Industry Valuation Report

Public Project Summary

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Introduction

I have completed my internsip with Heal Partners, a Budapest based advisory firm operating in the corporate transaction services environment. I have been assigned to prepare the European M&A Report for 2019 H1 which will be published on the company's website and also distributed to the company's existing clients including top management of private firms in the region.

The report is a detailed analysis of M&A activity within the European market with a special focus on the CEE region. It includes three main sectors - in which Heal Partners completed most of its transactions – namely Pharmaceuticals and Healthcare, Telecommunications, Media and Technology and Logistics & Distributions.

Methodology

1. Gathering data from Thomson Reuters for sectors mentioned in the Introduction section.
2. Preparation of output files in Microsoft Excel – Sector- and Regional classification of data, aggregation of similar business activities based on sub-sectors.
3. Preparation of final presentation – Generating the charts for each segment
4. Listing top deals in 2019H1 – Executive summary preparation

Key outcomes

In general, we can conclude that M&A activity in the European market was notable in 2019H1. In CEE, all sectors experienced a significant increase compared to 2018H1, while in Europe, only the Logistics & Distributions segment accomplished a downturn of 7.5% in total deal volume all others increased by 10% on average.

In the **Healthcare** sector a total of 4,582 deals were announced between the periods 2015-2019H1 in Europe and only 301 deals in CEE region. Regarding the sub-sectors, Healthcare providers & services tend to be the most active accounting for 42% of total deal volumes along with decent valuation multiples. In CEE, Healthcare providers & services continued to be the hot spot as it had a 62% increase year over year. Geographically speaking, Poland remained the most active country following previous year's trend with 15 deals completed in

the first six months of 2019. The biggest deal closed this year relates to the Japanese company Takeda Pharmaceutical's acquiring Shire Plc for EUR 48.8bn. From an investors perspective, multiple levels in the sector varied from 0.9-3.5x for EV/Sales (over 9x for Biotechnology) and 5.2-25.4x EV/EBITDA.

The **TMT** (Telecom, Media, Technology) sector had the highest deal volume out of the three observed segments with 12,657 deals in Europe and 72 deals in CEE between 2015-2019H1. The software segment remained the top performer in the industry accounting for over 60% of all deal volumes in Europe. However, the biggest deal in 2019H1 can be seen in the Media space, namely the UPC merged with one of its competitors, the Switzerland based company Sunrise Commun in a deal valued at EUR 5.5bn. In CEE, the whole market experienced a significant uptick, total transaction volumes had a 49.4% increase. Similar to the European trend, Software segment remained the leader and country wise Poland kept its leading position representing 49.4% of all deals. From an investors perspective, multiple levels in the TMT sector varied from 0.1-1.3x in terms of EV/Sales and 6.9-10.5x for EV/EBITDA.

The **Logistics** sector is the smallest both in terms of deal volume (2,296 in Europe and 148 in CEE between 2015-2019H1) and deal value. Transaction volumes were down by 7.5% in Europe mainly due to a decrease in the Ground transportation sub-segment. At the same time, in CEE, total deal volume had a massive increase of 54.5% compared to 2018H1. Ground transportation remained the leader in the region with 11 deals completed. Regarding Top deals in 2019H1, undoubtedly the most notable transaction is connected to Danish company DSV, which over a year after announcing the deal, merged with Swiss distributer Panalpina Welttransport in a deal valued nearly at EUR 4.1bn. Healthy valuation multiples were maintained by the Logistics sector, 0.6-2.1x in terms of EV/Sales and 5.0-14.2x in EV/EBITDA.

Limitations

The most common issue that came up during the analysis is the availability of transactional data which was only around 23-28% of the total deal count which limits the analysis. Also, in some instances, overlap may occur, meaning one transaction can potentially appear in two year's statistics. First when it is announced then when it is completed.

Benefits to client

The key benefits for the client is an overall analysis of the European M&A transactions in the first half of 2019, as well as a comparison to previous year's trends. As mentioned in the Introduction section, the report will be published on Heal Partner's website and will help to approach existing and potential clients in the private sector and support future client meetings.

Notes

Aggregated deal volumes and deal values are analyzed based on YTD transactional data and historical data from 2015-2019H1. EV/Sales and EV/EBITDA multiples are caluclated as median. Majority and minority deals are also included in the analyisis. Pending and announced deals are also taken into consideration, only withdrawn deals have been excluded. The Executive summary contains a brief introduction of each sector and a more in dept analysis of Top deals. At the end of each sector's analysis, Top10 deals are listed for Europe and CEE.

Sector classifications

The classification methodology used during the analysis is perviously defined by Heal Parters and Globalscope, aggregation of similar business activity sectors based on Thomson Reuters industry classifications. See below:

- For transaction data, the target company of each transaction,
- For listed company data, each listed company.

Healtcare sub-segments: Healthcare Equipment & Supplies, Pharmaceuticals, Healthcare Providers & Services and Biotechnology.

TMT sub-segments: Telecoms, Technology, Software and Media.

Logistics sub-segments: Ground Transportation, Marine Services and Air Freight & Courier Services.

Regional classifications

Regional classification methodology used during the analysis is based on Thomson Reuters classification. See below:

- For transactional data, the target company of each transaction,

- For listed company data, each listed company.

The following countries are included under CEE region: Bulgaria, Croatia, Czeck Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, Estonia, Latvia and Lithuenia.

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