

CREATING VALUE

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

No. 8 MAY 2020

COVID-19 SPECIAL EDITION: CRISIS AND CONSEQUENCES

Global View of **Restructuring & Debt Advisory**

Protecting and preparing for the reopening of markets

Contents

- » The COVID-19 Crisis and its Consequences
- » IMAP Global Debt and Restructuring Capabilities
- » Debt Advisory Perspectives from Brazil
- » BIOGROUP Rises to the Occasion in France
- » Selling Automotive Suppliers in Challenging Times
- » About IMAP

IMAP
International M&A Partners

Chairman's Letter



JURGIS V. ONIUNAS
IMAP Chairman
jurgis.oniunas@imap.com

One Step at a Time

Let's be honest: at the moment it is practically of no use to comment on the future, not just because anything we write here will be out of date by the time you read it, but also because no one can really say anything with any certainty. As one of our IMAP partners put it, "It's just a dark tunnel". And, as in any dark tunnel, you just put one foot in front of the other and hope you get to the other end. As many western countries start to talk about re-opening, many developing countries are continuing to hit new daily Covid-19 case highs. And depending on how these "re-openings" take place, we can probably expect secondary waves of infection. So, by all accounts, until there is a widely distributed vaccine, we just have to adjust to a new normal in distancing, in travelling and day-to-day living.

As far as the economy – well, we could write a lot about the fact that the world economy was already slowing, that the level of corporate debt was too high and that unprecedented new levels of government debt will restrain economic growth for years, that some sectors will recover quickly, and some will never recover, and argue about when we will transition into a recession – I mean from the depression in which we are in already. But, really, go back to my first sentence.

Meanwhile, deal-making is still happening for advanced transactions and some strategic opportunities. But, more importantly, many of our partners are making major strategic decisions about their business models, because straightforward M&A may not be the same for years to come.

So, in this Coronavirus special edition of Creating Value, our Hungarian team reflects on the economic and social changes in the post-COVID world; our virtual roundtable on debt advisory and restructuring shows that businesses the world over will need our teams' expert services to get through some difficult times; we highlight how our French team helped guide one client that is now in the forefront of critical COVID-19 testing to become a long-term market leader in the biological sector and how our German team is creating solutions for severely stressed automotive suppliers that can be generally applied to all companies with strategic importance.

So, it is the same everywhere – IMAP teams helping clients through the dark tunnel ahead, with expertise, with care and concern, one step at a time, until the inevitable light at the other end.

A handwritten signature in black ink, appearing to read "J. Oniunas". The signature is fluid and cursive, written in a professional style.

COVID-19 and its Consequences



GÁBOR SZENDRŐI
IMAP Hungary
gabor.szendroi@imap.com



LEVENTE MERCZEL
IMAP Hungary
levente.merczel@imap.com

The global emergence of the Coronavirus pandemic has significantly changed the course of literally everything – the way we live, work, move and relax. As the initial shock wears off, more and more people are starting to think about what our world will look like when we finally leave quarantine. In this special COVID-19 edition of Creating Value, Gábor Szendrői and Levente Merczel share their perspective and reflections on the unfolding crisis.



This article does not aim to predict the course of the pandemic. Significant uncertainty still surrounds economic forecasts, as well as the impacts on human health. Rather, our aim is to summarize where we stand, the potential consequences of current events and how they could possibly affect companies and related transactions. This pandemic will no doubt shape the economy for the following decades and we can already foresee some of the resulting issues:

- New economic uncertainties and resulting greater risks will last for a long time.
- The business model for global economic factors will change permanently:

- a. Focus will be on resilience at the expense of efficiency, resulting in redundancies and declining profitability, which will lead to a slow economic recovery.
- b. Real interest rates, unlike in war times, will fall on a 10- 20-year horizon due to decreased demand for capital and subdued economic growth.

Current Economic Repercussions

Global supply and demand shock came with abruptness never before seen in history

Sudden outages spilled over into a mutually reinforcing, simultaneous supply and demand shock, resulting in a vicious cycle for the whole economy. Due to the pandemic, production has been shut

4/ CORONAVIRUS SPECIAL COVERAGE

THE CRISIS AND ITS CONSEQUENCES

down or significantly limited: output and sales are in freefall and companies are facing difficulties, workers losing their jobs or receiving reduced salaries, and consumption declines. As a result, company sales are further diminishing, more workers are laid off and less products and services are ordered from supporting industries, resulting in them slowing down or even stopping work. Hence, a vicious cycle is set in motion and we don't know when it will stop. The accompanying chart shows the PMI (Purchasing Managers' Index) of several European countries, demonstrating that in expectation of a cataclysm, managers have cut back their purchases to unprecedented levels.



Though a supply shock hit the economy, production infrastructure and capacity still exist, meaning a relatively quick production recovery is possible following the crisis. However, low consumption and slow recovery for any other reasons mean most of these capacities will remain untapped, leading to lower price levels – although there is extensive debate as to whether inflationary or deflationary pressure is stronger at the moment.

All industry is affected by the current crisis, the only question is which will be the least affected:

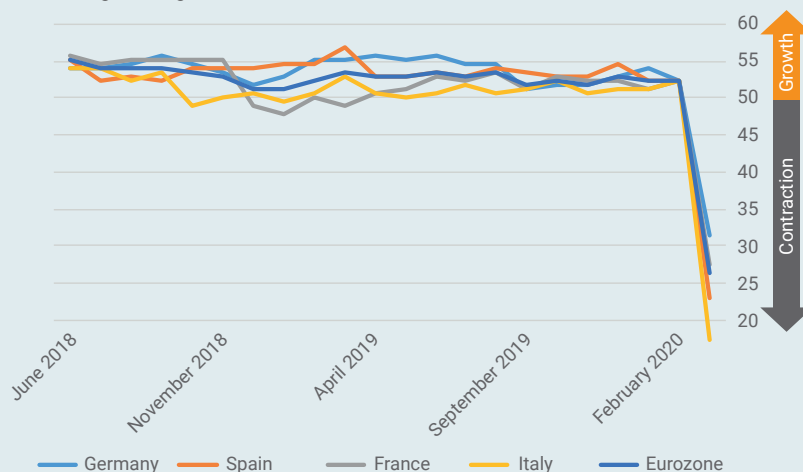
1. Tourism and related industries, as well as industries embedded in global value chains are the most severely affected.
2. White-collar jobs with no special infrastructure requirements are least affected.

3. Key technology industries are soaring right now; particularly pharmaceutical and medical device manufacturers.
4. Several industries became temporarily prosperous, experiencing an unprecedented boom (e.g. toilet paper and durable food factories), however, this short-term positive effect of early consumption is expected to backfire later turning into lack of demand and stockpiled inventories.

Plummeting demand for labor not only eliminated labor shortages, but also induced unemployment crises. In the US, the number of jobless claims has risen to more than 30 million in a period of just 6 weeks since mid-March and is still increasing. Since 1970 and during even the most severe recessions,

EUROZONE'S ECONOMIC ACTIVITY HAS COLLAPSED

Purchasing managers' index, services, June 2018 - March 2020



Source: dueglobaleconomy.com



“Global value chain management is expected to shift towards crisis management, despite the currently dominating “efficiency first” logic. This will also mean deteriorating profitability, lower valuations and declining or slowly rising stock market indices. If this really happens, it will go against the business logic of recent decades and potentially launch a process of ‘de-globalization’”.

this figure has barely been higher than half a million per week. In Norway, unemployment has risen to unprecedented levels since World War II in just 2 weeks. Unemployment is now growing 10-20 times faster than during the global financial crisis of 2008. According to some analysts, this crisis will deal a more severe blow to the world economy than the Great Depression in 1929.

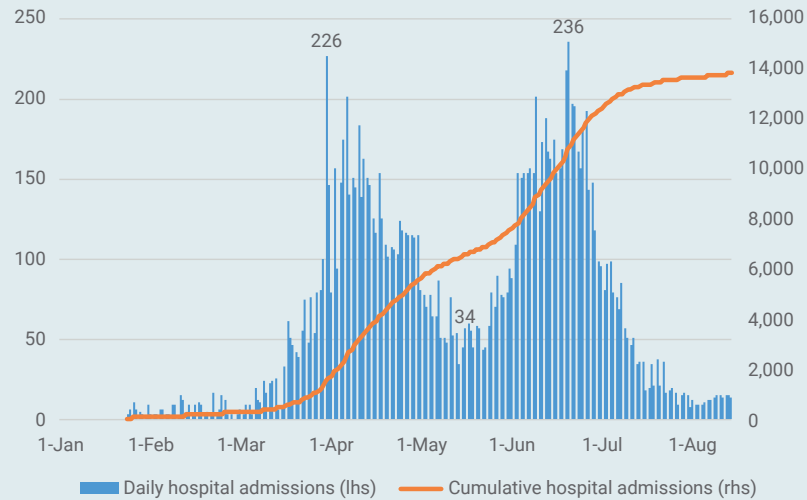
In order to cope with the immediate shock, digitization, excluding manufacturing automation, has been accelerated wherever possible globally. Until now, the sluggish transition aimed to offset shrinking labor supply and achieve efficiency gains. Today, companies must figure out how to guarantee the necessary safe distance among employees at work. This could prove particularly difficult, for instance in education, causing serious long-term damage. The white-collar private sector however, may see positive benefits, with employees capable of being productive even from home. The question arises as to whether these newly introduced solutions will add or destroy value at a company and macro level during the next 1-3 years.

Future Economic Repercussions:
Extreme uncertainty surrounds the consequences of the epidemic as it has barely begun

Throughout history, there has been nothing similar to the effects of the coronavirus, and therefore, there are only guesses as to what awaits us. Capital markets, which act as a kind of litmus test for the state of the economy and the economic outlook, are

SYDNEY EXPERIENCED TWO SEPARATE WAVES OF SPANISH FLU PANDEMIC DURING 1919...

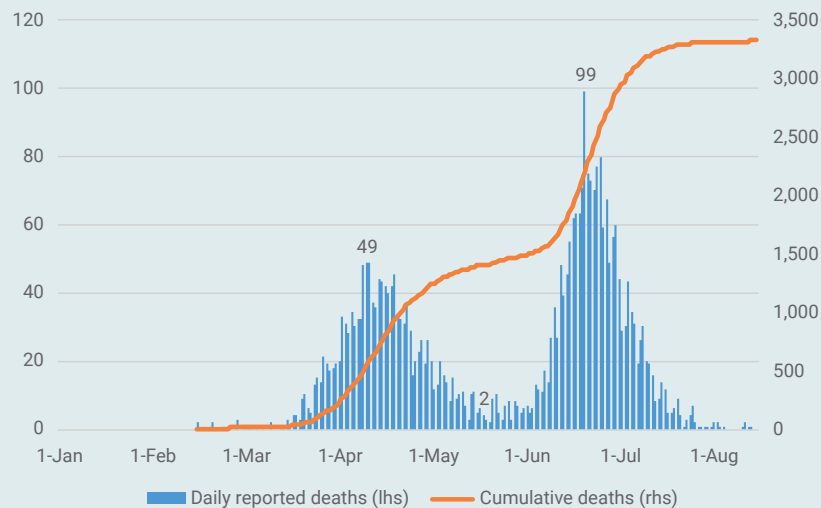
Influenza cases admitted to hospital, Sydney, 1919



Source: McCracken & Curson (2003), Macquarie Research (2020)

... AND THE MORTALITY RATE OF THE SECOND WAVE WAS HIGHER

Influenza deaths, Sydney, 1919



Source: McCracken & Curson (2003), Macquarie Research (2020)

extremely volatile. Furthermore, we expect this high volatility to persist, as it is likely that market prices do not reflect all the data on the epidemic due to its delayed effects.

Some researchers envision further waves of the epidemic due to the early lifting of restrictions,

with many believing the virus will appear each year implying recurring restrictions. Moreover, if a second wave does come, it is unclear what course it will take or whether it will be milder or worse. If we take a look at the course of the 1919 Spanish flu in Australia, we can see that the mortality rate of second wave was in fact higher than the first time around.

The business model of global economic actors will change permanently

Countries have dealt with the pandemic and its potential risks differently, each hoping that the economic course will be V-shaped: a sharp decline followed by a quick upswing. But so far this assumption seems unjustified, with forecasts projecting a U-shaped curve with no explicit bottom and recovery not immediately noticeable either. The most pessimistic forecasts show an L-shaped curve, meaning that the recession will stay with us for a long time.

According to the San Francisco Fed’s analysis based on data dating back to the 14th century, real interest rates fell following epidemics, yet moved in a positive direction after wars. The trend is not short-term, but valid for the next few decades after the triggering event. This assumes that the return on assets and general wage level will be lower in the future. Two main reasons are highlighted as causing long-term interest rate decreases: the higher average invested capital per employee due to a reduced workforce, and the higher savings rate resulting from the higher demand for security reserves. Of course, the average working age in the previous thousand years was significantly lower, so epidemics typically decimated the working-age population aged under 60.

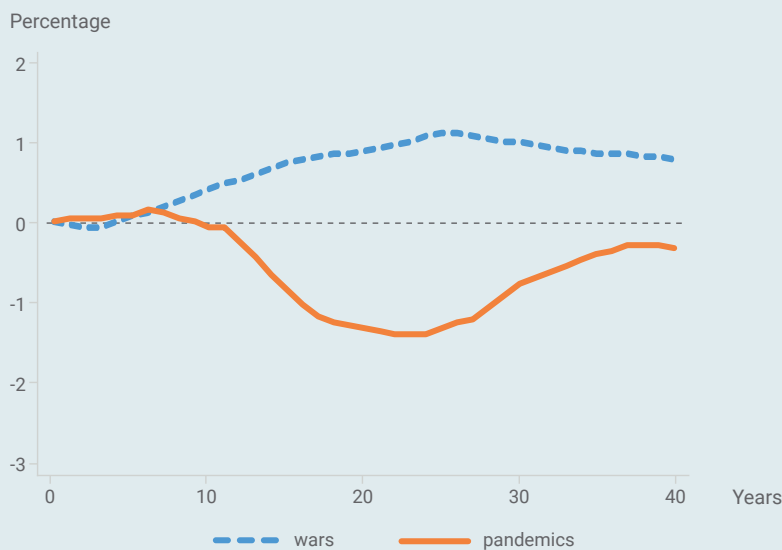
Consequently, analysis suggests that this time may be different.

However, the potential long-term impact on inflation is unclear. We were in a special situation before the virus, when oversupply of liquidity and low inflation were present at the same time. There is a fierce ongoing debate in the world; whether the risk of deflation or inflation is greater, and what economic phenomenon will follow. After all, the response to the crisis will be money printing, implying the risk of inflation; however, at the same time, internal economic processes project a disinflationary effect. The consensus among experts on global economic developments is that deflation is expected in the short term, as there is no indication as to what may drive up prices during mass unemployment and diminishing consumption, but the risk of inflation remains. However, others suggest that even large-scale money printing does not necessarily mean inflation in the long run, such as Bernie Sanders, who subscribed to and embraced the Modern Monetary Theory (MMT).

In the following period, due to severe disruptions and extreme uncertainties, global value chain management is expected to shift towards crisis management, despite the currently dominating

REAL INTEREST RATES DECREASE FOLLOWING PANDEMICS ACCORDING TO THE DATA OF THE LAST THOUSAND YEARS

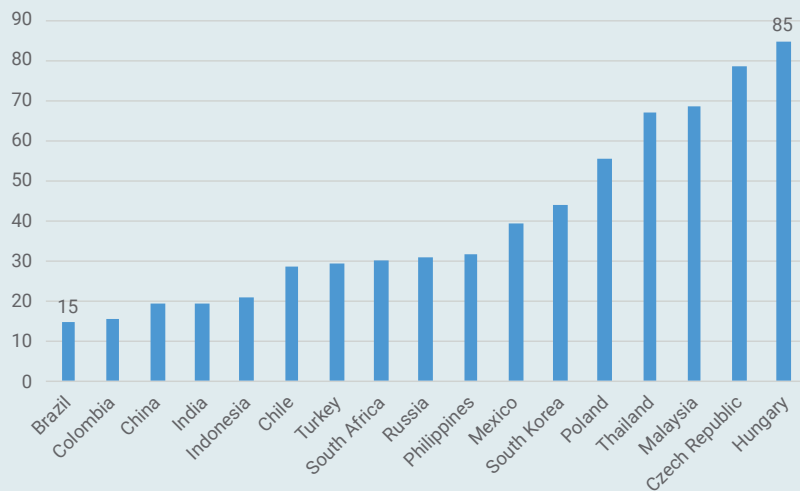
Real interest rates in Europe following pandemics and wars, from 14th century



Source: Jorda et al (2020)

EXPORT-ORIENTED ECONOMIES ARE VULNERABLE TO GLOBAL DEMAND SHOCKS

Export of goods and services, 2018, as % of GDP



Source: World Bank

“efficiency first” logic. This will also mean deteriorating profitability, lower valuations and declining or slowly rising stock market indices. If this really happens, it will go against the business logic of recent decades and potentially launch a process of ‘de-globalization’, which could have a significant impact on countries that are heavily exposed to global trade.

If the globalization of value chains reverses, peripheral countries, in which higher value-added production may have been installed, will be damaged - but only temporarily, as these may be the basis for reconstruction. Peripheral countries that have generated lower added value are less likely to be replaced as suppliers - as they can be replaced at any time later. However, if de-globalization becomes significant, they could be seriously damaged in the long run. Of course, transitional or less drastic solutions may be applied, which could even have a positive impact on regions such as the CEE region in Europe:

- 1. Nearshoring** – Meaning the relocation of the value chain within a region, i.e. the relocation from the cheapest and furthest countries, to the nearest but less expensive countries. Central Eastern Europe (CEE) as a region may not be damaged or could even benefit, but at a country level, it may trigger a shift to the north and west.
- 2. Supplier Diversification** – Companies may attempt to increase their existing supplier diversification. As the CEE region is very strong in the service and supporting industries, this can be a positive development at both a regional and country level.
- 3. Redundant production** - Shifting from lean production, i.e. from extreme efficiency to surplus production, may give rise to stockpiling to create reserves for crises. Again, this could also be a positive outcome for the CEE region and countries.

“The white-collar private sector may see positive benefits, with employees capable of being productive even from home. The question arises as to whether these newly introduced solutions will add or destroy value at a company/macro level during the next 1-3 years”.

Changes in human behavior – can we even be optimistic at the micro-level?

We also need to consider the extent of changes which may be observed in human behavior comparable to the changes listed above. This crisis is a very personal experience: it affects everyone, regardless of age, gender, denomination or skin color. Some of the key issues we see related to potential changes in human behavior are:

- Will consumption change when life returns to normal? Will we:
 - a. Consume differently and will weights change in the structure of consumption? How?
 - b. Consume more ‘normally’ i.e. more durable and/or sustainable products?
 - c. No longer need certain products and services - and will we have new needs?
- Will our attitude to travel and free time change (thinking about leisure in general, but also how culture, entertainment, hospitality will change)? What will be the ‘new norm’ in tourism? Once we rediscover our own close environment during the isolation, will we aspire to travel to distant places again?
- How will our relationship with our environment and nature change? Now that it is becoming a common experience for all of us to see what effect the exploitation of our living environment has; will we have a more forward-looking attitude to the world in which we live? Will we be open to spending on sustaining our environment and not just draining it?
- Our cities and villages are being emptied as a result of the crisis. What will it look like when our common spaces are repopulated? Will there be more cycling, use of public transport, people walking? Or will we take back the roads with our cars, creating traffic jams?
- What will our interactions look like? Education has become digital; postal, banking and public administration have been significantly simplified and many of our interactions have been pushed into the digital space. We have been talking about the need for digitization for years and although we introduced it imperfectly and urgently, it turns out that many systems still work, so what can we keep from this?

- How will commuting and working change? As a result of the virus, workers have begun to revolt against common workspaces and are crying out for more personal space. Who will be able to work permanently from home? How many personal meetings will we have in cyberspace?

Of course, we are under no illusions about the expected outcome arising from the above questions, but we do hope that we will see positive answers to at least some of them during the upcoming years. If that happens, even though it is likely that for many, their lives will become economically more difficult, perhaps at least psychologically, they could be more uplifting.

Adapting to the new “Normal”

So, what can we take away in terms of how the COVID-19 pandemic is changing the world as we know it? We still can't predict the course of the pandemic, or the full extent to which it will affect us long-term from a business and economic perspective or even in terms of human health for that matter as so much uncertainty remains. However, it's clear that we are already seeing the results of the grave effect it has had on the global economy. The sudden shutdown in economic activity across the globe as a result of containment measures mean that the short-term economic effects of COVID-19 look likely to surpass those of previous epidemics.

As events continue to unfold, there is also no doubt that the pandemic will shape our economy for the following decades and the business model of global economic actors will change forever. There will be a new normal, we just don't know quite what that is yet.

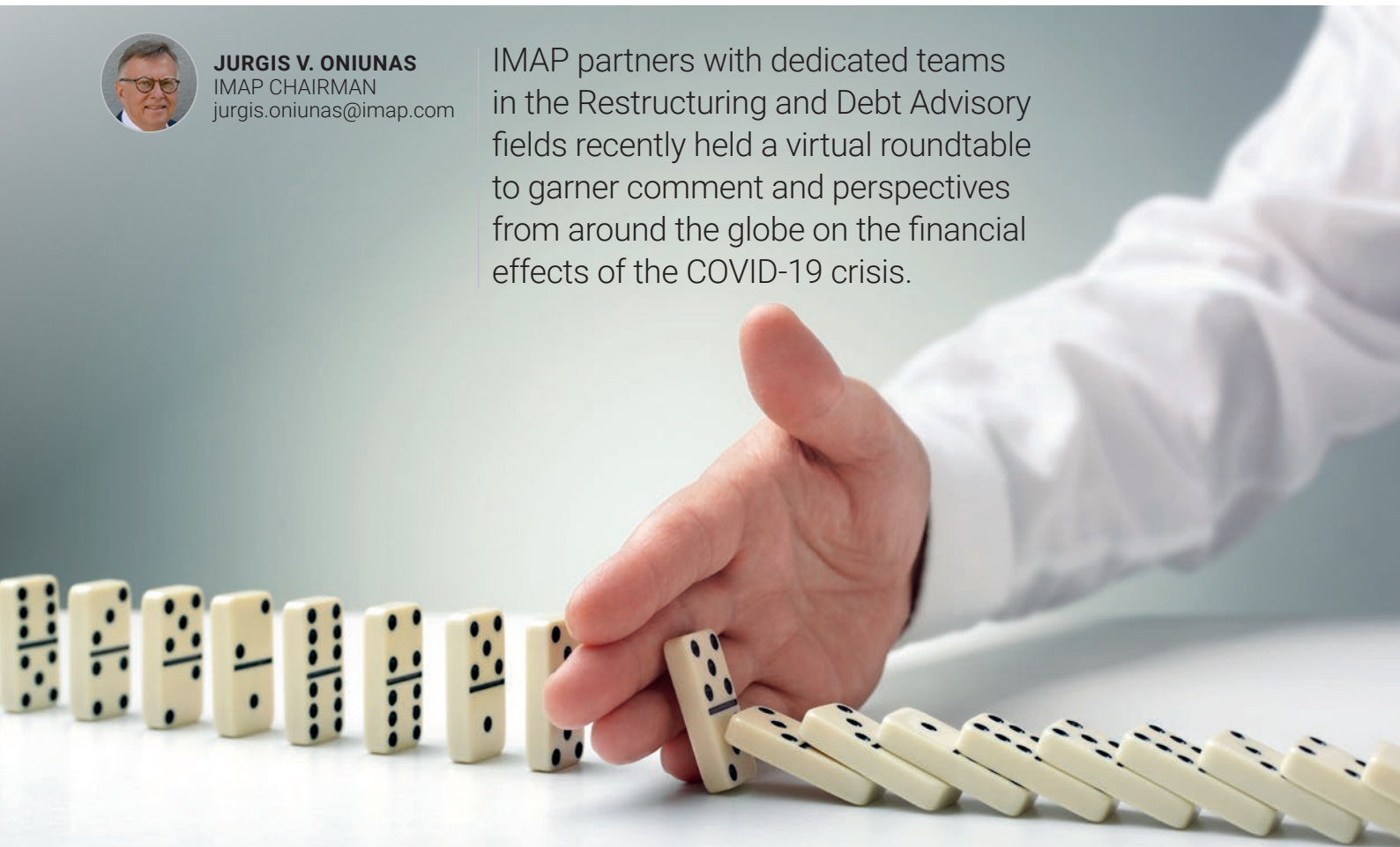


COVID-19 and its Impact on the Global Restructuring Market



JURGIS V. ONIUNAS
IMAP CHAIRMAN
jurgis.oniunas@imap.com

IMAP partners with dedicated teams in the Restructuring and Debt Advisory fields recently held a virtual roundtable to garner comment and perspectives from around the globe on the financial effects of the COVID-19 crisis.



When a company's balance sheet is stretched, it's important to know where capital is available, either as new equity or debt.

While the areas of Restructuring and Debt Advisory are often different tools in the corporate finance toolkit, they can go hand in glove in finding solutions, especially now, when it involves access to capital and equity and knowing the lenders.

Several IMAP firms already had established restructuring or debt advisory teams as part of their service offering going into this crisis. Other firms are realizing they have the competence and are pivoting to further build their restructuring capability in response to what they see their clients going through.

“We have a responsibility to help our clients be in the best shape when the markets reopen. We also need to see new and innovative products to get us out of the crisis.”

We have a responsibility to help our clients be in the best shape when the markets reopen. We also need to see new, innovative products and constructive solutions to get us out of the crisis. This is where the strength of a global partnership can help.

IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

UNITED STATES



BRIAN DAVIES
 CAPSTONE HEADSWATERS, BOSTON
 brian.davies@imap.com

The Capstone Headwaters financial advisory and debt advisory team are part of its full-service offering. The debt advisory team focuses on securing debt capital for organic growth, acquisitions, dividend recapitalizations and refinancings. The financial advisory group focuses on restructurings and value enhancement strategies.

We wouldn't normally work as much together as we have been, but with the current environment in the US and throughout the world, capital providers have completely entrenched, which is unprecedented.

Most of the questions that we have been fielding are along the lines of: What do I do? How do I capture enough runway to get through this and find the new normal?

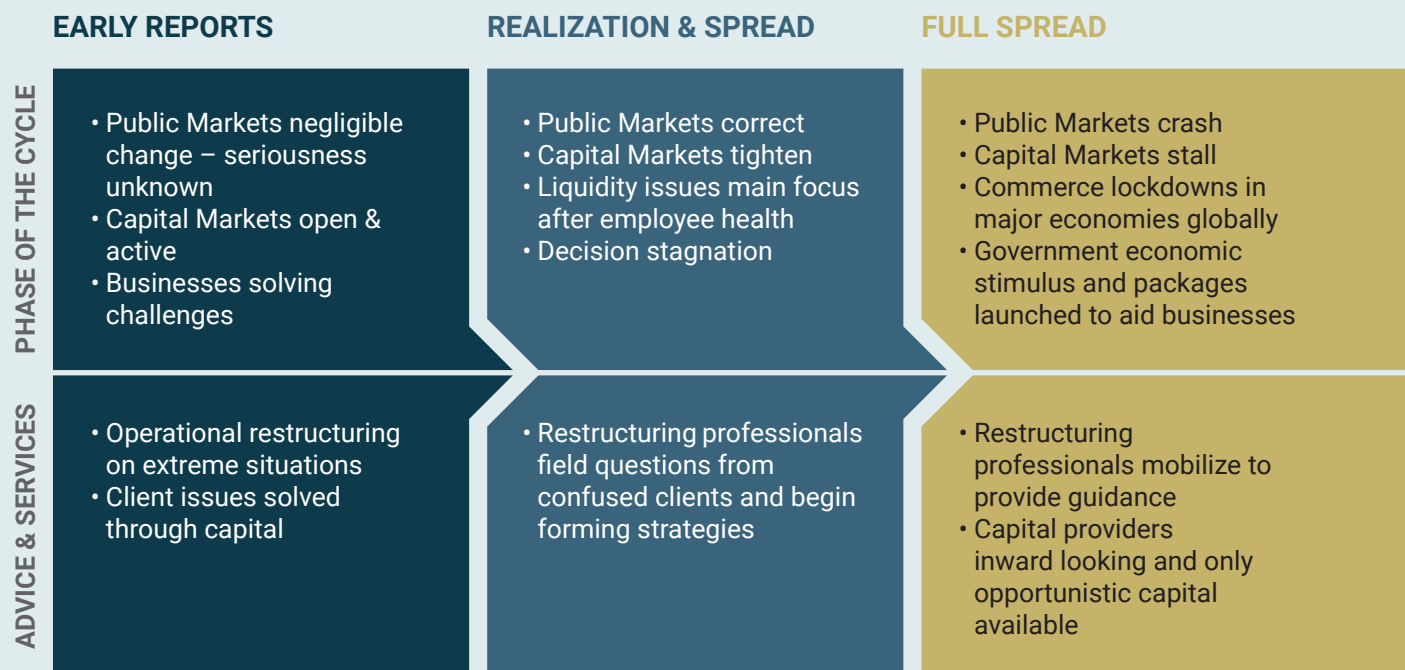
"Most of the questions that we have been fielding are along the lines of: What do I do? How do I get capture enough runway to get through this and find the new normal?"

Therefore, we have integrated our financial advisory and debt advisory teams to offer a holistic approach, understand the issues and solve performance, liquidity and long-term capital problems for our clients.

We expect there is enough dry powder that when markets open again, there will be a surge, as opposed to tidal wave, of restructuring activity and M&A momentum will resume.

We will continue to help our clients through this extensive scar tissue and then really understand what kind of permanent damage remains for our clients and create a plan for them to adapt.

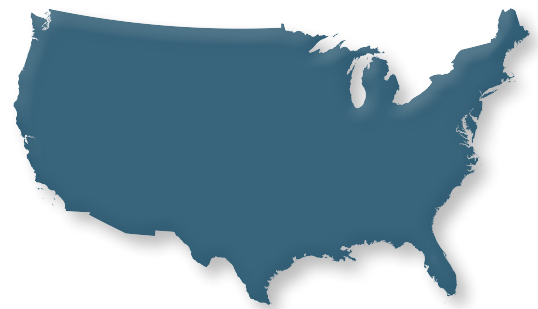
THE COVID-19 CYCLE AND ITS IMPACT ON THE RESTRUCTURING MARKET



Source: Capstone Headwaters

IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

UNITED STATES



KENT BROWN
 CAPSTONE HEADSWATERS, BOSTON
 kent.brown@imap.com

The feedback and commentary that we received after talking with over 50 middle market lenders here in the U.S. is that lenders today are really in “bunker mode”. Their current mindset is to focus on protecting current portfolios in the face of the almost certain upcoming recession.

We’ve seen a wave of amendment activity between borrowers and lenders. Absolutely everyone with a revolving line of credit has at this point fully drawn upon its full availability.

Lenders are deferring principal and interest payments on existing loans but with pricing changes. However, the allocation of new capital is being reserved and allocated primarily to existing borrowers in order to support them through this liquidity crisis, followed by sectors and companies that the lenders know well.

Lenders and equity investors say ‘open for business’ but are still to be tested as new opportunities arise.

Deals that do go forward or launch in this market are going to see quite a lot more scrutiny and longer due diligence periods. So, any new deals launched will need to check all the boxes: fundamentally good businesses in recession-resistant sectors with good structure and market pricing.

We are focusing on preparing materials for our clients to effectively be first in line when the markets do reopen, which they will – we don’t know exactly when that will be – but we’re ensuring we are well prepared for when it happens.

THE COVID-19 CYCLE AND ITS IMPACT ON THE RESTRUCTURING MARKET

**CONTAINMENT/
SLOW RECOVERY**

**FULL UNDERSTANDING
& CONTAINMENT**

REBOUND

PHASE OF THE CYCLE

ADVICE & SERVICES

- Market recovery with volatility
- Capital markets re-enter as they understand government supports

- Market normalizing
- Capital markets normalizing
- Economies begin to open
- Unemployment rates drop
- Begin to understand the full impact

- Public market segments will take years to recover
- Prior to COVID-19 there was significant dry powder in the capital markets and still is
- M&A market capturing momentum

- Industry specific restructurings begin
- Clients need help solving liquidity and operational challenges
- Capital markets opening

- Restructuring community will possibly witness a “surge” rather than “tidal wave” of activity, fueled by an active capital market

- Restructuring professionals will continue to help clients through extensive scar tissue
- The surge in activity will continue
- Many industries will be permanently reshaped

Source: Capstone Headwaters

IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

CANADA



DAVID SANTANGELI
MORRISON PARK ADVISORS, TORONTO
david.santangeli@imap.com



Morrison Park Advisors does not have a formal restructuring practice, but since 2011 a large part of our business has been informal restructuring and credit related. The majority of this has occurred in the form of non-bankruptcy and difficult restructuring situations where a lot of personal attention is required.

Our economy is, of course, tied to the U.S., but in Canada the public sector and federal government have been working with the banking sector to provide a number of liquidity backstops. Canada has an oligopoly of 7 banks with a dominant position in its financial sector, that are all very large and well capitalized, whereas in the U.S. there are thousands. It hasn't been perfect, but I would say we've seen a very orderly response to dealing with the COVID-19 crisis.

We see 3 business groups emerging:

1. Businesses whose revenue went to zero and companies who came into the crisis in bad shape
2. Companies in industries not affected, or were affected but in very good financial shape and who see the crisis as an opportunity
3. Companies in between the two, who are in thinking mode, analyzing the financial situation and determining their plans and what their capitalization needs to be

We see a lot of the professional firms providing a modeling service for those companies.

We have many clients reaching out to us, looking for advice. We have models and stress tests, which we run past the banks. We are also utilizing an analytical product line that is being made available to companies to figure out what their plan should be.

We've reached out to the restructuring experts at the legal firms and refreshed our knowledge of the nuances in this market and have had lots of emergency phone calls since the crisis hit. There is a marked shortage of people who really understand restructuring.

As independents, we have already been in the trenches, we already know a lot about these issues (more than the accounting firms and banks in many cases) and know what we're doing.

"There is a marked shortage of people who really understand restructuring. As independents, we have been in the trenches and already know a lot about these issues."



IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

INDIA



ASHUTOSH MAHESHVARI
IMAP INDIA, MUMBAI
ashutosh.maheshvari@imap.com

IMAP India has a dedicated restructuring team, but now all our teams have regrouped to face the likely new order of business within India and the rest of the world.

The cooperation and knowledge flow across IMAP offices is of great help. Our restructuring team is gearing up to address the crisis that the mid-corporate sector is facing. The interest/principal moratorium and loss of earnings will further deteriorate the credit metrics.

Like every downturn, the survivors get to be stronger and this time may be no different. Across industries, businesses and financial sector participants, the organized and stable will be able to push their way to growth, acquire talent and assets and access the liquidity to move their business to the next level.

“Like every downturn, the survivors get to be stronger and this one may be no different.”

We see the credit markets being very tight for next 3 months, the secondary markets have already broken up but eventually the deluge of liquidity will push restoration of normalcy. Interest rates being low, the liquidity surge should be able to boost up the equity markets sooner than most expect.

Supply chains may get rewritten in the revised world order and it looks like India could be a larger beneficiary, thanks mainly to political stability and the handling of the crisis, a decent eco- system of ports, roads and telecom infrastructure, as well as rationalized taxation and a developed financial market.

There will be broken balance sheets across the globe, M&A may make the way for JVs in the next 12 months to help realign the supply chain.

Technology is also a vulnerable sector, particularly the start-ups. Employee layoffs, talent loss to survivors, nil government support and rationing of capital by their institutional shareholders may lead to a considerable collapse in effort put in over the new few years for a good number of companies. Our teams are regularly interacting with such companies and helping them put in place emergency solutions.

BRAZIL



GUILHERME PAULINO
BRASILPAR, SAO PAULO
guilherme.paulino@imap.com

Prior to the crisis, Brasilpar was in the process of building a Debt Advisory team to look at new debt financing alternatives for clients in response to the consistent and substantial decline in interest rates in Brazil over the last two years. While not specifically looking to build a restructuring team, we have pivoted quickly into this role as a business to help our clients, many of whom are third generation clients, with their immediate liquidity issues.

It's clear that the crisis is severe and has affected everyone at the same time, and we are also seeing a lack of liquidity and lack of markets in Brazil a lack of liquidity and lack of markets. The problem right now is that the capital markets in general, but especially in Brazil, are highly dysfunctional and a market doesn't really exist, which makes pricing any securities, including debt, quite challenging. Lack of working capital will be an issue when the markets open, with additional pressure on companies as sales growth resume.

We can help companies restructure their debt profiles and capital structure. At a hands on level we're helping by managing our clients' relationships with banks and creditors, to negotiate debtor conditions, adjust payment schedules, organize new projections, and renegotiate a viable proposition such as grace periods and extended terms. By taking a fair and balanced approach and promoting consensus among various creditors, we try to ensure our clients' businesses remain viable, and act before they are perceived as a credit problem by capital providers.

“We try to ensure our client's businesses remain viable, and act before they are perceived as a credit problem by capital providers.”



IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

FRANCE & BELGIUM



FRANCK CEDDAHA
DEGROOF PETERCAM, PARIS
franck.ceddaha@imap.com

Degroof Petercam was already doing restructuring work before the crisis as part of our DCM business. We are a private bank and lend money to individuals only to get assets under management, so we have no conflict of interest in this field.

We usually advise companies when they have too much debt or need to reshuffle their capital structure, and we are very often advisor to the company, in both out of court and in court processes. We also provide fairness opinions, for instance with larger companies in the restructuring of a subordinated bond which can get very technical, so an opinion would be sought in order that all parties are treated fairly.

We have seen 3 phases since the arrival of the COVID virus and with our clients:

Phase 1: Lots of clients drew down their revolving credit facility at the beginning of the crisis as they thought a liquidity crunch was on the way and they wanted cash on their balance sheet

Phase 2: Realization that the COVID-19 crisis would go on much longer, almost all clients requesting State finance through the banking system

Phase 3: It's neither a V or a U and more probably an L. Can't see when the business will be back on track or when it will bounce back. This suggests a solvency issue is on the way and therefore a change in capital structure



“At Degroof Petercam, we feel that this crisis will trigger more equity or quasi equity financing for corporates and probably M&A consolidation in certain sectors like aerospace, retail and leisure.”

That's where our model at Degroof Petercam is important as within the DCM team we have a rating unit comprising 2 former S&P and Moody's employees. At this point they come in and start to see what the new capital structure should be, given the business plan and our risk analysis. We feel that this crisis will trigger more equity or quasi equity financing for corporates and probably M&A consolidation in certain sectors like aerospace, retail and leisure.

Beyond that we also see 2 types of investors: Private Equity funds managing their portfolio and protecting asset value on one hand and more opportunistic funds, eager to lend expensive money and looking for opportunistic M&A in the downturn.

IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING

ITALY



RICCARDO MARTINELLI
VITALE & CO, MILAN
riccardo.martinelli@imap.com

Vitale has a long track record as financial advisor on debt restructuring projects and special situation M&A, both in-court and out-of court.

The outbreak of the pandemic is affecting the economy and the fundamentals of businesses with a violence and speed never experienced before. Almost no business and industry, with very few exceptions (pharma and healthcare services/devices, technology, food products and food retailers) is immune in the short-term. Some industries will be affected severely for some time to come (i.e. hotels, travel and tourism, restaurants), and some innovative and very successful business models will face and potentially survive the challenges (i.e. the sharing economy, such as WeWork and Airbnb).

The effects of the pandemic on businesses should be analysed differentiating between the very short-term and the medium- to long-term:

- **Short-term:** cash shortage due to restrictions to business operations and lockdown;
- **Medium-to long-term:** slow recovery of historic levels of revenues and operating cash flows resulting in increased leverage and financial difficulties.

In the short-term, most companies shall benefit from the financial support granted by their respective governments, with different types of tools ranging from cash injections (not to be reimbursed) to new loans. We expect financial advisors to play a small role in this phase that could be labelled as “emergency financial public support”.



“Financial advisors will become of key importance (and necessary) to advise businesses, that, due to a slow recovery of their fundamentals, may need to deal with financial distress situations.”

Following this phase, financial advisors will become of key importance (and necessary) to advise businesses, that, due to a slow recovery of their fundamentals, may need to deal with financial distress situations. Companies will then raise new equity, dispose of non-core assets, merge with competitors and consolidate into larger and more competitive players in their industries or restructure their financial position either with in- or out- of court proceedings.

**IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING -
 IMAP BUSINESSES WITH SERVICES IN DISTRESSED M&A**

GERMANY



HENNING GRAW
 IMAP M&A CONSULTANTS AG, MANNHEIM
 henning.graw@imap.com



IMAP M&A Consultants AG in Germany have a distressed M&A team that focuses on M&A services along the entire cycle of company crises.

We regularly observe the transition of companies from an initial shareholder crisis, where dissent between shareholders hinders decision making, which leads to a strategic crisis via lack of decisiveness and competitiveness. This, in turn, often leads to a profitability crisis, a liquidity crisis and finally to insolvency.

Our philosophy is to stop loss in value through M&A as early as possible in the cycle of a company crisis to maximize returns for current shareholders and

lenders. Therefore, we offer tailored M&A solutions and approaches for every stage of the companies' development. In the insolvency stage we work together with insolvency administrators with the aim of saving the company and the related jobs as well as to maximize value for all stakeholders.

RESULTS FROM COVID-19-CRISIS
Key hypotheses and expectations

1 Due to state backed financing programs and the suspension of the obligation to file for insolvency until end of September we expect a likely insolvency wave to hit in the second half of 2020

2 The currently granted state backed loans will have a negative impact on companies' balance sheet structure and strongly limit the financial scope for working capital as well as future investments in markets that are rising again

3 A debt-burdened private sector, soaring levels of public debt and limited central bank measures could increase economic uncertainty and fuel increase in insolvencies

Number of company insolvencies in Germany (cases in k)

Year	Number of company insolvencies (cases in k)
2000	28
2001	30
2002	32
2003	35
2004	38
2005	35
2006	32
2007	30
2008	28
2009	25
2010	28
2011	25
2012	22
2013	20
2014	18
2015	16
2016	15
2017	14
2018	13
2019	12
2020	11
2021	10
2022	12

IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING - IMAP BUSINESSES WITH SERVICES IN DISTRESSED M&A

GERMANY

In addition, we advise larger groups on carve outs and on the sale of non-core businesses.

Over the last three years we have successfully closed around 20 transactions in this field. Our projects were evenly split between out-of-court (before insolvency) and in-court (in insolvency) situations. However, we saw a shift of business to out-of-court mandates in recent years reflecting the steady economic boom phase up to 2019 and a general trend towards earlier restructuring efforts.

In the current Coronavirus Crisis most companies are being struck at the very heart of their business models, implying an upcoming raise in insolvencies, as we have already observed in previous crises such as the financial crisis and the .com bubble. Due to extensive state backed financing programs and the suspension of the obligation to file for insolvency until the end of September we expect the insolvency wave

“Our philosophy is to stop loss in value through M&A as early as possible in the cycle of a company crisis to maximize returns for current shareholders and lenders.”

in Germany to hit in the second half of 2020, especially in September and October.

We believe that also during the next 1-2 years we will see an increased number of distress M&A transactions following the upcoming repayments of currently granted state backed loans. Moreover, in the short and medium term, these debts will strongly limit the financial scope for working capital and future investments in markets that are rising again. Our team is well prepared for guiding our clients through these challenging times.

OVERVIEW OF SERVICE OFFERING AND TARGET GROUPS IMAP M&A Consultants AG offers comprehensive dedicated M&A services for “Special Situations”



IMAP VIRTUAL ROUNDTABLE: DEBT ADVISORY & RESTRUCTURING - IMAP BUSINESSES WITH SERVICES IN DISTRESSED M&A

UNITED STATES



SCOTT EISENBERG
AMHERST PARTNERS, MICHIGAN
scott.eisenberg@imap.com

Amherst Partners offers three types of work

- (i) Financial advisory: Liquidity & crisis management.
- (ii) Restructuring officer or court appointed receiver.
- (iii) Refinancing & Distressed M&A.

We've been busy during the crisis with our existing client base, figuring out how to keep businesses open and be safe.

However, even before the crisis we were very busy with Auto and Manufacturing restructuring work; companies with operational issues, which is very different to 2008/09 which was driven by excess supply.

The U.S. has passed a large stimulus package, but it only covers 2-3 months. Most companies will get through the next 60-90 days due to government assistance as banks are allowed to defer principal and interest in that time and the borrower isn't classified as troubled.

The question is what happens when the government assistance runs out and what will be the impact on the economy?

The big concern is on companies' working capital and balance sheets and how they will look coming out of this. The cost of reopening a business can be staggering. Our focus is on helping clients with 13 and 26 week cash flows.



"Banks will be hoarding cash for existing customers, however non-bank lenders are flush for cash and have plenty of money to lend."

There are a number of non-bank lenders that were formed in the U.S. coming out of 2008/09, some of which are publicly traded and others that are privately held. Earlier this year, we went to probably 70 or 80, non-traditional lenders, most of which are going to be very middle market focused and are not going to be doing large international loans. Banks will be hoarding cash for existing customers, non-bank lenders however, are flush for cash and have plenty of money to lend.

We expect it to be a slow recovery, with the likes of restaurants, movies, sports etc., being much slower to recover, particularly mass gatherings. There will be continued flare-ups of the virus and that will put a damper on economic activity.



IMAP VIRTUAL ROUNDTABLE ON DEBT ADVISORY & RESTRUCTURING



CANADA



DAVID SANTANGELI
MORRISON PARK ADVISORS, TORONTO

"The vast majority of companies are determining what their plans are going to be and therefore what their capitalization is going to be."



USA



BRIAN DAVIES
CAPSTONE HEADSWATERS, BOSTON

"What has happened here in the US and throughout the world is that capital providers have completely entrenched, which in my career is unprecedented."



USA



KENT BROWN
CAPSTONE HEADSWATERS, BOSTON

"Lenders today are really in 'bunker mode'. We are focusing on preparing materials for our clients to be effectively first in line for when the markets do reopen, which they will – we just don't know exactly when."



USA



SCOTT EISENBERG
AMHERST PARTNERS, MICHIGAN

"Our belief is that most of these companies, due to government assistance and bank flexibility will survive the next 60-90 days. The bigger question is what happens after that, when the government assistance programs run out."



BRAZIL



GUILHERME PAULINO
BRASILPAR, SÃO PAULO

The problem right now is that the capital markets in general, but especially in Brazil, are highly dysfunctional, which makes pricing any securities, including debt, quite challenging."

IMAP VIRTUAL ROUNDTABLE ON DEBT ADVISORY & RESTRUCTURING



GERMANY



HENNING GRAW
IMAP M&A CONSULTANTS AG, MANNHEIM

“Due to extensive state backed financing programs and the suspension of the obligation to file for insolvency until the end of September we expect the insolvency wave in Germany to hit in the second half of 2020, especially in September and October.”



FRANCE



FRANCK CEDDAHA
DEGROEF PETERCAM, PARIS

“The predominant view is that it’s not a ‘V’ or a ‘U’ shaped recovery, but probably an ‘L’ and corporate clients don’t see when business will be back. This suggests a solvency issue is on the way and therefore a change in capital structure.”



ITALY



RICCARDO MARTINELLI
VITALE & CO., MILAN

“The outbreak of the pandemic is affecting the economy and the fundamentals of businesses with a violence and speed never experienced before.”



INDIA



ASHUTOSH MAHESHVARI
IMAP INDIA, MUMBAI

“Our restructuring team is gearing up to address the crisis that the mid-corporate sector is facing. The interest/principal moratorium and loss of earnings will further deteriorate the credit metrics.”

The World Will Not Disappear



GUILHERME PAULINO
IMAP Brazil
gpaulino@brasilpar.com.br



CARLOS BRAGA
IMAP Brazil
carlos.braga@brasilpar.com.br



MARCELO DE FORBES KNEESE
IMAP Brazil
marcelo.kneese@brasilpar.com.br

Guilherme Paulino, Managing Partner, Carlos Braga, Managing Partner and Marcelo de Forbes Kneese, Partner, at Brasilpar (IMAP Brazil) share thoughts about the crucial assistance their Debt Advisory team is currently providing to clients to ensure their businesses survive the pandemic.

The Historic Fall of Interest Rates in Brazil

For some time now, Brasilpar had been discussing the need to build a debt advisory team. The sharp decline from double to single digit interest rates in Brazil had prompted them to look at new debt financing alternatives for its clients. The disintermediation of banking as a result of the lower interest rates meant that investors, previously uninterested in taking risks, were now looking for high yield investment opportunities. Long-term clients, some second generation, were also looking for alternatives. Public traded company yields were so low, market dynamics were changing and for Brasilpar, this opened up the opportunity to structure and offer new debt

“Brasilpar felt a call to action, a deep-rooted obligation to work with their clients, many of whom have been with them since the 90’s, to help get them through the crisis.”

products tailored towards this new environment. They began helping mid-market companies on assessing financing alternatives, preparing financial projections, and establishing creditworthiness in order to introduce them to capital markets, alternative banks and real estate or receivable securitization funds and players. Then COVID-19 happened.

Solidarity is key in Times of Crisis

Until then, Brasilpar had been responding to the changing needs of their clients as the market changed. Now however, they felt a call to action, a deep-rooted obligation to work with their clients, many of whom have been with them since the 90's, to help get them through the crisis. This new phase will require solidarity and with its reputation as an independent financial advisor with extensive experience and a proven track record, Brasilpar can help companies overcome this crisis and by helping them restructure their debt profiles and capital structure, produce a positive effect on the companies, the economy and society.

In the short-term, Brasilpar's objective is to help its clients with liquidity issues. By managing their clients' relationships with banks and creditors, they can negotiate debtor conditions, adjust payment schedules, organize new projections, and renegotiate a viable proposition such as grace periods and extended terms. By taking a fair and balanced approach and offering options to lenders such as shared guarantees, they can try to ensure their clients businesses remain viable. Each client receives individual, tailored advice.

"By assisting companies restructure their capital structure and improve their overall financial situation, this opens up equity value and allows Brasilpar the option of bringing in M&A investors at a later stage".

Overlap Between Debt Advisory and Distressed M&A

By assisting companies restructure their capital structure and improve their overall financial situation, this opens up equity value and allows Brasilpar the option of bringing in M&A investors at a later stage. In some sectors we are likely to see situations in which work starts on the debt advisory side, and further down the line, this may create the possibility of selling a minority or controlling stake. As well as talking to banks, Brasilpar is talking with hedge funds that focus on restructuring or sources convertible debt instruments, to help get companies back to a working state, as well as Private Equity funds, to provide alternatives to recompose capital.

Short Term Liquidity Solutions to get Companies Back on Their Feet

For Brasilpar, this is a market phase - they are not building a restructuring team but instead a Debt Advisory capacity. They preferably work with companies that are viable, with a strong management team able to execute the turnaround of the business,



as opposed to those that are already overleveraged or in Chapter 11/court situations. Chapter 11 cases in Brazil, compared to the U.S. and Europe, have an extremely low recovery rate. Unlike the U.S. which stands at approximately 80% and Europe, 50%, Brazil's recovery stands at only 11-15%. Brasilpar's clients tend to have short-term liquidity issues and were effectively managed and doing well before COVID-19 hit. As well as offering these businesses alternative debt and equity products to get back on their feet, the most important thing Brasilpar can offer, is independent advice – advice based on a strong track record.

Being Brave in the Face of a Crisis is the Only way to Survive

It's clear that the crisis is severe and has affected everyone at the same time. There is a lack of liquidity and lack of markets. However, industries will come back. People will start to fly and go to hotels again. People still need to eat, dress and shop. The challenge is to look beyond the crisis and within the sectors find the resilience not only to survive but come out the other side as fit as possible. Unfortunately, some companies will disappear, but at the same time, others will emerge. Resilient companies, that are more efficient, better managed, braver, take quicker action, shareholders inject cash into the business, cooperate better with employees, customers and suppliers and enlist the best crisis team etc. are the ones more likely to survive and that Brasilpar can guide past the crisis.

Development Banks, Securitization Players and Fintechs Offering Alternative Solutions

Securitization funds (such as FIDCs and real estate funds) and Fintechs, though still not major players in the Brazilian financial markets, are also contributing, offering securitization vehicles, and reciprocal funds though these still require receivables. Companies need to find alternative ways in which to generate receivables. Those that can't are the ones that are looking for support from development banks, who are prepared to take more risk. Unlike some countries, Brazil has several important development banks

offering alternative medium- to long-term solutions. Brasilpar has a close relationship with BNDES, BDMG and BNB development banks who offer new lines of credit, normally with a focus on project finance. Banco Brasil and Caixa Economica are 2 other large state-owned banks providing facilities, restructuring loans and offering liquidity alternatives. At the same time, in some key industries, the Brazilian Government has stepped in. Convertible debt instruments or warrants are coming into play as a means for companies to get back in shape. By also offering guarantee-backed funds, the Government aids the banks by providing assurance of up to 80% of the loans.

Taking the Right Advice and the Right Road in the Tough Journey Ahead

Currently, the Brazilian Capital Market is highly dysfunctional and doesn't really exist. Here, as in other markets around the globe, the banking industry is presently the only viable/remaining alternative. When the markets do re-open, a lack of working capital will be an issue. It's a challenge to find solutions in the private market. Though interest rates remain at record low levels, today you can see bonds of some of the best credits trading at 12-16%, so why invest in high risk restructuring? At the end of the day, the only way to breach the gap is to provide alternatives, such as derivatives and convertible bonds, which ensure at least a reasonable rate on the refinance restructuring, though can cause shareholder dilution further down the line.

“Brasilpar is working hand in hand with its clients, talking through their issues, providing crucial advice and helping with negotiations to ensure their clients not only survive the crisis, but come out of it in the best possible position”.

It's clear that companies are facing serious challenges and are under extreme pressure. For many, the real key to surviving the crisis, is having someone advise them in their time of need. Brasilpar is working hand in hand with its clients, talking through their issues, providing crucial advice and helping with negotiations to ensure their clients not only survive the crisis, but come out of it in the best possible position.

Light at the End of the Tunnel

According to Brasilpar, though times are currently extremely challenging, it's important to remember that the world will not disappear and that we have faced crises before. Positivity is essential; markets and activity will resume. There are likely to be new trends, behavior even and there will certainly be many lessons learned having lived through the pandemic. At the end of the day, Brazil is a developing country and remains one of the largest, most dynamic economies in the world, as well as one of the top markets in terms of global consumption.

Collaboration is in IMAP's DNA – The Strength of the Global Partnership

Once again, Brasilpar and indeed IMAP's partners across the globe, have stepped up to the challenge and are doing what needs to be done to help their clients survive the COVID-19 crisis. By working together with its worldwide counterparts, Brasilpar has access to the experience, expertise, and best practices of IMAP's 450+ team of advisors, as well as international markets and players, opening up new opportunities for M&A and cross-border transactions. Having built-up long-lasting relationships with their clients, Brasilpar and its IMAP counterparts not only help their clients resolve their short-term issues, but also provide long term solutions, to ensure their businesses thrive for years to come.



Building a Nationwide Laboratory Testing Leader



CYRIL KAMMOUN
IMAP France
cyril.kammoun@imap.com

With the COVID-19 virus causing havoc around the world and effectively paralyzing the economy, testing has become crucial in the management of the pandemic. IMAP's Dealmaker of the year 2019 winner, Cyril Kammoun, CEO and Managing Partner at Degroof Petercam (IMAP France), discusses their longstanding relationship with client BIOGROUP, market leader in the biologic sector and its recent activity assisting the French Government with critical COVID-19 testing.

Firstly, congratulations on being awarded IMAP Dealmaker of the Year 2019 for your landmark work with BIOGROUP.

Thank you, I'm very pleased to have received the award. I've been doing this for over 25 years and for me, these are more than just successful transactions. I get a great deal of satisfaction from the connections we have formed with our clients over the years. My

relationship with BIOGROUP spans back to 2014. The biologic market was fragmented and consolidating quickly. BIOGROUP was a regional leader in the sector in the east of France and looking to play a larger role across the country and ultimately, become the market leader. Fast forward to now, and 39 transactions later, 11 of which in 2019 alone, and BIOGROUP is now the leading biologic group in France.





When you began working with BIOGROUP all those years ago, it was impossible to foresee the crucial role they would now be playing in helping the French Government manage the current COVID-19 pandemic that is causing havoc across the globe.

Testing is central in the fight to control the spread of the virus. It allows us to isolate the people affected and prevent or at least slow down the number of new infections. It is also key in the future management of the pandemic, establishing how much the virus has spread across the broader population and understanding the populations level of immunity.

It's no surprise therefore, that across the globe, governments are in a race to make testing more widely available. There are severe limitations to what the state alone can do and with the sheer volume of testing required, they simply don't have the same capacity as private labs. The Government would need to begin reactive investing in labs to source raw materials and buy necessary machinery and of course, guarantee minimum volume orders. With limited testing available, the Government is forced to prioritize and reserve tests for exposed health personnel and patients at risk, meaning no testing for the general public as home testing is not an option, due to the strict regulations and conditions required.

BIOGROUP has spent the last 6 years growing and structuring the company to be a leader in nationwide laboratory testing. Employing over 7,000 employees across its 720 bio lab centers, it now has the necessary infrastructure and capacity to undertake 200,000 tests daily.

Can you explain a bit more about the type of testing being undertaken by BIOGROUP?

With a strong intuition of the market potential, BIOGROUP performed significant investments when the country was still on the verge of this health crisis in order to become the main provider

“BIOGROUP performed significant investments when the country was still on the verge of this health crisis in order to become the main provider of Covid-19 testing. It has organized its human, technical and scientific resources to respond to the health emergency and indeed the biological sector is proving invaluable in helping to tackle the crisis”.

of Covid-19 testing. It has organized its human, technical and scientific resources to respond to the health emergency and indeed the biological sector is proving invaluable in helping to tackle the crisis.

BIOGROUP is offering both types of COVID-19 testing at large:

- RT-PCR test – to detect the presence of the SARS-CoV2 virus and establish whether the individual is infected
- Serology testing for antibodies to establish whether the individual has been infected at some point in the past

RT-PCR testing by BIOGROUP is available to anyone making an appointment. Notably, in the form of “drive-through” testing, BIOGROUP biologists can test people without them even leaving their cars (more than 240 drive-through testing centers were already operating at the beginning of April). In Paris for example, BIOGROUP has partnered with the town hall of the 5th arrondissement, to open an RT-PCR COVID-19 testing center which is reserved for symptomatic or high-risk groups.

Another initiative began in mid-April, when the Hauts-de-Seine departmental council launched a campaign to test residents and staff at care homes for the elderly, expecting approximately 35,000 people to have been tested by the end of April. Carried out in collaboration with the Ile-de-France Regional Health Agency, BIOGROUP will be one of the labs analyzing the test results, with results available within 24 hours.

Moving the topic away from COVID-19, what has been your role in helping BIOGROUP become the agile organization and leading biological lab in France that it is today?

For us, BIOGROUP is a long-term entrepreneur whom we help to grow through the cycles; a flagship of our business model and how we work with all our

clients. In this case, we worked with them to ensure they were in the best position to accelerate growth and capability to support the desired acquisitions. We have also helped to raise equity and put in place a complex debt structure, allowing for bank debt, as well as debt funds, subordinated debt and subsequently, capital market transactions. Every deal closed requires the involvement of many different practices across Degroof Petercam, including: M&A, Healthcare and Equity & Debt Capital Markets, who all work together in order to ensure successful completion.

How has being market leader and holding a 20% share of the market benefited BIOGROUP?

It has been able to maximize synergies in the sector, re-group its testing centers, rationalize real estate and be a strong negotiator with suppliers, as scale brings lower costs. Having started out as a local player in the east of France, with a €50 million turnover and €15 million in EBITDA, BIOGROUP now

“BIOGROUP is a long-term entrepreneur whom we help to grow through the cycles; a flagship of our business model and how we work with all our clients. In this case, we worked with them to ensure they were in the best position to accelerate growth and capability to support the desired acquisitions”.

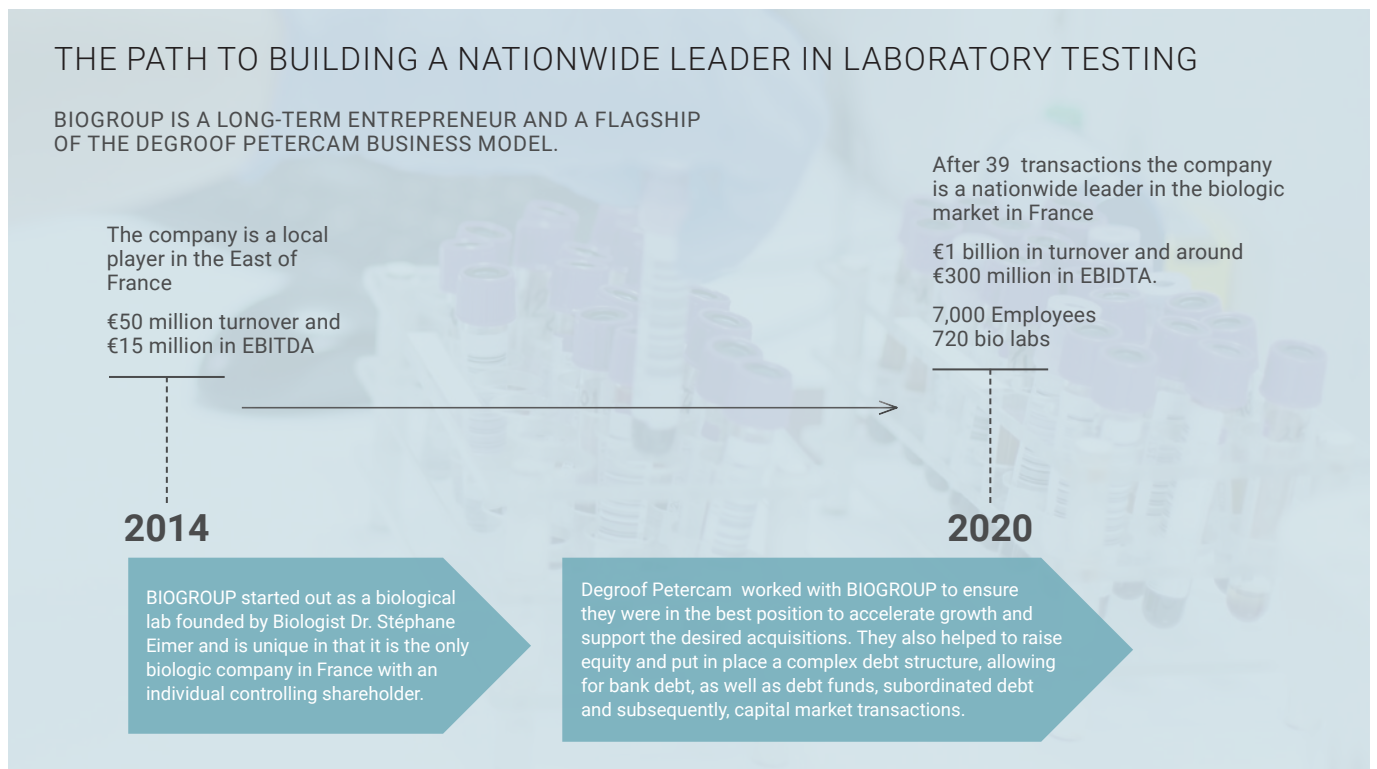
has about €1 billion in turnover and around €300 million in EBIDTA.

Why do you think BIOGROUP has been so successful in its acquisition strategy compared to its competitors?

BIOGROUP has managed to win 95% of the competitive processes in which it has taken part, even with stiff competition from several big firepower players. Groundwork plays a key role; by talking to players in advance and taking potential synergies into account, BIOGROUP is able to offer the winning bid. Many companies also still prefer to sell to a fellow biologist, rather than to a financial institution. BIOGROUP started out as a biological lab founded by Biologist, Dr. Stéphane Eimer and is unique in that it is the only biologic company in France with an individual controlling shareholder. The brand is also associated with quality, high standards and an entrepreneurial culture.

What's next for BIOGROUP?

I strongly believe that there remains potential for consolidation in the market during the next 3-5 years. There are still sellers willing to sell whether it be for succession or synergy purposes. It's also a highly profitable market, with comfortable EBIDTA margins. BIOGROUP may look to develop the business internationally and at the same time, is itself highly desirable to international companies looking to enter the French market, which is now impossible to enter except by means of an acquisition, due to antitrust restrictions.



Selling Automotive Suppliers in Difficult Times



BURKHARD WEBER
IMAP Germany
burkhard.weber@imap.com

Times have never been tougher for Automotive suppliers anywhere in the world as in spring 2020. Dr. Burkhard Weber, Partner at IMAP Germany, talks about the new challenges brought about by the COVID-19 pandemic and its impact on an already difficult landscape in the automotive sector.

The COVID-19 global health crisis and its fallout, including the multilateral production shutdown of many of the most important automotive OEMs across Europe and North America, along with a disruption of otherwise well functionable supply chains, pose an enormous challenge to automotive suppliers – many of which are family-controlled enterprises with limited resources. Despite generous government support to keep businesses afloat, the reality-check is yet to come, whereby we will see which businesses will prevail and which are unable to survive in their current set-up. Even worse, surviving the crisis will not eliminate the existing challenges facing the Automotive sector: managing the transition to alternative drive technologies, in particular e-mobility, autonomous driving and individual mobility.

Many automotive entrepreneurs, in particular those already facing operational margin pressure and high debt levels pre-crisis, will feel overwhelmed by the magnitude of challenges ahead and the equity resources needed to secure financial stability during

“Many automotive entrepreneurs, in particular those already facing operational margin pressure and high debt levels pre-crisis, will feel overwhelmed by the magnitude of challenges ahead and the equity resources needed to secure financial stability during and after the crisis”.

“IMAP Germany, with its years of experience in the Automotive sector has access to strategic buyers and financial investors specialized in acquiring businesses in special situations”.

and after the crisis. It is expected that a considerable number of entrepreneurs will soon look to raise restructuring capital or consider an outright sale to secure existing family wealth locked up in their businesses. Larger groups are expected to accelerate decision-making to spin off non-core businesses, especially when they turn cash negative and require bolstering the equity base.

Securing a Long-Term Future for the Business

With such a challenging landscape and still so many uncertainties over the coming months, for some businesses, selling to a new owner willing to commit time and resources in order to turn the business around, is a highly desirable option. IMAP Germany, with its years of experience in the Automotive sector has access to strategic buyers and financial investors specialized in acquiring businesses in special situations. There are no less than 2 dozen of such organizations based in German-speaking Europe, keen to acquire companies under some form of distress, such as shareholder crisis, liquidity crisis or management crisis. They typically infuse fresh equity and commit management resources in order to turn the target around, frequently teaming up with current shareholders, e.g. owner family members granting a minority share, which is likely to be worth

29/ CORONAVIRUS SPECIAL COVERAGE
SELLING AUTOMOTIVE IN CHALLENGING TIMES

more post turnaround versus than the current sole family ownership is now and probably has been for some time.

IMAP Germany recently advised on the successful sales of 3 automotive suppliers, all of which were operating in a challenging trading environment. The investors were both publicly listed and private investor groups focusing on special situations.

1. In the second half of 2019, the IMAP Germany team advised the family shareholders of Kirchhoff GmbH & Co. KG on their sale to listed industrial holding company, Mutares AG. The family, being passive shareholders and no longer involved in managing Kirchhoff, unanimously decided to sell the business to an investor as they were lacking the financial resources needed to operate the company in future years. Listed industrial holding company, Mutares AG, added Kirchhoff to its "Automotive & Mobility" investment platform aiming to optimize its operating cost structure, diversify Kirchhoff's revenue base and undertake suitable add-on acquisitions. Founded in 1939 and with sales of over €100 million, Kirchhoff operates plants in Germany and Poland, employing 800+ staff across the group. For decades it has been known in the market for its automotive bodyshell related products, such as locking systems, hinges, connectors and mechatronic systems for the various VW Group brands.

2. Just prior to March 2020, with the COVID-19 crisis already emerging in Asia, IMAP Germany closed on the sale of the body-in-white tool & die manufacturing business of Schuler AG, one of the world's largest manufacturers of presses, to Accursia Capital and Navigator Capital, 2 specialized private equity investors based in Munich. The investors had teamed up to add the unit to a recently formed buy-and-build platform to develop Deutsche Werkzeugbau, a group designed to bring single tools and die making businesses under a larger group umbrella holding company, thereby realizing synergies in administration, procurement and sales to automotive OEM customers offering a comprehensive tool and die making solutions portfolio. The business unit, now called Cartec Tooling, is one of the leading specialists in Germany in the design and manufacturing of body panel tools and dies for outer skin car panels and body-in-white parts. Customers include most German automotive OEMs, as well as a number of Tier-1 suppliers. With 2 locations in Göppingen and Weingarten, Cartec Tooling employs about 200 staff and had been operated as a non-core unit of Schuler Pressen for some time before Schuler decided that it would no longer be the best owner, unable to commit further resources to a business facing toughening trading headwinds, as funds were considered more urgently needed in Schuler's traditional core press manufacturing units.

IMAP GERMANY: RECENT SUCCESSFUL SALES OF AUTOMOTIVE SUPPLIERS

has been acquired by

IMAP
ADVISED ON SALE OF COMPANY

Acquired 'Body Panel Göppingen' Business Unit from

IMAP
ADVISED ON SALE OF COMPANY

Acquired 100% of Business Operations

IMAP
ADVISED ON SALE OF COMPANY



3. Lastly and also in March 2020, IMAP Germany closed on the third sale of an automotive supplier, advising BOS Group in the sale of etm – engineering technologie marketing GmbH, a supplier of components and systems made of synthetic and elastomer materials for visible and non-visible areas of automobiles. Despite only being acquired back in 2014, it turned out that etm was not meeting the synergy expectations of BOS, a family-controlled, international Tier 1 supplier to the Automotive industry, with offices in Europe, North America and Asia and specializing in vehicle interiors. Consequently, etm has been picked up by Callista Private Equity, a special situations investor who focuses on corporate carve-outs and is determined to steer the business through the COVID-19 crisis and fund its future growth.

In each of the 3 transactions, IMAP Germany lead a structured and competitive sale process, which included the presentation of the equity story, soliciting bidder interest from China, India, Japan and the USA, as well as from Eastern European

countries. In addition, it drew the interest of many financial investors. IMAP enabled bidder due diligence and assisted with parallel negotiations of a sale and purchase agreement with multiple finalists. In each of the disposal processes, IMAP Germany solicited multiple indicative offers, and in one case, achieving double-digit figures.

Employing a considered, well prepared and structured approach, even when facing expediated timeframes, along with strict focus throughout the process, ensured IMAP Germany was able to achieve a successful outcome and added value to all the stakeholders; shareholders, suppliers, OEM customers and local financing institutions.

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.

47

YEARS OF M&A
EXPERIENCE IN THE
MIDDLE MARKET



MIDDLE MARKET FOCUS

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

60+

OFFICES IN 43
COUNTRIES



GLOBAL REACH

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

\$13bn

CLOSED DEAL
VALUE 2019



EXECUTION EXPERIENCE

- IMAP has closed over 2,100 transactions valued at \$90 billion in the last 10 years.

GLOBAL PERFORMANCE 2019

234

M&A TRANSACTIONS

\$13bn

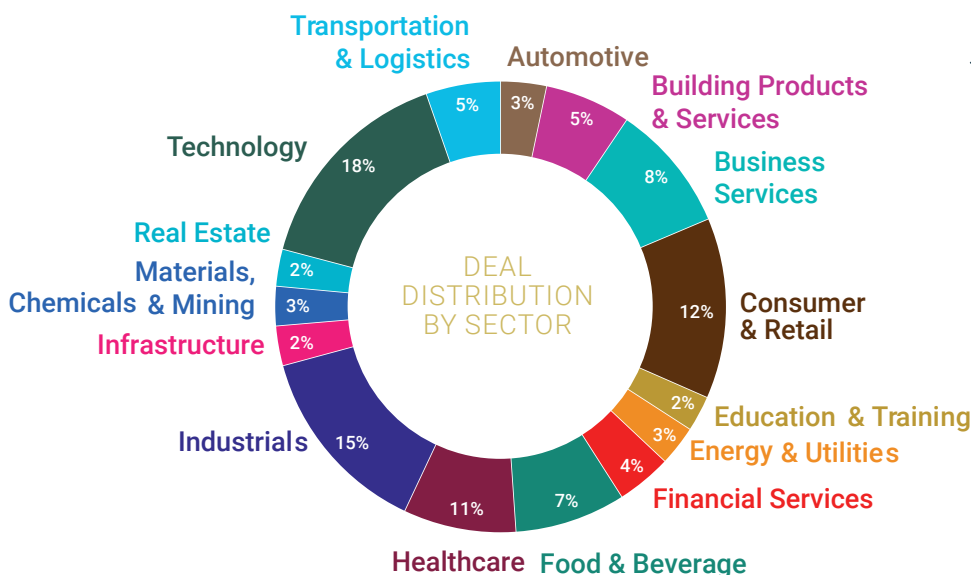
TRANSACTION VALUE

32%

CROSS-BORDER DEALS

7th

IN THE WORLD



GLOBAL PERFORMANCE

- 1 PwC
- 2 KPMG
- 3 Deloitte
- 4 Rothschild
- 5 Ernst & Young
- 6 Houlihan Lokey
- 7 **IMAP**
- 8 Goldman Sachs
- 9 Lazard
- 10 Linclon International

Ranking based on number of transactions closed in 2019. 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

450+

PROFESSIONALS
WORLDWIDE

43

COUNTRIES

60+

OFFICES



North America

U.S.A.

Atlanta
Boise
Boston
Burlington
Chicago
Dallas
Denver
Detroit
Greenville
Greenwich
Houston

Los Angeles

Naples

New York

Philadelphia

Richmond

San Diego

San Francisco

St Louis

Tampa

Washington DC

Canada

Toronto

Vancouver

Latin America

Argentina

Brazil

Chile

Colombia

Mexico

Peru

Panama & Central

America

Africa

Congo

Egypt

Ghana

Ivory Coast

Mauritius

Morocco

Nigeria

Senegal

South Africa

Asia

China

India

Japan

Europe

Belgium

Bosnia & Herzegovina

Croatia

Czech Republic

Finland

France

Germany

Hungary

Ireland

Italy

Netherlands

Poland

Portugal

Russia

Serbia

Slovakia

Slovenia

Spain

Sweden

Turkey

United Kingdom