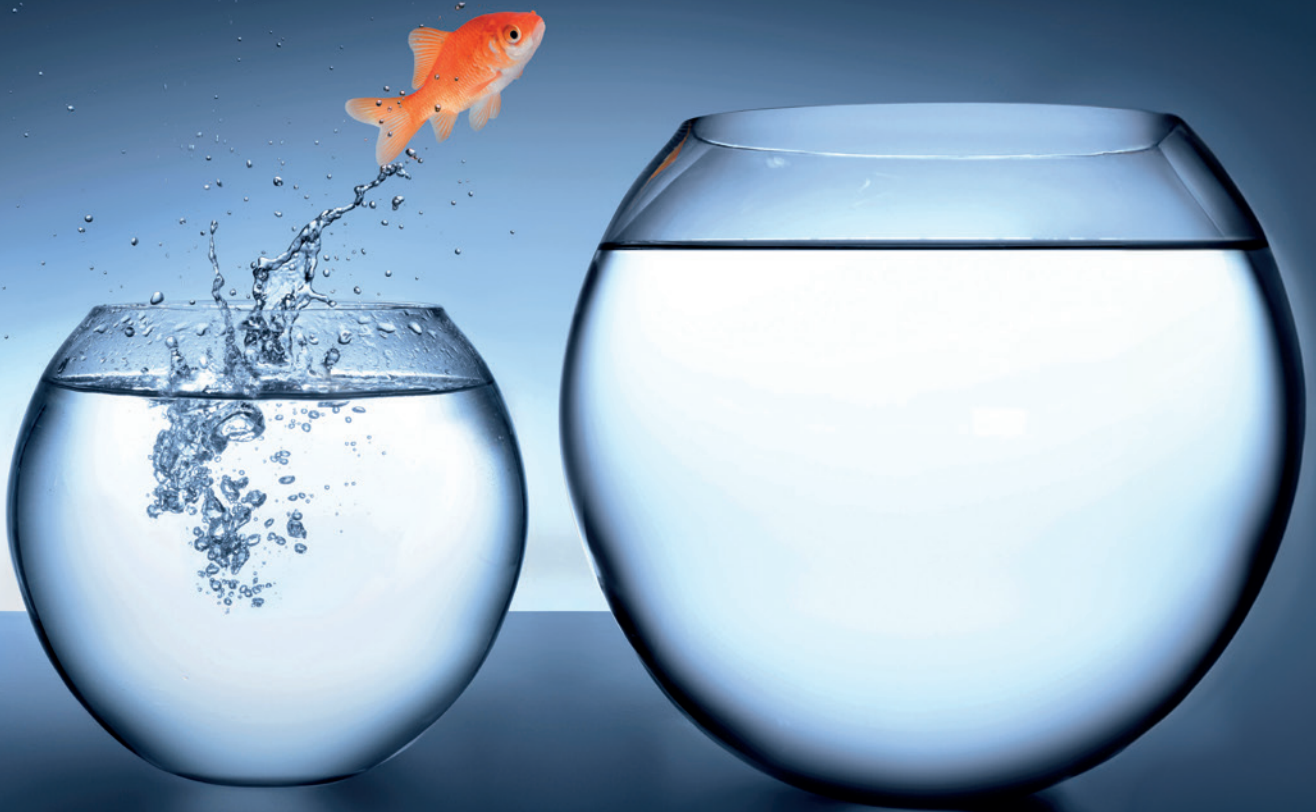


# CREATING VALUE

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

No. 15 / JULY 2023

## Half a century helping our clients take the leap



50<sup>TH</sup>  
ANNIVERSARY

## Special Edition

IMAP

# In This Issue

## Insights

### 04 IMAP At 50

Values in Action – Get Smart, Be Tough, Stay True

### 10 IMAP H1 2023 Results & Local Market Insights

Deal results and market commentary from IMAP partners across the globe on H1 2023 results and expectations for rest of the year.

## ESG Investing Special Focus

### 16 Noventa on a Mission to Decarbonize the World Through Disruptive Innovation

Interview with Mr. Dennis Fotinos, founder and CEO of Noventa.

### 22 Growing Emphasis on ESG and Sustainable Business Practices Driving M&A in Japan

Surge in M&A activity as Japanese companies increasingly seek ESG targets in outbound deals.

## Industry Coverage

### 26 Stabilization & Improved Performance Expected to Accelerate M&A in T&L Sector

Challenging growth capital raising environment for early-stage companies poses opportunity for M&A in more accommodating capital markets.

### 30 Pasta, What Else? The German Pasta Industry at a Glance

Market proven resilient despite challenging economic conditions and expected to grow at CAGR of 3.4% (2023-2027).



## 36 Deep Dive into M&A Activity in the European Healthcare Services Industry

Consolidation trend continues while opening of new markets offers further investment opportunities.



## Client Stories

### 42 International Investors Seizing Opportunities in LATAM's TMT Sector

SYAC becomes part of one of the most relevant ecosystems of vertical market software companies in LATAM and the world.

### 44 Scandinavian Strategic Investor in the FMCG Industry, Orkla, Expands into CEE

Interview with Josef Suber, CFO and Head of M&A at Orkla Food International.



## IMAP in Focus

### 48 IMAP Expands Foothold in GCC with new Partner Alpen Capital

GCC offers a unique blend of modern infrastructure, business-friendly environment, and favorable investment opportunities, making it attractive to local and international investors alike.



### 52 Selected IMAP Transactions

### 54 About IMAP



**Editor in Chief:** Claire Smedley

**IMAP Editorial Team:** Carsten Lehmann, Gábor Szendrői and Carl Kelly

# IMAP At 50. Values in Action – Get Smart, Be Tough, Stay True



**JURGIS V. ONIUNAS**  
IMAP Chairman  
[jurgis.oniunas@imap.com](mailto:jurgis.oniunas@imap.com)

Welcome to IMAP's 50<sup>th</sup> Anniversary edition of Creating Value. I wish that I could give you a comprehensive and inspiring history of IMAP, but, unfortunately, we know very little about those early days.<sup>1</sup> In 1973 a small group of independent M&A boutiques, many of them specializing in specific sectors, got together in New Orleans, and, after some tough negotiations, eventually formed an organization that, after some name changes and mergers with similar groups, became IMAP. Why did they do that? We can only assume that they did it because their markets were changing, and they needed to find a way to leverage their experience, knowledge, and contacts to widen their markets, serve their clients better, and do more and bigger deals. I wish I could say that they had a common vision, or common values.

<sup>1</sup> Special thanks to Cordell Berge, IMAP member 1987-2009, IMAP President 1993 and 1998, who prepared a brief history of IMAP's founding and development, and his wife Maya Berge, who kindly provided pictures from early IMAP conferences and meetings.

I would like to think they were all friends and trusted each other. Unfortunately, no one has written a comprehensive history of IMAP.

But what we do know is that the only reason that IMAP is still here after 50 years, despite spawning at least three similarly large M&A groups<sup>2</sup>, is that we have always been ready to innovate, change, adapt and move forward - there has never been a “stand-still” moment for IMAP.

It is hard to distill in words what makes an organization great, and I firmly believe that IMAP is a great organization. At its core, I think the reason is the same that its founders had 50 years ago – an organizational culture focused on collaboration and trust, binding independent teams to achieve and succeed. These are the characteristics that have kept IMAP not just together and but also consistently in the top 10 rankings of Mid-Cap M&A advisors.

Leading up to our 50<sup>th</sup> Anniversary, we have been going through an exercise to distill IMAP's values into a common cause, which we have summarized under the categories Smart, Tough and True. But we can't just leave it at that. These shouldn't be just dead words on paper, instead we must now transform them into practical strategies to keep IMAP evolving and adapting.

### Get Smart

“A fox knows many things, but a hedgehog knows one big thing”, is a fragment from the Ancient Greek poet Archilochus, and is the basis of the famous essay<sup>3</sup> by Isaiah Berlin. To some extent, this topic is also at the core of the eternal IMAP partner dilemma of being either a sector specialist or an M&A generalist. To get a grip on this problem, I think the best primer is the book *The Art of Impossible*<sup>4</sup>, which, in my opinion, should be required reading for every new IMAP recruit (and anyone interested in excelling at whatever they do).

Everyone in this business is *a priori* smart. But it is the level of knowledge and understanding about issues related to your clients, or perspective clients, that will set you apart from the competition, and the balance between being a specialist (hedgehog) and a generalist (fox) will determine how successful you will be. Knowing a lot about a sector is a given when doing a transaction (*The Art of Impossible* will show you how), but without having perspectives about what is going on in parallel sectors, in new technologies, and in innovative approaches to the market, we are always in danger of being just “average”.

The book argues that anyone can learn to achieve impossible goals, by following a process that involves four key skills: motivation, learning, creativity, and flow:

- **Motivation** is about finding and sustaining the drive to pursue your goals
- **Learning** involves developing a growth mindset, seeking feedback, embracing challenges, experimenting with different strategies
- **Creativity** involves expanding your perspective, challenging your assumptions, combining different elements, seeking inspiration, and testing your ideas
- **Flow** is about finding the sweet spot between challenge and skill, eliminating distractions, focusing on the present moment, and enjoying the process

This implies that the optimal outcome for every IMAP dealmaker is to be both a hedgehog and a fox: knowing a lot about many things, but also having an overall unifying purpose. A good role model is Bill Gates, who reads constantly (he is well known for carrying his bag of books with him wherever he goes) and knows enough about each subject he is passionate about to be able to ask the right questions and make intelligent investment decisions to further his overall philanthropic objectives.



<sup>2</sup> M&A International, now Oaklins, 1987; AICA, 2009; Clearwater International, 2015

<sup>3</sup> *The Hedgehog and the Fox*, Isaiah Berlin, Weidenfeld and Nicholson, 1953

<sup>4</sup> *The Art of Impossible*, Steven Kotler, Harper Collins, 2021



### Be Tough

The book *Do Hard Things*<sup>5</sup> argues that toughness is not some vague thing that some are born with, but is a skill that can be learned, developed, and improved through practice and experience. The argument is that toughness is not a one-size-fits-all macho, fear-based attribute that suppresses weaknesses and vulnerabilities, but depends on context, on our goals, situation, and natural inclinations, and describes the following four pillars to develop toughness:

- ***Ditch the façade, embrace reality:*** Be honest with yourselves and understand your strengths and weaknesses. Accept the reality of each situation and face the realistic challenges head-on instead of denying that they exist
- ***Listen to your body:*** Pay attention to the signals your body is sending and use them as feedback. We work in a stressful environment, need to take care of our physical and mental health, and find a balance between stress and recovery. Otherwise, we are not having fun, are ineffective and are heading for burn-out
- ***Respond, instead of react:*** Choose how you want to act instead of being driven by emotions. We need to develop the skills of mindfulness, self-regulation, and perspective that help us cope with adversity and uncertainty
- ***Embrace discomfort:*** Being outside of your comfort zone is a sign of growth and learning and helps find meaning and purpose and that motivates us to do hard things

### Stay True

The global financial system is going through some major adjustments brought on by years of excessive borrowing, external economic shocks, re-adjustments of global supply chains, the retrenchment of globalization, and populist demands by those left behind, leading to world-wide political instability. The effects on our businesses are already evident, but how long these adjustments will continue is based on trying to determine when we will hit the bottom. We do know that there are strong optimistic trends for our sector – an aging owner base looking for exits, a continuing move towards market efficiencies and consolidation, the continuing emergence of new technologies – that will power our business models for years to come. But, in the meantime, we are likely to go through some hard times. And it is especially important in this period to be true to our values, to maintain the trust that we have established with our clients and to avoid the pitfalls and shortcuts.

As concluded in *The Character Edge*, “The strength of your character is displayed not when life is going smoothly, but in the midst of adversity...winning the right way is what matters...and winning the right way starts with you and your character.”<sup>6</sup>



<sup>5</sup> *Do Hard Things*, Steven Magness, Harper Collins, 2022

<sup>6</sup> *The Character Edge: Leading and Winning with Integrity*, Caslen, Robert L. Jr. and Matthews, Michael D., Pan Books, 2022

### Develop a “Non-Obvious” Mindset

Rohit Bhargava, author of the popular “*Non-Obvious Trends*” series of books<sup>7</sup> lists five skills necessary to become a “non-obvious” thinker:

- **Be curious:** Cultivate a habit of asking questions, seeking new experiences, and exploring different perspectives. Curiosity helps you discover new possibilities and challenge your assumptions
- **Be observant:** Pay attention to the details and nuances of the world around you. Observation helps you notice patterns and connections that others miss or ignore
- **Be thoughtful:** Reflect on the information and insights that you gather and aggregate. Thoughtfulness helps you analyze and synthesize the trends that you name and validate
- **Be elegant:** Communicate your ideas and insights in a clear and compelling way. Elegance helps you tell stories and apply the trends that you share and use
- **Be non-obvious:** Avoid the obvious, biased, or wrong predictions that most people make. Non-obviousness helps you anticipate the future and create value in a fast-moving world

So, here we have a preliminary roadmap of the skills we need to develop to put our values into action, that will help us become “non-obvious” thinkers, be resilient in every situation, and help us achieve the impossible. Furthermore, these skills will continue to power IMAP into the future.

### 50 More Years of Success

As we now celebrate IMAP’s first 50 years helping entrepreneurs achieve their dreams and institutional business owners their long-term objectives, we remember all the people who did the hard work and made the sacrifices to build one of the leading M&A partnerships in the world. All those who gave their time as Chairmen, Presidents, Treasurers, Secretaries, Board Members, who served on Committees, Panels and Sector Groups, who shared best practices, deal experiences, valuations, long-lists, industry expertise, helped on pitches, organized conferences, and generally contributed to creating the fabric of what is IMAP. On the shoulders of these giants, we commit to serving our clients well into the future, with confidence and a renewed sense of purpose, powered by innovation and openness to new ideas, with vision, integrity, and character. ■

Zagreb, July 2023

*John*



<sup>7</sup> *Non-Obvious: How to Predict Trends and win the Future*, Rohit Bhargava, Ideapress Publishing, 2013, 2014, 2016, 2017, 2018, 2020

# Yesterday, Today, Tomorrow - Former IMAP Chairmen Share Their Insights



**KARL FESENMEYER**

President, Managing & Founding Partner  
IMAP Germany  
IMAP President 2007-2008 & Chairman 2009-2010

When IMAP first started out, middle-market advisory was in its very early stages, and we faced many challenges. Owners struggled to find buyers, PE was almost unknown, and research tools were nearly non-existent, even financial and ownership data was inaccessible for this size of companies. However, we were convinced that with our experience, sector expertise, and reach, we could make a difference for clients and to the market.

Delivering a unique perspective, approach, and solution for every client's individual needs, IMAP has cemented its position as one of the top mid-market M&A advisors. We are a respected player in the market with a talented, strong, global team that continues to grow. As IMAP celebrates its 50th anniversary and we look to the future, it's important to evolve with the times, however, it is just as important that we stay humble and never forget our core values. IMAP is built on solid pillars, and I have no doubt the next 50 years will be even better.



**GILBERTO ESCOBEDO**

Managing Partner  
Serfidor IMAP – IMAP Mexico  
IMAP President 2014 & IMAP Chairman 2013

Many things have changed in the world and in IMAP since we joined in 1997. IMAP has evolved into the strongest partnership of M&A and corporate finance advisors in the world, largely in part to the trust and camaraderie between its members.

As we see new global powers like China and India consolidate, the creation of a counterpart to the "Western world" has become a must so companies have the flexibility to quickly move from one market to another, building alliances to remain competitive and grow.

As we reflect on the challenges ahead, it's indispensable to think about the geo-political changes that have occurred during IMAP's first 50 years, and especially those that have been happening in the past 5-10 years. The world has gone from embracing democracy, free markets, and globalization to a recent return to totalitarianism, populism, nationalism, and closing of economies.

IMAP's global approach to M&A with its international reach and local understanding, has become even more important than in the "golden days" of globalization and trade expansion. New "old" trends like near shoring bring challenges and opportunities for corporations and IMAP has the tools and expertise to help them navigate this increasingly complex world.







**SCOTT EISENBERG**  
 Managing Director Financial Advisory Services  
 Capstone Partners – IMAP USA  
 IMAP President 2013 & IMAP Chairman 2014

I first became aware of IMAP in 2000 when in the throes of global expansion, they invited my firm to join. With its global reach and access to experienced local partners around the world proved very salient for us and being an IMAP partner helped us up-scale. We also found that the sharing and exchanging of best practices amongst the partners was a rising tide that lifted all ships. There was great collaboration amongst the members across the globe. As the years continued, the size, quality, and sophistication of the partners continued to increase which benefited all IMAP members.

IMAP is a gateway to the global M&A markets for its members. By sharing experiences and collaborating on deals, we obtain access to an array of global buyers for middle-market transactions and provide great insight on the markets - with the nuances of each market in terms of trends and issues, IMAP provides an essential bridge. I am grateful for having been able to serve IMAP and to meet so many outstanding dealmakers around the globe. My life and career were enhanced by IMAP experiences.



**KERRY DUSTIN**  
 Founder & Chairman Emeritus  
 Falls River Group – IMAP USA  
 IMAP President 2001-2002 & Chairman 2003-2004

The one constant in my career has been the continual increase in the speed of change and evolution of technology. Having been in the business for over 50 years, I remember when due diligence required a “war room” full of papers where buyers would physically come to review relevant documents. It will soon become evident that digital technologies like AI and data analytics will further transform the M&A deal cycle. Expect greater speed and more accuracy with new targeted AI-powered apps to free dealmakers up to do what they do best, make deals! Those that can identify more value in a deal with greater accuracy and speed will be the winners.

That’s the power of IMAP, we collaborate, innovate, and initiate.

The power and brand of IMAP, appropriately, is a continual evolution. From our humble beginnings of 25-30 people who would meet semi-annually to discuss deals, IMAP has grown into an international powerhouse of bankers and deal makers who work together virtually. As a past Chairman, President, and board member, I’m proud to salute the hundreds of people in our IMAP family who have made and will continue to shape the future of global deal making.



# IMAP's Annual Review 2023

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

**92**  
M&A  
transactions

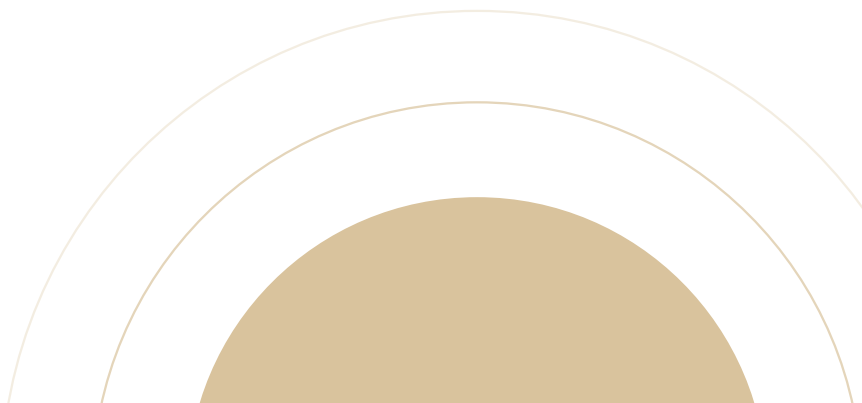
**\$3bn+**  
transaction  
value

**36%**  
cross-border  
deals

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

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

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

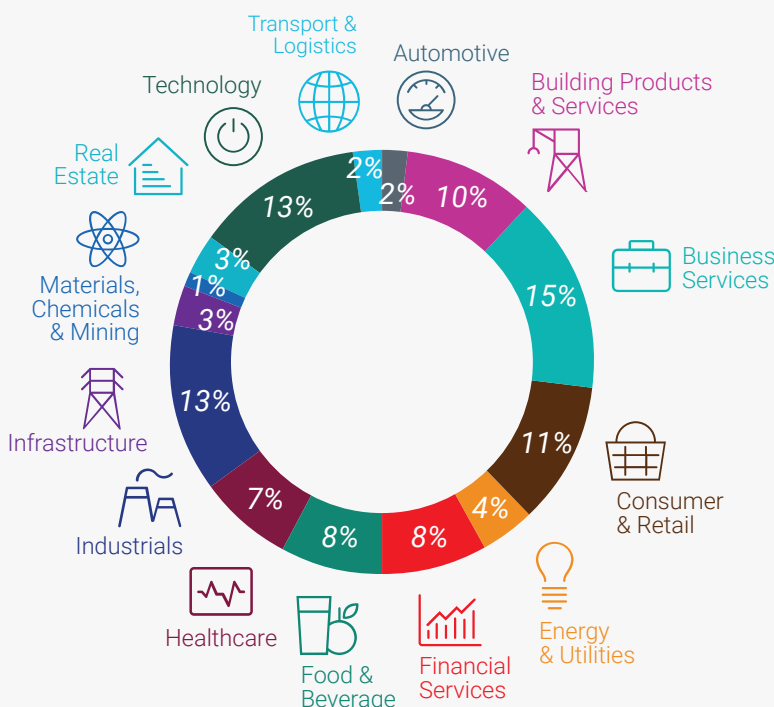




**JURGIS V. ONIUNAS**  
 IMAP Chairman

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

### Deal Distribution by Sector



### Global Performance

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

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

# Local Market M&A Insights

## GERMANY



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

### *Selling non-core assets on the agenda for larger companies*

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



**Henning Graw**  
IMAP Germany

## ITALY

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

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

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



**Riccardo Martinelli**  
Vitale - IMAP Italy



## Ireland & UK



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

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

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



**Richard Tunney**  
Key Capital - IMAP Ireland

## POLAND



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

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

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



**Piotr Chudzik**  
Trigon Investment Banking - IMAP Poland

## NETHERLANDS



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

*While highly selective, PE firms remain willing to invest*

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



**Jan-Pieter Borst**  
IMAP Netherlands

## SWEDEN



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

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

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



**Andreas Anderberg**  
IMAP Sweden

## HUNGARY

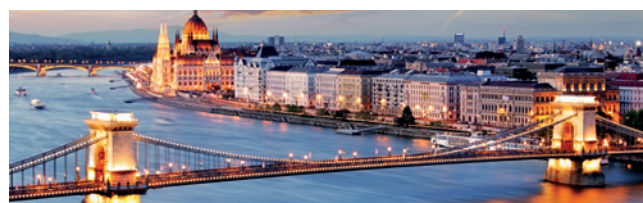
The Hungarian transaction market is determined by the strong inflation and the related high interest rates. In this environment, it is primarily companies or investors with cash in hand participating as buyers in transactions.

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

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



**Gábor Szendrői**  
CMBP - IMAP Hungary



## USA



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

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

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



**Kenneth Wasik**  
Capstone Partners - IMAP USA

## CANADA



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

*We forecast positive performance in our targeted sectors*

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



**Pelino Colaiacovo**  
Morisson Park Advisors - DNA Inc. - IMAP Canada

## BRAZIL

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

*We expect more distressed M&A or divestitures of divisions*

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



**Marcio Fiuza**  
Brasilpar - IMAP Brazil



## INDIA

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

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

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



**Ashutosh Maheshvari**  
IMAP India



## CHINA



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

### *Increasing opportunity for cross-border M&A*

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



**Junxiong "Jacky" Wang**  
IMAP China

## SOUTH AFRICA



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

### *We advise clients to look at the market actively*

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



**Edmund Higenbottam**  
Verdant Capital - IMAP South Africa

## JAPAN



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

### *We expect more inbound M&A*

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



**Tomoyuki Izumi**  
Pinnacle - IMAP Japan

## MOROCCO



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

### *Companies seeking new capital and expertise drive M&A*

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



**Abdellatif Imani**  
Ascent Capital Partners - IMAP Morocco

# Noventa on a Mission to Decarbonize the World Through Disruptive Innovation



**PELINO COLAIACOVO**

Managing Director  
Morrison Park Advisors - DNA Inc. - IMAP Canada  
pelino.colaiacovo@imap.com

Morrison Park Advisors - DNA Inc.– IMAP Canada recently advised Noventa, a renewable energy company, on a majority sale to Ancala Partners. Mr. Dennis Fotinos, Noventa’s founder and CEO, talks to IMAP about the sale, the prioritization of decarbonization and why constant innovation is particularly important in the Energy sector.

**For those that may not know Noventa, can you share a little about the services you provide?**

We deliver customized solutions to reduce carbon emissions and manage energy costs. Using creative design and process innovation, we integrate proprietary technologies into conventional HVAC systems to decarbonize buildings. From complete turn-key projects to engineered equipment sales, we tailor our services to allow communities and businesses to participate in a new economy that is rapidly shifting toward a more sustainable future for all.

**Noventa’s key technology is the Wastewater Energy Transfer™ (WET™) System, how does it work?**

Using the patented HUBER ThermWin® technology (for which we are exclusive distributors In North America and the UK) and our own proprietary process improvements, we are able to harvest carbon-free thermal energy in wastewater to provide cooling and heating to buildings without Scope 1 GHG emissions. While wastewater energy is not new, our proprietary WET™ Systems are innovative and address every client’s unique needs and challenges.

Furthermore, there are no up-front costs for the client, as we use an Energy-as-a-Service (EaaS) model, so they are charged annual fees for the energy supplied. For building owners and managers, this ensures a sustainable transition to the green economy. They also save money over the life of the project by avoiding the purchase of gas, water, and electricity for use in the pre-existing conventional equipment or replacing their existing conventional heating/cooling system.





**What would you say is the key to Noventa's success to date?**

Relentless innovation – we challenge conventional thinking by reimagining how thermal energy can be generated to provide carbon free heating and cooling to buildings. We have also never taken no for an answer and welcome challenging opportunities others would likely turn away.

For example, when we said we were going to tap into one of the largest wastewater sewers in Toronto (160ft underground) and build a large wetwell in one of the city's busiest intersections to access sufficient wastewater to heat and cool the Toronto Western Hospital, everyone thought we were crazy. Furthermore, our technology was still unproven in this context, yet rather than trialing a small pilot project, we went all in and built what is the largest sewer heat recovery project in the world.



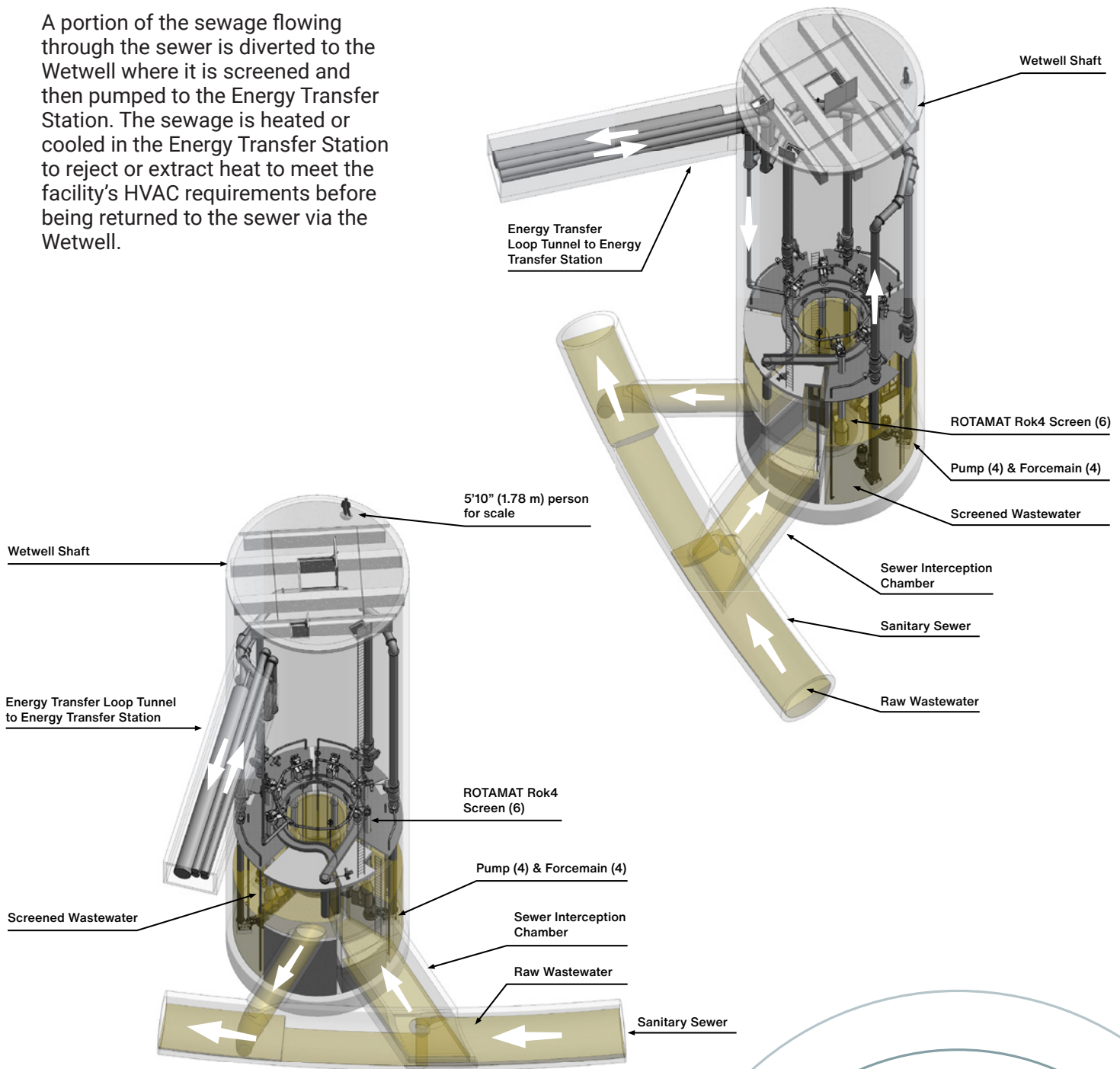
*Dennis Fotinos, founder & CEO, Noventa*

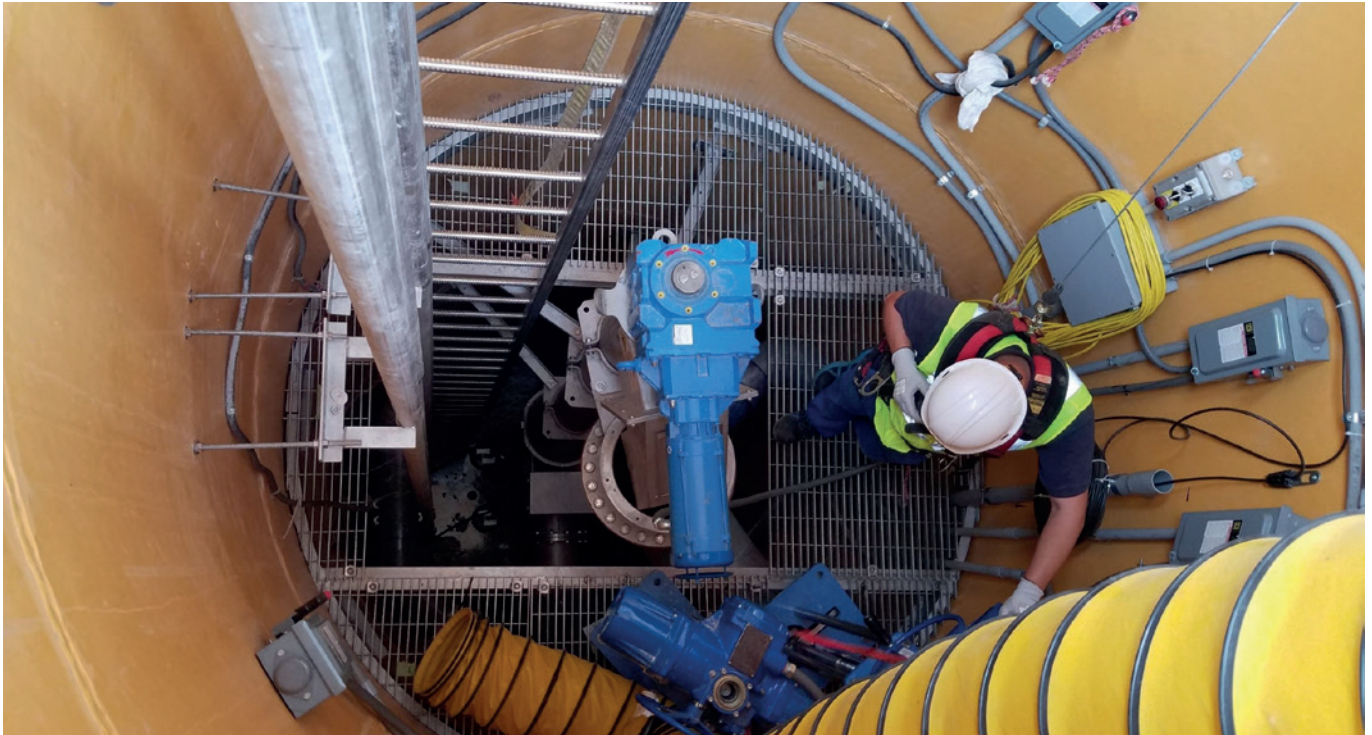
Our WET™ system will supply the hospital with up to 90% of its heating and cooling needs, reducing the site's direct greenhouse gas emissions by about 8,400 metric tons yearly - the equivalent of removing 1,811 cars from the road. Over the project's life it will also reduce 250,000 tons of carbon dioxide emissions and save 141 million kilowatt-hours of electricity, 130 million cubic meters of natural gas, and 1.3 billion liters of cooling water.

I once saw a book with the title "feel the fear and do it anyway". I believe fear in fact motivates us to undertake things others wouldn't and do things differently, which is the key to our success. This translates into differentiated financial and operational commitments that we are prepared to make; for instance, assuming operational risk by contractually guaranteeing performance; or agreeing to stringent terms that ensure protection of municipal infrastructure.

## NOVENTA ENERGY WETWELL

A portion of the sewage flowing through the sewer is diverted to the Wetwell where it is screened and then pumped to the Energy Transfer Station. The sewage is heated or cooled in the Energy Transfer Station to reject or extract heat to meet the facility's HVAC requirements before being returned to the sewer via the Wetwell.





This is also very much a team effort. I may have started this business, but I wouldn't have been able to get to where I am without my entire team who share the vision, drive, and love of a challenge.

**You recently sold a majority interest in Noventa. What was your motivation for seeking an investor and why Ancala Partners?**

We'd spent five years growing the business, identifying, and cultivating opportunities for wastewater energy solutions in Canada, the UK, and the U.S. We had developed our proprietary WET™ system technology and were at the point where we needed a partner and capital investment to take these projects to the next stage and into fruition.

It was crucial to find someone committed to developing green alternatives and that understood the nature of these types of infrastructure projects, both from a financial return and ESG standpoint. We spoke to several parties but felt Ancala Partners was really in alignment with us and our vision for the projects.

**How was your experience during the M&A process and were you surprised by anything?**

This isn't my first experience, having previously founded and sold another company, Enwave Energy. However, as the motivations, investors, and people are different every time, so is the experience. Founders generally also believe their businesses are worth more than anyone is willing to pay for it, but having been on the buyer side, I knew that I would have to temper my expectations going into this transaction.

It is possible to make being green economically viable

**How did you come to choose Morrison Park Advisors – IMAP Canada as your advisor?**

I have known Pelino Colaiacovo, David Santangeli and other members of the team for some time now. We've worked together in various capacities over the years, and they were also involved in the sales process of my previous company.

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

I would say it's a combination of sharing a common vision, the commitment to building a business together and truly believing in its future.

**You also received additional project funding from the Canada Infrastructure Bank (CIB), how will this be used?**

The CIB is a federal government entity providing financing that advances critical priorities for Canada, including the energy transition. It has committed CAD\$100 million in the form of low-cost debt to support the construction of Noventa's WET™ System projects in Canada over the next five years.

The availability of this low-cost financing, coupled with the equity from Ancala Partners, will allow us to finance these projects at the lowest possible cost to our clients. We will also be looking to expand into other markets as opportunities arise.

**How important is staying at the forefront of new technology? Is it more important in this sector than others?**

Very much so. We're only at the very start of decarbonization and with each advance challenges also arise. Take electric cars, we still need to find a way to dispose of the lithium batteries. Wind and solar power require special storage and supplies are intermittent. And while wastewater energy is a great solution, we don't have an infinite supply. Luckily, we have a very robust R&D team which is constantly working on solutions to the challenges that arise with wastewater energy.

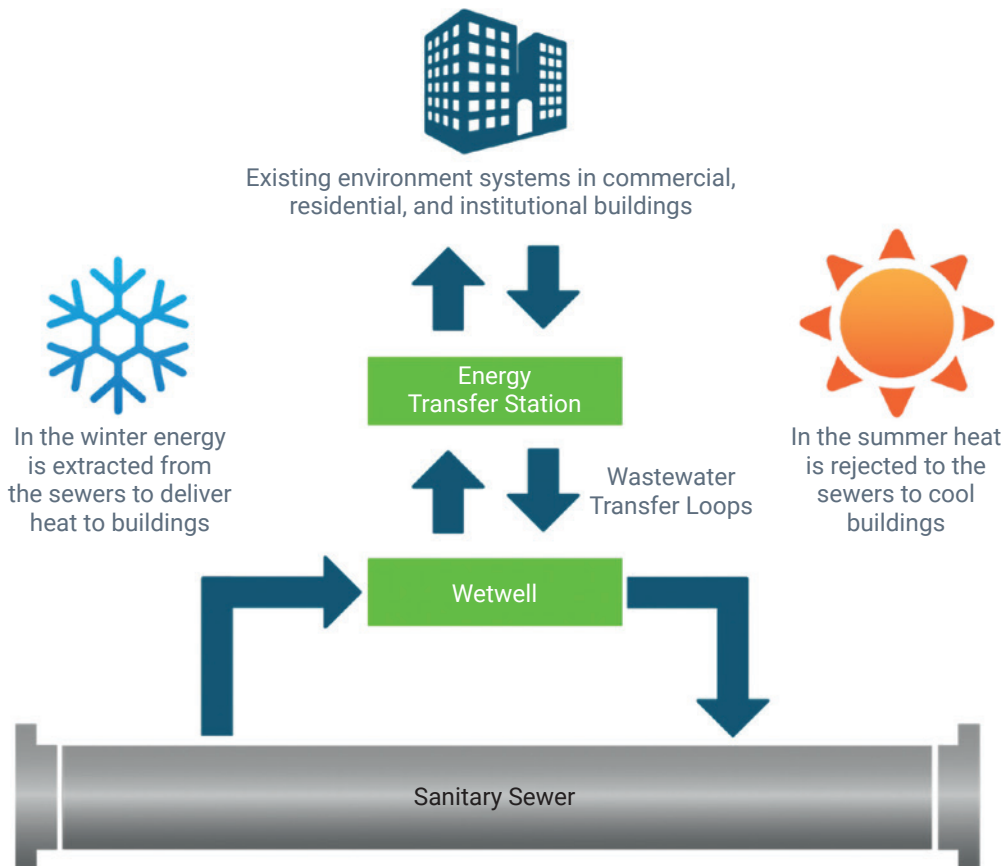
We also work closely with other innovators. If we believe in a technology, we don't want to simply take equity in it. Instead, we look for ways to commercialize it by including it in our projects and if we can prove it works, we then look to become the exclusive distributor. There is no one solution to fix all problems so this enables us to have a wide portfolio of technologies which we can mix. For example, we're also the exclusive distributor for Kelvin Thermal Energy for certain market segments. The technology stores electricity as high-grade heat in graphite, which can be disposed of safely, as opposed to lithium; along with Huber ThermWin® technology, these collaborations enable us to continually innovate.

**Do these technologies come with a price tag - does decarbonizing buildings mean higher operating costs for businesses?**

Simply put, we must find ways to make being green economically viable. And it is possible. Our business model focuses on decarbonizing buildings for environmental and social benefits, while at the same time saving money for clients. Projects are only successful when both objectives are realized. Our WET™ System for example, reduces the consumption of water for cooling purposes, which in some jurisdictions can be more costly than energy. Fossil fuel prices are rocketing, so in jurisdictions which have put a price on carbon, an alternative is replacing them can be Wastewater Energy Transfer™.

My belief is that all of us should at least try to be green when we can. What we are seeing today are the results of our actions 30 or so years ago, so if we truly care about our children's futures, then we need to act now. We may not be able to do it today, but we should at least have a plan. I see a change and am encouraged by the younger generation. We hire a lot of engineering graduates, and they are increasingly creative and want to work in our R&D department and innovate, which is great and makes me optimistic for the future. ■

**How Wastewater Energy Transfer™ Works**





## Canada Prioritizes Renewable Energy

In its recent annual budget, the Government of Canada announced significant new support for renewable energy technologies. To a large extent, this was in response to the Inflation Reduction Act (IRA) promulgated in the United States in 2022. The IRA will provide large new subsidies for renewable energy technologies and could drive many renewable energy companies to focus their activities in the U.S. unless other countries offer similar levels of support.

Canada has now introduced a variety of “refundable tax credits” which amount to subsidies for the development of renewable energy projects. Unlike the more traditional government grants, these projects must be built and financed, and only once they are fully operational, can part of the cost be refunded:

- **Wind, solar, and geothermal technologies, among others:** 30% of the project’s capital cost will be refundable (including the purchase of the equipment and the cost of installing/constructing it, but excluding “soft” costs such as permitting or engineering)
- **Hydrogen projects:** up to 40% of the cost will be refunded

This program is intended to be in place for the next 10 years to provide renewable energy companies with the certainty they need to pursue these long-term projects.

In addition to the tax credits, the federal government is also supporting renewable energy projects through:

- **Canada Infrastructure Bank:** providing low-cost loans to qualifying renewable energy projects
- **Direct grants and subsidies:** to companies developing new renewable energy technologies, or new applications of existing technologies
- **Special grants and subsidies:** for Indigenous People developing renewable energy projects to replace fossil fuel energy in their communities. In these cases, government support can reach more than 80% of the cost of renewable energy equipment



# Growing Emphasis on ESG and Sustainable Business Practices Driving M&A in Japan

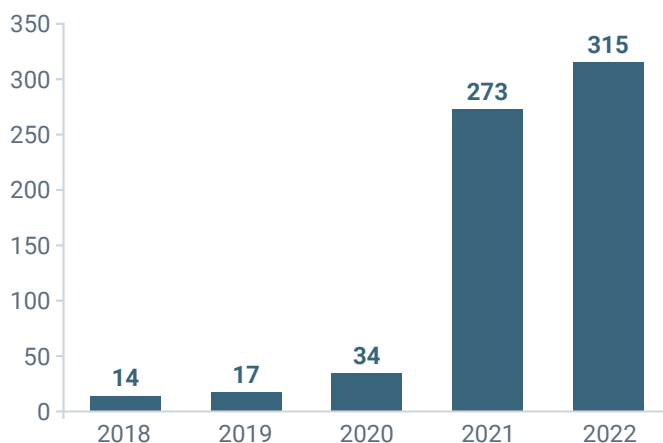


**CHUAN ZHANG**

Associate  
Pinnacle – IMAP Japan  
c.zhang@imap.com

In 2020, Japan's then Prime Minister, Yoshihide Suga declared the country's goal to achieve carbon neutrality and a decarbonized society by 2050. Around the same time, the Energy sector in Japan, until then known for its high dependency on coal-fired power plants, had also begun to call for a strong push towards decarbonization. In response, Japanese companies have since begun to increase their M&A activities to promote Sustainable Development Goals (SDGs) and ESG initiatives.

**Number of SDGs- & ESG-related M&A Transactions in Japan**



Source: MARR.jp



From 2019 to 2020, the number of SDGs- and ESG-related transactions doubled to 34. One notable transaction was that of Seven & I Holdings and its acquisition of Speedway, the third-largest convenience store arm of Marathon Petroleum Corp. in the U.S., for \$21 billion. The acquisition aimed to promote sustainable management by utilizing scale advantage to reduce CO2 emissions and adopting energy-saving lighting equipment and renewable power generators not only in the existing stores but also in the new ones.

In 2021, this number surged to 273, marking an eightfold increase compared to the previous year. We also saw this trend continue in 2022, with 315 deals, representing a 15.4% growth. Furthermore, these deals accounted for 7.3% of the total number of deals (4,304) in Japan. As of February 2023, there were 47 SDGs- and ESG-related transactions, surpassing the same period last year, approaching 10% of the total number of deals (584), clearly demonstrating that SDGs and ESG have become a notable driving force in Japanese companies' M&A activities.

## 24/ ESG INVESTING SPECIAL FOCUS

### SDGS & ESG DRIVING M&A IN JAPAN

#### Sectors Seeing Most SDGs- and ESG-Driven Transactions

While the Gas & Electricity sector has witnessed the most activity in terms of both buy & sell sides, other industries such as Finance, General Trading, Construction, and Software/IT have also seen a significant level of M&A activity during the last two years.

Today, out of the 40 industries listed (based on MARR Industrial Classification), 35 of them have recorded at least one SDGs- and ESG-related M&A activity.

#### SDGs- & ESG-related M&A Transactions Ranking by Industry (2022)

Rank	Buyer		Seller	
	Industry	Num.	Industry	Num.
1	Finance	94	Electricity and Gas	54
2	Electricity and Gas	38	Software & IT	45
3	General Trading	24	Service	37
4	Service	21	Chemistry	34
5	Construction	15	Electronics	28
6	Other Distributor	15	Machinery	18
7	Machinery	11	Automotive	15

Source: MARR.jp

We have also seen there is a noticeable trend towards strengthening renewable energy businesses:

- Renewable Japan, a company primarily focused on solar energy, acquired Japan Renewable Energy Infrastructure Investment Corporation. They aim to achieve a more flexible and efficient operation by integrating ownership and operation
- WWB, a wholly owned subsidiary of Abalance and a solar power generation business in Tokyo, acquired two companies: Nippon Mirai Energy and J. Mirai in Sendai City, which are both involved in power generation, management, operation, electricity supply, and sales through natural energy sources. Abalance aims to promote a recurring revenue business model
- JERA, a joint venture company owned by Tokyo Electric Power Fuel & Power and Chubu Electric Power, acquired two U.S. companies that hold assets in thermal power stations, including the Canal Generating Plant. They are considering supporting the development of large-scale renewable energy projects to promote decarbonization efforts further

Among the sellers, there have been several carve-out projects in which major energy companies were involved. Tokyo Gas, a major gas company, has sold its rights in four Australian LNG projects to EIG Global Energy Partners, an infrastructure investment firm, for approximately JPY310 billion. Since 2003, Tokyo Gas has been expanding its business of holding upstream LNG interests. This sale is part of their efforts to adjust their asset portfolio.

Looking at activity by sectors, in the General Trading sector, Mitsui & Co., has invested approximately JPY77 billion in Mainstream Renewable Power Limited, a renewable energy company based in Ireland. This investment aims to enhance the quality of their electricity power-related portfolio and accelerate the reduction of greenhouse gas emissions.

In the Construction industry for example, we have also begun to see an increase in investments in decarbonization-related technology startups:

- Shimizu Corporation has invested in Clean Energy Connect (Tokyo), a startup offering B2B green power solutions



— Hazama Ando and Daiwa House Industry have invested in Global Energy Harvest (Fujisawa City), a startup that specializes in developing power generation technology. The company has developed a new pumped-storage hydroelectricity system which utilizes wave power to pump water and generate energy, combining it with existing small-scale hydropower generation technology to provide a stable energy supply

In 2022, the breakdown of the 315 SDGs- and ESG-related M&A cases in 2022 by region was:

- 199 domestic acquisitions (IN-IN)
- 106 involved domestic companies being acquired by foreign companies (IN-OUT)
- 10 were foreign acquisitions of domestic companies (OUT-IN)

The proportion of IN-OUT cases is relatively high at 33.7%, accounting for 17.0% of the total IN-OUT transactions (625).

### Top Eight SDGs- & ESG-related M&A Transaction in Terms of Value (2021-2022)

Rank	Size (mn JPY)	Buyer		Seller		Type	Regional	Date
		Company	Sector	Company	Sector			
1	381395	Adani Green Energy	Electricity & Gas	SBI Energy Holdings	Electricity & Gas	Acquisition	OUT-IN	2021/5/20
2	310825	EIG Global Energy Partners	Finance	Tokyo Gas	Electricity & Gas	Acquisition	OUT-IN	2022/10/8
3	285100	JERA	Electricity & Gas	FLNG	Electricity & Gas	Investment	IN-OUT	2021/11/16
4	191244	ENEOS Holdings	Coal & Oil	Japan Renewable Energy	Electricity & Gas	Acquisition	IN-OUT	2021/10/11
5	190953	NEO Energy Upstream UK	Mining	JX Nippon Exploration and Production (UK)	Mining	Acquisition	OUT-IN	2021/11/27
6	174542	JERA	Electricity & Gas	Aboitiz Power Corp	Chemistry	Investment	IN-OUT	2021/9/28
7	115000	ENEOS Holdings	Coal & Oil	JSR Corp	Chemistry	Acquisition	IN-IN	2021/5/11
8	77000	Mitsui & Co.	General Trading	Mainstream Renewable Power	Electricity & Gas	Investment	IN-OUT	2022/3/24

Source: MARR.jp

Notably, there have been prominent cross-border transactions in the Gas & Electricity industry. SoftBank Group sold its Indian renewable energy subsidiary to Adani Green Energy, a player listed on the Bombay Stock Exchange. Tokyo Gas, on the other hand, sold its four Australian LNG projects to EIG Global Energy Partners, an infrastructure investment firm based in the U.S.

This surge in M&A activity across various industries reflects the growing emphasis on ESG considerations and the pursuit of sustainable business practices in Japan. Companies are seeking opportunities to enhance their environmental and social performance, address climate change challenges, and align with global sustainability goals, driving the increase in M&A deals aimed at promoting SDGs and ESG initiatives. Therefore, Japanese companies can be expected to increasingly seek ESG targets in their outbound M&A deals. ■

# Stabilization & Improved Performance Expected to Accelerate M&A in T&L Sector



**GORDON MACKAY**

Managing Director  
Transport & Logistics Group  
Capstone Partners – IMAP USA



**JONATHAN ADAMS**

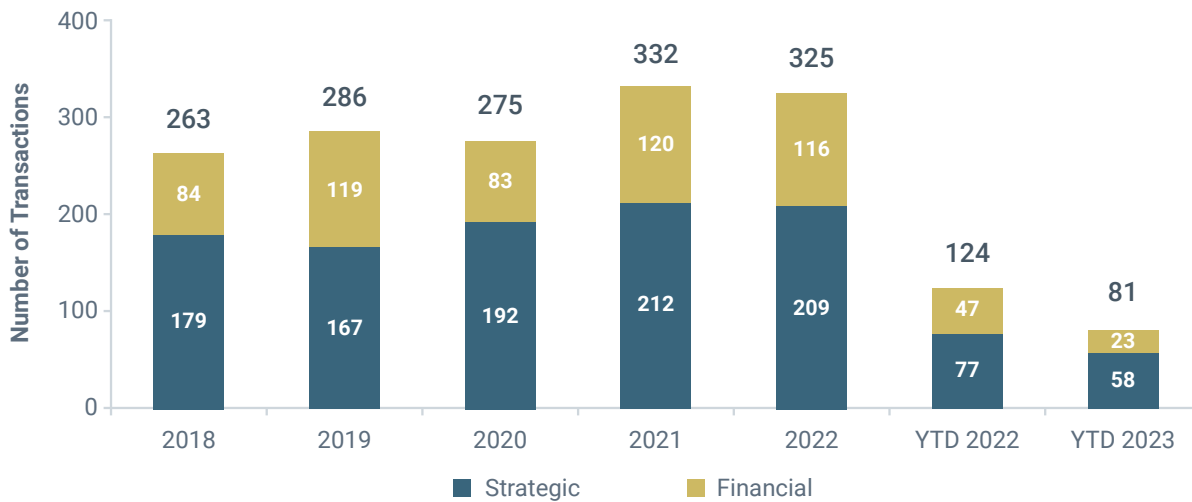
Managing Director  
Transport & Logistics Group  
Capstone Partners – IMAP USA

During the COVID-19 pandemic, the typically unsung \$8 trillion logistics and supply chain ecosystem garnered unprecedented attention and became top-of-mind for consumers and businesses trying to procure then hard-to-find products. Seismic e-commerce and technology driven sector shifts accelerated, leading to record levels of deal activity starting in late 2020 and into early 2022.

As the world “opened up” in 2022, consumer spending shifted back from lockdown-driven goods spending to more service-related industries, the Federal Reserve started an historic tightening cycle and supply chain pressures subsequently eased. 2022 and early 2023 have presented a difficult environment for companies moving and facilitating the movement of freight, with pricing and volumes down substantially from 2021 highs.

Sector M&A activity cooled in the second half of 2022 and is down substantially YTD. We expect sector stabilization and potentially improved company performance in H2 2023, which could provide a catalyst for accelerated deal activity leading into 2024. With high interest rates challenging private equity, strategic buyers have reasserted themselves as the dominant sector acquirors. The adoption of logistics and supply chain technologies will continue to shape the industry; however, we expect the growth capital raising environment for early-stage companies to continue to be challenged and the potential for M&A to substitute for what would have been capital raises in more accommodating capital markets.

Transport & Logistics M&A Volume by Buyer Type



Note: Year-to-date (YTD) ended May 9  
Source: Capital IQ and Capstone Partners

Select Sub-sector Insights

Freight Brokerage & Digital Freight

Freight brokers, almost across the board, have seen 30%+ declines in revenue from Q1 2022 to Q1 2023 with corresponding declines in profitability. As a result, sector deal activity has been muted over the last 12 months. The Uber Freight/Transplace, Jordan Companies/Echo Global and AEA/Redwood transactions in late 2021 represented the last substantial flurry of M&A activity around the sector. We expect activity to be largely slow until pricing and volumes trend back to historical averages. There is a critical mass of potential sellers who may have potentially held on too long, reaping the rewards of the 2021 and early 2022 freight environment. When the freight market eventually tightens and conditions return to historical averages, we expect some of this pent-up activity to come to market. Business models more insulated from the dramatic shifts in spot pricing and/or that have niche capabilities continue to be of strong strategic interest and will continue to see strong strategic acquiror appetite, despite weakness in the broader environment.

Warehousing & Fulfillment

The Warehousing and Fulfillment sector has gone under the most e-Commerce driven transformation of any area within the logistics ecosystem. The sector underwent a wave of deal activity in 2021 and early 2022. Nascent, tech-enabled platforms such as Shipmonk, ShipBob and Stord raised capital at \$1 billion+ valuations. Large Logistics sector integrators such as Maersk and Ryder have made multiple acquisitions as they build a more comprehensive D2C offering for customers for which they had traditionally only provided B2B services.

Select Strategic M&A Activity

flexport. / shopify (Fulfillment)

“For Flexport, this acquisition enables our vision for a full digital transformation of the global supply chain that we will bring to all customers. This democratization and pooling of scale will level the playing field for cost and speed of delivery for all businesses, not just the largest corporations in the world.”

Dave Clark

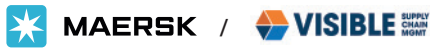
CEO of Flexport, in a press release

acquisitions of

“With Whiplash, we gain a formidable e-fulfillment network supported by a best-in-class technology platform. With Midwest, we gain a proven model for multi-client warehousing and distribution, a capability that we’ve been targeting for some time. And, when you combine these expanded capabilities with Ryder’s end-to-end transportation logistics solutions, including our Ryder Last Mile delivery network for big-and-bulky goods, we are in a position to deliver significantly increased value for customers looking for more advanced supply chain solutions.”

Robert Sanchez

CEO Ryder Systems



“We have set out to build strong E-Commerce Logistics capabilities that complement our existing end-to-end supply chain offering. Visible SCM’s operating model and value proposition will strengthen our customers’ E-commerce Logistics, enabling them to sell through any sales channel, deliver in any way and manage their supply chains seamlessly.”

**Vincent Clerc**  
CEO Maersk Ocean & Logistics

With e-commerce volume growth moderating in 2022 and into 2023 and **Amazon slowing its footprint growth**, 2023 will be a year of mixed performance and moderated deal activity. In the longer-term, we expect sector consolidation to be an important trend, with sector leaders differentiating with strategically placed nationwide (and sometimes international) networks and leveraging scale benefits to implement technologies across their networks. Niche sectors that have unique handling and environmental needs are of the highest strategic M&A interest and are also areas where smaller players can continue to thrive by providing focused customer service.

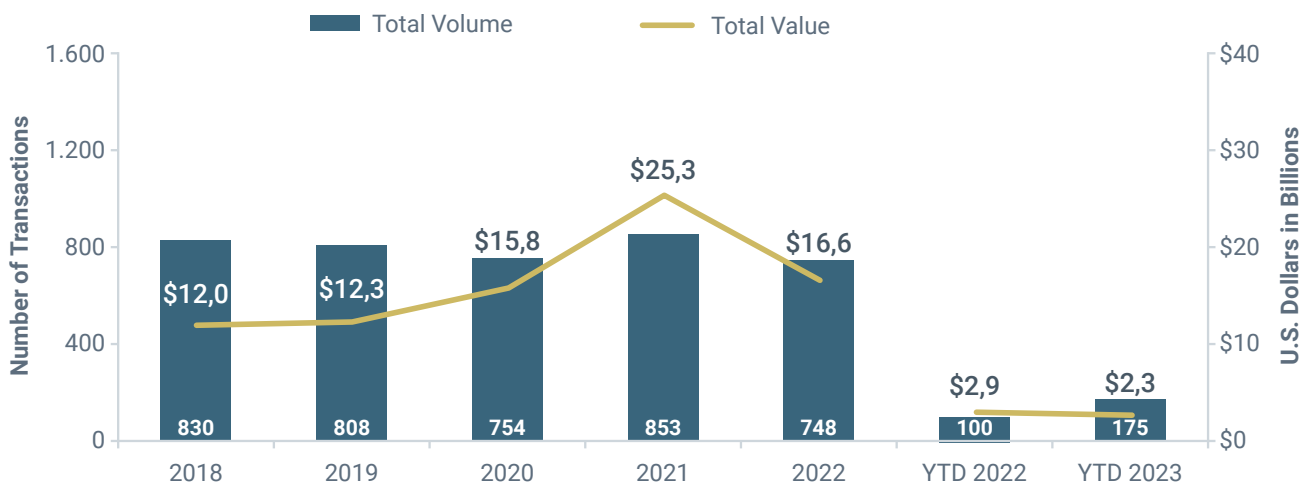
**Logistics & Supply Chain Technologies**

Underpinning the sector consolidation trends and evolution of business models and networks by eCommerce proliferation is the implementation of new technologies. With new digital technology comes scalability, repetition, and automation of processes across vast networks.

Sector funding has cooled markedly from its 2021 peak, with 2022 down 35% and 2023 continuing at a similarly slow pace. Investor interest in the space remains high, but the higher interest rate environment will continue to keep growth investors more selective about where and how they deploy capital. Combined with lower overall sector profitability, the tighter capital environment is having and will continue to have significant sector implications:

- Technology implementation will be more selective, as logistics and transportation companies will be more focused on implementing “need to haves” and be more discerning about implementing “nice to haves”
- Financial runway will have meaningful competitive implications. More capital constrained logistics technology companies are reigning in growth plans, allowing better capitalized sector participants to move ahead
- M&A will sometimes replace growth capital raises for companies with strategic and compelling solutions, but that need more capital

**Logistics Technology Financing Deal Volume and Capital Raised**



Note: Year-to-date (YTD) ended May 9  
Source: PitchBook and Capstone Partners

## Trucking

The Trucking sector is acutely affected by slowing freight and freight rates. Early 2023 has seen an acceleration in sector bankruptcies by smaller, less diverse players that have difficulty absorbing even a small number of customer losses. A sector that was severely short on capacity in 2020 and 2021, is now estimated to have as much as 25% more capacity than it needs.

The sector challenges have created opportunity for well capitalized sector consolidators seeking to strengthen networks and add capabilities in strategic growth areas. In fact, Knight-Swift's \$800 million March 2023 acquisition of U.S. Xpress represents its largest acquisition in its history.

We expect these same trends to persist until sector capacity tightens. And even then, sector consolidation will continue at a pace as large players continue to have to scale to compete and differentiate by offering the most comprehensive services at the most competitive rates. ■

## Key Sector Trends & Implications

### eCommerce Proliferation



eCommerce growth has a long runway and is estimated to grow at a strong pace for the foreseeable future. The implications across the logistics ecosystem are broad. As consumer expectations grow, fulfillment will become an even more important part of the end-customer experience. Speed of delivery and reliability will continue to be paramount, leading to continued migration of distribution centers closer to the end-consumer, accelerating development and adoption of automated delivery technologies (drones, self-driving vehicles, etc) and investment in technologies providing an enhanced buying experience.

### Technology Implementation and Digitization



Technology implementation has been and will always be a driving force of the logistics system evolution. Today, technologies that provide visibility and platform integration, for example, are having some of the most transformative impacts. Generative-AI based technologies are poised to have some of the most profound impact, taking on operational and customer facing tasks once only thought could be done by humans. The continued digitization of business models will, on balance, favor more scale service providers with the capital to invest in the latest technologies and benefit from network effects.

### Supply Chain Agility and Resilience



The 2020/21 supply chain crisis shone a new light on supply chain vulnerabilities. As a result, manufacturers are diversifying supplier bases and bringing more manufacturing and assembly closer to the consumer. Technology will also play a more critical role, providing critical predictive analytics, real-time visibility, and real-time control.

### Labor Shortages



There is a global mismatch between labor supply and logistics ecosystem needs. More effort is being directed towards recruiting and training potential new entrants, but broader implementation of automation technology, particularly around warehouses, provides an even more sustainable solution. Labor outsourcing to lower-cost countries to handle back-office operations and IT are and will continue to grow.

### Collaboration Over Competition



The logistics ecosystem is complex and involves several participants just to get a single good to market. Shippers, carriers, and customers reward service providers that offer integrated, seamless, and reliable services. Bringing together the optimal, integrated suite of services requires extensive collaboration. Those that strategically collaborate with ecosystem participants are poised for the most success.



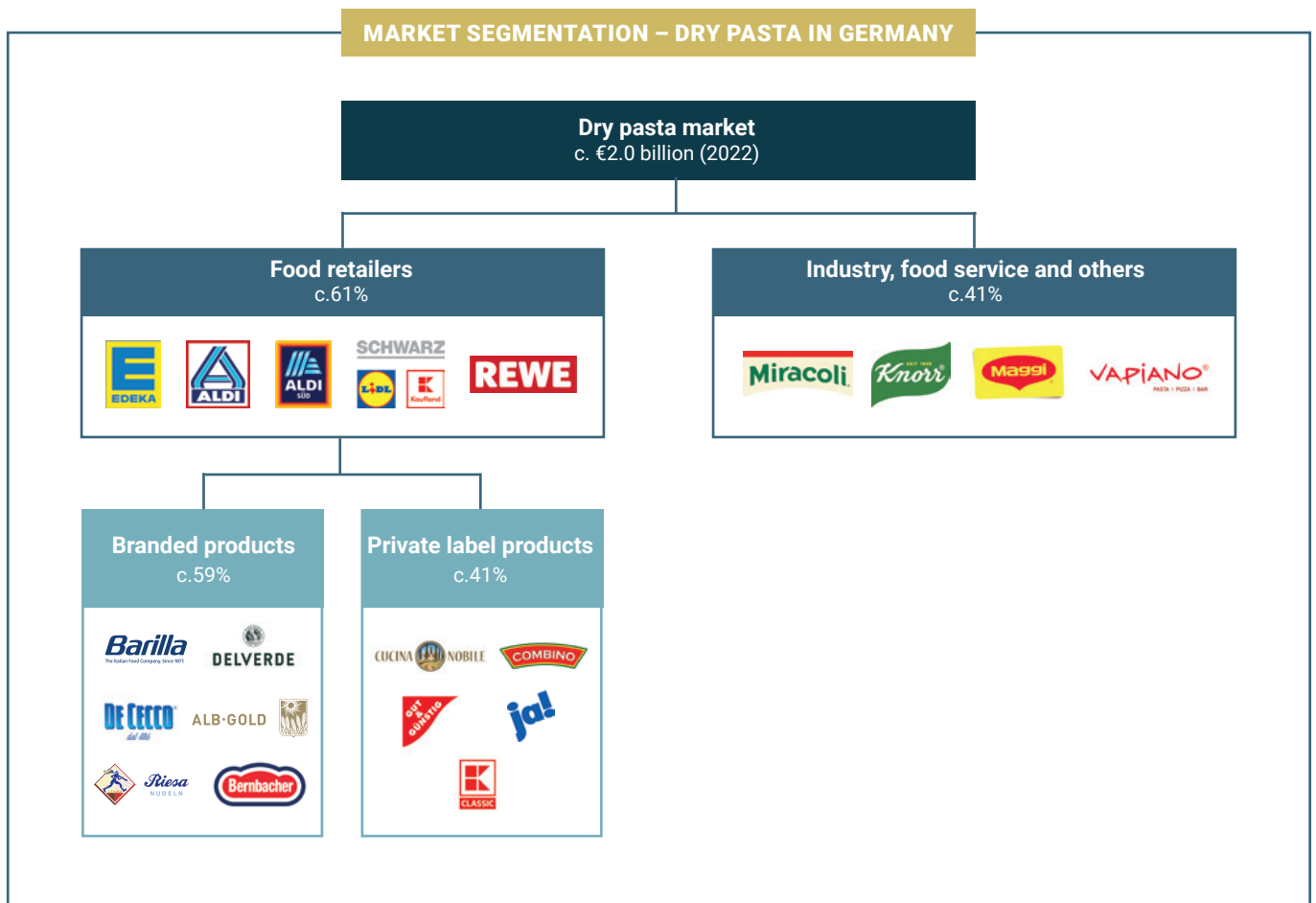
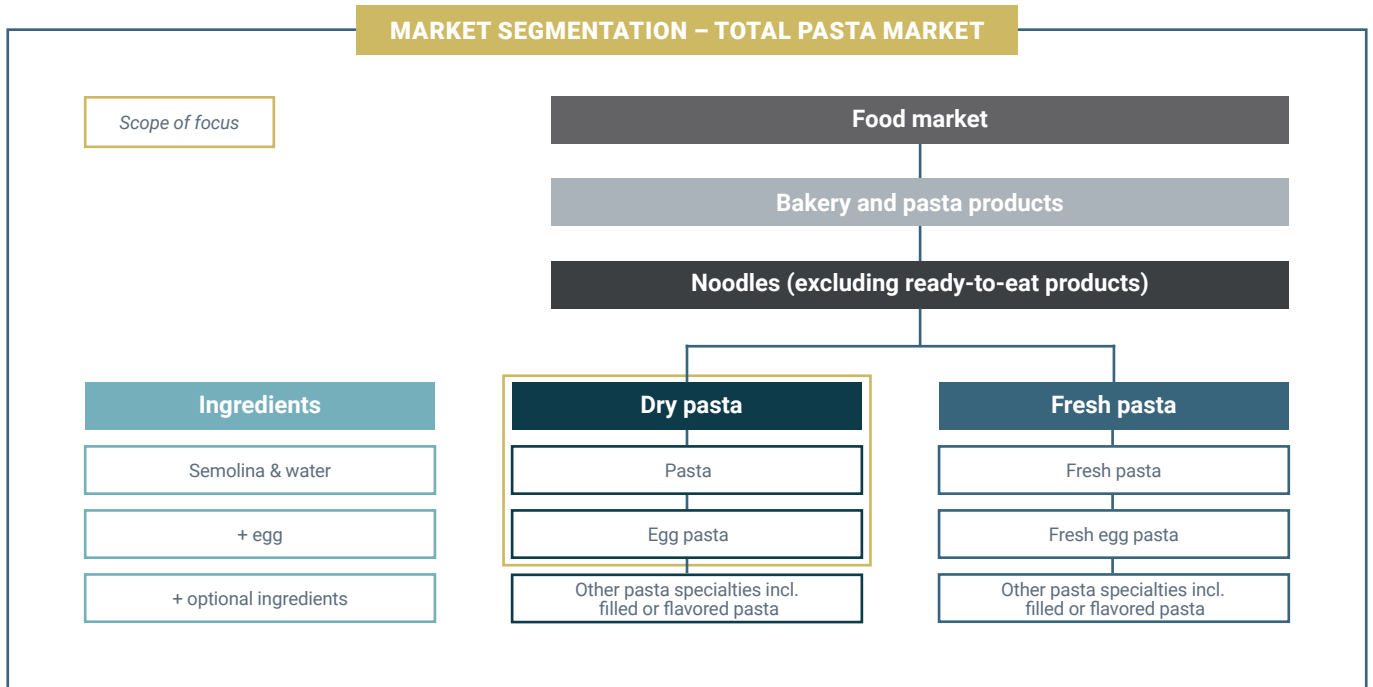
# Pasta, What Else? The German Pasta Industry at a Glance



**MARCO STROGUSCH**  
Partner  
IMAP Germany  
[marco.strogusch@imap.de](mailto:marco.strogusch@imap.de)

When people think of pasta, they quite rightly associate it with Italy. At 20.5 kg per capita, Italy has the highest pasta consumption in Europe, followed by Germany at 9.3 kg, and France at 7.8 kg. Our Food & Beverage industry experts at IMAP Germany are closely monitoring developments in this segment, especially in the aftermath of the recent and most notable transaction in the pasta industry with the acquisition of Erfurter Teigwaren, Germany's largest private label manufacturer, by the Schwarz Group in August 2022.

The following graphs illustrate the different pasta market segmentation:



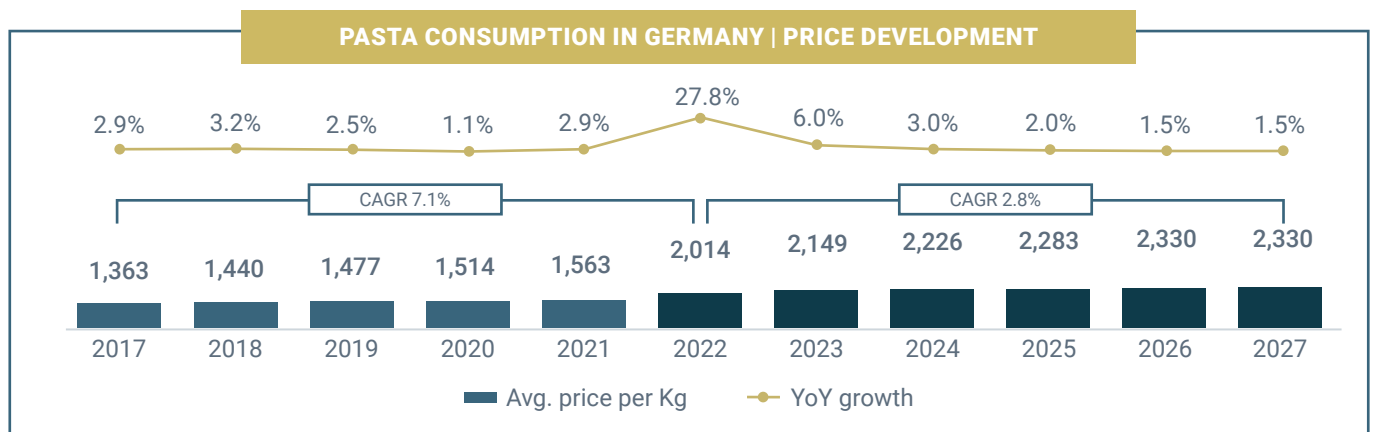
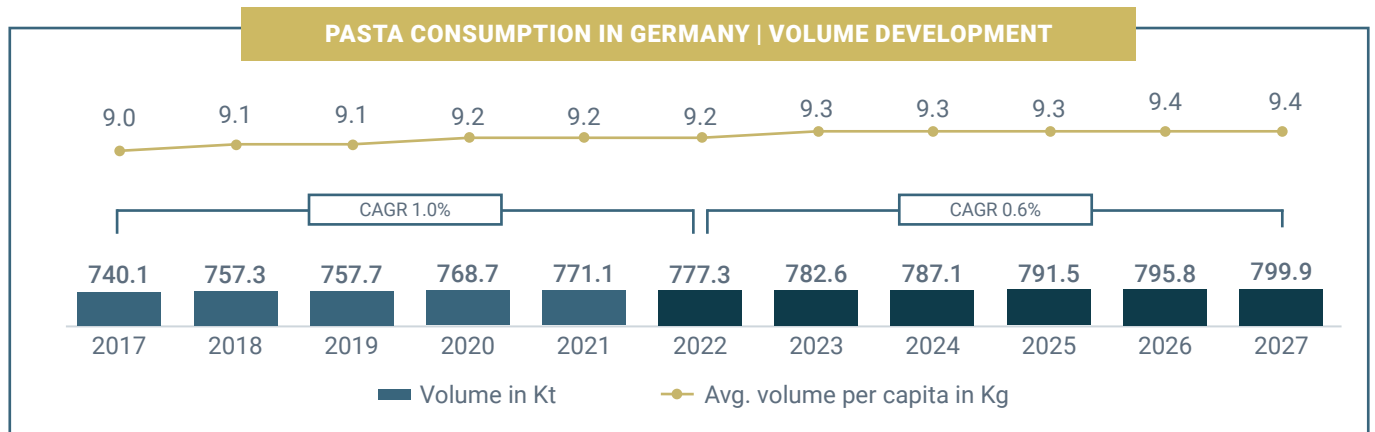
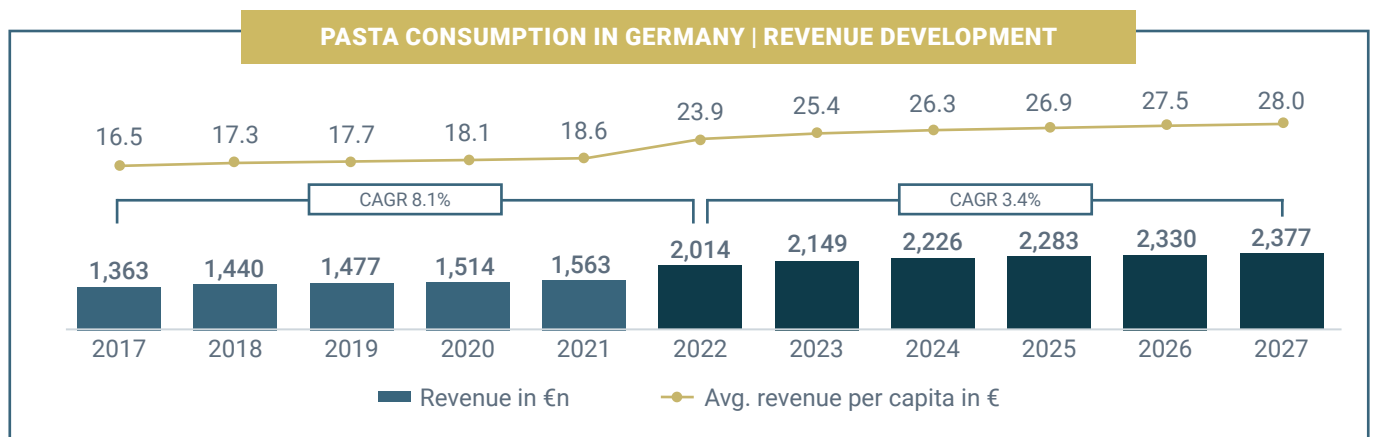
### 32/ INDUSTRY COVERAGE

#### THE GERMAN PASTA INDUSTRY AT A GLANCE

Despite economic uncertainties and supply chain disruptions caused by the COVID-19 pandemic and the Russo-Ukrainian war, the German dry pasta market has remained strong and proven remarkably resilient. There has also been a relatively strong increase in M&A activity.

The consolidation trend continues with the acquisition of Roßberg Teigwaren GmbH & Co. KG by Tress, a leading producer of branded pasta and sauces, in October last year. This news was followed by the sudden liquidation of Schätzle Nudelpeter, a producer of private label pasta primarily for Edeka and Aldi. According to market rumors, the closure was the result of succession problems and low profitability.

Based on recent deal activity and insights from our IMAP partners, we are optimistic that there will be exciting M&A opportunities in 2023 and beyond. Future plans by major food retailers to acquire other pasta producers or possible greenfield investments could lead to a change in the market situation. Furthermore, the German pasta market is an important staple food category, with sales of around €2.4 billion in 2022, of which, the dry pasta segment represented around 80% (€2 billion) of the total market. Although the short-term economic outlook remains clouded by fears of a global recession, rising interest rates and disrupted supply chains, market experts believe that the German pasta market will continue to grow at a CAGR of 3.4% (2023 - 2027), leading to total market sales of €2.4 billion.





At present, the German pasta market can be characterized as highly competitive, with a growing tendency towards slight overcapacity. It is clearly dominated by the large Italian producers, with Barilla leading the branded producers, followed by Newlat, and the German Alb Gold Group. Following the acquisition of Erfurter Teigwaren by the Schwarz Group there are no major independent private label producers left in Germany.

The players in the German pasta market can be differentiated by their business model and product offering. Most German manufacturers focus on branded products. Private label contracts are used as a supplement to complement their branded business and to fully utilize production capacity. A notable exception is Bon Pasta, formerly Erfurter Teigwaren, which was the only German pure private label manufacturer and has now become a captive producer for the Schwarz Group.

Overview of Relevant Private Label Players in the German Market

								
<b>Focus on private label(2)</b>								
<b>Location</b>	Thuringia 	BW/Saxony 	Bavaria 	Baden-Wuertt. 	Veneto 	Campania 	Lombardy 	Piedmont 
<b>Production capacity p.a.(2)</b>	100,000 t	60,000 t	30,000 t	15,000 t	285,000 t	185,000 t	110,000 t	90,000 t
<b>Ownership</b>	Subsidiary (Captative)	Private	Private	Private	Private	Private	Private	Private
<b>Further information</b>	<ul style="list-style-type: none"> <li>• Formerly Erfurter Teigwaren GmbH</li> <li>• Acquired by the Schwarz Group in 2022</li> </ul>	<ul style="list-style-type: none"> <li>• Owner of Riesa, market leader for egg pasta in Eastern Germany</li> </ul>	<ul style="list-style-type: none"> <li>• Regional brand in Southern Germany</li> <li>• Focus on food retail as distribution channel</li> </ul>	<ul style="list-style-type: none"> <li>• Broad product range offered and distributed through mainly discounters</li> </ul>	<ul style="list-style-type: none"> <li>• A production plant sold to Barilla in 2019 with a second plant closed in 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Own brands "Armando", "Baronia" and "Donna Vera" for specialty pasta</li> <li>• 80% export</li> </ul>	<ul style="list-style-type: none"> <li>• Broad distribution base including food retail, catering and food service</li> </ul>	<ul style="list-style-type: none"> <li>• Own label under "Pasta Rey"</li> <li>• Focus on foodservice and delivery</li> </ul>



**Market Trends**

The long-term sustainable growth prospects for the pasta industry are favorably influenced by a number of underlying market drivers. The industry has shown remarkable resilience in a challenging market environment due to the indispensability of this staple category. Unlike other staple food categories, pasta has successfully adapted to contemporary trends by incorporating diverse ingredients, such as organic and gluten-free options, and by being available in both convenience and upscale establishments. In particular, the following seven trends have emerged:

— **1. Rising Importance as a Staple Food**

Pasta is becoming a more common staple in German households due to demographic changes, with younger generations eating more pasta than potatoes. Pasta continues to be a protected area of spending, even as consumers feel the squeeze on their disposable income

— **2. Healthy & Sustainable Food**

With a growing emphasis on health awareness, the importance of balanced diets and sustainable food is rapidly increasing. Increased pasta consumption is also driven by the shift from meat-based to plant-based diets and the growing popularity of Mediterranean cuisine

The industry has shown remarkable resilience in a challenging market environment due to the indispensability of this staple category

---

— **3. Growing Importance of Logistics**

Growing challenges in the European logistics market, such as reduced driver availability, rising fuel costs, and increasing CO2 awareness, have increased the cost pressure on pasta producers. Strategic geographic location has become a key differentiator for pasta producers

— **4. Increasing Market Share of Private Label Pasta**

During economic downturns, consumers consider the affordability of pasta as the most important purchase criterion. Quality differences between branded and private label pasta are negligible

— **5. Category of High Importance for all Food Retailers**

Especially since the COVID-19 pandemic, food retailers have become aware of the scarcity of reliable and high quality (private label) producers. Food retailers have placed a strong emphasis on long-term contracts and strategic partnerships to mitigate potential supply chain risks

— **6. Limited Exposure to the Russo-Ukrainian War**

Pasta is made from durum wheat, not soft wheat, two completely different types of crops. Durum wheat is not grown in Ukraine and represents only a small fraction of the total wheat market, with minimal exposure to the Russo-Ukrainian war

— **7. Increasing Attractiveness for Investors**

With well-established category fundamentals such as a resilient business model and critical positioning within the food supply chain, pasta has become an even more attractive category for investors



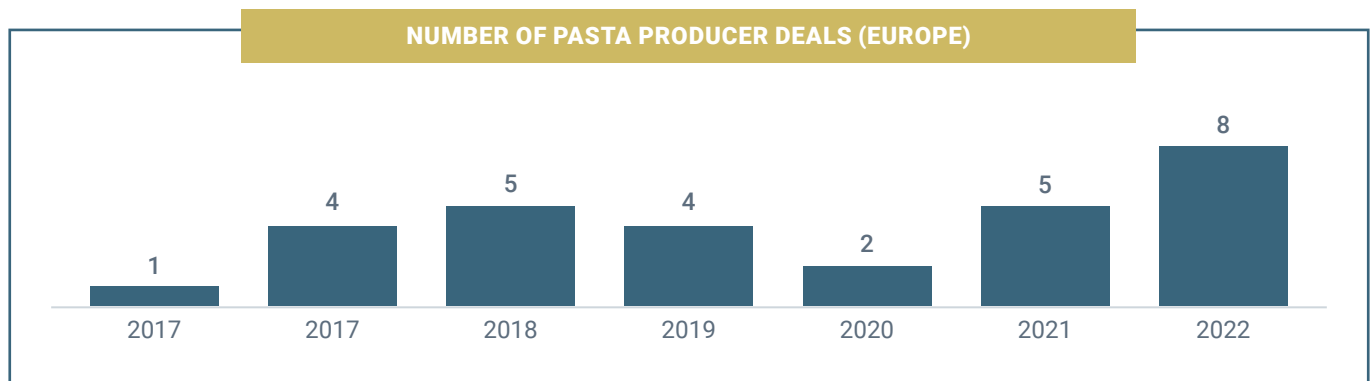
**European M&A Overview**

In recent years, major strategic players have completed transactions in the European pasta market for various reasons:

- Barilla acquired Pasta Zara's Muggia plant in northern Italy in 2018 to expand its geographic reach and strengthen its market positioning
- In the wake of empty shelves during the COVID-19 pandemic, German food retailers recognized the fragility of the pasta supply chain. This in turn led to the acquisition of Erfurter Teigwaren by the Schwarz Group. The aim of the purchase was to secure its supply chain with high-quality pasta from its own production

- Particularly during the COVID-19 pandemic, financial sponsors, including family offices, showed increased interest in pasta producers due to their proven resilience to crises and the generally attractive market outlook for this category. Renowned private equity firms such as CVC (Panzani - 2021) or ProA Capital (Pastas Gallo - 2019) have completed platform investments in the pasta market and are actively looking to strengthen their respective market positions

The European pasta market continues to attract interest and capital from financial investors and strategic acquirers. Indeed, in recent years, the number of transactions in the pasta industry reached an all-time high, despite an overall decline in activity in the European M&A market. ■





# Deep Dive into M&A Activity in the European Healthcare Services Industry



**DAVID AMAR**  
Managing Director  
Degroof Petercam – IMAP France  
[david.amar@imap.com](mailto:david.amar@imap.com)

We have seen many different trends driving M&A activity in the European Healthcare Services industry over recent years. Some, such as consolidation, remain consistent, while other new trends have developed not only because of the increasingly challenging economic conditions, but as new markets have opened. We look more closely at what has been happening in four of the key market segments and identify areas of opportunity for investors over the coming years.



## European Medical Lab Testing

### **M&A Recovery Possible in Fragmented Geographies Once Economic Uncertainty Settles**

Consolidation has been driving the European medical lab testing market for several years now, attracting financial sponsors (both Private Equity and Infrastructure funds) looking for high and stable EBITDA-to-cash conversion.

Large European geographies such as France and, to a lesser extent, Germany, have reached a high level of consolidation: with multiples skyrocketing in 2021 and H1 2022, notably driven by a scarcity of targets: in 2021, EQT purchased Cerba for €4.5 billion i.e. 12.9x EBITDA, Cerba acquired Lifebrain (largest Italian player) for €1.3 billion i.e. 13.3x EBITDA and APMoeller acquired Unilabs for €5 billion i.e. 13.1x EBITDA, making it the largest M&A transaction in the medical lab testing sector in Europe, ever.

In April of the same year, Synlab completed its IPO. This was a primary IPO with a €400 million share issue, completed by the sale of some existing shareholders shares (Cinven, Novo Nordisk Foundation, Ontario Teachers' Pension Plan, Dr. Bartl Wimmer, and Management). The IPO took place during a period of growth for Synlab with the objective of refunding part of its debt. Despite Synlab's recent strong results, the IPO was completed at €18.0 per share (which was at the lower end of the range initially expected, €18.0 - €23.0, i.e., a market capitalization of €4 billion and an Enterprise Value of €5.8 billion, mainly due to a lack of investor appetite).

The second half of 2022 marked the end of the party for the sector with a landscape characterized by numerous uncertainties: (i) the war in Ukraine and inflation led to a strong tightening of financing conditions, (ii) COVID test volumes dropped to levels below what was expected as the long-term recurring activity and (iii) Social Security in countries such as France and Switzerland imposed sharp price cuts to lower the burden of public spending. Such uncertainties led to a strong slowdown (if not a complete stop) of M&A activity in the sector of both large and midcap transactions. Furthermore, several M&A projects were postponed due to a lack of appetite from both industrial and financial potential bidders: Diagnostyka in Poland, Labor Team in Switzerland, and Inovie in France.

In Germany, the stock price of Synlab dropped to €6.85 in March 2023, a level so low that Cinven, its main shareholder, has announced its intention to launch a tender offer at €10 to delist the German player. Synlab has been struggling operationally for some time with increasing hurdles comprising (i) slow and difficult recovery of profit margins affected by rising costs, inflation, staff costs increase, etc., (ii) slowing underlying growth, with pricing pressure becoming evident especially in France and Southern Europe, (iii) limited M&A pipeline and opportunities given high gearing (~3x in 2023E) for a public company coupled with low cash flow generation and limited goals communicated at IPO.

As soon as inflation returns to sustainable levels and political stability is reached, M&A recovery could come from geographies still fragmented such as Italy (only Cerba and Synlab have entered the market) and/or geographies with strong organic growth such as Poland.

## Medical Imaging

### A Growing European Market Facing Numerous Common Challenges

The European Medical Imaging sector reached €60 billion in 2022 with close to 50% of the market addressed by private players and the remainder served by public players (notably hospitals). The private market has been growing gradually and is expected to continue growing at c.4-5% per annum, primarily driven by an ageing population, an increasing importance of medical imaging in diagnosis and the increase in outsourcing by public hospitals.

Nevertheless, this growth has been hindered in recent years by new challenges that private practices are facing including the shortage of radiologists and strong pressure put on tariffs. In Switzerland for instance, TARMED tariffs are negotiated between insurances and public structures thus giving no room for private providers to fix prices, and in September 2022 in France, a Social Security Finance Bill was passed, aiming to reduce the social security deficit by reducing radiology expenses. To achieve this, the legislator plans to ask imaging centers for more transparency on the costs incurred by operators in order to dynamically adjust the rates of technical packages. To tackle the drop in radiologists, many European players plan to maximize the use of teleradiology to respond to out-of-hour's needs, allowing them to grow and gain market share.

### Market Consolidation

The French market remains highly fragmented with almost 80% made up of independent local players whose market share is tending to decrease. The remaining 20% is made up of large networks of clinics (Elsan), alliances or medical imaging players that have recently been acquired by private equity players.

The sector is ripe for consolidation by large healthcare companies or private equity funds due to (i) the requirement of heavy investment in machines, (ii) pressure on prices and (iii) the lack of radiologists. Indeed, thanks to the constant progress of technology, new MRI machines have been introduced on the market, integrating the latest development in artificial intelligence but at a higher cost thus forcing independent players to join larger platforms so that they can invest in top-notch technology to improve the quality of their services.

In 2022 alone, many European targets were acquired by private equity players with large deals such as the acquisition of Affidea by GBL for €1.6 billion or Ardian's investment in Simago based on a €500 million enterprise value. Financial players' strong appetite for platforms in the Medical Imaging sector can be seen by the average multiple paid in 2022 around 14.0x whereas build-ups were bought at 12.5x on average during the same timeframe.

### Arrival of New Players

In addition to all the usual suspects, large diagnostic groups have entered the race for market consolidation. Indeed, players originally present in the Lab Testing sector are now seeking to diversify into other diagnostic segments. For instance, Unilabs has a strong level of activity in the Medical Imaging sector with revenues of €290 million in 2021 which represented 22% of the company' total net sales. Furthermore, the company's business in this sector has been growing on average by c.6% every year since 2018, more than the growth of its lab testing or pathology business for the same period. This increase stemmed not only from significant organic growth but was also thanks to several acquisitions including Grupo CDMI back in 2019, a leading independent imaging diagnostics company in Spain and Cimedica, a leading Peruvian imaging company.



## Clinics

### National Consolidation to European Expansion

At a national level, this consolidation is driven by numerous factors including the willingness of certain establishments to benefit from a more advanced technical facility, a significant drop in the patient's average length of stay, tariffs cuts, and finally a search for improved efficiency in a period of cost escalation (energy, payroll...). This consolidation resulted in a significant decline in the number of private clinics in France, from 1,000 during the nineties to around 450 in 2020, with a loss of 110 clinics over the past ten years. Another key consequence of this consolidation is an important concentration in many mature European markets. In 2020 for instance, 40% of the French market was controlled by three large players: Ramsay, Elsan, and Vivalto Santé. Also in 2020, Quironsalud alone controlled c.20% of the number of Spanish for-profit private hospitals whereas in Sweden, the three main players, Capio, Praktikertjänst and Aleris controlled 53% of the Swedish market.

Following a couple of decades that have witnessed large national players bolstering their geographical presence in their home country (first at a regional level and then across their home country), these actors have now turned their focus towards geographical diversification.

A prime example of this European consolidation would be Vivalto Santé who recently started acquisitions abroad (Portugal, Spain, Switzerland, Czech Republic, and Slovakia) and with 41 additional clinics, now has 91 clinics. Another example is the Dutch leader, Bergman Clinics, who since 2019, has undertaken four acquisitions outside the Netherlands, in Sweden and Germany, including the acquisition of Memira, a market leader in refractive eye care in Scandinavia with over 41 clinics in Norway, Sweden and Denmark.

Consolidation has led to a decline in the number of private clinics in France, as well as an important concentration in many mature markets controlled by several strong players



#### Failure of Mega M&A Deals

Nevertheless, despite a certain ease in acquiring smaller clinics in their respective countries, the mega deals involving a change of shareholders for these large players are often more complicated to get across the finish line. In 2021, Ramsay Health Care made a \$1.44 billion bid to acquire Spire Healthcare, a leading operator of private hospitals and clinics in the United Kingdom, to expand in the UK market. However, it fell through as some shareholders considered the bid, encapsulating a 30% premium on the share price, was undervaluing the company. Last year, KKR's €14 billion bid for Ramsay was withdrawn by the consortium of bidders because KKR was unable to conduct their due diligence thoroughly enough. Nevertheless, in less mature markets, these larger acquisitions seem to be able to advance accordingly with the South African operator of private hospitals, Mediclinic International, currently poised to be sold to a Remgro-led consortium, pending antitrust and regulatory approvals. However, this deal wasn't entirely straight forward as it was the consortium's fourth offer that was finally accepted. With the sensitive nature of the asset, the fact that both the seller and buyer share the same nationality could hopefully make it easier for the government body to approve the deal.

#### Diversification to Complementary Healthcare Segments

In addition to their geographical diversification, many large players are starting to expand their service offering to be present throughout the patient's health journey (from the first consultation to post-operation care). Indeed, large groups of clinics have begun acquiring care homes or sealed partnerships with actors in that field. Other solutions include diversification into other medical areas, Elsan for instance, has developed an entire unit dedicated to radiotherapy and Vivalto acquired Mathilde Medical Development in 2020 (two clinics and two radiotherapy centers). Another medical area in which many large actors have entered is the Medical Imaging sector. Elsan, for example, is also present in this sector with 36 centers in France and Vivalto Santé, having already performed several acquisitions, has also partnered this year with a medical imaging site. Finally, Ramsay Santé has also began its diversification into proximity care centers with its acquisition in February 2023 of the historical Haussmann care center after having already opened a similar center in Lyon one month prior in a goal to tackle the issue of medical deserts.

## Vet Clinics

#### An Active Market Consolidation

In recent years, more and more European Union households have decided to take the plunge and acquire at least one pet companion (from 80 million households in 2018 to 90 million in 2021). Coupled with a growing tendency of working from home and spending more time with their pets, downstream industries such as the Pet Food industry (+3.1% annual growth rate over the past three years in 2021) but also the veterinary market have all greatly benefitted in recent years.

Many small to mid-sized independent clinics are being targeted by larger groups in a global consolidation trend

Furthermore, due to an expected shortage of vets over the coming years and an increasing level of necessary investment in equipment, many small to mid-sized independent clinics are being targeted by larger groups in a global consolidation trend. Indeed, when deep diving into the French veterinary clinic market, market consolidation was estimated at less than 1% back in 2017, before the arrival of Anicura and IVC.

Today, the current level of consolidation is estimated at c.15% and is expected to reach 45-50% by 2027. In comparison, the UK market is already consolidated at c.50% and the Nordics at c.15% (with Sweden reaching 60%). However, other European countries such as Germany, Spain or Portugal have their vet market consolidated at 5% or less. This low level of consolidation is one of the main reasons behind the surge in recent capitalistic operations that witnessed the arrival of numerous financial players with a wealth of opportunities that remain to be seized.



### A Surge in Both Financing and Acquisitions

Indeed, in France alone, 2022 saw two of the largest players being acquired by private equity players (Univet with Infravia and Sevetys with Eurazeo). Larger European players such as IVC Evidensia or VetPartners have also been the subject of a capitalistic reshuffle with the arrival of EQT and Silverlake in 2021 for IVC and BC Partners back in 2018 for VetPartners. Moreover, to keep up with growing platforms, several debt financings have occurred over the last 24 months to help these large networks grow domestically and abroad. Univet raised a €93 million syndicated loan at the beginning of 2023, MonVeto €205 million back in April 2022 and in October 2021, IVC completed a €770 million stand-alone term loan B.

Thanks to this injection of capital and debt, larger platforms have acquired smaller clinics with an EBITDA multiple of around 12-15x thus creating value for their shareholders through multiple arbitrage as most platforms are often sold at a value of around 20x EBITDA. However, the key challenge that most platforms face with this fast rhythm of acquisitions (some platforms can sign up to 15 letters of intent per month) is their integration and the ability to handle such growth in size. This is one of the reasons why IVC announced in September 2022 it would slow down its acquisitions in Europe to focus on the integration of the already acquired clinics bringing them to a normative performance level. This slowdown in acquisition rhythm has also lowered the acquisition multiples to around 10-12x today.

### Diversification of the Vet Clinics' Service Offering

Lastly, more and more vet clinics have started to diversify their core business and develop ancillary offerings such as insurance, after-life services, and other activities. Key examples of this shift are the acquisition in France of ClubVet, the main referencing platform for veterinary products, by Argos in November 2021 or the acquisition in the UK of PCS, a pet cremation services provider, by VetPartners in March 2021. That same year, IVC acquired Veternity, a French player in the pet cremation market to bolster its service offering.

When looking at insurance penetration, less than 10% of pets are insured in Europe (only 6% in France) even though this rate is as high as 65% in Sweden or c.30% in the UK. SantéVet, one of the leading French and European pet insurance platforms, raised €150 million at the beginning of 2022 with Columna Capital, to accelerate the company's development over the next five years and make it the European leader in the sector. Indeed, due to the increasing care given to pets, the financial sum that owners spend on their pet companions often reaches considerable amounts, so the market is large and rife with opportunities for pet insurance providers. ■





# International Investors Seizing Opportunities in LATAM's TMT Sector



**FELIPE CAMACHO**  
Partner  
INVERLINK – IMAP Colombia  
felipe.camacho@imap.com



**PEDRO LIÉVANO**  
Associate  
INVERLINK – IMAP Colombia  
pedro.lievano@imap.com



**NICOLAS VASQUEZ**  
Analyst  
INVERLINK – IMAP Colombia  
nicolas.vasquez@imap.com

Inverlink - IMAP Colombia recently advised SYAC Sistemas y Asesorías de Colombia S.A. ("SYAC") on the sale of a 100% stake to Vela Software. Following this transaction, SYAC will be part of one of the most relevant ecosystems of vertical market software companies in LATAM and the world.

### Unique Integrated Information System

Headquartered in Bogotá, Colombia, SYAC has more than 30 years of experience in the software market, providing solutions for the Healthcare sector. Over the years, it has managed to secure its position as the only company in the country with an integrated information system that covers all areas of healthcare practices and has been a key contributor to the automation of the country's Healthcare sector. SYAC is present in every region in Colombia and serves the largest number of digitalized private healthcare centers in the country. Furthermore, it boasts a 99% client retention rate thanks to its high-quality post-sales services.

SYAC's client base is wide and diversified, and includes hospital networks, as well as government entities. Delivering a scalable, adaptable, and highly innovative product, it has great potential for internationalization.

### Immature Market Thwarts Initial Sales Attempt

A couple of years ago, SYAC's founders began to explore strategic alternatives surrounding their stake in the business to ensure the company's legacy for years to come. Inverlink successfully pitched to the client and was awarded the mandate, beginning work on the company valuation, and preparing materials for market testing. They initiated a competitive sales process contacting financial and strategic investors. However, while the LATAM market was showing great potential, it was still relatively immature which resulted in the sale process halting for a period of time. The Inverlink team, however, were undeterred, convinced that there was great potential for both their client and the industry.

Due to the need for digital transformation the TMT market is expected to hold its pace and play an important role in upcoming M&A activity

### **Carpe Diem**

Fast forward just a couple of years and there were signs of significant growth in the Healthcare, Software and Technology sectors, COVID-19 having provoked a boom in the markets. Furthermore, despite the challenging circumstances, the pandemic, macroeconomic and political uncertainties in the region, SYAC was in fact outperforming, continuing to deliver remarkable year-on-year financial and operational results. Therefore, Inverlink felt the timing was now right to reinstate the sales process. The favorable market situation in conjunction with a company outperforming allowed Inverlink to narrow the potential investor pool, engage with major potential buyers and run a competitive sales process, finally accepting an offer from Vela Software in late 2022.

### **An M&A Veteran**

Vela Software is a leading software provider and a subsidiary of Constellation Software Inc - TSE:CSE ("CSI"). CSI is a Canadian publicly traded company, providing software and services to select public and private sector markets. It operates in more than 100 countries and across dozens of verticals. Since it was founded in 1995, it has completed over 500 acquisitions of small, medium, and large private and public companies and is one of the most relevant ecosystems of vertical market software companies in the world. It has a proven track record of solid growth through its many acquisitions and organic expansion.

### **Steadfast Confidence in the Client's Value**

The process was not without its challenges. Having already completed 500 acquisitions, CSI not surprisingly, had very rigorous due diligence standards, requirements, and methodology in place. Therefore, understanding the buyer's needs from the outset, and being able to swiftly deliver high quality responses was key. During the process, the country also underwent presidential elections and a subsequent government transition, with Colombia's new government causing an increase in uncertainty from foreign investors. Despite the challenges, Inverlink's unwavering confidence and belief in the potential of SYAC and its business impressed upon the buyer its indispensability in the company's portfolio and the deal was successfully closed on time.

### **Global Expansion on the Horizon**

Following this transaction, SYAC, alongside Vela Software and CSI will be able to further enhance its business in Colombia and beyond. The support of a regional and global franchise will enable SYAC to gain new clients and expand its market share.

### **Resilient Sector Plays Key Role in M&A Activity**

The TMT sector has proven resilient to the difficult macro-economic trends. At the same time, there remains a strong need for digital transformation across many industries. Therefore, it is expected that the market will continue to hold its pace and play an important role in upcoming M&A activity. ■



# Scandinavian Strategic Investor in the FMCG Industry, Orkla, Expands into CEE



**KÁLMÁN NAGY**

Managing Partner  
Concorde MB Partners – IMAP Hungary  
kalman.nagy@imap.com



**NÁNDOR TÓTH**

Associate  
Concorde MB Partners – IMAP Hungary  
nandor.toth@imap.com

Orkla is a strategic investor in the Fast-moving Consumer Goods (FMCG) industry. Josef Suber, CFO and Head of M&A at Orkla Food International, talks to IMAP about the group's expansion strategy into CEE, acquisition strategy in the Food industry and why it's crucial to have realistic expectations when entering an M&A process.

**Could you tell us a little about Orkla?**

Orkla is an industrial holding listed on the Oslo Stock Exchange. We have one large shareholder representing the family office of Stein Erik Hagen and a couple of institutional investors including pension and investment funds. We invest in the FMCG industry through our 12 portfolio companies. While we are predominantly a Scandinavian player, we are also expanding into Central and Eastern Europe and have an overseas operation in India.

**What is your professional background and current role at Orkla?**

I began my career as an associate at IMAP REDBAENK – IMAP Czech Republic back in 2007 where I was interviewed by one of the partners, Richard Kovar - which feels like it was only yesterday. I was there for five years gaining lots of transaction experience, and later joined FMCG company, Rieber & Søn. The company was acquired by Orkla just two months later, so I have essentially been involved in Orkla's business development since 2013.

Orkla Foods International, which is part of Orkla Foods, is the group's largest portfolio company, accounting for almost half of the group's enterprise. As its CFO and Head of M&A, my core responsibility is to drive deals and focus on our expansion into the CEE region.



**How does M&A fit into the group's strategy? And what are you looking for in a potential target?**

Due to the very different characteristics of the various business areas at Orkla, there is no group-level M&A strategy as such, but I can share with you our strategy in the Food industry. We are primarily looking for strong local brands with leading positions in the food producer and distributor markets, targeting the Retail and HoReCa segments, where we typically focus on frozen, chilled, ready-made meal, canned, sauce, and taste enhancer products. On occasion, we may also consider targets with commodity-type products (for example bakery or dairy) but only if they are specialized in niche products or represent a strong brand on the market.

At the same time, we are also looking for portfolio and add-on investments. When entering new markets, we obviously need sizeable targets to provide sufficient scale for launching a portfolio company, so the investment sweet spot is at least €50-70 million with no upper limit. Later, if we do add-on acquisitions to obtain value-added products and capabilities, we may even consider transactions below €10 million. As for new markets, we have been actively monitoring opportunities across Southeast Europe and have already participated in bidding processes in Croatia and Serbia.

As our experience and added value is limited in this area, we tend not to look for private label producers.



Josef Suber, CEO and Head of M&A, Orkla Food International.

**Can you tell us about some of the transactions closed at Orkla? Do you have a favorite war story?**

I have personally closed nine transactions during my time at Orkla and have worked on approximately 50 transactions to date – we generally experience a roughly 20% success rate. All but one of the transactions was in the Food industry, which is the group’s most active area in terms of M&A activity.

I do have a couple of war stories, where on a few occasions we bought quite expensive assets which didn’t quite fulfil our initial expectations, but I think these were probably down to our initial assumptions being a little off the mark. On the other hand, our Hame acquisition in the Czech Republic and Eastern deal in India are examples of enormously successful transformation stories, which have become notable milestones in Orkla’s expansion.

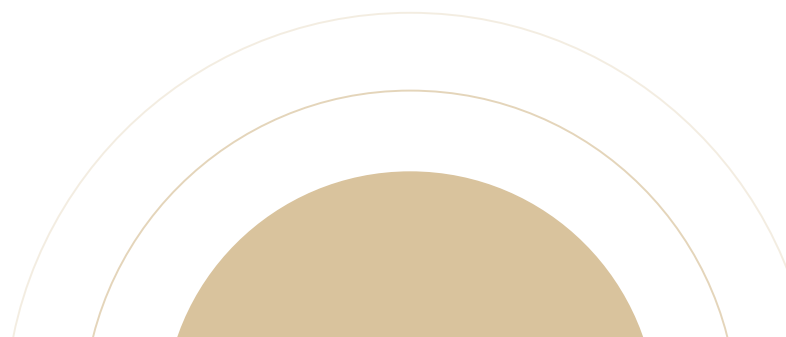
**What is your experience in terms of cultural differences influencing transaction dynamics in different geographies?**

Part of my career at Orkla was initially spent in India where we acquired a large Indian producer where without a doubt, there was a significant cultural difference. However, I believe there are cultural differences everywhere, even if we look at Scandinavia, the Czech Republic, or Hungary, so the key lesson I have learnt, is that we just need to work with the basic principles to succeed. Namely, we need to set up the right pricing at the beginning, so as not to be super hard at the negotiation table. For us it is crucial to play fair and square, be practical, and make the right compromises to complete the deal. My experience is that 5% of the work is done before closing with the remaining 95% coming afterwards to create the envisaged value, so we must be efficient and avoid making things more complicated.

**In many cases, acquisitions fail to create the value that buyers envisage in the heat of the transaction process. What is your experience? How do you deliver and measure post-merger success?**

I agree. Our experience is that at least 60% of the transactions do not fulfil expectations. Out of 10 deals, I would say that one typically becomes a fantastic investment with significant upside, around three meet or slightly exceed expectations, while on the lower end there are generally two investments which significantly underperform. Nevertheless, we have never lost the nominal value of our investment because there are always valuable assets behind the operation which could secure sufficient value in a worst-case scenario. Of course, a lower single-digit return is not a particularly great outcome.

Perhaps one of the most complicated parts of the process, is the integration. In a highly synergistic case, quick integration is crucial for success, but we aim to remain practical trying to integrate only the necessary, compulsory parts of the business, including supply chain, finance, compliance, quality assurance, and EHS, to ensure we are in alignment with the internal and external rules of the group. In growth cases, we focus on incentivizing the management to stay on board and deliver the growth, working in the existing framework of the company. Every transaction is different, so while we obviously have a playbook, we do need to be pragmatic.



**You have worked on both buy- and sell-side transactions and have been responsible for post-merger integrations, as well as daily operations. What would you say are the different skills required for each?**

First and foremost, I believe the responsibility on buy-sides to deliver results, assign the competent management and manage the various stakeholders is much greater. Another key difference is that substantially more time is spent on internal project management on buy-sides. During a transaction, around 80% of my time is spent on internal manoeuvring which is essential to getting the deal done and has a stronger emphasis on buy- rather than sell-side transactions based on my experience. Managing 15-20 people with different perspectives, motives, risk appetite, and emotions requires developing strong interpersonal and social skills. In fact, most of the time it is more challenging aligning the internal stakeholders than negotiating the deal with the counterparty.

**How do you think sell-side advisors can create the most value for their clients?**

In my opinion, building and maintaining trust by playing fair and being reasonable is crucial. Advisors working professionally, knowledgeable on industry norms, and not trying to be overly smart, managing the client's expectations and providing consistency throughout the process can significantly help sellers successfully close on a transaction. Frequent, significant, and unjustified changes during the deal can erode the trust between the parties.

As the importance of sustainability, health awareness, functional foods, and alternative diets increases, we are always on the lookout for acquisition opportunities in these subsegments.

**What current trends are you seeing in the Food & Beverage industry?**

I believe one of the key trends that is important to us is the emergence of private label products, which is a considerable threat to our business building on strong brands.

Other trends include the increasing importance of sustainability, health awareness, functional foods, and alternative diets such as flexitarianism. Orkla is one of the largest players in these subsegments in Scandinavia, so we are always on the lookout for acquisition opportunities, which unfortunately tend to be expensive deals due to the rising attention these phenomena are receiving.

**Finally, from your vast portfolio, what would you say is your favourite Orkla product?**

If I had to choose, it would have to be *Smash* the Scandinavian chocolate covered corn snack, which is salty, crispy, and sweet, from our confectionery and snacks segment. Another on my favourites is our *Felix Hot Ketchup*, from our flagship Austrian brand in the food segment. ■





# IMAP Expands Foothold in GCC with new Partner Alpen Capital



**SAMEENA AHMAD**

Managing Director  
Alpen Capital – IMAP GCC  
sameena.ahmad@imap.com



**KRISHNA DHANAK**

Managing Director  
Alpen Capital – IMAP GCC  
krishna.dhanak@imap.com

IMAP welcomes Alpen Capital as its corporate finance partner for M&A activities in the Gulf Cooperation Council (GCC), further expanding its geographical diversity. Sameena Ahmad and Krishna Dhanak, both Managing Directors at Alpen Capital explain why the region and its robust M&A market are so attractive to investors and which sectors are expected to pose the greatest opportunities for transactions moving forward.

**Providing Sound Solutions Since 2005**

Alpen Capital is an investment banking advisory firm specializing in providing customized solutions in the areas of debt, M&A, and equity to institutional and corporate clients. With deep local know-how and regional expertise, we have executed transactions for leading business conglomerates and financial institutions across the GCC, South Asia, Levant, and Africa. We have offices in Dubai, Abu Dhabi, Doha, Muscat, and India and an operational footprint in over 30 countries.

Our vast network of international investors and funders gives us the ability to structure unique and innovative solutions for companies who are looking to grow the long-term value of their business. Our clients are based across various sectors such as Retail, Healthcare, Insurance, Hospitality, Education, Food, and Technology.

We are committed to partnering with companies that focus on Environmental Social Governance (ESG) and support in achieving Sustainable Development Goals (SDGs) outlined by the United Nations. We have completed more than 30 transactions with Development Financial Institutions and Impact Investing Funds that have aided financial inclusion, women empowerment and agribusiness in emerging markets and supported at least nine different SDGs.

**GCC – A Preferred Investment Destination**

The GCC countries, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), have emerged as a significant force in the global economy. With their strategic location, abundant natural resources, and a growing population, these countries have experienced rapid economic development and have become key players in sectors such as Energy, Finance, Real Estate, and Tourism. The GCC countries offer a unique blend of modern infrastructure, business-friendly environment, and favorable investment opportunities, making them an attractive destination for local and international investors alike. Over the past four decades, they have also made significant strides in enhancing regulatory frameworks and strengthening governance, further enhancing the region’s appeal as an investment destination.



## Factors That Make the GCC a Lucrative Investment Destination:



**Significant Oil & Gas Reserves** - Region collectively holds nearly 30% of world's proven oil reserves with Saudi Arabia holding 16% of global oil reserves. Additionally, Qatar holds substantial natural gas reserves including world's third largest reserve of natural gas.



**Strong Economic Growth** - Strong economic growth over the past few decades, due to its abundant natural resources, strategic location, and investment in infrastructure development. The region has remained resilient over the past five years with Nominal GDP recording an annualized growth of 7.8% between 2017 and 2022. It is expected to continue to grow at a higher pace than other developed markets and average at around 3.4% over the next five years.



**High GDP per capita** - It is one of the most affluent regions in the world with high levels of per capita income. This is indicative of a high level of economic development and purchasing power.



**Growing Young Population** - Large and growing consumer markets, due to high population growth. The population has been growing consistently and is expected to increase at an annualized rate of ~2% between 2022 - 2027 to over 66.2 million. The proportion of young working-age population is also high and projected to reach approximately 58% by 2027.



**Diversification Agenda** - Seeking to diversify the region's economies away from oil and gas which creates new investment opportunities and reduces reliance on a single commodity. For example, Saudi Arabia's Vision 2030 aims to reduce the country's dependence on oil and gas by increasing the share of non-oil exports in GDP from 16% to 50% by 2030.



**Favorable Business Environment** - Known for its business-friendly policies including low tax rates and minimal bureaucracy, making it easier for companies to set up and operate. The GCC is also home to more than 60 special economic zones that offer an array of benefits including 100% foreign ownership, tax exemptions, advanced infrastructure along with one of the lowest energy costs globally. All GCC countries except Kuwait, are pegged to the US\$, making the region relatively hedged from currency risks and minimizing exposure to currency and export revenue volatility.



**Global Connectivity** - Geographical proximity to South Asia & Africa and home to the world's busiest airports and container ports augurs well for the region to emerge as a manufacturing and trading hub. Furthermore, these countries are investing heavily in infrastructure projects including airports, ports, highways, and railways to further improve the connectivity within and outside the region and create new opportunities for businesses.

**Market Overview**

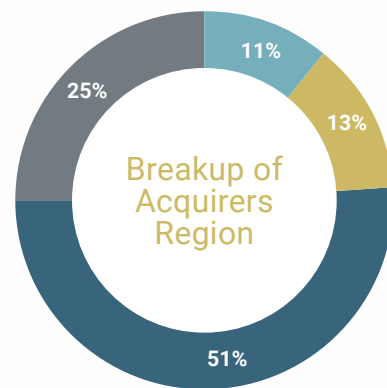
The GCC region is a dynamic hub of development and transformation, and its M&A landscape has been closely aligned with this progress. Over the past five years, the GCC has experienced a significant surge in M&A activity, with a total of 1,035 deals valuing at least a staggering US\$ 241.4 billion<sup>1</sup>. This upward trend is evident in the substantial increase in the recorded number of deals, rising from 154 in 2018 to 290 in 2022, an 88% increase. Despite the unprecedented challenges posed by the COVID-19 pandemic, the region recorded 148 deals in 2020, demonstrating remarkable resilience and continuous advancement. This underscores the region’s consistent improvement and development, highlighting its growing prominence as a key player in the global M&A arena.

Among the six countries comprising the GCC, Saudi Arabia and the UAE stand as the dominant forces, commanding a substantial share of both the number and value of M&A deals. These two countries collectively account for over 85% of the total number of deals and deal value within the region. Notably, the UAE has witnessed a remarkable 678 deals since 2018, accumulating a total reported deal value of US\$ 86 billion<sup>2</sup>. On the other hand, although Saudi Arabia has recorded a relatively lower number at 268 deals, the value of these deals reached an astounding US\$ 143 billion<sup>3</sup>.

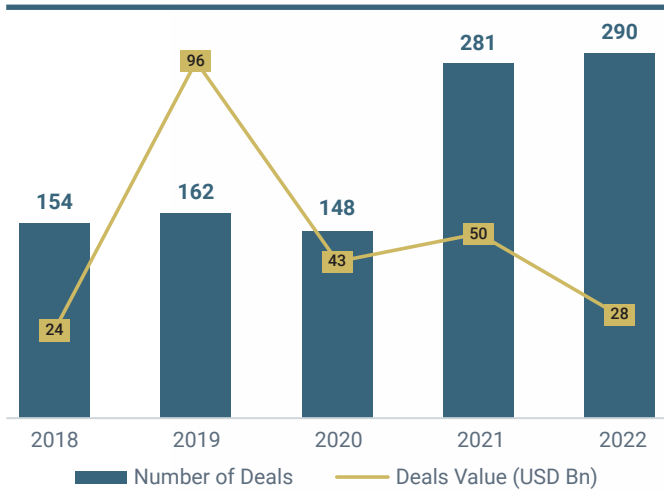
**Investor Profile**

A significant proportion of M&A transactions in the GCC are driven by acquirers from the Middle East, particularly within the GCC itself. With investors from the Middle East and Africa (MEA) region contributing to more than half of all transactions, it is noteworthy that Saudi Arabia and the UAE collectively account for over 80% of these deals. On the other hand, the remaining M&A transactions involve acquirers from countries outside the MEA region, highlighting the growing economic significance and global integration of the GCC.

**GCC Market Activity (2018-2022)**



**GCC Market Activity (2018 to 2022)**



■ Asia Pacific      ■ Europe  
 ■ Middle East & Africa      ■ North America

Source: Bloomberg  
 Based on reported deal values only

<sup>1</sup> Source: Bloomberg. Based on 556 reported deal values  
<sup>2</sup> Source: Bloomberg. Based on 160 reported deal values  
<sup>3</sup> Source: Bloomberg. Based on 327 reported deal values (Reported deal values: 2018: 83, 2019: 73, 2020: 65, 2021: 169, and 2022: 166)



**Energy**

- Major oil and gas producer and exporter
- Rising interest in renewable energy
- Expansion along the value chain to add more in-house capabilities



**Healthcare**

- Growing aging population and high prevalence of Non-communicable diseases (NCDs)
- Increased Focus on Preventive Care
- Advancements in Precision Medicine and Personalized Care



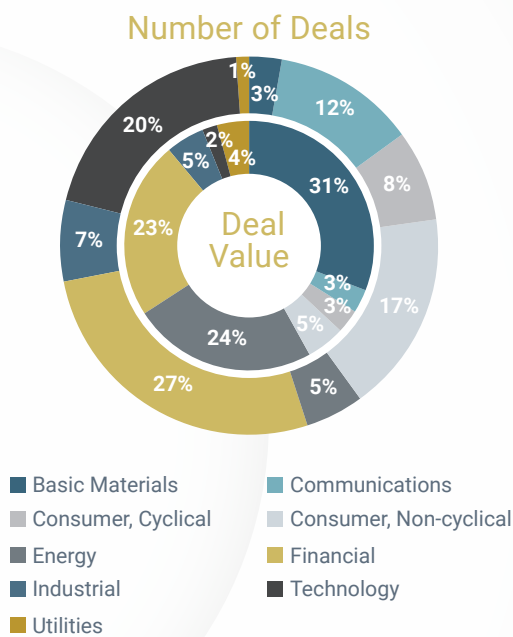
**Hospitality**

- Mega events scheduled across the region
- Massive development of tourism infrastructure
- Positioning the region as a world-class leisure destination

### Sector Profile

The M&A landscape within the GCC has been characterized by a concentration of activity within the Financial and Technology sectors, which together accounted for nearly half of all deals in the region since 2018. However, the Basic Materials, Energy and Financial sectors have the largest share of deal value with 31%, 24% and 23% respectively.

### Sector Analysis – Share of Deals and Values (2018-2022)



### M&A Outlook

The region's robust M&A activity signifies its attractiveness as a destination for investments and highlights its ongoing transformation in various sectors. Recent trends indicate a growing emphasis on privatizing and diversifying the region's economy, along with continued interest from investors in traditional industries.

Additionally, there is a keen focus on enhancing the capital market and improving foreign direct investments. Looking ahead, the GCC region presents promising opportunities, particularly within the Healthcare, Hospitality and Education sectors as well as various Industrial Manufacturing sub-sectors. As the GCC governments continue to foster economic development and industry growth, these sectors are expected to emerge as attractive investment prospects not only for regional investors, but also for global players.

### Joining IMAP - Further Strengthening Our Capabilities

Over the past two decades, Alpen Capital has successfully established itself as one of the top investment banking advisory firms in the GCC region. Expanding our horizons, we ventured into the Asian market where we advised reputable business groups and financial institutions in India, Sri Lanka, Bangladesh, and Cambodia to meet their strategic objectives. This success story continued as we embraced opportunities in Levant and Africa, executing multiple deals in various countries like Lebanon, Jordan, Kenya, Tanzania, Nigeria, South Africa, among others. Our successful expansion into markets beyond the GCC demonstrates our ability to thrive in diverse markets and cater to the unique investment needs of our clients. Today, our operational reach extends across 36 countries, from the UK to Vietnam.

Collaborating with IMAP offers us a remarkable platform for further growth and consolidation in both the developed and developing markets. Building on our strong presence in the region, this partnership expands our reach further to source and execute transactions in collaboration with other IMAP partner firms worldwide. At the same time, other IMAP members will also benefit from our extensive network of relationships and expertise in our operating markets. Since joining IMAP, we have engaged with more than 20 partner firms on various opportunities and mandates across the sectors and we look forward to leveraging this alliance to unlock even greater value for our clients. ■



#### Retail

- Rising prominence of omni-channel business models
- Increasing disposable incomes
- Thriving consumer culture



#### Food & Beverage

- Growing population
- Technological advancements in domestic food production
- Rising demand for healthy and organic food



#### Education

- Rising demand for quality education
- Government initiatives to enhance educational infrastructure
- Growing importance of technology and EdTech platforms

Source: Bloomberg

# Selected IMAP Transactions

**TECHNOLOGY**



FRANCE

Acquired Majority Control of Business Operations



BELGIUM

IMAP  
ADVISED ON SALE OF COMPANY

**HEALTHCARE**



UNITED KINGDOM

Acquired 100% of Business Operations



ITALY

IMAP  
ADVISED ON SALE OF COMPANY

**INDUSTRIALS**



NETHERLANDS


Acquired 100% of Business Operations



NETHERLANDS


IMAP  
ADVISED ON SALE OF COMPANY

**HEALTHCARE**



UNITED KINGDOM

Acquired 100% of Business Operations



IRELAND

IMAP  
ADVISED ON SALE OF COMPANY

**TECHNOLOGY**



GERMANY

Acquired 100% of Business Operations



GERMANY

IMAP  
ADVISED ON SALE OF COMPANY

**BUSINESS SERVICES**



UNITED STATES


Acquired Majority Control of Business Operations



UNITED STATES


IMAP  
ADVISED ON SALE OF COMPANY

**FINANCIAL SERVICES**



UNITED ARAB EMIRATES

Acquired Investment Interest in Seller's Business



UNITED KINGDOM

IMAP  
ADVISED ON SALE OF EQUITY STAKE

**BUILDING PRODUCTS & SERVICES**



INDIA


Acquired 100% of Business Operations

Sanghi Infrastructure

INDIA


IMAP  
ADVISED ON SALE OF COMPANY

**BUSINESS SERVICES**



SWITZERLAND

Acquired Majority Control of Business Operations



CROATIA

IMAP  
ADVISED ON SALE OF COMPANY

FINANCIAL SERVICES 


  
CANADA

Acquired 100% of  
Business Operations

  
MOVING BUSINESS FORWARD

CANADA

IMAP  
ADVISED ON SALE OF COMPANY

TECHNOLOGY 

  
DARING TO COMMIT  
BELGIUM

Acquired 100% of  
Business Operations

  
BELGIUM

IMAP  
ADVISED ON SALE OF COMPANY

INDUSTRIALS 

  
Jiuli Hi-Tech Metals  
CHINA

Acquired 100% of  
Business Operations

  
GERMANY

IMAP  
ADVISED ON SALE OF COMPANY


INDUSTRIALS 

  
JAPAN

Acquired 100% of  
Business Operations

  
SWEDEN

IMAP  
ADVISED ON SALE OF COMPANY

CONSUMER & RETAIL 

  
JAPAN

Acquired 100% of  
Business Operations

  
GERMANY

IMAP  
ADVISED ON SALE OF COMPANY


HEALTHCARE 


  
IRELAND

Acquired 100% of  
Business Operations


  
UNITED STATES

IMAP  
ADVISED ON SALE OF COMPANY


ENERGY & UTILITIES 


  
UNITED STATES

Acquired 100% of  
Business Operations


  
UNITED STATES

IMAP  
ADVISED ON SALE OF COMPANY


FOOD & BEVERAGE 


  
ITALY

Acquired Majority Control of  
Business Operations


  
ITALY

IMAP  
ADVISED ON SALE OF COMPANY

BUILDING PRODUCTS & SERVICES 

  
UNITED STATES

Acquired 100% of  
Business Operations

  
UNITED STATES

IMAP  
ADVISED ON SALE OF COMPANY

# ABOUT IMAP

## INTERNATIONAL MERGERS & ACQUISITION PARTNERS

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

450+

TEAM OF IMAP PROFESSIONALS WORLDWIDE



### ENTREPRENEURIAL SPIRIT

- IMAP is a partner-driven, client-focused and independent M&A advisory.
- Senior experience and hands on involvement in deals – 230 Senior Transaction/Transaction Advisors.
- Worldwide IMAP team comprising 450+ professionals.

50

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 46 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.

\$130bn

TRANSACTION VALUE LAST 10 YEARS



### EXECUTION EXPERIENCE

- IMAP has closed over 2,200 transactions valued at \$130 billion in the last 10 years.

## GLOBAL PERFORMANCE 2022

251

M&A TRANSACTIONS

\$26bn

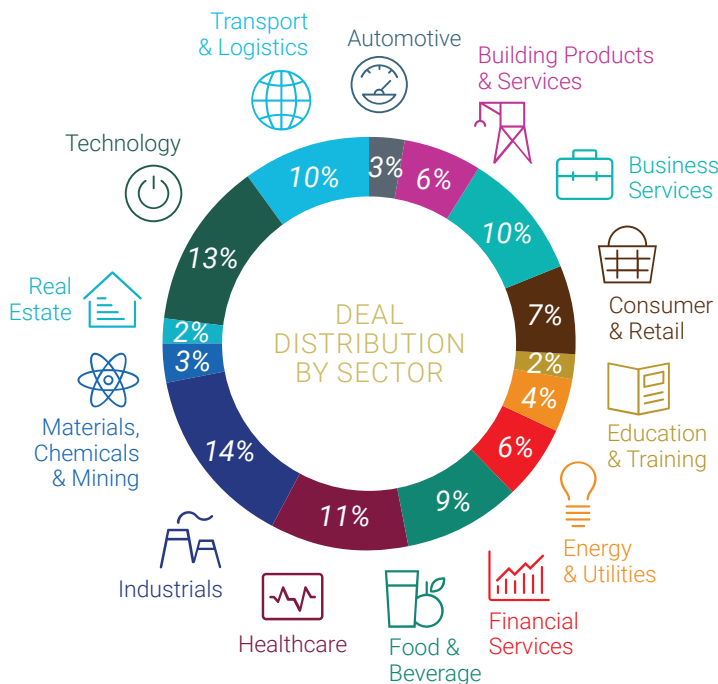
TRANSACTION VALUE

26%

CROSS-BORDER DEALS

8th

IN THE WORLD



### GLOBAL PERFORMANCE

- 1 PwC
- 2 KPMG
- 3 Houlihan Lokey
- 4 Rothschild
- 5 Ernst & Young
- 6 Deloitte
- 7 BDO
- 8 IMAP**
- 9 Oaklins
- 10 Grant Thornton

Ranking based on number of transactions closed in Q1-Q4 2022. 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*



<b>North America</b>	New York	<b>Latin America</b>	<b>Africa</b>	<b>Asia</b>	<b>Europe</b>	Netherlands
<b>U.S.A.</b>	Orange County	Argentina	Congo	China	Belgium	Poland
Boston	Philadelphia	Brazil	Egypt	India	Bosnia & Herzegovina	Portugal
Chicago	Richmond	Chile	Ghana	Japan	Croatia	Romania
Dallas	San Diego	Colombia	Mauritius	Thailand	Czech Republic	Serbia
Denver	Tampa	Mexico	Morocco		Finland	Slovakia
Detroit		Paraguay	Senegal	<b>Middle East</b>	France	Slovenia
Greenville	<b>Canada</b>	Peru	South Africa	Bahrain	Germany	Spain
Los Angeles	Toronto	Panama		Kuwait	Hungary	Sweden
Naples	Vancouver			Oman	Ireland	United Kingdom
				Qatar	Italy	
				United Arab Emirates		



The world's leading M&A partnership since 1973

[www.imap.com](http://www.imap.com)