Germany, expanding and strengthening our personnel capacities remains a central management task.



Henning Graw
IMAP Germany

FRANCE

Following a shutdown in activity during the first lock down in spring 2020, the French economy has recovered in 2021 with a GDP growth of 6.7% (vs. -8.0% in 2020). Consumption was the main driver, along with foreign trade, as the return, whilst partial, of international tourism has encouraged the dynamism of exports. The unemployment rate has also seen a strong decrease, at 7.8% in Q4 2021 (vs. 9.5% in 2017).

M&A activity began again in 2021 after a poor 2020, encouraged by the economic players’ confidence in the economic climate, which even the threat of the “delta” variant hasn’t yet succeeded in reducing. This confidence was fueled by the strong stock market performance, along with the mountains of liquidity available to finance buyer’s ambitions – be it debt or capital.

Only a tightening of monetary policy could possibly deteriorate the situation

Private equity players have been particularly active, relying on high levels of dry powder among financial sponsors and the ever-growing appetite for direct investment from a growing fringe of their subscribers. Between January to mid-July 2021, 170 LBO transactions were announced on French companies – as many as during the whole of 2020.

The economy is forecast to continue to perform well in 2022 unless the COVID-19 epidemic gets out of control or the presidential election brings an extremist candidate to power (April 2022), though Emmanuel Macron remains the favorite for re-election. Therefore, despite these threats, we expect M&A activity to remain at a sustainable level in 2022 and only a tightening of monetary policy could possibly deteriorate the situation.



Cyril Kammoun
Degroof Petercam - IMAP France



NETHERLANDS



We see abundant capital especially from Private Equity and interest rates are low, meaning there is a lot of liquidity. The outbreak of COVID-19 initially caused the market to pause, with many transactions going on hold. But starting in the second half of 2020, we witnessed a growth spurt which continues to this day. Money that was not spent before is now being invested.

Many PE exits have been initiated, and many entrepreneurs are preparing for the next phase

In addition, many PE exits have been initiated, and many entrepreneurs are preparing for the next phase. Normally we would expect the M&A market to remain hot in 2022 as well. However, supply chain disruptions, increased oil and gas prices and labor shortages resulted in high inflation. Interest rates are likely to rise, and the market will become more volatile. Therefore, the impact on the M&A market is difficult to predict.



Axel Fuhri Snethlage
IMAP Netherlands

ITALY



The Italian M&A market has been very dynamic in 2021 with large corporates and private equity funds actively pursuing acquisitions across many industries. We have seen strong investor appetite for assets in Healthcare, Technology, Infrastructure, Food & Beverage, and Industrials, although growth and results are being affected by logistics and procurement difficulties, as well as the sharp increase in the price of freight, raw materials, and components.

Growth and results are being affected by logistics and procurement difficulties

We expect this momentum to last at least into 1H2022, driven by the improved fundamentals of many companies, large amount of funds raised by private equity funds and the availability of cheap financing.



Riccardo Martinelli
Vitale & Co. - IMAP Italy

IRELAND & UK

2021 has been a very strong year for M&A activity in the Irish market. There has been a steady flow of transactions throughout 2021 with that trend continuing at pace through December. The influx of buyers from across Europe and the US in search of attractive opportunities at competitive multiples has been a key driver of inbound interest.

We have also seen sectoral trends, such as logistics and customs support, booming in the wake of Brexit, as Ireland and Europe adjust to the new normal and buyers recognise the opportunities this transition presents. We are aware of a large number of deals in the market late in Q4 and would expect this to continue into H1 2022 with a very healthy pipeline of deals across the market.

Private equity investors continue to be aggressive

In the UK, M&A appetite remained very high throughout 2021, surpassing many expectations despite a backdrop of COVID-19 challenges, supply chain disruptions, and wider economic concerns. Private equity investors continue to be aggressive in their search for attractive investment opportunities, while strategic acquirers remain keen to future-proof and further strengthen their capabilities through targeted acquisitions. This trend played out across most sectors, particularly in TMT and Healthcare. Going into 2022, the focus will be on the macro environment (inflation, interest rate rises, etc.) for large-cap M&A deals, but there is consensus that mid-market M&A and investment activity will continue to be high on the agenda.



Richard Tunney
Key Capital - IMAP Ireland



CHINA

As a result of the market cooling down following the 2016 peak, regulatory changes, and the effects of COVID, transactions with Chinese investors in Germany were at a 5-year low in 2021. However, China remains an important potential buyer group in our sell-side projects for target sectors such as Renewable Energies, Healthcare, Smart Manufacturing, and Environmental Technologies.

China remains an important potential buyer

We don't expect a significant increase in outbound M&A transactions from China in 2022 because of China's continuous zero-COVID policy, which dragged down its economy growth, together with the trend of rising financing costs globally, and other factors. However, other activities such as inbound M&A transactions in China, greenfield investments, and Joint Ventures with Chinese counterparts involved have seen a higher level of activity, adding diversity to potential transactions.



Tinglian Jiang
IMAP Germany



JAPAN



Driven by changing attitudes and economic priorities, Japan's M&A market has recovered strongly from the COVID-19 pandemic this year, with both outbound and inbound investment gathering pace. Policy direction set by the new Prime Minister, Fumio Kishida, is expected to accelerate structural reform on multiple fronts to promote innovation, digital transformation (DX), and carbon neutral efforts.

Economic and governmental policies will be key drivers for M&A

Economic and governmental policies will be key drivers for M&A across all industries in Japan in 2022 - the Lunar Year of the Tiger, a symbol of an animal that is strong in the face of adversity and never backs down from a challenge.



Tomoyuki Izumi
Pinnacle Inc. - IMAP Japan

INDIA

In Q4 2021, we saw a good rush and successful completion of a large number of IPOs in the Indian market, with Healthcare, Technology, E-commerce, and Sustainability driving investor appetite and premium valuations. These large ticket IPOs also mean that capital raised and stock as currency will drive the consolidation of the smaller companies in the sector in the coming two years.

The Technology sector is seeing increased consolidation

The commodities are cooling off and industrial production and consumer demand are tapering off as COVID threats brought back restrictions. Inflation is top on the agenda and the central bank is likely to tighten up liquidity and interest rates.

M&A activity will remain buoyant, driven by consolidation in Industrials. Regarding 'build vs buy', buy remains in favor to avoid the gestation period of fresh investments and volatile demand patterns. Banking liquidity is high and the Technology sector is seeing increased consolidation due to heightened manpower costs and talent retention issues.



Ashutosh Maheshvari
IMAP India



ESG Is a Trend You Have to Be Ready For

Hosted by IMAP's exclusive partner in Portugal, Invest Corporate Finance, Managing Partner Gonçalo Vaz Botelho and his team in Lisbon welcomed IMAP M&A partners from around the world in November 2021, to listen to keynote speaker José Manuel Durão Barroso on the topic of Environment, Social and Government (ESG) investing. Creating Value shares highlights from Barroso's compelling speech from his unique perspective on the subject; from a geopolitical standpoint, as former Portuguese Prime Minister, and former President of the European Commission (EC); from the corporate prism, as non-executive Chairman of investment bank Goldman Sachs International; and from a global health viewpoint, as Board Chair of Gavi Vaccine Alliance, the public-private global health partnership whose goal is to increase access to immunization in poor countries.

ESG is Now Mainstream and Galloping at Pace

One of the issues that comes top of the list with clients today, not only institutional clients, pension funds, and sovereign wealth funds, but also corporates, is ESG. They all ask, "How can we put more money and investments into ESG investment?" Sometimes this is driven by requirement, where the rules dictate a substantial part of their investments need to be dedicated to ESG, but also by consumer choice.

While there is much debate regarding the importance and relevance of ESG, there are concrete examples that it is becoming mainstream in terms of investment, and that it is happening at a surprising speed. Goldman Sachs, has committed \$750 billion over the next 10 years to financing, investing and advisory activities to advance the climate transition and drive inclusive growth. And it's not just with the huge sovereign wealth funds, pension funds, and institutional investors, there are programs with major corporations such as Apple and Northvolt, local projects centered on women or social inclusion, and with small or medium sized companies.

Financing Climate Transition

The reality is that we are in a climate and energy transition. We see it in the dialogue with some of the largest sovereign funds, where the wealth comes from fossil fuels. They are now asking us to invest in other forms of green energy. According to Bloomberg¹ in 2020, for the first time ever, renewable sources made up more of the EU's power than fossil fuels. Most of those committed to this carbon transition are committing for 2050, at least in Europe. The European Union Green Deal is more advanced than in any other part of the world, I would say with some exceptions, binding commitments that are in the legislation, while others, including the US, are presenting them as aspirational.

At the same time there's a private commitment, and that's where finance comes in, with some of the leading global banks and financial institutions believing we must mobilize the markets, not necessarily just through regulation and by codes of conduct, but by voluntary commitments and public opinion.

¹ Source: <https://www.bloomberg.com/news/articles/2021-01-24/renewable-power-beat-fossil-fuels-in-eu-for-first-time-last-year> Bloomberg

Many are from corporations and that's why Goldman Sachs has been part of the coalition created to finance climate transition. Mark Carney, the former governor of the Bank of England, is now the United Nations Special Representative² precisely for financing climate change and trying to gather the support of the financing world to help this transition to carbon neutrality.

I believe we will do it, but transition is a bumpy road. It will be painful and will not come for free. According to some economists who attempted to make the comparison, the cost of the overall transition from fossil fuels to renewable sustainable energy will be comparable to all the investment made by China in the last 30 years. So, we are speaking of magnitudes that are almost beyond our imagination.

Shareholders v Stakeholders Debate

So, therein lies the question, is ESG just an additional condition in investing, or are investors prepared to give up something in terms of return? Warren Buffett has said that it's not the mission of companies to decide on that because the companies are there to serve the shareholders, not the stakeholders. It's not for companies to make social or environmental policy, but to make profits. They should of course, reward the investors and then pay taxes and the democratically elected governments in our countries allocate the taxes to what they consider socially in the interest of the old community for the common good. That's the vision. But there is another vision that says look, in today's world, companies that don't commit to ESG goals will be rejected by the market. In my view, that's the purpose of ESG, to go beyond the pure profit of the company and look to some common public good.

Appealing to Consumers of the Future

There is a great evolution of public opinion, namely young people that are the consumers of the future, who are making a very clear choice in terms of investment. In an environment of very low rates, global companies are ready to make this kind of investment, not only because of a question of PR, or prestige for the company, but also because they believe it's the best way to maintain their clients and to appeal to consumers.

I believe we will continue to see the development of even more sophisticated new products, new services, new sustainable bonds, and new technologies.

If you want to be a modern, competitive company, you have to embrace the ESG cause

If you want to be a modern, competitive company it's impossible not to embrace the ESG cause. Investors are thinking in horizons of 5-20-50 years from now, and the trend is clearly in that direction. That's why I see that ESG investing has a great future and I hope in my own country, Portugal, our leaders understand the potential of this very promising activity. ■



JOSÉ MANUEL DURÃO BARROSO

José Manuel Durão Barroso is former President of the European Commission (2004-2014) and served as Prime Minister of Portugal (2002 to 2004). He started his political career in government in 1985, and served as State Secretary for Home Affairs, State Secretary for Foreign Affairs and Cooperation, and Minister for Foreign Affairs.

His academic appointments included visiting professor of Georgetown University and visiting professor at Princeton University. He is currently a visiting professor at the Catholic University of Portugal (Director of its Centre of European Studies) and at the European University Institute, School of Transnational Governance, Florence.

José Manuel Barroso graduated in Law from the University of Lisbon and completed an M.A. in Political Science from the University of Geneva. He is currently Chairman of Goldman Sachs International and Chairman of Gavi, the Vaccine Alliance.

² Mr Carney, now UN special envoy on finance and the UK's Prime Minister's finance adviser for COP26. The commitment of \$130 trillion of assets being "aligned with the Paris Agreement" comes from 450 company members of the Glasgow Financial Alliance for Net Zero (GFANZ), a private finance initiative led by Mr Carney.



ESG Investing and its Impact on Middle-market M&A Across the Globe

Following keynote speaker, José Manuel Barroso's kick-off of IMAP's Environmental, Social, and Governance (ESG) initiative, IMAP held the first in what will be a series of panels dedicated to ESG investing. With IMAP Chairman, Jurgis Oniunas, leading the discussion, IMAP partners Pedro Benites, Brent Walker, and Vijay Balasubramanian, alongside Federico Gandino Masetti, General Manager at Rekeep World S.r.l., shared their experiences and deliberated on what is clearly no longer a voluntary activity and has serious implications for mid-cap transactions.



Setting the Scene

JURGIS ONIUNAS
IMAP Chairman
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You will have heard me mention on previous occasions that we should always be building for growth and preparing for the next wave. ESG investing is a wave that is already a major factor with debt providers and private equity funds, and its influence on mid-cap transactions will continue to grow.

In March 2021, the EU Sustainable Finance Disclosure Regulation (SFDR) came into effect and is designed to drive capital towards sustainable orientated investments. It's being followed by US and European firms, so it's clear that part of the move towards ESG we are currently experiencing is regulatory motivated.

Furthermore, at the recent COP26 conference, \$130 trillion of capital was committed to net zero by the Glasgow Financial alliance for Net Zero, or GFANZ, a group of banks, fund managers and issuers led by Mark Carney, the Canadian former head of the Bank of England. To put things in perspective, that number is six times the GDP of the US, and larger than the market cap of all the world's stock markets. Whether or not that number is hype is beside the point. A huge amount of capital is being committed to net zero – estimates are that \$2.5 trillion of annual investment will be required over the next five years alone.

So, the question is, how should we approach this? I see there being two different paths; first, the reactive approach, what we must do to meet ESG regulatory requirements, the other is what I consider a more proactive point of view, i.e., where do the opportunities lie because of this new form of investing? How can we find the opportunities to drive these transactions? If we want to look on a sector basis, it's important that we understand the carbon footprint of each sector in turn, to evaluate the trends and subsequently find the opportunities. If we take the Healthcare sector as an example, there's telemedicine, life extension, new materials for health equipment and so on.

Ultimately, we need to find ways both to guide our clients through this new regulatory and financial wonderland, and more relevantly, to find opportunities that will drive these transactions. ESG is no longer a matter of personal choice - it's business.



Canada

BRENT WALKER

Co-founder and Managing Director
Morrison Park Advisers, Inc. – IMAP Canada
brent.walker@imap.com

I'd like to start by echoing what José Manuel Durão Barroso has said, that ESG is now mainstream, as this has certainly been our firm's experience. Approximately half of our revenues over the last 10 years are due to ESG investing or advisory activities, which begs the question, what is happening in our market to create this situation? My observation would be that in our market we have been doing ESG for years before it became popular.

If you take the province of Ontario as an example, 20 years ago, the decision was made to close all the coal-powered fire plants, which led to a building spree, refurbishing our nuclear plants, and building wind and solar, along with transition fuel for natural gas power plants and we've been right there in the middle of this activity, be it financing or advisory on buying and selling.

Also in Canada, we're very open to immigration and we bring in approximately 400,000 new Canadians a year, and of course, they require somewhere to live. We are currently experiencing a massive housing affordability crisis so affordable housing investment is an economic imperative and we've been a leader in social housing finance for the last 10 years or so. About 10 years ago, we did a \$250 million bond issue for the Regent Park project in Toronto, designed to redevelop the neighbourhood. Nowadays, this would be classed as a sustainable bond, which brings me back to the point that in Canada we have been doing this sort of activity for a long time.

Interestingly, we also have a large resource base in Canada, with lots of mining activities, some of which are for ESG minerals such as those for batteries. Most of these resources are located on indigenous land, and over the years we have advised many First Nation communities on how to earn money from their land, primarily from the mining companies.

We have also been doing a lot of work in the impact investing space. Family offices are an important part of this dynamic and there is high demand from them for sustainable investments. However, it is challenging to find direct investments in real projects that will make a real difference. We are seeing some investors unwilling to receive sub-market returns on this type of investment. At the end of the day, investment funds are looking to achieve alpha returns on their investments, though we are seeing some willing to accept beta on their investments, as long as in other areas of their portfolio, their alpha returns are in the form of social benefits.

Finally, though as a rule the "G" in ESG has less visibility, I would say that Canada has a very active governance business and we ourselves have advised on many governance issues. I would also add that ESG creates volatility, which in turn creates opportunity for investment bankers.



Portugal

PEDRO BENITES

Managing Partner
Invest Corporate Finance – IMAP Portugal
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In terms of our activities, ESG is going to make an impact, namely with regards to the investor base and their availability to invest in equity and debt through ESG available funds. It also affects the diversity of the investor base, as in some cases, investors are no longer interested unless they see the target is ESG compliant. Further down the line, during the due diligence process, ESG will also be an important factor in determining the company valuation, which must be taken into consideration and factored into the transaction process.

Just recently, the International Financial Reporting Standards (IRFS) issued a notice advising of their plans to put in place international sustainability financial reporting. We are currently seeing a big issue in being able to properly compare companies.

Therefore, this new regulation will ensure that all companies can be compared on an equal basis and measured across the sectors to understand how they will impact ESG. Investors and businesses will have the necessary information to understand the full range of environmental risks they face and create.

We are already working on a sustainable-linked bond, which we hope will soon be coming to the market. In parallel, we are also working on and providing advisory on the format and structure of several green bonds and see lots of potential in this area.

Due to its increased importance, our firm is taking great steps to understanding the implications and determining our approach to ESG investing.



USA

VIJAY BALASUBRAMANIAN
Managing Director
Capstone Partners – IMAP USA
vijay.balasubramanian@imap.com

For the last 15 years or so, I have focused on the Chemicals and Special Materials industry and as you can imagine, the “E” in ESG has been extremely important for deals in the space. One of the first deals I worked on in the industry was for a large acquisition financing. Whilst presenting to the credit officer, I realized his negative preconceived notions of the industry (pollution and hazardous materials) just about sums up the way the general public feels about chemicals. Most of the press the industry receives is bad (spills, leaks, explosions etc.), so the “E” in ESG has always been very central to dealmaking - investors don’t want to spend millions on an asset and then have to spend billions cleaning up environmental or safety issues. Historically however, the “S” and “G” have been very low touchpoints.

Over the last few years, we have seen an explosion of interest in ESG in the Chemicals sector. I was looking through the earning call transcripts of the 10 largest chemical companies and found that eight of them mention “ESG” and “sustainability” multiple times in their most recent earning calls – go back to their 2015 year end call, and you find that none of the ten mentioned either term during the call. ESG is now front and center for the industry.

This has led to many interesting developments and there are five in particular I want to share:

1. Everyone is now looking to build ESG credibility. At least for the “E” and the “S” parts, the easiest way to achieve this is through acquisition. However, there is not a lot available to buy on the market and prices are high – should you find something, you will have a long list of potential buyers.
2. Due to difficulties in buying, chemicals companies are spending significant money on building capabilities (e.g., recycling, R&D on renewable feedstocks etc.). However, this will take time to scale/ make a difference.
3. The changes we are seeing appear very abrupt and may cause unintended disruptions. For example, it’s become increasingly difficult to raise funds to dig new oil & gas wells. I believe a greener future is better for all of us, yet the transition must be managed well, or the short-term disruptions could be severe.
4. There remains much confusion as to what contributes to ESG so this needs better definitions and a better understanding of objectives which will allow us and our clients to focus on solutions that work.
5. There are a lot of new opportunities and technologies emerging (e.g., carbon capture) that are nascent and not profitable today but will require capital and support in the near term.

We see lots of changes ahead, not just for the Chemicals industry, but across the broader economy as well and as with all change and volatility, this brings opportunities.



Italy

FEDERICO GANDINO MASETTI
General Manager at
Rekeep World S.r.l.

For Rekeep, and from a corporate standpoint, ESG is becoming more and more crucial. It forms an integral part of our critical mission and core business. Indeed, almost 50% of our activities are devoted to helping our clients to go greener, for example in areas such as waste management and energy efficiency, etc.

Rekeep is a management company, and we have over 300 owners of the company. We have had a corporate social responsibility (CSR) report since 1992, meaning we have been talking on a stakeholder level as opposed to shareholder level for 20 years now.

One important point is that Rekeep is already on the market. We issued a bond for almost €400 million in January 2021, which received a high level of demand (multiple times the book).

Whilst there were approximately 50 core institutional players that purchased the bond, we also saw that some players were hesitant as they felt Rekeep was not ESG compliant. Considering that in January 2023 we will have the opportunity to refinance the entire bond, we realized that it was crucial for us to turn our CSR report into an ESG compliant report. We subsequently gave a mandate to a strategic consultancy company to help us achieve this and are very close to being able to being labelled ESG compliant.

At the end of the day, for our company, because of the industry we are in, and our core business, ESG is already a big part of our culture.



Strong ESG Credentials Paramount in Value Creation and M&A



CHRISTOPHER KIERMAYR
Partner
ERM GmbH

As part of IMAP's special focus on environmental, social and governance (ESG), Creating Value hears from Christopher Kiermayr, Partner at ERM GmbH, the largest global pure play sustainability consultancy and market leaders in ESG due diligence. A regular collaborator on deals with IMAP Germany, Christopher explains the role of ESG in value creation and provides practical advice for investors looking to capitalize on the biggest investment opportunity of the decade and beyond.

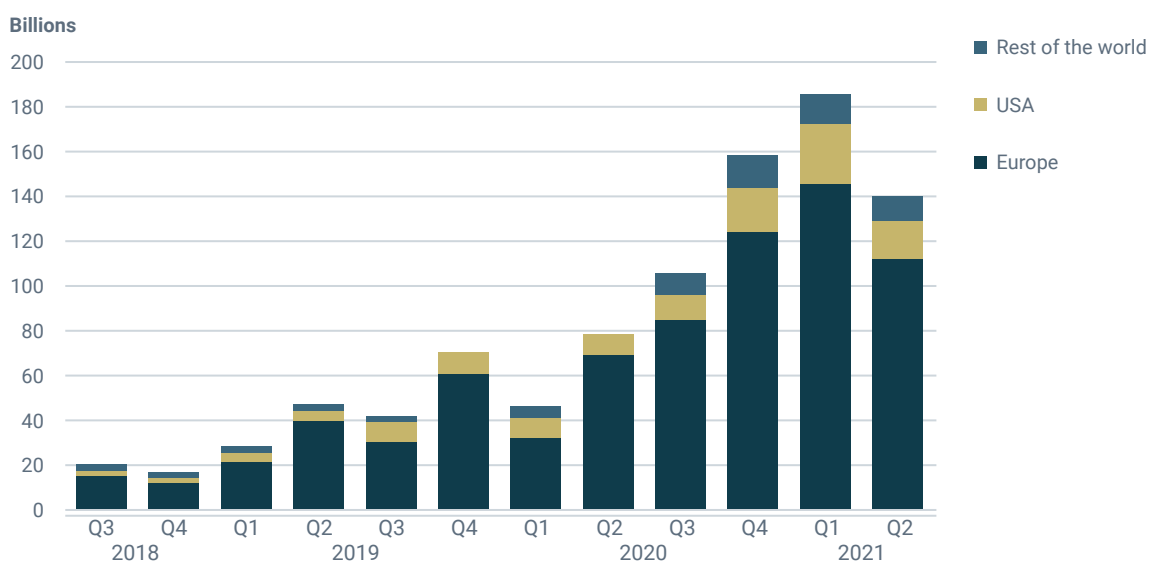
Investors and buyers are willing to pay a premium for companies that can demonstrate strong ESG credentials. Stakeholder activism on ESG aspects is adversely impacting the availability of capital.

The last year has shown how robust ESG management provides companies with resilience to external shocks.

Stocks of companies with strong ESG credentials and robust climate strategies have outperformed those of peers this year. Corporate goals around carbon neutrality

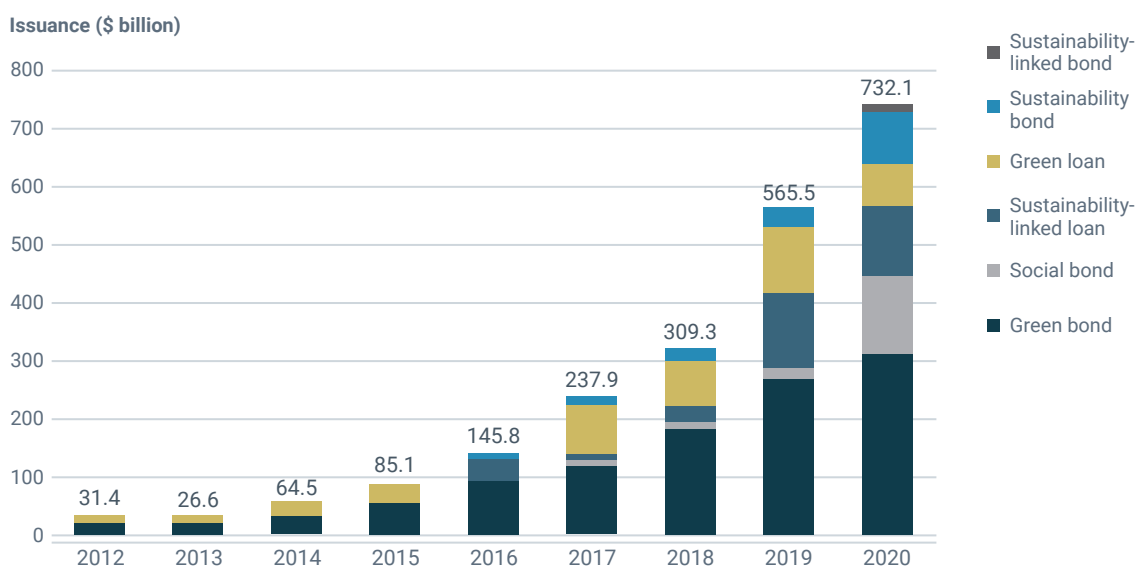
and energy transition strategies have accelerated activity to manage corporate portfolios by decarbonizing the asset base while increasing investment in and acquisition of sustainable products and technologies. ESG and sustainable investing has become the new standard to access finance. There has been a significant increase in the size of ESG funds, green bonds, capital flows to ESG funds and sustainability-linked financing, with ESG viewed as integral to strong corporate governance and business performance.

Capital Flows into Sustainable Funds 2018-2020 (US\$)



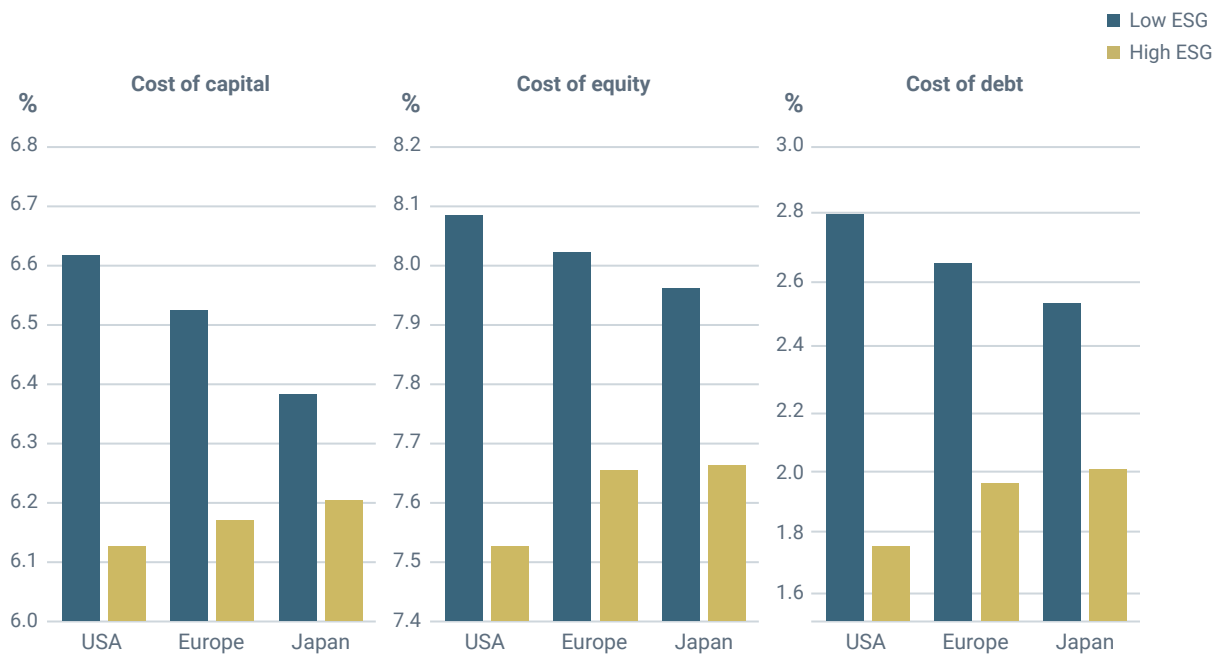
Capital directed to ESG-themed funds has seen a rapid acceleration since 2020, with European funds attracting most of the new capital. Source: Morningstar.

Growth in Sustainable Debt Issuance 2012-2020 (US\$)



Annual sustainable debt issuance grew from \$31.4 billion to \$732.1 billion over the period 2012-2020. Source: BloombergNEF, Bloomberg LP.

Costs of Capital, Equity, and Debt Compared to ESG Performance



The cost of capital, equity, and debt compared to MSCI ESG Ratings performance ranging from low ESG performance to high ESG performance for companies in the US, Europe, and Japan. Source MSCI.

Integrating ESG is no longer a “nice to have”; it is integral to strong corporate governance and business performance. Stocks, multiples, and valuations in general of companies with strong ESG credentials and robust climate strategies have outperformed those of peers this year. Investors and buyers are willing to pay a premium for companies that can demonstrate strong ESG credentials.

The amount of assets under management among ESG funds as of March 2020 was more than \$1 trillion, having grown by more than 35% over 3 years. The world’s largest asset owners are committed to mobilizing significant sums of private capital towards the 17 Strategic Development Goals (SDGs) and an increasing number of the world’s most influential LPs are focusing on ESG.



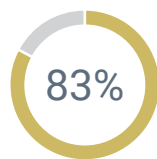
Significant Investment and Value Creation Opportunities for Astute Investors

According to ERM's 2020 survey of over 50 Private Equity (PE) investment professionals, 'Eyes on the Prize: Unlocking the Value of ESG Premium in Private Markets', 86% of those polled now have access to dedicated ESG teams when making investment decisions.

Furthermore, the results reveal that ESG issues offer significant value creation and investment opportunities in the coming 3-5 years and that there are specific actions that PE firms can take to help them make their way to the top of the ESG summit.

Considering ESG at the heart of investment theses will generate strong returns

overwhelmingly agree that focusing on ESG themes will generate good investment opportunities.



believe that Europe is likely to be the hot bed of ESG investment activity.

Areas and sectors that offer the most significant investment opportunity in the next 3-5 years.

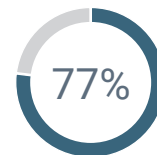
Areas	Sectors
Climate Change	Energy
Societal well-being	Consumer Goods
Water/wastewater	Healthcare
Circular Economy	TMT

Mainstreaming of ESG in investment processes is well underway

of investment teams are part of their firm's ESG committee.



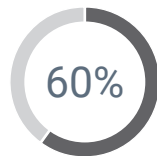
believe that ESG credentials are a factor in winning deals.



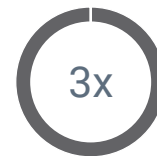
believe ESG "sell-side" due diligence will be undertaken more in the next 3-5 years.

Strategic outlook and systematic approach needed to realize ESG premium at exit

have a thematic ESG fund or strategy and actively seek out ESG-focused investment.



said that to maximize value, there needs to be regular and in-depth board engagement with companies.



increase in the perception of ESG as a positive contribution to the exit multiple in sale processes.

Based on this survey, firms should feel galvanized to take bold steps toward the significant opportunities presented by the transition to a sustainable, low carbon and equitable economy. While value protection is important, future-facing firms will generate higher returns by incorporating an ESG approach that systematically targets ESG based value creation and proactively invests behind the sustainability megatrends.

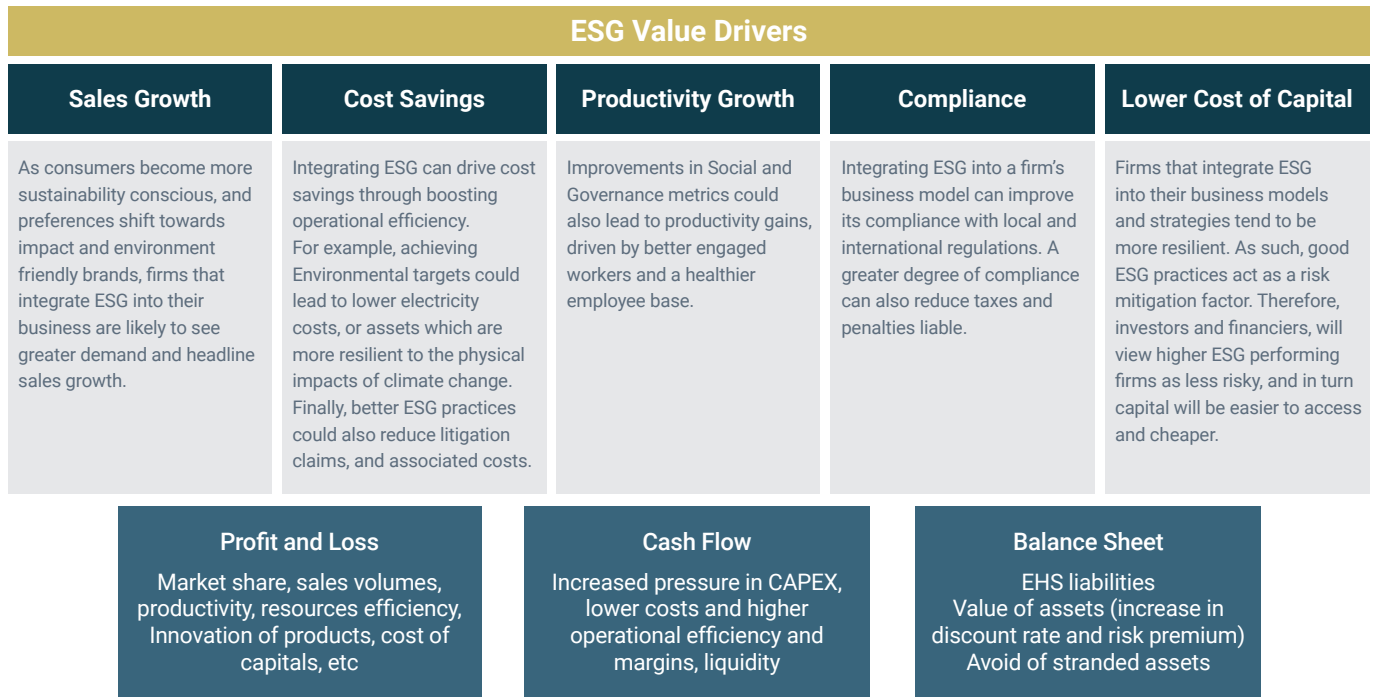
To truly realize the full potential of ESG we believe that PE firms should consider the following:

- Setting a strategic vision, and fostering a culture that sees ESG as a significant value creation opportunity
- Establishing the firm's ESG investment strategy and process for identifying ESG market trends
- Moving due diligence from compliance to ESG best practice, to generate superior returns
- Ensuring companies become "ESG strong" during ownership to benefit from a higher exit multiple

Stocks, multiples, and valuations in general of companies with strong ESG credentials and robust climate strategies have outperformed those of peers this year

22/ ESG INVESTING SPECIAL FOCUS
ESG CREDENTIALS

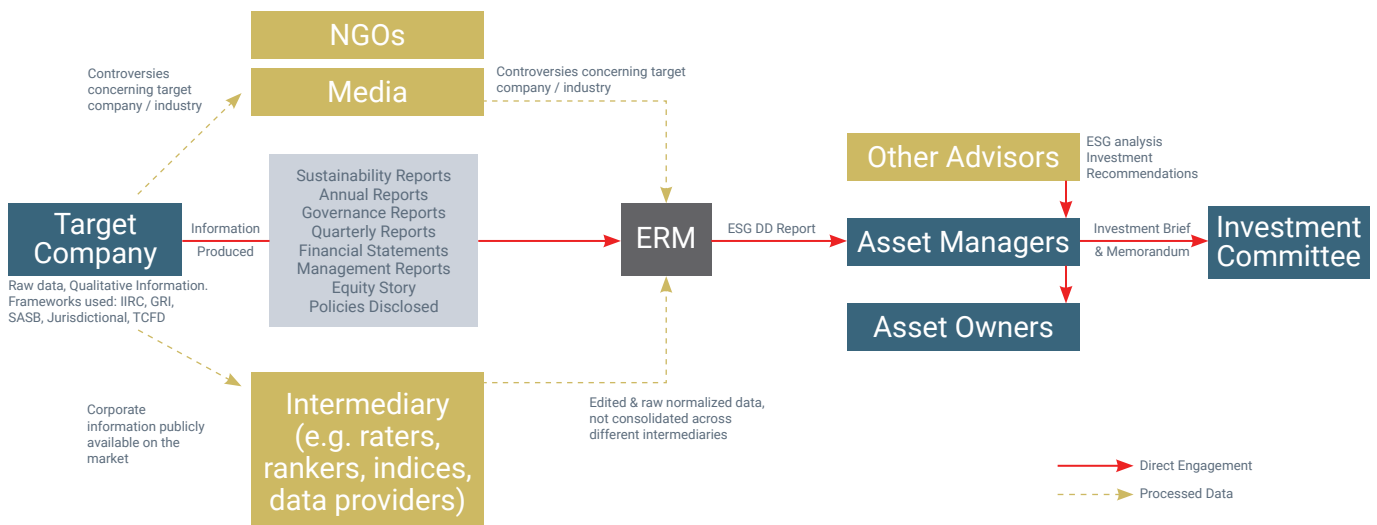
Furthermore, there are five concrete areas that we suggest PE firms should focus on which will significantly contribute to increasing ESG value:



The world is changing. Forces from all directions are pushing governments, regulators, businesses, NGOs, and investors to build a more sustainable future - and fast. This sustainability shift and resulting disruption is creating significant investment and value creation opportunities for the astute investor.

Integrating ESG into Investment Decisions

ESG factors and aspects play a pivotal role in the valuation of an asset in terms of both ascertaining its current value and protecting the initial investment, as well as gauging the potential for value creation and defining an asset's ESG trajectory and shaping the exit strategy.




Capitalizing on the Biggest Investment Opportunity of the Decade

The megatrends underpinning the transition to sustainable economies create genuine opportunities to outperform while also creating a positive legacy for society and the environment. Addressing this opportunity does not need to be resource intensive; in fact, there is evidence that structured approaches are more, not less, efficient than reactive ones. The scale and pace of change means that ESG can no longer be considered a small corner of the specialist investment world, a tickbox exercise or simply a risk management framework.

ESG and sustainability themes need to be at the core of investment strategies, decisions, and processes if PE firms are to continue raising capital from increasingly ESG- focused LPs and to capitalize on the biggest investment opportunity of the decade and beyond. There is a need for significant investment to address pressing sustainability challenges and a clear role for investors to play in the transition to a sustainable, low carbon and equitable economy.

Based on our experience, the key factors resulting in sustainability and ESG issues that should be on everyone’s radar are:

Environmental Factors	Social Factors	Governance Factors	Sustainable Development Goals
<ul style="list-style-type: none"> • Climate change • Integration of facilities into the environment • Emissions • Waste/ Wastewater • Decarbonisation of the energy mix • Innovation in technology • Biodiversity and natural capital • Environmental compliance and management • Supplier assessment 	<ul style="list-style-type: none"> • People management, development and motivation • Occupational health and safety and well being • Partnerships with stakeholder groups • Social identity • Diversity, inclusion and equality/ equity of opportunity • Human rights / Modern Slavery • Community investment • Product stewardship • Just Transition 	<ul style="list-style-type: none"> • Code of Conduct • Board oversight of risks • Compliance with laws, regulations and international agreements • Stance on bribery and corruption • Data privacy / cyber security • CEO pay • Political advocacy 	

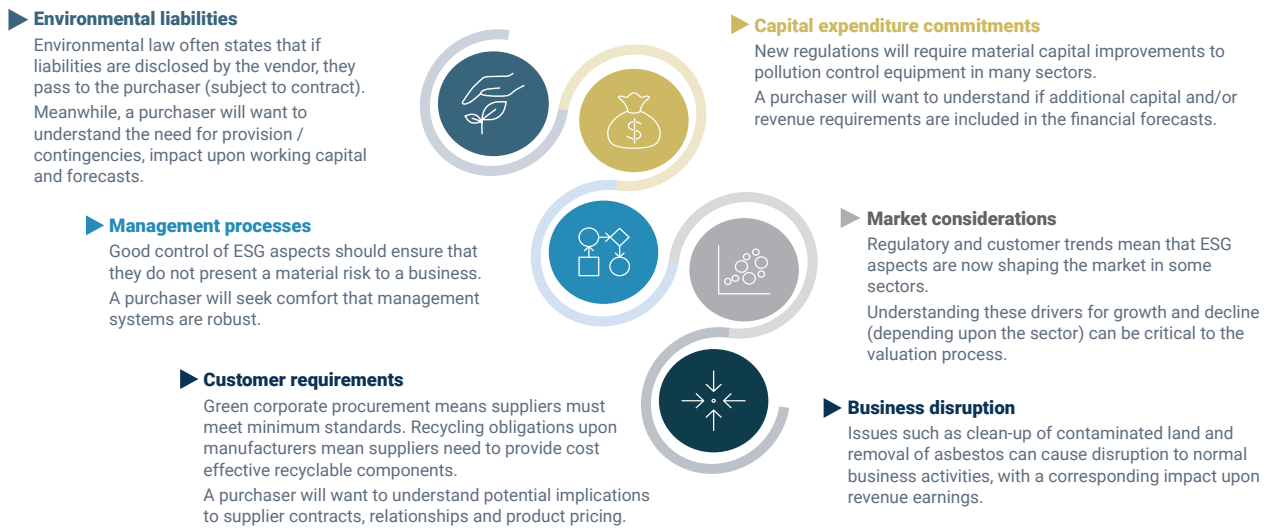


The growing ecosystem of ESG regulations, voluntary disclosure frameworks, incentives and targets are driving corporate leaders and financial players to make sustainability commitments and disclosures. Financial organizations - and their clients - must respond to quickly changing sustainability policies and increasing stakeholder scrutiny.

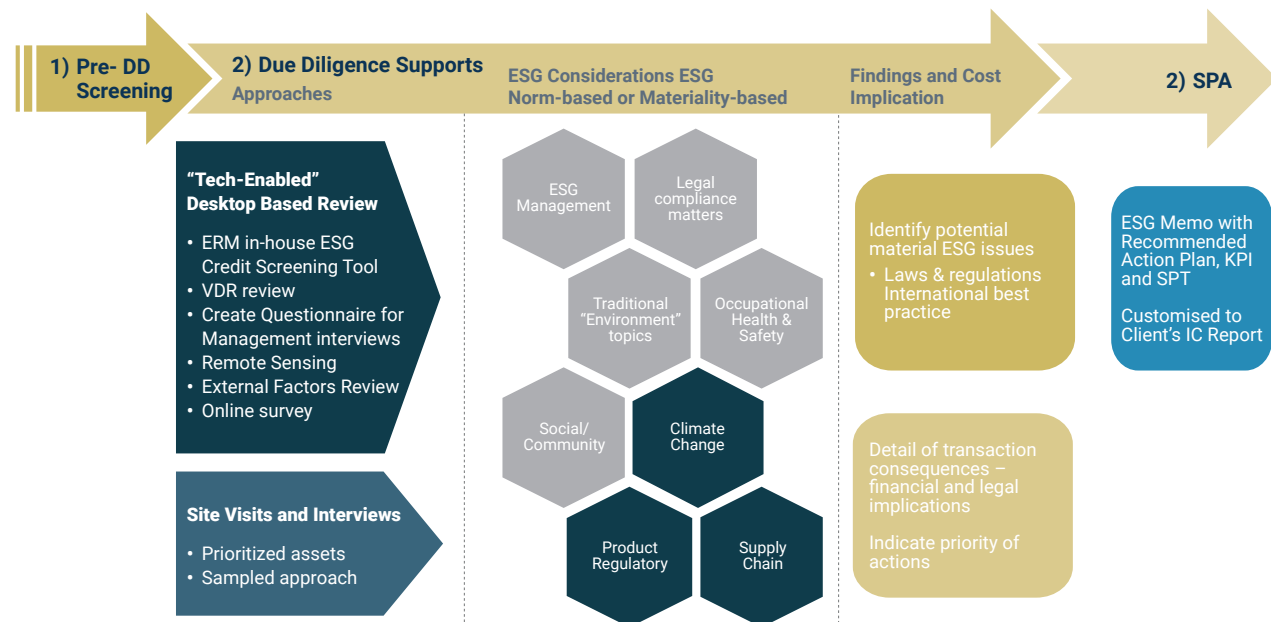
ERM is an advisor to more than 500 corporate and financial sector organizations, building on our technical, strategy, legal and in-house private market, and banking experience. We partner with clients across every stage of their investment lifecycle:

Transaction Advisory

Buyer's Key ESG Concerns in a Transaction



ESG Due Diligence Methodology



Strategic Direction & Driving Improvement

ERM Approach on ESG Integration Over The Fund Lifecycle

ESG STRATEGY AND FRAMEWORK OF THE MANAGEMENT COMPANY

Strategy, governance, internal awareness

- ESG strategies, action plans and roadmaps
- Policies & procedures
- Climate change strategies
- Benchmarking & positioning
- ESG awareness trainings
- Materiality assessments
- SDGs alignment

Reporting & assurance

- Internal and external reporting aligned with international frameworks and standards
- Support and assurance on UN PRI questionnaire
- Support for ESG ratings improvement (Gresb, UN PRI, etc.)
- Support in preparing ESG documents for fundraising preparedness

INTEGRATION OF ESG FACTORS INTO INVESTMENTS

PRE-INVESTMENT

ESG pre-screening tools

ESG screening checklist to identify ESG relevant topics to be included in the DD scope of work for targeted investments

Due Diligence

- Pre-acquisition due diligences focused on material ESG issues
- ESG sector expert calls

OWNERSHIP

ESG Monitoring and Improvement

- ESG strategy in 30/100 day plan
- Cost & resource efficiency
- ESG monitoring and reporting
- Legacy resolution

EXIT

Sell-Side Advisory

- Exit support to prepare Portfolio Company for divestiture
- Vendor ESG due diligence reports

ESG risks and opportunities have entered the mainstream and become inextricably linked to corporate strategy and business outcomes. Faced with this, companies have an opportunity to position themselves to act on the challenges and opportunities presented and to turn them into a competitive advantage.

A proactive business response to ESG risks and opportunities has the potential to protect and maximize the top-line by being more aligned with customer expectations, increasing innovation, reducing operating costs, and lowering cost of capital via participation in sustainable finance products. Facing up to these challenges will also better position companies to tell their ESG stories more authentically - creating narratives which can be directly increase enterprise value (EV). ■



TORSTEN DENKER

Partner
IMAP Germany
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Having regularly met Chris and his team on the other side of the table during due diligence procedures, we realized it would be of great benefit to our sell-side clients to engage ERM for an ESG fact book early in the project. That way, if they find some critical aspects, we still have the time to resolve them prior to addressing potential buyers. Additionally, with assistance from ERM, we often include a slide on ESG factors in our info memorandums, which is important to investors looking to assess these aspects of a project at an early stage - and is greatly appreciated.

Historic Levels of M&A Activity in the U.S. Consumer Product Industry in 2021



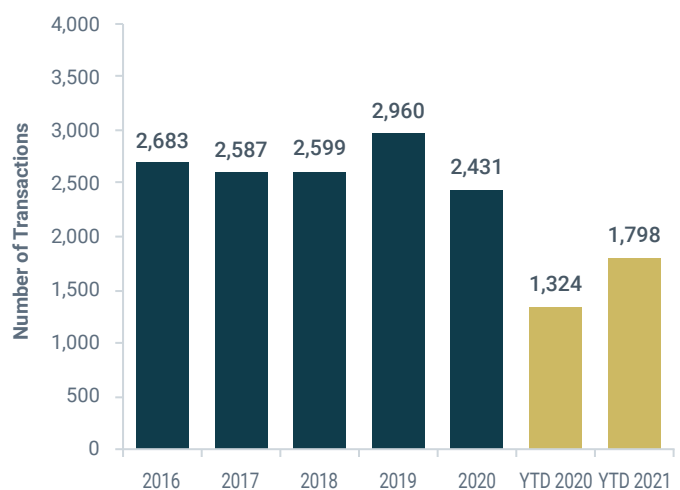
KENNETH WASIK
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Whilst COVID-19 may have had a detrimental impact on many industries, the same cannot be said for the U.S. Consumer Products sector, which saw historic levels of M&A activity in 2021. Kenneth Wasik, Head of Consumer Investment Banking at Capstone Partners – IMAP USA, shares insights from the firm’s recent “Annual Consumer Industry Report – Middle Market Deal Activity & 2022 Outlook”. He looks at how the current macroeconomic environment has affected the sector’s performance, valuations and growth outlook, discusses key trends forecast to shape the industry, and shares the firm’s expectations for 2022.

2021 was an amazing year for the U.S. Consumer Products industry. The immediate and long-term impacts of COVID have profoundly influenced the sector, more so than any other industry - lending to a historic M&A market that kicked off in the second half of the year cumulating in \$84.1 billion in total disclosed deal value and an average deal value of \$219 million.

Heightened M&A volume in the industry has been driven by significant levels of pent-up demand, impending capital gains tax increases, and favorable industry valuations. Many buyers remained sidelined through much of 2020, with strategics focused on maintaining healthy balance sheets and private equity allocating resources to support portfolio companies. With industry participants now operating on greater financial footing, deal flow has returned at a fervent pace through year-to-date (YTD) 2021, reflected by a 36% year-on-year (YOY) increase in transaction volume.

M&A Transaction Volume Year-over-Year - U.S. & Canada



Year-to-date (YTD) – Ended 5 Aug 21
Source: Capital IQ and Capstone Partners Research

M&A Volume Surges as Strategics Favor Consumer Transactions

The U.S. Consumer Product sector has become a favorite spot for strategic buyers and private-to-private company deals continued to dominate the landscape, accounting for 57% of total deal volume. As the largest seller of private-to-private companies on Wall Street, our experience is that private consumer companies capture larger synergies, are more adept at nurturing a brand, and will typically pay a premium purchase price compared to private equity (PE).

That said, armed with massive levels of dry powder and leveraging a historically low interest rate environment, PE comprised 30% of the total transactions - a historic level for PE deal flow. This has forced sponsors to be increasingly selective in bidding and narrow their sector focuses. Furthermore, the overwhelming pace of prospective transactions has caused many PE firms to pass on deals they likely would have bid on 12 months ago. Targets with brand strength, recurring revenue, and customer retention will remain highly sought-after among the sponsor universe through 2021 and into 2022.

Private strategic and public buyers have leveraged healthy cash reserves, while PE has capitalized on cheap financing - fueling a feeding frenzy of private target company transactions

Key Themes Driving Industry Activity & M&A Volume

In the short term, shifting consumer demands have caused unit volumes and pricing to change significantly. In the long term however, we have identified several key trends that will impact consumer brands well into the future, including: an acceleration to e-commerce channels, the emergence of brands built by a new generation of consumers, the importance of robust supply chains, and the need for a stable employee base:



1 The Rise of New Brands

The preferences and tastes of Millennials and Generation Z have shaped the creation of new brands that have taken hold of the market. Many younger consumers are attracted to niche, unique, mission-driven brands that align with their own values, which are now becoming more widely distributed through social media and e-commerce platforms.

Smaller brands appealing to this new generation of consumers have achieved active followings and a loyal customer base. We expect this trend to continue as younger generations continue to search for differentiation among brands.



2 Healthy Living Trends Here to Stay

Nutritional products and functional food categories are receiving substantial consumer interest which has permeated into M&A markets. Demand for vitamins, minerals, and supplements has increased significantly as consumer awareness surrounding health and immunity has reached heightened levels amid the pandemic. Strategic consolidation is expected to continue as consumer products providers add healthy brands to their product offerings.

Private equity firms have actively targeted health-conscious brands to build or enhance sector portfolios. Demonstrated sector expertise will be a key differentiator in deal processes for sponsors as winning bids will be awarded to those with a successful track record.



3 New Consumers Entering the Sector

The pandemic encouraged a wave of new consumers to undertake outdoor activities and enthusiast pursuits. An increasingly diverse demographic of outdoor enthusiasts has driven demand for products serving subsectors including Camping, Boating, Hunting, and Fishing.

Leading industry players will continue to add and diversify product lines to capitalize on favorable consumer trends. The pandemic has created a lasting impact on the Outdoor Recreation sector with M&A activity forecast to remain at a fevered pitch through year end and into 2022.



4 E-commerce & Digital Penetration

E-commerce and digital penetration have been essential features to drive sales over the past year and industry participants are expected to continue to bolster their direct-to-consumer (DTC) solutions. Efficient e-commerce fulfillment also requires sound supply chain networks, which will remain a challenge across the Consumer industry as materials shortages, tariffs, and production constraints have disrupted inventories.

Social media presence will be a key focus for brands heading into 2022 as many companies have sought to increasingly resonate with Millennials. Brands with strong online penetration and effective DTC capabilities will continue to receive healthy buyer interest.



5 Continuing Channel Diversification

Many industry participants experienced drastic declines in revenue at the onset of the pandemic, relying on sales channels and end markets that suffered from an evaporation of customer demand. As the economy has emerged from COVID-19, strategics have sought acquisitions to diversify end markets and defend revenues, with some venturing far outside their core distribution channels.

Channel crossover and product diversification is forecast to continue through year-end and into 2022. Industry participants are expected to utilize M&A to fill gaps or vulnerabilities that have been exposed by the pandemic.



6 Healthy Buyer Balance Sheets

While many sellers delayed launching a sale process to recover revenues, buyers also remained on the sidelines for much of the pandemic. However, as consumer demand has proliferated and production levels have recovered, strategic and private equity buyers have enhanced their cash positions. Many buyers are operating on significantly stronger financial footing compared to 12 months ago, providing a favorable backdrop for middle market M&A activity.

In addition, improved debt availability and usage is expected to support more aggressive M&A pursuits. Equity contributions have moderated since the height of the pandemic, reflecting borrower-friendly market conditions.

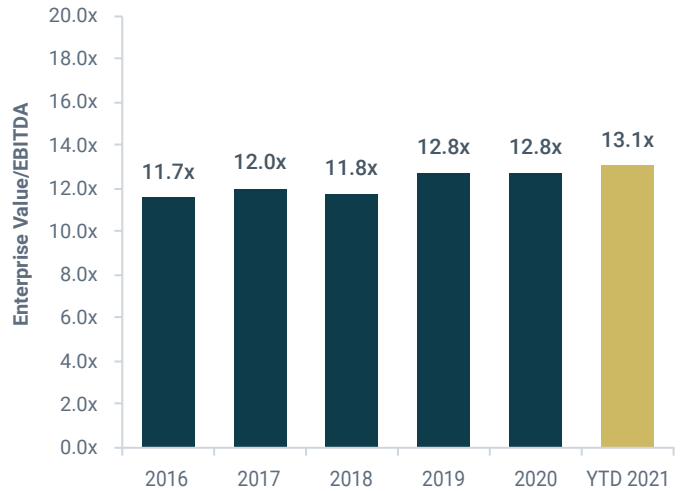
Valuations Remain Elevated

In 2021, we saw valuations in the U.S. Consumer industry reach heightened levels, with the average EBITDA multiple amounting to 13.1x, marking the highest average multiple over the past five years. Even during the pandemic multiples largely remained steady as a flight to quality drove selectivity in deal processes.

Fervent buyer appetite is driving elevated valuations amid heightened competition in deal processes

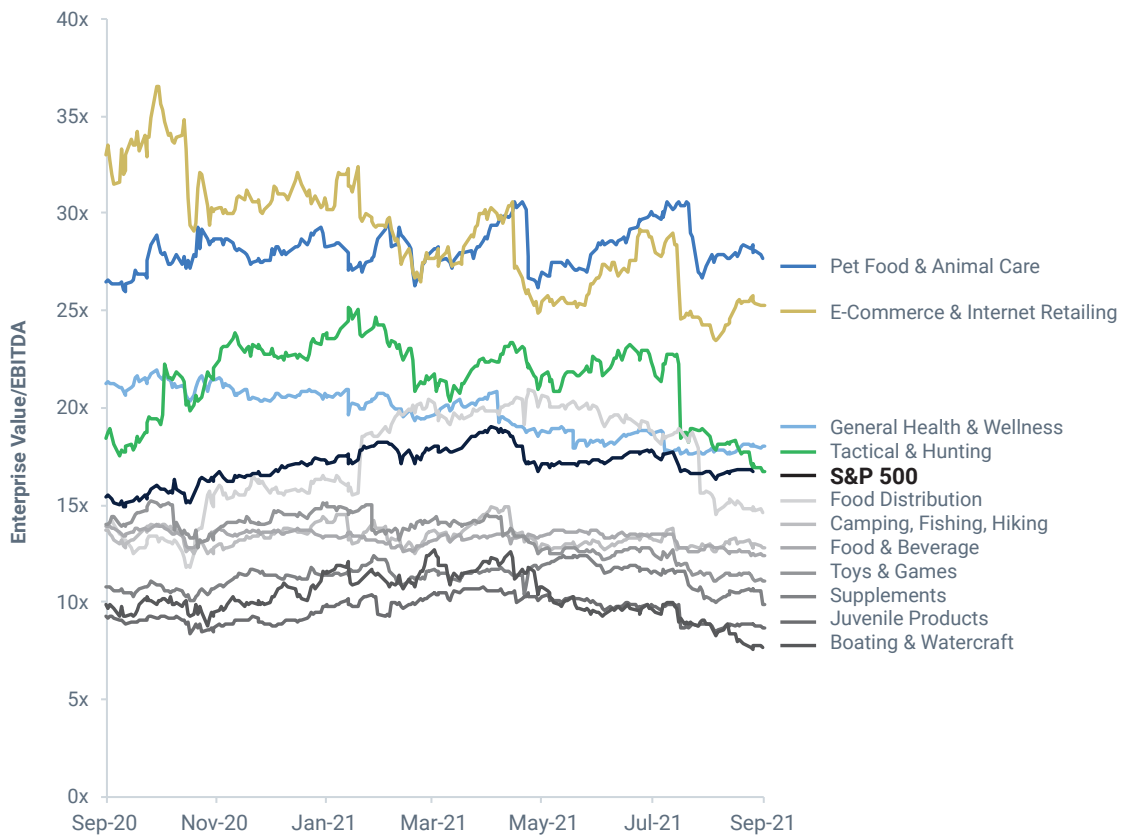
Strategic buyers, leveraging improved balance sheets paid premium multiples for accretive targets that offer enhanced revenue streams or product diversification. Sponsors, recognizing the elevated pricing environment, have also demonstrated a willingness to pay heightened multiples for attractive businesses that complement their investment theses.

Average Consumer Industry M&A EBITDA Purchase Multiples - U.S. & Canada



Year-to-date (YTD) – Ended 5 Aug 21
Source: Capital IQ, GF Data® and Capstone Partners Research

EBITDA Multiples by Sector



Pet Products & Animal Care: CENT, ELAN, PETQ, ZTS; E-Commerce & Internet Retailing: FLWS, AMZN, ASC, BOO, EBAY, OSTK, VIPS; General Health & Wellness: ABT, 300146, CHD, CL, HYPE3, NATR, PHN, RKT, USNA, 531335; Tactical & Hunting: AOUT, POWW, AXON, CZG, SWBI, RGR, VFC, VSTO; Food Distribution: DIT, CORE, PFGC, SYY, UNFI, USFD; Camping, Fishing, Hiking: CWH, CLAR, DII.B, GRMN, JOUT, PII, THULE, YETI; Food & Beverage: BN, GIS, HAIN, KRZ, MDLZ, POST, SMPL; Toys & Games: FNKO, HAS, JAKK, MAT, TOY, 7867; Supplements: BKL, GL9, HLF, JWEL, MED, WW; Juvenile Products: CRWS, DII.B, 1086, NWL, SUMR; Boating & Watercraft: BC, MBUU, MPX, MCFT
Source: Capital IQ and Capstone Partners Research



As buyers continue to grapple with COVID-adjusted EBITDA, seller financing or earnouts are forecast to be increasingly prevalent in deal structures. In addition, debt availability across the middle market has returned to pre-pandemic levels with the average Q2 2021 debt multiple standing at 3.7x, a strong improvement from 3.3x in same quarter last year. Robust M&A activity and a continued supply and demand imbalance have caused lenders to increase leverage to win deals.

Consumer products and services providers with strong brand recognition, recurring revenue, robust e-commerce capabilities, and favorable margin profiles are expected to continue to command premium valuations. In addition, sponsor backing has driven healthy pricing with the median purchase multiple of PE-backed consumer companies amounting to 16.1x EBITDA upon sale. PE has recognized the incremental value that can be gained at exit, which has been evidenced by the prevalence of add-on acquisitions to drive pricing.

We expect Consumer M&A activity in the U.S. in 2022 to match last year's strong pace

Buyers Pursuing Easily Digested Targets

As with all feeding frenzies, buyers have zeroed in on the most attractive, easily digested targets. Companies with uncertain or complicated growth stories, severe COVID impacts to profitability, or operating in battered sectors found it challenging to grab buyer's attention. Interestingly, in response to volatility in supply chains and overall inflationary trends, gross margins have become very important to buyers. Furthermore, a strong margin profile helps to insulate core business operations from broader macroeconomic disruption, allowing the business to maintain pricing power and continue driving positive cash flows.

Increased Willingness to Consider M&A Options

We are increasingly hearing that private business owners are fatigued, having steered their business through COVID only to emerge to face unprecedented supply chain challenges and an extremely tight labor force. In addition, amid rising costs and the concern of stagflation trickling into the economy, for many business owners the short-term outlook is somber, which has encouraged an increased willingness to pursue an M&A sale. While economic headwinds persist, the resolve of middle market founders and entrepreneurs have facilitated a wave of quality companies coming to market, a dynamic that we expect to continue in 2022. Following a record year, Consumer M&A in the U.S. in 2022 looks set to match its pace, with strategic buyers and private equity continuing to actively pursue privately-owned businesses. ■

The full report, entitled "Annual Consumer Industry Report – Middle Market Deal Activity & 2022 Outlook" and lead-authored by Connor McLeod, Research Manager at Capstone Partners, is available [here](#).

Consolidation Opportunities Driven by Structural Change in Germany's Machine Tool Market



BENJAMIN HAWELKA
Director
IMAP Germany
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It's fair to say that Germany's machine tool industry is experiencing significant structural changes, characterized by a drop in production value from c. €17 billion in 2019 to c. €12 billion in 2020, as well as an export quota fluctuating at around 70% during the past years. Benjamin Hawelka, Director at IMAP Germany, examines the effects of the COVID-19 pandemic on the sector and shares details of a recent client transaction with Weisser Group, seen as a blueprint for the ongoing transformation process in the sector.

Part of the significant drop in production that we have witnessed can be traced back to the impact of the COVID-19 crisis. The pandemic has had a serious impact on the sector with shutdowns in many parts of the industry, and travel bans, particularly to the US and China, led to a drop of nearly 50% in orders in the second quarter of 2020. Moreover, restrictions on the exhibition business were and still are a huge challenge for the industry, as exhibitions remain one of the most important channels to generate machine sales. However, the challenging transformation process in Germany's machine tool sector actually began many years before. The sector reached its peak of success in 2017, and in many ways, the COVID-19 crisis merely acted as an accelerator for change by uncovering the weaknesses of many companies with tremendous speed.

Given that Europe's top three largest manufacturers of cutting machine tools are all based in Germany - 10 out of 15 if expanding the range - the sector plays a very important role in Germany's industrial framework. Besides the big international players, the industry cluster is still characterized by many family-owned SMEs which represent excellent quality and technology worldwide. Particularly in the US and China, Germany's machine tool companies enjoy an excellent reputation, and these countries are by far the number one export markets for the sector. Along with excellent quality and high technology, branding has always been a key success factor for the industry. It may be surprising that branding plays such an important role in a typical "Old Economy" sector.

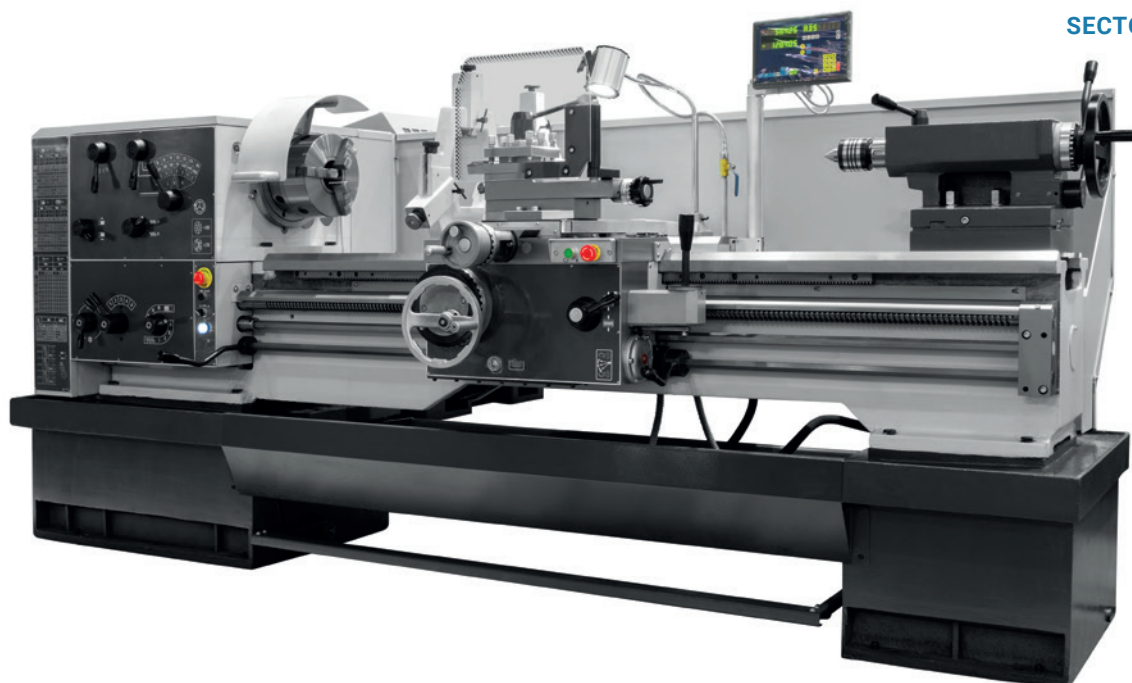
However, it is important to realize that many traditional and very successful machine tool companies have in fact emerged from the development and production of machines for a special application and have made a name for themselves in this respective field worldwide. Indeed, there are many examples where relatively small machine tool manufacturers have a great reputation and brand awareness in Asia or the US.

While great branding combined with a high grade of specialization and precision have been the key success factors for the sector to evolve strongly in the past, the far advanced globalization, as well as fundamental shifts in end markets, e.g., in the Automotive industry towards E-Mobility, have proven to be game changers for the sector and many players are struggling to adapt. Additionally, being highly technology- and research-oriented and therefore, often operating a capital-intensive business model, many companies have increased debt levels significantly to finance the necessary transformation process. Consequently, diversifying end markets and branding, as well as international expansion and the resulting financial needs are the main factors driving structural changes in the industry.

Fundamental shifts in end markets have proven to be game changers in the sector and many players are struggling to adapt and financing the necessary transformation process is costly

Recently, IMAP Germany advised the shareholders of J.G. WEISSER SÖHNE GmbH & Co. KG ("WEISSER"), a leading manufacturer of multifunctional precision lathes and turning centers, on its acquisition by American company Hardinge Inc., a leading provider of advanced, high precision metal-cutting machine tool solutions with over 125 years of experience. The strategic rationale behind this deal can be seen as a blueprint for the ongoing transformation process in the sector, addressing most of the key challenges for German machine tool companies:





1. Branding:

WEISSER is recognized worldwide for machine tools in the Automotive sector. All sales organizations of the respective international bidders in the M&A process in Asia and the US were aware of the company's products and USPs already and immediately identified great synergy potential.

2. Financing & Internationalization:

WEISSER had very limited access to the US and was unable to finance a sufficient showroom and stock which led to long delivery times of up to one year. Though the company operated a well-known spindle repair center in China, it was unable to generate adequate margins in its core business: machine sales.

3. Disruption in Sales Markets:

The majority of WEISSER's machines were used in areas directly related to the traditional combustion engine which caused a massive decline in turnover in the last few years. At the same time, the adaption of machines for E-Mobility applications took longer than expected as the direction of the required range of applications in this area was unclear. In addition, project volumes in the E-Mobility field often don't yet correspond with the level of sales that are being lost in the combustion engine technology space.

In all three areas, Hardinge was the perfect complement to WEISSER, with strong sales organizations in the US and China and broad access to complementary end markets to scale the sales volume of Weisser away from its pure automotive focus.

Weisser is one of the great, and extreme, examples of structural change in the industry. Even before the outbreak of the Corona crisis, the company recorded a continuous decline in turnover, compared to previous turnover levels in its prime of over €130 million.

Even though the economic recovery start in 2021 was promising for Germany's machine tool manufacturers, structural changes will remain the key challenge in the future of this sector. After tough and expensive "COVID-years", which have eaten away at the substance of many companies, we expect high activity in consolidation via cross-border M&A. The WEISSER deal is an example of the great opportunities that lie ahead for the industry by merging strong brands and technology with additional market reach and financing power. We expect the ongoing COVID situation to accelerate international deal activity in the machine tool industry and observe a nearly even split within the sector between strong potential buyers seeking international targets and many great potential targets on the sell-side. ■

TRANSACTION AT A GLANCE

CLIENT: J.G WEISSER SÖHNE GmbH & Co. KG
(WEISSER)

SECTOR: Industrials

TRANSACTION TYPE: Acquired Business Operations

BUYER: Hardinge Inc.



A Step-by-Step Guide to Strategic Financial Management



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In this edition of Creating Value, Mark Fasold, Strategic Advisor to Falls River Group (FRG) – IMAP USA, delves into the world of strategic financial management. Sharing a step-by-step process, he explains why it should be integral to strategic decision making and business planning, and how if done correctly, it will have a positive impact on a company's enterprise value.

All companies have some form (formal & informal) of financial management to plan near and long term. Core financial planning that is properly integrated with business strategy will yield Strategic Financial Management (SFM), which is proven to have a significant positive impact on Enterprise Value (EV).

SFM does not have a direct cause and effect on EV, rather the positive EV impact comes from a greater understanding of the business/financial risk (not the same as being risk adverse), financial soundness, better decision making, and a more complete context to run the business.

It all Starts with a Strategic Plan

All companies' strategies involve the intersection of certain key result areas (KRAs) of its business. Strategy in its simplest form is defined as: *a directional plan of action and/or policy designed to achieve a major or overall goal* and a clear strategy informs choices made to meet long term objectives.

Most strategy development models use some form of KRAs to establish strategy, as follows:

- i. Customers
- ii. Products (tangible and intangible)
- iii. Services
- iv. People
- v. Finances
- vi. Vendors
- vii. Communities

SFM is a means to express management intent and inform decisions across all key result areas

- Establishes multi-year goals that are quantifiable and verifiable
- Creates a context for current decision making and investment
- Creates near-term objectives (outcomes) for the business and its organization
- Frames strategy and business risk discussions
- Better understanding of implications and potential impacts of near-term planning
- Provides organizational guidance and commitment for day-to-day work
- Allocates capital to the more profitable and impactful strategies and initiatives

SFM Planning Principles

Think of principles as the foundational reasoning and key decisions agreed by the executive team to establish guidelines for the work ahead. The following principles are proven to have successful results:

- Inputs and outputs (financial and otherwise) must be understandable and transparent to large groups
- Planning assumptions must be tested and validated with real information
- Financial systems/controls/reporting need to be in place and have absolute integrity
- The SFM financial construct should relate directly to how the company is organized and managed to ensure accountability

It's important to note, that SFM work should not violate or deviate from the principles that have been established.

SFM - Where to Begin?

The entire process begins with a strategic planning exercise and there are many strategic planning models that can be utilized. However, in the end the exercise must address the markets to be served, products/services to be offered, and competitive positioning, as well as the internal and external resources required. Once in place, the entity needs to assess the building blocks necessary to integrate the plan with the financial plan.

As mundane as it might sound, a critical component is identifying and assessing the foundational aspects of internal controls and financial statement constructs and subsidiary information. It's like the foundations of a building; if not well done, all that follows will be substandard.

Corporate strategy development addresses these KRA's and how they relate to each other, establishes priorities, and assigns resources. The impact of strategy development and execution is reflected first and foremost with satisfied customers which will translate into overall financial soundness and a higher EV.

The development of corporate strategies in the KRA areas described must include the identification key business value drivers that can directly impact EV. The drivers will be different for each company and can include revenues by channels of distribution, technologies used in the business, operating margins, and customer profiles, amongst other things.

Additionally, when corporate strategy is directly tied to financial outcomes the result is a more realistic assessment of business risk and potential long-term outcomes.

At its core, SFM is a means to express management intent and inform today's decisions across all KRA's.

Goals of SFM

For SFM to work well as an end-to-end process with maximum impact, the organization needs to be clear as to what they hope to achieve. It is not a singular outcome and is never 'finished' per se, although there are periodic outputs. There are a myriad of reasons why companies should undertake SFM, the most important being:

The next step is quantifying the top corporate strategies in terms of revenues, expenses, cash flows and identifying direct links to financial statements and where the amounts reside. Don't try to do too much here, learn as you go.

Now the core financial constructs are ready to develop models to project balance sheet, P&L, and cash flow statements. It's critical at this point that the executive team has vetted and agreed upon assumptions and financial parameters tied in some form to the strategic plan.

When it comes time to prepare the annual budget, the quantified long term financial projections and goals need to be integrated and departmental objectives.

Financial Statement Construct

Too often senior executives see the financial statement construct as an accounting matter done in the controller's area. A more strategic perspective recognizes the role of the chart of accounts as the basis of financial reporting and controls; critical components to how a company is managed.

In developing the chart of accounts, the company establishes how the internal and external worlds will view financial results so there are many critical decisions to be made.

Often people think the financial statements should be highly analytical and complicated and don't follow how the entity is organized. As a result, the financial team is required to do many allocations and computations to close the books and publish results that will extend the monthly close timing.

An alternative is to follow the organization structure, meaning the financial statement will be easily understood, with limited analytics. Analytics can be done outside the financial statements, resulting in a quicker and more accurate monthly close and a stronger system of internal controls.

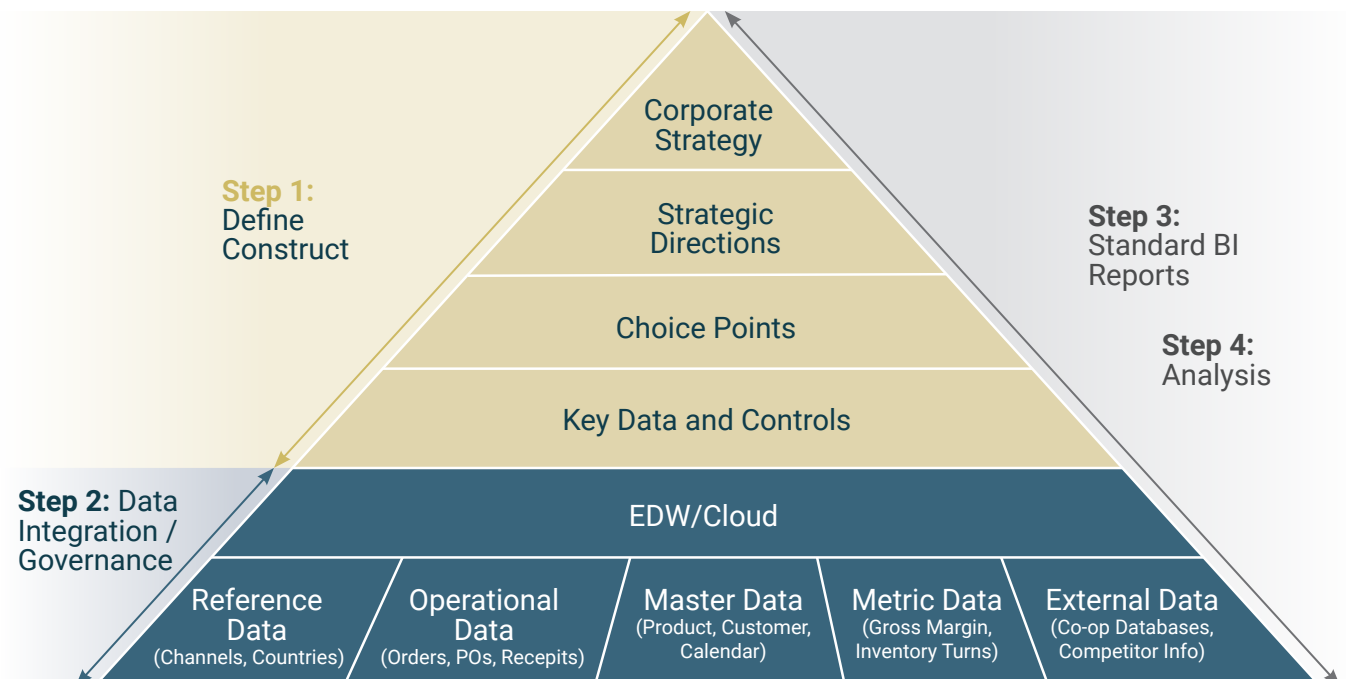
Unfortunately, too many businesspeople see analytics as the end-all and where SFM begins, when it's the reverse, i.e., you need building blocks of credible and understandable data and information before analytics are developed.

Hierarchy of Information

Often when a financial exercise is undertaken, emphasis gets put on analysis and lots of computations. An alternative approach is to begin with the entity's strategy and identify data required to support it. Once the source of the data is identified, then simple and readily understandable reports can be developed to which further analysis can be applied.

The chart below captures this business intelligence (BI) approach. When someone begins at step 4, *Analysis*, the financial reporting will be sub-optimal.

BI Framework



Balanced Scorecards

Simply put, balanced scorecards (BSCs) connect strategic goals to basic financial/operational measurements. Form and content will vary based on the information and what element of the business is being measured.

A BSC is a strategic management performance metric that helps companies identify and improve their internal operations to help their external outcomes. It measures past performance data and provides organizations with feedback on how to make better decisions in the future. Additionally, it tracks performance towards strategic and near-term targets highlighting positive and negative incidences.

Commonly a company will use the Key Performance Indicators concept (KPI's) in their BSC's. KPI's refer to a set of quantifiable measurements used to gauge a company's overall long-term performance and help determine a company's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

SFM Done Correctly Will Increase Company Value

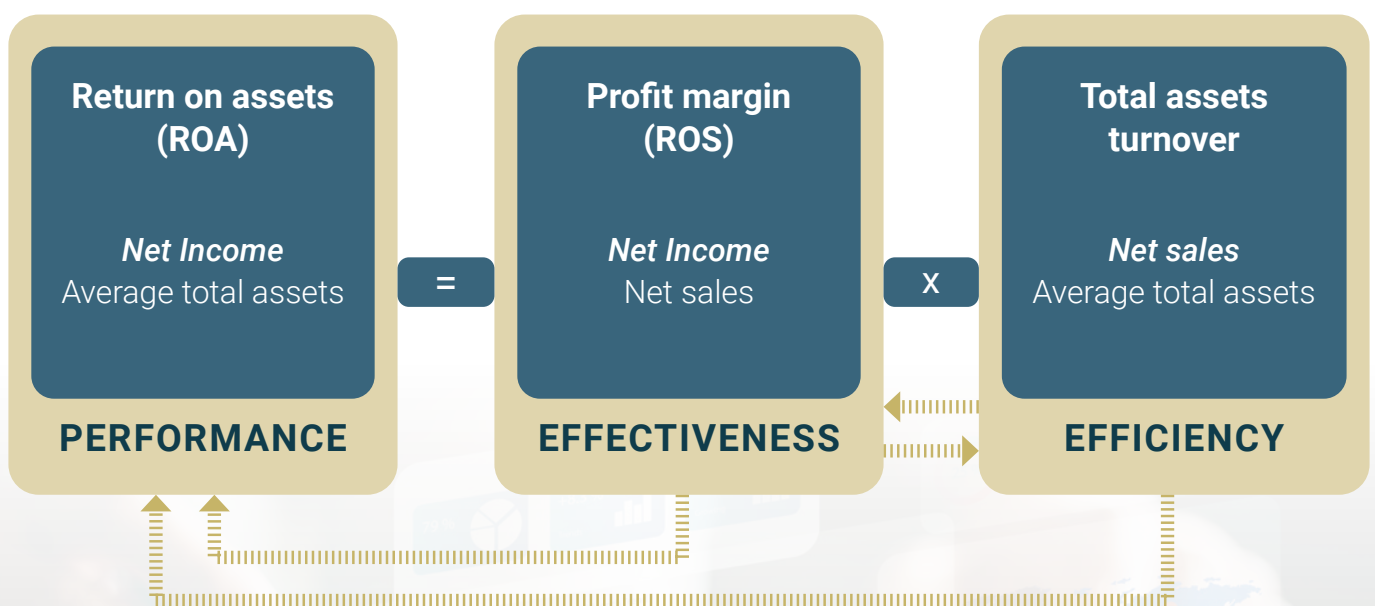
The DuPont analysis model (below) and understanding it is at the heart of SFM. It shows how the financials interact and generate return on assets (or alternatively ROE), as well as the many levers that must be planned and managed. The strategic plan addresses each component of the model, utilizing the KRA's previously explained.

The model breaks down and clarifies the different components of the **Return on Assets or Equity** formula, which can help companies to find ways to improve their return on equity. Organizations generally use this method to improve their own performance and to increase the return that they can offer to investors and shareholders.

SFM, once employed, will yield better business results, and become integral to all strategic decision making and business planning. Start slow and master the basics - crawl before you try to walk and run.

You will need to invest time and attention across the company to get the best results and as with most large undertakings, support from the top and full engagement by senior management is mandatory. When fully developed and integrated into how you run your business, SFM will increase the value of your company. ■

DuPont Analysis Model



Verdant Capital – IMAP South Africa Advises Baxi on Second Largest Fintech Deal in Nigeria



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In a country where approximately a third of its adult population remains unbanked, Baxi, one of Nigeria’s largest independent SME-focused electronic payment networks, is making great strides towards reaching the last mile and achieving financial inclusion. IMAP Senior Writer, Claire Smedley, spoke with Baxi CEO, Mr. Debola Abudu to find out why unlike mobile money providers, Baxi’s agency banking model enables it to offer a more diverse set of value-added services to clients. They discuss the company’s famous “BaxiBox’ platform, as well as its recent acquisition by MFS Africa and expansion plans moving forward.

Firstly, many congratulations on what, following approval, will be the second highest Fintech deal in Nigeria. Could you share with us a little about Baxi and its history.

Thank you. All things going to plan, we're hoping for approval from the Central Bank of Nigeria by the end of the year.

So, Baxi was founded in 2014, and our mission was and still is, to become a one-stop shop for everything payments. At the time, if you wanted insurance, you went to an insurance agent, and for cable tv, you went to another, so we wanted to create a single digital platform that aggregated all products. This way, it would be possible to pay bills, make airtime purchases, data subscriptions, withdrawals, and money transfers etc. on just one device.

It took us around a year to build our tech platform and in 2015, we officially launched the live platform. Another issue back then, was that many agents were not receiving real time commissions, but our system - with shared commissions - overcame this issue, which was a big plus for the agents. With a new understanding of the capabilities and benefits of such a platform and third-party agency networks, demand for our product rose quickly.

Over the years, we have built up a world class network of 90,000+ agents and merchants across the 36 States of Nigeria including the FCT and in some of the more remote areas of Nigeria. We have been able to bring services to people that they need yet didn't even know about, and right to their doorstep. Our products allow for digital payments to be made through mobile, in-store locations, online, agent wallets and/or bank accounts, and B2B channels.

You are particularly well known for your BaxiBox, what are they and how do they work?

Though we have a wide range of products, including BaxiPay, Baxi MPoS Device, and BaxiRIMS, our brand is synonymous with the BaxiPoS, which is essentially our platform.

TRANSACTION AT A GLANCE

CLIENT: Baxi
SECTOR: Financial Services
TRANSACTION TYPE: Acquired Business Operations
BUYER: MFS Africa

This was a deliberate strategy on our part as using larger devices was a successful distribution strategy that resonated well with the demographic we were targeting, the last mile, i.e., those in remote and outer urban areas. Though there was a move towards mobile banking and doing everything via a phone, we decided to go completely the other way, to try and empower our agents. You could say we gave them the feeling of having acquired a business, by giving them large devices that essentially felt like business terminals. This proved very successful, and we became known for these large devices, or BaxiBox. Of course, over the years, as with many other technologies, they have gotten smaller, but the range of digital services the platform offers has expanded.

Having processed over \$1 billion in transactions in the first nine months of 2021, what would you say has been the secret to your company's success?

Our focus is on agent empowerment. By this I mean that we focus on what we need on our platform that will empower the agent. Unlike other companies that push mobile money, which is their biggest product, our goal is to acquire products and services that will create income and are beneficial to the agent. We wanted to find a way of digitizing daily activities and offering them as products on our platform, essentially turning physical sales distribution processes into digital ones. People very quickly saw the advantages of doing things digitally rather than moving cash physically: our platform is unique, fast, secure, reliable, effective, and convenient, allowing the agents to manage their businesses much more efficiently.



We've also made the transition for acquiring agents, to acquiring merchants, moving towards developing fully formed digital outlets, which allows us to provide a full range of financial services that you would get in the bank. We have seen a rise in acceptance and confidence in the merchant, hence the rise in the number of transactions over the last year and a half which we expect to continue moving forward.

Baxi was recently acquired by MFS Africa, one of the largest digital payment platform operators. Can you talk us through your decision to sell, why MFS Africa was the best choice for Baxi and what does this partnership mean for the company and your own service offering?

I met Dare Okoudjou, founder and CEO of MFS Africa about seven years ago and we've kept in touch over the years. As we'd been in the market for some time, we were looking to try and raise funds for expansion. This was compounded by the market change post-COVID, as the pandemic really accelerated both the acceptance by our demographic of our distribution methods, as well as the full digitization of the last mile. More and more people began to see the value in last mile distribution.

Dare and I both saw very clearly the potential synergies in our companies coming together as our businesses are highly complementary; we simplify and integrate online and offline payments for SMEs and merchants in Nigeria through our omni-channel distribution network and MFS Africa simplifies cross-border payments, integrating payments via one hub. Their cross-border presence in 33 countries means that we can look at replicating the successful business model we have in Nigeria across other African countries. At the same time, by MFS Africa building Baxi into a key node on its digital payment network, customers will be able to make regional and global payments to and from Nigeria.

How did you come to choose Verdant Capital - IMAP South Africa as your M&A advisor and how was your experience?

I actually met Edmund Higenbottam, Managing Director of Verdant Capital, a long time ago, when I was working for an investment bank, and we subsequently worked on several transactions together. He has been in the business a long time and was my first point of call when we were looking to raise funds. Of course, our business was very different three years ago, and it's been a long journey to get to where we are today, but they had seen the evolution and growth of our company. They have been great partners, supporting us and helping us to position ourselves during the last couple of years, and effectively showcase our business and structure the transaction.

Did the transaction come about after the COVID pandemic broke, if so, did it affect the process?

I think it's fair to say that COVID slowed things down for those in a transaction process post-March last year.



Degbola Adudu, CEO of Baxi.

However, in our case, we already knew Dare and had already spoken about the potential partnership. I think the challenge was more in terms of understanding the value proposition and Baxi's business. We haven't made much noise on the market, so people are genuinely surprised when they learn what we've managed to achieve and the ecosystem we've created.

What would you say was the key to the success of this transaction?

I believe it lies in the significant opportunity and potential it offers. We see the market getting a lot larger and the potential for us to grow considerably, so I think it's going to be quite interesting over the next three quarters.

In terms of your plans for Baxi, what would you say are the barriers and challenges to growth going forward?

I honestly only see opportunity. Back in the day, capital may have been a barrier, but right now, I simply don't see barriers, just opportunities working together with MFS Africa. I think we can tell a story that a lot of people now understand and there are tailwinds that will help to move the business forward. Nowadays, it's more about how quickly you move compared to the competition and first mover advantage.

That brings us nicely onto your strategy. How do you ensure you stay at the forefront of new technology?

Technology obviously must be a big part of the investment portfolio – we wouldn't be where we are today without having invested what we did in tech. It has always set us apart and allowed us to build our platform and range of products.

Therefore, we'll continue to prioritize investment in technology and tech people. At the end of the day, it's the people in tech that differentiate you and influence how quickly you can identify opportunities in the market, and then leverage and take advantage of those opportunities.

In other markets, we are seeing a clear war for talent. Is this something you are experiencing?

Due to the significant increase in the number of fintech's, or tech related businesses in Nigeria right now, we are probably seeing a lot more competition for people with tech experience. That being said, it's not impossible to find talent. We have always had a flexible strategy, blending local and international talent. We look for strong local know-how and expertise, as well as international experience. For our business, we see this as a significant opportunity. At the same time, Nigeria is a large country and there is a lot of talent, you just have to know how to find it. Personally, it's not an issue for us. It's in our DNA to get stuff done and as more people learn about us, we are experiencing a lot of goodwill towards our brand, which is really good to see.

Where do you see potential for expansion beyond Nigeria to other African countries now that you are partnered with MFS Africa?

Expanding into new countries is a key part of our growth strategy. We now have a Pan-African infrastructure across 33 different countries and the ability to roll out our products in other African countries and visa versa, bringing in products and services that have been developed offshore and other non-African countries.

Finally, perhaps you could touch a little more on the issue of financial inclusion and last mile access and your approach to the problem.

Of course. Much of our business came to light because we wanted to empower the last mile by giving them something that was simple to use and would provide some form of income generation. If I'm honest, this is what I am most proud of, the fact that we have been able to build a platform that we know has served and created income for many families. Furthermore, to open a bank account here, bank verification numbers are a minimum requirement, which are achieved through biometric registration. Regardless of the demographic, we provide this for every merchant, essentially opening a bank account for them, working with the banks to provide some form of store of value. We can even open bank accounts for people prior to working with them as an agent, which is pretty powerful, as everyone on our platform is registered and included.

There is still a huge population that remains unbanked and there is lots of work to do. We hope to form part of the story to change this, moving into many of these communities and providing more micro-services that will empower the people. We will continue to focus on inclusion and bringing financial services to those that need it most yet are heavily uncatered for. ■



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THE FINTECH M&A LANDSCAPE IN AFRICA

Following an incredibly high level of M&A activity in the first half of the year, in Q3 we saw a further increase in deal volume, primarily in South Africa and Nigeria, Africa's largest economy and perhaps its most fintech dynamic market. It is also the largest remittance market in Africa, representing one-third of intra-Africa remittance flows, and is home to the largest number of SMEs.

The COVID-19 pandemic has emphasized the need for e-payment solutions on the continent, especially in large economies such as, Nigeria, South Africa, Kenya, Côte d'Ivoire, and Egypt. At the same time, fintech companies, particularly in e-payments and mobile money continue to challenge traditional forms of transacting, driving M&A transactions and fintech investments. In the first three quarters of 2021, African fintech companies raised \$1.44 billion, higher than the total amount raised during the past 10 years.

In other markets, many are seeing cash-flush investors in a hurry to close deals before the threat of tax and interest rises, meaning competition is high and markedly affecting variations and multiples. However, in the African fintech market, we continue to see more traditional M&A processes, with multiples driven by key business performance indicators, though there has been a recent trend of high valuations of several pre-profit businesses.

Going into 2022, we foresee investment continuing to flourish. There will be larger transactions, with an increase in involvement from the big techs, helping to bring the industry into maturity. The drive to achieve financial inclusion and making banking, insurance and payment transacting efficient and convenient for the end consumer will remain key deal drivers.

Inverlink - IMAP Colombia Advises on Key Cross-Border Acquisition in the Energy Sector



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Inverlink IMAP Colombia has advised Haina Investment Company (HIC) on the acquisition of Termoyopal Generación and Termoyopal Gas; both of which are devoted to power generation and the commercialization of LPG and Naphtha in Colombia.

Termoyopal Generación has an installed capacity of 150 MW consisting of 3 units of 50 MW, supplied by natural gas and an additional 50 MW in operation with legacy units as backup to the electric system. It is the most contracted and dispatched thermal power plant in the country.

Termoyopal Gas is a gas drying plant with a processing capacity of 42 million cubic feet of natural gas per day. It is the second largest LPG producer and one of two Naphtha producers in Colombia.

The acquisition of Termoyopal represents HIC's first investment outside the Dominican Republic in the Energy sector and will enable the company to implement its growth strategy in Colombia.

TRANSACTION AT A GLANCE

CLIENT: Haina Investment Company
SECTOR: Energy & Utilities
TRANSACTION TYPE: Acquisition
SELLERS: Colpatria, Altra, Colfondos & SCLEA

The Inverlink - IMAP Colombia team, led by Nicolás Gómez, acted as financial advisor to HIC throughout the acquisition process. ■

IMAP Teams Collaborate on Important Cross-border Deal in the Pet Sector



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Degroof Petercam - IMAP France and IMAP Germany recently advised Perwyn, a Paris and London-based private equity investor, on its acquisition of a majority shareholding in pet food company Barfer's Wellfood ("Barfer's"), the most recognized direct-to-dog raw pet food brand in Germany.

Barfer's was founded in 2011 by Mr. Norman Vogel, its current CEO, to meet the growing demands in raw pet feeding in Germany. It specializes in raw feeding products ("BARFing" or "Biologically Appropriate Raw Food") for domestic dogs and cats. The company produces, packages, and sells high-quality raw meat products together with accessories. The premium brand offers more than 200 products sold mainly D2C via an online shop, but also in five own retail stores in Berlin.

Barfer's operates through a mixed model, combining on-line sales (>90% of sales) and physical sales in a network of own retail stores. Perwyn intends to further support the company in its developments in Germany and other EU countries, leveraging its expertise in a number of digital direct-to-consumer businesses such as Gousto, Lookiero and Secret Sales.

TRANSACTION AT A GLANCE

CLIENT: Perwyn
SECTOR: Consumer & Retail
TRANSACTION TYPE: Acquired Majority Control of Business Operations
SELLER: Barfer's Wellfood

Joint teams from IMAP France and IMAP Germany acted as lead financial advisors to Perwyn on this cross-border acquisition. This transaction is another example of IMAP's sector expertise in the attractive pet space, particularly in Germany, France and in the US, with deals recently closed in pet food, treats, hard goods, and veterinary services. ■



Online Banking

Unique Insights into International Equity Fund Supported Merger of W.UP and BSC



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In October 2021, a significant international merger was closed in the Retail Banking and IT Consulting market. W.UP Szolgáltató Kft (“W.UP”), a Budapest-based company focusing primarily on software development in digital banking and specialized in customised data-based banking experience, merged with software development firm, Banking Software Company s.r.o. (“BSC”), operating mainly in the Czech Republic, Slovakia, and Russia. Following the merger, the combined companies will proceed under the name “Finshape”. Just weeks after the announcement, Gábor Szendrői, managing partner at Concorde MB Partners – IMAP Hungary, had the chance to sit down with József Nyíri, co-owner and chief executive of W.UP, to gain crucial insights into this important new partnership, discuss key learnings from the transaction and find out what the future holds for Finshape.



There were clear mutually beneficial synergies between both companies

At the beginning of 2021, with the owners at the time we designated international expansion as our primary strategic target, and after a rearrangement in the management, we began to analyse our possibilities for raising capital. In exchange for a minority stake, we initiated negotiations with the Budapest-based venture capital and private equity firm, PortfoLion, for a fresh capital injection to facilitate and accelerate the company's product and market development. In parallel to our term-sheet negotiations with PortfoLion they opened discussions with BSC regarding a separate transaction, and PortfoLion's experts were the first to point out that mutually beneficial synergies could arise from some form of cooperation between the two companies. They were also the first to identify that there's no real overlap between either company's products. Instead, they are complementary and because banks usually designate the same budget for both company's services, this provides a great basis for maximising synergies.

In the end, PortfoLion blended the planned transactions with W.UP and BSC and the two companies merged under a single ownership structure. Thus, practically three co-ownership groups were formed at the head of Finshape, including the original owners of the Hungarian and Czech companies plus PortfoLion. Although we originally planned to expand internationally on our own with the raised capital, the cross-selling potential between the two companies provided too great of an opportunity to pass-over - BSC had around 60 clients and W.UP had around 40, with almost no overlap between them. These 100 customers can virtually ensure that through cross-selling alone we can achieve our original plans for significant growth. Furthermore, the extremely strong private equity background we now have on board will come in handy in product development and, perhaps, even in buying new companies.

First, could you briefly explain the background behind the name W.UP?

The name doesn't really have an underlying meaning and is supposed to be pronounced as 'wʌp', though almost every single client says it differently! Whilst the name originally had no meaning it did come in handy when assigning a label to our products, such as Sales.UP, etc.

Many congratulations on your recent merger with BSC. How did it arise and what is its nature? Did all the original owners of W.UP remain involved in Finshape?

I think it would be helpful to first summarize our firm's history and the transaction leading up to the merger to understand how we arrived at this point. W.UP was originally founded in 2014 by Béla Bodnár and Eszter Kolozsvári, both of whom we had previously worked with (during an earlier business venture called IND Group, which was later acquired by Misys). W.UP's early portfolio included the development of on-demand products, but over the last seven years the company has grown to a nearly 150-strong team which currently operates in the EMEA and APAC regions, with a particularly strong presence in the European markets.

How large do you expect Finshape to become, and how many employees will there be in the joint venture? What about its operational set-up and the extent of the planned integration?

Finshape's operations will continue to move along two different axes; operating as two companies with two managements across four central locations; Hungary, the Czech Republic, Slovakia, and Russia, with approximately 650 employees.



József Nyíri, Co-owner and Chief Executive of W.UP

To facilitate cross-selling, we simply integrate the proposition between the two companies, i.e., the products themselves and how they fit together, as well as the associated marketing assets. This process could be completed by the end of 2022, with one website, unified email addresses etc., under the name Finshape. Product development, sales, project delivery and other operational functions will remain in two separate legal entities with separate executives, me, and Petr Koutný, who manages our Czech counterpart.

You have previously experienced being part of a company that was the target of an acquisition. What are the benefits of a merger in comparison to an acquisition and what would you say were the biggest challenges during the transaction?

Interestingly, we had already crossed paths with BSC once before, when the idea of a merger came up with our former similar-sized company, IND, in 2010. At that time, the transaction did not succeed because the owners of the two companies could not come to an agreement on all details, but ever since we have maintained a good relationship, which contributed to the current merger.

I can best demonstrate the benefits of a merger over an acquisition through my experiences at IND. The sale of IND in 2014 was primarily because Euroventures had to close its position following their seven years as co-owners of the firm. Although the company was doing very well at the time, we couldn't find an investor interested in buying only a minority share of the company, and neither IND nor the founding owners had enough funds to buy out Euroventures' stake, as we had reinvested all profits into the company.

As a result, we were forced to sell the company to a strategic buyer, in this case, Misys. It was a larger company with a stricter corporate culture which led to a change in our company mood and caused severe fluctuations among the original employees. For the original IND personnel, this change in corporate culture and the loss of talented employees was disheartening. Simultaneously, Misys initiated an increase in the price of our services, which was criticized by our original customers. This experience motivated us to avoid a similar situation in this case and to retain a higher impact on our company strategy, our investments, on how we approach our customers and treat our employees. The current merger and the emerging Finshape decision-making processes allow us to have a say in these matters.

We found the development of a syndicate agreement, or in other words cooperation-framework to be, perhaps, the biggest challenge during the transactional negotiations. Since Finshape's level of integration will be limited in terms of its operation, our underlying goal was for the established ownership-level merger to provide motivation for the parties involved and to encourage growth based on healthy competition within the company. We believe that this will spark the development of Finshape, and it is important to eliminate potential obstacles in the way of this process.

What would you say were the most important lessons learnt from the transaction?

In the short term, perhaps the most important factor was the huge potential in cross-selling. Acquiring 60 new clients could have taken us up to 4-5 years on our own, so even if we manage to convert less than that, let's say just 20 customers to use our products, we will still be a few years ahead of schedule, and produce strong and immediate growth. You could say that these new customers just 'fell into our laps'. Second, our product portfolio is now diversifying, as we will be able to expand abroad faster and, as a result, will be less exposed to the country-wide risks that could potentially affect Hungary. Third, due to the strong market position of PortfoLion, we have enough 'gunpowder' to look at additional companies and, in the event of an acquisition, generate inorganic growth. Ultimately, as a result of the merger, the company has reached a critical size, after which it may be easier to seek financing to acquire new companies.

In the merger it was important for us to retain a higher impact on our company strategy, our investments and on how we approach our customers and treat our employees

Where do you see the firm in the next 3-5 years and what level of development are you hoping for?

In my view the Banking Software market is very stable. I imagine the scope of our company's activities may expand slightly in the future and I also see the EMEA and APAC markets as important targets for the next 3-5 years, which is why we will be opening offices in Singapore and the Middle East in the near future. Our goal is to be a very important supplier of digital banking technology in these markets and become significantly larger than we currently are.

Finally, what do you believe is the secret to success in your industry?

I believe that the main challenge in our industry today is not selling, but rather providing supply and scaling. The talent itself is key to this, which is why I am proud that skilled software developers make up about two-thirds of our total workforce. This is primarily due to the fact that we almost invest more in HR development and creating ideal working conditions than, let's say, opening new offices. On this note, I would add that in the future we could even possibly buy companies simply because of their talent pool, if it turns out to be necessary for our growth. For this reason, it was crucial for us and BSC to see eye to eye about these issues and fortunately they also have a similar perspective. ■



Information Asymmetry and Valuation Arbitrage Opportunities in Russia



ARTUR SHUBAEV

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Advance Capital – IMAP Russia
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A multitude of factors have led to a low level of foreign investment into Russia over the last few years. However, there have been many high-profile success stories, and indeed unicorns, coming out of the country, especially in the Technology sector. Artur Shubaev, Vice President at Advance Capital – IMAP Russia, looks at the many factors affecting the Russian M&A landscape and shares his views on why valuation arbitrage on Russian companies offers such potential for strategic and financial investors.



And, if we were to exclude several large deals with longstanding foreign strategics in Russia (primarily in the Energy sector), these figures would be even lower.

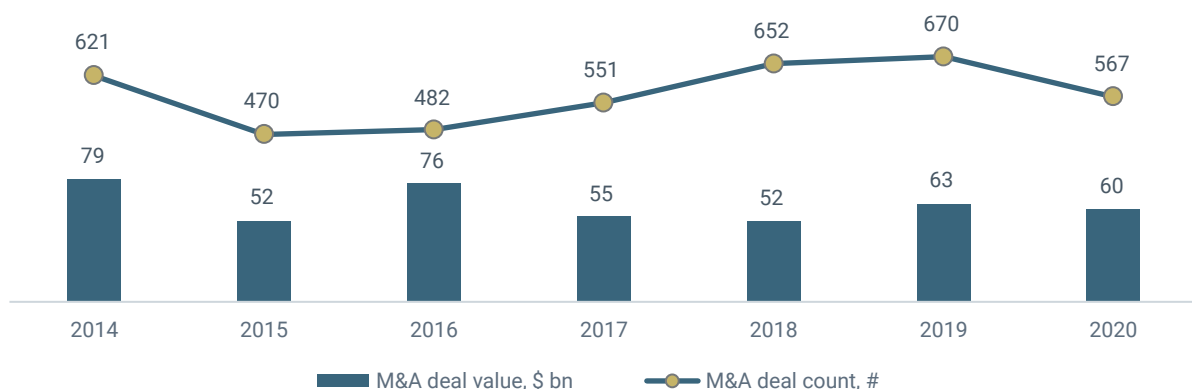
Both metrics indicate that interest from international investors for Russian, or rather Russia-based companies is low. There are many reasons for this, including the geopolitical tensions with most Western countries, perception of risk of doing business in Russia, instability of the ruble (associated with aforementioned factors) and the list goes on. However, from a practical standpoint, it is our view that this lack of current interest is cyclical and furthermore, creating potential for external arbitrage returns.

Low Investor Interest Drives Lower Multiples

IMAP Russia is one of the leading banks in Russia in terms of number of deals, ranking in the top-5 every year since 2018 according to Mergermarket. We cover most of the active industries in terms of M&A, specifically the Technology sector, which is booming in Russia right now. However, we see little to no interest from international investors for Russian companies – even for those whose revenues from Russia are 50% or lower. If a company is headquartered in Russia, it is unlikely to attract an international investor, most of whom simply do not include Russia in their mandate.

In the market, the low interest from international investors has led to domestic investors also showing less interest (because it will be more difficult for them to fundraise in the following rounds) as well as less competition, even for great targets. When there’s less competition, shareholders are prepared to accept worse terms, including valuations or other clauses, such as a participating liquidation preference (PLP) or strict put options in a private equity (PE) transaction. Some creative funds have conjured up such term sheets, which is similar to investing in bonds, but with all the benefits of an equity transaction (e.g., put option with a target return of 25%, when the key performance indicators (KPIs) were not achieved by a slight margin). All of which, leads to multiples constantly declining.

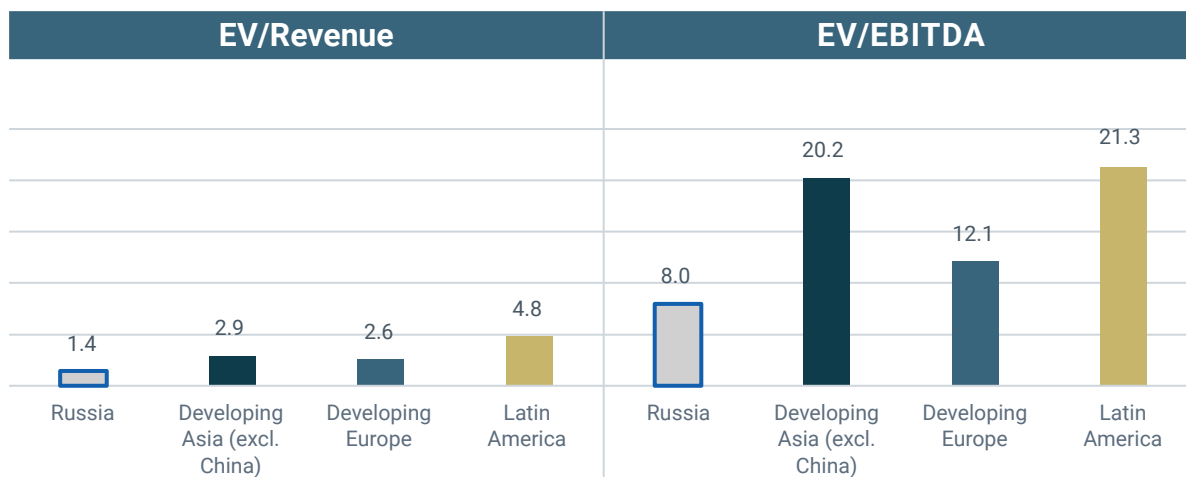
Out of the 567 M&A deals closed in the Russian market in 2020, only 11% (64) were inbound cross-border deals, which corresponded to just \$21 billion of the total \$70 billion total deal value.



Source: KPMG, M&A market in Russia, 2020

The below chart shows a sample of transactions completed in Russia and in other developing economies during the last three years. Whilst the data sample for Russia is smaller, the disparity in multiples is evident.

There are great opportunities in Russia for valuation arbitrage, both for investors and strategic players



Source: CapitalIQ, transaction screening between 2019-2021

Some of the key factors we see that are causing such a low level of interest from international investors for Russian companies are:

- Many private equity funds from the Western economies put Russia on a block list following the annexation of Crimea in 2014 (this was also in parallel to financial sanctions imposed on Russia by the EU and the U.S.). This has affected not only the number of inbound cross-border deals, but also limited the number of Russian PE funds with a foreign capital majority (there are currently only 2-3 PE funds with foreign capital in Russia). Unfortunately, we are still seeing the results of this now, with many prospering firms having limited access to capital and, therefore, experiencing difficulties in scaling faster. This has also caused Russian firms to focus on profits here and now rather than in the future (founders unsure the next round of financing will be successful and, therefore, making a tradeoff between growth and security).
- In some industries, including the Media sector, foreign investment is limited by law. However, most companies have found ways to deal with this issue by selling a portion of their shares to a trusted Russian individual (usually a CEO of the Russian branch). This has made it more difficult for foreign companies in specific sectors to operate in Russia, yet it is possible.

- In some areas, we've observed a lack of knowledge regarding the Russian market, plus the language barriers create more risks for foreign investment in the country. However, here we believe the role of a trusted local financial advisor should be able to provide reassurance. We also see language becoming less of an issue as the younger generations speak English fluently and are globally conscious.

Strong Returns and International Success Stories

Aside from the fact that Russian people have played an important role is some of the largest companies worldwide (e.g., Sergey Brin of Google or Pavel Durov of Telegram), there have been many unicorns with Russian founders in recent years. Furthermore, many Russia-based companies, including Miro (collaborative whiteboard platform with 7 million users), have achieved international recognition and success in the last couple of years:

inDriver

inDriver, one of the leading ride-hailing apps worldwide, is one of the most successful examples of a Russian IT company going global in recent years. Originally a group on social networks in 2012, the company is now valued in 2021 at \$1.2 billion. Initially, the idea to connect drivers with riders who negotiate the price themselves was dictated by the twofold increase of taxi tariffs during the coldest winter in Yakutsk (the coldest city worldwide). Today the ride-sharing unicorn is represented in 37 countries, where users make a billion rides.

In 2020, Bond Capital invested \$72 million with an approximate valuation of \$472 million, which supported the company’s expansion into new markets. In early 2021, Insight Partners and co-investors injected \$150 million into the company valuing it at \$1.2 billion. inDriver operates on a P2P business model, which connects riders with drivers. Riders enter their destination in the app, state the price and wait for nearby inDriver drivers to respond. A driver can accept, decline, or counteroffer and once the two parties agree on the terms of the ride, inDriver receives an 8% commission.

TradingView

TradingView, the social network for private investors with 29 million MAU, was founded by Denis Globa and Konstantin Ivanov from Rostov-on-Don in 2011. Now, the firm is valued at \$3 billion with total investments of \$339 million.

A social network for traders, it also provides a technical analysis platform. More than 30 million traders and investors from 180 countries visit the site, construct graphs and exchange various trading ideas. TradingView shows data from 90 standard and 37 crypto exchanges and operates on a freemium model with monthly subscription plans up to \$60.

In the latest Series C investment round, the company raised \$298 million and was valued at \$3 billion. Such confidence in TradingView prospects is backed by strong operating results: it saw a 442% UK membership increase since the start of the pandemic.

Borzo

An IMAP Russia client, Borzo (or as it was previously known, Dostavista) is one of the leading last mile delivery platforms worldwide. In 2021, our team advised its shareholders on its Series C investment round, enabling it to successfully raise \$35 million from Mubadala, Russian Direct Investment Fund, Vostok New Ventures, and other co-investors.

Borzo was founded by Mikhail Alexandrovsky and Dmitry Zubkov in 2012 in Moscow. Since then, it has expanded to another 10 countries and is one of the largest last mile delivery platforms in South-East Asia, while also having strong positions in Latin America and Turkey. Borzo is a crowd-sourced delivery platform, which matches couriers with SMEs in need of affordable same-day delivery, thus empowering SMEs all over the globe to succeed and develop e-Commerce sales channels.

Potential for International Investors in Valuation Arbitrage

What we see in the Russian market in the last 4-5 years is a grim picture in terms of foreign investment and valuation multiples – however, we can also see great potential. Russian companies are 2-3 times less expensive than targets in other geographies, but successful cases in various sectors, especially in the Technology sector continue. There are great opportunities for valuation arbitrage and some of the Russian funds are utilizing them fully, investing at Russian multiples (even when the companies have a large portion of international revenues) and then moving them to a global arena and selling at global multiples.

The same applies for strategic players – Russia is a large market; 146 million people and a GDP of \$1.5 trillion. In most sectors, there are attractive targets to enter the country (milk products, plastics, DIY goods, etc. – these are just some of the mandates for market leaders we are currently working on). With our knowledge and experience in the market and access to key players, together with our international IMAP partners we can help both financial and strategic players fully realize this potential and successfully close cross-border M&A transactions in Russia. ■



The VC “El Dorado” – Foreign Financing Opportunities for Start-ups



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Founder of BalaBit

Domestic start-ups dream of securing foreign financing for their companies. The most prominent reasons for this are described as: dissatisfaction with the financing opportunities on the domestic start-up scene; they expect to receive better valuations from abroad; and finally, they hope that a ‘smart venture capital (VC) investor’ will help their product or service penetrate and become more marketable in external markets. Based on their own marketing experience, Gábor Szendrői, Managing Partner at Concorde MB Partners - IMAP Hungary and Zoltán Györkő, Founder of Balabit, an IT Security company now part of One Identity, examine the conditions under which start-ups have a higher probability of obtaining international financing.



Early Stage Start-up Funding is Essentially a “National Sport”

The life of a VC fund is not an easy one. Its underlying goal is to utilize the entrusted funds in such a way that 3-4 out of 10 of their investments become huge successes. To achieve such a lucrative success rate, the fund must believe that all 10 companies have the potential to become a huge financial success story at the time of investment.

The success of start-ups equally rests on the original idea and its implementation, so naturally, VC funds prefer companies that are located close by and reachable within a few hours. This way they believe they can better manage any risks arising during the project’s implementation. As early-stage start-up funding is essentially a ‘national sport’, if you are looking to set-up abroad, our advice is that once you

find the largest or most practical natural target market for your product or service, do everything from there – including seeking financing.

Of course, there are some exceptions to the rule, both in Hungary and international markets. There are plenty of companies that have managed to gain international capital investment during the seed phase, and even more so in the Series A or growth phases. So, what characteristics do they all have in common? We have grouped them according to seven criteria. In our experience, anyone who wants to access international finance must do all of these, or at least most of them, well. Otherwise, it is inconceivable for investors to see the potential for success as opposed to the additional risks of implementation, caused by the distance, potential variations in the legal and regulatory environment, or cultural differences.

The “Seven Commandments” of International Start-up Financing



The product/service above all

The most important thing in an international equity investment is that the product (or service) must be universally unique - it is not enough to be a slightly better tool than existing solutions. Things change very quickly with regards to what's hot and what's not, so it is crucial to stay in front of what's going on in your industry. Those that don't are unlikely to attract foreign VC investments – including early entrants (“if they don't understand my solution, they don't deserve it”) or late entrants (copycats or laggards). It is also vital that the target market is globally interesting and relevant to the international financier, especially if it's outside their domestic market. Ensuring your company has a solid and comprehensive business model is crucial in this first step of the market validation process.



2. The intellectual property (IP) rights must be in order and the patent unique

Just as the ownership of the (individual) assets needed for production are important to determine the value of a company, in a start-up, it is equally critical that its intellectual and material assets are well defined and can be proven. In parallel, for software-, and in some cases hardware firms, if there are assets owned by a third party the firm should be entitled to use them. Even if a third-party software used in the company is open source, the entire system should not rest on an open-source basis, i.e., users are charged despite the open-source feature.

Next, the trademarks, logos, and brand names should be protected, and the website domains should be reserved and available in as wide a range of target markets as possible.

Finally, in some cases, the “relevance” of individual products is determined by whether it has patent potential which is seen as a measure of its uniqueness. The good news is that there are a great number of experts and foreign patent representatives to help patent ideas and solutions and it is not as expensive as you may imagine. Furthermore, even though patent protection isn't enforceable everywhere, there are methods or “seals” available to protect your valuable IP which should be applied and will increase the value of a company.





3. The international (or internationally experienced) team

What makes a team good in the eyes of a foreign investor? Most are looking for a management team with international experience, be it in the form of foreign schooling or foreign professional experience, or preferably an international team. This proves to the foreign investor that the team is capable of cooperating effectively with international markets. Another option is an advisory board made up of foreign experts who actively support the project, offering their advice, contacts, and experience and assisting in its successful implementation.



4. Proven international concept

In our experience it is rare that a domestic company's entry onto the international market was financed by international capital, as many international investors only believe a product will be internationally successful when it has been proven in an export market.

A leader of an early-stage international VC once said there were two must-haves in order for them to decide to make an investment, the first being a working product (unlikely finished, but at least usable). Second, at least 2-3 international early-stage users using it as a 'proof of concept' and willing to pay for it. In our experience, if for instance someone wants to bring a low-value SaaS product to market (where market entry is marketing-driven and self-serviced), then international market entry is no more difficult than domestic entry. Literally all you need is a website, landing page, good SEO and you're ready to go. However, marketing activities are not proof of success but if you can prove the existence of say 100,000 free global users, this is much more likely to attract a potential investor.



5. A rational plan and valuation

The start-up world is all about tremendous growth. However, a company's business plan has to be believable and the plans, feasible. We have all heard of miracle valuations and huge capital increases, but not even VC is exempt from good old economic rationale (with a few exceptions) – a realistic plan is more likely to achieve a reasonable valuation by international VCs during successful transactions.



6. Well thought out capital raising strategy

In Europe alone, there are several thousands of venture capital funds that can provide international funding. They typically have a relatively well-defined specialization, so you must do your homework and find the ones that are active in your industry to have a realistic chance of securing foreign VC funding for your start-up.

Recently, a representative of the European VC, 500 Global, commented at a meetup that almost none of their deals come via the email address "deck@" or the "upload your deck" link. Instead, they come through relationships and people. Thus, the person introducing the company seeking capital must be credible enough for a VC fund to take the time to listen to their story.



7. Be open to the idea of moving

In our experience, this is usually the least problematic matter at hand, nonetheless, before arranging for funding it could be important to consider whether the team - or part of it - is willing to move abroad if required. This, of course, takes us back to our original point, that venture capitalists prefer to fund companies that are near them, though this is rarely used as an integral condition.

All seven of these criteria are crucial for companies looking to raise funding internationally as opposed to locally and it is our experience that companies doing all, or at least most of these well, have a higher probability of obtaining international financing. ■

Selected IMAP Transactions

ENERGY & UTILITIES 

Gimv
NETHERLANDS

Acquired 100% of Business Operations

baas
NETHERLANDS

IMAP
ADVISED ON SALE OF COMPANY


INDUSTRIALS 

arxada
SWITZERLAND

Acquired 100% of Business Operations

ENVIROTECH
UNITED STATES

IMAP
ADVISED ON SALE OF COMPANY

FOOD & BEVERAGE 

QUATTRO R
ITALY

Acquired Investment Interest in Seller's Business

CASALASCO
Consorzio Casalasco del Pomodoro
ITALY

IMAP
ADVISED ON SALE OF COMPANY


INDUSTRIALS 

emz
GERMANY

Acquired Majority Control of Business Operations

PIPERSBERG
GERMANY

IMAP
ADVISED ON SALE OF COMPANY


FOOD & BEVERAGE 

PERWYN
EVERGREEN | FAMILY | INVESTORS
FRANCE

Acquired Majority Control of Business Operations

BARFERS
GERMANY

IMAP
ADVISED ON PURCHASE OF COMPANY


TRANSPORT & LOGISTICS 

hellmann
Worldwide Logistics
GERMANY

Acquired 100% of Business Operations

INNIGHT
HUNGARY

IMAP
ADVISED ON PURCHASE OF COMPANY

TECHNOLOGY 

DL Software
FRANCE

Acquired 100% of Business Operations

sephira
FRANCE

IMAP
ADVISED ON SALE OF COMPANY


ENERGY & UTILITIES 

HFC
DOMINICAN REPUBLIC

Acquired 100% of Business Operations

termoyopal **tygas.s.a.es.p**
COLOMBIA

IMAP
ADVISED ON PURCHASE OF COMPANY

FINANCIAL SERVICES 

MFS Africa
SOUTH AFRICA

Acquired 100% of Business Operations

baxi
NIGERIA

IMAP
ADVISED ON SALE OF COMPANY

BUILDING PRODUCTS & SERVICES



ENVY
SOLUTIONS

UNITED STATES

Acquired 100% of
Business Operations



NEXT GEN
SUPPLY GROUP

UNITED STATES

IMAP

ADVISED ON SALE OF COMPANY

INDUSTRIALS



AUCTUS

GERMANY

Acquired 100% of
Business Operations




KENTEK

FINLAND

IMAP

ADVISED ON SALE OF COMPANY


BUSINESS SERVICES



epam

UNITED STATES

Acquired 100% of
Business Operations




EMAKINA
GROUP

BELGIUM

IMAP

ADVISED ON SALE OF COMPANY


TRANSPORTATION & LOGISTICS



RIVERROCK

UNITED KINGDOM

Acquired Investment Interest
in Seller's Business




eliance
ALWAYS READY

SPAIN

IMAP

ADVISED ON PURCHASE OF COMPANY


TECHNOLOGY



Tencent 腾讯

CHINA

Acquired Stake in



BlooDer
team

POLAND

IMAP

ADVISED ON SALE OF COMPANY


INDUSTRIALS



SEAFIRE

SWEDEN

Acquired 100% of
Business Operations



PEXYMEK AB

SWEDEN

IMAP

ADVISED ON SALE OF COMPANY

FINANCIAL SERVICES



SBI Holdings

JAPAN

Acquired 100% of
Business Operations




TOZAI
asset management

JAPAN

IMAP

ADVISED ON SALE OF COMPANY


TECHNOLOGY



XOCEAN

IRELAND

Acquired Investment Interest
in Seller's Business




XOCEAN

IRELAND

IMAP

ADVISED ON FUND RAISE


MATERIALS & CHEMICALS



ABE CAPITAL
PARTNERS

SPAIN

Acquired Investment Interest
in Seller's Business



leofat

SPAIN

IMAP

ADVISED ON PURCHASE OF COMPANY

ABOUT IMAP

INTERNATIONAL MERGERS & ACQUISITION PARTNERS

Consistently ranked among the Top 10 middle market M&A advisors worldwide

450+

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- Senior experience and hands on involvement in deals – 230 Senior Transaction/ Transaction Advisors.
- Worldwide IMAP team comprising 450+ professionals.

49

YEARS OF M&A EXPERIENCE IN THE MIDDLE MARKET



MIDDLE MARKET FOCUS

- Sell-side advisory for primarily privately held companies and spin-offs from large groups.
- Strategic acquisitions for international corporates.
- "Sweet –spot" Transaction Values \$20 – 250 million.
- Strong PE and Family Office Coverage.

60+

OFFICES IN 43 COUNTRIES



GLOBAL REACH

- Proven cross-border advisory practice.
- Global sector & project teams across 15 sector groups.
- Leveraging local knowledge and corporate access in all relevant international markets.

\$120bn

TRANSACTION VALUE LAST 10 YEARS



EXECUTION EXPERIENCE

- IMAP has closed over 2,200 transactions valued at \$120 billion in the last 10 years.

GLOBAL PERFORMANCE 2021

294

M&A TRANSACTIONS

\$27bn

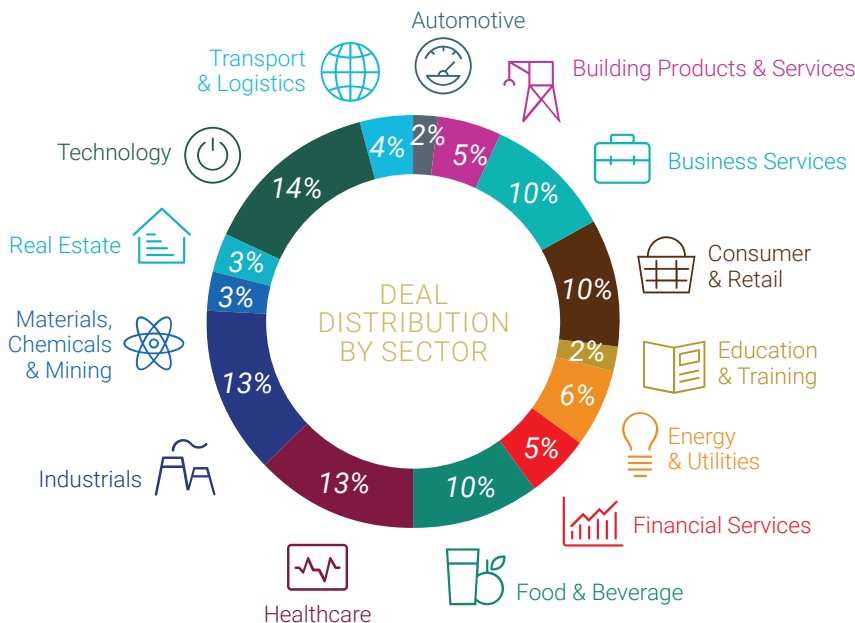
TRANSACTION VALUE

30%

CROSS-BORDER DEALS

7th

IN THE WORLD



GLOBAL PERFORMANCE

- 1 PwC
- 2 KPMG
- 3 Houlihan Lokey
- 4 Deloitte
- 5 Rothschild
- 6 EY
- 7 **IMAP**
- 8 Oaklins
- 9 JP Morgan
- 10 BDO

Ranking based on number of transactions closed between January and December 2021. Undisclosed values and values up to \$500 million. Source: Refinitiv and IMAP internal data.

GLOBAL REACH

Our cross-border experience extends across Europe, the Americas, Asia and Africa



North America

U.S.A.

Boston
Burlington
Chicago
Dallas
Denver
Detroit
Greenville
Houston
Los Angeles
Naples

New York
Philadelphia
Richmond
San Diego
San Francisco
St Louis
Tampa
Washington DC

Canada

Toronto
Vancouver

Latin America

Argentina
Brazil
Chile
Colombia
Mexico
Peru
Panama

Africa

Congo
Egypt
Ghana

Ivory Coast
Mauritius
Morocco
Nigeria
Senegal
South Africa

Asia

China
India
Japan
Thailand

Europe

Belgium
Bosnia & Herzegovina
Croatia
Czech Republic
Finland
France
Germany
Hungary
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Netherlands
Poland

Portugal
Russia
Serbia
Slovakia
Slovenia
Spain
Sweden
United Kingdom



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